

BMG RESOURCES LTD

ANNUAL REPORT 2016



ACN 107 118 678
BMG RESOURCES LIMITED

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CORPORATE DIRECTORY

DIRECTORS

Bruce McCracken (Managing Director)
Anthony Trevisan (Director)
Simon Trevisan (Director)
Malcolm Castle (Director)

COMPANY SECRETARY

Fleur Hudson

REGISTERED AND PRINCIPAL OFFICE

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191 St Georges Terrace
PERTH WA 6000

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AUDITORS

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

HOME EXCHANGE

Australian Securities Exchange Ltd
Exchange Plaza
2 The Esplanade
PERTH WA 6000
ASX Code: BMG

SOLICITOR

Jackson McDonald
Level 17
225 St Georges Terrace
PERTH WA 6000

BANKER

St George Bank
Level 2, Westralia Plaza
167 St Georges Terrace
PERTH WA 6000

LETTER TO SHAREHOLDERS

Dear Shareholders

On behalf of the Board I enclose BMG Resources Limited's Annual Report.

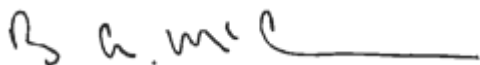
It's been another tough year for junior exploration companies. Access to capital to fund exploration and development programs continues to be very tight as investors remain cautious during the current economic cycle. Significant volatility in the resources sector has continued and prices for copper and other commodities have remained too low to justify substantial exploration in the past year.

Within this context, BMG sought new partners to invest into our copper and gold exploration project in Cyprus (**Treasure Project**) and completed a transaction with New Cyprus Copper Company Ltd (**New Cyprus**) in April 2016. New Cyprus now owns a majority interest in the Treasure Project and is responsible for operating and funding the project moving forward.

BMG is actively focussed on securing new investment opportunities and is considering options in both the resources and non-resources sectors. We are continuing to manage costs very carefully and the directors and management once again continued to 'park' their fees while we work through this process. TRG Investments Pty Ltd, a significant shareholder of BMG, has also continued to provide financial support to the Company and park their fees for management and administrative services.

Following the transaction with New Cyprus we undertook a board restructure and Chris Eager and Michael Green both stepped down from the Board. I thank both Chris and Michael for their contribution and service to the Company over the past 3 years. Anthony Trevisan, Chairman of the Transcontinental Group, and Simon Trevisan, Managing Director of the Transcontinental Group, have since joined the Board as we focus on securing new investment opportunities for the Company.

We are currently undertaking a review of our strategic capital requirements and expect to make an announcement shortly. Thank you for your support of the Company during the past year in what has continued to be a difficult period for the junior resources sector, however we plan and hope for a more positive year ahead.



Bruce McCracken

Managing Director

Dated at Perth, Western Australia, this 29th September 2016.

OPERATIONAL REPORT

For 12 Months to 30 June 2016

The past 12 months presented another challenging period for BMG Resources Limited (the Company; ASX:BMG) as difficult trading conditions prevailed across the junior resources sector. Capital markets remained very tight with uncertainty around the growth outlook for the major global economies and commodity prices remained subdued. BMG continued to keep all exploration activity and expenditure on its Cyprus project (Treasure Project) to a minimum as it focused on securing a new investment partner for the project and seeking new investment opportunities for the Company.

In December 2015 the Company signed a binding term sheet to divest a majority interest in the Treasure Project to New Cyprus Copper Company Ltd (New Cyprus) – refer ASX announcement on 31 December 2015. The key commercial terms for the divestment were as follows:

- New Cyprus acquired an initial 70% interest in Treasure Development Limited (TDL), previously a wholly owned Cyprus subsidiary company of BMG, which owns the Treasure Project.
- New Cyprus assumed ongoing responsibility for all costs and liabilities associated with the operation of TDL and the Treasure Project, including exploration expenditure and maintaining the tenements in good standing.
- New Cyprus paid BMG €35,000 following completion and assumed c.\$100,000 of liabilities relating to the Treasure Project.
- New Cyprus will undertake a 2 year exploration program as agreed between the parties. Once completed, BMG will transfer to New Cyprus an additional 20% of TDL (bringing New Cyprus's interest to 90%) and retain a 10% free carried interest in TDL.
- New Cyprus may increase its interest in TDL to 100% by acquiring the remaining 10% of TDL by either:
 - Payment to BMG of \$2 million in cash within 12 months of reaching its 90% interest; or
 - Payment to BMG of a 1% Net Smelter Royalty from any future production until \$2 million is received by BMG plus a 10% share of any profits generated during this time.

This was approved by shareholders at a General Meeting in February 2016, and the sale completed in April 2016. The Company subsequently undertook a board restructure as it refocused on new business opportunities. Christopher Eager and Michael Green both stepped down from the Board – they both joined in 2014 when BMG acquired the Treasure Project - and Simon Trevisan joined the Board as a director. Simon is the Managing Director of the Transcontinental Group. Anthony Trevisan also subsequently joined the Board. Anthony is the Chairman of the Transcontinental Group.

The Company has continued to actively seek new investment opportunities in the resources and non-resources sectors with a focus on opportunities with existing or a clear pathway to cash flow generation. Whilst we haven't yet secured on a new opportunity for the Company we reviewed a number of opportunities during the year, including the potential acquisition of Fitlink which ultimately didn't proceed – refer ASX announcements on 15 July 2015 and 8 October 2015.

The directors and management have continued to 'park' their costs to assist with cash flow management, as has TRG Investments Pty Ltd (TRG), a significant shareholder of BMG, which provides management and administrative support to the Company. TRG has also provided a letter of financial support to the Company and has agreed to provide funding support while the Company actively pursues a new investment opportunity and secures additional capital investment.

OPERATIONAL REPORT

TREASURE PROJECT - CYRUS

The Company now has a 30% interest in the Treasure Project following the divestment of the majority stake to New Cyprus in April 2016. The Treasure Project includes nine advanced prospects where copper (+Au-Zn-Ag) was mined after 1920 and eleven other prospects where evidence of similar mineralisation is exposed. In addition, the Black Pine project area contains the Pevkos and Laxia Prospects where exposed massive sulphide veins containing very high-grade copper, nickel, cobalt and gold have been successfully drilled, and two other prospects are yet to be drilled. The Treasure Project has four project areas and currently comprises 10 licences for a total of 36.654km².

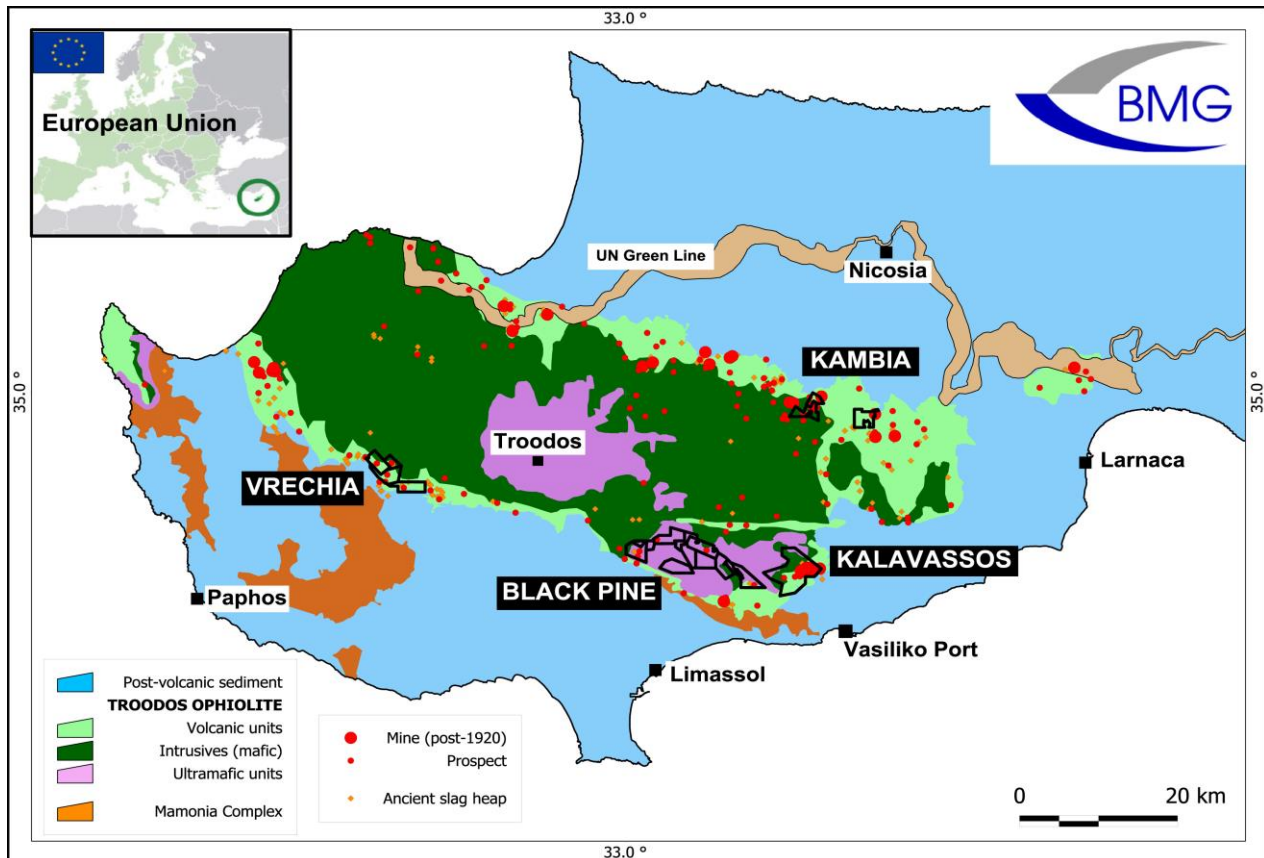


Figure 1: BMG's current tenement status in Cyprus

OPERATIONAL REPORT

TENEMENTS

The Treasure Project, of which BMG currently owns a 30% interest, now comprises 10 exploration licences for a total of 36.654km².

Project	Licence number	Status	Interest (%)	Notes	Activity during the quarter
BLACK PINE	EA4589	granted	100		
	EA4590	granted	100		
	EA4594	expired	100		not renewed
	EA4595	expired	100		not renewed
	EA4591	granted	100		
	EA4596	expired	100		not renewed
	EA4610	granted	100	replaced EA4314	granted
	EA4612	granted	100	replaced EA4318	granted
VRECHIA	EA4457	granted	100		
	EA4592	expired	100	replaced AE4462	not renewed
	EA4593	expired	100	replaced AE4462	not renewed
	EA4609	expired	100	replaced EA4313	not renewed
KALAVASSOS	AE4607	granted	100	replaced AE4547	granted
	AE4608	granted	100	replaced AE4547	granted
KAMBIA	EA4447	granted	100		
	EA4448	granted	100		renewed
	EA4611	expired	100	replaces EA4315	not renewed

The Cyprus licence package was rationalised during the period with 4 previously approved licences being renewed in full. These were the Laxia and Pevkos licences which had reached their 6 year anniversaries and thus went through the reapplication process. The previous reconnaissance licence at Kalavassos (AE4547) was also rationalised and converted into two standard exploration licences to permit ground disturbing work (eg. drilling). These four licences are now valid for another 6 years. EA4448 covering the North Mathiatis mine has also been renewed. Seven licences were relinquished during the period as they contained no immediate priority targets and were thus deemed to be non-core licences. All of these relinquished licences were previously reconnaissance licences (AE4461, AE4462, AE4464, AE4465) which were in the process of converting to standard exploration licences.

DIRECTORS' REPORT

Your Director's present their report on the Consolidated Entity (referred to hereafter as the **Group**) consisting of BMG Resources Limited (**BMG** or **the Company**), being the Company and its subsidiaries (**Consolidated Entity**), at the end of, or during, the year ended 30 June 2016 and the Auditor's report thereon.

