

# **BBX MINERALS LIMITED**

ACN 089 221 634

## **FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

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 2016.

# **Corporate Directory**

## **Half Year-Ended 31 December 2016**

### **Directors**

Michael Schmulian (Chairman)

William Dix

Jeff McKenzie

### **Secretary**

Simon Robertson

### **Registered Office**

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WA Australia 6005

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### **Share Registry**

Automic Registry Services  
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Perth WA 6000

Telephone +61 8 9324 2099

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### **Auditor**

LNP Audit and Assurance  
Level 14, 309 Kent Street  
Sydney NSW 2000

### **Securities Exchange**

Australian Securities Exchange  
152-158 St Georges Terrace  
PERTH WA 6000

### **ASX Code**

BBX (fully paid ordinary shares)

## **Directors' Report**

### **Half-Year Ended 31 December 2016**

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 2016.

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 (resigned 26<sup>th</sup> October 2016)

Mr Jeff McKenzie (appointed 26<sup>th</sup> October 2016)

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 \$ 433,161 (December 2015: \$677,176).

#### **Project Announcements:**

On 2<sup>nd</sup> September 2016 BBX announced that ongoing test work has resulted in significantly higher grades from the bottom 49.44m (250.00 – 299.44m) of hole JED-006, where a composite grade of 1.03g/t from amalgamation had previously been obtained. Following the success of pre-treatment test work undertaken on the 13.66m interval at the bottom of hole JED-004, which had returned 4.58g/t and subsequently 3.70g/t Au and 0.16g/t Pd by fire assay and 4.06g/t by amalgamation, a variant of this method termed oxi8B was eventually settled on by the Company and used to test a homogenised composite sample from the bottom 49.44m of JED 006.

A single 250g pulverised sample yielded a fire assay result of 24.76g/t Au (mean of five 50g fire assay results), whilst other lower, but nonetheless high grade results were obtained from repeat tests using the oxi8B technique and minor variations thereof. Additional tests were conducted involving re-grinding of the pre-prepared sample prior to fire assay and metallic screen (screen fire) analysis (table 1) to evaluate the possibility of coarse gold being precipitated in the pre-treatment step. The latter test indicated that only 20% of the gold was in the coarser (+150 micron) fraction.

The Company had conducted wide-ranging experimental work testing a variety of methods in an endeavour to resolve the issue of why the samples had previously failed to produce a result by fire assay. Research undertaken enabled BBX to initially settle on methods named Oxi1A and Oxi8A to undertake routine assay results. However, as further improvements were made to the methods the processes were renamed Oxi1B and Oxi8B with the most consistent of these being Oxi8B. The other experimental methods utilised are no longer used and have been discarded. Under the specific Oxi8B method, a single homogenised bulk composite sample from the JED006 interval was subjected to treatment with acid and water at a variety of temperatures and time periods at the Nomos laboratory, Rio de Janeiro, followed by fire assay at the Intertek laboratory, Parauapebas. A total of 26 samples have been analysed using the Oxi1B and Oxi8B methods and variations thereof with standards and blanks being submitted as a quality control check.

BBX advised that it should be noted that all quoted grades for oxi1B and oxi8B are as received from the Intertek laboratory, without correction for the dilution effect of approximately 22% resulting from the addition of reagents in the pre-treatment step. True grades of the original samples are therefore approximately 22% higher than those quoted in this announcement. A highly significant result of 10.62g/t was obtained from a cyanide bulk leach following oxi8B pre-treatment, indicating that the gold occurs in a form readily recoverable by conventional cyanidation. A recently developed alternative irradiation pre-treatment method termed JMA has produced elevated PGM values of 9.71g/t platinum and 9.91g/t palladium, plus 15.27g/t gold, all by fire assay.

On 21 September 2016 BBX announced that ongoing test work has continued to further unlock exceptional high grade gold values from the lower portion of hole JED 006.

An additional fire assay result of 51.59g/t Au (mean of two assays from the same sample) following oxi8B pre-treatment was obtained from the 49.44m composite from the bottom of JED 006. Twelve composite samples of approximately 4m in length comprising the above 49.44m interval were analysed by oxi8b/fire assay, returning two highly significant results of 4.0m @ 107.11g/t from 258m and 4.2m @ 37.37g/t from 277.8m.

