# Notice of General Meeting

A General Meeting of BBX Minerals Limited will be held at Level 1, 35 Havelock Street, West Perth, WA on 8 August 2016 at 10am (WST).

This Notice of General Meeting should be read in its entirety. If Shareholders are in any doubt as to how they should vote, they should seek advice from their professional advisor prior to voting.

Shareholders should carefully consider the Independent Expert's Report prepared by Stantons International Securities for the purposes of the Shareholder approvals required under section 611 (item 7) of the Corporations Act (Resolutions 1 and 2). In relation to both Resolution 1 and 2, Stantons International Securities has concluded that the acquisition of the relevant interest is not fair but reasonable to the non-associated Shareholders of the Company.

Please contact the Company Secretary on 08 6555 2955 if you wish to discuss any matter concerning the Meeting.

# BBX Minerals Limited
# ACN 089 221 634

## Notice of General Meeting

Notice is hereby given that a General Meeting of the Shareholders of BBX Minerals Limited will be held at Level 1, 35 Havelock Street, West Perth, WA on 8 August 2016 at 10am (Western Standard Time) (**Meeting**).

The Explanatory Memorandum to this Notice of Meeting provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and Proxy Form form part of this Notice of Meeting.

Shareholders are urged to vote by attending the Meeting in person or by returning a completed Proxy Form. Instructions on how to complete a Proxy Form are set out in the Explanatory Memorandum.

Proxy Forms must be received by no later than 10am (WST) on 6 August 2016.

Terms and abbreviations used in this Notice and Explanatory Memorandum are defined in Schedule 1 of the Explanatory Memorandum.

## Agenda

### 1 RESOLUTION 1 – ACQUISITION OF RELEVANT INTEREST BY DRAKE PRIVATE INVESTMENTS LLC – CONVERSION OF CONVERTIBLE NOTES

To consider, and if thought fit, to pass with or without amendment the following as an ordinary resolution:

*"For the purpose of section 611 (item 7) of the Corporations Act and for all other purposes, Shareholders approve the acquisition by Drake Private Investments LLC and its associates of a relevant interest in up to 22,726,750 Shares issued on conversion of 22,726,750 Convertible Notes so that their maximum voting power in the Company will, if shareholders approve Resolutions 1 and 2; become 38.51% and otherwise on the terms set out in the Explanatory Memorandum."*

**Stantons International Securities has concluded that the acquisition of the relevant interest is not fair but reasonable to the non-associated Shareholders of the Company.**

A voting exclusion statement is set out below.

## 2 RESOLUTION 2 – ISSUE OF NEW SHARES TO, AND ACQUISITION BY, DRAKE PRIVATE INVESTMENTS LLC

To consider, and if thought fit, to pass with or without amendment the following as an ordinary resolution:

*"For the purpose of Listing Rule 10.11 and section 611 (item 7) of the Corporations Act and for all other purposes, Shareholders approve issue to, and acquisition by, Drake Private Investments LLC and its associates of 4,597,928 Shares each with an issue price of $0.025 so that their maximum voting power in the Company will, if shareholders approve Resolutions 1 and 2, become 38.51%; and otherwise on the terms set out in the Explanatory Memorandum."*

**Stantons International Securities has concluded that the acquisition of the relevant interest is not fair but reasonable to the non-associated Shareholders of the Company.**

A voting exclusion statement is set out below.

## 3 VOTING PROHIBITION AND EXCLUSION STATEMENTS

The Corporations Act and Listing Rules prohibit votes being cast (in any capacity) on the following resolutions by any of the following persons:

| Resolution | Persons Excluded from Voting |
|---|---|
| Resolutions 1 and 2 - Acquisition of relevant interest by Drake Private Investments LLC | Drake Private Investments LLC and its associates, and the persons (if any) from whom the acquisition is to be made and their associates. |

However, the Company need not disregard a vote if:

(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form; or

(b) it is cast by the person chairing the Meeting as proxy for the person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

By order of the Board of Directors

Simon Robertson
Company Secretary
BBX Minerals Limited

**BBX Minerals Limited**
**ACN 089 221 634**

# Explanatory Memorandum

## 1 INTRODUCTION

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Level 1, 35 Havelock Street, West Perth, WA on 8 August 2016 at 10am (WST). The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding how to vote on the Resolutions set out in the Notice.

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice, and includes the following:



A Proxy Form is located at the end of Explanatory Memorandum.

Please contact the Company Secretary on 08 6555 2955 if you wish to discuss any matter concerning the Meeting.

## 2 ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

### 2.1 Proxies

All Shareholders are invited and encouraged to attend the Meeting. If a Shareholder is unable to attend in person, they can appoint a proxy to attend on their behalf by signing and returning the Proxy Form (attached to the Notice) to the Company in accordance with the instructions on the Proxy Form. The Company encourages Shareholders completing a Proxy Form to direct the proxy how to vote on each Resolution.

The Proxy Form must be received no later than 48 hours before the commencement of the Meeting, i.e. by no later than 10am (WST) on 6 August 2016. Any Proxy Form received after that time will not be valid for the Meeting.

A Proxy Form may be lodged in the following ways:

| | |
|---|---|
| By Mail | Automic Registry Services<br>PO Box 2226, Strawberry Hills NSW 2012 |
| By Facsimile | +61 8 6 210 1153 |
| By Hand | Automic Registry Services<br>Suite 310, 50 Holt Street Surrey Hills NSW 2010 |

Shareholders lodging a Proxy Form are not precluded from attending and voting in person at the Meeting.

### 2.2 Corporate representatives

Shareholders who are body corporates may appoint a person to act as their corporate representative at the Meeting by providing that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as the body corporate's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

An appointment of corporate representative form is available from the website of the Company's share registry (Automatic Share Registry).

### 2.3 Eligibility to vote

The Directors have determined that, for the purposes of voting at the Meeting, Shareholders are those persons who are the registered holders of Shares at 5pm (WST) on 5 August 2016.

## 3 BACKGROUND TO THE ACQUISITION TRANSACTION

### 3.1 Background

On 7 October 2015 the Company borrowed $250,000 from Drake Private Investments LLC (**Drake**). On 25 November 2016 the Company's Shareholders approved the repayment of the loan through the issue of 25,000,000 unsecured convertible notes with a face value of $0.01 each and maturing on 31 December 2016 (**Convertible Notes**).

To date 2,273,250 Notes have been converted, resulting in the issue of 2,273,250 Shares and 1,136,625 Attaching Options. Drake has requested that the Company seek Shareholder approval to allow Drake to convert the balance of the Notes (**Note Conversion**).

In addition, the Company has agreed to issue a further 4,597,928 Shares to Drake at an issue price of $0.025 to raise approximately $115,000 (**Drake Share Placement**).

The Corporations Act requires (amongst other things) shareholder approval for a person to acquire shares in a listed company where their voting power will increase from a starting point which is above 20%.

The Note Conversion and Drake Share Placement (together the **Drake Share Acquisition**) will together increase the number of Shares held by Drake from 79,100,250 Shares, or a voting power of 31.76%[1], to 106,424,928 Shares, or voting power of 38.51%. The purpose of the Meeting is to seek Shareholder approval for the Drake Share Acquisition.

The Directors have retained Stantons International Securities (**Stantons**) to provide the Independent Expert's Report with respect to the Drake Share Acquisition. Stantons opine that the Drake Share Acquisition is not fair but reasonable for non-associated Shareholders of the Company. Shareholders are urged to read the report in full and to seek their own advice if they have any queries.

The Directors unanimously recommend that Shareholders vote in favour of the Resolutions, for the reasons set out below.

### 3.2 Terms of the Convertible Notes

Under their terms, Drake could at any time convert some or all of the Notes on the basis of 1 Share for each Note converted, with 1 Option (exercisable at $0.0125 and expiring on 1 March 2018) for every 2 Shares issued (**Attaching Options**).

The Convertible Note terms provided that, at Drake's request, the Company would seek Shareholder approval for Drake to increase its voting power through conversion of the Convertible Notes. Without Shareholder approval, the Convertible Notes are repayable in cash for an amount equal to the percentage interest increase between the face value of the Convertible Notes ($0.01) and the 30 traded day VWAP of the Shares.

As at 27 June 2016, the 30 traded day VWAP of the Shares was $0.01864, and if that price applied at the time the Convertible Notes were repayable in cash, the amount to be repaid is $423,628.

Following is a table which sets out the amount to be repaid assuming various 30 traded day VWAP's:

| 30 traded day VWAP ($) | Amount repayable in cash ($) |
|---|---|
| $0.01 | 227,268 |
| $0.015 | 340,901 |
| $0.02 | 454,535 |

[1] Assuming 2,800,000 Shares approved for issue at the Shareholder meeting held on 19 April 2016 are issued.

| | |
|---|---|
| $0.25 | 568,169 |
| $0.03 | 681,803 |

### 3.3 Effect of the Drake Share Acquisition on the Company's financial position

Shareholder approval and completion of the Drake Share Acquisitions will have the following impacts on the Company:

(a) No cash will be raised upon the Shares issue on conversion of the remaining Convertible Notes.

(b) If Shareholder approval the Note Conversion, the Company will no longer have any liability under the Convertible Notes.

(c) The Company will raise $114,948 upon the Company issuing the Drake Share Placement.

Section 5.4.1 of the Independent Expert's Report sets out:

(a) an unaudited consolidated statement of financial position for the Company as at 31 March 2016 adjusted for certain events to show the Company's approximate financial position as at the date of the Meeting; and

(b) an unaudited consolidated statement of financial position for the Company as at 31 March 2016 adjusted to show the effects of the Acquisition Transaction and the Company raising a further $70,000 through the issue of 2.8 million Shares.

### 3.4 Capital structure and Drake's voting power in the Company

The impact of the Drake Share Acquisition, assuming there are no other Shares are issued (whether by exercise of Options or otherwise), on the number of Shares issued to Drake and the voting power of Drake in the Company is as follows:

| Share transaction | Shares issued to Drake | Cumulative number of Shares held by Drake[2] | Total number of Shares on issue | Drake's voting power[1] |
|---|---|---|---|---|
| Existing Shares on issue as at 19 May 2016 | 79,100,250 | 79,100,250 | 246,253,208 | 32.13% |
| Issue of 2,800,000 Shares to non-associated shareholders | Nil | 79,100,250 | 249,053,208 | 31.76% |

| | | | | |
|---|---|---|---|---|
| Issue of 22,726,750 Shares – Note Conversion | 22,726,750 | 101,827,000 | 271,779,958 | 37.47% |
| Issue of 4,597,928 Shares – Drake Share Placement | 4,597,928 | 106,424,928 | 276,377,886 | 38.51% |
| Total | 106,424,928 | 106,424,928 | 276,377,886 | 38.51% |

[1] Drake has advised the Company that no associates have a relevant interest in any Shares.

Drake will also be issued 1 Option (exercisable at $0.0125 and expiring on 1 March 2018) for every 2 Shares issued upon conversion of Convertible Notes held by Drake. To date 1,136,625 Options have been issued to Drake, with up to a further 11,363,375 Options to be issued to Drake. Drake must comply with the 20% rule in exercising these Options.

### 3.5 Drakes intentions

Drake has informed the Company that, if Shareholders approve the Acquisition Transaction, and other than as disclosed elsewhere in this Notice of Meeting, it has no current intention to:

(a) change the business of the Company;

(b) change the future employment of present employees of the Company;

(c) implement any proposal where assets will be transferred between the Company and Drake or its associates;

(d) otherwise redeploy the fixed assets of the Company;

(e) change the financial or dividend distribution policies of the Company; or

(f) change the composition of the Board.

### 3.6 Reasons why Shareholders should approve the Drake Share Acquisition

The Directors consider the following to be reasons why Shareholders should approve the Acquisition Transaction:

(a) As a result of the Note Conversion, the Company's liabilities will be reduced by approximately $227,267 (being the face value of the outstanding Convertible Notes) without any cash outlay.

(b) Without Shareholder approval of the Note Conversion, the remaining Convertible Notes will be repayable in cash for an amount equal to the percentage interest increase between the face value of the Convertible Notes (1 cent) and the 30 day traded VWAP of the Shares. Applying the 30 day VWAP prior to 27 June 2016 (being $0.01864), amount to be repaid is $423,628. This could have a severe drain on the cash resources of the Company.

(c) The ability to spend money on exploration and further evaluation of the Juma East Gold/Copper Project and other mineral assets would be reduced if the remaining Convertible Notes are required to be repaid in cash.

(d) There is a continuing incentive for Drake to ensure the Company becomes a successful mineral exploration (and hopefully a development) company as Drake would have a significant and increased shareholding interest on conversion of the remaining Convertible Notes.

(e) The Company will, under the Drake Share Placement, raise an additional approximately $115,000 at a price exceeding the last trading price of the Company's Shares as at the date of this Notice.

### 3.7 Reasons why Shareholders should not approve the Drake Share Acquisition

The Directors consider the following reasons why Shareholders should not approve the Acquisition Transaction:

(a) Drake's voting power in the Company will increase from approximately 31.76% to up to approximately 38.51% if Drake converts all the remaining 22,726,750 Convertible Notes into Shares and the Company issues Drake with the Drake Issued Shares.

(b) As at 27 June 2016, the 30 day traded VWAP for Shares was $0.01864, a 86.40% premium to the conversion price for the Convertible Notes of $0.01 per Share.

### 3.8 Independent Expert's Report

As required by the Corporations Act, the Company has Stantons International Securities to prepare an Independent Expert's Report opining on whether the Drake Share Acquisition is fair and reasonable to non-associated Shareholders. Stantons International Securities have opined that the Drake Share Acquisition is not fair but reasonable for non-associated Shareholders of the Company.

Shareholders are encouraged to read the Independent Experts Report in its entirety.

### 3.9 Directors' recommendation

Having regard to the above, the Directors believe that the interests of non-associated Shareholders are best served by approving the Note Conversion Transaction (Resolution 1) and the Drake Share Placement (Resolution 2).

