

Property

Investment

Fund Ltd

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Thursday, 16 June 2014

Re: New Capital Raising and Relisting of BBX Property Investment Fund Ltd

Dear Shareholder,

I am pleased to be able to INVITE YOU to increase your investment in BBX Property Income Fund Ltd ('BPI'). As foreshadowed in my last letter to you, my co-Director Barry Dawes has identified an attractive project that the Boards considers has the potential to be a company making investment for BPI.

Attached to this letter you will find some back ground information on Lava Blue Pty Ltd a special purpose company that has been established to market sapphires produced from the Mt Rosey Mining Company from gemfields in northern Queensland.

The Mt Rosey Mining Company ('Mt Rosey') holds tenements in one of the largest areas of sapphire occurrences in the world located in the Lava Plains gemfields of northern Queensland. Mt Rosey effectively controls these fields through more than 600 sq km of exploration permits and a granted mining lease over a prolific historical mine.

As advised to shareholders in May 2014, BPI has recently entered into an agreement with Mt Rosey to establish this joint venture marketing company, Lava Blue Pty Ltd that has the exclusive right to market all of the sapphires produced by Mt Rosey.

After making an initial payment to acquire 20% of Lava Blue, BPI earns the the irrevocable right (but not the obligation) to progressively acquire more Lava Blue until its interest becomes 50%. At this point BPI triggers the right to acquire the balance of Lava Blue and to acquire 100% of the Mt Rosey Mining Company Pty Ltd if BPI so chooses.

While the attached presentation provides some background to the international market for sapphire and colored gemstones and Australia's dominant role in the supply of this commodity, it is noteworthy that in just the last week Richland Resources Ltd (RLD:LSE), a company listed on the London Stock Exchange, announced the acquisition of a mothballed sapphire mine in Queensland with almost 500 hectares of mining leases for a value of close to \$2.5 million AUD all up (\$1.8 million cash and 18 million shares in RLD). The Mt Rosey project has already identified nearly 1000 hectares of potential sapphire bearing deposits and it has only just begun to fully explore its permits.

At this early stage your Directors consider that this investment has the potential to deliver attractive returns to shareholders of BPI and the funds raised in this offer will pave the way to relist the company on the NSX, and eventually,

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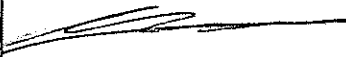
as the stages of the recent agreement are reached, to list your Company on the ASX. We encourage you to support this proposal which also provides BBX members with an opportunity to secure shares with payment in BBX dollars in the ratio of at least 2:8 cash:BBX dollars.

YOUR TAXATION ADVISER MAY ASSIST YOU IN THIS INVESTMENT AND DETAIL ANY BENEFITS TO YOUR SUPERANNUATION FUND THAT MAY BE APPLIED.

As part of the changes to the Company an experienced Company Secretary and public company Director, Mr Kevin Lynn, has also been appointed to the Board of the Company, replacing Carolin Macdonald, effective from June 18. We thank Carolin for her dedication to the Company and welcome Kevin to his new role in which he will be central to the relisting of the Company.

Kevin is a Chartered Accountant with a Master's Degree in Finance. He is also a Fellow of the Australian Institute of Company Directors and Finance Institute of Australia. Kevin for the past 25 years has acted in the capacity of Director, Company Secretary or CFO for a number of public listed and unlisted companies and is presently actively involved with ASX listed resource companies. His experience and skills are well suited to future needs of BPI.

Yours faithfully,



Michael Touma
Acting Chairman
BBX PIF



Mt Rosey Sapphires

Building a global brand in

Luxury Blue



Lava Blue

Mt Rosey Mining Company

A.C.N. 008 634 606

Disclaimer and notice

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This material has been prepared by the Mt Rosey Mining Company Pty Ltd A.C.N. 008 634 606 for the purposes of informing potential investors and collaborators about Mt Rosey's exploration permits and potential resources, future plans and intentions. Mt Rosey has made its best endeavours to ensure the accuracy and reliability of the data used herein, however makes no warranties as to the accuracy of the data herein nor accepts any liability for any action taken or decision made based on the contents of this report.

The images of gems and jewellery used in this presentation are not necessarily assets of the Mt Rosey Mining Company Pty Ltd or of Lava Blue Pty Ltd.

