

Mercantile Investment Company Limited

ABN 15 121 415 576
Level 5, 139 Macquarie Street
Sydney NSW 2000
Tel 02 8014 1188 Fax 02 8084 9918

21 November 2017

The Manager
Company Announcements
ASX Limited

ASX ANNOUNCEMENT

Bidder's Statement - Off-market bid for Bauxite Resources Limited by Mercantile OFM Pty Limited

I enclose, in accordance with section 633(1) item 5 of the Corporations Act 2001 (Cth), a copy of the bidder's statement (**Bidder's Statement**) issued by Mercantile OFM Pty Limited (ACN 120 221 623) (**Mercantile OFM**), a wholly owned subsidiary of Mercantile Investment Company Limited, in relation to the issued share capital in Bauxite Resources Limited (ACN 119 699 982) (**BAU**), being an off-market takeover offer to the BAU shareholders to acquire 50% or less of the issued ordinary shares in EZA.

The Bidder's Statement was lodged with the Australian Securities and Investments Commission earlier today and will be sent to BAU today.

Mark Licciardo
Company Secretary

Bidder's Statement
for the
Off- Market Cash Offer

by

Mercantile OFM Pty Ltd (Mercantile OFM)
(ABN 30 120 221 623)

**Mercantile OFM is a wholly owned subsidiary of Mercantile
Investment Company Limited (ABN 15 121 415 576)**

to acquire 50% or any lesser number of your Shares in

Bauxite Resources Limited (Bauxite Resources)
(ABN 72 119 699 982)

for

\$0.09 cash

This is an important document and requires your immediate attention.

If you are in any doubt as to how to deal with it, you should consult your financial or other professional adviser. Alternatively, you may submit your query in writing to Mercantile OFM at Level 5, 139 Macquarie Street, Sydney NSW, 2000, or by fax on 02 8084 9918.

To accept the Offer please complete the enclosed Acceptance Form and use the enclosed reply paid envelope to return the completed Acceptance Form to us.

The Offer is dated [insert] and will expire at 7.00pm (Sydney time) on [insert] (unless withdrawn or extended). ASIC takes no responsibility for this Bidder's Statement.

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Mercantile OFM Pty Limited

ABN 30 120 221 623

Level 5, 139 Macquarie Street

Sydney NSW 2000

Tel 02 8014 1188

Fax 02 8084 9918

Chairman's Letter

Dear Bauxite Resources Shareholder,

TIME TO CALL "STOP" !

AFTER 10 YEARS UNSUCCESSFUL DIGGING WITH \$48 MILLION IN ACCUMULATED LOSSES, THE REMAINING FUNDS SHOULD NOW BE RETURNED TO SHAREHOLDERS.

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

This represents a 13.9% increase on the last sale price of 7.9 cents (prior to the announcement of this Offer).

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

Overview of the Offer

Mercantile OFM Pty Ltd (**Mercantile OFM**), a wholly owned subsidiary of Mercantile Investment Company Ltd (**Mercantile**), is pleased to offer you 9.0 cents cash for one of every two Bauxite Resources Shares you own (**Offer**).

The Mercantile OFM Directors believe the Offer represents an attractive opportunity for Bauxite Resources Shareholders to realise half of their investment in Bauxite Resources for cash and retain an exposure to any future prospects Bauxite Resources might have. You will not have to pay any brokerage to accept the Offer (you may incur brokerage fees if you choose to sell your Bauxite Resources Shares on market or if you instruct your broker to accept the Offer on your behalf).

Details of the Offer

The Offer is 9.0 cents cash for one of every two Bauxite Resources Shares you own (in other words, we are offering to buy 50% of your shareholding).

The Offer Consideration represents a premium of 1.1 cents or 13.9% to 7.9 cents, the last price at which Bauxite Resources Shares traded on ASX prior to Mercantile's announcement of 8 November 2017 of the intention to make the Offer. The closing price of Bauxite Resources Shares on ASX on 20 November 2017, the last Trading Day before the date of this Bidder's Statement, was 8.1 cents.

It is important that you read the information in this Bidder's Statement in deciding on whether to accept our Offer and if necessary, contact a qualified investment adviser for assistance.

Conditions to the Offer

The only condition to the Offer is the Prescribed Occurrences. The Offer is subject to no other conditions. In particular, there is no minimum acceptance condition to the Offer.

Rationale for the Offer

Mercantile OFM believes that Bauxite Resources has incurred operating costs and expenditure on speculative exploration ventures with little return for Bauxite Resources Shareholders. Mercantile OFM considers the best outcome for Bauxite Resources Shareholders would involve the following:

- (a) to make an immediate payment to Bauxite Resources Shareholders of 6 cents per share;
- (b) to negotiate with HD Mining & Investment Pty Ltd (**HDM**), a wholly owned subsidiary of the Shandong Bureau No1 Institute for Prospecting of Geology & Minerals to terminate the present joint venture (**HDM Joint Venture**);
- (c) immediately ceasing further expenditure on development of Gingin, Albany and Esperance silica sand tenements, the Lort River lithium project and all other wholly owned tenements;
- (d) sale of the Bauxite Resources' fixed assets including the two owned rural properties; and
- (e) after settling all liabilities, pay the remaining funds to Bauxite Resources Shareholders.

We believe the Board holds a contrary view to all of the above and proposes that Bauxite Resources embark on speculative new exploration or technology ventures. Mercantile OFM considers that this is not the appropriate strategic direction for the company.

Subject to the outcome of the Offer, Mercantile OFM will seek to reconfigure the board of Bauxite Resources to be more representative of Bauxite Resources Shareholders. Mercantile OFM also proposes to promote the cost reduction programme, asset sale and return of capital outlined above,

subject to any operational, financial and legal constraints that may be subsequently identified. See Section 4 for details of Mercantile OFM's intentions with respect to Bauxite Resources.

How to accept

If you choose to accept the Offer you can either direct your broker to accept the Offer on your CHES holding on your behalf, or complete and sign the enclosed Acceptance Form and return it in the reply paid envelope so that it is received before the Closing Date.

The Offer is scheduled to close at 7:00pm (Sydney time) on [date].

More information

If you have any questions concerning the Offer, you may submit your query in writing to Mercantile OFM at Level 5, 139 Macquarie Street, Sydney NSW, 2000, or by fax on 02 8084 9918. For any additional queries we recommend you contact your broker or financial adviser.

Summary of the Offer

The information set out below is only a summary of the Offer. You should read the entire Bidder's Statement before deciding whether to accept the Offer.

The Offer Mercantile OFM Pty Ltd (**Mercantile OFM**) is offering to acquire up to 50% of your Bauxite Resources Shareholding. If you hold an odd number of Bauxite Resources Shares, the number of Bauxite Resources Shares you may accept for will be rounded up.

You may not accept the Offer for more than 50% of your Bauxite Resources Shareholding unless by accepting the Offer, you would be left holding less than a Marketable Parcel of Bauxite Resources Shares, the Offer will then be extended to ALL of your Bauxite Resources Shares.

See Section 1.1 for further information.

Offer Consideration The Offer Consideration is 9 cents cash per Bauxite Resources Share for one of every two of your Bauxite Resources Shareholding.

Offer Period The Offer is scheduled to close at 7pm (Sydney time) on **[insert]** (but it may be extended).

Why accept the Offer? The Offer allows Bauxite Resources Shareholders to sell up to half of their Bauxite Resources Shareholding at a cash price that represents a premium of 1.1 cents or 13.9% to 7.9 cents, the last price at which Bauxite Resources Shares traded prior to the Announcement Date.

The Mercantile OFM Directors believe the Offer presents Bauxite Resources Shareholders with an opportunity to realise some value for their investment in Bauxite Resources while retaining exposure to any future prospects Bauxite Resources might offer. Further, Mercantile OFM has committed to actively involve itself in reducing Bauxite Resources' excessive running costs, and to return capital to all Bauxite Resources Shareholders.

Offer Conditions The only condition to the Offer is the Prescribed Occurrences.

Payment If you accept the Offer, you will receive the cash proceeds, the date 7 days after you validly accept the Offer; and

Mercantile's existing shareholding in Bauxite Resources As at the date of this Bidder's Statement, Mercantile OFM has a Relevant Interest in 6,569,337 Bauxite Resources Shares and Voting Power of 3.1%.

How to accept the Offer To accept the Offer, complete and sign the attached Acceptance Form in accordance with the instructions on the form.

By post

Mercantile OFM – Bauxite Resources Offer
Link Market Services
Locked Bag A14
Sydney South NSW 1235

Hand delivery

**Mercantile OFM – Bauxite Resources Offer
Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138**

The above information is a summary only of key elements of this Bidder's Statement. Bauxite Resources Shareholders should read all of this Bidder's Statement before making any decision in relation to the Offer.

Why you should Accept the Offer

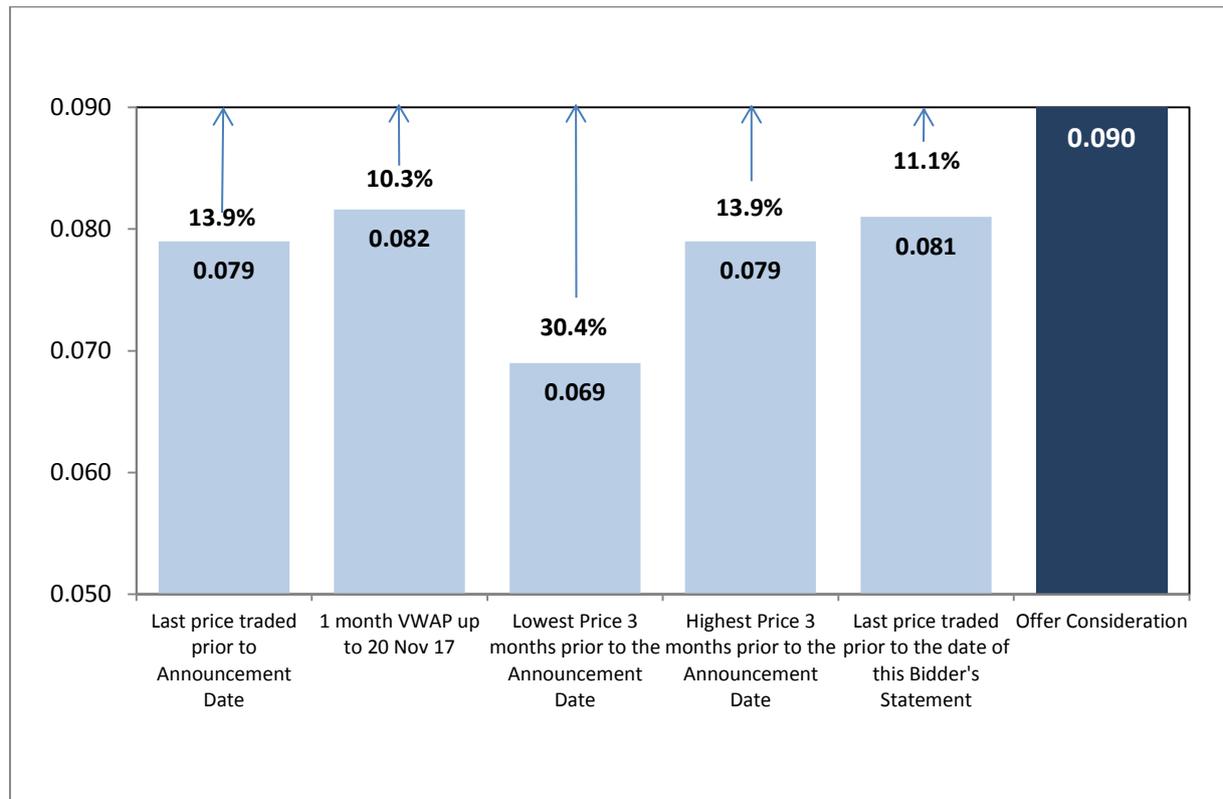
Why you should accept the Offer?