The Directors each recommend that Shareholders approve Resolution 1 and Resolution 2, and will be voting their Shares in favour of the Resolutions.

# 4 RESOLUTIONS 1 AND 2 - APPROVAL OF ACQUISITION INVOLVING CONVERTIBLE SECURITIES AND ISSUE OF SHARES

## 4.1 Requirement for Shareholder approval

*Section 611 of the Corporations Act*

Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in the issued voting shares of a company if, because of the acquisition, that person's or another person's voting power in the company increases from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%, unless an exception applies.

Section 611 of the Corporations Act sets out certain exceptions to the general prohibition and permits an increase in voting power over 20%, including under the 3% creep rule or if a company's shareholders approve the acquisition of shares which results in the increased voting power.

Under the 3% creep rule, a company may increase its voting power in another by a maximum of 3% every 6 months without shareholder approval. Drake has been increasing its shareholding in the Company over the past 4 months to approximately 31.76%.

Under their terms and subject to Shareholder approval, the remaining Convertible Notes will automatically convert to Shares on 31 December 2016, in which case Drake's voting power in the Company will increase over 3% to approximately 6.75% (i.e. from 31.76% to a maximum of 38.51%), assuming no other Shares are issued. As a result, Drake is seeking Shareholder approval in increase its voting power under item 7 of section 611 of the Corporations Act.

The 20% limit in the Corporations Act only applies to relevant interests in issued voting shares. That is, convertible securities over unissued shares (e.g. options and convertible notes) do not ordinarily give rise to an acquisition of a relevant interest in a voting share. However, the holder of convertible securities will need to rely on shareholder approval for the issue of shares on conversion if these new shares cause the acquirer to increase its voting power over 20%.

Section 611 of the Corporations Act and ASIC Regulatory Guide 74: *Acquisitions Approved by Members* set out the information to be given to shareholders in seeking approval under section 611 of the Corporations Act.

*Listing Rule 10.11*

Listing Rule 10.11 provides that a listed entity may not issue securities to a related party or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval ought to be obtained. Given its voting power in the Company, ASX applies Listing Rule 10.11 to Drake.

## 4.2 Information required by Item 7 of Section 611 of the *Corporations Act*

(a) The identity of the person proposing to make the acquisition and their associates

The person proposing to make the acquisition is Drake. Drake has informed the Company that, as at the date of this Notice, it has no associates.

(b) The maximum extent of the increase in that person's voting power in the entity that would result from the acquisition

See section 3.4 above.

(c) The voting power that person would have as a result of the acquisition

See section 3.4 above.

(d) The maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition

See section 3.4 above.

(e) The voting power that each of that person's associates would have as a result of the acquisition

See section 3.4 above.

## 4.3 Additional information required by ASIC Regulatory Guide 74: Acquisitions approved by members

(a) An explanation of the reasons for the proposed acquisition

See section 3.1 above.

(b) When the proposed acquisition is to occur

The Drake Share Acquisition may occur progressively or on one date if Shareholder approval is obtained and will occur by 31 December 2016.

The Drake Issue Shares will be issued no later than 1 month after the date of this meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).

(c) The material terms of the proposed acquisition

See section 3.1 for details of the Drake Share Acquisition.

(d) Details of the terms of any other relevant agreement between Drake and the Company (or any of their associates) that are conditional on (or directly or indirectly depends on) members' approval of the proposed acquisition

There are no relevant agreements between Drake and the Company (or their associates) that are conditional on (or directly or indirectly depends on) members' approval, other than the Convertible Notes and Drake Share Acquisition.

(e) A statement of Drake's intentions regarding the future of the Company if Shareholders approve the acquisition

See section 3.5 above.

(f) Any intention of Drake to change the financial or dividend distribution policies of the Company

See section 3.5 above.

(g) The interests that any director has in the acquisition or any relevant agreement disclosed in 4.3(d)

No Director has any interest in the Drake Share Acquisition.

(h) The identity, associations (with the subscriber, purchaser or vendor and with any of their associates) and qualifications of any person who it is intended will become a director if the shareholders approve the acquisition

No additional Directors will be appointed if the Shareholders agree to the Drake Share Acquisition.

### 4.4 Independent Experts Report

Under ASIC Regulatory Guide 74: *Acquisitions Approved by Members*, an independent expert's report is required for Resolutions 1 and 2. The report must analyse whether the transaction is fair and reasonable and state the expert's opinion.

The Company has retained Stantons to prepare this report. Stantons has concluded that the Note Conversion and the Drake Share Placement is not fair but reasonable for non-associated Shareholders of the Company.

### 1.1 Information required by Listing Rule 10.13

For the purposes of Listing Rule 10.13, the following information is provided about the Drake Placement Issue:

(a) The securities will be issued to Drake Private Investments LLC.

(b) The maximum number of Shares to be issued to Drake is 4,597,928.

(c) The Shares will be issued no later than 1 month after the date of the meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue will occur on the same date.

(d) Drake's voting power in the Company is 32.13% and it is a person to whom ASX apply Listing Rule 10.11.

(e) The Shares will be issued for $0.025 per Share and are fully paid ordinary shares in the capital of the Company.

(f) A voting exclusion statement is included in the Notice.

(g) Funds raised under the Drake Share Placement will be used for general working capital.

Shareholder approval was obtained for the issue of the Convertible Notes, and the Company relies on Listing Rule 10.12 exception 7 for the issue of Shares on conversion of the Convertible Notes.

## 1 DEFINITIONS

In this Notice and Explanatory Memorandum:

| | |
|---|---|
| **ASIC** | means the Australian Securities & Investments Commission. |
| **ASX** | means ASX Limited or the Australian Securities Exchange operated by ASX Limited, as the context requires. |
| **Attaching Options** | means the Options exercisable at $0.0125 and expiring on 1 March 2018 on the basis of 1 Option for every 2 Shares issued on conversion of the Convertible Notes. |
| **Board** | means the board of Directors. |
| **Company** | means BBX Minerals Limited (ACN 089 221 634). |
| **Constitution** | means the constitution of the Company as amended. |
| **Convertible Notes** | as defined in section 3.1. |
| **Corporations Act** | means the *Corporations Act 2001* (Cth) as amended. |
| **Director** | means a director of the Company. |
| **Drake** | means Drake Private Investments LLC |
| **Drake Share Acquisition** | as defined in section 3.1. |
| **Drake Share Placement** | as defined in section 3.1. |
| **Explanatory Memorandum** | means this explanatory memorandum. |
| **Independent Expert's Report** | means the independent expert's report prepared by Stantons for the purposes of the Resolutions. |
| **Listing Rules** | means the listing rules of the ASX. |
| **Meeting** or **General Meeting** | means the meeting convened by this Notice (as adjourned from time to time). |
| **Note Conversion** | as defined in section 3.1. |
| **Notice** | means this notice of meeting. |
| **Option** | means an option to be issued a Share. |
| **Proxy Form** | means the proxy form attached to this Notice. |

| | |
|---|---|
| **Resolution** | means a resolution set out in the Notice. |
| **Share** | means a fully paid ordinary share in the capital of the Company. |
| **Shareholder** | means a holder of a Share. |
| **VALMIN Code** | means the Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports. |
| **WST** | means Western Standard Time. |

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28 June 2016

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

Summary of Opinion

**In our opinion, taking into account the factors noted above and in section 10 of this report, the proposal noted in Resolution 1 whereby BBX will allow Drake to convert 22,726,750 Notes to 22,726,750 shares in BBX at 1.0 cent each and the proposal as noted in Resolution 2 to allow the issue of 4,597,928 new shares at 2.5 cents each to Drake are on balance <u>not fair (primarily as no premium for potential control is inherent in the conversion price) but reasonable</u> to the non-associated shareholders of BBX at the date of this report.**

Refer Section 7 below for comments on premium for control.

Dear Sirs,

**RE: BBX MINERALS LIMITED (ACN 089 221 634) ("BBX" or "THE COMPANY") - MEETING OF SHAREHOLDERS TO CONSIDER RESOLUTIONS UNDER SECTION 611 (ITEM 7) OF THE CORPORATIONS ACT 2001 ("TCA") RELATING TO THE PROPOSAL TO ALLOW NOTES ISSUED BY BBX TO DRAKE PRIVATE INVESTMENTS LLC ("DRAKE" OR "THE NOTE HOLDER") TO BE CONVERTED INTO ORDINARY SHARES IN BBX (RESOLUTION 1) AND ALLOW THE ISSUE OF 4,597,928 ORDINARY SAHTRES TO DRAKE AT 2.5 CENTS EACH (RESOLUTION 2)**

## 1. INTRODUCTION

1.1 We have been requested by the Directors of BBX to prepare an Independent Expert's Report to determine the fairness and reasonableness of the transaction referred to in Resolutions 1 and 2 as detailed in the Notice of Meeting and Explanatory Memorandum ("EM") attached to the Notice to BBX shareholders ("the Notice") to be issued to shareholders in June 2016 or early July 2016 for a shareholders meeting to be held in early August 2016.

1.2 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 and also outlined in the EM:

- 25,000,000 Notes issued;
- Unsecured;
- Interest free (refer below);
- 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").

Refer paragraph 1.4 relating to conditions attached to the Notes if shareholders do not approve conversion to shares in BBX.

1.3 Drake has converted 2,273,250 of the Notes in March 2016, so that at the date of this report there are 22,726,750 Notes outstanding. 2,273,250 new shares were issued to Drake on conversion of the 2,273,750 Notes. The 1,136,625 Drake Share Options due to be issued to Drake were issued in May 2016 and thus if the remaining Notes were converted, Drake would be entitled to a total of 12,500,000 Drake Share Options.

1.4 In the event that shareholders do not approve the conversion to shares pursuant to a Section 611 meeting within 90 days of the Maturity Date, the Notes will be repayable in 90 days for an amount equal to the then percentage interest increase between the Face Value for Notes (1 cent per Note) and 30 traded day volume weighted average share price ("VWAP") of the Company's shares. In addition, interest at the rate of 10% per annum will, from the date of shareholders approval is not obtained, accrue on the total Face Value of Notes which are to be repaid.

As an example, if shareholders approval is not obtained as noted above, and the VWAP of BBX shares is say 4 cents (compared with the face value of a Note of 1 cent), then the amount payable in cash to Drake (excluding interest) would be 300% of $227,267.50 = $681,802.50. Interest would however accrue at 10% per annum on $227,267.50. The higher the VWAP, the higher the cash payment to be made to repay the Note.

1.5 As at 8 June 2016, Drake is a substantial shareholder of BBX, (held by a nominee company National Nominees Limited). The shareholding of Drake is 79,100,250 shares that represented an approximate 32.16% shareholding in BBX as at 1 April 2016 and following the issue or proposed issue of 3,100,000 shares as approved by shareholders on 20 April 2016 (refer below) the shareholding of Drake will approximate 31.76%.

1.6 BBX will seek shareholder approval to allow the remaining 22,726,750 Notes to be converted to ordinary shares in BBX at 1.0 cents each (22,726,750 new shares issued). Resolution 1 refers to the proposal to allow Drake to convert the remaining Notes.

If Drake converts the 22,726,750 Notes to shares in BBX, Drake's shareholding interest in BBX will increase from approximately 31.63% to approximately 37.47% (101,827,000 shares out of 271,779,958 shares that would be on issue). Refer section 3.4 below for potential shares on issue.

1.7 In addition, shareholder approval is being sought to issue 4,597,928 ordinary shares to Drake at 2.5 cents each ("Drake Issue Shares") to raise a gross $114,948. Resolution 2 refers to this proposed issue of shares. If the remaining Notes are converted, along with the issue of the Drake Issue Shares, Drake's shareholding interest would increase to approximately 38.51% (assumes 276,377,806 shares would be on issue – refer paragraph 3.4 below).

1.8 Under Section 606 of TCA, a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that persons' or someone else's voting power in the company increases:

(a) from 20% or below to more than 20%; or
(b) from a starting point that is above 20% and below 90%.

Under Section 611 (Item 7) of TCA, Section 606 does not apply in relation to any acquisition of shares in a company by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates. An independent expert is required to report on the fairness and reasonableness of the transactions noted in resolution 1 pursuant to a Section 611 (Item 7) meeting.

Drake under the "creeping" provisions of TCA may increase its shareholding in BBX by a maximum of 3% every 6 months without further shareholder approval and Drake has been increasing its shareholding in BBX over the past 4 months to take its shareholding to approximately 32.16% (as at 1 April 2016) and approximately 31.76% after the issue of shares planned to be issued before 19 July 2016 (refer paragraph 3.3 below).

However, if Drake wishes to convert the remaining Notes its shareholding in BBX would increase over 3% (it would increase by approximately 5.71% and thus shareholder approval is required. In addition, if Drake is issued all of the Drake Issue Shares, the increase in Drake's shareholding would be approximately 6.75%.

1.9 As Drake may obtain a shareholding in BBX from approximately 31.76% to approximately 37.47% from conversion of the remaining Notes and to approximately 38.51% after the issue of the Drake Issue Shares, shareholder approval is required pursuant to Section 611 (Item 7) of TCA in order to allow Drake to convert all of the remaining Notes and allow Drake to subscribe for the Drake Issue Shares without Drake having to make a bid for all of the shares in BBX. An independent expert's report should accompany the Notice stating whether the proposal as noted above regarding conversion of the remaining Notes by Drake to 22,726,750 new shares in BBX is fair and/or reasonable to the shareholders of BBX not associated with Drake. Resolution 1 refers to the conversion of Notes proposal pursuant to Section 611 (Item 7) of TCA and Resolution 2 refers to the issue of the Drake Issue Shares pursuant to Section 611 (Item 7) of TCA.

