THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT ADVISER IMMEDIATELY.

This Circular has been prepared and reviewed by AmInvestment Bank Berhad, who is the Adviser for the Proposals (as defined herein).

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused the contents of this Circular in relation to the Proposed Increase in Authorised Share Capital (as defined herein) before the issuance of this Circular as the proposal falls under the category of Exempt Circular pursuant to the ACE Market Listing Requirements of Bursa Securities.

Bursa Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

BORNEO AQUA HARVEST BERHAD
(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PART A

(I) PROPOSED ACQUISITION OF 10,000 ORDINARY SHARES OF RM1.00 EACH, REPRESENTING THE ENTIRE EQUITY INTEREST OF WULLERSDORF RESOURCES SDN BHD FOR A TOTAL PURCHASE CONSIDERATION OF RM96 MILLION TO BE SATISFIED VIA THE ISSUANCE OF 102,127,660 NEW ORDINARY SHARES OF RM0.10 EACH IN BORNEO AQUA HARVEST BERHAD ("BAHVEST") ("BAHVEST SHARE" OR "SHARE") AT AN ISSUE PRICE OF RM0.94 PER BAHVEST SHARE ("PROPOSED ACQUISITION");

(II) PROPOSED DIVERSIFICATION OF THE EXISTING CORE BUSINESSES OF BAHVEST AND ITS SUBSIDIARIES TO INCLUDE THE EXPLORATION FOR MINERALS, MINING AND OTHER MINING RELATED BUSINESSES; AND

(III) PROPOSED INCREASE IN THE AUTHORISED SHARE CAPITAL OF BAHVEST FROM RM50,000,000 COMPRISING 500,000,000 BAHVEST SHARES TO RM200,000,000 COMPRISING 2,000,000,000 BAHVEST SHARES ("PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL");

(COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)

PART B

INDEPENDENT ADVICE LETTER FROM FHMH CORPORATE ADVISORY SDN BHD IN RELATION TO THE PROPOSED ACQUISITION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser
AmInvestment Bank Berhad
(Company No. 23742-V)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser
Ferrier Hodgson
CORPORATE FINANCE

FHMH Corporate Advisory Sdn Bhd
(Company No. 774959-D)
(Incorporated in Malaysia under the Companies Act, 1965)

The Notice of Extraordinary General Meeting ("EGM") and the Proxy Form for the EGM are set out in this Circular.

Date and time of the EGM : Friday, 13 January 2017 at 11:00 a.m. or at any adjournment thereof

Venue of the EGM : Sabah Hotel Sandakan, Amadeus III, Level 2, KM1, Jalan Utara, 90000 Sandakan, Sabah

Last date and time for lodging the Proxy Form : Wednesday, 11 January 2017 at 11:00 a.m., or at any adjournment thereof

This Circular is dated 28 December 2016
DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

**Act** : Companies Act, 1965

**AIG** : Australian Institute of Geoscientists, the professional institute representing geoscientists employed in all sectors of industry, education, research and government throughout Australia

**AmlInvestment Bank** : AmlInvestment Bank Berhad

**Aquaculture Business** : The businesses of sustainable integrated aquaculture, namely broodstock management, research and development, breeding, hatching, rearing of live fish as well as marketing, transportation and distribution of live fishes and fish products

**ASEAN** : Association of Southeast Asian Nations

**AusIMM** : The Australasian Institute of Mining and Metallurgy, a Recognised Professional Organisation providing services to professionals engaged in all facets of the global minerals sector

**Bahvest or the Company** : Borneo Aqua Harvest Berhad

**Bahvest Group or Group** : Bahvest and its subsidiaries

**Bahvest Shares or Shares** : Ordinary shares of RM0.10 each in Bahvest

**Board** : Board of Directors of Bahvest

**Bursa Securities** : Bursa Malaysia Securities Berhad

**CAPM** : Capital Asset Pricing Model

**CIM** : Canadian Institute of Mining, Metallurgy and Petroleum, a not-for-profit technical society of professionals in the Canadian minerals, metals, materials and energy industries

**CNY** : China Yuan Renminbi

**Corporations Act** : Corporations Act, 2001 of the Commonwealth of Australia

**CPA Australia** : Certified Public Accountant (CPA) is the title of qualified accountants in numerous countries. CPA Australia is an accounting body in Australia.

**Competent Person's Report** : The independent competent person's report dated 22 April 2016 prepared by Optiro

**Competent Valuer's Report** : The independent competent valuer's report dated 13 October 2016 prepared by JLL

**Completion Date** : The completion date of the SSA

**Conditional Period** : The period commencing from 20 November 2015 and ending on 19 May 2017 or such other date that may be mutually agreed by the Parties

**Conditions Precedent** : Conditions precedent of SSA as set out in Section 2.1.5, Part A of this Circular
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<td><strong>Consideration Shares</strong></td>
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<tr>
<td>102,127,660 new Bahvest Shares to be issued pursuant to the Proposed Acquisition at an issue price of RM0.94 per Bahvest Share</td>
</tr>
<tr>
<td><strong>Country Lease</strong></td>
</tr>
<tr>
<td>A lease granted by the Lands and Surveys Department to SGSB on the Main Lease Land for 35 years commencing from 1 January 2014 to 31 December 2048</td>
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<td><strong>DCF</strong></td>
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<td>Discounted Cash Flows</td>
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<td>Extraordinary general meeting</td>
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<td>Earnings per share</td>
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<td><strong>ESOS</strong></td>
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<td>Employee share option scheme</td>
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<tr>
<td><strong>FHCA</strong></td>
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<tr>
<td>FHMH Corporate Advisory Sdn Bhd</td>
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<td><strong>FPE</strong></td>
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<tr>
<td>Financial period ended</td>
</tr>
<tr>
<td><strong>FYE</strong></td>
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<tr>
<td>Financial year ended</td>
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<td><strong>IAL</strong></td>
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<tr>
<td>Independent advice letter dated 28 December 2016 from FHCA in relation to the Proposed Acquisition, as set out in Part B of this Circular</td>
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<tr>
<td><strong>ICPS</strong></td>
</tr>
<tr>
<td>Irredeemable convertible preference shares of RM0.10 each in Bahvest proposed to be issued at an issue price of RM0.94 per ICPS as part of the consideration for the Proposed Acquisition</td>
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<tr>
<td><strong>Initial Mining Area</strong></td>
</tr>
<tr>
<td>An area measuring approximately 28 hectares forming part of the Sub-Lease Land</td>
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<td><strong>Interested Directors</strong></td>
</tr>
<tr>
<td>Datuk Lo Fui Ming and Lo Teck Yong</td>
</tr>
<tr>
<td><strong>JLL</strong></td>
</tr>
<tr>
<td>Jones Lang LaSalle Corporate Appraisal and Advisory Limited</td>
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<td><strong>JORC Code</strong></td>
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<tr>
<td>The Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves, 2012 Edition issued by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia</td>
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<tr>
<td><strong>Kg(s)</strong></td>
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<tr>
<td>Kilogram(s)</td>
</tr>
<tr>
<td><strong>Lands and Surveys Department</strong></td>
</tr>
<tr>
<td>Sabah Lands and Surveys Department, Kota Kinabalu, Sabah</td>
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<tr>
<td><strong>LFTD</strong></td>
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<tr>
<td>18 November 2015, being the last full trading day prior to the date of the SSA</td>
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<td><strong>Listing Requirements</strong></td>
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<td>ACE Market Listing Requirements of Bursa Securities</td>
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<td><strong>LPD</strong></td>
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<tr>
<td>20 December 2016, being the latest practicable date prior to the printing of this Circular</td>
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<tr>
<td><strong>M&amp;A</strong></td>
</tr>
<tr>
<td>Memorandum and Articles of Association</td>
</tr>
<tr>
<td><strong>Main Lease Land</strong></td>
</tr>
<tr>
<td>A parcel of land held under Country Lease Title No. 165651438 in the Locality of Bukit Mantri in the District of Tawau, Sabah, Malaysia measuring approximately 1,000 hectares for mining purpose</td>
</tr>
</tbody>
</table>
DEFINITIONS (CONT'D)

Mining Business: The businesses of exploration for minerals, mining and other mining related businesses

NA: Net assets

Optiro: Optiro Pty Ltd

Parties: Collectively, Bahvest, Datuk Lo Fu Ming, Mohd Amir Bin Masry and Dr. Tan Su Haw

Proposals: Collectively, the Proposed Acquisition and Proposed Diversification, Proposed Increase in Authorised Share Capital

Proposed Acquisition: Proposed acquisition by Bahvest of the Sale Shares from the Vendors for the Purchase Consideration

Proposed Diversification: Proposed diversification of existing core businesses of the Bahvest Group to include the Mining Business

Proposed Increase in Authorised Share Capital: Proposed increase in the authorised share capital of Bahvest from RM50,000,000 comprising 500,000,000 Bahvest Shares to RM200,000,000 comprising 2,000,000,000 Bahvest Shares

Purchase Consideration: Total purchase consideration for the Sale Shares pursuant to the Proposed Acquisition of RM96.0 million to be satisfied via issuance of 102,127,660 Consideration Shares

Remaining Sub-Lease Area: Approximately 289.7 hectares forming the remaining of the Sub-Lease Land (which is about 91% of the Sub-Lease Land) adjacent to the Initial Mining Area

RICS: Royal Institution of Chartered Surveyors, a professional body that accredits professionals within the land, property and construction sectors worldwide

RPM: RungePincockMinarco Limited

RM and sen: Ringgit Malaysia and Sen respectively

Sale Shares: 10,000 WRSB Shares, representing the entire equity interest of WRSB

Scoping Study Report: Scoping study report dated 10 October 2016 prepared by RPM

SGSB: Southsea Gold Sdn Bhd

SGSB Shares: Ordinary shares of RM1.00 each in SGSB

Share Issue Price: Consideration Shares' issue price of RM0.94 per Share

SSA: Conditional share sale agreement dated 20 November 2015 entered into among Bahvest, Datuk Lo Fu Ming, Mohd Amir Bin Masry and Dr. Tan Su Haw for the Proposed Acquisition

Sub-Lease: Sub-lease granted by SGSB to WRSB on the Sub-Lease Land for a term of 33 years commencing 1 October 2015 in consideration of an annual rent of RM60,000

Sub-Lease Agreement: Sub-lease agreement dated 1 October 2015 entered into between WRSB and SGSB for the Sub-Lease. The Sub-Lease is registered on the Country Lease on 13 November 2015
DEFINITIONS (CONT'D)

<table>
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<tr>
<th>Term</th>
<th>Definition</th>
</tr>
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<tr>
<td>Sub-Lease Land</td>
<td>A portion of the Main Lease Land measuring an area approximately 317.7 hectares sub-leased by SGSB to WRSB pursuant to the Sub-Lease Agreement</td>
</tr>
<tr>
<td>Supplemental Deed</td>
<td>Supplemental share sale deed dated 25 November 2016 entered into among Bahvest, Datuk Lo Fui Ming, Mohd Amir Bin Masry and Dr. Tan Su Haw for the Proposed Acquisition</td>
</tr>
<tr>
<td>Title</td>
<td>Issue document of title of the Country Lease issued and registered on 24 June 2015</td>
</tr>
<tr>
<td>US</td>
<td>United States of America</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollar</td>
</tr>
<tr>
<td>Vendors</td>
<td>Datuk Lo Fui Ming, Mohd Amir Bin Masry and Dr. Tan Su Haw</td>
</tr>
<tr>
<td>VWAMP</td>
<td>Volume weighted average market price</td>
</tr>
<tr>
<td>WRSB</td>
<td>Wullersdorf Resources Sdn Bhd</td>
</tr>
<tr>
<td>WRSB Mining Right</td>
<td>WRSB's mining right over the Sub-Lease Land pursuant to the Sub-Lease Agreement</td>
</tr>
<tr>
<td>WRSB Shares</td>
<td>Ordinary shares of RM1.00 each in WRSB</td>
</tr>
</tbody>
</table>

All references to “you” in this Circular are to the shareholders of Bahvest.

Words denoting the singular shall, where applicable, include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders, and vice versa. References to persons shall include corporations.

Any reference to any enactment in this Circular is a reference to that enactment as for the time being amended or re-enacted.

Any reference to a time of day in this Circular is a reference to Malaysian time, unless otherwise stated.

Any discrepancy in the tables between the amounts listed and the totals in this Circular are due to rounding. In this Circular, translation of USD amounts into RM amounts has been made according to the exchange rate of USD1.00:RM4.4605, being the middle rate as published/made available by Bank Negara Malaysia at 5.00 p.m. on the LD, unless otherwise indicated. Such translation is provided solely for the convenience of readers and should not be taken to mean that the translation amounts stated in this Circular could have been or would have been converted into such amounts, at the above rate.

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<table>
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<tr>
<th><strong>GLOSSARY OF TECHNICAL TERMS</strong></th>
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<tr>
<td><strong>base metal</strong> : Any metal at the lower end of the electrochemical series that oxidizes readily.</td>
<td></td>
</tr>
<tr>
<td><strong>Au</strong> : Gold</td>
<td></td>
</tr>
<tr>
<td><strong>Ag</strong> : Silver</td>
<td></td>
</tr>
<tr>
<td><strong>Competent Person</strong> : A minerals industry professional who is a member or fellow of the AusIMM, or of the AIG, or of a &quot;Recognised Professional Organisation&quot; (RPO), as included in a list available on the JORC and Australian Securities Exchange websites.</td>
<td></td>
</tr>
<tr>
<td><strong>Cu</strong> : Copper</td>
<td></td>
</tr>
<tr>
<td><strong>Expert</strong> : In relation to a matter, means a person whose profession or reputation gives authority to a statement made by him or her in relation to that matter.</td>
<td></td>
</tr>
<tr>
<td><strong>g/t</strong> : Gram per tonne (equivalent to parts per million concentration)</td>
<td></td>
</tr>
<tr>
<td><strong>Grade</strong> : Any physical or chemical measurement of the characteristics of the material of interest in sample or product. Expressed as the average concentration of a metal or element in a specified quantity of rock.</td>
<td></td>
</tr>
<tr>
<td><strong>Indicated Mineral Resources</strong> : That part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve.</td>
<td></td>
</tr>
<tr>
<td><strong>Inferred Mineral Resources</strong> : That part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.</td>
<td></td>
</tr>
<tr>
<td><strong>Market Value</strong> : &quot;The estimated amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion&quot; under the definition set out in the VALMIN Code 2015.</td>
<td></td>
</tr>
<tr>
<td><strong>Measured Mineral Resource</strong></td>
<td>That part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Ore Reserve or under certain circumstances to a Probable Ore Reserve.</td>
</tr>
<tr>
<td><strong>Mineral</strong></td>
<td>Any naturally occurring material found in or on the Earth's crust that is either useful or has a value placed on it by humankind, or both. This excludes hydrocarbons, which are classified as Petroleum.</td>
</tr>
<tr>
<td><strong>Mineral Asset</strong></td>
<td>All property including (but not limited to) tangible property, intellectual property, mining and exploration Tenure and other rights held or acquired in connection with the exploration, development and production from those Tenures. This may include the plant, equipment and infrastructure owned or acquired for the development, extraction and processing of Minerals in connection with that Tenure.</td>
</tr>
<tr>
<td><strong>Mineral Resource</strong></td>
<td>A concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality) and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories. Not all of a mineral resource may be economically mineable.</td>
</tr>
<tr>
<td><strong>mineralisation</strong></td>
<td>Any single mineral or combination of minerals occurring in a mass, or deposit, of economic interest. The term is intended to cover all forms in which mineralisation might occur, whether by class of deposit, mode of occurrence, genesis or composition.</td>
</tr>
<tr>
<td><strong>Modifying Factors</strong></td>
<td>Modifying factors are considerations used to convert Mineral Resources to Ore Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors.</td>
</tr>
<tr>
<td><strong>Ore Reserve</strong></td>
<td>The economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which Reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated.</td>
</tr>
</tbody>
</table>
GLOSSARY OF TECHNICAL TERMS (CONT'D)

Pre-Feasibility Study: "A comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors which are sufficient for a Competent Person, acting reasonably, to determine if all or part of the Mineral Resources may be converted to an Ore Reserve at the time of reporting" under the definition set out in the JORC Code.

Probable Ore Reserve: The economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve.


Scoping Study: A Scoping Study is an order of magnitude technical and economic study of the potential viability of the Mineral Resources. It includes appropriate assessments of realistically assumed modifying factors together with any other relevant operational factors that are necessary to demonstrate at the time of reporting that progress to a Pre-Feasibility Study can be reasonably justified. A Scoping Study must not be used as the basis for estimation of Ore Reserves.

Securities Experts: Persons whose profession, reputation or experience provides them with the authority to assess or value Securities¹ (as defined in the Corporations Act) in compliance with the requirements of the Corporations Act, Australian Securities & Investment Commissions Regulatory Guides and Australian Securities Exchange Listing Rules.

Specialists: Persons whose profession, reputation or relevant industry experience in a technical discipline (such as geology, mine engineering or metallurgy) provides them with the authority to assess or value Mineral Assets.

Technical Assessment: An evaluation prepared by a Specialist of the technical aspects of a Mineral Asset. Depending on the development status of the Mineral Asset, a Technical Assessment may include the review of geology, mining methods, metallurgical processes and recoveries, provision of infrastructure and environmental aspects.

Technical Value: "An assessment of a Mineral Asset's future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations" under the definition set out in the VALMIN Code 2015.

¹ The meaning of Securities includes:-
(a) debentures, stocks or bonds issued or proposed to be issued by a government; or
(b) shares in, or debentures of, a body; or
(c) interests in a managed investment scheme; or
(d) units of such shares;
but does not include:
(e) a derivative other than an option to acquire by way of transfer of a security covered by paragraph (a), (b), (c) or (d) above, or
(f) an excluded security.
GLOSSARY OF TECHNICAL TERMS (CONT'D)

Tenure: "Any form of title, right, licence, permit or lease granted by the responsible government in accordance with its mining legislation that confers on the holder certain rights to explore for and/or extract agreed minerals that may be (or is known to be) contained. Tenure can include third-party ownership of the Minerals (for example, a royalty stream)" under the definition set out in the VALMIN Code 2015.

Valuation Report: An opinion as to monetary market value of a Mineral Asset but specifically excludes commentary on the value of any related Securities (as defined in the Corporations Act).

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**LETTER TO THE SHAREHOLDERS IN RELATION TO THE PROPOSALS CONTAINING:-**

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## PART B

**IAL in relation to the Proposed Acquisition**

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</tr>
</tbody>
</table>

**NOTICE OF EGM**                                                                                   ENCLOSED
**PROXY FORM**                                                                                     ENCLOSED
PART A

LETTER TO THE SHAREHOLDERS IN RELATION TO THE PROPOSALS
BORNEO AQUA HARVEST BERHAD
(Company No. 649504-D)
(Incorporated in Malaysia under the Companies Act, 1985)

Registered office:
802, 8th Floor, Block C
Kelana Square
17 Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan

28 December 2016

Board of Directors:-

Dato’ Sri Dr. Md Kamal Bin Bilal  (Non-Independent Non-Executive Chairman)
Datuk Lo Fui Ming                          (Managing Director/Chief Executive Officer)
Lo Teck Yong                               (Executive Director)
Akinori Hotani                             (Executive Director)
YB Mejari (K) Datuk Samsudin Bin Yahya    (Senior Independent Non-Executive Director)
Tan Sri Dato’ Nik Hashim Bin Nik. Abd. Rahman (Independent Non-Executive Director)
Sim Kay Wah                                (Independent Non-Executive Director)
Mau Kam Wai                                (Non-Independent Non-Executive Director)
Chong Khing Chung                          (Non-Independent Non-Executive Director)

To: Shareholders of Bahvest

Dear Sir/Madam

(I) PROPOSED ACQUISITION;
(II) PROPOSED DIVERSIFICATION; AND
(III) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

1. INTRODUCTION

On 20 November 2015, AmlInvestment Bank had, on behalf of the Board, announced that Bahvest entered into the SSA with the Vendors for the proposed acquisition of 10,000 WRSB Shares, representing the entire equity interest of WRSB, for a total purchase consideration of RM131.0 million to be satisfied via the issuance of 104,521,277 new Bahvest Shares and 34,840,425 ICPS.

AmlInvestment Bank had also, on behalf of the Board, announced that in conjunction with the above, the Company intends to undertake the Proposed Diversification and Proposed Increase in Authorised Share Capital.

On 25 November 2016, Aminvestment Bank had, on behalf of the Board, announced that Bahvest and the Vendors had entered into the Supplemental Deed to revise the total purchase consideration of the Proposed Acquisition from RM131 million to RM96 million, which shall be fully satisfied via the issuance of 102,127,660 new Bahvest Shares at the Share Issue Price of RM0.94 per Bahvest Share.

On 23 December 2016, Aminvestment Bank had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 23 December 2016 approved the listing of and quotation for 102,127,660 new Bahvest Shares to be issued pursuant to the Proposed Acquisition, subject to, inter-alia, the conditions as set out in Section 8, Part A of this Circular.

In view of the interests of the Interested Directors as set out in Section 10, Part A of this Circular, the Proposed Acquisition is deemed to be a related party transaction. Accordingly, in compliance with Rule 10.08(2) of the Listing Requirements, FHCA has been appointed on 9 October 2015 to act as the Independent Adviser to, amongst others, advise the non-interested shareholders in relation to the Proposed Acquisition. The Independent Advice Letter is set out in Part B of this Circular.

The purpose of this Circular is to provide you with the relevant information pertaining to the Proposals and to seek your approval for the Proposals as set out in the resolutions to be tabled at the forthcoming EGM to be convened. The Notice of EGM and Proxy Form are enclosed in this Circular.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF PART A OF THIS CIRCULAR AND THE INDEPENDENT ADVICE LETTER AS SET OUT IN PART B OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSALS

2.1 Details of the Proposed Acquisition

The Proposed Acquisition entails the acquisition of the Sale Shares, representing the entire equity interest of WRSB, by Bahvest from the Vendors free from all claims, charges, lien and encumbrances whatsoever, together with all rights attached thereto and all dividends, rights and distributions declared in respect thereof after the completion date of the SSA ("Completion Date") at the Purchase Consideration of RM96.0 million to be satisfied via the issuance of 102,127,660 Consideration Shares.

The breakdown of the Purchase Consideration to the respective Vendors is as follows:

<table>
<thead>
<tr>
<th>Vendors</th>
<th>No. of Sale Shares</th>
<th>Equity interest in WRSB</th>
<th>Purchase Consideration (RM’million)</th>
<th>Consideration Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Datuk Lo Fu Ming</td>
<td>7,000</td>
<td>70%</td>
<td>67.20</td>
<td>71,489,362</td>
</tr>
<tr>
<td>Mohd Amir bin Masry</td>
<td>2,500</td>
<td>25%</td>
<td>24.00</td>
<td>25,531,915</td>
</tr>
<tr>
<td>Dr. Tan Su Haw</td>
<td>500</td>
<td>5%</td>
<td>4.80</td>
<td>5,106,383</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10,000</strong></td>
<td><strong>100%</strong></td>
<td><strong>96.00</strong></td>
<td><strong>102,127,660</strong></td>
</tr>
</tbody>
</table>

WRSB has not commenced operations since its incorporation. The Proposed Acquisition is undertaken in conjunction with WRSB being identified as a special purpose vehicle by the Vendors to venture into the Mining Business on the Sub-Lease Land.
SGSB, a company with common shareholders as WRSB, had accepted an offer made by the Lands and Surveys Department on 23 December 2014 whereby the Lands and Surveys Department agreed to grant SGSB a lease of 35 years commencing from 1 January 2014 to 31 December 2048 on a parcel of land held under Country Lease Title No. 105651438 at the Locality of Bukit Mantri in the District of Tawau, Sabah, Malaysia measuring approximately 1,000 hectares for mining purpose. The title of the Country Lease was issued and registered on 24 June 2015. For information purposes, the Country Lease granted SGSB rights to carry out mining operations on the Main Lease Land is subject to the terms and conditions therein. Subsequently, SGSB was notified that an area of 53.9 hectares of the said 1,000 hectares is to be excised and returned to the Sabah Forestry Department. As such, the actual size to be gazetted for the Title is approximately 946.1 hectares.

On 1 October 2015, WRSB entered into the Sub-Lease Agreement with SGSB whereby SGSB agreed to sub-lease the Sub-Lease Land to WRSB for a term of 33 years in consideration of an annual rent of RM60,000. The Lands and Surveys Department had given its approval for the creation of the Sub-Lease and the Sub-Lease was registered on the Country Lease on 13 November 2015. The Sub-Lease commences from 1 October 2015 and will expire on 30 September 2048. For avoidance of doubt, all the required approvals, permits, consents, authorisation obtained by SGSB to carry out mining operations on the Sub-Lease Land can be utilised by WRSB through the registration of the Sub-Lease and the Sub-Lease Agreement. WRSB is not required to apply for approvals, permits, consents, authorisation to carry out the mining operations on the Sub-Lease Land.

Please refer to Appendix I and II of this Circular for further information on the Sub-Lease Land (including the salient terms of the Country Lease and Sub-Lease Agreement), WRSB and SGSB.

2.1.1. **Basis of and justification for the Purchase Consideration**

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration, amongst others, the Market Value of WRSB’s mining right over the Sub-Lease Land ("WRSB Mining Right") opined by JLL in the Competent Valuer’s Report dated 13 October 2016 ranging from RM69 million to RM100 million with a preferred value of RM96 million as appended in Appendix IV of this Circular. The Market Value of WRSB Mining Right is based on the Mineral Resources estimated by Optiro within the Initial Mining Area.

WRSB Mining Right’s Market Value ranging from RM69 million to RM100 million with a preferred value of RM96 million under the Competent Valuer’s Report was derived after taking into consideration the following:-

(i) the independent competent person’s report dated 22 April 2016 ("Competent Person’s Report") issued by Optiro in accordance with the JORC Code which reported the Mineral Resources (comprising gold, silver and copper) in the Initial Mining Area as appended in Appendix V of this Circular. The summary of the Competent Person’s Report in relation to the Mineral Resources in the Initial Mining Area is set out in Section 2.1.2, Part A of this Circular;

(ii) RPM’s Scoping Study Report dated 10 October 2016 covered mine design and scheduling, project operating and capital costs. The Scoping Study indicates there are reasonable prospects for economic viability of the Indicated Mineral Resources and it is recommended that further studies, such as pre-feasibility and supporting technical studies are undertaken. The Scoping Study Report’s mining schedule estimated the Initial Mining Area’s mine life of 3.75 years of ore production at an average rate of approximately 430 kilo-tonnes per annum;
(iii) the location and geology of the Sub-Lease Land and the applicability of various valuation methods under the Competent Valuer’s Report. The following weightings have been assigned to different valuation methods in order to derive the Market Value of WRSB Mining Right by JLL:-

(a) 70% weighting was attributable to the Market Value ranges from RM98 million to RM136 million with the preferred value being RM117 million, after applying a 28% discount on the Technical Value ranges from RM136 million to RM189 million with the preferred value being RM162 million. The Technical Value was derived by JLL based on a DCF model of the anticipated future income of the Indicated Mineral Resources estimated within the Initial Mining Area as at 6 July 2016 (“Valuation Date”). The discount of 28% was derived by JLL after taking into consideration JLL’s assessment of Modifying Factors incorporating both risks and opportunities applicable to the stage of development of WRSB Mining Right. The summary and the basis of the Modifying Factors of 28% are set out in Section 2.1.3(c), Part A of this Circular;

(b) 20% weighting was attributable to the Market Value ranges from RM4 million to RM25 million with an average of RM18 million derived based on the comparable transactions method. The lower weighting assigned to the comparable transactions method is primarily due to JLL considering that none of the comparable transactions is highly comparable to WRSB Mining Right after taking into consideration, amongst others, the difference in geographic location which leads to differences in mining costs, operating costs, processing costs, royalties payable to government and tax system; and

(c) 10% weighting was attributable to Anchor Resources Limited’s market capitalisation equivalent to approximately RM100 million as at the Valuation Date based on its total issued and paid-up share capital of 279,730,000 shares and closing market price of RM0.36. For information purposes, Anchor Resources Limited is a public company listed on the Singapore Stock Exchange and it holds a gold project in Lubuk Mandi, Terengganu, Malaysia which consists of retreatment of tailings and rehabilitation of an existing low-grade open pit with Indicated and Inferred Mineral Resources of approximately 114,000 ounces of gold (“Lubuk Mandi Gold Project”). Please refer to Section 2.1.3(e), Part A of this Circular for further details;

(iv) the Remaining Sub-Lease Area is yet to be explored and prospected by SGSB. Bahvest plans to systematically explore and prospect the Remaining Sub-Lease Area upon completion of the Proposed Acquisition. Nonetheless, there is no assurance that there would be any Mineral Resources that would be economically extractable by WRSB in the Remaining Sub-Lease Area given that geographical and mining studies have yet to be undertaken to evaluate prospects of discovering mineral resources in the Remaining Sub-Lease Area; and

(v) the overview and outlook of the mining industry, gold, silver and copper commodity markets as well as the prospects of the Proposed Acquisition and Proposed Diversification, details of which are set out in Sections 4.2 and 4.3, Part A of this Circular respectively.

The valuation was conducted in compliance with the VALMIN Code 2015 prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists, with the participation of the Minerals Council of Australia and other key stakeholder representatives.

Since the Valuation Date up to the LPD, JLL is not aware of any circumstances or material changes that will have material effect on the content, validity, accuracy of the Competent Valuer’s Report.
The Board (save for the Interested Directors) is of the opinion that the Purchase Consideration is justified after taking into consideration, amongst others, the following:-

(a) the Purchase Consideration represents the Market Value of WRSB Mining Right opined by JLL; and

(b) the opportunity to diversify into the Mining Business which is in line with the Bahvest Group’s long term objective to achieve sustainable growth and enhancement of value to shareholders of Bahvest.

2.1.2. Summary of the Competent Person’s Report in relation to the Mineral Resources of the Initial Mining Area

Based on the Competent Person’s Report, the Indicated and Inferred Mineral Resource (comprising gold, silver and copper) in the Initial Mining Area is summarised as follows:-

Gold Mineral Resource Estimate (reported using a 0.35 g/t Au cut-off grade)

<table>
<thead>
<tr>
<th>Category</th>
<th>Tonnes ('million)</th>
<th>Grade (gram/tonne (Au))</th>
<th>Ounces (Au)</th>
<th>Tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicated Mineral Resource</td>
<td>1.69</td>
<td>2.72</td>
<td>148,000</td>
<td>4.6</td>
</tr>
<tr>
<td>Inferred Mineral Resource</td>
<td>1.01</td>
<td>1.84</td>
<td>60,000</td>
<td>1.9</td>
</tr>
<tr>
<td>Total</td>
<td>2.70</td>
<td>2.39</td>
<td>207,000</td>
<td>6.5</td>
</tr>
</tbody>
</table>

Silver and Copper Mineral Resource Estimate (reported using a 0.35 g/t Au cut-off grade)

<table>
<thead>
<tr>
<th>Category</th>
<th>Tonnes ('million)</th>
<th>Grade (gram/tonne (Ag))</th>
<th>Ounces (Ag)</th>
<th>Copper (Cu %)</th>
<th>Copper (Cu)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicated Mineral Resource</td>
<td>1.89</td>
<td>8.28</td>
<td>450,000</td>
<td>0.24</td>
<td>4,000</td>
</tr>
<tr>
<td>Inferred Mineral Resource</td>
<td>1.01</td>
<td>6.39</td>
<td>208,000</td>
<td>0.27</td>
<td>2,800</td>
</tr>
<tr>
<td>Total</td>
<td>2.70</td>
<td>7.57</td>
<td>657,000</td>
<td>0.25</td>
<td>6,800</td>
</tr>
</tbody>
</table>

Based on the Competent Person Report, the Indicated and Inferred Mineral Resource (comprising gold, silver and copper) in the Initial Mining Area satisfy the criteria for eventual economic extraction for the following reasons:-

(i) the mineral deposit is low sulphidation epithermal type gold deposit with associated silver and base metals, the type and characteristics of which are well understood and are exploited from many locations around the world;

(ii) the mineralogy is described as refractory, but a number of metallurgical tests have shown that good recoveries of minerals can be obtained by flotation and gravity methods. These methods of metal recovery are common and well understood in terms of performance, capital and operating costs. The ability to produce a concentrate with copper credits is an additional benefit to the mining project at the Initial Mining Area; and

(iii) the deposit is near surface and easily exposed for extraction by open pit mining methods.
The steps to convert a Mineral Resource to Ore Reserve includes optimisation, design and planning processes, scheduling and costing as well as tabulation, financial evaluation and reporting. All of the processes in converting a Mineral Resource to Ore Reserve involve consideration of Modifying Factors which are criteria such as mining, processing, metallurgical, geotechnical, hydrological, economic, marketing, environmental, legal, social and government factors.

Since the effective date of the Competent Person’s Report on 22 April 2016 up to the LPD, Optiro is not aware of any circumstances or material changes which will have material effect on the content, validity or accuracy of the Competent Person’s Report. Please refer to Appendix V of this Circular for the Competent Person’s Report for full details on the mineral resource estimates of the Initial Mining Area.

The Board wishes to emphasise that the Mineral Resources within the Initial Mining Area are estimated based on certain estimation methodology and procedures, various assumptions as well as professional judgement by Optiro. There is no assurance that the actual amount of minerals extracted will reflect the Mineral Resources estimates.

2.1.3. Summary of the Competent Valuer’s Report

The summary of the Competent Valuer’s Report is as set out as follows:-

<table>
<thead>
<tr>
<th>Methodologies</th>
<th>Weighting</th>
<th>Range of values (RM*million)</th>
<th>Preferred Value (RM*million)</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) DCF</td>
<td>70%</td>
<td>96 to 136</td>
<td>117</td>
<td>Sections 2.1.3 (a) to (c), Part A of this Circular</td>
</tr>
<tr>
<td>(ii) Comparable Transactions Method</td>
<td>20%</td>
<td>4 to 25</td>
<td>18</td>
<td>Section 2.1.3 (6), Part A of this Circular and Section 6.3.2 of the Competent Valuer’s Report in the Appendix IV of this Circular</td>
</tr>
<tr>
<td>(iii) Anchor Resources Limited’s market capitalisation</td>
<td>10%</td>
<td>Not applicable</td>
<td>100</td>
<td>Section 2.1.3 (e), Part A of this Circular</td>
</tr>
</tbody>
</table>

| Average                             | 69 to 106 | 96                          |

(a) Key assumptions under the DCF methodology

The anticipated future cash flows of the WRSB Mining Right based on the Mineral Resources estimated within the Initial Mining Area ("WRSB Cash Flows") are prepared based on assumptions as set out in Section 5 of the Competent Person’s Report as appended in Appendix V of this Circular.

The key specific assumptions used by JLL in the preparation of the WRSB Cash Flows are, amongst others, the following:-

(i) the Mineral Resource estimates as set out in the Competent Person’s Report are reasonably accurate;

(ii) the mining schedule which estimated the Initial Mining Area’s mine life of 3.75 years of ore production at an average rate of approximately 430 kilo-tonnes per annum as set out in the Scoping Study Report (which includes an economic-based pit optimisation based on Indicated Mineral Resources only) is achievable;
(iii) the following metal recovery rates for gold, silver and copper based on results from amongst others, Scoping Study Report and industry data for similar types of deposits:

<table>
<thead>
<tr>
<th>Metal</th>
<th>Oxide ore</th>
<th>Sulphide ore</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold</td>
<td>65%</td>
<td>85%</td>
</tr>
<tr>
<td>Silver</td>
<td>-</td>
<td>65%</td>
</tr>
<tr>
<td>Copper</td>
<td>-</td>
<td>80%</td>
</tr>
</tbody>
</table>

(iv) revenue from the sale of concentrates will equate to 97% of the value of the contained gold, silver and copper in the concentrates based on the corresponding spot rates over the four (4) years from 2017 to 2020;

(v) processing fee is chargeable at CNY665 per tonne (approximately USD100/tonne\(^{(1)}\)) for oxide concentrates and CNY395 per tonne (approximately USD60/tonne\(^{(1)}\)) for sulphide concentrates based on the quotation obtained from smelter operator in China. The difference of the processing fees assumption for oxide concentrates and sulphide concentrates is primarily due to an expected rebate for extraction of sulphur from the sulphide concentrates which will be retained by the smelter operator;

Note:-

\(^{(1)}\) The forward foreign currency exchange rate of CNY1.00:USD0.15 on the spot market as at the Valuation Date is used in translating the above processing fee.

(vi) 5% of the value of the ores, concentrate or other products produced is payable to the Government of Sabah as a royalty pursuant to the terms of the Country Lease;

(vii) rehabilitation costs at the end of the mine life have been estimated by RPM at USD750,000 per quarter for the last six (6) quarters ending in June 2021;

(viii) the commodity prices for gold, silver and copper over the four (4) years from 2017 to 2020 based on the data of commodity forward contracts compiled by Bloomberg as at the Valuation Date which are summarised as follows:-

<table>
<thead>
<tr>
<th>Year</th>
<th>Gold</th>
<th>Silver</th>
<th>Copper</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(USD per troy ounce)</td>
<td>(USD per troy ounce)</td>
<td>(USD per tonne)</td>
</tr>
<tr>
<td>2017</td>
<td>1,384</td>
<td>20.46</td>
<td>4,778</td>
</tr>
<tr>
<td>2018</td>
<td>1,397</td>
<td>20.69</td>
<td>4,808</td>
</tr>
<tr>
<td>2019</td>
<td>1,409</td>
<td>20.91</td>
<td>4,837</td>
</tr>
<tr>
<td>2020</td>
<td>1,420</td>
<td>21.20</td>
<td>4,366</td>
</tr>
</tbody>
</table>

Please refer to Section 5.6 of the Competent Valuer's Report in the Appendix IV of this Circular for further details;

(ix) the foreign currency exchange rates for foreign currency pairs of MYR-USD and MYR-CNY based on the forward rates compiled by Bloomberg as at the Valuation Date (please refer to Section 5.7.1 of the Competent Valuer's Report in the Appendix IV of this Circular for further details); and

(x) the inflation rates for Malaysia and China based on the forecast data compiled by Bloomberg as at the Valuation Date (please refer to Section 5.7.2 of the Competent Valuer's Report in the Appendix IV of this Circular for further details).
(b) **Discount Rate**

In the DCF method, the Technical Value was derived from present value of the WRSB Cash Flows as at the Valuation Date using discount rate of 8.91% over duration of approximately four (4) years. The discount rate of 8.91% representing the WRSB's weighted average cost of capital whereby the cost of equity was derived using the CAPM and the cost of debt was derived based on borrowing rates that represent WRSB's long term borrowing cost. The components of the discount rate are as follows:-

<table>
<thead>
<tr>
<th>Components</th>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk free rate (R_f)</td>
<td>With reference to the benchmark Malaysia government yield curve for a 4 year term (Source: Bloomberg)</td>
<td>3.24%</td>
</tr>
<tr>
<td>Market Premium (R_m - R_f)</td>
<td>With reference to Malaysia Country Risk Premium (Source: Bloomberg)</td>
<td>4.24%</td>
</tr>
<tr>
<td>Beta (β)</td>
<td>Median of re-levered Beta of WRSB's comparable companies</td>
<td>0.52</td>
</tr>
<tr>
<td>Size premium</td>
<td>With reference to Duff &amp; Phelps Valuation Handbook 2018</td>
<td>3.58%</td>
</tr>
<tr>
<td>Cost of equity (K_e)</td>
<td>K_e = R_f + β (R_m - R_f) + size premium</td>
<td>9.02%</td>
</tr>
<tr>
<td>Cost of debt (K_d)</td>
<td>With reference to the RM average prime borrowing rate in Malaysia as at the Valuation Date</td>
<td>6.58%</td>
</tr>
<tr>
<td>Weight of equity (W_e)</td>
<td>With reference to the median of the debt-to-market capitalisation ratio of the comparable companies</td>
<td>97.4%</td>
</tr>
<tr>
<td>Weight of debt (W_d)</td>
<td>With reference to the median of the debt-to-market capitalisation ratio of the comparable companies</td>
<td>2.6%</td>
</tr>
<tr>
<td>Tax rate (T)</td>
<td>Malaysia's corporate tax rate</td>
<td>24.0%</td>
</tr>
<tr>
<td>Weighted average cost of capital (&quot;WACC&quot;)</td>
<td>Weighted average of the cost of equity and the after tax cost of debt</td>
<td>8.91%</td>
</tr>
</tbody>
</table>

(c) **Modifying Factors**

JLL had performed an overall assessment on the potential risk and opportunities of the modifying factors that may have an impact upon the valuation of the WRSB Mining Right. The Modifying Factors considered by JLL including, amongst others, geology & resources, mining, processing, infrastructure, economics & marketing, legal, environmental, and social & government issues. However, JLL have excluded the possible upside from additional resources as it is largely conceptual at this state. Based on JLL's overall assessment above, a Modifying Factor discount of 28% was derived and JLL had applied the aforementioned Modifying Factor discount of 28% on the Technical Value to derive the Market Value under DCF approach ranging from RM98 million to RM136 million with a preferred value of RM117 million.
(d) JLL had analysed the price paid per resource ounce of gold (normalised by gold price at the time of transaction in comparison to the gold price as at the Valuation Date) of 16 comparable market transactions which are the search results using the following criteria:-

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Parameters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodities:</td>
<td>Gold and/or by-product silver and copper</td>
</tr>
<tr>
<td>Size:</td>
<td>Less than 1 million ounce of gold in total resources plus reserves</td>
</tr>
<tr>
<td>Status:</td>
<td>Pre-production with defined resources</td>
</tr>
<tr>
<td>Date:</td>
<td>Since mid-April 2013</td>
</tr>
<tr>
<td>Geographic location:</td>
<td>Malaysia or similar geo-political jurisdiction</td>
</tr>
</tbody>
</table>

The full list of the 16 comparable market transactions is set out in pages 80 and 81 of the Competent Valuer’s Report (attached as Appendix IV, Part A of this Circular).

Based on the Comparable Transactions Method, the values for the price paid per resource ounce of gold (normalised by gold price at the time of transaction in comparison to the gold price at the Valuation Date) vary greatly from RM7 per resource ounce of gold to RM391 per resource ounce of gold. The value for the price paid per resource/reserve ounce of gold of the comparable transactions was based on the entire gold resource/reserve of the comparable transactions’ mines. JLL note that the large discrepancy of the price paid per resource ounce of gold reflects the variations in the characteristics of the different projects, such as tonnage, grade of mineralisation and geochemical properties.

JLL eliminated the top 25% and bottom 25% of the comparable market transactions and arrived at a range of RM20 to RM119 per resource ounce of gold and an average of RM66 per resource ounce of gold. JLL applied these values to the 207,000 ounces of gold (the Indicated and Inferred gold resources) estimated by Optiro within the Initial Mining Area and arrived at a range of values from RM4 million to RM25 million with an average of RM18 million (rounded to nearest million).

(e) Represents Anchor Resources Limited’s market capitalisation of approximately RM100 million as at the Valuation Date, based on Anchor Resources Limited’s total issued and paid-up share capital of 279,730,000 shares and closing market price of RM0.36 as extracted from Bloomberg. JLL is of the view that the Lubuk Mandi Gold Project owned by Anchor Resources Limited is the most appropriate comparable to WRSB Mining Right over the Sub-Lease Land after taking into consideration, amongst others, the geographical location of Lubuk Mandi Gold Project which is in Terengganu, Malaysia.

Based on the independent valuation report prepared by an independent qualified person for Anchor Resources Limited’s initial public offering offer document dated 9 March 2016 in connection with its initial public offering and listing on the Catalist board of Singapore Exchange Securities Trading Limited, the Market Value of the Lubuk Mandi Gold Project was determined to be within the range of USD16.1 million to USD22.2 million with a preferred value of USD19.2 million.
For illustration purposes, based on Lubuk Mandi Gold Project's Market Value per resource ounce of gold, the WRSB Mining Right's implied value is translated as follows:

<table>
<thead>
<tr>
<th></th>
<th>Minimum (USD'million)</th>
<th>Maximum (USD'million)</th>
<th>Preferred (USD'million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lubuk Mandi Gold Project's Market Value</td>
<td>(A)</td>
<td>16.1</td>
<td>22.2</td>
</tr>
<tr>
<td>Lubuk Mandi Gold Project's total gold resource (Indicated and Inferred) (ounces)</td>
<td>(B)</td>
<td>114,000</td>
<td>114,000</td>
</tr>
<tr>
<td>Lubuk Mandi Gold Project's Market Value per resource ounce of gold (USD/ounces)</td>
<td>(C) = (A) / (B)</td>
<td>141.2</td>
<td>194.7</td>
</tr>
<tr>
<td>WRSB Mining Right's resource gold (Indicated and Inferred) (ounces)</td>
<td>(D)</td>
<td>207,000</td>
<td>207,000</td>
</tr>
<tr>
<td>WRSB Mining Right's implied value</td>
<td>(E) = (C) × (D)</td>
<td>29.2</td>
<td>40.3</td>
</tr>
<tr>
<td>WRSB Mining Right's implied value (RM'million)</td>
<td></td>
<td>118(1)</td>
<td>163(1)</td>
</tr>
</tbody>
</table>

Note:-

(1) The one-(1) month average exchange rate of USD1.00:RM4.0607 preceding the Valuation Date is used in translating the Market Value of the Lubuk Mandi Gold Project.

The implied preferred value of RM141 million is within the range of Technical Value from RM136 million to RM189 million based on DCF methodology.

Notwithstanding that the Market Value of Anchor Resources Limited's Lubuk Mandi Gold Project in Terengganu, Malaysia is a valuation of the project, and not a market transaction, JLL opined that it is the most appropriate comparable to WRSB Mining Right as the Lubuk Mandi Gold Project is located within Malaysia and the valuation was undertaken recently in December 2015. As the Lubuk Mandi Gold Project is the major asset of Anchor Resources Limited, given the similarity of Lubuk Mandi Gold Project and the WRSB Mining Right, it is expected that Anchor Resources Limited's market capitalisation as at the Valuation Date could be a proxy for valuing the WRSB Mining Right.

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2.1.4. Information on the Competent Person and Competent Valuer

(i) Competent Person

Mark Drabble is the responsible competent person for the reported Mineral Resource estimates in the Competent Person's Report.

Mark Drabble holds a B.App.Sci (Geology) graduating from the University of Technology, Sydney in 1990. Mark has over 25 years of experience in underground and open pit production of gold, nickel, copper, manganese & chromite, along with resource development, resource estimation, consulting and geological management at operational and corporate levels as well as over 15 years of relevant experience in the estimation, assessment and evaluation of gold, silver and copper mineralisation. Mark Drabble is a Member with the AusIMM and AIG.

Please refer to Appendix V of this Circular for the Competent Person's Report.

(ii) Competent Valuer

Mr. Murray Hutton and Mr. Simon Chan take joint overall responsibility of the Competent Valuer’s Report.

Mr. Murray Hutton currently serves as an expert consultant of JLL and has over 30 years’ experience in the exploration for and assessment of gold deposits. He has been acting as the Competent Person for a diverse range of commodities, as defined by the JORC Code. He has also been involved in the management of major exploration programs, including preparation and presentation of work programs and budgets, preparation of Australian Securities Exchange's announcements, technical and financial reports, etc. His qualifications and professional associations include a BA (Hons) Geology at Macquarie University and a membership of the AIG.

Mr. Simon Chan has extensive work experience in valuation and corporate advisory of over 10 years and has over 7 years’ relevant professional experience in the valuation of mineral assets. Although Mr. Simon Chan does not have experience in the type of mineral activity to be undertaken by Bahvest, Mr. Simon Chan has been appointed as the “Securities Expert” under VALMIN Code 2015 in view of his relevant professional experience in the valuation of Securities (as defined in the Corporations Act). He has obtained a Bachelor of Commerce degree in the University of Melbourne, Australia majoring in accountancy and finance. Mr. Simon Chan is a member of the AusIMM, fellow member of Hong Kong Institute of Certified Public Accountants, fellow member of CPA Australia, member of RICS and member of CIM.

Please refer to Appendix IV of this Circular for the Competent Valuer’s Report.

2.1.5. Salient terms of the SSA and Supplemental Deed

The salient terms of the SSA and Supplemental Deed include inter alia, the following:

(i) Purchase Consideration

The Purchase Consideration for the Sale Shares shall be satisfied by issuance and allotment of Consideration Shares on the Completion Date to the Vendors and/or its nominees in their respective proportions as set out in Section 2.1, Part A of this Circular.
(ii) **Conditions Precedent**

The SSA shall be conditional upon the following Conditions Precedent being obtained and/or fulfilled within the Conditional Period:

(a) the Vendors shall ensure that the Sub-Lease remains validly registered on the Title, with an official land search result reflecting the said registration (the Sub-Lease was registered on the Country Lease on 13 November 2015);

(b) the Vendors shall procure that WRSB obtains all the relevant governmental approvals, consents, permits and licenses in order to operate prospecting, mining, extraction, removal, processing, purifying and all other related mining activities at the Sub-Lease Land;

(c) Bahvest having been satisfied with the legal, financial, geological and feasibility of mining due diligence conducted by itself or its appointed professional on WRSB;

(d) approval of the shareholders of Bahvest at a general meeting for the Proposed Acquisition and Proposed Diversification as well as the issuance and allotment of Consideration Shares;

(e) the approval-in-principle of Bursa Securities for the listing of and quotation for the Consideration Shares; and

(f) such other approvals as shall be necessary.

The Parties agree, undertake and covenant to obtain the relevant approvals as soon as practicable and shall forthwith notify the other Party in writing ("CP Notices") within three (3) market days upon receipt of the same. The SSA shall be deemed unconditional upon the receipt of the CP Notices and all the approvals, consents or the deemed acceptance of the terms and conditions and/or variations imposed by the relevant authorities and the compliance and fulfilment of other conditions as set out in the SSA.

In the event that the Conditions Precedent are not fulfilled within the Conditional Period or such other Conditional Period may mutually be agreed by the Parties, the rights and obligations of the Parties in the SSA shall lapse, and be of no further effect and deemed mutually terminated.

(iii) **Completion**

Provided that the SSA has not been terminated in accordance with the terms and conditions contained in the SSA and:-

(a) no event of default has occurred or would occur as a result of the completion of the SSA;

(b) the Conditions Precedent have been procured, obtained and fulfilled;

(c) there has been no material adverse change in the financial condition of WRSB since the date of the SSA and there are no material changes imposed on the Title;

(d) each of the representations, warranties, covenants and undertakings set out in the SSA remains accurate at the Completion Date as if given on that date by reference to the facts and circumstances then existing;

(e) the Vendors have not breached any undertakings and/or covenants under the SSA;

(f) the approval granted by the Lands and Surveys Department to WRSB and the Sub-Lease Land shall remain valid and subsisting;
all the relevant governmental approvals, consents, permits and licenses in order to operate prospecting, mining, extraction, processing, purifying and all other related operation at the Sub-Lease Land, including but not limited to the mining rights and the approval and terms of reference from the Sabah Environmental Protection Department granted to SGSB in relation to the environmental impact assessment in relation to the conduct of mining activities on the Sub-Lease Land ("DOE's Approval") shall remain valid, subsisting and are able to be utilised by WRSB on execution of the SSA and the mining agreement between SGSB and WRSB to entitle WRSB to fully enjoy the rights of the DOE's Approval and which shall provide and guarantee WRSB and/or Bahvest and all their employees, contractors and sub-contractors and agents, the right of way and the right of access to the Sub-Lease Land via any part of the Main Lease Land and the relevant authorities have not expressed their intention to withdraw, terminate or cancel the approvals, consents, permits and licenses granted for the operation at the Sub-Lease Land by WRSB;

the Title, Sub-Lease and the Sub-Lease Agreement shall remain valid and subsisting;

no governmental entity shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, injunction or other order, whether temporary, preliminary or permanent, which is in effect and which has or would have the effect of making the transactions contemplated by the SSA as illegal or restraining or prohibiting consummation of such transactions; and

there is no notice of compulsory acquisition of the Main Lease Land has been made;

then, subject to the provisions of the SSA, the Vendors shall, on the Completion Date, complete the sale of the Sale Shares under the SSA.

(iv) Termination

(a) On the occurrence of any of the events of default; and provided that the event of default occurs before the Completion Date, the other non-defaulting Party ("Non-Defaulting Party") may (but is not obliged to) give notice in writing to the defaulting Party ("Defaulting Party") for termination specifying the default or breach of the Defaulting Party and requiring the Defaulting Party to remedy the said default or breach within 14 market days of the receipt of such notice or such extended period as may be allowed by the Non-Defaulting Party ("Remedy Notice"). The Remedy Notice shall include the defaulting conduct of the Defaulting Party.