1. Attractive cash offer for all Bauxite Resources Shareholders

The Offer is 9 cents cash for up to 50% of every Bauxite Resources Shareholding in Bauxite Resources that Mercantile OFM does not already own.

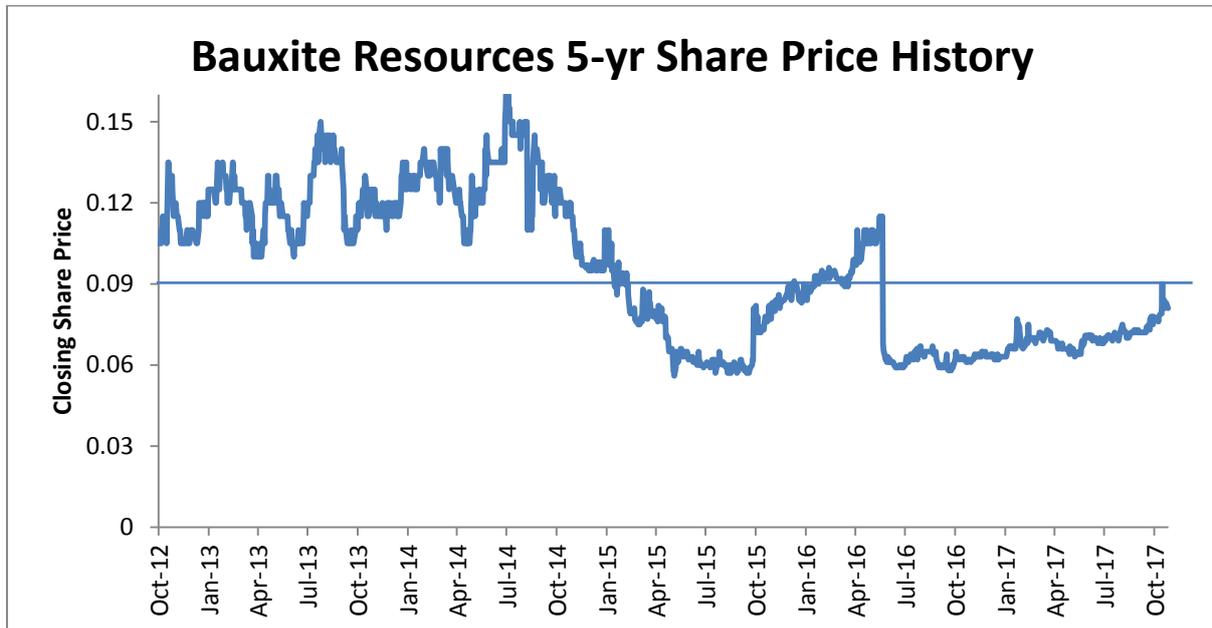
The Offer Consideration:

- represents a 1.1 cent or 13.9% premium to 7.9 cents, the last price at which Bauxite Resources Shares traded on ASX prior to the Announcement Date;
- represents a 0.8 cent or 10.3% premium to 8.2 cents, the 1 month volume weighted average price (**VWAP**) of Bauxite Resources Shares traded in ASX up to and including 20 November 2017;
- represents a 2.1 cents or 30.4% premium to 6.9 cents, the lowest closing price of Bauxite Resources Shares during the three months period prior to the Announcement Date;
- represents a 1.1 cent or 13.9% premium to 7.9 cents, the highest closing price of Bauxite Resources Shares during the three months period prior to the Announcement Date; and
- represents a 0.9 cent or 11.1% premium to 8.1 cents, the last price at which Bauxite Resources Shares traded on ASX on 20 November 2017, the last Trading Day before the date of this Bidder's Statement.



Note: ASX trading data sourced from Bloomberg without the consent of Bloomberg to the use of data, as permitted by ASIC Instrument 2016/72.

The graph below shows the closing share prices for Bauxite Resources Shares since October 2012 compared to the Mercantile OFM's Offer Consideration of 9.0 cents per Bauxite Resources Share.



Note: ASX trading data sourced from Bloomberg without the consent of Bloomberg to the use of data, as permitted by ASIC Instrument 2016/72.

2. The Offer provides certainty of value for up to 50% of your Bauxite Resources Shares

The Offer is an offer to acquire up to 50% of your Bauxite Resources Shares for cash. By accepting this Offer you will receive 9 cents cash for up to one of every two Bauxite Resources Shares you own.

You will also continue to be exposed to the risks and opportunities associated with an investment in Bauxite Resources. You should refer to Section 6 for a discussion of these risks and Section 4 for a discussion of Mercantile OFM's intentions with respect to Bauxite Resources.

3. You will not incur any brokerage costs in accepting the Offer

By accepting the Offer you will not incur any brokerage charges if your Bauxite Resources Shares are registered in an issuer sponsored holding.

You may incur brokerage fees if you choose to sell your Bauxite Resources Shares on-market or you instruct your Controlling Participant to accept the Offer on your behalf.

4. No minimum acceptance condition

As there is no minimum acceptance condition, Mercantile OFM will acquire any number of your Bauxite Resources Shares for which you accept – up to a maximum of 50% of your Bauxite Resources Shareholding.

5. Liquidity

Bauxite Resources Shares currently exhibit very low volumes of trading on ASX. As such, there may be little opportunity to dispose of your Bauxite Resources Shares in a liquid market. The Offer provides an opportunity for Bauxite Resources Shareholders to sell up to 50% of their Bauxite Resources Shares.

Important Information

Important dates

Event	Date
Date of Bidder's Statement	21 November 2017
Dispatch of Bidder's Statement and Offer opens	[insert]
Date of Offer conditions notice	[insert]
Close of Offer*	[insert]

* This date is indicative only and may be changed as permitted by the Corporations Act.

Bidder's Statement and Offer

This is the Bidder's Statement dated 21 November 2017 given by Mercantile OFM to Bauxite Resources and each Bauxite Resources Shareholder under Part 6.5 of Chapter 6 of the Corporations Act.

This Bidder's Statement was approved by an unanimous resolution of the board of directors of Mercantile OFM. It includes an Offer for the Bauxite Resources Shares dated [insert].

The Offer relates to all Bauxite Resources Shares that exist on 22 November 2017.

ASIC

A copy of this Bidder's Statement was lodged with ASIC on 21 November 2017. Neither ASIC nor any of its officers takes any responsibility for the contents of this Bidder's Statement.

Investment decision

This is an important document. This Bidder's Statement does not take into account the individual investment objectives, financial situation or any particular needs of each Bauxite Resources Shareholder or any other person. Bauxite Resources Shareholders may wish to seek independent financial and taxation advice before making a decision as to whether to accept the Offer.

Disclaimer

Except for historical information contained in this Bidder's Statement, there may be matters discussed in this Bidder's Statement that are forward-looking statements. Such statements are only predictions and are subject to inherent risks and uncertainty. Those risks and uncertainties include factors and risks specific to the industry in which the Mercantile and Bauxite Resources operate as well as general economic conditions and prevailing exchange rates and interest rates. Actual events or results made differ materially. For a discussion of important risk factors which could cause actual results to differ materially from such forward-looking statements, refer to Section 6 of this Bidder's Statement.

None of the Mercantile OFM Directors, any person named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, except to the extent required by law.

Defined terms

Defined terms used in this Bidder's Statement are capitalised. Definitions of these terms are set out in Section 10. Unless the contrary intention appears, the context requires otherwise or words are defined in Section 10, words and phrases in the Bidder's Statement have the same meaning and interpretation as in the Corporations Act.

Sources of Information

Information included in this Bidder's Statement relating to Bauxite Resources and its business has been derived solely from publicly available sources published by Bauxite Resources, including Annual and half yearly financial reports and ASX announcements.

Subject to the foregoing and to the maximum extent permitted by law, Mercantile OFM and its Directors disclaim all liability for any information concerning Bauxite Resources including in this Bidder's Statement. Bauxite Resources Shareholders should form their own views concerning Bauxite Resources from publicly available information.

1. Main Features of the Offer

This Section sets out a summary of the main features of the Offer. It is qualified by the detailed information contained in the remainder of the Bidder's Statement.

1.1. The Offer

Mercantile announced that it or a nominee intended to make an offer to acquire up to 50% of all of the Bauxite Resources Shares on the Announcement Date. The Offer is being undertaken by way of an off-market takeover bid.

You may only accept the Offer for 50% of your Bauxite Resources Shares and not a greater proportion. However, if by accepting the Offer you would be left holding less than a Marketable Parcel of Bauxite Resources Shares, then Mercantile OFM will buy all of your Bauxite Resources Shares for 9 cents cash each. In these circumstances, the Offer will extend to all of your Bauxite Resources Shares subject to the modification to section 618(2) of the Corporations Act granted by ASIC under Class Order 13/521. This rule regarding the Offer applying to all of your Bauxite Resources Shares will not apply to a parcel of Bauxite Resources Shares, whether held beneficially or otherwise, that has come into existence, or increased in size because of a transaction entered into (including the creation of any trust), at any time after 10.00am Sydney time on the Announcement Date.

Appendix A of this Bidder's Statement contains the full terms of the Offer. The remainder of this Bidder's Statement contains other information known to Mercantile OFM which is relevant to your decision as to whether to accept or reject the Offer.

1.2. What is Mercantile OFM Offering for my Bauxite Resources Shares?

The Offer is a cash offer of 9 cents for one of every two Bauxite Resources Shares you own.

The Offer extends to Bauxite Resources Shares on issue on 22 November 2017 not held by Mercantile OFM.

