



BAUXITE RESOURCES LIMITED



ANNUAL REPORT 2018

ABN 72 119 699 982

Corporate Information

ABN 72 119 699 982

DIRECTORS

Robert Nash – Non-Executive Chairman
Luke Atkins – Non-Executive Director
Neil Lithgow – Non-Executive Director
Zhaozhong Wang – Non-Executive Director

CHIEF EXECUTIVE OFFICER & COMPANY

SECRETARY

Sam Middlemas

CHIEF FINANCIAL OFFICER

Patrick Soh

REGISTERED OFFICE

Suite 10, 295 Rokeby Road
SUBIACO WA 6008
Telephone +61 8 9200 8200
Facsimile +61 8 9200 8299
Email: admin@bauxiteresources.com.au
Web: www.bauxiteresources.com.au

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
Alexandrea House
Suite 1, 770 Canning Highway
PO Box 535
APPLECROSS WA 6953
Telephone +61 8 9315 2333
Facsimile +61 8 9315 2233

AUDITORS

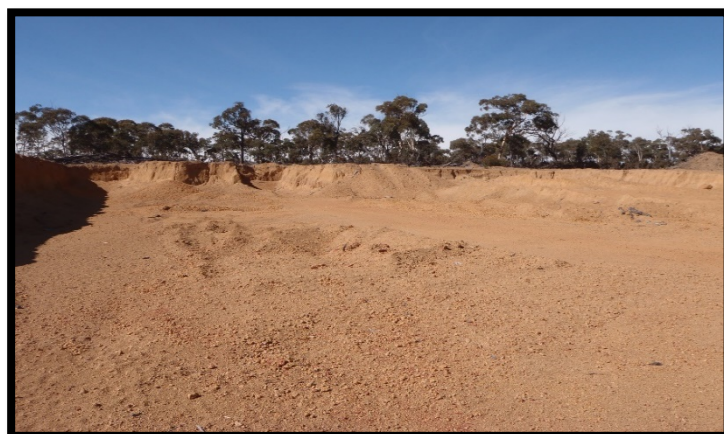
Moore Stephens
Level 15, 2 The Esplanade
PERTH WA 6000
Telephone +61 8 9225 5355
Facsimile +61 8 9225 6181

STOCK EXCHANGE LISTING

ASX Code: BAU

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Chairman's Letter to Shareholders 2018

Dear Shareholders,

2018 FINANCIAL YEAR IN REVIEW

The financial year ending 30 June 2018 was a busy period at Bauxite Resources Limited ("the Company").

The focus of the Company during the year was centred upon:

- (a) a number of high purity silica sand and quartz projects, being developed within the Company's wholly owned subsidiary, Australian Silica Quartz Pty Ltd ('ASQ');
- (b) the continued exploration and maintenance of the bauxite assets held in the joint venture with our Chinese joint venture partner, HD Mining; and
- (c) dealing with the proportional off market takeover bid by Mercantile OFM Pty Ltd ("Mercantile").

Silica Sand Projects

The financial year started with a focus on the recently pegged silica sands tenements around Gingin, Albany and Esperance in Western Australia, where pegging was based on historical exploration data. The goal was to achieve a high grade silica sand product. The work continued with desktop and field assessments of the various tenements along with investigations and assessments of the logistics and end product market options.

Samples taken from the field returned encouraging results following washing, screening and density separation with sand characterisation resulting in samples of up to 99.94% SiO₂ in purity. Testing was completed in Australian laboratories and also through a specialist silica laboratory in Germany, indicating that the sand is suitable for a number of end use applications. The Company has received multiple trade enquiries for export silica products, and work is continuing to align the silica test work and planned exploration with identified market demand.

The company continues to keep under active consideration the potential spin-off and listing of its wholly owned subsidiary ASQ, and will continue to monitor market and broker appetite for that.

Bauxite Projects

Work also continued on the bauxite assets held as part of the Bauxite Resources / HD Mining and Investments Joint Venture, with HD Mining funding 100% of exploration activity. Drilling was undertaken at the Dionysus and Ceres resources leading to an upgrade to the total resource to 94.7Mt of Inferred and Indicated Mineral Resource which was a pleasing result. Work will continue on these projects with the joint venture budgets approved for 2018/19 year work programme.

Proportional Takeover Bid

In November 2017, the Company received a Proportional Off-Market Takeover bid from Mercantile for 50% of the Company's issued ordinary shares at a price of 9 cents per share. Mercantile announced that, if it was successful in its bid, it proposed (amongst other things) to negotiate a termination of the Company's joint venture with HD Mining, cease all exploration activities, sell the Company's fixed assets, and after payment of liabilities return remaining funds to shareholders. In effect, Mercantile were proposing to voluntarily wind up the Company if they were successful in their bid.

The board commissioned an Independent Experts Report and valuation of the Company's assets in accordance with its statutory obligations. The Expert Report valued the Company's assets at a range of 11 cents to 13.3 cents per share with a preferred valuation of 12.1 cents per share (as at the time of the valuation).

Mercantile increased its offer to shareholders to 11 cents per share in January 2018, with the offer subsequently reduced to 6 cents per share following the 5c per share return of capital made by the Company (see below).

After a number of extensions, Mercantile's bid expired on 30 June 2018.

Mercantile has accumulated a substantial shareholding in the Company primarily by purchasing them on market, with its shareholding in the Company now being approximately 17% of the total shares on issue (of which about 1% represents shares acquired as a result of acceptances of its off market bid).

Change of Constitution

In February, the Company received a notice under s. 249D of the Corporations Act from a shareholder holding more than 5% of the Company's shares, seeking a change of the Constitution of the Company so as to require that proportional take-over bids are subject to approval of the shareholders. A new Constitution with a proportional takeover approval provision was adopted at the Company's EGM held on 23 March 2018.

Other significant activities

During the course of the year, the Company's executives and board have also reviewed a number of other potential transactions, none of which were considered by the board to offer sufficient value accretion for shareholders given the costs involved. The board's preference has been to promote the low cost internal generation of new projects where possible.

In December, the board resolved, subject to subsequent shareholder approval (which was given on 30 January 2018), to make a 5c per share capital return to shareholders as part of the Company's ongoing capital management focus.

As at 30 June 2018, apart from its wholly owned and HD Mining JV tenement interests, the Company had:

- (a) \$4.9M (approx.) in the bank with no debt,
- (b) two freehold rural properties, and
- (c) the retained royalty right in respect of in respect of the first 100 million tonnes of bauxite mined from the 227.9Mt Felicitas and Fortuna world class bauxite projects held by Yankuang Resources (being a royalty of 0.9% of the price paid for the mined bauxite, estimated to be about 50c per tonne.)

I thank our CEO, Sam Middlemas, for all his work during the year, and in particular in keeping the focus on the Company's operational activities while the take-over distractions were present. I also thank our small team of staff and my committed fellow board members for their support and hard work during this period.

Finally, I thank you, the shareholders, for your continued support of the Company, and again assure you that your board, together with our committed staff and CEO, are focused on building long term shareholder value and returns as we move forward.

Yours sincerely



Robert Nash
Chairman

Review of Operations

BAUXITE

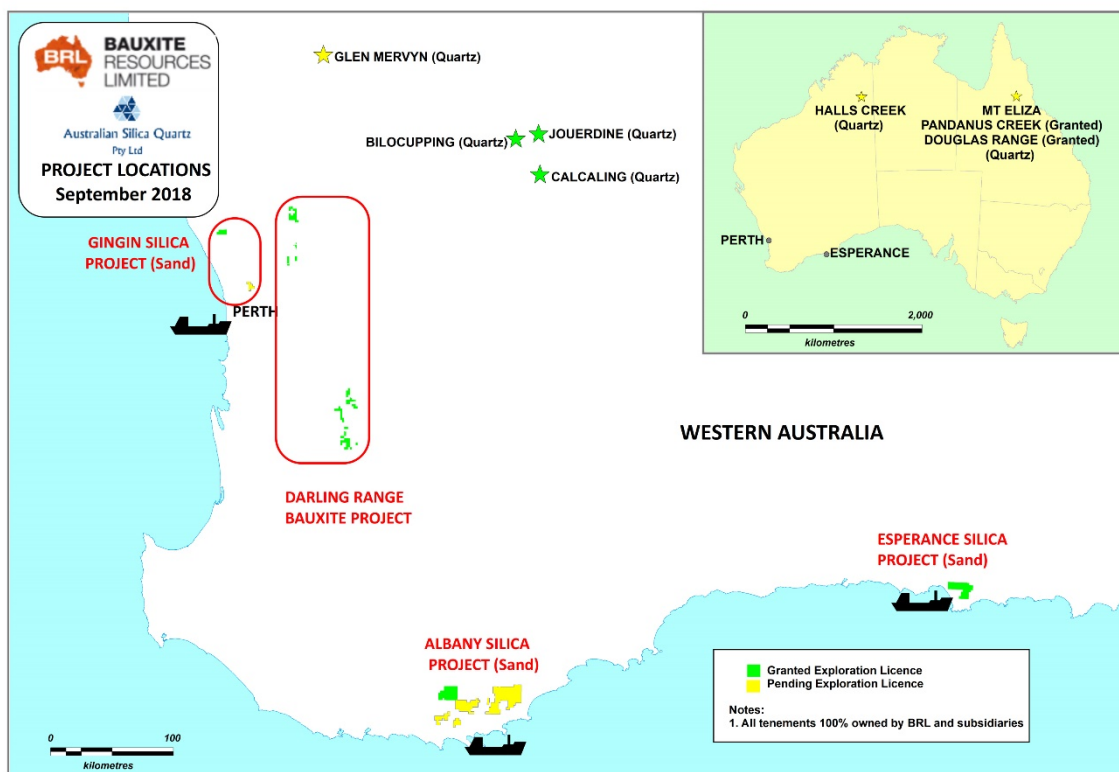
In 2010 the Company entered into a joint venture with HD Mining & Investment Pty Ltd (HD Mining) a wholly owned subsidiary of the Shandong Bureau No1 Institute for Prospecting of Geology & Minerals (Shandong) to explore for bauxite. The JV provides for HD Mining to fund 100% of exploration and feasibility costs for HD Mining to earn:

- a) a 40% interest in any defined area of exploration on the making a binding commitment by HD Mining to undertake a detailed feasibility study for the commercial mining of the defined area; and
- b) a further 20% interest in a defined area upon completion of the feasibility study and the making by the JV committee of a decision to commence mining.