For further information on any of the material herein please contact the Managing Director Michael McCann on 0412 282 637 or via email on michael.mccann@mtroseymining.com

Mt Rosey Mines – the Natural Sapphire Company

An ancient desire, rarer than diamond

Formed deep within the rising magma tubes of erupting volcanos, crystallised in fire when all conditions coincide, flung into the world at 2000 degrees centigrade with the first flush of molten lava...

***Sapphire** has been valued from ancient times for its cool deep blues. The second hardest gem, rating 9 on the Mohr scale, natural rough Sapphire is more valuable than gold and rarer than diamond.*





Sapphire Global Market

- Sapphire has been treasured for thousands of years, earliest recorded mining more than 3,000 years old. Economic deposits of Sapphire are rarer than diamond.
- Global colored gem market conservatively estimated at \$10Bn - Sapphire market at least \$2Bn* per annum.
- USGS estimates global supply of sapphire declined from 32,000 kg in 2000 to 25,600kg in 2005. Industry says mine output has continued to decline since then, possibly <20,000kg pa now.
- Strong demand growth reported from China, India, Middle East, but also from Eastern Europe and generally strong sales witnessed in all markets.



May 18, 2011, 130.5 carat sapphire, sold by Christies for \$7,127 453 – more than 5 times maximum estimate



2011 record broken five times till sale of 19.88 carat sapphire in diamonds for \$3,483,017, or \$170,200 per carat at Christies Geneva Sale May 2013, present record.

Mt Rosey Mining Company

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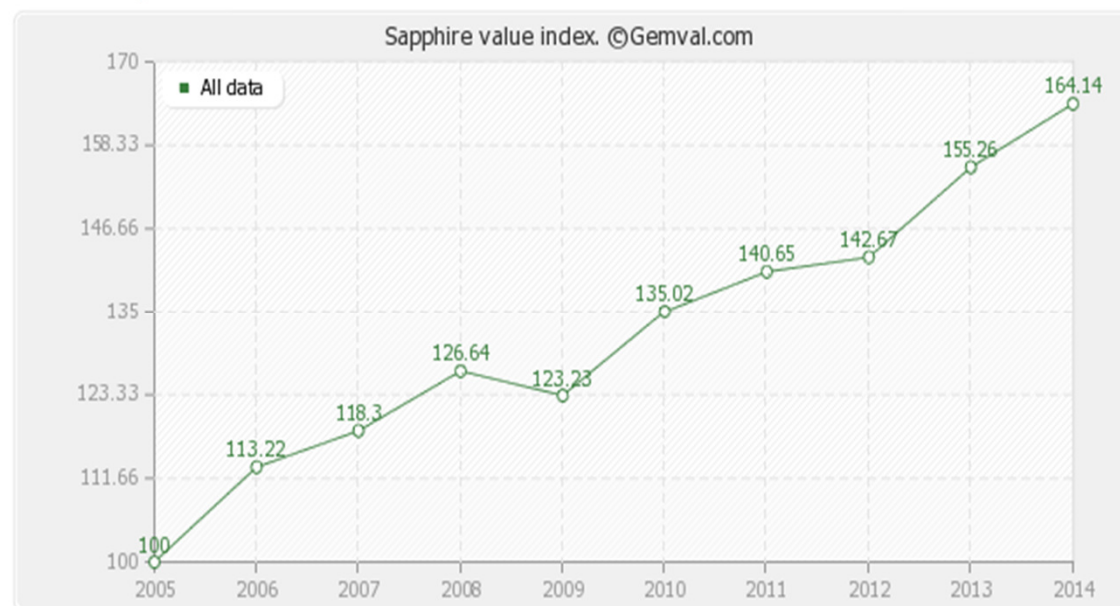
*Gemmological Institute of America 2009, Shor and Weldon



Gemval Price index for Sapphire 2005-2014

Historical values

Historical average values for **Sapphire**:
Relative index, Jul 2005 = 100.00



Select gemstone variety and chart period:

Sapphire

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November 2013, 114 ct
Burmese Royal Blue sapphire
sets new per carat auction
record for a Burmese gem
(USD\$62,214/ct) at Sotheby's,
Geneva. Commercial
manufacturing jewelers prices
continue to steadily climb

While premium and investment grade sapphire have been setting new records at auction every year since 2005, the Gemval index of sapphire for manufacturing jewellery supplies has also risen steadily with only a short pause during the GFC.