1.3. Foreign Shareholders

This Offer is not registered in any jurisdiction outside Australia (unless an applicable foreign law treats it as registered as a result of the Bidder's Statement being lodged with ASIC). It is your sole responsibility to satisfy yourself that you are permitted by any foreign law applicable to you to accept this Offer. See Appendix A of this Bidder's Statement for more information.

1.4. Will I pay any brokerage or stamp duty if I accept any of the Offer?

You will not pay brokerage or stamp duty as a result of accepting the Offer (you may incur brokerage fees if you choose to sell you Bauxite Resources Shares on market or you instruct your Controlling Participant to accept the Offer on your behalf).

1.5. When does the Offer close?

The Offer closes at 7.00pm (Sydney time) on **[insert]**, unless extended or withdrawn in accordance with the Corporations Act.

1.6. How do I accept the Offer?

There are different ways to accept the Offer depending on how you hold your Bauxite Resources Shares.

For CHES Holdings

Instruct your stockbroker or other Controlling Participant to initiate acceptance of the Offer on your behalf in sufficient time for the Offer to be accepted before the end of the Offer Period.

Alternatively, you may complete and sign the enclosed Acceptance Form in accordance with the instructions on that form and within this Bidder's Statement and return it so it is received before the end of the Offer Period to:

By post

Hand delivery

**Mercantile OFM – Bauxite Resources Offer
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235**

**Mercantile OFM – Bauxite Resources Offer
Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138**

An Acceptance Form will not be accepted if returned by fax or email.

For Issuer Sponsored Holdings

Complete and sign the accompanying Acceptance Form in accordance with instructions on that form and within this Bidder's Statement and return it so it is received before the end of the Offer Period to:

By post

Hand delivery

**Mercantile OFM – Bauxite Resources Offer
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235**

**Mercantile OFM – Bauxite Resources Offer
Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138**

An Acceptance Form will not be accepted if returned by fax or email.

The Acceptance Form

The Acceptance Form which accompanies this Bidder's Statement forms part of the Offer. The requirements on the Acceptance Form must be observed in accepting the Offer.

You may only accept the Offer for up to 50% of your Bauxite Resources Shares.

1.7. What are the Conditions of the Offer?

The only condition to the Offer is the Prescribed Occurrences. Mercantile OFM has imposed no other conditions. In particular, the Offer is not subject to approval by Bauxite Resources Shareholders in general meeting or a minimum acceptance condition.

The Corporations Act permits a company to include in its constitution a provision requiring shareholder approval to be obtained to permit a proportional takeover offer to proceed. Rule 36 of the constitution of Bauxite Resources contains such a provision. Constitutional provisions of this nature must be renewed every 3 years. Rule 36 was never renewed by Bauxite Resources and as a result does not apply.

1.8. When will I receive my Offer Consideration?

Mercantile OFM will provide or procure the provision of the Offer Consideration for all Offers that are accepted on or before the later of:

- (a) the date 7 days after the date you validly accept this Offer; and
- (b) 7 days after the date the Offer becomes or is declared unconditional,

but in any event (assuming the Offer becomes or is declared unconditional), no later than the date 7 days after the end of the Offer Period.

1.9. What happens if I do not accept?

Unless you otherwise dispose of your Bauxite Resources Shares, you will remain a Bauxite Resources Shareholder. You should consider the potential risks of remaining a Shareholder in Bauxite Resources as discussed in Section 6.

1.10. What are the tax consequences of the Offer?

Our understanding of the major tax implications for Bauxite Resources Shareholders resident for tax purposes in Australia are summarised in Section 7.

Your personal financial and other circumstances will influence your taxation position. You should read Section 7 carefully and seek professional taxation advice if necessary.

1.11. Questions

If you have any enquiries about the Offer or its terms, you may submit your query in writing to Mercantile OFM at Level 5, 139 Macquarie Street, Sydney NSW, 2000, or by fax on 02 8084 9918 or consult your financial or other professional adviser.

2. About Mercantile OFM

2.1. Corporate

Mercantile OFM is a wholly owned subsidiary of Mercantile. Mercantile is an ASX listed investment company trading under ASX code MVT.

The Mercantile OFM Directors are Sir Ron Brierley, James Chirnside and Gabriel Radzynski.

2.2. Directors of Mercantile

The Mercantile Directors are:

- Sir Ron Brierley – Chairman;
- Mr James Chirnside – non-executive director;
- Mr Ron Langley – non-executive director;
- Mr Gabriel Radzynski – non-executive director;
- Mr Daniel Weiss – non-executive director; and
- Dr Gary Weiss – alternate director for Daniel Weiss.

2.3. Public Announcements by Mercantile

Mercantile is a disclosing entity for the purposes of Section 111AC(1) of the Corporations Act and as such, is subject to regular reporting and disclosure obligations. Broadly, these obligations require Mercantile to:

- (a) prepare and lodge with the ASX both yearly and half-yearly financial statements accompanied by a directors' statement and report and an audit or review report; and
- (b) immediately notify the ASX of any information concerning Mercantile of which it is, or becomes, aware and which a reasonable person would expect to have a material effect on the price or value of securities in Mercantile, subject to certain limited exceptions related mainly to confidential information.

Copies of documents lodged at the ASIC in relation to Mercantile may be obtained from or inspected at an office of ASIC. Copies of documents lodged with the ASX in relation to Mercantile may be obtained from the ASX website (www.asx.com.au).

2.4. Benefits for Bauxite Resources Shareholders

The key benefit for Bauxite Resources Shareholders accepting the Offer is that they will be able to realise 9 cents per Bauxite Resources Share for up to 50% of their Bauxite Resources Shareholding in cash, while still having the ability to retain at least 50% of their Bauxite Resources Shareholding.

Mercantile OFM is making, by means of this proportional takeover offer, a public and transparent attempt to seek to either gain control of Bauxite Resources or at least ownership of a substantial minority position, with a view to influencing the direction of the Bauxite Resources for the benefit of all Bauxite Resources Shareholders, at a premium to the prevailing share price.

If Mercantile OFM can acquire a sufficient number of Bauxite Resources Shares, it intends to undertake a strategic review to assess the viability of the following:

- to make an immediate payment to Bauxite Resources Shareholders of 6 cents per Bauxite Resources Share;

- to negotiate with HDM to terminate the HDM Joint Venture;
- immediately ceasing further expenditure on development of Gingin, Albany and Esperance silica sand tenements, the Lort River lithium project and all other wholly owned tenements;
- sale of the Bauxite Resources' fixed assets including the two owned rural properties; and
- after settling all liabilities, pay the remaining funds to Bauxite Resources Shareholders.

If, following that review, the proposed steps outlined above are viable, Mercantile OFM will seek to implement these steps either directly or through its nominees to the Bauxite Resources Board. See Section 4 for further details.

The Offer by Mercantile OFM to acquire up to 50% of each Bauxite Resources Shareholding allows all Bauxite Resources Shareholders to continue to maintain some exposure to the future prospects of Bauxite Resources.

The Directors of Bauxite Resources continue to spend time and money considering new investment opportunities within and outside the mining sector. Mercantile OFM does not consider this a prudent course of action.

3. Bauxite Resources

3.1. Disclaimer

The following description of Bauxite Resources and the financial information concerning Bauxite Resources contained in this Section 3 have been prepared by Mercantile OFM using publicly available information. Information in this document concerning Bauxite Resources' business has not been independently verified and Mercantile OFM has not conducted any due diligence on Bauxite Resources' business. To the extent permitted by law, Mercantile OFM does not make any representation or warranty, express or implied, as to the currency, accuracy or completeness of such information.

The primary sources of information about Bauxite Resources' business used by Mercantile OFM are as follows:

- Bauxite Resources' annual and half-year financial reports; and
- Bauxite Resources' ASX announcements.

3.2. Overview of Bauxite Resources

Bauxite Resources is an ASX-listed company whose main activities are described as exploration through the Bauxite Resources managed HD Mining Joint Venture as well as identifying new opportunities.

3.3. Directors

As at the date of this Bidder's Statement, there are 4 Bauxite Resources Directors, being:

- Robert Nash (chairman);
- Luke Atkins (non-executive director);
- Neil Lithgow (non-executive director); and
- Zhaozhong Wang (non-executive director).

3.4. Major Shareholders

In its 2017 Annual Report, Bauxite Resources reports the following Bauxite Resources Shareholders as having lodged substantial shareholder notices with Bauxite Resources:

Name	Number of Bauxite Resources Shares	Voting Power
Annette Atkins, Tailrain Pty Ltd (Childrens A/c) and Associates	19,873,512	9.3%
HD Mining & Investments Pty Ltd	19,700,000	9.2%
Neil Lithgow and Controlled Entities	17,666,666	8.2%
Tailrain Pty Ltd (Childrens A/c) and Luke Atkins	17,041,667	7.9%
Jetosea Pty Ltd	15,791,994	7.4%
Dilkara Nominees Pty Ltd (Millwood Smith A/C)	14,516,667	6.8%

Note: The 2017 Annual Report appears to include 2 separate holdings for Tailrain Pty Ltd (Childrens A/c).

3.5. Overview of Bauxite Resources' historical financial performance

A summary of the historical consolidated financial performance of Bauxite Resources since 2011 is set out below:

A\$	Full year to 30 June 2017	Full year to 30 June 2016	Full year to 30 June 2015
Income	856,586	1,120,594	1,592,088
Exploration and evaluation expenses	(369,898)	(506,009)	(2,314,981)
Employee benefits expenses	(262,385)	(890,530)	(1,108,549)
Administration expenses	(559,845)	(1,052,812)	(1,457,458)
Total comprehensive losses from continuing operations	(498,466)	(1,950,688)	(10,622,199)
Profit from discontinued operations	-	6,288,572	-
Net assets	19,253,124	19,751,815	27,303,932
Accumulated Losses	(47,949,155)	(47,949,155)	(51,788,573)

Note: The above information has been drawn from the 2017, 2016 and 2015 Annual Reports.

3.6. ASX Announcements and ASIC disclosure

Since announcing its annual report for the year ended 30 June 2017, Bauxite Resources has issued the following ASX announcements:

Announcement	Date
Corporate Governance Statement	26/09/2017
Appendix 4G Corporate Governance Key to Disclosures	26/09/2017
Notice of Annual General Meeting/Proxy Form	10/10/2017
September 2017 Quarterly Activities and Cashflow Report	24/10/2017
MVT: Proposed Proportional Off-Market Takeover Bid for BAU	08/11/2017
Response to Off-Market Proportional Takeover Offer	09/11/2017
Results of 2017 Annual General Meeting	10/11/2017
Appendix 3B – Issue of Performance Rights approved at AGM	15/11/2017
Bauxite Letter to Shareholders	17/11/2017
Change of Director's Interest Notice	17/11/2017

4. Mercantile OFM's Intentions

4.1. General

This Section 4 sets out Mercantile OFM intention in relation to the:

- (a) continuation of the operations of Bauxite Resources;
- (b) any significant changes to be made to the operation of Bauxite Resources, including any redeployment of the assets of Bauxite Resources;
- (c) the future employment of Bauxite Resources' employees;
- (d) any changes to the Board; and
- (e) the future role of the Board and Bauxite Resources' management.

