

## SUPPLEMENTARY TARGET STATEMENT LODGED BOARD RECOMMENDS THAT SHAREHOLDERS REJECT THE VARIED OFFER

Bauxite Resources Limited (ASX:BAU) ('BRL' or 'the Company') advises that it has today lodged a Supplementary Target's Statement in relation to the Bidder's Statement for the Off Market Cash Offer from Mercantile OFM Pty Ltd ('Mercantile OFM').

Mercantile OFM recently increased its offer ("Offer") to 11 cents per share for 50% of your shares in BRL (6 cents per share after the 5 cent return of capital).

The Independent Expert, BDO Corporate Finance (WA) Pty Ltd ("BDO") has advised that they now consider the revised Offer of 11 cents per share (6 cents per share after return of capital) fair and reasonable to BRL shareholders that are not associated with Mercantile OFM. The BDO preferred valuation of 12.1 cents did not change, with a range from 10.9 cents to 13.2 cents per share.

BRL's directors continue to recommend that you **TAKE NO ACTION** and thus **REJECT THE OFFER** for the following reasons:

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

**DATE: 2 February 2018**

**ASX Code: BAU**

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

It is far easier to destroy a company by acting as a liquidator than it is to generate new projects and create long term value for shareholders. The vision of your current board is to do the latter.

**BRL's Directors unanimously recommend you REJECT the Offer. If the Bidder wants to effectively liquidate the Company, they should offer to buy all of the shares.**

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

For further company details please visit [www.bauxiteresources.com.au](http://www.bauxiteresources.com.au) or contact:

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