In addition, results were received for neutron activation (NA) analysis of two samples from the JED 006 49.44m composite, submitted to ALS laboratories in Canada. Analysis of an untreated sample failed to produce significant precious metal values whilst NA results for a sample treated by the JMA irradiation technique yielded 13.00 g/t Au, 5.90 g/t Pt and 5.30 g/t Pd.

BBX advised that although results continue to be inconsistent, including negative results for a repeat test on the 49.44m composite and for a number of the 4m (approximate) composites, it is the company's belief that the erratic nature of the results obtained to

## **Directors' Report**

### **Half-Year Ended 31 December 2016**

date is principally a function of the effectiveness of the pre-treatment method in consistently unlocking precious metals. The homogeneous nature of the geology and intensity and style of alteration within the lower portion of JED 006 reinforces the belief that gold is likely to be distributed relatively evenly throughout this 49.44m interval. The company is continuing to refine the methodology to ensure that the levels of all precious metals present in the Juma East mineralisation can be measured on a reliable basis.

On 19<sup>th</sup> October 2016 BBX announced that phase 2 of the Tres Estados soil sampling programme had been completed.

#### **Corporate**

On 6 September 2016 BBX received an on-market cash takeover offer from Drake Private Investments LLC of \$0.045 cents per share. BBX directors responded with a recommendation to take no action until receipt of the boards formal response. On 12 September, the board of BBX advised shareholders to take no action until the release of the target's statement, and that BBX had appointed experts to prepare an independent expert's report and valmin. BBX also applied to ASIC for an extension to the period to lodge the target's statement. On 19 September 2016 BBX advised that ASIC had granted an extension to 4 October 2016 to lodge the target's statement, which was subsequently issued on this date.

On 13 October 2016 Drake increased its bid to \$0.046 cents per share. BBX announced in a supplementary target's statement dated 19 October 2016 that the Company had raised \$358,014 through the exercise of options. On the 21 October 2016, the bid expired with Drake lodging a substantial shareholder notice on 24 October 2016 indicating they held 49.68% of the shares of BBX Minerals Ltd. BBX advised in the quarterly report released on 31 October 2016 that they had raised \$600,389 from the exercise of options during the takeover period.

On 26 October 2016 BBX announced appointment of Mr Jeff McKenzie the Company's Chief Executive as an Executive Director, with Mr Alistair Smith resigning as a Non- Executive Director.

#### **Subsequent Events**

On 28 February 2017 BBX announced that it had developed a repeatable fusion (fire assay) method which has enabled the Company to unlock elevated Au, Pt and Pd values from its projects in the Apui region, thereby providing a consistent analytical technique for this complex mineralisation.

- Consistent, repeatable fire assay values averaging 37.4 g/t Au, 24.9 g/t Pt and 19.9 g/t Pd were obtained from a 49.44m composite sample, hole JED- 006, Guida, Juma East
- 42.0 g/t Au and significant PGM's obtained from JED- 001 (55.25m composite)
- 33.0 g/t Au and significant PGM's obtained from JED-004 (13.66m composite)
- 31.0 - 54.0 g/t Au, 18.0 - 25.0g/t Pt and 18.0 - 25.0g/t Pd obtained from Tres Estados and Ema surface samples
- Significant levels of precious metals recovered from analytical solutions

BBX advised that although the previously announced "Oxi8b" extraction method yielded significant gold results, confirmed by independent laboratories, results were inconsistent and the method did not effectively unlock the elevated platinum and palladium values which were routinely seen on SEM (scanning electron microscope) scans.

BBX advised that over the past five months BBX's laboratory research has led to the development of a fire assay method using a flux mix termed "T95" in conjunction with a nickel collector rather than the standard litharge (lead oxide) fusion commonly used in fire assays.