Mercantile OFM's intentions are based on the information known and the circumstances that exist at the date of this Bidder's Statement.

Mercantile OFM has reviewed information in the public domain concerning Bauxite Resources, its business and the general business environment in which it operates. Based on its review of that material, and on its current assessment of Bauxite Resources' operations, Mercantile OFM's intentions in relation to Bauxite Resources are summarised below. Statements set out in this Section 4 are statements of current intentions only, which may change as new information becomes available or circumstances change.

4.2. Strategic review

As Mercantile OFM does not currently have access to all material information, facts and circumstances that are necessary to assess the operational, commercial, taxation and financial implications of its current intentions, final decisions on these matters have not been made. If Mercantile OFM becomes entitled to a Bauxite Resources Shareholding sufficient to result in the appointment of Bauxite Resources Directors representing a majority of the Board, Mercantile OFM's nominees will look to conduct a review of the strategy, operations, activities and assets of Bauxite Resources in light of the information which then becomes available to it (**Review**). The Review is expected to focus on matters which have not been publicly disclosed and any changes that may have been made since the publication of the 2017 Annual Report and the September 2017 Quarterly Report.

The Review will:

- explore, amongst other things, where cost savings which may be obtained, so that Bauxite Resources' costs are at a level consistent with that of a non-operating joint venture partner in the HDM Joint Venture;
- confirm that Bauxite Resources may immediately cease any further expenditure on the development of Gingin, Albany and Esperance silica sand tenements (as detailed in the September 2017 Quarterly Report), the Lort River lithium project (as detailed in the September 2017 Quarterly Report), all other wholly owned tenements and any other exploration expenses or commitments to acquire any other resource development opportunities and, if this is commercially feasible, develop the process to achieve this objective;
- seek to make a precise assessment of the remaining costs required to establish a realisable value for the HDM Joint Venture. (To the extent that any value can be established for the HDM Joint Venture, the Review will seek to identify means by which this value can be translated to cash); and

- seek to determine the means by which, subject to Bauxite Resources Shareholder approval, capital can be returned to all Bauxite Resources Shareholders as equitably and as efficiently as possible.

To the extent that the financial, operational and legal circumstances of Bauxite Resources allows, Mercantile OFM will seek to undertake the actions the subject of the Review. However, final decisions will only be reached in light of all material facts and circumstances. Accordingly, the statements set out in this Section 4.2 are statements of current intention only which may change as new information becomes available or circumstances change.

4.3. Mercantile OFM's intentions upon holding at least 50.1% of Bauxite Resources Shares

This Section sets out Mercantile OFM's intentions if it were to gain effective control of Bauxite Resources.

In the event that Mercantile OFM achieves a Relevant Interest in Bauxite Resources of at least 50.1% Mercantile OFM's current intentions are as set out below.

- Mercantile OFM intends to undertake the Review.
- Subject to the Corporations Act and the Review, Mercantile OFM would also seek the appointment of a majority of Mercantile OFM nominees to the Board although it has not made any decision as to who would be nominated for appointment.
- Mercantile OFM may seek to acquire further Bauxite Resources Shares as permitted by the Corporations Act.

4.4. Mercantile OFM's intentions upon holding less than 50.1% of Bauxite Resources Shares

If Mercantile OFM does not achieve a Relevant Interest in Bauxite Resources of 50.1%, Mercantile OFM will endeavour, to the extent possible through its non-controlling holding of Bauxite Resources Shares, to give effect to the intentions set out in Section 5.5. However, Mercantile OFM considers that its ability to effect potential cost savings referred to in Section 5.4 will be significantly limited if Mercantile OFM is unable to achieve a Relevant Interest in Bauxite Resources of at least 50.1%.

4.5. Intentions generally

Except for the changes and intentions set out in this Section 4, Mercantile OFM intends, based on the information presently known to it:

- dependent on the Review outcomes and subject to the stated intentions in Section 4.2, to continue the business of Bauxite Resources whilst it realises saleable assets;
- to change the Board members to more fairly represent all Bauxite Resources Shareholders; and
- to continue the employment of Bauxite Resources' employees.

If, as a result of the Offer, Mercantile OFM were to hold 50.1% or more of Bauxite Resources Shares it would have the Voting Power to determine whether an ordinary resolution considered at a general meeting of Bauxite Resources Shareholders is approved. Such resolutions could include, amongst other things, changes to the Board and operational matters. Following the Review Mercantile OFM would determine the appropriate resolutions which may be put to Bauxite Resources Shareholders.

4.6. Limitations on intentions

The intentions and statements of future conduct set out in this Section 4 must be read as being subject to:

- (a) the law (including the Corporations Act) including in particular the requirements of the Corporations Act in relation to conflicts of interest and “related party” transactions;
- (b) the legal obligation of the Bauxite Resources Directors at the time to act in good faith and the best interests of Bauxite Resources and for proper purposes and to have regard to the interest of all Bauxite Resources Shareholders; and
- (c) the outcome of the Review.

5. Sources of Offer Consideration

5.1. Consideration under the Offer

The total amount that Mercantile OFM would be required to pay for Bauxite Resources Shares if Mercantile OFM acquires 50% of all the Bauxite Resources Shares on issue on the date of this Bidder's Statement in which it does not have a Relevant Interest is \$9,353,385.

5.2. Sources of Mercantile OFM Funds

No cash reserve held by Mercantile OFM is expected to be used to pay the Offer consideration. Mercantile OFM has received a letter of commitment from its ultimate parent, Mercantile, pursuant to which Mercantile has committed to loan Mercantile OFM the funds necessary to pay for all associated transaction costs (**Commitment Letter**). This loan must be repaid by Mercantile OFM 1 year after the closing date of the Offer. Interest on this loan will accrue at the applicable Reserve Bank of Australia Cash rate.

Mercantile has uncommitted cash substantially in excess of \$9,353,385 on deposit at the date of this Bidder's Statement.

Funds made available to Mercantile OFM by its parent under the Commitment Letter:

- are immediately available and are not subject to any conditions or limitations to drawdown;
- may be repaid at any time without penalty;
- are not subject to termination conditions; and
- are sufficient to fund the maximum available amount of consideration payable under the Offer and all associated transaction costs.

The Offer is not subject to a financing condition.

6. Risk Factors

6.1. Risk factors associated with selling Bauxite Resources Shares

Bauxite Resources Shareholders who accept the Offer will receive cash as their Offer Consideration. Those who accept the Offer will minimise their risks associated with successfully realising Bauxite Resources' investments.

Investors should appreciate that owning Bauxite Resources Shares involves various risks which can be broadly categorised into risks relating to the Offer, general investment risks and specific business risks.

Each of these broad categories are outlined below in the following sections.

6.2. Risks relating to the Offer

The following risk factors may arise as a result of the Offer and the acquisition of Bauxite Resources Shares by Mercantile OFM.

Less than 50% ownership

It is possible that Mercantile OFM will acquire relevant interests in less than 50% in the Bauxite Resources Shares as a result of the Offer. The impact on Mercantile OFM of acquiring Relevant Interests in less than 50% of the Bauxite Resources Shares will depend on the ultimate level of ownership achieved. In this regard Sections 4.3 - 4.4 show how Mercantile OFM's intentions will differ slightly depending on the level of ownership achieved by Mercantile OFM.

Bauxite Resources information

In preparing the information on Bauxite Resources included in this Bidder's Statement, Mercantile OFM has relied only on publicly available information and has not conducted any due diligence on Bauxite Resources' businesses. Mercantile OFM has not otherwise had direct access to Bauxite Resources or its independent accountant. In addition, it is possible that additional risks may exist in relation to Bauxite Resources' businesses which are unknown to Mercantile OFM.

Minority Shareholders in Bauxite Resources

If you do not accept the Offer you may, depending on the level of acceptance of the Offer, become part of a minority in Bauxite Resources. In such a case, the liquidity of Bauxite Resources Shares may be diminished.

As a minority investor, you may be exposed to the risks that Bauxite Resources pursues risky, and potentially loss-making, endeavours. Mercantile OFM has clearly and unambiguously stated its intentions with regard to Bauxite Resources in this Bidder's Statement, and considers these intentions to be more conservative and prudent given the history of Bauxite Resources.

Taxation Risks

Tax liabilities are the responsibility of each individual investor, and Mercantile OFM is not responsible either for taxation or penalties incurred by Bauxite Resources Shareholders. Bauxite Resources Shareholders should consult their own taxation advisers to ascertain the tax implications of their investment.

Taxation Considerations

The effects of taxation can be complex and may change over time. A summary of the current Australian income tax implications associated with acceptance of the Offer is outlined in Section 7. However, this summary is general in nature and, as the circumstances for each Bauxite Resources Shareholder may vary. Bauxite Resources Shareholders should seek professional taxation advice in relation to their own position.

Ability to exercise effective control

Mercantile OFM may acquire the ability to effectively control all decisions regarding Bauxite Resources' future operations. This will be dependent upon the level of acceptances of the Offer and any other Bauxite Resources Shares that may be acquired by Mercantile OFM on-market or otherwise in accordance with the Corporations Act.

Potential impact on subsequent bids

Mercantile OFM's shareholding may become of such a size that a third party would not be able to successfully make a takeover bid for Bauxite Resources without the support of Mercantile OFM, meaning that it may be less likely that Bauxite Resources' Share price will reflect a control premium in the future.

This list is not exhaustive and Bauxite Resources Shareholders should read this Bidder's Statement in full. If Bauxite Resources Shareholders require further information on these risks, they should seek professional advice.

6.3. Specific Risks relating to retaining Bauxite Resources Shares

Irrespective of the outcome of the Offer, Bauxite Resources Shareholders will retain exposure to the risks associated with Bauxite Resources' business.

The business activities of Bauxite Resources are subject to risks. Some of the specific risks can be mitigated through the use of safeguards and contingency plans. However many risks are outside the control of Bauxite Resources and the Bauxite Resources Directors and cannot be mitigated. The occurrence of any of the risk factors set out in this Section 6 may have an adverse impact on the financial performance of Bauxite Resources and the value of Bauxite Resources Shares.

Investors should appreciate that owning Bauxite Resources Shares involves various risks which can be broadly categorised into general investment risks and specific business risks.