Following drilling in the previous financial year a resource upgrade was completed at the Ceres Bauxite Resource. Further exploration activity by the company and joint venture partner on bauxite projects was limited by fiscal restraints within the Shandong Bureau. Several tenements have been granted Retention Status allowing the company to focus the limited joint venture funds on the assessment for development of the Dionysus Bauxite Resource. Additional work focussed on strategic planning and target generation within the JV land holdings to ensure a pipeline of quality bauxite projects is maintained.

BRL and its joint venture partner’s total bauxite resources stand at 94.7Mt as at 30 June 2018 (refer to Mineral Resources Table 1 for resources details). BRL considers the current resources have potential for growth and provide opportunities for domestic and export exploitation

Figure 1: BRL Group Project Locations



Key resources, located in the eastern and northern Darling Range, display low reactive silica and high available alumina to reactive silica ratios, making them attractive for refining. The majority of alumina present is the trihydrate mineral gibbsite, which enables cost effective, low temperature extraction.

BRL resources are predominantly located on large private land holdings (typically cleared farmland), in proximity to road and rail infrastructure. Bauxite is shallow, typically with less than 2m of loose overburden, requiring limited pre-stripping, attributes that indicate potential to support long life, low cost bauxite operations.

Athena, Ceres and Dionysus bauxite resources, as described below, are key projects that form part of the joint venture with HD Mining & Investments Pty Ltd (HD Mining). The current joint venture with HD Mining is a Farm-in Agreement that requires HD Mining to fund 100% of all exploration and feasibility costs to earn 60% of the bauxite rights upon a decision to mine.

Dionysus (HD mining JV)

Dionysus is located on one private landholding, approximately 100km north east of Perth, and situated in proximity to existing rail infrastructure providing a link to Kwinana Port. In 2015 the Company completed close spaced drilling confirming continuity of grade and bauxite thickness and commenced the collection of baseline environmental data, with the establishment of a small number of water level monitoring bores. BRL completed reconnaissance exploration drilling on extensional areas of the Dionysus bauxite resource in early 2017. Results were encouraging and infill drilling of selected areas has been recommended and is planned to be undertaken in 2019.



Recent improvements in the bauxite market have renewed interest in the Dionysus project as it is seen as the priority resource within the joint venture. The Company plans to undertake more detailed assessment of the potential for developing this resource over the next twelve months.

Athena & Ceres (HD mining JV)

Athena and Ceres consist of deposits located on a number of private land holdings on exploration licences E70/3179, E70/3180 and E70/3890, between the townships of Wandering, Williams and Pingelly, approximately 120km southeast of Perth.

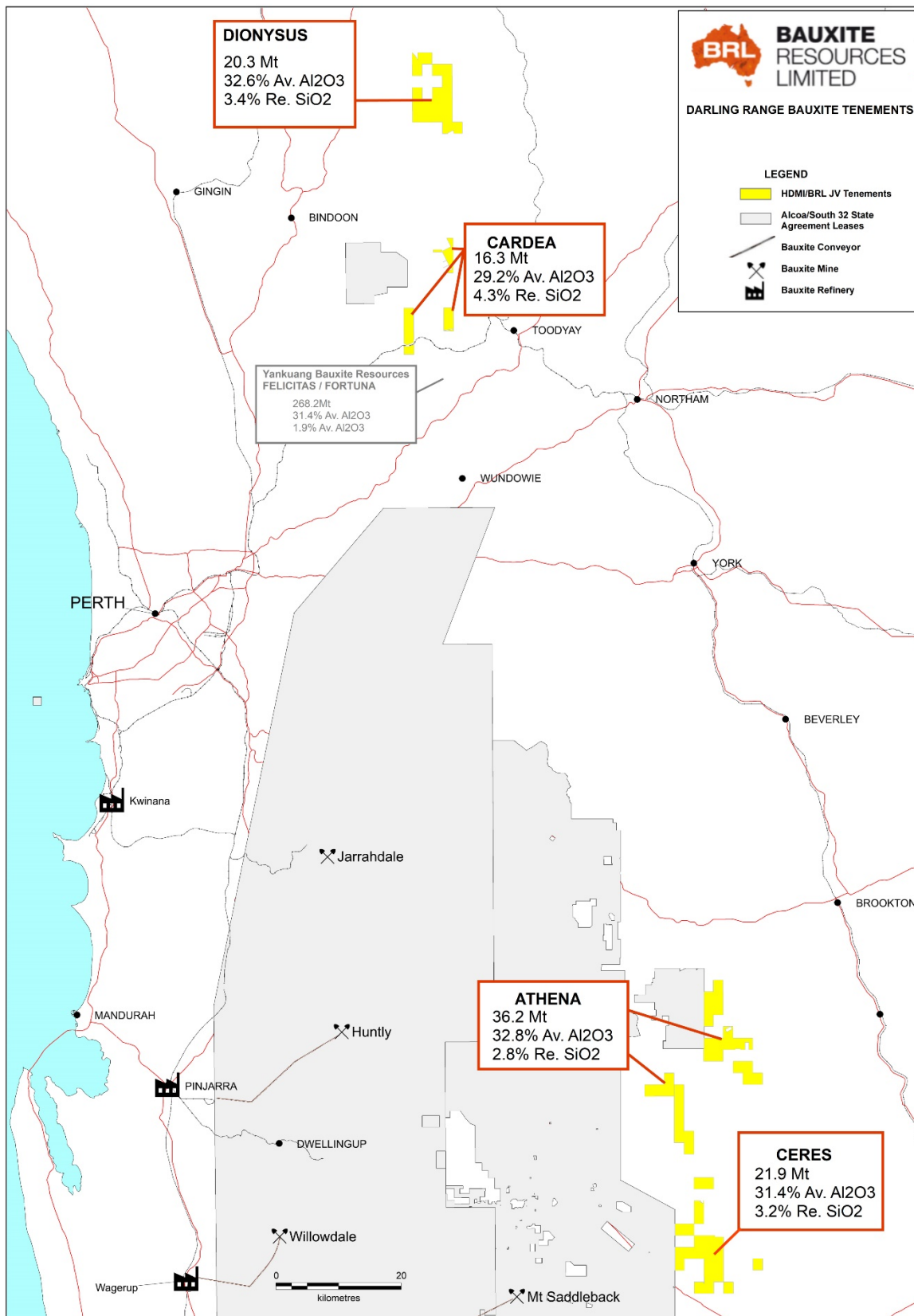
The Athena resource was upgraded in July 2014 following a phase of growth drilling taking the resource to 36.2Mt (see ASX announcement 15/07/14).

The 21.9Mt Inferred Ceres resource was updated in March 2018 (refer full detail in the 23 April 2018 Announcement – 48% increase in Bauxite Resource at Ceres Deposit in Darling Range, WA) following drilling completed in 2017.

Both the Ceres and Athena resources are shallow and display typical bauxite thickness of 1 - 3m and up to 13m. The project area is yet to be constrained by drilling and as such potential remains to further grow these resources subject to additional land access. Athena and Ceres make up a combined resource total in the eastern Darling Range in excess of 50Mt.

E70/3179 and E70/3890 have recently been granted Retention Status.

Figure 2: BRL Darling Range tenement holding and resource locations



SILICA

High Grade Silica (99.5-99.8% SiO₂) and high purity silica (>99.95% SiO₂) currently have a wide range of uses and applications. All indications suggest the high grade and high purity silica market is expected to grow strongly in the near future with greater demand from the PV Solar, Electronics, and Speciality Glass industries.

The Company has acquired a range of silica sand and hardrock projects by exploration licence applications 100% held by BRL's wholly owned subsidiary Australian Silica Quartz Pty Ltd (ASQ). These projects now consist of 3 granted exploration licences and 14 applications covering approximately 1,500km² within Western Australia and Queensland. During the financial year, the Company expanded its portfolio of quality silica tenements with three new exploration licence applications near the port of Albany prospective for high grade silica sand and a total of 8 applications for exploration licences targeting high purity hard rock quartz deposits in the Kimberly and Wheatbelt of Western Australia and in Far North Queensland.

