

BAUXITE RESOURCES LIMITED

MARCH 2018 QUARTERLY REPORT

Highlights

- Capital Return of 5 cents per share was completed on 8 February 2018 following shareholder approval, resulting in \$10.7m being returned to shareholders
- The proportional off-market takeover bid received from wholly owned subsidiary of Mercantile Investment Company Limited (ASX:MVT), Mercantile OFM Pty Ltd (“Mercantile”), for one of every two shares at a revised offer price of 11 cents per share – extended to 30 April 2018
- Supplementary Target Statement prepared by the Company and dispatched to shareholders confirming Director’s recommendation that shareholders reject the revised Mercantile offer. The revised Independent Expert’s Report and technical valuations of the Company’s assets concluded that the Mercantile Offer was now Fair and Reasonable as it was now within their valuation range (albeit at the lower end of the range)
- The revised technical valuations put an unchanged preferred valuation of 12.1 cents per share on the Company’s assets with the range from 10.9 cents to 13.2 cents per share (prior to the return of capital)
- A Shareholders Meeting was held on 23 March 2018 following a request from a shareholder pursuant to s. 623 of the Corporations Act to change the Company’s Constitution to include a vote on proportional takeover bid’s. The shareholders approved the new Constitution and over 99% of those voting at the meeting, voted against a motion to approve the Mercantile’s proportional takeover bid.
- Silica sand projects at Albany, Esperance and Gingin and hard-rock quartz projects in Halls Creek, South West WA and Far North Queensland progressing
- Upgrade completed for the Ceres bauxite resource to JORC 2012 compliance. The current bauxite resource base is 93.2Mt Inferred Mineral Resource and 1.5Mt Indicated Mineral Resource (refer full detail in the 23 April 2018 Announcement – *48% increase in Bauxite Resource at Ceres Deposit in Darling Range, WA*). HD Mining have an ‘earn in’ of up to 60% on decision to mine
- Cash at bank at 31 March 2018 was A\$5.2m. The Company has no debt and additional assets including two rural properties in the Bindoon area of Western Australia

30 April 2018



ASX Code: BAU

BAUXITE RESOURCES LTD

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 AND
COMPANY SECRETARY:**

Sam Middlemas

Head Office:

Suite 10, 295 Rokeby Road
Subiaco WA 6008

Mail:

Suite 10, 295 Rokeby Road
Subiaco WA 6008

T: +61 8 9200 8200

F: +61 9 9200 8299

E: admin@bauxiteresources.com.au

W: www.bauxiteresources.com.au

Share Registry:

Security Transfer Registrars

PO Box 535

Applecross WA 6953

T: +61 8 9315 2333

F: +61 8 9315 2233



CAPITAL RETURN OF 5 CENTS PER SHARE COMPLETED DURING THE QUARTER

Following Shareholder approval on 30 January 2018, the Company completed a 5 cent per share capital return to all shareholders registered on 2 February 2018. Payments were made to shareholders on 8 February 2018.

The Board understands that the impact on the Mercantile OFM off-market takeover bid of 11 cents per share for 50% of shareholders' shares, resulted in the bid being reduced by the return of capital to all shareholders that accepted into the Mercantile offer.

PROPORTIONAL OFF-MARKET TAKEOVER BID FOR BAUXITE RESOURCES LIMITED

Bauxite Resources Limited (ASX:BAU) ('BRL' or 'the Company') received a Bidder's Statement for a Proportional Off-Market Cash Offer from Mercantile OFM Pty Ltd ('Mercantile OFM') at 9 cents per share for 50% of holder's shares in BRL ("Offer") on 22 November, 2017. This Offer was subsequently increased to 11 cents per share on 19 January 2018, and the Offer extended to 30 April 2018 on 19 February 2018.

The Company's directors provided a Supplementary Target Statement to Shareholders on the revised Offer on 2 February 2018 retaining their recommendation that shareholders reject the revised Offer. This included an updated BDO Corporate Finance (WA) Pty Ltd ("BDO") Independent Expert's Report with revised technical valuations of the Company's assets. BDO subsequently concluded that the revised Offer was Fair and Reasonable to BRL shareholders that are not associated with Mercantile OFM. This was due to the fact that the revised Offer was within their valuation range from 10.9 cents to 13.2 cents per share, with the preferred valuation unchanged at 12.1 cents per share.