DIRECTORS

The names and details of the Directors in office during the financial year and until the date of this report are set out below.

- Bruce McCracken (Managing Director)
- Anthony Trevisan (Director – Appointed on 24 May 2016)
- Simon Trevisan (Director – Appointed on 15 April 2016)
- Malcolm Castle (Director)
- Christopher Eager (Non-Executive Chairman resigned 15 April 2016)
- Michael Green (Chief Operating Officer resigned 15 April 2016)

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the financial year comprised of mineral resource exploration and development.

OPERATING RESULTS

The Consolidated Entity's loss after providing for income tax for the year ended 30 June 2016 amounted to \$2,678,099 (2015: \$922,896).

DIVIDENDS PAID OR RECOMMENDED

The Directors' of the Company do not recommend the payment of a dividend in respect of the current financial year ended 30 June 2016.

REVIEW OF OPERATIONS

The Consolidated Entity's operations are discussed in the Directors' Report from page 7.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the year the Consolidated Entity completed the sale of a majority interest in its Cyprus Copper and Gold Project (Treasure Project) to New Cyprus Copper Company Ltd (New Cyprus). New Cyprus has acquired an initial 70% interest in Treasure Development Limited (TDL), as previously owned by the Consolidated Entity.

There are no other significant changes in the state of affairs of the Consolidated Entity during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Transcontinental Group (TRG) has provided a letter of support to BMG dated 27 September 2016 and confirmed that TRG will provide financial support to BMG to meet its debts when they fall due and to enable BMG to carry on its business as a going concern and maintain its assets in good standing for a period until BMG completes adequate fund raising for the period of 12 months from the date of signing the 30 June 2016 annual financial report. A fund raising is

DIRECTORS' REPORT

currently being prepared and is expected to be completed this year. There are no other matters or circumstances that have arisen since the reporting date.

LIKELY DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Directors are of the opinion that further information as to the likely developments in operations of the Consolidated Entity and the expected results of those operations, would be speculative and prejudicial to the interests of the Group and its Shareholders.

ENVIRONMENTAL REGULATION

The Board believe that the Consolidated Entity has adequate systems in place for the management of environmental requirements and is not aware of any breach of environmental requirements as they apply to the Consolidated Entity.

National Greenhouse and Energy Reporting Act 2007

This is an Act to provide for the reporting and dissemination of information related to greenhouse gas emissions, greenhouse gas projects, energy production and energy consumption, and for other purposes. The Consolidated Entity is not subject to the *National Greenhouse and Energy Reporting Act 2007*.

BOARD OF DIRECTORS

Mr Bruce Alexander McCracken B Com, LLB, MBA, GAICD – Managing Director	
Experience and Expertise	<p>Mr McCracken is an experienced business executive having spent 21 years working across a broad range of industries based in Perth, Melbourne and Sydney.</p> <p>Prior to joining BMG Resources Limited Mr McCracken worked in the Corporate sector as a Senior Executive with the Kirin Group-owned Lion Pty Ltd (previously Lion Nathan) and the private equity owned Amatek Group, now part of the Fletcher Building Group.</p> <p>Before working in the corporate environment he was an Investment Banker based in both Perth and Melbourne in specialist corporate advisory and project finance roles and has also practiced as a Banking and Finance Solicitor. During his time as an Investment Banker Mr McCracken worked across a broad range of corporate and financial advisory assignments, primarily in the diversified industrials and mining and resources sectors.</p> <p>Mr McCracken holds Bachelor of Commerce and Bachelor of Laws degrees from the University of Western Australia, an MBA from Melbourne Business School and is a graduate of the Australian Institute of Company Directors.</p> <p>Mr McCracken is the Chairman of the Board's Share Trading Committee.</p>
Other Current Directorships	Director of Regalpoint Resources Limited
Former Directorships in last 3 years	None
Special Responsibilities	Managing Director Chairman of the Share Trading Committee
Interests in Shares and Options	1,000,000 Ordinary shares in BMG Resources Limited 2,500,000 Unlisted Options over ordinary shares in BMG Resources Limited

DIRECTORS' REPORT

Anthony A Trevisan – Director (Appointed on 24 May 2016)	
Experience and Expertise	<p>Mr Trevisan has played major roles in a large number of corporate scenarios involving financing mergers and acquisitions, the restructuring of property and petroleum and mineral resources based public companies and the establishment of substantial operating businesses.</p> <p>Mr Trevisan has had extensive experience in raising and structuring financial instruments to fund the development of a number of significant projects in Australia and overseas, and has been responsible for public offerings and the floating of companies on the Australian Stock Exchange and other major exchanges internationally involving well over a billion dollars. He has held senior executive positions in listed public companies with a wide range of interests including oil & gas, mining, industrial and property, including Mediterranean Oil & Gas Plc (founder and executive director, Ombrina Mare oil discovery), Arabex Petroleum NL (founder and executive director, Rubiales oil discovery), Callina NL (executive chairman, petroleum work-over project at Komi Oil field, Russia), Aqua Vital (Australia) Ltd (executive chairman, now owned by Coca Cola), TRG Properties and the Roy Weston Group (executive chairman) amongst others.</p> <p>Mr Trevisan was appointed as a director of BMG Resources Limited on 24 May 2016.</p>
Other Current Directorships	Alternative Director of Neurotech International Limited
Former Directorships in last 3 years	Previously a director of BMG Resources Limited from December 2010 until October 2013
Special Responsibilities	<p>Member of the Nomination and Remuneration Committee</p> <p>Member of the Share Trading Committee</p>
Interests in Shares and Options	10,698,121 ordinary shares in BMG Resources Limited
Simon Trevisan B Econ, LLB (Hons), MBT – Director (Appointed on 15 April 2016)	
Experience and Expertise	<p>Mr Trevisan is the Managing Director of the Transcontinental Group of Companies and for the past 15 years has been responsible for managing Transcontinental Group's mining and oil & gas investments and property development projects. Mr Trevisan has been involved in the promotion and management of a number of public companies, including Mediterranean Oil & Gas plc, an AIM listed Oil & Gas Company with production and a substantial oil discovery in Italy.</p> <p>He was Executive Chairman of ASX-listed gold explorer Aurex Consolidated Ltd until its takeover by TerraGold Mining Ltd and a founding investor and Director of Regalpoint Resources Limited and Ausgold Limited. He has a Bachelor of Economics and a Bachelor of Laws (UWA) and a Master's Degree in Business and Technology from the University of New South Wales. Mr Trevisan initially practised as a solicitor with Allens Arthur Robinson Legal Company firm, Parker and Parker, in the corporate and natural resources practice groups and later acted as General Counsel to a group of public companies involved in the mining and exploration sectors.</p> <p>Mr Trevisan is the Chairman of the Nomination and Remuneration Committee and a member of the Share Trading Committee and Audit and Risk Committee.</p>
Other Current Directorships	<p>Director of Regalpoint Resources Limited</p> <p>Director of Neurotech International Limited</p>
Former Directorships in last 3 years	Director of Ausgold Limited (Resigned on 4 th February 2013)
Special Responsibilities	<p>Chairman of the Nomination and Remuneration Committee</p> <p>Member of the Share Trading Committee</p> <p>Member of the Audit and Risk Committee</p>
Interests in Shares and Options	6,686,936 ordinary shares in BMG Resources Limited

DIRECTORS' REPORT

Mr Malcolm John Castle B.Sc. (Hons), GCertAppFin (Sec Inst), MAusIMM – Director	
Experience and Expertise	<p>Mr Castle has over 40 years' experience in exploration geology and property evaluation, working for major companies for 20 years as an Exploration Geologist. He has wide experience in a number of commodities including iron ore, gold, base metals, uranium and mineral sands. He has been responsible for project discovery through to feasibility study and development in Indonesia and the Pilbara in Western Australia and technical audits in many countries.</p> <p>Mr Castle was a founding member and permanent employee of Fortescue Metals Group as Technical Services Manager for expansion projects and was an integral member of the team developing the definitive feasibility study for start-up projects at Cloudbreak and Christmas Creek. Mr Castle is Chief Geologist for the Transcontinental Group.</p> <p>Mr Castle completed a Bachelor's Degree in Applied Geology with the University of New South Wales in 1965 and was awarded a B.Sc (Hons) degree. He completed postgraduate studies with the Securities Institute of Australia in 2001 and was awarded a Graduate Certificate in Applied Finance and Investment in 2004.</p> <p>He is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM), and has the appropriate relevant experience and qualifications to be an 'Expert' and 'Competent Person' under the Australian Valmin and JORC Codes respectively.</p> <p>Mr Castle is a member of the Board's Nomination and Remuneration Committee, a member of the Board's Audit and Risk Committee and a member of the Board's Share Trading Committee.</p>
Other Current Directorships	None
Former Directorships in last 3 years	None
Special Responsibilities	<p>Member of the Audit and Risk Committee</p> <p>Member of the Nomination and Remuneration Committee</p> <p>Member of the Share Trading Committee</p>
Interests in Shares and Options	597,856 Ordinary shares in BMG Resources Limited
Mr Christopher Eager BE, MBA – Non-Executive Chairman (Resigned on 15 April 2016)	
Experience and Expertise	<p>Mr Eager is a Mining Engineer who has spent the majority of the past 26 years in mine development, management of mining companies and resources banking.</p> <p>Mr Eager is currently Executive Chairman of Ssafin Plc, formerly Resmin Plc, a private resources group based in the UK and is a founder and Director of CoalMont Pty Ltd, an Australian company that is completing feasibility work on a Coking Coal Project in British Columbia, Canada.</p> <p>From 2001 to 2007 he was a founding Director and the CEO of Monterrico Metals Plc, a mineral resources development company. Mr Eager was responsible for seeing Monterrico through completion of a BFS for a 25 million tonne per annum copper porphyry project in Peru, IPO on the AIM market and sale of the Company in 2007 to a Chinese consortium.</p> <p>From 2004 to 2006, Mr Eager was a founding Director and Chairman of AIM listed coal development company Asia Energy Plc. He was also founding Director and Chairman of Bluestone Offshore Pte Ltd, a deepwater geotechnical services company based in Singapore.</p> <p>Mr Eager has gained significant management and operational experience during his career through a variety of roles across a range of resources companies, as a resources banker with NM Rothschild (Australia) Limited providing project finance to the mining sector and as an independent consulting mining engineer with Gemcom and Snowden Consultants.</p> <p>Mr Eager has a Bachelor of Engineering (Mining) from the University of Wollongong, NSW and an MBA from Institut Supérieur de Gestion, France.</p> <p>Mr Eager is a Chairman of the Board's Nomination and Remuneration Committee and a member of the Board's Audit and Risk Committee.</p>
Other Current Directorships	Ssafin Plc (formerly Resmin Plc)

DIRECTORS' REPORT

Former Directorships in last 3 years	None
Special Responsibilities	Chairman of the Nomination and Remuneration Committee Member of the Audit and Risk Committee
Interests in Shares and Options	1,000,000 Unlisted Options over ordinary shares in BMG Resources Limited (expired 6 months after resignation date of 15 April 2016)

Dr Michael Green B.Sc. (Hons) PhD MAIG - Chief Operating Officer (Resigned on 15 April 2016)

Experience and Expertise	<p>Dr Green is a Geologist with over 16 years' experience in Australia and worldwide with managing all aspects of exploration programs targeting a broad range of commodities but particularly gold, copper and nickel.</p> <p>For the 6 years prior to joining BMG in February 2014, Dr Green operated as an independent Geological Consultant with Remote Area Geoscience. During this time he has worked with numerous ASX listed companies, both in Australia and worldwide.</p> <p>He had extensive involvement with copper exploration in Cyprus and the Treasure Project prior to joining BMG.</p> <p>Dr Green is a Member of Australian Institute of Geoscientists (MAIG) and is a Competent Person for the purposes of Australian Stock Exchange releases on mineral resources.</p>
Other Current Directorships	None
Former Directorships in last 3 years	Motopia Limited
Special Responsibilities	Chief Operating Officer
Interests in Shares and Options	1,700,000 Unlisted Options over ordinary shares in BMG Resources Limited (expired 6 months after resignation date of 15 April 2016)

COMPANY SECRETARY

Mrs Fleur Hudson BA, LLB, LLM (Disp. Res.)