1.10 Under ASIC Regulatory Guideline 111 "Contents of Expert Reports" an Independent Expert's Report is required to report on the fairness and reasonableness of the transaction pursuant to Resolution 1. The BBX directors have requested Stantons International Securities Pty Ltd to prepare an Independent Expert's Report to assist the shareholders in determining how to vote on Resolutions 1 and 2 as outlined in the Notice and the EM.

1.11 Apart from this introduction, the report considers the following:

- Summary of opinion
- Implications of the proposals
- Future directions of BBX
- Basis of valuation of BBX shares
- Preferred valuation method
- Premium for Control
- Fairness of the proposed transaction with Drake
- Conclusion as to fairness
- Reasonableness of the proposed transaction with Drake
- Conclusion as to reasonableness
- Sources of information
- Appendices A and B and our Financial Services Guide

## 2. SUMMARY OF OPINION

2.1 In determining the fairness and reasonableness of the transactions and proposals pursuant to Resolutions 1 and 2, 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. Regulatory Guide 111 also states that in all cases, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to Section 611 (Item 7) of TCA, a report by an independent expert stating whether or not the proposals pursuant to Resolutions 1 and 2 are fair and reasonable, having regard to the interests of shareholders other than the proposed allottees (in this case, Drake) and whether a premium for potential control is being paid by the allottees, will be required.

Regulatory Guide 111 also provides that such an allotment should involve a comparison of the advantages and disadvantages likely to accrue to non-associated shareholders if the transaction proceeds compared with if it does not.

2.2 Accordingly, our report relating to Resolutions 1 and 2 are concerned firstly with the fairness and reasonableness of the proposal from the point of view of the existing non associated shareholders of BBX, and secondly whether the price payable for the potential for Drake to increase its significant shareholding interest in the Company from approximately 31.76% (after issue of shares as noted in paragraph 3.3 below) to approximately 37.47% (on conversion of the 22,726,750 Notes) and then to approximately 38.51% after the issue of the Drake Issue Shares includes premiums for increased control. The shares that may be issued to Drake on conversion of the Notes for the purposes of this report are known as the Drake Conversion Shares.

2.3 **Summary of Opinion:**

**In our opinion, taking into account the factors noted above and in sections 7 to 10 of this report and the comments made in the EM to Shareholders accompanying the Notice, the proposal noted in Resolution 1 whereby BBX will allow Drake to convert 22,726,750 Notes to Drake Conversion Shares in BBX and the proposal noted in Resolution 2 whereby BBX will allow Drake to be issued 4,597,928 Drake Issue Shares are on balance, <u>not fair (primarily as no premium for potential control is inherent in the conversion price) but reasonable</u> to the non-associated shareholders of BBX at the date of this report.**

Each shareholder needs to examine the share price of BBX, and market conditions at the time of exercise of vote to ascertain the impact, if any, on Resolution 1. As at 2 June 2016, the share price of a BBX share trading on ASX was around 1.5 cents and as at 7 June 2016 the share price was 2.3 cents. The last sale price on 28 June 2016 was 1.5 cents.

The opinion expressed above must be read in conjunction with the more detailed analysis and comments made in this report, including the valuation report on the Mineral Assets of the BBX Group as prepared by Sahara Mining Services ("Sahara") (refer below).

## 3. IMPLICATIONS OF THE PROPOSALS

3.1 As at 18 April 2016, there were 245,953,208 fully paid ordinary shares on issue in BBX (refer movement below). The significant fully paid shareholders as at close of business at that date are disclosed as:

| Name of Shareholder | No. of Shares | % Interest |
|---|---|---|
| National Nominees Limited | 79,114,150 | 32.17 |
| ABN Amro Clearing Sydney Nominees Pty Ltd | 21,104,788 | 8.58 |
| Toby Chandler | 14,641,000 | 5.95 |
| Yardie (WA) Pty Ltd | 13,118,400 | 5.33 |
| Lauren page Investments Pty Ltd | 7,792,267 | 3.17 |
| | 135,770,605 | 55.20 |

3.2 The top twenty fully paid shareholders as at 18 April 2016 own approximately 74.29% of the current issued capital. The nominee company, National Nominees Limited holds 79,100,250 shares on behalf of Drake.

3.3 In February 2016 the Company announced a planned capital raising of $882,925 by way of the issue of 35,317,000 shares at 2.5 cents each along with 8,829,250 free attaching share options exercisable at 5 cents each. In February 2016, a gross $780,425 was raised from a capital raising and 31,217,000 Tranche 1 Shares were issued at 2.5 cents each but the remaining Tranche 2 Shares (4,100,000 shares to raise $102,500) required shareholder approval.

A shareholders meeting was held on 19 April 2016, and as a result a further 300,000 shares were issued and it is proposed to issue a further 2,800,000 shares (300,000 to related parties) ($7,500 raised and a further $70,000 is planned to be raised before 19 July 2016). As part of the capital raising a further 75,000 free attached options exercisable at 5 cents each, on or before 19 April 2018 have been issued and a further 700,000 free attached options exercisable at 5 cents each within 2 years of date of issue will be issued once the 2,800,000 shares noted above have been issued.

In addition, shareholders approved the issue of 7,804,250 free attaching share options exercisable at 5 cents each, on or before 19 April 2018 as part of the issue of the 31,217,000 shares in February 2016.

3.4 If the remaining Notes are converted at the conversion price of 1.0 cents each, the number of shares that may be on issue would be:

| | No of shares |
|---|---|
| Number of shares on issue as at 18 April 2016 | 245,953,208 |
| Issue (300,000 issued 19 April 2016) or planned issue (2,800,000) of further shares at 2.5 cents each under Tranche 2 of the Placement announced to the market in February 2016 | 3,100,000 |
| **Potential shares on issue pre conversion of the Notes and before the exercise of any share options and issue of further shares** | **249,053,208** |
| Issue of shares to Drake on conversion of the Notes at 1.0 cents each | 22,726,750 |
| **Potential Shares on issue pre issue of the Drake Issue Shares** | **271,779,958** |
| Issue of Drake Issue Shares at 2.5 cents each | 4,597,928 |
| Potential Shares on issue before conversion of any share options | **276,377,886** |

3.5 Following the issue of various share options as approved by shareholders on 19 April 2016, BBX will have 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;
- 33,547,146 options exercisable at 1.25 cents per share on or before 1 March 2018 (including 16,136,625 by the interests of Drake);
- 7,804,250 options exercisable at 5.0 cents per share on or before 19 April 2018 (including 2,644,250 by Drake);
- 75,000 options exercisable at 5.0 cents per share on or before 19 May 2018; and
- 700,000 options exercisable at 5.0 cents per share on or before 2 years from date of issue (planned to be issued before 19 July 2016)

In addition, following shareholder approval on 19 April 2016, the following incentive options are on issue:

- 10,750,000 options exercisable at 3.7 cents each, on or before 19 April 2020; and
- 10,750,000 options exercisable at 3.0 cents each but can only be exercised 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.

3.6 The share percentage held by Drake in BBX may vary depending on whether all or part of the remaining Notes are converted into shares in BBX and whether any of the existing share options are exercised into ordinary shares in BBX.

Drake's shareholding in BBX will rise from 79,100,250 (approximately 31.76%) to 101,827,000 (approximately 37.47%) on conversion of all remaining Notes (before exercise of any share options). Following the issue of the Drake Issue Shares, Drake's shareholding would approximate 38.51%.

2,273,250 new shares were issued to Drake on conversion of the 2,273,250 Notes. The 1,136,625 Drake Share Options were issued to Drake in May 2016 and thus if the remaining Notes were converted, Drake would be entitled to a total of 12,500,000 Drake Share Options.

3.7 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 that there is no intention to change the current Board of Directors in the near term.

## 4. FUTURE DIRECTION OF BBX

4.1 We have been advised by the directors of BBX that:

- the immediate short-term plan is to use the existing funds and raise new funds to fund working capital for the Juma East Gold/Copper Project in Brazil and for the Company generally;

- no dividend policy has been set and it is not proposed to be set until such time as the Company is profitable and has a positive cash flow;

- there are no immediate plans to change the Board of BBX but this may change as the needs arise; and

- the Company is likely to raise further capital as and when required to continue to develop the Company's mineral assets.

## 5. BASIS OF TECHNICAL VALUATION OF BBX

5.1 In considering the proposals as outlined in Resolutions 1 and 2 we have sought to determine if the conversion price of the remaining Notes into ordinary BBX shares is in excess of the current fair value of the shares in BBX on issue and then conclude whether the proposals are fair and reasonable to the existing non-associated shareholders of BBX (not associated with Drake).

5.1.2 The proposals pursuant to Resolutions 1 and 2 would be fair to the existing non associated shareholders if the conversion price of the remaining Notes (up to $227,267.50) owing by BBX to Drake into ordinary BBX shares and the issue price of the Drake Issue Shares are greater than the implicit value of the shares in BBX currently on issue. 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 Maintainable Earnings / Discounted Cash Flows

5.2.1 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 advance 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 Takeover Bid

It is possible that a 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 current bids in the market place and the directors of BBX have formed the view that there is unlikely to be any takeover bids made for BBX in the immediate future. Refer section 3.6 above for possible shareholding percentages in BBX by Drake on conversion of the remaining Notes and issue of the Drake Issue Shares.

5.4 Net Asset Backing and Wind-Up Value

5.4.1 A summary of the unaudited consolidated statement of financial position of BBX as at 31 March 2016 (A) adjusted for further estimated administration and exploration costs for the three month to 30 June 2016 totalling approximately $180,000 (disclosed as reduction in cash) of which approximately $125,000 is capitalised as part of the Juma East Gold/Copper Project and the incurring of further depreciation of $2,000 is summarised below along with a pro-forma consolidated unaudited statement of financial position (B) after allowing for the following:

- the conversion of the remaining Notes to extinguish the remaining Notes debt of approximately $227,267 and the issue of 22,726,750 Drake Conversion Shares;
- the issue of 4,597,928 Drake Issue Shares at 2.5 cents each to raise a gross $114,948;
- estimated costs of the Notice of $25,000; and
- the issue of 3,100,000 Tranche 1 Shares to raise a gross $77,500 ($7,500 raised and balance to be raised before 19 July 2016).

| | **Unaudited Adjusted 31 March 2016 $000's A** | **Unaudited 31 March 2016 Pro-Forma $000's B** |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 281 | 549 |
| Trade and other receivables | 30 | 30 |
| | 311 | 479 |
| **Non-current assets** | | |
| Plant and equipment | 11 | 11 |
| Receivables | 76 | 76 |
| Exploration and evaluation | 1,591 | 1,591 |
| | 1,678 | 1,678 |
| Total assets | 1,989 | 2,157 |
| **Current liabilities** | | |
| Trade and other payables | 474 | 474 |
| Borrowings- Notes | 227 | - |
| | 701 | 474 |
| **Non current liabilities** | | |
| Trade payables | 45 | 45 |
| Total liabilities | 746 | 519 |
| Net Assets | 1,243 | 1,638 |
| | | |
| **Equity** | | |
| Issued capital | 15,935 | 16,355 |
| Reserves | (31) | (31) |
| Accumulated losses | (14,661) | (14,686) |
| **Net Equity** | 1,243 | 1,638 |

The audit reviewed accounts disclosed the Notes as a reserve but we adjusted this to disclose a current liability.

5.4.2 Based on the book values at 31 March 2016 per the adjusted unaudited consolidated statement of financial position, this equates to a book value per issued share (245,953,208 shares on issue) of approximately 0.505 cents (ignoring the value, if any, of non-booked tax benefits).

5.4.3 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 April 2016 Sahara prepared a Valuation Report in relation to the Mineral Assets. 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 | 1,870,000 | 2,500,000 | 3,150,000 |
| | **1,870,000** | **2,500,000** | **3,150,000** |

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 31 December 2015 as per Balance Sheet A 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 | 1,870 | 2,500 | 3,150 |
| Remaining non-current assets | | 87 | 87 | 87 |
| Current assets | | 311 | 311 | 311 |
| Total liabilities | | (746) | (746) | (746) |
| Total Net Assets at fair values (range) | | 1,522 | 2,152 | 2,802 |
| Number of shares on issue | | 245,953,208 | 245,953,208 | 245,953,208 |
| **Net asset per share (cents)** | | **0.618** | **0.874** | **1.139** |

5.5 <u>Market Price of BBX Shares</u>

5.5.1 We set out below a summary of share prices of BBX from 1 April 2015 to 31 May 2016:

| | **High Last Sale Cents** | **Low Last Sale Cents** | **Last Sale Cents** | **Volumes Trade (000's)** |
|---|---|---|---|---|
| April 2015 | 1.0 | 0.8 | 1.0 | 800 |
| May 2015 | 1.8 | 0.7 | 1.2 | 9,482 |
| June 2015 | 1.5 | 0.7 | 0.7 | 11,854 |
| 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 |

On 1 June 2016 the shares traded as low as 1.2 cents and in early trading on 2 June 2016, the shares traded at 1.5 cents. The last sale on 7 June 2016 was 2.3 cents and the last sale on 28 June 2016 was 1.5 cents.

5.5.2 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 June 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 ay 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.

5.5.3 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.

## 6. PREFERRED VALUATION METHOD FOR VALUING A BBX SHARE

6.1 In assessing the fair value of BBX and a BBX share pre the proposal with 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 and 2015 and for the six months ended 31 December 2015. 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 proposal (to convert Notes) with Drake.

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

| | **Low** | **Preferred** | **High** |
|---|---|---|---|
| **Net asset per share (cents)** | **0.618** | **0.874** | **1.139** |

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 gold markets and other base metal prices in Australia and overseas;
- 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 on conversion of the remaining Notes to ordinary fully paid shares in BBX could, as noted above, obtain a shareholding of approximately 37.47% and approximately 38.51% after the issue of the Drake Issue Shares. Accordingly, we have addressed whether a premium for increased 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 20%.