(b) If the Defaulting Party fails to remedy the relevant default or breach within the said 14 market days or such extended period as may be allowed by the Non-Defaulting Party after being given notice by the Non-Defaulting Party to rectify such breach, the Non-Defaulting Party may elect to terminate the SSA and claim damages or pursue specific performance.
2.1.6. Basis of and justification for the Share Issue Price

The Share Issue Price of RM0.94 was determined on a willing-buyer willing-seller basis and after taking into consideration, amongst others, the prevailing market conditions, including the following:

(i) the Share Issue Price is equivalent to the Bahvest Share's closing market price of RM0.94 on the LFTD; and

(ii) the Share Issue Price represents a premium of approximately 0.8% to the five (5)-day VWAMP of Bahvest Shares up to and including the LFTD of RM0.9321.

2.1.7. Ranking of the Consideration Shares

The Consideration Shares shall, upon allotment and issuance, rank pari passu in all respects with the then existing Bahvest Shares, save and except that the Consideration Shares shall not entitle their holders to any dividends, rights, allotments and/or other distributions which may be declared, made or paid, of which the entitlement date is prior to the date of allotment of the Consideration Shares.

2.1.8. Listing and quotation of the Consideration Shares

The approval from Bursa Securities for the listing of and quotation for the Consideration Shares on the ACE Market of Bursa Securities has been obtained on 23 December 2016.

2.1.9. Liabilities to be assumed

Bahvest will not assume any additional liabilities (including contingent liabilities and guarantees) pursuant to the Proposed Acquisition.

2.1.10. Additional financial commitment

Bahvest intends to carry out the Mining Business through WRSB. Based on the Scoping Study Report, the estimated capital expenditure required to carry out the mining activities on the Initial Mining Area is approximately RM21 million ("Additional Financial Commitment"). The Additional Financial Commitment includes ore processing plant, processing equipment and mine infrastructure but excludes the costs required for any further technical studies and fieldwork related to geotechnical, environmental, metallurgical and project design. The capital cost estimate does not include mining equipment for the mining operations as Bahvest plans to outsource the mining operations to external contractors. Bahvest intends to fund the Additional Financial Commitment via a combination of internally generated funds and/or bank borrowings, the breakdown of which has not been determined by the Company at this juncture. As at the LFD, none of the Additional Financial Commitment has been incurred. The additional financial commitment required in carrying out the exploration and prospecting of the Remaining Sub-Lease Area has not been determined by the Company at this juncture as no feasibility study on the Remaining Sub-Lease Area has been performed.

The Board envisages that any additional capital expenditure and operating expenses required by WRSB beyond the first four (4) years of mining operations will be self-sustained by the cash flows from the Mining Business.
2.1.11. Information on the Vendors

(i) Datuk Lo Fu Ming

Datuk Lo Fu Ming, a Malaysian aged 60, is the Managing Director and Chief Executive Officer of Bahvest. He is primarily responsible for overseeing the overall business operations and development as well as formulation and implementation of the Bahvest Group’s corporate strategies. He started his own logging company in 1980 and was involved in various aspects of the timber industry including timber concession holding, logging contracting, timber trading and timber processing. In 1995, he ventured into the plantation industry. He has over 35 years of experience in various aspects including timber, oil palm plantation and integrated aquaculture. He also sits on the Board of WRSB, SGSB and several other private limited companies.

(ii) Mohd Amir Bin Masry

Mohd Amir Bin Masry, a Malaysian aged 31, is a shareholder of SGSB and WRSB. Upon completion of his studies, he works as sales trainee and subsequently joined the food and beverage industry in 2007. He ventured into mining business in 2014 as a shareholder of SGSB.

(iii) Dr. Tan Su Haw

Dr. Tan Su Haw, a Malaysian aged 62, is a director and shareholder of SGSB. He graduated from University of Aston in Birmingham with Bachelor of Science in Geology and Metallurgy, Master of Science in Metallurgy and Management and Doctor of Philosophy, PhD. Research in the anodizing of aluminium. Dr. Tan is a Fellow of the Institute of Materials, Minerals and Mining of United Kingdom and also a member of the Institut Geologi Malaysia. Dr. Tan is an engineer in the geological and metallurgical aspects of the mining industry. He started his career as a process engineer in Sabah Gas Industries, SGI Labuan and responsible for the monitoring of the direct reduction process of iron ore to produce hot briquetted iron. He was the general manager of Multi Dominium Mining Sdn Bhd, a mining company that prospecting and mining of iron ore in Terengganu. He was the commerce manager of Mamut Copper Mining in Ranau, Sabah. He is currently the Managing Director and shareholder of Kerjaya Boneo Sdn Bhd, which manufacture mild steel cement lining pipes for water transmission projects. He sits in the board of the Institute for Development Studies Sabah.

2.1.12. Original cost of investment by the Vendors

The original cost and date of investment by the Vendors in the Sale Shares are as follows:

<table>
<thead>
<tr>
<th>Vendors</th>
<th>Date of investment</th>
<th>Original cost of investment (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Datuk Lo Fu Ming</td>
<td>10 July 2015</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>30 July 2015</td>
<td>6,993</td>
</tr>
<tr>
<td>Mohd Amir bin Masry</td>
<td>30 July 2015</td>
<td>2,500</td>
</tr>
<tr>
<td>Dr. Tan Su Haw</td>
<td>30 July 2015</td>
<td>500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>10,000</strong></td>
</tr>
</tbody>
</table>
2.2 Details of the Proposed Diversification

Presently, the Bahvest Group is principally involved in the Aquaculture Business. The Bahvest Group intends to continue with its existing core businesses and undertake the Mining Business through WRSB.

In accordance with Rule 10.13 of the Listing Requirements, Bahvest must obtain its shareholders' approval in a general meeting for any transaction or business arrangement which might reasonably be expected to result in either:-

(i) the diversion of 25% or more of the net assets of the Bahvest Group to an operation which differs widely from those operations previously carried on by the Bahvest Group; or

(ii) the contribution from such an operation of 25% or more of the net profits of the Bahvest Group.

In assessing the extent of diversification or the amount of contribution to net profits, consideration should be taken of any associated transactions or loans affected or intended and of contingent liabilities or commitments.

The Proposed Acquisition is expected to result in a diversion of more than 25% of the net assets of the Bahvest Group. In this regard, the Board proposes to seek the approval from the shareholders of the Company for the Proposed Diversification in accordance with Rule 10.13 of the Listing Requirements at an EGM to be convened for the Proposals.

Although the Bahvest Group has no prior experience in the Mining Business, the Board believes that the Bahvest Group will be able to leverage on the core competencies and experience of Shamsul Arif Haruna, who has extensive experience and relevant knowledge in the Mining Business. The brief biography of Shamsul Arif Haruna is as follows:-

(a) Shamsul Arif Haruna

Shamsul Arif Haruna, a Malaysian aged 45, is the Senior Mining Manager of SGSB. He graduated from University Kebangsaan Malaysia with Bachelor of Science in Geology. He has 19 years of experience in the mining industry. He started his career as an exploration and mining geologist at Specific Resources Sdn Bhd from 1995 to 1998 and was responsible for providing advice and support for exploration activities of Penjom Gold Mine in Kuala Lipis, Pahang. His past experiences include the grouting and instrumentation engineer of Shimi-Muhibbah JV between 1998 and 2000, Senior Engineering Geology of Malaysia-China Hydro Joint Venture between 2000 and 2007 as well as Senior Geologist of Muhibbah Engineering (M) Sdn Bhd between 2007 and 2009. Prior to joining SGSB in 2015, he was the Regional Exploration Manager cum Mine Planning and Resource Manager of Selinsing Gold Mine Manager Sdn Bhd since 2009 and he was involved in, amongst others, designation of mine plans to meet company volumetric and grade objectives, determination of mining strategy and overseeing the daily production.

Upon completion of the Proposed Acquisition which is expected by first quarter of 2017, Bahvest intends to employ Shamsul Arif Haruna and thereafter may recruit up to 50 other personnel over the next 12 months period for various positions including mining engineer, geologists, quality controls as well as other professionals and/or personnel with relevant expertise and experiences in the mining industry to spearhead Bahvest’s business diversification plan which includes the Mining Business of WRSB. Notwithstanding the above, Bahvest may also seek services of external mining professionals or consultants to advise and/or assist in the Mining Business.
2.3 Details of the Proposed Increase in Authorised Share Capital

As at LPD, the authorised share capital of Bahvest is RM50,000,000 comprising 500,000,000 Bahvest Shares, of which 441,371,355 Bahvest Shares have been issued and are fully paid-up.

The issued and paid-up share capital could increase from 441,371,355 Bahvest Shares to 543,499,015 Bahvest Shares due to the issuance of Consideration Shares. Accordingly, the Board proposes to increase the Company's authorised share capital from RM50,000,000 comprising 500,000,000 Bahvest Shares to RM200,000,000 comprising 2,000,000,000 Bahvest Shares to facilitate the Proposed Acquisition. The Proposed Increase in Authorised Share Capital will also accommodate issuance of new Bahvest Shares that may be allotted pursuant to any other corporate exercises which may be undertaken by Bahvest in the future.

3. RATIONALE AND BENEFIT OF THE PROPOSALS

3.1 Proposed Acquisition and Proposed Diversification

Presently, the Bahvest Group is principally involved in the Aquaculture Business and intends to continue with its existing core businesses. The Group's long term growth plan includes growing a sustainable Aquaculture Business organically as well as diversifying its business by venturing into other viable and income-generating business. The Proposed Acquisition enables the Group to diversify its business into the Mining Business. Bahvest was offered the opportunity to venture into the Mining Business by the shareholders of WRSB and the management of Bahvest reasonably believes that the Mining Business will provide Bahvest with an opportunity of venturing into a viable income-generating business after undertaking geological and mining studies on the Initial Mining Area.

Bahvest will initially concentrate on the mining of the Mineral Resources in the Initial Mining Area (of which the Market Value of WRSB Mining Right is based on the Mineral Resources estimated by Optiro within the Initial Mining Area) and this is expected to take approximately 3.75 years to complete.

In addition, Bahvest plans to systematically explore and prospect the Remaining Sub-Lease Area upon completion of the Proposed Acquisition, the timing of which has has yet to be determined. Any discovery of Mineral Resources in the Remaining Sub-Lease Area that can be mined economically could contribute additional economic and financial benefits to the Bahvest Group. Nevertheless, there is no assurance that there would be any mineral resources that would be economically extractable by WRSB in the Remaining Sub-Lease Area given that geographical and mining studies have yet to be undertaken to evaluate the prospects of discovering mineral resources in the Remaining Sub-Lease Area.

The expected additional long term income through the Mining Business is expected to contribute positively to the future earnings of the Bahvest Group. Premised on the foregoing, the Board, save for the Interested Directors, believes that the Proposed Acquisition and Proposed Diversification augur well with the Bahvest Group's long term objective to achieve sustainable growth and enhancement of value to the shareholders of Bahvest.

Notwithstanding the above, the Bahvest Group intends to continue its Aquaculture Business whilst venturing into the Mining Business.

Having considered the above, the Board is of the opinion that the issuance of Consideration Shares is currently the most appropriate means of fund-raising without incurring interest cost as well as to minimise any potential cash outflow in respect of interest servicing as compared to bank borrowings. The issuance of Consideration Shares would increase the Group's shareholders' funds and strengthen the Group's financial position.
3.2 Proposed Increase in Authorised Share Capital

The Proposed Increase in Authorised Share Capital is undertaken to accommodate the issuance of the Consideration Shares pursuant to the Proposed Acquisition and any new Bahvest Shares to be issued pursuant to other corporate exercises that may be undertaken by Bahvest in the future.

4. PROSPECTS OF THE PROPOSALS

4.1 Overview and outlook of the Global and Malaysian economy

Global growth improved marginally with a modest expansion in advanced economies and stable economic activity in the emerging market and developing economies. In the advanced economies, growth in the US expanded due to an upturn in personal consumption expenditure and exports. While in the euro area, growth was mainly supported by continued expansion in domestic demand and accommodative monetary policy. Meanwhile, Japan’s economy expanded, mainly due to the government’s stimulus package, increased public spending and a rebound in exports. Among the emerging market and developing economies, China’s growth remained stable driven by increased government spending on infrastructure and continued expansion in real estate. Meanwhile, ASEAN economies continued to grow moderately driven by private consumption and a rebound in the manufacturing sector.

The global economy is projected to grow moderately with subdued growth in advanced economies and a stable outlook in the emerging market and developing economies. The US is expected to record a weaker-than-expected growth due to low investment and trade. The euro area is forecast to gain momentum albeit at a slow pace, supported by accommodative monetary policy. Nonetheless, the Brexit uncertainty is envisaged to continue imposing on consumer and business confidence in advanced economies in the euro area and the United Kingdom. Meanwhile, growth in Japan is anticipated to be stagnant due to an appreciation of the yen despite aggressive monetary policy and fiscal stimulus. Among the emerging market and developing economies, China’s economy is anticipated to remain stable following high private consumption, property and services sectors expansion as well as accommodative fiscal and monetary policies. Likewise, ASEAN’s growth is projected to accelerate owing to an increase in government spending on infrastructure and rising external demand.

The Malaysian economy expanded 4.3% (Q2 2016: 4%) during the third quarter of 2016 amid a challenging external environment. The growth was backed by higher domestic activities and a rebound in net exports. On the supply side, all sectors registered positive growth except agriculture.

(Source: Quarterly Update on the Malaysian Economy – 3rd Quarter 2016, Ministry of Finance Malaysia)

The Malaysian economy is expected to expand between 4% and 5% in 2017 (2016: 4% – 4.5%) with nominal gross national income ("GNI") per capita increasing 5% to RM39,699 (2016: 4.8%; RM37,812). Economic growth will be underpinned by strong domestic demand, especially private sector expenditure. Private sector activity will be supported by pro-growth fiscal and accommodative monetary policies in an environment of stable inflation, which is projected to range between 2% and 3% (2016: 2% – 2.5%). Meanwhile, public sector expenditure will be driven mainly by higher capital investment by public corporations.

4.2 Overview and outlook of the precious metals industry

Precious metals prices rose 8 percent in the third quarter on strong investment demand and safe-haven buying, amid continued low interest rate policies. This marked the third straight quarterly gain, placing the index up more than 20 percent this year. Silver led the way, surging 16 percent, on strong investor and industrial demand, followed by platinum, up 8 percent, on South African rand appreciation and tightening physical supply. Gold prices lagged these increases, but nevertheless rose 6 percent to average USD1,335 per troy ounce. The investor-driven gains were partly the result of tepid US economic data and the US Federal Reserve decision to delay raising policy interest rates. However, prices started to slip in late September and fell sharply in early October as investors responded to news that the European Central Bank may taper their bond-buying program, and on growing expectations that the US Federal Reserve will raise rates in December.

Gold prices increased 6 percent in the quarter, reaching a three-year monthly high of USD1,340 per troy ounce in August. The gains were driven by record investor demand via exchange-traded funds and the fallout from the Brexit vote. However, prices fell sharply in early October on comments by the ECB that it may taper its bond buying program, and by the US Federal Reserve that the economy is sound enough to absorb a rate increase—now expected in December. Rising interest rates typically have negative implications for gold prices, as investors seek yield-bearing assets. Physical gold demand has been very weak this year, and fell in the two largest consuming countries—India and China. Jewellery demand in India should improve in the fourth quarter during the festival and wedding seasons.

Silver prices surged 16 percent on strong investment demand, with record flows into exchange-traded funds. The gold/silver price ratio fell from a 23-year high of more than 80 in March to 67 in September (the average ratio since 1985 is 66). Physical demand has been boosted by strong photovoltaic production in China, but consumer silver consumption has been weak in China and India. Mine supply continues to rise, but lower by-product output from declining lead/zinc production may limit growth.

Copper prices rose 1 percent, despite rising inventories. Strong demand from China’s construction sector and the power grid provided support. However, the market is expected to remain oversupplied as new capacity comes online in the next 2-3 years.

Precious metals prices are projected to rise 7 percent in 2016, mainly due to stronger investment demand. Silver and gold prices are expected to rise 8 percent in 2016, but decline going forward on expectations of U.S. monetary policy tightening and a stronger dollar. Physical demand for gold is expected to recover and remain robust in India and China, while mine production is expected to expand. Platinum prices are projected to decline 5 percent on a continued large stock overhang. Downside risks to the forecast include stronger-than-expected monetary tightening, dollar strengthening, and weaker demand. Upside risks include rising inflation, macro-economic concerns, adverse geopolitical events, and stronger physical demand from consumers, central banks and investors.


\(^2\) In respect of 3rd quarter of 2016.
As at the LPD, the median of forecasted prices for gold, silver and copper over the next three (3) years compiled by Bloomberg are as follows:-

<table>
<thead>
<tr>
<th>Year</th>
<th>Gold (USD per troy ounce)</th>
<th>Silver (USD per troy ounce)</th>
<th>Copper (USD per tonne)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1,297</td>
<td>19.00</td>
<td>5,175</td>
</tr>
<tr>
<td>2018</td>
<td>1,325</td>
<td>19.60</td>
<td>5,716</td>
</tr>
<tr>
<td>2019</td>
<td>1,300</td>
<td>19.52</td>
<td>6,000</td>
</tr>
</tbody>
</table>

(Source: Bloomberg)

4.3 Prospects of the Proposed Acquisition and Proposed Diversification

Bahvest will initially focus on the mining of the Mineral Resources in the Initial Mining Area (of which the Market Value of WRSB Mining Right is based on the Mineral Resources estimated by Optiro within the Initial Mining Area) and this is expected to take approximately 3.75 years to complete. The mining operations in the Initial Mining Area is expected to commence within six (6) months after the completion of the Proposed Acquisition. Bahvest plans to export the extracted mineral concentrates mainly to China.

With proper planning and necessary measures to be taken by the Bahvest Group to mitigate possible risks that may arise from the mining activities, the Mining Business is expected to enhance and broaden the earning base of the Bahvest Group in the future. In addition to the Initial Mining Area, there is approximately 289.7 hectares of Remaining Sub-Lease Area that has yet to be explored and prospected, which may present further opportunities to the Bahvest Group to enhance its earnings prospects in the mining activities. Bahvest plans to systematically explore and prospect the Remaining Sub-Lease Area upon completion of the Proposed Acquisition, the estimated revenue, costs, sources of funding and timing of which have yet to be determined. Nevertheless, there is no assurance that there would be any mineral resources that would be economically extractable by WRSB in the Remaining Sub-Lease Area. No geographical or mining studies have been undertaken to evaluate the prospect of discovering mineral resources in the Remaining Sub-Lease Area.

Barring any unforeseen circumstances, the Board (save for the Interested Directors), after taking into consideration the rationale and prospects of the Proposed Acquisition and Proposed Diversification and the outlook of the precious metals industry, is of the opinion that the Proposed Acquisition and Proposed Diversification may contribute positively to the future earnings of the Bahvest Group.

(Source: Management of the Bahvest Group)

5. RISK FACTORS OF THE PROPOSALS

5.1 Completion of the Proposed Acquisition

The completion of the Proposed Acquisition is subject to the fulfilment of the Conditions Precedent, which may be beyond the control of Bahvest. In the event any of the Conditions Precedent is not fulfilled, the SSA will lapse and Bahvest will not be able to complete the Proposed Acquisition.

Nevertheless, the Board will take reasonable steps to ensure that the Conditions Precedent are met within the stipulated timeframe in order to complete the Proposed Acquisition in a timely manner.
5.2 Diversification risk

Presently, the Bahvest Group is principally involved in the Aquaculture Business. The Proposed Acquisition is expected to result in a business diversification by the Bahvest Group to include the Mining Business which the Bahvest Group has no prior experience. The Bahvest Group will be subjected to new challenges and risks arising from the diversified business which the Bahvest Group has not been participating in the past.

The Bahvest Group seeks to mitigate the diversification risk by, amongst others, leveraging on Shamsul Arif Haruna, who has vast experiences in the mining industry, to spearhead and manage the Mining Business. Please refer to Section 2.2, Part A of this Circular for the profile of Shamsul Arif Haruna. In addition, the Bahvest Group will also recruit other personnel with relevant expertise and experiences in the mining industry under his stewardship upon completion of the Proposed Acquisition. The Bahvest Group may also seek the services of external professional mining consultants to advise its senior management and/or to assist at the operational level. Nonetheless, the Bahvest Group’s ability to succeed and compete in the Mining Business may be adversely affected by any loss of key personnel in WRSB.

5.3 Business risk in mining industry

Upon completion of the Proposed Acquisition, the enlarged the Bahvest Group would be exposed to the inherent risks associated with the mining industry in addition to the current inherent risks associated with its existing Aquaculture Business.

Details of the inherent risks associated with the mining industry, which are not exhaustive, are set out below.

5.3.1. Fluctuation in mineral prices

The prices of metal and/or mineral, in particular gold, silver and copper are affected by a number of factors beyond Bahvest’s control including, amongst others, expectations with respect to the inflation and interest rate of economies, foreign currency exchange rates, global and regional political and economic crises. Declines in the mineral prices and any economic downturn may adversely affect WRSB’s business, revenues and profits.

The Group may seek to mitigate the abovementioned risks through efforts, amongst others, cost-control policies, effective project management, hedging strategy and prudent business strategies. However, there is no assurance that the fluctuation in the mineral prices will not have material adverse effect on WRSB’s business and earnings in the future.

5.3.2. Unanticipated increased costs for planned capital expenditure and operational cost

The mining industry is capital-intensive and requires high operational cost and technical expertise to operate. Therefore, Bahvest may be exposed to unanticipated increase in costs which subsequently translates into higher than planned budget. These include the potential substantial increase in the cost of mining machineries and equipment, and other operational cost that are required for carrying out the mining operations.

Nevertheless, Bahvest believes that it will be able to manage any price increase in mining machineries through financing methods such as hire-purchase financing and outsourcing of equipment and machineries.
5.3.3. Failure to prospect and explore for adequate mineral resources and reserves

The Mineral Resources within the Initial Mining Area are estimated based on certain estimation methodology and procedures, various assumptions as well as professional judgement by Optiro. There is no assurance that the actual amount of minerals extracted will reflect the Mineral Resources estimates. Furthermore, actual production may also vary from the estimates for a variety of other reasons, amongst others, mining dilution, metallurgical parameters including mineral recovery and product qualities, geotechnical conditions, industrial accidents and equipment failures. Any occurrences of the above events could affect the mining process and hence, may affect the actual amount of gold, silver and copper to be extracted and could also result in damage to mineral properties, interruptions in production, injury or death to persons, damage to the properties of the Group or others, monetary losses and legal liabilities.

Bashvest will continuously take appropriate measures to limit such risks, including effective project management and strict compliance to relevant regulations.

5.3.4. Reliance on third party contractors

WRSB may outsource its mining operations to third party contractors. As a result, WRSB may face the risk of, inter-alia, termination of contract or any substantial limitation or sub-standard performance by third party contractors, which may inevitably disrupt the progress and/or quality of WRSB’s operation and may cause unfavourable effects on its profitability and/or cash flows.

If WRSB decides to outsource any part of the mining operations to third party contractors, it seeks to mitigate this risk by careful selection of third party contractors engaged as well as implementing control procedures such as effective planning, closely monitoring of project progress and endeavouring to undertake prompt actions to ensure the works are carried out in accordance to WRSB’s specification and schedule.

5.3.5. Exposure to regulations and risks in relation to production safety and the occurrence of accidents

Mining companies are subject to extensive laws, rules and regulations imposed by the Malaysian government regarding occupational safety and health. In particular, WRSB’s mining operations may involve the handling and storage of hazardous chemicals and other dangerous articles and the usage of various heavy machineries. WRSB may experience increased costs of production arising from compliance with occupational safety and health laws and regulations in the future.

There can be no assurance that more stringent laws, regulations or policies regarding occupational safety and health will not be implemented or that the existing laws, regulations and policies will not be more stringently enforced. In such event, WRSB may not be able to comply with the laws, regulations and policies in relation to occupational safety and health issues economically or at all. Should WRSB fails to comply with any occupational safety and health laws or regulations, it could lead to suspension of WRSB’s operations and consequently the offences committed against the laws and regulations may lead to penalties involving mandatory fines and/or imprisonment.

Nevertheless, the Bashvest Group will ensure necessary actions and precautions are taken to prevent WRSB from contravening any conditions and regulations imposed by the relevant authorities. The actions and precautions to be taken include, amongst others, stringent reviews and monitoring by the management, audit committee as well as appropriate consultations with consultants and experts in respect of the aforementioned regulations and risks in relation to production safety and the occurrence of accidents.
5.3.6. Severe weather conditions, natural disasters and other events

Severe weather conditions such as heavy rainfall and natural disasters such as landslides, earthquakes, fire hazards and floods and other events beyond the control of the Bahvest Group and may result in damage to the mines, equipment and/or facilities. Such events may require WRSB to evacuate personnel or curtail operations, which could result in the temporary suspension of operations or a reduction in the productivity. During periods of curtailed activity due to adverse weather conditions, natural disasters or other events beyond the Bahvest Group’s control, WRSB may continue to incur operating expenses while production has slowed down or ceased altogether.

The Bahvest Group will closely monitor and adopt contingency plans and business strategies in the response to the severe weather conditions, natural disasters or other events beyond the control of the Bahvest Group. However, those events are beyond control of the Bahvest Group and may materially and adversely affect the Mining Business and results of operations.

5.4 Non-compliance with the terms and conditions of the Sub-Lease

The Sub-Lease is bound by the terms and conditions of the Country Lease and Sub-Lease Agreement. As such, any non-compliance with the terms and conditions of Country Lease and/or Sub-Lease Agreement by either SGSB or WRSB may result in termination of the Country Lease or Sub-Lease and/or Sub-Lease Agreement or result in penalties or fines to be imposed as well as legal matters arising therefrom.

The Group seeks to mitigate this risk by taking all reasonable steps and care to ensure that all terms and conditions of Sub-Lease and/or Sub-Lease Agreement are fully complied with, where applicable. The Group is also committed to work together with SGSB to ensure the terms and conditions of the Country Lease and Sub-Lease are complied with after the Proposed Acquisition.

5.5 Dependence on key personnel

The responsibilities of overseeing strategic management and daily operations of the Mining Business depend substantially on the senior management and key personnel such as geologist and engineers. In the mining industry in Malaysia, senior management and talented personnel with vast experiences are scarce, where employers must compete to secure their employment services. Failure to provide attractive compensation and benefit packages as compared to the competitors of WRSB may result in loss of senior management and key personnel of WRSB.

The loss of key personnel may have adverse impacts on the Bahvest Group and WRSB’s operation and performance as well as the ability to compete in the mining industry. The Bahvest Group strives to attract, groom and retain key personnel such as implementing comprehensive human resource strategies, competitive remuneration packages and personal development programmes. Bahvest may also seek the services of external mining professionals or consultants to advise its senior management and/or to assist at the operational level if need to.

5.6 Political, economic and regulatory risk

The prospects of WRSB and the industry which WRSB operates in depend to certain degree on the developments in the economic, political and regulatory front in Malaysia. Any changes in the policies implemented by the government of Malaysia may result in currency, inflation and interest rate fluctuations, capital restrictions, price and wage controls, expropriation and changes in taxes and duties detrimental to the Mining Business and may materially affect WRSB’s operations, financial performance and future growth. In particular, in the event of expropriation, WRSB may not be able to continue the Mining Business as they would not be able to enforce any mining or exploration rights obtained or receive any compensation for the loss of such mining or exploration rights.
The Bahvest Group will continue to monitor and adopt business strategies in response to major development in the political, economic and regulatory front in Malaysia. However, there is no assurance that any changes to the above factors will not have material adverse effect on the prospects of WRSB and the mining industry.

6. EFFECTS OF THE PROPOSALS

The Proposed Diversification and Proposed Increase in Authorised Share Capital will not have any effect on the Company's issued and paid-up share capital, substantial shareholders' shareholdings and any existing convertible securities of the Company as well as the Bahvest Group’s consolidated NA per Share, gearing and EPS.

The effects of the Proposed Acquisition on the Company’s issued and paid-up share capital, substantial shareholders' shareholdings as well as the Bahvest Group’s consolidated NA per Share, gearing and EPS are as follows:-

6.1 Issued and paid-up share capital

The proforma effects of the Proposed Acquisition on the Company's issued and paid-up share capital as at the LPD are as follows:-

<table>
<thead>
<tr>
<th>Issued and paid-up share capital</th>
<th>No. of Shares</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>('000)</td>
<td>(RM '000)</td>
</tr>
<tr>
<td>As at the LPD</td>
<td>441,371</td>
<td>44,137</td>
</tr>
<tr>
<td>Add: Shares to be issued pursuant to the Proposed Acquisition</td>
<td>102,128</td>
<td>10,213</td>
</tr>
<tr>
<td>Total enlarged issued and paid-up share capital</td>
<td>543,499</td>
<td>54,350</td>
</tr>
</tbody>
</table>

6.2 Substantial shareholders' shareholding

The proforma effects of the Proposed Acquisition on the Company's substantial shareholders' shareholdings in Bahvest as at the LPD are as follows:-

<table>
<thead>
<tr>
<th>Name</th>
<th>As at the LPD</th>
<th>After the Proposed Acquisition</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct</td>
<td>Indirect</td>
</tr>
<tr>
<td>Datuk Lo Fui Ming</td>
<td>49,711</td>
<td>11.26</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Lembaga Tabung Haji</td>
<td>41,170</td>
<td>9.33</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mohd Amir Bin Masry</td>
<td>11,429</td>
<td>2.59</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

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6.3 NA per Share and gearing

The proforma effects of the Proposed Acquisition on the Group’s consolidated NA per Share and gearing, prepared based on the Company’s latest audited consolidated statements of financial position as at 31 March 2016 and assuming the Proposed Acquisition had been effected on 31 March 2016, are set out below:-

<table>
<thead>
<tr>
<th></th>
<th>Audited as at 31 March 2016 (RM '000)</th>
<th>After the Proposed Acquisition (RM '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>43,197</td>
<td>53,410</td>
</tr>
<tr>
<td>Share premium</td>
<td>83,892</td>
<td>169,679</td>
</tr>
<tr>
<td>Foreign currency translation reserve</td>
<td>(96)</td>
<td>(96)</td>
</tr>
<tr>
<td>Employees’ share options scheme</td>
<td>13,144</td>
<td>13,144</td>
</tr>
<tr>
<td>Retained profits</td>
<td>4,090</td>
<td>(0)1,390</td>
</tr>
<tr>
<td><strong>NA attributable to owners of the Company</strong></td>
<td><strong>144,227</strong></td>
<td><strong>237,527</strong></td>
</tr>
<tr>
<td>No. of Shares in issue ('000 units)</td>
<td>431,966</td>
<td>534,094</td>
</tr>
<tr>
<td>NA per Share (sen)</td>
<td>33.4</td>
<td>44.5</td>
</tr>
<tr>
<td>Total borrowing</td>
<td>11,253</td>
<td>11,253</td>
</tr>
<tr>
<td>Gearing (times)</td>
<td>0.08</td>
<td>0.05</td>
</tr>
</tbody>
</table>

*Note:*

(1) After netting off the estimated expenses relating to the Proposals of approximately RM2.7 million.

6.4 Earnings/Losses per Share

Assuming that the Proposed Acquisition had been effected at the beginning of the FYE 31 March 2016, the proforma effects of the Proposed Acquisition, prepared based on the audited consolidated statements of comprehensive income for FYE 31 March 2016 but before taking into consideration the Proposed Acquisition’s contribution to the Bahvest Group’s consolidated earnings, are set out below:-

<table>
<thead>
<tr>
<th></th>
<th>Audited as at 31 March 2016 (RM 000)</th>
<th>After the Proposed Acquisition (RM 000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss attributable to owners of the Company (RM 000)</td>
<td>(3,342)</td>
<td>(1)(6,042)</td>
</tr>
<tr>
<td>No. of Bahvest Shares ('000 unit)</td>
<td>431,966</td>
<td>534,094</td>
</tr>
<tr>
<td>Loss per Share (sen)</td>
<td>(0.77)</td>
<td>(1.13)</td>
</tr>
</tbody>
</table>

*Note:*

(1) After netting off estimated expenses relating to the Proposals amounting to RM2.7 million.

Nevertheless, the Proposed Acquisition is expected to contribute positively to the consolidated earnings of the Bahvest Group when the expected income in connection with the Mining Business is realised.

6.5 Convertible Securities

The Company does not have any outstanding convertible securities as at the LPD.
7. ADDITIONAL INFORMATION IN RELATION TO THE BAHVEST GROUP

7.1 Financial information

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Revenue</td>
<td>18,299</td>
<td>17,212</td>
<td>23,023</td>
<td>17,956</td>
<td>7,435</td>
</tr>
<tr>
<td>Gross profit</td>
<td>7,465</td>
<td>8,419</td>
<td>11,564</td>
<td>6,706</td>
<td>2,516</td>
</tr>
<tr>
<td>(Loss)/profit before taxation</td>
<td>(4,025)</td>
<td>(4,566)</td>
<td>(3,272)</td>
<td>582</td>
<td>988</td>
</tr>
<tr>
<td>Income tax credit/(expense)</td>
<td>683</td>
<td>2,238</td>
<td>(1,011)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit/(Loss) after taxation</td>
<td>(3,342)</td>
<td>(2,326)</td>
<td>(4,283)</td>
<td>582</td>
<td>988</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>(6,420)</td>
<td>(7,101)</td>
<td>(3,618)</td>
<td>(6,279)</td>
<td>(4,578)</td>
</tr>
<tr>
<td>NA</td>
<td>144,227</td>
<td>135,872</td>
<td>124,671</td>
<td>156,666</td>
<td>143,625</td>
</tr>
<tr>
<td>Weighted average number of Bahvest Shares</td>
<td>426,789</td>
<td>410,526</td>
<td>393,359</td>
<td>435,327</td>
<td>424,225</td>
</tr>
<tr>
<td>No. of Bahvest Shares in issue</td>
<td>431,966</td>
<td>418,905</td>
<td>405,221</td>
<td>439,586</td>
<td>426,955</td>
</tr>
<tr>
<td>NA per Bahvest Share (sen)</td>
<td>33.38</td>
<td>32.44</td>
<td>30.77</td>
<td>34.27</td>
<td>32.64</td>
</tr>
<tr>
<td>Basic earnings per Share (sen)</td>
<td>(0.77)</td>
<td>(0.57)</td>
<td>(1.09)</td>
<td>0.13</td>
<td>0.23</td>
</tr>
</tbody>
</table>

Commentaries:

(i) FYE 31 March 2014 vs FYE 31 March 2013

The Bahvest Group's revenue decreased by approximately RM7.6 million mainly due to the adoption of the Group's strategy to rear part of its grouper species to above 6 kgs prior to sales, which was adopted in December 2013. On average, it takes 8 to 10 months for the healthy and fast growing fishes to grow to 6 kgs once they reach above 2 kgs as compared to 18 months to rear the grouper from fry to 2kgs. However, slow growing fishes normally take an average period of more than 14 months to grow to above 6 kgs from 2 kgs. As such, the revenue for FYE 31 March 2014 was affected by the change in strategy to grow the grouper species above 6 kgs prior to sales as a high percentage of the grouper fishes only reached approximately 6 kgs after FYE 31 March 2014.

Despite a decrease of approximately RM7.6 million in revenue, the loss after taxation in the FYE 31 March 2014 was lower than the previous financial year by approximately RM0.5 million. This is mainly due to the decrease in employee benefits expense by approximately RM4.5 million, decrease in finance costs by approximately RM0.5 million and increase in other operating income by approximately RM0.8 million.

The NA of the Bahvest Group increased by approximately RM40.3 million in FYE 31 March 2014 in comparison with FYE 31 March 2013 mainly due to issuance of new Bahvest Shares via private placement.

(ii) FYE 31 March 2015 vs FYE 31 March 2014

The Bahvest Group's revenue decreased by approximately RM5.8 million mainly due to the adoption of the Group's strategy to rear part of its grouper species to above 5 kgs prior to sales as a high percentage of the grouper fishes only reached approximately 6 kgs in the last quarter of FYE 31 March 2015.
Despite the lower revenue in FYE 31 March 2015, the Group’s loss after taxation lowered by approximately RM2.0 million in FYE 31 March 2015 mainly due to foreign exchange gain recognised in FYE 31 March 2015 of RM2.3 million as well as increase in income tax credits of approximately RM3.2 million arising from the deferred tax income of approximately RM2.2 million recognised in FYE 31 March 2015 due to the reduction in deferred tax liabilities arising from an increase in unabsorbed capital allowances.

The NA of the Bahvest Group has increased by approximately RM11.2 million in FYE 31 March 2015 in comparison with FYE 31 March 2014 mainly due to the exercise of the ESOS options.

(iii) **FYE 31 March 2016 vs FYE 31 March 2015**

The revenue from the Bahvest Group increased by approximately RM1.1 million mainly due to the sales of larger grouper fishes, in particular the cross-breed species, which is in line with the Bahvest Group’s strategy to rear its cross-breed fishes up to at least 6 kgs before selling them, with the objective of generating higher revenue for the Bahvest Group.

Despite the higher revenue, the Bahvest Group recorded a loss before taxation of approximately RM4.025 million in FYE 31 March 2016. The loss before taxation is mainly due to depreciation of property, plant and equipment of approximately RM8.0 million and non-cash employee benefits arising from the fair value accounting adopted for share options granted pursuant to the ESOS implemented by the Company for eligible employees and directors amounting to RM2.6 million.

The Bahvest Group’s loss after taxation increased from RM2.3 million in FYE 31 March 2015 to RM3.3 million in FYE 31 March 2016, despite the higher revenue due to the following reasons:

(i) the gross profit margin for FYE 31 March 2016 has reduced to 40.8% as compared to 48.9% in the previous financial year. The lower gross profit margin is mainly due to the following:

   (a) the higher fatality rate of the cultured fishes in FYE 31 March 2015, which led to an increase in the associated cost in FYE 31 March 2016 when the same batches of cultured fishes were sold; and

   (b) low gross profit margin from the frozen fish products mainly due to lower sales price of frozen fish products sold locally

(ii) income tax credit has been reduced by approximately RM1.6 million for the FYE 31 March 2016. This is mainly due the following:-

   (a) decrease in non-taxable income arising from the decrease in unrealised foreign exchange gain from approximately RM2.2 million in FYE 31 March 2015 to approximately RM0.1 million in FYE 31 March 2016; and

   (b) decrease in tax incentives from approximately RM1.9 million in FYE 31 March 2015 to RM0.8 million in FYE 31 March 2016 in respect of the financial performance of Plentiful Earnings Sdn Bhd, a wholly-owned subsidiary of Bahvest.

The NA of the Bahvest Group has increased by approximately RM8.4 million in FYE 31 March 2016 in comparison with FYE 31 March 2015 mainly due to the exercise of the ESOS options.
FPE 30 September 2016 vs FPE 30 September 2015

The revenue from the Bahvest Group increased by approximately RM10.523 million. The significant increase in revenue is mainly due to the sales of larger grouper fishes, in particular the cross-breed species, which is in line with the Bahvest Group's strategy to rear its cross-breed fishes up to at least 6 kgs before selling them, with the objective of generating higher revenue for the Bahvest Group.

Nevertheless, the Group recorded a profit before taxation of RM0.582 million in FPE 30 September 2016 as compared to RM0.968 million in the corresponding FYE 30 September 2015. The decrease was mainly due to:-

(a) foreign exchange gain of approximately RM2.3 million recognised in the corresponding FPE 30 September 2015;

(b) expenses amounting to RM1.065 million incurred in connection with the Proposed Acquisition in FPE 30 September 2016; and

(c) additional non-cash employee benefits of RM0.524 million arising from the fair value accounting adopted for share options granted pursuant to the ESOS implemented by the Company for eligible employees and directors in FPE 30 September 2016.

The NA of the Bahvest Group has increased by approximately RM6.4 million in FPE 30 September 2016 in comparison with FPE 30 September 2015 mainly due to the exercise of the ESOS options.

7.2 Value creation to Bahvest and its securities holders

Currently, the Bahvest Group is principally involved in the Aquaculture Business and it has been making losses for the past three financial years ended 31 March 2016 as set out in Section 7.1, Part A of this Circular. As a measure to improve the financial position of the Bahvest Group, the Board has therefore planned for the Bahvest Group to diversify its business into the Mining Business through the undertaking of the Proposed Acquisition.

The Board envisages that the Proposed Acquisition and Proposed Diversification would allow the Group to have a new source of income-generating business. The expected additional long term income through the Mining Business is expected to contribute positively to the future earnings of the Bahvest Group. Accordingly, the Group is expected to achieve sustainable growth and create value to Bahvest and the shareholders of Bahvest in the medium and long term.

Premised on the above and taking into consideration the steps taken and to be taken by the Group to improve the financial performance and position of the Group as set out Section 7.4 below, the Board is of the view that the Proposed Acquisition and Proposed Diversification are adequate to address the Group’s financial concerns.

7.3 The Proposals’ impact on the Company and its securities holders

The Purchase Consideration will be fully satisfied via the issuance of the Consideration Shares without any cash payment to the Vendor. The resulting increase in the number of Bahvest Shares will have a dilutive effect on the EPS and shareholdings of the existing shareholders of Bahvest. However, the Board envisages that the Proposed Acquisition is expected to contribute positively to the earnings of the Bahvest Group when the expected income in connection with the Mining Business is realised.

Premised on the above, the Board is of the view that the Proposals will create value for the shareholders of the Bahvest Group in the medium to long term.
7.4 Steps or action which have been taken/will be taken to improve the financial condition of the Bahvest Group.

The Bahvest Group has taken measures to increase its revenue and profitability in order to improve its financial position as set out below.

(i) Aquaculture Business

The Bahvest Group has taken, amongst others, the following measures to improve its Aquaculture Business:-

(a) in addition to sale of live fishes, the Aquaculture Business was extended to further downstream activities through deep freezing the fishes and supply the frozen fish products directly to end consumers in Kota Kinabalu, Sandakan and Hong Kong. The sales of frozen fish products contributed approximately RM1.2 million to the Bahvest Group in FYE 31 March 2016 as compared to RM215,729 in FYE 31 March 2015 when the Bahvest Group commenced sales and delivery of frozen fish products. The Bahvest Group recognises the potential growth of the frozen fish products where it has commenced its operations in Hong Kong by operating a new sales outlet in year 2016. Bahvest also plans to supply its frozen fish products to China in the near future through marketing intermediaries, for example, wholesalers;

(b) the Bahvest Group adopted the business strategy to rear part of its culture groupers to more than 6.0 kg before selling them to the markets as the sales of these would generate higher revenue to the Bahvest Group. The cross-breed species are fast growing species that are expected to have fast and significant growth once they reach a body weight about 2 kg. Generally, it takes about additional 8 to 10 months for a healthy and fast growing grouper to grow to 6 kg once the fish reaches above 2kg as compared to 18 months to rear the grouper from fry to 2kg;

(c) the Bahvest Group will continue to explore breeding and rearing other fast growing species that may generate more positive cashflow to the Group. One of the specie that the Group has recently started production is barramundi fish in March 2016 for sale in local market. The Group has started selling barramundi fish locally since July 2016 and expects to export the barramundi fishes by the first quarter of 2018; and

(d) the Bahvest Group will continue to monitor and conduct further research on its aquaculture operations in order to improve on its efficiency and to embark on cost saving measures as and when the situation permits.

(ii) Mining Business

For the Mining Business, the Bahvest Group has undertaken geological and feasibility studies on the Initial Mining Area through the engagement of various mining professional such as Optiro to report the Mineral Resources in the Initial Ming Area under the Competent Person’s Report as well as JLL to report the Market Value of the WRSB Mining Right based on the Competent Person’s Report and the Scoping Study Report prepared by RPM.

Bahvest will initially focus on the mining of the Mineral Resources in the Initial Mining Area and this is expected to take approximately 3.75 years to complete.
With proper planning and necessary measures to be taken by the Bahvest Group to mitigate possible risks that may arise from the mining activities, the Mining Business is expected to enhance and broaden the earning base of the Bahvest Group in the future. In addition to the Initial Mining Area, there is approximately 289.7 hectares of Remaining Sub-Lease Area that has yet to be explored and prospected, which may present further opportunities to the Bahvest Group to enhance its earnings prospects in the Mining Business. Bahvest plans to systematically explore and prospect the Remaining Sub-Lease Area upon completion of the Proposed Acquisition, the timing of which has yet to be determined. Nevertheless, there is no assurance that there would be any Mineral Resources that would be economically extractable by WRSB in the Remaining Sub-Lease Area. No geographical or mining studies have been undertaken to evaluate the prospect of discovering Mineral Resources in the Remaining Sub-Lease Area.

The Board is of the opinion that the measures set out above are adequate to improve the financial conditions of the Bahvest Group.

8. **APPROVALS REQUIRED**

The Proposals are subject to the following being obtained:-

(i) Bursa Securities' approval for the listing of and quotation for the Consideration Shares, which was obtained on 23 December 2016, subject to the following conditions:-

<table>
<thead>
<tr>
<th>No.</th>
<th>Conditions</th>
<th>Status of Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>Bahvest and AmlInvestment Bank must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Acquisition.</td>
<td>Noted</td>
</tr>
<tr>
<td>(2)</td>
<td>Bahvest and AmlInvestment Bank to inform Bursa Securities upon the completion of the Proposed Acquisition.</td>
<td>To be complied.</td>
</tr>
<tr>
<td>(3)</td>
<td>Bahvest and AmlInvestment Bank to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Acquisition is completed.</td>
<td>To be complied.</td>
</tr>
</tbody>
</table>

(ii) approval of Bahvest's shareholders at an EGM to be convened in relation to the Proposals; and

(iii) approval and/or consent of any other relevant authorities, if required.

The Proposed Acquisition, Proposed Diversification and Proposed Increase in Authorised Share Capital are inter-conditional. The Proposals are not conditional upon any other proposals of the Company.
9. HISTORICAL SHARE PRICES

The highest and lowest market prices of the Bahvest Shares as traded on Bursa Securities for the past 12 months from December 2015 to November 2016 are set out below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>High (RM)</th>
<th>Low (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>December</td>
<td>1.26</td>
<td>1.12</td>
</tr>
<tr>
<td>2016</td>
<td>January</td>
<td>1.00</td>
<td>0.83</td>
</tr>
<tr>
<td></td>
<td>February</td>
<td>1.01</td>
<td>0.89</td>
</tr>
<tr>
<td></td>
<td>March</td>
<td>0.97</td>
<td>0.86</td>
</tr>
<tr>
<td></td>
<td>April</td>
<td>0.93</td>
<td>0.82</td>
</tr>
<tr>
<td></td>
<td>May</td>
<td>0.91</td>
<td>0.82</td>
</tr>
<tr>
<td></td>
<td>June</td>
<td>0.91</td>
<td>0.82</td>
</tr>
<tr>
<td></td>
<td>July</td>
<td>1.00</td>
<td>0.85</td>
</tr>
<tr>
<td></td>
<td>August</td>
<td>0.98</td>
<td>0.83</td>
</tr>
<tr>
<td></td>
<td>September</td>
<td>0.92</td>
<td>0.84</td>
</tr>
<tr>
<td></td>
<td>October</td>
<td>1.02</td>
<td>0.87</td>
</tr>
<tr>
<td></td>
<td>November</td>
<td>1.03</td>
<td>0.92</td>
</tr>
</tbody>
</table>

Last transacted market price on the LFTD: 0.9321

Last transacted market price on the LPD: 0.92

(Source: Bloomberg)

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

Save as disclosed below, none of the Directors and shareholders of Bahvest and/or persons connected to them have any interest, direct or indirect, in the Proposals.

(i) As at the LPD, Datuk Lo Fu Miing is a Director and major shareholder of WRSB as well as a Director and major shareholder of Bahvest. Accordingly, Datuk Lo Fu Miing is deemed interested in the Proposed Acquisition. In view of the inter-conditionality of the Proposals, as set out in Section 8, Part A of this Circular, Datuk Lo Fu Miing is also deemed interested in the Proposed Diversification and Proposed Increase in Authorised Share Capital.

(ii) Lo Teck Yong is a Director of Bahvest and the son of Datuk Lo Fu Miing. Lo Teck Yong is deemed interested in the Proposals.

Accordingly, the Interested Directors have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings of the Company in relation to the Proposals. The Interested Directors will also abstain and have undertaken to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings, if any, in the Company on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.
As at the LPD, the direct and indirect shareholdings of the Interested Directors in Bahvest are as follows:-

<table>
<thead>
<tr>
<th>Name</th>
<th>Direct No. of Shares</th>
<th>%</th>
<th>Indirect No. of Shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Datuk Lo Fui Ming</td>
<td>49,711,302</td>
<td>11.26%</td>
<td>70,000 (1)</td>
<td>0.02%</td>
</tr>
<tr>
<td>Lo Teck Yong</td>
<td>149,330</td>
<td>0.03%</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Note:-

(1) Deemed interest by virtue of his child’s interest pursuant to Section 134 of the Act.

11. DIRECTORS’ STATEMENT

The Board (save for the Interested Directors) having considered all aspects of the Proposals including, amongst others, the rationale and benefits, the risk factors and the effects of the Proposals, is of the opinion that the Proposals are in the best interests of the Company.

Accordingly, the Board (save for the Interested Directors) recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

12. AUDIT COMMITTEE’S STATEMENT

After taking into consideration the advice of the Independent Adviser, FHCA, the Company’s Audit Committee is of the opinion that the Proposals are:-

(i) in the best interest of the Company;
(ii) fair, reasonable and on normal commercial terms; and
(iii) not detrimental to the interests of the non-interested shareholders of the Company.

In forming its view, the Company’s Audit Committee has taken into consideration, amongst others, the following:-

(i) the salient terms of the SSA and the Supplemental Deed;
(ii) the basis and justification for the Purchase Consideration and the Share Issue Price;
(iii) the Competent Person’s Report, Scoping Study Report and Competent Valuer’s Report;
(iv) the rationale and benefits of the Proposals;
(v) the prospects of the mining industry as well as the Proposed Acquisition and Proposed Diversification; and
(vi) the effects of the Proposals.
13. ESTIMATED TIMEFRAME FOR COMPLETION

The tentative timetable for the implementation of the Proposals is as follows:

<table>
<thead>
<tr>
<th>Indicative Timing</th>
<th>Key Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>13 January 2017</td>
<td>• EGM for the Proposals</td>
</tr>
<tr>
<td></td>
<td>• SSA becomes unconditional</td>
</tr>
<tr>
<td>End January 2017</td>
<td>• Allotment and issuance of Consideration Shares</td>
</tr>
<tr>
<td></td>
<td>• Completion of the Proposed Acquisition</td>
</tr>
<tr>
<td></td>
<td>• Listing of and quotation for Consideration Shares</td>
</tr>
</tbody>
</table>

Barring any unforeseen circumstances and subject to all requisite approvals being obtained, the Board expects the Proposals to be completed by first quarter of the calendar year 2017.

14. OTHER CORPORATE PROPOSALS WHICH HAVE BEEN ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, the Company does not have any other corporate proposals which have been announced but are pending completion prior to the issuance of this Circular.

15. TRANSACTIONS WITH THE SAME RELATED PARTIES FOR THE PRECEDING 12 MONTHS

For the preceding 12 months prior to the LPD, total amount transacted (not being a transaction within the ordinary course of business) between the Bahvest Group and Datuk Lo Fui Ming was approximately RM525,996.

16. EGM

The forthcoming EGM, a notice of which is set out in this Circular, will be held at the Sabah Hotel Sandakan, Amadeus III, Level 2, KM1, Jalan Utara, 90000 Sandakan, Sabah on Friday, 13 January 2017 at 11:00 a.m., or at any adjournment thereof, for the purpose of considering and, if thought fit, passing, with or without modifications, the resolutions to give effect to the Proposals.

If you are unable to attend and vote in person at the forthcoming EGM, you should complete and send the enclosed Proxy Form in accordance with the instructions stated in the Proxy Form as soon as possible, so that it arrives at the Company’s share registrar’s office at Securities Services (Holdings) Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur no later than 48 hours before the date and time fixed for the forthcoming EGM or at any adjournment thereof. The lodging of the Proxy Form will not, however, preclude you from attending and voting in person at the forthcoming EGM should you wish to subsequently do so.

17. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board of
BORNEO AQUA HARVEST BERHAD

DATO’ SRI DR. MD KAMAL BIN BILAL
NON-INDEPENDENT NON-EXECUTIVE CHAIRMAN
PART B

IAL IN RELATION TO THE PROPOSED ACQUISITION
EXECUTIVE SUMMARY

ALL DEFINITIONS USED IN THIS EXECUTIVE SUMMARY SHALL HAVE THE SAME MEANING AS THE WORDS AND EXPRESSIONS PROVIDED IN THE "DEFINITIONS" SECTION OF THE CIRCULAR, EXCEPT WHERE THE CONTEXT OTHERWISE REQUIRES OR WHERE OTHERWISE DEFINED IN THIS IAL.