Experience and Expertise	<p>Mrs Hudson has a Bachelor of Arts, a Bachelor of Laws and Master of Laws degrees. She has been a Director of Transcontinental Group since 2009 and was appointed as Company Secretary of Regalpoint Resources Limited and BMG Resources Limited in 2010 and Ausgold Limited (resigning in November 2011).</p> <p>Prior to that, Mrs Hudson practiced as a Solicitor with international law firms in Perth and London since 1998. As a Solicitor, she has advised large national and international companies with respects to a variety of civil construction, infrastructure and commercial issues.</p>
Other Current Directorships	Director of Neurotech International Limited (Resigned 5 September 2016)
Former Directorships in last 3 years	None
Special Responsibilities	Company Secretary
Interests in Shares and Options	NIL

DIRECTORS' MEETINGS

During the financial year, 3 Board of Directors' Meetings and 2 Audit Committees were held. Attendances by each Director during the year were as follows:

DIRECTORS' REPORT

Director	Directors' Meetings		Audit Committee*		Remuneration Committee**		Share Trading Committee***	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
Christopher Eager	3	3	2	2	0	0	0	0
Bruce McCracken	3	3	2	2	0	0	0	0
Malcolm Castle	3	3	2	2	0	0	0	0
Michael Green	3	3	0	0	0	0	0	0

* During the financial year Mr Eager was Chairman (until he resigned) of the Audit and Risk Committee with Mr Castle being a member.

** During the financial year Mr Eager was Chairman (until he resigned) of the Nomination and Remuneration Committee with Mr Castle being a member.

*** During the financial year the members of the Share Trading Committee were Mr McCracken and Mr Castle.

DIRECTORS' SHAREHOLDINGS

The following table sets out each Director's relevant interest in shares and options of the Company for the year ended 30 June 2016

Director	Number Shares	Unlisted Number Options
Christopher Eager	-	1,000,000
Bruce McCracken ¹	1,000,000	400,000
Bruce McCracken ¹	-	2,500,000
Anthony Trevisan ²	8,799,985	-
Anthony Trevisan ³	1,588,802	-
Anthony Trevisan ⁴	40,000	-
Anthony Trevisan ⁵	66,000	-
Anthony Trevisan ⁵	10,000	-
Anthony Trevisan ⁶	193,334	-
Simon Trevisan ⁷	4,904,800	-
Simon Trevisan ⁸	1,588,802	-
Simon Trevisan ⁹	193,334	-
Malcolm Castle ¹⁰	15,000	-
Malcolm Castle ¹⁰	39,896	-
Malcolm Castle ¹¹	542,960	-
Michael Green ¹²	400,000	1,700,000

1 Relevant interest in 970,000 shares as a beneficiary of the McCracken Family Trust and 30,000 shares directly held. 400,000 unlisted options have been expired on 01 July 2016.

2 Relevant interest as Director and sole shareholder of Transcontinental Resource Group Resources Group 2013 Pty Ltd.

3 Relevant interest as Chairman of Transcontinental Investments Pty Ltd.

4 Indirect interest as a Trustee of Kippy Superannuation Fund.

5 66,000 shares directly held and 10,000 indirect interests as a spouse of Karen Trevisan.

6 Indirect interest as a Trustee of Trevisan Superannuation Fund.

7 Relevant interest as director of TRG Equity Investments Pty Ltd.

8 Relevant interest as Managing Director of Transcontinental Investments Pty Ltd.

9 Indirect interest as a Trustee of Trevisan Superannuation Fund.

10 15,000 shares directly held and 39,896 indirect interests as a spouse of Susan Castle.

11 Relevant interest as Director and sole Shareholder of Agricola Mining Consultants Pty Ltd.

12 Relevant indirect interest as a spouse of Ms Natalie Joan Malone.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the Director and Executive remuneration arrangements of the Company and the Consolidated Entity and has been audited in accordance with the requirements by section 308(3C) of the *Corporations Act 2001* and the Corporations Regulations 2001.

For the purposes of this report, Key Management Personnel of the Consolidated Entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Consolidated Entity, directly or indirectly, including any Director (whether Executive or otherwise) of the Company.

Key Management Personnel disclosed in the Report

Names and positions held of Parent Entity Directors and Key Management Personnel in office at any time during the financial year are:

Bruce McCracken	(Managing Director)
Malcolm Castle	(Director)
Anthony Trevisan	(Director Appointed on 24 May 2016)
Simon Trevisan	(Director – Appointed on 15 April 2016)
Christopher Eager	(Non-Executive Chairman – Resigned on 15 April 2016)
Michael Green	(Chief Operating Officer – Resigned on 15 April 2016)
Other Key Management Personnel	
Fleur Hudson	(Company Secretary)

Key Management Personnel Compensation

The Key Management Personnel compensation disclosed below represents an allocation of the Key Personnel's compensation from the Group in relation to their services rendered to the Company.

The individual Directors and Executives compensation for the year ended 30 June 2016 comprised:

	2016 (\$)	2015 (\$)
Short-term employee benefits		
Christopher Eager ¹	54,000	72,000
Anthony Trevisan ²	-	-
Simon Trevisan ³	-	-
Bruce McCracken ⁴	178,000	178,000
Malcolm Castle ⁵	40,000	40,000
Michael Green ⁶	79,916	168,750
	351,916	458,750
Post-employee benefits		
Bruce McCracken	16,910	16,910
Malcolm Castle	3,800	3,800
Michael Green	-	-
	20,710	20,710

DIRECTORS' REPORT

Share-based payments

Christopher Eager	-	8,301
Bruce McCracken	(68,751)	42,507
Michael Green	(48,272)	28,809
	(116,993)	79,617

- 1 Mr Eager received \$6,000 per month as remuneration as Non-Executive Chairman and agreed to accrue 100% of his remuneration from 01 October 2014 to 31 March 2016. At the time of his retirement, total accrued fee \$108,000.
- 2 Mr Anthony Trevisan has not received remuneration from the company from the period appointed as director 24 May 2016 to 30 June 2016. BMG has an agreement with Transcontinental Investments Pty Ltd under management commitment which is Director related entity (Anthony Trevisan). Transcontinental Investments Pty Ltd which charged a management and administrative fee for office space and services, accounting and administrative services totalling to \$105,000 during the financial year (2015: \$120,000). Mr Trevisan is a Director of Transcontinental Investments Pty Ltd which is associated with Mr Trevisan's children.
- 3 Mr Simon Trevisan has not received remuneration from the company from the period appointed as director 15 April 2016 to 30 June 2016. BMG has an agreement with Transcontinental Investments Pty Ltd under management commitment which is Director related entity (Anthony Trevisan). Transcontinental Investments Pty Ltd which charged a management and administrative fee for office space and services, accounting and administrative services totalling to \$105,000 during the financial year (2015: \$120,000). Mr Trevisan is a Director of Transcontinental Investments Pty Ltd which is associated with Mr Trevisan's children.
- 4 Mr McCracken received \$14,833 per month as remuneration plus super as Managing Director and agreed to accrue 100% of his remuneration from 1 September 2014 to 30 June 2016. At the end of the financial year ending 30 June 2016, total accrued fee \$357,335.
- 5 Mr Castle received \$3,333 per month as remuneration plus super as Non-Executive Director and agreed to accrue 100% of his remuneration from 01 September 2014 to 30 June 2016. At the end of the financial year ending 30 June 2016, total accrued fee \$80,300.
- 6 Mr Green's total accrued fee of \$79,917 was transferred to New Cyprus Copper Company on 15 April 2016 under the terms of the disposal of 70% of BMG's interest.

Remuneration Governance

The Remuneration and Nomination Committee provides assistance to the Board with respect to the following:

- (a) Remuneration policies and practices;
- (b) Remuneration of the Executive Officer and Executive Directors;
- (c) Composition of the Board; and
- (d) Performance Management of the Board and of the Executive Officer.

Use of Remuneration Consultant

During the year, the Company has not required or used any remuneration consultants.

Membership and Composition

The minimum number of members required on the Committee is two Directors. At least one member of the Committee must be a Non-Executive Director of the Board.

The Chair of the Committee is to be a Non-Executive Director, nominated by the Board, who may be the Chairman of the Board.

The Secretary of the Committee shall be the Company Secretary or such other person as nominated by the Board.

Executive Remuneration Policy and Framework

The Remuneration and Nomination Committee is to review and make recommendations regarding the following:

- (a) strategies in relation to Executive remuneration policies;
- (b) compensation arrangements for the Managing Director, Non-Executive Directors and other Senior Executives as appropriate;

DIRECTORS' REPORT

- (c) performance related incentive policies;
- (d) the Company's recruitment, retention and termination policies;
- (e) the composition of the Board having regard to the skills/experience desired and skills/experience represented;
- (f) the appointment of Board members;
- (g) the evaluation of the performance of the Managing Director and Chief Operating Officer;
- (h) consideration of potential candidates to act as Directors; and
- (i) succession planning for Board members.

Processes

The Committee shall meet as frequently as required to undertake its role effectively and properly. A quorum for the Committee meeting is when at least two members are present. Any relevant employees may be invited to attend the Committee meetings.

The issues discussed at each Committee meeting as well as the Minutes of each meeting are reported at the next Board Meeting. The Committee Chair shall report the Committee's recommendations to the Board after each meeting.

The Committee reviews, and may recommend to the Board, any necessary action to require at least annually, and recommends any changes it considers appropriate to the Board. The Committee may undertake any other special duties as requested by the Board.

Key Management Personnel Remuneration Policy

The Board's policy for determining the nature and amount of remuneration of Key Management Personnel for the economic entity is as follows:

The remuneration structure for Key Management Personnel is based on a number of factors, including length of service and the particular experience of the individual concerned. The contracts for service between the Group and Key Management Personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. There is no scheme to provide retirement benefits, other than statutory superannuation.

The Remuneration Committee determines the proportion of fixed and variable compensation for each Key Management Personnel.

Executive and Non-Executive Director Remuneration Policy

On appointment to the Board, all Executive and Non-Executive Directors enter into an agreement with the Company. The letter of appointment summarises the Board's policies and terms, including remuneration, relevant to the Office of Director.

Non-Executive Directors receive a Board fee and fees for chairing or participating on Board committees. The Non-Executive Chairman does not receive additional fees for participating in or chairing committees.

Non-Executive Directors do not receive retirement allowances.

Fees provided to Executive Director and Executive Technical Director is inclusive of superannuation.

DIRECTORS' REPORT

The Executive and Non-Executive Directors do not receive performance-based pay. Please see the table below for the details of the nature and amount of each major element of remuneration for each Key Management Personnel of the Group during the year.

	From 1 July 2016	From 1 July 2015 to 30 June 2016	From 1 July 2014 to 30 June 2015
Base fees			
Non-Executive Chairman ¹	-	\$72,000	\$72,000
Managing Director ²	\$194,910	\$194,910	\$194,910
Executive Technical Director ³	\$43,800	\$43,800	\$43,800
Chief Operating Officer ⁴	-	\$62,500	\$168,750

1 Mr Eager agreed to accrue 100% of his remuneration from 01 October 2014 to 31 March 2016. On 15 April 2016 the total accrued fee was \$108,000.

2 Mr McCracken agreed to accrue 100% of his remuneration from 1 September 2014 to 30 June 2016. At the end of the financial year ended 30 June 2016, total accrued fee was \$357,335.

3 Mr Castle agreed to accrue 100% of his remuneration from 01 September 2014 to 30 June 2016. At the end of the financial year ended 30 June 2016, total accrued fee was \$80,300.

