

BBX MINERALS LIMITED

ACN 089 221 634

FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

This financial report covers the consolidated entity consisting of BBX Minerals Limited and its controlled entities.

This interim Financial Report should be read in conjunction with the company's most recent annual financial report for the period ended 30 June 2015.

Corporate Directory

Half Year-Ended 31 December 2015

Directors

Michael Schmulian (Chairman)

William Dix

Alastair Smith

Secretary

Simon Robertson

Registered Office

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Share Registry

Automic Registry Services

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Auditor

LNP Audit and Assurance

Level 11, Suite 11.01 60 Castlereagh Street

Sydney NSW 2000

Stock Exchange

Australian Securities Exchange

20 Bridge Street

Sydney NSW 2000

ASX Code

BBX (fully paid ordinary shares)

BBX Minerals Limited

Directors' Report

Half-Year Ended 31 December 2015

The directors of BBX Minerals Limited submit the consolidated financial report of BBX Minerals Limited ("BBX") and its controlled entities ("the Group") for the half-year ended 31 December 2015.

In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names of directors who held office during or since the end of the half-year are:

Mr Michael Schmulian

Mr William Dix

Mr Alastair Smith

The directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Review of Operations

The consolidated total comprehensive loss of the group for the half-year after income tax was \$ 677,176 (December 2014: \$832,093).

The loss from ordinary activities after income tax expense includes the following items of revenue and expense that are relevant in explaining the financial performance of the entity.

| | Half-year Ended 31 Dec 2015 | Half-year Ended 31 Dec 2014 |
|-------------------------------------|--|--|
| | \$ | \$ |
| Loss from continuing operations | (434,825) | (339,752) |
| Profit from discontinued operations | - | (466,853) |
| Loss for the period | (434,825) | (806,605) |

Project Announcements:

Exploration Leases

On 28th September 2015 BBX announced that the DNPM granted BBX the following exploration licences.

- Ema (DNPM ref 880.107/2008)
- Tres Estados (DNPM ref 880.090/2008)

The exploration licences are valid for 3 years with the right to be extended for up to another 3 years at BBX's request. The tenement areas are located approximately 30km and 60km from Apui with year-round access via a gravel road.

Juma East Project

BBX announced on 21 July 2015 that it has commenced an Induced Polarisation (IP) programme to fine tune its drilling programme on its Plato and Guida tenements at its Juma East project.

On 31 August 2015 BBX announced that its 100% owned subsidiary Mineração BBX do Brasil Ltda accepted a tender from Energold Perfurações Ltda, owned by Energold Drilling Corp of Canada (TSX- V: EGD) to drill its Guida and Plato prospects at its Juma East project. Following the completion of the Induced Polarisation (IP) programme BBX finalised the locations of its proposed drill holes and completed the base camp construction and widening of the access road to facilitate mobilisation of the drilling equipment. BBX advised mobilisation was to commence within the following 2-3 weeks and drilling to commence immediately the rig is on site.

Under the drilling contract BBX has issued shares to Energold: On mobilisation a total of 117,187 shares and on de-mobilisation a total of 117,187 shares. For each metre drilled, a total of 914 shares.

On 28 September 2015 BBX announced that Energold had commenced drilling the first hole on its Juma East tenement.

Directors' Report

Half-Year Ended 31 December 2015

BBX announced on 7 October 2015 that the initial drill hole, JED-001 had been completed and the core was being transported to the Company's core storage and sampling facility for detailed geological logging and sampling prior to despatch for assay.

On 12 October 2015 BBX announced that it had successfully completed drilling its first hole (JED 001) at Juma East to a depth of 180.80 metres targeting gold and or copper mineralisation in breccia pipe 3, in the Plato regional target. BBX advised that JED-001 intersected:

- Visible fine to very fine gold disseminated in the siliceous rock from 64.9 metres to 120.2 metres down-hole. Visual inspection noted gold in the uncut core at various depths in addition to a finely-disseminated unidentified silver-coloured ductile mineral, tentatively identified as a gold-palladium alloy known to occur in the region.
- The intensity of the mineralisation increases with depth, accompanied by fine-grained magnetite and occasional arsenopyrite and pyrite.

On 26th October 2015 BBX announced it had successfully completed drilling its second hole (JED-002) at Juma East to a depth of 300 metres, targeting gold and/or copper mineralisation in breccia pipe 1, in the Plato regional target. JED-002 is located approximately 2km north of JED-001. JED-002 intersected a similar geological sequence to JED-001, including 49 metres of intense silica-magnetite-chlorite+/-hematite alteration containing fine pyrite from 146 metres. This zone is almost identical in appearance to the mineralised zone in JED-001, but is more intensely altered and richer in sulphides.

