



TARGET'S STATEMENT

by

BBX MINERALS LTD

ACN 089 221 634

in relation to the offer by

DRAKE PRIVATE INVESTMENTS LLC

**TO ACQUIRE YOUR SHARES IN
BBX MINERALS LIMITED**

**BBX Directors Michael Schmulian and Will Dix Recommend
That You**

REJECT

**Drake's Offer
in the absence of a superior offer**

**BBX Director Alastair Smith Makes No Recommendation
to BBX Shareholders in relation to the Offer**

THIS IS AN IMPORTANT DOCUMENT

If you do not understand it or are in doubt as to how to act, you should consult your lawyer, accountant, stockbroker or financial adviser immediately.

IMPORTANT INFORMATION

This is an important document. If you do not understand it or are in doubt as to how to act, you should consult your lawyer, accountant, stockbroker or financial adviser immediately.

Nature of this document

This Target's Statement is dated 3 October 2016 and is given under section 638 of the Corporations Act by BBX Minerals Ltd in response to the Bidder's Statement dated 6th September 2016 and served on BBX by Drake on that date.

ASIC Disclaimer

A copy of this Target's Statement has been lodged with the Australian Securities and Investments Commission on 3 October 2016. Neither the Australian Securities and Investments Commission nor any of its officers take any responsibility for the content of this Target's Statement.

No account of personal circumstances

The recommendations of the BBX Directors obtained in this Target's Statement do not take into account the individual investment objectives, financial situation or particular needs of each BBX Shareholder. You may wish to seek independent professional advice before making a decision as to whether to accept or not to accept the Offer.

Defined terms

Various defined terms are used in this Target's Statement. Unless the contrary intention appears, the context requires otherwise or words are defined in section 8 of this Target's Statement, words and phrases in this Target's Statement have the same meaning and interpretation as in the Corporations Act.

Bidder's Statement

The information on Drake Private Investments LLC contained in this Target's Statement has been prepared by BBX using publicly available information.

The information in this Target's Statement concerning Drakes and the assets and liabilities, financial position and performance, profits and losses and prospects of Drake Private Investments LLC, has not been independently verified by BBX. Accordingly, BBX does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

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KEY POINTS

- Drake is offering \$0.045 (4.5 cents) cash for each BBX share.
- Drake's Offer is an unconditional cash offer.
- The Independent Expert has concluded, based on a "net asset" valuation of a BBX share and in the absence of a superior offer, that the Offer is fair and reasonable.
- BBX's Directors Michael Schmulian and Will Dix recommend that, in the absence of a superior offer, you **REJECT** the Offer, because:
 - the Offer does not take into account the moderate to high likelihood that a significant gold discovery could be made by BBX via systematic ongoing exploration within the Juma East project, as referred to by the Independent Technical Valuer in its report at page vi and also at page 41; and
 - the Independent Expert's conclusion that the Offer is fair and reasonable is based on a technical, "net asset" valuation of a BBX share and does **not** take into account exploration upside, whilst the Independent Technical Valuer's assessment of the value of BBX's mineral assets is based on the "Multiple of Exploration Expenditure" valuation method and this valuation method also does **not** take into account exploration upside.
- BBX's Director Alastair Smith makes no recommendation in relation to the Offer, for the reasons set out in Section 1.
- Drake's Offer opened for acceptance on 20 September 2016.
- Unless extended or withdrawn beforehand, Drake's Offer will expire on 21 October 2016 at 4pm (Sydney time).
- BBX Directors Michael Schmulian and Will Dix intend, in the absence of a superior offer, to REJECT the Offer for all of the BBX's Shares in which they have a relevant interest. BBX Director Alastair Smith intends to assess his position in relation to BBX Shares in which he has a relevant interest closer to the bid closure date.

IMPORTANT DATES

Date of Drake's Bidder's Statement	6 th September 2016
Date on which Drake's Offer opened	20 th September 2016
Date of this Target's Statement	3 rd October 2016
Close of Drake's Offer Period (unless extended or withdrawn)	4pm (Sydney Time) on 21 st October 2016

Letter to BBX Shareholders

3 October 2016

Dear Shareholder

On 6th September 2016 Drake Private Investments LLC announced a takeover bid for BBX Minerals Limited. This Target's Statement is made in response to Drake's Bidder's Statement dated 6th September 2016.

Drake's Offer valued a BBX Share at \$0.045 (4.5 cents) representing a premium of approximately 21.6% to the closing price for BBX Shares on ASX on 5th September 2016 (being the last trading day before the Offer was announced). During the Offer Period the price for BBX Shares may change and Shareholders can obtain BBX's Share price (ASX code: BBX) on ASX website (www.asx.com.au).

Fellow BBX Director Will Dix and I each recommend that BBX Shareholders **REJECT** the Offer, in the absence of a superior offer. The recommendation of Will Dix and I is based on a number of factors, which are set out below:

1. The Offer does not take into account the moderate to high likelihood that a significant gold discovery could be made by BBX via systematic ongoing exploration within the Juma East project, as referred to by the Independent Technical Valuer in its report at page vi and also at page 41.
2. BBX has unlocked spectacular gold and platinum group metals (PGM) results over significant widths in its initial reconnaissance drilling programme at Juma East. Current analytical and metallurgical test work continues to unlock value from Juma East, Tres Estados and Ema projects.
3. The Independent Expert's conclusion that the Offer is fair and reasonable is based on a technical, "net asset" valuation of a BBX share and does **not** take into account exploration upside, whilst the Independent Technical Valuer's assessment of the value of BBX's mineral assets is based on the "Multiple of Exploration Expenditure" valuation method and this valuation method also does **not** take into account exploration upside.
4. BBX is the first mover in an almost unexplored region, holding a significant land position in a potential major new mineral province.
5. The knowledge gained by BBX at Juma East may be applicable in other analogous geological environments, where precious metals have not previously been recognised due to analytical issues.
6. A significant increase in Drake's shareholding could result in reduced market liquidity.
7. Accepting Drake's Offer will preclude Shareholders from accepting a superior offer from a third party, should one emerge during the Offer Period. At the date of this Target Statement, BBX's Directors are not aware of any superior bid proposal.

BBX Director Alastair Smith makes no recommendation to BBX Shareholders in relation to the Offer, for the reasons set out in Section 1.

When assessing whether to accept or reject the Offer you should be aware that the Offer is an unconditional cash offer.

You should also consider the taxation implications of the Offer which are in section 6.1 of this Target's Statement.

If you wish to accept the Offer you should carefully follow the instructions in the Bidder's Statement and complete the Acceptance Form enclosed with the Bidder's Statement. If you follow the recommendation of BBX Directors Will Dix and I and **REJECT** the offer, then you need to take no action in regard to the offer. The Offer is due to close on 21 October 2016 (unless extended or withdrawn).

If you have any questions in relation to your position as a Shareholder I encourage you to seek either financial or legal advice without delay or contact BBX on +61 8 6555 2955.



Michael Schmulian
Chairman of the Board

1. Recommendations of the BBX Directors

1.1 Summary of the Share Offer

The consideration being offered by Drake under the Offer is A\$0.045 (4.5 cents) cash for each BBX share you own.

The Offer is an unconditional cash offer.

1.2 BBX Directors' Recommendation

The Independent Expert has concluded that the Offer is fair and reasonable.

BBX Directors Michael Schmulian and Will Dix recommend that, in the absence of a superior offer, you **REJECT** Drake's Offer for your BBX Shares.

In making this recommendation, these Directors have considered the merits of Drake's Offer and weighed up the factors for and against acceptance.

BBX Director Alastair Smith makes no recommendation in relation to Drake's Offer for your BBX Shares, for the reasons set out below.

In making their decision in relation to Drake's Offer, Shareholders should:

- (a) read this Target's Statement and the Bidder's Statement in full;
- (b) consider the future prospects of BBX.

BBX Directors Michael Schmulian and Will Dix believe that the key considerations in favour of REJECTING the Offer are:

1. The Offer does not take into account the moderate to high likelihood that a significant gold discovery could be made by BBX via systematic ongoing exploration within the Juma East project, as referred to by the Independent Technical Valuer in its report at page vi and also at page 41.
2. BBX has unlocked spectacular gold and PGM results over significant widths in its initial reconnaissance drilling programme at Juma East. Current test work continues to unlock value from Juma East, Tres Estados and Ema projects.
 - i. Although assay results to date from a single homogenised bulk sample have been extremely inconsistent, the maximum results achieved represent the minimum gold and PGM levels present in the bulk sample. Precious metals cannot in any way be created by chemical or physical means, and BBX has made significant progress in unlocking the precious metals present in the complex Juma East mineralised system, where conventional analytical techniques are ineffective.
 - ii. The indication that significant PGM levels may be present at Juma East provides BBX shareholders with a potential exposure to upside in the platinum and palladium markets, which are dominated by the demand for catalytic converters in automobile exhaust systems.
3. The Independent Expert's conclusion that the Offer is fair and reasonable is based on a technical, "net asset" valuation of a BBX share and it does **not** take into account exploration upside, whilst the Independent Technical Valuer's assessment of the value of BBX's mineral assets is based on the "Multiple of Exploration Expenditure" valuation method and this valuation method also does **not** take into account exploration upside.
4. BBX is funded to continue its exploration program and further unlock value for BBX shareholders, because:
 - a. BBX Director Michael Schmulian and BBX CEO Jeff McKenzie have given undertakings to BBX to take-up "in the money" options which will fund BBX and its exploration program, with a minimum of A\$150,000 to be injected; and
 - b. BBX intends to undertake a rights issue after the Bid has finished.
5. BBX shares have traded above the offer price since the announcement of the bid. Since Drake's Offer was announced, BBX Shares have traded in the range of 4.7 cents to 5.3 cents during the period from 6 September to 30 September 2016.
6. The potential extent of the Guida mineralisation which is located within a major 10km-long structural trend. The two holes drilled to date within the Guida mineralisation terminated within the mineralised system, which is completely open at depth and along strike.

7. The potential of both the Ema and Tres Estados tenements following analysis of soil samples and potential anomalies as announced in BBX's media releases of 2nd and 21st September 2016.
8. BBX is the first mover in an almost unexplored region, holding a significant land position in a potential major new mineral province
 - i. The BBX projects comprise 11 tenements including the Eldorado do Juma; Juma East; Ema and Tres Estados Projects, representing a combined area of 56,399Ha.
 - ii. The BBX Projects are located within the Colider Group felsic and mafic volcanics and the Beneficiente Group sediments, hosts to widespread gold mineralization elsewhere in northern Brazil.
9. The knowledge gained by BBX at Juma East may be applicable in other analogous geological environments, where precious metals have not previously been recognised due to analytical issues.
10. Accepting Drake's Offer will preclude Shareholders from accepting a superior bid from a third party, should one emerge during the Offer Period. At the date of this Target's Statement, BBX's Directors are not aware of any superior bid proposal.

BBX Director Alastair Smith makes no recommendation in relation to Drake's Offer for your BBX Shares, for the following reasons:

1. Mr Smith believes BBX Shareholders should consider their personal positions including their appetite for risk and reward and then decide, based on their personal position, whether they wish to realise their investment in BBX and remove their risk by accepting the Offer **OR** whether they wish to continue with their investment in BBX and their exposure to the longer-term upside and reward should a significant mineral discovery be made by BBX, taking into account the risks of being a BBX shareholder;
2. Mr Smith has advised the Company that due to increasing business commitments outside Australia which are now impacting on his directorship role with BBX, that he will tender his resignation at the conclusion of the takeover or when the Company chooses to raise further capital. Given Mr Smith will no longer have a non-executive role in the Company his view is that he will no longer be an influence in the building of value for shareholders and as such suggests that shareholders understand their own personal circumstances with respect to the bid and make their own conclusions as to the risks of the Company going forward.

The key considerations in favour of accepting the Offer are as follows:

1. The Independent Expert has concluded that, based on a technical, "net asset" valuation of a BBX share and in the absence of a more superior offer, the Offer is fair and reasonable.
2. BBX Directors are unaware of a superior offer.
3. The Directors of BBX are not aware of any superior offer that may be made to Shareholders. BBX Share prices may fall on expiry of the offer.

4. The offer is unconditional at \$0.045 and shareholders who accept into the offer will receive funds T+ 2.
5. A Shareholder may wish to no longer be exposed to the risks associated with a mineral exploration company such as BBX.

1.3 Directors' intentions in relation to the Offer and their own BBX Shares

BBX Directors Michael Schmulian and Will Dix intend, in the absence of a superior offer, to **REJECT** the Offer for all of the BBX's Shares in which they have a relevant interest.

Mr Smith intends to assess his position in relation to BBX Shares in which he has a relevant interest closer to the bid closure date.

The interests of each BBX Director in BBX securities are in section 5.1 of this Target's Statement.

1.4 Further Developments

Should there be any developments during the Offer Period (for example, the emergence of a superior offer from Drake or another bidder) which would alter the Directors' recommendations in relation to Drake's Offer, Shareholders will be notified through a supplementary Target's Statement.

2. Important Information for Shareholders to Consider

2.1 Background information on BBX's Projects

The BBX Brazilian Projects are located within 70km radius of the town of Apuí in Amazonas State, Brazil and include the following Projects-

- Eldorado do Juma,
- Juma East,
- Ema and
- Tres Estados.

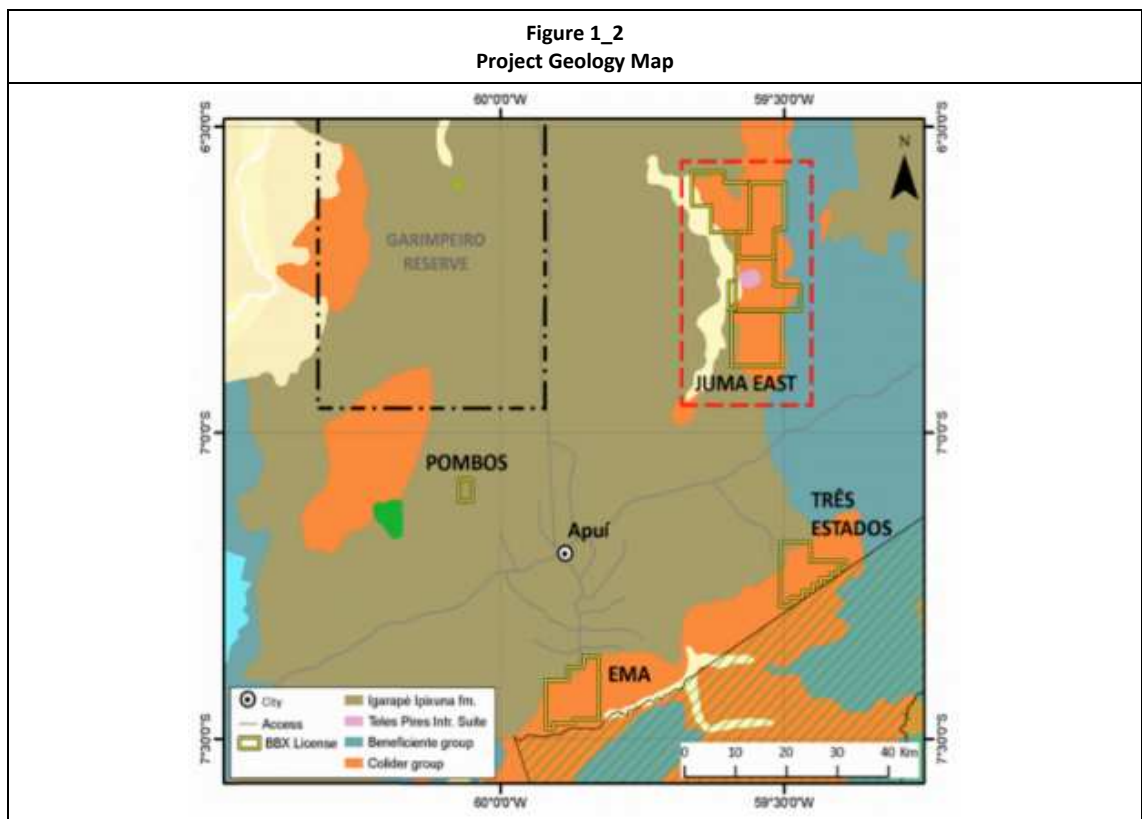
Location and Tenure

The BBX Projects are located in the southeast of Amazonas State near the state borders of Mato Grosso and Para.

The BBX Projects are located approximately 70km from the town of Apuí, (Amazonas State) (Figure below). The topographical coordinates of the project are Latitude -06°48'02"368 and Longitude-59°35'36"689

The BBX projects comprise 11 tenements including the Eldorado do Juma; Juma East; Ema and Tres Estados Projects, representing a combined area of 56,933 Ha.

The BBX Projects volcanic rocks are located within the Colider Group volcanics and Beneficiente Group sediments. Locally the rocks have undergone hydrothermal brecciation, forming strong stockwork mineralisation, silicification, argillic and sericitic alteration.



Juma East and the surrounding prospects are classed as having potential for low sulphidation epithermal deposits.

Exploration Completed

BBX is the first international company to have completed exploration work in the region. BBX commenced exploration across the Juma East project area in 2013. Exploration activities to the present day have included: -

- Reprocessing of a CPRM airborne magnetic survey, (500m spaced lines)
- 3 Channel Samples for 11 samples
- Soil Geochemistry - (2,551 samples) (400m x 80m infilled to 200m x 80m)
 - 973 samples Guida Prospect
 - 258 samples at Pepita Prospect
 - 715 samples at Ema prospect
 - 605 samples at Três Estados prospect
 - 26 Rock samples at Ema prospect
 - 47 Rock samples at Três Estados prospect
- Airborne magnetic and radiometric survey (74 lines @ 200m spacing and 37 infill lines at 100m Spacing for 3087line km)
- Ground IP survey (5 Lines)
- 6 diamond drill holes for 1,400m

2.2 The Offer

Drake announced its intention to make a takeover bid for BBX on 6th September 2016. A summary of the Offer is in section 4 of this Target's Statement and Section 4 of the Bidder's Statement. The Offer is open for acceptance until 4pm on 21 October 2016 (Sydney time), unless the Offer is extended or withdrawn.

There is no offer by Drake in relation to BBX options.

2.3 Value of the Offer

The offer is \$0.045 cash.

2.4 Minority ownership consequences

The consequences of Drake acquiring majority ownership of BBX, thereby resulting in BBX Shareholders being in a "minority" position in BBX, are set out below:

- (a) Drake will be in a position to cast the majority of votes at a general meeting of BBX. This will enable it to control the composition of BBX's Board and senior

management, determine BBX's dividend policy and control the strategic direction of the businesses of BBX and its subsidiaries;

- (b) the BBX Share price may fall immediately following the end of the Offer Period and it is unlikely that BBX's Share price will contain any takeover premium;
- (c) liquidity of BBX Shares may be lower than at present;
- (d) if Drake acquires 75% or more of the BBX Shares it will be able to pass a special resolution of BBX. This will enable Drake to, among other things, change BBX's constitution.

If Drake does proceed to compulsory acquisition, then BBX shareholders who do not accept the Offer will still be entitled to receive the bid consideration. However, as a result of the need to complete the compulsory acquisition procedures in the Corporations Act, there is likely to be a delay in the provision of that consideration.

2.5 BBX Risks

Shareholders should review the risks associated with BBX as set out below:

2.5.1 Specific risks

In addition to the general risks outlined below, there are specific risks associated with the Company's existing and proposed operations. These include:

(a) Acquisition of 75% of Eldorado do Juma Project

Pursuant to an option agreement BBX has acquired 100% of Minorte Extração de Minério Ltda (Minorte), which in turn has entered into a conditional agreement to acquire a 75% interest in the Eldorado do Juma gold project (Eldorado do Juma Project). This agreement is subject to the satisfaction of a number of pre-conditions, including lifting of a current restriction by the Departamento Nacional de Produção Mineral (DNPM) (Brazilian Mines Department) to non-garimpeiro mining activity in the area, granting of exploration licences from the existing co-op licences and transfer of title to Comin Gold (a BBX managed entity). The Company has concluded a sales agreement on Eldorado de Juma which is conditional on the DNPM lifting its restrictions on the area.

In the event that the restriction is not lifted, or the other pre-conditions are not satisfied or waived, Minorte's acquisition of a 75% interest in the Eldorado do Juma Project may not proceed. While the Company is confident that the restriction will be lifted in due course, and the other conditions satisfied, in the event the acquisition does not proceed this may adversely affect the operations, financial positions and/or performance of the Company.

(b) Additional requirements for funding

BBX will be required to raise additional funds in the future in the event exploration costs exceed BBX's estimates and to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which BBX may incur.

BBX may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means. Failure to obtain sufficient financing for BBX's activities and future projects may result in delay and indefinite postponement of exploration, or even loss of a property interest. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to BBX and might involve substantial dilution to Shareholders.

Loan agreements and other financing rearrangements such as debt facilities, convertible note issues and finance leases (and any related guarantee and security) that may be entered into by BBX may contain covenants, undertakings and other provisions which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that BBX would be able to repay such loans in the event of an acceleration. Enforcement of any security granted by BBX or default under a finance lease could also result in the loss of assets.

(c) Exploration risks

The mineral tenements of the Company are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings.

The Company has completed a 6 hole drilling programme at Juma East. The first drill hole at Juma East, JED-001 intersected visible gold disseminated in siliceous rock. However, no significant results from assays were returned from Hole 1 or from a further three holes drilled, JED-002 to JED-04. However, a yellow metallic mineral identified as gold was observed in Hole JED-004.

The Company has undertaken studies to reconcile the assay results with visual and microscopic observations, investigating the possibility that gold is present at Juma East in a form that does not respond to conventional analytical techniques. Initial results were announced on 1 February 2016. The Company has not been able to fully reconcile the differences between the assay results and visual observations and is continuing to investigate the analytical issues at Juma East.

There can be no assurance that exploration of these tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, native title process, changing government regulations and many other factors beyond the control of the Company.

The success of the Company will also depend upon the Company having access to sufficient development capital, being able to maintain title to its tenements and obtaining all required approvals for its activities. In the event that exploration programmes prove to be unsuccessful this could lead to a diminution in the value of the tenements, a reduction in the cash reserves of the Company and possible relinquishment of the tenements.

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

(d) Market price of gold

Changes in the market price of gold, which in the past have fluctuated widely, will affect the viability of the Company. The market price of gold is set in the world market and is affected by numerous industry factors beyond the Company's control, including the demand for precious metals, expectations with respect to the rate of inflation, interest rates, currency exchange rates, the demand for jewelry and industrial products containing metals, gold production levels, inventories, cost of substitutes, changes in global or regional investment or consumption patterns, and sales by central banks and other holders, speculators and procedures of gold and other metals in response to any of the above factors, and global and regional political and economic factors.

(e) Gold price volatility and exchange rate

If the Company achieves success leading to gold production, the revenue it will derive through the sale of these precious metals exposes the potential income of the Company to price and exchange rate risks. Gold prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of gold is denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Brazilian and Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar, the Australian dollar and the Brazilian real as determined in international markets.

(f) Gold - development risks

The Company's ability to achieve development cost and capital expenditure estimates on a timely basis cannot be assured. The business of gold mine development involves many risks and may be impacted by factors including overall availability of free cash to fund continuing development activities, labour force disruptions, cost overruns, changes in the regulatory environment and other unforeseen contingencies. Other risks also exist such as environmental hazards (including discharge of pollutants or hazardous chemicals), industrial accidents and occupational and health hazards. Such occurrences could result in damage to, or destruction of, facilities, personal injury or death, environmental damage, increased development costs and other monetary losses and possible legal liability to the owner of the tenements. The Company may become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past mining activities for which it was not responsible.

In addition the Company's profitability could be adversely affected if for any reason its mine development is unexpectedly interrupted or slowed. Examples of events which could have such an impact include unscheduled plant shutdowns or other processing problems,

mechanical failures, the unavailability of materials and equipment, pit slope failures, unusual or unexpected rock formations, poor or unexpected geological or metallurgical conditions, poor or inadequate ventilation, failure of mine communication systems, poor water condition, interruptions to gas and electricity supplies, human error and adverse weather conditions.

The risks outlined above also mean that there can be no assurances as to the future development of a mining operation in relation to any of the Company's projects described in this Prospectus or which the Company may acquire in the future.

(g) Brazil

BBX's projects are located in Brazil. The Company is subject to the risks associated with operating in Brazil, involving various risks and uncertainties which could include, but are not limited to, exchange rate fluctuations, potential for higher inflation, labour unrest, the risks of expropriation and nationalization, renegotiation or nullification of existing concessions, licences, permits and contracts, illegal mining, changes in taxation policies, restrictions on foreign exchange and repatriation and changing political conditions, currency controls and restrictions on imports of equipment and consumables and on the use of foreign contractors. Changes, if any, in mining or investment policies or shifts in political attitude in Brazil may impact the operations or profitability of the Company. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, production, price controls, export controls, foreign currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

Outcomes in courts in Brazil may be less predictable than in Australia, which could affect the enforceability of contracts entered into by the Company or its subsidiaries in Brazil.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could impact on the operations or profitability of the Company. The Company has made its investment and strategic decisions based on the information currently available to the Directors, however should there be any material change in the political, economic, legal and social environments in Brazil, the Directors may reassess investment decisions and commitments to assets in Brazil.

(h) Environmental

The operations and proposed activities of the Company are subject to laws and regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

Mining operations have inherent risks and liabilities associated with safety and damage to the environment and the disposal of waste products occurring as a result of mineral exploration

and production. Events, such as unpredictable rainfall, bush fires, floods etc may impact on the Company's ongoing compliance with environmental legislation, regulations and licences. Significant liabilities could be imposed on the Company for damages, cleanup costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or non-compliance with environmental laws or regulations.

The disposal of mining and process waste and mine water discharge are under constant legislative scrutiny and regulation. There is a risk that environmental laws and regulations become more onerous making the Company's operations more expensive.

Approvals are required for land clearing and for ground disturbing activities. Delays in obtaining such approvals can result in the delay to anticipated exploration programmes or mining activities.

(i) Title risk

BBX cannot give any assurance that title to the BBX's projects will not be challenged or impugned for various reasons, including that they may be subject to prior unregistered agreements or transfers or title may be affected by undetected defects.

Interests in title in Brazil are governed by laws and regulations and are evidenced by granting of licences, rights, leases, etc (Title Right). There is no guarantee that applications will be granted to the Company or other person who applied for a Title Right through which the Company has a beneficial interest to the Title Right. Each Title Right is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to, or its interests in, tenements if Title Right conditions are not met or if insufficient funds are available to meet expenditure commitments when they arise.

Further, Title Rights are subject to periodic renewal. There is no guarantee that current or future Title Rights will be approved. Renewal of the terms of the granted Title Right is at the discretion of the relevant government authority. Renewal conditions may include increased expenditure or work commitments or compulsory relinquishment of the areas comprising the Company's projects. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Company.