4 Mr Green total accrued fee of \$79,917 was transferred to New Cyprus Copper Company on 15 April 2016 under the terms of the disposal of 70% of BMG's interest.

There were no other additional fees paid to the Non-Executive Chairman and Non-Executive Directors for participating in Audit Committees, Nomination Committees and/or Remuneration Committees.

Company Performance, Shareholder Wealth and Director and Executive Remuneration

The Remuneration Policy has been tailored to increase goal congruence between Shareholders, Directors and Executives. Each year the Board reviews Directors remuneration and will consider the issue of options as part of the Director's remuneration to encourage the alignment of personal interest and shareholder interests. During the year, the Company has not required or used any remuneration consultants.

Voting and comments made at the Group's 2015 Annual General Meeting

The Company received more than 80% of "yes" votes on its Remuneration Report for the 2015 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Performance based remuneration

Due to the size of the Group, its current stage of activities and its relatively small number of employees, the Group has not implemented performance-based remuneration for the current year. There is an existing Employee Option Plan based on the achievement of key milestones and to increase goal congruence between Executives, Directors and Shareholders.

DIRECTORS' REPORT

Consequences of Group Performance on Shareholder wealth

The Remuneration Committee has observed the following indices in respect of the current financial year and the previous financial year.

	2016	2015	2014	2013	2012
Net loss attributable to owners of BMG Resources Limited	(2,678,099)	(922,896)	(841,065)	(20,026,349)	(6,301,879)
Change in share price	0.00	0.03	0.01	0.01	0.05
Loss per share for profit from continuing operations attributable to the ordinary equity holders of the Company					
Basic loss per share (cents per share)	(4.19)	(1.45)	(0.13)	(7.31)	(4.32)
Diluted loss per share (cents per share)	N/A	N/A	N/A	N/A	N/A

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed Remuneration		At Risk – Short Term Incentive		At Risk – Long Term Incentive*	
	2016	2015	2016	2015	2016	2015
Christopher Eager	100%	65%	-	-	-	35%
Bruce McCracken	155%	90%	-	-	(55%)	10%
Malcolm Castle	100%	100%	-	-	-	-
Michael Green	252%	95%	-	-	(152%)	5%

* Since the long-term incentives are provided exclusively by way of options, the percentages disclosed also reflect the value of remuneration consisting of options, based on the value of options expensed during the year. Negative amounts indicate expenses reversed during the year due to a failure to satisfy the vesting conditions.

DIRECTORS' REPORT

Details of Remuneration

2016 Key Management Person	Short-term Benefits			Post-employment Benefits		Share-based payment		
	Salary (\$)	Other Fees (\$)	Non-monetary benefits (\$)	Superannuation (\$)	Termination benefits (\$)	Equity (\$)	Options (\$)	Total (\$)
DIRECTORS								
Christopher Eager ¹	54,000	-	-	-	-	-	-	54,000
Anthony Trevisan ²	-	-	-	-	-	-	-	-
Simon Trevisan ²	-	-	-	-	-	-	-	-
Bruce McCracken ³	178,000	-	-	16,910	-	-	(68,751)	126,159
Malcolm Castle ⁴	40,000	-	-	3,800	-	-	-	43,800
Michael Green ⁵	79,917	-	-	-	-	-	(48,242)	31,675
SPECIFIED EXECUTIVES								
Fleur Hudson ²	-	-	-	-	-	-	-	-
TOTAL	351,917	-	-	20,710	-	-	(116,993)	255,634

- Mr Eager received \$6,000 per month as remuneration as Non-Executive Chairman and agreed to accrue 100% of his remuneration from 01 October 2014 to 31 March 2016. On 15 April 2016 he resigned as Non-Executive Chairman. At the time of his resignation on 15 April 2016, total accrued fee was \$108,000.
- Mr Anthony Trevisan appointed as director 24 May 2016 to 30 June 2016. Mr Simon Trevisan appointed as director 15 April 2016 to 30 June 2016. Both have not received remuneration from the Company for the period. BMG has an agreement with Transcontinental Investments Pty Ltd under management commitment which is Director related entity (Anthony Trevisan). Transcontinental Investments Pty Ltd which charged a management and administrative fee for office space and services, accounting and administrative services totalling to \$105,000 during the financial year (2015: \$120,000). Mrs Hudson has not received remuneration from the Company for the year ended 30 June 2016 and she is a Director of Transcontinental Investments Pty Ltd.
- Mr McCracken received \$14,833 per month as remuneration plus super as Managing Director and agreed to accrue 100% of his remuneration from 1 September 2014 to 30 June 2016. At the end of the financial year ended 30 June 2016, total accrued fee was \$194,910.
- Mr Castle received \$3333 per month as remuneration plus super as Non-Executive Director and agreed to accrue 100% of his remuneration from 01 September 2014 to 30 June 2016. At the end of the financial year ended 30 June 2016, total accrued fee was \$43,800.
- Mr Green's total accrued fee of \$79,917 was transferred to New Cyprus Copper Company on 15 April 2016 under the terms of the disposal of 70% of BMG's interest. At the time of his resignation on 15 April 2016, there was no accrued fee.

DIRECTORS' REPORT

2015 Key Management Person	Short-term Benefits			Post-employment Benefits		Share-based payment		
	Salary (\$)	Other Fees (\$)	Non-monetary benefits (\$)	Superannuation (\$)	Termination benefits (\$)	Equity (\$)	Options (\$)	Total (\$)
DIRECTORS								
Christopher Eager ¹	72,000	-	-	-	-	-	8,301	80,301
Bruce McCracken ²	178,000	-	-	16,910	-	-	42,507	237,417
Malcolm Castle ³	40,000	-	-	3,800	-	-	-	43,800
Michael Green ⁴	168,750	-	-	-	-	-	28,809	197,559
SPECIFIED EXECUTIVES								
Fleur Hudson ⁵	-	-	-	-	-	-	-	-
TOTAL	458,750	-	-	20,710	-	-	79,617	559,077

The fair value of the options are calculated at the date of grant using the Black-Scholes model and allocated to each reporting period over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options, market conditions have been taken into account.

- 1 Mr Eager received \$6,000 per month as remuneration as Non-Executive Chairman and agreed to accrue 100% of his remuneration from 01 October 2014 to 30 June 2015. At the end of the financial year ended 30 June 2015, total accrued fee was \$54,000.
- 2 Mr McCracken received \$14,833 per month as remuneration plus super as Managing Director and agreed to accrue 100% of his remuneration from 1 September 2014 to 30 June 2015. At the end of the financial year ended 30 June 2015, total accrued fee was \$162,425.
- 3 Mr Castle received \$3333 per month as remuneration plus super as Non-Executive Director and agreed to accrue 100% of his remuneration from 01 September 2014 to 30 June 2015. At the end of the financial year ended 30 June 2015, total accrued fee was \$36,500.
- 4 Mr Green received \$20,833.33 per month as remuneration as Chief Operating Officer through his consulting company Khalkeus Minerals Ltd and agreed to accrue 100% director fee from 01 October 2014 to 30 November 2014, the fees has been reduced to 70% which is \$14,583 per month from 1 December 2014 to 28 February 2015 and agreed to accrue 100% except received \$5,500 for the month of February 2015 and the fees has been reduced again to 25% which is \$5,208 per month for the period from 1 March 2015 to 30 June 2015. At the end of the financial year ended 30 June 2015, total accrued fee was \$79,917.
- 5 Mrs Hudson has not received remuneration from the Company for the year ended 30 June 2015. BMG has an Agreement with Transcontinental Investments Pty Ltd under management commitment which is a related entity (Mrs Hudson is a Director of Transcontinental Investments Pty Ltd). Transcontinental Investments Pty Ltd which charged a management and administrative fee for office space and services, accounting and administration services totalling \$120,000 during the financial year (2014: \$180,000).

DIRECTORS' REPORT

Equity Instruments Disclosure Relating to Key Management Personnel Shareholdings

Number of shares held by Parent Entity Directors and other Key Management Personnel of the Group, including their personally related parties, are set out below.

2016 Name	Balance at the start of the year	Allotment during the year	Received during the year on the exercise of options	Other Changes during the year	Balance at the end of the year
Directors of BMG Resources Limited					
Ordinary Shares					
<i>Non-Executive</i>					
Christopher Eager (Resigned on 15 April 2016)	-	-	-	-	-
Bruce McCracken ¹	1,000,000	-	-	-	1,000,000
Anthony Trevisan ² (Appointed on 24 May 2016)	10,698,121	-	-	-	10,698,121
Simon Trevisan ³ (Appointed on 15 April 2016)	6,686,936	-	-	-	6,686,936
Malcolm Castle ⁴	597,856	-	-	-	597,856
Michael Green ⁵ (Resigned on 15 April 2016)	400,000	-	-	-	400,000
Other Key Management Personnel of the Group					
Ordinary Shares					
<i>Specified Executive</i>					
Fleur Hudson	-	-	-	-	-

1 Relevant interest in 970,000 shares as a beneficiary of the McCracken Family Trust and 30,000 shares directly held.

2 Relevant interest in 8,799,985 as Director and sole Shareholder of Transcontinental Resources Group 2013, 1,588,802 shares as Chairman of Transcontinental Investments, 193,334 shares as a trustee of Trevisan Superannuation Fund, 40,000 shares as a trustee of the Kippy Superannuation Fund, 10,000 as a spouse of Karen Trevisan and 66,000 shares directly held, totalling 10,698,121 share held. Mr Anthony Trevisan was appointed on 24 May 2016.

3 Relevant interest in 4,904,800 as Director of TRG Equity Investments, 1,588,802 shares as Director of Transcontinental Investments, 193,334 shares as a trustee of Trevisan Superannuation Fund, totalling 6,686,936 shares held. Mr Simon Trevisan was appointed on 24 May 2016.

4 Relevant interest as Director and sole Shareholder of Agricola Mining Consultants Pty Ltd of 542,960 shares, indirect interest as a spouse of Susan Castle of 39,896 and 15,000 shares directly held.

5 Relevant indirect interest as a spouse of Ms Natalie Joan Maloney and resigned 15 April 2016.

DIRECTORS' REPORT

Options provided as Remuneration and Shares issued on Exercise of Such Options

Details of options provided as remuneration and shares issued on the exercise of such options, together with term and conditions of the options.

Option Holdings

The numbers of options over ordinary shares in the Company held during the financial year by each Director of BMG Resources Limited and other Key Management Personnel of the Group, including their personally related parties, are set out below.

2016 Directors	Balance at the start of the year	Granted as compensation	Exercised	Other changes during the year	Balance at the end of the year	Vested and exercisable	Unvested
Directors of BMG Resources Limited							
Option Holdings							
<i>Non-Executive</i>							
Christopher Eager (Resigned on 15 April 2016)	500,000	-	-	-	500,000	-	500,000
Bruce McCracken ¹	400,000	-	-	-	400,000	-	2,500,000
Anthony Trevisan (Appointed on 24 May 2016)	-	-	-	-	-	-	-
Simon Trevisan (Appointed on 15 April 2016)	-	-	-	-	-	-	-
Malcolm Castle	-	-	-	-	-	-	-
Michael Green (Resigned on 15 April 2016)	-	-	-	-	-	-	1,700,000
Other Key Management Personnel of the Group							
Option Holdings							
<i>Specified Executive</i>							
Fleur Hudson	-	-	-	-	-	-	-

¹ Relevant interest in 400,000 options as a beneficiary of the McCracken Family Trust and the options expired on 01 July 2016.

DIRECTORS' REPORT

Options issued as part of Remuneration for the Year ended 30 June 2016

There were no new options issued to Directors or Key Management Personnel during the year ended 30 June 2016.

During the year, the Company has not required or used any remuneration consultants and remuneration package with external consultants.

Shares issued on Exercise of Compensation Options

There were no compensation options exercised by Directors or Key Management Personnel during the year ended 30 June 2016.

Loans to/from Key Management Personnel

There were no loans to individuals or directors of the Company during the year ended 30 June 2016 other than accrued directors' fees as noted in the remuneration report.