On 7th December 2015 BBX announced it had received initial partial and incomplete assay results for hole JED-001, testing breccia pipe 3 in the Plato regional target, Juma East. BBX advised that due to a series of significant and complex inconsistencies in these results, the Company was undertaking additional and more detailed analytical and mineralogical work on hole JED-001 using separate laboratories in both Brazil and Canada. BBX also advised it had successfully completed an additional three holes (JED-003, 004 and 005) at Juma East.. JED-003, targeting gold and/or copper mineralisation in breccia pipe 1, at Plato was drilled to a depth of 292.8 metres. JED-004 and JED-005, testing low-sulphidation style epithermal mineralisation at the Guida prospect, were completed at 224.96 metres and 101.84 metres, respectively. Drilling of hole JED-006 at Guida was commenced. Sampling of the drill core from JED-002, JED-003 and JED-004 had been completed and samples from these holes were despatched to the laboratory. Logging and cutting of JED-005 commenced with to be followed by sampling of the drill core and despatch of samples to the laboratory.

On 23rd December 2015 BBX announced it had successfully completed its initial six-hole drilling programme at Juma East, comprising three holes testing the interpreted breccia pipes at Plato (JED-001 to 003) and three holes testing the Guida low-sulphidation epithermal system (JED-004 to 006).

Assay results were received for holes JED-001 to JED-004.

Assay results for hole JED-001, testing breccia pipe 3 at Plato include those for the interval 66.45m to 121.70m, where visible gold had previously been identified. All results received for gold were extremely low, with a maximum value of 0.1g/t. No significant results were returned for a suite of 36 elements including precious and base metals. Similarly, no significant results were returned for holes JED-002 to 004. However, a yellow metallic mineral identified as gold was observed in hole 4, mainly over the interval 211 - 224.96m, within a highly siliceous rock containing zones of vuggy silica. Saw cuttings from this interval were panned, the yellow mineral collected, part of the concentrate amalgamated with mercury, and a gold-like metallic disc recovered. This disc subsequently fragmented, with the loss of a small slice, revealing a silver-coloured inner component. The disc was scanned using an SEM (scanning electron microscope) at the New Steel-CTSS laboratory, outside Rio de Janeiro, revealing a gold content in the range of 44-71% Au over the bulk of the sample. The silver coloured portion revealed a gold content of around 20%, with significant levels of niobium and rubidium. The same rock type, containing occasional specks of the yellow mineral was also intersected over the interval 200 - 299.40m in hole JED-006, passing directly under JED-004.

Subsequent to receiving results for JED-001 a series of additional tests was carried out in an attempt to reconcile these results with the fact that gold was visibly identified in the core and also panned from the diamond saw cuttings as part of the core processing. A sample of the saw cuttings was submitted to the SGS-Geosol laboratory in Belo Horizonte for confirmatory analysis and mineralogical identification. The SGS mineralogist, Itelino Braga microscopically confirmed the presence of coarse gold in this sample which was divided into three components, a heavy fraction, a light fraction and a magnetic fraction. Each of these fractions was subsequently analysed by fire assay, returning relatively low gold values. The heavy fraction, weighing only 2.51g and containing 11 gold grains, assayed only 0.81g/t. In addition, selected bulk residues were resubmitted

BBX Minerals Limited

Directors' Report

Half-Year Ended 31 December 2015

to two laboratories, Intertek and SGS-Geosol for further complete analysis using a 48-hour cyanide leach. Results received from Intertek returned values below the detection limit of 0.01g/t, with a maximum value of 0.02g/t from SGS-Geosol.

Gravity concentration using a Falcon concentrator was carried out on the pulverised residues from the interval 66.45m to 121.70m, totalling 9.069kg and assaying 0.05g/t. The resulting concentrate was separated into a magnetic fraction, weighing 49g and a non-magnetic fraction, weighing 170g. These fractions returned respective gold assay results of 1.30g/t and 2.17g/t. The resultant gravity recoverable gold is equivalent to an initial gold head grade of 0.048g/t. Five selected quarter-core samples from holes JED-001 (2 samples) and JED-003 (3 samples) were submitted to the Acme laboratory in Vancouver. No significant results were returned.

BBX advised that ongoing studies to reconcile the assay results with visual and microscopic observations will focus on the possibility that gold is present at Juma East in a form which does not respond to conventional analytical techniques. Test work will include generating a gravity concentrate from the laboratory rejects of hole 4, followed by amalgamation of the concentrate.