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 5.4.5 as this already represents the fair value of the Company or a share in the Company on a pre proposed transaction (conversion of remaining Notes) control basis.

7.5 We set out below the comparison of the low, preferred and high values of a BBX share compared to the conversion price for the remaining Notes.

| | **Para.** | **Low (cents)** | **Preferred (cents)** | **High (cents)** |
|---|---|---|---|---|
| Estimated fair value of a BBX Share | 6.2 | 0.618 | 0.874 | 1.139 |
| Conversion price of the Notes | | 1.0 | 1.0 | 1.0 |
| Excess/(shortfall) between conversion price and fair value | | 0.382 | 0.126 | (0.139) |

We set out below the comparison of the low, preferred and high values of a BBX share compared to the issue price of the Drake Issue Shares.

| | **Para.** | **Low (cents)** | **Preferred (cents)** | **High (cents)** |
|---|---|---|---|---|
| Estimated fair value of a BBX Share | 6.2 | 0.618 | 0.874 | 1.139 |
| Conversion price of the Notes | | 2.5 | 2.5 | 2.5 |
| Excess/(shortfall) between issue price and fair value | | 1.882 | 1.626 | 1.139 |

7.6 On a pre proposed transaction control basis the technical value (not market value based on ASX share trades) of a BBX share ranges from approximately 0.618 cents to 1.139 cents with a preferred value of approximately 0.874 cents per share.

## 8. FAIRNESS OF THE PROPOSAL WITH DRAKE

8.1 In arriving at our conclusions on fairness, we considered whether the transaction is "fair" by comparing:

(a) the fair market value of a Drake share pre-transaction on a control basis; versus
(b) the fair market value of a BBX share post-transaction on a minority basis, taking into account the additional cash raised from the issue of Tranche 2 Shares; the conversion of all of the remaining Notes ("Proposed Transactions") and the issue of the Drake Issue Shares.

8.2 The low, preferred and high values of a BBX share **pre the Proposed Transactions 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 | **0.618** | **0.874** | **1.19** |

We set out below the range of estimated technical net asset values of BBX and after adjusting for the following Proposed Transactions:

- the conversion of the remaining Notes to extinguish the remaining Notes debt of approximately $227,267 and the issue of 22,726,750 Drake Conversion Shares;
- estimated costs of the Notice of $25,000;
- the issue of 3,100,000 Tranche 1 Shares to raise a gross $77,500; and
- the issue of 4,597,928 Drake Issue Shares to raise a gross $114,948.

| | |
|---|---|
| Net fair value (preferred) as noted in paragraph 5.4.5 above | 2,152,000 |
| Issue of Tranche 2 Shares | 77,500 |
| Costs of the Notice | (25,000) |
| Conversion of Notes | 227,267 |
| Issue of Drake Issue Shares | 114,948 |
| Assessed fair value after exercise of the New Options | 2,546,715 |
| | |
| Number of shares on issue post conversion | 276,377,886 |
| Net value per share (cents) | 0.921 |
| Minority interest discount | 16.67% |
| **Minority value per share (cents)** | **0.767** |

8.3 The preferred fair value of a BBX share has been estimated at 0.874 cents on a pre Proposed Transactions control basis is greater than the estimated fair value of a BBX share post the conversion of the remaining Notes and issue of the Drake Shares on an undiluted minority basis of 0.767 cents.

8.4 In order to reflect the minority interest value we have applied a minority interest discount to the technical net asset value. The minority interest discount has been calculated as the inverse of the premium for control of 20% as discussed in paragraph 7.3.

8.5 If we included the exercise of all 1.25 cent share options (46,047,146 in total, including 12,500,000 Drake Options) and the 10,750,000 Incentive Share Options exercisable at 3.0 cents each (no vesting condition) a further 55,660,521 shares would be issued to raise a gross $898,029 and the assessed Minority value per share (ignoring subsequent losses) would equate to approximately 0.861 cents (assumes 333,175,032 shares on issue). All existing 1.25 cent share options and any new Drake Share Options that could be issued to Drake and the 10,750,000 Incentive Share Options exercisable at 3.0 cents each would probably only be exercised where the share price of a BBX share consistently traded above the exercise prices (currently trades above the exercise price of 1.25 cents).

We have not allowed for the exercise of the existing share options in BBX that are exercisable at 5.0 cents each as they are materially "out of the money" based on BBX share prices traded on ASX over the past four months to 31 May 2016 (except for one day on 1 February 20126 when BBX shares were sold at 6.5 cents each. If all 5 cent share options (31,479,250) were exercised, BBX would receive additional funds totalling $1,573,962. All existing 5 cent share options would probably only be exercised where the share price of a BBX share consistently traded above the exercise price of 5 cents.

We have not allowed for the exercise of the Incentive Share Options in BBX that are exercisable at 3.7 cents each as they may only vest on an announcement by BBX of a maiden JORC resource of a minimum of 250 ounces of gold at a minimum 2 grams per tonne by 31 March 2017. The Company would receive $397,750 if such share options were exercised after meeting the vesting term.

## 9. CONCLUSION AS TO FAIRNESS

9.1 The fair value of a share in BBX post conversion of the remaining Notes <u>on a minority basis</u> has been assessed at 0.767 cents compared with a value of a share pre conversion of 0.874 cents (on a control basis).

9.2 **After taking into account the factors referred to above and elsewhere in this report, we are of the opinion that the transactions related to the proposal to allow Drake to convert 22,726,750 Notes at 1.0 cent each, the subject of Resolution 1 in the Notice and the proposal to issue 4,597,928 Drake Issue Shares at 2.5 cents each, the subject of Resolution 2 in the Notice may be considered, on balance, to be <u>not fair</u> to the shareholders of BBX (not associated with Drake) at the date of his report.**

## 10. REASONABLENESS OF THE PROPOSALS WITH DRAKE

We set out below, some of the advantages, disadvantages and other factors pertaining to the proposals under Resolutions 1 and 2.

**<u>Advantages (and other positive factors)</u>**

10.1 If shareholders do not approve Resolution 1 to allow the Note of up to $227,267 to be converted to ordinary shares in BBX, the Note will need to be repaid in cash by 31 December 2016 and that could be a severe drain on the cash resources of the Company (the Company does not have the funds to repay the remaining Note and probably a heavily discounted capital raising would need to occur to raise cash to repay the Notes amount owing to Drake). The ability to spend money on exploration and or further evaluation of the June East Gold/Copper Project and other mineral assets would be curtailed if the Notes needed to be repaid in cash. If approval is obtained, the minimum cash saved is $227,267.

In the event that shareholders do not approve the conversion to shares pursuant to a Section 611 meeting within 90 days of the Maturity Date, the Notes will be repayable in 90 days for an amount equal to the then percentage interest increase between the Face Value for Notes (1 cent per Note) and 30 traded day VWAP of the Company's shares. In addition, interest at the rate of 10% per annum will, from the date of shareholders approval is not obtained, accrue on the total Face Value of Notes which are to be repaid.

As an example, if shareholders approval is not obtained as noted above, and the VWAP of BBX shares is say 4 cents (compared with the face value of a Note of 1 cent), then the amount payable in cash to Drake (excluding interest) would be 300% of $227,267.50 = $681,802.50. However, interest would accrue at 10% per annum on $227,267.50. The higher the VWAP, the higher the cash payment to be made to repay the Notes.

10.2 We were informed that at the time of discussions with Drake to raise funds (in September/October 2015), the share price of an BBX share trading on ASX was around 1.7 cents to 2.0 cents and thus the initial view was that Drake would not pay a premium for conversion of the Notes. Cash was very tight ($113,000 cash at bank as at 30 September 2015 based on the Quarterly Report and we understand creditors exceeded the cash position) at the time and in the absence of some urgent cash injection, the Company may have fallen into some sort of Administration. At best, the planned drilling programme for the Juna East Gold/Copper Project would have had to be delayed or cancelled.

The initial loan of $250,000 made by Drake (as part of a $398,800 share/debt raising from Drake) was, after shareholder approval in November 2015, converted to Notes convertible at 1 cent each on or before 31 December 2016 (and being interest free). The share price in November 2015 (as a result of an announcement made by BBX on 7 October 2015 of visible gold being detected in the first drill hole 1) was in the 11.0 cent to 16.5 cent range. As noted above, the share price dramatically fell when the Company on 23 December 2015 announced incomplete assay results (fell to as low as 0.9 cents and now trades in the low to mid 2's (cents).

10.3 No commission was payable on the initial Loan of $250,000 whilst under a capital raising to a non-associated party - a fee of between 5% and 7% may be payable. In addition, the Loan (now Notes) are interest free (but not the penalty if the Notes are not allowed to be converted into BBX shares). Interest on convertible notes for funds lend to junior exploration companies vary but are often in the 10% to 20% range.

10.4 There is a continuing incentive for Drake to ensure BBX becomes a viable mineral exploration (and hopefully a development) company as Drake would have a significant (increased) shareholding interest in BBX if up to 22,726,750 Drake Conversion Shares (ordinary shares) are issued to Drake on conversion of the remaining Notes. There is a significant incentive for Drake to make BBX a successful company and have the share price rise considerably. All shareholders would benefit from a rise in the share price.

10.5 Debt of $227,267 is eliminated from the BBX statement of financial position without any cash outlay. As noted in paragraph 5.4.1 the book net assets of the BBX Group rises (before accounting for any future losses).

10.6 The Company by issuing the Drake Issue Shares will raise $114,948 at a price exceeding the last trading price of 2.0 cents immediately before the issue of this report.

**<u>Disadvantages</u>**

10.7 The conversion price for the Notes is 1.0 cent per share which was a discount to the market share price of a BBX share over most of the period in August/September 2015 as the shares in BBX in that period have traded between 1.0 cents and 2.4 cents. In the then (and current) market it was extremely difficult to raise funds (small market capitalisation exploration companies are all competing for funds) and it was and still is time consuming and costly for exploration companies such as BBX to raise equity, and if raised, significant discounts to recent traded share prices are often needed to be offered. It is not uncommon to offer discounts in the current market of between 20% and 50%. Arguably it could be higher for mineral exploration companies that incur losses and have negative cash flows (such as BBX).

10.8 The potential conversion price of 1.0 cent per share (if the Notes are converted to share equity) may be less than the share price of a BBX share at the actual date of conversion(s). The current (April/May 2016) share price of a BBX share is in the low to mid 2's (cents). It should be noted that shareholders need to take into account the likelihood of the future prospectivity of, and any associated potential upgrades to mineral resources and mineral reserves, and thus the impact upon the share price for the duration of the Note, to ascertain whether the future value and the conversion prices are considered to be congruent.

**Other Factors**

10.9 The number of fully paid ordinary shares on issue may rise by up to 22,726,750 (excluding any other share issues or exercise of options) on conversion of the remaining Notes. This could represent an approximate up to 9.12% increase in the ordinary shares of the Company. This dilutes the shareholding of the non Drake associated shareholders. Furthermore, the number of shares rise by an additional 4,597,928 on issue of the Drake Issue Shares.

10.10 Assuming that Drake converted its Notes at 1.0 cent per share (and there are no other share issues or exercise of options), Drake's shareholding interest could increase from approximately 31.76% (refer above) to approximately 37.47% (and approximately 38.51% after the issue of the Drake Issue Shares.

10.11 If the Company continues to have positive results from its underlying mineral projects, there is an increased chance that future capital raisings may be undertaken at a higher price than the conversion price of 1.0 cent per Note and issue price of the Drake Issue Shares.

10.12 By approving Resolutions 1 and 2 it gives Drake the flexibility to convert the Notes of up to $227,267 to up to 22,727,750 shares in BBX and subscribe for the Drake Issue Shares without having to make a full takeover bid for the Company. Section 611 (Item 7) approval and the passing of Resolutions 1 and 2 would eliminate the need for a full takeover bid.

10.13 The conversion price of 1.0 cent per Note and the issue price of the Drake Issue Shares are significantly greater than the net book asset backing per share price of approximately 0.505 cents per BBX share.

10.14 The Company is proposing to raise further equity capital in 2016/17 as the Company has insufficient working capital. The ability of the Company to raise further equity or loan capital is subject to exploration success and market conditions. In any event, the Company will need further funds to meet administration, corporate and exploration costs (discretionary expenditure) in the future. In the absence of positive drilling results, there is always the possibility that the share price may recede from current prices. It is noted that the share prices in March 2015 to July 2015, the share price of a BBX share traded mainly in the range of 0.7 cents to 1.0 cents.

10.15 The issue of shares to Drake on conversion of the Notes and the issue of the Drake Issue Shares could possibly deter any potential bidders to make a takeover for the Company (in full or in part). To our knowledge, there are no current bids in the market place and the directors of BBX have formed the view that there is unlikely to be any takeover bids made for BBX in the immediate future. It is noted that there are 33,547,146 existing 1.25 cent share options outstanding of which 17,410,521 are not owned by Drake and if all 1.25 cent options were exercised along with the 11,363,375 share options to be issued to Drake on conversion of the Notes), Drake Drake's shareholding would increase to approximately 40.25% (but would be approximately 42.56% if only Drake exercised the 27,500,000 1.25 cent share options he would control after conversion of the Notes and issue of the Drake Issue Shares). If all 1.25 cent share options were exercised, the Company would receive $561,381 of which Drake would pay the Company $343,750.

10.16 If the remaining Notes are converted to shares in BBX, Drake will receive 12,500,000 Drake Share Options- includes 1,136,625 Drake Share Options issued to Drake in May 2016 as a result of conversion of 2,273,250 Notes in March 2016. The exercise price of each Drake Share Option is 1.25 cents and the Company would receive $156,250 if all such share options were exercised by Drake. As noted above, the share price of a BBX share when negotiating the share/debt funding in September/October 2015 (announced to the market on 7 October 2015) was in the range of 1.8 cents to 2.2 cents. Thus there was no premium to exercise any share options issued to Drake from conversion of the Notes at the time of signing the share/debt funding package on 7 October 2015.