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Transactions with the Company

A number of Key Management Personnel or their related parties hold positions in other Entities that result in them having control or significant influence over the financial or operating policies of those Entities. A number of those Entities transacted with the Company during the year. The terms and conditions of those transactions were no more favorable than those available or, which might reasonably be expected to be available, on similar transactions to unrelated Entities on an arm's length basis.

Transactions with Related Parties

Transactions between related parties are on normal commercial terms and conditions no more favorable than those available to other parties unless otherwise stated.

The following transaction occurred with related parties for the year ended 30 June 2016.

	2016 (\$)	2015 (\$)
Other transactions		
Administration Fee to Transcontinental Investments	105,000	150,000
Loan provided by Transcontinental Investments	168,657	180,000
	273,657	330,000

DIRECTORS' REPORT

The aggregate amount recognised during the year relating to Key Management Personnel and their related parties were as follows.

Director	Transaction	Transactions value for the year ended 30 June		Balance outstanding as at 30 June	
		2016 (\$)	2015 (\$)	2016 (\$)	2015 (\$)
Anthony Trevisan and Simon Trevisan (Directors and controlling Shareholder of Transcontinental Investments Pty Ltd (TRG))	Administrative fee for office space, telecommunications, office supplies, accounting support and administration and business support services	105,000	150,000	255,000	150,000
Anthony Trevisan and Simon Trevisan (Directors and controlling Shareholder of Transcontinental Investments Pty Ltd (TRG))	Cash loan by Transcontinental Investments as per letter of support provided by TRG	168,657	180,000	348,657	180,000
		273,657	330,000	603,657	330,000

Notes in relation to the table of related party transactions.

A Company associated with Mr Trevisan provides office space, office equipment, supplies, corporate management and administration services in connection with the operations of the Company and amounts are payable on a monthly basis.

Corporate administration services include those services necessary for the proper administration of a small public Company, including:

- (a) company secretarial and accounting, corporate governance and reporting and administration support, management of the Company's website, management of third party professional and expert service providers including legal, accounting, tax, audit and investment banking, independent technical expert and other services associated with proper administration of a listed public Company;
- (b) operating, marketing, strategic and financial activities required in relation to the Company's Australian mining and exploration projects; and
- (c) provision of 'A' grade office space in a central business district office for the Company's main corporate office including use of IT, photocopying and other office equipment and supplies.

The Company must pay a monthly fee to Transcontinental Investments Pty Ltd (TRG) plus reimbursement each month for certain costs, expenses and liabilities incurred and/or paid by TRG on behalf of the Company during the month.

From 1 July 2015 to 31 March 2016 TRG charge \$10,000 monthly fee for Administration Services. From 1 April 2016 TRG agreed to charge \$5,000 monthly fee for Administration Services by accruing 100% of the fees without being charged any interest of full invoice on ordinary terms.

From 1 July 2016 TRG has agreed to stop charging the management fee for Administration Services, the fee accrued as at 30 June 2016 was \$255,000 without being charged any interest of full invoice on ordinary terms.

There were no related party transactions to individual or Directors of the Company during the year ended 30 June 2016.

This is the end of the Audited Remuneration Report.

DIRECTORS' REPORT

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of the Court to bring proceedings on behalf of the Entity or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

INDEMNIFYING DIRECTORS AND OFFICERS

The Company has made an Agreement to indemnify all the Directors and Officers of the Company against all losses or liabilities incurred by each Director and Officer in their capacities as Directors and Officers of the Company. During the period ended 30 June 2016, the Company paid insurance premiums in respect of Directors and Officers Liability Insurance for Directors and Officers of the Company. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and Officers in their capacity as Directors and Officers of the Entity and related joint venture companies to the extent permitted by the *Corporations Act 2001*. On 17 May 2016, the Company paid an insurance premium of \$4,740 covering the period 30 April 2016 to 30 April 2017 (2015: \$5,710).

NON-AUDIT SERVICES

The Board of Directors, in accordance with advice from the Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for Auditors imposed by the *Corporations Act 2001*.

The Board and the Audit and Risk Committee have considered the non-audit services provided during the financial year by the Auditor and are satisfied that the provision of those non-audit services during the financial year by the Auditor is compatible with, and did not compromise, the Auditor's independence requirements of the *Corporations Act 2001* for the followings reasons:

- (a) all non-audit services were subject to the Corporate Governance procedures adopted by the Group; and
- (b) the non-audit services provided do not undermine the general principals relating to Auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the Auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

DIRECTORS' REPORT

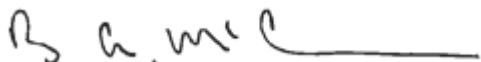
Details of the amount paid to the Auditor of the Group, BDO Audit (WA) Pty Ltd and its related practices for audit and non-audit services provided during the financial year are set out below. In addition, amounts paid to other Auditors for the statutory audit have been disclosed:

	2016 (\$)	2015 (\$)
Audit and Other Assurance Services		
BDO Audit (WA) Pty Ltd	35,206	30,642
G. Kalopetrides & Partners Limited	-	4,886
Total remuneration for Audit and Other Assurance Services	35,206	35,528
G. Kalopetrides & Partners Limited - Other Service		
Non Auditing Service	-	238
Taxation Service	-	575
Total remuneration for G. Kalopetrides & Partners Limited - Other Service	-	813

AUDITORS INDEPENDENCE DECLARATION

The Auditors Independence Declaration for the year ended 30 June 2016 has been received and can be found on page 27.

Signed in accordance with a resolution of the Board of Directors.



Bruce McCracken

Managing Director

Dated at Perth, Western Australia, this 29th September 2016.

CORPORATE GOVERNANCE STATEMENT

The Board is responsible for the overall Corporate Governance of the Company, and it recognises the need for the highest standards of ethical behaviour and accountability. It is committed to administering its corporate governance structures to promote integrity and responsible decision making.

The Company's corporate governance structures, policies and procedures are described in its Corporate Governance Statement which is available on the Company's website at <http://www.bmgl.com.au/corporate/corporate-governance.html>

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF BMG RESOURCES LIMITED

As lead auditor of BMG Resources Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of BMG Resources Limited and the entities it controlled during the period.



Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 29 September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Notes	30 June 2016 (\$)	30 June 2015 (\$)
Revenue from continuing operations	7	128	4,961
Employee benefits expense	8	(377,390)	(323,856)
Employee share based payments	5	116,993	(79,617)
Depreciation and amortisation expense	12	(7,581)	(13,850)
Accounting & audit fee		(53,893)	(47,293)
Management and service fees		(105,000)	(150,000)
Corporate and administration expenses		(86,913)	(142,709)
Tenements Admin Expenses (Option Fee)		-	(43,463)
Exploration assets and Debt Write off		-	(50,039)
Loss on Disposal	26	(2,555,809)	-
Gain on Foreign Exchange Difference		431,798	-
Other expenses from ordinary activities		(40,432)	(77,030)
LOSS BEFORE INCOME TAX		(2,678,099)	(922,896)
Income tax expense	9	-	-
LOSS AFTER INCOME TAX		(2,678,099)	(922,896)
Loss is attributable:			
Owners of BMG Resources Limited		(2,678,099)	(922,896)
NET LOSS FOR THE YEAR		(2,678,099)	(922,896)
Other Comprehensive Loss			
Items that may be reclassified to profit and loss			
Changes in foreign operations translation		(435,050)	20,578
		(3,113,149)	(902,318)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(3,113,149)	(902,318)
Total comprehensive loss for the year is:			
Attributable to the owners of BMG Resources Limited		(3,113,149)	(902,318)
Basic loss per share (cents per share)	20	(4.19)	(1.45)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income are to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 (\$)	30 June 2015 (\$)
CURRENT ASSETS			
Cash and cash equivalents	10	29,056	65,133
Prepayments	11	-	4,794
Trade and other receivables	11	1,795	561
TOTAL CURRENT ASSETS		30,851	70,488
NON-CURRENT ASSETS			
Property, plant and equipment	12	7,112	41,447
Investment in Associate		28,265	
Exploration and evaluation expenditure	13	-	2,715,189
TOTAL NON-CURRENT ASSETS		35,377	2,756,636
TOTAL ASSETS		66,228	2,827,124
CURRENT LIABILITIES			
Trade and other payables	14	3,099	34,990
Borrowings	15	1,163,979	662,842
TOTAL CURRENT LIABILITIES		1,167,078	697,832
TOTAL LIABILITIES		1,167,078	697,832
NET ASSETS/(NET ASSET DEFICIENCY)		(1,100,850)	2,129,292
EQUITY			
Contributed equity	16	39,797,644	39,797,644
Reserves	17	482,777	1,034,820
Accumulated Loss	18	(41,381,271)	(38,703,172)
TOTAL EQUITY/(DEFICIENCY IN EQUITY)		(1,100,850)	2,129,292

The Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Contributed Equity (\$)	Accumulated Losses (\$)	Option Reserve (\$)	Foreign Currency Reserve (\$)	Total (\$)
BALANCE AT 1 JULY 2015	39,797,644	(38,703,172)	599,770	435,050	2,129,292
Total loss for the year	-	(2,678,099)	-	-	(2,678,099)
Foreign exchange movement			-	(435,050)	(435,050)
<i>Transactions with owners in their capacity as owners:</i>					
Employee share options	-	-	(116,993)	-	(116,993)
BALANCE AT 30 JUNE 2016	39,797,644	(41,381,271)	482,777	-	(1,100,850)
BALANCE AT 1 JULY 2014	39,777,644	(37,780,276)	520,153	414,472	2,931,993
Total loss for the year	-	(922,896)	-	-	(922,896)
Foreign exchange movement			-	20,578	20,578
<i>Transactions with owners in their capacity as owners:</i>					
Share issued to raise capital	20,000	-	-	-	20,000
Employee share options	-	-	79,617	-	79,617
BALANCE AT 30 JUNE 2015	39,797,644	(38,703,172)	599,770	435,050	2,129,292

The Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Notes	30 June 2016 (\$)	30 June 2015 (\$)
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(174,277)	(331,760)
Interest received		128	4,961
NET CASH USED IN/BY OPERATING ACTIVITIES	19	(174,149)	(326,799)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-	(1,222)
Payments for exploration and evaluation		(53,635)	(493,375)
Proceed on sale of subsidiary		51,944	-
Net Cash Disposed of with subsidiary		(28,894)	-
NET CASH (USED IN)/PROVIDED BY INVESTING ACTIVITIES		(30,585)	(494,597)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of Borrowing		168,657	180,000
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES		168,657	180,000
NET INCREASE/(DECREASE) IN CASH HELD		(36,077)	(641,397)
Cash and cash equivalents at beginning of year		65,133	696,944
Effect of exchange rates on cash holdings in foreign currencies		-	9,586
CASH AND CASH EQUIVALENTS AT END OF YEAR	10	29,056	65,133

The Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The primary accounting policies adopted in the preparation of the Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Reporting Company

BMG Resources Limited ('the **Group**') is a Company domiciled in Australia. BMG Resources Limited is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The Consolidated Financial Report of the Company as at and for the year ended 30 June 2016 comprises the Company and its subsidiaries (together referred to as the '**Consolidated Entity**').

The Group advises that in accordance with ASX Listing Rule 4.10.19 during the financial year ended 30 June 2016 it used its cash and assets that are readily convertible to cash in a way that is consistent with its business objectives.

The nature of the operations and principal activities of the Consolidated Entity are described in the Directors' Report.

(b) Basis of Preparation

(i) Statement of Compliance

The Consolidated Financial Statements are general purpose Financial Statements for the reporting year ended 30 June 2016 and have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, Interpretations and the *Corporations Act 2001*. BMG Resources Limited is a for profit entity for the purpose of preparing the Financial Statements.

Compliance with IFRS

The Consolidated Financial Statements of BMG Resources Limited Group also comply with the International Financial Reporting Standards (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board (IASB).