An outline of some of the specific business risks facing Bauxite Resources are as set out below:

Exploration, Development, Mining and Processing Risks

The business of mineral exploration, project development and mining and processing by its nature contains elements of inherent risk. Ultimate and continuous success of these activities is dependent on many factors such as:

- the discovery and/or acquisition of economically recoverable reserves;
- the metallurgical characteristics of mineral deposits being explored and developed by Bauxite Resources may be such as to prevent commercial exploitation;
- successful conclusions to bankable feasibility studies;
- access to adequate capital for project development;
- design and construction of efficient mining and processing facilities within capital expenditure budgets;
- securing and maintaining title to tenements and compliance with the terms of those tenements;
- obtaining consents and approvals necessary for the conduct of exploration and mining; and
- access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Government regulation

Mining is an industry which has become subject to increasing legislative regulation including but not limited to environmental responsibility and liability. The potential for liability is an ever present risk. The use and disposal of chemicals in the mining industry is under constant legislative scrutiny and regulation. The introduction of new laws and regulations or changes to underlying policy may adversely impact on the operations of Bauxite Resources. Changes to government regulations, policy and royalty regimes may have an adverse impact upon the development options available to Bauxite Resources at its projects.

Native Title and Aboriginal Heritage

The Native Title Act 1993 (Cth) recognises certain rights of indigenous Australians over land and water where those rights have not been extinguished. These rights, where they exist, may impact on the ability of Bauxite Resources to carry out exploration or obtain mining tenements. In applying for certain mining tenements, Bauxite Resources must observe the provisions of the native title legislation (where applicable) and Aboriginal heritage legislation which protects Aboriginal sites.

Operating Risks

The current and future operations of Bauxite Resources, including exploration, appraisal and possible production activities may be affected by a range of factors, including:

- geological conditions;
- limitations on activities due to seasonal weather patterns, flood and cyclone activity;
- alterations to joint venture programs and budgets;
- unanticipated operational and technical difficulties encountered in geophysical surveys, drilling and production activities;
- mechanical failure of operating plant and equipment;
- adverse weather conditions, industrial and environmental accidents, acts of terrorism or political or civil unrest and other force majeure events;
- occupational health and safety in a potentially dangerous workplace;
- industrial action, disputation or disruptions;
- unavailability of aircraft or drilling equipment to undertake airborne electromagnetic and other geological and geophysical investigations;
- shortages or unavailability of manpower or appropriately skilled manpower;
- unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment; and
- inability to obtain consents or approvals.

Commodity Prices

Commodity prices fluctuate and are affected by numerous factors beyond the control of Bauxite Resources. These factors include world-wide and regional supply and demand for the specific commodity, commodity trading on the futures markets, general world economic conditions and the outlook for interest rates, inflation and other economic factors on both a regional and global basis. These factors may have a positive or negative effect on Bauxite Resources's exploration, project development and production plans and activities, together with the ability to fund those plans and activities.

6.4. General Risks relating to retaining Bauxite Resources Shares

Bauxite Resources Shareholders should be aware that retaining Bauxite Resources Shares involves various risks. There are general risks associated with owning securities in publicly listed companies. The price of securities can go down as well as up due to factors outside the control of Bauxite Resources. These factors include Australian and worldwide economic and political stability, natural disaster, performance of the Australian stock market as a whole, and the Australian interest rates, foreign exchange, taxation and labour relations environments.

These are risks of investment which are considered beyond the control of Bauxite Resources.

Possible Volatility of Bauxite Resources Share Price

The stock market has from time to time experienced significant price and volume fluctuations, which may be unrelated to the operating performance of particular companies. The market price of Bauxite Resources Shares may be volatile and may go down as well as up. Factors that may have a significant impact on the market price and marketability of Bauxite Resources Shares include announcements as to government regulation, variation in interest rates, the activities of any competitors, economic and other external factors, as well as fluctuations in Bauxite Resources' operating results.

If Mercantile OFM's Offer does not succeed, it is likely that Bauxite Resources' Share price will fall in the absence of another Offer. If it were to fall to the same level as the undisturbed Share price prior to the announcement of Mercantile OFM's Offer (7.9 cents), this would represent a fall of 8%. It could fall further.

Regulation and Publicity

Changes to the regulatory environment for the mining industry, the Corporations Act, ASIC policy and their commercial application, and/or any publicity may have an impact on Bauxite Resources' business and financial position which may materially affect an investment in Bauxite Resources Shares.

Macro Economic Risks

The general state of the Australian and international economies as well as changes in taxation, monetary policy, interest rates, statutory requirements and currency exchange rates may influence the financial performance of Bauxite Resources, and may affect the value of Bauxite Resources Shares.

6.5. Note on Risk Factors

The above list of general and specific risk factors should not be taken as exhaustive of the risks faced by Bauxite Resources or by Bauxite Resources Shareholders. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of Bauxite Resources and the value of the Bauxite Resources Shares.

7. Taxation Implications

7.1. Introduction

The following is a broad outline of the principal Australian income tax consequences for Australian resident individual and company Bauxite Resources Shareholders associated with acceptance of the Offer. This outline is not exhaustive of all possible income tax considerations that could apply to particular Bauxite Resources Shareholders. There are a number of limitations to the outline including that:

- (a) it applies only to Australian resident individual and company taxpayers. It does not cover the tax treatment for any other classes of taxpayers including individuals who are non-residents of Australia for tax purposes, insurance organisations, superannuation funds, trusts or employees of Bauxite Resources who acquired their Bauxite Resources Shares in respect of their employment;
- (b) it applies only where Bauxite Resources Shareholders hold their Bauxite Resources Shares on capital account. It does not apply where the Bauxite Resources Shares are held on revenue account (e.g. Shares held by Bauxite Resources Shareholders who trade in Securities or hold Bauxite Resources Share as trading stock); and
- (c) it is based on Australian tax law in effect at the date of this Bidder's Statement. It does not consider or anticipate any changes in the law (including changes to legislation, judicial authority or administrative practice).

Mercantile OFM and its advisers do not accept any liability or responsibility in respect of any statement concerning the taxation consequences of the Offer or in respect of the taxation consequences themselves. All Bauxite Resources Shareholders, and particularly those Bauxite Resources Shareholders whose situation is not addressed in this outline as noted above, should consult their own independent professional tax advisers regarding the tax consequences of disposing of Bauxite Resources Shares.

7.2. Acceptance of the Offer and disposal of Bauxite Resources Shares

The disposal of Bauxite Resources Shares by a Bauxite Resources Shareholder pursuant to the Offer constitutes a Capital Gains Tax (**CGT**) event for Australian income tax purposes.

Bauxite Resources Shareholders may realise a capital gain or a capital loss in respect of the disposal of their Bauxite Resources Shares.

In certain circumstances, Bauxite Resources Shareholders may be eligible to apply the CGT discount to reduce their assessable capital gain (the eligibility requirements for the CGT discount are discussed in the following paragraphs). The relevant rate of the CGT discount is 50% for individuals, and 33 1/3% for complying superannuation funds.

Any capital gain realised in respect of the disposal of the Bauxite Resources Shares should be included in the Bauxite Resources Shareholder's assessable income in the tax year in which the Offer is accepted (unless the resulting capital gains are completely offset against other capital losses of the Bauxite Resources Shareholder). Capital losses may be applied against any other capital gains derived by the Bauxite Resources Shareholder in the same year. Any unapplied capital losses may be carried forward to be applied against future capital gains.

The availability of indexation or a CGT discount in calculating the amount of the capital gains included in assessable income depends on the date of acquisition of the Bauxite Resources Shares whether the Shareholders are companies or individuals and the choice made by these Bauxite Resources Shareholders.

If Bauxite Resources Shares are held by an individual and:

- they were acquired after 11.45am on 21 September 1999; and
- have been held for more than 12 months before the date on which the Bauxite Resources Shareholder accepted the Offer,

then the CGT discount referred to above should generally be available.

There is no entitlement to indexation of the cost base for the Bauxite Resources Shareholder in these circumstances.

It should be noted that the CGT discount is not available where Bauxite Resources Shares are held by a company.

All Bauxite Resources Shareholders should obtain their own independent professional taxation advice.

7.3. Stamp duty

Stamp duty payable on a transfer of Bauxite Resources Shares will be paid by Mercantile OFM.

8. Information on Bauxite Resources Securities

8.1. Bauxite Resources Capital Structure

As at the date of this Bidder's Statement, there are 214,422,336 Bauxite Resources Shares on issue.

There are also 2,000,000 unlisted options on issue. The Offer does not extend to these options.

At the annual general meeting of Bauxite Resources held on 10 November 2017 (**AGM**), Bauxite Resources Shareholders approved:

- (a) the adoption of an employee incentive scheme (**Performance Rights Plan**), the terms and conditions of which were summarised in Schedule 1 of the notice of meeting convening the AGM (**Notice of Meeting**); and
- (b) the issue of 10,000,000 performance rights (**2017 Performance Rights**) to the current Bauxite Resources Directors, as set out in Section 3.3.

The 2017 Performance Rights were subsequently issued on 15 November 2017. You should refer to the Notice of Meeting and the accompanying explanatory memorandum dated 1 October 2017 for further details of the resolutions passed and the Performance Rights Plan.

8.2. Bauxite Resources Share Trading

During the three months ended 7 November 2017 (being the last Trading Day prior to the Announcement Date), the highest closing price and lowest closing price of Bauxite Resources Shares traded on ASX were as follows:

- (a) High: 7.9 cents; and
- (b) Low: 6.9 cents.

8.3. Mercantile's interests in Bauxite Resources

As at the date of this Bidder's Statement, Mercantile and its Associates have a Relevant Interest in 6,569,337 Bauxite Resources Shares.

As at the date of this Bidder's Statement, Mercantile had Voting Power in Bauxite Resources of 3.1%.

8.4. No Collateral benefits

Except as set out below, neither Mercantile OFM nor any Associate of the Mercantile OFM has, during the period of 4 months ending on the day immediately before the date of the Offer, given, or offered or agreed to give, a benefit to another person likely to induce the other person, or an Associate, to:

- (a) accept the Offer; or
- (b) dispose of Bauxite Resources Shares,

which benefit was not offered to all Bauxite Resources Shareholders under the Offer.

8.5. Consideration provided for Bauxite Resources Shares in the previous 4 months

During the period of 4 months ending on the date immediately before the date of this Bidder's Statement, Mercantile OFM purchased Bauxite Resources Shares on market as shown below.