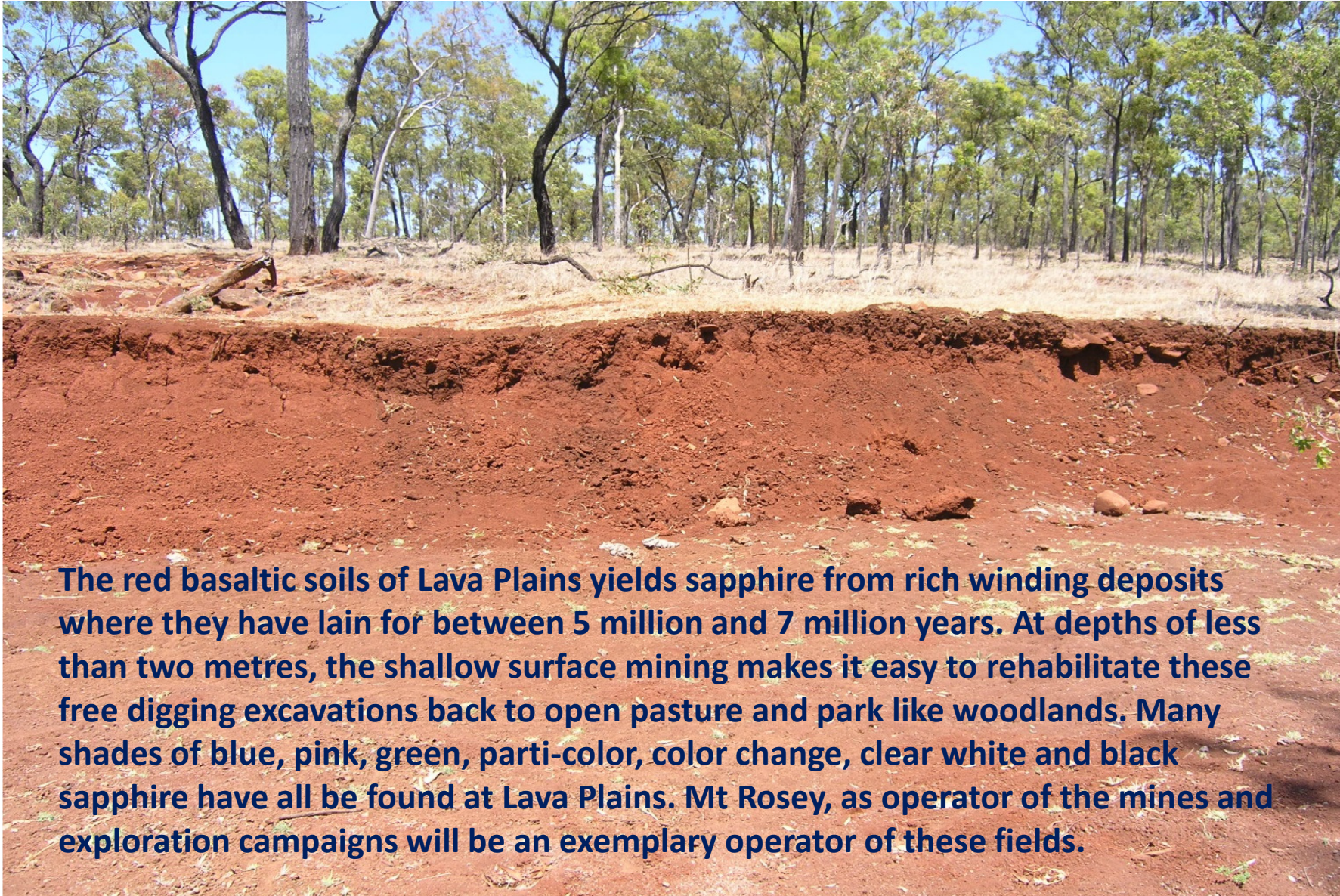
Australia a major world supplier



- For the past century Australia has supplied between 50% and 70% of the world's sapphire.
- The majority of Australian sapphire has been cut overseas and higher quality gems are marketed as being from Ceylon, Burma or Thailand.
- There are three known economic sapphire producing regions in Australia -
- One in Northern NSW around Inverell and Glen Innes and one in the Central Queensland Gemfields to the west of Emerald
- And the Lava Plains field in northern Queensland.
- Mt Rosey controls exploration permits across 600 sq km of Lava Plains, effectively controlling the entire field.
- This is thought to be the first time in history that a single entity has controlled an entire gemfield like this in Australia.