The Board of Directors have prepared the financial report on a going concern basis, any additional funding that may be required is anticipated to be obtainable and will allow the Group to continue to fund its operations and further develop their mineral exploration and evaluation assets during the twelve month period from the date of this financial report.

The Financial Statements were approved by the Board of Directors on 29th September 2016.

(ii) Historical cost convention

The financial report has been prepared on an accrual basis and is based on historical costs *modified* by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

All amounts are presented in Australia dollars, unless otherwise noted.

(iii) Going Concern

The Directors are satisfied that the going concern assumption has been appropriately applied in preparing the financial statements and there is no material uncertainty in relation to the ability of the Group to continue as a going concern based on the letter of support provided to the Group as noted in Note 21. The Directors have determined that Transcontinental Investments has the capacity to provide the pledged support and they have a history of supporting the Group as and when required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(c) Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Financial Statements requires Management to make judgments, estimates and assumptions that affect the reported amounts in the Financial Statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the Financial Statements are outlined below:

(i) Significant Accounting Judgments

Exploration Expenditure

The write-off and carrying forward of exploration acquisition costs is based on an assessment of an area of interest's viability and/or the existence of economically recoverable reserves. Information may come to light in a later period which results in the asset being written off as it is not considered viable.

(ii) Significant Accounting Estimates and Assumptions

Critical Accounting Estimate

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes assumptions concerning the future. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to Management. The resulting accounting estimates will, by definition, seldom equal the related actual results. The judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts and assets and liabilities within the next financial year are discussed below.

Impairment of Assets

At each reporting date the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

Share based payments

The Group measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes option pricing model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(d) Summary of Significant Accounting Policies

(i) Principles of Consolidation

The Consolidated Financial Statements incorporate the assets and liabilities of all the subsidiaries that BMG Resources Limited ('the **Parent Entity**') has the power to control the Consolidated Entity when the Group is exposed to, or has rights to, variable returns from its involvement with the Consolidated Entity and has the ability to affect those returns through its power to direct the activities of the Consolidated Entity, the financial and operating policies as at 30 June 2016 and the results of all subsidiaries for the year ended 30 June 2016. All inter-company balances and transactions between the Group and the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Consolidated Entity.

Subsidiaries

Subsidiaries are all entities controlled by the Consolidated Entity. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Consolidated Entity.

In the Consolidated Entity's Financial Statements, investments in subsidiaries are carried at cost. The Financial Statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

In preparing the Consolidated Financial Statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from inter-entity transactions have been eliminated in full. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The investments in subsidiaries held by BMG Resources Limited are accounted for at cost in the separate Financial Statements of the Company less any impairment charges. The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

(ii) Foreign Currency

Functional and presentation currency

Items included in the Financial Statements of each of the Company entities are measured using the currency of the primary economic environment in which the Entity operates ('the **functional currency**'). The Consolidated Financial Statements are presented in Australian dollars (A\$), which is BMG Resources Limited's functional and presentation currency.

The functional currency used on the subsidiaries of BMG Resources Limited in Brazil is US Dollars (US\$) and in Cyprus is the Euro (EUR€).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of Foreign Operations

The Statement of Profit or Loss and other Comprehensive Income is translated at the average exchange rates for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of the foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation will be recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(iii) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Strategic Steering Committee.

(iv) Cash and Cash Equivalents

'Cash and cash equivalents' includes cash at bank and in hand, deposits held at call with financial institutions, other short-term highly liquid deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(v) Trade and Other Receivables

Trade debtors are recognised at the amount receivable and are due for settlement within 30 days from the end of the month in which services were provided. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off against the receivable directly unless a provision for impairment has previously been recognised.

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Loans granted are recognised at the amount of consideration given or the cost of services provided to be reimbursed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(vi) Revenue Recognition

Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

(vii) Fair value estimation for financial instruments

Fair values may be used for financial asset and liability measurement as well as for sundry disclosures. Fair values for financial instruments traded in active markets are based on quoted market prices at Statement of Financial Position date. The quoted market price for financial assets is the current bid price and the quoted market price for financial liabilities is the current ask price.

The fair values of financial instruments that are not traded in an active market are determined using valuation techniques. Assumptions used are based on observable market prices and rates at Statement of Financial Position date. The fair value of long-term debt instruments is determined using quoted market prices for similar instruments. Estimated discounted cash flows are used to determine fair value of the remaining financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the Statement of Financial Position date. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows.

The fair value of trade receivables and payables is their nominal value less estimated credit adjustments. A financial instrument is recognised if the Consolidated Entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Consolidated Entity's contractual rights to the cash flows from the financial assets expire or if the Consolidated Entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, (ie the date that the Consolidated Entity commits itself to purchase or sell the asset). Financial liabilities are derecognised if the Consolidated Entity's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits greater than 3 months are classified as held to maturity investments and valued at amortised costs.

(viii) Investments and Other Financial Assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables and payable in the Statement of Financial Position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(ix) Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Exploration and evaluation expenditure encompasses expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Exploration and evaluation expenditure incurred by the Group is accumulated for each area of interest and recorded as an asset if:

- A. the rights to tenure of the area of interest are current; and
- B. at least one of the following conditions is also met:
 - (i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
 - (ii) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

For each area of interest, expenditure incurred on the Exploration of Tenements throughout Brazil and Cyprus is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition. A provision for unsuccessful exploration and evaluation is created against each area of interest by means of a charge to the Statement of Profit or Loss and Other Comprehensive Income. The recoverable amount of each area of interest is determined on a bi-annual basis and the provision recorded in respect of that area adjusted so that the net carrying amount does not exceed the recoverable amount. For areas of interest that are not considered to have any commercial value, or where exploration rights are no longer current, the capitalised amounts are written off against the provision and any remaining amounts are charged against profit. Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(e) Property, Plant and Equipment

Items of property, plant and equipment are initially recorded at cost, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition, and depreciated. Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Plant and Equipment

Plant and equipment are measured on a cost basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciation amount of all the fixed assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives to the economic entity commencing from the time the asset is held ready to use at the end of each reporting period.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	11 - 33%

(f) Impairment

Financial Assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-Financial Assets

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset Group that generates cash flows that largely are independent from other assets and Groups. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Income Tax Expenses or Benefit

The income tax expense or benefit (revenue) for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the Financial Statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit. Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities, associates and interests in joint ventures where the Parent Entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not be reversed in the foreseeable future. Current and deferred tax balances relating to amounts recognised directly in equity.

BMG Resources Limited and its resident subsidiaries have unused tax losses. However, no deferred tax balances have been recognised, as it is considered that asset recognition criteria have not been met at this time.

(h) Goods and Services Tax

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flow on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authorities are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(i) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(k) Trade and Other Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Consolidated Entity. Trade accounts payable are normally settled within 60 days.

(l) Employee Benefits

Short term Employee Benefit Obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

recognised in respect of employees' service up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term Employee Benefit Obligations

Liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to the expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

The obligations are presented as current liabilities in the Statement of Financial Position if the Entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

Termination Benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the followings dates:

- (a) when the Company can no longer withdraw the offer of those benefits; and
- (b) when the Entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Share-based payments

The fair value of options granted under BMG Resources Limited is recognised as an employee benefit expense with a corresponding increase in equity (share-based payments reserve). The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each Statement of Financial Position date, the Entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised in each period takes into account the most recent estimate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The market value of shares issued to employees for no cash consideration under the Employee Share Scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

(m) Share-based Payment Transactions

The grant date fair value of options granted to employees (including Key Management Personnel) is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are met.

Share-based payment arrangements in which the Consolidated Entity receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Consolidated Entity.

(n) Contributed Equity

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

(o) Earnings or Loss per share

Basic earnings or loss per share are calculated by dividing the net profit or loss attributable to members of the Parent Entity for the reporting period by the weighted average number of ordinary shares of the Company.

(p) Determination of Fair Values

A number of the Consolidated Entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the Notes specific to that asset or liability.

Trade and Other Receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(q) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

Equity Method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(r) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently issued or amended but are not yet effective have not been adopted by the Consolidated Entity for the year ended 30 June 2016. These are outlined in the table below.

AASB Reference	Title	Summary	Application Date of Standard	Impact on Consolidated Financial Report	Application Date for Group
AASB 9 Financial Instruments (December 2010)	AASB 139 Financial Instruments: Recognition and Measurement	<p>AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 & 2010 and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning in or after 01 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.</p> <p>The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.</p> <p>Amendments to AASB 9 issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:</p> <ul style="list-style-type: none"> (a) Financial assets that are debt instruments will be classified based on: <ul style="list-style-type: none"> (1) the objective of the Entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: 	Periods beginning on or after 01 January 2018	<p><i>The Entity has not yet assessed the full impact of AASB 9 as this standard does not apply mandatorily before 1 January 2018 and the IASB is yet to finalise the remaining phases of its project to replace IAS 39 Financial Instruments: Recognition and Measurement.</i></p> <p><i>(AASB 139 in Australia).</i></p>	01 July 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AASB Reference	Title	Summary	Application Date of Standard	Impact on Consolidated Financial Report	Application Date for Group
		<ul style="list-style-type: none"> ➤ The change attributable to changes in credit risk are presented in other comprehensive income (OCI); and ➤ The remaining change is presented in profit or loss. <p>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an Entity's own credit risk on such liabilities are no longer recognised in profit and loss.</p>			
AASB 2014-3	<i>Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations</i>	<p>AASB 2014-3 amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require:</p> <ul style="list-style-type: none"> (a) The acquirer of the interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and (b) The acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. <p>This standard also makes an editorial correction to AASB 11</p>	1 January 2016	<i>No impact as the entity does not have any interest in joint operations</i>	01 July 2016
AASB 15	<i>Revenue from Contracts with Customers</i>	<p>In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations (IFRIC 13 Customer Loyalty Programmed, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue Barter Transactions involving Advertising Services).</p> <p>The core principle of IFRS 15 is that an Entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Entity expects to be entitled in exchange for those goods or services. An Entity recognises revenue in accordance with that core principle by applying the following steps:</p> <ul style="list-style-type: none"> (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligation in the contract. (e) Step 5: Recognize revenue when (or as) the Entity satisfies a performance obligation. <p>Early application of this standard permitted.</p> <p>AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including interpretations) arising from the issuance of AASB 15.</p>	1 January 2018	<i>The Entity does not apply mandatorily before 1 January 2017, and no impact at this stage as the entity does not have revenue</i>	01 July 2018
AASB 2015-1	<i>Amendments to Australian Accounting</i>	<p>The subjects of the principal amendments to the Standards are set out below:</p> <p>AASB 5 Non-current Assets held for Sale and Discontinued Operations:</p> <ul style="list-style-type: none"> • Changes in methods of disposal – where an Entity reclassifies an asset (or 	1 January 2016	<i>The Entity does not apply mandatorily before 1 January 2016</i>	01 July 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AASB Reference	Title	Summary	Application Date of Standard	Impact on Consolidated Financial Report	Application Date for Group
	<i>Standards –Annual improvements to Australian Accounting Standards 2012-2014 Cycle.</i>	<p>disposal group) directly from being held for distributions to being held for sale (or vice versa), an Entity shall not follow the guidance in paragraphs 27-29 to account for this change.</p> <p>AASB 7 Financial Instruments: Disclosures:</p> <ul style="list-style-type: none"> • Servicing contracts – clarifies how an Entity should apply the guidance in paragraph 42c of AASB 7 to a servicing contract to decide whether a servicing contract is ‘continuing involvement’ for the purposes of applying the disclosure requirements in paragraphs 42E-42H of AASB7. • Applicability of the amendments to AASB 7 to condensed interim financial statements – clarify that the additional disclosure required by the amendments to AASB 7 Disclosure - Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim Financial Statements that are pre-parted in accordance with AASB 134 interim Financial Reporting when its inclusion would be required by the requirements of AASB 134. <p>AASB 119 Employee Benefits:</p> <ul style="list-style-type: none"> • Discount rate: regional market issue – clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. <p>AASB 134 Interim Financial Reporting:</p> <ul style="list-style-type: none"> • Disclosure of information ‘elsewhere in the interim financial report’ - amends AASB 134 to clarify the meaning of disclosure of information ‘elsewhere in the interim financial report’ and to require the inclusion of a cross-reference from the interim financial statements to the location of this information. 			