THIS EXECUTIVE SUMMARY HIGHLIGHTS ONLY THE PERTINENT INFORMATION OF THE PROPOSALS. NON-INTERESTED SHAREHOLDERS ARE ADVISED TO READ CAREFULLY THE CONTENTS OF THIS IAL, IN ITS ENTIRETY FOR FURTHER INFORMATION AND THE RECOMMENDATIONS FROM FHCA, BEING THE INDEPENDENT ADVISER IN RELATION TO THE PROPOSALS. THIS IAL SHOULD ALSO BE READ IN CONJUNCTION WITH PART A OF THE CIRCULAR, INCLUDING THE APPENDICES THEREIN, FOR ANY OTHER RELEVANT INFORMATION BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS AT THE FORTHCOMING EGM OF BAHVEST.

1. INTRODUCTION

On 20 November 2015, AmlInvestment Bank had, on behalf of the Board, announced that the Company entered into the SSA with the Vendors for the proposed acquisition of 10,000 WRSB Shares, representing the entire equity interest of WRSB, for a total purchase consideration of RM131.0 million to be satisfied via the issuance of 104,521,277 new Bahvest Shares and 34,840,425 ICPS.

AmlInvestment Bank had also, on behalf of the Board, announce that in conjunction with the Proposed Acquisition, the Company intends to undertake the Proposed Diversification and Proposed Increase in Authorised Share Capital.

On 25 November 2016, AmlInvestment Bank had, on behalf of the Board, announced that the Company and the Vendors had entered into the Supplemental Deed to revise the total purchase consideration of the Proposed Acquisition from RM131.0 million to RM96.0 million, which shall be fully satisfied via the issuance of Consideration Shares at the Share Issue Price of RM0.94 per Bahvest Shares.

The Proposed Acquisition, Proposed Diversification and Proposed Increase in Authorised Share Capital are inter-conditional as set out in Section 7, Part A of the Circular.

In compliance with Rule 10.08 (2) of the Listing Requirements, the Board of Bahvest (save for the interested directors) had appointed FHCA as the Independent Adviser ("IA") to advise the non-interested directors and non-interested shareholders of Bahvest as to whether the Proposals are fair and reasonable and whether the Proposals are detrimental to the interests of the non-interested shareholders of Bahvest.

The purpose of this IAL is to provide the non-interested shareholders of Bahvest with an independent evaluation on the fairness and reasonableness of the Proposals together with our recommendation thereon, subject to the scope and limitations of our role and evaluation specified in this IAL, in relation to the Proposals.

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In arriving at our opinion and recommendation on the Proposals, we had taken into consideration the following bases and analyses:

2. RATIONALE AND BENEFITS OF THE PROPOSALS

The Proposed Acquisition is expected to contribute positively to the consolidated earnings of the Group when the expected income attributable from the Mining Business is realized, whilst the Group continues with its Aquaculture Business. Bahvest has been actively sourcing for new sources of revenue that can positively contribute to the earnings of the Bahvest Group and diversifying its business by venturing into other viable and income-generating business and thereafter to reducing its losses and improve its financial performance. The Proposed Acquisition provides the opportunity for Bahvest Group to diversify its existing business which provide the Group with a new income stream to enhance shareholders' value.

It is pertinent to note that the purchase consideration of RM96.0 million was derived based on the Competent Valuer’s Report, which was carried out on the WRSB Mining Right based on the Mineral Resources estimated by Optiro within the Initial Mining Area. Bahvest Group plans to systematically explore and prospect the Remaining Sub-Lease Area upon completion of the Proposed Acquisition and any discovery of Mineral Resources in the Remaining Sub-Lease Area, which is approximately ten times the size of the Initial Mining Area, that can be mined economically could contribute additional economic and financial benefits to the Bahvest Group, which is dependent on the successful exploration and prospecting exercises to be undertaken by Bahvest upon the completion of the Proposals. Nevertheless, there is no assurance that there would be any mineral resources that would be economically extractable by WRSB on the Remaining Sub-Lease Area.

Further information on the rationale for the Proposals are as set out in Section 5 of this AL.

3. EVALUATION OF THE PROPOSED ACQUISITION

3.1 Basis and Justification for the Purchase Consideration

For the purpose of the Proposed Acquisition, the Board had appointed the following experts and professionals, include amongst others:

(i) Optiro, as the Competent Person for the preparation and issuance of the Competent Person’s Report in accordance with the JORC Code which reported the Indicated Mineral Resource (comprising gold, silver and copper) in the Initial Mining Area;

(ii) RPM, as the independent consultant for the preparation and issuance of the Scoping Study Report, which covered the mine design and scheduling, project operating and capital costs and assessments of realistically assumed modifying factors that indicate the reasonable prospects for economic viability of the Initial Mining Area; and

(iii) J.L.L., as the Competent Valuer for the preparation and issuance of the Competent Valuer’s Report in relation to the WRSB Mining Right that is compliance with the VALMIN Code 2015.

We note that WRSB Mining Right’s Market Value ranging from RM69 million to RM100 million with a preferred value of RM96 million under the Competent Valuer’s Report was derived after taking into consideration the basis and assumptions stipulated in the abovementioned reports and weightings have been assigned to different valuation methodologies in order to derive the Market Value of WRSB Mining Right by J.L.L.

(the remainder of this page is intentionally left blank)
Summarised below are the valuation methodologies and the weightage applied by JLL in arriving the range of value and preferred value:

<table>
<thead>
<tr>
<th>Methodologies</th>
<th>Weightage</th>
<th>Low (RM'million)</th>
<th>High (RM'million)</th>
<th>Preferred Value (RM'million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) DCF Methodology</td>
<td>70% [1]</td>
<td>98</td>
<td>136</td>
<td>117</td>
</tr>
<tr>
<td>(ii) CTA</td>
<td>20% [2]</td>
<td>4</td>
<td>25</td>
<td>18</td>
</tr>
<tr>
<td>(iii) ARL’s market capitalisation</td>
<td>10% [3]</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td>100</td>
</tr>
</tbody>
</table>

[1] Weightage of 70% has been given to arrive at the Market Values is on the basis that the information contained herein is relevant to WRSB Mining Right.

[2] Weightage of 20% has been given to arrive at the Market Values is on the basis that wider range of RM per resource gold ounce derived from the CTA that cast doubt on the accuracy on the method applied.

[3] Weightage of 10% has been given to arrive at the Market Values is on the basis that the market capitalisation comprises other assets and liabilities other than the Lubuk Mandi Gold Project.

[4] Sum of [(Weighting X value)]

We have reviewed the Competent Valuer’s Report, Competent Person’s Report and the Scoping Study Report. We are of the opinion that the bases and assumptions adopted by JLL in arriving at the Market Value of the WRSB Mining Right are reasonable and have no reason to believe that the any of the bases and assumptions adopted are unreliable, inaccurate or misleading or the disclosure of which might reasonably affect our evaluation and opinion as set out in this IAL. We are also of the opinion that the Market Value of WRSB Mining Right as appraised by JLL are fair and reasonable and are not detrimental to the non-interested shareholders of Bahvest.

Further information on the evaluation of the justification of for the Purchase Consideration are set out in Section 6.1.1 and Section 6.1.2 of this IAL.

3.2 Salient Terms of the SSA

Based on our review of the salient terms of the SSA (after taking into consideration the salient terms of the Supplemental Deed), we are of the view that the overall terms and conditions of the aforesaid agreements are fair and reasonable and not detrimental to the non-interested shareholders of Bahvest.

We are also of the opinion that the rationale for the issuance of Consideration Shares to satisfy the Purchase Consideration which allows Bahvest to conserve its cash resources and not incur additional borrowings to enable requisite funding being available to undertake the Mining Business is reasonable.

Further information on the evaluation of the salient terms of the SSA are set out in Section 6.2 this IAL.

3.3 Basis and Justification for the Share Issue Price

We note that the Share Issue Price of RM0.94 per Consideration Share is equivalent to the Bahvest Share’s closing market price of RM0.94 on the LFTD.
In assessing the fairness and reasonableness of the issue price of RM0.94 each per Consideration Share to be issued pursuant to the Proposed Acquisition, we have also compared said issue price against the closing market price of Bahvest Shares over various timeframe up to and including LFTD and LDP, i.e. the VWAMP for five (5)-days, one (1)-month, three (3)-month, six (6)-month and twelve (12)-month up to and including LFTD and the VWAMP for five (5)-days, one (1)-month, three (3)-month, six (6)-month and twelve (12)-month up to LDP.

Based on the above, the followings were noted:-

- the Share Issue Price represent a premium of 0.84%, 1.31%, 2.49% and 2.54% over the VWAMP for five (5)-day, three (3)-month, six (6)-month and twelve (12)-month up to 18 November 2015 but is at a discount of 0.67% over the VWAMP for one (1)-month, up to 18 November 2015; and

- the Share Issue Price represent a premium of 2.73% and 2.47% over the closing market price of Bahvest Shares on LDP and the VWAMP for five (5)-day up to LDP by at a discount of 1.50%, 5.16%, 8.23% and 6.01% over the VWAMP for one (1)-month, three (3)-month, six (6)-month and twelve (12)-month up to LDP.

Based on the movement in the market price of Bahvest Shares,

- the Share Issue Price is within the range of twelve (12)-month high and low of Bahvest Shares prices up to the 18 November 2015 of RM1.0100 and RM0.8150 respectively and is at a premium of 4.85% to the average market price of Bahvest Shares of RM0.8965 for the past one (1) year to LFTD; and

- the Share Issue Price is within the range of twelve (12)-month high and low of Bahvest Shares prices up to the LPD of RM1.1800 and RM0.7150 respectively but is at a slight discount of 0.15% to the average market price of Bahvest Shares of RM0.9414 over the past one (1) year to LDP.

There were no material corporate announcement made by Bahvest during the past twenty-four (24) months up to LDP other than the extension of Co-operative Agreement between SGSB and Bahvest in relation to the Mining Business.

We further note that the NA per Bahvest Share based on its audited financial statement as at 31 March 2016 of RM0.33.

We are of the view that the Share Issue Price is fair and reasonable and not detrimental to the non-interested shareholders of Bahvest as the basis of arriving at the Share Issue Price is appropriate in considering that the Share Issue Price was arrived based on the closing market price of Bahvest Shares on LFTD; and the Share Issue Price is at a premium of 0.84%, 1.31%, 2.49% and 2.54% over the VWAMP for five (5)-day, three (3)-month, six (6)-month and twelve (12)-month up to 18 November 2015 as well as the NA per Bahvest Shares as at 31 March 2016.

Further, it was noted that Share Issue Price is at a premium of 2.73% and 2.47% over the closing market price of Bahvest Shares on LDP and over the VWAMP for five (5)-day up to LDP. The Share Issue Price was at a discount of 6.01% over the VWAMP for twelve (12)-month up to LDP followed by, 8.23%, 5.16% and 1.50% over the VWAMP for six (6)-month, three (3)-month and one (1)-month due to the market reaction over the announcement made by Bahvest on the Proposed Acquisition on Bursa on 18 November 2015.

Further information on the evaluation of basis and justification of the Share Issue Price is set out in Section 6.3 of this IAL.
4. **EVALUATION OF THE PROPOSED DIVERSIFICATION**

We are of the opinion that while Bahvest is continuing with the Aquaculture Business, diversification to an unrelated business such as mining reduces the exposure and reliance on its Aquaculture Business. Despite Bahvest Group having no prior experience in the Mining Business, we note that it intends to leverage on the core competencies and experience of Shamsul Arif Haruna, profile of which is set out in Section 2.2(a), Part A of the Circular, recruit other personnel with relevant expertise and experiences in the mining industry and may also seek services of external mining professionals or consultants to advise and/or assist in the Mining Business.

Further evaluation of the Proposed Diversification is as set out in Section 7 of this IAL.

5. **INDUSTRY OVERVIEW AND PROSPECTS**

Barring any unforeseen circumstances, the prospects of the Malaysian economy and the mining industry in Malaysian coupled with the overview of the precious metal outlook are expected to remain satisfactory for the next twelve (12) months.

We are of the opinion that premised on the industry outlook, the prospects of Bahvest Group following the completion of the Proposals appears to be favourable, and barring unforeseen circumstances, is poised to improve its financial performance in the future.

Further information on the evaluation of the industry outlook and prospects are set out in Section 9 of this IAL.

6. **RISK FACTORS**

We take note of the risk factors as disclosed in Section 5, Part A of the Circular.

As Bahvest Group is principally involved in Aquaculture Business and having diversifying into Mining Business, Bahvest is exposed to business risk inherent to the Mining Business such as fluctuation in mineral prices, unanticipated increased costs for planned capital expenditure and operational cost, failure to prospect and explore for adequate mineral resources and reserves, reliance on third party contractors, exposure to regulations and risks in relation to production safety and the occurrence of accidents, severe weather conditions, natural disasters and other events that are beyond the control of Bahvest.

We wish to highlight that although efforts and measures will be taken by the Bahvest Group to limit/mitigate the risks associated with the Mining Business, no assurance can be given that one or a combination of the risk factors as stated in Section 5, Part A of this Circular will not occur and give rise to material and adverse impact on the business and operations of the Bahvest Group, its financial performance, financial position or prospects thereon.

Further information on the evaluation of risk factors is set out in Section 10 of this IAL.

7. **EFFECTS OF THE PROPOSALS**

a. The Proposed Diversification and Proposed Increase in Authorised Share Capital will not have any effect on the Company's issued and paid-up share capital, substantial shareholders' shareholdings and any existing convertible securities of the Company as well as the Bahvest Group's consolidated NA per Share, gearing and EPS.
b. The Proposed Acquisition will result in an increase in the issued and paid-up share capital of the Company, and barring unforeseen circumstances, the Proposed Acquisition will have a positive effect on Bahvest Group's NA and gearing upon the allotment of the Consideration Shares.

c. The Proposed Acquisition are not expected to have any material effect on the consolidated earnings and EPS of Bahvest for the FYE 31 March 2017 as the Proposed Acquisition is expected to be completed by the first quarter of calendar year 2017 but is expected to contribute positively to Bahvest's future earnings when the expected income attributed to the Mining Business is realised.

Based on the above, we are of the opinion that the effects of the Proposals are fair and reasonable and not to the detriment of the non-interested shareholders of the Company.

Further information on the evaluation of the effects of the Proposals are set out in Section 11 of this IAL.

8. CONCLUSION AND RECOMMENDATION

Premised on our overall assessment of the Proposals, we are of the opinion that the terms of the Proposals are FAIR AND REASONABLE and NOT DETRIMENTAL to the interests of the non-interested shareholders of Bahvest.

Accordingly, we recommend that the non-interested shareholders VOTE IN FAVOUR of the ordinary resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of Bahvest.

We have not taken into consideration any specific investment objective, financial situation or particular need of any individual non-interested shareholders. We recommend that any non-interested shareholders who require advice in relation to the Proposals in the context of their individual investment objectives, financial situation or particular needs, consult their respective stockbrokers, bank managers, accountants, solicitors or other professional advisers.

NON-INTERESTED SHAREHOLDERS OF BAHVEST ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF BAHVEST.
Date: 28 December 2016

To: The Non-Interested Shareholders of Borneo Aqua Harvest Berhad

Dear Sir/Madam,

BORNEO AQUA HARVEST BERHAD ("BAHVEST" OR "THE COMPANY")

PROPOSED ACQUISITION; PROPOSED DIVERSIFICATION; AND PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

1. INTRODUCTION

This Independent Advice Letter ("IAL") is prepared for inclusion in the circular to shareholders of the Company dated 28 December 2016 in relation to the Proposals ("Circular") and should be read in conjunction with the same. All definitions used in this IAL shall have the same meaning as the words and expressions provided in the definitions section of the Circular, except where the context otherwise requires or where otherwise defined herein.

On 20 November 2015, AmInvestment Bank had, on behalf of the Board, announced that the Company entered into the SSA with the Vendors for the proposed acquisition of 10,000 WRSB Shares, representing the entire equity interest of WRSB, for a total purchase consideration of RM131.0 million to be satisfied via the issuance of 104,521,277 new Bahvest Shares and 34,840,425 ICPs.

AmInvestment Bank had also, on behalf of the Board, announce that in conjunction with the Proposed Acquisition, the Company intends to undertake the Proposed Diversification and Proposed Increase in Authorised Share Capital.

On 25 November 2016, AmInvestment Bank had, on behalf of the Board, announced that the Company and the Vendors had entered into the Supplemental Deed to revise the total purchase consideration of the Proposed Acquisition from RM131.0 million to RM96.0 million, which shall be fully satisfied via the issuance of Consideration Shares at the Share Issue Price of RM0.94 per Bahvest Shares.

The Proposals are deemed as a related party transaction pursuant to Rule 10.08 of the Listing Requirements as certain directors and major shareholders of Bahvest have direct or indirect interest in the Proposed Acquisition as described in Section 10, Part A of the Circular. Accordingly, the Board has on 9 October 2015 appointed FHCA as the Independent Adviser ("IA") to the non-interested shareholders of the Company in relation to the Proposed Acquisition. Further, the Proposed Diversification and Proposed Increase in Authorised Share Capital are inter-conditional on the Proposed Acquisition as set out in Section 8, Part A of the Circular and as such FHCA have also commented on the Proposed Diversification and Proposed Increase in Authorised Share Capital.
The purpose of this IAL is to provide the non-interested directors and non-interested shareholders of the Company with an independent evaluation of the Proposals, to form an opinion as to whether the Proposals are fair and reasonable in so far as the shareholders of the Company are concerned and whether the Proposals are to the detriment of the non-interested shareholders as well as to provide a recommendation thereon on the voting of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM, subject to the limitation of our role and evaluation as explained herein.

Other than for this intended purpose, this IAL should not be used for any other purpose and/or by any other persons and/or reproduced, wholly or partially, without our expressed written consent.

NON-INTERESTED SHAREHOLDERS OF BAHVEST ARE ADVISED TO READ THIS IAL AND PART A OF THIS CIRCULAR TOGETHER WITH THE APPENDICES THEREIN, AND TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

IF YOU ARE IN DOUBT ABOUT THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

2. LIMITATIONS TO THE EVALUATION OF THE PROPOSALS

FHCA was not involved in the formulation of the Proposals or any deliberation and negotiation on the terms and conditions of the Proposals. Our role as the IA does not extend to expressing an opinion on the commercial merits of the Proposals. The assessment of the commercial merits of the Proposals are solely the responsibility of the Board, although we may draw upon their views in arriving at our opinion. As such, where comments or points of consideration are included on matters, which may be commercially oriented, these are incidental to our overall financial evaluation and concern matters, which we may deem material for disclosure. Further, our terms of reference does not include us rendering an expert opinion on legal, accounting and taxation issues relating to the Proposals. FHCA’s terms of reference as an IA is limited to expressing our independent evaluation of the Proposals which is based on the sources of information as highlighted below.

We have evaluated the Proposals and in forming our opinion, we have considered factors, which we believe, would be of relevance and general importance to the non-interested shareholders of the Company. Our evaluation is rendered solely for the benefit of the non-interested shareholders of the Company as a whole.

In rendering our advice, we have taken note of the pertinent issues that we have considered important in enabling us to assess the implication of the Proposals and therefore of general concern to the non-interested shareholders of Bahvest. As such:

(i) The scope of FHCA’s responsibility regarding the evaluation and recommendation contained herein is confined to the assessment of the fairness and reasonableness of the terms and conditions of the Proposals and other implications of the Proposals only.
Comments or points of consideration which may be commercially oriented such as
the rationale and potential benefits of the Proposals are included in our overall
evaluation as we deem it necessary for disclosure purposes to enable the non-
interested shareholders of Bahvest to consider and form their views thereon;

(ii) FHCA’s views and advice as contained in this IAL only caters to the non-interested
shareholders of Bahvest at large and not to any non-interested shareholders
individually. Hence, in carrying out our evaluation, we have not given consideration
to the specific investment objectives, risk profiles, financial and tax situations and
particular needs of any individual non-interested shareholder or any specific group
of non-interested shareholders; and

(iii) We recommend that any individual non-interested shareholder or group of non-
interested shareholders of Bahvest who is in doubt as to the action to be taken or
required advice in relation to the Proposals in the context of their individual
objectives, risk profiles, financial and tax situations or particular needs, shall consult
their respective stockbrokers, bankers, solicitors, accountants or other professional
advisers immediately. We shall not be liable for any damage or loss sustained or
suffered by any individual shareholder or any group of shareholders in reliance on
the opinion stated herein for any purpose whatsoever which is particular to such
individual shareholder or group of shareholders.

In performing our evaluation, we have relied on the following sources of information:

(i) the SSA;
(ii) the Supplemental Deed;
(iii) Bahvest’s annual reports from the FYE 31 March 2014 to FYE 31 March 2016 and
unaudited quarterly results for the financial period ended (“FPE”) 30 September 2016;
(iv) WRSB’s unaudited financial statements for FPE 31 October 2016;
(v) the Competent Valuer’s Report;
(vi) the Competent Person’s Report;
(vii) the Scoping Study Report;
(viii) the Country Lease;
(ix) the Sub-Lease Agreement;
(x) information contained in Part A of the Circular and the appendices attached thereto;
(xi) other relevant information furnished to us by the management of Bahvest, SGSB and
WRSB; and
(xii) other publicly available information which we deemed relevant.

We have made all reasonable enquiries and have relied on the Board and managements of
Bahvest, SGSB and WRSB to exercise due care to ensure that all information, documents as
mentioned above and relevant facts, information and representation for our evaluation of the
Proposals have been disclosed to us and that such information is accurate, valid and there is
no omission of material facts, which would make any information provided to us incomplete,
misleading or inaccurate.

(The remainder of this page is intentionally left blank)
The Board has, individually and collectively, accepted full responsibility that all material facts, financial and other information essential to our evaluation have been disclosed to us, that they have seen this IAL, and for the accuracy of the information in respect of the Proposals (save for those in relation to our evaluation and opinion pertaining to the same) as prepared herein and confirmed that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein incomplete, false and/or misleading. We have not undertaken an independent investigation into the business of Bahvest, SGSB and WRSB. Based on the above we are satisfied with the information and documents provided by Bahvest, SGSB and WRSB and are not aware of any fact or matter not disclosed which renders any such information untrue, inaccurate or misleading or the disclosure of which might reasonably affect our evaluation and opinion as set out in this IAL. We have also assumed that the Proposals will be implemented based on the terms as set out in the SSA and the Supplement Deed without material waiver or modification.

Our evaluation and recommendation expressed herein are based on prevailing economic, market and other conditions, and the information and/or documents made available to us, based on the date of the reports by the respective professionals which will be discussed in Section 2 of this IAL. Such conditions may change over a short period of time.

Accordingly, our evaluation and recommendation expressed herein do not take into account of the information, events and conditions arising after the date hereof. After the dispatch of this IAL, should FHCA become aware of any significant change affecting the information contained in this IAL, or have reasonable grounds to believe that any statement in this IAL is misleading or deceptive or have reasonable grounds to believe that there is material omission in this IAL, we will immediately notify the shareholders. If circumstances require, a supplementary IAL will be sent accordingly to the shareholders.

FHCA confirms that it is not aware of any circumstances which exist or are likely to give rise to a possible conflict of interest situation for FHCA to carry out the role as the IA in connection to the Proposals. FHCA also confirms that it has not had any professional relationship with Bahvest in the past two (2) years.

FHCA is an approved corporate financial adviser within the meaning of the Securities Commission’s Principal Adviser Guidelines. FHCA has undertaken the role as an IA for corporate exercises in the past twelve (12) months prior to LPD, which include amongst others, the following:

(i) the acquisition by Sumatec Resources Berhad (“Sumatec”) of 100% equity interest in Borneo Energy Oil and Gas Limited (“Borneo Energy”), comprising 100 ordinary shares in Borneo Energy from Abu Talib Bin Abdul Rahman and Dr. Murat Safin for a purchase price of USD290,000,000 to be satisfied by a combination of cash payment and issuance of new ordinary shares of RM0.14 each in Sumatec;

(the remainder of this page is intentionally left blank)
(ii) the award to Naim Indah Corporation Berhad of the role of Project Management Consultant for a mixed commercial development consisting amongst others, shop offices, hotel towers and office suite, a mall and related external works at Lot 6879-6890 and 10293-10304, Mukim Klang, Daerah Klang, Selangor Darul Ehsan from Lagenda Prajuta Sdn Bhd;

(iii) the acquisition by Minetech Resources Berhad of the entire equity interest in Medium Vista Sdn Bhd and the acquisition of part of a parcel of leasehold land held under PN349139, Lot 345761, Mukiin of Hulu Kinta, District of Kinta, State of Perak Darul Ridzuan;

(iv) the acquisition by Yong Tai Berhad ("YTB") of the entire equity interest in PTS Impression Sdn Bhd from PTS Properties Sdn Bhd, Apple Impression Sdn Bhd and Boo Kuang Loon for a cash consideration of RM3,000,000 and the diversification of the existing core business of YTB to include the business activity of development and operation of cultural performance and related businesses; and

(v) the acquisition by MI. Global Berhad of the entire equity interest in MITC Engineering Sdn Bhd from MITC Sdn Bhd an indirect wholly-owned subsidiary of LBS Bina Group Berhad, and Datuk Lim Litt Chek for a consideration of RM300,000,000.

Premised on the foregoing, FHCA is capable and competent in carrying out its role and responsibilities as the IA to advise the non-interested directors and non-interested shareholders of Bahvest in relation to the Proposals.

3. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSON CONNECTED WITH THEM

Save as disclosed below and as set out in Section 10, Part A of the Circular, none of the directors or major shareholders of Bahvest and/or persons connected to them has any interest, direct or indirect, in the Proposals:

(i) Datuk Lo Fui Ming, being a director and major shareholder of Bahvest, is also a director and major shareholder of WRSB; and

(ii) Lo Teck Yong is a director and shareholder of Bahvest. He is also the son of Datuk Lo Fui Ming and as such is deemed interested in the Proposals.

Datuk Lo Fui Ming and Lo Teck Yong have abstained and will continue to abstain from all deliberations and voting at the relevant board meetings of Bahvest in respect of the Proposals.

Datuk Lo Fui Ming and Lo Teck Yong will also abstain from voting in respect of their direct and/or indirect shareholdings, if any, in Bahvest and have undertaken to ensure persons connected to them will abstain from voting on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of Bahvest.

*(the remainder of this page is intentionally left blank)*
The shareholdings of Datuk Lo Fui Ming and Lo Teck Yong in Bahvest as at the LPD are set out below:

<table>
<thead>
<tr>
<th>Name</th>
<th>Direct</th>
<th>Indirect</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Shares</td>
<td>%</td>
</tr>
<tr>
<td>Datuk Lo Fui Ming</td>
<td>49,711,302</td>
<td>11.26</td>
</tr>
<tr>
<td>Lo Teck Yong</td>
<td>149,330</td>
<td>0.33</td>
</tr>
</tbody>
</table>

* Deemed interested by virtue of his child's interest pursuant to Section 134 of the Act.

4. EVALUATION OF THE PROPOSALS

The full details of the Proposals are set out in Sections 2, Part A of the Circular, which should be read and fully understood in their entirety by the non-interested shareholders of Bahvest.

In evaluating the Proposals, we have considered the following:

(i) Rationale and Benefits of the Proposals;
(ii) Evaluation of the Proposed Acquisition;
   (a) Basis and justification for the Purchase Consideration;
   (b) Salient terms of the SSA and Supplemental Deed, and
   (c) Basis and justification for the Share Issue Price.
(iii) Evaluation of the Proposed Diversification;
(iv) Evaluation of the Proposed Increase in Authorised Share Capital;
(v) Industry outlook and prospects;
(vi) Risk factors; and
(vii) Effects of the Proposals.

The views expressed by FHCA in this IAL are based on, amongst others, current economic, market and political conditions prevailing as at the LPD. In this respect, the non-interested shareholders of Bahvest should take further note of any announcements relevant to their consideration of the Proposals which may be released after the LPD.

It is pertinent for the non-interested shareholders of Bahvest to note that the Proposals are inter-conditional upon each other.

5. RATIONALE AND BENEFITS OF THE PROPOSALS

The rationale and benefits of the Proposals are as set out in Section 3, Part A of this Circular.

(a) Additional sources of revenue from the Mining Business.

Bahvest Group has been involved in the Aquaculture Business where high value and quality marine fish is bred, hatched, reared and supplied to both local and overseas market. It was also noted that the Group has been registering losses for the past three (3) FYEs but registered a small profit after tax of approximately RM0.58 million for the unaudited quarterly financial results for the FPE 30 September 2016.

*(the remainder of this page is intentionally left blank)*
The revenue and earnings of the Bahvest Group for the past three (3) FYEs and for the FPE 30 September 2016 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Audited FYE 31 March</th>
<th>Unaudited quarterly financial result for the FPE 30 September 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014 (RM'000)</td>
<td>2015 (RM'000)</td>
</tr>
<tr>
<td>Revenue</td>
<td>23,023</td>
<td>17,212</td>
</tr>
<tr>
<td>Profit/(Loss) after tax</td>
<td>(2,329)</td>
<td>(2,328)</td>
</tr>
</tbody>
</table>

We further note that the losses for the past three (3) FYEs were mainly due to higher administrative expenditure incurred particularly the recognition of the non-cash employee benefit cost arising from fair value accounting adopted for share options granted pursuant to an employee’s share option scheme implemented by Bahvest for eligible employees and directors of the Group.

In order to reduce its losses and improve its financial performance, Bahvest has been actively sourcing for new sources of revenue that can positively contribute to the earnings of the Bahvest Group and diversifying its business by venturing into other viable and income-generating business. The Proposed Acquisition provides the opportunity for the Bahvest Group to diversify its business into the Mining Business to provide the Bahvest Group with a new source of income to enhance shareholders’ value.

The Proposed Acquisition is expected to contribute positively to the consolidated earnings of the Group when the expected income attributable from the Mining Business is realized, whilst the Group continues with its Aquaculture Business.

(b) Remaining Sub-Lease Area

It is pertinent to note that the purchase consideration of RM96.0 million was derived based on the Competent Valuer’s Report, which was carried out on the WRSB Mining Right based on the Mineral Resources estimated by Optiro within the Initial Mining Area. Bahvest Group plans to systematically explore and prospect the Remaining Sub-Lease Area upon completion of the Proposed Acquisition and any discovery of Mineral Resources in the Remaining Sub-Lease Area, which is approximately ten times the size of the Initial Mining Area, that can be mined economically could contribute additional economic and financial benefits to the Bahvest Group, which is dependent on the successful exploration and prospecting exercises to be undertaken by Bahvest upon the completion of the Proposals.

It should be noted that geographical and mining studies has yet to be conducted to evaluate the prospects of discovering Mineral Resources in the Remaining Sub-Lease Area, and as such there is no assurance that there would be any Mineral Resources that would be economically extractable by WRSB on the Remaining Sub-Lease Area.

Premised on our comments as stated above, we are of the opinion that the rationale and benefits of the Proposals are fair and reasonable as it will provide Bahvest with an additional source of income and earnings from an unrelated industry with distinct outlook and prospect. Nevertheless, the non-interested shareholders of Bahvest should note that the potential benefits arising from the Proposed Acquisition are subject to certain risk factors as disclosed in Section 5, Part A of the Circular.
6. EVALUATION OF THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, we have taken into consideration the following:

<table>
<thead>
<tr>
<th>Analysis</th>
<th>Section in this IAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Basis and justification for the Purchase Consideration</td>
<td>Section 6.1</td>
</tr>
<tr>
<td>(iii) Salient terms of the SSA and Supplemental Deed</td>
<td>Section 6.2</td>
</tr>
<tr>
<td>(iv) Basis and justification for the Share Issue Price</td>
<td>Section 6.3</td>
</tr>
</tbody>
</table>

6.1 Basis and justification of the Purchase Consideration

The basis and justification of the Purchase Consideration are set out in Section 2.1.1, Part A of this Circular.

For the purposes of the Proposed Acquisition, the Board had appointed:-

(i) Optiro, as the independent competent person for the preparation and issuance of the Competent Person’s Report in accordance with the requirements of JORC Code which report on the Indicated and Inferred Mineral Resource (comprising gold, silver and copper) in the Initial Mining Area;

(ii) RPM, as the independent consultant for the preparation and issuance of the Scoping Study Report, which covered the mine design and scheduling, project operating and capital costs and assessments of realistically assumed Modifying Factors that indicate the reasonable prospects for economic viability of the Initial Mining Area; and

(iii) J.L, as the independent competent valuer for the preparation and issuance of the Competent Valuer’s Report in relation to the WRSB Mining Right that is in accordance with the guidelines set by the VALMIN Code 2015 prepared by the VALMIN Committee, a joint committee of the AusIMM and the AIG, with the participation of the Minerals Council of Australia and other key stakeholder representatives.

We have made reference to the abovementioned reports issued by Optiro, RPM and J.L in forming our opinion and have assessed and are satisfied with their qualification, expertise, experience, credibility and scope of engagement. The information on the Competent Valuer, and the Competent Person are as set out in Section 2.1.4, Part A of the Circular.

From a strategic standpoint, we take note that the Proposed Acquisition represents a diversification of Bahvest Group’s existing business in Aquaculture Business by making its entry into the Mining Business.

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration, amongst others, the Market Value of WRSB Mining Right opined by J.L. in the Competent Valuer’s Report which ranges from RM69 million to RM100 million with a preferred value of RM96 million which is based on the Mineral Resources estimated by Optiro within the Initial Mining Area.
The basis of valuation adopted by JLL was based on a technical value method and applying the risk analyses based on Modifying Factors. The assessment of the Modifying Factors, calculated by JLL at a discount of 28%, took into consideration the value adjustment made to, amongst others, the geology and resources, grade control and mining, processing, environment and government approvals, financing risks, sale of concentrates, technology and infrastructure, reliance of third parties, operating history, commodity prices, currency exchange rates and sale of waste. JLL had also applied weightage to provide the weighted average values derived from each of the valuation methodologies applied. The technical value method includes the use of the Discounted Cash Flow ("DCF") Methodology as the primary methodology and the Comparable Transaction Analysis ("CTA") approach as the secondary methodology and considered the market capitalisation of Anchor Resources Limited ("ARL") to derive at the Market Value of the WRSB Mining Right.

Summarised below are the valuation methodologies and the weightage applied by JLL in arriving the range of value and preferred value:-

<table>
<thead>
<tr>
<th>Methodologies</th>
<th>Weightage</th>
<th>Low (RM'million)</th>
<th>High (RM'million)</th>
<th>Preferred Value (RM'million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) DCF Methodology</td>
<td>70%[1]</td>
<td>98</td>
<td>136</td>
<td>117</td>
</tr>
<tr>
<td>(ii) CTA</td>
<td>20%[2]</td>
<td>4</td>
<td>25</td>
<td>18</td>
</tr>
<tr>
<td>(iii) ARL's market capitalisation</td>
<td>10%[3]</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>100%</strong></td>
<td><strong>69[4]</strong></td>
<td><strong>100[4]</strong></td>
</tr>
</tbody>
</table>

[1] Weightage of 70% has been given to arrive at the Market Values on the basis that the information provided is specific to WRSB Mining Right.

[2] Weightage of 20% has been given to arrive at the Market Values on the basis that wider range of RM per resource gold ounce derived from the CTA cast doubt on the accuracy of the method applied.

[3] Weightage of 10% has been given to arrive at the Market Values on the basis that the market capitalisation comprises other assets and liabilities other than the Lubuk Manis Gold Project.

[4] Sum of (Weighting X value)

We have considered other valuation methodologies such at CTA and Relative Valuation Analysis ("RVA"), and we concur with JLL's opinion that the application of CTA should not be used as a primary methodology for the purposes of the valuation of the WRSB Mining Right, but as a secondary methodology with a 20% weightage applied by JLL to arrive at the Market Value, considering that none of the comparable transactions is highly comparable to WRSB Mining Right after taking into consideration, amongst others, the difference in geographic location which leads to differences in mining costs, operating costs, processing costs, royalties payable to government and tax system. The detailed discussion of the CTA used by JLL in arriving at the Market Value and the reasons that RVA is not an appropriate valuation methodology in valuing the WRSB Mining Right are set out below.

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(i) **Income Approach – DCF Methodology**

The DCF Methodology is an investment appraisal technique, which takes into consideration both the time value of money and the future cash flows over a fixed period of time. Under the DCF Methodology, the future next cash flows from the business or asset are discounted at a specific discount rate to arrive at the net present value of the underlying net cash flow of the asset or business.

DCF Methodology is a commonly acceptable method for the valuation of the underlying assets and business which generates a consistent stream of cash flows with the finite period of the concessions and/or agreements.

A key assumption for the DCF Methodology is the choice of a discount rate that takes into account, amongst others, the prevailing risk-free rate, debt to equity structure and equity risk premium of market portfolio, but appropriate adjustment being made to take into consideration the specific characteristic and risk profile of the asset or business being valued.

We have reviewed the key bases and assumptions applied and adopted by JLL in arriving at the DCF valuations of the WRSB Mining Right. Taken as a whole, we are of the view that the key bases and assumptions applied are reasonable. Some of the key assumptions used in the preparation of the future cash flows of WRSB Mining Right are as follows:-

a) The valuation of the WRSB Mining Right is based on a mine life of 3.75 years with ore production at an average rate of approximately 430,000 tonnes per annum;

b) JLL had also computed the rehabilitation costs at the end of the tenure that is estimated by RPM at USD780,000 per quarter for the last six quarters ending in year 2021;

c) The mineral resources estimates were based on the Competent Person's Report and the mining schedule and metal recovery rate were based on the Scoping Study Report, which includes an economic-based pit optimisation based on Indicated Mineral Resources only;

d) Revenue from the sale of concentrates will equate to 97% of the value of the contained gold, silver and copper in the concentrates based on the corresponding spot rates over the four (4) years from 2017 to 2020. JLL has adopted the commodity price forecast figure from Bloomberg in arriving the price forecast for gold, silver and copper for the cash flow projections from 2017 to 2020 as at Valuation Date are summarised as follows:-

<table>
<thead>
<tr>
<th>Year</th>
<th>Gold (Au) USD per troy ounce</th>
<th>Silver (Ag) USD per tonne</th>
<th>Copper (Cu) USD per tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1,384</td>
<td>20.46</td>
<td>4,778</td>
</tr>
<tr>
<td>2018</td>
<td>1,397</td>
<td>20.69</td>
<td>4,808</td>
</tr>
<tr>
<td>2019</td>
<td>1,409</td>
<td>20.91</td>
<td>4,837</td>
</tr>
<tr>
<td>2020</td>
<td>1,420</td>
<td>21.20</td>
<td>4,866</td>
</tr>
</tbody>
</table>
e) Processing fee is chargeable at CNY665 per tonne (approximately USD100/tonne) for oxide concentrates and CNY395 per tonne (approximately USD60/tonne) for sulphide concentrates. The difference of the processing fees assumption for oxide concentrates and sulphide concentrates is primarily due to an expected discount for extraction of sulphur from the sulphide concentrates from the smelters operator;
f) the royalty rate shall be at 5% of the value of ores, concentrates, refined metals or other products; and
g) the foreign currency exchange rates for foreign currency pairs of MYR-USD and MYR-CNY based on the forward rates compiled by Bloomberg as at the Valuation Date.

We have also reviewed the basis used in arriving at the discount rate of 8.91% representing the WRSB’s WACC whereby the cost of equity was derived using the CAPM and the cost of debt was derived based on borrowing rates that represent WRSB’s long term borrowing cost. In addition, we have also analyse to the comparable companies selected by JLL (“Comparative Companies”) in arriving the variable used in computing the CAPM, such as the beta and the capital structure adopted. The Comparable Companies are all involved in the exploration, development and mining industry which are considered as broadly comparable to the business activities of WRSB and are listed in different stock exchange. The detailed components of the discount rate are set out in Section 2.1.3(b), Part A of the Circular. Premised on our evaluation on the parameters adopted by JLL as discussed above, we are satisfied with the basis of the said parameters adopted and the methodology used to arrive at the WACC is consistent with the valuation approach.

JLL had also performed a sensitivity analysis on three (3) key independent parameters, namely the discount rates, operating costs and the gold recovery rate (oxide) as these assumptions have significant impact on the future cash flows of WRSB Mining Right. JLL had stress test the cash flows by varying the values adopted in the discount rates, operating cost and the gold recovery rate (oxide) on a different percentage, upward and downward variance respectively on the midpoint of the valuation to arrive at a range of value of WRSB Mining Right which indicated that the Technical Value of the WRSB Mining Right ranges from RM136 million to RM189 million, with a preferred value of RM162 million. By applying the Modifying Factors discount of 28%, the Market Value of WRSB Mining Right ranges from RM98 million to RM136 million, with a preferred value of RM117 million.

[the remainder of this page has been intentionally left blank]
We wish to highlight that any significant departure in the assumption mentioned therein may have a material impact on the valuations. The DCF valuations are based on prevailing economic, market and other conditions as at the Valuation Date, as well as publicly available information and the information provided by Bahvest, SGSB and WRSB and such conditions may change significantly over a short period of time. The resultant effect of such changes may materially and/or adversely affect the valuation. Non-interested shareholders are also advised that the Comparable Companies considered by JLL have been selected for comparison purposes only and may not be directly comparable to WRSB. This is due to various factors which include, amongst others, the listing status of the Comparable Companies, composition of business activities, size of the business, target market or product offering, asset base, risk profile, operating activities of the mining assets and future prospects.

(ii) Market Approach - CTA

CTA is a valuation method whereby it seeks to compare the Purchase Consideration against other recent comparable transactions undertaken by mineral mining companies that had entered into proposed acquisitions of mining assets.

JLL had conducted a search of online database (Source: https://www.snl.com) that revealed sixteen (16) market transactions involving small to medium sized gold projects within the past three (3) years.

JLL is of the opinion that none of the sixteen (16) comparable transactions are considered to be highly comparable to WRSB Mining Right because the difference in geographical location leads to difference in mining costs, operating costs, processing costs, royalties' payable to governments and tax system.

In order to narrow the range of RM per resource gold ounce transacted between both parties, JLL had eliminated the top 25% and bottom 25% of the said transactions that gives a range of RM20 per resource gold ounce to RM119 per resource gold ounce with an average of RM86 per resource gold ounce.

By applying the aforementioned RM per resource gold ounce with the gold deposit located at the Sub-Lease Land (207,000 ounces of gold), shall translate to a Market Value which ranges from RM4 million to RM25 million with an average of RM18 million.

(iii) ARL's market capitalisation

JLL had also considered the market capitalization of ARL as of 5 July 2016, which was approximately RM100 million. JLL is of the view that ARL is most comparable to WRSB Mining Right over the Sub-Lease Land after taking into consideration, amongst others, the geographical location of Lubuk Mandi Gold Project which is located in Terengganu, Malaysia. It was noted that the market value of the Lubuk Mandi Gold Project was determined to be within the range of USD16.1 million to USD22.2 million (translate to approximately USD141.2 per resource gold ounce and USD194.7 per resource gold ounce) with a preferred value of USD19.2 million, which translate to approximately USD168.40 per resource gold ounce.
The WRSB Mining Right’s implied value based on the Lubuk Mandi Gold Project’s Market Value per resource ounce of gold is summarised in the following table:

<table>
<thead>
<tr>
<th></th>
<th>Low</th>
<th>High</th>
<th>Preferred</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lubuk Mandi Gold Project’s Market Value (USD’ Million) (A)</td>
<td>16.1</td>
<td>22.2</td>
<td>19.2</td>
</tr>
<tr>
<td>Lubuk Mandi Gold Project’s total gold resource (Indicated and Inferred) (ounces) (B)</td>
<td>114,000</td>
<td>114,000</td>
<td>114,000</td>
</tr>
<tr>
<td>Lubuk Mandi Gold Project’s Market Value per resource ounce of gold (USD/ounces) (C)</td>
<td>141.2</td>
<td>194.7</td>
<td>168.4</td>
</tr>
<tr>
<td>WRSB Mining Right’s resource gold (Indicated and Inferred) (D)</td>
<td>207,000</td>
<td>207,000</td>
<td>207,000</td>
</tr>
<tr>
<td>WRSB Mining Right’s implied value (USD’ Million) (E) = (C) \times (D)</td>
<td>29.2</td>
<td>40.3</td>
<td>34.8</td>
</tr>
<tr>
<td>WRSB Mining Right’s implied value (RM’Million) (I)</td>
<td>118</td>
<td>163</td>
<td>141</td>
</tr>
</tbody>
</table>

Note:

The one-(I) month average exchange rate of USD1.00:RM4.0607 preceding the Valuation Date is used in translating the Market Value of the Lubuk Mandi Gold Project.

The implied preferred value of RM141 million is within the range of Technical Value from RM136 million to RM189 million based on DCF methodology.

Notwithstanding that the market value of ARL’s Lubuk Mandi Gold Project in Terengganu, Malaysia is a valuation of the project, and not a market transaction, JLL opined that it is the most appropriate comparable to WRSB Mining Right as the Lubuk Mandi Gold Project is located within Malaysia and the valuation was undertaken recently in December 2015.

The Competent Valuer’s Report has been appended as Appendix IV of the Circular. We note that the Competent Valuer’s Report was prepared in compliance with the VALMIN Code 2015.
(iv) RVA

Notwithstanding the above, FHCA had also taken into consideration the RVA as part of the valuation methodology to get an indication of the current market expectation with regards to the implied value of WRSB Mining Right. Generally, RVA method seeks to compare a company’s implied trading multiple to that of comparable companies to determine the firm’s financial worth. Under the RVA, reference will be made to the valuation statistics of publicly listed companies listed in Malaysia and abroad, with principal activities that we consider broadly comparable to WRSB.

However, we have concluded that this methodology will not be applicable and accurately reflect the implied value of WRSB Mining Right due to the following reasons:

i. WRSB had on 1 October 2015, entered into the Sub-Lease Agreement with SGSB whereby SGSB agreed to sub-lease the Sub-Lease Land to WRSB for a term of 33 years in consideration of an annual rent of RM60,000.

The Lands and Surveys Department had given its approval for the creation of the Sub-Lease and the Sub-Lease was registered on the Country Lease on 13 November 2015. Hence, the only asset that WRSB has is the rights to explore and production of the minerals from the Sub-Lease Land. Exploration and production companies are commodity businesses which have no control over the prices they receive. They may vary their production and capital expenditure based on current and future price expectations and can hedge their prices by utilizing the futures market and as such the RVA may not accurately reflect the potential of WRSB.

ii. WRSB was incorporated as a special purpose company to undertake the Mining Business pursuant to the Sub-Lease Agreement and have yet to generate any revenue. The on-going mining activities includes the initial exploration, construction of main infrastructure and site clearing of the Sub-Lease Land. Based on the unaudited financial statements of WRSB as at 31 October 2016, WRSB registered a net loss and a net liabilities of RM84,176 and RM74,176 respectively. As such the RVA may not be applicable and accurately reflect the implied value of WRSB Mining Right.

We have also reviewed the content on the Competent Person’s Report with the Indicated and Inferred Mineral Resources in the Initial Mining Area, which was used as the basis and justification by JLL in forming its opinion in its Competent Valuer’s Report. The Competent Person’s Report has been appended as Appendix V of this Circular. Set out below are the Indicated and Inferred Mineral Resource (comprising gold, silver and copper) in the Initial Mining Area.

<table>
<thead>
<tr>
<th>Category</th>
<th>Gold (Au) (tonnes)</th>
<th>Silver (Ag) (tonnes)</th>
<th>Copper (Cu) (tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicated Mineral Resource estimates</td>
<td>4.6</td>
<td>14.0</td>
<td>4,000</td>
</tr>
<tr>
<td>Inferred Mineral Resource estimates</td>
<td>1.9</td>
<td>6.5</td>
<td>2,800</td>
</tr>
</tbody>
</table>
We have also reviewed the content on the Scoping Study Report which included appropriate assessment of realistically assumed Modifying Factors together with any other relevant operational factors which indicates the reasonable prospects for economic viability of the Initial Mining Area.

Premised on the above, we are of the opinion that the bases and assumptions adopted by JLL in arriving at the Market Value of the WRSB Mining Right are reasonable and have no reason to believe that the any of the bases and assumptions adopted are unreliable, inaccurate or misleading or the disclosure of which might reasonably affect our evaluation and opinion as set out in this IAL. We are of the opinion that the Market Value of WRSB Mining Right as appraised by JLL are fair and reasonable and are not detrimental to the non-interested shareholders of Bahvest.

6.2 Salient terms of the SSA and Supplemental Deed

The details of the SSA and Supplemental Deed are disclosed in Section 2.1.5 of Part A of the Circular. The following sets out only a summary of the material terms of the SSA (after taking into consideration the salient terms of the Supplemental Deed) that was considered by us and non-interested shareholders of Bahvest are advised to read Section 2.1.5 of Part A of the Circular in the entirety.

Our comments on the salient terms of the SSA are as follows:-

<table>
<thead>
<tr>
<th>Consideration and payment</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consideration</strong></td>
<td></td>
</tr>
<tr>
<td>The Purchase Consideration for the Sale Shares shall be satisfied by issuance and allotment of Consideration Shares on the day of Completion to the Vendors and/or its nominees in their respective proportions.</td>
<td></td>
</tr>
<tr>
<td><strong>Conditions precedent</strong></td>
<td></td>
</tr>
<tr>
<td>The SSA shall be conditional upon the following Conditions Precedent being obtained and/or fulfilled within the Conditional Period:-</td>
<td></td>
</tr>
<tr>
<td>(a) the Vendors shall ensure that the Sub-Lease remains validly registered on the Title, with an official land search result reflecting the said registration (the Sub-Lease was registered on the Country Lease on 13 November 2015);</td>
<td></td>
</tr>
<tr>
<td>The issuance of Consideration Shares allows Bahvest to conserve its cash resources and not incur additional borrowings to enable requisite funding being available to undertake the Mining Business. Based on the above analysis, we are of the opinion that the rationale for the issuance of Consideration Shares to satisfy the Purchase Consideration is reasonable.</td>
<td></td>
</tr>
<tr>
<td>We note that generally the conditions precedent form pre-requisites for the Proposed Acquisition to be effected and appear reasonable.</td>
<td></td>
</tr>
<tr>
<td>Salient terms</td>
<td>Comments</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>(b) the Vendors shall procure that the WRSB obtains all the relevant</td>
<td>Terms (a) and (b) are reasonable as the approvals from the relevant parties are</td>
</tr>
<tr>
<td>governmental approvals, consents, permits and licenses in order to</td>
<td>necessary for Bahvest to be in compliance with the rules and regulation set out by the</td>
</tr>
<tr>
<td>operate prospecting, mining, extraction, removal, processing, purifying</td>
<td>relevant authorities which is crucial as the WRSB Mining Right is attached to the Sub-</td>
</tr>
<tr>
<td>and all other related mining activities at the Sub-Lease Land;</td>
<td>Lease Land, term (c) will protect Bahvest from any adverse findings during the due</td>
</tr>
<tr>
<td>(c) Bahvest having been satisfied with the legal, financial, geological and</td>
<td>diligence review and to ensure that the Proposed Acquisition do not pose unnecessary risks</td>
</tr>
<tr>
<td>feasibility of mining due diligence conducted by itself or its appointed</td>
<td>or losses to Bahvest subsequent to the completion hereof whilst terms (d), (e) and (f) are</td>
</tr>
<tr>
<td>professional on WRSB;</td>
<td>reasonable and in compliance with the Listing Requirements and the Act.</td>
</tr>
<tr>
<td>(d) approval of the shareholders of Bahvest at a general meeting for the</td>
<td>We note that this clause will ensure that the Parties expedite the securing of approvals</td>
</tr>
<tr>
<td>Proposed Acquisition and Proposed Diversification as well as the issuance</td>
<td>and if not secured within the stipulated timeframe will result in the termination of the</td>
</tr>
<tr>
<td>and allotment of Consideration Shares in favour of the Vendors in accordance</td>
<td>SSA.</td>
</tr>
<tr>
<td>with the SSA;</td>
<td></td>
</tr>
<tr>
<td>(e) the approval-in-principle of Bursa Securities for the listing of and</td>
<td></td>
</tr>
<tr>
<td>quotation for the Consideration Shares; and</td>
<td></td>
</tr>
<tr>
<td>(f) such other approvals as shall be necessary.</td>
<td></td>
</tr>
<tr>
<td>The Parties agree, undertake and covenant to obtain the relevant approvals</td>
<td></td>
</tr>
<tr>
<td>as soon as practicable and shall forthwith notify the other Party in writing</td>
<td></td>
</tr>
<tr>
<td>(&quot;CP Notices&quot;) within three (3) market days upon receipt of the same.</td>
<td></td>
</tr>
<tr>
<td>The SSA shall be deemed unconditional upon the receipt of the CP Notices and</td>
<td></td>
</tr>
<tr>
<td>all the approvals, consents or the deemed acceptance of the terms and</td>
<td></td>
</tr>
<tr>
<td>conditions and/or variations imposed by the relevant authorities and the</td>
<td></td>
</tr>
<tr>
<td>compliance and fulfillment of other conditions as set out in the SSA.</td>
<td></td>
</tr>
<tr>
<td>In the event that the Conditions Precedent are not fulfilled within the</td>
<td></td>
</tr>
<tr>
<td>Conditional Period or such other Conditional Period may mutually be agreed</td>
<td></td>
</tr>
<tr>
<td>by the Parties, the rights and obligations of the Parties in the SSA shall</td>
<td></td>
</tr>
<tr>
<td>lapse, and be of no further effect and deemed mutually terminated.</td>
<td></td>
</tr>
</tbody>
</table>
## Completion

Provided that the SSA has not been terminated in accordance with the terms and conditions contained in the SSA and:

(a) no event of default has occurred or would occur as a result of the completion of the SSA;
(b) the Conditions Precedent have been procured, obtained and fulfilled;
(c) there has been no material adverse change in the financial condition of WRSB since the date of the SSA and there are no material changes imposed on the Title;
(d) each of the representations, warranties, covenants and undertakings set out in the SSA remains accurate at the Completion Date as if given on that date by reference to the facts and circumstances then existing;
(e) the Vendors have not breached any undertakings and/or covenants under the SSA;
(f) the approval granted by the Lands and Surveys Department to WRSB and the Sub-Lease Land shall remain valid and subsisting.