BRL's directors continued to recommend that shareholders **REJECT THE OFFER** for the following reasons:

- the Offer is for only 50% of your shareholding, is less than BDO's preferred value on a control basis, and remains at the lower end of BDO's valuation range on a control basis;
- if Mercantile are successful in their bid for control of BRL, shareholders will still be left with 50% of their shareholding but are likely to have little or no capacity to influence the future direction of the Company with the increased prospect that there will be little market interest in BRL's shares given that Mercantile have stated they are going to effectively liquidate the assets of the Company and exit all the mining projects;
- in contrast, if BRL's current board and management are retained, they will be able to continue to follow the combined Bauxite and Silica strategy that the Company has been undertaking which strategy offers shareholders the potential for substantial value accretion over time. In this regard the board of BRL is currently considering the potential for spinning off its wholly owned subsidiary, Australian Silica Quartz (ASQ), and undertaking an in-specie distribution of shares in ASQ to all BRL's shareholders;
- BRL's current board and management have a track record for:
 - a. the orderly marketing and sale of surplus assets,
 - b. substantially reducing the operating costs of the company through reducing staff numbers, lowering premises rent through occupation of modest low key offices, and by reduction of board fees;
 - c. careful capital management through the return of surplus cash to shareholders; and



- the Offer does not provide an adequate premium for control of BRL given it is only a proportional takeover offer for 50% of shares;
- Mercantile's intentions are not sufficiently clear but, to the extent that BRL's board understands their intentions, their aim is to liquidate the assets of the Company and exit the mining projects which may result in significant value destruction since it takes time and patience for the realisation of full value of mining projects;
- funding for the Offer is uncertain and you may be exposed to credit risk if you accept the Offer;
- the Offer deprives the Company of the potential for an alternative opportunity; and
- by accepting the Offer, you will not have the benefit of any subsequent higher offer from any third party or benefit from any future growth of the Company given that Mercantile intend to effectively liquidate the Company.

SHAREHOLDERS MEETING TO CHANGE COMPANY CONSTITUTION AND VOTE ON PROPORTIONAL TAKEOVER BID

Following a shareholder request pursuant to s. 649 Corporations Act , the board held an Extraordinary General Meeting on 23 March 2018 to adopt a new Constitution containing provisions allowing Shareholders the right to approve Proportional Takeover Offers.

At the time of the Notice of Meeting, the Mercantile OFM Offer was due to expire at the end of February 2018, however the EGM Notice included a Resolution to Vote on the Offer in the event that Mercantile OFM extended the Offer period. On 19 February 2018, Mercantile OFM did extend the Offer to 30 April 2018, and so the Resolution to vote on the Offer was put to Shareholders for their approval. For the votes received over 99% of shareholders eligible to vote on the Resolution rejected the Offer and the Board has advised Mercantile OFM that it will not register any transfers under the Offer.

UPDATE ON PROPORTIONAL OFF-MARKET TAKEOVER BID FOR BAUXITE RESOURCES LIMITED

Mercantile has advised BRL that it does not consider that the rejection of the Bid by BRL shareholders is binding in relation to the Bid and released an announcement containing a notice of extension of its Bid and a notice declaring the Bid unconditional on 23 April 2018.

BRL disagrees with Mercantile's position. As a precautionary step BRL's solicitors have been instructed to obtain an opinion from an experienced commercial barrister in respect of the matter.

As soon as BRL is in a position to do so, it will update the market on how it intends to proceed in respect of the Bid and in respect of the contracts formed as a result of acceptances of the Bid. BRL advises that it will seek to delay completion of any contracts formed following acceptances of the Bid by shareholders until this position is clear.



EXPLORATION ACTIVITIES UNDERTAKEN UNDER THE JOINT VENTURE WITH HD MINING

Background

In 2010 the Company entered into a JV 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.

The current JV resource stands at 94.7Mt and consists of 93.2Mt Inferred Mineral Resource and 1.5Mt Indicated Mineral Resource (refer full detail in the 23 April 2018 Announcement – *48% increase in Bauxite Resource at Ceres Deposit in Darling Range, WA*).