Trade Date	Settlement Date	Consideration per Bauxite Share Resources	Number of Bauxite Resources Shares
31 July 2017	2 August 2017	\$0.07	74,506
2 August 2017	4 August 2017	\$0.0710	24,520
3 August 2017	7 August 2017	\$0.070588	170,644
4 August 2017	8 August 2017	\$0.0710	35,000
8 August 2017	10 August 2017	\$0.07	10,000
9 August 2017	11 August 2017	\$0.07	70,330
10 August 2017	14 August 2017	\$0.07	115,000
11 August 2017	15 August 2017	\$0.069	100,000
18 August 2017	22 August 2017	\$0.0701	400,000
28 August 2017	30 August 2017	\$0.0748	49,973
31 August 2017	4 September 2017	\$0.0730	250,000
5 September 2017	7 September 2017	\$0.070781	95,676
6 September 2017	8 September 2017	\$0.07	79,000
8 September 2017	12 September 2017	\$0.07	25,269
20 September 2017	22 September 2017	\$0.072	97,153
2 October 2017	4 October 2017	\$0.072	9,301
3 October 2017	5 October 2017	\$0.072	2,000
4 October 2017	6 October 2017	\$0.072	19,300
5 October 2017	9 October 2017	\$0.072	5,577
10 October 2017	12 October 2017	\$0.072	16,500
11 October 2017	13 October 2017	\$0.072	14,000
16 October 2017	18 October 2017	\$0.072	33,404
17 October 2017	19 October 2017	\$0.072	300,000
3 November 2017	7 November 2017	\$0.076	100,000
9 November 2017	13 November 2017	\$0.0849	1,120,000
Total Bauxite Resources Shares purchased by Mercantile OFM in the last 4 months			3,217,153

8.6. No escalation agreements

Neither the Mercantile OFM nor any Associate of the Mercantile OFM has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

8.7. Bauxite Resources Shares

In the 4 months prior to the date of this Bidder's Statement, there have been no dealings in Bauxite Resources Shares by Mercantile OFM's Directors or their related entities.

9. Additional Information

9.1. Conditions

The Offer is only conditional on the Prescribed Occurrences.

9.2. Date for determining holders of Bauxite Resources Shares

For the purposes of section 633 of the Corporations Act, the date for determining the people to whom information is to be sent under items 6 and 12 of section 633(1) is 20 November 2017.

9.3. ASIC modifications and exemptions

ASIC has published various other class order instruments providing for modifications and exemptions that apply generally to all persons, including Mercantile OFM.

Mercantile OFM has relied, under Class Order 13/521 "Takeover bids" by ASIC, on the modifications to Section 624(2) of the Corporations Act, by paragraphs 4(f) and (g) of the Class Order. These paragraphs are concerned with clarifying the timing issues related to the closing time for offer periods that are automatically extended under the Corporations Act.

Mercantile OFM will make available a copy of the documents containing these statements (or relevant extracts from these documents), free of charge to Bauxite Resources Shareholders who request them before the end of the Offer Period. To obtain a copy of these documents (or the relevant extracts) Bauxite Resources Shareholders should contact Mercantile OFM on (02) 8014 1188 between 9am and 5pm (Sydney time) Monday to Friday.

9.4. Consents

Mercantile has given and before lodgement of this Bidder's Statement has not withdrawn its written consent to be named in the form and context in which it is named.

KardosScanlan Pty Limited (ACN 145 466 600) (**Kardos Scanlan**) has given and before lodgement of this Bidder's Statement has not withdrawn its written consent to be named as legal adviser to the Offer in the form and context in which it is named.

Link Market Services Limited (ACN 083 214 537) (**Link**) has given and before lodgement of this Bidder's Statement has not withdrawn its written consent to be named as registry for the Offer in the form and context in which it is named.

Each of Mercantile, Kardos Scanlan and Link:

- (a) has not authorised or caused the issue of the Bidder's Statement;
- (b) does not make, or purport to make, any statement in this Bidder's Statement other than as specified in this Section; and
- (c) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding and takes no responsibility for, any part of this Bidder's Statement other than the reference to its name and the statements (if any) included in this Bidder's Statement with the consent of that party as specified in this Section.

In addition, this Bidder's Statement includes statements which are made in, or based on statements made in documents lodged with ASIC or given to ASX. Pursuant to ASIC Class Order 13/521, the makers of those statements are not required to consent to, and have not consented to, inclusion of those statements in this Bidder's Statement. If you would like to receive a copy of any of those documents (free of charge) please contact Mercantile OFM on (02) 8014 1188 between 9am and 5pm (Sydney time) Monday to Friday.

9.5. Other material information

There is no other information material to the making of a decision by an offeree whether or not to accept an Offer (being information that is known to Mercantile OFM and has not previously been disclosed to the holders of Bauxite Resources Shares) other than as disclosed in this Bidder's Statement.

10. Definitions and Interpretation

10.1. Definitions

The following defined terms are used throughout this Bidder's Statement unless the context otherwise requires. These terms are used throughout this Bidder's Statement.

\$	Australian Dollars.
2015 Annual Report	The audited financial statements for Bauxite Resources and its controlled entities set out in Bauxite Resources' annual report for the year ending 30 June 2015.
2016 Annual Report	The audited financial statements for Bauxite Resources and its controlled entities set out in Bauxite Resources' annual report for the year ending 30 June 2016.
2017 Annual Report	The audited financial statements for Bauxite Resources and its controlled entities set out in Bauxite Resources' annual report for the year ending 30 June 2017.
Acceptance Form	The acceptance form for the Offer accompanying this Bidder's Statement.
Announcement Date	8 November 2017 being the date on which Mercantile announced that or its nominee intended to undertake a proportional off-market takeover bid for Bauxite Resources
ASIC	Australian Securities and Investments Commission.
Associate	Has the same meaning given to that term in section 9 of the Corporations Act.
ASX	ASX Limited (ABN 98 008 624 691).
Bauxite Resources	Bauxite Resources Limited (ACN 119 699 982)
Bauxite Resources AGM	The annual general meeting of Bauxite Resources convened to be held on 10 November 2017 and any subsequent meeting held as a result of adjournment of that meeting.
Bauxite Resources Board	The board of Directors of Bauxite Resources.
Bauxite Resources Director	A director of Bauxite Resources.
Bauxite Resources Share	An ordinary share in the capital of Bauxite Resources.
Bauxite Resources Shareholder	A registered holder of Bauxite Resources Shares.
Bauxite Resources Shareholding	The Bauxite Resources Shares which a Bauxite Resources Shareholder is recorded on the register of members of Bauxite Resources as holding.
Bidder's Statement	The contents of this booklet.
Board	The board of directors of Bauxite Resources.
Broker	A person who is a share broker and a participant in CHESS.

Business Day	Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.
CGT	Capital gains tax.
controlled entity	Has the meaning given to that word in the Corporations Act.
Controlling Participant	The Broker who is designated as the controlling participant for Shares in a CHES Holding in accordance with the ASX Settlement Operating Rules.
Corporations Act	The Corporations Act 2001 (Cth).
Encumbrance	<p>An interest or power:</p> <p>(a) reserved in or over an interest in any asset including, without limitation, any retention of title; or</p> <p>(b) created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power,</p> <p>by way of security for the payment of a debt, any other monetary obligation or the performance of any other obligation and includes, without limitation, any agreement to grant or create any of the above.</p>
Foreign Law	A law of any jurisdiction other than an Australian jurisdiction.
Foreign Shareholder	Any Bauxite Resources Shareholder whose address in Bauxite Resources' register of members is a place outside Australia and its external territories, to whom it is unlawful for the Mercantile OFM to make the Offer or for whom it is unlawful to accept the Offer.
Governmental Agency	Any government, semi-government, administrative, fiscal, judicial or regulatory body, department, commission, authority, tribunal, agency or entity.
Marketable Parcel	A holding of Bauxite Resources Shares with a value of not less than \$500 based on the "cum-Offer" ASX closing price of Bauxite Resources Shares on the date that is the most recent Trading Day before the relevant acceptance of the Offer is received.
Mercantile Director	A director of Mercantile.
Offer	The offer to acquire Bauxite Resources Shares set out in Appendix A sent or to be sent to the holders of Bauxite Resources Shares (or persons entitled to receive those offers pursuant to the Corporations Act).
Offer Consideration	Consideration offered by Mercantile OFM for Bauxite Resources Shares, being \$0.09 cents per Bauxite Resources Share.
Offer Period	The period for which the Offer remains open as set out in Section 2 of Appendix A.
Mercantile OFM Director	A director of Mercantile OFM.
Relevant Interest	Has the same meaning given to that term in sections 608 and 609 of the

Corporations Act.

Rights

All accretions, rights or benefits of whatever kind attaching to or arising from Bauxite Resources Shares directly or indirectly after the date of this Bidder's Statement, including, without limitation, all dividends, distributions, and all rights to receive dividends, distributions or to receive or subscribe for Securities, stock shares, notes, bonds, options or other securities, declared, paid or issued by Bauxite Resources or any of its controlled entities.

Security

Has the meaning as given in Section 92 of the Corporations Act.

September 2017 Quarterly Report

The September 2017 Quarterly Activities and Cashflow Report released by Bauxite Resources to ASX on 24 October 2017.

Trading Day

Has the same meaning given to it in the ASX Listing Rules.

Voting Power

Has the same meaning given to that term in section 610 of the Corporations Act.

11. Interpretation

In this Bidder's Statement, unless the context requires otherwise:

- (a) a reference to a word includes the singular and the plural of the word and vice versa;
- (b) a reference to a person in this Bidder's Statement or any other document or agreement includes its successors and permitted assigns;
- (c) a reference to a gender includes any gender;
- (d) a reference to an item in a Section, Schedule, Annexure or Appendix is a reference to an item in the section of or schedule, annexure or appendix to this Bidder's Statement and references to this Bidder's Statement include its schedules and any annexures;
- (e) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;
- (f) a term which refers to a natural person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture or a Governmental Agency;
- (g) headings are included for convenience only and do not affect interpretation;
- (h) a reference to a document or agreement including this Bidder's Statement, includes a reference to that document or agreement as amended, novated, supplemented, varied or replaced from time to time;
- (i) a reference to a thing includes a part of that thing and includes but is not limited to a right;
- (j) the terms "included", "including" and similar expressions when introducing a list of items do not exclude a reference to other items of the same class or genus;
- (k) a reference to a statute or statutory provision includes but is not limited to:
 - (i) a statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;
 - (ii) a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and
 - (iii) subordinate legislation made under the statute or statutory provision including but not limited to an order, regulation, or instrument;
- (l) reference to "\$", "A\$", "Australian Dollars" or "dollars" is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia; and
- (m) a reference to an asset includes all property or title of any nature including but not limited to a business, a right, a revenue and a benefit, whether beneficial, legal or otherwise.

12. Approval of Bidder's Statement

This Bidder's Statement has been approved by a unanimous resolution of the Mercantile OFM Directors.