Eldorado do Juma

BBX announced on 1 September 2014 via its 100% owned subsidiary Mineracao BBX do Brasil Ltda, that it had signed a conditional sales and purchase agreement with ARNALDO Villar Da Silva (ARNALDO), whereby BBX do Brasil will sell its 100% interest in MINORTE Extracao de Minerio Ltda (MINORTE) for R\$1,500,000 (approximately A\$536,000 assuming a conversion rate of approximately 2.80 Brazilian Reals (R\$) to the Australian dollar (AUD)). The sale will be subject to issue of exploration licences which to date have not been issued by the DNPM. BBX continues to push for the licences to be issued to enable the transaction to be executed.

Corporate

BBX Minerals Limited announced on 7th October 2015 that it had raised \$398,000 through a private placement of 14,880,000 fully paid ordinary shares at an issue price of A\$0.01 cents per Placement Share to raise \$148,800 and a loan facility to raise \$250,000. The loan facility provided by Drake Private Investments LLC was, subject to shareholder approval sought at the Company's AGM, repayable through the issue of 25,000,000 convertible notes. The convertible notes have a face value of A\$0.01 each and mature on 31 December 2016. The convertible notes are interest free and may be converted at any time by the holder on the basis of one fully paid ordinary share per note. BBX will also issue Drake with 12,500,000 attaching options exercisable at A\$0.0125 and expiring on 1 March 2018 on the basis of 1 option for every 2 shares issued. The loan was repayable in cash within 10 business days had shareholders not approved the issue of the convertible notes. The loan was subsequently approved at the AGM held on 25 November 2015.

The private placement is for 14,880,000 fully paid ordinary shares at an issue price of A\$0.01 cents per Placement Share, and 1 attaching option (total 3,720,000) for every four shares issued exercisable at A\$0.0125 expiring on 1 March 2018 under the Company's existing 15% capacity. Shareholder approval was received to issue 7,925,000 advisory options exercisable at \$0.0125 expiring on 1 March 2018, in consideration for services provided in conjunction with the placement and the loan facility.

BBX Minerals Limited

Directors' Report

Half-Year Ended 31 December 2015

Current Tenements Interests

| <u>All Tenements Owned by BBX Minerals Ltd</u> | <u>Area (Ha)</u> | <u>Percentage ownership</u> |
|---|------------------|--|
| DNPM Permit Number 7124/2013 - 880.115/2008 Location Brazil (Juma East) | 9492.79 | 100% Exploration Licences |
| DNPM Permit Number 7126/2013 - 880.117/2008 Location Brazil (Juma East) | 9641.77 | 100% Exploration Licences |
| DNPM Permit Number 7127/2013 - 880.129/2008 Location Brazil (Juma East) | 9307.47 | 100% Exploration Licences |
| DNPM Permit Number - 880.151/2014 Location Brazil (Juma East) | 662.15 | 100% Application for Exploration Licence |
| DNPM Permit Number - 880.107/08 Location Brazil (Ema) | 9839.91 | 100% Exploration Licences |
| DNPM Permit Number - 880.090.08 Location Brazil (Tres Estades) | 8172.25 | 100% Exploration Licences |
| DNPM Permit Number - 880.094/2014 Location Brazil (Pombos) | 1000.36 | 100% Application for Exploration Licence |
| DNPM Number 880.070/2007 Location Brazil | Eldorado do Juma | 75% Option held |
| DNPM Number 880.152/2012 Location Brazil (Under application) | Eldorado do Juma | 75% Option held |

BBX Minerals Limited

Directors' Report
Half-Year Ended 31 December 2015

Auditor's Independence Declaration

A copy of the auditor's independence declaration under s.307C of the *Corporations Act 2001* is set out on page 7 of the half-year ended financial report.

This report is signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

No Person has applied for leave of the court to bring proceedings on behalf of the Company for all or part of those proceedings.

On behalf of the Directors



.....
Michael Schmulian
Chairman
Dated: 14 March 2016

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF BBX MINERALS LIMITED**

As lead auditor of BBX Minerals Limited for the year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