There are no other standards that are not yet effective and that are expected to have a material impact on the Entity in the current or future reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of components of the Consolidated Entity that are regularly reviewed by the Chief Operating Decision Makers (CODM) in order to allocate resources to the segment and to assess its performance.

The Consolidated Entity has identified the following segments:

- (a) Exploration (Brazil) – consists of the exploration expenditure involved in the search and discovery of minerals;
(During the prior year ended 30 June 2015, the Group wrote off the entire exploration assets of the Brazilian Segment);
- (b) Exploration (Cyprus) – consists of the exploration expenditure involved in the search and discovery of minerals;
(During the year, the Group has written off the exploration assets of the Cyprus Company due to the disposal of 70% of the entity). Refer to Note 26 for further details.
- (c) Corporate (Australia) – includes corporate and other costs incurred by the Parent Entity.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

The Consolidated Entity's principal activities continue to be in mineral exploration and projects are managed on a project-by-project basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(a) Segment Performance

Year ended 30 June 2016

	Exploration (Brazil)	Exploration (Cyprus)	Corporate (Australia)	Total Consolidated Entity
External revenues	-	128	-	128
Inter-segment revenue	-	-	-	-
Corporate and administration	-	(11,416)	(180,498)	(191,914)
Depreciation and amortisation expense	-	(4,714)	(2,867)	(7,581)
Loss on Disposal	-	-	(2,555,809)	(2,555,809)
Exploration assets write off	-	-	-	-
Employees shares based payments	-	-	116,993	116,993
Gain on Foreign Exchange Difference	-	-	431,798	431,798
Other expenses	(913)	(14,376)	(456,426)	(471,714)
Reportable segment profit before income tax	(913)	(30,378)	(2,646,808)	(2,678,099)

Year ended 30 June 2015

	Exploration (Brazil)	Exploration (Cyprus)	Corporate (Australia)	Total Consolidated Entity
External revenues	-	-	4,961	4,961
Inter-segment revenue	-	-	-	-
Corporate and administration	(236)	(19,608)	(272,865)	(292,709)
Depreciation and amortisation expense	-	(2,155)	(11,695)	(13,850)
Exploration assets write off	-	(50,039)	-	(50,039)
Employees shares based payments	-	-	(79,617)	(79,617)
Other expenses	(13,720)	(130,746)	(347,176)	(491,642)
Reportable segment profit before income tax	(13,956)	(202,548)	(706,392)	(922,896)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(b) Segment Assets and Liabilities

Year ended 30 June 2016

	Exploration (Brazil)	Exploration (Cyprus)	Corporate (Australia)	Total Consolidated Entity
Assets				
Current assets	-	-	30,851	30,851
Property, plant & equipment	-	-	7,112	7,112
Exploration and evaluation expenditure	-	28,264	-	28,265
Total Segment Assets	-	28,264	37,963	66,227
Current liabilities	-	-	(1,167,078)	(1,167,078)
Total Segment Liabilities	-	-	(1,167,078)	(1,167,078)
Net Assets/(Liabilities) Employed	-	28,264	(1,129,115)	(1,100,850)

Year ended 30 June 2015

	Exploration (Brazil)	Exploration (Cyprus)	Corporate (Australia)	Total Consolidated Entity
Assets				
Current assets	868	28,898	40,722	70,488
Property, plant & equipment	-	6,373	35,074	41,447
Exploration and evaluation expenditure	-	2,715,189	-	2,715,189
Total Segment Assets	868	2,750,460	75,796	2,827,124
Current liabilities	-	(4,682)	(693,150)	(697,832)
Total Segment Liabilities	-	(4,682)	(693,150)	(697,832)
Net Assets/(Liabilities) Employed	868	2,745,778	(617,354)	2,129,292

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. CONTINGENT LIABILITIES

The Board is not aware of any other circumstance or information which leads them to believe there are any material contingent liabilities outstanding as at 30 June 2016.

4. DIVIDENDS

The Company has not paid or provided for dividends during this year.

5. SHARE BASED PAYMENTS

The primary purpose of the Director options is to provide incentive to the participating Directors to drive the Company's assets forward. All options granted to Key Management Personnel are over ordinary shares in BMG Resources Limited, which confer a right of one ordinary share for every option held.

Employee Option Plan

The Employee Option Plan is designed to provide long-term incentives for Senior Managers and above (including Executive Directors) to deliver long-term Shareholder returns.

Options granted under the plan for no consideration, and options granted under the plan carry no dividend or voting rights.

Set out below are summaries of options under the plan:

2016 Grant Date	Expiry Date	Exercise price	Balance at start of the year number	Granted during the year number	Expired during the year number	Shares Consolidation of 1 for 10 Basis*	Balance at end of the year number	Vested and exercisable at end of the year number
13/12/2013	13/12/2016	\$0.35	500,000	-	-	-	500,000	500,000
09/12/2011	01/07/2016	\$2.00	140,000	-	-	-	140,000	140,000
09/12/2011	01/07/2016	\$2.20	260,000	-	-	-	260,000	260,000
Total			900,000		-	-	900,000	900,000
Weight average exercise price			\$1.52	-	-	-	\$1.52	\$1.52

2015 Grant Date	Expiry Date	Exercise price	Balance at start of the year number	Granted during the year number	Exercised during the year number	Shares Consolidation of 1 for 10 Basis*	Balance at end of the year number	Vested and exercisable at end of the year number
13/12/2013	13/12/2016	\$0.035	5,000,000	-	-	(4,500,000)	500,000	500,000
09/12/2011	01/07/2016	\$2.00	1,400,000	-	-	(1,260,000)	140,000	140,000
09/12/2011	01/07/2016	\$2.20	2,600,000	-	-	(2,340,000)	260,000	260,000
09/12/2011	09/12/2014	\$2.20	1,500,000	-	(1,500,000)	-	-	-
Total			10,500,000		(1,500,000)	(8,100,000)	900,000	900,000
Weight average exercise price			\$1.30	-	-	-	\$1.14	\$1.52

* Consolidation of unlisted options on a 1 for 10 basis

The weighted average share price at the date of grant/exercise of options during the year ended 30 June 2016 was \$1.52 (2015-\$1.14).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.002 years (2015–0.86 years).

Options granted by the Company are not based on performance criteria due to the size, its current stage of activities and its relatively small number of employees.

Options Expensed

The Directors have reviewed the performance options currently on issue and the likelihood of satisfying the performance conditions which relate to the Treasure Project in Cyprus. Following the sale of 70% of the Treasure Project, the Directors assessed that it is unlikely the performance conditions will be met. As a result the share based payment expense relating to those performance conditions have been reversed in the year ended 30 June 2016.

Expenses arising from Share-Based Payment Transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	2016 (\$)	2015 (\$)
Share-based payment		
Options issued under Employee Option Plan	-	79,617
Reversal of shared based payment	(116,993)	-
	(116,993)	79,617

6. FINANCIAL RISK MANAGEMENT

(a) Overview

The Company and the Consolidated Entity have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This Note presents information about the Company's and Consolidated Entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk and the management of capital.

The Group's Risk Management Framework is supported by the Board, Management and the Audit and Risk Committee. The Board is responsible for approving and reviewing the Company's and Consolidated Entity's Risk Management Strategy and Policy. Management is responsible for monitoring appropriate processes and controls that are in place to effectively and efficiently manage risk. The Audit and Risk Committee is responsible for identifying, monitoring and managing significant business risks faced by the Company and Consolidated Entity and considering the effectiveness of its internal control system. Management and the Audit and Risk Committee report to the Board.

The Board has established an overall Risk Management Policy which sets out the Company's and Consolidated Entity's system of risk oversight, management of material business risks and internal control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Entity holds the following financial instruments:

	2016 (\$)	2015 (\$)
Financial assets		
Cash and cash equivalents	29,056	65,133
Trade and other receivables	-	561
	29,056	65,694
Financial liabilities		
Trade and other payable	3,099	34,990
Borrowings	1,163,979	662,842
	1,167,078	697,832

(b) Financial Risk Management Objectives

The overall financial Risk Management Strategy focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on financial performance and protect future financial security.

(c) Credit Risk

Credit risk is the risk of financial loss to the Consolidated Entity if counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's cash and cash equivalents, deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. For the Company it arises from receivables and cash held due from subsidiaries. The Consolidated Entity does not hold any credit derivatives to offset its credit exposure.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

	2016 (\$)	2015 (\$)
Trade receivables		
<i>Counterparties without external credit rating</i>		
Group 1 - new customers (less than 6 months)	-	-
Group 2 - existing customers (less than 6 months) with no defaults in the past	-	561
	-	561
Cash at bank and short-term bank deposits		
Cash at bank	29,056	36,111
Short-term bank deposit at AA	-	29,022
	29,056	65,133

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Exposure to Credit Risk

The carrying amount of the Consolidated Entity's financial assets represents the maximum credit exposure. The Consolidated Entity's maximum exposure to credit risk at the reporting date was:

	2016 (\$)	2015 (\$)
Cash and cash equivalents	29,056	65,133
Trade and other receivables	-	561
Total	29,056	65,694

(d) Liquidity Risk

Liquidity risk arises from the financial liabilities of the Consolidated Entity and the Consolidated Entity's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

Ultimate responsibility for Liquidity Risk Management rests with the Board of Directors. The Board has determined an appropriate Liquidity Risk Management Framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and continuously monitoring budgeted and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

Contractual maturities of financial liabilities	Less than 6 months	6 – 12 months	Total	Carrying Amount
Group – as at 30 June 2016	\$	\$	\$	\$
Trade payables	3,099	-	3,099	3,099
Loan from TRG (Non-interest bearing)	348,657	-	348,657	348,657
Accrued Management Fee	255,000	-	255,000	255,000
Accrued Directors' Fee	560,322	-	560,322	560,322
Total	1,167,078	-	1,167,078	1,167,078
Group – as at 30 June 2015	\$	\$	\$	\$
Trade payables	34,990	-	34,990	34,990
Loan from TRG (Non-interest bearing)	180,000	-	180,000	180,000
Accrued Management Fee	150,000	-	150,000	150,000
Accrued Directors' Fee	332,842	-	332,842	332,842
Total	697,832	-	697,832	697,832

(e) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and commodity prices and affect the Consolidated Entity's income or the value of its holdings of financial instruments. The objective of Market Risk Management is to manage and control market risk exposures within acceptable parameters, while optimising return.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Foreign Currency Risk

The Consolidated Entity is exposed to currency risk on financial assets or liabilities that are denominated in a currency other than the respective functional currencies of the Consolidated Entity's, the Australian Dollar (AUD) for Parent Entity and US Dollars and Euro (EUR) for the subsidiaries of Consolidated Entity.

At the end of the reporting period the Group did not have any exposure to fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows since it had no financial assets and liabilities denominated in foreign currency.

The Consolidated Entity is exposed to changes in foreign exchange rates as it has operational liabilities in Euro. There has been no material exposure to non-functional currency amounts during the financial year.

Interest Rate Risk

The Consolidated Entity's exposure to interest rates primarily relates to the Consolidated Entity's cash and cash equivalents. The Consolidated Entity manages market risk by monitoring levels of exposure to interest rate risk and assessing market forecasts for interest rates.

Profile

At the reporting date the interest rate profile of the Consolidated Entity's interest bearing financial instruments was:

	2016 (\$)	2015 (\$)
Variable Rate Instruments	-	-
Financial Assets	29,056	65,133
	29,056	65,133

The Group manages its interest rate risk by monitoring available interest rates while maintaining an overriding position of security whereby the majority of cash and cash equivalents are held in AA-rated bank accounts. The Group's exposure to interest rate risk and effective weighted average interest rate by maturing periods is set out in tables below.

