BAUXITE RESOURCES LIMITED



PROPORTIONAL TAKEOVER BID UPDATE

Bauxite Resources Limited ("BRL" or the "Company") refers to its announcement of 27 April 2018 under which it advised that BRL's solicitors had been instructed to obtain an opinion from an experienced commercial barrister in respect of whether the rejection of the proportional takeover bid made by Mercantile OFM Pty Ltd (Mercantile) at the Company's general meeting held on 23 March 2018 (which was called in response to a requisition from a major shareholder under s249D of the Corporations Act) (General Meeting) was valid.

The Company has now received advice from counsel that it is unlikely the proportional takeover provisions adopted at the General Meeting will be applicable to the Mercantile bid retrospectively due to the uncertainty that such a position would create for market participants.

The board has accepted this advice and, as such, has resolved that Mercantile's bid remains valid notwithstanding the outcome of the resolutions considered at the General Meeting. The board will therefore allow the transfers in respect of acceptances made in respect of the off market bid.

Shareholders who accept Mercantile's offer under the bid will have their remaining 50% shareholding continue to trade on the ASX under the new ASX share code BAUE, which signifies those shares cannot participate in the bid in the future.

BRL's directors continue to recommend that you **TAKE NO ACTION** and thus **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 is 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. As previously advised, the board of BRL is actively 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;

DATE: 10 May 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

Sam Middlemas

Chief Executive Officer and Company Secretary

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 8 9200 8299

E: admin@bauxiteresources.com.au W: www.bauxiteresources.com.au

Share Registry:

F: +61 8 9315 2233

Security Transfer Registrars PO Box 535 Applecross WA 6953 T: +61 8 9315 2333



- BRL's current board and management have a track record for:
 - a. the orderly marketing and sale of surplus assets,
 - 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
 - d. being able to internally generate at low cost new projects such as the recently announced Silica projects, with the potential to create substantial value for shareholders over time;
- the Offer does not, in the opinion of the BRL board, 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;
- 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.

BRL's Directors continue to unanimously recommend that shareholders REJECT the Offer. If Mercantile wants to effectively liquidate the Company, they should offer to buy all of the shares.

The BRL directors and their associates, who control approximately 27.8% of BRL's shares on issue, have reaffirmed that they intend to REJECT the Offer.

For further company details please visit www.bauxiteresources.com.au or contact:

Bauxite Resources Ltd

Sam Middlemas, CEO Tel: (08) 9200 8200 Mb: 0419 936 040