

# Bauxite Resources Limited: Updated Response To Threatened Litigation

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Perth, Australia (ABN Newswire) - Bauxite Resources Limited (ASX: BAU) (PINK: BXRDF) has reviewed in detail the information released by IMF (Australia) Limited (ASX: IMF) (PINK: IMFAF) in relation to its announcement that it proposes to fund legal action against the Company by certain current and former shareholders.

BRL intends to keep its shareholders informed of developments in this threatened action, through this page on its website. Interested shareholders should review this page from time to time to obtain updates at; [www.bauxiteresources.com.au](http://www.bauxiteresources.com.au).

Who is IMF?

IMF is a publicly listed litigation funding company. It earns revenue from promoting and funding class actions and other litigation, and taking a share of any judgment if the claims which it funds succeed.

Have legal proceedings been commenced against BRL?

No. IMF has said that it will fund litigation by shareholders only if the estimated losses by persons who sign up to funding agreements with IMF are sufficient to make the proceedings commercially viable for IMF.

IMF does not say when it will decide whether or not to commence the threatened proceedings. It has indicated only that it expects any proceedings to take between 1 year and more than 3 years from their commencement to resolve.

What shareholders are involved?

IMF has not identified which (if any) shareholders or former shareholders consider that they may have claims against BRL.

IMF has indicated that the claim relates to the placement by BRL of 60 million shares on 30 October 2009. That placement was made exclusively with institutional and sophisticated investors. BRL assumes that any claim will be brought by those who acquired shares as a result of that placement and who have a funding agreement with IMF.

What is the amount of the proposed claim?

IMF does not say what the estimated losses are, or how they will be calculated. Nor does it explain what amount will be sufficient for it to elect to proceed to fund the proposed action.

Shareholders should not assume that any claim will seek to recover the total losses incurred on the sale of any BRL shares purchased in the share placement, or the difference between the placement price and the current listed price.

What is BRL alleged to have done?

IMF suggests that any claim for damages will assert misleading conduct by BRL and breaches of its continuous disclosure obligations. BRL maintains that its disclosures were appropriate and kept shareholders properly informed of the company's progress.

The material provided by IMF is not clear as to what facts will be advanced in any court to seek to prove those claims. The information disclosed by IMF falls well short of allowing shareholders to form a view as to whether BRL has breached any relevant obligations, in what respects, and what losses they are likely to recover if IMF's allegations succeed.

If proceedings are commenced, IMF will need to be much more precise about detailing its allegations with

respect to:

- what information BRL should have disclosed to the market, which it failed to disclose;
- how BRL's announcements to the market were misleading or deceptive;
- what group of shareholders suffered loss as a consequence of any such breach or failure; and
- what those losses were.

BRL intends to defend any such allegations, and considers that shareholders who purchased shares in the October 2009 placement should be provided with much greater detail by IMF before committing to a funding arrangement which is driven by IMF's commercial objectives.

BRL considers that many of the allegations asserted by IMF in its 'overview' are inaccurate, and themselves provide a misleading impression of BRL's conduct, and the information available to shareholders about BRL, throughout the relevant period.

BRL will await further clarification of the proposed allegations from IMF or the solicitors engaged on its behalf.

Does BRL accept the IMF allegations about disclosure?

No.

BRL recognises the importance of keeping shareholders informed. It made an average of 2 formal disclosures to the stock exchange per week during 2009 (total 102), it produces extensive quarterly reports, and circulates newsletters to shareholders.

BRL considers that it fully discharged its disclosure obligations to shareholders. It intends to defend any legal action that may be commenced.

Have these claims been made previously to BRL?

IMF did not notify BRL of its intentions nor seek BRL's response to its concerns prior to publicly announcing that it was proposing to fund legal action against BRL. If it had done so, there would have been an opportunity to productively discuss any issues in dispute and, at the very least, avoid inaccurate assertions being advanced.

Unfortunately, IMF's announcement of its proposal to fund an action appears to have had a negative impact on shareholder value.

The claims advanced by IMF are strikingly similar in many respects to claims that have been made by certain persons who have been running a campaign against BRL's mining proposals in Bindoon. Those claims have been the subject of previous allegations to the ASX which BRL understands have been fully investigated.

Has IMF now clarified those allegations?

As is normal for IMF in promoting one of its proposed legal actions, it has generated media interest in the allegations which it makes against BRL. BRL has reviewed this material but has no better sense of what it is accused of doing wrong.

What should shareholders do?

Current and former shareholders may be contacted by IMF to seek to persuade them to sign up to a funding agreement with IMF. BRL urges shareholders and former shareholders to carefully consider the supposed justification for the proposed claim, and the possible impact upon the value of their shareholding if this threatened action proceeds.

BRL also urges shareholders to obtain independent legal advice as to the effect of the proposed IMF funding arrangements and the solicitors' offer (contained within IMF's pack) to provide legal services in any legal action.

What is BRL's focus?

BRL is confident that it has a sound business model.

It does not intend to be distracted from preparing for the longer term objectives announced to the market,

including secondary processing.  
Major areas of focus for the coming year will be:

- proving up the resource from BRL's extensive tenements. The regulatory and mechanistic preparation for this is under way;
- continuing to enhance its right to operate through regulatory approvals and agreements with landowners;
- building on BRL's information base to make smart decisions for the future, extending to technology for secondary treatment, locational and infrastructure studies, and funding models to optimise and secure long term income.

BRL is conscious of the negative impact that a range of factors have had on shareholder returns, and is committed to restoring shareholder value. Direct shipping of ore has been delayed awaiting environmental approvals, but BRL is working closely with regulators and the communities involved.

BRL considers that it remains well placed to exploit opportunities when the demand/price cycle improves, and the Board and management team are unified in optimising the fundamental strengths of the business.

### **About Bauxite Resources Limited:**

Bauxite Resources Limited (ASX:BAU) was launched in May 2006 to establish itself in the bauxite and alumina industries in Western Australia where four of the seven Australian alumina refineries and four of Australia's bauxite mines are located. It listed successfully on the ASX on 22 October 2007 after closing its A\$7.5 million IPO early and oversubscribed, having previously raised approximately \$1.3 million in seed capital. In February 2009 the Company raised a further \$4.7 million on the uptake of its options issue.

The Company is the only ASX-listed bauxite explorer in the highly prospective Darling Range, and is the largest tenement holder in the Darling Range with approximately 15,000 square kilometres of prospective bauxite laterite ground. To put this into context this area is larger than East Timor and almost the size of Beijing Municipality.

The Darling Range is the largest bauxite mining and alumina producing region in the world. This area supplies approximately 18% of the world's alumina and is home to Alcoa's Huntly Mine, the largest producing bauxite mine in the world and Pinjara Refinery the second largest alumina refinery in the world. The Darling Range has three of the top five refineries in the world in terms of lowest operating costs.

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