<table>
<thead>
<tr>
<th>Salient terms</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>We are of the opinion that these terms are reasonable and not detrimental to Bahvest, as these are common terms applicable to completion of SSA.</td>
<td></td>
</tr>
<tr>
<td>Terms (a) and (b) are to ensure the SSA is still valid and enforceable. Terms (c), (d) and (e) are to protect the interest of Bahvest to ensure that there are not material adverse changes in the financial conditions of WRSB prior to completion and all representations, warranties and covenants remains accurate at Completion Date.</td>
<td></td>
</tr>
<tr>
<td>Terms (f), (g), (h), (i) and (j) are to ensure that all the required approvals and the necessary documentations are procured by the Vendors and remain valid on completion.</td>
<td></td>
</tr>
<tr>
<td>The term is essential in order for WRSB to continue with the Mining Business at the Sub-Lease Land and ensuring the continuing compliance with the DOE’s Approval and the guarantee provided on the right to access to the Sub-Lease Land is in place at all times.</td>
<td></td>
</tr>
</tbody>
</table>

*(the remainder of this page is intentionally left blank)*
| (g) All the relevant governmental approvals, consents, permits and licenses in order to operate prospecting, mining, extraction, processing, purifying and all other related operation at the Sub-Lease Land, including but not limited to the mining rights and the approval and terms of reference from the Sabah Environmental Protection Department granted to SGSB in relation to the environmental impact assessment in relation to the conduct of mining activities on the Sub-Lease Land ("DOE's Approval") shall remain valid, subsisting and are able to be utilised by WRSB on execution of the SSA and the mining agreement between SGSB and WRSB to entitle WRSB to fully enjoy the rights of the DOE's Approval and which shall provide and guarantee WRSB and/or Bahvest and all their employees, contractors and sub-contractors and agents, the right of way and the right of access to the Sub-Lease Land via any part of the Main Lease Land and the relevant authorities have not expressed their intention to withdraw, terminate or cancel the approvals, consents, permits and licenses granted for the operation at the Sub-Lease Land by WRSB; |
| (h) The Title, Sub-Lease and Sub-Lease Agreement shall remain valid and subsisting; |
| (i) No governmental entity shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, injunction or other order, whether temporary, preliminary or permanent, which is in effect and which has or would have the effect of making the transactions contemplated by the SSA as illegal or restraining or prohibiting consummation of such transactions; and there is no notice of compulsory acquisition of the Main Lease Land has been made. |
| (j) Then, subject to the provisions of the SSA, the Vendors shall, on the Completion Date, complete the sale of the Sale Shares under the SSA. |

These terms (h), (i) and (j) are to ensure that the Sub-Lease Land continues to be held by WRSB on Completion Date and there is no indication of any adverse changes to WRSB's rights to the Sub-Lease Land.
<table>
<thead>
<tr>
<th>Salient terms</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>(f) On the occurrence of any of the events of default and provided that the event of default occurs before the Completion Date, the other non-defaulting Party (&quot;Non-Defaulting Party&quot;) may (but is not obliged to) give notice in writing to the defaulting Party (&quot;Defaulting Party&quot;) requiring the Defaulting Party to remedy the said default or breach within fourteen (14) market days of the receipt of such notice or such extended period as may be allowed by the Non-Defaulting Party (&quot;Remedy Notice&quot;). The Remedy Notice shall include the defaulting conduct of the Defaulting Party.</td>
<td>This clause is a typical term to transactions of such nature, where in the event that the Vendors breaches any material provisions of the SSA and fails to remedy it, Bahvest will have the right to terminate the SSA.</td>
</tr>
<tr>
<td>(ii) If the Defaulting Party fails to remedy the relevant default or breach within the said fourteen (14) market days or such extended period as may be allowed by the Non-Defaulting Party after being given notice by the Non-Defaulting Party to rectify such breach, the Non-Defaulting Party may elect to terminate this Agreement and claim damages or pursue specific performance.</td>
<td>These terms are common and reasonable as they give the rights to the Non-Defaulting Parties to terminate the SSA as well as safeguard the interest of the Non-Defaulting Parties in the event that any of the terms and conditions cannot be satisfied or waived.</td>
</tr>
</tbody>
</table>

The Supplemental Deed between the Vendors and Bahvest was to vary certain terms and conditions on the SSA, primarily on the revision of the Purchase Consideration and the mode of payment of the Purchase Consideration. The remaining terms and conditions varied are not significant.

Premised on the above, we are of the view that the above mentioned salient terms of the SSA (after taking into consideration the salient terms of the Supplemental Deed) are fair and reasonable and not detrimental to the non-interested shareholders of Bahvest.

6.3 Basis and justification of the Share Issue Price

The basis and justification of the Share Issue Price are set out in Section 2.1.6, Part A of the Circular.

In assessing the fairness and reasonableness of the issue price of RM0.94 each per Consideration Share to be issued pursuant to the Proposed Acquisition, we have compared said issue price against:-
(i) Closing market price of Bahvest Shares on 18 November 2015, being the LFD;
(ii) Closing market price of Bahvest Shares up to LPD; and
(iii) the respective VWAPPs as set out in the table below:

<table>
<thead>
<tr>
<th>Basis of comparison base on</th>
<th>VWAMP/ Closing Price</th>
<th>Premium/(discount) over VWAMP/closing price</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM</td>
<td>RM</td>
</tr>
<tr>
<td><strong>Market prices of Bahvest Shares over various timeframes up to and including LFD</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Closing market price on LFTD</td>
<td>0.9400</td>
<td>0.0000</td>
</tr>
<tr>
<td>Five (5)-day VWAMP</td>
<td>0.9321</td>
<td>0.0079</td>
</tr>
<tr>
<td>One (1)-month VWAMP</td>
<td>0.9463</td>
<td>(0.0063)</td>
</tr>
<tr>
<td>Three (3)-month VWAMP</td>
<td>0.9278</td>
<td>0.0122</td>
</tr>
<tr>
<td>Six (6)-month VWAMP</td>
<td>0.9171</td>
<td>0.0229</td>
</tr>
<tr>
<td>Twelve (12)-month VWAMP</td>
<td>0.9167</td>
<td>0.0233</td>
</tr>
<tr>
<td>Highest closing market price for the past one (1) year</td>
<td>1.0100</td>
<td>(0.070)</td>
</tr>
<tr>
<td>Lowest closing market price for the past one (1) year</td>
<td>0.8150</td>
<td>0.1250</td>
</tr>
<tr>
<td>Average closing market price for the past one (1) year</td>
<td>0.8965</td>
<td>0.0435</td>
</tr>
<tr>
<td><strong>Market prices of Bahvest Shares over various timeframes up to LPD</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Closing market price on LPD</td>
<td>0.9150</td>
<td>0.0280</td>
</tr>
<tr>
<td>Five (5)-day VWAMP</td>
<td>0.9173</td>
<td>0.0227</td>
</tr>
<tr>
<td>One (1)-month VWAMP</td>
<td>0.9543</td>
<td>(0.0143)</td>
</tr>
<tr>
<td>Three (3)-month VWAMP</td>
<td>0.9911</td>
<td>(0.0511)</td>
</tr>
<tr>
<td>Six (6)-month VWAMP</td>
<td>1.0243</td>
<td>(0.0843)</td>
</tr>
<tr>
<td>Twelve (12)-month VWAMP</td>
<td>1.0001</td>
<td>(0.0601)</td>
</tr>
<tr>
<td>Highest closing market price for the past one (1) year</td>
<td>1.1800</td>
<td>(0.2400)</td>
</tr>
<tr>
<td>Lowest closing market price for the past one (1) year</td>
<td>0.7150</td>
<td>0.2550</td>
</tr>
<tr>
<td>Average closing market price for the past one (1) year</td>
<td>0.9414</td>
<td>(0.0014)</td>
</tr>
</tbody>
</table>

(Source: Bloomberg)
Based on the table above,

- We noted that the Share Issue Price represent a premium of 0.84%, 1.31%, 2.49% and 2.54% over the VWAMP for five (5)-day, three (3)-month, six (6)-month and twelve (12)-month up to 18 November 2015 but is at a discount of 0.67% over the VWAMP for one (1)-month, up to 18 November 2015.

- We noted that the Share Issue Price represent a premium of 2.73% and 2.47% over the closing market price of Bahvest Shares on LPD and the VWAMP for five (5)-day up to LPD but at a discount of 1.50%, 5.16%, 5.23% and 6.01% over the VWAMP for one (1)-month, three (3)-month, six (6)-month and twelve (12)-month up to LPD.

- Based on the movement in the market price of Bahvest Shares,

  (i) the Share Issue Price is within the range of twelve (12)-month high and low of Bahvest Shares prices up to the 18 November 2015 of RM1.0100 and RM0.8150 respectively and is at a premium of 4.85% to the average market price of Bahvest Shares of RM0.8965 for the past one (1) year to LPD; and

  (ii) the Share Issue Price is within the range of twelve (12)-month high and low of Bahvest Shares prices up to the LPD of RM1.1800 and RM0.7150 respectively but is at a slight discount of 0.15% to the average market price of Bahvest Shares of RM0.9414 over the past one (1) year to LPD.

There were no material corporate announcement made by Bahvest during the past twenty-four (24) months up to LPD other than the extension of Co-operative Agreement between SGSB and Bahvest in relation to the Mining Business.

The movement of the daily closing market prices of Bahvest Shares on Bursa Securities for the past two (2) years from 18 November 2014 up to LPD is shown below:-

(Source: S&P Capital IQ)
We further note that the NA per Bahvest Share based on its audited financial statement as at 31 March 2016 of RM0.33 is significantly lower than the Share Issue Price.

Premised on the above analysis, we are of the view that the Share Issue Price is fair and reasonable and not detrimental to the non-interested shareholders of Bahvest as:-

- The basis of arriving at the Share Issue Price is appropriate in considering that the Share Issue Price was arrived based on the closing market price of Bahvest Shares on LFTD;

- The Share Issue Price is at a premium of 0.84%, 1.31%, 2.49% and 2.54% over the VWAMP for five (5)-day, three (3)-month, six (6)-month and twelve (12)-month up to 18 November 2015 as well as above the NA per Bahvest Shares as at 31 March 2016 and

- The Share Issue Price is at a premium of 2.73% and 2.47% over the closing market price of Bahvest Shares on LPD and over the VWAMP for five (5)-day up to LPD. The Share Issue Price was at the discount of 6.01% over the VWAMP for twelve (12)-month up to LPD followed by, 8.23%, 5.16% and 1.50% over the VWAMP for six (6)-month, three (3)-month and one (1)-month due to the market reaction over the announcement made by Bahvest on the Proposed Acquisition on Bursa on 18 November 2015.

7. EVALUATION OF THE PROPOSED DIVERSIFICATION

The Proposed Diversification would enable Bahvest to broaden its earnings base and diversify its existing income stream to include a new income stream from Mining Business as well as to enhance the future prospects of the Bahvest Group.

The Proposed Diversification will also reduce Bahvest's risk of dependency on its existing business as the Aquaculture Business are highly competitive. Bahvest's business is facing stiffer competition in the Aquaculture Business and the weaker economic outlook is expected to result in the lower revenue and reduction in profit margin for the Bahvest Group. The slower economic growth in the People's Republic of China has also resulted in the lower demand of high value and quality bred marine fishes.

Therefore, the management of Bahvest is of the opinion that the venture into the Mining Business offers an opportunity to diversify into other businesses with stable and strong growth prospects to broaden its revenue and earnings base. Barring unforeseen circumstances, the Proposed Diversification is expected to contribute positively to Bahvest's future earnings and would provide an additional earnings stream to Bahvest.

Notwithstanding the above, the Board intends to continue with Bahvest’s existing business in the Aquaculture Business.

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We are of the opinion that while Bahvest is continuing with the Aquaculture Business, diversification to an unrelated business such as mining reduces the exposure and reliance on its Aquaculture Business. Despite Bahvest Group having no prior experience in the Mining Business, we note that it intends to leverage on the core competencies and experience of Shamsul Arif Haruna, profile of which is set out in Section 2.2(a), Part A of the Circular, recruit other personnel with relevant expertise and experiences in the mining industry and may also seek services of external mining professionals or consultants to advise and/or assist in the Mining Business.

Premised on the above, we are of the view that the Proposed Diversification is reasonable and not to the detriment of the non-interested shareholders of the Company.

8. EVALUATION OF THE PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Proposed Increase in Authorised Share Capital is to facilitate the issuance of the Consideration Shares pursuant to Proposed Acquisition and as such is not detrimental to the non-interested shareholders of Bahvest.

9. INDUSTRY OUTLOOK AND PROSPECTS

We take note of the prospects of the Proposals as set out in Section 4, Part A of the Circular.

Overview of the Malaysia Economy

The Malaysian economy expanded by 4.3% in the third quarter of 2016 (2Q 2016: 4.0%), underpinned mainly by continued expansion in private sector spending and additional support from net exports.

On the supply side, growth continued to be driven by the major economic sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a growth of 1.5% (2Q 2016: 0.7%). Inflation, as measured by the annual change in the Consumer Price Index (CPI), moderated further to 1.3% in the third quarter of 2016 (2Q 2016: 1.9%).

(Source: Quarterly Bulletin for the third quarter of 2016 published by Bank Negara Malaysia)

The GDP growth is projected to be 4.4% in 2016 as compared to the 4.5% estimation in December 2015. This reflects a gradual deceleration in private consumption growth as a result of a softer labour market, and continued households’ adjustment to fiscal consolidation. Private investment growth is also expected to moderate, as commodity prices and global economy growth remain subdued. Subsequently, Malaysia’s GDP is expected to grow at 4.5% and 4.7% in 2017 and 2018, respectively as commodity prices recover and global economic growth improve.

Growth of the Malaysian economy faces risks, mainly from external developments. The main risks stem from the uncertainty over the global growth outlook and its impact on Malaysia’s exports and commodity prices. Investor sentiments could be affected by uncertainty globally in financial markets, which could be further reinforced by domestic developments.

(Source: Malaysia Economic Monitor, June 2016: Leveraging Trade Agreements published by The World Bank)
Overview and Outlook of the Mining Industry in Malaysia

Malaysia’s mining sector is facing into a more modest growth output than the one seen in recent years. Falling mineral prices have been eating increasingly into the profitability of Malaysia’s miners, leading many firms to scale back production as well as exploration and development. That said the continued presence of major miners across the gold and tin sub-sectors will ensure that output from both segments continues to grow over the forecast period, albeit at a slower rate than that seen in recent years.

Malaysia’s mining industry is expected to reach USD43.25 billion by 2019, increasing at a steady clip of 5.0% per annum. Despite significant deposits of untapped minerals and positive reforms by the Government in recent years, a resource boom is unlikely to catch up within the country anytime soon. In contrast to the relentless pursuit of volume growth over the past decade, mining firms are focusing on the development of their core brownfield assets on the back of waning mineral prices and the economic slowdown in China.

(Source: Malaysia Mining Report by BMI Research, a Fitch Group Company)

Overview and outlook of the precious metals industry

Between the immediate impact of the election outcome and the longer term consequences of the new president of the United States of America (“US”), the markets will be faced with some additional uncertainties. The one with the most immediate consequence for gold will be the interest rate decision by the US Federal Reserve in the middle of December 2016. The market is assigning a strong probability to an interest rate hike in December.

If incoming economic data show signs of strength or stability gold prices would be expected to fall heading into the middle of December 2016.

The market at present is assigning a 72% probability of a rate hike in December 2016; this probability may rise if economic data are positive or stable between now and the middle of December 2016. The US Federal Reserve’s policy statement from its November 2016 meeting said that ‘the committee judges that the case for an increase in the federal funds rate has continued to strengthen. This builds the case for a rate hike in December 2016 if the incoming data remain stable to positive. However, if economic data between now and the middle of December 2016 show signs of weakness the probability of a rate hike could diminish and raise confusion about the US Federal Reserve’s decision, which could boost volatility in gold prices with an upward bias.

Global financial markets are likely to face a fair amount of volatility over the next couple of months. There are a number of events during this period which could benefit some markets and upset others. The first of these events is the US election that was held on 8 November 2016, followed by a constitutional referendum in Italy during early December 2016. There also will be a hearing of the United Kingdom government’s appeal of the 3 November High Court ruling that Parliament must vote on the British exit from the European Union before the government can invoke Article 50. And, of course, there will be the US Federal Reserve’s decision on US interest rates in the middle of December 2016. All of these trends, the aftermath of the US election, and more should be expected to keep all financial markets, including those of precious metals, roiled into the New Year.
The gold market is expected to move strongly higher and lower ahead of and after the various events stated above. Beyond the interest rate decision however, the price of gold is forecast to rise. The outcome of the US election and numerous political and economic problems not only in the US and Europe but elsewhere in the world are expected to keep investors interested in adding to their gold holdings.

Silver prices touched an intraday low of USD$17.12 on 7 October 2016, a low last seen in June this year. Prices then moved sideways with a slight upward bias until the last few days of October 2016. From the end of October 2016 to early November 2016, prices shot up again, reaching above USD$18.50 on 2 November 2016 and settling around USD$18.42 on 3 November 2016.

Much of this short-term rebound in silver prices, as is the case with gold, has been fuelled by a softening of the US dollar since the end of October 2016, increases in broader financial market volatility with the approach of the US election, and increasing anticipation of a December 2016 interest rate hike by the US Federal Reserve. More importantly, investors have exhibited less appetite for selling silver, and may continue to refrain from making bearish bets as they watch for near-term events that could trigger a silver price move toward the upside. Immediately following the market selloff in early October 2016 short-sellers of silver turned relatively quiet. Meanwhile long liquidations were trickling in for the remainder of October 2016. The long stretch of range-bound silver prices until the end of October 2016 seemed to have been sending signals to longer term investors that prices have reached their near-term bottom – now seemingly lodged between USD$17.60 and at USD$17.00 – and that it might be opportune to start buying silver again.

For the remainder of this year silver could continue to see strong support around USD$17.00, as investors are shying away from shorting the metal. Fabrication demand for silver jewellery and electronics has seen positive growth over the past several months.

While some fabricator restocking has already occurred in September 2016 and late October 2016, softer prices may trigger some consumer buying interest later this year or early in 2017. If market sentiment toward the precious metals complex improves as it expects, silver has the potential to rise toward USD$20 or even USD$21.

(Source: CPM Group LLC, a New York based and a fundamentally based commodities research company on precious metal outlook, November 2016)

Prospects of the Proposed Acquisition and Proposed Diversification

As set out in Section 4.3, Part A of the Circular, barring any unforeseen circumstances, the Board (save for the Interested Directors), after taking into consideration the rationale and prospects of the Proposed Acquisition and Proposed Diversification and the outlook of the precious metals industry, is of the opinion that the Proposed Acquisition and Proposed Diversification may contribute positively to the future earnings of the Bahvest Group.
Upon completion of the Proposed Acquisition, Bahvest will concentrate on the mining of the Mineral Resources in the Initial Mining Area whilst planning to systematically explore and prospect the Remaining Sub-Lease Area. With the prices of precious metals expected to be robust in the near term, if Bahvest are able to successfully undertake the Mining Business, the Mining Business is expected to enhance and broaden the earning base of the Bahvest Group in the future.

Premised on the above, we are of the view that the prospects of Bahvest Group following the completion of the Proposed Acquisition appears to be favourable and barring unforeseen circumstances, is poised to improve its financial performance in the future.

Nonetheless, we wish to highlight that the Mining Business is subject to uncertainties which are not within the Board’s control such as change in Government policies, fluctuation in mineral prices and changes in the global economic conditions. The occurrence of any of such events may materially impact the Mining Business and may adversely affect Bahvest’s revenue to be derived from the Mining Business.

10. RISK FACTORS

We take note of the risk factors as disclosed in Section 5, Part A of the Circular.

The current business activities of Bahvest Group is the Aquaculture Business. As set out in the rationale for the Proposed Acquisition, the Proposed Acquisition will enable Bahvest to generate an additional source of revenue from the Mining Business. The Group’s long term growth plan includes growing a sustainable Aquaculture Business organically, concentrate on the mining of the Mineral Resources in the Initial Mining Area as well as systematically explore and prospect the Remaining Sub-Lease Area upon completion of the Proposed Acquisition.

With the diversification into the Mining Business, Bahvest is exposed to business risk inherent to the Mining Business such as fluctuation in mineral prices, unanticipated increased costs for planned capital expenditure and operational cost, failure to prospect and explore for adequate mineral resources and reserves, reliance on third party contractors, exposure to regulations and risks in relation to production safety and the occurrence of accidents, severe weather conditions, natural disasters and other events that are beyond the control of Bahvest.

We wish to highlight that although efforts and measures will be taken by the Bahvest Group to limit/mitigate the risks associated with the Mining Business, no assurance can be given that one or a combination of the risk factors as stated in Section 5, Part A of this Circular will not occur and give rise to material and adverse impact on the business and operations of the Bahvest Group, its financial performance, financial position or prospects thereon.

In evaluating the Proposals, non-interested shareholders of Bahvest should carefully consider the said risk factors and their respective mitigating factors prior to voting on the resolutions pertaining to the Proposals at the forthcoming EGM of Bahvest. Non-interest shareholders of Bahvest should also note that the risk factors mentioned therein are not meant to be exhaustive.
11. EFFECTS OF THE PROPOSALS

The Proposed Diversification and Proposed Increase in Authorised Share Capital will not have any effect on the Company’s issued and paid-up share capital, substantial shareholders’ shareholdings and any existing convertible securities of the Company as well as the Bahvest Group’s consolidated NA per Share, gearing and EPS.

The effects of the Proposed Acquisition on Bahvest as disclosed in Section 6, Part A of the Circular are as follows:-

(i) Issued and paid-up share capital and substantial shareholders’ shareholdings

Upon completion of the Proposed Acquisition, the issued and paid-up share capital of the Company will increase from 441,371,335 Bahvest Shares as at LPD to 543,499,015 Bahvest Shares upon the issuance of the Consideration Shares.

The shareholdings of Datuk Lo Fui Ming in Bahvest will increase from 11.26% to 22.33% whilst the shareholding of Mohd Amir bin Masry will increase from 2.59% to 6.81%. The substantial increase in the shareholdings of Datuk Lo Fui Ming and Mohd Amir bin Masry in Bahvest are due to the allotment of the Consideration Shares.

(iii) NA and gearing

Barring unforeseen circumstances, the Proposed Acquisition will have a positive effect on Bahvest Group’s NA and gearing upon the allotment of the Consideration Shares.

For illustration purposes, based on the latest audited consolidated statement of financial position of the Company as at 31 March 2016 and on the assumption that the Proposed Acquisition had been affected on that date, the proforma effects of the Proposed Acquisition on the audited consolidated NA and gearing of the Company as at the said date are as follows:-

<table>
<thead>
<tr>
<th></th>
<th>Audited as at 31 March 2016</th>
<th>After the Proposed Acquisition</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Share capital</td>
<td>43,197</td>
<td>53,409</td>
</tr>
<tr>
<td>Share premium</td>
<td>83,892</td>
<td>169,679</td>
</tr>
<tr>
<td>Foreign currency translation reserve</td>
<td>(96)</td>
<td>(96)</td>
</tr>
<tr>
<td>Employees’ share options scheme</td>
<td>13,144</td>
<td>13,144</td>
</tr>
<tr>
<td>Retained profits</td>
<td>4,090</td>
<td>1,390(1)</td>
</tr>
<tr>
<td>NA attributable to owners of the Company</td>
<td>144,227</td>
<td>237,527</td>
</tr>
</tbody>
</table>

No. of Shares in issue (’000) | 431,996 | 534,094 |
NA per Share (sen) | 33.4 | 44.7 |
Total borrowing (RM’000) | 11,253 | 11,253 |
Gearing (times) | 0.08 | 0.05 |

Note:
(1) After netting off estimated expenses relating to the Proposals amounting to RM2.7 million.
The gearing of the Bahvest Group will decrease by 0.03 times after the completion of the Proposed Acquisition, assuming the Additional Financial Commitment is to be funded via internally generated funds. If the Additional Financial Commitment is to be fully funded via bank borrowing, the gearing of Bahvest will increase by 0.06 times as illustrated in the following table:

<table>
<thead>
<tr>
<th></th>
<th>Audited as at 31 March 2016</th>
<th>After the Proposed Acquisition</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>NA attributable to owners of the Company</td>
<td>144,228</td>
<td>237,527</td>
</tr>
<tr>
<td>Total borrowing</td>
<td>11,253</td>
<td>32,253</td>
</tr>
<tr>
<td>Gearing (times)</td>
<td>0.08</td>
<td>0.14</td>
</tr>
</tbody>
</table>

(iv) Earnings and EPS

The Proposed Acquisition are not expected to have any material effect on the consolidated earnings and EPS of Bahvest for the FYE 31 March 2017 as the Proposed Acquisition is expected to be completed by the first quarter of calendar year 2017 but is expected to contribute positively to Bahvest’s future earnings when the expected income attributed to the Mining Business is realised.

Based on the above, we are of the opinion that the effects of the Proposed Acquisition are fair and reasonable and not to the detriment of the non-interested shareholders of Bahvest.

12. CONCLUSION AND RECOMENDATION

We have assessed and evaluated the Proposals and have set out our evaluation in Paragraph 5 to 11 of this IAL.

We summarise the potential advantages and disadvantages of the Proposals as follows:

<table>
<thead>
<tr>
<th>Potential Advantages</th>
<th>Potential Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahvest will be able to generate additional income stream from the Mining Business in addition to its current Aquaculture Business.</td>
<td>Bahvest will have to take on inherent business risk associated with the Mining Business.</td>
</tr>
<tr>
<td>Any discovery of Mineral Resources in the Remaining Sub-Lease Area, which is approximately ten (10) times the size of the Initial Mining Area, that can be mined economically could contribute additional economic and financial benefits to the Bahvest Group. Nevertheless, there is no assurance that there would be any mineral resources that would be economically extractable by WRSB in the Remaining Sub-Lease Area given that geographical and mining studies have yet to be undertaken to evaluate the prospects of discovering mineral resources in the Remaining Sub-Lease Area.</td>
<td>Upon the completion of the Proposed Acquisition, the shareholdings of the non-interested shareholders will be diluted upon completion of the issuances of the Consideration Shares.</td>
</tr>
</tbody>
</table>
We have taken cognisance of the rationale, financial evaluation, effects, prospects and risk factors of the Proposals. Based on our evaluation and comments on the Proposals, we are of the opinion that the terms of the Proposals are FAIR AND REASONABLE and are NOT DETRIMENTAL to the non-interested shareholders of the Company.

Accordingly, we recommend that the non-interested shareholders VOTE IN FAVOUR of the ordinary resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company.

Before arriving at the decision to vote on the ordinary resolutions pertaining to the Proposals, it is pertinent that the non-interested shareholders of Bahvest to consider the issues and implication raised in this IAL as well as other considerations set out in Part A of the Circular carefully and the recommendation of the Board (save for Dato' Lo Fui Ming and Lo Teck Yong) as set out in Section 10, Part A of the Circular.

Yours faithfully,
FHMH CORPORATE ADVISORY SDN BHD

ANDREW HING
Partner

NG WOON LIT
Director
APPENDIX I – INFORMATION ON THE SUB-LEASE LAND

1. DETAILS OF THE SUB-LEASE LAND

A summary of the salient information on the Sub-Lease Land is set out below.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title no. (Main Lease)</td>
<td>Country Lease No. 105651438, Locality of Bukit Mantri, District of Tawau, State of Sabah, Malaysia</td>
</tr>
<tr>
<td>Sub-Lease memorandum no.</td>
<td>MC1511100117</td>
</tr>
<tr>
<td>Total Land Area</td>
<td>Approximately 317.7 hectares</td>
</tr>
<tr>
<td>Terms of Sub-Lease</td>
<td>33 years</td>
</tr>
<tr>
<td>Commencement Date</td>
<td>1 October 2015</td>
</tr>
<tr>
<td>Expiry Date</td>
<td>30 September 2048</td>
</tr>
<tr>
<td>Category of land</td>
<td>Leasehold mining land</td>
</tr>
<tr>
<td>Registered Sub-Lessee</td>
<td>WRSB</td>
</tr>
<tr>
<td>Existing and proposed use</td>
<td>Mining</td>
</tr>
<tr>
<td>Fair market value</td>
<td>RM69 million to RM100 million with a preferred value of RM96 million</td>
</tr>
<tr>
<td>Date of valuation</td>
<td>6 July 2016</td>
</tr>
<tr>
<td>Method of Valuation</td>
<td>DCF, comparable transaction method and Anchor Resources Limited’s market capitalisation (please refer to Section 2.1.3, Part A of this Circular)</td>
</tr>
<tr>
<td>Terms of the Country Lease</td>
<td>The Main Lease Land is demised herein expressly and only for the purposes of mining.</td>
</tr>
<tr>
<td></td>
<td>Transfer or sublease of the Title is prohibited without the written permission of the Director of Lands and Surveys Department is first obtained who shall charge additional premium and enhanced rent and any other conditions thereof when granting such permission.</td>
</tr>
<tr>
<td></td>
<td>Subdivision of the Title is prohibited.</td>
</tr>
</tbody>
</table>

Information on reserves: Please refer to Section 3 below

2. LOCATION AND GEOLOGY OF THE SUB-LEASE LAND AND INITIAL MINING AREA

The Sub-Lease Land and Initial Mining Area are part of the Bukit Mantri which is located within the forest reserves of Mount Wullersdorf and Ulu Kalumpang in Tawau (located within the Semporna Peninsula) in eastern Sabah, Malaysia.

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The location map of Bukit Mantri and the land held under Country Leese is set out below.
Bukit Mantri is located within the Semporna Peninsula. The Semporna Peninsula is underlain by the Oligocene to Middle Miocene sediments of the Kalumpang formation that consist predominately of mudstone and shale with inter-beaded sandstone, conglomerate, limestone and rare chert. The formation includes also abundant tuffite and scattered occurrences of pyroclastic rocks and lava. During the middle Miocene, the rocks of the Kalumpang formation were strongly folded and faulted. Unconformably overlying the Kalumpang formation, volcanic flows and pyroclastics were erupted from the many volcanoes at the Semporna Peninsula.

The volcanic rocks, which are typical of the calc-alkaline basalt-andesite-dacite volcanic association found in the young fold mountains of the continental margins surrounding the Pacific Ocean are a continuation of the volcanic belt of the Philippines extending from Mindanao through the Sulu Archipelago. The middle to late Miocene Semporna consist of andesitic to dacitic volcanic flows with intercalated block and ash deposits, laharc breccias, lapilli tuffs, sedimentary clastic rocks (siltstone, sandstone and mudstone) and occasionally intruded by coeval dacite and andesite dykes. The folding of the Kalumpang formation immediately North East of the Mantri-Wullersdorf Ridge is randomly oriented due to several faulting events, but the general trend is still north – northwest striking.
Mineralisation in SGSB's prospecting license area is related to epithermal vein systems. Bukit Mantri and Bukit Tundong are both examples of the adularia-sericite types of mineral deposits, accompanied by hydrothermal alterations. Mineralisation occurs as a series of quartz-sulphide hydrothermal breccia veins that pinch and swell and coalesce in a sigmoidal pattern typical of tension gash fractures. Most of the principal veins are northeast to east-northeast-striking and dip steeply (70°) to vertical to the southeast. Other minor trends are north-south and north-west striking.

The ore mineralogy is generally characterized by pyrite, sphalerite, galena, chalcopyrite, electrum, native gold and probable traces of unidentified sulphosalts and gold-silver tellurides. Within the oxidation zone (15m to 30m from surface) sulphides are replaced by goethite, hematite, jarosite, limonite, covellite, chalcocite, digenite and manganese oxides. Associate gangue minerals in the veins include dominant quartz and subordinate sericite-illite, chlorite, kaolinite, adularia, manganocalcite, dolomite, barite and later carbonate minerals (ankerite and siderite).

(Source: Competent Person's Report)

3. DETAILS OF INITIAL MINING AREA

Prior to entering into the Sub-Lease Agreement with WRSB, SGSB had conducted prospecting and drilling in the Initial Mining Area which is located within the Sub-Lease Land to determine its Mineral Resource therein. The Initial Mining Area is only approximately 9% of the size of the Sub-Lease Land (i.e. approximately 28 hectares). The remaining approximately 91% of the Sub-Lease Land measuring approximately 289.7 hectares is yet to be explored and prospected.

Based on the Competent Person's Report, Optiro confirmed that Bukit Mantri is a low sulphur epithermal vein style gold deposit with associated silver and copper mineralisation hosted in altered and site rocks. The Mineral Resource for gold, silver and copper in the Initial Mining Area reported by Optiro in the independent competent person's report dated 9 September 2015 is summarised as follows:-

**Gold Mineral Resource Estimate (reported using a 0.35 g/t Au cut-off grade)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Tonnes ('million)</th>
<th>Grade (gram/tonne) (Au)</th>
<th>Ounces (Au)</th>
<th>Tonnes (Au)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicated Mineral Resource</td>
<td>1.69</td>
<td>2.72</td>
<td>148,000</td>
<td>4.6</td>
</tr>
<tr>
<td>Inferred Mineral Resource</td>
<td>1.01</td>
<td>1.84</td>
<td>60,000</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2.70</strong></td>
<td><strong>2.39</strong></td>
<td><strong>207,000</strong></td>
<td><strong>6.5</strong></td>
</tr>
</tbody>
</table>

**Silver and Copper Mineral Resource Estimate (reported using a 0.35 g/t Au cut-off grade)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Tonnes ('million)</th>
<th>Grade (gram/tonne) (Ag)</th>
<th>Ounces (Ag)</th>
<th>Tonnes (Ag)</th>
<th>Grade (Cu %)</th>
<th>Tonnes (Cu)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicated Mineral Resource</td>
<td>1.39</td>
<td>8.28</td>
<td>450,000</td>
<td>14.0</td>
<td>0.24</td>
<td>4,000</td>
</tr>
<tr>
<td>Inferred Mineral Resource</td>
<td>1.01</td>
<td>6.39</td>
<td>208,000</td>
<td>6.5</td>
<td>0.27</td>
<td>2,800</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2.70</strong></td>
<td><strong>7.57</strong></td>
<td><strong>657,000</strong></td>
<td><strong>20.4</strong></td>
<td><strong>0.25</strong></td>
<td><strong>6,800</strong></td>
</tr>
</tbody>
</table>
4. OTHER INFORMATION ON PAST EXPLORATION PROJECTS IN BUKIT MANTRI, SEMPORNA, SABAH

The Sabah State Geological Survey Department discovered precious minerals, including gold and platinum, in several part of Sabah in a study carried out under the 5th Malaysia Plan. The studies indicated one of the most promising gold deposits was in Bukit Lagos and Bukit Mantri in Semporna. The gold deposits are categorised as "epithermal gold" which means the minerals are located close to the surface of the earth due to volcanic activity.

(Source: New Straits Times, February 13 1992)

In an attempt to stimulate mineral exploration in the country, the Geological Survey, initially assisted by the United Nations Special Fund, decided to carry out basic prospecting program covering extensive areas of the Labuk and Karamuak Valleys, the Mount Kinabalu area, and the Upper Segama Valley by combined drainage and base-of-slope reconnaissance sampling. In 1997, a request for technical assistance was made to the Federal Republic of Germany and a programme for the "Investigation of mineral resources in Sabah" was jointly prepared in 1978 by geologists of the Geological Survey of Malaysia, Sabah and the Federal institute for Geosciences and Natural Resources of the Federal Republic of Germany. A project agreement was concluded by the two Governments in late 1979 and the implementation of the joint programme started in September 1986.

(Source: Geological Society, Malaysia Bulletin 19, April 1986)

In 1981 to 1983, under the Joint Malaysian-German Mineral Exploration Project, extensive geochemical surveys were conducted in Tawau, Wullersdorf and Pock areas. As the project in specifically looking for base metal no information on gold mineralisation was obtained, although the presence of alluvial gold in some of the main drainage around Mount Pock and Mount Wullersdorf was noted.

Two areas, the Bukit Mantri and Sungai Mantri were the main areas of interest where follow-up grid soil sampling were carried out by a private joint venture company. In the Bukit Mantri grid, a zone of highly anomalous gold was detected on central part, southeast of the Mantri Peak and encircled by zones of anomalous zinc, lead, arsenic and copper. In the Sungai Mantri grid, zones of highly anomalous gold were found trending northeast and were encircled by a broad zone of anomalous gold and arsenic. Zones of anomalous lead and associated copper and zinc were found at the fringes. In the south, a broad zone of anomalous gold with lead, arsenic and minor copper was encircled to the south. The features that are recognised from both prospects indicate that two types of epithermal gold mineralisation within a distance of 40 kilometres can occur in the same tectonic environment. The two prospects, however indicate a good potential for epithermal gold mineralisation in the Semporna Peninsula.

(Source: Jabatan Kajibumi Malaysia, Base Metal Exploration Project, 5th Malaysia Plan, 1990)
1. **SALIENT TERMS OF THE COUNTRY LEASE**

A summary of the salient information on the Country Lease is set out below.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title no.</td>
<td>Country Lease No. 10561438, Locality of Bukit Mantri, District of Tawau, State of Sabah, Malaysia</td>
</tr>
<tr>
<td>Total Land Area</td>
<td>Approximately 1000.0 hectares</td>
</tr>
<tr>
<td>Tenure of Lease</td>
<td>35 years</td>
</tr>
<tr>
<td>Commencement Date</td>
<td>1 January 2014</td>
</tr>
<tr>
<td>Expiry Date</td>
<td>31 December 2048</td>
</tr>
<tr>
<td>Category of land</td>
<td>Leasehold mining land</td>
</tr>
<tr>
<td>Registered Lessee</td>
<td>SGSB</td>
</tr>
<tr>
<td>Use</td>
<td>Mining</td>
</tr>
<tr>
<td>Terms of the Country Lease</td>
<td>The Main Lease Land is demised herein expressly and only for the purposes of mining. Transfer or sublease of the Title is prohibited without the written permission of the Director of Lands and Surveys Department is first obtained who shall charge additional premium and enhanced rent and any other conditions thereof when granting such permission. Subdivision of the Title is prohibited.</td>
</tr>
</tbody>
</table>

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APPENDIX II – SALIENT TERMS OF THE COUNTRY LEASE AND SUB-LEASE AGREEMENT (CONT’D)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summary of Special Terms in the Country Lease</td>
<td>Subject to Section 16 of the Sabah Mining Ordinance 1960, SGSB shall have the right to enter the Main Lease Land for the purpose of undertaking operations and activities under the Country Lease. SGSB shall construct, maintain, alter and operate (a) living accommodation and amenities, including clinics, schools, recreational facilities, for SGSB’s employees and workmen and (b) other buildings, installation and works necessary or useful for the effective carrying out of SGSB’s operations and activities under the Country Lease. The construction of any road pipeline facilities shall require the prior written approval of the Minister of Infrastructure Development and other relevant authorities. SGSB may use gravel, sand, clay or stone found within the Main Lease Land for the purposes necessary and useful to SGSB’s operations, activities and obligations under the Main Lease Land, provided that, inter alia, SGSB submits a report every 6 months to the Director of Lands and Surveys containing information required (i.e. quantity of gravel, sand, clay or stone which SGSB has used); if SGSB decides to extract such gravel, sand, clay or stone for commercial status, they shall not be sold without the written approval of the Director of Lands and Surveys and in the event the Country Lease is breached or forfeited, SGSB shall be subjected to rehabilitate the extracted area in accordance with the mining scheme and environmental approvals, and if required, fenced or otherwise safeguarded. SGSB shall within 4 years from the date of registration of the Country Lease, expended not less than RM15,000.00 per acre of land held in the Country Lease for expenses directly connected with SGSB’s operations and activities. Such expenses may include general organisational overhead and administrative expenses connected with SGSB’s operations under the Country Lease. SGSB shall pay to the Sabah state government a royalty in respect of ores, concentrates and other products: (a) if exported out of Sabah, before or at the time of shipment; (b) if smelted, refined or manufactured in Malaysia, before such smelting, refining or manufacturing; and if sold, before or at the time of sale; provided that if there is any dispute or failure to agree between the parties affecting the amount of royalty payable, such provisional amount as determined by the Sabah state government shall be paid and such adjustment shall then be made when the amount is finally determined. A royalty shall be paid on all ores, concentrates or other products produced by SGSB at the rate of 5% of the value of the ores, concentrates, refined metals or other products (“Royalty”). The Sabah state government may, in lieu of the royalty elect to receive a part of the ores, concentrates in kind or other products produced by the SGSB. Such election may be made by the Sabah state government giving not less than 4 calendar months’ notice to SGSB and shall continue for such period as stated in the notice. The value of the ores, concentrates or other products taken by the Sabah state government shall be the estimated royalty payable. The Sabah state government shall have the option from SGSB an equity participation of up to 30% of the share capital of SGSB or its successors or assigns at a price determined by experienced international valuers of mining properties as agreed by parties. The ownership of shares in SGSB by Malaysians shall at no time be less than 49% of the total shares issued. SGSB accepts the right and obligations to conduct operations and activities in accordance with the Country Lease terms, SGSB shall conduct all such operations and activities in a sound and technical manner in accordance with sound and acceptable international mining engineering standards and practices and in accordance with modern and accepted scientific and technical principles applicable to gold, mining copper, ore and associated minerals and to beneficiating, refining and manufacturing operations.</td>
</tr>
</tbody>
</table>
APPENDIX II – SALIENT TERMS OF THE COUNTRY LEASE AND SUB-LEASE AGREEMENT
(CONT'D)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>All operations and activities under the Country Lease shall be conducted so as to avoid waste or natural resources, to protect natural resources against unnecessary damage, and to prevent pollution and contaminating the environment. SGSB shall take all necessary measures to prevent and control fires and shall notify immediately the proper governmental authorities of any fire that may occur. SGSB shall take measures to prevent damage to the rights and property of the Sabah state government or third parties and in the event of negligence of SGSB or its agents/employees/contractors carrying out operations for SGSB under the Country Lease, SGSB shall be liable for damage/injuries under relevant laws. SGSB shall take all necessary measures required by the law and shall comply with any requirements if it undertakes blasting or other dangerous operations. SGSB shall install and utilise internationally recognised modern safety devices and precautions, and observe internationally recognised modern measures for the protection of the general health and safety of its employees and other persons having legal access to the Main Lease Land. SGSB shall also comply with such instructions given from time to time by the Chief Inspector of Mines.</td>
<td></td>
</tr>
<tr>
<td>SGSB shall ensure strict compliance with the approved mining scheme by the Director General of Mineral Geoscience and the signed agreement of environmental conditions between SGSB with the Director of Environmental Protection Department. SGSB shall comply with all relevant laws pertaining to rehabilitation of the Main Lease Land.</td>
<td></td>
</tr>
<tr>
<td>SGSB shall allow the public and Sabah state government to use free of charge any roads constructed and/or maintained by SGSB or SGSB's wharf and harbour installations, services and facilities provided that such roads are not used for trucking ore and the usage does not unduly prejudice or interfere with SGSB's operations. SGSB shall allow the Sabah state government and third parties to have access over the Main Lease Land provided that the mine manager shall be notified beforehand of such intended access and does not unduly prejudice or interfere with SGSB's operations.</td>
<td></td>
</tr>
<tr>
<td>SGSB shall keep the Sabah state government informed of its operations by submitting to the Chief Mining Inspector, quarterly progress reports beginning with the first quarter following the Country Lease date as to the progress and results of SGSB's development operations and activities. SGSB shall lodge with the Chief Mining Inspector Secretary of Natural Resources its geological and metallurgical investigations, all geological, geophysical, topographic and hydrographic data obtained from general survey and exploration and a sample representative of each principal type of mineralization encountered in its investigations.</td>
<td></td>
</tr>
<tr>
<td>SGSB will not be required to disclose any trade secrets or unpublished proprietary process information unless specified in the Country Lease.</td>
<td></td>
</tr>
<tr>
<td>SGSB shall not transfer or assign or purport to transfer or assign the Country Lease or any part thereof or rights, privileges, liabilities or obligations granted or imposed under the Country Lease, without previous consent from the Sabah state government. The Sabah state government may require that, as a condition of giving such consent, the person to whom such transfer or assignment is made, at their expense, shall agree by agreement to observe and perform the obligations imposed on SGSB. Such transforee or assignee shall have the rights and privileges and assume all liabilities and obligations of SGSB, without relieving SGSB of such liabilities and obligations unless with the express consent of the Sabah state government.</td>
<td></td>
</tr>
<tr>
<td>SGSB shall at all times indemnify the Sabah state government, the chief minister and every public officer against all actions, costs, charges, claims and demands whatsoever which may be made or brought by any third person in connection with anything done or purport to be done by SGSB under the Country Lease.</td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX II – SALIENT TERMS OF THE COUNTRY LEASE AND SUB-LEASE AGREEMENT
(CONT'D)

The Country Lease shall continue to be in force until its expiry, subject to renewal for such terms and according to the existing provisions in the Country Lease. If SGSB proposes a substantial new investment in its project or requires an extension to the Country Lease to facilitate additional financing, sales contracts or otherwise and in any event at least 3 years prior to such expiration date, the Sabah state government will give reasonable consideration to the request by SGSB to extend the Country Lease term to permit the continuation of the project on the basis of long term planning and sound mining and operating procedures.

The Country Lease may be renewed for an additional term of up to 10 years on the same conditions except those concerning royalty and other provisions relating to SGSB's financial obligation to the Sabah state government.

At any time after the Country Lease date, SGSB may (subject to 3 months prior notice to the Sabah state government) suspend in whole or in part of its operations if in SGSB's judgment it is no longer economical, or for some reason feasible for it to continue its mining operations. SGSBH may then suspend operations and may continue such total or partial suspensions of operations.

2. SALIENT TERMS OF THE SUB-LEASE AGREEMENT

The salient terms of the Sub-Lease Agreement are as follows:-

SGSB shall sub-lease the Sub-Lease Land measuring an area of 317.7 hectares to WRSB for a term of 33 years from the date of the Sub-Lease Agreement, for the annual rent of RM60,000.00 per annum ("Rent").

2.2 Salient Terms of WRSB’s agreement with SGSB

WRSB agrees with SGSB as follows:-

(i) to pay SGSB the pro-rated Rent for the remaining duration of the year upon execution of the Sub-Lease Agreement, and the annual Rent shall be payable in advance by or before the first 2 weeks of each and every year for the duration of the Sub-Lease;

(ii) to execute a valid and registrable Memorandum of Sub-Lease to be delivered together with the title deed to Messrs Wong & Shim who are irrevocably authorised to adjudicate and present for registration at the Kota Kinabalu Central Land Office (The Sub-Lease has been registered on 13 November 2015);

(iii) WRSB shall have the option to renew the Sub-Lease Agreement for a further period of 33 years at the expiration of the Sub-Lease Agreement at a rental to be agreed between the parties provided that the tenure of the Country Lease is duly renewed by the authorities;

(iv) WRSB shall be entitled to exercise the option to renew for a further period of 33 years by giving notice in writing to SGSB at any time within 1 year prior to the expiration of the Sub-Lease Agreement;

(v) to observe and comply with all by-laws and regulations affecting the Sub-Lease Land which are in force or to be enacted. These shall include all royalty payments due in accordance with the Country Lease and the annexures of the Country Lease; and

(vi) to deliver vacant possession of the Sub-Lease Land to SGSB or its nominee at the expiration or lawful termination of the Sub-Lease Agreement.
2.3 Salient Terms of SGSB’s covenants

SGSB undertakes and covenants with WRSB as follows:-

(i) to permit WRSB to erect and/or place on the Sub-Lease Land houses or such other structures or buildings or labour lines or mining machineries or equipment without prior consent from SGSB;

(ii) to permit WRSB to conduct mining/quarry activities or such other activities permitted or approved by the relevant authorities on the Sub-Lease Land and generally to do all other acts on the Sub-Lease Land in connection thereto without the prior consent of SGSB. All copper, gold, silver and cobalt and such associated minerals discovered from the Sub-Lease Land from mining operations and activities conducted by WRSB shall belong to WRSB. WRSB is also permitted to clear, take and make use of such timber on the Sub-Lease Land subject to Section 30(1) of the Sabah Land Ordinance 1960;

(iii) on payment of the Rental, the Sub-Lease Agreement shall be irrevocable for the duration of the Sub-Lease period and WRSB shall quietly enjoy the Sub-Lease Land without interruption by SGSB or any parties in trust of SGSB on WRSB;

(iv) SGSB shall not grant during the Sub-Lease period either verbally or in writing any tenancy, licence or right to possession or occupation or right of way on any portion of the Sub-Lease Land to any third parties; and

(v) to pay all quit rent, assessment rates cesses and all other dues to the Sabah state government and local authorities in respect of the Sub-Lease Land for the whole of the Sub-Lease period.

2.4 Default by parties under the Sub-Lease Agreement

In the event either of the parties shall default in the performance of its obligations and covenants in the Sub-Lease Agreement, the other party shall be entitled to claim specific performance against the defaulting party and it is agreed that an alternative remedy of monetary compensation shall not be regarded as compensation or sufficient compensation for any party's default in the performance of the Sub-Lease Agreement. There are no additional termination or penalty clauses in relation to the Sub-Lease Agreement.
APPENDIX III – INFORMATION ON WRSB AND SGSB

1. INFORMATION ON WRSB

1.1. History and business

WRSB was incorporated in Malaysia under the Act on 10 July 2015. WRSB has not commenced business operations since its incorporation and it is currently dormant as at the date of the SSA. The Vendors identified WRSB as a special purpose vehicle to undertake the Mining Business on the Sub-Lease Land.

1.2. Share capital

As at the LPD, the authorised share capital of WRSB is RM400,000 comprising 400,000 WRSB Shares, of which 10,000 WRSB Shares have been issued and fully paid-up.

1.3. Directors

The directors of WRSB and their respective shareholdings in WRSB as at the LPD are as follows:

<table>
<thead>
<tr>
<th>Directors</th>
<th>Nationality</th>
<th>Designation</th>
<th>Direct No. WRSB Shares</th>
<th>%</th>
<th>Indirect No. WRSB Shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Datuk Lo Fu Ming</td>
<td>Malaysian</td>
<td>Director</td>
<td>7,000</td>
<td>70.0%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Muhammad Huzaimie Bin Yain</td>
<td>Malaysian</td>
<td>Director</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

1.4. Shareholders

The shareholders of WRSB and their respective shareholdings in WRSB as at the LPD are as follows:

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>Nationality</th>
<th>Direct No. WRSB Shares</th>
<th>%</th>
<th>Indirect No. WRSB Shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Datuk Lo Fu Ming</td>
<td>Malaysian</td>
<td>7,000</td>
<td>70.0%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mohd Amir Bin Masry</td>
<td>Malaysian</td>
<td>2,500</td>
<td>25.0%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dr. Tan Su Haw</td>
<td>Malaysian</td>
<td>500</td>
<td>5.0%</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

1.5. Subsidiary and associate company

As at the LPD, WRSB does not have any subsidiary and associate company.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK
1.6. Historical financial information

The selected unaudited financial information of WRSB since the date of its incorporation to the FPE 31 October 2016 is set out as follows:-

<table>
<thead>
<tr>
<th></th>
<th>RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>-</td>
</tr>
<tr>
<td>Loss before taxation</td>
<td>(84,176)</td>
</tr>
<tr>
<td>Loss after taxation</td>
<td>(84,176)</td>
</tr>
<tr>
<td>Current assets</td>
<td>3,396</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>(77,574)</td>
</tr>
<tr>
<td>Borrowings</td>
<td>-</td>
</tr>
<tr>
<td>Shareholders’ fund/NA</td>
<td>(74,176)</td>
</tr>
<tr>
<td>Issued and paid-up capital</td>
<td>10,000</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>NA per share (1)</td>
<td>(7.42)</td>
</tr>
<tr>
<td>Gross loss per share (2)</td>
<td>(8.42)</td>
</tr>
<tr>
<td>Net loss per share (3)</td>
<td>(8.42)</td>
</tr>
<tr>
<td>Current ratio (4) (times)</td>
<td>6.044</td>
</tr>
<tr>
<td>Gearing ratio (5) (times)</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

Notes:-

(1) Computed by dividing net assets with the total number of WRSB Shares in issue as at 15 November 2015.