The method has yielded consistent, repeatable gold results and has also enabled the unlocking of significantly higher Pt and Pd values, in line with levels estimated from numerous SEM scans conducted by the Company. The bulk of the tests have been carried out on a composite sample from the bottom 49.44m of hole JED 006, with additional tests having been conducted on a 55.25m composite sample from hole JED-001, a 13.66m composite from JED-004 and bulk rock-chip samples taken from *garimpos* (artisanal workings) at Tres Estados and Ema. Results reported represent all nickel fusion tests conducted to date with the "T95" flux.

## **Directors' Report**

### **Half-Year Ended 31 December 2016**

Precious metals (Au, PMG's and Ag) have been precipitated from the solutions retained after dissolution of the nickel buttons and subsequent AA analysis, by the simple addition of aluminium, thereby confirming the presence of precious metals in the samples analysed. After cupellation, a prill (precious metal button) weighing 0.0762g was recovered from 25 litres of solution, representing approximately 2.5kg of original sample, including blanks and standards and a number of unsuccessful experimental nickel fusions with other fluxes, indicating a bulk recovered precious metal grade of approximately 30.48g/t. SEM shots of the prill reveal a high level of inhomogeneity with local elevated levels of silver, plus significant gold, platinum, osmium and iridium.

Assay grades obtained to date are indicative as the analytical and extraction techniques are still under development and have not been verified by an external commercial laboratory. Ongoing work is focusing on development of a viable extraction technique for all precious metals utilising variations of the "T95" flux. In parallel, further analytical and metal recovery test work is being conducted in specialist laboratories in Australia, Brazil and Canada.

BBX advised that all results reported were obtained from the Nomos laboratory, Rio de Janeiro. To ensure a very high standard of QA/QC BBX confirmed the following strict protocols have been established.

- Every fusion was conducted using a fresh crucible
- A certified standard and two blanks were included in every batch of 8-10 samples
- A "Chinese wall" has been established between the staff preparing the samples and conducting the fusions and the staff charged with dissolving the buttons and analysing the solutions.

#### **Competent Persons Statement**

Information in this report which relates to Exploration Results is extracted from the following:

- Report entitled "Market update " announced to the market on 19 October 2016
- Report entitled "Exploration update Juma East" announced to the market on 21 September 2016
- Report entitled "Exploration update Juma East" announced to the market on 2 September 2016
- Report entitled "Key Exploration update Juma East" and announced to the market on 28 February 2017.

These documents are available to view on [www.bbxminerals.com.au](http://www.bbxminerals.com.au) and [www.asx.com.au](http://www.asx.com.au). The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from those included in the original announcements.

**BBX Minerals Limited**

**Directors' Report**

**Half-Year Ended 31 December 2016**

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 7125/2013 - 880.116/2008 Location Brazil (Juma East)	10,000	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 Licences
DNPM Permit Number - 880.107/08  Location Brazil (Ema)	9839.91	100% Exploration Licences
DNPM Permit Number - 880.090.08  Location Brazil (Tres Estados)	8172.25	100% Exploration Licences
DNPM Permit Number - 880.094/2014  Location Brazil (Pombos)	1000.36	100% Application for Exploration Licences
DNPM Permit Number 880.070/2007  Location Brazil	Eldorado do Juma	75% Option held
DNPM Permit Number 880.152/2012  Location Brazil (Under application)	Eldorado do Juma	75% Option held

**BBX Minerals Limited**

**Directors' Report**

**Half-Year Ended 31 December 2016**

**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

A handwritten signature in black ink, appearing to read 'Michael Schmulian', with a horizontal line underneath.

Michael Schmulian  
Chairman  
Dated: 16 March 2017

# *LNP Audit and Assurance*

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## **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 half year ended 31 December 2016, 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.