(j) Regulatory risk

Changes in relevant taxes (including GST), legal and administrative regimes and government policies in Australia, Brazil and other overseas states may adversely affect the financial performance of the Company, including the possibility of adversely affecting granting of Title Rights and the legal regime surrounding Title Rights. Any change to the current rate of company income tax in Australia and Brazil will impact upon Shareholder returns. Any change to current rates of income tax applied to individuals and trusts may also impact upon Shareholder returns. In addition, any change in tax arrangements between Australia and Brazil and other jurisdictions could have an adverse impact on profits and the level of franking credits available to frank any future dividends.

(k) Insurance risks

Insurance against all risks associated with the Company's operations is not always available, or if it is available, affordable. The Company will maintain insurance where it is considered appropriate for its needs. However there are likely to be some risks, in particular those relating to wilful damage and political risks, for which it will not be insured either because appropriate cover is not available or because the Board consider the required premiums to be excessive having regard to the risk mitigation provided.

(l) Third party risks

The operations of the Company will require involvement with a number of third parties, including suppliers, contractors and customers. Financial failure, default or contractual non-compliance of the part of such third parties may materially harm the performance of the Company. It is not possible for the Company to predict or protect itself against all such risks.

(m) Counterparty risk

The Company has entered into conditional agreements with third parties, including option agreements in regard to the Eldorado do Juma Project and lease agreements in relation to the exploration licences granted for the Juma East, Ema, Pombos and Tres Estados Projects. There is a risk that the counterparties may not meet their obligations under those agreements. There is also a risk that failure to meet conditions will result in the loss of interest. Commercial consequences are likely to flow from any non-observance of commercial obligations.

(n) Joint venture risk

The Company may in the future become a party to joint venture agreements governing the exploration and development of its projects. There is a risk that one of the Company's future joint venture partners may default in their joint venture obligations or not act in the best interests of the joint venture. This may have an adverse effect the operations and performance of the Company.

(o) Occupational health and safety

The mining industry has become subject to increasing occupational health and safety responsibility and liability. The potential for liability is a constant risk.

(p) Reliance on key management

The responsibility of overseeing the day-to-day operations and the strategic management of BBX depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on BBX if one or more of these employees cease their employment.

(q) Competition risk

The industry in which BBX will be involved is subject to domestic and global competition. Although BBX will undertake all reasonable due diligence in its business decisions and operations, BBX will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of BBX's projects and business.

(r) Force majeure

BBX and its projects, now or in the future may be adversely affected by risks outside the control of BBX including labour unrest, civil disorder, war, subversive activities or sabotage, extreme weather conditions, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(s) Litigation risks

BBX is exposed to possible litigation risks including native title claims, tenure disputes, environmental claims, occupational health and safety claims and employee claims. Further, BBX may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on BBX's operations, financial performance and financial position. BBX is not currently engaged in any litigation.

2.5.2 General risks

(a) Trading price of Shares

BBX's operating results, economic and financial prospects and other factors will affect the trading price of the Shares. In addition, the price of Shares is subject to varied and often unpredictable influences on the market for equities, including, but not limited to general economic conditions including the Australian dollar and United States dollar performance on world markets, inflation rates, foreign exchange rates and interest rates, variations in the general market for listed stocks in general or Australian mining stocks in particular, changes to government policy, legislation or regulation, industrial disputes, general operational and business risks and hedging or arbitrage trading activity that may develop involving the Shares.

In particular, the share prices for many companies have been and may in the future be highly volatile, which in many cases may reflect a diverse range of non-company specific influences such as global hostilities and tensions relating to certain unstable regions of the world, acts of terrorism and the general state of the global economy. No assurances can be made that BBX's market performance will not be adversely affected by any such market fluctuations or factors.

(b) Speculative nature of investment

The above list of risk factors should not to be taken as exhaustive of the risks faced by BBX or by investors in BBX. Shareholders should consider that investing in shares in BBX is speculative.

Whether or not future income will result from projects undergoing exploration programmes is dependent on the successful results of that exploration and on the subsequent establishment of development and production operations or sale of the projects.

Factors including costs, equipment availability, and mineral prices affect successful project development as does the design and construction of efficient exploration facilities, competent operation and management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced consultants.

In particular, changes in global economic conditions (including changes in interest rates, inflation, foreign exchange rates and labour costs) as well as general trends in the Australian

and overseas equity markets may affect BBX's operations and particularly the trading price of the Shares on the ASX.

2.6 Dividend issues for BBX Shareholders

BBX has not paid a dividend to Shareholders since listing on ASX. As an exploration company, the Directors consider it unlikely that BBX will pay dividends in the foreseeable future if the Company continues as a stand alone entity with its current business composition.

2.7 Other alternatives to the Offer

At the date of this Target's Statement, no offers (other than Drake's Offer) have been made to acquire your BBX Shares.

2.8 Taxation consequences of a change in control in BBX

The taxation consequences of accepting the Offer depends on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian taxation considerations of accepting the Offer are in section 6.1 of this Target's Statement and section 10 of the Bidder's Statement.

You should carefully read and consider the taxation consequences of accepting the Offer. The outline provided in the Bidder's Statement and the Target's Statement is of a general nature only and you should seek your own specific professional advice as to the taxation implications applicable to your circumstances.

2.9 Treatment of overseas BBX Shareholders

Overseas BBX Shareholders and Australian BBX Shareholders are treated the same under Drake's Offer.

2.10 Company announcements

BBX is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules of ASX.

Copies of announcements lodged with ASX can be obtained from either ASX's website (www.asx.com.au) or BBX's website (www.bbxminerals.com.au).

3. Your Choices as a BBX Shareholder

BBX Directors Michael Schmulian and Will Dix recommend that you REJECT the Offer (in the absence of a superior proposal), for the reasons set out in Section 1.

BBX Director Alastair Smith makes no recommendation to shareholders in relation to the Offer, for the reasons set out in Section 1.

In considering whether to accept or reject the Offer, the Directors encourage you to seek professional advice if you are unsure as to whether declining of the Offer is in your best interests, taking into account your individual circumstances.

The Bidder's Statement contains important information which Shareholders are urged to read carefully. Shareholders should note that BBX has not undertaken investigations to verify the accuracy or completeness of the information contained in the Bidder's Statement and neither BBX nor its Directors or advisers makes any representation as to the accuracy or completeness of information contained in the Bidder's Statement. To the fullest extent permitted by law, each of those parties disclaims liability to any person who acts in reliance on that information.

Shareholders who would like further information on BBX or its projects before making a decision about the Offer are encouraged to exercise their right under the Corporations Act to obtain from ASIC copies of all documents lodged by BBX with ASIC or ASX (including BBX's 2016 Annual Report and the July 2016 Quarterly Report). Alternatively, they can visit BBX's website at www.bbxminerals.com.au

During the Offer Period you have the following choices:

ACCEPT the Offer

If you wish to accept the Offer, you should follow the instructions in Section 5.8 of the Bidder's Statement.

You should be aware that once you accept the Offer your acceptance cannot be withdrawn except in the limited circumstances listed in the Corporations Act. You should consider the timing of any acceptance of the Offer in light of the fact that a superior bid by another party may emerge which you would be precluded from accepting if you had already accepted Drake's Offer. At the date of this Target's Statement, BBX Directors are not aware of a proposal by anyone to make a superior bid.

OR

REJECT the Offer

If you wish to retain your BBX Shares, you need take no action in relation to the Offer. BBX Shareholders should note that if Drake acquires 90% of the BBX Shares under the Offer, Drake will be entitled to compulsorily acquire the BBX Shares that it does not already own.

OR

SELL your BBX Shares on ASX

You can sell your BBX Shares on ASX. The price you will receive will depend on the prevailing market price of BBX Shares at the time of sale. You should be aware that the market price of BBX Shares may rise or fall during the Offer Period. You should also note that if you sell your BBX Shares on ASX:

- (a) you are likely to pay brokerage on the sale (and GST on that brokerage);
- (b) you will not benefit from any price increase which may be offered by Drake and equally you will not be exposed to any price decrease of BBX Shares which may result;

In relation to (b) above, you should note that Drake has given no indication that it intends to increase its Offer consideration.

4. Key Features of Drake's Offer

4.1 Consideration payment to Shareholders who accept the Offer

Under the Offer, the consideration being offered by Drake is A\$0.045 (4.5 cents) cash per each BBX share.

4.2 Conditions to the Offer

The Offer is unconditional, so there are no conditions to the Offer.

4.3 Offer Period

Unless Drake's Offer is extended or withdrawn, it is open for acceptance from 20 September 2016 until 4pm Sydney time on 21 October 2016. The circumstances in which Drake may extend or withdraw its Offer are in sections 4.4 and 4.5 respectively of this Target's Statement.

4.4 Extension of the Offer Period for an on market bid

Drake may extend the Offer Period. Under Section 649C of the Corporations Act the extension must be announced to the ASX at least 5 trading days before the end of the Offer Period. However the announcement may be made up to the end of the Offer Period if during those 5 trading days:

- (a) another person lodges with ASIC a bidder's statement for a takeover bid for securities in the bid class; or
- (b) another person announces a takeover bid for securities in the bid class; or
- (c) another person makes offers under a takeover bid for securities in the bid class; or
- (d) the consideration for offers under another takeover bid for securities in the bid class is improved.

In addition, under Section 624(2) of the Corporations Act, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period Drake's voting power in BBX increases to more than 50%. If this event occurs, the Offer Period is automatically extended so that it ends 14 days after the event occurs.

4.5 Withdrawal of Offer

Drake may not withdraw the Offer if you have already accepted it. Before you accept the Offer, Drake may withdraw the Offer:

- (a) with the written consent of ASIC and subject to the conditions (if any) specified in such consent; or
- (b) if a "Prescribed Occurrence" takes place during the Offer Period (as defined in Section 12.1 of the Bidder's Statement), but only if Drake's voting power in BBX, at the time of the Prescribed Occurrence, is at or below 50%.

4.6 Your ability to withdraw your acceptance

If you accept the Offer, then your acceptance is final and cannot be withdrawn.

4.7 When you will receive your consideration if you accept the Offer

Full details of when you will be issued your consideration are in Sections 5.9 and 9.4 of the Bidder's Statement.

4.8 Effect of improvement in consideration on Shareholders who have already accepted Offer

If there is an improvement in the consideration offered by Drake, then BBX Shareholders who have already accepted the Offer do not get the benefit of that improvement.

4.9 Compulsory acquisition

Drake has indicated in Section 8.4 of its Bidder's Statement that if it satisfies the required thresholds it intends to compulsorily acquire any outstanding BBX Shares. Drake will be entitled to compulsorily acquire any BBX Shares in respect of which it has not received an acceptance of its Share Offer on the same terms as the Share Offer if, during or at the end of the Offer Period:

- (a) Drake and its associates have a relevant interest in at least 90% (by number) of the BBX Shares; and
- (b) Drake and its associates have acquired at least 75% (by number) of all BBX Shares that Drake offered to acquire under the Offer (whether the acquisitions happened under the Offer or otherwise).

If these thresholds are met, Drake will have one month after the end of the Offer Period within which to give compulsory acquisition notices to BBX Shareholders who have not accepted the Offer. BBX Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant Shareholder to establish to the satisfaction of a Court that the terms of the relevant Offer do not represent "fair value" for their BBX Shares.

5. Information Relating to the Directors

5.1 Directors' interests in BBX Securities

At the date of this Target's Statement, the Directors of BBX have relevant interests in the following BBX securities:

Name of BBX Director	BBX Shares	BBX Options
Michael Schmulian	7,765,600 fully paid ordinary shares.	3,000,000 management Options at \$0.05 expiring 24 November 2017. 120,000 Options at \$0.0125 expiring 1 March 2018. 2,000,000 management Options at \$0.03 expiring 19 April 2017. 2,000,000 management Options at \$0.037 expiring 19 April 2020. 75,000 Options at \$0.05 expiring 18 May 2018.
Will Dix	181,368 fully paid ordinary shares 1,000,000 fully paid ordinary shares held by Wreckt Pty Ltd.	3,000,000 management Options at \$0.05 expiring 24 November 2017. 20,152 Options at \$0.0125 expiring 1 March 2018. 2,000,000 management Options at \$0.03 expiring 19 April 2017. 2,000,000 management Options at \$0.03.7 expiring 19 April 2020.
Alastair Smith	18,000 fully paid ordinary shares. Mr Smith has an interest in 5,000,000 shares in the	3,000,000 Management options @ \$0.05 expiring 24 November 2017.

name of; Yardie (WA) Pty Ltd as Trustee for the AW Smith Family Trust.

2,000 options @ \$0.0125 expiring 1 March 2018.

Mr Smith has an interest in 1,457,600 options @ \$0.0125 expiring 1 March 2018 in the name of; Yardie (WA) Pty Ltd as Trustee for the AW Smith Family Trust.

5.2 Directors' intentions with respect to their own BBX Shares

Michael Schmulian and Will Dix intend, in the absence of a superior offer, to **REJECT** the Offer for all of the BBX Shares in which they have a relevant interest.

Mr Smith intends to assess his position in relation to BBX Shares in which he has a relevant interest closer to the bid closure date.

5.3 BBX Director's Transactions in BBX Securities

No BBX Director has acquired, or disposed of, any securities in BBX in the period of 4 months ending on the date immediately before the date of this Target's Statement **other than** as set out below:

- | | | |
|-----|-------------------|---|
| (a) | Michael Schmulian | On 18 May 2016 issued 75,000 BBX Options at 5 cents expiring 18 May 2018. |
| | | On 18 May 2016 issued 300,000 BBX Shares at 2.5 cents. |
| (b) | Alastair Smith | On 21 September 2016 disposed of 8,118,400 BBX Shares at 4.73 cents. |

5.4 BBX Directors interests in Drake securities

No BBX Director holds a relevant interest in securities of Drake.

5.5 No benefits to Directors

No benefit (other than a benefit permitted under sections 200E or 200F of the Corporations Act) is proposed to be given to a BBX Director (or anyone else) in connection with the Director's retirement as a director or executive of BBX

5.6 Other agreements or arrangements with Drake Directors

There is no other agreement or arrangement made between a Director of Drake and any other person in connection with or conditional upon the outcome of the Offer.

5.7 Interests of BBX Directors in contracts with Drake

No Director of BBX has any interest in any contract entered into by Drake.

6. Other Material Information

6.1 Taxation implications

The Australian tax implications of Drake's Offer for BBX Shareholders will depend on a number of factors, including:

- (a) whether the Shareholder holds their BBX Shares on capital or revenue account for taxation purposes;
- (b) the nature of the Shareholder (i.e. whether the Shareholder is an individual, company, trust, or complying superannuation fund); and
- (c) the tax residency status of the Shareholder (i.e. Australian resident or not).

The Australian tax consequences of the Offer for BBX Shareholders are summarised in Section 10 of the Bidder's Statement, to which reference should be made for further information. The summary is necessarily general in nature and each Shareholder should seek independent advice relevant to their specific circumstances.

6.2 Effect of takeover on BBX's material contracts

To the best of BBX's knowledge, none of the material contracts to which BBX is a party contain change of control provisions which may be triggered as a result of, or as a result of acceptances of, the Offer and which may have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses and prospects of BBX

6.3 ASIC modifications

By a declaration dated 19th September 2016, ASIC granted to BBX an extension of time in which BBX must send this Target's Statement to ASX and ASIC and to BBX shareholders.

As permitted by ASIC Class Order 01 / 1543, this Target's Statement contains statements which are made, or based on statements made, in documents lodged with the ASIC or on the company's announcements platform of ASX. Under the terms of ASIC Class Order 01 / 1543, the persons who made those statements are not required to consent to, and have not consented to, those statements being included in referred to, in this Target's Statement.

If you would like to receive a copy of any of the documents (or parts of the documents) that contain these statements, please contact BBX between 9am and 5pm (Perth time) on+ 61 8 6555 2955 and you will be sent copies free of charge.

Copies of announcements made by BBX can also be obtained from its website at www.bbxminerals.com.au

In addition, as permitted by ASIC Class Order 03 / 635, this Target's Statement may include, or be accompanied by, certain statements:

- (1) fairly representing a statement by an official person; or

(2) from a public official document or a published book, journal or comparable publication.

6.4 Material litigation

BBX is not involved in any material litigation.

6.5 Issued capital

At the date of this Target's Statement, BBX's issued capital consisted of 277,127,886 ordinary shares and 97,139,771 options.

6.6 Substantial Shareholders

At the date of this Target's Statement, the following shareholders are substantial shareholders of BBX

BBX Shareholder	BBX Shares	%
National Nominees Limited	109,026,989	39.34
ABN Amro Clearing Sydney Nominees Pty Ltd	20,331,064	7.34
Mr Toby Chandler	18,885,000	6.81

6.7 List of ASX Announcements in relation to BBX since announcement of Drake's Offer

The following ASX announcements have been made in relation to BBX since the announcement of Drake's Offer on 6 September 2016:

Date:	ASX Announcement
6 September 2016	Drake Private Investment LLC On Market Takeover Bid
6 September 2016	Bidders Statement – Market Bid
6 September 2016	Becoming a substantial holder
6 September 2016	Take no action response
9 September 2016	Change of Director's Interest Notice AS
9 September 2016	Prospectus
12 September 2016	Take No Action In Respect of Drake Takeover Offer
13 September 2016	Appendix 3B

19 September 2016	Bidders statement – market bid
19 September 2016	Extension of time to lodge targets statement granted
21 September 2016	Exploration update Juma East
28 September 2016	Change of director’s interest notice AS
30 September 2016	Full year statutory accounts

6.8 Consents

This Target’s Statement contains statements made by, or statements said to be based on statements made by, BBX’s Directors. Each of BBX’s Directors has consented to the inclusion of each statement he has made in the form and context in which the statements appear and has not withdrawn that consent at the date of this Target’s Statement.

Stantons International Securities Pty Ltd (trading as Stantons International) has acted as independent expert in relation to the Offer and has given its consent to:

- (a) being named in this Target’s Statement in the form and context in which it is named;
- (b) the inclusion of references to the Independent Expert’s Report in this Target’s Statement in the form and context in which they are included;
- (c) the inclusion of statements in this Target’s Statement which are based on statements by Stantons International Securities Pty Ltd in the form and context in which they are included; and
- (d) the inclusion of the Independent Expert’s Report in **Schedule 1** of this Target’s Statement in the form and context in which it is included.

Sahara Mining Services Ltd has acted as an independent technical valuer to Stantons International Securities Pty Ltd and has given its consent to:

- (a) being named in this Target’s Statement in the form and context in which it is named;
- (b) the inclusion of references to the Independent Technical Valuation Report prepared by Sahara Mining Services Ltd in this Target’s Statement in the form and context in which they are included;
- (c) the inclusion of statements in this Target’s Statement which are based on statements by Sahara Mining Services Ltd in the form and context in which they are included; and
- (d) the inclusion of the Independent Technical Valuation Report in the Independent Expert’s Report, in the form and context in which it is included.

6.9 No other material information

There is no other information that Shareholders or their professional advisers would reasonably require to make an informed assessment on whether to accept the Offer, being information which:

- (a) is reasonable for Shareholders and their professional advisers to expect to find in this Target's Statement; and
- (b) is known to any of BBX's Directors.

In deciding what information should be included in this Target's Statement, BBX's Directors have had regard to, amongst other things, the matters which Shareholders (or their professional advisers) may reasonably be expected to know, including information contained in documents previously sent to Shareholders and information available from public sources such as ASX and ASIC.

7. Authorisation

Dated: 3 October 2016



Will Dix, being a director of BBX Minerals Ltd authorised to sign this Target's Statement pursuant to a resolution of the Directors of BBX passed on 3 October 2016

8. Glossary and Interpretation

8.1 Glossary

In this Target's Statement, unless a contrary intention appears, the following expressions have the following meanings:

Advisers means, in relation to an entity, its legal, financial and other expert advisers.

Announcement Date means the date the Takeover Bid is announced in accordance with the Bidder's Statement.

ASIC means Australian Securities and Investment Commission.

ASX means ASX Limited ACN 008 624 691 trading as the Australian Securities Exchange.

BBX Group means BBX and its Related Bodies Corporate.

BBX means BBX Minerals Limited ACN 089 221 634.

BBX Option means an option to subscribe for BBX Shares.

BBX Share means a fully paid ordinary share in BBX.

Bidder's Statement means the bidder's statement of Drake dated 6th September 2016 which was served on BBX on that date.

Board means the board of Directors.

Corporations Act or **Act** means the Corporations Act 2001 (Cth).

Director means a director of BBX

A person is **Insolvent** if:

- (a) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act); or
- (b) it is in liquidation, in provisional liquidation, under administration or wound up or has had a controller appointed to any part of its property; or
- (c) it is subject to any arrangement, assignment, moratorium or composition, protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the other parties to this agreement); or
- (d) an application or order has been made (and in the case of an application, it is not stayed, withdrawn or dismissed within 30 days), resolution passed, proposal put forward, or any other action taken, in each case in connection with that person, which is preparatory to or could result in any of (a), (b) or (c) above; or

- (e) it is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand; or
- (f) it is the subject of an event described in section 459C(2)(b) or section 585 of the Corporations Act (or it makes a statement from which another party to this agreement reasonably deduces it is so subject); or
- (g) it is otherwise unable to pay its debts when they fall due; or
- (h) something having a substantially similar effect to (a) to (g) happens in connection with that person under the law of any jurisdiction.

Drake means Drake Private Investments LLC, registered office 954 Lexington Avenue, #149 New York, NY 10021, United States of America.

Independent Expert means Stantons International Securities Pty Ltd trading as Stantons International Securities.

Independent Technical Valuer means Sahara Mining Services Ltd.

Offer or **Drake's Offer** means the offer made by Drake to acquire BBX Shares on the terms set out in the Bidder's Statement announced and lodged on 6 September 2016.

Offer Period means the period during which the Offer is open for acceptance.

Officers means, in relation to an entity, its directors, officers, and employees.

PGM means platinum group metals.

Regulatory Authority includes:

- (a) ASX, ACCC and ASIC;
- (b) a government or governmental, semi-governmental or judicial entity or authority;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (d) any regulatory organisation established under statute.

Related Bodies Corporate has the meaning given in the Corporations Act.

Representatives of a party includes:

- (a) a Related Bodies Corporate of the party; and
- (b) each of the Officers and Advisers of the party or any of its Related Bodies Corporate.

Rights means all accretions to and rights attaching to the relevant BBX Share at or after the date of the Bidders Statement (including, but not limited to, all dividends and all rights to receive dividends and to receive or subscribe for shares, stock units, options or options declared, paid, or issued by BBX).

Shareholder or **BBX Shareholder** means a holder of BBX Shares.

Subsidiaries has the meaning given in the Corporations Act.

Takeover Bid means Drake's takeover bid for BBX in accordance with the terms of the Offer.

Takeover Panel has the same meaning as in the Corporations Act.

Target's Statement means this target statement.

8.2 Interpretation

In this Target's Statement:

- (a) headings are for convenience only and do not affect interpretation;

and unless the context indicates a contrary intention:

- (b) the expression "person" includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture (whether incorporated or unincorporated), a partnership and a trust;
- (c) a reference to any party includes that party's executors, administrators, successors and permitted assigns, including any person taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
- (d) a reference to any document (including this Target's Statement) is to that document as varied, novated, ratified or replaced from time to time;
- (e) a reference to any statute or to any statutory provision includes any statutory modification or re-enactment of it or any statutory provision substituted for it, and all ordinances, by-laws, regulations, rules and statutory instruments (however described) issued under it;
- (f) words importing the singular include the plural (and vice versa), and words indicating a gender include every other gender;
- (g) references to parties, clauses, schedules, exhibits or annexures are references to parties, clauses, schedules, exhibits and annexures to or of this Target's Statement, and a reference to this Target's Statement includes any schedule, exhibit or annexure to this Target's Statement;
- (h) where a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (i) the word "includes" in any form is not a word of limitation;
- (j) a reference to "\$" or "dollar" is to Australian currency;
- (k) if any day appointed or specified by this Target's Statement for the payment of any money or doing of any thing falls on a day which is not a Business Day (as defined in

Section 9 of the Corporations Act), the day so appointed or specified shall be deemed to be the next Business Day.

Schedule 1 Independent Expert's Report

**INDEPENDENT EXPERT'S REPORT BY STANTONS INTERNATIONAL SECURITIES
PTY LTD RELATING TO THE ON MARKET TAKEOVER OFFER BY DRAKE PRIVATE
INVESTMENTS PTY LTD FOR ALL OF THE SHARES IN BBX MINERALS LIMITED
NOT ALREADY OWNED BY DRAKE PRIVATE INVESTMENTS LLC**

30 September 2016

The Directors
BBX Minerals Limited
Suite 1, Level 1
35 Havelock Street
WEST PERTH WA 6005

Dear Sirs,

RE: BBX MINERALS LIMITED (ACN 089 221 634) (“BBX” or “THE COMPANY”) - INDEPENDENT EXPERT’S REPORT RELATING TO THE ON MARKET TAKEOVER OFFER TO THE SHAREHOLDERS OF THE COMPANY BY DRAKE PRIVATE INVESTMENTS LLC (“DRAKE”)

Summary of Opinion

After taking into account all of the factors noted in this report and in the absence of a more superior offer, we are of the opinion that on an adjusted net asset value basis of valuing the BBX shares on a 100% control basis, the proposed On Market Takeover Offer by Drake to the BBX shareholders not associated with Drake is fair and reasonable to the shareholders of BBX as at the date of this report.

1. INTRODUCTION

- 1.1 We have been requested by the Independent Directors of BBX to prepare an Independent Expert’s Report in accordance with Section 640 of the Corporations Act 2001 (“TCA”) to determine whether the proposed on market bid under Part 6.5 of TCA for all the shares in BBX (excluding those already held by Drake) (“On Market Takeover Offer”) is fair and reasonable to the ordinary shareholders of BBX.

The full details of the On Market Takeover Offer are included in the Drake’s Bidders Statement dated 6 September 2016 and served on the Company on 6 September 2016.

In effect, Drake is making a cash bid On Market Takeover Offer of 4.5 cents per share for all of the shares in BBX excluding those that it already has an interest in (refer paragraph 1.4 below). All shareholders of BBX should read the Bidder’s Statement of Drake and the Target’s Statement prepared by BBX to fully understand the implications of the On Market Takeover Offer.

- 1.2 Under the On Market Takeover Offer, BBX ordinary shareholders (other than shareholders associated with Drake) will be entitled to receive 4.5 cents cash for each share held in BBX. As the offer is an On Market Takeover Offer shareholders can sell their shares to BBX at any time and receive cash proceeds within two trading days. The On Market Takeover Offer expires on 21 October 2016 (but may be extended or withdrawn in accordance with the Corporations Act 2001).
- 1.3 The Directors of BBX are required to issue a Target’s Statement in response to the Bidder’s Statement, which will include their recommendation as to whether the BBX shareholders not associated with Drake should accept the On Market Takeover Offer.