Silica Sand Projects – Gingin, Albany and Esperance



The Gingin Silica Sand Project consists of one granted and one application exploration licences located 20-70km north of Perth, the Albany Silica Sand Project consists of one granted exploration licence and four exploration application licences within 10-70km of the Port of Albany and the East Esperance Silica Sand Project consists of a single granted exploration licence 15km East of the Port of Esperance. Desktop assessment of historical exploration data is well advanced along with investigations into logistics and market considerations. Roadside grab samples from the three Silica Sand Projects have returned encouraging results consistent with historically reported grades. Selected samples have been processed by washing, screening and density separation to give an indication of potential product characteristics with results up to 99.94% SiO₂ (refer full detail in the 14 December 2017 announcement Silica Sand and Hardrock Silica Quartz Project Updates). Mineral and chemical characterisation of a selected sample from each sand project was carried out at a specialist silica laboratory in Germany indicating the sand should be suitable for the

optical glass, glass sand, engineered stone and quartz filler markets. The company is in advanced discussions with an existing sand supplier in the Gingin project area and is looking at the potential to secure sand supplies for export. Following several visits to the Albany and Esperance Silica Sand projects key areas of interest have been identified and land access efforts have commenced. Briefings have been undertaken with the City of Albany and the respective Port Authority representatives. Following the launch of the ASQ Website in December 2017 (refer full detail in the 14 December 2017 announcement *Silica Sand and Hardrock Silica Quartz Project Updates*) the company has received multiple trade enquiries for export silica products. Along with several requests for direct investment in the projects. BRL is currently evaluating these enquiries and working to align the silica test work and planned exploration with market demand.



Silica Sand Deposits

Hardrock Silica Quartz Projects – Western Australia and Queensland

The company has in application four exploration licences in the South West of Western Australia, one in the East Kimberley and three in Far North Queensland. The leases cover known quartz deposits with the potential to contain high purity silica. Preliminary fieldwork is planned for Q1 & Q2 2019. A desktop review of quartz occurrences across West Australian has been followed up by field evaluation of a number of targets considered prospective for high purity hardrock quartz. None of the targets warranted further investigation and the company will now focus on exploring the prospective quartz bodies already pegged.

A research and development program is underway utilising samples collected from the companies tenement package. The program is investigating innovative processing techniques that could yield high purity product from high grade silica sand or quartz material.



Hard rock quartz hosted in a hydrothermal quartz vein in the Jouerdine locality.

Mineral Resources and Ore Reserves

The Company has completed an update to its Mineral Resources and Ore Reserves Statement for the twelve months ending June 30, 2018. The Company's total Bauxite Mineral Resources are estimated at 94.7Mt at an average available alumina grade of 31.8%. There has been an 8% increase in total resources from those reported in 2017. The Mineral Resource Statement as at 30 June, 2018 is provided in table 1.

JORC Code 2012 and ASX Listing Rules Requirements

This annual statement has been prepared in accordance with the 2012 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code 2012).

Information prepared and first disclosed under the JORC 2004 Edition, and not related to a material mining project, and which has not materially changed since last reported has not been updated.

There have been no material changes to material projects for the purposes of ASX Listing Rules 5.8 and 5.9 and as such Material Information Summaries or JORC Code 2012 Assessment and Reporting Criteria are not provided with this statement.

The Company advises that this material contains summaries of Exploration Results and Mineral Resources as defined in the JORC Code 2012. JORC compliant Public Reports released to the ASX declaring the exploration results or JORC resources referred to can be viewed on both the ASX and the Company websites, free of charge.

Governance

The annual audit of resources and reserves is carried out internally by the Company. BRL ensures that the Mineral Resources and Ore Reserves reviews are subject to appropriate internal controls, and in line with the Company's Mineral Resources and Ore Reserves Policy. The estimation procedures are well established and prepared by competent and qualified professionals. All resources are based on well-founded assumptions, and compliant with Joint Ore Reserves Committee (JORC) guidelines.

Competent Persons Statement

The information in this report that relates to exploration results, and to the Mineral Resources Statement as a whole, was compiled by Nick Algie. Mr Algie is a qualified geologist and a full time employee of Bauxite Resources Limited (BRL). He is a shareholder in BRL. Mr Algie is a member of the Australian Institute of Mining and Metallurgy, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Algie has consented to the inclusion in this report of material in the form and context in which it appears.

The information in this report that relates to specific Mineral Resources is based on and accurately reflects reports prepared or reviewed by the Competent Persons named in Table 1. Mr Senini was an employee of the Company at the time of resource estimation and remains competent person. Mr Searle is a director of Ashmore Advisory Pty Ltd and remains competent person. Mr Senini and Mr Searle are members of the Australian Institute of Geoscientists, and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Each Competent Person consents to the inclusion of material in the form and context in which it appears.

Forward Looking Statements

This report may include forward looking statements. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “continue”, or other similar words and may include, without limitation, statements regarding plans, strategies, and objectives of management. Forward looking statements inherently involve known and unknown risks, uncertainties and other factors that may cause the company’s actual results, performance and achievements to differ materially from anticipated results, performance or achievements. Forward looking statements are based on the Company and its management’s good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect the company’s business and operations in the future. The Company does not give any assurance that the assumptions on which forward looking statements are based will prove to be correct, or that the Company’s business or operations will not be affected in any material manner by these or other factors not foreseen or foreseeable by the Company or management or beyond the Company’s control. Accordingly, readers are cautioned not to place undue reliance on forward looking statements.

Resources as at June 30 2018									Resources as at June 30 2017				
Deposit	Resource Category	Size Mt	Al ₂ O ₃ (total) %	Al ₂ O ₃ (available) %	SiO ₂ (total) %	SiO ₂ (reactive) %	JORC details	Competent Person	Size Mt	Al ₂ O ₃ (total) %	Al ₂ O ₃ (available) %	SiO ₂ (total) %	SiO ₂ (reactive) %
Athena	Inferred	36.2	41.8	32.8	18.1	2.8	2012	1	36.2	41.8	32.8	18.1	2.8
Dionysus	Inferred	20.3	42.1	32.6	12.0	3.4	2012	1	20.3	42.1	32.6	12.0	3.4
Cardea (1&2)	Inferred	6.4	41.8	29.3	15.7	4.3	2004	2	6.4	41.8	29.3	15.7	4.3
Cardea 3 (HDM)	Indicated	1.5	42.8	30.0	16.8	4.0	2012	1	1.5	42.8	30.0	16.8	4.0
	Inferred	8.4	40.3	28.9	17.0	4.4			8.4	40.3	28.9	17.0	4.4
Ceres	Inferred	21.9	41.2	31.4	20.4	3.2	2012	1	14.8	41.5	31.7	19.5	3.0
HDM sub-total		94.7	41.6	31.8	17.0	3.3			87.6	41.7	31.9	16.6	3.3
Measured													
Total	Indicated	1.5	42.8	30.0	16.8	4.0			1.5	42.8	30.0	16.8	4.0
	Inferred	93.2	41.6	31.8	17.0	3.3			86.1	41.7	31.9	16.6	3.2
Total Bauxite Resources		94.7	41.6	31.8	17.0	3.3			87.6	41.7	31.9	16.6	3.3

Note: The Competent Persons are as follows.

- (1) Shaun Searle
- (2) Peter Senini

Annual Financial Report

For the year ended 30 June 2018

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Director's Report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Bauxite Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2018.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Where applicable, all current and former directorships held in listed public companies over the last three years have been detailed below. Directors were in office for this entire period unless otherwise stated.

NAMES, QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

Robert Nash, B Juris LLB, Public Notary (Non-Executive Chairman)

Mr Nash is a lawyer by profession and currently practises as a barrister. He recently retired from the position of Head of WA Navy Reserve Legal Panel. He has served as a council member of the Law Society of Western Australia for 8 years, a Convenor of the Law Society Education Committee and as a member of the Ethics and Professional Conduct Committees.

Mr Nash joined the board before the Company listed in 2008. He was appointed Chairman in August 2013.

Mr Nash has not held any other listed company directorships in the last 3 years.

Luke Atkins, LLB (Non-Executive Director)

Mr Atkins previously practised as a lawyer and was the principal of Atkins and Co Lawyers, a Perth based legal firm which he owned and managed for seven years. Mr Atkins brings to the Company extensive experience in capital raising and public listed companies.

Mr Atkins is currently Chairman of ASX listed Altech Chemicals Limited (8 May 2007 to current) and has interests in a number of enterprises including agriculture and property development.

Neil Lithgow, MSc, FFin, MAusIMM (Non-Executive Director)

Mr Lithgow is a geologist by profession with over 25 years experience in mineral exploration, economics and mining feasibility studies covering base metals, coal, iron ore and gold.

Mr Lithgow is a non-executive director of Aspire Mining Limited (12 February 2010 to current) and he is a member of the Australian Institute of Mining and Metallurgy and the Financial Services Institute of Australia.

Mr Lithgow has not held any other listed company directorships in the last 3 years.

Zhaozhong Wang, (Non-Executive Director)

Mr Wang is the representative from the Company's substantial shareholder, HD Mining & Investments Pty Ltd ("HD Mining"). Mr Wang is Manager of HD Mining which is a subsidiary of Shandong No1 Geo-mineral Exploration Institute at the Shandong Bureau of Geology in China and is based in Perth, Western Australia.

He is a qualified senior geologist who graduated from the Geological Science Institute of Shandong Jianzhu University in June 1991. He has been involved in geological exploration and survey and was previously in charge of the following Chinese projects: Pingdu Hill Gold, Dawenkou Mazhuang county Gypsum Project, Shandong Longkou Liangjia Coal Project and Laizhou Sanshan Island Gold Project.

He has accumulated geological experience in the Chinese mining industry including gold, copper, coal, iron, gypsum and bauxite.

Mr Wang has not held any other listed company directorships in the last 3 years.

Directors' Report cont.

CHIEF EXECUTIVE OFFICER & COMPANY SECRETARY

Sam Middlemas, B.Com., PGrad DipBus., CA (Chief Executive Officer and Company Secretary)

Sam Middlemas is a Chartered Accountant with over 20 years of commercial experience in the mining and resources sector. Sam was formerly a Non-Executive Director of the ASX Listed Elemental Minerals Limited, including Non-Executive Chairman for 3 years, and formally a Non-Executive Director of the ASX listed Rubicon Resources Limited. He has previously worked or consulted for a number of ASX, TSX and AIM listed Companies, acting in roles including Chief Executive Officer, Non-Executive Director, Chief Financial Officer and Company Secretary to a number of listed public companies over the last 20 years.