**LNP Audit and Assurance**



**Anthony Rose  
Director**

**Dated 16 March 2017**



**Condensed consolidated statement of profit or loss and other comprehensive income**

For the half-year ended 31 December 2016

	<b>Consolidated Group</b>	
	<b>Half-year ended</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Continuing operations</b>		
Other revenue	967	1,415
Administration costs	(363,580)	(372,375)
Depreciation	(2,520)	(2,234)
Directors Fees	(32,000)	(36,000)
Mining & Exploration expense	(9,798)	-
Share Based Payments	(21,131)	(25,631)
<b>Loss before income tax</b>	<b>(428,062)</b>	<b>(434,825)</b>
Income tax expense	-	-
<b>Loss from continuing operations after income tax expense</b>	<b>(428,062)</b>	<b>(434,825)</b>
<b>Other comprehensive income/(loss)</b>		
Exchange differences on translating foreign operations	(5,099)	(242,351)
<b>Total comprehensive loss for the year attributable to shareholders</b>	<b>(433,161)</b>	<b>(677,176)</b>
<b>Earnings per share – loss from continuing operations</b>		
Basic earnings per share (cents per share)	(0.15)	(0.23)
Diluted earnings per share (cents per share)	(0.15)	(0.23)
<b>Earnings per share – attributable to ordinary shareholders</b>		
Basic earnings per share (cents per share)	(0.15)	(0.35)
Diluted earnings per share (cents per share)	(0.15)	(0.35)

These financial statements should be read with the accompanying notes

**Condensed consolidated statement of financial position**

**As at 31 December 2016**

		<b>Consolidated Group</b>	
	<b>Note</b>	<b>31 Dec 2016</b>	<b>30 June 2016</b>
		<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		212,045	247,967
Trade and other receivables		29,797	16,500
<b>TOTAL CURRENT ASSETS</b>		<b>241,842</b>	<b>264,467</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		13,171	14,443
Trade and other receivables		89,286	87,098
Exploration & evaluation assets		2,220,391	1,807,726
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,322,848</b>	<b>1,909,267</b>
<b>TOTAL ASSETS</b>		<b>2,564,690</b>	<b>2,173,734</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		226,756	554,440
<b>TOTAL CURRENT LIABILITIES</b>		<b>226,756</b>	<b>554,440</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables		390,239	44,907
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>390,239</b>	<b>44,907</b>
<b>TOTAL LIABILITIES</b>		<b>616,995</b>	<b>599,347</b>
<b>NET ASSETS</b>		<b>1,947,695</b>	<b>1,574,387</b>
<b>EQUITY</b>			
Issued capital	4(a)	16,954,967	15,942,361
Accumulated losses		(15,464,210)	(15,036,148)
Other reserves	5(b)	491,856	697,993
Foreign currency translation reserve		(34,918)	(29,819)
<b>TOTAL EQUITY</b>		<b>1,947,695</b>	<b>1,574,387</b>

These financial statements should be read with the accompanying notes

**Condensed consolidated statement of cash flows**  
**For the half-year ended 31 December 2016**

	<b>Consolidated Group</b>	
	<b>Half-year ended</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(400,732)	(235,230)
Interest received	967	1,415
Net cash used in operating activities	<u>(399,765)</u>	<u>(233,815)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for exploration and evaluation	(412,665)	(335,218)
Payment for plant and equipment	(966)	(6,345)
Net cash (used in) / provided by investing activities	<u>(413,631)</u>	<u>(341,563)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	785,324	221,514
Cost of Capital Raising	-	(5,712)
Proceeds from Notes	-	250,000
Net cash provided by financing activities	<u>785,324</u>	<u>465,802</u>
Net increase / (decrease) in cash held	(28,072)	(109,576)
Cash at beginning of financial year	247,967	246,227
Exchange rate changes on the balance of cash held in foreign currencies	(7,850)	87,879
Cash at end of financial year	<u><u>212,045</u></u>	<u><u>48,772</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 2016**

Consolidated Group	Share Capital	Accumulated	Foreign Exchange	Other	Total
	Ordinary	Losses	Reserve	Reserves	
	\$	\$	\$	\$	\$
<b>Balance at 1.7.2015</b>	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
Loss attributable to members of parent entity	-	(434,825)	(242,351)	-	(677,176)
<b>Balance at 31.12.2015</b>	15,114,186	(14,436,810)	(308,664)	461,893	830,605
<b>Balance at 1.7.2016</b>	15,942,361	(15,036,148)	(29,819)	697,993	1,574,387
Options issued	-	-	-	21,131	21,131
Shares issued (net of costs)	785,338	-	-	-	785,338
Notes converted	227,268	-	-	(227,268)	-
Loss attributable to members of parent entity	-	(428,062)	(5,099)	-	(433,161)
<b>Balance at 31.12.2016</b>	16,954,967	(15,464,210)	(34,918)	491,856	1,947,695

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 2016**

#### **1. SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of Preparation**

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2016 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 2016 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**

The Group adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant and effective for the current period. The application of these Standards has not had a material impact on the reported financial position or performance of the Group.