- 1.4 Drake is a private company and is effectively controlled by Anthony Faillace. Further information regarding Drake can be found in the Section 6 (Information about Drake) of the Bidders Statement. We have not independently verified the information on Drake.

As at 6 September 2016, Drake has a beneficial interest in 106,424,928 shares in Drake. There are currently on issue (before the exercise of any further share options and incentive share options as noted below), 277,127,886 shares on issue in Drake and thus the Takeover Offer is for a minimum of 170,702,958 Drake Shares not already under the control of Drake.

Drake's beneficial shareholding interest in BBX as at 6 September 2016 approximates 38.51% and as at 20 September 2016 due to the exercise of some options to that date, has reduced to approximately 38.40%.

As at 29 September 2016, BBX has the following non conditional vesting share options on issue:

- 6,000,000 options exercisable at 5.0 cents per share on or before 1 July 2017;
- 16,900,000 options exercisable at 5.0 cents per share on or before 24 November 2017;
- 44,160,521 options exercisable at 1.25 cents per share on or before 1 March 2018 (including 27,500,000 by the interests of Drake);
- 7,804,250 options exercisable at 5.0 cents per share on or before 19 April 2018;
- 75,000 options exercisable at 5.0 cents per share on or before 18 May 2018; and
- 700,000 options exercisable at 5.0 cents per share on or before 13 July 2018.

In addition, the following incentive options issued to management are on issue as at 29 September 2016:

- 10,750,000 options exercisable at 3.7 cents each, on or before 19 April 2020 (no vesting conditions); and
- 10,750,000 options exercisable at 3.0 cents each exercisable after the announcement of a maiden JORC resource of a minimum of 250,000 ounces of gold at a minimum 2 grams per tonne by 31 March 2017 and such options expire on 19 April 2017. These options can now vest due to the On Market Takeover Offer by Drake.

No offer is being made for all share options outstanding but if any share options are exercised into ordinary shares in Drake before closure of the On Market Takeover Offer, Drake will accept such additional shares and pay 4.5 cents for each additional share.

There are no minimum acceptance levels.

- 1.5 In October 2015, Drake agreed to lend BBX \$250,000 initially by way of a loan that was in November 2015 converted to Convertible Notes ("Notes"). The Notes raising was part of a \$398,880 debt and equity raising from Drake and other sophisticated Investors. The raising included 14,880,000 shares subscribed for by investors at 1.0 cent each to raise \$148,880 along with 3,720,000 free attaching share options, exercisable at 1.25 cents each, on or before 1 March 2018).

The original Notes terms are summarised below:

- 25,000,000 Notes issued;
- Unsecured;
- Interest free

- Convertible into shares at 1.0 cents each on or before 31 December 2016 (the Maturity Date”); and
 - On conversion, the Notes holder would receive 1 free attached share option for every two share issued on conversion of Notes (a maximum of 12,500,000 share options could be issued if all 25,000,000 of Notes were converted). The share options would be exercisable at 1.25 cents each, on or before 1 March 2018 (“Drake Share Options”).
- 1.6 Drake converted 2,273,250 of the Notes in March 2016 and following shareholder approval in August 2016, the remaining 22,726,750 Notes were converted to ordinary shares in BBX. The 1,136,625 Drake Share Options due to be issued to Drake were issued in May 2016 and thus after the remaining Notes were converted, Drake was entitled to a total of 12,500,000 Drake Share Options. These form part of the 27,500,000 share options exercisable at 1.25 cents each on or before 1 March 2018.
- 1.7 In addition, following shareholder approval on 8 August 2016, 4,597,928 ordinary shares were issued to Drake at 2.5 cents each to raise a gross \$114,948.
- 1.8 Further information regarding BBX can be found in the Target’s Statement at “Section 7 - “Information regarding BBX” and the Company’s website www.bbxminerals.com.au in addition to the information contained in this report and the valuation report of Sahara Mining Services (“Sahara”) (refer below).
- 1.9 In assessing the On Market Takeover Offer for BBX, we have had regard to relevant Australian Securities and Investments Commission (“ASIC”) Regulatory Guide 111: Content of Expert Reports (“RG 111”). RG 111 suggests that an opinion as to whether transactions are fair and reasonable should focus on the purpose and outcome of the transaction, that is, the substance of the transaction rather than the legal mechanism to affect the takeover offer.
- 1.10 An offer (in this case the On Market Takeover Offer made by Drake through the takeover bid for BBX) is fair if the value of the offer price or consideration is equal to or more than the value of the securities the subject of the On Market Takeover Offer (for the ordinary shares in BBX). An offer is reasonable if it is fair. In this situation, we are reporting on the proposals to the ordinary shareholders of BBX as to whether the proposed On Market Takeover Offer is fair and reasonable to the ordinary shareholders not associated with Drake.
- 1.11 The Independent Directors of BBX have requested Stantons International Securities Pty Ltd trading as Stantons International Securities (“SIS”) to prepare an Independent Expert’s Report providing an opinion on whether the On Market Takeover Offer to the BBX shareholders by Drake is fair and reasonable to BBX shareholders not associated with Drake. The report should not be used for any other purpose. Our independent expert’s report will be included in the Target’s Statement to be issued to the shareholders of BBX on or about 30 September 2016.
- 1.12 Apart from this introduction, this report includes the following:
- Summary of opinion
 - Implications of the proposed On Market Takeover Offer by Drake
 - Profile of BBX
 - Methodology
 - Valuation of BBX shares
 - Value and Fairness of Consideration Compared to Value of Assets Acquired
 - Reasonableness of the On Market Takeover Offer to BBX shareholders
 - Conclusion as to Fairness and Reasonableness of the On Market Takeover Offer

- Sources of information
- Shareholder Decision
- Appendices A and B (the Independent Valuation Report of Sahara Mining Services as noted below) and our Financial Services Guide.

2. SUMMARY OF OPINION

- 2.1 In determining the fairness and reasonableness of the On Market Takeover Offer relating to the BBX shareholders not associated with Drake, we have had regard for the definitions set out by the Australian Securities and Investments Commission (“ASIC”) in its Regulatory Guide 111. Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness).

The concept of “fairness” is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the “target” and irrespective of whether the consideration is scrip or cash.

An offer is “reasonable” if it is fair. An offer may also be reasonable, if despite not being “fair”, where there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer.

- 2.2 Our report relating to the On Market Takeover Offer by Drake regarding BBX shareholders is concerned with the fairness and reasonableness of the On Market Takeover Offer. The advantages, disadvantages and other factors determined to arrive at our opinions are outlined in detail under Section 10 of this report.

2.3 Summary of Opinion:

After taking into account all of the factors noted in this report and in the absence of a more superior offer, we are of the opinion that on an adjusted net asset value basis of valuing the BBX shares (on a 100% control basis), the On Market Takeover Offer at a price of 4.5 cents per share by Drake to the BBX shareholders not associated with Drake is fair and reasonable to the shareholders of BBX as at the date of this report.

Our opinion should not be construed to represent a recommendation as to whether or not BBX shareholders should accept the On Market Takeover Offer by Drake. Shareholders uncertain as to the impact of accepting the On Market Takeover Offer should seek separate advice from their financial and/or taxation adviser. It is noted, that on low volumes, the share price of a BBX share trading on ASX post the announcement of the On Market Takeover Offer has been in excess of the 4.5 cents offered by Drake.

- 2.4 The opinion expressed above must be read in conjunction with the more detailed analysis and comments made in this report, including the Independent Valuation Report of Sahara Mining Services (“Sahara”) (“Sahara Valuation Report”) dated 29 September 2016 (Appendix B to this report).

3. IMPLICATIONS OF THE PROPOSED ON MARKET TAKEOVER OFFER BY DRAKE

3.1 As at 6 September 2016, there were 276,377,886 fully paid ordinary shares on issue in BBX (a further 750,000 shares were issued on 12 September 2016 due to the exercise of 750,000 options at 1.25 cents each to take the shares on issue up to 277,127,886). The significant fully paid shareholders as at close of business on 6 September 2016 were disclosed as:

<u>Name of Shareholder</u>	<u>No. of Shares</u>	<u>% Interest</u>
National Nominees Limited	79,114,150	28.52
Drake Private Investments LLC	27,324,678	9.85
ABN Amro Clearing Sydney Nominees Pty Ltd	19,376,464	6.99
Toby Chandler	14,641,000	5.28
Yardie (WA) Pty Ltd	13,118,400	4.73
Karl Page Investments Pty Ltd	7,733,000	2.79
	<u>161,307,692</u>	<u>58.16</u>

3.2 The top twenty fully paid shareholders as at 6 September 2016 own approximately 75.94% of the current issued capital. The nominee company, National Nominees Limited holds 79,100,250 shares on behalf of Drake.

3.3 Details on the Directors' interests in BBX are outlined in the Target's Statement under the heading of Section 5.1- Directors' Interests in BBX Securities".

3.4 The share options outstanding are noted in paragraph 1.4 of this report. It is noted that the share options exercisable below the On Market Takeover Offer Price of 4.5 cents not owned by Drake (Drake owns 27,500,000 share options exercisable at 1.25 cents each) are:

- 16,660,521 share options exercisable at 1.25 cents each before 1 March 2018 and if exercised the Company would receive cash of \$208,256;
- 10,750,000 share options exercisable at 3.7 cents each before 19 April 2020 and if exercised the Company would receive cash of \$397,750; and
- 10,750,000 options exercisable at 3.0 cents each exercisable after the announcement of a maiden JORC resource of a minimum of 250,000 ounces of gold at a minimum 2 grams per tonne by 31 March 2017 and such options expire on 19 April 2017. These options can now vest due to the On Market Takeover Offer by Drake. The amount potentially raised could be up to \$322,500.

Thus potentially the Company could receive cash funds totalling \$928,506 before completion of the On Market Takeover Offer and a further 38,160,521 shares would be issued and potentially acquired by Drake at 4.5 cents each.

It is unlikely that the other share options outstanding with an exercise price of 5.0 cents would be exercised before completion of the On Market Takeover Offer on 21 October 2016. However, if the share price traded above 5 cents, then some 5 cent share options could be exercised (we would assume such shareholders would not accept the On Market Takeover Offer at 4.5 cents per share).

3.5 If the On Market Takeover Offer is fully successful, the interests of Drake would own 100% of the shares in BBX. The non associated shareholders would no longer have a shareholding interest in BBX but would have been paid out 4.5 cents per share for each share held. There is no cost to the Company itself other than incurring fees approximating not more than \$50,000 relating to the Target Statement issue. BBX would cease to be listed on the ASX.

In the event that Drake does not achieve over 90% acceptances (on achieving over 90%, Drake can compulsorily acquire the remaining 10%), the remaining shareholders will have a minority interest in BBX and depending on the number of shareholders and their shareholding, there is a risk that the Company could be suspended from trading on the ASX until such time as the Company met the Chapter 12.4 “spread” conditions for trading.

- 3.7 If the non Drake associated shareholders sell their shares to Drake, they will no longer have any upside (or downside) exposure to the mineral assets of the BBX Group.
- 3.8 In relation to the Board of Directors, the current directors are Michael Schmulian (Non Executive Director and Chairman), William Dix (Non Executive Director) and Alistair Smith (Non Executive Director). We have been advised (via the Bidders Statement) that there is no intention to change the current Board of Directors in the near term but this may alter as the needs arise.

4. PROFILE OF BBX

4.1 Principal Activities

BBX is listed on the ASX. Its focus is mineral exploration in Brazil. Its most significant area of interest (“Mineral Assets”) in Brazil are:

- Juma East Gold/Copper Project (the main project of interest)
- Ema Gold Project;
- Tres Estados Gold/Copper Project; and
- Eldorado Do Juma Gold Project (75% option held)

Further details on the Mineral Assets of the BBX Group are outlined in the Sahara Valuation Report and Sections 1 and 2 of the Target Statement.

- 4.2 In addition, as at 30 June 2016, the BBX Group had cash funds of approximately \$248,000 with liabilities of approximately \$599,000 (excluding the Note liability). In July 2016, the Company raised further cash via a capital raising (including cash from Drake) of a gross \$70,000 and in August 2016 extinguished the remaining Note liability of \$227,268 (disclosed under equity in the statement of financial position) and raised a further \$114,498 from Drake. Monthly administration and corporate costs and exploration costs (excluding approximately up to \$50,000 in relation to the On Market Takeover Offer response) approximate \$70,000 however exploration costs can vary depending on the exploration programme in Brazil.

- 4.3 Details on the consolidated statement of financial position of BBX are outlined below. To 30 June 2016, the BBX Group had consolidated losses of \$14.827 million and for the last two years to 30 June 2016 the losses were approximately \$825,000 (year ended 30 June 2016) and \$853,000 (year ended 30 June 2015). The majority of the losses arise from administration costs (\$604,000 and \$382,000), director fees (\$72,000 and \$57,000) and share based payment costs (\$75,000 and \$64,000). The only income is a small amount of bank interest and is not material.

In assessing BBX’s financial position, BBX’s projects and the various stages of exploration and evaluation, BBX is unlikely to be in a position to pay dividends on the ordinary shares in the foreseeable future.

- 4.4 Details of all announcements made by BBX since the announcement of the On Market Takeover Offer are set out in Section 6.7 of the Target Statement and copies are available from BBX’s website www.bbxminerals.com.au. In addition, copies of all announcements made by BBX are lodged with ASX.

5. BASIS OF TECHNICAL VALUATION OF BBX

5.1 In considering the fairness of the On Market Takeover Offer by Drake we have sought to determine if the On Market Takeover Offer Price of 4.5 cents per share is in excess of the current fair value of the shares in BBX on issue and then conclude whether the On Market Takeover Offer fair and reasonable to the existing non-associated shareholders of BBX (not associated with Drake). Accordingly, we have sought to determine a theoretical value that could reasonably be placed on BBX shares for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining the current technical value of a BBX share are:

- Capitalised maintainable earnings/discounted cash flow;
- Takeover bid - the price which an alternative acquirer might be willing to offer;
- Adjusted net asset backing and windup value; and
- The market value price of BBX shares

5.2 Capitalised Future Maintainable Earnings / Discounted Cash Flows

5.2.1 Capitalised Future Maintainable Earnings ("FME")

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data. The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives. The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ("EBIT") or earnings before interest, tax, depreciation and amortisation ("EBITDA"). The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

5.2.2 Discounted Future Cash Flows ("DCF")

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks. A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate. DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5.2.3 BBX currently does not have a reliable cash flow and has a history of losses arising principally from its exploration activities in Brazil. BBX's key objective is to advance its Juma East Gold/Copper Project in Brazil. However, such project is not advanced enough to enter into a development project. The methodology of valuing the Company on a capitalised maintainable earnings/discounted cash flow basis is therefore not considered appropriate at this point of time

5.3 Alternative Take Over Offer

Where any recent genuine offers have been received for the shares being valued it is appropriate to consider those offers in determining the value of the shares. In considering any alternative offers it is necessary to assess the extent to which the alternative offers are truly comparable and to make adjustments accordingly.

It is possible that another potential bidder for BBX could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. To our knowledge, there are no other current bids in the market place and the directors of BBX have formed the view that there is unlikely to be any other takeover bids made for BBX in the immediate future. As noted, Drake is offering 4.5 cents for each BBX share it does not already own under the On Market Takeover Offer.

5.4 Quoted Market Price of Shares

Another alternative valuation approach that can be used in conjunction with (or as a replacement for) any of the above methods and the asset backing method at fair value as outlined below) is the quoted market price of listed securities. Where there is a ready market for securities such as ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a "deep" market in that security.

5.4.1 We set out below a summary of share prices of BBX from 1 July 2015 to 5 September 2016 (the day before the announcement of the On Market Takeover Offer by Drake):

	High Last Sale Cents	Low Last Sale Cents	Last Sale Cents	Volumes Trade (000's)
July 2015	1.5	0.7	1.0	17,080
August 2015	1.7	0.9	1.2	11,389
September 2015	2.4	1.1	2.1	16,217
October 2015	18.0	1.4	12.0	47,703
November 2015	16.5	11.0	12.5	8,757
December 2015	2.0	1.0	2.0	69,269
January 2016	2.0	1.6	1.8	12,517
February 2016	6.5	2.1	2.3	26,085
March 2016	3.5	2.1	2.6	17,973
April 2016	2.9	2.2	2.4	8,762
May 2016	2.6	1.6	1.6	4,419
June 2016	2.3	1.2	1.5	5,337
July 2016	2.4	1.8	1.8	5,813
August 2016	2.4	1.8	2.1	2,307
September 2016 (to 5 th)	4.5	2.3	3.7	20,677

5.4.2 On 12 October 2015, the Company announced that "visible gold" had been noted in a drill sample and the share price and volumes of trades increased significantly from the high 1's/low 2's (cents) to up to 18.0 cents (26 October 2015).

The Company's shares were suspended from trading from 13 November 2015 to 22 December 2015.

On 23 December 2015, the Company announced that the assay results were disappointing and the share price fell dramatically from the 11.0-13.5 cent mark to trade as low as 1.0 cents.

On 1 February 2016, the Company announced that it has significant test results at Juma East and the share price rose from the high 1's (cents) to trade up to 6.5 cents (only on 1 February 2016) and has since that date mainly traded in the low 2's to low 3's (cents).

On 9 February 2016, the Company announced a planned capital raising at 2.5 cents per share to raise a gross approximate \$883,000.

On 23 March 2016, the Company announced a "major breakthrough at Juma East" relating to the development of identifying a routine analysis method for the Juma East style of mineralisation. 9,488,729 shares were traded on ASX that day.

On 11 April 2016, the Company released an Exploration Update on Juma East with some promising but not overwhelming assay results.

On 23 May 2016, the Company released an Exploration Update on Juma East with the headline Fire Assays confirms reliability of pre-oxidation technique on hole JED-004 (as referred to in the 23 March 2016 announcement).

On 29 July 2016, the Company release its Quarterly Activities and Cash Flow Report for the quarter ended 30 June 2016.

On 8 August 2016 the Company announced that all shareholder resolutions were passed (including resolutions relating to issue of shares to Drake and allowing conversion of Notes by Drake).

On 2 September 2016, the Company released an Exploration Update relating to Juma East that outlined exceptional gold and PMG grades from the bottom 49.44m of JED-006 at Juma East. The Company's share price following the announcement rose to a high of 4.5 cents on 2 September 2016 and traded around 3.7 cents the next trading day.

Post 6 September 2016, the shares in BBX have traded above the On Market Takeover Offer Price of 4.5 cents. To 29 September 2016, the shares in BBX have traded on ASX in the range of 4.7 cents to 5.3 cents that is above the On Market Takeover Offer Price of 4.5 cents per share (although volumes of trades are not substantial but more than the volumes for the 3 months prior to 2 September 2016). The last sale on 29 September 2016 was at 4.8 cents.

- 5.4.3 We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between BBX and other parties. We also note it is not the present intention of the directors of BBX to liquidate the Company and therefore any theoretical value based upon wind up value or even net book values (as adjusted), is just that, theoretical. The shareholders, existing and future, must acquire shares in BBX based on the market perceptions of what the market considers a BBX share to be worth. The market has either generally valued the vast majority of junior/mid size mineral exploration and development companies at significant discounts or premiums to appraised technical values and this has been the case for a number of years although we also note that there is an orderly market for BBX shares and the market is kept fully informed of the activities of the Company.

5.5 Net Asset Backing and Wind-Up Value

5.5.1 Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimate the market values of the net assets of an entity, but do not take into account any realisation costs. Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life.

All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when entities are not profitable, a significant proportion of the entity's assets are liquid or for asset holding companies.

5.5.3 A summary of the audited consolidated statement of financial position of BBX as at 30 June 2016 is outlined below, adjusted for:

- further estimated administration and exploration costs for the three month to 30 September 2016 totalling approximately \$155,000 (disclosed as additional creditors) of which approximately \$100,000 is capitalised as part of the Juma East Gold/Copper Project;
- the issue of 2,800,000 shares in July 2016 to raise a gross \$70,000.
- the incurring of further depreciation of \$1,000;
- the conversion of the remaining Notes to extinguish the remaining Notes debt of approximately \$227,268 and the issue of 22,726,750 shares to Drake;
- the issue in August 2016 of 4,597,928 shares to Drake at 2.5 cents each to raise a gross \$114,948; and
- the exercise of 750,000 share options at 1.25 cents each to raise \$937.

	Audited Adjusted 30 June 2016 \$000's
Current assets	
Cash and cash equivalents	434
Trade and other receivables	16
	450

	Audited Adjusted 30 June 2016 \$000's
Non-current assets	
Plant and equipment	13
Receivables	87
Exploration and evaluation	1,908
	<u>2,008</u>
Total assets	<u>2,458</u>
Current liabilities	
Trade and other payables	709
	<u>709</u>
Non-current liabilities	
Trade payables	45
Total liabilities	<u>754</u>
Net Assets	<u>1,704</u>
Equity	
Issued capital	16,356
Reserves	231
Accumulated losses	<u>(14,883)</u>
Net Equity	<u>1,704</u>

- 5.5.5 Based on the book values at 30 June 2016 per the adjusted audited consolidated statement of financial position, this equates to a book value per issued share (277,127,886 shares on issue) of approximately 0.614 cents (ignoring the value, if any, of non-booked tax benefits).
- 5.5.6 The preferred valuation method used to value the shares of BBX is the net asset value method although consideration has also been given to the share price at which BBX shares have transacted in the one month and three-month period before the announcement of the Takeover Offer.
- 5.5.7 In determining the net tangible asset value on a going concern basis it is necessary to adjust the book values of the Mineral Assets to reflect the technical (market) fair value of those Mineral Assets. We, in conjunction with BBX instructed Sahara to undertake a valuation of the Mineral Assets of the BBX Group. In late September 2016 Sahara prepared a Valuation Report in relation to the Mineral Assets (one had been completed in April 2016 but we requested an updated valuation). Sahara has valued the BBX's Mineral Assets on preferred, low and high values. We have used and relied on the Sahara Valuation Report and have satisfied ourselves that:
- Sahara is a suitably qualified consulting firm and has relevant experience in assessing the merits of mineral projects and preparing mineral asset valuations (also the principal author of the reports is suitably qualified and experienced);
 - Sahara is independent from BBX and Drake;
 - Sahara has to the best of our knowledge employed sound and recognised methodologies in the preparation of the valuation reports on the BBX Group's Mineral Assets.

5.4.4 Sahara has ascribed a range of market values for the Mineral Assets as follows:

	Low \$	Preferred \$	High \$
Juma East and all other mineral interests	2,490,000	3,130,000	3,780,000
	<u>2,490,000</u>	<u>3,130,000</u>	<u>3,780,000</u>

5.4.5 Using the fair values in Australian Dollars of the Mineral Assets as ascribed in the Sahara Valuation Report and based on the assumptions/values provided to us of the other assets and liabilities of BBX as at 30 June 2016 as per the adjusted statement of financial position noted above, the net fair value of the BBX Group is expected to lie in the range as follows:

	Paragraph	Low \$000's	Preferred \$000's	High \$000's
Mineral Assets	5.4.3	2,490	3,130	3,780
Remaining non-current assets		100	100	100
Current assets		450	450	450
Total liabilities		(754)	(754)	(754)
Total Net Assets at fair values (range)		<u>2,286</u>	<u>2,926</u>	<u>3,576</u>
Number of shares on issue		277,127,886	277,127,886	277,127,866
Net asset per share (cents) (rounded)		0.824	1.055	1.290

6. PREFERRED VALUATION METHOD FOR VALUING A BBX SHARE

6.1 In assessing the fair value of BBX and a BBX share pre the Take Over Offer by Drake, we have selected the net assets on a going concern methodology as the preferred methodology as:

- BBX does not generate revenues or profits and has a negative cash flow and per the audited accounts has incurred significant losses in the financial years ended 30 June 2014, 2015 and 2016. Therefore, the capitalisation of future maintainable earnings and discounted cash flow methodologies are not appropriate; and
- Although the shares of BBX are listed, as there is only moderate trading volumes on ASX and the share prices and volumes are heavily dependent in recent times on exploration results and also may be affected by the lack of significant cash resources it is arguably inappropriate to use market share prices to value the Company and the shares in the Company for the purposes of this report. We note share prices as a secondary methodology and have considered share prices in assessing reasonableness of the On Market Takeover Offer by Drake.

6.2 As stated at paragraph 5.4.5 we have assessed the value of BBX on a net asset basis on a going concern basis as follows:

	Low	Preferred	High
Net asset per share (cents)	<u>0.824</u>	<u>1.055</u>	<u>1.290</u>

- 6.3 In accordance with Regulatory Guide 111, we have relied upon Sahara to assess the preferred value of the Mineral Assets and have incorporated them in the table above in determining the net asset value on a technical basis. We note that, the technical net asset value may not necessarily reflect fair values in the current economic circumstances of the Company and the general state of the junior mineral exploration company market.

If funds can be raised and the Juma East Gold/Copper Project is commercially successful (that is not assured at this point of time) then arguably the fair value of a BBX share may be in excess of the current technical fair value (and in excess of the market values as noted on ASX).

- 6.4 The future ultimate value of a BBX share will depend upon, inter alia:
- the future prospects of its Mineral Assets;
 - the state of the gold and silver markets and other base metal prices in Australia and overseas;
 - the cash position of the Company;
 - the state of Australian and overseas stock markets;
 - the strength of the Board and management and/or who makes up the Board and management;
 - foreign exchange movements;
 - general economic conditions;
 - the liquidity of shares in BBX; and
 - possible ventures and acquisitions entered into by BBX.

7. PREMIUM FOR CONTROL

- 7.1 Premium for control for the purposes of this report, has been defined as the difference between the price per share, which a buyer would be prepared to pay to obtain or improve a controlling interest in the Company and the price per share which the same person would be required to pay per share, which does not carry with it control or the ability to improve control of the Company.
- 7.2 Under TCA, control may be deemed to occur when a shareholder or group of associated shareholders control more than 20% of the issued capital. In this case, Drake via the On Market Takeover Offer wishes to increase its shareholding interest in BBX from approximately 38.40% to up to 100% (but there is no minimum acceptance level). Accordingly, we have addressed whether a premium for increased or full control will be paid.
- 7.3 It is generally accepted that premium for control may vary from nil to 40% or more depending on many different factors including the nature of the business, the financial position of a company and shareholding percentages. It is also noted the shareholding interest of Drake in determining a fair premium for increased control. In this case we would expect the premium for control to be paid by Drake to be approximately 25% (as they already have a large “controlling” shareholding interest in the Company).
- 7.4 Our preferred methodology is to value BBX and a BBX share on a technical net asset basis which assumes a 100% interest in the Company. Therefore, no adjustment is considered necessary to the technical asset value determined under paragraph 56.2 as this already represents the fair value of the Company or a share in the Company on a pre proposed On Market Takeover Offer control basis.
- 7.5 We set out below the comparison of the low, preferred and high values of a BBX share compared to the On Market Takeover Offer Price.