After waiting 7 million years



The red basaltic soils of Lava Plains yields sapphire from rich winding deposits where they have lain for between 5 million and 7 million years. At depths of less than two metres, the shallow surface mining makes it easy to rehabilitate these free digging excavations back to open pasture and park like woodlands. Many shades of blue, pink, green, parti-color, color change, clear white and black sapphire have all be found at Lava Plains. Mt Rosey, as operator of the mines and exploration campaigns will be an exemplary operator of these fields.

Mt Rosey Mines



- Mt Rosey has secured a dominating position with majority interests in more than 600sq km of exploration permits, and holding the only granted mining lease on one of the largest sapphire provinces in the world, the Lava Plains gemfield in northern Queensland.
- The mining lease covers 60 hectares around the historic Thai Mine that has been a prolific producer of sapphire since the 1970s.
- Mt Rosey is preparing to restart production at the Thai Mine, which was producing sapphire from a rich surface deposit as recently as June 2013 and to test the highest priority exploration targets across the extensive exploration permits.
- More than two dozen highly prospective targets, covering nearly 1000 hectares, have been identified for testing within the Mt Rosey permits. A single discovery like the Thai Mine, would be company making.
- Production from its own mines is the foundation on which Mt Rosey plans to create a **mine-to-market** specialist marketing venture to capture the highest value of the gems, and to establish a brand for the distinctive royal blue sapphires characteristic of the field – Lava Blue.

*Rough sapphire from Lava
Plains exhibiting the
characteristic royal blue*





Mine-to-Market Value Uplift

- Colored gemstone companies of global scale have been successful in the past decade with a Mine-to-Market model capturing returns from the entire value chain.
- Best examples are Argyle Diamonds with colored diamonds, Gemfields Plc with African emeralds, and Richland Resources with tanzanite.
- Mt Rosey's will supply gems to its specialist marketing company, **Lava Blue Pty Ltd**, that will build a global market and its own brand, and gemstone cutting.
- Having established supply lines and markets, **Lava Blue** can also become a buyer and processor of other Australian sapphire, employing the full range of color found on Australia's three gemfields.



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Australian sapphire ranges in color from green and yellow through pink to light and very dark blue.





Mine-to-Market Value Chain

The mine-to-market value adding supply chain will include:

- Rough sapphire from Mt Rosey Mines at Lava Plains;
- Lava Blue sorting and grading rough material in Australia;
- Sales of lesser quality rough gemstones to cutting houses;
- Lava Blue cutting and polishing grade A stones on its own account with select cutters in Australia and Thailand under contract.



Sale of finished high grade gemstones direct to high net worth consumers via 'buyers club', members only luxury goods website, and direct to jewelers.



Jeweler's sets made to order with feature stones and color schemes

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Lava Blue



Mt Rosey is planning to achieve production from its mines at a scale that is significant in the global market

A stream of quality gems allows Lava Blue Pty Ltd to develop its own global luxury high value gem brand.

Lava Blue will be a 'natural gemstone company', a luxury goods company, supplying and promoting product from leading jewelers and designers who use Lava Blue gems

Lava Blue's exclusive supplier, Mt Rosey Mines, will be exemplary in the field allowing both companies to support the international FairGems process as a supplier of 'ethical gems'.





Strategy

- Very low cost mining enterprise with early cash flow and very significant exploration upside.
- Very significant value uplift taking gems from **mine-to-market**.
- Capital required to:
 - Re-start mining on Thai Mine and testing of high priority targets;
 - Expand gem mining to early identified new sources;
 - Build the Lava Blue Brand and market through Lava Blue Pty Ltd;
 - Build a team of specialists in Lava Blue along the mine-to-market value chain;
 - Establish cutting house wholesale arrangements and/or buy direct interest in cutting house;
 - Build domestic and international retail and wholesale gem sales.

As the worlds largest producer of Sapphire, its time that Australia had a global gem brand in the market.

Lava Blue - natural sapphire – Luxury Blue

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Sapphire and gold Viking
ring circa 8th century