Lachlan Nielson Partners Pty Limited



Anthony Rose
Director

Dated 14 March 2016

Condensed consolidated statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2015

| | Note | Consolidated Group Half-year ended | |
|---|------|---------------------------------------|------------------|
| | | 2015 | 2014 |
| | | \$ | \$ |
| Continuing operations | | | |
| Other revenue | | 1,415 | 26,034 |
| Administration costs | | (372,375) | (210,393) |
| Depreciation | | (2,234) | (2,050) |
| Directors Fees | | (36,000) | (33,273) |
| Mining & Exploration expense | | - | (92,617) |
| Royalty Expense | | - | (6,322) |
| Share Based Payments | | (25,631) | (21,131) |
| Loss before income tax | | (434,825) | (339,752) |
| Income tax expense | | - | - |
| Loss from continuing operations after income tax expense | | (434,825) | (339,752) |
| Profit (loss) from discontinued operations | | | |
| Tax on profit from discontinued operations | | - | (466,853) |
| Profit from discontinued operations after income tax | 2 | - | (466,853) |
| Loss for the period | | (434,825) | (806,605) |
| Other comprehensive income/(loss) | | | |
| Exchange differences on translating foreign operations | | (242,351) | (25,488) |
| Total comprehensive loss for the year attributable to shareholders | | (677,176) | (832,093) |
| Earnings per share – loss from continuing operations | | | |
| Basic earnings per share (cents per share) | | (0.23) | (0.29) |
| Diluted earnings per share (cents per share) | | (0.23) | (0.29) |
| Earnings per share – attributable to ordinary shareholders | | | |
| Basic earnings per share (cents per share) | | (0.35) | (0.68) |
| Diluted earnings per share (cents per share) | | (0.35) | (0.68) |

These financial statements should be read with the accompanying notes

Condensed consolidated statement of financial position

As at 31 December 2015

| | | Consolidated Group | |
|--------------------------------------|-------------|---------------------------|---------------------|
| | Note | 31 Dec 2015 | 30 June 2015 |
| | | \$ | \$ |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 48,772 | 246,227 |
| Trade and other receivables | | 71,104 | 37,970 |
| TOTAL CURRENT ASSETS | | 119,876 | 284,197 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 14,145 | 11,787 |
| Trade and other receivables | | 72,465 | 86,682 |
| Exploration & evaluation assets | | 1,168,393 | 959,928 |
| TOTAL NON-CURRENT ASSETS | | 1,255,003 | 1,058,397 |
| TOTAL ASSETS | | 1,374,879 | 1,342,594 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 499,367 | 383,339 |
| TOTAL CURRENT LIABILITIES | | 499,367 | 383,339 |
| NON-CURRENT LIABILITIES | | | |
| Trade and other payables | | 44,907 | 44,907 |
| TOTAL NON-CURRENT LIABILITIES | | 44,907 | 44,907 |
| TOTAL LIABILITIES | | 544,274 | 428,246 |
| NET ASSETS | | 830,605 | 914,348 |
| EQUITY | | | |
| Issued capital | 6(a) | 15,114,186 | 14,786,384 |
| Accumulated losses | | (14,436,810) | (14,001,985) |
| Option and Note reserve | 7 | 461,893 | 196,262 |
| Foreign currency translation reserve | | (308,664) | (66,313) |
| TOTAL EQUITY | | 830,605 | 914,348 |

These financial statements should be read with the accompanying notes

Condensed consolidated statement of cash flows
For the half-year ended 31 December 2015

| | Consolidated Group | |
|---|---------------------------|-----------------------|
| | Half-year ended | |
| | 31 December | 31 December |
| | 2015 | 2014 |
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Payments to suppliers and employees | (235,230) | (286,895) |
| Royalties received | - | 9,247 |
| Interest received | 1,415 | 16,787 |
| Net cash used in operating activities | <u>(233,815)</u> | <u>(260,861)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for exploration and evaluation | (335,218) | (366,118) |
| Proceeds from sale of exploration and evaluation | - | 478,813 |
| Payment for plant and equipment | (6,345) | (765) |
| Net cash (used in) / provided by investing activities | <u>(341,563)</u> | <u>111,930</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of shares | 221,514 | - |
| Cost of Capital Raising | (5,712) | - |
| Proceeds from Notes | 250,000 | - |
| Net cash provided by financing activities | <u>465,802</u> | <u>-</u> |
| Net increase / (decrease) in cash held | (109,576) | (148,931) |
| Cash at beginning of financial year | 246,227 | 285,259 |
| Exchange rate changes on the balance of cash held in foreign currencies | 87,879 | - |
| Cash at end of financial year | <u><u>48,772</u></u> | <u><u>136,328</u></u> |