	Para.	Low (cents)	Preferred (cents)	High (cents)
Estimated fair value of a BBX Share	6.2	0.824	1.055	1.290
On Market Takeover Offer Price		4.500	4.500	4.500
Excess/(shortfall) between On Market Takeover Offer Price and fair value		3.676	3.445	3.210

The quoted market price of a BBX share prior to the On Market Takeover Offer based on share prices over the three months to 5 September 2016 ranged from a low of 1.3 cents and a high of 4.5 cents (see paragraph 5.4.1 as this price was only a few days before the announcement of the Take Over Offer) with a preferred quoted value of around 2.1 cents. There is not a sufficient “Deep Market” of share trading in BBX. However, we have used share prices as a secondary market valuation methodology.

- 7.6 On a pre On Market Takeover Offer control basis the technical fair value (not market value based on ASX share trades) of a BBX share ranges from approximately 0.824 cents to 1.290 cents with a preferred value of approximately 1.055 cents per share (prior to dilution as a result of exercise of share options – refer comments below).

8. FAIRNESS OF THE ON MARKET TAKEOVER OFFER BY DRAKE

- 8.1 In arriving at our conclusions on fairness, we considered whether the On Market Takeover Offer Price is “fair” by comparing:
- (a) the fair market value of a Drake share pre-On Market Takeover Offer on a control basis; versus
 - (b) the On Market Takeover Offer Price (of 4.5 cents).
- 8.2 The low, preferred and high values of a BBX share **pre the On Market Takeover Offer on a control basis** as noted in paragraph 5.4.5 and 6.2 are:

	Para.	Low (cents)	Preferred (cents)	High (cents)
Estimated fair value of a BBX Share	6.2	0.824	1.055	1.290

Value of Consideration Compared to Value of Assets Acquired

The value of the share consideration offered by Drake being 4.5 cents cash for every one BBX shares is compared below:

	Section Ref	Low Cents	Preferred Cents	High Cents
<u>Technical Valuation Method</u>				
Value of Consideration for 1 BBX share		4.500	4.500	4.500
Value of a BBX share on a technical net asset value basis	6.2	0.824	1.055	1.290
Premium payable by Drake (cents)		3.676	3.445	3.210

	Section Ref	Low Cents	Preferred Cents	High Cents
Premium payable by Drake (percentage) (rounded)		446	326	249

Drake is thus paying a premium for control based on the low, preferred and high technical values for a BBX share and is in excess of the preferred 25% premium for control noted above.

8.3 It is noted that the share options exercisable below the On Market Takeover Offer Price of 4.5 cents not owned by Drake (Drake owns 27,500,000 share options exercisable at 1.25 cents each) are:

- 16,660,521 share options exercisable at 1.25 cents each before 1 March 2018 and if exercised the Company would receive cash of \$208,256;
- 10,750,000 share options exercisable at 3.7 cents each before 19 April 2020 and if exercised the Company would receive cash of \$397,750; and
- 10,750,000 options exercisable at 3.0 cents each exercisable after the announcement of a maiden JORC resource of a minimum of 250,000 ounces of gold at a minimum 2 grams per tonne by 31 March 2017 and such options expire on 19 April 2017. These options can now vest due to the On Market Takeover Offer by Drake. The amount potentially raised could be up to \$322,500.

Thus potentially the Company could receive cash funds totalling \$928,506 before completion of the On Market Takeover Offer and a further 38,160,521 shares would be issued and potentially acquired by Drake at 4.5 cents each. If we took the \$928,506 cash funds into account, the net asset backing would rise by that amount (to lie in the range of approximately \$3,214,500 to \$4,504,500 with a preferred value of \$3,854,500 and the number of shares on issue would be 315,288,407.

The value per share would then lie in the range of approximately 1.019 cents and 1.428 cents with a preferred fair value of 1.222 cents. The percentage premium payable would then lie in the range of approximately 341% and 215% with a preferred premium of approximately 268%.

We have not allowed for the exercise of the existing share options in BBX that are exercisable at above the On Market Takeover Offer Price of 4.5 cents each as they are unlikely to be exercised before the final date to accept the On Market Takeover Offer. The share options with an exercise price of 5.0 cents have been materially “out of the money” based on BBX share prices traded on ASX over the past six months to 31 August 2016 and since 6 September 2016 have only traded on one day above 5.0 cents. The last sale on 28 September 2016 was 4.8 cents.

8.4 If we applied a control premium of between 20% and 30% (generally premiums offered on takeovers for small cap mineral companies are in the range of 20% to 30% although premiums can be less or more), then based on a range of share prices of an BBX share between 1 July 2016 and to 5 September 2016 (the day before the announcement of the on market Takeover Offer) as traded on ASX but on relatively low volumes, the adjusted BBX share price to reflect the premium may be in the range of:

20% premium	2.16 cents to 5.40 cents (preferred, 2.52 cents)
30% premium	2.34 cents to 5.85 cents (preferred, 2.73 cents)
25% premium	2.25 cents and 5.625 cents (preferred, 2.625 cents)

The share prices between 1 July 2016 and 5 September 2016 were in the range of 1.8 cents and 4.5 cents (only on 2 September 2016) and if we took prices to 31 August 2016 (last sale of 2.1 cents and most sales in August 2016 at 2.0 cents) we take a preferred value of 2.1 cents (all on relatively low volumes).

However, it should be noted that our preferred methodology is not a market based methodology (as noted above) due to the relatively low volumes of trades in BBX shares as traded on ASX.

9. CONCLUSION AS TO FAIRNESS

9.1 **The above table under paragraph 8.2 above indicates that the On Market Takeover Offer by Drake at 4.5 cents each is greater than the assessed preferred technical fair value of a BBX share. Therefore, the Takeover Offer for all of the shares in BBX is, in the absence of a more superior offer, considered to be fair as at the date of this report.**

10. REASONABLENESS OF THE ON MARKET TAKEOVER OFFER TO THE DRAKE SHAREHOLDERS

10.1 Under RG 111, an offer may be considered 'reasonable' if despite being 'not fair', sufficient reasons exist for security holders to accept the offer in the absence of any higher bid before the close of the offer. RG 111 also noted that if an offer is fair it is also reasonable.

Notwithstanding the above comments, in considering the reasonableness of the On Market Takeover Offer, we have considered, inter-alia the following factors:

- Significant shareholdings in BBX;
- Cash position of BBX;
- Liquidity of the market in BBX's securities;
- Risks associated with developing the mineral projects of BBX;
- Any special value of BBX to Drake; and
- The value to an alternative bidder and likelihood of an alternative offer being made for the shares in SMC.

We set out below some of the advantages and disadvantages and other factors pertaining to the On Market Takeover Offer of BBX as they apply to the shareholders of BBX.

Advantages (and other positive factors)

10.2 Shareholders who accept the offer have certainty that they will receive a fixed sum of 4.5 cents for every one share in BBX (On Market Takeover Offer expires 21 October 2016 unless extended further by Drake but Drake may withdraw the On Market Takeover Offer before such date). The shares in BBX are relatively thinly traded and the ability to sell shares in BBX (particularly a large volume) could be difficult. Between 1 June 2016 and 31 August 2016, only approximately 8.12 million shares (out of over 249 million shares on issue before the issue of 27,324,678 shares issued to Drake on 19 August 2016) were traded in BBX on the ASX.

10.3 The current shareholders (30 September 2016) of BBX, other than the interests associated with Drake, hold approximately 61.60% of the shares in BBX. These shareholders individually have a very limited ability to influence the control and direction of the Company. The On Market Takeover Offer may further increase Drake's effective control, which may increase the risks associated with being a minority shareholder. Should Drake

increase its shareholding in BBX to over 90%, Drake will have the ability to compulsorily acquire the remaining shareholding which it does not already control or have an interest in.

- 10.4 The premium paid payable by Drake for the remaining shares in BBX (the subject of the On Market Takeover Offer) based on the closing share price of 3.7 cents as at 5 September 2016 as traded on ASX approximates 21.62% and based on the VWAP from 1 June 2016 to 5 September 2016, the premium approximates 9.76%. Before the relatively large increase in share price after 1 September 2016, the three and two month VWAP approximated 1.91 cents and 2.17 cents respectively for premiums of approximately 135% and 107% respectively. However, it is noted that pre-announcement of the On Market Takeover Offer trades on ASX to 1 September 2016 were relatively low.

The share price increased from 2.3 cents on 1 September 2016 to trade at 4.5 cents on 2 September 2016 (no premium payable by Drake on such a share price) and 3.7 cents on 5 September 2016.

It is noted that on 6 September 2016, the day of the announcement of the proposed On Market Takeover Offer, the shares in BBX traded between 3.7 cents and 5.9 cents with a last sale of 5.5 cents (turnover approximately 9.932 million). Subsequent to 6 September 2016 and to 29 September 2016, the shares in BBX trading on ASX have traded between 4.7 cents and 5.3 cents (one day only) (above the On Market Takeover Offer Price). On such a basis the On Market Takeover Offer Price of 4.5 cents would not be fair. However, due to a fluctuating share price of BBX shares that to a large extent is based on announcements made by BBX via the ASX (positive or negative), it is difficult to determine the short to medium share price of a BBX share (as distinct from the technical fair value based on net asset backing as noted above).

We have noted other companies that have had gains in share prices due to positive announcements over mineral assets but to see later share price falls. The share price of a company with little cash but reasonable prospectivity may not be treated fairly by the market and unless cash rich prices can fall materially.

BBX is in a poor financial state in that current liabilities exceed current assets (estimated at approximately \$259,000) and an urgent capital raising is required (probably over \$1 million) to pay outstanding debts and provide new working capital for the remainder of 2016 and early 2017. It is noted that some of the liabilities are amounts due to directors or their related entities and some debt could be converted to share equity, subject to shareholder approval. Other than for Drake and maybe several other shareholders, it is unlikely that shareholders would fully support a rights issue and a placement of shares to new investors (with Drake and several other shareholders) would be required. This would dilute the shareholdings in BBX for most shareholders. We cannot determine the ultimate issue price per share if a placement or series of placements were made as it will depend on the circumstances at the time, including exploration and evaluation success on Juma East and the share price as traded on ASX.

However, it is possible that an underwritten or partly underwritten rights issue could take place (or a placement to new investors) to raise new funds and preliminary discussions are being held to raise around \$1,000,000. In addition, there are "in the money" share options outstanding (exercise price above the current ASX share price that is in excess of the On Market Takeover Offer Price) that if exercised could raise approximately \$928,506 (without the support of Drake, who owns 27,500,000 share options exercisable at 1.25 cents each - if exercised would raise a further \$343,750). The success of a future capital raising may be heavily dependent on exploration success in the near future and whilst still having shareholders other than Drake, the support of Drake.

- 10.5 We are informed by BBX that the On Market Takeover Offer is the only proposed takeover transaction before the Company. This On Market Takeover Offer provides a BBX shareholder an option to exit their investment in BBX with the only transaction costs being a commission payable to the broker(s) involved and will no longer be exposed with the ongoing risks of holding an investment in BBX that operates in Brazil. The Drake On Market Takeover Offer provides some certainty of cash in uncertain times.
- 10.6 BBX's main project being the Juma East Gold/Copper Project is still some way from generating cash flows and are subject to numerous risks including, gold and copper prices, exchange rates, increases in costs, financing, legal and environmental. Currently, the Juma East Gold/Copper Project has no announced resources and is a long way off from any potential commercialisation. Estimated annual costs relating to Juma East are \$150,000 (due mainly in January/February 2016 regarding rents) and for a junior mineral exploration company, this commitment is significant and material.

The Juma East Gold/Copper Project and the Ema Project in Brazil are subject to an option agreement by paying up to US\$1,035,000 (6 tenements in total of which US\$875,000 relates to 4 tenements regarding Juma East) over a six-year period. US\$145,000 was made on 15 May 2016 and a further US\$270,000 is due to be paid in 2017 of which US\$220,000 is due in the first half of the year; a further US\$240,000 in 2018; a further US\$290,000 in 2019; US\$190,000 in 2020 and US\$40,000 in 2021. However, BBX may at any stage relinquish tenements with no further payment required.

It is noted that the ability of junior exploration companies to raise cash funds over the past year or so is extremely difficult and no guarantee can take place that BBX could raise further capital at a price above the range of share prices as traded on ASX over the past few months. Refer paragraph 10.4 above for a possible capital raising.

It is noted that Drake has been a significant financial supporter of BBX over the past several years. Between 22 March 2013 and 18 January 2016, Drake increased its shareholding in BBX by 66,008,783 shares and provided \$250,000 of Notes in October 2015 all of which have been converted to shares in BBX. Furthermore, Drake subscribed for \$114,948 of shares at 2.5 cents each in August 2016. Without the support of Drake, the Company may not have survived as a going concern and could not have spent and would not have the ability to spend large sums of money on the Juma East Gold/Copper Project.

- 10.7 Drake already has an approximate 38.40% shareholding interest in BBX. The On Market Takeover Offer is free of all conditions and in particular there is no minimum acceptance condition. This may lead to a likelihood that Drake could be successful in increasing its stake in BBX. Any increase, especially if material, would likely lead to a decrease in the trading liquidity and reduced free float of BBX shares on the ASX. As a result, certain investors may no longer wish to hold BBX shares as part of their investment portfolios, which may lead to a negative impact on the price of BBX shares. Accordingly, the market for BBX shares may become significantly less liquid or active.

Disadvantages

- 10.8 BBX shareholders will be selling their interest in a company that has mineral exploration targets that may have potential value in excess of the current market capitalisation of BBX. Thus by accepting the On Market Takeover Offer, the BBX shareholders (other than Drake) will have no exposure to any potential upside in the value of BBX and its shares.
- 10.9 Should the On Market Takeover Offer be accepted, BBX shareholders will no longer hold any shares in BBX. Accordingly, they will have no exposure to any improved offers that may be made in future by Drake or any other party.

Other Factors

- 10.10 The Australian tax consequences for BBX shareholders who accept the On Market Takeover Offer for all of their shares in BBX will depend on a number of factors, including:
- whether the BBX shareholder holds their BBX shares on capital account, revenue account or as trading stock;
 - the nature of the BBX shareholder (i.e. individual, company, trust, complying superannuation fund); and
 - the tax residency status of the BBX shareholder (i.e. Australian resident or not).

Each BBX shareholder should seek their own independent tax advice on the consequences of accepting the On Market Takeover Offer and receiving cash in exchange for BBX shares. For further information on the taxation position, please refer to Section 10 – Taxation Considerations in the Bidders Statement and Section 2.9 of the Target Statement.

- 10.11 There are other risks associated with the On Market Takeover Offer and these are outlined in BBX's Target's Statement Sections 2.5.1 to 2.5.2 that will continue to be applicable to BBX if the On Market Takeover Offer is not successful or if current BBX shareholders remain as shareholders of BBX.
- 10.12 There is uncertainty that BBX could achieve the full underlying value for its assets in an orderly disposal of its assets. BBX is an exploration and mining company and is obliged to fulfil minimum mineral expenditure conditions in order to maintain the exploration leases/licences. We have been advised that exploration commitments on an annual basis, is around \$150,000 (along with the option payment commitments noted in paragraph 10.6 above and this is a large cash outlay for a small junior exploration company such as BBX. The ability of small cap exploration companies such as BBX to raise capital on commercial terms can be limited, however as noted in paragraph 10.4 above, preliminary plans are being made for a capital raising sufficient for the short term needs of the BBX Group.
- 10.13 There are inherent risks involved in BBX pursuing other transactions to seek to unlock the value in BBX shares, and there can be no guarantees that any alternative transaction will be pursued or that BBX will have sufficient financial and other resources to pursue alternative transactions. Any new financing arrangements may result in significant dilution for existing shareholders. Further capital raisings will need to be undertaken sometime in the near future and there is no certainty that funds can be raised on commercial terms that do not dilute existing shareholders' interests too much.
- 10.14 There is unlikely in the short to medium term to be an alternative takeover offer by another party. In the event that Drake does not achieve a 100% shareholding interest in BBX, the remaining shareholders (other than Drake) will be locked in as minority shareholders with reduced combined voting power.
- 10.15 As the offer is an On Market Takeover Offer, shares sold to Drake via share brokers will incur commissions. This reduces the overall price from 4.5 cents to as price lower, depending on the sale commission paid. However, shareholders normally pay commission to brokers when they place shares for sale via the ASX market platform.
- 10.16 Subsequent to the announcement of the On Market Takeover Offer by Drake, the shares traded in BBX on the ASX have been above the Offer Price of 4.5 cents (traded in the 4.7 cents to 5.3 cents range) due to the positive announcement on 2 September 2016. It remains to be seen as to whether the higher share prices can be maintained as it may depend on whether exploration results continue to be positive. From discussions with Sahara, they have taken the latest exploration results into consideration in valuing the Mining Assets and despite this, the theoretical value of a BBX share is well below the On Market Takeover

Offer Price of 4.5 cents per share. Individual shareholders will need to consider whether they believe exploration results will continue to be positive. As noted below, the Company is cash poor and will soon need to make a substantial capital raising to continue its exploration programme. The ultimate issue price of a new and subsequent capital raisings is unknown and it is unknown as to whether existing shareholders would be offered the opportunity to participate in future capital raisings (although a partially underwritten rights issue is mooted but not guaranteed to be completed- refer paragraph 10.4 above).

11. CONCLUSION AS TO REASONABLENESS OF THE ON MARKET TAKE OVER OFFER

11.1 It is noted that ultimately the advantages of accepting the On Market Takeover Offer noted in Section 10 of this report, arguably exceed the disadvantages, although the financial effects cannot be determined with any degree of certainty. In the absence of an alternative offer that is deemed to have value in excess of 4.5 cents, in our view the Takeover Offer is reasonable.

Each shareholder needs to examine the share price of BBX, and market conditions at the time of deciding to accept or reject the On Market Takeover Offer. As noted above, the Company is in discussion (including with Drake) to undertake a partial underwritten capital raising but there is no formal documentation and the issue price has yet to be determined (this may heavily depend on exploration and assay results over the next few months on the Juma East Project

12. CONCLUSION AS TO FAIRNESS AND REASONABLENESS OF THE ON MARKET TAKEOVER OFFER

12.1 We have considered the terms of the On Market Takeover Offer as outlined in the body of this report and in the absence of an alternative offer that is deemed to have value in excess of 4.5 cents, have concluded that the On Market Takeover Offer by Drake to offer 4.5 cents cash for each share in BBX is fair and reasonable to the non associated shareholders of BBX at the date of this report.

12.2 Our opinion should not be construed to represent a recommendation as to whether or not BBX shareholders should accept the On Market Takeover Offer by Drake. Shareholders uncertain as to the impact of accepting the On Market Takeover Offer should seek separate advice from their financial and/or taxation adviser. Shareholders should be aware that other offers may be made by other parties after the preparation of this report. The shareholders of BBX will need to compare the current On Market Takeover Offer and consider whether any other offer(s) are more superior.

It is noted, that on low volumes, the share price of a BBX share trading on ASX post the announcement of the On Market Takeover Offer has been in excess of the 4.5 cents offered by Drake.

13. SHAREHOLDER DECISION

13.1 Stantons International Securities has been engaged to prepare an independent expert's report setting out whether in its opinion the On Market Takeover Offer is fair and reasonable and state reasons for that opinion. Stantons International Securities has not been engaged to provide a recommendation to shareholders in relation to the On Market Takeover Offer. The responsibility for such a recommendation lies with the directors of BBX.

- 13.2 In any event, the decision whether to accept or reject the On Market Takeover Offer is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt as to the action they should take in relation to the On Market Takeover Offer, shareholders should consult their own professional adviser.
- 13.3 Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in BBX. This is an investment decision upon which Stantons International Securities does not offer an opinion and is independent on whether to accept the On Market Takeover Offer. Shareholders should consult their own professional adviser in this regard.

14. SOURCES OF INFORMATION

14.1 In making our assessment as to whether the On Market Takeover Offer to BBX shareholders by Drake is fair and reasonable to the non associated shareholders we have reviewed relevant published available information and other unpublished information of the Company which is relevant to the current circumstances. In addition, we have held discussions with the management of BBX about the present and future operations of BBX. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and management of BBX.

14.2 Information we have received, includes, but is not limited to:

- Drafts of the Target's Statement prepared by BBX and its legal advisers in September 2016;
- Discussions with a director of BBX;
- Shareholding details of BBX as at 6 September 2016;
- Share prices of BBX since 1 March 2015 to 29 September 2016;
- Audited annual financial statements for the year ended 30 June 2015 and audited financial statements for the year ended 30 June 2016;
- Announcements made by BBX to the ASX from 1 July 2014 to 29 September 2016;
- The cash flow forecasts of BBX for the period 1 February 2016 to 31 December 2016 and estimated costs from 1 July 2016 to 30 September 2016;
- The Loan/Note agreement with Drake of October 2015;
- The Bidders Statement lodged by Drake on 6 September 2016;
- The Sahara Valuation Report of 29 September 2016 and a meeting with the author of the Sahara Valuation Report in mid September 2016; and
- Information on BBX as provided on the ASX web site and BBX's web site.

14.3 Our report includes Appendices A and B and our Financial Services Guide attached to this report.

Yours faithfully

STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)



John Van Dieren - FCA
Director

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd dated 30 September 2016, relating to the relating to the On Market Takeover Offer by Drake of 4.5 cents cash for all of the shares in BBX which it already does not own or is associated with Drake as stated in the Bidder's Statement dated 6 September 2016 and served on BBX on 6 September 2016.

At the date of this report, Stantons International Securities Pty Ltd does not have any interest in the outcome of the proposals. There are no relationships with BBX and Drake other than acting as an independent expert for the purposes of this report. Before accepting the engagement Stantons International Pty Ltd considered all independence issues and concluded that there were no independence issues in accepting the assignment to prepare the Independent Experts Report. There are no existing relationships between Stantons International Securities Pty Ltd and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at a maximum of \$17,500 plus GST. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities Pty Ltd nor John P Van Dieren have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities Pty Ltd does not hold any securities in BBX or Drake. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities Pty Ltd and Mr J Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Target Statement.

QUALIFICATIONS

We advise Stantons International Securities Pty Ltd is the holder of an Australian Financial Services Licence (no 448697) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. A number of the directors of Stantons International Audit and Consulting Pty Ltd who owns 100% of the shares in Stantons International Securities Pty Ltd are the directors and authorised representatives of Stantons International Securities Pty Ltd. Stantons International Securities Pty Ltd and Stantons International Audit and Consulting Pty Ltd (trading as Stantons International) have extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, the person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

DECLARATION

This report has been prepared at the request of the Directors of BBX in order to assist them to assist the shareholders of BBX to assess the merits of the On Market Takeover Offer to which this report relates. This report has been prepared for the benefit of BBX's shareholders and does not provide a general expression of Stantons International Securities Pty Ltd's opinion as to the longer term value of BBX, its subsidiaries and their assets. Stantons International Securities Pty Ltd does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of the BBX Group. Neither the whole nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities Pty Ltd to the form and context in which it appears.

DUE CARE AND DILEGENCE

This report has been prepared by Stantons International Securities Pty Ltd with due care and diligence. The report is to assist shareholders in determining the fairness and reasonableness of the On Market Takeover Offer (refer Shareholder Decision section of our independent expert's report).

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities Pty Ltd may rely on information provided by BBX and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities Pty Ltd's experience and qualifications), BBX has agreed:

- (a) To make no claim by it or its officers against Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which BBX may suffer as a result of reasonable reliance by Stantons International Securities Pty Ltd on the information provided by BBX; and
- (b) To indemnify Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) against any claim arising (wholly or in part) from BBX or any of its officers providing Stantons International Securities Pty Ltd any false or misleading information or in the failure of BBX or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities Pty Ltd.

A draft of this report was presented to BBX Directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

**FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)
Dated 30 September 2016**

1. Stantons International Securities Pty Ltd ABN 42 128 908 289 and Financial Services Licence 448697 (“SIS” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. **Financial Services Guide**

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 448697;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. **Financial services we are licensed to provide**

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. **General Financial Product Advice**

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. **Benefits that we may receive**

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. **Remuneration or other benefits received by our employees**

SIS has no employees and Stantons International Audit and Consulting Pty Ltd charges a fee to SIS. All Stantons International Audit and Consulting Pty Ltd employees receive a salary. Stantons International Audit and Consulting Pty Ltd employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. **Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. **Associations and relationships**

SIS is ultimately a wholly subsidiary of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. Stantons International Audit and Consulting Pty Ltd also trades as Stantons International that provides audit, corporate services, internal audit, probity, management consulting, accounting and IT audits.

From time to time, SIS and Stantons International Audit and Consulting Pty Ltd and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

9. **Complaints resolution**

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities
Level 2
1 Walker Avenue
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited (“FOSL”). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details set out above.

Telephone 08 9481 3188
Fax 08 9321 1204
Email jvdieren@stantons.com.au

SAHARA VALUATION REPORT ON THE MINERAL ASSETS OF BBX GROUP



**Independent Technical Valuation of the
Mineral Assets of BBX Minerals Ltd –
Brazil**

Prepared by Sahara Mining Services on behalf of:
**Stantons International Securities Pty
Ltd**

Effective Date – 29 September 2016

Author:	Beau Nicholls	Principal Consultant and CEO	BSc (Geo) MAIG
Peer Review	John Nolan	COO	Ass Dip (Survey) MAusIMM
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EXECUTIVE SUMMARY

Introduction

Sahara Mining Services Ltd (Sahara) has been requested by Stantons International Securities Pty Ltd (Stantons) to prepare an Independent Technical Valuation to provide an opinion as to the present cash value of BBX Minerals Ltd Brazil mineral assets.

The BBX Minerals Ltd Brazilian Projects are located within 70km radius of Apui town in Amazonas State, Brazil and include the following Projects-

-  Eldorado do Juma,
-  Juma East,
-  Pombos,
-  Ema and
-  Tres Estados.

Juma East, Ema and Tres Estados are covered in the technical content of this report. Eldorado do Juma and Pombos are currently under binding sales agreements.

BBX Minerals Ltd and its 100% owned subsidiary Mineracao BBX do Brasil Ltda are referred to as BBX unless otherwise stated.

Location and Tenure

The BBX Projects are located in the southeast of Amazonas State near the state borders of Mato Grosso and Para.