## 11. CONCLUSION AS TO REASONABLENESS

11.1 **In our opinion, taking into account the factors noted above and in section 10 of this report and the comments made in the EM to Shareholders accompanying the Notice, the proposal noted in Resolution 1 whereby BBX will allow Drake to convert up to 22,726,750 Notes to shares in BBX and the proposal to allow the issue of 4,597,928 Drake Issue Shares at 2.5 cents each as noted in Resolution 2 are on balance, reasonable to the non-associated shareholders of BBX at the date of this report.**

Each shareholder needs to examine the share price of BBX, and market conditions at the time of exercise of vote to ascertain the impact, if any, on Resolutions 1 and 2.

## 12. SHAREHOLDER DECISION

12.1 Stantons International Securities Pty Ltd has been engaged to prepare an independent expert's report setting out whether, inter-alia in its opinion the proposal to allow Drake to convert up to 22,726,750 Notes at 1.0 cents each to ordinary shares in BBX and issue 4,597,928 Drake Issue Shares at 2.5 cents each are fair and reasonable and state reasons for that opinion. Stantons International Securities Pty Ltd has not been engaged to provide a recommendation to shareholders in relation to the proposals under Resolutions 1 and 2 (but we have been requested to determine whether the proposals pursuant to Resolutions 1 and 2 are fair and/or reasonable to those shareholders not associated with Drake). The responsibility for such a voting recommendation lies with the directors of Drake.

12.2 In any event, the decision whether to accept or reject Resolutions 1 and 2 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. If in any doubt as to the action they should take in relation to the proposals under Resolutions 1 and 2, shareholders should consult their own professional adviser.

12.3 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 Pty Ltd does not offer an opinion and is independent on whether to accept the proposals under Resolutions 1 and 2. Shareholders should consult their own professional adviser in this regard.

## 13. SOURCES OF INFORMATION

13.1 In making our assessment as to whether the proposals pursuant to Resolutions 1 and 2 are fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company that 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.

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

- Drafts of Notice and EM of BBX of May and early June 2016;
- Discussions with a director of BBX;
- Shareholding details of BBX as at 20 March 2016 (Top 20), 18 April 2016 and 10 May 2016;
- Share prices of BBX since 1 March 2015 to 28 June 2016;

- Half yearly Report of BBX for the six month period ended 31 December 2015 and audited annual financial statements for the year ended 30 June 2015;
- Unaudited consolidated statement of financial position of BBX as at 31 March 2016;
- Announcements made by BBX to the ASX from 1 July 2014 to 28 June 2016;
- The cash flow forecasts of BBX for the period 1 February 2016 to 31 December 2016 and estimated costs from 1 April 2016 to 30 June 2016;
- The Loan/Note agreement with Drake of October 2015;
- The notice to shareholders and accompanying explanatory memorandum forwarded to shareholders in March 2016 relating to a shareholders meeting held on 19 April 2016;
- The Sahara Valuation Report; and
- Information on BBX as provided on the ASX web site and BBX's web site.

13.3 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**

**APPENDIX A**

## 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 28 June 2016, relating to the proposed conversion of up to 22,726,750 Notes by Drake as outlined in Resolution 1 and the proposed issue of the Drake Issue Shares as outlined in Resolution 2 of the Notice of Meeting to Shareholders and the EM proposed to be distributed to the BBX shareholders in June 2016 or early July 2016 for a shareholders meeting in August 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 $14,500 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 Notice.

## 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 assess the merits of the potential conversion of up to 22,726,750 Notes that may be converted to ordinary shares in BBX by Drake as outlined in Resolution 1 the EM and the proposal to issue Drake Issue Shares as outlined in Resolution 2 as outlined in the EM 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 is 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 proposals set out in Resolutions 1 and 2 to the Notice and each individual shareholder may make up their own opinion as to whether to vote for or against Resolutions 1 and 2.

## 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 28 June 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 www.fos.org.au 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 |

APPENDIX B

**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:**

**BBX Minerals Ltd**

**Effective Date – 30 April 2016**



| | | | |
|---|---|---|---|
| **Authors:** | Beau Nicholls | Principal Consultant and CEO | BSc (Geo) MAIG |
| **Peer Review** | Kerry Griffin | Associate Consultant | BSc (Geo) MAIG |
| **Versions / Status:** | Final | | |
| **Path & File Name:** | C:\Users\Beau\Google Drive_Sahara Mining Services\Services\Consulting - Studies - Audits (BN)\Projects\BBX\X-F-BBX01_ITR_Valuation_FINAL.docx | | |

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# EXECUTIVE SUMMARY

## Introduction

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

The BBX 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.

Only Juma East is covered in the technical content of this report. Eldorado do Juma and Pombos are currently under binding sales agreements and Ema and Tres Estados projects have had no exploration work completed to date.

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

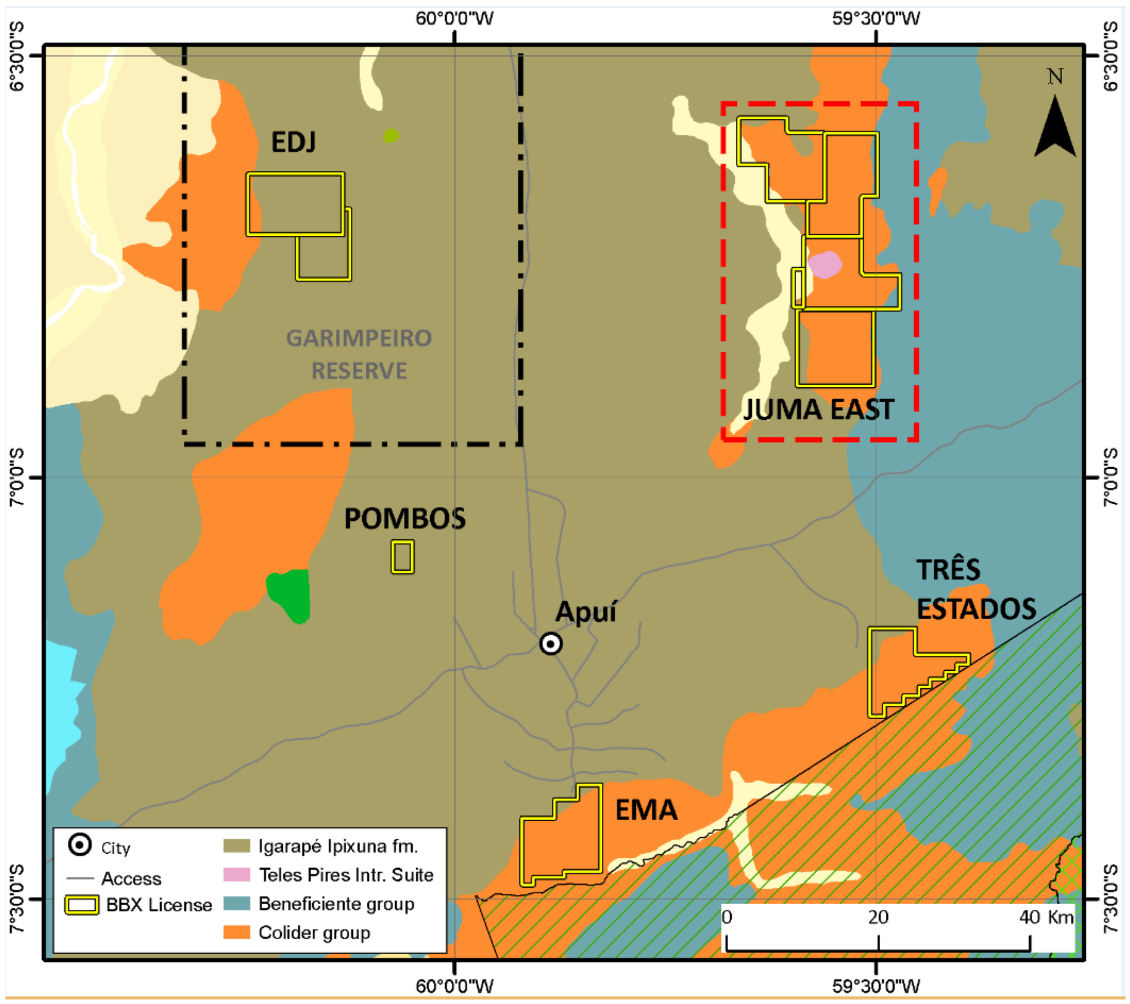
The BBX projects comprise 11 tenements including the Eldorado do Juma; Juma East; Pombos; Ema and Tres Estados Projects, representing a combined area of 82,403Ha.

**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.

**Figure 1_2**
**Project Geology Map**




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:-

- 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

The results to date from exploration work completed are summarised below

- 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 by amalgamation with mercury.
- 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.
- Newly acquired geologically prospective tenements have had no exploration work completed and warrant a first pass soil geochemistry program.

**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 2005, 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:-

- **“Exploration Areas”** refer to properties where mineralisation may or may not have been identified, but where a mineral resource has not been defined.

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 March 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 two soil grids completed to date
- Negative assay results from the 6 drillholes completed to date by conventional fire assay analysis, although positive in that the drillholes returned strong hydrothermal mineralisation and intense brecciation consistent with being within a large mineralised epithermal system.
- First movers in an unexplored region. Two projects (Tres Estados and Ema) have had no on the ground exploration but have hosted historic artisanal gold miners.
- 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.

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 0.67 to 1.34, indicating that every dollar spent on regional exploration has returned between AU$0.67 and AU$1.34 in value as defined in the table below.

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

**Table 1_1**

**BBX Brazil Projects**

**Valuation Summary**
**(30 April 2016)**

| **Asset** | **Equity Interest** | **Valuation** | | |
|---|---|---|---|---|
| | | **Low AU$** | **High AU$** | **Preferred AU$** |
| Juma East Projects | 100% | 1,251,341 | 2,521,109 | 1,886,225 |
| Tres Estados Project | 100% | 5,324 | 10,649 | 7,987 |
| Ema Project | 100% | 6,292 | 12,583 | 9,437 |
| Edorado do Juma Project | 100% | 569,255 | 569,255 | 569,255 |
| Pombos Project | 100% | 39,347 | 39,347 | 39,347 |
| **Total (Million AU$)** | **100%** | **1.87** | **3.15** | **2.50** |

**appropriate rounding has been applied to the total*

The value of BBX 100% equity interest in the Brazil Project is considered to lie in a range from **AU$1.87 million** to **AU$3.15million**, within which range Sahara has selected a preferred technical value of **AU$2.50 million**.

# 1 INTRODUCTION

## 1.1 Scope of Work

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

Only Juma East is covered in the technical content of this report. Eldorado do Juma and Pombos are currently under binding sales agreements and Ema and Tres Estados projects have had no exploration work completed to date.

The conclusions expressed in this Independent Technical Valuation are appropriate as at the Valuation Date 30 April 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 2005.

## 1.2 Qualifications, Experience and Independence

Sahara is an established mining services company. Sahara professional personnel have been providing specialist mining services internationally since 1995 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, Top 30m specialists)
- 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 primary author, 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. Mr Nicholls is a Member of the Australian Institute of Geoscientists (MAIG), and has the appropriate relevant qualifications and experience to satisfy the requirements as an "Expert" as defined under the VALMIN Code.

In addition, Mr Kerry Griffin is a professional geologist with over 20 years' experience in the exploration and mining industry, was retained by the primary author as a "Specialist" to advise on aspects associated with the BBX assets.

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.

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 | | ºC | 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

**Figure 2.1_1**
**BBX Project Location - Amazonas State (Brazil)**


## 2.2 Tenement Status

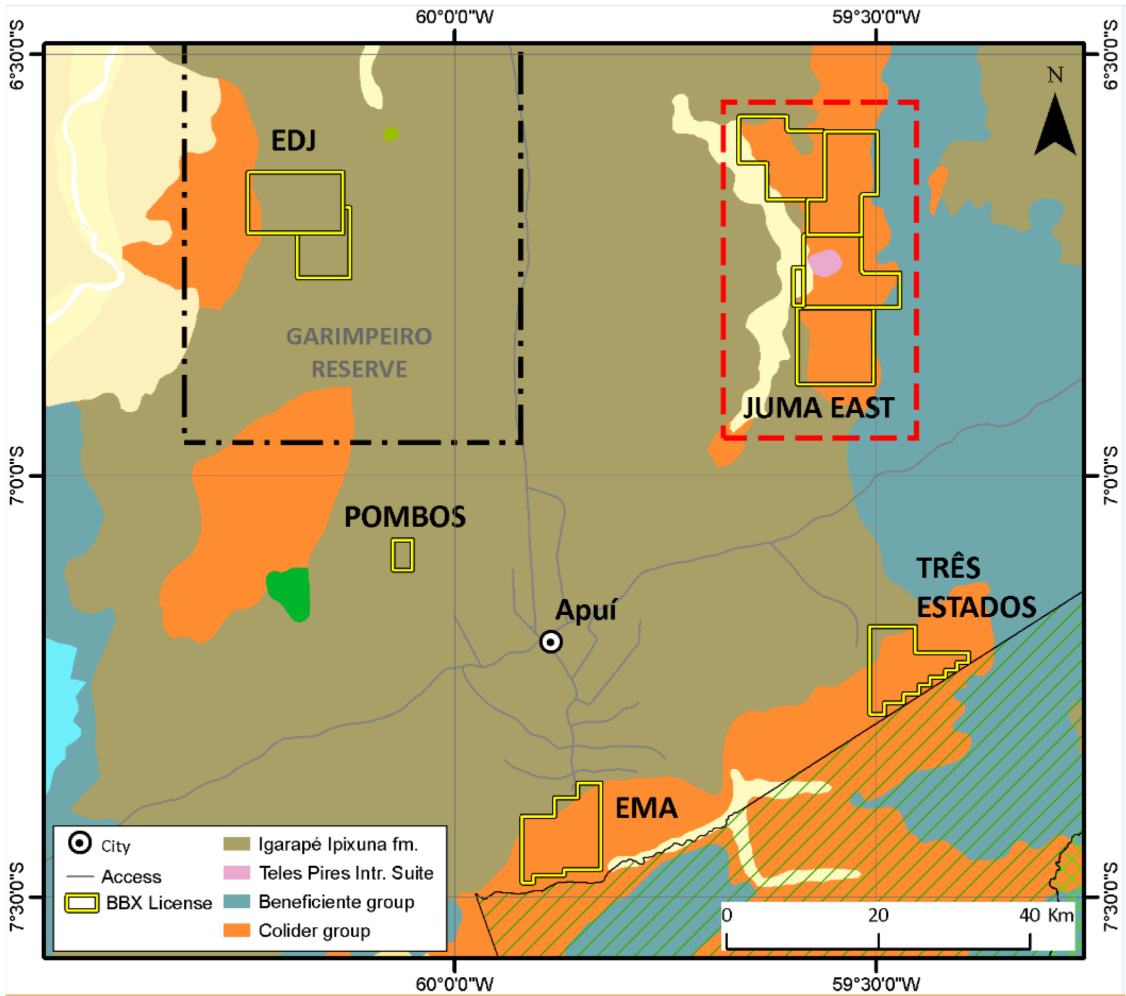
The BBX projects comprise 11 tenements including the Eldorado do Juma; Juma East; Pombos; Ema and Tres Estados Projects, representing a combined area of 82,403Ha as shown in Table 2.2_1 and Figure 2.2_1.