These financial statements should be read with the accompanying notes

Condensed consolidated statement of changes in equity

For the half-year ended 31 December 2015

| Consolidated Group | Note | Share Capital | Accumulated | Foreign Exchange | Option & Note | Total |
|--|------|---------------|--------------|------------------|---------------|-----------|
| | | Ordinary | Losses | Reserve | Reserves | |
| | | \$ | \$ | \$ | \$ | \$ |
| Balance at 1.7.2014 | | 14,203,732 | (13,148,920) | 76,501 | 154,000 | 1,285,313 |
| Options issued | | - | - | - | 21,131 | 21,131 |
| Profit/(loss) attributable to members of parent entity | | - | (806,605) | (25,488) | - | (832,093) |
| Balance at 31.12.2014 | | 14,203,732 | (13,955,525) | 51,013 | 175,131 | 474,351 |
| Balance at 1.7.2015 | | 14,786,384 | (14,001,985) | (66,313) | 196,262 | 914,348 |
| Options issued | | - | - | - | 21,131 | 271,131 |
| Options exercised | | - | - | - | (5,500) | (5,500) |
| Notes issued | | - | - | - | 250,000 | 250,000 |
| Shares issued (net of costs) | | 327,802 | - | - | - | 327,802 |
| Profit/(loss) attributable to members of parent entity | | - | (434,825) | (242,351) | - | (677,176) |
| Balance at 31.12.2015 | | 15,114,186 | (14,436,810) | (308,664) | 461,893 | 830,605 |

These financial statements should be read with the accompanying notes

BBX Minerals Limited

Notes to condensed consolidated financial statements For the half-year ended 31 December 2015

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2015 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by BBX Minerals Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below:

(a) New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period, however, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There will be some changes to the disclosures in the 30 June 2016 annual report as a consequence of these amendments.

(b) Impact of standards issued but not yet applied by the entity

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2017 but is available for early adoption. When adopted, the standard will affect the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

AASB 15 *Revenue from Contracts with Customers* introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. This standard is not applicable until 1 January 2018.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB 15 has not yet been quantified.

(c) Going concern

The half-year financial statements have been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

The Group incurred a total comprehensive loss after tax for the half year of \$677,176 (2014: \$832,093), and as at balance date, held cash of \$48,772 (30 June 2015: \$246,227) and had current liabilities of \$499,367 (30 June 2015: \$383,339). However since balance date, the Company has raised \$780,425 under a tranche 1 placement with a further \$102,500 to be raised under a tranche 2 placement which is subject to shareholder approval.

The ability of the Company to continue to pay its debts as and when they fall due is dependent upon the Company to continue to successfully raise additional share capital and ultimately developing one of its mineral properties.

The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

- The Directors have raised additional funds and will continue to raise funds as and when it is required. In light of the Group's current exploration projects, the Directors believe that any additional capital required can be raised in the market; and
- The Directors have an appropriate plan to contain certain operating and exploration expenditure if appropriate funding is unavailable.

BBX Minerals Limited

Notes to condensed consolidated financial statements

For the half-year ended 31 December 2015

The accounts have been prepared on the basis that the Company can meet its commitments as and when they fall due and can therefore continue normal business activities, and the realisation of assets and liabilities in the ordinary course of business.

(d) Principles of consolidation

The consolidated financial statements incorporate all the assets, liabilities and results of the parent, BBX Minerals Limited, and all of its subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of subsidiaries is provided in Note 8.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the group from the date on which control is obtained by the group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the group.

(e) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

Key judgments – doubtful debts provision

Included in trade and other receivables is loan receivable from Cooper Juma amounting to \$72,465 (June 2015: \$86,682). The directors are of the opinion that no impairment on the loan balance is necessary as at the date of this report.

Key judgments - exploration and evaluation expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at \$1,168,393 (June 2015: \$958,928).

Key estimates – share based payments

Equity-settled share awards are recognised as an expense based on their fair value at date of grant. The fair value of equity-settled share options is estimated through the use of option valuation models – which require inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life – and is expensed over the vesting period.

Some of the inputs used, such as the expected option life, are not market observable and are based on estimates derived from available data, such as employee exercise behaviour. The models utilised, such as the binomial option pricing model, are intended to value options traded in active markets. The share options issued by the Group, however, have a number of features that make them incomparable to such traded options. Using different input estimates or models could produce different option values, which would result in the recognition of a higher or lower expense.

For example, if the volatility assumption was increased by 15 per cent (or decreased by 15 per cent), the fair values for options granted under the employee option scheme would increase by approximately \$ 0.001.