He was appointed Company Secretary for Bauxite Resources Limited on 6 July 2012, and Chief Executive Officer on 21 October 2015. He also acts as Company Secretary and CFO for Ardea Resources Limited.

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors and their related bodies corporate in the shares, options and performance rights of Bauxite Resources Limited were:

	Ordinary Shares
Robert Nash	330,000
Luke Atkins	22,539,574
Neil Lithgow	20,366,666
Zhaozhong Wang ¹	19,700,000

Note 1: Mr Wang is the corporate representatives of HD Mining and Investment Pty Ltd, who is the holder of shares in the Company.

OPERATING AND FINANCIAL REVIEW

OPERATING REVIEW

The Company's main activities during the year focussed on exploration through the Bauxite managed HD Mining Joint Venture ("HDMI") where Bauxite resources at 30 June 2018 stood at 94.7 million tonnes (see table 1 for resource details), and the Silica Sands Project through its wholly owned subsidiary Australian Silica Quartz Pty Ltd.

A number of Silica Sands tenements have been pegged around Gingin, Albany and Esperance with and preliminary work was undertaken during the year. There were no other significant changes in the nature of the Group's activities during the year.

FINANCIAL REVIEW

The Group has recorded a loss for the period after income tax for the year ended 30 June 2018 of \$1,450,706 (2017: \$498,466 loss).

Included in the operating profit was expenditure on exploration totalling \$417,810 compared to \$369,898 in the year ended 30 June 2017. The group does not capitalise exploration expenditure, but writes off the full amount of expenditure incurred each year. Employment Benefits expense declined from \$262,385 in 2017 to \$247,300 in the 2018 year. During the year the group was subjected to an off-market takeover bid seeking to acquire 50% of investors shares, and incurred over \$170,075 was expended in legal, financial and administration costs in meeting Statutory obligations in defending the bid.

The Group earned \$280,462 in interest revenue in the year compared to \$433,059 in 2017, that is largely reflective of the company's lower cash balance and decline in interest rates over the course of the past two financial years. The average rate earned on investments during the year was 2.42%, compared to an average rate of 2.59% in 2017. The Group's cash balances reduced by \$11,606,750, including a capital return to shareholders of \$10,721,117 over the course of the year.

The Group ended the financial year with cash reserves of \$4,929,206 (2017: \$16,535,956).

The Cash Flow Statement on page 25 of this Annual Financial Report sets out details of the use of these cash funds and the Group's operating cash flows were able to deliver cost reductions though out the year.

DIVIDENDS

No dividends were paid or declared during the financial year. No recommendation for payment of dividends has been made.

Directors' Report cont.

SHAREHOLDER RETURNS

	2018	2017
Basic earnings per share (cents)	(0.68)	(0.23)
Diluted earnings per share (cents)	(0.68)	(0.23)

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company continues to explore for additional bauxite resources within its existing tenements and more particularly through the HD Mining Joint Venture and work on the Silica Sand projects.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year.

RISK MANAGEMENT

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There has not been any matters or circumstance that have arisen since 30 June 2018 which significantly affected or could significantly affect the operations of the consolidated group in future financial years.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to environmental regulation in respect to its exploration activities. The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the year under review.

Directors' Report cont.

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Service agreements
- C Details of remuneration
- D Share-based compensation
- E Equity instrument disclosures relating to key management personnel
- F Performance based remuneration
- G Loans to key management personnel
- H Other transactions with key management personnel
- I Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

A Principles used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of the Company has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Company is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive a base salary, which is based on factors such as responsibilities and experience. The executives of the Company outside the directors are also eligible to participate in the Company's Performance Rights Plan as approved by Shareholders in November 2017. The Board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

The Australian based executive directors and executives receive a superannuation guarantee contribution required by the government, which was 9.5% in 2017/2018, and do not receive any other retirement benefits. Board members were awarded Performance Rights that were approved by shareholders at the 2017 AGM.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Options or rights are valued using the Black Scholes or binomial option pricing methodology.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently \$600,000). Fees for non-executive directors were \$20,000 per annum with additional fees payable for membership of other board related committees. The fees are not linked to the performance of the Group, however, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company. Directors were also issued Performance Rights following approval at the 2017 Annual General Meeting.

Directors' Report cont.

Company performance, shareholder wealth and directors' and executives' remuneration

Historically, a number of performance rights have been granted to key management personnel and are linked to the company performance through market based performance conditions. There were 10 million performance rights issued to directors during the financial year. Details on the proportion of remuneration is detailed in Part F of the remuneration report.

The following table shows the gross revenue, losses and earnings per share for the current and prior year.

	2018	2017
	\$	\$
Revenue	678,378	856,586
Net profit/(loss)	(1,450,706)	(498,466)
Earnings per share (cents)	(0.68)	(0.23)

B Service agreements

The details of service agreements of the key management personnel of Bauxite Resources Limited and the Group are as follows:

Contracted key management personnel are engaged on standard commercial terms.

Luke Atkins – Consultancy agreement.

- Term of agreement – Commenced 1 July 2016, subject to a 3 months' written notice period.
- Monthly retainer fee of \$25,000 for providing business and projects counsel and advice to the Company as and when requested.

Sam Middlemas – Chief Executive Officer – Consultancy agreement.

- Term of agreement – Commenced 19 October 2015, subject to a 3 months' written notice period.
- Monthly minimum retainer fee of \$14,400 for providing Chief Executive Officer Services
- Company has provided an interest free loan of \$200,000 to reimburse the purchase of shares in Bauxite Resources Limited to be repaid earlier of 19 October 2019, or sale of shares, or within 3 months of Consultancy agreement being terminated.

Contracted key management personnel are engaged on standard commercial terms.

C Details of remuneration

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) and specified executives of Bauxite Resources Limited and the Bauxite Resources Group are set out in the following table.

The key management personnel of Bauxite Resources Limited and the Group include the directors and company secretary as per page 12 & 13 above.

The Chief Executive Officer has full authority and responsibility for planning, directing and controlling the activities of the Group. The Exploration Manager has authority and responsibility for planning, directing and controlling the exploration activities of the Group. The Chief Financial Officer has responsibility for planning directing and controlling the financial affairs of the Group, as directed by the Board. Given the size and nature of operations of Bauxite Resources Limited and the Group, there are no other employees who are required to have their remuneration disclosed in accordance with the Corporations Act 2001.

Directors' Report cont.

Key management personnel and other executives of Bauxite Resources Limited and the Group

	Short-Term			Post-employment benefits	Share-based Payments	Total	Percentage of remuneration consisting of performance rights
	Salary & Fees	Subsidiary Board and committee fees	Consultancy Fees		Performance Rights		
	\$	\$	\$	\$	\$	\$	%
2018							
Non-Executive Directors							
Robert Nash	50,000	20,000	-	6,650	18,365	95,015	19%
Luke Atkins ¹	20,000	20,000	287,500	3,800	36,730	368,030	10%
Neil Lithgow	20,000	20,000	-	3,800	18,365	62,165	30%
Zhaozhong Wang	20,000	-	-	-	18,365	38,365	48%
Key Management Personnel							
Sam Middlemas ²	-	-	186,930	-	-	186,930	-
Nick Algie	242,500	-	-	23,038	-	265,538	-
Patrick Soh	-	-	23,125	-	-	23,125	-
Total Remuneration	274,000	60,000	497,555	37,288	91,825	1,039,168	-
2017							
Non-Executive Directors							
Robert Nash	50,000	20,000	-	6,650	-	76,650	-
Luke Atkins ¹	20,000	20,000	150,000	3,800	-	193,800	-
Neil Lithgow	20,000	20,000	-	3,800	-	43,800	-
Zhaozhong Wang	20,000	-	-	-	-	20,000	-
Key Management Personnel							
Sam Middlemas ²	-	-	172,800	-	-	172,800	-
Nick Algie	164,000	-	-	15,580	-	179,580	-
Patrick Soh	-	-	32,500	-	-	32,500	-
Total Remuneration	274,000	60,000	355,300	29,380	-	719,130	-

Notes:

(1) Mr Atkins receives consulting fees through his entity Executive Resource Personnel Pty Ltd.

(2) Mr Middlemas receives consulting fees through his entity Sparkling Resources Pty Ltd.

D Share-based compensation

Options or performance rights may be issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to certain directors (determined by the Board) and executives of Bauxite Resources Limited to increase goal congruence between executives, directors and shareholders. Performance rights are issued with specific performance criteria required to be achieved. The Company does not have a formal policy in relation to the key management personnel limiting their exposure to risk in relation to the securities, but the Board actively discourages key personnel management from obtaining mortgages in securities held in the Company.

Directors' Report cont.

The following performance rights were granted to or vested with key management personnel during the past 2 years (Please see section E(iii) regarding vesting or expiry of rights):

	Grant Date	Granted Number	Vested Number as at 30 June 2018	Date vesting or vested and exercisable	Expiry Date	Exercise Price (cents)	Value per performance rights	Exercised Number
2018								
Performance Rights ¹								
Tranche 1	10/11/2017	3,333,331	Nil	10 May 2019	10 May 2019	Nil	4.2c	Nil
Tranche 2	10/11/2017	3,333,334	Nil	10 Nov 2019	10 Nov 2019	Nil	2.54c	Nil
Tranche 3	10/11/2017	3,333,335	Nil	10 Nov 2020	10 Nov 2020	Nil	0.9c	Nil
2017								
	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

(1) The Performance Rights were issued in 3 equal tranches with the Performance Hurdles for each of the tranches being the 10 day VWAP of the Company's Shares on the Expiry Date exceeding 12.6 cents per share for Tranche 1, 14.7 cents per share for Tranche 2, and 16.8 cents per share for Tranche 3. All other terms of the Performance rights were standard terms.