Current Activities

Ashton Advisory Pty Ltd and BRL recently completed an update of the Ceres Bauxite Resource located at Williams in the Darling Range, Western Australia. The Ceres resource now totals 21.9Mt with a 48% increase in resource size. The increased tonnage is due to an update to the bulk density used in the model and, to a lesser degree, the inclusion of additional vacuum holes drilled in 2014 and 2017. Refer to the full details in the 23 April 2018 Announcement – *48% increase in Bauxite Resource at Ceres Deposit in Darling Range, WA*.

BRL and HD Mining continue to evaluate the potential for economic development of the Dionysus and the combined Ceres/Athena resource areas (Athena: 36.2Mt, 32.8% available alumina, 2.8% reactive silica, see ASX announcement 15/07/14, Dionysus: 20.3Mt, 32.6% available alumina, 3.4% reactive silica, see ASX announcement 24/03/14, Ceres 21.9Mt, 31.4% available alumina, 3.2% reactive silica, see ASX announcement 23/04/18).

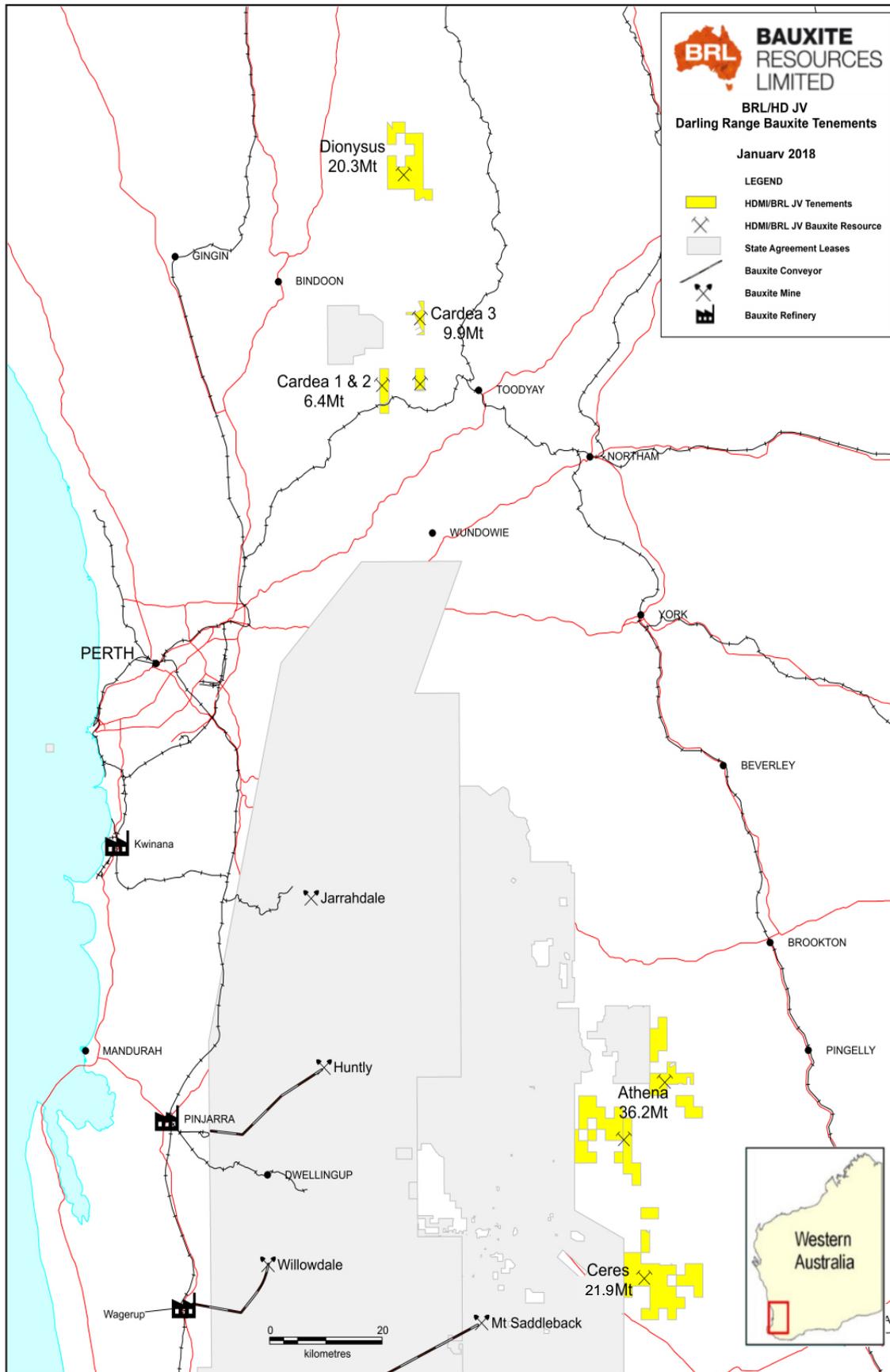


Figure 1 – BRL/HD JV Mining Darling Range bauxite tenement holding and resource locations



SILICA

Over the last few quarters 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.