BBX Minerals Limited

Notes to condensed consolidated financial statements For the half-year ended 31 December 2015

2. PROFIT FROM ORDINARY ACTIVITIES

Consolidated Group
Half-year ended

| 31 Dec 2015 | 31 Dec 2014 |
|-------------|-------------|
| \$ | \$ |

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

Discontinued operations:

| | | |
|---|---|-----------|
| Chapada – advance payment agreement | - | (466,453) |
| Net gain on the disposal of capitalised exploration expenditure | - | (466,453) |

3. DISCONTINUED OPERATIONS

| 31 Dec 2015 | 31 Dec 2014 |
|-------------|-------------|
| \$ | \$ |

The net cash flows of the discontinued division, which have been incorporated into the statement of cash flows, are as follows:

| | | |
|--|---|---------|
| Net cash inflow/(outflow) from operating activities | - | - |
| Net cash inflow/(outflow) from investing activities | - | 487,813 |
| Net cash (outflow)/inflow from financing activities | - | - |
| Net cash increase in cash generated by the discontinued division | - | 478,813 |

BBX Minerals Limited

Notes to condensed consolidated financial statements For the half-year ended 31 December 2015

4. SEGMENT INFORMATION

The Company has identified its operating segments based on internal reports that are reviewed by the Board and management in assessing performance and determining allocation of resources. The Company operates as a single segment which is mineral exploration.

5. KEY MANAGEMENT PERSONNEL

| | 31 Dec 2015 | 31 Dec 2014 |
|------------------------------|-------------|-------------|
| | \$ | \$ |
| Director's fees | 36,000 | 33,273 |
| Options granted (see note 7) | - | 7,467 |
| | 36,000 | 40,740 |

During the period, each of the directors were issued 1m shares each totalling \$36,000 in-lieu of director fees that were recognised in prior periods.

Remuneration arrangements of key personnel are disclosed in the annual financial report.

6. ISSUED AND PAID-UP CAPITAL

| | 31 Dec 2015 Shares | 30 Jun 2015 Shares | 31 Dec 2015 \$ | 30 Jun 2015 \$ |
|----------------------------|-----------------------|-----------------------|-------------------|-------------------|
| a. Ordinary shares | | | | |
| Ordinary shares fully paid | 208,702,408 | 179,780,308 | 15,114,186 | 14,786,384 |

b. Movements in ordinary share capital:

| Date | Details | Number of shares | Issue Price | \$ |
|------------------|---|---------------------|-------------|------------|
| 1 July 2014 | Opening balance | 118,454,232 | - | 14,203,732 |
| 1 May 2015 | Shares issued | 60,126,076 | 0.0100 | 601,261 |
| 29 June 2015 | Shares issued | 1,200,000 | 0.0100 | 12,000 |
| | Less: Transaction costs arising on share issue | - | - | (30,609) |
| 30 June 2015 | Balance | 179,780,308 | - | 14,786,384 |
| 20 July 2015 | Shares issued | 3,000,000 | 0.0100 | 30,000 |
| 9 September 2015 | Advisor shares issued in lieu of payment | 1,000,000 | 0.0100 | 10,000 |
| 6 October 2015 | Shares issued | 14,880,000 | 0.0100 | 148,800 |
| 27 October 2015 | Options converted | 250,000 | 0.0125 | 3,125 |
| 5 November 2015 | Options converted | 654,500 | 0.0125 | 8,181 |
| 5 November 2015 | Options converted | 625,000 | 0.0500 | 31,250 |
| 25 November 2015 | Key management personnel shares issued in lieu of payment | 8,500,000 | 0.0120 | 102,000 |
| 7 December 2015 | Options converted | 12,600 | 0.0125 | 158 |
| | Less: Transaction costs arising on share issue | - | - | (5,712) |
| 31 December 2015 | Balance | 208,702,408 | - | 15,114,186 |

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

BBX Minerals Limited

Notes to condensed consolidated financial statements For the half-year ended 31 December 2015

7. OPTION RESERVE

| | Consolidated Group | | Consolidated Group | |
|--|--------------------|-------------------|--------------------|----------------|
| | 31 Dec 2015 | 30 Jun 2015 | 31 Dec 2015 | 30 Jun 2015 |
| | No | No | \$ | \$ |
| Balance beginning of the financial period | 55,831,521 | 17,500,000 | 196,262 | 154,000 |
| a) Issue of 6,000,000 unlisted options to consultants exercisable at \$0.05 each on or before 1 July 2017 | - | 6,000,000 | 7,026 | 14,053 |
| b) Issue of 17,000,000 unlisted options to consultants and directors exercisable at \$0.05 each on or before 24 November 2017 | - | 17,000,000 | 14,105 | 28,209 |
| c) Issue of 15,331,521 unlisted options to shareholders from rights issue exercisable at \$0.0125 each on or before 1 March 2018 | - | 15,331,521 | - | - |
| d) Issue of 7,925,000 unlisted options to consultants exercisable at \$0.0125 each on or before 1 March 2018 | 7,925,000 | - | - | - |
| e) Conversion of 654,500 unlisted options to Ordinary Shares exercisable at \$0.0125 | (654,500) | - | - | - |
| f) Conversion of 625,000 unlisted options to Ordinary Shares exercisable at \$0.05 | (625,000) | - | (5,500) | - |
| g) Conversion of 250,000 unlisted options to Ordinary Shares exercisable at \$0.0125 | (250,000) | - | - | - |
| h) Issue of 3,720,000 unlisted options to shareholders from private placement exercisable at \$0.0125 each on or before 1 March 2018 | 3,720,000 | - | - | - |
| i) Issue of 7,500,000 unlisted options to the underwriter of the Rights issue exercisable at \$0.0125 each on or before 1 March 2018 | 7,500,000 | - | - | - |
| j) Issue of 250,000 unlisted options to consultants exercisable at \$0.0125 each on or before 1 March 2018 | 250,000 | - | - | - |
| k) Issue of 750,000 unlisted options to shareholders from rights issue exercisable at \$0.0125 each on or before 1 March 2018 | 750,000 | - | - | - |
| l) Conversion of 12,600 unlisted options to Ordinary Shares at \$0.0125 | (12,600) | - | - | - |
| | <u>74,434,421</u> | <u>55,831,521</u> | <u>211,893</u> | <u>196,262</u> |