##### **(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 \$433,161 (2015: \$677,176), and as at balance date, held cash of \$212,045 (30 June 2016: \$247,967) and had current liabilities of \$226,756 (30 June 2016: \$554,440).

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 consider the Group to be a going concern based on the following assumptions, which the directors consider reasonable:

- The ability and willingness of the existing shareholders to support the group;
- The ability and willingness of the directors and management to continue to support the group;
- The potential receivable of amount owing from Cooper Juma;
- The Group continues to carefully manage expenditures, particularly head office expenses; and
- The directors strongly believe that future capital raisings can be undertaken to finance operations if required.

## **BBX Minerals Limited**

### **Notes to condensed consolidated financial statements For the half-year ended 31 December 2016**

Accordingly, the half-yearly financial report has been prepared on a going concern basis. No adjustments have been made to the half-yearly financial report relating to the recoverability or classification of the recorded asset amounts and classification of liabilities that may be necessary should the Group not continue as a going concern.

#### **(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 6.

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 \$89,286 (June 2016: \$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 \$2,220,391 (June 2016: \$1,807,726).

#### **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 2016

#### 2. 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.

#### 3. KEY MANAGEMENT PERSONNEL

	31 Dec 2016	31 Dec 2015
	\$	\$
Director's fees	32,000	36,000
	<u>32,000</u>	<u>36,000</u>

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

#### 4. ISSUED AND PAID-UP CAPITAL

	31 Dec 2016 Shares	30 Jun 2016 Shares	31 Dec 2016 \$	30 Jun 2016 \$
<b>a. Ordinary shares</b>				
Ordinary shares fully paid	301,449,076	246,253,208	16,954,967	15,942,361

#### b. Movements in ordinary share capital:

Date	Details	Number of shares	Issue Price	\$
1 July 2016	Opening balance	246,253,208	-	15,942,361
14 July 2016	Shares issued	2,800,000	0.0250	70,000
19 August 2016	Shares issued	4,597,928	0.0250	114,948
19 August 2016	Conversion of convertible note	22,726,750	0.0100	227,268
12 September 2016	Options converted	750,000	0.0125	9,375
5 October 2016	Options converted	2,500,000	0.0300	75,000
5 October 2016	Options converted	967,000	0.0125	12,088
10 October 2016	Options converted	500,000	0.0300	15,000
10 October 2016	Options converted	8,550,000	0.0125	106,875
14 October 2016	Options converted	2,000,000	0.0300	60,000
14 October 2016	Options converted	454,190	0.0125	5,677
20 October 2016	Options converted	2,000,000	0.0370	74,000
21 October 2016	Options converted	1,000,000	0.0300	30,000
21 October 2016	Options converted	2,000,000	0.0370	74,000
21 October 2016	Options converted	2,000,000	0.0370	74,000
21 October 2016	Options converted	350,000	0.0125	4,375
21 October 2016	Options converted	2,000,000	0.0300	60,000
31 December 2016	Balance	<u>301,449,076</u>	-	<u>16,954,967</u>