E Equity instrument disclosures relating to key management personnel

(i) Option holdings

There were no options over ordinary shares in the Company held during the financial year by each director of Bauxite Resources Limited and other key management personnel of the Group (2017: Nil), including their personally related parties.

No Directors or key management personnel hold options in the Company.

(ii) Shareholdings

The numbers of shares in the Company held during the financial year by each director of Bauxite Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Ordinary shares	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
2018				
Directors of Bauxite Resources Limited				
Robert Nash	330,000	-	-	330,000
Luke Atkins	20,215,767	-	2,323,807	22,539,574
Neil Lithgow	19,366,666	-	1,000,000	20,366,666
Other key management personnel of the Company				
Sam Middlemas	5,700,000	-	2,006,302	7,706,302
Nick Algie	209,520	-	-	209,520
2017				
Directors of Bauxite Resources Limited				
Robert Nash	324,900	-	5,100	330,000
Luke Atkins	19,898,512	-	317,255	20,215,767
Neil Lithgow	19,366,666	-	-	19,366,666
Other key management personnel of the Company				
Sam Middlemas	5,700,000	-	-	5,700,000
Nick Algie	128,520	81,000	-	209,520

No other Directors or key management personnel have shareholdings in the Company.

Directors' Report cont.

F Performance Right holdings

The number of performance rights in the Company held during the financial year by each director of Bauxite Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below:

	Balance at start of the year	Granted as compensation	Other changes	Balance at end of the year	Vested and exercisable	Unvested
2018						
Directors of Bauxite Resources Limited						
Robert Nash	-	2,000,000	-	2,000,000	-	2,000,000
Luke Atkins	-	4,000,000	-	4,000,000	-	4,000,000
Neil Lithgow	-	2,000,000	-	2,000,000	-	2,000,000
Zhaozhong Wang	-	2,000,000	-	2,000,000	-	2,000,000
Other key management personnel of the Company						
Nick Algie	-	-	-	-	-	-
2017						
Other key management personnel of the Company						
Nick Algie	81,000	-	(81,000)	-	-	-

No other Directors or key management personnel have performance rights in the Company.

G Loans to key management personnel

The Company provided an interest free loan of \$200,000 to the Chief Executive Officer, Sam Middlemas to reimburse the purchase of shares in Bauxite Resources Limited to be repaid earlier of 19 October 2019, or sale of shares, or within 3 months of Consultancy agreement being terminated. The amount of interest that would have been charged on an arm's-length basis is approximately \$5,000 for the 30 June 2018 financial year.

H Other transactions with key management personnel

Luke Atkins provided business and projects advice to Bauxite Resources Limited during the year under an agreement and was paid a fee of \$287,500 (2017: \$150,000). This amount paid was on arm's-length commercial terms and is included as part of the compensation.

The office premises that the Company rents for its registered office and principal place of business is owned by Non-Executive Director, Luke Atkin's Mother. During the year the Company paid \$48,995 (2017: \$50,644) rent and outgoings on normal commercial terms and conditions.

I Additional information

DIRECTORS' MEETINGS

During the year the Company held 6 meetings of directors. The attendance of directors at meetings of the Board were:

	Directors meetings				Committee meetings			
	Held	Attended	Audit		Remuneration		Nomination	
			Held	Attended	Held	Attended	Held	Attended
Robert Nash	6	6	2	2	1	1	1	1
Luke Atkins	6	6	2	2	1	1	1	1
Neil Lithgow	6	6	2	2	1	1	1	1
Zhaozhong Wang	6	1	N/A	N/A	N/A	N/A	N/A	N/A

SHARES UNDER OPTION

There were no options on issue at the end of the financial year and there were no new options issued, or cancelled during the year.

As at 30 June 2018 there were the 10,000,000 (2017 - Nil) performance rights on issue.

Directors' Report cont.

INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the Company has paid premiums insuring all the directors of Bauxite Resources Limited against costs incurred in defending proceedings for conduct other than:

- (a) a wilful breach of duty; or
- (b) a contravention of sections 182 or 183 of the Corporations Act 2001,

as permitted by section 199B of the Corporations Act 2001. The total amount of insurance contract premiums paid is \$19,116 (2017: \$17,778).

NON AUDIT SERVICES

The following non audit services were provided by the entity's auditor, Moore Stephens or associated entities. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;

None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Moore Stephens received or are due to receive the following amounts for the provision of non-audit services:

	2018	2017
	\$	\$
Taxation services	4,900	4,000

CORPORATE GOVERNANCE

In accordance with ASX Listing Rule 4.10.3 the Company has elected to publish its corporate governance statement on its website. The corporate governance statement can be found at www.bauxiteresources.com.au/corporate-governance.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 21.

Signed in accordance with a resolution of the directors.



Robert Nash

Chairman

Perth, 25th September 2018

Auditor's Independence Statement

MOORE STEPHENS

Level 15, Exchange Tower,
2 The Esplanade, Perth, WA 6000
PO Box 5785, St Georges Terrace,
WA 6831

T +61 (0)8 9225 5355

F +61 (0)8 9225 6181

www.moorestephens.com.au

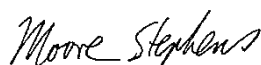
AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF BAUXITE RESOURCES LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018, there have been:

- a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



NEIL PACE
PARTNER



MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 25th day of September 2018.

Statement of Profit or Loss and Other Comprehensive Income

Year Ended 30 June 2018

	Notes	Consolidated Group	
		2018 \$	2017 \$
Recoupment of exploration costs	4	250,259	246,873
Other income	4	147,665	176,654
Interest income	4	280,462	433,059
Employee benefits expense		(247,300)	(262,385)
Exploration expenses as incurred		(417,810)	(369,898)
Consultants fees		(514,062)	(365,850)
Expenses related to the Mercantile Takeover		(170,075)	-
Administration expenses		(232,571)	(193,995)
Depreciation and amortisation expense		(25,125)	(169,562)
Impairment of property, plant & equipment		(430,642)	-
Gain/(loss) on disposal of fixed assets		318	6,638
Share-based payments expense	26	(91,825)	-
Profit / (loss) before income tax	5	(1,450,706)	(498,466)
Income tax expense	6	-	-
Profit / (loss) for the period		(1,450,706)	(498,466)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income/(loss) for the period		(1,450,706)	(498,466)
Loss for the period is attributable to:			
Owners of Bauxite Resources Limited		(1,450,706)	(498,466)
Earnings per share			
From continuing and discontinued operations:			
Basic earnings per share (cents)		(0.68)	(0.23)
Diluted earnings per share (cents)		(0.68)	(0.23)
From continuing operations:			
Basic earnings per share (cents)		(0.68)	(0.23)
Diluted earnings per share (cents)		(0.68)	(0.23)

The above statements should be read in conjunction with the notes to the financial statements.

Statement of Financial Position

At 30 June 2018

	Notes	Consolidated Group	
		2018 \$	2017 \$
CURRENT ASSETS			
Cash and cash equivalents	7	4,929,206	16,535,956
Trade and other receivables	8	198,726	217,837
TOTAL CURRENT ASSETS		5,127,932	16,753,793
NON CURRENT ASSETS			
Other financial assets	9	200,000	200,000
Property, plant and equipment	10	1,925,587	2,372,514
TOTAL NON CURRENT ASSETS		2,125,587	2,572,514
TOTAL ASSETS		7,253,519	19,326,307
CURRENT LIABILITIES			
Trade and other payables	11a	77,768	59,263
Provisions	11b	8,099	13,920
TOTAL CURRENT LIABILITIES		85,867	73,183
TOTAL LIABILITIES		85,867	73,183
NET ASSETS		7,167,652	19,253,124
EQUITY			
Contributed equity	12	55,914,469	66,641,060
Reserves	13(a)	653,044	561,219
Retained earnings / (accumulated losses)	13(b)	(49,399,861)	(47,949,155)
TOTAL EQUITY		7,167,652	19,253,124

The above statements should be read in conjunction with the notes to the financial statements

Statement of Changes in Equity

Year Ended 30 June 2018

Consolidated Group	Notes	Issued Ordinary Capital	Reserves	Retained Earnings	Total
		\$	\$	\$	\$
Balance at 1 July 2016		66,631,264	571,240	(47,450,689)	19,751,815
Profit for the period		-	-	(498,466)	(498,466)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	(498,466)	(498,466)
Performance shares converted to ordinary shares		10,021	(10,021)	-	-
Transaction costs associated with capital return		(225)	-	-	(225)
Balance at 30 June 2017		66,641,060	561,219	(47,949,155)	19,253,124
Loss for the period		-	-	(1,450,706)	(1,450,706)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	(1,450,706)	(1,450,706)
Return of capital		(10,721,117)			(10,721,117)
Performance rights issued during the period			91,825	-	91,825
Transaction costs associated with capital return		(5,474)	-	-	(5,474)
Balance at 30 June 2018		55,914,469	653,044	(49,399,861)	7,167,652

The above statements should be read in conjunction with the notes to the financial statements.