BBX Minerals Limited

Notes to condensed consolidated financial statements For the half-year ended 31 December 2015

7. NOTE RESERVE

| | Consolidated Group | | Consolidated Group | |
|--|--------------------|-------------------|--------------------|-------------------|
| | 31 Dec 2015 No | 30 Jun 2015 No | 31 Dec 2015 \$ | 30 Jun 2015 \$ |
| a) Issue of 25,000,000 Notes on 25 November 2015 @\$0.01cent | 25,000,000 | - | 250,000 | - |
| Total Option and Note Reserve | 99,434,421 | 55,831,521 | 461,893 | 196,262 |

The 25,000,000 convertible notes issued have a face value of \$0.01 each, matures on 31 December 2016. These were issued as payment for the \$250,000 loan provided. The issue was approved by shareholders as mentioned in the director's report.

8. CONTROLLED ENTITIES

| | Country of Incorporation | Percentage Owned (%)* |
|------------------------------------|--------------------------|-----------------------|
| Subsidiaries of BBX Minerals Ltd: | | |
| BBX Peru | Peru | 100% |
| BBX Lucanas | Peru | 100% |
| BBX Brazil | Brazil | 100% |
| Minorte Extração de Mineração Ltda | Brazil | 100% |
| Comin Gold | Brazil | 75% |

9. COMMITMENTS and CONTINGENCIES

Juma East Gold Project

As at 31 Dec 2015, BBX Minerals via its wholly owned subsidiary MINERAÇÃO BBX DO BRASIL LTDA (BBX Brazil) holds an option to purchase 100% of the Juma East Project from Raquel Correia da Silva, by paying a total of USD500,000 for each tenement over a 6 year period, plus expenditure commitments, with the remaining payments for each tenement due as follows: BBX may however at any stage relinquish tenements with no further payment required.

| Lease | Reference | Amount | Due Date |
|--------------------------|-------------------|------------|---------------------------|
| Juma East Project | | | |
| Guida/Plato | DNPM 880.129/2008 | USD100,000 | 15 May 2016 |
| | | USD100,000 | 15 May 2017,18,19 |
| Boia Velha | DNPM 880.117/2008 | USD 50,000 | 15 August 2017,18,19,20 |
| Pintado | DNPM 880.115/2008 | USD 50,000 | 15 February 2017,18,19,20 |
| Pepita | DNPM 880.116/2008 | USD 25,000 | 15 April 2016 |
| | | USD 50,000 | 15 February 2017,18,19,20 |
| EMA Project | | | |
| Emas East | DNPM 880.090/2008 | USD 10,000 | 15 May 2016 |
| | | USD 10,000 | 15 May 2017 |
| | | USD 20,000 | 15 May 2018,19,20,21 |
| Emas West | DNPM 880.107/2008 | USD 10,000 | 15 May 2016 |
| | | USD 10,000 | 15 May 2017 |
| | | USD 20,000 | 15 May 2018,19,20,21 |

BBX Minerals Limited

Notes to condensed consolidated financial statements For the half-year ended 31 December 2015

10. SUBSEQUENT EVENTS

On 19 January 2016 BBX issued a total of 1,511,650 shares to Energold Corporation on completion of the drilling programme.