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 2016

#### 5. OTHER RESERVES A) OPTION RESERVE

	Consolidated Group		Consolidated Group	
	31 Dec 2016	30 Jun 2016	31 Dec 2016	30 Jun 2016
	No	No	\$	\$
Balance beginning of the financial period	85,826,396	55,831,521	470,725	196,262
a) Issue of 6,000,000 unlisted options to consultants exercisable at \$0.05 each on or before 1 July 2017	-	-	7,026	14,052
b) Issue of 17,000,000 unlisted options to consultants and directors exercisable at \$0.05 each on or before 24 November 2017	-	-	14,105	28,210
c) Issue of unlisted options to shareholders exercisable at \$0.05 each on or before 19 April 2018	-	7,804,250	-	-
d) Issue of unlisted options to consultants exercisable at \$0.0125 each on or before 1 March 2018	-	20,145,000	-	-
e) Conversion of unlisted options to ordinary shares exercisable at \$0.0125	(11,071,190)	(3,066,000)	-	-
f) Conversion of unlisted options to ordinary shares exercisable at \$0.05	-	(725,000)	-	-
g) Expiry of unlisted options @ \$0.05 on 30 March 2016	-	(16,875,000)	-	(5,500)
h) Issue of unlisted options at \$0.0125 each on or before 1 March 2018 (convertible note)	11,363,375	1,136,625	-	-
i) Issue of unlisted options to consultants, management and directors at \$0.03 each on or before 19 April 2017	-	10,750,000	-	-
j) Issue of unlisted options to consultants, management and directors at \$0.03 each on or before 19 April 2020	-	10,750,000	-	237,701
k) Issue of unlisted options to shareholders exercisable at \$0.05 each on or before 18 May 2018	-	75,000	-	-
l) Issue of unlisted options to shareholders exercisable at \$0.05 each on or before 13 July 2018	700,000	-	-	-
m) Conversion of unlisted options to ordinary shares exercisable at \$0.03	(8,000,000)	-	-	-
n) conversion of unlisted options to ordinary shares exercisable at \$0.037	(6,000,000)	-	-	-
	<b>72,818,581</b>	<b>85,826,396</b>	<b>491,856</b>	<b>470,725</b>



## BBX Minerals Limited

### Notes to condensed consolidated financial statements For the half-year ended 31 December 2016

#### 5. OTHER RESERVES (CONT'D)

##### B) NOTE RESERVE

	Consolidated Group		Consolidated Group	
	31 Dec 2016 No	30 Jun 2016 No	31 Dec 2016 \$	30 Jun 2016 \$
Opening balance	22,726,750	-	227,267	-
a) Issue of 25,000,000 Notes on 25 November 2015 @\$0.01cent	-	25,000,000	-	250,000
b) Conversion of 2,273,250 Notes to Ordinary shares on 8 March 2016	-	(2,273,250)	-	(22,732)
c) Conversion of 22,726,750 Notes to Ordinary shares on 19 August 2016	(22,726,750)	-	(227,267)	-
	-	22,726,750	-	227,268
Total Option and Note Reserve	72,818,581	108,553,146	491,856	697,993

The 25,000,000 convertible notes issued have a face value of \$0.01 each had a maturity date of 31 December 2016. These were issued as payment for the \$250,000 loan provided. As at balance date, all convertible notes have been converted to ordinary shares.

#### 6. 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%

## BBX Minerals Limited

### Notes to condensed consolidated financial statements For the half-year ended 31 December 2016

#### 7. COMMITMENTS and CONTINGENCIES

##### Juma East Gold Project

As at 31 Dec 2016, 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. BBX is currently renegotiating the lease payments due on 15 February 2017.

Lease	Reference	Amount	Due Date
<b>Juma East Project</b>			
Guida/Plato	DNPM 880.129/2008	USD 100,000	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 50,000	15 February 2017,18,19,20
<b>EMA Project</b>			
Ema East	DNPM 880.090/2008	USD 10,000	15 May 2017
		USD 20,000	15 May 2018,19,20,21
Ema West	DNPM 880.107/2008	USD 10,000	15 May 2017
		USD 20,000	15 May 2018,19,20,21

#### 8. SUBSEQUENT EVENTS

On 28 February 2017 BBX announced that has developed a repeatable fusion (fire assay) method which has enabled the Company to unlock elevated Au, Pt and Pd values from its projects in the Apui region, thereby providing a consistent analytical technique for this complex mineralisation