SILICA SAND PROJECTS – GINGIN, ALBANY AND ESPERANCE

The Gingin Silica Sand Project consists of two 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 two granted exploration licences 15-75km East of the Port of Esperance.

Desktop assessment of historical exploration data is well advanced along with investigations into logistics and market considerations.

A number of roadside grab samples have been collected from the three Silica Sand Projects and these 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 desktop assessments and test work programmes are expected to continue over the next few quarters before any detailed exploration fieldwork is proposed.

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. BRL is currently evaluating these enquiries and working to align the silica test work and planned exploration with market demand.

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 2018.

Desktop and field evaluation of numerous West Australian targets considered prospective for high purity hardrock quartz is currently underway and may result in further tenement applications.

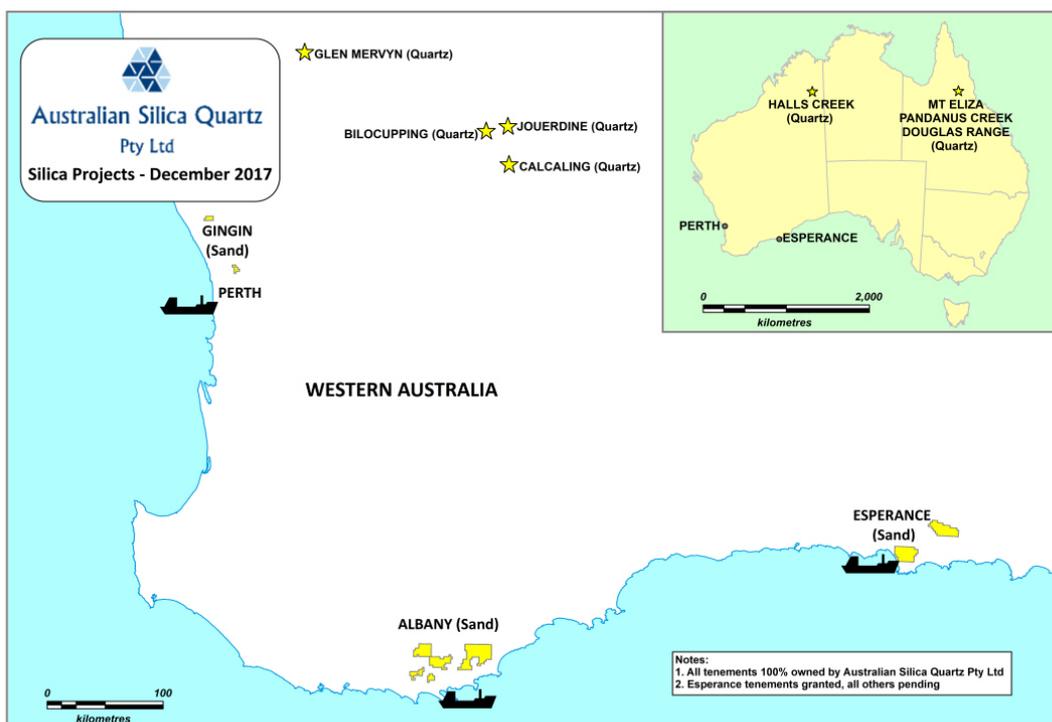


Figure 2 – ASQ Silica Project Locations

LORT RIVER LITHIUM PROJECT- E74/595

The Lort River Lithium Project is located between Ravensthorpe and Esperance and approximately 120 km east of the Mt Cattlin Lithium Mine in Western Australia. The tenement lies adjacent to Pioneer Resources Limited's lithium lease to the east (E74/581).

A Geoscience Australia stream sediment sample taken in the south of the tenement returned an elevated lithium value. Publicly available soil geochemistry sampling is limited within the tenement however extensive soil geochemistry lithium anomalies exist along structural trends immediately adjacent to the tenement.