Dated 21 November 2017

Signed

A handwritten signature in black ink, appearing to be 'G Radzynski', written in a cursive style.

For and on behalf of Mercantile OFM Pty Ltd

Gabriel Radzynski

Director

Appendix A

Terms of Offer

1. Mercantile OFM's Offer

- 1.1 Mercantile OFM offers to acquire your Bauxite Resources Shares on the terms and conditions of this Offer. You may accept this Offer in respect of any of your Bauxite Resources Shares provided that you may not accept in respect of more than one of every two Bauxite Resources Shares you hold. If you hold an odd number of Bauxite Resources Shares, the number of Bauxite Resources Shares you may accept for will be rounded up. The consideration being offered by Mercantile OFM is 9 cents for each Bauxite Resources Share acquired under this Offer.
- 1.2 If you accept this Offer and Mercantile OFM acquires any of your Bauxite Resources Shares, Mercantile OFM is also entitled to any Rights in respect of those of your Bauxite Resources Shares acquired by Mercantile OFM.

2. Offer Period

Unless withdrawn, this Offer remains open for acceptance during the period commencing on [insert] and ending at 7:00pm on [insert] Sydney time, subject to any extension of that period in accordance with the Corporations Act.

3. Who May Accept

- 3.1 An offer in the form of this Offer is being made to each holder of Bauxite Resources Shares registered in the register of members of Bauxite Resources at 9.00am Sydney time on 22 November 2017.
- 3.2 This Offer extends to any person who is able, during the Offer Period, to give good title to a parcel of Bauxite Resources Shares that are not "tagged" and has not already accepted an Offer for those Bauxite Resources Shares (see Clause 3.6). If you accept this Offer in respect of one of every two Bauxite Resources Shares you hold, you are not entitled to accept the Offer for your remaining Bauxite Resources Shares (**Remaining Shares**), nor can a transferee of your Remaining Shares accept the Offer. Your Remaining Shares will effectively be "tagged" so that a transferee of the Remaining Shares will be prevented from accepting the Offer.
- 3.3 Subject to Clause 3.1, if at the time this Offer is made to you another person is, or at any time during the Offer Period and before this Offer is accepted becomes, the holder of any of your Bauxite Resources Shares (**transferred Shares**), Mercantile OFM is deemed, in place of this Offer, to have made at that time a corresponding Offer on the same terms and conditions:
- (a) to the other person, relating to the transferred Shares; and
 - (b) to you, relating to your Bauxite Resources Shares other than the transferred Shares (if any).
- 3.4 Subject to Clause 3.5 and despite Clauses 1.1, 3.1, 3.2 and 3.3, if accepting this Offer would leave you with less than a Marketable Parcel of Bauxite Resources Shares, this Offer extends to the whole parcel of your Bauxite Resources Shares and if you accept the Offer you will be deemed to have accepted for (and will receive consideration for) 100% of your Bauxite Resources Shares, unless you or another person acquired a legal or equitable interest in the Bauxite Resources Shares comprising the parcel after the Offer was announced to ASX on the Announcement Date. This Clause 3.4 applies to persons who hold Bauxite Resources Shares as nominee or trustee for others, provided that the holder provides a notice complying with Clause 3.7 in relation to each parcel of Bauxite Resources Shares to which the provision is to apply.

3.5 Clause 3.4 does not apply to a parcel of Bauxite Resources Shares whether held beneficially or otherwise, that has come into existence, or increased in size, because of a transaction entered into (including the creation of any trust), at any time after 10.00am Sydney time on the Announcement Date.

3.6 Subject to Clause 3.2:

- (a) a person who is able during the Offer Period to give good title to a parcel of Bauxite Resources Shares; and
- (b) there was not already been an accepted Offer for a parcel of Bauxite Resources Shares which the relevant Bauxite Resources Shares were formerly a part,

that person may, in accordance with section 653B(1) of the Corporations Act, accept this Offer as if an offer on terms identical to the Offer had been made to that person in relation to those Bauxite Resources Shares.

3.7 If at any time during the Offer Period and before this Offer is accepted, you hold your Bauxite Resources Shares in two or more distinct portions (for example, you hold some as trustee, nominee or otherwise on account of another person) within the meaning of Section 653B of the Corporations Act:

- (a) this Offer is deemed to consist of a separate corresponding Offer to you in relation to each distinct portion of your Bauxite Resources Shares;
- (b) to accept any of those corresponding Offers, you must specify by written notice accompanying your Acceptance Form; or
- (c) that your Bauxite Resources Shares consist of distinct portions and the number of the Bauxite Resources Shares to which the acceptance relates; and
- (d) otherwise, Section 653B of the Corporations Act applies to this Offer in respect of your Bauxite Resources Shares and any acceptance of this Offer by you.

4. How to Accept this Offer

4.1 You may accept this Offer in respect of any of your Bauxite Resources Shares provided that you may not accept for more than one of every two Bauxite Resources Shares that you hold.

4.2 You may only accept this Offer during the Offer Period.

4.3 To accept this Offer, you should proceed as follows:

- (a) you may complete and sign the Acceptance Form in accordance with the instructions on the Acceptance Form and return it, so that the envelope in which they are sent is received by Mercantile OFM in accordance with the Acceptance Form before the end of the Offer Period; and
- (b) if your Bauxite Resources Shares are held in a CHESS Holding (as an alternative to completing the Acceptance Form) you may either:
 - (i) instruct your Controlling Participant to initiate acceptance of the Offer in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period; or
 - (ii) if you are a Broker or an ASX Settlement Participant, initiate acceptance of the Offer in accordance with the requirements of the ASX Settlement Operating Rules before the end of the Offer Period.

5. Effect of Acceptance

5.1 By accepting the Offer in accordance with Clause 4, you will have:

- (a) accepted this Offer in respect of one of every two of your Bauxite Resources Shares or such lesser number as specified in your Acceptance Form;
- (b) agreed to transfer your Bauxite Resources Shares to Mercantile OFM (subject to this Offer and the contract resulting from your acceptance of it becoming unconditional);
- (c) represented and warranted to Mercantile OFM that your Bauxite Resources Shares will at the time of acceptance of this Offer and at the time of their transfer to Mercantile OFM be fully paid up and that Mercantile OFM will acquire good title to and beneficial ownership of your Bauxite Resources Shares free from all Encumbrances and other adverse third party interests of any kind;
- (d) on the Offer or the contract resulting from your acceptance of the Offer becoming unconditional, irrevocably appointed Mercantile OFM and each of its directors, secretaries and officers severally from time to time as your attorney to do all things which you could lawfully do in relation to your Bauxite Resources Shares or in exercise of any right derived from the holding of such Bauxite Resources Shares, including without limitation:
 - (i) attending and voting at any general meeting of Bauxite Resources;
 - (ii) notifying Bauxite Resources that your address in the records of Bauxite Resources for all purposes including the dispatch of notices of meeting, annual reports and dividends should be altered to an address nominated by Mercantile OFM;
 - (iii) notifying Bauxite Resources that the details of the bank account on the register held by the Bauxite Resources for all future distributions in respect of your Bauxite Resources Shares should be altered to a bank account nominated by Mercantile OFM;
 - (iv) do all things necessary to effect the transfer of your Bauxite Resources Shares on the same terms and conditions set out in the Offer, legally and beneficially to Mercantile OFM; and
 - (v) doing all things incidental and ancillary to any of the above.

This appointment terminates on the registration of Mercantile OFM as the registered holder of your Bauxite Resources Shares.

Mercantile OFM must indemnify you and keep you indemnified in respect of all costs, expenses and obligations which might otherwise be incurred or undertaken as a result of the exercise by an attorney of any powers under this Clause 5.1(d);

- (e) agreed that in exercising the powers conferred by the power of attorney under Clause 5.1(d) the attorney may act in the interests of Mercantile OFM as the intended registered holder and beneficial holder of those Bauxite Resources Shares;
- (f) agreed not to attend or vote in person at any general meeting of Bauxite Resources or to exercise or purport to exercise any of the powers conferred on an attorney under Clause 5.1(d);
- (g) represented and warranted to Mercantile OFM that the making of the Offer to you and your acceptance of this Offer is lawful under any Foreign Law which applies to you, to the making of this Offer or to your acceptance of this Offer;

- (h) agree to indemnify Mercantile OFM and Bauxite Resources fully in respect of any claim, demand, action, suit or proceeding made or brought against Bauxite Resources and any loss, expense, damage or liability whatsoever suffered or incurred by Mercantile OFM, in each case as a result of any representation or warranty made by you not being true;
- (i) if and when the contract resulting from your acceptance of the Offer becomes unconditional (even though Mercantile OFM has not yet provided the consideration due to you), irrevocably authorised and directed Bauxite Resources to pay to Mercantile OFM or to account to Mercantile OFM for all dividends and other distributions and entitlements which are declared, paid or made or which arise or accrue after the date of this Offer in respect of the Bauxite Resources Shares which Mercantile OFM acquires pursuant to this Offer, subject if your acceptance of this Offer is validly withdrawn pursuant to Section 650E of the Corporations Act or the contract resulting from that acceptance becomes void, to Mercantile OFM accounting to you for any such dividends, distributions and entitlements received by it;
- (j) if and when the contract resulting from your acceptance of the Offer becomes unconditional (even though Mercantile OFM has not yet provided the consideration due to you) you authorise Mercantile OFM to transmit a message to ASX Settlement in accordance Rule 14.17.1 of the ASX Settlement Operating Rules so as to enter those of your Bauxite Resources Shares which are CHESSE Holdings into the Mercantile OFM Takeover Transferee Holding; and
- (k) if and when the contract resulting from your acceptance of this Offer becomes unconditional (even though Mercantile OFM has not provided the consideration due to) you authorise Mercantile OFM to enter those of your Bauxite Resources Shares which are Issuer Sponsored Holdings into the name of Mercantile OFM.

5.2 By completing, signing and returning the Acceptance Form, you will also have:

- (a) authorised Mercantile OFM and each of its directors, secretaries, officers, servants and agents severally to complete the Acceptance Form by correcting any errors in or omissions from the Acceptance Form as may be necessary for either or both of the following purposes:
 - (i) to make the Acceptance Form an effectual acceptance of this Offer; and
 - (ii) to enable registration of the transfer to Mercantile OFM of your Bauxite Resources Shares.
- (b) authorised Mercantile OFM and each of its directors, secretaries, officers, servants, and agents severally on your behalf to initiate acceptance or instruct your Controlling Participant to initiate acceptance in accordance with Rule 14.14 of the ASX Settlement Operating Rules.