(2) Computed by dividing gross loss before taxation with the total number of WRSB Shares in issue as at 15 November 2015.

(3) Computed by dividing net loss after taxation with the total number of WRSB Shares in issue as at 15 November 2015.

(4) Computed by dividing current assets with current liabilities.

(5) Not applicable as WRSB did not have any borrowings as at 15 November 2015.

The loss before taxation of RM84,176 was principally attributable expenses pursuant to incorporation of WRSB, secretarial, sublease fee, legal and professional fee. There were no exceptional or extraordinary items for the FPE 31 October 2016.

Based on the unaudited financial statements of WRSB for the FPE 31 October 2016, there were no accounting policies adopted by WRSB which are peculiar taking into consideration WRSB had not commenced operations since incorporation during the said financial period.

1.7. Material commitments and contingent liabilities

The Board is not aware of any material commitments and contingent liabilities incurred or known to be incurred by WRSB which may, upon becoming enforceable, have a material impact on WRSB profits or NA as at the LPD.
APPENDIX III – INFORMATION ON WRSB AND SGSB (CONT'D)

2. INFORMATION ON SGSB

2.1. History and business

SGSB was incorporated in Malaysia under the Act on 30 June 2008. The principal activities of SGSB are prospecting, exploration and mining of high value of minerals, and operation of mines.

2.2. Share capital

As at the LPD, the authorised share capital of SGSB is RM1,000,000 comprising 1,000,000 SGSB Shares, of which all SGSB Shares have been issued and fully paid-up.

2.3. Directors

The directors of SGSB and their respective shareholdings in SGSB as at the LPD are as follows:

<table>
<thead>
<tr>
<th>Directors</th>
<th>Nationality</th>
<th>Designation</th>
<th>Direct</th>
<th>Indirect</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>No. of SGSB</td>
<td>%</td>
</tr>
<tr>
<td>Datuk Lo Fui Ming</td>
<td>Malaysian</td>
<td>Director</td>
<td>700,000</td>
<td>70.0%</td>
</tr>
<tr>
<td>Dr. Tan Su Haw</td>
<td>Malaysian</td>
<td>Director</td>
<td>50,000</td>
<td>5.0%</td>
</tr>
<tr>
<td>Lo Choon Fung Michelle</td>
<td>Malaysian</td>
<td>Director</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hasruinizam bin Abdul Halim</td>
<td>Malaysian</td>
<td>Director</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Suhardi bin Syahril</td>
<td>Malaysian</td>
<td>Director</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Muhammad Huzaimie bin Yain</td>
<td>Malaysian</td>
<td>Director</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Chong Tzu Khen(1)</td>
<td>Malaysian</td>
<td>Director</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Melissa Sarah Tan Tser Tz(2)</td>
<td>Malaysian</td>
<td>Director</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Notes:

(1) Alternate director to Datuk Lo Fui Ming.
(2) Alternate director to Dr. Tan Su Haw.

2.4. Shareholders

The shareholders and their respective shareholdings in SGSB as at the LPD are as follows:

<table>
<thead>
<tr>
<th>Substantial Shareholders</th>
<th>Nationality</th>
<th>Direct</th>
<th>Indirect</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No. of SGSB</td>
<td>%</td>
</tr>
<tr>
<td>Datuk Lo Fui Ming</td>
<td>Malaysian</td>
<td>700,000</td>
<td>70.0%</td>
</tr>
<tr>
<td>Mohd Amir Bin Masry</td>
<td>Malaysian</td>
<td>250,000</td>
<td>25.0%</td>
</tr>
<tr>
<td>Dr. Tan Su Haw</td>
<td>Malaysian</td>
<td>50,000</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

2.5. Subsidiary and associate company

As at the LPD, SGSB does not have any subsidiary and associate company.
VALUATION REPORT
ON THE MINING RIGHT OF
A PORTION OF THE BUKIT MANTRI GOLD
PROJECT BELONGING TO
WULLERSDORF RESOURCES SDN BHD
SABAH, MALAYSIA
13 October 2016

Attention: Board of Directors
Borneo Aqua Harvest Bhd
802, 8th floor, Block C, Kelana Square
17 Jalan SS 7/26, 47301 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs,

Independent Valuation of the Mining Right of a Portion of the Bukit Mantri Gold Project Belonging to Wullersdorf Resources Sdn Bhd

In accordance with your instructions, Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL” or we) has conducted an independent valuation to determine the Market Value of the Mining Right over approximately 317.7 hectares of land within the Bukit Mantri Gold Project (the “Subject”) belonging to Wullersdorf Resources Sdn Bhd (“WRSB”) as at 6 July 2016 (the “Valuation Date”). The Market Value is based on mineral resource that has been estimated by Optiro Pty Limited within an area of approximately 28 hectares that forms part of the Sub-Lease Land. We are aware and have consented that this Valuation Report will be submitted to the Bursa Malaysia Securities Berhad (“Bursa Securities”) and included in Borneo Aqua Harvest Berhad (“BAHB” or “Company”) circular to its shareholders in relation to the
proposed acquisition of 100% equity interest in WRSB by BAHB. The Valuation Report that follows is dated 13 October 2016 (the “Report Date”).

This Valuation Report has been prepared in accordance with the guidelines set by:


The valuation was carried out on a Technical Value basis. The VALMIN Code 2015 defines Technical Value as “an assessment of a Mineral Asset’s future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations.”

Modifying Factors were applied to the Technical Value, including assessment of Comparable Transactions to derive a Market Value, which is defined in the VALMIN Code 2015 as “the estimated amount (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm’s length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion.”

The valuation contains calculations and forecasts based primarily on data provided by BAHB as well as those contained in the following reports:

- “Competent Persons Report - Bukit Mantri Gold Project, Sabah, Malaysia – August 2015” (the “IER”) dated 9 September 2015 (updated at 22 April 2016), prepared by Optiro Pty Limited (“Optiro”).
- “Bukit Mantri Project, Scoping Study” dated 7 July 2016, prepared by Runge Pincock Minarco Limited (“RPM”).
- Third party quotations for supply of mining services and purchase of concentrates.
The Bukit Mantri deposit is an epithermal vein style gold deposit with associated copper and silver mineralisation contained within narrow northeast-southwest and north-south striking quartz-sulphide networks of tension vein arrays and fractures bounded by regional fault structures. The IER estimated that the total mineral resources of Gold ("Au"), Silver ("Ag") and Copper ("Cu") in the Bukit Mantri deposit (using a 0.35 g/t Au cut-off grade) include 1.69 million tonnes averaging 2.72 g/t Au, 8.28 g/t Ag and 0.24% Cu in the Indicated Mineral Resource category and 1.01 million tonnes averaging 1.84 g/t Au, 6.39 g/t Ag and 0.27% Cu in the Inferred Mineral Resource category. The IER also noted that the mineralised zone was open along strike and laterally.

The project valuation is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and consideration of various factors that are relevant to the operation of WRSB. Considerations of various risks and uncertainties that have potential impact on the business have also been made. We have conducted two site visits and have reviewed a large amount of data pertaining to the geology, exploration results, mine planning and economic viability of the Subject.

The Valuation Date is 6 July 2016. This Valuation Report has been prepared on the basis of information available up to the Valuation Date. The opinions expressed herein are given in good faith and we believe that any assumptions or interpretations made by it are reasonable.

While every effort has been made to ensure the accuracy of this Valuation Report, we take no responsibility if the conclusions of this Valuation Report are based on incomplete or misleading data provided by WRSB. No opinion has been expressed on matters that require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. The conclusions assume continuation of prudent management over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

JLL has undertaken the valuation of the Subject using the Discounted Cash Flow method under the Income Capitalisation Approach as the primary valuation methodology. The Comparable Transactions method under the Market Approach has also been considered as well as the market capitalisation of Singapore-listed Anchor Resources Limited, which has the 114,000
ounce Lubuk Mantri gold project in Terengganu, Malaysia, as its main asset. Based on the results of our investigations and analysis outlined in the Valuation Report that follows, we are of the opinion that the Market Value of the Subject as at the Valuation Date is within the range of RM69 million to RM100 million with the preferred value being RM96 million.

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. Any opinions are subject to the assumptions and limiting conditions contained therein.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Murray Hutton
Principal Consultant

Simon M.K. Chan
Regional Director
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1 INTRODUCTION

1.1 COMMISSIONING ENTITY

This valuation was commissioned by Borneo Aqua Harvest Bhd ("BAHB").

1.2 BACKGROUND

On 23 December 2014, Southsea Gold Sdn Bhd ("SGSB") accepted an offer made by the Sabah Lands and Survey Department, Kota Kinabalu, Sabah ("Lands and Surveys Department") whereby the Lands and Surveys Department agreed to grant SGSB a leasehold title with a term of 35 years commencing from 1 January 2014 to 31 December 2048 to a parcel of land measuring approximately 1,000 hectares held under Country Lease Title No. 105651438 (the "Country Lease") (a location plan of the area shown in Figure 1) within the locality of Bukit Mantri, District of Tawau, State of Sabah, Malaysia. The Country Lease was subsequently issued and registered on 24 June 2015.

Prior to the issuance of the Country Lease, SGSB had received a letter dated 17 January 2013 from the Sabah Lands and Surveys Department, granting approval of a Prospecting Licence to SGSB, under Section 8 of the Sabah Mining Ordinance 1960, for a period of 4 years commencing from 1 January 2013, to prospect and explore minerals, namely zinc, lead, copper, gold, silver and other base metals, on an area covering approximately 200 square kilometres within the Locality of Bukit Mantri, District of Tawau, State of Sabah, Malaysia.

On 1 October 2015, Wuliersdorf Resources Sdn Bhd ("WRSB") entered into a Sub-Lease Agreement (the "Sub-Lease Agreement") with SGSB whereby SGSB agreed to sub-lease to WRSB a portion of the land under the Country Lease measuring an area of approximately 317.7 hectares (the "Sub-Lease Land") for a term of thirty-three (33) years in consideration of an annual rent of RM60,000 ("Sub-Lease"). The Sub-Lease was registered on 13 November 2015 and forms the Subject of this Valuation Report (Figure 2).
As per Clause 2(c) of the Sub-Lease Agreement, the Sub-Lessee (i.e. WRSB) has the rights “to conduct mining/quarry activities or such other activities permitted or approved by the relevant authorities on the portion of the Sub-Lease Land stated in the Sub-Lease Agreement and generally to do all other acts on the said portion of the Sub-Lease Land in connection/ancillary thereto in order to enhance the value of the same without the prior consent of the Sub-Lessor (i.e. SGSB). All copper, gold, silver and cobalt and such associated minerals thereto discovered from the said portion of the Sub-Lease Land from mining operations and activities conducted by the Sub-Lessee shall belong to the Sub-Lessee”.

A valuation report, dated 26 November 2015, was prepared by JLL in accordance with the guidelines set by the VALMIN Code 2005 and was provided to BAHB and to Bursa Malaysia Securities Berhad (“Bursa Securities”). The report valued the Subject, as at 20 October 2015, within the range of RM112.2 million to RM154.9 million, with the preferred value being RM133.6 million.

A Share Sale Agreement was executed on 20 November 2015 between the shareholders of WRSB and BAHB, whereby BAHB would acquire 10,000 ordinary shares of RM1.00 each in WRSB, representing the entire equity interest of WRSB, by issuing a total of 104,521,277 new BAHB shares and 34,840,425 Irredeemable Convertible Preference Shares in BAHB, representing a value of RM131,000,000, to the shareholders of WRSB in proportion to their respective shareholdings in WRSB.

1.3 Date of Valuation

The date of this valuation is 6 July 2016. Data from ongoing exploration activities undertaken by WRSB, or any revisions to the mineral resource estimation completed since that date have not been utilized in this valuation.

1 The VALMIN Code 2005 is an earlier version of the VALMIN Code that was superseded by the VALMIN Code 2015.
1.4 **Scope of Valuation**

The scope of this Valuation Report is to gather, summarise and interpret all material information in the assessment of the Market Value, as at the Valuation Date, of the Mining Right over the Bukit Mantri Gold Project (the “Subject”) belonging to WRSB located within the locality of Bukit Mantri, District of Tawau, State of Sabah, Malaysia. The Subject is contained within an area of land approximately 317.7 hectares sub-leased to WRSB from SGSB.

1.5 **Purpose of Valuation**

This Valuation Report has been prepared as part of BAHB’s submission requirements to Bursa Securities and public reporting purpose in relation to BAHB’s proposed acquisition of WRSB (the “Transaction”).

1.6 **Basis of Valuation**

The valuation was primarily based on a Technical Value method. The Australasian Code for the Public Reporting of the Technical Assessments and Valuations of Mineral Assets 2015 Edition (the “VALMIN Code 2015”) defines Technical Value as “an assessment of a Mineral Asset’s future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations.”

Assessment of Modifying Factors were applied to the Technical Value to arrive at a Market Value, which is defined by the VALMIN Code 2015 as “the estimated amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm’s length..."
transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion”.

1.7 STANDARDS AND CODES

We have conducted our valuation in accordance with the VALMIN Code 2015 prepared by the VALMIN Committee, a joint committee of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists, with the participation of the Minerals Council of Australia and other key stakeholder representatives.

1.8 BASIS OF OPINION

In order to form an opinion on the Market Value of the Subject, it is vital to make assumptions of certain future events, e.g. economic and market factors. We have taken all reasonable care in examining those assumptions made to ensure that they are appropriate to the case. These assumptions are based on our opinion of the technical knowledge and experience of employees of SGSB and the opinions of independent consultants from Optiro Pty Limited (“Optiro”), authors of the Independent Experts Report dated 9 September 2015 (“IER”) (updated at 22 April 2016), Perunding MQ Jaya Sdn. Bhd. (“MQ Jaya”), who were commissioned by BAHB to carry out a mine design and planning on the area covered by the Subject and Runge Pinecock Minarco Limited (“RPM”) who were also commissioned by BAHB to undertake a Scoping Study level mine design and planning on the area covered by the Subject. The valuation procedures employed include the review of physical and economic conditions of the Subject and an assessment of the key assumptions, estimates, and representations made by BAHB. All matters essential to the proper understanding of the valuation have been disclosed in this Valuation Report.

The following factors form an integral part of our basis of opinion:
Assumptions on the market conditions related to the Subject that is considered to be fair and reasonable

Consideration and analysis on the micro and macro economy affecting the Subject

Analysis of tactical planning, management and synergy of the Subject

Analytical review of technical aspects related to the Subject

Assessment of the leverage and liquidity of the Subject

We planned and performed our valuation so as to obtain all the information that we considered necessary in order to provide us with sufficient evidence to express our opinion on the Subject.

Unless otherwise indicated, all financial figures quoted in this Valuation Report refer to Malaysian Ringgit ("RM"). Values in this Valuation Report do not include any allowance for the costs of negotiating any sale.

1.9 STATEMENT OF COMPETENCE

This Valuation Report has been prepared by Murray Hutton and Simon Chan.

Murray Hutton serves as a consultant to Jones Lang LaSalle and has over 38 years’ experience in the minerals industry. His qualifications and professional associations include a BA (Hons) in Geology from Macquarie University, Sydney, and membership of the Australian Institute of Geoscientists. This membership requires him to be subject to an enforceable code of ethics; therefore we deem Mr. Hutton to be suitably qualified to produce Public Reports as cited in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition ("the JORC Code 2012"). His experience has spanned gold and base metals since 1977 and he presently manages the Gold and Base Metals Group at Geos Mining, a Sydney-based minerals consultancy. He has acted as a Competent Person, as defined by the JORC Code 2012, for a diverse range of commodities, particularly for gold and copper projects, involving the production of independent technical reports and valuation reports for many Australian
Securities Exchange ("ASX") listed and overseas companies. He fulfills the VALMIN Code 2015 standards for competence and his acceptance for the overall responsibility of the Valuation Report allows him "Specialist" status under the "VALMIN Practitioners" section of the VALMIN Code 2015.

Simon Chan has extensive work experience in accounting, auditing, valuation and corporate advisory services and now oversees the business valuation department of JLL. He has extensive valuation experience in mineral assets, mining rights and corresponding project investments and has provided a wide range of valuations services to numerous listing companies in Mainland China, Hong Kong, Singapore and the United States since 2007. He is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) as well as a fellow of the Royal Institute of Chartered Surveyors (RICS), Hong Kong Institute of Certified Public Accountants ("HKICPA") and CPA Australia. His extensive experience means he fulfills the requirement to be a "Securities Expert" under the definition of "VALMIN Practitioners" set out in the VALMIN Code 2015.

Murray Hutton is responsible for the assessment of the technical aspects of the Subject and is the primary author of the following sections of the Valuation Report:

- Section 2 - Sources of Information
- Section 3 - Project Description
- Section 5.1 - Tenure
- Section 5.2 - Mining and Processing
- Section 5.3 - Revenue
- Section 5.4 - Capital and Operating Costs

Simon Chan is responsible for the assessment of market and financial aspects of the Subject and is the primary author of the following sections of the Valuation Report:

- Section 5.5 - Financial Assumptions
- Section 5.6 - Commodity Prices & Forecasts
• Section 5.7 - Other Considerations

Murray Hutton and Simon Chan have both contributed to the following Sections of the Valuation Report:
• Section 1 - Introduction
• Section 4 - Valuation Principles and Methodology
• Section 6 - Valuation of the Subject
• Section 7 - Opinion of Value

1.10 Statement of Independence

JLL, Murray Hutton and Simon Chan are independent of BAHB, WRSB and SGSB and have no contingent interest in the Subject that is likely to lead to bias.

1.11 Reliance on Information

BAHB agreed to provide JLL all material information on the Subject, including technical, financial and legal information, required for the purpose of preparing this Valuation Report. JLL has undertaken independent investigations, to the best of its ability within the time frame allowed, to satisfy itself that the information provided by the client is accurate and complete.

JLL has no reason to believe that the information provided by BAHB is knowingly materially inaccurate, misleading or incomplete. However, on aspects where we have doubts or concerns regarding the accuracy of the information, we have commented on those doubts within this Valuation Report.
JLL has based its valuation on the information so provided plus information within its own knowledge or acquired as part of its investigations. A draft copy of this Valuation Report has been provided to the client for review of factual accuracy and material omissions.

BAHB has provided JLL with an indemnity under which it will compensate JLL for any liability resulting from JLL’s reliance on information provided by BAHB that is materially inaccurate or incomplete.

1.12 REASONABILITY STATEMENT

In undertaking this valuation, JLL has assessed the Technical and Financial inputs in an impartial, rational, realistic and logical manner. We believe that the overall Technical Assessment, Valuation Approach and Valuation Methods are in line with industry standards and meet the Reasonable Grounds Requirement of the VALMIN Code 2015.

1.13 COST

JLL is to be remunerated on a fixed fee basis for undertaking this valuation, with no bonus payment to be made based on the derived valuation of the Subject or the success of the Transaction.

The fee agreed between JLL and BAHB (the commissioning agent) is 135,000 Singapore Dollars.
2 SOURCES OF INFORMATION

2.1 SITE INSPECTION

A site visit was made by Murray Hutton and JLL personnel together with Jamie Tan (RICS) from Appraisal (Malaysia) Sdn Bhd on 20 October 2015 to inspect the area covered by the Subject for the purpose of the valuation report dated 26 November 2015. We conducted inspections of the proposed mine area, facilities and plant site and collected available source data during the visit. Detailed discussions also took place with Datuk Lo Fui Ming, Ben Lo Teck Yong, Michelle Lo Choon Fung, Chong Tzu Khen, Alex Yan and Shamsul Arif Haruna (who are from BAHB, SGSB or associated personnel to SGSB) concerning the resources and both current and future mining and processing plans. We also analyzed the exploration database and validation procedures, inspected mineralised drill core in core storage facility and road exposures and collected all relevant information required for the preparation of this Valuation Report. Open discussions with WRSB’s and SGSB’s personnel regarding technical aspects of relevance were also held.

A second site visit by Murray Hutton and Simon Chan, accompanied by SGSB, was held on 20 April 2016, following review of our valuation report dated 26 November 2015 by CSA Global Pty Ltd (“CSA Global”). Dan Peel, a consultant mining engineer from RPM and staff from CSA Global accompanied this second site visit.

2.2 MINING TENEMENTS

SGSB provided copies of documents for the mining titles that make up the Bukit Mantri Gold Project, including the Country Lease, the surrounding Prospecting Licence and the Sub-Lease Agreement between SGSB and WRSB. A copy of the Country Lease and the Sub-Lease Agreement are included in this Valuation Report as Appendix 7 and Appendix 8.
Wong & Shim Advocates & Solicitors ("Wong & Shim") undertook legal due diligence on the mining tenements. Their legal opinion, dated 4 July 2016, is included in this Valuation Report as Appendix 6. Comments on the legal opinion are presented in Section 3.2 Tenure.

2.3 **INDEPENDENT EXPERT REPORTS**

We were provided the IER produced by Optire on 23 September 2015 and a revised report, dated 22 April 2016, (following a peer review by CSA Global and the second site visit) on 7 June 2016. Comments on the information provided in the IER are provided under Section 3.5 Mineral Resources.

The Mine Design and Planning Report dated 30 September 2015 by MQ Jaya presents a general overview of the proposed mining and operational plans. Based on our own observations, our review of the relevant documentation and discussions with the engineering and operational staff from SGSB, we feel that the cost and capital expenditure forecasts in the MQ Jaya report are at a Scoping Study stage of the Subject’s development. Comment on the information provided in the MQ Jaya report is presented in Section 3.6 Mining Plan and Schedule.

Following the April 2016 site visit, RPM provided a report titled “Bukit Mantri Project, Scoping Study” dated 7 July 2016 (the “RPM Scoping Study”) (Booth & Peel, 2016). This report covered mine design and scheduling, project operating and capital costs and assessments of realistically assumed modifying factors that indicate that the project has reasonable prospects for economic viability. Comments on the information provided in the RPM Scoping Study are presented in Section 3.6 Mining Plan and Schedule.

2.4 **MINERAL PROCESSING REPORTS**

Intertek Genalysis Laboratory Services (“Intertek Genalysis”) provided a report on metallurgical testwork, titled “Report and Recommendations on Research Performed for

SGS Mineral Processing Group in Perth, Western Australia (“SGS Australia”) provided a report on metallurgical testing titled “Scoping Study Results Summary – Revision 2” dated 18 April 2016 (Behre, 2016). This report relates to a sulphide sample and an oxide sample composited from drill core intervals.

Comments on these reports are presented in Section 3.7 Metallurgical Testwork.

2.5 CONCENTRATE PROCESSING

The proposed processing plant at Bukit Mantri will produce concentrates from both the oxide and sulphide ores. These concentrates will then be transported to smelters in, amongst others, China, and possibly India, to extract the valuable metals. We have sighted a copy of a quotation for the purchase of the concentrates between BAHB and a processing company in China. However, due to the confidential and commercially sensitive nature of the information, the full quotation has not been disclosed in this Valuation Report. Further comments on the concentrates processing are presented in Section 3.8 Ore Processing.

2.6 MISCELLANEOUS INFORMATION

Several documents were downloaded from internet sources, relating to operating costs of similar mining operation, marketing of products, commodity prices and forecasts, and financial sources. These items of public available information are mentioned in the respective sections.
of this Valuation Report. Items of confidential information from projects that JLL has worked on have also been utilised in our assessment of the Subject.

The client provided a drilling database by means of Excel spreadsheets for the following:

- Collars
- Assays
- Downhole surveys
- Geological logging

We have used this database to create GIS (MapInfo) tables and a deposit model using Micromine 3D software. Optiro's block model was also received and reviewed in Micromine.
3 PROJECT DESCRIPTION

3.1 GEOGRAPHIC LOCATION

The Bukit Mantri Gold Project is located within the Locality of Bukit Mantri, District of Tawau, State of Sabah, Malaysia (Figure 1).

![Location Map](image)

*Figure 1 Location of the Bukit Mantri Country Lease, Malaysia*

Access to the area from the town of Tawau is via sealed roads, to within 4.5 kilometres of the mine site, and then via well-formed unsealed roads to the site office.
The topography consists of moderate sloping forest-covered hills. Surrounding areas contain oil palm plantations.

3.2 Tenure

The Bukit Mantri Gold Project (Figure 2) consists of:

- Country Lease Title No. 105651438 covering 1,000 hectares\(^1\), registered 24 June 2015, expiry 31 December 2048.
- Sub-Lease area of 317.7 hectares, leased to WRSB by SGSB, registered 13 November 2015, expiry 30 September 2048.

As the Subject lies within the area defined under the Country Lease, the clause in the Country Lease stating that the area is used “expressly and only for the purposes of mining” also applies to the area covered by the Subject and, therefore, WRSB holds all mineral and surface rights necessary to proceed along the Subject’s current forecast rate of development.

The Market Value is based on mineral resource that has been estimated by Optiro within an area of approximately 28 hectares that forms part of the Sub-Lease Land

JLL has not undertaken a legal due diligence on the mining tenements. However, a legal opinion from Wong & Shim (Appendix 6) has determined that the mining Master Title (the Country Lease) has been formally granted and registered, and that the Mining Land (the Sub-Lease) has been duly registered. Other legal aspects with regard to the tenement are included in Appendix 6.

\(^1\) According to SGSB personnel, a small part of the original Country Lease area was returned to the Sabah Forestry Department, leaving approximately 946.1 hectares. This returned portion does not affect the Sub-Lease area.
WRSB is bound by, and has to adhere strictly to, the Annexure to the Country Lease: Special Terms to Country Lease 105651438 (the “Special Terms”) that form an annexure to the Country lease. These Special Terms, amongst others, include:

- rights to take and utilise water, gravel, sand and timber,
- working obligations and minimum expenditures (RM15,000 per acre over four years),
• submission of a security for performance of obligation in the amount of RM200,000 prior to commencement of mining operations and every three years thereafter, up to a maximum of RM1,000,000,

• the Lessee’s obligation to submit to the State Government of Sabah a report to follow-on from the Feasibility Report setting forth the items and amounts of expenditure for the four-year period,

• payment of a 5% royalty on the value of ores, concentrates, refined metals or other products,

• security for rehabilitation obligation (equivalent to an additional 1% royalty on the value of ores, concentrates, refined metals or other products),

• State Government of Sabah option to purchase an equity participation of up to 30% of the share capital of the Lessee or its successors or assigns at a price determined by experienced international valuers of mining properties as agreed by both parties

• conditions regarding flora and fauna conservation,

• reporting obligations,

• safe disposal of overburden and tailings,

• employment and training of people from State of Sabah, give preference to local contractors and suppliers, provision of facilities to local communities,

• the Lessee’s obligation to commence shipment of ores, concentrates or other products within four years of the date of the Country Lease and to produce at least ten thousand tonnes of copper concentrates in any year after the commencement of production.

The Special Terms also contained provisions for the State Government of Sabah to revoke the Country Lease for non-performance of duties or non-compliance with conditions.

Section 26 of the Special Terms states that “the Lessee shall ensure strict compliance with the approved mining scheme by Director General of Mineral Geoscience and the signed agreement

1 Lessee being SGSB or its successors or assigns
of Environmental Conditions between the project proponent (Lessee) with the Director of Environmental Protection Department” of Sabah (“EPD”). SGSB received the Terms of Reference (“TOR”) letter, dated 28 October 2015, from the EPD to provide a Special Environmental Impact Assessment (“SEIA”) within 6 months (i.e. by 28 April 2016). Commencement of mining operations will not be allowed until the EPD has approved the SEIA. As at the date of this Valuation Report, compilation of the SEIA is in progress, but it has yet to be completed and submitted to the EPD. Extension of time limit for submission of the SEIA was sought by WRSB and has been granted by EPD to 28 October 2016 (Appendix 9).

3.3 GEOLOGY & MINERALISATION

Information on the geological setting has been taken from the IER (Drabble & Cervoj, 2016), which referenced reports by (Tan, 2014) and (Zamia, 1991).

Bukit Mantri is located within the Semporna Peninsula, which is underlain by the Oligocene to Middle Miocene sediments of the Kalumpang Formation, consisting predominantly of mudstone and shale with interbedded sandstone, conglomerate, limestone and rare chert. The formation includes abundant tuffite and scattered occurrences of pyroclastic rocks and lava. During the middle Miocene, the rocks of the Kalumpang formation were strongly folded and faulted.

Unconformably overlying the Kalumpang formation, volcanic flows and pyroclastics were erupted from the many volcanoes at the Semporna Peninsula. The volcanic rocks are a continuation of the volcanic belt of the Philippines extending from Mindanao through the Sulu Archipelago. The Middle to Late Miocene Semporna consist of andesitic to dacitic volcanic flows with intercalated block and ash deposits, laharc breccias, lapilli tuffs, sedimentary clastic rocks (siltstone, sandstone and mudstone) and occasionally intruded by coeval dacite and andesite dykes.
The Bukit Mantri deposit is an epithermal style gold deposit with associated copper and silver mineralisation hosted in a sequence of altered andesite flows and breccia units. Mineralisation zones occur as a series of quartz-sulphide hydrothermal breccia veins that pinch and swell and coalesce in a sigmoidal pattern typical of tension gash fractures. Most of the principal veins are northeast to east-northeast-striking and dip steeply (70°) to vertical to the southeast. Other minor trends are north-south and north-west striking. The principal veins are often accompanied, but not always, by <1cm to 10cm wide subparallel veinlets occurring in 1m to 20m wide stockwork zones enveloping the principal vein (Zamia, 1991).

The ore mineralogy is generally characterized by pyrite, chalcopyrite, sphalerite, galena, electrum, native gold and probable traces of unidentified sulphosalts and gold-silver tellurides. Within the oxidation zone (15m to 30m from surface), sulphides have been replaced by goethite, hematite, jarosite, limonite, covellite, chalcocite, digenite and manganese oxides. Associate gangue minerals in the veins include dominant quartz and subordinate sericite-illite, chlorite, kaolinite, adularia, manganocalcite, dolomite, barite and later carbonate minerals (ankerite and siderite).

3.4 Exploration History

Exploration programs on the Bukit Mantri area have been undertaken by Zamia Sdn. Bhd. (“Zamia”), Pacific Arc Exploration NL (“Pacific Arc”), Renison Gold Fields Consolidated Limited (“Renison”) and SGSB (Drabble & Cervoj, 2016).

Zamia completed regional reconnaissance exploration that led to drilling five shallow diamond core holes at Bukit Mantri. Pacific Arc formed a joint venture with Zamia (1988-1989) and completed extensive geochemical sampling (stream sediments, panned concentrates, rock chips, soils) and geological mapping.
Renison formed a joint venture with Zamia and completed ridge-and-spur soil sampling, detailed grid soil sampling and rock chip sampling. Bulldozer trenches were excavated to expose bedrock mineralisation for channel sampling and geological mapping.

Drilling programs have been undertaken at Bukit Mantri in several phases:\(^1\):

- 9 reconnaissance drillholes (BMRC-01 to BMRC09) (689m) completed by Zamia in 1987 with a lightweight Winkie drill; no significant mineralisation recorded.
- 15 diamond drillholes (WS01 to WS16) (3,347.5m) completed by Zamia from 1991-1992
- 8 reconnaissance diamond drillholes (BH-1 to BH-8) (762.7m) completed by SGSB in 2013 (not used in the Mineral Resource estimate)
- 16 NQ2 size diamond drillholes ("M" series) (2,272.4m) completed by SGSB within the central part of the deposit in 2015
- 14 NQ2 size diamond drillholes ("M1" series) (1,998.5m) completed by SGSB in the northwestern part of the deposit in 2015.

The total drilling database provided by SGSB includes 62 drillholes totaling 9,070 metres. Most drillholes were angled towards \(-315^\circ\) to intersect the dominant structural trend at right angles.

Drilling programs were in progress as at the date of the October 2015 site visit. Results from this drilling were not available as at the time of the Optiro mineral resource estimation and we are not aware of the results from this drilling.

### 3.5 Mineral Resources

Optiro completed mineral resources estimation in August 2015 (Drabble & Cervoij, 2016). Optiro reviewed all relevant technical information made available by SGSB. They considered

\(^1\) Drillhole numbers and total metreages have been taken from the drilling database provided by RAHB.
the historical information and geological interpretations to be of sufficient standard to support the classification of the Bukit Mantri mineralisation as a Mineral Resource in accordance with the JORC Code 2012.

The Optiro mineral resource estimated grades using ordinary kriging within mineralised domains interpreted from Zamia’s surface mapping and diamond drillholes. The block model had parent cells of 20mE x 20mN x 25mRL, with sub-celing within the mineralised domains down to a minimum cell size of 2mE x 2mN x 5mRL. Density values were determined from 430 density readings for residual, oxidized and fresh rock samples.

Optiro considered the following confidence criteria to be sufficient to define Indicated Mineral Resources under the JORC Code 2012:

- Diamond drilling on 30m by 40m spacing
- Vein set orientation, width and location defined by Zamia mapping and trenching
- Geological continuity of the structures confirmed by the in-fill drilling program above the 290mRL level to natural surface.

Parts of the Bukit Mantri resource were classified as Inferred Mineral Resources under the following criteria:

- Vein set orientation, width and location defined by Zamia mapping and trenching
- Diamond drilling on spacings wider than 40m.

The August 2015 Bukit Mantri Mineral Resource, at a cut-off grade of 0.35 g/t Au, is presented in Table 1.
The resource blocks reporting gold grades greater than 0.35 g/t Au (i.e., at a 0.35 g/t Au cut-off), silver and copper grades were also estimated by Optiro (Table 2).

<table>
<thead>
<tr>
<th>Category</th>
<th>Tonnage (Mt)</th>
<th>Silver grade (g/t Ag)</th>
<th>Silver Ounces (oz Ag)</th>
<th>Copper grade (Cu%)</th>
<th>Copper Tonnes (tonnes Cu)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicated Mineral Resource</td>
<td>1.69</td>
<td>8.28</td>
<td>450,000</td>
<td>0.24</td>
<td>4,000</td>
</tr>
<tr>
<td>Inferred Mineral Resource</td>
<td>1.01</td>
<td>6.39</td>
<td>208,000</td>
<td>0.27</td>
<td>2,800</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2.70</td>
<td>7.57</td>
<td>657,000</td>
<td>0.25</td>
<td>6,800</td>
</tr>
</tbody>
</table>

Table 2: Bukit Maatui Mineral Resource Estimate silver and copper

Our assessment of the Optiro mineral resource estimate is that it adequately covers most of the technical aspects of the Subject. However, we consider that there are some features of the model that require more detailed analysis:

- The interpreted mineralised domains have lateral extents up to 280m, although Optiro state that the zones are narrow and pinch and swell (Figure 3). Extrapolation of high grades through barren zones would significantly overestimate the metal contents.

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1 As reported by Optiro. Early Zamia drillholes (WS01 to WS16) had 415 silver assays reported at zero decimal places. Drillholes completed by SGSB, as at the time of the resource estimation, had 1,964 silver assays reported at one decimal place.
Additional drilling should be undertaken, especially to check for continuity of higher grade zones¹.

Figure 3 Interpreted mineralised domains, looking steeply down dip

- Estimated gold grades appear very patchy and, in places, do not honour the source downhole assay data. Optiro admitted this themselves: "Whilst on a global basis, the block model comparison with the declustered composite data for gold is acceptable (i.e. within 10%). The block model does not correlate well with the composite grades for the individual lodes. This is evidence that the current drilling does not have a sufficient number of samples to approximate the local grade distribution due to the degree of grade extrapolation that has occurred". Figure 4 illustrates one example of high grade

¹ Some drilling has been undertaken since the Optiro mineral resource estimation. We are not aware of the locations of these extra drillholes nor of the drill core assay results.
blocks (>3 g/t Au) being inconsistent with low-grade (<1 g/t Au) downhole composite intervals. The block grades appear to have been overly influenced by the high grade values near the top of drillhole M12. Similarly, medium grade (3-5 g/t Au) composite intervals in drillholes M11 and M10 are associated with low-grade (1-2 g/t Au) blocks.

Figure 4 High grade blocks vs low-grade drillhole composites

- Optiro used search parameters that had maximums of 24 points of observation (see Table 7.4 of the IER). In doing so, the search ellipse causes an over-smoothing of the
data. This has likely resulted in reporting large tonnages of low-grade material rather than smaller tonnages of higher grades, which one would expect from viewing the raw drillhole assays.

- The dominant structural trend is northeast (see Figure 3), yet the block model is oriented parallel to the grid co-ordinates, resulting in a stepped appearance to the resource outline (Figure 5). Rotated blocks may be a preferable option to enable larger X & Y block dimensions and improve sample support.

*Figure 5 Block model aligned along orthogonal grid resulting in stepped outline of resource*

- The Mineral Resources are based on a cut-off grade of 0.35 g/t Au for both oxide material and sulphides material. The two mineralisation styles will potentially have
significantly different mining parameters (rip, dig and haul for the oxide; drill-blast, dig and haul for the sulphides) and processing paths (gravity for the oxide; gravity + flotation for the sulphides). Furthermore, the sulphide mineralisation contains a significant amount of copper and silver. More detailed metallurgical testwork is required to determine the economic cut-offs for the two mineralisation styles. (In RPM Scoping Study, this issue has been resolved by determining the pit limits based on physical and economic constraints).

Our experience with similar styled narrow high grade gold deposits suggests that there is a high degree of uncertainty in any mineral resource estimations and it can be difficult to prove geological continuity between drillhole intercepts. As a result, the amount of in-fill drilling and / or sampling required to distinguish between ore and waste during mining operations can prove to be excessively expensive. This issue then becomes a significant risk factor.

3.6 MINING PLAN AND SCHEDULE

3.6.1 MQ JAYA -- SEPTEMBER 2015

A preliminary mine plan was designed by MQ Jaya in September 2015 as an open pit operation using hydraulic excavators and a fleet of 30t haulage trucks.

Our assessment of the MQ Jaya report is that it is detailed enough to be considered to be at a Scoping Study level and, therefore, is subject to a wide range of variability in the mining and cost parameters. Many of the assumptions used were based on comparable open pit mining operations of similar size and rock type and were not project specific.

Information in the MQ Jaya report served only as a reference. The data included was not used in our updated valuation as it was superseded by the more up-to-date RPM Scoping Study.
3.6.2 RPM -- JUNE 2016

RPM compiled a Scoping Study on the Bukit Mantri deposit within the Subject area following a site visit by Dan Peel during April 2016 (Booth & Peel, 2016). RPM completed a pit optimisation that involved extraction of all mining blocks with a positive operating margin, determined from recoverable metals and mining costs. Because of the high grade of mineralisation, RPM incorporated high dilution factors to maximise ore recovery and increased selectivity in the ore zones by mining in smaller flitches.

The RPM mining schedule (see Appendix 4) presented waste and ore tonnages on a quarterly basis and estimated a mine life of 3.75 years of ore production at an average rate of approximately 430ktpa. Cost estimates were based on third party quotations, estimates provided by SGSB and RPM’s experience at other mining projects. Mining equipment capital costs were excluded as the planned mining operations will use contractors.

RPM’s total operating costs were estimated to be approximately US$38.5/t ROM (FOB basis, excluding royalties and taxes), including US$28.75/t for mining, US$9.40/t for processing and US$0.34/t for concentrate handling and transport to the local port.

RPM recognized that there were opportunities to improve the economics of the project, including:

- Delineation of additional resources and upgrade of Inferred Resources to Indicated
- Sale of suitable fresh waste rock to local authorities for use as road base
- Increased production rates
- Optimisation of metallurgical recoveries

However, RPM also highlighted high project risks, including:

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1 JLL has sighted the quotations to verify costs for the cash flow analysis, but, as they are commercially sensitive, they are not included in this report.
Scoping study level of accuracy of approximately ±40% across a range of technical areas and cost assumptions (a 30% contingency was applied to their cost model to allow for the low level of confidence)

- Lack of geotechnical data
- Limited metallurgical testwork due to unavailability of “representative” ore
- Payment terms for sale of concentrates

Our assessment of the RPM Scoping Study is that it has been competently compiled. However, because of the lack of project specific information, there are many built-in assumptions and estimates based on their experience at other mining operations. Therefore, further studies are required in order to be able to convert the resources into reserves. Because of the extra detail in the RPM Scoping Study, we consider that their mining schedule is an improvement on the MQ Jaya mining schedule and, therefore, we have used the RPM figures in the cashflow analysis.

Processing metal recovery rates used in the RPM Scoping Study are presented in Table 3:

<table>
<thead>
<tr>
<th>Metal</th>
<th>Style</th>
<th>Recovery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold</td>
<td>Oxide</td>
<td>65%</td>
</tr>
<tr>
<td>Gold</td>
<td>Sulphide</td>
<td>85%</td>
</tr>
<tr>
<td>Silver</td>
<td>Sulphide</td>
<td>65%</td>
</tr>
<tr>
<td>Copper</td>
<td>Sulphide</td>
<td>90%</td>
</tr>
</tbody>
</table>

Table 3: Metal recovery rates from RPM Scoping Study

In general, we believe that the recovery rates assumed by RPM are reasonable, although we consider the recovery rates for the oxide gold and sulphide copper may be overstated for the following reasons:
Gold – oxide

Testwork on sulphide samples (refer to Section 3.7 Metallurgical Testwork) has indicated that the mineralisation is refractory, i.e. most of the gold is locked inside the sulphides crystals. Weathering of the sulphides releases the gold content, which then forms gold grains that can grow in size over time through chemical precipitation. However, at Bukit Mantri there is no record of artisanal mining of gold, which suggests that the gold grains eroded from the deposit have not grown to any significant size. Given the likely small grain size, and the fact that testwork recoveries were around 56%, we consider that concentration of gold by gravity processes may not be as efficient as stated by RPM and recommend that more definitive testwork be undertaken.

Copper – sulphides

Metallurgical testwork on Bukit Mantri samples (see Section 3.7 Metallurgical Testwork) reported copper recoveries in excess of 90%, but on unrepresentative higher grade samples. ROM copper grades for sulphide ore are around 0.25% Cu and if the flotation tailings grades are around 0.05% Cu, the copper recovery for such low-grade ores would be 80%. An internet search of copper recoveries from operating mines with low-grade copper ores suggests that achieving a tailings grade of 0.05% Cu might be optimistic (Table 4).

<table>
<thead>
<tr>
<th>Project</th>
<th>Ore Cu%</th>
<th>Cu Recovery</th>
<th>Tailings Cu%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Island Copper</td>
<td>0.50</td>
<td>85%</td>
<td>0.08</td>
</tr>
<tr>
<td>Gaspe</td>
<td>0.66</td>
<td>90%</td>
<td>0.07</td>
</tr>
<tr>
<td>Granisie Copper</td>
<td>0.43</td>
<td>85%</td>
<td>0.06</td>
</tr>
<tr>
<td>Morency</td>
<td>0.50</td>
<td>85%</td>
<td>0.08</td>
</tr>
<tr>
<td>Twin Butte</td>
<td>0.50</td>
<td>76%</td>
<td>0.12</td>
</tr>
<tr>
<td>Dos Altosa</td>
<td>0.42</td>
<td>82%</td>
<td>0.08</td>
</tr>
<tr>
<td>Palabora</td>
<td>0.55</td>
<td>83%</td>
<td>0.09</td>
</tr>
<tr>
<td>Las Bambas</td>
<td>0.72</td>
<td>88%</td>
<td>0.09</td>
</tr>
<tr>
<td>Golpu</td>
<td>0.92</td>
<td>92%</td>
<td>0.07</td>
</tr>
<tr>
<td>Ok Tedi</td>
<td>0.87</td>
<td>82%</td>
<td>0.19</td>
</tr>
</tbody>
</table>

Table 4 Copper recoveries from low-grade ores
3.7 Metallurgical Testwork

3.7.1 Intertek Genalysis

Metallurgical testwork was performed by Intertek Genalysis on one sample of mineralised material excavated from a road cutting within the resource area. The sample contained 62% quartz, 19% clays and 8% sulphides (Emery, 2014a) but there is no information on the degree of weathering of the submitted material. Calculated head grades were 21.35 g/t Au, 12.2 g/t Ag, 0.29% Cu and 3.3% S. Such high gold grades can occur within the mineralised zones, but are not representative of the overall mineralisation.

The sample was tested for gravity recoverable gold, grind determination, flotation tests and cyanide leach tests (Emery, 2014b). Overall recovery rates by gravity tests were 56% for gold, 15% for silver and 4% for copper (Emery, 2014b).

Flotation tests showed that they were highly efficient at recovering the sulphide minerals (95% recovery) and associated gold (84%) and copper (92%). Silver, however, returned recoveries of less than 70%.

Cyanide leach tests returned low recoveries for gold (17.9-23.9%) and silver (1-1.3%), indicating that the precious metals are locked up within the sulphide mineral lattices.

While giving a general indication of metal recoveries, the sample cannot be deemed to be representative of the orebody.

3.7.2 SGS Australia

A second program of testwork was conducted by SGS Australia (Behre, 2016). Two samples of composited drill core, a sulphides composite and an oxide composite, were tested to assess the amenability to a variety of metallurgical processes designed to recover gold. Core samples used to make up the composites are listed in Appendix 5.
Weighted average grades of the composite samples (based on drill core assays) are listed in Table 5. The high grades mean that the samples are not representative of the overall mineralisation.

Gravity recoverable gold ("GRG") tests on the sulphide sample resulted in a recovery of 57%, suggesting a high proportion of free gold in the sample that may be amenable to gravity techniques.

<table>
<thead>
<tr>
<th>Sample</th>
<th>Au (g/t)</th>
<th>Ag (g/t)</th>
<th>Cu %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oxide</td>
<td>4.36</td>
<td>11.3</td>
<td>0.05</td>
</tr>
<tr>
<td>Sulphide</td>
<td>19.53</td>
<td>27.3</td>
<td>0.88</td>
</tr>
</tbody>
</table>

*Table 5 Calculated grades for SGS metallurgical testwork composites*

Flotation tests on the sulphides sample resulted in very high recoveries for gold (up to 97%) and for copper (97%) under simple flotation conditions. (Recoveries for silver were not reported.) However, mass recovery to the rougher concentrate was quite high at 23% - 25%.

GRG tests on the oxide composite sample indicated a good response to gravity separation with combined gold recoveries of ~78% for panned concentrate and Knelson concentrate.

Flotation tests on the oxide sample resulted in recoveries of 89% for gold and 69% for silver. Copper recovery was not reported.

In spite of the encouraging recovery results, the samples used for the testwork are not considered to be representative of the overall mineralisation and more detailed core sampling for metallurgical testing is highly recommended. We recommend that three samples each be composited from drill core intervals of both oxide and sulphide mineralisation:

- High grades >3 g/t Au
• Mid grades ~2 g/t Au
• Low-grades ~0.5 g/t Au

Testwork on each sample should include:

• Grindability analysis
• Gravity separation
• Flotation

Results of the testwork will aid in determining the and likely economic cut-off grades and the optimum processing circuit for each type of ore.

3.8 Ore Processing

The conceptual ore processing flowsheet designed by RPM consists of a simple gravity circuit for oxidized ore and a combination of gravity and 3-stage flotation for sulphide ore (Figure 6). Details of the flowsheet are presented in the RPM Scoping Study (Appendix 4).

The processing flowsheet appears to be compatible with the metallurgical testwork results and with the general understanding of the mineralisation. However, further testwork will be required to fine-tune the processes.
3.9 ENVIRONMENTAL ASPECTS

The Subject occurs within a region of forested hills with moderate slopes. The area of the Country Lease was excised, per State of Sabah Gazette No. 1 of 2013, from the forestry reserves of Mount Wullersdorf and Ulu Kalumpang. The proposed mining project is a prescribed activity that falls under the Second Schedule of the Environment Protection (Prescribed Activities) (Environmental Impact Assessment) Order 2005. Due to its scale and sensitivity with adjacent forest reserves, the proposed mining project falls under the category of a SEIA, necessitating a comprehensive and detailed assessment of the key environmental issues and to formulate appropriate mitigation measures and monitoring program for the mining project (EPD, 2015).

The surrounding forests comprise mainly dipterocarps (Cotylelobium, Dipterocarpus, Dryobalanops, Parashorea and Shorea) and non-dipterocarps (Anthocephalus and Octomeles) species. There are documented sightings of wildlife such as Orang Utan, clouded leopard,
Bornean sun bear, pig-tailed macaque, Banteng, common wild boar, deer, porcupine, Malay civet and monitor lizard (EPD, 2015).

Environmental impacts identified by the EPD include:

- Slope stability
- Soil erosion
- Waste generation and management
- Impacts on the ecology
- Water use
- Risk hazards (fire, seismicity, public health)
- Mine closure & rehabilitation
- Air, noise and water pollution
- Blasting – ground vibration and flyrock
- Traffic and transportation
- Socio-economic impacts
- Occupational safety and health

Initially, the SEIA was to be completed by 28 April 2016, but WRSB has been granted an extension to the deadline to 28 October 2016 (Appendix 9).
4 VALUATION PRINCIPLES AND METHODOLOGY

4.1 VALUATION APPROACHES

There is no single method of valuation that is appropriate for all situations. Rather, there are a variety of valuation methods, all of which have some merit and are more or less applicable depending on the circumstances. The following are as appropriate items to be considered:

- Market Approach (also known as Comparison Approach)
- Income Approach
- Cost Approach

The VALMIN Code 2015 presents a general guide to the applicability of each valuation approach to projects at different stages of development (Table 6).

<table>
<thead>
<tr>
<th>Valuation Approach</th>
<th>Exploration Projects</th>
<th>Pre-development Projects</th>
<th>Development Projects</th>
<th>Production Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Income</td>
<td>No</td>
<td>In some cases</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cost</td>
<td>Yes</td>
<td>In some cases</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

*Table 6 Applicability of Valuation Approaches to Projects at different stages of development*

Each of these approaches has its own strengths and weaknesses and the selection of the most appropriate method depends upon the stage of development of the project and the information available to the Valuer.
4.1.1 Market Approach

This approach is also known as Comparison Approach. The Comparable Transactions method under the Market Approach utilises the price paid in recent transactions for similar projects under similar market and geo-political situations to determine the value of a subject.

The difficulty in utilising the Comparable Transactions method is in determining to what extent the property or transaction is indeed comparable, unless the transactions involve the specific parties, projects or tenements under review. There can also be substantial change in value over time, depending especially upon market conditions and commodity prices.

If discussions have been held with other parties and offers have been made on the project or tenements under review, then these values are certainly relevant and worthy of consideration and can be used in establishing a value of the project. Similarly, joint venture terms, where one party pays to acquire an interest in a project and/or spends exploration funds in order to earn an interest, provide an indication of the project's value.

4.1.2 Income Approach

The Income Approach analyses the anticipated benefits of the potential income or cash flow of a Mineral Asset. The Income Capitalisation Method, also known as the Discounted Cash Flow ("DCF") method, is applicable if the project is in operation, under development, or at an advanced feasibility study stage (which includes detailed pre-feasibility studies). If ore reserves, mining and processing recoveries, and capital and operating costs are well defined, it is generally accepted that the DCF method is generally the most relevant and appropriate valuation method.

If a project is at the scoping study or pre-feasibility study stage, or if ore reserves have yet to be defined, additional weight has to be given to the risks, due to uncertainties in capital and operating costs, operational performance and a lower degree of confidence in the resources / reserves.
4.1.3 **Cost Approach**

This approach, also known as the Modified Replacement Value method, examines the cost that would be incurred by an explorer in acquiring and exploring a similarly prospective tenement up to the same stage of development as the subject tenement. Although this method can be applied to projects at all stages of development, it is usually restricted to projects at the early stages of exploration that have not had costs of production identified.

4.2 **Risks and Special Circumstances**

Modifying Factors are special circumstances of relevance to mining projects or properties that can have a significant impact (both positive and negative) on value and need to be taken into account to modify valuations that might otherwise apply. Examples of Modifying Factors include:

- environmental risks - can result in a project being subject to extensive opposition, delays and possibly refusal of development approvals;
- indigenous peoples / land rights issues - projects in areas subject to claims from indigenous peoples can experience prolonged delays, extended negotiations or veto;
- country and social issues - the location of a project can significantly impact on the cost of development and operating costs and has a major impact on perceived risk and sovereign risk;
- technical issues peculiar to an area or deposit - such as mining, geotechnical or hydrological conditions, or metallurgical difficulties that could affect a project's economics;
- economic and marketing issues - such as changes in commodity prices, supply and demand for commodities, costs of sales;
- legal and government issues – could affect the tenure of the mining tenement.
4.3 SELECTION OF METHODOLOGY

This Valuation Report has been compiled in compliance with the VALMIN Code 2015. The fundamental objective of the VALMIN Code 2015 is the protection of investors. With this objective in mind we have conducted the valuation in the following way:

- where there has been a choice of a simple and a complex method of estimating a financial factor and there is no material difference between the methods in the resulting accuracy of, or confidence about, the factor amount, the simple method has been used; and

- where there is a material uncertainty regarding the quantum of an amount or parameter, we have been as conservative as possible to be consistent with our intent to provide a reasonable estimate of the value of the Subject.