- Consistent, repeatable fire assay values averaging 37.4 g/t Au, 24.9 g/t Pt and 19.9 g/t Pd obtained from a 49.44m composite sample, hole JED- 006, Guida, Juma East
- 42.0 g/t Au and significant PGM's obtained from JED- 001 (55.25m composite)
- 33.0 g/t Au and significant PGM's obtained from JED-004 (13.66m composite)
- 31.0 - 54.0 g/t Au, 18.0 - 25.0g/t Pt and 18.0 - 25.0g/t Pd obtained from Tres Estados and Ema surface samples
- Significant levels of precious metals recovered from analytical solutions

BBX advised that the previously announced "Oxi8b" extraction method yielded significant gold results, confirmed by independent laboratories. However, results were inconsistent and the method did not effectively unlock the elevated platinum and palladium values which were routinely seen on SEM (scanning electron microscope) scans.

BBX advised that over the past five months BBX's laboratory research has led to the development of a fire assay method using a flux mix termed "T95" in conjunction with a nickel collector rather than the standard litharge (lead oxide) fusion commonly used in fire assays.

The method has yielded consistent, repeatable gold results and has also enabled the unlocking of significantly higher Pt and Pd values, in line with levels estimated from numerous SEM scans conducted by the Company. The bulk of the tests have been carried out on a composite sample from the bottom 49.44m of hole JED 006, with additional tests having been conducted on a 55.25m composite sample from hole JED-001, a 13.66m composite from JED-004 and bulk rock-chip samples taken from *garimpos* (artisanal workings) at Tres Estados and Ema. Results reported represent all nickel fusion tests conducted to date with the "T95" flux.

## **BBX Minerals Limited**

### **Notes to condensed consolidated financial statements For the half-year ended 31 December 2016**

#### **8. SUBSEQUENT EVENTS (CONT'D)**

Precious metals (Au, PMG's and Ag) have been precipitated from the solutions retained after dissolution of the nickel buttons and subsequent AA analysis, by the simple addition of aluminium, thereby confirming the presence of precious metals in the samples analysed. After cupellation, a prill (precious metal button) weighing 0.0762g was recovered from 25 litres of solution, representing approximately 2.5kg of original sample, including blanks and standards and a number of unsuccessful experimental nickel fusions with other fluxes, indicating a bulk recovered precious metal grade of approximately 30.48g/t. SEM shots of the prill reveal a high level of inhomogeneity with local elevated levels of silver, plus significant gold, platinum, osmium and iridium

Assay grades obtained to date are indicative as the analytical and extraction techniques are still under development and have not been verified by an external commercial laboratory. Ongoing work is focusing on development of a viable extraction technique for all precious metals utilising variations of the "T95" flux. In parallel, further analytical and metal recovery test work is being conducted in specialist laboratories in Australia, Brazil and Canada.

BBX advised that all results reported in the announcement were obtained from the Nomos laboratory, Rio de Janeiro. To ensure a very high standard of QA/QC BBX confirmed the following strict protocols have been established.

- Every fusion was conducted using a fresh crucible
- A certified standard and two blanks were included in every batch of 8-10 samples
- A "Chinese wall" has been established between the staff preparing the samples and conducting the fusions and the staff charged with dissolving the buttons and analysing the solution

Various information in this report which relates to Exploration Results is extracted from the report entitled "Key Exploration update Juma East" and announced to the market on 28 February 2017.

This document is available to view on [www.bbxminerals.com.au](http://www.bbxminerals.com.au) and [www.asx.com.au](http://www.asx.com.au). The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from those included in the original announcements.

**Directors Declaration**  
**For the half-year ended 31 December 2016**

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 2016 and of the performance for the half-year ended on that date of the company;
2. 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: 16 March 2017

## 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 2016, 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 2016 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 2016 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 2016 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*.

## Significant Uncertainty Regarding Going Concern

We draw attention to Note 1(c) of the consolidated financial report, which indicates that the Group incurred a loss before taxation of \$433,161 (2015: \$677,176) during the half year ended 31 December 2016 and as at balance date held cash of \$212,045 (30 June 2016: \$247,967) and has current liabilities of \$226,756 (30 June 2016: \$554,440). These conditions, along with other matters as set forth in Note 1(c), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## LNP Audit and Assurance



**Anthony Rose**  
Director

Sydney, 16 March 2017