5.3 Mercantile OFM may at any time in its absolute discretion:

- (a) treat the receipt by it of an Acceptance Form during the Offer Period as a valid acceptance although any of the other requirements for a valid acceptance have not been complied with; and
- (b) where you have satisfied the requirements for acceptance in respect of only some of your Bauxite Resources Shares, treat the acceptance as a valid acceptance only in respect of those Bauxite Resources Shares.

5.4 In respect of any part of an acceptance treated by Mercantile OFM as valid, Mercantile OFM must provide you with the relevant consideration in accordance with Clause (a).

6. Consideration for your Bauxite Resources Shares

- 6.1 Subject to Clauses 6.2 and 6.4 of this Offer, if you accept this Offer and the contract resulting from your acceptance of this Offer becomes unconditional, Mercantile OFM will pay to you the Offer Consideration to which you are entitled by the later of:
- (a) the date 7 days after the date you validly accept this Offer; and
 - (b) 7 days after the date the Offer becomes or is declared unconditional.
- but in any event (assuming the Offer becomes or is declared unconditional), no later than the date 7 days after the end of the Offer Period.
- 6.2 If you accept the Offer and you are a Foreign Unitholder, you are not entitled to receive the Offer Consideration unless and until all requisite authorities or clearances have been obtained from the Reserve Bank of Australia and or the Australian Taxation Office. Refer to Clause 6.9 of this Offer for further information.
- 6.3 Notwithstanding anything else in the Bidder's Statement, Mercantile OFM is under no obligation to spend any money, or undertake any action, in order to satisfy themselves of the eligibility of Foreign Shareholders to receive the Offer Consideration as set out in this Clause 6.2.
- 6.4 Where the Acceptance Form or any subsequent request from Mercantile OFM requires additional documents to be given with your acceptance (such as a certified copy of any of a power of attorney, grant of probate or letters of administration, or any other document requested by Mercantile OFM to give better effect to your acceptance):
- (a) if the documents are given with your acceptance, Mercantile OFM will provide the Offer Consideration in accordance with Clause 6.1 of this Offer;
 - (b) if the documents are given after acceptance and before the end of the Offer Period, and this Offer is subject to a defeating condition at the time that Mercantile OFM is given the documents, Mercantile OFM will provide the Offer Consideration by the end of whichever of the following periods ends earlier:
 - (i) 7 days after the contract resulting from your acceptance of this Offer becomes unconditional; or
 - (ii) 21 days after the end of the Offer Period.
 - (c) if the documents are given after the end of the Offer Period and this Offer is unconditional at the time that Mercantile OFM is given the documents, Mercantile OFM will provide the Offer Consideration by the end of whichever of the following periods ends earlier:
 - (i) 7 days after Mercantile OFM is given the documents; and
 - (i) 21 days after the end of the Offer Period.
- 6.5 If you do not provide Mercantile OFM with the required additional documents within one month after the end of the Offer Period, Mercantile OFM may, in its sole discretion, rescind the contract resulting from your acceptance of this Offer.
- 6.6 If Mercantile OFM becomes entitled to any Rights as a result of your acceptance of this Offer, it may require you to give Mercantile OFM all documents necessary to vest those Rights in Mercantile OFM or otherwise to give Mercantile OFM the benefit or value of those Rights. If you do not give those documents to Mercantile OFM, or if you have received the benefit of those Rights, then Mercantile OFM may reduce the Offer Consideration to which you are

otherwise entitled under this Offer by the amount equal to the value, (as reasonably assessed by Mercantile OFM), of those Rights.

- 6.7 If:
- (a) you have (or any previous holder of your Bauxite Resources Shares has) received the benefit of any Rights (whether in respect of non-cash benefits or otherwise); or
 - (b) you are (or any previous holder of your Bauxite Resources Shares is) entitled to receive the benefit of any Rights under the terms that provide for or otherwise apply to those Rights (for example, if the Right is to receive a dividend, if you are (or any previous holder of your Bauxite Resources Shares is) the registered holder of the Shares at the specified time for determining those entitled to the distribution); or
 - (c) your Bauxite Resources Shares were issued (or otherwise came into existence) on or after the record date in respect of any Rights to Bauxite Resources Shareholders,

then Mercantile OFM may reduce the Offer Consideration to be paid to you under this Offer by the value (as reasonably assessed by Mercantile OFM) of such Rights.

- 6.8 If Mercantile OFM does not, or cannot, make such a reduction, you must pay such value or amount to Mercantile OFM.

- 6.9 If, at the time of acceptance of this Offer, any consent, authority or clearance of the Reserve Bank of Australia and/or the Australian Taxation Office is required for you to receive any consideration under this Offer or you are resident in or a resident of a place to which, or you are a person to whom:

- (a) the Banking (Foreign Exchange) Regulations 1959 (Cth);
- (b) Part 4 of the Charter of the United Nations Act 1945 (Cth);
- (c) the Charter of the United Nations (Dealing with Assets) Regulations 2008 (Cth);
- (d) Part 9 of the Anti-Money Laundering And Counter-Terrorism Financing Act 2006 (Cth);
- (e) any other regulations made under Part 4 of the *Charter of the United Nations Act 1945* (Cth); or
- (f) any other law of Australia that would make it unlawful for Mercantile OFM to provide Consideration for your Bauxite Resources Shares,

applies, then acceptance of this Offer will not create or transfer to you any right (contractual or contingent) to receive (and you will not be entitled to receive) any consideration under this Offer unless and until all requisite consents, authorities or clearances have been obtained.

- 6.10 If Mercantile OFM is required by law to retain or withhold (and pay to a public authority) any amount of the Offer Consideration you are entitled to under this Offer, the retention or payment by Mercantile OFM of that amount in conjunction with providing the remaining Offer Consideration to be provided to you in accordance with Clause 6.6 of the Offer will constitute full and proper provision of the Offer Consideration to you under this Offer.

7. Condition of this Offer

- 7.1 This Offer and the contract that results from acceptance of this Offer are each subject to the fulfilment of the following condition:

“No Prescribed Occurrences: none of the following happens during the period commencing on the Announcement Date and ending on the expiry of the Offer Period (each being a separate condition):

- (i) the shares of Bauxite Resources or any of the Controlled Entities of Bauxite Resources are converted into a larger or smaller number of shares;
- (ii) Bauxite Resources or a subsidiary of Bauxite Resources resolves to reduce its share capital in any way;
- (iii) Bauxite Resources or a subsidiary of Bauxite Resources:
 - (A) enters into a buy-back agreement; or
 - (B) resolves to approve the terms of a buy-back agreement under sections 257C or 257D of the Corporations Act;
- (iv) Bauxite Resources or a subsidiary of Bauxite Resources issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (v) Bauxite Resources or a subsidiary of Bauxite Resources issues or agrees to issue convertible notes;
- (vi) Bauxite Resources or a subsidiary of Bauxite Resources disposes or agrees to dispose of the whole or a substantial part of its business or property;
- (vii) Bauxite Resources or a subsidiary of Bauxite Resources grants or agrees to grant an Encumbrance over the whole or a substantial part of its business or property; or
- (viii) an Insolvency Event occurs with respect to Bauxite Resources or a subsidiary of Bauxite Resources.”

7.2 Each paragraph of Section 7.1:

- (a) is and must be construed as a separate condition; and
- (b) subject to the Corporations Act, operates only for the benefit of Mercantile OFM and any breach or non-fulfilment of such condition may be relied upon only by Mercantile OFM which may waive (generally or in respect of a particular event) the breach or non-fulfilment of that Condition.

7.3 The Condition does not prevent a contract to sell your Bauxite Resources Shares resulting from your acceptance of this Offer but:

- (c) breach of the Condition entitles Mercantile OFM to rescind that contract by notice to you; and
- (d) non-fulfilment of the Condition at the end of the Offer Period will have the consequences set out in this Section 7.1.

7.4 Where an event occurs that would mean at the time the event occurs the Condition to which this Offer or the contract resulting from your acceptance of this Offer is then subject would not be fulfilled, each paragraph of the Condition in Section 7.1 affected by that event becomes two separate Conditions on identical terms except that:

- (e) one of them relates solely to that event; and
- (f) the other specifically excludes that event.

Mercantile OFM may declare the Offer free under Section 7.1 from any paragraph of the Condition without declaring it free from the other paragraphs and may do so at different times.

- 7.5 Subject to the Corporations Act, Mercantile OFM may declare this Offer and any contract resulting from acceptance of this Offer free from the Condition by giving written notice to Bauxite Resources not later than 3 business days after the end of the Offer Period.
- 7.6 The date for giving the notice on the status of the Condition as required by section 630(1) of the Corporations Act is **[insert]** (subject to extension in accordance with the Corporations Act) if the Offer Period is extended.
- 7.7 Your acceptance or the contract resulting from your acceptance of this Offer is void if:
- (g) at the end of the Offer Period the Condition in Section 7.1 is not fulfilled; and
 - (h) Mercantile OFM has not declared this Offer and any contract resulting from the acceptance of it free of the Condition in accordance with Section 7.5.

8. Withdrawal of Offers

- 8.1 This Offer may be withdrawn by Mercantile OFM, but only with ASIC's written consent (which consent may be given subject to any conditions which may be imposed by ASIC) or otherwise in accordance with the Corporations Act.
- 8.2 Subject to ASIC's consent (and any conditions imposed by ASIC), withdrawal of this Offer may be effected by written notice from Mercantile OFM given to Bauxite Resources.
- 8.3 Subject to any conditions imposed by ASIC on its consent, where Mercantile OFM withdraws this Offer:
- (a) this Offer, if not previously accepted, automatically becomes incapable of acceptance; and
 - (b) any contract resulting from an acceptance of this Offer before the withdrawal (and for this purpose this Offer is treated as having continued in existence notwithstanding that acceptance) is automatically void.

9. Variation

Mercantile OFM may vary this Offer in accordance with the Corporations Act.

10. Mercantile OFM's Relevant Interests

At the date of this Offer, there are 214,422,336 Bauxite Resources Shares on issue. Immediately before this Offer was sent, Mercantile OFM had a Relevant Interest in 6,569,337 Bauxite Resources Shares. This constitutes 3.1% of all of the Bauxite Resources Shares on issue.

11. No Duty

Mercantile OFM must pay all duty payable on the transfer of your Bauxite Resources Shares to it if you accept this Offer.

12. Foreign Laws

This Offer is not registered in any jurisdiction outside Australia (unless an applicable foreign law treats it as registered as a result of the Bidder's Statement being lodged with ASIC). It is your sole responsibility to satisfy yourself that you are permitted by any foreign law applicable to you to accept this Offer and to receive the Offer Consideration.

13. Governing Law

- 13.1 This Offer and any contract resulting from acceptance of the Offer are governed by the law in force in NSW.
- 13.2 This Offer is dated [insert] 2017.