The BBX Projects are located approximately 70km from the city Apui, (Amazonas State) (Figure below). The topographical coordinates of the project are Latitude -06°48'02"368 and Longitude-59°35'36"689

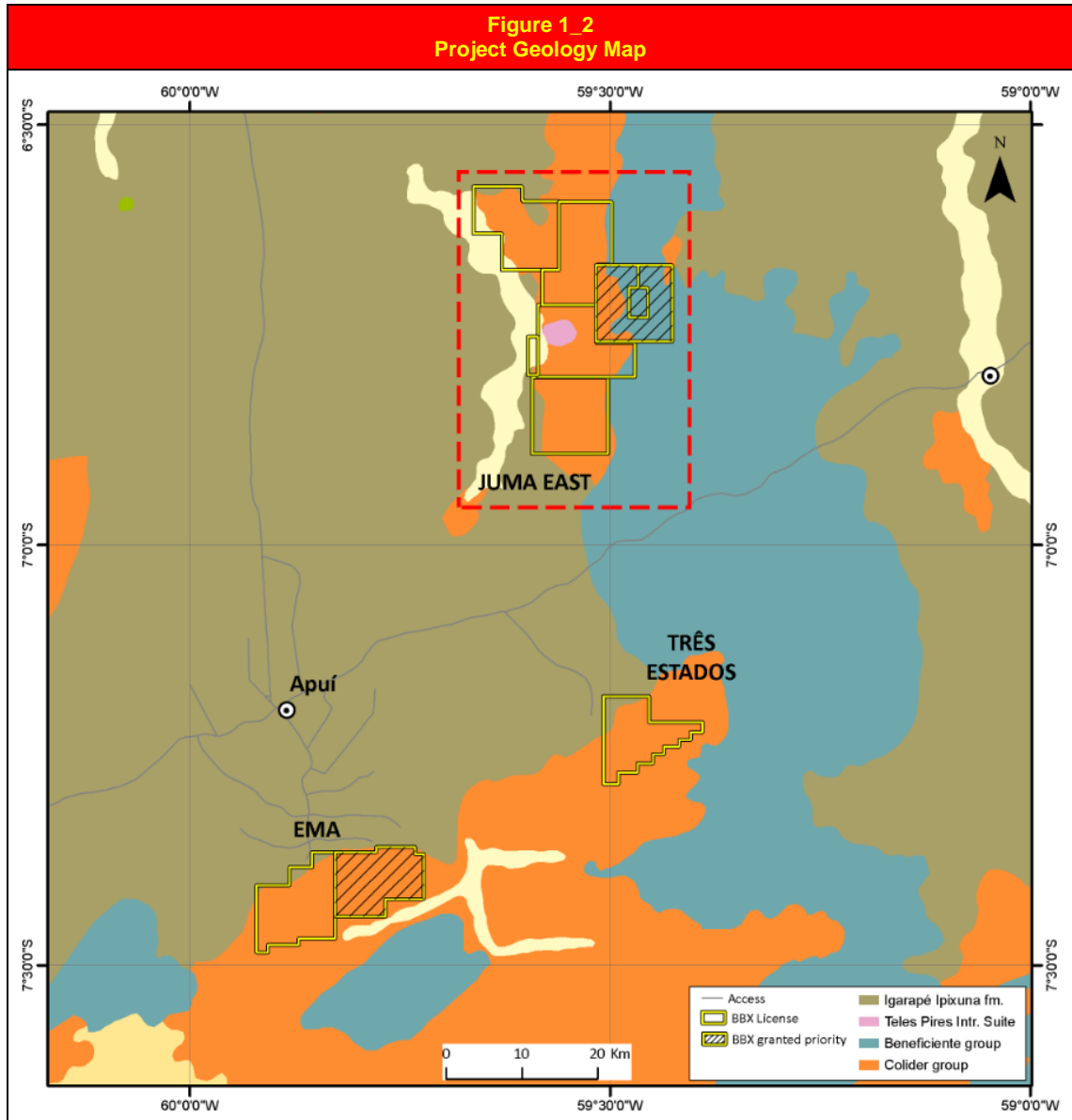
The BBX projects comprise 14 tenements including the Eldorado do Juma; Juma East; Pombos; Ema and Tres Estados Projects, representing a combined area of 101,436Ha.

Figure 1_1
Brazil Projects - Tenement Locations



Geology and Mineralisation

The BBX Projects volcanic rocks are located in the Colider Group and the sediments in the Beneficiente Group. Locally the rocks have undergone hydrothermal brecciation, forming strong stockwork mineralisation, silicification, argillic and sericite alteration.



Juma East and the surrounding prospects are classed as having potential for low sulphidation Epithermal deposits.

Exploration Completed

BBX are the first international company to have completed exploration work in the region. BBX commenced exploration across the Juma East project area in 2013. Exploration activities to the present day have included:-

Juma East

- Reprocessing of a CPRM geophysical survey, (500m spaced lines)
- 3 Channel Samples for 11 samples
- Soil Geochemistry - (1,231 samples) (400m x 80m infilled to 200m x 80m)
 - 973 samples Guida Prospect
 - 258 samples at Pepita Prospect
- Airborne Magnetics and Radiometrics (74 lines @ 200m spacing and 37 infill lines at 100m Spacing for 3087 ;line km)
- Ground IP Survey (6 Lines)
- 6 Diamond Holes for 1,400m

Tres Estados

- Soil Geochemistry - (200m x 40m grid)

Ema

- Soil Geochemistry - (200m x 40m grid)

The results to date from exploration work completed are summarised below

Juma East

- All exploration work to date has been staged and systematic.
- Airborne Magnetics and Radiometric survey undertaken by BBX have identified 6 key Au targets defined by a Brazilian geophysical consulting firm.
- Soil Geochemistry has been effective in defining significant Au in Soil anomalies.
- Initial 6 diamond holes drilled were successful in defining epithermal mineralisation consistent with the regional work although no significant results have been returned by conventional analysis.
- BBX are assessing potential alternative analysis methods. There are anomalies in the analysis method with traditional Fire Assay returning poor results whereas different preparation has returned high grade gold. This is still under investigation by BBX.
- Additional high priority drill targets have not been tested such as the NW of Target 6 from the magnetics and radiometrics. This target has a significant coincident Au in soil anomaly associated.

Tres Estados

- The Tres Estados soil grid returned a 1.2km Au in soil anomaly associated with a regional magnetic high (over 8km strike) and associated with a Basalt unit.

Ema

- The Ema soil grid returned a number of Au in soil anomalies associated with what appears to be a regional thrust fault.

Valuation

There are numerous recognised methods used in valuing “mineral assets”. The most appropriate application of these various methods depends on several factors, including the level of maturity of the mineral asset, and the quantity and type of information available in relation to any particular asset.






The Valmin Code 2015, which is binding upon “Experts” and “Specialists” involved in the valuation of mineral assets and mineral securities, defines the level of asset maturity under a number of categories. The BBX projects all fall under the following category:-

Early-stage Exploration Projects – Tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified

In valuing the exploration potential associated with the Brazil Projects, Sahara has elected to apply the Multiple of Exploration Expenditure method along with using a recent transaction to confirm the approximate value.

Sahara have compared the Crusader Resources Ltd Juruena Gold Project, which was purchased in July 2014 for C\$650K & 2M Conditional Shares (~2.65 M AU\$ total). The project had a number of similar characteristics with BBX projects. The Juruena project is similar in area but had been subject to far more exploration (mainly drilling) but had no resources estimated at the time of purchase. The Gold Price in July 2014 was 2,924BR\$/oz versus 4,350BR\$/oz in September 2016 which is a ~50% increase in the Brazilian \$ per oz in the last 2 years.

In determining the value of the exploration potential of the BBX Projects, Sahara considered:

-  the large, semi-contiguous, licence package located in the prospective emerging Epithermal Gold Province
-  Existence of significant Garimpo (Artisan) gold miners within the permits and surrounding region
-  Definition of multiple soil anomalies from the Juma East soil grids completed to date
-  Negative assay results from the 6 drillholes completed to date by conventional fire assay analysis (with no pre-treatment), Recent alternative assaying techniques have returned positive results from sample pre-treatment, although assay methodology and results to date are inconclusive.
-  Drillholes returned strong hydrothermal mineralisation and intense brecciation consistent with being within a large mineralised epithermal system.

- 🌅 First movers in an unexplored region. .
- 🌅 Poor access to Juma East but with any significant discovery the project is located 20km from a major Juma river port that provides direct large tonnage shipping access to Manaus then the world.
- 🌅 Two recent soil geochemistry programs on Tres Estados and Ema projects have both returned excellent preliminary Au in soil anomalies that require additional work

Sahara considers that there is a moderate to high likelihood that a significant Gold discovery could be made via systematic ongoing exploration.

The Eldorado do Juma and Pombos projects are covered by a binding sales agreements so they have a market value firmly established.

On the basis of exploration completed and the effectiveness of the exploration, Sahara has reasonably elected to assign a range of productivity enhancement multipliers (PEMs) from 0.8 to 1.5, indicating that every dollar spent on regional exploration has returned between AU\$0.8 and AU\$1.5 in value as defined in the table below.

A summary of the project valuations is provided in Table 1. _1 below.

Table 1.1_1				
Brazil Projects Valuation Summary (29 September 2016)				
Asset	Equity Interest	Valuation		
		Low AU\$	High AU\$	Preferred AU\$
Juma East Projects	100%	1,634,733	2,822,144	2,228,439
Tres Estados Project	100%	81,738	122,607	102,173
Ema Project	100%	123,323	184,985	154,154
Eldorado do Juma Project	100%	609,756	609,756	609,756
Pombos Project	100%	39,600	39,600	39,600
Total (million AU\$)	100%	2.49	3.78	3.13

**appropriate rounding has been applied to the total*

The range in the table above is comparative with the Crusader Juruena transaction when allowing for the improvement in the market conditions since this transaction.






The value of BBX 100% equity interest in the Brazil Project is considered to lie in a range from **AU\$2.49 million** to **AU\$3.78million**, within which range Sahara has selected a preferred technical value of **AU\$3.13 million**.

1 INTRODUCTION

1.1 Scope of Work

Sahara Mining Services Ltd (Sahara) has been requested by Stantons to prepare an Independent Technical Valuation to provide an opinion as to the present cash value of BBX Brazil mineral assets.

The BBX Brazilian Projects are located within 70km radius of Apui town and include

-  Eldorado do Juma,
-  Juma East,
-  Pombos,
-  Ema and
-  Tres Estados.











Juma East, Ema and Tres Estados are covered in the technical content of this report. Eldorado do Juma and Pombos are currently under binding sales agreements.

The conclusions expressed in this Independent Technical Valuation are appropriate as at the Valuation Date 29 September 2016. The valuation is therefore only valid for this date and may change with time in response to variations in economic, market, legal or political factors, in addition to ongoing exploration results. All monetary values included in this report are expressed in Australian dollars (AU\$) unless otherwise stated.

This valuation has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (The VALMIN Code) as adopted by the Australasian Institute of Mining and Metallurgy (AusIMM) in April 2015.

1.2 Qualifications, Experience and Independence

Sahara is an established mining services company. Sahara professional personnel have been providing specialist mining services internationally since 2010 and are accredited with all major international stock exchanges. Sahara provide a range of services which are detailed on our website www.saharaminingservices.com and include:

-  Exploration Project Management
-  Surveying (Mine and Civil)
-  Drilling (Auger, RAB, Air Core, UG Diamond)
-  Geotechnical Drilling and Consulting (SPT , CPT)
-  Hydrogeology
-  Consulting /Studies (PEA/PFS/BFS) /Due Diligence /Audits /NI43-101 /JORC /QP /CP
-  Operational Improvement (Grade Control, Contract v Mine, Drill and Blast, Maintenance)
-  Training (Surpac, Mapinfo/Discover, Operational Improvement)
-  Corporate (Tax, Accounting, HR, Virtual Office, Visa)
-  Security

The information in this report that relates to the Technical Assessment and Valuation of Mineral Assets reflects information compiled and conclusions derived by Mr Beau Nicholls, who is a Member of Australian Institute of Geoscientists.'

Mr Beau Nicholls, is a professional geologist with over 20 years' experience in the exploration and mining industry. He is the Principal Geologist and Chief Executive Officer (CEO) for Sahara and not a permanent employee of BBX.

Mr Beau Nicholls has sufficient experience relevant to the Technical Assessment and Valuation of the Mineral Assets under consideration and to the activity which he is undertaking to qualify as a Practitioner as defined in the 2015 edition of the Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets. Mr. Nicholls consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The author of this report does not have any material interest in BBX or related entities or interests. The relationship with BBX is solely one of professional association between client and independent consultant. This report is prepared in return for fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report.

1.3 Principal Sources of Information

The principal sources of information used to compile this report comprise technical reports and data variously compiled by BBX and their consultants. A listing of the principal sources of information is included at the end of this report.

A site visit was undertaken to the BBX projects by the primary author on 29th and 30th March 2016. The site review involved visits to the higher priority exploration targets, along with the review of 6 diamond core holes, artisanal workings, exposed geology, and an assessment of historic reports and plans.

A visit was also completed by the author to the Nomos Laboratory based in Rio de Janeiro on 16 September 2016. This visit was to review the additional testwork being undertaken by BBX in respects to the potential issues around the analysis for gold in the initial drilling

All reasonable enquiries have been made to confirm the authenticity and completeness of the technical data upon which this report is based. A final draft of this report was also provided to BBX, along with a request to identify any material errors or omissions prior to final submission.

1.4 Units of Measurements and Currency

Metric units are used throughout this report unless noted otherwise. Currency is Australian dollars (AU\$) unless otherwise noted.

1.5 Abbreviations

A full listing of abbreviations used in this report is provided in Table 1.5_1 below.

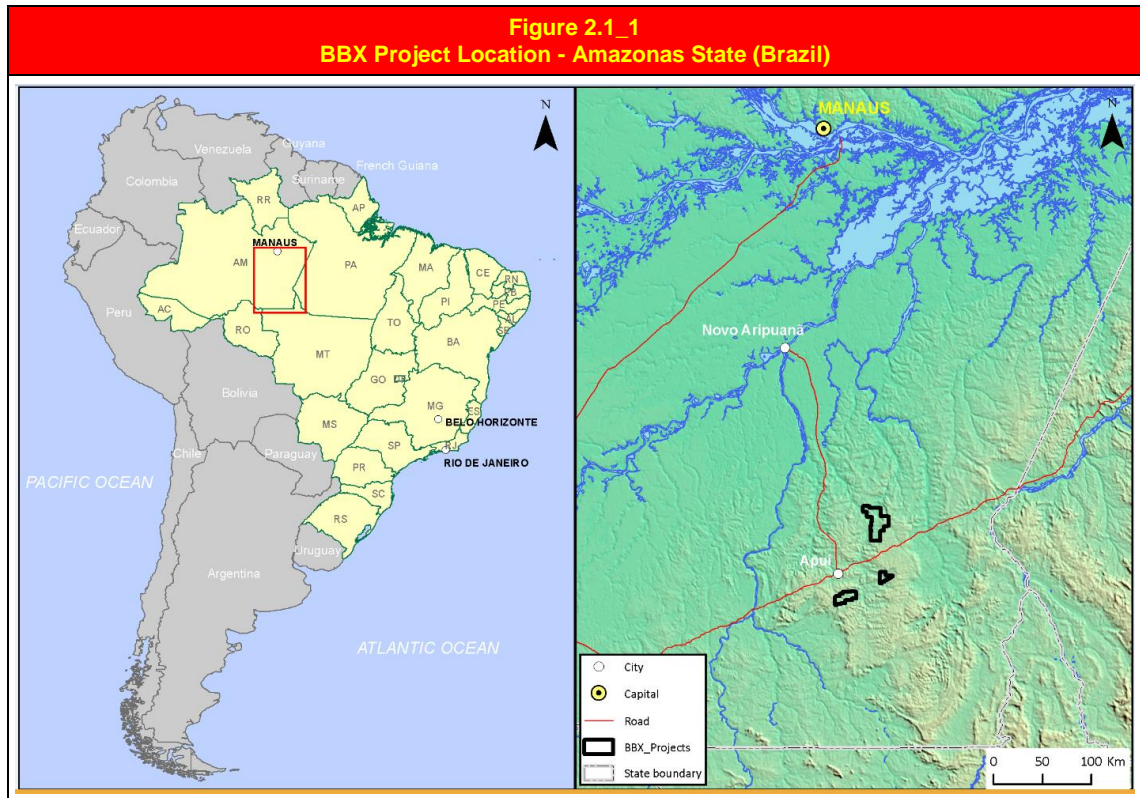
Table 1.5_1			
List of Abbreviations			
	Description		Description
\$	Australian dollars		
"	Inches	M	million
μ	microns	m	metres
3D	three dimensional	Ma	thousand years
4WD	four wheel drive	Mg	Magnesium
AAS	atomic absorption spectrometry	ml	millilitre
Au	Gold	mm	millimetres
bcm	bank cubic metres	Mtpa	million tonnes per annum
CC	correlation coefficient	N (Y)	northing
BBX	BBX Minerals Ltd	Nb	niobium
cm	Centimetre	Ni	nickel
		NPV	net present value
Co	Cobalt	NQ ₂	Size of diamond drill rod/bit/core
CRM	certified reference material or certified standard	°C	degrees centigrade
Cu	Copper	OK	Ordinary Kriging
CV	coefficient of variation	P80 -75μ	80% passing 75 microns
DDH	diamond drillhole	Pd	palladium
DTM	digital terrain model	ppb	parts per billion
E (X)	Easting	ppm	parts per million
EDM	electronic distance measuring	psi	pounds per square inch
Fe	Iron	PVC	poly vinyl chloride
G	Gram	QC	quality control
g/m ³	grams per cubic metre	QQ	quantile-quantile
g/t	grams per tonne of gold	RC	reverse circulation
HARD	Half the absolute relative difference		
HDPE	High density poly ethylene	RL (Z)	reduced level
		ROM	run of mine
HQ ₂	Size of diamond drill rod/bit/core	RQD	rock quality designation
Hr	Hours	SD	standard deviation
HRD	Half relative difference	SG	Specific gravity
HREO	Heavy rare earth oxides	Si	silica
ICP-AES	inductivity coupled plasma atomic emission spectroscopy	SMU	selective mining unit
ICP-MS	inductivity coupled plasma mass spectroscopy	Sn	Tin
ISO	International Standards Organisation	t	tonnes
kg	Kilogram	t/m ³	tonnes per cubic metre
kg/t	kilogram per tonne	Ta	tantalum
km	Kilometres	tpa	tonnes per annum
km ²	square kilometres		
kW	Kilowatts	UC	Uniform conditioning
kWhr/t	kilowatt hours per tonne	w:o	waste to ore ratio
l/hr/m ²	litres per hour per square metre		

2 PROJECT DESCRIPTION AND LOCATION

2.1 Project Location

The BBX Projects are located in the southeast of Amazonas State near the state borders of Mato Grosso and Para.

The BBX Project is located approximately 70km from the city Apui, (Amazonas State) (Figure 2.1_1). The topographical coordinates of the project are Latitude -06°48'02"368 and Longitude-59°35'36"689



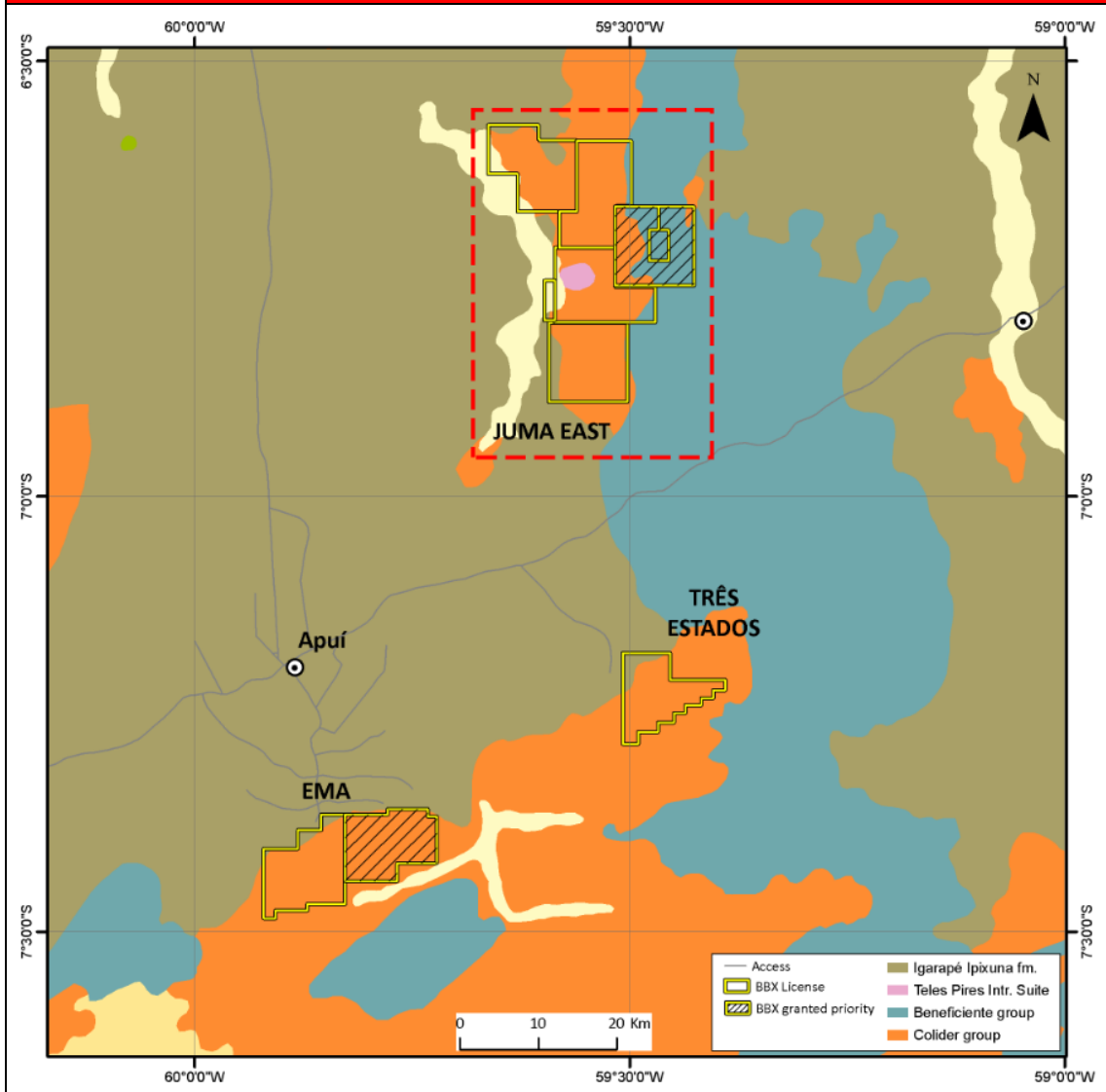
2.2 Tenement Status

The BBX projects comprise 14 tenements including the Eldorado do Juma; Juma East; Pombos; Ema and Tres Estados Projects, representing a combined area of 101,436Ha as shown in Table 2.2_1 and Figure 2.2_1.

The exploration permits are valid for three years and are automatically renewable for an equal period, as long as exploration is being undertaken. BBX is required to pay 3.38 Brazilian Reais per hectare, per year to the DNPM for the annual maintenance fee.

Table 2.2_1				
BBX Projects - Tenement Schedule				
Project Name	Tenement Number	Area (ha)	Expiry Date	Minimum Expenditure US\$/Year
Juma East	880.115/08	9,493	16-09-19	100,000
Juma East	880.116/08	10,000	16-09-19	100,000
Juma East	880.117/08	9,642	16-09-19	100,000
Juma East	880.129/08	9,307	16-09-19	100,000
Juma East	880.151/14	662	Application	0
Juma East	880.437/10	980	Successful bid- await publication	
Juma East	880.236/11	9,018	Successful bid- await publication	
Tres Estados	880.090/08	8,172.25	24-09-18	0
Ema	880.107/08	9,839.91	24-09-18	0
Ema	880.096/08	9,034	Successful bid- await publication	
Pombos	880.094/14	1,000	Sold	0
Eldorado do Juma	880.070/07	10,000	Permission for Artisanal Mining - PLG	0
Eldorado do Juma	880.069/13	10,000	Regime Change	0
Eldorado do Juma	880.152/12	4,287	Application for PLG	0
Total		101,436		

**Figure 2.2_1
Tenement Location - BBX Project**



2.3 Royalties and Agreements

BBX has the following royalties and agreements:




-  Brazilian government royalty for Au is 1% of gross gold sales;
-  Land is federal owned so no land tax or permits are applicable
-  Staged permit payments are listed below which amount to 1.25 M US\$ over the next 4 years. BBX has the right to withdraw from any agreement at any time.

Table 2.3_1			
BBX Staged Lease Payments for Tenements			
Project/Permit Name	DNPM Number	Amount Due	Due Date
Juma East (Guida/Plato)	880.129/2008	USD25,000	15-Nov-16
		USD 75,000	Nov 17
		USD100,000	15 May 2017,18,19
Juma East (Boia Velha)	880.117/2008	USD 50,000	15 August 2017,18,19,20
Juma East (Pintado)	880.115/2008	USD 50,000	15 February 2017,18,19,20
Juma East (Pepita)	880.116/2008		
		USD 50,000	15 February 2017,18,19,20
Tres Estados	880.090/2008	USD 10,000	30-Sept-16
		USD 10,000	15-Sept-17
		USD 20,000	15 Sept 2018,19,20,21
Ema West	880.107/2008	USD 10,000	30-Sept-16
		USD 10,000	15-Sept17
		USD 20,000	15 Sept 2018,19,20,21
Total payments remaining		USD1,225,000	

2.3.1 Juma East Purchase Agreement


Juma East has been acquired by BBX from Raquel Correia da Silva for a total of US\$500,000 for each tenement (2M US\$ total) for staged payments over 6 years. This value has been renegotiated down given recent market conditions. BBX has renegotiated the schedule of payments to ensure that cash is preserved for exploration activities.


The deal includes a NSR of 3% but BBX can buy 1.5% for 1.5M US\$ before 5 years.

BBX can return the property at any time without penalty.

2.3.2 Eldorado do Juma Sales Agreement

BBX has the following agreement for a conditional sale of the Eldorado do Juma Project.

-  BBX and ARNALDO Villar Da Silva (ARNALDO), signed a conditional sales and purchase agreement on 1st September 2014, whereby BBX will sell its 100% interest in MINORTE Extracao de Minerio Ltda (MINORTE) for R\$1,500,000

 On publication in the “official gazette” of the assignment of mining rights of either DNPM No 880.070/2007 or 880.152/2012 to Comin Gold S.A, (75% owned by MINORTE Extracao de Minerio Ltda and 25% owned by COOPERATIVA Extrativista Familiar Do Rio Juma) the following payments are due:

- Tranche 1 -R\$500,000 - 5 business days after publication of the assignment of either mineral right.
- Tranche 2 -R\$500,000 -3 months after payment of tranche 1.
- Tranche 3 -R\$500,000 -6 months after payment of tranche 1.