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 Annual Expenditure Commitment US$ |
|---|---|---|---|---|
| Juma East | 880.115/08 | 9,493 | 02-08-16 | 100,000 |
| Juma East | 880.116/08 | 10,000 | 02-08-16 | 100,000 |
| Juma East | 880.117/08 | 9,642 | 02-08-16 | 100,000 |
| Juma East | 880.129/08 | 9,307 | 02-08-16 | 100,000 |
| Juma East | 880.151/14 | 662 | Application | 0 |
| Tres Estados | 880.090/08 | 8,172.25 | 24-09-18 | 0 |
| Ema | 880.107/08 | 9,839.91 | 24-09-18 | 0 |
| Pombos | 880.094/14 | 1,000 | Application | 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*** | | ***82,403*** | | |

**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 X**
**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 25,000 | 15-Apr-16 |
| | | USD 50,000 | 15 February 2017,18,19,20 |
| Tres Estados | 880.090/2008 | USD 10,000 | 15-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 | 15-Sept-16 |
| | | USD 10,000 | 15-Sept17 |
| | | USD 20,000 | 15 Sept 2018,19,20,21 |
| Total payments remaining | | USD1,245,000 | |

### 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.

| **Figure 3.1_1**<br>**Boat access (Acari River) – 3 hours** | **Figure 3.1_2**<br>**BBX Core Storage in Apui** |
|---|---|
|  |  |

## 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 27.5ºC 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.

**Figure 3.2_1**
**Farms on side of Acari River**

**Figure 3.2_2**
**4WD Access in the Amazon Jungle**


**Figure 3.2_3**
**BBX Juma East Exploration Camp**

## 3.3 Local Infrastructure and Services

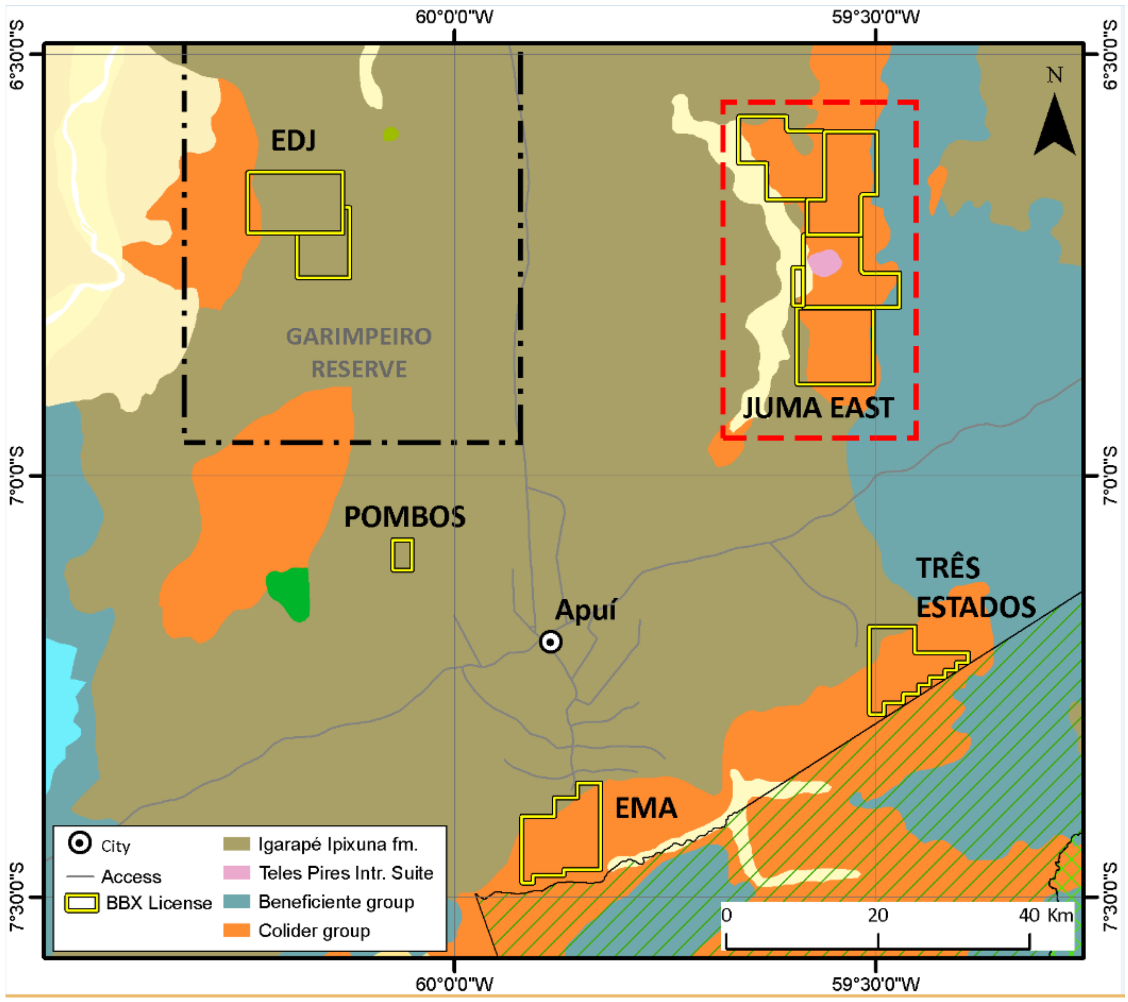
There is a temporary exploration camp at the Juma East Project with housing having been constructed by BBX (Figure 3.2_3). All electricity is supplied by diesel generators and all consumables are brought in from Apui.

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

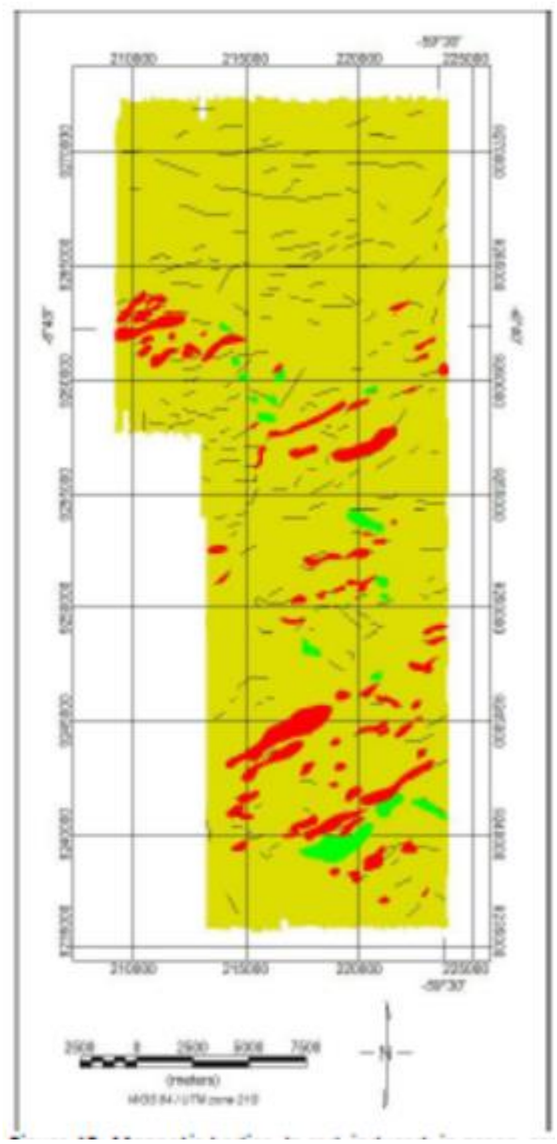
## 4 GEOLOGICAL SETTING AND MINERALISATION

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.

**Figure 4_1**
**Project Geology Map**



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.

| **Figure 4_2**<br>**N70E Magnetic Intrusions (Reconsult 2015)** | **Figure 4_3**<br>**Intense Stockwork Mineralisation at Guida Prospect** |
|---|---|
|  |  |

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.

**Figure 4_4**

**Silica veins within the magnetite zone**


**Figure 4_5**
**Hydrothermal mineralisation of a pebble conglomerate unit**


**Figure 4_6**

**Silicified Granite**


**Figure 4_7**

**Potential trace gold within the magnetite shear**

# 5 DEPOSIT TYPES

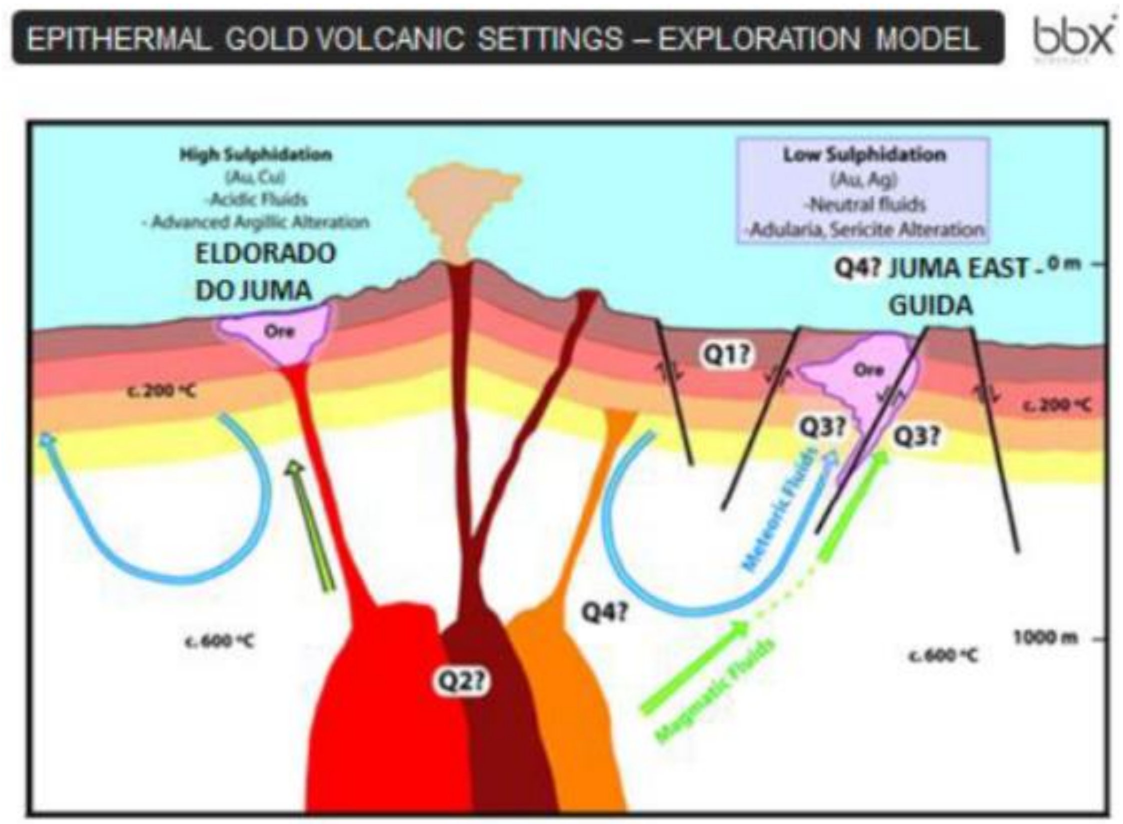
Juma East and the surrounding prospects are classed as having potential for low sulphidation Epithermal deposits.