We have assumed the Subject to have an economic transaction value, for an “arms-length” transaction that is not under duress (i.e. negotiated over a suitable timeframe, not a fire sale requiring rapid closure).

The VALMIN Code 2015 recommends using at least two Valuation Approaches and to present a range of values, and a preferred value, for the Subject. The Subject can be described as an advanced exploration or pre-development project, for which mineral resources have been estimated and preliminary costs have been identified. From Table 6, any of the three Valuation Approaches could be used to derive the Subject Valuation.

The Income Capitalisation Method (Income Approach) estimates the Net Present Value (“NPV”) of the forecast free cash flow produced by the Subject since the Valuation Date. We make the following observations on the efficacy of the NPV valuation method:

- it is necessarily based on many assumptions, including future operating performance, revenue and costs and it is intended as a guide and not to give an exact number;

- it is quite sensitive to changes in the discount rate, which is itself an estimation;
many of the calculations in the financial model were made on an accrual accounting basis while the determination of free cash flow must necessarily be made on a cash basis;

- it assumes constant risk over the lifetime of the Subject; and

- it does not allow for management’s ability to change the cost structure or scale associated with the Subject in response to changed operating or market conditions, including increases in the resource/reserve figures.

The Comparable Transactions method (Market Approach) relies on being able to identify similar projects that have been the subject of deals under similar market conditions that are in force as at the Valuation Date. By their very nature, these transactions will vary considerably due to the fluctuations experienced in the market and we have been careful in selecting appropriate transactions (see Section 6.3.2 Comparable Transactions).

We have chosen the Income Capitalisation Method as our primary valuation methodology in this exercise, given the availability of reasonable estimations of costs and potential revenue for the Subject. Because of the difficulties involved in identifying similar projects for the Comparable Transactions method, making the Market Approach less appropriate, we have only used the Market approach as a secondary method.
5 ASSUMPTIONS

5.1 TENURE

An independent legal opinion has been sought from Wong & Shim on the standing of the mining tenements (Appendix 6). The preliminary checks have not identified any evidence of any issues with the concessions, which appear to be in good standing with current, valid licenses, permits and approvals and with no identified outstanding commitments as at the Valuation Date. According to SGSB and/or WRSB, the mining tenement related taxes have been paid for all concessions and their individual legal status is in force and free of any liens or encumbrances. The valuation below assumes that the tenure is in good standing.

We further assume that outstanding permits and licenses, if any, over the life of the mine are or will be duly submitted and approved and WRSB will fully enjoy the use of the rights of all approvals and will have the right of way and full access to the Sub-Lease Land via any part of the land under the Country Lease as accorded by SGSB. Some of the processing plant facilities are planned to be constructed on land that falls outside of the Sub-Lease Agreement area. SGSB has provided a letter of consent to WRSB to utilise this land for the mining operation (Appendix 6, Appendix 9).

Under the Country Lease (Clause 16), the Government has the option to acquire from the Lessee (SGSB) “an equity participation of up to 30% of the share capital of the Lessee or its successors or assigns at a price determined by experienced international valuers of mining properties as agreed by both parties”. JLL has sighted a legal opinion letter that has determined that the State Government of Sabah’s right to equity participation applies only to “the shareholders level of the Sub-Lessor and does not in any manner whatsoever affects the above Sub Lease Agreement nor the shareholding of the Sub-Lessee”. In the DCF analysis, we have assumed that the Government will not exercise this option. However, we see this as a potential low risk.
Several sections in the Special Terms relate to performance of the mining operations (see Section 3.2 Tenure). Of particular note is Section 1, which states “the lessee shall commence mining operations in accordance to the terms and conditions of the lease within a period of six (6) months from the date of registration of the lease”. The legal opinion from Wong & Shim (Appendix 6) notes that this condition relies upon an EIA Approval Report from the EPD and an approved Mining Scheme from the Minerals and Geoscience Department Sabah and, therefore, the six months commencement period as per the Special Terms has not been breached.

Section 45 of the Special Terms states that the State Government of Sabah has the power to revoke the lease if “no commercial shipment of ores, concentrates, or other products is made within four years of the Date of the Lease” (i.e. by 24 June 2018). We are of the opinion that, provided finance is available, construction of the mine and commencement of operations can be achieved within the time period allowed and that other conditions relating to production of “ten thousand tons of copper concentrates in any year after the commencement of production” can be met. The condition was subsequently amended to include gold and silver concentrates (see Legal Opinion in Appendix 6).

5.2 MINING AND PROCESSING

5.2.1 MINING

We are of the opinion that the Mineral Resource Estimates as set out in the IER (Drabble & Cervoj, 2016) are reasonably accurate and that the Mining Schedule, as set out in the RPM Scoping Study (Booth & Peel, 2016), is achievable.

The mining schedule that we have adopted for the cash flow analysis has been taken from the RPM Scoping Study, which includes an economics-based pit optimisation based on Indicated Mineral Resources only (Table 7).
### Table 7: Summary Mining Schedule from RPM Scoping Study

<table>
<thead>
<tr>
<th>Year</th>
<th>Oxide Ore (tonnes)</th>
<th>Sulphide Ore (tonnes)</th>
<th>Total Ore (tonnes)</th>
<th>Weathered waste rock (tonnes)</th>
<th>Fresh Waste Rock (tonnes)</th>
<th>Total Waste (tonnes)</th>
<th>Strip ratio waste / ore</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
<td>246,000</td>
<td>88,000</td>
<td>334,000</td>
<td>5,047,000</td>
<td>1,259,000</td>
<td>6,306,000</td>
<td>18.9</td>
</tr>
<tr>
<td>Year 2</td>
<td>144,000</td>
<td>329,000</td>
<td>473,000</td>
<td>3,339,000</td>
<td>5,167,000</td>
<td>8,506,000</td>
<td>18.0</td>
</tr>
<tr>
<td>Year 3</td>
<td>50,000</td>
<td>425,000</td>
<td>475,000</td>
<td>629,000</td>
<td>6,974,000</td>
<td>7,603,000</td>
<td>16.0</td>
</tr>
<tr>
<td>Year 4</td>
<td>0</td>
<td>323,000</td>
<td>323,000</td>
<td>0</td>
<td>2,227,000</td>
<td>2,227,000</td>
<td>6.9</td>
</tr>
<tr>
<td>Totals</td>
<td>440,000</td>
<td>1,165,000</td>
<td>1,607,000</td>
<td>9,015,000</td>
<td>15,627,000</td>
<td>24,643,000</td>
<td>15.4</td>
</tr>
</tbody>
</table>

Note: Total Ore and Total Waste figures in the RPM Scoping Study do not add up due to rounding.

#### 5.2.2 Processing

The processing flowsheet used in the cash flow analysis is based on the RPM Scoping Study and involves a gravity circuit for oxide ore and a gravity+flotation circuit for sulphide ore. This appears to be valid given the limited metallurgical testwork and existing operations elsewhere in the world based on similar styles of mineralisation. Further testwork will help to optimise the processing flowsheet.

#### 5.2.3 Recovery Rates

The metal recovery rates that we have used in the cash flow analysis are presented in Table 8. These figures are based on results from the Intertek Genalysis metallurgical testwork reports (Emery, 2014a and 2014b), the RPM Scoping Study and industry figures for similar types of deposits.

Metallurgical testwork on unrepresentative samples have given gravity recoverable gold rates of around 56% for oxide ore. We have used the 65% gold recovery rate for the oxide ore as
determined by RPM, although we believe that the actual rate could be significantly lower (see comments in Section 3.6.2). We have considered this risk as one of the Modifying Factors. Detailed discussion is presented in Section 6.2.1 Risks.

We have assumed that copper in the oxide ore is likely to be mainly as oxides or carbonates, with an insignificantly small proportion of residual sulphides that would be amenable to gravity separation. We have reduced the copper recovery rate for sulphide ore on the basis of the low head grades and a likely residual value of 0.05% Cu reporting to the flotation tailings (see Section 3.6.2).

<table>
<thead>
<tr>
<th>Metal</th>
<th>Oxide ore (gravity circuit)</th>
<th>Sulphide ore (flotation circuit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold</td>
<td>65%</td>
<td>85%</td>
</tr>
<tr>
<td>Silver</td>
<td>0%</td>
<td>65%</td>
</tr>
<tr>
<td>Copper</td>
<td>0%</td>
<td>80%</td>
</tr>
</tbody>
</table>

*Table 8 Metal Recovery Rates*

5.3 **Revenue**

The proposed processing plant at Bukit Mantri will produce concentrates from both the oxide and sulphide ores. These concentrates will be transported to smelters in, amongst others, China, and possibly India, to extract the valuable metals. We have sighted a China processing company’s indicative quote to WRSB\(^1\) for processing both the oxide and sulphide concentrates

On the basis of the quotation, we have assumed that revenue from the sale of concentrates will equate to 97% of the value of the contained gold, silver and copper in the concentrates based on the corresponding spot rates. The processing fee is chargeable at CNY665/tonne (approximately US$100/tonne) for oxide concentrates and CNY395/tonne (approximately US$60/tonne) for sulphide concentrates, the difference being based on a discount for extraction of Sulphur from the sulphide concentrates.

\(^1\) This quote is regarded as commercial in confidence
5.4 CAPITAL AND OPERATING COSTS

5.4.1 CAPITAL COSTS

The total capital cost estimate is approximately US$4.72 million (RM18.88 million) (Table 9), based on the RPM Scoping Study (Booth & Peel, 2016), and include basic site infrastructure and processing plant equipment. These estimated costs include a 30% contingency factor. As with most mining operations, it is likely that additional working capital costs will be incurred to ensure that the site infrastructure meets the needs of the operations. We consider that these costs are likely to be covered by the 30% contingency factor.

<table>
<thead>
<tr>
<th>Major Cost Centres/Items</th>
<th>Cost (US$)</th>
<th>Cost (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site facilities</td>
<td>1,847,625</td>
<td>7,350,500</td>
</tr>
<tr>
<td>Processing Plant</td>
<td>2,873,000</td>
<td>11,492,000</td>
</tr>
<tr>
<td><strong>Total Capex</strong></td>
<td><strong>4,720,625</strong></td>
<td><strong>18,882,500</strong></td>
</tr>
</tbody>
</table>

*Table 9 Capital Expenditure costs*

Mining operations will be undertaken by a contractor, so there are no capital costs for mobile mining equipment. However, mobilisation and demobilisation charges of US$100,000 each have been included in the cash flow model.

A general assumption is made for the depreciation of the fixed assets. For the site facilities, it is assumed to be depreciated on a straight-line basis over 32 years, being the estimated remaining duration of the Sub-Lease term.

For the processing plant, it is assumed to be depreciated on a straight-line basis over 10 years. We consider a salvage value of approximately 50% of the original cost for the processing plant at the end of the mine’s life of the Subject.
5.4.2 OPERATING COSTS

The estimated unit operating costs for the Subject are presented in Table 10 and are based on the RPM Scoping Study, an indicative quotation from a mining contractor dated 17 June 2016, actual costs from a Sabah quarry operation and a contractor mining cost model prepared by RPM from similar mining operations. We have compared these costs against public available information (Odell, Swanson, White, & Fox, 2013) (Fulton, 2013) from other mining operations in Malaysia (Table 10) and feel that they are reasonable.

<table>
<thead>
<tr>
<th>Cost Item</th>
<th>Bukit Mantri</th>
<th>Bau</th>
<th>Selining</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Units</td>
<td>Oxide</td>
<td>Sulphide</td>
</tr>
<tr>
<td>Waste Mining Costs</td>
<td>US$/mined t</td>
<td>1.09</td>
<td>1.61</td>
</tr>
<tr>
<td>Ore Mining Costs</td>
<td>US$/t ore</td>
<td>2.8</td>
<td>3.32</td>
</tr>
<tr>
<td>Environmental Management Costs</td>
<td>US$/mined t</td>
<td>0.17</td>
<td>0.17</td>
</tr>
<tr>
<td>Government Rehab Allowance</td>
<td>% of revenue</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Contractor Mining</td>
<td>US$</td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td>Mobilisation</td>
<td>US$</td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td>Demobilisation</td>
<td>US$</td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td>General &amp; Admin Costs</td>
<td>US$/t ore</td>
<td>3.25</td>
<td>3.25</td>
</tr>
<tr>
<td>Fixed Salary - Management and admin workers</td>
<td>US$/t ore</td>
<td>0.62</td>
<td>0.62</td>
</tr>
<tr>
<td>Fixed Salary - all other workers</td>
<td>US$/t ore</td>
<td>2.26</td>
<td>2.26</td>
</tr>
<tr>
<td>Others (Contingency)</td>
<td>US$/t ore</td>
<td>0.38</td>
<td>0.38</td>
</tr>
</tbody>
</table>

Table 10: Comparative unit mining costs with other Malverian mines

Basic mining operation assumptions are:

1 JLL has sighted the contractor correspondence as part of its due diligence, but it is regarded as commercially in confidence and not appended to this report
2 The processing costs include the cost of crushing & screening, power, maintenance, consumables, assaying, ball milling, reagents, and tailings storage facility & water return.
Weathered material is soft and will be mined by ripping, loading by excavators and hauling by trucks.

- Fresh material will be mined by drill & blast, loading by excavators and hauling by trucks.
- The contact zone between weathered and fresh material is reasonably sharp and should be easily identified during mining operations.
- Following grade control demarcation, oxide ore will be processed by crushing, screening and a gravity circuit to produce a gold-silver concentrate; copper is unlikely to be recovered by this process.
- Following grade control demarcation, sulphide ore will be processed by crushing, screening, grinding (ball mill) and a three-stage flotation circuit to produce a sulphide concentrate.
- The sulphide concentrate will be shipped to a processing plant in China to recover gold, silver and copper; sulphur credits will be applied against the cost of processing for concentrates grading higher than 20% Sulphur content.

5.4.3 Other Costs

We have assumed that additional drilling, geotechnical studies and metallurgical testwork will be required in order to improve the level of confidence in the resources, mining and processing parameters. We have estimated that these studies will cost a total of US$200,000, which has been allocated to the fourth quarter of 2016 in the cash flow spreadsheet.

Rehabilitation costs at the end of the mine life have been estimated by RPM at US$750,000 per quarter for the last six quarters.

No separate allowance has been made for personnel transport as those costs are assumed to be part of the mining contractor’s charges.
5.5 **FINANCIAL ASSUMPTIONS**

5.5.1 **TAXATION & ROYALTIES**

We were not advised by WRSB that WRSB could enjoy any tax exemption in Malaysia. It is considered that the profit arising from the mining activity is fully taxable. The income tax rate 24% adopted in the valuation is based on the standard corporate tax rate of Malaysia with effect from year of assessment (YA) 2016.

Based on the Special Terms, 5% of the value of the ores, concentrate or other products produced is payable to the government as a royalty and has been considered in the valuation of the Subject.

5.5.2 **FINANCE**

According to the client, financing of the project development will be funded by BAHB internal funds, borrowings from banks and/or shareholder’s advances.

5.5.3 **WORKING CAPITAL**

Working capital is estimated at 0.13% of sales. This ratio is based on the median of the 3-year average ratio of working capital to sales of several Asian mining companies (Anchor Resources, CNMC Goldmine Holdings, Monument Mining, United Paragon Mining, OceanaGold Corp, Lepanto Consolidated Mining, J Resources Asia Pacific, Bac Kan Mineral JSC).
5.5.4 Liabilities, Commitments and Financial Exposures

Based on the Special Terms and the Sub-Lease Agreement, the following commitments have also been considered in the process of the valuation of the Subject:

- Annual Land Premium – RM60,000 payable annually within the first two weeks of each year of the Sub-Lease period.

- Security for Performance of Obligation – RM200,000 payable prior to commencement and thereafter for every three years, progressively increased by RM200,000, not exceeding RM1,000,000.

- Government Rehabilitation Allowance of 1% of the value of ores, concentrates, refined metals or other products to be deposited into the Government’s trust account. These funds are to be refunded to the Lessee, less any funds required to be spent by the Government to rehabilitate the site.

These obligations have been included in the legal opinion provided in Appendix 6.

5.6 Commodity Prices & Forecasts

Gold is considered as the primary mineral to be mined in the area covered by the Subject. The cash flow model estimates that gold will provide approximately 90% of the revenue from the project.

Similar to the markets of other assets, the gold market is subjected to factors of market demand and supply. It is also further affected by economic factors, such as interest rates and inflation, and general geo-political sentiments, as gold is also widely seen as a store of value. Globally, gold is traded actively from over-the-counter gold-trading markets resulting in the gold spot market, which is expressed in United States Dollars per troy ounce.

Net gold demand seen in the first quarter of 2016 increased by 21% year-on-year and 16% quarter-on-quarter, as reported in World Gold Council’s ‘Gold Demand Trends: First quarter
2016' report (World Gold Council, 2016). Specifically, investment demand was the main driver for the overall demand, with demand growing by 122% year-on-year and 201% quarter-on-quarter. On the supply side, there was only a marginal rise of 5% year-on-year and 4% quarter-on-quarter during the quarter. As reported by (World Gold Council, 2016), the production outlook is expected to be modest over the long term as gold producers continue to focus on cost reduction within the industry while there are not many new mines coming on stream.

The spot price of gold as at the Valuation Date (around US$1,367 per troy ounce) has risen from a 5-year low of around US$1,100 per troy ounce, coming off the back of major global economic policies made in recent years and a general oversupply situation faced in the market. Figure 7 shows the gold spot price over the past five years.

Moving forward, the price of gold will continue to be mostly dictated by demand-side dynamics as supply growth is expected to remain flat (World Gold Council, 2016). Notably, with Britain
voting to exit the European Union, there is widespread expectation from many market analysts including the World Gold Council that more investment monies could flow into the gold market in the short-term driven by Gold’s status as a safe haven asset class amidst the economic uncertainties experienced in the market. However, the realization of such demand growth may be highly volatile and highly unpredictable.

In arriving at our price forecasts for gold in the valuation of the Subject, for four years from 2017 to 2020 inclusive, we have used commodity price forward contract figures from Bloomberg that reflect the active contracts traded in the market. We believe this to be an appropriate approach in accurately estimating the price forecasts used in the valuation.

Similarly, we have obtained market forward contract figures for silver price and London Metal Exchange copper price via Bloomberg and the price forecasts used in preparing the independent valuation are presented in Table 11. As discussed above, changes in the future economic conditions will have a bearing on the price of the commodities and subsequently have impact on the overall value of the mineral assets.

<table>
<thead>
<tr>
<th>Year</th>
<th>Gold (US$ per troy ounce)</th>
<th>Silver (US$ per troy ounce)</th>
<th>Copper (US$ per tonne)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1,384</td>
<td>20.46</td>
<td>4,778</td>
</tr>
<tr>
<td>2018</td>
<td>1,397</td>
<td>20.59</td>
<td>4,808</td>
</tr>
<tr>
<td>2019</td>
<td>1,409</td>
<td>20.91</td>
<td>4,837</td>
</tr>
<tr>
<td>2020</td>
<td>1,420</td>
<td>21.20</td>
<td>4,866</td>
</tr>
</tbody>
</table>

Table 11 Forecast commodity prices used in the cash flow model

5.7 Other Considerations

The value of the Subject is also exposed to various financial factors. We have considered the major factors that can impact upon the valuation.
5.7.1 Exchange Rate

The Subject is exposed to different geographic regions. Changes in foreign exchange rates could influence the value of the Subject. Based on Bloomberg forward rates as of the Valuation Date, the forecast currency pair exchange rates are listed in Table 12:

<table>
<thead>
<tr>
<th>Year</th>
<th>MYR-USD</th>
<th>CNY-USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>0.24</td>
<td>0.144</td>
</tr>
<tr>
<td>2018</td>
<td>0.24</td>
<td>0.142</td>
</tr>
<tr>
<td>2019</td>
<td>0.23</td>
<td>0.140</td>
</tr>
<tr>
<td>2020</td>
<td>0.22</td>
<td>0.138</td>
</tr>
</tbody>
</table>

*Table 12: Forecast exchange rates*

5.7.2 Inflation

It is estimated that the future local costs (e.g. operating costs) and foreign costs (e.g. processing costs in China) will be affected by inflation rates of the respective areas. Inflation forecast data for Malaysia and China were obtained from Bloomberg (Table 13).

<table>
<thead>
<tr>
<th>Year</th>
<th>Malaysia</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2.7%</td>
<td>2.0%</td>
</tr>
<tr>
<td>2018</td>
<td>3.0%</td>
<td>2.5%</td>
</tr>
<tr>
<td>2019</td>
<td>3.0%</td>
<td>2.5%</td>
</tr>
<tr>
<td>2020</td>
<td>3.0%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

*Table 13: Forecast inflation rates*
6 Valuation of the Subject

6.1 Technical Value

According to the VALMIN Code 2015, Technical Value is "an assessment of a Mineral Asset’s future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations".

We have determined a Technical Value for the Subject based on a DCF model of the anticipated future income from the proposed mining operations at Bukit Mantri. The cash flow model has incorporated assumptions as described in Section 5 of this Valuation Report. The base case scenario estimates a NPV for the mining operation of approximately RM162 million.

6.1.1 Discount Rate

In applying the DCF method, it is necessary to determine an appropriate nominal discount rate for the assets under review. The discount rate represents an estimate of the rate of return required by a third party investor for an investment of this type. The rate of return expected from an investment by an investor relates to perceived risk. Risk factors relevant in our selection of an appropriate discount rate include:

- Interest rate risk, which measures variability of returns, caused by changes in the general level of interest rates;
- Purchasing power risk, which measures loss of purchasing power over time due to inflation;
- Liquidity risk, which measures the ease with which an instrument can be sold at the prevailing market price;
- Market risk, which measures the effects of the general market on the price behavior of securities; and
Business risk, which measures the uncertainty inherent in projections of operating income.

**Weighted Average Cost of Capital**

The appropriate rate of return for valuing the Subject is the weighted average cost of capital ("WACC"), which is the weighted average of the return on equity capital and the return on debt capital. The WACC is expressed in the following formula:

\[
WACC = \frac{E}{V} \times R_e + \frac{D}{V} \times R_d \times (1 - T_c)
\]

*Where:*
- \( R_e \) = Required return on equity
- \( R_d \) = Required return on debt
- \( E \) = fair value of the firm's equity
- \( D \) = fair value of the firm's debt
- \( V = E + D \)
- \( E/V \) = percentage of financing that is equity
- \( D/V \) = percentage of financing that is debt
- \( T_c \) = corporate tax rate

The WACC adopted in the DCF calculation is 8.91%.
Cost of Equity

We have used the Capital Assets Pricing Model ("CAPM") to estimate the cost of equity. The CAPM is a fundamental tenet of modern portfolio theory, which is the generally accepted basis for marketplace valuations of equity capital. The CAPM technique is widely accepted in the investment and financial analysis communities for the purpose of estimating a company's required return on equity capital.

The equation of CAPM is shown as follows:

\[
\text{Cost of equity} = \text{Risk free rate} + (\text{Beta} \times \text{Risk Premium}) + \text{Other Risks}
\]

The return on equity required of a company represents the total rate of return investors expect to earn, through a combination of dividends and capital appreciation, as a reward for risk taking. The CAPM is used to calculate the cost of equity by using information derived from publicly-traded companies.

<table>
<thead>
<tr>
<th>Items</th>
<th>Value</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Free Rate</td>
<td>3.24%</td>
<td>With reference to the benchmark Malaysia government yield curve for a 4 year term (Source: Bloomberg)</td>
</tr>
<tr>
<td>Market Premium</td>
<td>4.24%</td>
<td>With reference to Malaysia Country Risk Premium (Source: Bloomberg)</td>
</tr>
<tr>
<td>Estimated Nominal Beta</td>
<td>0.52</td>
<td>Median Relevered Beta for Comparable Companies</td>
</tr>
<tr>
<td>Size premium</td>
<td>3.58%</td>
<td>With reference to Duff &amp; Phelps Valuation Handbook 2016</td>
</tr>
</tbody>
</table>

Cost of debt

Cost of debt represents the long term borrowing cost of WRSB, which is assumed to be 6.85% with reference to the Malaysian Ringgit average prime borrowing rate in Malaysia as at the Valuation Date.
6.1.2 Sensitivity Analysis

The DCF model has been applied in this valuation to calculate the NPV of the Subject. This value can be used as a base case value within a sensitivity analysis.

Sensitivity analyses were performed using ranges of values for commodity prices, discount rate, operating costs (including mining costs, processing costs, and freight costs), capital costs and metal recovery rates (Table 14).

<table>
<thead>
<tr>
<th>Item</th>
<th>Range (relative to base case)</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital costs</td>
<td>-10% to +10%</td>
<td>Base case already contains 30% contingency</td>
</tr>
<tr>
<td>Operating costs</td>
<td>-5% to +20%</td>
<td>More likely to go up than down</td>
</tr>
<tr>
<td>Gold price</td>
<td>8% to +8%</td>
<td>Variation in gold prices within 5year trends</td>
</tr>
<tr>
<td>Silver price</td>
<td>-12% to +12%</td>
<td>Variation in silver prices within 5year trends</td>
</tr>
<tr>
<td>Copper price</td>
<td>-8% to +8%</td>
<td>Variation in copper prices within 5year trends</td>
</tr>
<tr>
<td>Gold recovery - oxide</td>
<td>-25% to +5%</td>
<td>More likely to go down than up</td>
</tr>
<tr>
<td>Gold recovery - sulphide</td>
<td>-10% to +5%</td>
<td>More likely to go down than up</td>
</tr>
<tr>
<td>Silver recovery - sulphide</td>
<td>-20% to +5%</td>
<td>More likely to go down than up</td>
</tr>
<tr>
<td>Copper recovery - sulphide</td>
<td>-20% to +10%</td>
<td>More likely to go down than up</td>
</tr>
<tr>
<td>Discount rate</td>
<td>-200bps to +200bps</td>
<td>Actual rates from 7% to 11%</td>
</tr>
</tbody>
</table>

Table 14 Sensitivity analysis ranges
Table 15 shows the effect on NPV by varying the gold price and the discount rate while using the base case operating costs. The NPV is not materially affected by anticipated variations in either the silver price or the copper price.

<table>
<thead>
<tr>
<th>NPV in RM million</th>
<th>7%</th>
<th>8%</th>
<th>10%</th>
<th>11%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold Price</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-10%</td>
<td>137</td>
<td>135</td>
<td>120</td>
<td>113</td>
</tr>
<tr>
<td>-5%</td>
<td>151</td>
<td>150</td>
<td>146</td>
<td>142</td>
</tr>
<tr>
<td>Base Case</td>
<td>161</td>
<td>162</td>
<td>158</td>
<td>154</td>
</tr>
<tr>
<td>+5%</td>
<td>188</td>
<td>183</td>
<td>179</td>
<td>174</td>
</tr>
<tr>
<td>+10%</td>
<td>205</td>
<td>203</td>
<td>190</td>
<td>188</td>
</tr>
</tbody>
</table>

Table 15 Sensitivity analysis using ranges of gold price and discount rate

Table 16 shows the effect on NPV of varying the gold price and the operating costs. The NPV is not materially affected by reasonable variations in capital costs (which already have a 30% contingency factor included).

<table>
<thead>
<tr>
<th>NPV in RM million</th>
<th>Operating costs</th>
<th>-10%</th>
<th>-5%</th>
<th>+15%</th>
<th>+20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold Price</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-10%</td>
<td>143</td>
<td>139</td>
<td>130</td>
<td>151</td>
<td>161</td>
</tr>
<tr>
<td>-5%</td>
<td>165</td>
<td>156</td>
<td>146</td>
<td>117</td>
<td>107</td>
</tr>
<tr>
<td>Base Case</td>
<td>162</td>
<td>172</td>
<td>162</td>
<td>133</td>
<td>123</td>
</tr>
<tr>
<td>+5%</td>
<td>198</td>
<td>189</td>
<td>179</td>
<td>149</td>
<td>140</td>
</tr>
<tr>
<td>+10%</td>
<td>215</td>
<td>205</td>
<td>195</td>
<td>156</td>
<td>155</td>
</tr>
</tbody>
</table>

Table 16 Sensitivity analysis using ranges of operating costs and gold price

Variations in the silver and copper prices and the silver and copper recovery rates did not make a material difference to the NPV calculation.
Variations in gold recovery rates made material differences to the NPV calculation in much the same range as the gold price variations.

<table>
<thead>
<tr>
<th>NPV in RM million</th>
<th>Gold Recovery Rate - Oxide</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-10%</td>
</tr>
<tr>
<td>-10%</td>
<td>119</td>
</tr>
<tr>
<td>-5%</td>
<td>135</td>
</tr>
<tr>
<td>Base Case</td>
<td>151</td>
</tr>
<tr>
<td>+5%</td>
<td>167</td>
</tr>
<tr>
<td>+10%</td>
<td>183</td>
</tr>
</tbody>
</table>

*Table 17: Sensitivity analysis using ranges in gold price and gold recovery rates*

The cells of Table 15, Table 16 and Table 17 that are shaded light grey contain the range of values that JLL believes are the most likely to contain the preferred value for the Subject. The figures we chose to determine the range are mentioned in Section 7. Our opinion of value takes the minimum and maximum values within the lighter grey areas of the sensitivity analysis tables. The range thus chosen is RM136 million to RM189 million (rounded to nearest million).

The reader is cautioned to remember that it is not possible to forecast future performance of exercising the Subject or other economic factors with certainty and that it is prudent to consider a sufficient range of variation in the relevant factors.
The results of the above sensitivity analyses are plotted in Figure 8 and Figure 9.

*Figure 8 Sensitivity analysis showing variations in gold price, operating costs and gold oxide recovery*

*Figure 9 Sensitivity analysis showing variations in discount rate*
6.1.3 Summary of Technical Value

Based on the base case scenario of the DCF model and the results of sensitivity analyses of critical parameters, we determine that the Technical Value for the Subject has a range of values from RM136 million to RM189 million, with a preferred value of RM162 million (rounded to nearest million).

6.2 Risks & Opportunities Analysis

6.2.1 Risks

Mining is a high risk business that is conducted in an environment where not all events are predictable and each mine has its own set of characteristics that can affect the economic viability of the project. Many risks directly related to the mining operation can be minimised by good planning and management practices. However, there are a number of risks that fall outside of the control of the mine operators.

The Bukit Mantri Gold Project is currently at the Scoping Study stage of planning and further work is required to raise the level of confidence in the underlying technical and economic assumptions. Assessment of potential risks inherent in a mining project is fundamental to determining a Market Value for the Subject.
The overall risk assessment can be constructed from the consequence of the risk and the likelihood of occurrence (Table 18).

<table>
<thead>
<tr>
<th>CONSEQUENCE</th>
<th>LIKELIHOOD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major</td>
<td>Likely</td>
</tr>
<tr>
<td></td>
<td>Possible</td>
</tr>
<tr>
<td></td>
<td>Unlikely</td>
</tr>
<tr>
<td>Moderate</td>
<td>Medium</td>
</tr>
<tr>
<td>Minor</td>
<td>Medium</td>
</tr>
</tbody>
</table>

*Table 18 Risk Assessment Grid*

Consequence of risk:

**Major consequence** – if uncorrected, the risk could have a material effect on the mine cash flow (>20%) and could potentially lead to mine closure.

**Moderate consequence** – if uncorrected, the risk could have a significant effect on the mine cash flow (10-20%) but not likely to lead to mine closure.

**Minor consequence** – if uncorrected, the risk will have little or no effect on the mine cash flow (<10%).

Likelihood of risk occurring within the mine life if mitigating procedures are not enacted:

**Likely** - >50% probability that the risk will occur.

**Possible** – 20-50% probability that the risk will occur.

**Unlikely** - <20% probability that the risk will occur.
For each of the risks detailed below, we have provided a subjective assessment of the consequences of the risk on the overall project operation and the likelihood of such risks occurring.

**Realization of Forecasts and Projections**

This valuation is premised in part on the financial information and/or projections provided by the management of WRSB or as contained in the RPM Scoping Study. Since projections are subjected to numbers of assumptions and relate to the future, there will usually be differences between projections and actual results and, in some cases, those variances may be significant. Accordingly, to the extent that any of the above mentioned information requires adjustment, the resulting investment value may differ significantly.

The project is at a Scoping Study level and does not contain JORC-compliant Ore Reserves. Although the RPM Scoping Study indicates that the project has reasonable prospects of eventual economic extraction, the low level of confidence in the project inputs means that there is a significant risk that more detailed studies may result in increases in the cost parameters to the extent that economic viability cannot be demonstrated.

RPM’s estimates, which have been used in the cash flow model, have mitigated some of this risk by adding a 30% contingency factor to capital costs and provided for 15% dilution and 5% ore loss in the mining schedule.

Overall, our assessment of the risks associated with the realization of forecasts and projections is:

- Possible to occur, major consequence
- High risk
These risks have been sub-divided into various categories detailed below.

**Geology & Resources**

Optiro has determined the geological structures and zones of mineralisation to sufficient degrees of confidence to classify a fair proportion of the resources as Indicated Mineral Resources. However, unforeseen factors (such as faults, mineralisation zones pinching out, barren zones) may significantly affect the volume and grade of economically extractable material.

Estimation of mineral resources is not an exact science and relies on sufficient quality data and a good understanding of the controls on the mineralisation processes for the estimator to make an accurate assessment of the resources. It is common for mining operations to return values of tonnages and / or grades for mining units that are significantly different to the resource estimation figures for particular blocks — sometimes higher, sometimes lower. The inherent risks can be highly significant for deposits of narrow, high grade mineralisation (e.g. high grade gold veins). At Bukit Mantri, the mineralisation consists of narrow, high grade veins within broader alteration zones of lower grade material. Although Optiro have determined geological continuity for the broader zones, the high grade components are more likely to be erratically distributed.

To mitigate against these risks, we feel that additional in-fill drilling is required, especially in those parts of the deposit where high grade mineralisation occurs, to raise the level of confidence in the resources.

**Likely to occur, moderate consequence**

**High risk**
Mining Risks

RPM highlighted the need for geotechnical studies in order to determine the optimum pit design and the proposed waste dumps. The mine design in the RPM Scoping Study is largely based on their experience with similar projects.

Incorrect pit slope angles could lead to collapse of pit walls that could result in interruptions to the mining activity and safety concerns. Changes to the pit design could result in increased stripping ratios, longer haulage distances to waste dumps and increasing costs.

Possible to occur, moderate consequence          Medium risk

Grade control

Grade control measures to minimise dilution of ore grades are important factors in an efficient mining operation. Grade control measures at Bukit Mantri have yet to be defined, but are likely to include in-pit mapping of structures and alteration zones, trenching and sampling in the weathered material and blast hole sampling in the fresh material. The primary risk associated with incorrect grade control protocols is that the thin high grade mineralised zones may end up being consigned to the waste dumps and not to the processing plant. To mitigate against this, closer-spaced grade control sampling may be required, the cost of which could exceed the economic benefit of the grade control process. With this in mind, a 15% dilution factor was incorporated in the mining schedule in the RPM Scoping Study.

However, it is possible that in-pit grade control measures could result in a significantly lower tonnage of material sent to the processing plant without a significant reduction in the contained metal contents. This could lead to cost savings in the overall operation and, therefore, an improvement to the project economics.

Possible to occur, moderate consequence          Medium risk
Reliance on Third Parties

Mining operations will be contracted out and a quotation for provision of these services (overburden & waste removal, drilling & blasting, loading & hauling, crushing & screening) has been received from a Sabah-based contractor\(^1\). The quoted rates are on a per tonne basis. Therefore, it is in the contractor’s interest to move as much material as possible and this could result in less-than-optimal separation of ore from waste unless WRSB personnel are on hand to maintain strict grade control protocols. Furthermore, there is no guarantee that the mining contractor will have the personnel and equipment to ensure provision of these services over the mine life. WRSB should seek quotations from alternative contractors to cover for the possibility of non-performance by the selected contractor.

Transport of the concentrates to port, shipping to overseas smelters and processing of the concentrates are also planned to be by contractors. Failure to deliver by any of these outsiders could result in delays in obtaining revenue.

Possible to occur, minor consequence Low risk

No operating history

SGSB / WRSB personnel have been involved in the exploration programs at Bukit Mantri. However, they have yet to demonstrate that they have the required knowledge and experience to manage a mining operation. Key personnel will need to be employed to ensure efficient running of the mining, processing and administration functions of the operation and may lead to increases in the personnel costs, particularly if they need to be brought in from overseas.

Possible to occur, minor consequence Low risk

\(^1\) JLL has sighted the quotation, but it is not included in this report as it is commercial in confidence.
Technology / Equipment Risks

The Subject relies on well understood and proven technology and mining practices. We do not know if the proposed mining contractor and its workforce are familiar with the equipment and selective mining methodology. The achievability of any expansion plan may highly depend on the technical performance of the equipment and appropriate mining methods.

Possible to occur, minor consequence  Low risk

Infrastructure Risks

The provision of infrastructure depends on the availability, capacity, reliability, security and operation of third party contractors. Performance of these third party contractors cannot be assured and is largely out of the mine operator’s control. The area covered by the Subject is relatively accessible and SGSB has built up basic infrastructure and has demonstrated strong networks with local third party contractors who will provide cost-effective supplies of material, equipment, spare parts and other critical consumables. The main infrastructure risk is that interruptions or shortages of supplies, particularly electricity and water, or increases in prices, could adversely affect the mining and processing operations.

Possible to occur, minor consequence  Low risk
Processing Risks

The planned processing flowsheet, incorporating gravity and flotation circuits, is reasonably well understood and appears to be compatible with the metallurgical testwork results and with the general understanding of the nature of the mineralisation. However, metallurgical testwork undertaken to date has been based on samples that are not believed to be representative of the overall deposit and further testwork is required to optimise the processing flowsheet.

The processing risk is that metal recoveries will not be high enough for economic viability. The majority of the value in the deposit is in the gold contents and lower than expected recoveries of gold, particularly in the sulphide ore, could significantly affect the project economics.

The processing flowsheet will likely involve considerable amounts of water usage (not specified in any of the Scoping Studies), most of which will be recycled. Section 4 of the Special Terms allows the Lessee to use any water flowing within the Lease Area, provided that the Lessee shall not deprive any lands, villages, houses or watering places for animals of a reasonable supply of water in so far as such water has, through custom, been utilised for such lands, villages, houses or animals. Creeks within the Lease Area are generally small and, in times of low rainfall, there is a possibility that either there will not be enough water available for the processing operations or that trucking water in from other areas will add to the processing costs.

Possible to occur, moderate consequence  Medium risk
Commodity Price Risks

The valuation of the Subject has relied on forward metal price contracts obtained from Bloomberg and range from US$1,364/oz for 2016 up to US$1,420/oz for 2020. Future metal prices may differ markedly from the forecasts and could drastically affect the profitability of the operations. Metal prices can be influenced by numerous factors outside of the control of mine operators, such as world supply and demand, forward selling activities, natural disasters disrupting supplies, macro-economic conditions and political issues. Over the life of the mine, it is likely that the mine plan will change in order to accommodate changes in metal prices, particularly by changes to the economic cut-off grade, in order to maintain or maximise profitability.

Possible to occur, moderate consequence  Medium risk

Currency Risk

The exchange rate forecasts taken from Bloomberg, which have been used in our valuation, are expressed in United States Dollars. Some of the revenue and costs will actually be incurred in Malaysian Ringgit and Chinese Yuan, leaving exposure to exchange rate risk.

Possible to occur, moderate consequence  Medium risk
Environmental and Natural Disasters Risks

The SEIA for the entire mining area under the Country Lease is being prepared to investigate the applicable environmental issues associated with the mining stages of the Bukit Mantri Gold Project, such as soil erosion, water pollution, waste generation and management. Furthermore, a proper closure or progressive rehabilitation plan has to be enforced to allow future use of the mining area. The risks of these identified environmental issues highlighted in the SEIA will depend highly on the proper management and mitigation efforts of WRSB, coupled with oversight from the relevant authorities. Overall, the SEIA provides useful information pertaining to the environmental risks involved. The TOR was approved on 28 October 2015 by the relevant authorities with a time limit for submission of the SEIA of 6 months. WRSB sought an extension to the time limit for submission of the SEIA and this was granted by EPD to 20 October 2016 (Appendix 9).

Sabah is exposed to natural disasters such as earthquakes. Earthquakes may result in road blockages, destruction of infrastructure and water storage / tailings dam collapse. Later in the mine life, as the pit deepens, even minor tremors could cause collapse of pit walls with consequent loss of production. Understanding of the geotechnical behavior of the country rock needs to be assessed in order to ensure proper management of the pit design.

Unlikely to occur, moderate consequence                      Low risk

Government Approvals & Tenure

We have seen the Prospecting Licence document and the Country Lease document granted to SGSB, which specifies that the area has been excised from the forestry reserves for the purposes of mining, and the mining conditions have been incorporated in Special Terms. By virtue of the Sub-Lease Agreement, WRSB is given the rights to conduct mining activities in the Bukit Mantri Gold Project. WRSB is bound by, and has to adhere strictly to, the Special Terms (see
Section 2.2 Mining Tenements) or risk a revocation of the Country Lease by the State Government.

The legal opinion on the mining tenements (Appendix 6) has determined that SGSB has complied with all requirements to date. Non-compliance with conditions of the Special Terms, leading up to commencement of mining operations and during the mine life, may result in the Government revoking the Lease.

**Unlikely to occur, major consequence**  
Medium risk

**Government participation**

Under Clause 16 of the Country Lease document, the Government shall have the option to acquire from the Lessee (SGSB) an equity participation of up to 30% of “the share capital of the Lessee or its successors or assigns” at a price determined by experienced international valuers of mining properties as agreed by both parties. For such a small, short-term mining project, we believe that this option is unlikely to be exercised by the Government and, even if it is exercised, it will most likely be cash flow neutral.

**Unlikely to occur, minor consequence**  
Low risk

**Sale of concentrates**

Oxide and sulphide concentrates will be transported to a local port and shipped to overseas smelters for further processing. So far, one indicative quote has been received from a processing company in China, which states that payment will be based on 97% of the spot value of the contained commodities, less a processing fee and plus a rebate paid if the Sulphur content is greater than 20%. As far as we know, there are no firm contracts signed with any overseas smelter operators and the terms as stated in the quotation may not be realized.
However, we understand that there are many potential concentrates buyers in Asia, particularly China, and that the company is unlikely to be in a position of not being able to find a suitable purchaser.

Possible to occur, minor consequence

Low risk

Financing Risks

We have been advised by BAHB personnel that they will be relying on internal funds, borrowings from banks and/or shareholder’s advances to finance the Capital Costs. Failure to be able to fund the mine construction may result in considerable delays and invoke the 4 years’ time period section in the Special Terms. Alternatively, any requirements to source outside funding may necessitate more detailed and costly feasibility studies. Furthermore, there may be need for ongoing working capital to ensure continuation of the operations during times of temporary closure or delays in receipt of revenue. Given that an additional assurance has been provided in the form of a financial support letter by BAHB to WRSB that warrants that BAHB will have sufficient funds to fully support the mining operations, the financing risk is considered to be low.

Unlikely to occur, moderate consequence

Low risk
6.2.2 Opportunities

The Bukit Mantri Gold Project holds some potential for improvements to the project economics that cannot be adequately quantified at this stage.

Additional Resources

Optiro (Drabble & Cervoj, 2016) noted that the mineralisation is open along strike and laterally and that SGSB planned additional drilling to define additional resources. Furthermore, approximately one third of the total resource was classified as Inferred Mineral Resources, primarily on the basis that the drillhole spacing was too wide to enable classification as Indicated. Defining additional resources, or upgrading Inferred Resources to Indicated, will allow for an extended mine life or increased mine production that could improve the project economics.

Commodity Prices

The cash flow model is based on metal spot prices and forward contract prices as at the Valuation Date. The gold price is coming off a 5-year low (Figure 10) and uncertainty in the global economy may see the general upwards trend continuing. We therefore expect that the possibility of commodity prices being significantly higher than the forecasts as just as likely as the possibility of significantly lower prices.
Figure 10 Gold prices in US$/oz since 1 January 2013

Ore Processing

Optimisation of the processing flowsheet and improvements in metal recovery may result from further metallurgical testwork on representative ore samples.

Road base material

Unweathered waste rock may have a ready market as local road base, particularly for the current Pan Borneo Highway construction north of Tawau. SGSB had a block of unweathered andesite rock tested by TSM Laboratory for geotechnical properties with a view to it being used as crushed aggregates (Appendix 9). Based on the results of those tests, a Sabah-based road maintenance company offered to purchase crushed rock aggregate from WRSB for
RM20/t\(^1\). The cost for crushing from blasted waste rock is estimated to be ~RM15/t (Alex Yan, pers. comm.). WRSB also sourced comparable aggregate prices from a Sabah quarry, which ranged up to RM35/t for \(\frac{3}{4}\)” aggregates.

Assuming 30% of the fresh waste (~5 million tonnes) can be sold for road base, that equates to additional revenue of around RM25 million. Sale of the waste will also benefit the project by reducing the size and maintenance costs of waste dumps.

6.2.3 **Summary of Risks and Opportunities**

We have attempted to quantify the potential risks and opportunities as far as they may impinge upon the valuation of the Subject (Table 19). This assessment is, to a large degree, subjective and is based on our experience in valuing other mineral assets and our assessment of the risks facing the Subject. Further studies to increase the level of confidence in the Subject parameters should be undertaken.

We have chosen not to include the possible upside from additional resources as this is largely conceptual at this stage.

\(^1\) JLL has sighted the documentation, but it is regarded as commercial in confidence.
### APPENDIX IV – COMPETENT VALUER’S REPORT (CONT'D)

<table>
<thead>
<tr>
<th>Description</th>
<th>Risk Ranking</th>
<th>Impact</th>
<th>Value adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geology &amp; Resources</td>
<td>H</td>
<td>Mining, reserves</td>
<td>-10%</td>
</tr>
<tr>
<td>Grade Control &amp; Mining</td>
<td>M</td>
<td>Reserves, mining costs</td>
<td>-5%</td>
</tr>
<tr>
<td>Processing (risks + opportunities)</td>
<td>M</td>
<td>Recoverable metals</td>
<td>-5%</td>
</tr>
<tr>
<td>Environment &amp; Government approvals</td>
<td>L-M</td>
<td>Costs, delays</td>
<td>-3%</td>
</tr>
<tr>
<td>Financing Risks</td>
<td>L</td>
<td>Delays, added costs</td>
<td>-2%</td>
</tr>
<tr>
<td>Sale of Concentrates</td>
<td>L</td>
<td>Revenue</td>
<td>-2%</td>
</tr>
<tr>
<td>Technology &amp; Infrastructure</td>
<td>L</td>
<td>Costs, delays</td>
<td>-2%</td>
</tr>
<tr>
<td>Reliance on third parties</td>
<td>L</td>
<td>Mining efficiencies, recovery</td>
<td>-2%</td>
</tr>
<tr>
<td>No operating history</td>
<td>L</td>
<td>Costs, efficiencies</td>
<td>-2%</td>
</tr>
<tr>
<td>Commodity Prices (risks + opportunities)</td>
<td>L²</td>
<td>Revenue (+/-)</td>
<td>0%</td>
</tr>
<tr>
<td>Currency exchange rates (risks + opportunities)</td>
<td>L³</td>
<td>Revenue / costs (+/-)</td>
<td>0%</td>
</tr>
<tr>
<td>Sale of waste as road base</td>
<td></td>
<td>Revenue</td>
<td>+5%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>-28%</strong></td>
</tr>
</tbody>
</table>

*Table 19 Summary of Risks and Opportunities*

### 6.3 MARKET VALUE

#### 6.3.1 ASSESSMENT OF MODIFYING FACTORS

The VALMIN Code 2015 defines Market Value as "the estimated amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm’s length..."
transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion”.

In arriving at the Market Value, we have taken the Technical Value and applied risk analyses based on Modifying Factors including:

- Geology & Resources,
- Mining,
- Processing,
- Infrastructure,
- Economics & Marketing,
- Legal,
- Environmental, and
- Social & Government issues.

Table 19 summarises these risks and opportunities analyses and has determined that, at the current stage of understanding of the Subject, there is a significant overall risk factor that needs to be applied to the Subject valuation.

Many risks related to the proposed mining operation at Bukit Mantri can be minimised by good planning and management practices. However, there is little that the operator can do to prevent abnormal or unforeseen factors, such as global economic conditions, political issues and natural disasters, from impacting the project cash flow.

The main risk associated with the Subject is the low level of confidence in the mining parameters, commensurate with a project at the Scoping Study stage of development, which are regarded as being within an accuracy of +/- 40%.

6.3.2 COMPARABLE TRANSACTIONS

As with all valuations, locating transactions that are truly “comparable” to the subject being valued is fraught with inconsistencies, as each project has its unique qualities and undisclosed
factors. We have chosen to utilise the price paid per acquired resource ounce of gold as the method to value the Subject using Comparable Transactions.

A search of online databases (obtained by searching the SNL Metals & Mining Database (https://www.snl.com), a subscription service that provides financial and industry data, research, news and analytics) revealed 16 market transactions involving small to medium sized gold projects within the past three years (Table 20). The criteria that were used to select transactions were, in order of importance:

- **Commodities:** Gold +/- by-product silver and copper
- **Size:** Less than 1 Moz gold in total resources plus reserves ("R&R")
- **Status:** Pre-production with defined resources
- **Date:** Since mid-April 2013, when the global gold price plummeted from above US$1,600/oz to below US$1,400/oz (see Figure 7)
- **Geographic location:** Malaysia or similar geo-political jurisdiction

None of the 16 transactions is considered to be highly comparable to the Subject because the difference in geographic location leads to differences in mining costs, operating costs, processing costs, royalties payable to government and tax system. Furthermore, it is unclear from the source of the information that the above transactions are purely purchasing the project *per se* or the company that owns the project. If the transactions involved purchasing companies that own the project, they may be other considerations in the final transaction price.

From Table 20, the values for the price paid (normalised by gold price at the time of transaction in comparison to the gold price at the Valuation Date) vary greatly from RM7 per resource ounce of gold to RM391 per resource ounce of gold. This reflects the variations in the characteristics of the different projects, such as tonnage, grade of mineralisation and geochemical properties, and suggests that the selected transactions are only weakly comparable to the Subject.
Eliminating the top 25% and bottom 25% of these transactions (i.e. utilising the middle 8 transactions) gives a range of RM20 to RM119 per resource ounce of gold and an average of RM86 per resource ounce of gold. Applying these values to the Bukit Mantri deposit (207,000 ounces Au) gives a range of values from RM4 million to RM25 million and an average of RM18 million (rounded to nearest million).

In December 2015, AMC Consultants undertook a valuation of the Lubuk Mandi Gold Project in Terengganu, Malaysia, for inclusion in the IPO document for Anchor Resources Limited listing on the Singapore Exchange. The Lubuk Mandi Gold Project consists of re-treatment of tailings and rehabilitation of an existing low-grade open pit and held Indicated and Inferred Mineral Resources that contained a total of approximately 114,000 ounces of gold. The Market Value of the project was determined to be within the range of US$16.1 million to US$22.2 million, with a preferred value of US$19.2 million (Thomas, 2015), giving a figure of approximately US$168.4 per resource gold ounce.

On a similar US$ per resource gold ounce equation, the Bukit Mantri deposit would equate to a range of values of approximately US$29.2 million to US$40.3 million (RM118 million to RM163 million) and a preferred value of US$34.8 million (RM141 million), which is similar to the valuation derived from Income Capitalisation Approach.