Statement of Cash Flow

Year Ended 30 June 2018

	Notes	Consolidated Group	
		2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		379,232	364,116
Payments to suppliers and employees		(1,123,032)	(851,418)
Payments for exploration expenditure		(452,524)	(383,809)
Interest received		324,687	434,155
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	24	(871,637)	(436,956)
CASH FLOWS FROM INVESTING ACTIVITIES			
Recoup/(payment)of security deposit		-	30,200
Receipts from sales of property, plant & equipment		318	6,792
Payments for property, plant and equipment		(8,840)	-
NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES		(8,522)	36,992
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment for capital return		(10,721,117)	-
Payment of capital return costs		(5,474)	-
Payment for issue of shares		-	(225)
NET CASH INFLOW FROM FINANCING ACTIVITIES		(10,726,591)	(225)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(11,606,750)	(400,189)
Cash and cash equivalents at the beginning of the financial year		16,535,956	16,936,145
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	4,929,206	16,535,956

The above statements should be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Bauxite Resources Limited and controlled entities (“Consolidated Group” or “Group”). The financial statements were authorized for issue on 25 September 2018 by the directors of the Company.

A Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and issued by the Accounting Standards Board (“AASB”) Interpretations and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (“IFRS”). Compliance with AIFRS ensures that the financial report of Bauxite Resources Limited complies with International Financial Reporting Standards (“IFRS”).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment. The financial report is presented in Australian dollars.

B Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Bauxite Resources Limited (“Company” or “parent entity”) as at 30 June 2018 and the results of all subsidiaries for the year then ended. Bauxite Resources Limited and its subsidiaries together are referred to in these financial statements as the ‘consolidated entity’.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net

Notes to the Financial Statements cont.

B Principles of consolidation cont.

assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

C Interests in joint ventures arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to Note 1(b) for a description of the equity method of accounting.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

D Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

E Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

F Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Notes to the Financial Statements cont.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

G Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 20). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

H Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

I Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

J Trade and other receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

K Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Notes to the Financial Statements cont.

K Investments and other financial assets cont.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Collectability of loans and receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables or in an otherwise timely manner. The amount of the impairment allowance is the difference between the asset's carrying amount and the estimated future cash flows. None of the Group's loans and receivables has an applicable interest rate hence the cash flows are not discounted.

The amount of the impairment loss is recognised in the income statement within impairment expenses. When a loan or receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Investments are designated available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of revenue from continuing operations when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial investments is determined are disclosed in Note 2d.

Notes to the Financial Statements cont.

K Investments and other financial assets cont.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

L Property, plant and equipment

Property

Freehold land and buildings are carried at historical cost less, where applicable, any accumulated depreciation and impairment losses. Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets excluding freehold land, is depreciated using the reducing balance method to allocate their cost, net of their residual values, over their estimated useful lives. Buildings are depreciated on a straight line basis.

The depreciation rates for each class of depreciable assets are:

Plant & equipment	8-50%	Motor vehicles	25-30%
Buildings	2.5%		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

M Tenement acquisition and exploration costs

Tenement acquisition and exploration costs incurred are written off as incurred.

N Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are paid on normal commercial terms.

Notes to the Financial Statements cont.

O Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the balance sheet date are recognised in other payables in respect of employees' services up to the balance sheet date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'), refer to Note 26.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes or binomial option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

P Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

The amount expended on the on-market buy-back of shares is debited to the share capital account to the extent of share capital available. Should the amount expended on on-market share buy-backs exceed the amount of available share capital, the remainder will be debited against distributable reserves.

Q Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

R Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Notes to the Financial Statements cont.

S New and amended accounting policies adopted by the group

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

T New accounting standards for application in future periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items.

The directors anticipate that the adoption of AASB 9 will not have a significant impact on the Group's financial instruments.

AASB 15 Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

The directors anticipate that the adoption of AASB 15 will not have a significant impact on the Group's financial statements.

Notes to the Financial Statements cont.

T New accounting standards for application in future periods cont.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, however the impact is not expected to be significant.

AASB 2014-10: Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-10: *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*).

This Standard amends AASB 10: Consolidated Financial Statements with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3 to an associate or joint venture, and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;
- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor's interest.

The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 January 2018. The directors anticipate that the adoption of AASB 2014-10 will not have a significant impact on the Group's financial statements.

U Critical accounting estimates and judgements

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes or binomial option pricing model, using the assumptions detailed in Note 26.

Impairment of assets

Notes to the Financial Statements cont.

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using estimated net realisable values which incorporate various assumptions such as current indicative values and expected future cash inflows.

2 FINANCIAL RISK MANAGEMENT

The Group's activities potentially expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all Board members to be involved in this process. The Chairman, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on risk management.

(a) Market risk

(i) Foreign exchange risk

As all operations are currently within Australia, the Group is not exposed to material foreign exchange risk.

(ii) Price risk

The Group is not exposed to any significant price risk.

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group and the parent entity \$4,929,206 (2017: \$16,535,956) is subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the year depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Group and the parent entity was 2.42% (2017: 2.59%).

Sensitivity analysis

At 30 June 2018, if interest rates had changed by +/- 80 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for both the Group and the parent entity would have been \$85,861 lower/higher (2017: \$133,888 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the Board has otherwise cleared as being financially sound. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

Notes to the Financial Statements cont.

The financial liabilities of the Group and the parent entity are confined to trade and other payables as disclosed in the Balance Sheet. All trade and other payables are non-interest bearing and due within 12 months of the balance sheet date. Given the relative size of the cash reserves, the Group is not currently exposed to any significant liquidity risk.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

3 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

	2018 \$	2017 \$
Current assets	5,127,932	16,753,793
Non-current assets	16,165,858	15,975,236
Total assets	21,293,790	32,729,029
Current liabilities	85,867	73,183
Total liabilities	85,867	73,183
Net assets	21,207,923	32,655,846
Shareholders' equity		
Contributed equity	55,914,469	66,641,060
Reserves	653,044	561,219
Accumulated profit/(loss)	(35,359,590)	(34,546,433)
Net equity	21,207,923	32,655,846
(Loss)/profit for the year after tax	(813,157)	(319,767)
Total comprehensive income/(loss)	(813,157)	(319,767)

(b) Guarantees entered into by parent entity

	2018 \$	2017 \$
Unconditional performance bonds issued in relation to credit card and rental obligations	-	-

The Company has no Guarantees in place (2017 - \$Nil).

(c) Contingent Liabilities of parent entity

Details and estimate of maximum amounts of contingent liabilities for which no provision is included in the accounts are as follows:

	2018 \$	2017 \$
Unconditional performance bonds issued in relation to credit card and rental obligations	-	-

The Company has no contingent liabilities (2017 \$Nil).

(d) Contractual commitments for the acquisition of property, plant and equipment

The Company has no contractual commitments for the acquisition of property, plant and equipment (2017: Nil).

Notes to the Financial Statements cont.

4 REVENUE

	Consolidated Group	
	2018 \$	2017 \$
Reimbursement of exploration costs	250,259	246,873
R&D Refund	57,909	-
Other revenue	89,756	176,654
Interest	280,462	433,059
	678,386	856,586

5 PROFIT/(LOSS) FOR THE YEAR

Expenses

	Consolidated Group	
	2018 \$	2017 \$
Lease payments	51,699	53,113
Other administration	143,892	140,882

6 INCOME TAX EXPENSE

	Consolidated Group	
	2018 \$	2017 \$
(a) The components of tax expense/(benefit) at 27.5% (2017: 30%) ¹ comprise:		
Current tax	-	-
Deferred tax	-	861,491
Over provision for income tax in prior years	-	(939,808)
Over provision for income tax in prior years – effect of reduction in corporate tax rate	-	78,317
Losses recouped not previously recognised	-	-
Income tax expense reported in the statement of profit and loss and other comprehensive income	-	-
(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax expense/(benefit):		
Profit/(loss) before income tax expenses/(benefit)	(1,450,706)	(498,466)
Prima facie tax expense/(benefit) on profit/(loss) from ordinary activities before income tax at 27.5% (2017: 27.5%) ¹	(398,944)	(137,078)
Add tax effect of:		
- Non-allowable items	25,313	155
- Revenue losses not recognised	501,929	1,306,309
	128,298	1,169,386
Less tax effect of:		
- Non-assessable items	15,925	-
- Deferred tax balances not recognised	112,373	307,895
- Over provision for income tax in prior years	-	939,808
- Over provision for income tax in prior years – effect of reduction in corporate tax rate	-	(78,317)
- Losses recouped not previously recognised	-	-
Income tax expense reported in the statement of profit and Loss and other comprehensive income	-	-

Notes to the Financial Statements cont.

6 INCOME TAX EXPENSE CONT.

(c)	Deferred tax recognised at 27.5% (2017: 30%) ¹ :		
	Deferred tax liabilities:		
	Accrued interest	(6,431)	(18,593)
	Other	(290)	(139)
	Deferred tax assets:		
	Carry forward revenue losses	6,721	18,732
	Net deferred tax	-	-
(d)	Deferred tax not recognised at 27.5% (2017: 30%) ¹ :		
	Deferred tax assets:		
	Carry forward losses	13,759,102	13,257,733
	Capital raising and restructuring costs	333,041	597,736
	Property, plant & equipment	118,427	-
	Exploration and development	25,369	25,369
	Provisions and accruals	8,415	7,678
		14,244,354	13,888,516

The tax benefits of the above Deferred Tax Assets will only be obtained if :

- the company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- the company continues to comply with the conditions for deductibility imposed by law; and
- no changes in income tax legislation adversely affect the company in utilising the benefits.

Tax consolidation

(i) Members of the tax consolidated group

Bauxite Resources Limited and its wholly owned Australian resident subsidiaries have formed a tax consolidated group with effect from 10 June 2008. Bauxite Resources Limited is the head entity of the tax consolidated group.