The company's current primary focus outside bauxite is high grade silica sands and high purity silica in hardrock quartz deposits. As such, BRL is looking for opportunities to transact out of the Lort River Lithium Project.

CORPORATE

Cash Position and Shareholder Information

Bauxite Resources is in a strong financial position with significant cash reserves and no debt. As at 31 March 2018 the Company held AU\$5.2 million in cash.

As at 31 March 2018 the Company had 1,176 shareholders and 214,422,336 ordinary fully paid shares on issue with the top 20 shareholders holding 70.6% of the total issued capital.



Future Operations

The Board will continue to focus on its Silica and Bauxite Projects, and seek to enhance the value of these through exploration and development activities.

The Company's current cash burn rate has been reduced significantly, and it is expected to maintain these levels in the near term with surplus assets continuing to be reviewed and rationalised in an orderly manner as markets allow for reasonable prices to be achieved.

The Board will continue to manage the Company in the best manner in which to maximise returns to shareholders and these may include additional capital management initiatives.

Sam Middlemas, CEO, Bauxite Resources Ltd

30 April 2018

Competent Persons Statement

The information in this report that relates to the HD Mining Joint Venture (HDJV) resource base 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 and is entitled to participate in BRL's employee performance plan, details of which are included in BRL's 2017 Remuneration Report. 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.

SCHEDULE OF MINING TENEMENTS HELD AS AT 31 March 2018 (all 100% owned)

Tenement	Location/ Tenement Name	Status
E70/3160 (a)	Toodyay – Darling Range	Granted
E70/3405 (a)	Victoria Plains – Darling Range	Granted
E70/3179 (a)	Congelin – Darling Range	Granted
E70/3180 (a)	Dattening – Darling Range	Granted
E70/3890 (a)	Wandering – Darling Range	Granted
E74/595	Lort River – Esperance	Granted
E63/1853	Merivale	Granted
E63/1854	Condinup	Granted
E70/4983	Narrikup	Granted
E70/4982	Green Range	Application
E70/5014	Redmond West	Application
E70/5015	Redmond East	Application
E70/5016	Redmond South	Application
E70/5058	Quin Brook	Application
EPMA 26702	Mt Eliza	Application
E70/5069	Glen Mervyn	Application
E70/5070	Jouerdine	Application
E70/5071	Bilocupping	Application
E70/5072	Calcaling	Application
E80/5160	Halls Creek	Application
EPMA 26727	Pandanus Creek	Application
EPMA 26741	Douglas Range	Application
E70/5144	Warbrook	Application

- a) These tenements form the HD Mining & Investments Joint Venture. Under the terms of the Joint Venture, HD Mining is required 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 a 40% interest in the bauxite rights on the tenements. 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 bauxite on these tenements.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Bauxite Resources Limited

ABN

72 119 699 982

Quarter ended ("current quarter")

31 March 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	173	292
1.2 Payments for		
(a) exploration & evaluation	(124)	(319)
(b) development	-	-
(c) production	-	-
(d) staff costs	(5)	(41)
(e) administration and corporate costs	(194)	(688)
(f) take-over defence costs	(153)	(153)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	71	275
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(232)	(634)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(5)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	(5)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(5)	(5)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Capital Return approved 30/1/2018)	(10,721)	(10,721)
3.10	Net cash from / (used in) financing activities	(10,726)	(10,726)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	16,129	16,536
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(232)	(634)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(5)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(10,726)	(10,726)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	5,171	5,171

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	265	131
5.2 Call deposits	4,906	15,998
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,171	16,129

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	133
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	N/A
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Item 6 above of \$133,311 includes amounts paid to directors as follows:

Directors Salary & Super	\$46,062
Director Consulting fee	\$75,000
Rent for office paid to a Directors Associate	\$12,249

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	150
9.2 Development	-
9.3 Production	-
9.4 Staff costs	13
9.5 Administration and corporate costs	150
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	313

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	E70/5053 Warbrook	Withdrawal	100%	0%
10.2 Interests in mining tenements and petroleum tenements acquired or increased	E70/5144 Warbrook	Application	0%	100%

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date: 30 April 2018
(Director/Company secretary)

Print name: Sam Middlemas

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.