Although this is a valuation of the project, and not a market transaction, we rate this transaction is the most appropriate comparable to the Subject as the project is located within Malaysia and very recent. As Lubuk Mandi Gold Project is the major asset of Anchor Resources Limited, given the similarity of Lubuk Mandi Gold Project and the Subject, it is expected that the market capitalisation as of the Valuation Date could be a proxy for valuing the Subject. On 5 July 2016, the market capitalisation of Anchor Resources Limited was equivalent to approximately RM100 million.
### APPENDIX IV – COMPETENT VALUER'S REPORT (CONT'D)

<table>
<thead>
<tr>
<th>Buyer</th>
<th>Seller</th>
<th>Target</th>
<th>Country</th>
<th>Announce Date</th>
<th>Equity Acquired (%)</th>
<th>Deal Value (US$M)</th>
<th>R&amp;R Acquired (oz)</th>
<th>US$/oz of R&amp;R acquired</th>
<th>Normalised on Au price (RM/oz)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bunda Resources Pty Ltd Ltd</td>
<td>Castle Minerals Limited</td>
<td>Julie West project</td>
<td>Ghana</td>
<td>12/10/2015</td>
<td>100%</td>
<td>0.37</td>
<td>268,800</td>
<td>1.36</td>
<td>7</td>
</tr>
<tr>
<td>Gold Anomaly</td>
<td>Triple Plate Junction &amp; Celtic Minerals</td>
<td>Crater Mountain</td>
<td>PNG</td>
<td>15/04/2013</td>
<td>10%</td>
<td>0.25</td>
<td>79,000</td>
<td>3.16</td>
<td>10</td>
</tr>
<tr>
<td>Kaizen Discovery Inc.</td>
<td>AM Gold Incorporated</td>
<td>Pinaya project</td>
<td>Peru</td>
<td>06/07/2015</td>
<td>100%</td>
<td>3.29</td>
<td>968,000</td>
<td>3.40</td>
<td>15</td>
</tr>
<tr>
<td>Pinecrest Resources Ltd.</td>
<td>Kinross Gold Corporation</td>
<td>Enchi gold project</td>
<td>Ghana</td>
<td>22/05/2014</td>
<td>49%</td>
<td>2.01</td>
<td>376,320</td>
<td>5.35</td>
<td>18</td>
</tr>
<tr>
<td>Oro Verde Limited</td>
<td>Topacio S.A.</td>
<td>Topacio gold project</td>
<td>Nicaragua</td>
<td>11/11/2014</td>
<td>100%</td>
<td>1.74</td>
<td>340,345</td>
<td>5.11</td>
<td>20</td>
</tr>
<tr>
<td>Nord Gold N.V.</td>
<td>Goldrush Resources Ltd.</td>
<td>Goldrush Burkina S.A.R.L.</td>
<td>Burkina Faso</td>
<td>12/06/2014</td>
<td>100%</td>
<td>5.25</td>
<td>384,000</td>
<td>13.67</td>
<td>47</td>
</tr>
<tr>
<td>Cangold Ltd.</td>
<td>Vista Gold Corp.</td>
<td>Guadalupe De Los Reyes project</td>
<td>Mexico</td>
<td>16/01/2014</td>
<td>100%</td>
<td>8.00</td>
<td>536,083</td>
<td>14.92</td>
<td>54</td>
</tr>
<tr>
<td>Bluebird Merchant Ventures Ltd.</td>
<td>Red Mountain Mining Limited</td>
<td>Batangas project</td>
<td>Philippines</td>
<td>23/12/2014</td>
<td>50%</td>
<td>5.50</td>
<td>222,945</td>
<td>24.67</td>
<td>100</td>
</tr>
<tr>
<td>Poly metals International Plc.</td>
<td>Undisclosed seller</td>
<td>Lichkov property</td>
<td>Armenia</td>
<td>15/04/2015</td>
<td>25%</td>
<td>3.67</td>
<td>139,250</td>
<td>26.38</td>
<td>111</td>
</tr>
<tr>
<td>Austral Gold Limited</td>
<td>Yamana Gold Inc.</td>
<td>Amancaya project</td>
<td>Chile</td>
<td>17/06/2014</td>
<td>100%</td>
<td>12.00</td>
<td>353,000</td>
<td>33.99</td>
<td>119</td>
</tr>
<tr>
<td>Compania Inversora en Minas SA</td>
<td>Minera IRL Limited</td>
<td>Don Nicolas</td>
<td>Argentina</td>
<td>30/07/2014</td>
<td>51%</td>
<td>11.50</td>
<td>325,109</td>
<td>35.37</td>
<td>119</td>
</tr>
<tr>
<td>Timmins Gold Corp.</td>
<td>Goldgroup Mining Inc.</td>
<td>Caballo Blanco project</td>
<td>Mexico</td>
<td>18/12/2014</td>
<td>100%</td>
<td>29.64</td>
<td>993,000</td>
<td>29.65</td>
<td>119</td>
</tr>
<tr>
<td>Axante Gold Corp.</td>
<td>Goiknet Mining Co. Ltd.</td>
<td>Kubi gold project</td>
<td>Ghana</td>
<td>03/03/2015</td>
<td>100%</td>
<td>10.45</td>
<td>346,000</td>
<td>30.20</td>
<td>125</td>
</tr>
<tr>
<td>Xiao Yi Da Jie Shan Coal Company Limited</td>
<td>Hami Jiaka Mineral Resource Exploitation Limited</td>
<td>Shaanxi Jiaka Mineral Exploitation</td>
<td>China</td>
<td>18/12/2015</td>
<td>100%</td>
<td>7.40</td>
<td>269,000</td>
<td>25.61</td>
<td>141</td>
</tr>
<tr>
<td>MNG Group of Companies</td>
<td>Golden Rim Resources Limited</td>
<td>Balogo project</td>
<td>Burkina Faso</td>
<td>06/02/2015</td>
<td>100%</td>
<td>10.00</td>
<td>185,831</td>
<td>53.81</td>
<td>212</td>
</tr>
<tr>
<td>Shandong Gold Mining Co Ltd</td>
<td>Shandong Jinshi Mining Co Ltd</td>
<td>Tengjia</td>
<td>China</td>
<td>31/12/2013</td>
<td>100%</td>
<td>61.00</td>
<td>579,000</td>
<td>105.35</td>
<td>391</td>
</tr>
</tbody>
</table>

Table 20: List of Recent Gold Comparable Transactions

1 Price paid in US$/oz converted to RM/oz at exchange rate as at the announcement date adjusted to take into account change in gold price from the announcement date to the Valuation Date.

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6.3.3 Summary of Market Value

Market Value can be derived as follows:

\[ \text{Market Value} = \text{Technical Value} \times \text{Modifying Factors discount/premium} \]

Based on the Technical Value derived from the DCF analysis discounted by 28%, based on our overall assessment of the Modifying Factors risks and opportunities (see Table 19), this equation gives a range for the derived Market Value for the Subject of RM98 million to RM136 million, with a preferred value of RM117 million (rounded to nearest million).

However, the Technical Value is based on information at a Scoping Study stage, which, in general, has an accuracy in the range of +/- 40%. In the current depressed market conditions, a prudent buyer would be unlikely to offer such a price.

To establish a Market Value for the Subject, we have relied upon the discounted Technical Value, a compilation of Comparable Transactions and the market capitalisation of Anchor Resources Limited where the major asset is the Lubuk Mandi mine according to the company’s 2015 Annual Report and company website, with each method weighted according to our subjective analysis of the respective weightings of each method.

The discounted Technical Values have been given a weighting of 70% on the basis that the information is specific to the Subject. The Comparable Transactions have been given a weighting of 20% because the wide range of derived RM/oz values casts doubt on the method’s accuracy in determining a Market Value for the Subject. The Anchor Resources Limited market capitalisation has been given only a 10% weighting because, although it is somewhat similar to the Subject, it is a company market capitalisation consist of other assets and liabilities other than the Lubuk Mandi Gold Project.
Based on these weightings, Table 21 shows a range of valuations for the Subject from RM69 million to RM100 million, with a preferred value of RM96 million.

<table>
<thead>
<tr>
<th>Method</th>
<th>Weighting</th>
<th>Low</th>
<th>High</th>
<th>Preferred</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Value</td>
<td>70%</td>
<td>98</td>
<td>136</td>
<td>117</td>
</tr>
<tr>
<td>Comparable Transactions</td>
<td>20%</td>
<td>4</td>
<td>25</td>
<td>18</td>
</tr>
<tr>
<td>Anchor Resources Limited Market Capitalisation</td>
<td>10%</td>
<td>n.a.</td>
<td>n.a.</td>
<td>100</td>
</tr>
<tr>
<td>TOTALS</td>
<td>100%</td>
<td>69</td>
<td>100</td>
<td>96</td>
</tr>
</tbody>
</table>

*Table 21: Market Value based on weightings of valuation methods*
7 OPINION OF VALUE

Based on the results of our investigations and analysis outlined in this Valuation Report, we are of the opinion that the Technical Value of the Mining Right over 317.7 hectares of land within the Bukit Mantri Gold Project belonging to Wullersdorf Resources Sdn Bhd as at the Valuation Date ranges from RM136 million to RM189 million, with the preferred value being RM162 million.

Based on our assessment of Modifying Factors, incorporating both risks and opportunities applicable to the project at this stage of development, indicates that the Technical Value should be discounted by a factor of 28% to derive the Market Value, which has been assessed at RM98 million to RM136 million, with the preferred value being RM117 million.

The Comparable Transactions Approach does not fully support the Market Value derived by the Income Capitalisation Approach and, therefore, the market capitalisation of Anchor Resources Limited holding Lubuk Mandi Gold Project, which is similar to the Subject is considered as a proxy. Weightings are assigned to different valuation methods in order to derive the Market Value of the Subject. In the consideration of the specific characteristics of the Subject and the applicability of the method, 70% weighting is given to the Income Capitalisation Approach, 20% is given to the Market Approach, and 10% is given to the market capitalisation of Anchor Resources Limited.
We have determined the Market Value for the Subject as at the Valuation date to be within the range from RM69 million to RM100 million and with a preferred value of RM96 million. In accordance with the VALMIN Code 2015, we believe that this valuation can be considered as reflecting an “arm’s length transaction”.

This Valuation Report and opinion of value are subject to our Limiting Conditions as included in this Valuation Report.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Murray Hutton
Principal Consultant

Simon M. K. Chan
Regional Director
8 BIBLIOGRAPHY


9 TERMS AND DEFINITION

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASX</td>
<td>Australian Securities Exchange</td>
</tr>
<tr>
<td>AusIMM</td>
<td>Australasian Institute of Mining and Metallurgy</td>
</tr>
<tr>
<td>Bursa Securities</td>
<td>Bursa Malaysia Securities Berhad</td>
</tr>
<tr>
<td>Bps</td>
<td>Basis point, refers to one hundredth of one percentage point</td>
</tr>
<tr>
<td>BAHB</td>
<td>Borneo Aqua Harvest Berhad</td>
</tr>
<tr>
<td>Capex</td>
<td>Capital Expenditure</td>
</tr>
<tr>
<td>CMSA</td>
<td>Capital Markets and Services Act 2007 of Malaysia</td>
</tr>
<tr>
<td>Country Lease</td>
<td>Country Lease Title No. 105651438</td>
</tr>
<tr>
<td>DCF</td>
<td>Discounted Cash Flow</td>
</tr>
<tr>
<td>Feasibility Study</td>
<td>A comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying Factors together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project.</td>
</tr>
<tr>
<td>HKICPA</td>
<td>Hong Kong Institute of Certified Public Accountants</td>
</tr>
<tr>
<td>JLL</td>
<td>Jones Lang LaSalle Corporate Appraisal and Advisory Limited</td>
</tr>
<tr>
<td>Lands and Survey Department</td>
<td>Sabah Lands and Surveys Department, Kota Kinabalu, Sabah</td>
</tr>
<tr>
<td>Mining Right</td>
<td>The rights to conduct mining on the Sub-Lease Land in accordance with Clause 2(c) of the Sub-Lease Agreement dated 1 October 2015 between WRS8 and SGS8.</td>
</tr>
<tr>
<td>NPV</td>
<td>Net Present Value</td>
</tr>
<tr>
<td>Optiro</td>
<td>Optiro Pty Limited, the independent expert</td>
</tr>
<tr>
<td>oz / ounce</td>
<td>Troy ounce, equal to 31.10348 grams</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Report Date</td>
<td>6 July 2016</td>
</tr>
<tr>
<td>RICS</td>
<td>Royal Institute of Chartered Surveyors</td>
</tr>
<tr>
<td>RM / MYR</td>
<td>Malaysian Ringgit</td>
</tr>
<tr>
<td>RMB / CNY</td>
<td>Chinese Renminbi / Yuan</td>
</tr>
<tr>
<td>Scoping Study</td>
<td>An order of magnitude technical and economic study of the potential viability of Mineral Resources. It includes appropriate assessments of realistically assumed Modifying Factors together with any other relevant operational factors that are necessary to demonstrate at the time of reporting that progress to a Pre-Feasibility Study can be reasonably justified.</td>
</tr>
<tr>
<td>SGSB</td>
<td>Southsea Gold Sdn Bhd</td>
</tr>
<tr>
<td>Special Terms</td>
<td>Annexure to the Country Lease: Special Terms to Country Lease 105651438</td>
</tr>
<tr>
<td>Sub-Lease Agreement</td>
<td>Sub-lease agreement entered into between WRSB and SGSB on 1 October 2015</td>
</tr>
<tr>
<td>Sub-Lease Land</td>
<td>Estimated land area of 317.7 hectares under the Sub-Lease Agreement</td>
</tr>
<tr>
<td>Subject</td>
<td>Mining Rights to 317.7 hectares of land within the Bukit Mantri Gold Project</td>
</tr>
<tr>
<td>US$ / USD</td>
<td>United States Dollar</td>
</tr>
<tr>
<td>Valuation Date</td>
<td>6 July 2016</td>
</tr>
<tr>
<td>WRSB</td>
<td>Wullersdorf Resources Sdn Bhd</td>
</tr>
</tbody>
</table>
10 GLOSSARY OF TECHNICAL TERMS

Terms not included in this glossary are used in accordance with their definitions in the Australian Concise English Dictionary.

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ag</td>
<td>Silver</td>
</tr>
<tr>
<td>Andesite</td>
<td>a volcanic rock largely composed of andesine feldspar and one or more ferro-magnesian minerals.</td>
</tr>
<tr>
<td>Au</td>
<td>Gold</td>
</tr>
<tr>
<td>Base Metal</td>
<td>any metal at the lower end of the electrochemical series that oxidises readily</td>
</tr>
<tr>
<td>Breccia</td>
<td>a coarse-grained rock consisting of angular broken rock fragments held together by a fine-grained matrix, distinct from conglomerate.</td>
</tr>
<tr>
<td>Chalcoprite</td>
<td>a mineral made up of copper, iron and sulphur. An important ore mineral comprising ~34% copper.</td>
</tr>
<tr>
<td>Cu</td>
<td>Copper</td>
</tr>
<tr>
<td>Diamond drilling</td>
<td>a drilling method whereby rock is “cored” by an annulus-shaped drill bit at the end of the drill rod string. The cylindrical drill core is retrieved in a core barrel and brought to the surface for geological logging and sampling.</td>
</tr>
<tr>
<td>Deposit</td>
<td>a mineral occurrence of sufficient size and grade that it might, under favourable circumstances, be considered to have economic potential</td>
</tr>
<tr>
<td>Fault</td>
<td>a geological fracture along which rocks on one side of the fault are dislocated relative to those on the other side.</td>
</tr>
<tr>
<td>Feasibility Study</td>
<td>a study of the economic viability of the mining and production of base or precious metals or other minerals</td>
</tr>
<tr>
<td>Grade</td>
<td>average quantity of ore or metal in a specified quantity of rock.</td>
</tr>
<tr>
<td>Gravity Separation</td>
<td>an industrial method of separating two components from a suspension or any other homogeneous mixture where separating the components with gravity is sufficiently practical</td>
</tr>
<tr>
<td>Hematite</td>
<td>the principal form of iron ore, and is the mineral form of iron(III) oxide (Fe2O3), one of several iron oxides. Hematite crystallizes in the rhombohedral system</td>
</tr>
<tr>
<td>Illite</td>
<td>a non-expanding, clay-sized, micaceous phyllosilicate mineral with aggregates of grey or white monoclinic crystals</td>
</tr>
<tr>
<td>Term</td>
<td>Description</td>
</tr>
<tr>
<td>--------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Indicated Mineral resource</td>
<td>That part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit.</td>
</tr>
<tr>
<td>Inferred Mineral Resource</td>
<td>That part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling.</td>
</tr>
<tr>
<td>JORC Code</td>
<td>a code prepared by the Joint Ore Reserves Committee that sets out minimum standards, recommendations and guidelines for public reporting in Australasia of exploration results, mineral resources and ore reserves. The version of the code in current use is the JORC Code 2012.</td>
</tr>
<tr>
<td>Kaolinite</td>
<td>a clay mineral with the chemical composition Al2Si2O5(OH)4. It is a layered silicate mineral, with one tetrahedral sheet linked through oxygen atoms to one octahedral sheet of alumina octahedra.</td>
</tr>
<tr>
<td>Kriging Method</td>
<td>a group of geostatistical techniques to interpolate the value of a random field at an unobserved location from observations of its value at nearby locations.</td>
</tr>
<tr>
<td>Mineralisation</td>
<td>term describing the deposition of economically important minerals in the formation of ore bodies.</td>
</tr>
<tr>
<td>Mineral Resource</td>
<td>a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality) and quantity that there are reasonable prospects for eventual economic extraction. Not all of a Mineral Resource may be economically mineable.</td>
</tr>
<tr>
<td>Miocene</td>
<td>an epoch of the Neogene geological time period extending from 23 million years ago to 5.3 million years ago.</td>
</tr>
<tr>
<td>Oligocene</td>
<td>an epoch of the Paleogene geological time period extending from 33.9 million years ago to 23 million years ago.</td>
</tr>
<tr>
<td>Ore Reserves</td>
<td>the economically mineable part of a Measured or Indicated Mineral Resource at the time of reporting, as defined in the JORC Code 2012.</td>
</tr>
<tr>
<td>Pyrite</td>
<td>a common sulphide mineral containing iron, with chemical formula FeS2; often called “fool's gold”.</td>
</tr>
<tr>
<td>Quartz</td>
<td>second most abundant mineral in the Earth's continental crust, after feldspar. It is made up of a continuous framework of SiO4 silicon–oxygen tetrahedra, with each oxygen being shared between two tetrahedra, giving an overall formula SiO2</td>
</tr>
<tr>
<td>R&amp;R</td>
<td>Reserves and Resources</td>
</tr>
<tr>
<td>Recoverable Resources</td>
<td>the amount of resource that can be removed by a mining process</td>
</tr>
<tr>
<td>Term</td>
<td>Description</td>
</tr>
<tr>
<td>---------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Sediment</td>
<td>material, such as mud and sand, which has been moved and deposited by water, ice or wind.</td>
</tr>
<tr>
<td>Strip Ratio</td>
<td>the ratio of the total waste removed to the total ore mined in open pit mining.</td>
</tr>
<tr>
<td>Tenement</td>
<td>an area granted for exploration or mining purposes.</td>
</tr>
<tr>
<td>Tonne</td>
<td>Sometimes called &quot;metric ton&quot;, equals 1,000 kilograms or 2,204.6 pounds.</td>
</tr>
<tr>
<td>Vein</td>
<td>a fracture in rock which has been filled with mineral, often quartz.</td>
</tr>
<tr>
<td>Workings</td>
<td>the entire system of openings in a mine for the purpose of operation.</td>
</tr>
</tbody>
</table>
Appendix 1. LIMITING CONDITIONS

1) In preparation of the Valuation Report, JLL has based its valuation on information within its own knowledge and/or acquired as a result of its investigation as well as the information presented by the management of the company and its service providers. JLL has relied upon and assumed the accuracy and completeness of all material information that has been provided. JLL has satisfied itself as to the reasonableness of the information it used by conducting suitable checking, enquiries, analysis and verification work. JLL has no reason to believe that the information provided is materially inaccurate, misleading or incomplete.

2) We have explained as part of our service engagement procedure that it is the director’s responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.

3) Public information and industry and statistical information have been obtained from sources we deem to be reputable. However, we make no representation as to the accuracy or completeness of such information and have accepted the information in good faith.

4) The management of the Company has reviewed and agreed on the Valuation Report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

5) Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the Subject described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.

6) No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers.
7) The use of and/or the reliance of the Valuation Report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all expenses.

8) Our conclusions assume continuation of prudent management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

9) We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by BAHB and WRSB because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

10) This Valuation Report has been prepared for submission to the SC and for inclusion in the Circular of BAHB in connection with the proposed acquisition of WRSB. Our consent to the disclosure of the Valuation Report in connection with the proposed acquisition of WRSB is solely for the purpose of providing information to potential investors or any interested party.

11) This Valuation Report is confidential to the client and calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the reference date. In accordance with our standard practice, we must state that this Valuation Report and exercise is for the use only by the party to whom it is addressed and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

12) Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation if such investigation is beyond the scope of normal scenario analysis work.
13) The Company agrees to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney’s fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14) We are not environmental consultants or auditors, and we take no responsibility for any actual or potential environmental liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional environmental assessment. We do not conduct or provide environmental assessments and have not performed one for the subject property.

15) This exercise is premised in part on the historical financial information and relevant commercial information provided by the management of BAHB and WRSB. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in arriving at our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some case those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

16) This Valuation Report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the Valuation Report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as transaction price purpose in any manner whatsoever. The conclusion of values represents the consideration based on information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets / business might be concluded at a higher or lower value, depending upon
the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.
Appendix 2. Valuer's Biography

Murray Hutton

Principal Consultant, Geos Mining Minerals Consultants, Sydney.

Qualifications and Professional Memberships

BA (Hons, Geology)

Member of Australian Institute of Geoscientists

Experience

Murray Hutton has extensive experience in the mineral industry with a primary focus in gold and base metals. He spent his early career working on a variety of project within Australia, Pacific Islands and Southeast Asia, specializing in exploration projects for gold, base metals and tin. He has held senior positions as an exploration geologist for firms based in Papua New Guinea, Philippines, Fiji and Australia. His expertise is thus in exploration program management, including project technical assessment and planning, reconnaissance through to drilling supervision, resource estimation and independent geological reports and valuations. He has been at Geos Mining for over eight years and holds a position as Principal Consultant.

Murray Hutton’s qualifications and experience are sufficient for him to be regarded as a “Competent Person” under the JORC Code 2012 and as a “Specialist” under the VALMIN Code 2015.
Simon M.K. Chan

Regional Director, Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Qualifications and Professional Memberships

B.Commerce, FCPA, FCPA (Aust.), Member of AusIMM and RICS

Experience

Simon has provided Mineral Asset Valuation Services since 2007 and has extensive work experience in other valuation and corporate advisory industries. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in China, Hong Kong, Singapore and the United States. The valuation services provided include firm valuation, equity valuation, mining rights and mineral assets valuation, purchase price allocation, intangible asset identification and valuation (e.g. trademark, customer base, patent, etc.), biological asset valuation, current asset and liability valuation, goodwill and other asset impairment evaluation, convertible bond valuation, employee share option valuation and other financial instrument valuation. Simon has participated in certain large scale IPOs of State-owned and privately-owned enterprises in China. He has successfully assisted various multinational companies invested in China and has provided different extent of valuable due diligence services for these companies.
Appendix 3.  VALUER’S PROFESSIONAL DECLARATION

The following valuers certify, to the best of their knowledge and belief, that:

- Information has been obtained from sources that are believed to be reliable. All facts that have a material bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.

- The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the Valuation Report and based on the valuers’ personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.

- The reported analyses, opinions, and conclusions are independent and objective.

- The valuers have no present or prospective interest in the asset that is the subject of this Valuation Report, and have no personal interest or bias with respect to the parties involved.

- The valuers’ compensation is not contingent upon the amount of the value estimate, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.

- The analyses, opinions, and conclusions were developed, and this Valuation Report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Committee and the VALMIN Code 2015.

- The under mentioned persons provided professional assistance in the compilation of this Valuation Report.

Murray Hutton  
Project Manager  
*BA (Hons.) (Geology),  
Member of AIG*

Simon M.K. Chan  
Regional Director  
*FCPA, FCPA (Aust.),  
Member of AusIMM and RICS*
Murray Hutton's Declaration

I, Murray Hutton, hereby confirm that:

1) I have carried out the assignment for Jones Lang LaSalle Corporate Appraisal and Advisory, located at:
   6 F Three Pacific Place, 1 Queen’s Road, East Hong Kong
   Tel: (852) 2169 6000 | Fax: (852) 2169 6008

2) I graduated with Bachelor of Arts Degree (Hons) in Geology from Macquarie University, Sydney, Australia (1973 - 1976).

3) I am a member of the Australian Institute of Geoscientists.

4) I have over 38 years of experience in the resources industry involving the management of gold and base metals exploration programs in Australia, Philippines, Fiji, Papua New Guinea and Vietnam. I have in excess of five years of recent and relevant experience in the Technical Assessment of gold and copper projects in Australia, Indonesia, Cambodia, Peru, Mali and Papua New Guinea. I also have an additional five years of recent and relevant experience in the Valuation of mineral assets.

5) I am the primary author responsible for the preparation and compilation of this Valuation Report.

6) I have neither present nor prospective interests in the Subject mineral assets, the Business Enterprise, the Company or the values reported herein.

7) I am not aware of any material fact or material change with respect to the Subject matter of the Valuation Report that is not reflected in the Valuation Report.

8) This Valuation Report has been prepared in accordance with the guidelines set by the VALMIN Code 2015 established by the VALMIN Committee in Australia.

9) I have read the definition of “VALMIN Practitioners” set out in the VALMIN Code 2015 and certify, by reason of my education, affiliation with a professional association and past relevant work experience, I fulfill the requirements to be a “Specialist” under the VALMIN Code 2015 for the style of the Subject mineral assets.
Simon M. K. Chan’s Declaration

1) I have read the definition of “VALMIN Practitioners” set out in the VALMIN Code 2015 and certify, by reason of my education, affiliation with a professional association and past relevant work experience, I fulfill the requirements to be a “Securities Expert” under the “VALMIN Practitioners” section of VALMIN Code 2015.

2) I am responsible for the review of this Valuation Report.

3) I have read the VALMIN Code 2015 and the Valuation Report has been prepared in accordance with the VALMIN Code 2015.

4) I am a certified public accountant in Hong Kong (HKICPA) and Australia (CPA (Aust)), and I am also a member of the AusIMM and RICS. I have extensive work experience in valuation and corporate advisory industry.

5) I am not aware of any material fact or material change with respect to the Subject matter of the Valuation Report that is not reflected in the Valuation Report, that a failure to disclose would make the Valuation Report misleading.

6) I am independent of WRSB and BAHB, in compliance with Clause 4.2 Independence of the VALMIN Code 2015.

7) The Valuation Report is prepared within Jones Lang LaSalle with registered address at 6/F Three Pacific Place, 1 Queen’s Road East, Hong Kong.
Appendix 4.  RPM SCOPING STUDY

Please refer to the relevant section in the Circular
Appendix 5. METALLURGICAL TESTWORK REPORTS

Mineral Processing Group

MEMO

Universal Commitment Sdn. Bhd representing SouthSea Gold Sdn. Bhd. (Client) requested SGS Australia (SGS) to conduct a scouting level program of metallurgical testwork. The purpose of the testwork was to assess the amenability of two ore samples to a variety of metallurgical processes designed to recover gold present in the samples. Two samples have been tested, a sulphide composite and an oxide composite, which were formed by compositing separate samples according to the Client's instructions. This memo summarises the testwork results to date.

Sulphide Composite

Gravity Recoverable Gold (GRG) Test

The gravity recoverable gold (GRG) test assesses the ores amenability to gold recovery using gravity techniques and hence the justification for a gravity circuit in the process design.

Typically poor GRG results would be below 20% GRG, while exceptional results would report over 80% GRG. Most free milling ores exhibit an intermediate response. Table 1 summarises the GRG results obtained on the sulphide composite.

Table 1

<table>
<thead>
<tr>
<th>Nominal Grind Size</th>
<th>Product Stream</th>
<th>Mass (g)</th>
<th>Gold (g/t)</th>
<th>dil'n (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>850</td>
<td>Pan Concentrate</td>
<td>4.17</td>
<td>59,300</td>
<td>22.8</td>
</tr>
<tr>
<td></td>
<td>Pan Tailings</td>
<td>86.85</td>
<td>14.36</td>
<td>10.7</td>
</tr>
<tr>
<td></td>
<td>Knelson Tailings</td>
<td>280.5</td>
<td>1.42</td>
<td>1.34</td>
</tr>
<tr>
<td>180</td>
<td>Pan Concentrate</td>
<td>7.11</td>
<td>45,100</td>
<td>23.6</td>
</tr>
<tr>
<td></td>
<td>Pan Tailings</td>
<td>100.05</td>
<td>900</td>
<td>8.39</td>
</tr>
<tr>
<td></td>
<td>Knelson Tailings</td>
<td>287.4</td>
<td>1.45</td>
<td>0.45</td>
</tr>
<tr>
<td>75</td>
<td>Pan Concentrate</td>
<td>8.46</td>
<td>8,130</td>
<td>4.84</td>
</tr>
<tr>
<td></td>
<td>Pan Tailings</td>
<td>57.99</td>
<td>274</td>
<td>2.47</td>
</tr>
<tr>
<td></td>
<td>Knelson Tailings</td>
<td>18.895</td>
<td>9.8</td>
<td>1.13</td>
</tr>
<tr>
<td><strong>Totals (Calc'd Head)</strong></td>
<td></td>
<td>19,760</td>
<td>54.9</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Totals (Assayed Head)</strong></td>
<td></td>
<td>19,084</td>
<td>55.7</td>
<td></td>
</tr>
<tr>
<td>Pan Concentrate (GRG Value)</td>
<td></td>
<td>17.7</td>
<td>34,975</td>
<td>57.2</td>
</tr>
<tr>
<td>Knelson Concentrate (GRG Value)</td>
<td></td>
<td>296.6</td>
<td>2,876</td>
<td>78.6</td>
</tr>
</tbody>
</table>

For the sulphide composite, the GRG recovery to the first stage is 33.5%, indicating there is significant amount of liberated coarse gold present in the sample. While the overall recovery to the pan concentrates is 57.2% indicating a very large portion of free gold in the sample. This test clearly indicates there is a large proportion of free gold which is amenable to recovery using gravity techniques.
Sighter Rougher Flotation

Four sighter rougher flotation tests were conducted on the sulphide composite. Three tests (UNI 003, UNI 004 and UNI 005) were processed according to the flowsheet illustrated in Figure 1:

![Figure 1](image)

A modified flowsheet illustrated in Figure 2 was employed for test number UNI006.

![Figure 2](image)

A simple reagent scheme was used for the sighter flotation tests comprising CuSO₄ activator, potassium amyl xanthate (PAX) and specific gold collectors from Orica (DSP634) and Cytec (MX900). Reagent additions used in the flotation tests are listed in Table 2:

<table>
<thead>
<tr>
<th>Test ID</th>
<th>CuSO₄</th>
<th>PAX</th>
<th>Orica DSP634</th>
<th>Cytec MX900</th>
<th>Frother (W55)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNI003</td>
<td>100g/t</td>
<td>120g/t</td>
<td>-</td>
<td>-</td>
<td>As required</td>
</tr>
<tr>
<td>UNI004</td>
<td>100g/t</td>
<td>120g/t</td>
<td>20g/t</td>
<td>-</td>
<td>As required</td>
</tr>
<tr>
<td>UNI005</td>
<td>100g/t</td>
<td>120g/t</td>
<td>-</td>
<td>20g/t</td>
<td>As required</td>
</tr>
<tr>
<td>UNI006</td>
<td>100g/t</td>
<td>120g/t</td>
<td>-</td>
<td>20g/t</td>
<td>As required</td>
</tr>
</tbody>
</table>

Summarised metal recoveries (gold, copper and sulphide sulphur only) to combined rougher concentrate for each of the 4 sighter flotation tests are given in Table 3 overleaf.
Table 3

<table>
<thead>
<tr>
<th>Test ID</th>
<th>Cumulative Mass to Concentrate (%)</th>
<th>Gold</th>
<th>Copper</th>
<th>Sulphide Sulphur</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Grade (g/t)</td>
<td>Recovery (%)</td>
<td>Grade (%)</td>
</tr>
<tr>
<td>UN003</td>
<td>24.1</td>
<td>212</td>
<td>84.3</td>
<td>6.84</td>
</tr>
<tr>
<td>UN004</td>
<td>25.2</td>
<td>198</td>
<td>84.0</td>
<td>6.42</td>
</tr>
<tr>
<td>UN005</td>
<td>23.1</td>
<td>214</td>
<td>93.4</td>
<td>7.00</td>
</tr>
<tr>
<td>UN006</td>
<td>23.5</td>
<td>128(†)</td>
<td>97.4(‡)</td>
<td>6.88</td>
</tr>
</tbody>
</table>

(†) Gravity gold removed prior to flotation  
(‡) Recovery is total gold recovery — gravity gold plus flotation recovered gold.

Comparison recovery vs. time curves for gold and copper are illustrated in Figure 3 and Figure 4 overleaf. The flotation kinetics are rapid with the majority of the valuable metals recovered within the first two concentrates (7 mins flotation time). This indicates that there is scope to reduce the flotation time while still maintaining acceptable recovery of the valuable minerals, which could in turn reduce the required residence time design for a commercial concentrator.

Figure 3

Au Recovery vs. Time

---

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www.met-sgs.com
The sighter flotation and gravity test results indicate:

- Very high recovery of gold and copper in combined rougher flotation concentrate was achieved under simple flotation conditions. The mass recovery to combined rougher concentrate was quite high.
- Test UN4006 gave the best results, indicating that removal of the gravity recoverable gold component before froth flotation was very beneficial.
- The GRG test results indicate that the sulphide ore composite is highly amenable to gravity concentration. Approximately ~52% of the contained gold reported to the pan concentrate at a grind size of nominally P88% = 185µm. It should be noted however that the laboratory Knelson concentrator recovers gold very efficiently and actual plant recovery will be highly dependent on the full scale gravity circuit efficiency.

Oxide Composite

**Gravity Recoverable Gold (GRG) Test**

A GRG test was conducted on the oxide composite and the results summarised in Table 4 overleaf.
Table 4

<table>
<thead>
<tr>
<th>Nominal Grind Size P&lt;sub&gt;80&lt;/sub&gt; (µm)</th>
<th>Product Stream</th>
<th>Mass (g)</th>
<th>(%)</th>
<th>Gold (g/t)</th>
<th>dia'tn (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>850</td>
<td>Pan Concentrate</td>
<td>5.51</td>
<td>0.023</td>
<td>4,630</td>
<td>28.4</td>
</tr>
<tr>
<td></td>
<td>Pan Tailings</td>
<td>67.9</td>
<td>0.34</td>
<td>192</td>
<td>12.9</td>
</tr>
<tr>
<td></td>
<td>Knelson Tailings</td>
<td>312.3</td>
<td>1.90</td>
<td>4,07</td>
<td>12.6</td>
</tr>
<tr>
<td>180</td>
<td>Pan Concentrate</td>
<td>6.06</td>
<td>0.031</td>
<td>2,160</td>
<td>13.9</td>
</tr>
<tr>
<td></td>
<td>Pan Tailings</td>
<td>91.5</td>
<td>0.46</td>
<td>126</td>
<td>11.4</td>
</tr>
<tr>
<td></td>
<td>Knelson Tailings</td>
<td>207.7</td>
<td>1.05</td>
<td>1.79</td>
<td>0.38</td>
</tr>
<tr>
<td>75</td>
<td>Pan Concentrate</td>
<td>3.52</td>
<td>0.018</td>
<td>2,140</td>
<td>7.47</td>
</tr>
<tr>
<td></td>
<td>Pan Tailings</td>
<td>60.0</td>
<td>0.30</td>
<td>110</td>
<td>6.54</td>
</tr>
<tr>
<td></td>
<td>Knelson Tailings</td>
<td>18.970</td>
<td>96.2</td>
<td>1.10</td>
<td>20.7</td>
</tr>
<tr>
<td>Totals (Calc'd Head)</td>
<td></td>
<td>19.724</td>
<td>100.0</td>
<td>5.12</td>
<td>100.0</td>
</tr>
<tr>
<td>Totals (Assayed Head)</td>
<td></td>
<td>20.053</td>
<td>100.0</td>
<td>5.55</td>
<td></td>
</tr>
<tr>
<td>Pan Concentrate (GRG Value)</td>
<td></td>
<td>5.1</td>
<td>0.06</td>
<td>3,130</td>
<td>48.8</td>
</tr>
<tr>
<td>Knelson Concentrate (GRG Value)</td>
<td></td>
<td>234.4</td>
<td>1.19</td>
<td>334</td>
<td>77.7</td>
</tr>
</tbody>
</table>

The GRG test results on the oxide sample indicate a good response to gravity beneficiation. The GRG recovery to the first stage is ~39%, indicating there is significant proportion of liberated coarse gold in the sample tested.

Sighter Rougher Flotation

Two sighter rougher flotation tests have been conducted on the oxide composite. UN1007 was conducted according to the flowsheet illustrated in Figure 5.

Figure 5

A modified flowsheet illustrated in Figure 6, was employed for test number UN1010.

Figure 6
A simple reagent scheme was used for the initial sighter test and including PAX and the specific gold collector Cytec Aero 3302 (a xanthate ester), which is often used to promote the collection of free gold. The reagent additions used in the flotation test were:

- PAX – 200g/t
- Cytec Aero 3302 – 20g/t

Summarised metal recoveries (gold, silver and sulphide sulphur only) to combined rougher concentrate are given in Table 5.

<table>
<thead>
<tr>
<th>Table 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Test ID</td>
</tr>
<tr>
<td>---------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>UN1007</td>
</tr>
<tr>
<td>UN1010</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Gravity gold removed prior to flotation
\(^{(2)}\) Recovery is total gold recovery – gravity gold plus flotation recovered gold.

Recoveries vs. time and grade and recovery curves for selected metals are given in Figure 6 and Figure 7 for UN1007 and Figure 8 and Figure 9 for UN1010 overleaf.
Figure 9

Grade and Recovery

Figure 10

Recovery vs. Time
As expected with the flotation of an oxide sample, the flotation kinetics are slow when compared to the sulphide composite. Significantly longer flotation time is required to achieve acceptable recovery for the precious metals. Copper recovery is low in the oxide composite when compared to the sulphide composite, however the head grade is very low (0.05% copper in the oxide composite compared to 1.85% copper in the sulphide composite).

The sighter flotation and gravity test results indicate:

- High recovery of gold and silver to combined rougher concentrate was achieved under simple flotation conditions.
- Test UNI010 gave the best results, indicating that removal of the gravity recoverable gold component before froth flotation was beneficial.
- The GRG results indicate that the oxide composite tested exhibited a good response to gravity concentration.

**Sighter Leach (Direct Cyanidation and Thiosulphate)**

The oxide composite has been leached under both cyanide and thiosulphate conditions.

- UNI001 and UNI002 - direct cyanidation leach conducted in duplicate.
- UNI008 and UNI009 - thiosulphate leach conducted in duplicate.

Test conditions for both the direct cyanidation and thiosulphate leaches are summarised in Table 6 and Table 7.

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Setpoint</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary grind size ($F_{80}$, µm)</td>
<td>75</td>
</tr>
<tr>
<td>Pulp density (% solids w/w)</td>
<td>30</td>
</tr>
<tr>
<td>Pulp pH (NaOH)</td>
<td>10 – 10.5</td>
</tr>
<tr>
<td>Initial NaCN (% w/w)</td>
<td>0.1</td>
</tr>
<tr>
<td>Maintenance NaCN (% w/w)</td>
<td>0.05</td>
</tr>
<tr>
<td>Sample Intervals (hrs)</td>
<td>2, 4, 6 and 24</td>
</tr>
</tbody>
</table>
Table 7 - Thiosulphate Test Conditions

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Setpoint</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary grind size ($P_{80}$, μm)</td>
<td>75</td>
</tr>
<tr>
<td>Pulp density (% solids w/w)</td>
<td>30</td>
</tr>
<tr>
<td>Pulp pH (NH₄OH)</td>
<td>&gt; 8.7</td>
</tr>
<tr>
<td>CuSO₄ (mg/L)</td>
<td>100</td>
</tr>
<tr>
<td>NH₄S₂O₃ (g/L)</td>
<td>10</td>
</tr>
<tr>
<td>Sample Intervals (hrs)</td>
<td>1, 2, 4, 8 and 24</td>
</tr>
</tbody>
</table>

The leaches were conducted in rolling bottles with solution samples taken at regular intervals to allow close control of the required set-points, and analysis of the intermediate solutions for gold. Reagent additions were made when necessary to maintain pH and NaCN conditions. The tests were continued for 24 hours and on completion the slurry was filtered and the solids washed. Representative samples of the final filtrate and solids were assayed for gold.

Summarised recoveries for the leaches and leach kinetic curves are given in Table 8 and illustrated in Figure 11 overleaf.

Table 8

<table>
<thead>
<tr>
<th>Cumulative Au Recovery (%)</th>
<th>Test ID</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UNI001</td>
</tr>
<tr>
<td>1 hr</td>
<td>-</td>
</tr>
<tr>
<td>2 hr</td>
<td>64.0</td>
</tr>
<tr>
<td>4 hr</td>
<td>86.2</td>
</tr>
<tr>
<td>8 hr</td>
<td>92.3</td>
</tr>
<tr>
<td>24 hr</td>
<td>96.3</td>
</tr>
</tbody>
</table>
The oxide leach results indicate the following:

- The cyanidation leach kinetics are rapid with gold dissolution essentially complete after 8 hours.
- The duplicate cyanidation test results indicate excellent repeatability, with very high gold recovery, averaging 90.5% and low residue grades. The cyanide leach residues assayed ~0.17 g/t gold, which is likely to be occluded in silicate minerals and is likely to be "un-recoverable".
- The thiosulphate leach kinetics are very slow, with gold is still leaching after 24 hours.
- The duplicate thiosulphate test results indicate reasonable repeatability, however with low gold recovery, averaging 42.4% and high residue grades. The thiosulphate leach residues assayed ~2.8 g/t gold, which indicates that a large proportion of the free gold was not effectively leached.

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The performance of the thiosulphate leacher is not as good as that achieved with the direct cyanidation. The very slow kinetics and low recovery suggests the reagent additions were not optimal. This is not unexpected as the chemistry involved in thiosulphate leaching is significantly more complex than that of cyanidation. A large number of tests are typically required to optimise the thiosulphate, copper sulphate and ammonia additions required to effectively leach the gold. Additional testing of the thiosulphate leaching is required.

**Recommendations**

- All the flotation and leaching testwork that has been conducted to date has used a primary grind size of P80 of 75µm. It is strongly recommended that both the flotation tests, and the cyanide leach tests are repeated at coarser primary grind sizes.
- SGS would suggest testing primary grind sizes of P80 150µm and P80 105µm as a minimum, to assess whether the high recoveries of gold can be maintained. If metallurgical performance is maintained at coarser grind then this can potentially reduce the requirements of the comminution circuit.
APPENDIX IV – COMPETENT VALUER’S REPORT (CONT’D)

Appendix 6. LEGAL OPINION

Wong & Shim

Date: 4th July, 2016

Dear Sir,

We refer to your letter of appointment/instruction to us dated the 26th April 2016 (“letter of appointment/instruction”) outlining the scope of work to be conducted by us in providing a report on material information in respect of the above Mining Land.

The above Mining Land is subleased to the Sub-Lease (“the Sub-Lease”) vide the Sub-Lease Agreement dated the 1st October 2015 (“the Sub-Lease Agreement”) and the said Sub-Lease has been only registered and endorsed in the Master Title to the Mining Land.

The principle feature of the subject Mining Land is that its Master Title is issued under the Sabah Land Ordinance Cap 68 in its conventional form by the Sabah Lands and Surveys Department (“the Department”). The jurisdiction of land matters in Sabah is entirely with the State Government of Sabah thru the Department and it is totally separate and independent of the National Land Code 1965 which applies only to the States in the Peninsula Malaysia and the Federal Territories and the Sarawak Land Code Chapter 81 which applies only to the State of Sarawak.

The unique feature of the Master Title is that it was issued thru the process of the Prospecting License dated the 17th January 2013 (“the Prospecting License”) as opposed to the conventional land application process and pursuant to Section 14 of the Mining Ordinance No. 28 of 1990 (“the Mining Ordinance”). As such, the Master Title together with the Mining
Land is demised expressly and only for the purposes of mining. The Prospecting License was granted to the Sub-Lease by the Department. Due to this unique feature, the Master Title has an Annexure of Special Terms which is different from the lease terms in the general terms of the Mining Ordinance. The Mining Land will similarly be subject to such Special Terms and to the general terms of the Mining Ordinance.

The scope of work as agreed covers the following matters outlined herein and information provided. Hence, the terms of the documents made available are on the basis of the documents made available to us by the Sub-Lease/Sub-Leasee and/or as obtained from the relevant authorities. This report will not be updated to take into account any events, facts or circumstances coming to our attention after the date of this letter. Further, this letter:

(a) Has been prepared subject to the qualification set out in Scope of Work herein below; and

(b) Is to be read in light of documents reviewed in Schedule A and on information provided by the Sub-Lease/Sub-Leasee and the relevant authorities.

<table>
<thead>
<tr>
<th>Land Control Type</th>
<th>Reference</th>
<th>Name and/or number and area;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Leasehold</strong></td>
<td>Master Title Country Lease No. 105551438</td>
</tr>
<tr>
<td></td>
<td><strong>Leasehold</strong></td>
<td>Master Title Area: 1,000 hectares</td>
</tr>
<tr>
<td></td>
<td><strong>Leasehold</strong></td>
<td>Sub-Lease Area: 317.7 hectares within Master Title Area</td>
</tr>
<tr>
<td></td>
<td><strong>Leasehold</strong></td>
<td>Location: Bukit Manis, District of Tawau, Sabah, Malaysia</td>
</tr>
</tbody>
</table>

(b) Whether the title has been formally granted:

- **Master Title** - has been formally granted and registered on the 24th June 2014 in the name of the Sub-Leasee.
- **Mining Land** - The Sub-Lease is duly registered/endorsed on the Master Title on the 27th November 2015 vide memorial no. MC151100117.

(c) Any attached impediments to title such as post granting approvals and permission:

- **Impediments to Master Title**: Demised expressly and only for the purpose of mining. Transfer/Sublease prohibited without written permission of Director of Lands and Surveys Department who shall charge additional premium and enhanced rent and any other conditions. Prior to fulfillment of Clause 9 (Annuity to the Special Terms of the Master Title), workings obligations and minimum expenditures of the Special terms (and thereafter) Notify Director of Lands and Survey Department on any transfer of shares not later than 30 days after such transfer. Pay the Director of Lands and Survey Department a fee of RM5,000.00 for every year of such failure to notify; To pay Director of Lands and Survey Department a one-off payment of RM1,000.00 for such transfer of shares.
(d) whether an application or approval is pending and whether the application is subject to challenges;

Section 4 (3) Part II E. Occupation of Surface and Other Rights (Water) [Awnance to the Special Terms to the Master Title]

"The Lessee shall comply with the requirements of the approval of this project given by the Department of Mineral and Geosciences under a mining scheme, the Department of Environmental, Kuala Lumpur and the Department of Environment Protection, Sabah.".

The Sub-Lessee has duly obtained the Terms of Reference letter dated the 28th October 2015 ("TOR") from the Environment Protection Department of Sabah ("EPD") and copied to all relevant government departments. Pursuant to the TOR, the appointed environmental consultant has commenced and is in the midst of finalising the environmental report ("ELA Report") in accordance to the TOR. The ELA Report will be presented to EPD and EPD will extend a copy to each of the various government departments for their review and comments (if any). If comment(s) have been made, the appointed consultant would need to reply and address the issue(s) raised by the relevant department. Once the issue(s) have been addressed and there are no further issue(s) raised by any other relevant government department/EPD review panel - EPD will issue the ELA Approval Report. Once the ELA Approval Report has been issued, the Sub-Lessee can commence mining operation. The compliance to the TOR/ELA Approval Report is an ongoing process and is to be complied with by the Sub-Lessee/Sub-Lessee.

In respect of the Mining Scheme – the Registered Owner/Sub-Lessee has appointed a mining consultant engineer to prepare the Mining Scheme to be submitted to the Minerals and Geoscience Department Malaysia, Sabah for approval. We have been made to understand that the Mining Scheme will be submitted to the Minerals and Geoscience Department Malaysia, Sabah on or before the end of June 2016. Once the Minerals and Geoscience Department Malaysia, Sabah approves the Mining Scheme, the Sub-Lessee can commence mining operation.

(e) whether the Testament document has been issued and if it is in the possession of the holder;

Master Title has been granted (See Clause (b) above). Original Master Title is in the custody of the legal firm of Messrs Wong & Shaw. The Sub-Lessee is duly registered/endorsed on the Master Title on the 13th November 2015 vide memorandum no.
| (f) expiry and renewal dates (These can be provided in an accompanying report) | Date of registration of Master Title:  
24th day of June 2014  

Date of Registration of Sub-Lease of Mining Land:  
13th November 2015  

Leasehold period of Master Title:  
74 years (01.01.2014 – 31.12.2048)  

Sub-Lease period of Mining Land:  
33 years (01.10.2015 – 30.09.2048)  

Upon expiry of the mining leasehold period for the Master Title, the Registered Owner/Sub-Lessor may seek for a renewal period of ten (10) years subject to the provisions of Section 51 and other relevant provisions of the Annexure to the Special Terms.  

51 (1) The lease may be renewed for an additional term of up to ten years on the same conditions except those concerning royalty and other provisions relating to the Lessee's financial obligations to the Government;  

Provided that the Lessee can prove to the satisfaction of the Government that there is still sufficient ore reserves in the mine or in the Lease Area to warrant such extension.  

(2) The lease may be renewed for a second additional term up to ten-year period on such terms and conditions as are agreed upon by the Parties,  

(3) The application for renewal shall be subject to the Lessee's fulfillment of its obligation.  

Section 1 Part I. D – Commonseeing [Annexure to the Special Terms to the Major Title]  

"In accordance to the provision of Section 18 (c) of the Mining Ordinance, the lessee shall commence mining operations in accordance to the terms and conditions of the lease within a period of six (6) months from the date of registration of the lease."
The Sub-Lessee has yet to commence mining operations on the Mining Land as the terms/conditions of the Master Title requires an EIA Approval Report and an approved Mining Scheme from EPD and the Minerals and Geoscience Department Malaysia, Sabah respectively. As such, the six (6) months commencement period as per the Annexure to the Special Terms to the Master Title has not been breached. The Department has issued a letter to Messrs Wong & Shiu dated the 10th May 2016 confirming that no conditions of the Master Title has been breached.

Section 9 (1) Part IV Working Obligations and Minimum Expenditures [Annexure to the Special Terms to the Master Title]

"The Lessee shall, within four years from the date of registration of the Lease, expend not less than fifteen thousand Ringgit (RM15,000.00) in Malaysian currency per acre of land held in the Lease Area for expenses directly connected with the Lessee’s operations and activities under the Lease. Such expenses may include general organisational overhead and administrative expenses if such expenses are directly connected with the Lessee’s operations and activities under the Lease.”

We were informed by the Sub-Lessee that they will comply with the above expenses requirement.