(ii) Tax effect accounting by members of the tax consolidated group

Measurement method adopted under UIG 1052 Tax Consolidated Accounting

The group has applied the Stand-Alone Taxpayer approach in determining the appropriate amount of current and deferred taxes recognised by members of the tax consolidated group. Each entity in the group recognises its own current and deferred tax assets and liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits and any current tax liability. Deferred tax assets resulting from unused tax losses and tax credits and the current tax liability are assumed and recognised by the parent entity. The group has not entered into any tax sharing or funding agreements.

Note 1: Reduction in corporate tax rate

The corporate tax rate for eligible companies will reduce from 30% to 25% by 30 June 2027 providing certain turnover thresholds and other criteria are met. Deferred tax assets and liabilities are required to be measured at the tax rate that is expected to apply in the future income year when the asset is realised or the liability is settled. The Directors have determined that the deferred tax balances be measured at the tax rates stated.

Notes to the Financial Statements cont.

7 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2018	2017
	\$	\$
Cash at bank and in hand	123,153	88,059
Short-term deposits	4,806,053	16,447,897
Cash and cash equivalents as shown in the balance sheet and the statement of cash flows	4,929,206	16,535,956

8 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2018	2017
	\$	\$
Trade debtors	39,026	83,014
R&D receivable	57,909	-
Accrued interest income	23,386	67,610
Prepayments	78,405	67,213
	198,726	217,837

The class of assets described as “trade and other receivables” is considered to be the main source of credit risk related to the Group.

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

	Gross Amount	Past due but not impaired (days overdue)			
		< 30	31–60	61–90	> 90
2018					
Trade and debtors	39,026	38,947	-	79	-
2017					
Trade and debtors	83,014	56,721	-	26,293	-

9 NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

	Consolidated Group	
	2018	2017
	\$	\$
Bonds & security deposits & loans receivable ¹	200,000	200,000
	200,000	200,000
1. Loan to CEO under consulting contract		

Notes to the Financial Statements cont.

10 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group	
	2018 \$	2017 \$
Plant and equipment		
Cost	2,469,738	2,460,898
Accumulated depreciation	(2,439,944)	(2,424,353)
Net book amount	29,794	36,545
Plant and equipment		
Opening net book amount	36,545	185,996
Depreciation charge	(15,591)	(160,657)
Acquisition	8,840	-
Disposals	-	(154)
Closing net book amount	29,794	36,545
Motor Vehicles		
Cost	85,023	85,023
Accumulated depreciation	(84,230)	(74,696)
Net book amount	793	10,327
Motor Vehicles		
Opening net book amount	10,327	13,769
Depreciation charge	(9,534)	(3,442)
Closing net book amount	793	10,327
Property and buildings		
Cost	2,989,956	2,989,956
Accumulated depreciation	(64,313)	(64,313)
Accumulated impairment losses	(1,030,643)	(600,000)
Net book amount	1,895,000	2,325,643
Property and buildings		
Opening net book amount	2,325,643	2,325,643
Impairment	(430,643)	-
Closing net book amount	1,895,000	2,325,643
Total Assets		
Cost	5,544,717	5,535,877
Accumulated depreciation	(2,588,487)	(2,563,362)
Accumulated impairment losses	(1,030,643)	(600,000)
Net book amount	1,925,587	2,372,515
Total Assets		
Opening net book amount	2,372,515	2,542,231
Depreciation charge	(25,125)	(169,562)
Acquisition	8,840	-
Disposal	-	(154)
Impairment	(430,643)	-
Closing net book amount	1,925,587	2,372,515

Impairment Losses – Property, Plant & Equipment

The directors engaged a licenced valuer to review the carrying values of property, plant and equipment during the financial year and the resulting values were adopted leading to an impairment charge to the Properties of \$430,643 (2017 - \$Nil).

Notes to the Financial Statements cont.

11 CURRENT LIABILITIES

		Consolidated Group	
		2018	2017
		\$	\$
(a)	Trade and other payables		
	Trade payables	53,439	10,289
	GST and tax liabilities	(9,262)	4,188
	Other payables and accruals	33,591	44,786
		<u>77,768</u>	<u>59,263</u>
(b)	Provisions		
	Annual and long service leave provisions		
	Opening balance at 1 July	13,920	13,082
	Additional provisions	22,400	21,149
	Amounts used	(28,221)	(20,311)
	Balance at 30 June	<u>8,099</u>	<u>13,920</u>

The provision represents annual leave and long service leave obligations expected to be settled within 12 months of the balance date and are measured at the amounts expected to be paid when the liabilities are settled.

12 CONTRIBUTED EQUITY

		2018		2017	
	Notes	Number of securities	\$	Number of securities	\$
(a)	Share capital				
	Ordinary shares fully paid	13b, 13d	59,914,469		66,641,060
	Total contributed equity		<u>59,914,469</u>		<u>66,641,060</u>
(b)	Movements in ordinary share capital				
	Beginning of the financial year	214,422,336	66,641,060	214,302,336	66,631,264
	Issued during the year:	-	-	120,000	10,021
	Capital returned	-	(10,721,117)	-	-
	Less: Transaction costs	-	(5,474)	-	(225)
	End of the financial year	<u>214,422,336</u>	<u>59,914,469</u>	<u>214,422,336</u>	<u>66,641,060</u>

(c) Options

During the year there were no options issued or on issue.

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(e) Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working

Notes to the Financial Statements cont.

(e) Capital risk management cont.

capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group at 30 June 2018 and 30 June 2017 are as follows:

	Consolidated Group	
	2018 \$	2017 \$
Cash and cash equivalents	4,929,206	16,535,956
Trade and other receivables	198,726	217,837
Trade and other payables	(77,768)	(59,263)
Working capital position	5,050,164	16,694,530

13 RESERVES AND ACCUMULATED LOSSES

	Consolidated Group	
	2018 \$	2017 \$
(a) Reserves		
Share-based payments reserve		
Balance at beginning of year	561,219	571,240
Performance shares converted to ordinary shares	-	(10,021)
Director performance rights issued	91,825	-
Balance at end of year	635,044	561,219
(b) Retained earnings / (accumulated losses)		
Balance at beginning of year	(47,949,155)	(47,450,689)
Net profit/(loss) for the year	(1,450,706)	(498,466)
Balance at end of year	(49,399,861)	(47,949,155)

14 DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

15 KEY MANAGEMENT PERSONNEL DISCLOSURES

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel ("KMP") for the year ended 30 June 2018.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	Consolidated Group	
	2018 \$	2017 \$
Short-term benefits	910,055	689,300
Post-employment benefits	37,288	29,380
Share-based payments	91,825	-
	1,039,168	719,130

The Company has taken advantage of the relief provided by AASB 2008-4 Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-H of the remuneration report on pages 15 to 19.

Notes to the Financial Statements cont.

15 KEY MANAGEMENT PERSONNEL DISCLOSURES CONT.

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits, consultancy fees and cash bonuses awarded to executive directors and other KMP.

Post-employment benefits

These amounts are the current-year's superannuation contributions made during the year.

Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

16 ASSOCIATES AND JOINT ARRANGEMENTS

HD Mining & Investment Pty Ltd

The Group has entered into a Farm-in arrangement with HD Mining & Investment Pty Ltd ("HDMI") to carry out exploration on tenements, and if warranted, to develop and exploit the tenements and carry out mining operations for the purpose of deriving production of Bauxite from them. HDMI has agreed to fund all costs to earn up to a maximum of 60% Participating Interest.

17 OPERATING SEGMENTS

The Consolidated Group has adopted AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 which requires operating segments to be identified on the basis of internal reports about components of the Consolidated Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Consolidated Group operates in one operating segment and one geographical segment, being mineral exploration in Australia. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Consolidated Group.

18 REMUNERATION OF AUDITORS

		Consolidated Group	
		2018	2017
		\$	\$
(a)	Audit services		
	Moore Stephens - audit and review of financial reports	20,703	22,413
	Total remuneration for audit services	20,703	22,413
(b)	Non-audit services		
	Moore Stephens – taxation services	4,900	4,000
	Total remuneration for other services	4,900	4,000

19 CONTINGENCIES

The Company is not aware of any contingent liabilities as at 30 June 2018 or at the date of this report.

Notes to the Financial Statements cont.

20 COMMITMENTS

		Consolidated Group	
		2018	2017
		\$	\$
(a)	Exploration commitments		
	The Company has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:		
	within one year	355,372	271,617
	later than one year but not later than five years	935,039	599,355
	Later than five years	-	-
		1,290,411	870,972
(b)	Commercial property lease commitments		
	within one year	12,249	12,249
	later than one year but not later than five years	-	-
	Later than five years	-	-
	Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	12,249	12,249
	The property lease is a two year lease cancellable with three months notice and rent payable monthly in advance.		

21 RELATED PARTY TRANSACTIONS

The only Related Party transactions were with members of the board and are disclosed in full in the Directors Report.