5% of each payment received by BBX being R\$25,000 (R\$75,000 in total) will be paid to FFA Legal Ltd, under a separate success fee agreement.


On transfer of BBX’s 100% interest in MINORTE, ARNALDO will assume all MINORTE’s contractual obligations with COOPERATIVA Extrativista Familiar do Rio Juma dated 18 July 2012, and BBX’s contractual obligations with the former shareholders of MINORTE.


Under the sale and purchase agreement between BBX and the former shareholders of MINORTE Extracao de Minerio Ltda dated 23 July 2012, 6 (six) million shares were to be issued by BBX as partial payment for acquiring 100% of MINORTE. Under the terms of this agreement 6 (six) million shares will be issued within 30 days after BBX receives the tranche 1 payment and will be escrowed for 6 months from issuance date.


Sahara notes that it has been over 18 months since the deal was completed and there has been no “Official Gazette” published. The current agreement is still in place and enforceable by law if and when the official gazette is published.


2.3.3 Pombos Sales Agreement


BBX has the following agreement for a conditional sale of Pombos Project.

 BBX and Cooperative Extrativista Mineral Dos Garimpeiros De Apui - Gemga have signed a conditional sales and purchase agreement on 30th April 2016, whereby BBX will sell its 100% interest in Pombos for USD30,000

 On publication in the “official gazette” of the granting of the exploration licence (DNPM No 880.094/2008) to Cooperative Extrativista Mineral Dos Garimpeiros De Apui - Gemga the following payments are due:

 USD10,000 payable 6 months after granting of the exploration licence

 USD10,000 12 months after granting of the exploration licence

 USD10,000 18 months after granting of the exploration licence.

BBX will receive a 3% net smelter return on all production, with BBX transferring the title to the buyer on granting of the exploration licence. Any breach of the terms or non- payment by the buyer will result in cancellation of the contract and the tenement will revert back to BBX.

2.4 Environmental Liabilities

Informal miners have been operating small-scale mining operations on the BBX Projects but no effort is being made to rehabilitate the mined areas. However, once surface mining finishes, the jungle quickly reclaims the areas worked. There is unlikely to be a major residual environmental issue from past mining given the poor access and small scale nature of mining to date.

Eldorado do Juma has extensive Garimpo workings but these liabilities are to be assumed by the new owner once the transaction is completed.

The status of the BBX tenements has been provided by BBX. Sahara has not independently verified the legal status of the BBX tenements, nor is it qualified to do so. This Independent Technical Valuation is prepared on the understanding that the BBX tenements are, or will prove to be, lawfully accessible for evaluation and development by BBX.

3 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

3.1 Project Access

The BBX Projects are located within a radius of 70km from the city of Apui in Amazonas State, Brazil.

Access to Apui is via a commercial flight from Belo Horizonte to Manaus to Apui. From Apui the BBX sample preparation and core storage are located in the town. The Juma East project is accessed by a 30 minute drive, followed by a 3 hour boat trip. Access to the drillholes and base camp is then via a 4WD motorbike. Drilling was completed by man portable drill rigs to date.



3.2 Physiography and Climate

The climate is tropical with an annual rainfall of around 2,250mm and seasonal variations with a drier period between July and November and a wetter period between December and May. The average annual temperature is approximately 27.5°C with minimal month to month variations.

The region is dominated by dense rainforest cover except where informal miners have cleared vegetation. The area is relatively flat at around 200 m ASL.



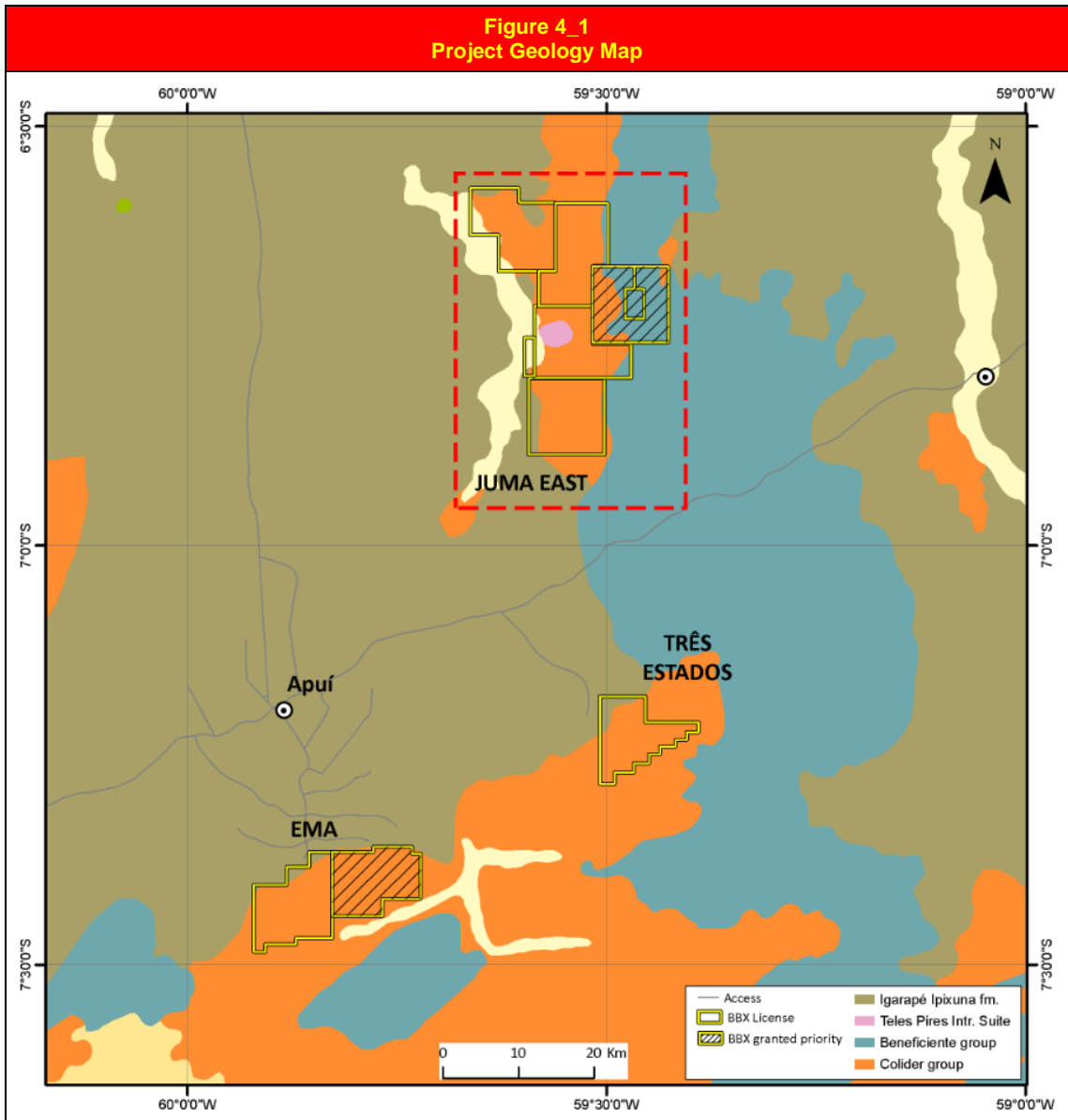
3.3 Local Infrastructure and Services

There is a temporary exploration camp at the Juma East Project with housing having been constructed by BBX (Figure 3.2_3). All electricity is supplied by diesel generators and all consumables are brought in from Apui.

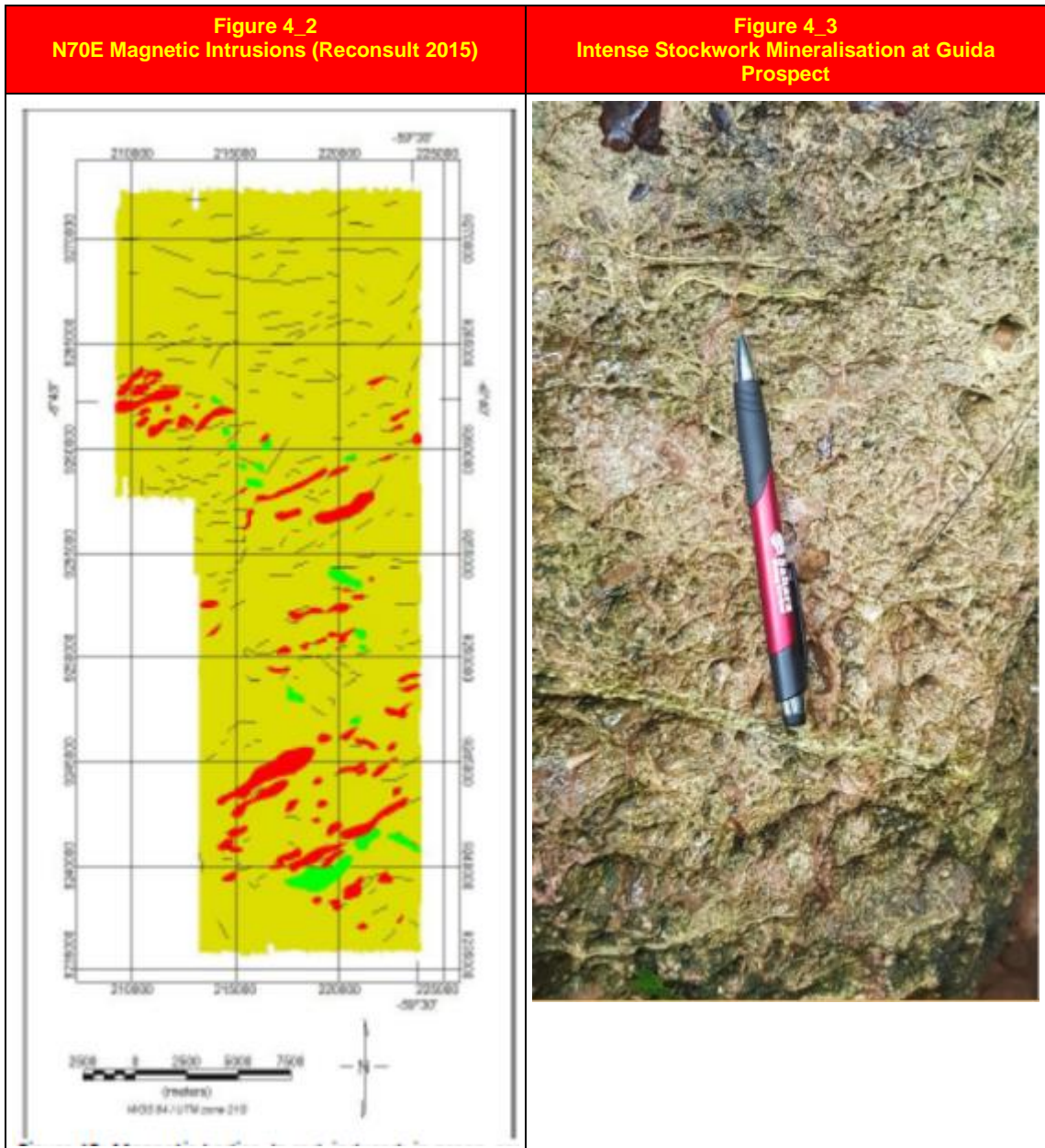
Apuí Town has a population of 18,790 (2005). The local economy is based mainly around cattle farming (Direct market to Manaus) and minor logging. Apui is serviced by two regional river ports located on the massive Aripuana River. The ports are called Praia Nova and Porto Juma which are approximately 100km from Apui. The Porto Apui is 20km from Juma East. It is currently used for transport of cattle and vehicles to Manaus. The capacity is not known to Sahara but the Aripuana River supports large tonnage live cattle transport daily from Apui to Manaus. From Manaus there are shipping lines to anywhere in the world

4 GEOLOGICAL SETTING AND MINERALISATION





The BBX Projects volcanic rocks are located in the Colider Group and the sediments in the Beneficiente Group. Locally the rocks have undergone hydrothermal brecciation, forming strong stockwork mineralisation, silicification, argillic and sericite alteration. Chemical isotope data completed by the CPRM show that the sequence is dated around 1.75Ba +/- 16Ma (U-Pb zircon) which correlates with the Teles Pires Suite. There has been very little regional geological work in the region.



The regional structure as shown in the figure above as a general north to northeast structural fabric. Airborne Geophysics has identified a series of induced magnetic anomalies potentially related to intrusions at N70E.



A selection of photographs, presented in Figures 4_4 to 4_7 illustrates the alteration and mineralized drill core at Juma East. Figure 4_7 shows the only occurrence of trace gold identified by Sahara in the 6 Drill holes inspected.

<p align="center">Figure 4_4 Silica veins within the magnetite zone</p>	<p align="center">Figure 4_5 Hydrothermal mineralisation of a pebble conglomerate unit</p>
	
<p align="center">Figure 4_6 Silicified Granite</p>	<p align="center">Figure 4_7 Potential trace gold within the magnetite shear</p>
	

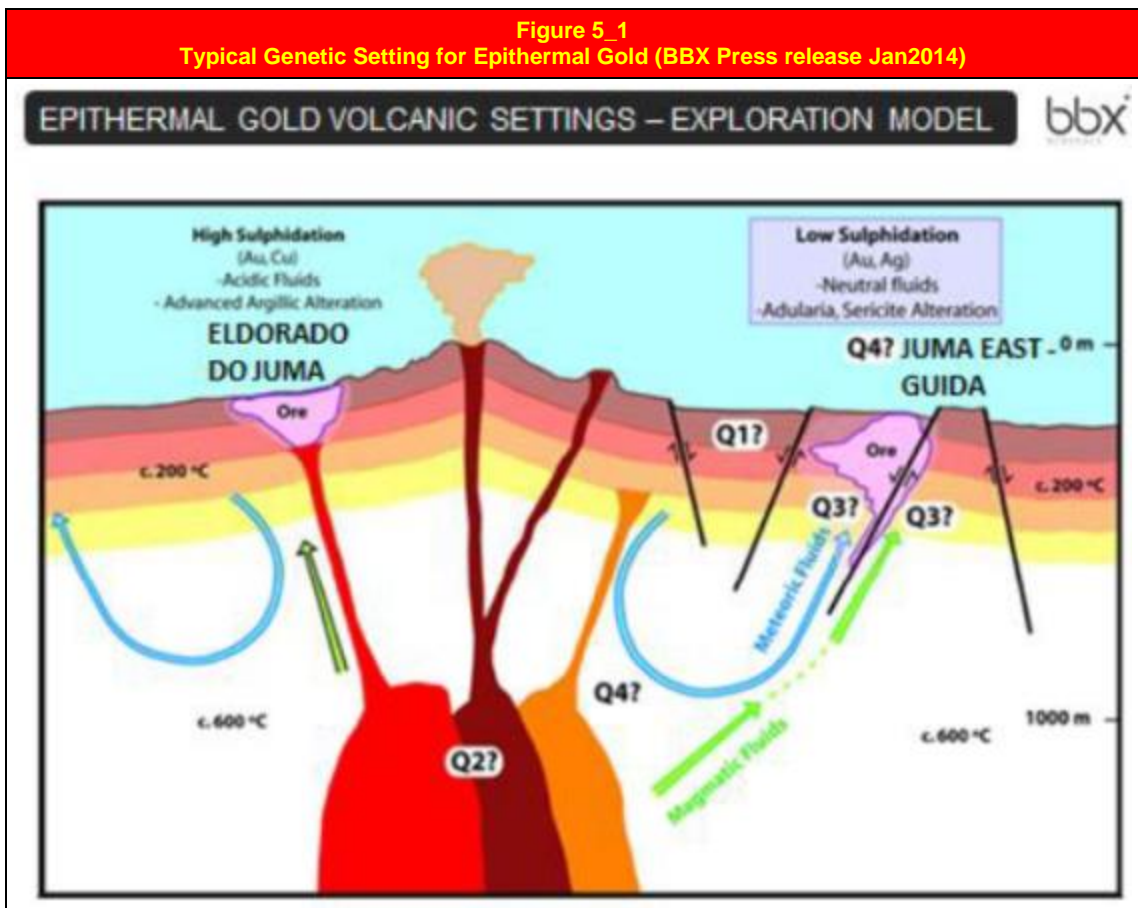
5 DEPOSIT TYPES

Juma East and the surrounding prospects are classed as having potential for low sulphidation Epithermal deposits.

Epithermal gold deposits are a type of lode deposit that contain economic concentrations of gold, silver and in some cases base metals including copper, lead and zinc. Gold is the principal commodity of epithermal deposits, and can be found as native gold, or alloyed with silver.

As a lode deposit, epithermal deposits are characterized as having minerals either disseminated through the ore-body, or contained in a network of veins.

A few characteristics distinguish epithermal deposits. These deposits are found near the surface and mineralization occurs at a maximum depth of 1km, but rarely deeper than 600m. Due to their shallow depth, it can also be noted that epithermal gold deposits form under moderate crustal temperatures of 50-300oC, and under medium pressure. These deposits commonly occur in island arcs and continental arcs associated with subduction. However, they can also be found in shallow marine environments and associated with hot springs. Due to their shallow-depth location, epithermal gold deposits are more susceptible to erosion; accordingly, these deposits represent a high-grade, easily mineable source of gold



6 EXPLORATION

6.1 Juma East project

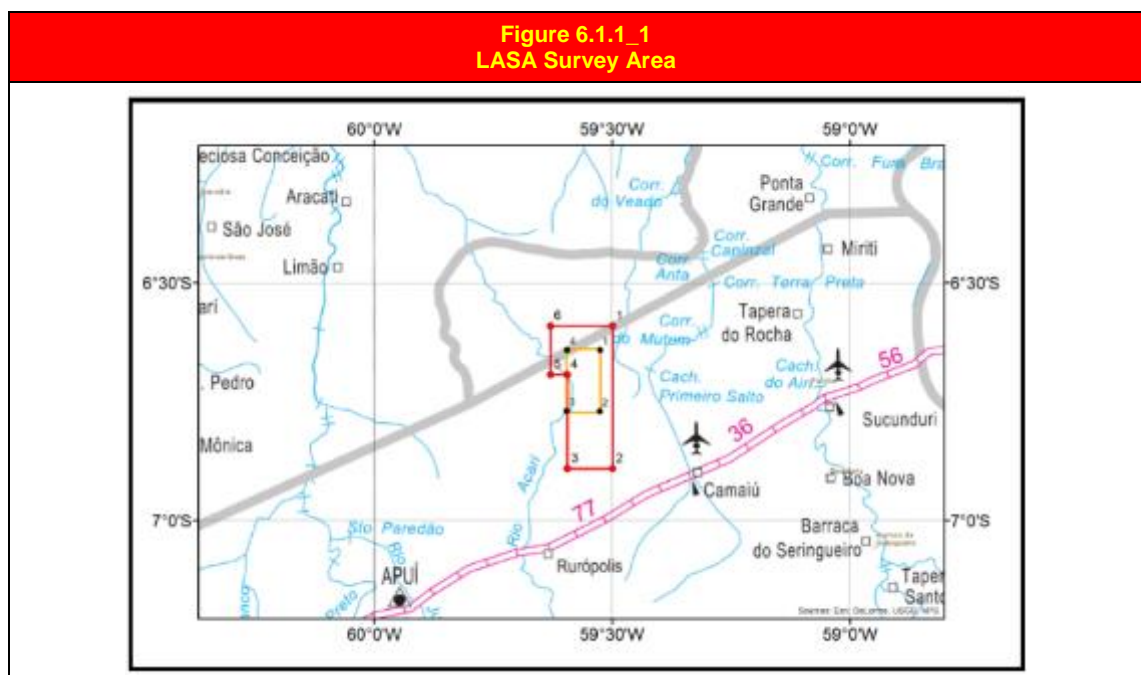
BBX commenced exploration across the Juma East project area in 2013. Exploration activities to the present day have included:-

- 🌈 Reprocessing of a CPRM geophysical survey, (500m spaced lines)
- 🌈 3 Channel Samples for 11 samples returned (6m at 0.44g/t Au, 3m at 0.56g/t Au and 2m at 0.25g/t Au.) These results represent a panned heavy concentrate sample
- 🌈 Soil Geochemistry - (1,231 samples) (400m x 80m infilled to 200m x 80m)
 - 973 samples Guida Prospect
 - 258 samples at Pepita Prospect
- 🌈 Airborne Magnetics and Radiometrics (74 lines @ 200m spacing and 37 infill lines at 100m Spacing for 3087 ;line km)
- 🌈 Ground IP Survey (6 Lines)
- 🌈 6 Diamond Holes for 1,400m

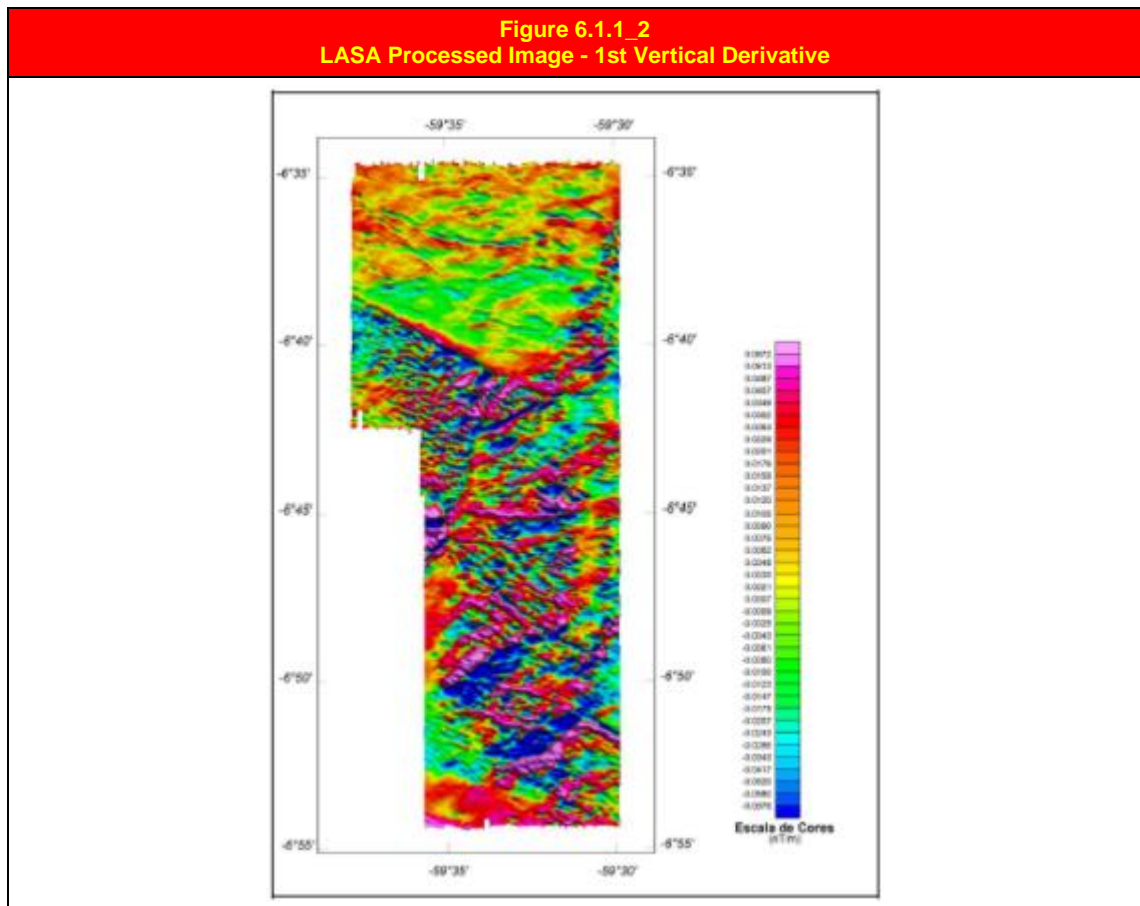
6.1.1 BBX Airborne Magnetics and Radiometric Survey

BBX purchased the CPRM geophysical survey, which was flown at 500m line spacing recording magnetic and radiometric data. BBX undertook their own airborne survey to reduce the line spacing and improve the quality of the data.

BBX Contracted LASA Prospeccoes SA to undertake 3,087km of airborne magnetics and radiometric. The survey was completed on 74 lines spaced at 200m (red outline in Figure below) and an additional 37 infill lines to 100m spacing (Orange outline in figure below).