On 1 February 2016 BBX announced initial results from amalgamation tests on the interval 210.33 metres to 224.96 metres at the base of hole JED-004, testing the Guida target, Juma East. The hole terminated at 224.96 metres within a zone of strong silica alteration where minor fine visible gold had previously been identified. The amalgamation of the bulk sample from this zone returned a very significant result of 13.66m at 4.76g/t Au + PGM where very low levels of Au had previously been reported via fire assay. The pulverised unassayed sample splits (sample pulps) from this interval were bulked into a single 820gram sample and amalgamated with mercury at the Nomos laboratory, Rio de Janeiro. The resultant metallic button, weighing 0.0039 grams, represents a precious metal grade, based on metal actually recovered, of 4.76g/t. The button was scanned using a scanning electron microscope (SEM), indicating a composition of approximately 85.4% gold and 14.6% platinum group metals (PGM's). The fire assays for the individual samples over this interval had returned only trace precious metal values.

In addition, 2.9kg of diamond saw cuttings from hole JED-004 were ground and amalgamated in BBX's Apui core processing facility and a metallic button produced. This button will be despatched to Rio de Janeiro to be weighed and scanned by SEM. To date, amalgamation of sample rejects has only been conducted on the bottom 13.66 metres of JED-004.

BBX On 9th February 2016 announced that it has received commitments to raise \$882,925 via a two Tranche Placement of 35,317,000 shares to Sophisticated and Institutional Investors at \$0.025 per share. The Company has received applications for \$780,425 for Tranche 1, its maximum under its 7.1 capacity. Investors will also be issued, subject to shareholder approval, with 1 free attaching option for each 4 shares issued with an exercise price of \$0.05 per option expiring two years from the date of issue.

The Placement will be separated into 2 Tranches. Tranche 1 will consist of 31,217,000 fully paid ordinary shares at \$0.025 with 1 free attaching option for every four shares to raise \$780,425 before costs. The options will have an exercise price of \$0.05 with a 2 year expiry. The shares will be issued under the BBX's available Listing Rule 7.1 capacity. The attaching options are subject to shareholder approval.

The Company will also seek Shareholder approval to place a further 4,100,000 shares, with one free attaching option for each four shares issued and otherwise on the same terms as issued to Investors in Tranche 1, to Directors and Senior Management of the Company and unrelated sophisticated investors. If approved by Shareholders, Tranche 2 will raise an additional \$102,500 bringing total proceeds from the Tranche 1 Placement and Tranche 2 Placement to \$882,925.

The funds raised will be used to continue the analysis and testing of existing drill core of JED001-006, as well as to further the exploration programme at Juma East which is expected to recommence in March.

The Company also advises that at the Shareholder meeting to be held to approve the Tranche 2 Placement it intends to seek Shareholder approval for the issue of incentive options to Directors and senior management. Although a package was approved by Shareholders at the 2015 Annual General Meeting the Directors, following feedback from Shareholders, resolved not to issue the incentive options approved. The Company advised at the time it would seek Shareholder approval for a revised incentive package at a Shareholder meeting to be held on 19 April 2016.

Directors Declaration

For the half-year ended 31 December 2015

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 8 to 18 are in accordance with the Corporations Act 2001 including:
 - (a) complying with Accounting Standards AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the financial position as at 31 December 2015 and of the performance for the half-year ended on that date of the company;
3. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Directors



Michael Schmulian
Chairman
Dated: 14 March 2016

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF BBX MINERALS LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half year financial report of BBX Minerals Limited and controlled entities ('the consolidated company'), which comprises the consolidated condensed statement of financial position as at 31 December 2015, consolidated condensed statement of comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information notes and the directors' declaration.

Director's Responsibility for the Half-Year Financial Report

The directors' of BBX Minerals Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of an Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the BBX Minerals Limited and controlled entities financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Limited and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This review report relates to the financial report of the BBX Minerals Limited and controlled entities for the half-year ended 31 December 2015 included on the website of BBX Minerals Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the reviewed financial report to confirm the information contained in this website version of the financial report.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of BBX Minerals Limited and controlled entities is not in accordance with the *Corporations Act 2001* including:

- i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- ii. complying with AASB 134 *Interim Financial Reporting and the Corporation Regulations 2001*.

Going Concern

Without qualifying our conclusion, we draw attention to Note 1(c) in the consolidated financial report, which sets out the basis on which the directors believe that the Group will be able to continue as a going concern. The Group incurred a net loss of \$677,176 (2014: \$832,093), and as at balance date, held cash of \$48,722 (30 June 2015: \$246,227) and had current liabilities of \$499,367 (30 June 2015: \$383,339). These conditions, along with other matters as set forth in Note 1(c), indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

No adjustments have been made to the financial report relating to the recoverability or classification of the recorded asset amounts and classification of liabilities that maybe necessary should the Group not continue as a going concern.

LNP Audit and Assurance



Anthony Rose

Director

Sydney, 14 March 2016