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

**Figure 5_1**
**Typical Genetic Setting for Epithermal Gold (BBX Press release Jan2014)**

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# 6 EXPLORATION

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

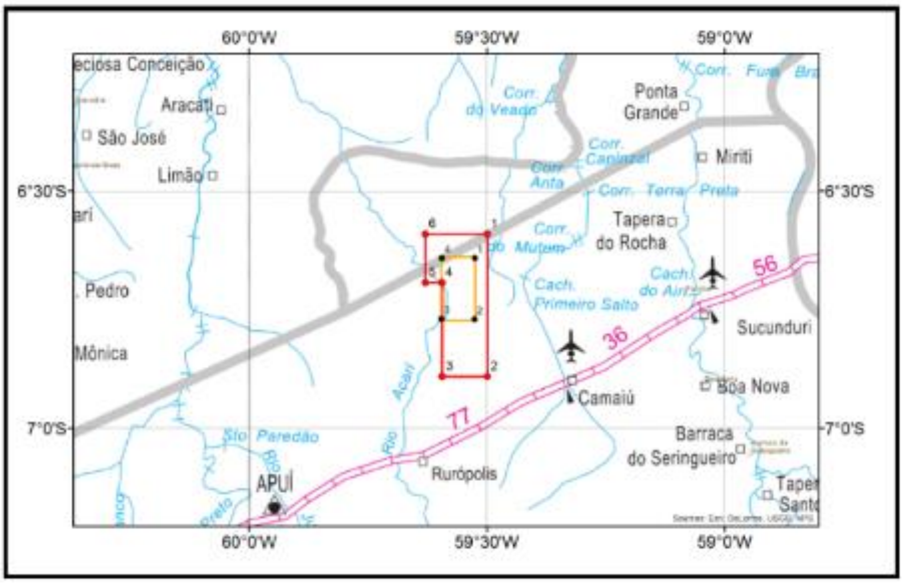
- Reprocessing of a CPRM geophysical survey, (500m spaced lines)
- 3 Channel Samples for 11 samples returned (6m at 0.44g/t Au , 3m at 0.56g/t Au and 2m at 0.25g/t Au.) These results represent a panned heavy concentrate sample
- Soil Geochemistry - (1,231 samples) (400m x 80m infilled to 200m x 80m)
    - 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 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.

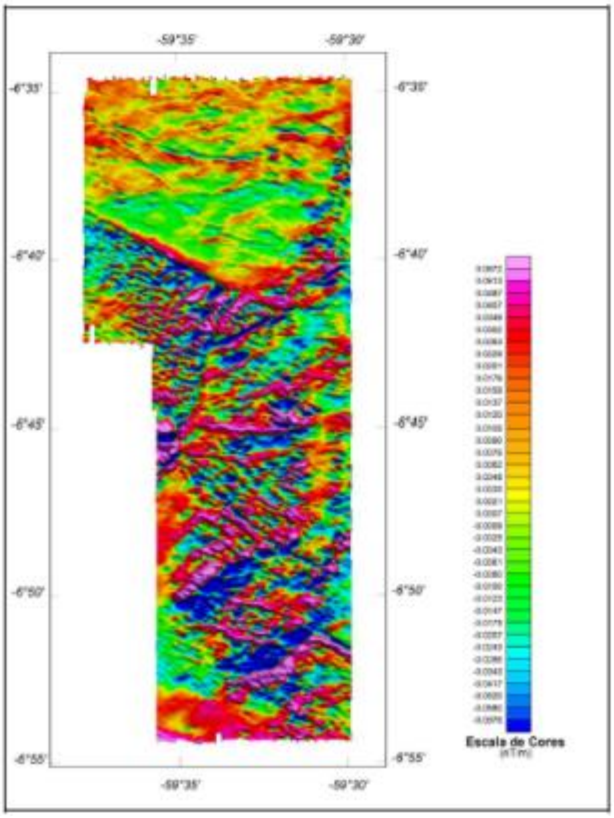
BBX Contracted LASA Prospeccoes SA to undertake 3,087km of airborne magnetics and radiometric. The survey was completed on 74 lines spaced at 200m (red outline in Figure below) and an additional 37 infill lines to 100m spacing (Orange outline in figure below).

**Figure 6.1_1**
**LASA Survey Area**




An example of a Lasa processed image is shown below

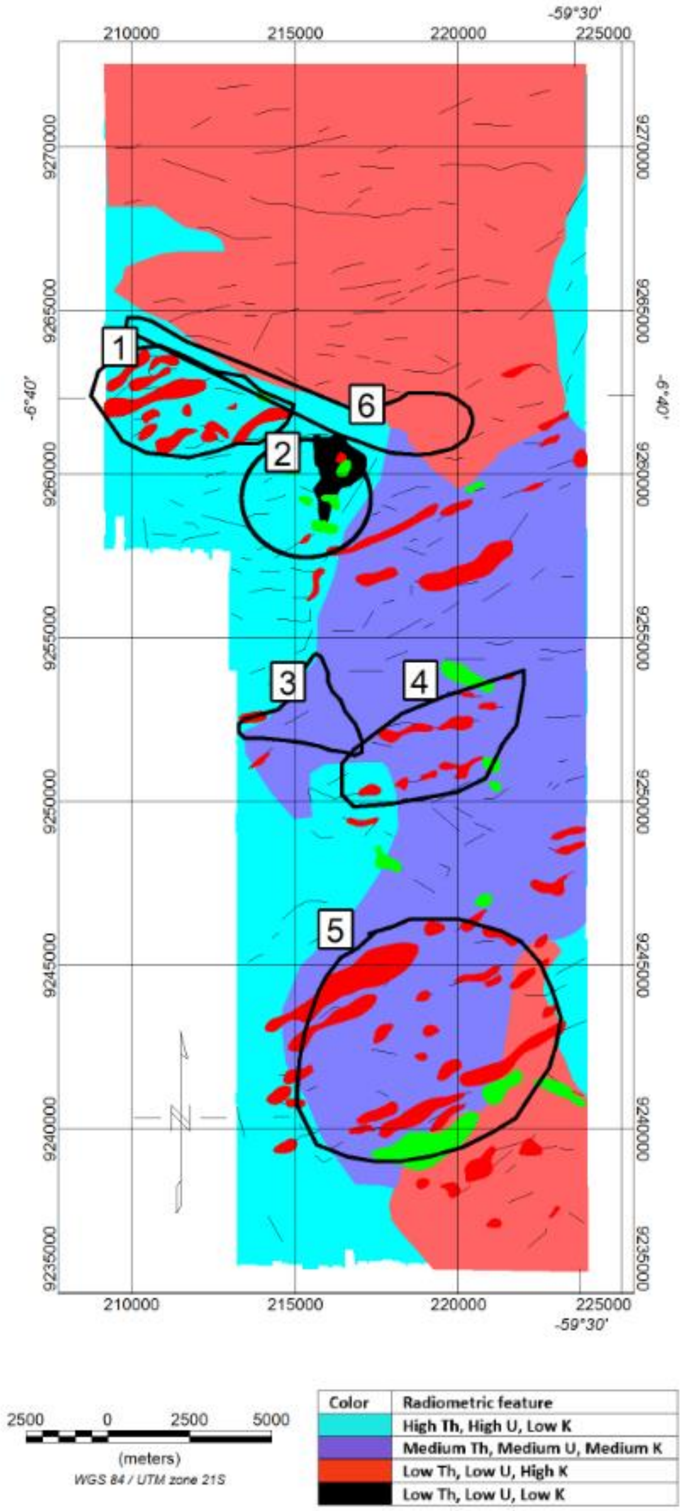
**Figure 6.1_2**
**LASA Processed Image - 1st Vertical Derivative**




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_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_3**
**Reconsult Targets**



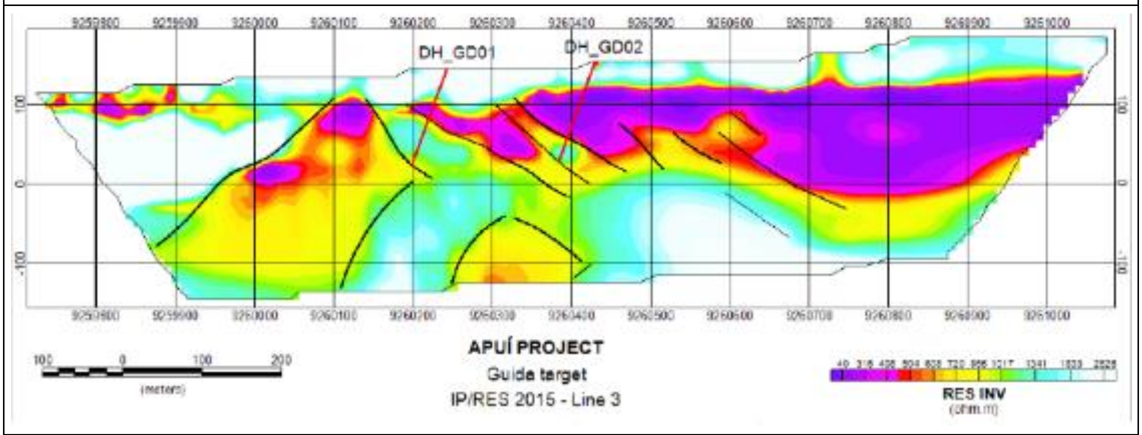

Sahara considers the northwest part of target 6 which has a high tenor coincident soil anomaly to be a high priority drill target. This zone has not been drill tested to date.

## 6.2 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.

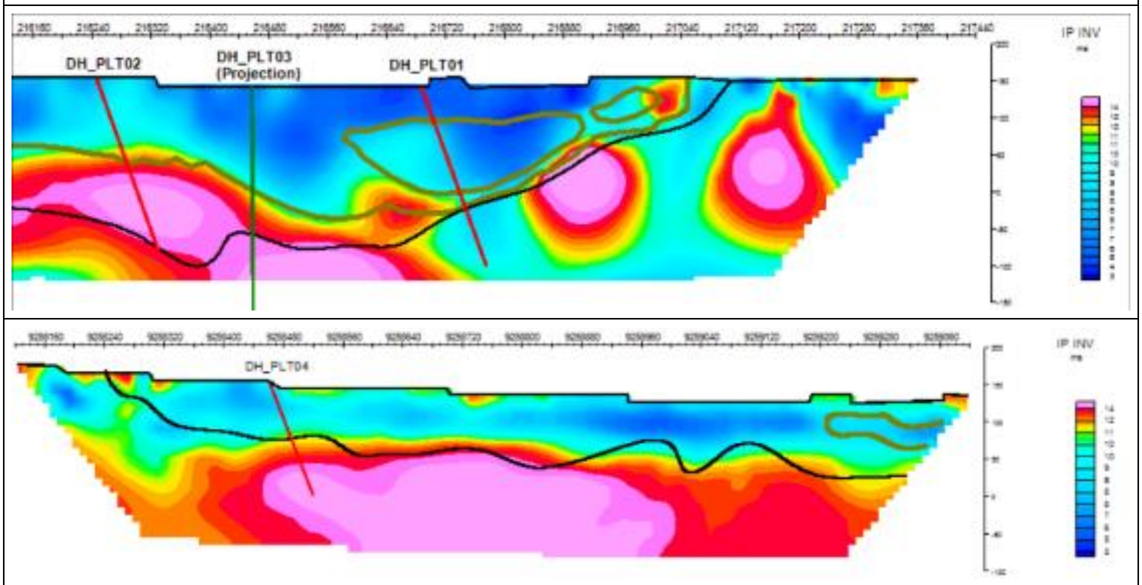
Reconsult recommended a total of 2 holes at the Guida Prospect. Both holes were designed to test a resistive structure with no IP response as shown in the figure below.

**Figure 6.2_1**
**2 Holes Proposed at Guido Prospect**




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.

**Figure 6.2_2**
**4 Holes Proposed at Plato Prospect**




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.

## 6.3 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.

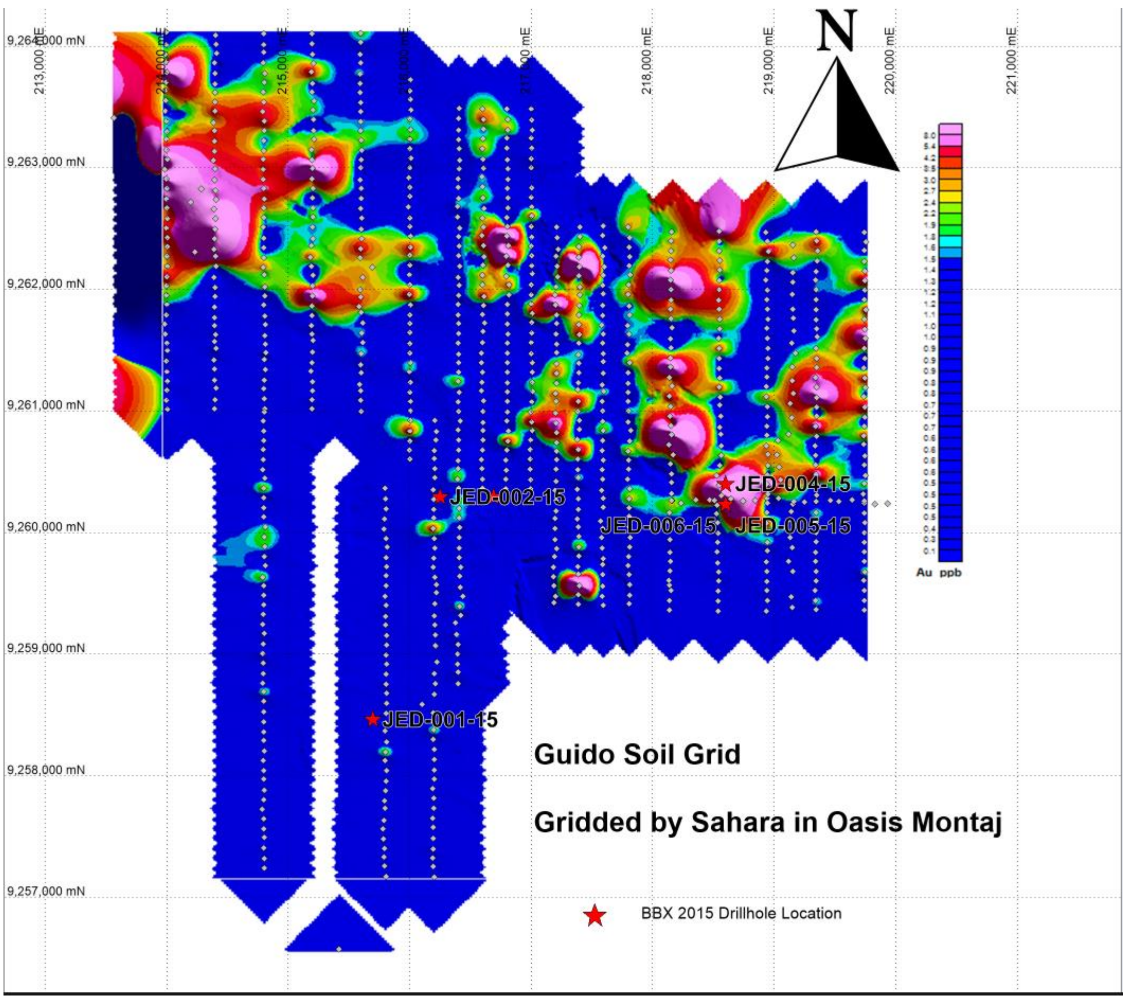
## 6.4 Soil Sampling

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.