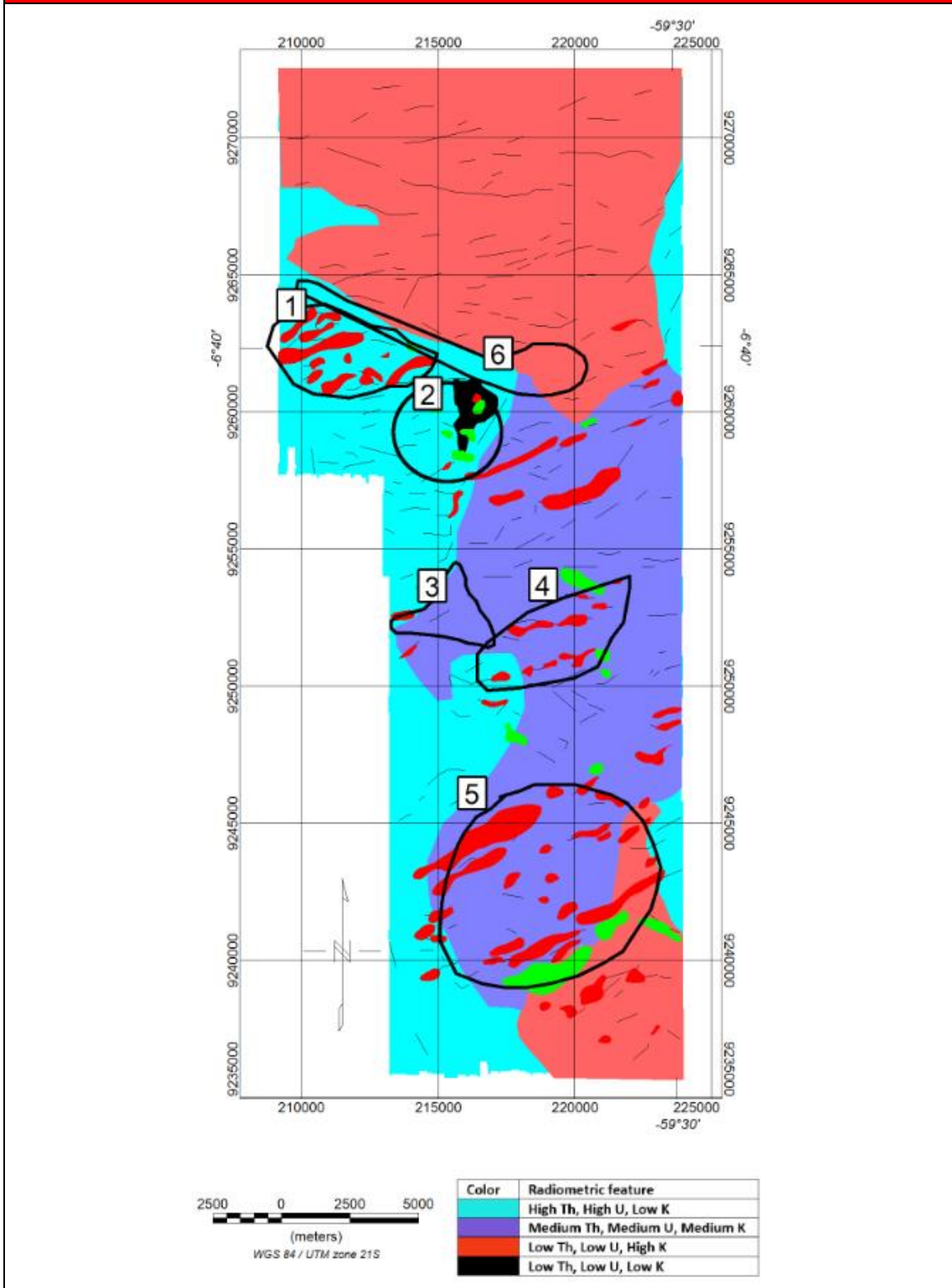
An example of a Lasa processed image is shown below



A Brazilian Geophysical consulting company called Reconsult Geofisica (Reconsult) based in Sao Paulo undertook additional processing and interpretation. Reconsult determined a total of 6 target areas as described in the Reconsult report below and shown in figure 6.1.1_3:-

- 1) Series of induced magnetic anomalies intrusions at N70E directions. We must understand the petrographic nature of the magnetic sources and its possible relation to mineralized systems.
- 2) Strong low radiometric signature (ultramafic?) combined to small magnetic remnant anomalies (intrusions? Pipes?). We have suggested 6 auger drilling in the major magnetic anomalies to understand the nature of the possible intrusions.
- 3) Porphyry type. Potassic anomaly coincident to a de-magnetized zone. A possible magnetic halo outside the target.
- 4) Series of induced magnetic anomalies (intrusions?) at N70E directions. We must understand the petrographic nature of the magnetic sources and its possible relation to mineralized systems.
- 5) Porphyry type target. Circular strong induced magnetic anomaly. In the middle of a circle, there is a de-magnetized target, located inside the magnetic halo. Presence of gold garimpos.
- 6) "Gold corridor". This is a de-magnetized target typical of low-sulphidation deposit type. The Tilt image shows a very low-magnetic area, and it is coincident to garimpos, soil gold geochemistry and/or gold occurrences.

**Figure 6.1.1_3
Reconsult Targets**

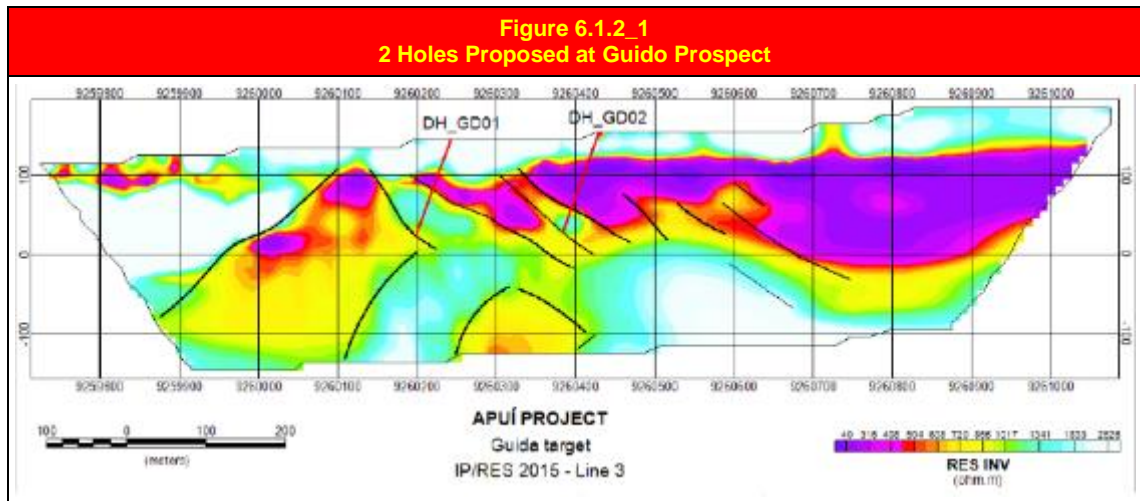


Sahara considers the northwest part of target 6 which has a high tenor coincident soil anomaly to be a high priority drill target. This zone has not been drill tested to date.

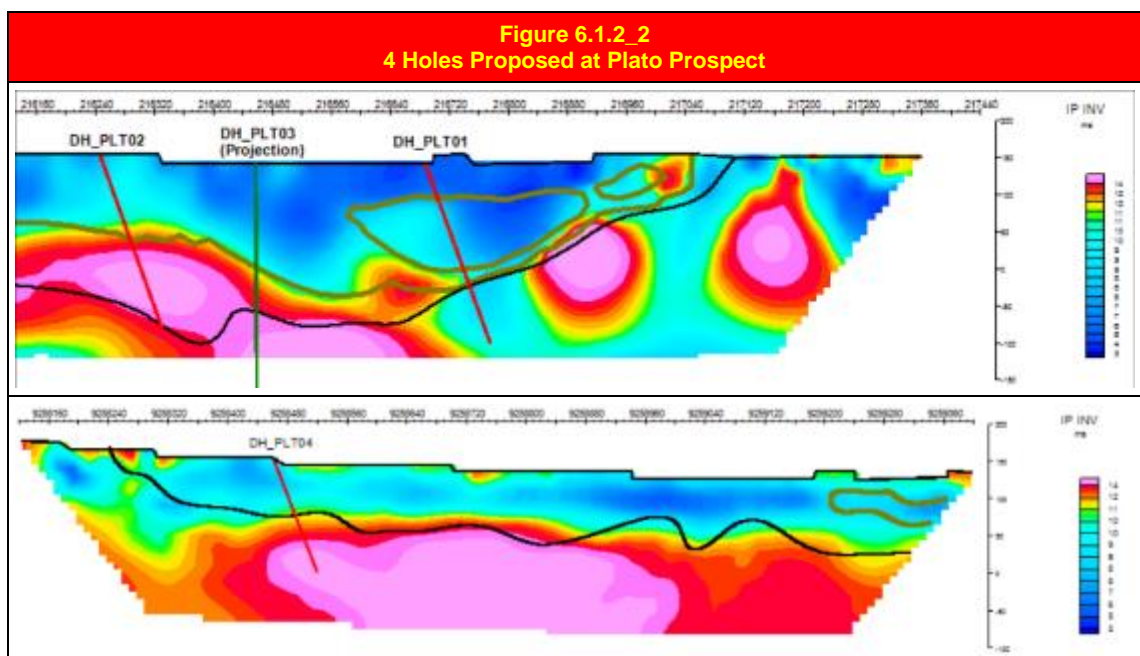
6.1.2 IP Ground Survey

BBX contracted Wellfiled Inc to undertake IP surveys across the Platô and Guida targets of Juma East. The raw IP data was interpreted by Reconsult.

Reconsult recommended a total of 2 holes at the Guida Prospect. Both holes were designed to test a resistive structure with no IP response as shown in the figure below.



Reconsult recommended a total of 4 holes at the Plato Prospect. Hole 1 – to test a very resistive zone and conductive layer. Hole 2 to test an IP anomaly at base of resistive zone. Hole 3 to test a high magnetic zone and Hole 4 to test a high IP anomaly associated with a magnetic and less resistive zone.



BBX undertook a number of holes targeting the magnetic and resistive targets. The targets returned magnetic and resistive units as were interpreted by Reconsult but no economic mineralisation was defined to date.

6.1.3 Auger Drilling

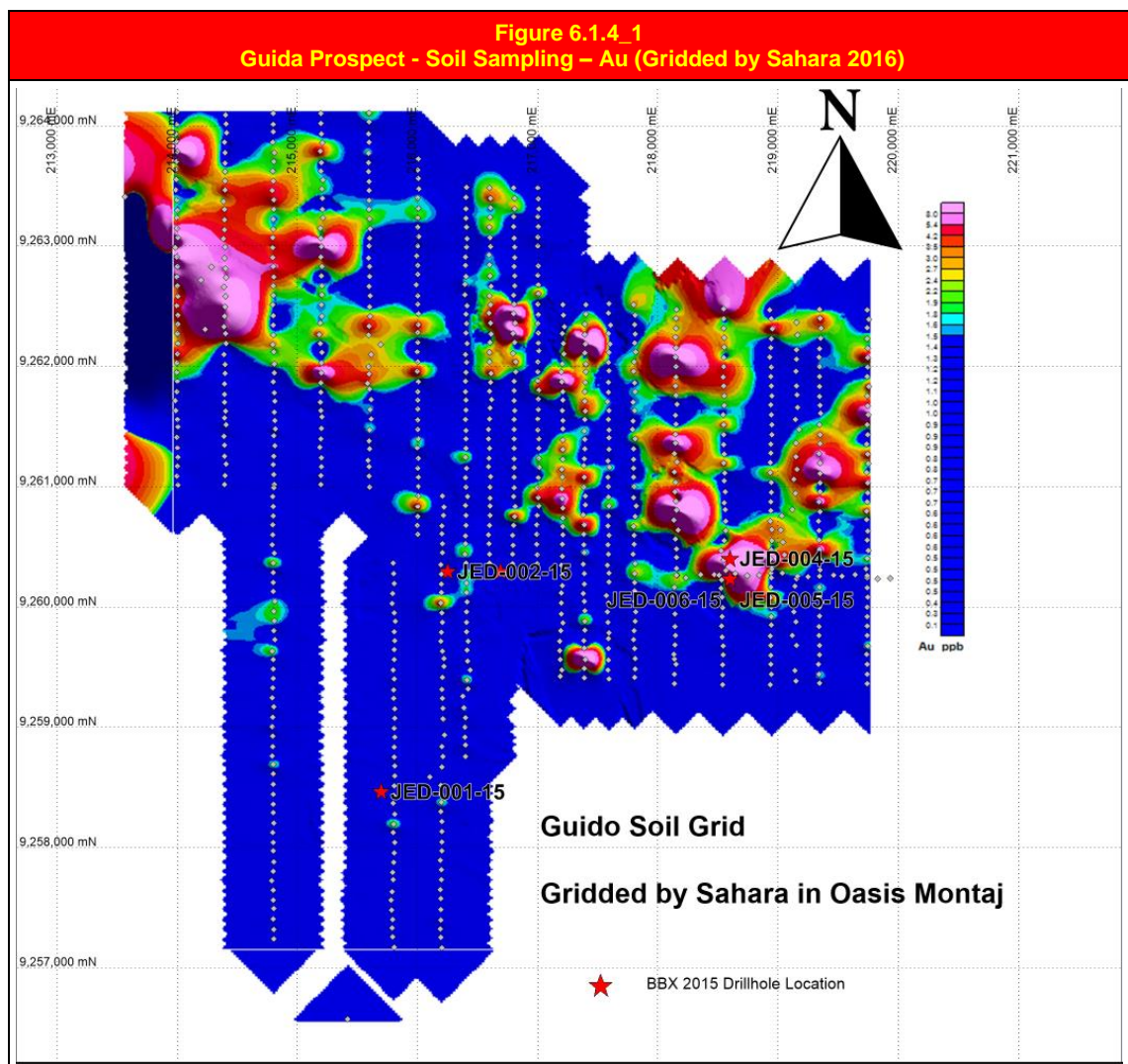
BBX undertook 5 Auger holes but ceased the practice as hole depths were not achieved due to hitting boulders or gravel below the soils. Sahara noted that the soil profile in the area is less than 50cm so traditional soil sampling >50cm will return effective results as was demonstrated by subsequent soil sampling.

6.1.4 Soil Sampling

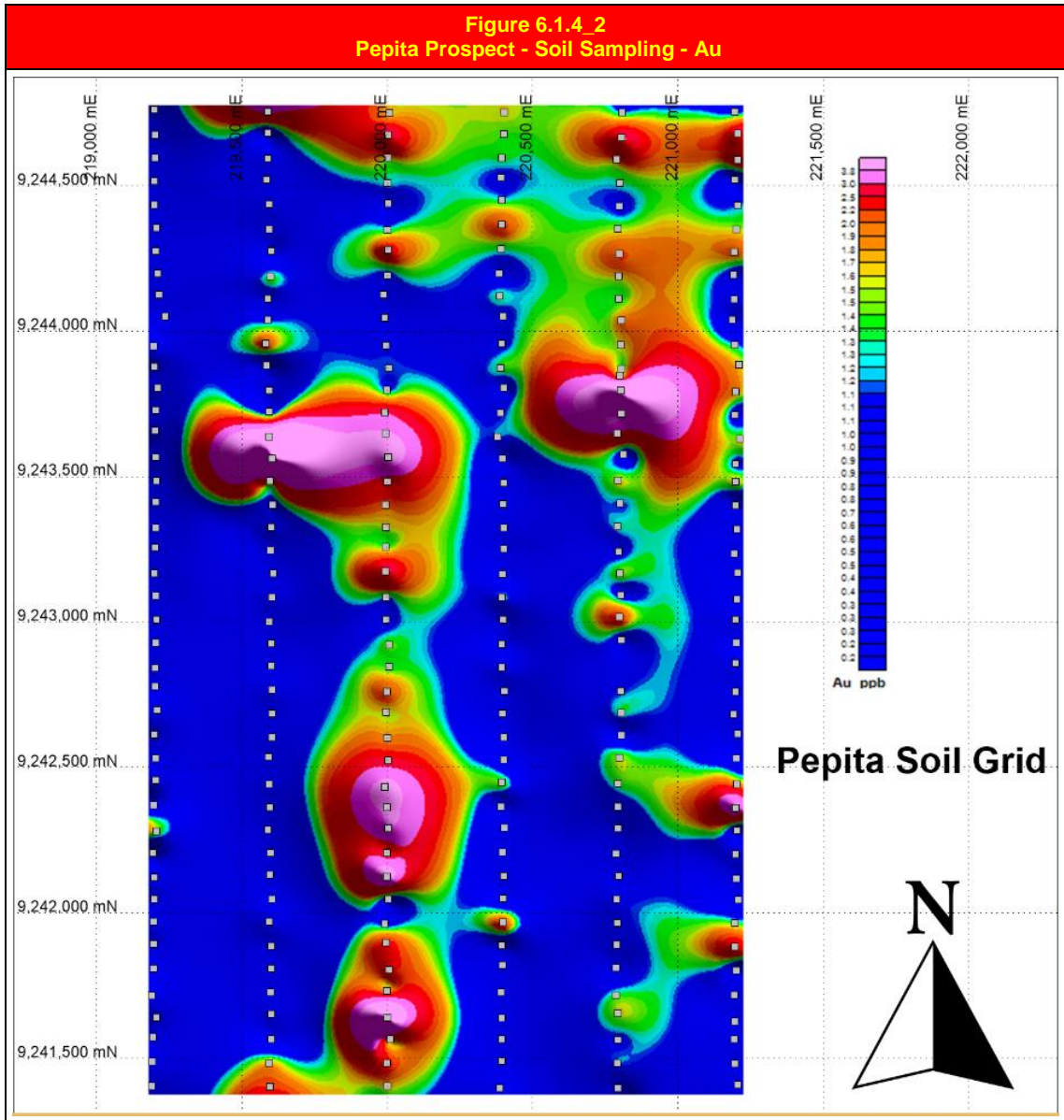
BBX undertook 1,231 soil samples in the Guida and Pepita prospects. The samples were taken on between 400m X 80m to infill 200m X 80m grid spacing.

The samples were taken at approximately 50cm depth or below the soil level. Around 8kg of sample was taken then split (Using the quartering method) down to around 2kg. Around 30 samples were also panned to create a heavy mineral concentrate.

The Guida soil grid returned a number of Au in soil anomalies as shown in the figure below



The Pepita soil grid below returned low tenor Au soil anomalies as shown in the figure. This grid was completed across the geophysical target which was a potential porphyry ring like structure. The anomalies are >3ppb which are very low, although other elements such as copper were not gridded by Sahara due to time restrictions.



6.1.5 Diamond Drilling

BBX undertook a total of 6 Diamond Core holes at 57.8cm diameter. The holes were targeted by BBX geologists using a combination of Reconsult geophysical targets along with soil geochemistry anomalies.

Drilling was undertaken by Energold, an international drilling company that utilise man portable drilling rigs which were required for the BBX drilling

6.1.5.1 Diamond Core Sampling

BBX geologists supervised all core sampling undertaken. Core was split in half via a diamond saw in the fresh material. The ½ core was bagged into between 0.5m and 3m composites for the first hole and then BBX reverted to standard 1m sample intervals for the remaining holes. The remaining ½ core was returned to the core box and a wood lid was placed on and the box and stored for future reference.

Sahara considers that the maximum sample length for gold samples should be 1m. If there is a potential for coarse gold then samples greater than 1m are very difficult to attain precision and accuracy. Sample Security

Diamond Core (DC) was transported directly to the BBX Apui sample preparation facility for appropriate preparation and storage. After logging, DC samples were split and sampled by BBX geologists.

Samples were bagged and then transported to SGS sample preparation laboratory in Parauapebas, Para State. Pulverised samples were then shipped by SGS to their main assay laboratory in Belo Horizonte.

Sahara considers the DC sampling security to meet current industry best practice.

6.1.6 Laboratory Sample Preparation and Analysis

Sample preparation for DC samples was performed by SGS Sample Preparation Laboratory located in Belo Horizonte, Brazil. .

Sample preparation and analysis procedures are:

Sample Preparation (SGS PRP102_E)

- Drying and weighing of whole sample;
- Crushing of sample to 3mm;
- Sample homogenization and splitting to a 250-300g sub-sample;
- Pulverization to 95% passing -150 mesh;




Analysis

- 50g Fire Assay by Atomic Absorption Spectrometry (AAS) (SGS FAA505)
- Coarse gold samples were analysed by Screen Fire Assay (SGS FAASCR_150)
- Multi-Element suite by (SGS ICM14B)

Sahara recommend that for gold samples to pulverise no less than 2kg. Pulverising 250-300g is not standard practice for Au preparation as it will reduce the precision and potentially miss completely any coarse gold material.

6.1.7 QAQC Review

BBX undertook a QAQC program for the Drill program including:-

-  2.5% Certified Standards (78% of ITAK-819 Standard failed)
-  Blanks (no contamination from 8 blanks assayed)
-  Field Duplicates (Undertaken on ¼ core)

The 3 certified standards used are summarised below. ITAK-819 failed 78% of the time.

Table 6.1.7_1 Standards Utilized by BBX (DC Program) Submitted Standards - SGS Laboratory							
Standard Name	Element	Expected Value (EV) ppb	No of Analyses	Minimum	Maximum	Mean	% Within +/- 2 SD of EV
ITAK-582	Au	1070	8	920	1104	985	78
ITAK-509	Au	247	8	194	288	259	87
ITAK-819	Au	770	9	738	1083	934	22








Only 4 duplicates were undertaken utilising ¼ core. This is not a true field duplicate as it compares ½ core with ¼ core. There were only 4 undertaken and the precision returned for the 4 is poor but was on very low grades <16ppb so is not representative.

Sahara recommends that future QAQC include standards at higher value Au and field duplicates for core be undertaken on re-splitting crushed reject (rather than ¼ core which is not a true field duplicate)




One standard failed poorly but no follow-up with the laboratory was requested as no samples returned significant results to justify any follow-up.

6.1.8 NOMOS Laboratory and additional Testwork

On receipt of low gold values from the DC drilling, BBX undertook additional analysis to determine potential errors in the gold analysis (As they had identified potential visible gold).

-  Spot checks on chip samples by a scanning electron microscope (SEM) reveals visible gold. This was minor trace gold identified on minor chips.
-  Saw cuttings were panned by BBX technicians. The entire hole was panned with > 8kg sample panned or concentrated revealing trace gold.
-  SGS Mineralogical analysis identified gold from panned concentrate.
-  Bulk residues sent to SGS Geosol and Intertek Parauapebas for 48 hr cyanide leach (Unclear if Leachwell tablet was used) returned no significant gold
-  Gravity concentration of 9kg using a falcon returned 0.048g/t Au
-  5 X quarter core samples sent to ACME in Canada returned no significant results.
-  Amalgamation of pulverised rejects from hole JED-003 returned 13.66m at 4.76g/t Au from 210.33m to 224.96m (EOH) (Press release on 1 Feb 2016). This amalgamation process was done at the Nomos Laboratory in Rio de Janeiro. The actual methodology has not been confirmed by a specialist outside of the Nomos Laboratory. Original samples analysed at SGS by Fire assay returned no significant grades.
-  BBX returned 24.76g/t over 49.44m (press release 2 Sept 2016) from hole JED006 from Intertek laboratory. Sahara note that it is impossible to accurately represent a 49.44m drill interval by compositing the samples into one 250g sample (analysed 5 x 50g fire assay). This result can be due to possible coarse gold factor. Meter sampling should be used to accurately estimate intervals.
-  BBX assayed the same interval using their pre-treatment method (BBX press release 21 sept 2016) on 4 meter composites. The interval returned two significant 4 meter composite results including 4m at 107.11g/t (from 258m) and 4.2m at 37.37m (from 277.8m) in the same hole JED006. This result shows that there is potentially a coarse gold issue, and/or also possibly an analytical issue with the gold occurring principally in the form of a compound with other metals (As previous Fire assay returned no significant gold results).

BBX have reported that a potential new species of gold is present at Juma East that does not respond to conventional fire assay analysis. Sahara has the following points-

-  BBX Channel samples returned gold grades around 0.5g/t Au in prior press releases from the same drill area. (note these were heavy concentrate samples).
-  BBX soil samples returned results > 10ppb levels. Low level gold analysis by standard methods appears to work.
-  Trace visible gold was noted in drill core suggesting that coarse gold is present (which is difficult to assay).

Sahara recommend that a specialist chemist be enlisted to further investigate the ambiguous assay results that have been returned from differing assay methods. It should be noted that there is only one hole JED006 that is returning variable gold results and that additional drilling will be required to demonstrate any resource potential.

6.2 Tres Estados project

BBX undertook soil samples in the Tres Estados project. The samples were taken on 200m X 40m spacing covering around 5% of the granted permit.

The samples were taken at approximately 50cm depth or below the soil level. Around 8kg of sample was taken then split (Using the quartering method) down to around 2kg.

The Tres Estados soil grid returned a 1.2km Au in soil anomalies associated with a regional magnetic high (over 8km strike) and associated with a Basalt unit as shown in the figures below.

