

Mercantile Investment Company Limited

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8 November 2017

Company Announcements
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Proposed Proportional Off-Market Takeover Bid for Bauxite Resources Limited

A wholly-owned subsidiary of Mercantile Investment Company Ltd (ASX:MVT), Mercantile OFM Pty Ltd (ABN 30 120 221 623) (**Mercantile OFM**), intends to make a proportional off market takeover bid for one of every two Bauxite Resources Limited (ASX:BAU) (**Bauxite**) shares that it does not control at an offer price of \$0.09 per share under Part 6.5 of Chapter 6 of the Corporations Act 2001 (**Offer**).

The only conditions to the Offer will be the prescribed occurrences set out in section 652C of the Corporations Act. There is no minimum acceptance condition.

A Bidder's Statement, which will contain further information about the Offer, will be prepared in due course and sent to Bauxite's shareholders in accordance with the requirements of the Corporations Act.

A letter from Mercantile OFM Chairman Sir Ron Brierley is attached to this announcement.

For further information, contact Gabriel Radzyminski on 02 8014 1188 or by email on info@mercinv.com.au.

Yours sincerely

Gabriel Radzyminski
Director

Mercantile OFM Pty Limited

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Dear Bauxite Resources Ltd Shareholder,

Mercantile OFM Pty Ltd, a wholly owned subsidiary of Mercantile Investment Company Ltd (**MVT**), seeks to acquire half of your holding in Bauxite Resources Ltd (**Bauxite**) at a price of 9 cents per share.

This represents a 14% increase on the last sale price of 7.9 cents.

In the event we receive sufficient acceptances to enable us to do so, we intend:

1. To make an immediate repayment to shareholders of 6 cents per share.
2. To negotiate with HD Mining & Investment Pty Ltd to terminate the present joint venture.
3. A cessation of all exploration activities.
4. To sell the company's fixed assets including the two farming properties.
5. After settling all liabilities, to pay the remaining funds to shareholders.

The above represents the most effective way of reducing cash burn to NIL.

Bauxite first listed on ASX in 2007. It has never found anything remotely viable and has chalked up losses of \$48 million in the process.

The latest Annual Report states (P27):

"The Company is also looking for other business opportunities to better utilise cash resources"

We regard that statement as ominous.

After 10 years unsuccessfully searching for bauxite, lithium and silica sands, it is time to call a halt.

The best use of remaining surplus cash is back in shareholders' hands.

Ron Brierley

CHAIRMAN

Mercantile OFM Pty Ltd