22 SUBSIDIARIES

Name	Country of Incorporation	Date of Incorporation	Class of Shares	Equity Holding ¹	
				2018 %	2017 %
Darling Range Pty Ltd	Australia	10 June 2008	Ordinary	100	100
Braeburn Resources Pty Ltd	Australia	24 July 2007	Ordinary	100	100
Darling Range South Pty Ltd	Australia	13 November 2008	Ordinary	100	100
Darling Range North Pty Ltd	Australia	23 March 2009	Ordinary	100	100
BRL Operations Pty Ltd	Australia	16 February 2009	Ordinary	100	100
BRL Landholdings Pty Ltd	Australia	16 February 2009	Ordinary	100	100
Australian Silica Quartz Pty Ltd ¹	Australia	25 March 2009	Ordinary	100	100
VA Holdings Pty Ltd	Australia	13 February 2009	Ordinary	100	100
Australian Silica & Quartz Limited ²	Australia	27 February 2018	Ordinary	100	-

Note 1 - Company Changed its name from BRL Other Minerals Pty Ltd

Note 2 - New Company incorporated during the financial period

23 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No matters or circumstance have arisen since 30 June 2018 which significantly affected or could significantly affect the operations of the consolidated group in future financial years.

Notes to the Financial Statements cont.

24 CASH FLOW STATEMENT

Reconciliation of net profit or loss after income tax to net cash flows from operating activities

	Consolidated Group	
	2018 \$	2017 \$
Net profit/(loss) for the year	(1,450,706)	(498,466)
Non cash Items		
Depreciation and amortisation	25,125	169,562
Share-based payments expense	91,825	-
Net (gain)/loss on disposal of property, plant and equipment	(318)	(6,638)
Impairment of property, plant & equipment	430,642	-
Sale of business working capital movements	-	-
	(903,432)	(335,542)
Movements in working capital, net of effects from purchase of controlled entities		
(Increase)/ Decrease in trade and other receivables	19,111	(70,474)
Increase/ (Decrease) in trade and other payables	18,505	(31,778)
Increase/ (Decrease) in provisions	(5,821)	838
Net cash inflow/(outflow) from operating activities	(871,637)	(436,956)

25 EARNINGS PER SHARE

(a) Reconciliation of earnings used in calculating earnings per share

	Consolidated Group	
	2018 \$	2017 \$
Profit or loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	(1,450,706)	(498,466)

(b) Weighted average number of shares used as the denominator

	Consolidated Group	
	2018 Number of shares	2017 Number of shares
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	214,422,336	214,397,678
Weighted average number of dilutive options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	214,422,336	214,397,678

All performance rights on issue are considered anti-dilutive and have not been included in the calculation of diluted earnings per share.

26 SHARE-BASED PAYMENTS

Performance Rights

Market based vesting conditions were valued using a hybrid share option pricing model that simulates the share price of the Company as at the test date using a Monte-Carlo model. For non-market based vesting conditions no discount was made to the underlying valuation model. During the year there were 10 million performance rights granted to Directors (2017 – Nil) with an SBP expense of \$91,825 – full details of these are included in the Directors Report.

Directors' Declaration

In the opinions of the directors of Bauxite Resources Limited (the "Company"):

- (a) the financial statements and notes and the remuneration disclosures that are contained in the Directors' Report, are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2018 and of their performance for the financial year ended on that date;
- (a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) the Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2018; and
- (c) note 1 confirms that the financial statements also comply with the International Reporting Standards as issued by the International Accounting Standards Board.
- (d) This declaration is made in accordance with a resolution of the directors.



Robert Nash
Chairman

Perth, 25 September 2018

Independent Auditor's Report

MOORE STEPHENS

Level 15, Exchange Tower,
2 The Esplanade, Perth, WA 6000
PO Box 5785, St Georges Terrace,
WA 6831

T +61 (0)8 9225 5355
F +61 (0)8 9225 6181

www.moorestephens.com.au

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BAUXITE RESOURCES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Bauxite Resources Limited (the Company) and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent Audit Report Cont.

Key Audit Matters (continued)

Valuation of Properties and Buildings	
Refer to Note 10 "Property, Plant and Equipment"	
<p>The Group's book value of property and buildings held as at 30 June 2018 amounted to \$1,895,000. Impairment testing resulted in a revaluation loss recorded in the consolidated statement of profit or loss and other comprehensive income during the year of \$430,642.</p> <p>Other than cash balances, property and buildings is the Group's most significant asset with its value being highly dependent on management's estimates and judgement.</p> <p>The methodology used in management's assessment incorporated external appraisals and valuations performed during the year ended 30 June 2018 as well as consideration of other relevant factors and market conditions. The assessments are dependent on several key assumptions and judgements including highest and best use concepts, comparable market values and discounted cashflow models.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Testing the mathematical accuracy of the valuation models prepared by management • Evaluation of the independent external appraiser's and valuer's assumptions, objectivity, competency and capabilities • Assessment of the valuation methodology including the reasonableness of the key assumptions and key inputs used in the valuation model • Checking the key assumptions use to external market information available and for reasonableness based on our knowledge of the industry • Considering the potential impact of reasonably possible downside changes in the key assumptions adopted • Review of disclosures in the financial statements to ensure appropriate and adequate

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Independent Audit Report Cont.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Independent Audit Report Cont.

Opinion on the Remuneration Report

We have audited the Remuneration Report as included in the directors' report for the year ended 30 June 2018.

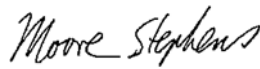
In our opinion, the Remuneration Report of Bauxite Resources Limited, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



NEIL PACE
PARTNER



MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth on the 25th day of September 2018

ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows, the information is current as at 20 September 2018:

(a) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(b) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Ordinary shares	
	Number of holders	Number of shares
1 – 1,000	28	9,086
1,001 – 5,000	77	265,945
5,001 – 10,000	208	1,864,024
10,001 – 100,000	633	22,674,031
100,001 and over	128	189,609,250
	1,074	214,422,336
The number of equity security holders holding less than a marketable parcel (based on a 7.0 cents price) of securities are:	131	457,499

(c) Twenty largest shareholders

Holder name	Listed ordinary shares	
	Number of shares	Percentage of ordinary shares
1. One Managed Investment Funds Ltd (1 A/C)	38,111,039	17.77%
2. HD Mining & Investments Pty Ltd	19,700,000	9.19%
3. Big Fish Nominees Pty Ltd	17,666,666	8.24%
4. Tailrain Pty Ltd (Childrens A/C)	17,016,667	7.94%
5. Jetosea Pty Ltd	14,763,159	6.89%
6. Dilkara Nominees Pty Ltd (Millwood Smith A/C)	12,216,667	5.70%
7. Middlemas Robert Samuel	7,500,610	3.50%
8. HSBC Custody Nominees Australia Ltd	5,068,071	2.36%
9. Jetosea Pty Ltd	3,000,000	1.40%
10. Spectral Inv Pty Ltd (Lithgow Family A/C)	2,700,000	1.26%
11. J P Morgan Nominees Australia Ltd	2,390,536	1.11%
12. Custodial Services Ltd (Beneficiaries Holding)	2,214,200	1.03%
13. Atkins Annette	2,207,736	1.03%
14. Xing Dong	2,044,783	0.95%
15. Dilkara Nominees Pty Ltd (Millwood Smith A/C)	2,000,000	0.93%
16. Lake Mcleod Gypsum Pty Ltd	1,780,171	0.83%
17. Romsup Pty Ltd (Romadak S/F A/C)	1,700,000	0.79%
18. Atkins Elizabeth Mary	1,510,000	0.70%
19. Wan Li	1,385,741	0.65%
20. Middlemas R S & Wolseley (Middlemas S/F A/C)	1,200,000	0.56%
	156,176,046	72.83%

ASX Additional Information Cont.

(d) Substantial shareholders

The names of the substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of shares
Mercantile OFM Pty Limited	38,063,399
Annette Atkins, Talrain Pty Ltd (Childrens A/c) & Associates	19,873,512
HD Mining & Investments Pty Ltd	19,700,000
Neil Lithgow and Controlled entities	17,666,666
Talrain Pty Ltd (Childrens A/C) and Luke Atkins	17,041,667
Jetosea Pty Ltd	15,791,994
Dilkara Nominees Pty Ltd (Millwood Smith A/C)	14,516,667

(e) Schedule of interests in mining tenements as at September 2018

All tenements granted unless marked "Pending".

BRL TENEMENTS (100%)

BRL retain 100% interest in the following tenements

Tenement	Location
Gingin Silica Sand Project	
E70/5058	Quin Brook
E70/5144	Warbrook (Pending)
Albany Silica Sand Project	
E70/4982	Green Range (Pending)
E70/4983	Narrikup
E70/5014	Redmond West (Pending)
E70/5015	Redmond East (Pending)
E70/5016	Redmond South (Pending)
E70/5184	Hassell (Pending)
E70/5202	Kalgan (Pending)

Tenement	Location
East Esperance Silica Project	
E63/1853	Merivale
Hardrock Quartz Tenements - Queensland	
EPMA 26702	Mt Eliza (Pending)
EPM 26727	Pandanus Creek
EPM 26741	Douglas Range
Hardrock Quartz Tenements – Western Australia	
E70/5069	Glen Mervyn (Pending)
E70/5070	Jouerdine
E70/5071	Bilocupping
E70/5072	Calcing
E80/5160	Halls Creek (Pending)

HD MINING & INVESTMENTS JOINT VENTURE TENEMENTS

The JV requires HD Mining to fund 100% of all exploration and feasibility costs to earn up to 60% of the bauxite rights. HD Mining is currently working towards obtaining 40% interest in the bauxite rights on the tenements below. This will be triggered if HD Mining enters into a binding commitment to undertake a feasibility study on the tenements. Should HD Mining and BRL make a decision to mine, HD Mining will earn an additional 20% interest in bauxite rights. BRL maintains 100% interest in other minerals. At the date of this report BRL still has 100% interest in these tenements.

Tenement	Location
Darling Range Tenements	
E70/3160	Toodyay
E70/3405	Victoria Plains
E70/3179	Congelin
E70/3180	Dattening
E70/3890	Wandering