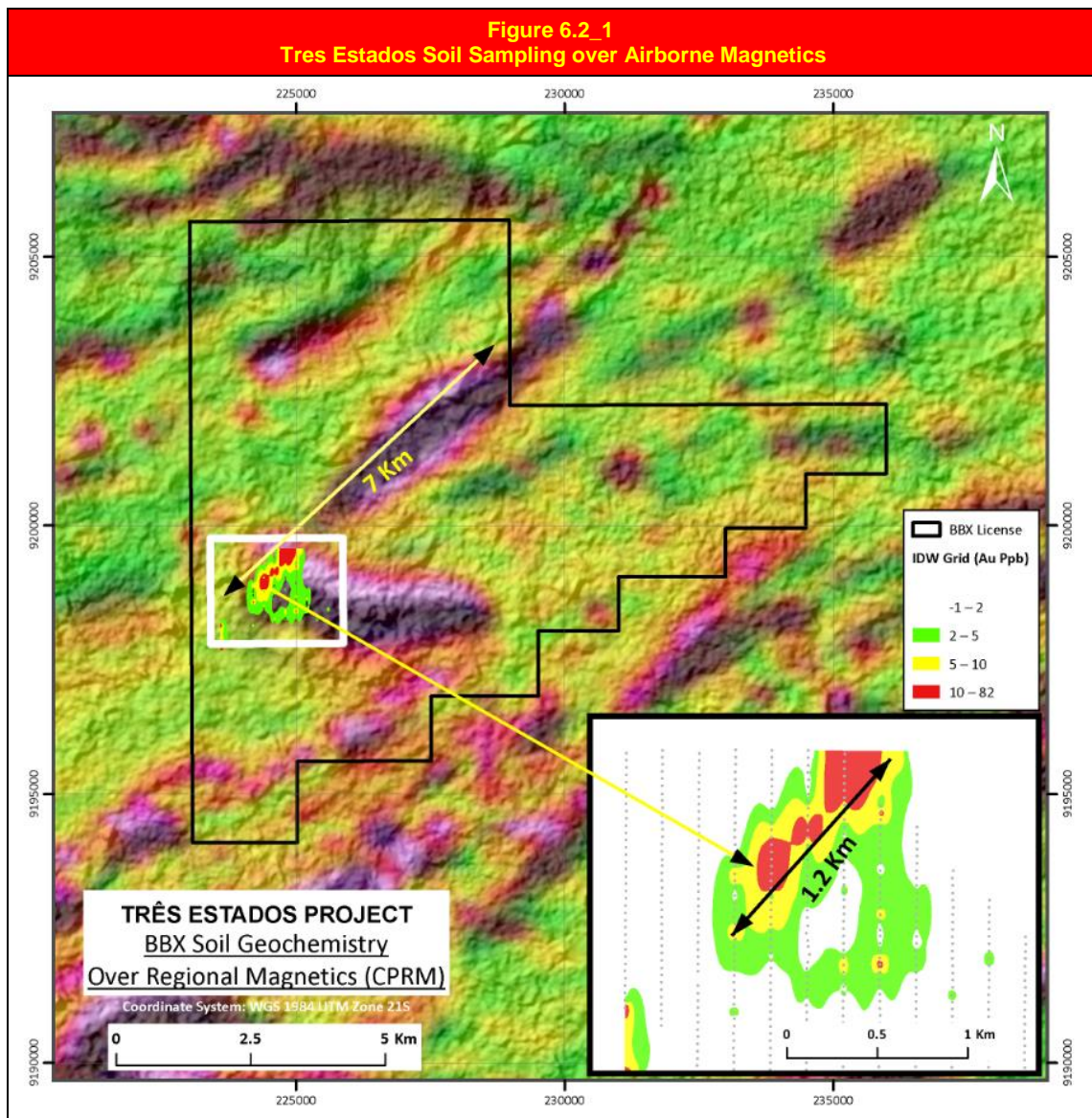
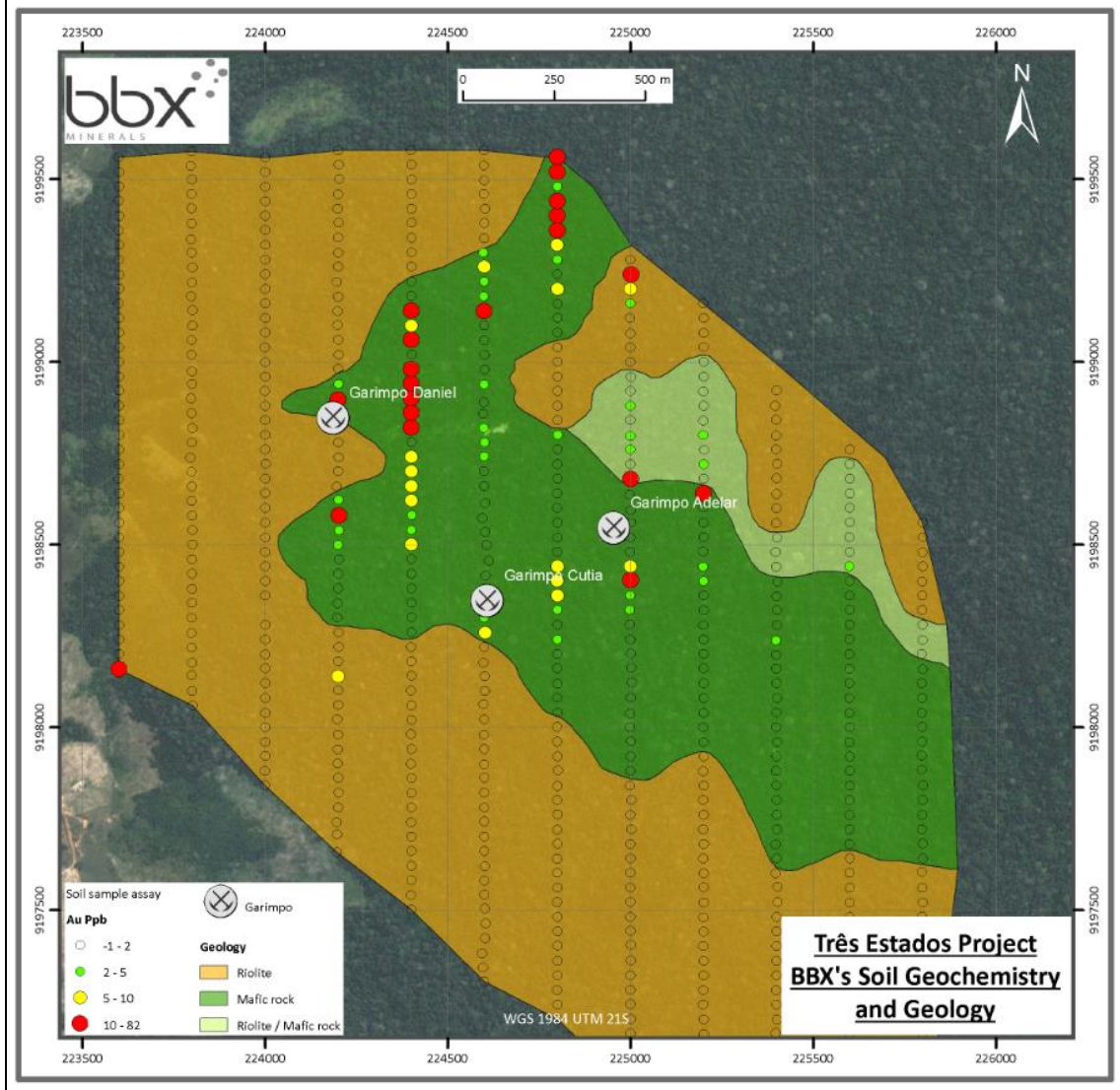


Figure 6.2_2
Tres Estados Soil Sampling Over geology – Au (BBX Sept 2016)

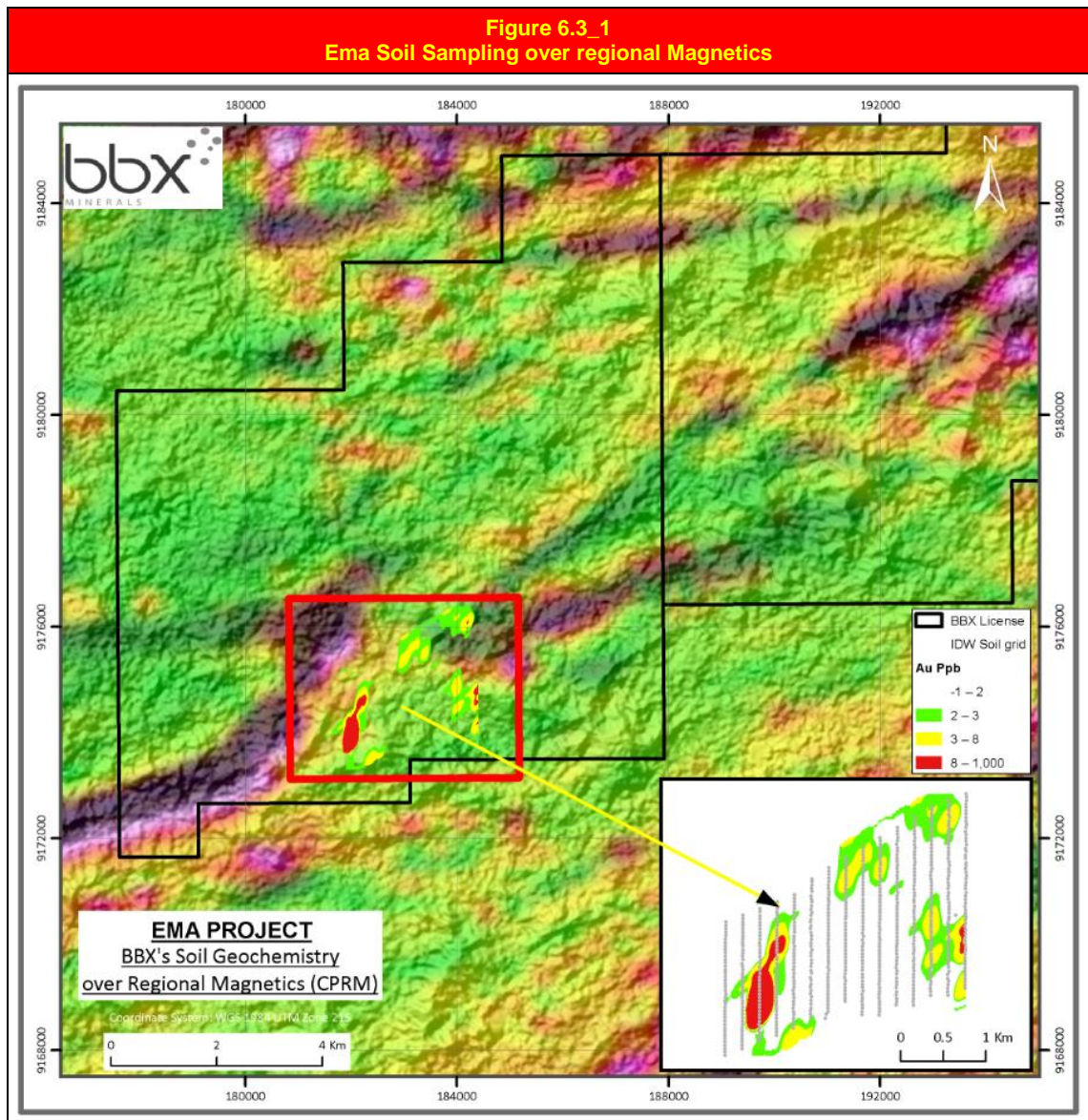


6.3 Ema project

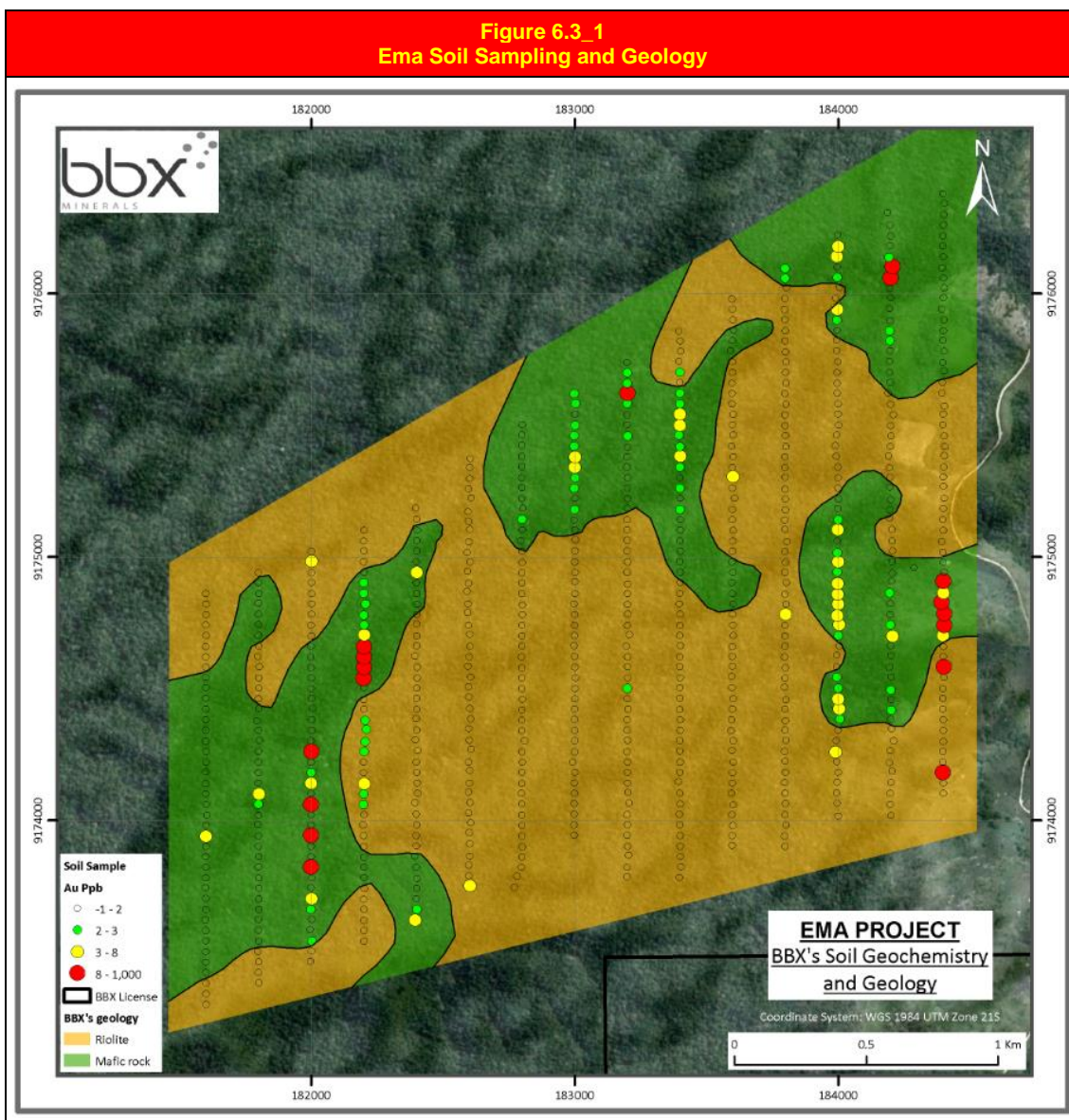
BBX undertook soil samples in the Ema project. The samples were taken on between 200m X 40m spacing covering around 6% of the granted permit.

The samples were taken at approximately 50cm depth or below the soil level. Around 8kg of sample was taken then split (Using the quartering method) down to around 2kg.

The Ema soil grid returned a number of Au in soil anomalies associated with what appears to be a regional thrust fault as defined by the airborne magnetics in the figures below



**Figure 6.3_1
Ema Soil Sampling and Geology**



7 TECHNICAL VALUATION BACKGROUND





7.1 Valuation Methods

There are numerous recognised methods used in valuing “mineral assets”. The most appropriate application of these various methods depends on several factors, including the level of maturity of the mineral asset, and the quantity and type of information available in relation to any particular asset.

A Valuation Report requires at least 2 Valuation approaches to be undertaken as defined in table below.

Table 8_1 Appropriate Valuation Approach (Source- Valmin 2015 Section 8.3 Table 1)				
Valuation approach	Exploration Projects	Pre-development Projects	Development Projects	Production Projects
Market	Yes	Yes	Yes	Yes
Income	No	In some cases	Yes	Yes
Cost	Yes	In some cases	No	No

The Valmin Code 2015, which is binding upon “Experts” and “Specialists” involved in the valuation of mineral assets and mineral securities, defines the level of asset maturity under the following categories:-

-  **Early-stage Exploration Projects** – Tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified
-  **Advanced Exploration Projects** – Tenure holdings where considerable exploration has been undertaken and specific targets identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category;
-  **Pre-Development Projects** – Tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely), but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken
-  **Development Projects** – Tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a Pre-Feasibility Study;

- 🌅 **Production Projects** – Tenure holdings – particularly mines, wellfields and processing plants – that have been commissioned and are in production.

The VALMIN Code primarily uses the terms Market Value and Technical Value, although circumstance may require the use of alternative definitions.

Technical Value is an assessment of a Mineral Asset's future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations.

Market Value is the estimated amount (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing where the parties had each acted knowledgeably, prudently and without compulsion.

Market Value may be higher or lower than Technical Value. A Public Report should take such factors into account, stating the results of the principal Valuation Method(s) used and disclosing the amount of and reasons for the difference between the Market Value and Technical Value.

Regardless of the valuation techniques adopted, the consideration must reflect the perceived "market value", which is described in Section 8.1 of the Valmin Code as "the estimated amount of money, or the cash equivalent of some other consideration for which, in the opinion of the Expert reached in accordance with the provisions of the Valmin Code, the mineral asset or security should change hands on the Valuation Date between a willing buyer and a willing seller in an 'arm's length' transaction, wherein each party had acted knowledgeably, prudently and without compulsion".

In the case of Pre-development, Development and Mining Projects, where Measured and Indicated Resources have been estimated and mining and processing considerations are known or can be reasonably determined, valuations can be derived with a reasonable degree of confidence by compiling a discounted cashflow (DCF) and determining the net present value (NPV).

Where mineral resources remain in the Inferred category, reflecting a lower perceived level of technical confidence, the application of mining parameters is inappropriate and their economic value can therefore not be demonstrated using the more conventional DCF/NPV approach. A similar situation may apply where economic viability cannot be readily demonstrated for a resource assigned to a higher confidence category. In these instances it is frequently appropriate to adopt the In-situ Resource (or "Yardstick") method of valuation for these assets. This technique involves application of a heavily discounted valuation of the total in-situ metal contained within the resource. This usually equates to a range of 2% to 4.5% of the spot metal price as at the valuation date, but may vary substantially in response to a range of additional factors including physiography, infrastructure and the proximity of a suitable processing facility.

In the case of Exploration Areas, and to a lesser extent Advanced Exploration Areas, the potential is speculative compared to projects where mineral resources have been estimated. The valuation of Exploration Areas is dependent, to a large extent, on the informed, professional opinion of the valuer.

Where useful previous and committed future exploration expenditure is known or can be reasonably estimated, the Multiple of Exploration Expenditure ("MEE") method is considered to represent one of the more appropriate valuation techniques. This method involves assigning a premium or discount to the relevant effective Expenditure Base ("EB"), represented by past and future committed expenditure, through application of a Prospectivity Enhancement Multiplier ("PEM"). This factor directly relates to the success or failure of exploration completed to date, and to an assessment of the future potential of the asset. The method is based on the premise that a "grass roots" project commences with a nominal value that increases with positive exploration results from increasing exploration expenditure. Conversely, where exploration results are consistently negative, exploration expenditure will decrease along with the value.

Other valuation methods can be adopted to assist in confirming conclusions drawn from the MEE approach. Where sale transactions relating to mineral assets that are comparable in terms of location, timing and commodity, and where the terms of the sale are suitably "arms length" in accordance with the Valmin Code, such transactions may be used as a guide to, or a means of, valuation.

Where a joint venture agreement has been negotiated as an "arm's length" transaction, the Joint Venture Terms valuation method may be applied. In a typical staged earn-in agreement, the value assigned to each of the various stages can be combined to reflect the total, 100% equity, value, as follows:-

$$V_{100} = V_{Stage 1} + V_{Stage 2} + \dots\dots$$

The value of equity assigned to an entity buying into the project, the farminor, at any earn-in stage of a joint venture can be considered as the sum of the value liquid assets transferred to the seller, or farminee, in cash or shares, plus the value of future exploration expenditure. Commonly, an agreement may stipulate a minimum expenditure that must be met by the farminor prior to allowing withdrawal from the agreement, and these funds are thus committed, as distinct from the notional expenditure to successful completion of the earn-in stage. In calculating the value of an agreement that includes future expenditure, it is considered appropriate to discount (usually at a rate of 10% per annum) that expenditure by applying the discount rate to the mid-point of the term of the earn-in phase. A probability range is also usually applied to each earn-in stage to reflect the degree of confidence that the full expenditure specified to completion of any stage will occur and, consequently, each equity position achieved.

The value assigned to the second and any subsequent earn-in stages will always involve discounted funds, and is likely to require exponentially increasing speculation as to the likelihood that each subsequent stage of the agreement will be completed. Correspondingly, in applying the Joint Venture Terms approach to staged earn-in agreements, it is regarded as most correct to consider only the first stage as the basis for estimating cash value equivalence at the time of the deal. Sahara adheres to this guideline by adopting the end of the initial earn-in period for valuation purposes.

The total project value of the initial earn-in period can be estimated by assigning a 100% value, based on the deemed equity of the farminor, as follows:-

$$V_{100} = \frac{100}{D} \left[CP + \left(CE * \frac{1}{(1+I)^{\frac{t}{2}}} \right) + \left(EE * \frac{1}{(1+I)^{\frac{t}{2}}} * P \right) \right]$$

where:

V_{100}	=	Value of 100% equity in the project (\$)
D	=	Deemed equity of the farminor (%)
CP	=	Cash equivalent of initial payments of cash and/or stock (\$)
CE	=	Cash equivalent of committed, but future, exploration expenditure and payments of cash and/or stock (\$)
EE	=	Uncommitted, notional exploration expenditure proposed in the agreement and/or uncommitted future cash payments (\$)
I	=	Discount rate (% per annum)
t	=	Term of the Stage (years)
P	=	Probability factor between 0 and 1, assigned by the valuer, and reflecting the likelihood that the Stage will proceed to completion.

7.2 Previous Valuations

Sahara Mining Services completed a valuation for the projects in March 2016. This current valuation has adopted the same methods utilised in the March report but also included the additional exploration work completed by BBX since March, which has included additional significant soil geochemistry on Tres Estados and Ema projects along with additional assay testwork on the Juma East drilling.

The additional exploration work since March 2016 has added additional value to the projects.

8 VALUATION OF THE BRAZIL MINERAL ASSETS

In valuing the exploration potential associated with the Brazil Projects, Sahara has elected to apply the Multiple of Exploration Expenditure method along with using a recent transaction to confirm the estimated market value.

In the current market, the perceived market value of similar assets in Brazil is difficult to determine given the minimal number of gold comparable market transactions being completed recently in Brazil and available to the public domain.

Sahara have compared the Crusader Resources Juruena Gold Project, which was purchased in July 2014. The project had a number of similar characteristics with BBX projects. The Juruena project is similar in area but had been subject to far more exploration (mainly drilling) but had no resources estimated at the time of purchase. The project is summarised in 2014 as-

- 🚩 21 exploration licenses for 44,702Ha
- 🚩 “Advanced Exploration Area” status under Valmin 2015 (At that time no resources had been estimated)
- 🚩 Extensive exploration completed with over 44,458m RC and DC completed
- 🚩 Intrusion Related Gold System (IRGS) located approximately 400km due south of BBX Projects
- 🚩 Purchase price of- C\$650K & 2 million Conditional Shares (~**2.65 M AU\$**).
- 🚩 Gold Price July 2014 was 2,924BR\$/oz versus ~4,350BR\$/oz in September 2016 which is a **~50% increase** in the Brazilian \$ per oz in the last 2 years.
- 🚩 Crusader purchase was seen as a low purchase price at the time.



8.1 Exploration Expenditure

BBX have provided the following breakdown of exploration expenditure for the Brazil projects. This breakdown does not include the Eldorado do Juma direct exploration expenditure.

The expenditure is based from 2013 to the 29 September 2016

Table 8.1_1 BBX Brazil Expenditure (29 September 2016)						
ITEM	2013 AU\$	2014 AU\$	2015 AU\$	2016 AU\$	TOTAL	% of Total
JUMA EAST PROJECT						
Airborne Geophysics		161,894			161,894	7%
Geo Mag (Incl consultants Costs)			45,869		45,869	2%
Tenement Lease Costs	50,666	161,824	114,583	72,427	399,500	17%
Tenement Rental Cost (DNPM)	851	46,973	45,151	50,407	143,382	6%
Field Exploration Costs		85,121	25,132	13,716	123,969	5%
Drilling Program	0	6,380	247,718	25,586	279,684	12%
Assay		85,568	3055	53,905	142,528	6%
Infrastructure Costs		28,452	43,900	444	72,796	3%
Environmental Costs		15,744	19,521		35,265	1%
Consultant /Salary/Wages	8,993	139,459	172,880	157,138	478,470	20%
Transport Costs		1,428	28,962	2,249	32,639	1%
Admin /overheads		53,863	94,509	114,380	262,752	11%
Legal Costs	101,099	21,708	41,903	31,364	196,074	8%
TOTAL JUMA EAST PROJECT	\$161,609	\$808,414	\$ 883,183	\$521,616	\$ 2,374,822	100%
EMA PROJECT						
Tenement Rental Cost				10,486	10,486	8.5%
Field Exploration Costs				15,804	15,804	12.8%
Assay				11,550	11,550	9.4%
Consultant /Salary/Wages				29,109	29,109	23.6%
Legal				56,374	56,374	45.7%
Total Ema				123,323	123,323	100.0%
TRES ESTADOS PROJECT						
Tenement Rental Cost				8,874	8,874	10.9%
Field Exploration Costs				15,804	15,804	19.3%
Assay				11,550	11,550	14.1%
Consultant /Salary/Wages				29,109	29,109	35.6%
Legal				16,401	16,401	20.1%
Total Ema				81,738	81,738	100.0%
** Exclusive of Eldorado do Juma Project and Pombos Project						

In applying the PEM, Sahara has discounted some of the reported exploration expenditure that appears excessive in respects to the exploration performed. This includes consultants and administration costs which make up over 30% of BBX costs in Juma East. These costs are typically less than 15% of an exploration program.

8.2 Exploration Potential

8.2.1 Juma East

- the large, semi-contiguous, licence package located in the prospective emerging Epithermal Gold Province,
- Existence of significant Garimpo (Artisan) gold miners within the permits and surrounding region,
- Definition of multiple soil anomalies from the two soil grids completed to date,
- Negative conventional assay results from the 6 drillholes completed to date, although positive in that the drillholes returned strong hydrothermal mineralisation and intense brecciation consistent with being within a large mineralised epithermal system. Recent alternative assaying techniques have returned positive results although assay methodology and results to date are inconclusive.
- Poor current access to Juma East but with any significant discovery the project is located 20km from a major Juma river port that provides direct shipping access to Manaus then the world.
- Sahara considers that there is a moderate to high likelihood that a significant Gold discovery could be made via systematic ongoing exploration within the Juma East Projects.

8.2.2 Tres Estados and Ema

- The two new soil programs over these projects have returned excellent Au in soil anomalies from the first pass exploration that require further exploration work,
- Existence of significant Garimpo (Artisan) gold miners within the permits and surrounding region,

8.2.3 Eldorado do Juma

This project has been valued based on the Market Value. There is a current agreement in place to purchase the project for 1.5M BR\$. Using the 2.46 exchange rate as at 29 September 2016 this gives ~609,756 AU\$.

8.2.4 Pombos

This project has been valued based on the Market Value. There is a current agreement in place to purchase the project for 30,000US\$. Using ~1.32 exchange rate as at 29 September 2016 this gives ~39,600 AU\$.

8.3 Valuation Summary

On the basis of exploration completed and the effectiveness of the exploration, Sahara has reasonably elected to assign a range of productivity enhancement multipliers (PEMs) from 0.8 to 1.5, indicating that every dollar spent on regional exploration has returned between AU\$0.8 and AU\$1.5 in value as defined in the table below.

A summary of the project valuations is provided in Table 8.3_1 below.

Table 8.3_1				
Brazil Projects Valuation Summary (29 September 2016)				
Asset	Equity Interest	Valuation		
		Low AU\$	High AU\$	Preferred AU\$
Juma East Projects	100%	1,634,733	2,822,144	2,228,439
Tres Estados Project	100%	81,738	122,607	102,173
Ema Project	100%	123,323	184,985	154,154
Edorado do Juma Project	100%	609,756	609,756	609,756
Pombos Project	100%	39,600	39,600	39,600
Total (million AU\$)	100%	2.49	3.78	3.13

**appropriate rounding has been applied to the total*

The range in the table above is comparative with the Crusader Juruena transaction when allowing for the improvement in the market conditions since this transaction.

The value of BBX 100% equity interest in the Brazil Project is considered to lie in a range from **AU\$2.49 million** to **AU\$3.78million**, within which range Sahara has selected a preferred technical value of **AU\$3.13 million**.

9 PRINCIPAL SOURCES OF INFORMATION

<i>Appleyard, G.R.,</i>	1994	Joint Venture Terms as a Basis for Valuation. Mineral Valuation Methodologies 1994 (Valmin 1994).
<i>AusIMM,</i>	1998	Code and Guidelines for Technical Assessment and/or Valuation of Mineral and Petroleum Assets and Mineral and Petroleum Securities for Independent Expert Reports (The Valmin Code) Issued April 2005. Australasian Institute of Mining and Metallurgy, Melbourne, Australia.
<i>Lawrence, M.J.,</i>	1994	An Overview of Valuation Methods for Exploration Properties. Mineral Valuation Methodologies 1994 (Valmin 1994).
<i>Onley, P.G.,</i>	1994	Multiples of Exploration Expenditure as a Basis of Mineral Valuation. Mineral Valuation Methodologies 1994 (Valmin 1994).
<i>Amazon Geoservices</i>	2013	Review of the Eldorado do Juma project
<i>Sahara Mining Services</i>	March 2016	Independent Technical Valuation of the Mineral Assets of BBX Minerals Ltd – Brazil