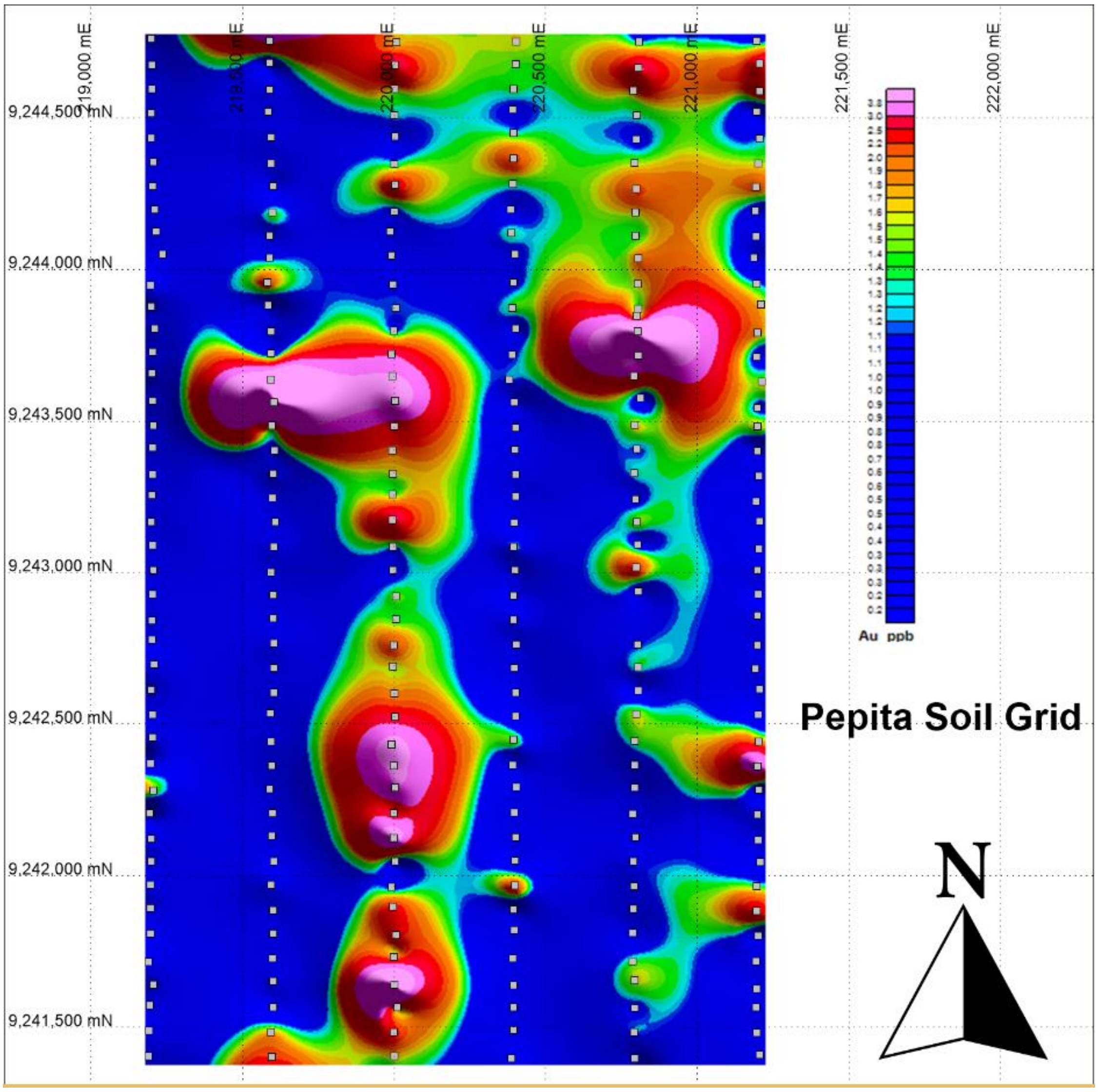
The Guida soil grid returned a number of Au in soil anomalies as shown in the figure below

**Figure 6.4_1**
**Guida Prospect - Soil Sampling – Au (Gridded by Sahara 2016)**




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.

**Figure 6.4_2**
**Pepita Prospect - Soil Sampling - Au**




## 6.5 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

### 6.5.1 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.

## 6.6 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.

## 6.7 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 16.7_1<br>Standards Utilized by BBX (DC Program)<br>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.

### 6.8 NOMOS and other Testwork (Dec 23 Press release 2015)

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 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.

# 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.

The Valmin Code 2005, 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:-

- **“Exploration Areas”** refer to properties where mineralisation may or may not have been identified, but where a mineral resource has not been defined.
- **“Advanced Exploration Areas and Pre-Development Projects”** are those where Mineral Resources have been identified and their extent estimated, but where a positive development decision has not been made.
- **“Development Projects”** refers to properties which have been committed to production, but which have not been commissioned or are not operating at design levels.
- **“Operating Mines”** are those mineral properties, which have been fully commissioned and are in production.

The various recognised valuation techniques are designed to provide the most accurate estimate of the asset value in each of these categories of project maturity. In some instances, a particular mineral property or project may include assets that logically fall under more than one of these categories.

Regardless of the valuation techniques adopted, the consideration must reflect the perceived “fair market value”, which is described in Definition 41 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:-

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

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

No previous valuations for the Brazil projects have been undertaken.

## 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 fair market value.

In the current market, the perceived fair 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.

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 2005 (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$650K & 2M Conditional Shares (~**2.65 M AU$**).
- Gold Price July 2014 was 2,924BR$/oz versus 4,350BR$/oz in March 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.

**Figure 8_1**
**Historical Gold Price in BR$ Value (July 2012 = 2,924BR$/oz, March 2016 = 4,350BR$/oz)**


- 

## 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 30 April 2016

**Table 8.1_1**
**BBX Brazil Expenditure (End of April 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 | 18% |
| Tenement Rental Cost (DNPM) | 851 | 46,973 | 45,151 | 47,561 | 140,536 | 6% |
| Field Exploration Costs | | 85,121 | 25,132 | 13,716 | 123,969 | 6% |
| Drilling Program | 0 | 6,380 | 247,718 | 25,586 | 279684 | 13% |
| Assay | | 85,568 | 3055 | 37,132 | 125,755 | 6% |
| Infrastructure Costs | | 28,452 | 43,900 | 444 | 72,796 | 3% |
| Environmental Costs | | 15,744 | 19,521 | | 35,265 | 2% |
| Consultant /Salary/Wages | 8,993 | 139,459 | 172,880 | 49,717 | 371,049 | 17% |
| Transport Costs | | 1,428 | 28,962 | 2,249 | 32,639 | 1% |
| Admin /overheads | | 53,863 | 94,509 | 95,230 | 243,602 | 11% |
| Legal Costs | 101,099 | 21,708 | 41,903 | | 164,710 | 7% |
| **TOTAL JUMA EAST PROJECT** | $161,609 | $808,414 | $ 883,183 | $344,062 | $ 2,197,268 | |
| **EMA PROJECT** | | | | | | |
| Tenement Rental Cost | | | | 10,486 | 10,486 | 0.5% |
| **TRES ESTADOS PROJECT** | | | | | | |
| Tenement Rental Cost | | | | 8,874 | 8,874 | 0.4% |
| TOTAL | $161,609 | $ 808,414 | $ 883,183 | $ 363,422 | $ 2,216,628 | |
| ** Exclusive of Eldorado do Juma Project and Pombos Project | | | | | | |

## 8.2 Exploration Potential

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 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.

- First movers in an unexplored region. Two projects (Tres Estados and Ema) have had no on the ground exploration but have hosted historic artisanal gold miners,

- 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 BBX Projects.

### 8.2.1 Eldorado do Juma

This project has been valued based on the Fair Market Value. There is a current agreement in place to purchase the project for 1.5M BR$. Using the 2.63 exchange rate as at 30 April 2016 this gives ~569,255 AU$.

### 8.2.2 Pombos

This project has been valued based on the Fair Market Value. There is a current agreement in place to purchase the project for 30,000US$. Using 1.3 exchange rate as at 30 April 2016 this gives ~39,347 AU$.

## 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 0.67 to 1.34, indicating that every dollar spent on regional exploration has returned between AU$0.67 and AU$1.34 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**
**(30 April 2016)**

| Asset | Equity Interest | Valuation | | |
|---|---|---|---|---|
| | | Low AU$ | High AU$ | Preferred AU$ |
| Juma East Projects | 100% | 1,251,341 | 2,521,109 | 1,886,225 |
| Tres Estados Project | 100% | 5,324 | 10,649 | 7,987 |
| Ema Project | | 6,292 | 12,583 | 9,437 |
| Edorado do Juma Project | 100% | 569,255 | 569,255 | 569,255 |
| Pombos Project | 100% | 39,347 | 39,347 | 39,347 |
| **Total (million AU$)** | **100%** | **1.87** | **3.15** | **2.50** |

**appropriate rounding has been applied to the total*

The value of BBX 100% equity interest in the Brazil Project is considered to lie in a range from **AU$1.87 million** to **AU$3.15million**, within which range Sahara has selected a preferred technical value of **AU$2.50 million**.

# 9 PRINCIPAL SOURCES OF INFORMATION


| | | |
|---|---|---|
| ***Appleyard, G.R.,*** | 1994 | Joint Venture Terms as a Basis for Valuation. Mineral Valuation Methodologies 1994 (Valmin 1994). |
| ***AusIMM,*** | 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. |
| ***Lawrence, M.J.,*** | 1994 | An Overview of Valuation Methods for Exploration Properties. Mineral Valuation Methodologies 1994 (Valmin 1994). |
| ***Onley, P.G.,*** | 1994 | Multiples of Exploration Expenditure as a Basis of Mineral Valuation. Mineral Valuation Methodologies 1994 (Valmin 1994). |
| ***Amazon Geoservices*** | 2013 | Review of the Eldorado do Juma project |

All registry communications to:
Automic Registry Services
PO Box 223
West Perth WA 6872

BBX MINERALS LIMITED | ACN 089 221 634

GXY

MR SAM SAMPLE
FLAT 123
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THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Holder Number

# Security Holder Appointment of Proxy – General Meeting

I/We being a Shareholder entitled to attend and vote at the General Meeting, hereby appoint

☐ OR ☐ The Chair as my/our proxy

*(Name of Proxy)*

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the General Meeting to be held at 10:00am (WST) on 8 August 2016 at Level 1, 35 Havelock Street, West Perth, WA and at any adjournment thereof.

**The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.**

Unless indicated otherwise by ticking the "for", "against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.

## VOTING ON BUSINESS OF THE MEETING

| | **Resolutions** | **For** | **Against** | **Abstain** |
|---|---|---|---|---|
| 1 | Acquisition of Relevant Interest by Drake Private Investments LLC – Conversion of Convertible Notes | ☐ | ☐ | ☐ |
| 2 | Issue of New Shares to, and Acquisition by, Drake Private Investments LLC | ☐ | ☐ | ☐ |

*Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.*

## SIGNATURE OF SHAREHOLDER(S):

| **Individual or Shareholder 1** | **Shareholder 2** | **Shareholder 3** |
|---|---|---|
| | | |
| Sole Director or<br>Sole Director / Company Secretary | Director | Director / Company Secretary |

**APPOINTING A PROXY**

A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. The appointed proxy may be an individual or body corporate.

If a Body Corporate is appointed to act as your proxy then a representative of that Body Corporate must be appointed to act as its representative. When attending the meeting, the representative must bring a formal notice of appointment as per section 250D of the Corporations Act. Such notice must be signed as required by section 127 of the Corporations Act or the Body Corporate's Constitution.

If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll.

The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.

**Note:** If you wish to appoint a second proxy, you may copy this form but you must return both forms together.

**VOTING ON BUSINESS OF THE MEETING**

A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the number of votes that the proxy may exercise by writing the number of Shares next to the box marked for the relevant item of business.

Where a box is not marked the proxy may vote as they choose subject to the relevant laws.

Where more than one box is marked on an item the vote will be invalid on that item.

**SIGNING INSTRUCTIONS**

- **Individual**: Where the holding is in one name, the Shareholder must sign.
- **Joint holding**: Where the holding is in more than one name, all of the Shareholders should sign.
- **Power of attorney**: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
- **Companies**: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

**ATTENDING THE MEETING**

Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

**LODGEMENT OF VOTES**

To be effective, a validly appointed proxy must be received by the Company **not less than 48 hours** prior to commencement of the Meeting.

Proxy appointments can be lodged by:

a) **Hand Delivery –** to Automic Registry Services, Suite 310, 50 Holt Street, Surrey Hills NSW 2010; or
b) **Post** - to Automic Registry Services, PO Box 2226, Strawberry Hills NSW 2012; or
c) **Fax** – to The Company on +61 086 210 1153; or
d) **Online** – via our share registry @ https://automic.7g.com.au/loginlisted.aspx and follow the below instructions:

1. Security Code – using the dropdown box select "**BBX Minerals Limited**"
2. SRN/HIN – enter your personal holder number
3. Enter your postcode if your holding has a registered address in Australia or your Country if it is registered overseas
4. Click the "Login" button
5. Click on the "Voting" tab to commence registering your voting intention

**Proxy Forms received later than this time will be invalid**