Section 10 (1) Security for Performance of Obligation [Annexure to the Special Terms to the Master Title]

"Subject to Clause 10A the Lessee shall submit to the Government prior to commencement of mining operations as security for performance of its obligations under the lease, a banker’s guarantee in the amount of two hundred thousand Ringgit (MYR200,000.00) and thereafter shall, for every three years, progressively increase the banker’s guarantee by the amount of two hundred thousand Ringgit (MYR200,000.00) not exceeding MYR1,000,000.00;"

"Provided that the Government may at any time if it deems necessary call on the Lessee to submit as security a banker’s guarantee the full amount of one million Ringgit (MYR1,000,000.00)"

We were informed by the Sub-Lessee that they will comply with the banker’s guarantee payment prior to the commencement of the mining operations.
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(h)</td>
<td>all Material obligations to Government(s) or to any other person or entity;</td>
</tr>
<tr>
<td></td>
<td>Exclusion of Fifty-two (52) Hectares from the Mining Land. *</td>
</tr>
<tr>
<td></td>
<td>We have been informed by the Registered Owner/Sub-Leaser that the actual size to be gazetted for the Master Title is 946.3 hectares. As such, an area of fifty-three point nine (53.9) hectares of the Master Title is to be excised out by the Registered Owner/Sub-Leaser and returned to the Sabah Forestry Department. We have been further informed by the Registered Owner/Sub-Leaser that the 53.9 hectares to be excised from the Master Title will not be within the Mining Land and as such will not affect the Sub-Lease.</td>
</tr>
<tr>
<td>(i)</td>
<td>ownership, including details of co-venturers and their interests;</td>
</tr>
<tr>
<td></td>
<td>Ownership: SOUTHSEA GOLD SDN BHD [Company No. 823472-U], a company incorporated in Malaysia under the Act and having its place of business at Unit 1012, 10th Floor, Likan Square, Jalan Istiqlal Likan, 88400 Kota Kinabalu, Sabah, Malaysia (“the Registered Owner/Sub-Leaser”).</td>
</tr>
<tr>
<td></td>
<td>Co-venturers/Interest: Pursuant to Section 104 Schedule XVI of the Sabah Land Ordinance Cap 68, the Registered Owner/Sub-Leaser has vint the Sub-Lease Agreement dated the 1st October 2015 (“the Sub-Lease Agreement”) addressed 317.7 Hectares (“the Mining Land”) to Walther Resources Sdn Bhd [Company No. 115183- A] a company incorporated in Malaysia and having its address at Shoplot 32 Block C 1st Floor, Damai Plaza Phase 1, Jalan Damai, Luyang, 88300 Kota Kinabalu, Sabah, Malaysia (“the Sub-Lease”). The area of 317.7 is demarcated in a plan attached to the Sub-Lease Agreement.</td>
</tr>
<tr>
<td></td>
<td>The sublease is for a period of thirty-three (33) years commencing the 1st October 2015 to 30th September 2048.</td>
</tr>
<tr>
<td></td>
<td>Prior to the Sub-Lease Agreement, the Registered Owner/Sub-Leaser has applied for and obtain the necessary consent of the Government pursuant to the Special Term of the Master Title. For the purpose of the consent, the Lands and Surveys Department has issued the Offer of Amendment dated the 19th August 2015 (“the Offer of Amendment”) and the Registered Owner/Sub-Leaser has accepted the same on the 24th August 2015. The Grant of Permission and the sublease are duly registered and endorsed on the Master Title.</td>
</tr>
</tbody>
</table>
**Material facts of the Sublease:**

<table>
<thead>
<tr>
<th>Item</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual rent</td>
<td>RM600,000.00</td>
</tr>
<tr>
<td>Terms of Rent paid</td>
<td>Annual, First 2 (two) weeks of each year of sublease period</td>
</tr>
<tr>
<td>Option</td>
<td>Renovate for another period of thirty-three (33) years provided tenure of Master Title is similarly extended.</td>
</tr>
<tr>
<td>Sub-Lessee Compliance</td>
<td>strict compliance with the Annexure of Special Terms to the Master Title</td>
</tr>
<tr>
<td>Use of sublease land</td>
<td>Sub-Lessee is permitted to use the Mining Land to conduct mining activities and all auxiliary activities thereeto. All minerals discovered from such mining activities shall belong to the Sub-Lessee.</td>
</tr>
<tr>
<td>Use of land adjacent to Mining Land</td>
<td>the Sub-Lessee had on 18th September 2015 issued a letter to the Sub-Lessee stating that it has no objection and consents to the Sub-Lessee using such parts of the land adjacent to the Mining Land for any auxiliary mining operation such as storage of tanks and/or loading site facilities. The Sub-Lessee is further permitted to make use of roads constructed or to be constructed on the Master Title land for access purposes to the Mining Land free of any payment for the duration of the sublease period.</td>
</tr>
<tr>
<td>(i)</td>
<td>details of any indirect interests such as overriding royalties;</td>
</tr>
<tr>
<td>(k)</td>
<td>details of liabilities, items and circumstances, including those relating to reclamation and rehabilitation;</td>
</tr>
</tbody>
</table>

10A. (1) The Government shall be entitled to assess from the approved mining scheme and from the signed agreement of Environmental Conditions between the project proponent (lessee) with the Director of Environmental Protection Department requirement, as basis for the purpose of computation of rehabilitation fund treated as additional requirement performance guarantee from Clause 15 for the purpose of rehabilitation only.

(2) Payment of such rehabilitation fund shall be made by the lessee at the additional rate of 1% on top of the total sum payable royalty computed in accordance to Clause 12 and which payment shall be made for the whole duration of the lease or at such time the Government deems the collected fund as sufficient for the purpose of rehabilitation to be disposed into the Government’s trust account.

Provided the collected sum shall be refunded to the lessee after utilization or non-utilization of the funds whenever the case may be in meeting the prevailing rehabilitation cost determined by the Government.

We have been informed by the Sub-Leesee that the security for the above rehabilitation obligation and in respect of the 1% on top of the total sum payable computed for royalty will be provided for and complied with.

Section 23 (1), (2)(a)(b), (3), (4)(a)(b). Overburden, Tailings & Safety [Appendix to the Special Terms to the Master Title]

23. (1) “The lessee shall not dispose of the overburden removed in the course of or any tailing produced as a result of its operations under the Lease in an area or in a manner not previously approved for that purpose pursuant to the provisions of this section, it being intended that
such overburden and tailings shall be disposed of in a manner which is reasonably safe and results in as little damage or disturbance (having regard always to the need for the Lessee to carry out its said operations efficiently and economically) as may be reasonably be.

(2) The Lessee may at any time and from time to time hereafter submit to the Government a proposal for the disposal of such overburden and tailings, setting out the areas or areas and manner in which it is proposed to dispose of the same. Promptly upon receipt of such a proposal the Government shall consider the same (leaving regard to the factors mentioned in subsection (1) and shall within one month of such receipt either:

(a) notify the Lessee that its proposal has been approved either without modification or with such modification as are set out in the notification; or

(b) submit to the lessee an alternative approved proposal for the disposal of the said overburden and tailings, setting out the areas and manner in which the same are to be disposed of thereafter which shall be fully complied with by the lessee.

(3) Notwithstanding that the same may have been disposed of in any way and in a manner approved as hereinbefore provided for in this section, the lessee shall make compensation for any loss or injury or violence suffered by any indigenous or other inhabitants of Sabah or any person in lands adjacent thereto resulting from any damage done (whether to land, anything on land, water or otherwise) or any interference with any right in sea land or water caused by the disposal by the lessee of any overburden removed in the course of, or tailings produced as a result of, it operation under the Lease.

Provided, in the case of sickness or injury, that such persons or inhabitants were occupiers of such land at the time that nothing by the Lessee was in progress.
(4) In addition to complying with the present provisions of the Mining Ordinance and other laws of general application, relating to safety and protection, the lessee:

(a) shall, when any dump for overburden and tailings established by it for the purpose of its operations under the Lease ceases to be utilized for such purpose, ensure that in order to facilitate the rapid regeneration of vegetation thereon such dump is left with a reasonably flat upper surface; and

(b) shall, within a reasonable time after any such dump ceased to be utilized as aforesaid, carry out experiments for the determination of whether vegetation can be established therein and use its best endeavours to establish therein vegetation of a type which can be so established”.

We have been informed by the Sub-Lessee that the above conditions will be complied with in their mining operations in accordance to the EIA Approval Report and the Mining Scheme.

Section 45 (2) and (7) Government’s Power of Revocation Clause [Amendment to the Special Terms to the Master Title]

45. In the event that:

(2) no commercial shipment of ores, concentrates, or other products is made within four years of the Date of the Lease; or

(7) the Lessee without any just cause fails to produce for thousand tons of copper concentrates in any year after the commencement of production

We were informed by the Sub-Lessee that based on the Scoping Study report prepared by Kunde Pincon Minanco dated 1st June 2016, it is estimated that approximately 87,000 tonnes of concentrates of gold, silver and copper are expected to be produced within four (4) years of commencement of mining of which approximately 34,000 tonnes are expected to be produced within the first two (2) years of mining. As such, the Sub-Lessee are confident in
commencing shipment within four (4) years of the Date of the Lease and in producing ten thousand (10,000) tons of ones, concentrates or other products yearly. For the purpose of clarification 10,000 tons of copper concentrates pursuant to Section 4(7) shall mean 10,000 tons of copper, gold, silver and cobalt as per Pejibat Hassil Rumit's letter dated 16th June 2016 (ref. JKM PKB(S):100-3/1/5 klt.2(4&8) to the Lands and Surveys Department, Kota Kinabalu and copied to the Sub-Lessee.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>in the case of a mining lease, whether or not the Tenement has been subject to a cadastral survey;</td>
</tr>
<tr>
<td>(ii)</td>
<td>We have been made to understand from the Registered Owner/Sub-Lessee that the appointed licensed surveyor has carried out a cadastral survey prior to the issuance of the Master Title.</td>
</tr>
<tr>
<td>(iii)</td>
<td>Native Title considerations;</td>
</tr>
<tr>
<td>(iv)</td>
<td>Nil</td>
</tr>
<tr>
<td>(v)</td>
<td>any other Material information.</td>
</tr>
<tr>
<td></td>
<td>Nil</td>
</tr>
</tbody>
</table>

**Scope of Work**

1. Scope of Report

This report:

(a) is strictly limited to the matters agreed in the Scope of Work Terms and our standard terms of engagement as per Bermeo Aqua Harvest Berhad’s instructions to us dated the 20th April 2016 and our acceptance thereto dated the 21st May 2016;

(b) addresses only legal material features of the Mining Land/Master Title, viz-a-viz, its registered document of title together with its Anexures to the Special Terms and other ancillary documents/Agenda which have come to our attention; and

(c) consent is hereby given to Bermeo Aqua Harvest Berhad to include this letter into its Circular to shareholders and/or John Lang Lasalle, the valuer, to extract contents of this letter for the inclusion in their valuations report.

2. Sources of information

Our report has been prepared solely on the basis of information contained in these documents:

(a) copies of the documents as provided to us by the Registered Owner/Sub-Lessee/Sub-Lessee;
(b) verbal information as provided to us by the Registered Owner/Sub-Lessor/Sub-Lessees; and

(c) the information obtained as a result of our personal work on the documents listed and detailed in Schedule A.

3. Assumptions

In conducting and preparing this report Wong & Shin has assumed:

(i) that there have been no changes in the circumstances of the Registered Owner/Sub-Lessor as registered owner of the Matter since the respective dates of our documentary review;

(ii) the authenticity of all signatures, seals and dates and of any stamp duty or marking on any documents;

(iii) the completeness of, and conformity with originals, of all copies of documents provided to us and that any document submitted to us remains unamended and in full force and effect;

(iv) that the original documents still exist and have not been varied, cancelled or superseded by some other document or agreement or action of which we are not aware;

(v) that a document was provided to us in draft form, that it was executed in the form of that draft;

(vi) that all documents required to be stamped have been or will be stamped and are not subject to any penalty or fine arising out of late or inadequate stamping;

(vii) that all documents are within the capacity and power of, and have been or will be validly authorised, executed and delivered by each party, and constitute valid and binding obligations of those parties under all applicable laws;

(viii) the details revealed by our search of public registers maintained by governmental or other regulatory authorities are current at the date of our search and have been properly and accurately recorded in those registers by those authorities;

(ix) that all corporate records and other documents inspected by us are genuine, complete, up-to-date and accurate and no material documents have been withheld from us, whether deliberately or inadvertently;

(x) that all facts stated in the documents on which we have relied in providing this report are and continue to be correct and no relevant matter was withheld from us, whether deliberately or inadvertently;

(xi) the completeness, accuracy and correctness of all information, including responses to questions, which was provided to us by the Registered Owner/Sub-Lessor/Sub-Lessees (both in writing and orally) and that no relevant information was withheld from us, whether deliberately or inadvertently; and

(xii) each document which is a contract or agreement to which the Registered Owner/Sub-Lessor/Sub-Lessees is a party is enforceable in accordance with its terms by or against the Registered Owner/Sub-Lessor/Sub-Lessees and was entered into by the Registered Owner/Sub-Lessor/Sub-Lessees for its corporate benefit.

That these assumptions have been made does not imply that we have made any inquiries to verify them.
Should there be any questions/queries in respect of this letter, kindly direct the same to Anthony Shim on wsh@wangshim.com.my or tel no. +603 233171.

Thank you.

Yours faithfully

[Signature]

ANTHONY SHIM
Partner
Schedule A
Sources of Information

For the purpose of this letter, the following documents were reviewed and which was provided to us by the Registered Owner.

1. List of Documents Reviewed

(a) The Prospecting Licence dated the 17th January 2013 issued by the Lands and Surveys Department, Kota Kinabalu (Ref no. L.S.C, 4326. 245 Vol.1/101);

(b) Country Lease title No. 105651438 together with its Annexure: Special Terms;

(c) The Sabah Mining Ordinance, 1960 (Ordinance No. 20 of 1960) The Mining Regulations, 1969;

(d) The Sub-Lease Agreement dated the 1st October 2015 between the Registered Owner as Sub-Lessor and Weilingdor Resources Sdn Bhd as Sub-Lessee;

(e) The Offer of Amendment dated the 10th August 2015 issued by the Lands and Surveys Department and the acceptance thereof by the Registered Owner/Sub-Lessor dated the 26th August 2015 in respect of the consent to sub-lease the Mining Land;

(f) The Term of Reference letter dated the 26th October 2015 issued by the Environment Protection Department Sabah to Southern Gulf Sdn Bhd;

(g) Sub-Lessor's letter of consent dated the 18th September 2015 to the Sub-Lessee; and

(h) Pejabat Peradilan Buri's letter dated the 10th June 2016 to the Lands and Surveys department Kota Kinabalu and copied to the Sub-Lease.
APPENDIX IV – COMPETENT VALUER’S REPORT (CONT’D)

JLL

Appendix 7. COUNTRY LEASE

NEGERI SABAH

SCHEDULE VII

SECTION 31 OF THE LAND ORDINANCE CAP 29

SECTION 15 OF THE MINING ORDINANCE NO.21 OF 1960

FUNG OF LEASE

THE TITLE MADE ON 08.11.1960 (DAY NINE OF MONTH JANUARY OF YEAR TWENTY SIX) BETWEEN THE DIRECTOR OF LANDS AND SUBJECTS FOR AND ON BEHALF OF THE GOVERNMENT OF THE STATE OF SABAH (HEREAFTER CALLED THE DIRECTOR) AND

BOUJEMA JALLIOUH AND

(HEREAFTER CALLED THE "OWNERS") WHEREFORE IF THE "OWNERS" SHALL INUTURE EXECUTE, ADMINISTER AND ABIDE BY THAT, IN CONSIDERATION OF THE PAYMENT TO THE DIRECTOR OF STATE OF MALAYSIA THREE MILLION (RM3,000,000.00) AND ANNUAL REPAIR RM3,000,000 (RM3,000,000.00) THE DIRECTOR HEREBY DENOM TO THE "OWNERS" ALL THAT PIECE OF LAND KNOWN AS SURVEY LOT 125, CAME AS TITLE NO. 125 AND CONTAINED 1,962.50 HECTARES MORE OR LESS, WHICH THE "OWNERS" IS DENOMEN ON THE DIAGRAM DRAWN ON THESE PREMISES AND MORE PARTICULARLY ON

PLAN No. 1216057 ON 1/2/1962

DEPOSITED IN THE OFFICE OF THE DIRECTOR TO HAVE AND TO HOLD FOR THE PERIOD FROM 01.01.2014 (DAY ONE OF MONTH JANUARY OF YEAR TWENTY FOUR) TO 31.12.2019 (DAY THIRTY ONE OF MONTH DECEMBER OF YEAR TWENTY EIGHT) SUBJECT TO THE PROVIDENCES AND CONDITIONS CONTAINED IN THE MINING ORDINANCE NO.21 1960 AND THE LAND ORDINANCE, CAP. 48 AND TO THE TERMS AND CONDITION DETERMINED HEREIN

TERMS

THE "OWNERS" HEREBY EXPRESSLY AND COMPANY FOR THE PURPOSES OF MINING, TRANSFER OF RIGHTS OF THE TITLE IS PROPOSED WITHOUT THE WRITTEN PERMISSION OF THE DIRECTOR OF LANDS AND SURVEYS IS NOT PERMITTED. THE "OWNERS" SHALL BE LIABLE FOR ANY ADDITIONAL PREMIUM AND ENHANCED DENT AND ANY OTHER CONDITION THEREOF WHEN GRANTING SUCH PERMIT.

SPECIAL TERMS

AFTER MINING IS FINISHED

THE "OWNERS" Covenants

TO COMPLY WITH THE MINING OPERATIONS IN ACCORDANCE WITH THE TERMS AND CONDITIONS DETERMINED WITHIN A PERIOD OF EIGHT MONTHS FROM THE DATE OF SWORN ON THIS LEASE.

SPECIAL TERMS

THE "OWNERS" HEREBY HOLD THE SHARES HELD BY THEM ARE AS FOLLOWS:

NAME OF SHAREHOLDER

NO. OF SHARES

1. DATUK LOK PO HENG

(27. 55294-0-057)

700,000

2. MOHD AMIR BIN MARY

(26. 53944-3-333)

250,000

3. DATUK SU HAN

(27. 53284-0-083)

50,000

THE "OWNERS" HEREBY PROMISE TO PAY THE CLAIMS, WORKING OBLIGATIONS AND MINIMUM EXPENSES PAID AT THE REQUEST OF THE DIRECTOR.
Appendix 8. SUB-LEASE AGREEMENT

STATE OF SABAH, MALAYSIA
LAND ORDINANCE, CAP. 60
Section 104

MEMORANDUM OF SUB-LEASE

DECLARATION OF SUB-LEASE

Being registered as the co-owners of the land described in the title as numbered above, and registered in the Land Registry of Kota Kinabalu subject to the sub-lease, charges or other interests registered against the said title in the Register of Titles.

in consideration of the immediate initial payment of Ringgit Malaysia —

and the regular yearly payment of the sum of Ringgit Malaysia —

being paid to the sub-lessee by the sub-lessor.

The said sub-lease is subject to the following conditions:

Signed by persons qualified under Section 97
accepting the signatures of the Sub-lessor's

Date of ______________

(Authorities)

Date of ______________

(Authorities)

1987 (1987)

Accepted by

[Signature]

[Signature]

Mon. Dec. 15, 1988

[Signature]
SUB-LEASE AGREEMENT

We, SOUTHSEA GOLD SDN BHD [Company No. 823472-U] a company incorporated in Malaysia having its registered address at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS 7/26, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia (hereinafter referred to as the "Sub-Lessor" which expression shall where the context so admits include its assigns and nominees) being the registered owner of a parcel of land held under Country Lease No. 105651436 measuring an area of approximately 1,000 hectares more or less and situated in the Locality of Bukit Menteri in the District of Tawau, Sabah, Malaysia (hereinafter referred to as "the said Land").

IN CONSIDERATION of the annual rent of Ringgit Malaysia Sixty Thousand (RM60,000.00) only (hereinafter referred to as the "said Rental") to be paid to us by WULLERSDORF RESOURCES SDN BHD [Company No. 1151493-A], a company incorporated in Malaysia having its address at Shoplot 32, Block C, 1st Floor, Damai Plaza Phase 1, Jalan Damai, Luyang, 88300 Kota Kinabalu, Sabah, Malaysia (hereinafter referred to as the "Sub-Leasees"). WE DO HEREBY SUB-LEASE a portion of the said Land measuring an area of 313.7 hectares more or less and marked GREEN in the sketch plan attached hereto as Schedule A (hereinafter referred to as "the said portion of the Land") to the Sub-Leasees for a term of THIRTY THREE (33) YEARS commencing from the date of the execution of this Agreement with all rights and terms set out in the title to the said Land (hereinafter called "the lease period") and upon the terms and conditions hereinafter provided.

1. The Sub-Leasee hereby agrees with the Sub-Lessor as follows:

   (a) (i) Upon the execution of this Agreement, to pay to the Sub-Lessor the said Rental on a pro rata basis for the duration of the remaining current year, the sum of which the Sub-Leasee hereby acknowledge receipt and

   

Page 128

221
(ii) The annual rent shall be payable in advance by or before the first TWO (2) WEEKS of each and every year for the duration of the lease period.

(b) Upon execution of this Agreement, parties shall execute a valid and registrable Memorandum of Sub-Lease to be delivered together with the title deed to Messrs Wing & Ship Advocates and Solicitors of 12th Floor Wisma Medeka Phase 1, Jalan Tun Razak, 55000 Kuala Lumpur who are irrevocably authorized to adjudicate and present the registration of the Memorandum of Sub-Lease to the Central Land Office, Kuala Lumpur, Selangor.

(c) The Sub-Lessee shall have the option to renew this Agreement for a further period of THIRTY THREE (33) years at the expiration of this Agreement at the rental to be agreed between the parties PROVIDED THAT the tenure of the leasehold period of the title to the said Land is duly renewed by the relevant authorities.

(d) The Sub-Lessee shall be entitled to exercise the option to renew for a further period of THIRTY THREE (33) years by giving notice in writing to the Sub-Lessor at any time within ONE (1) year prior to the expiration of this Agreement.

(e) To observe and comply with all byelaws and regulations affecting the said portion of the Land which are now in force or which may hereafter be enacted. These shall include all royalty payment due and payable to the relevant authorities pursuant to Clause 11 and 12, Part V of the Agreement: Special Terms to Country Lease: 105851496.

(f) Not to carry on or allow to be carried on the said portion of the Land any noxious, hazardous or offensive trade or business except in so far as it is permitted by the Government or Local Authorities.
At the expiration or earlier lawful determination of this Agreement to deliver upon the Sub-Lessor or the person as the Sub-Lessor shall nominate vacant possession of the said portion of the Land without recoupment or claim from either party provided that all goods, furniture, air conditioners, equipment, machinery and buildings erected thereon belonging to the Sub-Lessee may be removed by the Sub-Lessee.

To strictly comply with the Annexure of the Special Terms to Country Lease 105651438. A copy of the title Country Lease 105651438 and its Annexure is attached hereeto as Schedule B.

The Sub-Lessee hereby undertakes and covenants with the Sub-Lessee as follows:

(a) To give good receipt to the Sub-Lessee for the said Rental payable by the Sub-Lessee in the manner hereinbefore stipulated for under Clause 1(a) (i) and (ii).

(b) To permit the Sub-Lessee to erect and/or place on the said portion of the Land houses or such other structures or buildings or labour lines or mining machineries or equipment without the prior consent of the Sub-Lessor.

(c) To permit the Sub-Lessee to conduct mining/quarry activities or such other activities permitted or approved by the relevant authorities on the said portion of the Land and generally to do all other acts on the said portion of the Land in connection or ancillary thereto in order to enhance the value of the same without the prior consent of the Sub-Lessor. All copper, gold, silver and cobalt and such associated minerals thereto discovered from the said portion of the Land from mining operations and activities conducted by the Sub-Lessee shall belong to the Sub-Lessee. For the avoidance of doubt, the Sub-Lessee is also permitted to clear, take and make use of such...
number on those par of the said portion of the Land required for mining purposes subject, however to Section 30(1) of the Sabah Land Ordinance and the Forest Enactment, 1969.

(d) That the Sub-Lessee upon payment of the said Rental hereby reserved and performing and observing the conditions hereof, this Agreement shall be irrevocable for the duration of the lease period whereby the Sub-Lessee shall quietly enjoy the said portion of the Land without interruption in any manner whatsoever by the Sub-Lessee or any other person claiming under or in trust for the Sub-Lessee.

(e) That the Sub-Lessee has not granted and shall not grant during the lease period either verbally or in writing any tenancy licence or any right to possession or occupation or right of way in any portions of the said portion of the Land to any third party.

(f) To pay all quit rent assessment rates cesses and all other dues to the Government and the Local Authority in respect of the said portion of the Land for the whole of the lease period.

3. PROVIDED ALWAYS it is hereby expressly agreed between the parties hereto as follows:

(a) If the said portion of the Land shall at any time during the currency of the lease period be totally damaged or destroyed by fire lightning riot tempest rebellion civil commotion warlike operations or any other cause whatsoever not attributable to the fault of the Sub-Lessee its workmen servants guests and invitees so as to become unfit for occupation or use the Sub-Lessee may elect by notice in writing to determine this lease and thereupon all claims hereunder except those which have arisen prior to the date of such election shall be at an end.
(b) The professional fees for the drawing up of this lease and the stamp duties and registration fees incidental thereto shall be borne by the Sub-Lease.

c) In this lease words importing singular number or masculine gender only shall include the plural number or feminine gender and words importing the individual shall also be deemed to include incorporation.

d) Any notice or document to be served shall be deemed to be sufficiently served:

(i) in the case of service on the Sub-Lease if such notice or document is delivered to the Sub-Lease personally or posted vide registered mail at its usual or last known place of business;

(ii) in the case of the service on the Sub-Lease if such notice or document is posted vide registered mail or left at the Sub-Lease's place of business or usual or last known place of business and a notice or document sent by registered post shall be deemed to be served at the time when in the course of post it would be delivered at the address to which it is sent.

4. No clauses in this Agreement held to be invalid illegal or unenforceable shall affect the validity or legality or the enforceability of the remaining clauses of this Agreement.

5. This Agreement shall be binding upon the personal representatives, successors in title and permitted assigns of the Sub-Lease and Sub-Leese.

6. Time whenever mentioned herein shall be of the essence of this Agreement.
7. This Agreement shall be governed by the laws of Malaysia.

8. No waiver by any party or any default in the strict and literal performance of or compliance with any of the provisions, conditions, warranties or requirements herein shall be deemed to be a waiver of the strict and literal performance of or compliance with any other provision, condition, warranty or requirement herein nor release in any manner any party from strict compliance with any other provision, condition, warranty or requirement herein. No omission of any party to exercise any right hereunder in any manner shall impair the exercise of any such right accruing to it thereafter of any other right.

9. The parties hereto undertake with each other to do all things reasonable within their power which are necessary or desirable to give effect to the spirit and intent of this Agreement.

10. In the event that either of the parties hereto shall make default in the performance of its obligations and covenants herein, the other party shall be entitled to claim specific performance against the defaulting party and it is hereby expressly agreed that an alternative remedy of monetary compensation shall not be regarded as compensation or sufficient compensation for any party's default in the performance of the terms and conditions herein.

The rest of this space is intentionally left blank.
IN WITNESS WHEREOF the Sub-Lessor and the Sub-Lessee have hereunto set their hands on the day and year first above written.

The Common Seal of
SOUTHSEA GOLD SDN. BHD.
[Company No. 823472-U]
it having affixed in the
presence of:

Common Seal

DIRECTOR
Name:
NRIC:

DIRECTOR/SECRETARY
Name:
NRIC:

The Common Seal of
WULLERSDORF RESOURCES
SDN. BHD. [Company No. 1151633-A]
it having affixed in the
presence of:

Common Seal

DIRECTOR
Name:
NRIC:

DIRECTOR/SECRETARY
Name:
NRIC:
SCHEDULE A
Sketch Plan to the said portion of the Land
Appendix 9. OTHER DOCUMENTS

1. Letter of consent for utilizing the land outside the Sub-Lease Land – SGSB to WRSB, 18 September 2015

---

Date: 18th September, 2015

WULFERSDORF RESOURCES SDN BHD
Shoplot 32, Block C, 1st Floor
Daman Plaza Phase 1, Luyang,
88300 Kota Kinabalu
Sabah

By Fax/Email

Dear Sir,

Re: Consent to utilize land/roads outside of the Mining Land
Sub-Lease Agreement Dated 1st October 2015
317.7 Hectares of Mining Land ("the Mining Land")
Part of Country Lease No. 105654/28 ("the Master Title")
Locality of Bulat Mantar
District of Tawau, Sabah, Malaysia
Sub-Lease : Southsea Gold Sdn Bhd
Sub-Lease : Wulferdorf Resources Sdn Bhd

We refer to the above matter.

Kindly be informed that we as the registered owner of the above Master Title have no objection and hereby consent to you utilizing such part of the land adjacent to the Mining Land but within the Master Title for purposes of and ancillary to your mining operation such as storage of tails and/or locating site facilities. You are further permitted to make use of such road constructed or to be constructed on the Master Title land for purposes of access to the Mining Land. Such usage of land and road access shall be free of any payment whatsoever from you for the duration of the sub-lease period.

Thank you.

Yours faithfully,

[Signature]

DAYUK LO FUMING
Director

cc: Messrs Wong & Shum
2. Extension of conditional Period – BAHB, 19 May 2016

BORNEO AQUA HARVEST BERHAD (649504-D)

Lot 42, Block E, Bandar Nan Tung, Leila Road, 80600 Sandakan,
P. O. Box 2112, 80700 Sandakan, Sabah, Malaysia.
Tel: (089) 811133, 812033, 611033
Fax: (089) 616833, 813333
www.borneoaqua.com.my

Date: 19 May 2016

To:

Datuk Lo Fui Ming
Lot 51-52, Taman Permai
Mile 5, Jalan Labuk, P.O. Box 2112
80724 Sandakan, Sabah

Wahid Amir Bin Masry
House No. 40, Lorong Palam 8
Taman Datu Baru, Jalan Kolonial, Inland
88450 Kota Kinabalu, Sabah

Dr. Tan Su Haw
Unit 1012, 10th Floor
Lokas Square, Jalan Ibis, Likas
88400 Kota Kinabalu, Sabah

Dear Sirs,

SHARE SALE AGREEMENT DATED 20 NOVEMBER 2015 IN RELATION TO THE SALE OF
THE ENTIRE EQUITY OF WOLLERSDORF RESOURCES SDN BHD BY (I) DATUK LO FUI
MING, (II) MONO AMIR BIN MASRY AND (III) DR. TAN SU HAW (COLLECTIVELY,
"VENDORS") TO BORNEO AQUA HARVEST BERHAD ("BAHB")

We refer to the matter aforesaid above and to the SFA. All terms used herein shall be identical to
that of the SFA.

By virtue of clause 8.1 of the SFA, and with your mutual agreement, we wish to extend the
duration of the Conditional Period for an additional period of six (6) months from the existing
expiry date of 19 May 2016. Should you agree to the extension of the Conditional Period, the last
day for the extended Conditional Period shall now fall on 18 November 2016.

Save and except as expressly varied and amended by the contents of this letter, all the
expressions, terms and conditions of the SFA shall remain unchanged.

Your kind consideration to this matter is much appreciated. Thank you.

Yours faithfully,
For and on behalf of Borneo Aqua Harvest Berhad

CHONG KHING CHANG
DIRECTOR

Page 1 of 2
ACKNOWLEDGMENT AND AGREEMENT

We, the Vendors, hereby consent to the extension of the Conditional Period to 19 November 2016.

Yours faithfully,

DATUK LO FUJ MING
(NRIC NO. 580224-12-6176)

WHD AMIR BIN MASRY
(NRIC NO. 850904-12-5537)

DR. TAN SU HAW
(NRIC NO. 640427-12-8291)
3. Extension of Special EIA lodgement date – EPD, 20 April 2016
4. TSM Laboratory testwork report – 29 June 2016

Dear Sir,

**PROPERTIES DETERMINATION TEST OF BLOCK STONE**

Upon request, laboratory testing was carried out on the block stone Aggregate sample delivered to our laboratory Tawau.

The test results are summarized as follows:

<table>
<thead>
<tr>
<th>Lab Sample No.</th>
<th>TSM-T70-0020</th>
<th>JKR/SP/1988 SPECIFICATION (FOR CONCRETE PURPOSES)</th>
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<tbody>
<tr>
<td>Description Of Sample</td>
<td>Grey Block Stone</td>
<td></td>
</tr>
<tr>
<td>Source Of Sample</td>
<td>Sungai Mentiri</td>
<td></td>
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<tr>
<td>70% Pluse Test</td>
<td>2.06 M</td>
<td>Maximum 1008 N</td>
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<tr>
<td>Aggregate Crushing Value</td>
<td>14.7%</td>
<td>Not exceeding 20%</td>
</tr>
<tr>
<td>Water Absorption</td>
<td>0.18%</td>
<td>Not exceeding 5.0%</td>
</tr>
<tr>
<td>Bulk Specific Gravity (60°C)</td>
<td>2.713</td>
<td></td>
</tr>
<tr>
<td>Los Angeles Abrasion Test</td>
<td>36.5%</td>
<td></td>
</tr>
<tr>
<td>Aggregate Impact Value</td>
<td>17.25%</td>
<td>More Specified 15%</td>
</tr>
<tr>
<td>Sodium Sulfate Susceptible Test</td>
<td>4.55%</td>
<td>Less Not exceeding 12%</td>
</tr>
<tr>
<td>Chloride Ion Content As NaCl</td>
<td>Less than 0.01%</td>
<td>Not exceeding 0.06%</td>
</tr>
<tr>
<td>Sulfate Content As SO3</td>
<td>Less than 0.01%</td>
<td>Not exceeding 0.4%</td>
</tr>
<tr>
<td>Organic Matter Content</td>
<td>Less than 0.01%</td>
<td>Not exceeding 0.4%</td>
</tr>
</tbody>
</table>

The said test is conducted according with the specifications stipulated in JKR/SP/1988

Yours faithfully,

[Signature]

Mr. HENG HOCK NYE

[Stamp: TSM LABORATORY]

**APPENDIX IV – COMPETENT VALUER’S REPORT (CONT’D)**
TSM LABORATORY

AGGREGATE CRUSHING VALUE

<table>
<thead>
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<th></th>
<th>Mass of Aggregate in mould (g)</th>
<th>3600</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Mass passing 2.36mm sieve (g)</td>
<td>440.6</td>
</tr>
<tr>
<td></td>
<td>Aggregate Crushing Value (B/A) x 100</td>
<td>14.7</td>
</tr>
</tbody>
</table>

Remarks:

Tested by TEDDIE Date: 03.06.2016

[Stamp] MANAGER
## TSM Laboratory

### Water Absorption of Aggregate Coarse Than 10mm Nominal Size

**Client:** SOUTHERN GOLD SDN. BHD.

**Project:**

**Lab Sample No.:** TSM = T05a-B220

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>Mass of basket plus sample in water (gm)</td>
<td>1287.2</td>
<td>1535.3</td>
</tr>
<tr>
<td>A2</td>
<td>Mass of basket in water (gm)</td>
<td>572.6</td>
<td>572.6</td>
</tr>
<tr>
<td>A</td>
<td>Mass of saturated aggregate in water (A1 - A2) (gm)</td>
<td>714.6</td>
<td>962.7</td>
</tr>
<tr>
<td>B</td>
<td>Mass of the saturated surface-dry Aggregate in air (gm)</td>
<td>1290.2</td>
<td>1526</td>
</tr>
<tr>
<td>C</td>
<td>Mass of oven-dried aggregate in air (gm)</td>
<td>1237.7</td>
<td>1523.6</td>
</tr>
</tbody>
</table>

### Calculations

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(I) Relative density on an oven dried basis = C</td>
<td>2.708</td>
<td>2.710</td>
<td>2.709</td>
</tr>
<tr>
<td>(II) Relative density on a saturated surface = B</td>
<td>2.713</td>
<td>2.714</td>
<td>2.713</td>
</tr>
<tr>
<td>(III) Apparent relative density = C</td>
<td>2.722</td>
<td>2.721</td>
<td>2.722</td>
</tr>
<tr>
<td>(IV) Water absorption (%) = (X100 x C) / (to nearest 0.1)</td>
<td>0.19</td>
<td>0.16</td>
<td>0.18</td>
</tr>
</tbody>
</table>

Reference: GRAY, BLOODSTONE

Tested by: **TECK**

Manager: **[Signature]**

Date: 03/06/2016
# TSM LABORATORY

## 10% Fines Test

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mass of aggregate in moist (g)</td>
<td>1000</td>
</tr>
<tr>
<td>Liquid (g)</td>
<td>200.0</td>
</tr>
<tr>
<td>Mass passing 2.3 mm sieve (g)</td>
<td>135.2</td>
</tr>
<tr>
<td>Percentage of fines (C/A) x 100 (%)</td>
<td>4.5</td>
</tr>
<tr>
<td>10% fines value (10 x D)/(D + 10)</td>
<td>379.2</td>
</tr>
</tbody>
</table>

**Remarks:**

 Tested By: TSK  
 Date: 08.06.2016

[Stamp: MANAGER]
# TSM LABORATORY

## LOS ANGELES ABRASION TEST

**AASHTO - T96**

<table>
<thead>
<tr>
<th>Client:</th>
<th>SOUTHSEA GOLD SDN BHD</th>
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</thead>
<tbody>
<tr>
<td>Project:</td>
<td>____________________________________________</td>
</tr>
<tr>
<td>Sample Description:</td>
<td>GREY, BLOCKSTONE</td>
</tr>
<tr>
<td>Location:</td>
<td>SOURCE: SUNGAI MENTERI</td>
</tr>
<tr>
<td>Lab. Sample No.:</td>
<td>TSM - T16 - 0220</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(a)</th>
<th>Total mass of sample used (g)</th>
<th>5000</th>
</tr>
</thead>
<tbody>
<tr>
<td>(b)</td>
<td>Mass of sample retained at 1.70mm sieve (g)</td>
<td>3933.2</td>
</tr>
<tr>
<td>(c)</td>
<td>Los Angeles Abrasion wear value (%) = (a-b)/a x 100</td>
<td>29.3</td>
</tr>
</tbody>
</table>

**Remarks:**

<table>
<thead>
<tr>
<th>Tested by:</th>
<th>AMON</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date:</td>
<td>08.06.2016</td>
</tr>
</tbody>
</table>

**Manager:**

[Signature]

---

238
# TSM LABORATORY

**Determination of Aggregate Impact Value**

**CLIENT:** SOUTHEAST GOLD SDN BHD  
**PROJECT:**  
**SAMPLE DESCRIPTION:** GREY, BLOCKSTONE  
**SOURCE:** SUHAKI MENTERI  
**LAB SAMPLE NO.:** TSM - T16 - 0220

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>Weight of Original Sample plus Cylindrical Metal Measure</td>
<td>4396.9</td>
<td>4332.9</td>
</tr>
<tr>
<td>b</td>
<td>Weight of Cylindrical Metal Measure</td>
<td>3676.0</td>
<td>3676.0</td>
</tr>
<tr>
<td>c</td>
<td>Weight of Original Sample (a-b)</td>
<td>722.5</td>
<td>656.9</td>
</tr>
<tr>
<td>d</td>
<td>Weight Passing on 2.36mm BS Sieve Size</td>
<td>125.2</td>
<td>119.9</td>
</tr>
<tr>
<td>e</td>
<td>Weight Retained on 2.36mm BS Sieve Size</td>
<td>597.3</td>
<td>537.1</td>
</tr>
<tr>
<td>f</td>
<td>Weight passing and Retained on 2.36mm BS Sieve Size</td>
<td>722.5</td>
<td>656.9</td>
</tr>
<tr>
<td>g</td>
<td>Impact Value (de/100)</td>
<td>17.33%</td>
<td>18.24%</td>
</tr>
<tr>
<td>h</td>
<td>Average Impact Value</td>
<td></td>
<td>17.78%</td>
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</tbody>
</table>

**REMARKS:**

**TESTED BY:** TECK & TECK  
**DATE:** 09/06/2016

**MANAGER**
### TSM LABORATORY

**SOUNDNESS OF AGGREGATE BY USE OF SODIUM SULPHATE**

*ASABE DESIGNATION: T134.171*

**CLIENT & ADDRESS:**
SOUTHSEA GOLD SDN BHD

**LOCATION:** SOURCES: SUNGAI MENDEH
**SAMPLE DET:** GREY, BLOCKSTONE

<table>
<thead>
<tr>
<th>Grading of Original Sample (%)</th>
<th>% Passing Stone Size (mm)</th>
<th>Mass of Test Fraction (g)</th>
<th>Mass Retained After Test (g)</th>
<th>Weighted Average &amp; Loss %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rubber Tires &amp; Blocks</td>
<td>0.1</td>
<td>2.5</td>
<td>2.5</td>
<td>0.1</td>
</tr>
<tr>
<td>Rubber Tires &amp; Blocks</td>
<td>1.0</td>
<td>2.5</td>
<td>2.5</td>
<td>0.1</td>
</tr>
<tr>
<td>Rubber Tires &amp; Blocks</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
<td>0.1</td>
</tr>
<tr>
<td>Rubber Tires &amp; Blocks</td>
<td>5.0</td>
<td>2.5</td>
<td>2.5</td>
<td>0.1</td>
</tr>
<tr>
<td>Rubber Tires &amp; Blocks</td>
<td>10.0</td>
<td>2.5</td>
<td>2.5</td>
<td>0.1</td>
</tr>
<tr>
<td>Rubber Tires &amp; Blocks</td>
<td>20.0</td>
<td>2.5</td>
<td>2.5</td>
<td>0.1</td>
</tr>
<tr>
<td>Rubber Tires &amp; Blocks</td>
<td>40.0</td>
<td>2.5</td>
<td>2.5</td>
<td>0.1</td>
</tr>
<tr>
<td>Rubber Tires &amp; Blocks</td>
<td>60.0</td>
<td>2.5</td>
<td>2.5</td>
<td>0.1</td>
</tr>
<tr>
<td>Rubber Tires &amp; Blocks</td>
<td>80.0</td>
<td>2.5</td>
<td>2.5</td>
<td>0.1</td>
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</tbody>
</table>

**TOTAL:**

<table>
<thead>
<tr>
<th>Mass of Test Fraction (g)</th>
<th>Mass Retained After Test (g)</th>
<th>Weighted Average &amp; Loss %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.5</td>
<td>2.5</td>
<td>0.1</td>
</tr>
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</table>

**Remarks:**

Date Started: 20.06.2016
Tested By: ANON
Date Completed: 20.06.2016

**MANAGER**
## Discounted Cash Flow Model

### APPENDIX IV - COMPETENT VALUER'S REPORT (CONT'D)

<table>
<thead>
<tr>
<th>Expenditure Category</th>
<th>Year 10</th>
<th>Year 11</th>
<th>Year 12</th>
<th>Year 13</th>
<th>Year 14</th>
<th>Year 15</th>
<th>Year 16</th>
<th>Year 17</th>
<th>Year 18</th>
<th>Year 19</th>
<th>Year 20</th>
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<td><strong>Initial Outlay</strong></td>
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<tr>
<td><strong>Recurrent Costs</strong></td>
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<td>Operating Expenses</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Notes:
- The table above represents the discounted cash flow model for a given project.
- Each row indicates a different expenditure category, with columns representing the cash flows for each year.
- The initial outlay includes the capital expenditure required at the start of the project.
- Recurrent costs are expected to be constant from year to year.

---

**Additional Information**

- The valuation report includes detailed assumptions for each expenditure category and the discount rate used.
- The cash flows are discounted using the appropriate discount factor to reflect the time value of money.

---

**Appendix IV - Competent Valuer's Report (Cont'd)**

- Page 148
Borneo Aqua Harvest Bhd.
Competent Persons Report - Bukit Mantri Gold Project,
Sabah, Malaysia - August 2015

J1865
Principal Authors:
Mark Drabble B.App.Sci (Geology), MAusIMM, MAIG
Kahan Cerboj B.App.Sci, MAusIMM, MAIG
Principal Reviewer:
Paul Blackney BSc Hons, MAusIMM, MAIG
April 2016
APPENDIX V – COMPETENT PERSON’S REPORT (CONT'D)

Competent Persons Report - Bukit Mantri Gold Project

Doc Ref:
20160531_13865G_BAHB_Bukit_Mantri_Project_CP_Report_August2015 DRAFT.docx

Print Date: 1 June 2016

Number of copies:
Optiro: 1
Borneo Aqua Harvest Bhd.: 3

Principal Author: Mark Drabble B.App.Sci (Geology), MAusIMM, MAIG
Kahan Cervo BAppSci, (MAusIMM), MAIG

Signature: [Signature]
Date: 26 May 2016

Contributors: Rebecca Morgan BSc (Geology)(Hons) GDip (Mining), MEngSc (Mining), MAIG, MAusIMM

Principal Reviewer: Paul Blackney BSc Hons, MAusIMM, MAIG

Signature: [Signature]
Date: 26 May 2016

Reviewers: Ian Glacken FAusIMM(CP), CEng

Important Information:

This Report is provided in accordance with the proposal by Optiro Pty Ltd ("Optiro") to Borneo Aqua Harvest Bhd. and the terms of Optiro’s Consulting Services Agreement ("the Agreement"). Optiro has consented to the use and publication of this Report by Borneo Aqua Harvest Bhd. for the purposes set out in Optiro’s proposal and in accordance with the Agreement. Borneo Aqua Harvest Bhd. may reproduce copies of this entire Report only for those purposes but may not and must not allow any other person to publish, copy or reproduce this Report in whole or in part without Optiro’s prior written consent.

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22 April 2016

Mr Akinori Hotani (Executive Director)
Borneo Aqua Harvest Bhd.
Lot 4 Block E Bandar Nam Tung
Leila Road
P.O. Box 2112
90724 Sandakan
Sabah
Malaysia

Dear Mr Hotani,

COMPETENT PERSONS REPORT - BUKIT MANTRI GOLD PROJECT

Borneo Aqua Harvest Bhd. ("BAHB") formally commissioned Optiro Pty Ltd ("Optiro") to prepare a Competent Persons Report for its Bukit Mantri Gold Project in Sabah, Malaysia in August 2015. The report incorporated an update to the Mineral Resource estimate using 24 additional infill diamond drill holes completed in 2015. The data used for the Mineral Resource estimate comprised geological and assay information from 39 diamond drillholes (on a nominal 30 m by 40 m spacing) which were obtained from within an area of approximately 28 hectares (70 acres), surface mapping and an updated 2015 survey topographic pickup of the Bukit Mantri project area by independent surveyors. The drilling of the initial 15 drill holes and mapping information was carried out by Zamia Sdn. Bhd. ("Zamia") another Sabah based company between 1986 and 1991. Subsequent drilling has been carried out by Southsea Gold Sdn. Bhd. (SGSB) during 2013 and 2015.

Optiro is an independent consulting and advisory organisation which provides a range of services related to the minerals industry including, in this case, independent Mineral Resource estimation services, but also resource valuation, corporate advisory, mining engineering, mine design, scheduling, audit, due diligence and risk assessment assistance. The principal office of Optiro is at 16 Ord Street, West Perth, Western Australia, and Optiro’s staff work on a variety of projects in a range of commodities worldwide.

The authors do not hold any interest in Borneo Aqua Harvest Bhd., its associated parties, or in any of the mineral properties which are the subject of this report. Fees for the preparation of this report are charged at Optiro’s standard rates, whilst expenses are reimbursed at cost. Payment of fees and expenses is in no way contingent upon the conclusions drawn in this report.

Optiro visited the site between 7 and 10 December 2014 and again between 2 to 4 February 2015 to inspect drill core, road cuttings and exposures of outcropping mineralisation. Nine of the Zamia drill collar concrete marker blocks were sighted by Optiro and checked using a handheld GPS to obtain preliminary co-ordinates. The collar dip (-45°) and azimuth (315° magnetic) were confirmed by measuring a length of PVC pipe inserted into the collar of the holes. Final surveyed co-ordinates were provided by licensed surveyors and these were used to correctly locate the drillholes, match the Zamia geological mapping outlines on the topography against the drilling (using Zamia maps and plans) and to re-interpret the mineralisation wireframes. A programme of 24 infill drill holes was designed to confirm the mineralisation models and re-evaluate the Mineral Resource classification in
2015. The drilling successfully upgraded part of the deposit to the Indicated Mineral Resource category, as defined by the Joint Ore Reserves Committee (JORC) Code (2012 Edition).

The Bukit Mantri deposit is an epithermal vein style gold deposit with associated copper and silver mineralisation hosted in altered andesite rocks. The mineralisation is contained within narrow northeast-southwest and north-south striking (mag) quartz - sulphide veins in a tension vein array network of fractures bounded by regional fault structures. Diamond drilling was angled at -45 degrees towards 315 (local grid) to intersect the vein sets.

Optiro has reviewed all relevant technical information made available by the management of SGSB, and found it to be of sufficient quality to prepare a Mineral Resource estimate. Optiro has accepted this information in good faith as being true, accurate and complete, and takes no responsibility for any flaws or omissions in the information.

Optiro considers that the historical information, geological understanding and mapped exposures of mineralisation are of sufficient standard to support the classification of the Bukit Mantri August 2015 estimate as a Mineral Resource. The following confidence criteria are considered to be sufficient to support the classification of the central part of the deposit as an Indicated Mineral Resource under the JORC Code (2012 Edition):

- Diamond drilling on 30 m by 40 m spacing
- Vein set orientation, width and location defined by Zamia mapping and trenching
- Geological continuity of the structures confirmed by the infill drilling programme above the 250 mRl level to natural surface

Optiro also believes that it is appropriate to classify parts of the Bukit Mantri August 2015 Mineral Resource using the Inferred Mineral Resource category considering the following criteria:

- Vein set orientation, width and location defined by Zamia mapping and trenching
- Diamond drilling on spacings wider than 40 m

The geological continuity of the vein sets has been confirmed by the field mapping, trenching and sampling work completed by Zamia. The 15 Zamia diamond drillholes support and confirm the widths, extents and projection of the mineralised zones. The SGSB infill drilling of 24 holes has supported the geological interpretations of the vein sets and mineralised intersections.

The August 2015 Bukit Mantri Mineral Resource is detailed in Table 1.1.

<table>
<thead>
<tr>
<th>Category</th>
<th>Tonnage (Mt)</th>
<th>Grade (g/t Au)</th>
<th>Ounces (Ok Au)</th>
<th>Tonnage Au (troy)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicated Mineral Resource</td>
<td>1.69</td>
<td>2.77</td>
<td>148,000</td>
<td>4.6</td>
</tr>
<tr>
<td>Inferred Mineral Resource</td>
<td>1.01</td>
<td>1.84</td>
<td>60,000</td>
<td>1.9</td>
</tr>
<tr>
<td>Total</td>
<td>2.70</td>
<td>2.39</td>
<td>207,000</td>
<td>6.5</td>
</tr>
</tbody>
</table>

The deposit outcrops at surface or is covered by a thin layer of overburden. The deposit dimensions are 450 m (northing), 550 m (eastng) and up to 330 m below the natural surface but remains open along strike and laterally. The regional Wullersdorf block topography is characterised by low to moderately rugged terrain, with Bukit Mantri having a peak elevation of 595 metres above sea level. Weathering surfaces have been modelled using the logged weathering state and core photography from the 2015 drilling. Optiro notes that weathering of the veins will persist more deeply in fractures but this is not considered to have an effect on the estimated resource...
As part of the review of the historical information, Optiro carried out a quality control analysis based on laboratory reports which showed acceptable precision for repeat assays and no obvious bias in the sampling data. There are numerous exposures of mineralised vein sets in access road culverts and cuttings, which support the surface mapping and trenching information in terms of the orientation of the main mineralisation directions. Diamond core samples were inspected and photographed. Historical reports by Zamia corroborate the interpretation of narrow steeply-dipping veins, and Optiro interpreted the mineralisation wireframes by correlating the Zamia mapped surface geology to the mineralised drillhole intersections.

The August 2015 Mineral Resource estimated grades using the Ordinary Kriging technique within vein interpretations defined by surface mapping and 24 diamond drillholes. The block model has parent cells of 20 mE by 20 mN by 25 mRL, with sub-celling down to a minimum block size of 2.0 mE by 2.0 mN by 5 mRL to fill the narrow vein interpretations.

SGSB has taken 430 density readings for residual, oxidised and fresh rock samples. Density values are now calculated from these readings rather than assigned using assumed values. Residual soils have been assigned a density of 1.51 g/cm². Oxidised material changed from an assumed value of 2.50 g/cm² to 2.77 g/cm², and fresh rock density is unchanged at 2.80 g/cm³.

The block models were validated against the input data using visual checks and swath plots. Optiro notes that the global validation of the estimated grades against the input data is acceptable, but also that the accuracy of the local grade estimate is considered to be low, due to the small number of informing samples within each mineralised domain.

The other elements estimated within the gold domains are copper and silver, which are detailed in Table 1.2. Note: the tonnages containing the silver and copper mineralisation are the same as the gold Mineral Resource and are not additional to those reported in Table 1.1

Table 1.2  Bukit Mantri August 2015 Mineral Resource Estimate silver (Ag) and copper (Cu) table (reported using a 0.35 g/t Au cut-off grade)

<table>
<thead>
<tr>
<th>Category</th>
<th>Tonnage (Mt)</th>
<th>Grade (g/t Ag)</th>
<th>Ounces (Ag)</th>
<th>Tonnage Ag (tonnes)</th>
<th>Grade (Cu %)</th>
<th>Tonnage Cu (tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicated Mineral Resource</td>
<td>1.69</td>
<td>8.28</td>
<td>450,000</td>
<td>14.0</td>
<td>0.24</td>
<td>4,000</td>
</tr>
<tr>
<td>Inferred Mineral Resource</td>
<td>1.01</td>
<td>6.39</td>
<td>208,000</td>
<td>6.5</td>
<td>0.27</td>
<td>2,800</td>
</tr>
<tr>
<td>Total</td>
<td>2.70</td>
<td>7.57</td>
<td>657,000</td>
<td>20.4</td>
<td>0.25</td>
<td>6,800</td>
</tr>
</tbody>
</table>

Optiro considers the geological controls at Bukit Mantri to be consistent with a low sulphur epithermal style vein hosted deposit. The Zamia and SGSB drilling has defined an area of the mineralised system on a pattern of nominally 30 m by 40 m that in Optiro’s opinion shows sufficient geological and grade continuity to define the mineralisation as an Indicated and Inferred Mineral Resource.

Optiro notes that the mineralised system is still open along strike and laterally, and SGSB/BAHB plans to continue diamond drilling to define additional resources at Bukit Mantri.

Optiro carried out a third site visit on the 21st April 2016 and is re-issuing this updated Competent Persons report to provide additional information relating to the August 2015 Mineral Resource estimate in the areas of historic trench sampling, mapping, interpretation and classification. To the authors knowledge there have been no material changes since the August 2015 Mineral Resource estimate and the effective date of the August 2015 estimate is unchanged. The effective date of this technical report is now 22 April, 2016.
Yours sincerely

Mark Drabble
MAusIMM, MAIG,
B.App.Sci (Geology)
Principal Consultant – Optiro Pty. Ltd.