	Weighted Average Effective Interest Rate	Floating Interest Rate (\$)	Maturing within 1 Year	Non- Interest Bearing (\$)	Total (\$)
	2016	2016	2016	2016	2016
Financial Assets					
Cash and cash equivalents	1.25%	29,056	-	29,056	29,056
Trade and other receivables	-	-	-	-	-
Total Financial Assets	-	29,056	-	29,056	29,056
Trade and other payables	-	-	-	1,167,078	1,167,078
Total Financial Liabilities	-	-	-	1,167,078	1,167,078

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Weighted Average Effective Interest Rate	Floating Interest Rate (\$)	Maturing within 1 Year	Non- Interest Bearing (\$)	Total (\$)
	2015	2015	2015	2015	2015
Financial Assets					
Cash and cash equivalents	2.50%	29,022	-	36,111	65,133
Trade and other receivables	-	-	-	561	561
Total Financial Assets	-	29,022	-	36,672	65,694
Trade and other payables	-	-	-	697,832	697,832
Total Financial Liabilities	-	-	-	697,832	697,832

Cash Flow Sensitivity Analysis for Variable Rate Instruments

A change of 100 basis points in interest rates at reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. The Board assessed a 100 basis point movement as being reasonably possible based on forward treasury rate projections. This analysis assumes that all other variables remain constant.

A change of 100 basis points in interest rates would have increased or decreased the Consolidated Entity's profit or loss by \$290 (2015: \$651).

	+1% (100 basis points) (\$)	-1% (100 basis points) (\$)	+1% (100 basis points) (\$)	-1% (100 basis points) (\$)
	2016	2016	2015	2015
Cash and cash equivalents	290	(290)	651	(651)
	290	(290)	651	(651)

(f) Capital Management

When managing capital, the Board's objective is to ensure the Consolidated Entity continues as a going concern as well as to maintain optimal returns to Shareholders and benefits for other Stakeholders. The Board also aims to maintain a capital structure that ensures the lowest cost of capital available to the Consolidated Entity.

The Board is constantly adjusting the capital structure to take advantage of favourable costs of capital or high return on assets. As the market is constantly changing Management may issue new shares, sell assets to reduce debt.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position although there is no formal policy regarding gearing levels whilst this position has not changed.

The Consolidated Entity has no formal financing and gearing policy or criteria during the year having regard to the early status of its development and low level of activity. This position has not changed from the previous year.

(g) Fair value measurements

The fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models based on estimated future cash flow. There are currently no assets and liabilities which require fair valuing under the measurement hierarchy. Due to their short-term nature, the carrying amounts of the current receivables, current payables and current borrowings are assumed to approximate their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. REVENUE FROM CONTINUING OPERATIONS

	2016 (\$)	2015 (\$)
Interest received from continuing operation	128	4,961
	128	4,961

8. EMPLOYEE BENEFITS EXPENSE

	2016 (\$)	2015 (\$)
Wages and salaries	-	-
Directors' fees*	(351,917)	(306,004)
Superannuation*	(20,710)	(11,666)
Other personnel expenses	(4,763)	(6,186)
	(377,390)	(323,856)

* Directors agreed to their fees being deferred without any interest.
The majority of Directors fees have been accrued since September 2014.

9. INCOME TAX

	2016 (\$)	2015 (\$)
Income tax benefit		
Tax Rates	30%	30%
The potential tax benefit in respect of tax losses not brought into account has been calculated at 30%.		
Numerical reconciliation between tax expenses and pre-tax net loss		
Income tax benefit at the beginning of the year	-	-
Loss before income tax expense	(2,678,099)	(922,896)
Income tax benefit calculated at rates noted above	(803,430)	(276,869)
Tax effect on amounts which are not tax deductible	(13,923)	44,682
Financial asset impairment	-	-
Write off of exploration costs	828,703	15,012
Tax effect on timing differences	9,040	(1,477)
Tax effect on non-assessable income	(167,523)	-
Tax effect on deductible capital raising costs/other	(34,054)	(61,676)
Deferred tax asset on tax losses not brought to account	181,187	280,328
Income tax benefit	-	-
Net deferred tax assets not brought to account		
Unused tax losses	9,496,872	9,381,413
Timing differences	48,143	13,241
Capital raising cost in equity	133,011	227,896
Tax at 30%	2,903,408	2,886,765

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The benefit for tax losses will only be obtained if:

- (a) the Company derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (b) the Company continues to comply with the conditions for deductibility imposed by Law; and
- (c) no changes in tax legislation adversely affect the ability of the Company to realise these benefits.

10. CASH AND CASH EQUIVALENTS

	2016 (\$)	2015 (\$)
Cash at bank and on hand	29,056	36,111
Short term deposit	-	29,022
	29,056	65,133

(a) Reconciliation to cash at the end of the year

	2016 (\$)	2015 (\$)
The above figures are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:		
Balances as above	29,056	65,133
Balances per Statement of Cash Flows	29,056	65,133

(b) Risk exposure

The Group's exposure to interest rate risk is discussed in Note 6. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above. The Consolidated Entity's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are discussed in Note 6.

11. TRADE AND OTHER RECEIVABLES

	2016 (\$)	2015 (\$)
CURRENT		
Taxation receivables	1,795	561
Prepayments	-	4,794
	1,795	5,355

(a) Impaired Trade Receivables

There were no impaired trade receivables for the Group in 2016 or 2015.

(b) Past due but not impaired

There were no past impaired trade receivables for the Group in 2016.

(c) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(d) Fair value and credit risk

Due to the short-term nature of the trade receivables the carrying amount is assumed to approximate their fair value. The exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to Note 6 for more information on the Risk Management Policy of the Group and the credit quality of the Entity's trade receivables.

12. PROPERTY, PLANT AND EQUIPMENT

	2016 (\$)	2015 (\$)
Year Ended 30 June 2016		
At 1 July, net of accumulated depreciation	41,447	54,091
Additions	-	1,222
Movement in foreign currency assets	809	(16)
Disposal	(8,161)	-
Asset in subsidiary disposed of	(19,402)	-
Depreciation Charge for the year	(7,581)	(13,850)
At 30 June, net of accumulated depreciation	7,112	41,447
At 30 June 2016		
Cost	37,521	173,028
Accumulated Depreciation	(30,409)	(131,581)
Net carrying amount	7,112	41,447

13. EXPLORATION AND EVALUATION EXPENDITURE

	2016 (\$)	2015 (\$)
Opening balance	2,715,189	2,271,852
Exchange movement	83,781	12,203
Exploration expenditure capitalised	40,856	481,173
Exploration assets written off	-	(50,039)
Exploration assets included in subsidiary disposed of	(2,839,826)	-
Exploration and evaluation expenditure	-	2,715,189

The directors have assessed and write off the carrying value of the exploration and evaluation asset as the recoverability of any carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation or alternatively, sale of the respective areas of interest.

14. TRADE AND OTHER PAYABLES

	2016 (\$)	2015 (\$)
CURRENT LIABILITIES		
Trade creditors and accruals	3,099	34,990
	3,099	34,990

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(a) Risk exposure

Information about the Group's exposure to foreign exchange risk in relation to trade creditor and other payables is provided in Note 6.

15. BORROWINGS

	2016 (\$)	2015 (\$)
CURRENT LIABILITIES		
Borrowings (Transcontinental Investments)*	348,657	180,000
Other creditors (Accrued Management Fees)*	255,000	150,000
Other creditors (Accrued Directors Fee) **	560,322	332,842
	1,163,979	662,842

* There are no interest charges on accrued management fee and loan provided by Transcontinental Investments

** Directors agreed to fees being deferred without any interest.

16. CONTRIBUTED EQUITY

A reconciliation of the movement in capital and reserves for the Company can be found in the Statement of Changes in Equity.

	2016 (\$)	2015 (\$)
Contributed equity as at 1 July	39,797,644	39,777,644
Share issued to settle Helmsec Global Capital Consultancy fee	-	20,000
	39,797,644	39,797,644

(a) Movements of share capital during the year

Date	Details	No of shares	Issue price (\$)	\$
01.07.2015	Opening Balance	63,922,852	-	39,777,644
	Closing Balance as at 30/06/2016	63,922,852	-	39,797,644

Ordinary Shares

The holder of Ordinary Shares is entitled to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary Shares have no par value and the Company does not have a limited amount of authorised capital.

Options

During or since the end of the year, the unissued ordinary shares of the Company under unlisted option were as follows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Date of Expiry	Exercise Price	Options unexercised during period	Number Exercised	Options Lapsed during period	Balance
01/07/2016	\$2.00	140,000	-	-	140,000
01/07/2016	\$2.20	260,000	-	-	260,000
15/10/2016	\$0.35	500,000	-	-	500,000
15/10/2016	\$0.50	500,000	-	-	500,000
3 years from the vesting date	\$0.35	500,000	-	-	500,000
3 years from the vesting date	\$0.40	500,000	-	-	500,000
3 years from the vesting date	\$0.45	500,000	-	-	500,000
3 years from the vesting date	\$0.50	1,000,000	-	-	1,000,000
3 years from the vesting date	\$0.35	300,000	-	-	300,000
3 years from the vesting date	\$0.40	300,000	-	-	300,000
3 years from the vesting date	\$0.45	300,000	-	-	300,000
3 years from the vesting date	\$0.50	800,000	-	-	800,000
		5,600,000	-	-	5,600,000

17. RESERVES

	2016 (\$)	2015 (\$)
Reserve at the beginning of the year	1,034,820	934,625
Foreign exchange movement	(435,050)	20,578
Share based payment	(116,993)	79,617
Reserve at the end of the year	482,777	1,034,820

(a) Option Reserve

The option reserve is used to record the value of the share based payments provided to employees, consultants and for options issued pursuant to any acquisitions or in exchange for services.

(b) Foreign Currency Reserve

The foreign currency reserve records foreign currency differences arising from the translation of Financial Statements of all foreign controlled subsidiaries.

18. ACCUMULATED LOSS

	2016 (\$)	2015 (\$)
Accumulated loss at the beginning of the year	(38,703,172)	(37,780,276)
Net loss attributable to shareholders	(2,678,099)	(922,896)
Accumulated loss at end of the year	(41,381,271)	(38,703,172)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. CASH FLOW INFORMATION

	2016 (\$)	2015 (\$)
Reconciliation of cash flow from operating activities with the loss from continuing operations after income tax:		
Non-cash flows in profit from ordinary activities		
Net Loss after Income Tax	(2,678,099)	(922,896)
Depreciation & Amortisation	7,581	13,850
Employee option expense	(116,993)	79,617
Exploration assets impaired/write off	-	50,039
FX realised on deconsolidation of foreign operation	107,270	-
Loss on Disposal	2,555,809	
Shares issued to settle supplier invoice	-	20,000
Exchange movement	(431,798)	11,008
Changes in assets & liabilities net of purchase & disposal of subsidiaries		
(Increase)/Decrease in receivables	3,560	4,463
Increase/(Decrease) in trade creditor	(31,891)	(59,003)
Increase in accrued management fee	105,000	120,000
Increase in accrued director fees	305,412	356,123
Cash flow from Operating Activities	(174,149)	(326,799)

20. LOSS PER SHARE

The following reflects the income and share data used in the calculations of basic loss per share:

	2016 (\$)	2015 (\$)
(a) Reconciliation of earnings to profit or loss		
Net loss used in calculating basic loss per share	(2,678,099)	(922,896)
(b) Weighted average number of ordinary shares outstanding during the year		
Weighted average number of ordinary shares used in calculating basic loss per share	63,922,852	63,580,351

Effect of dilutive securities: Share options are not considered dilutive as the conversion of options to ordinary shares will result in a decrease in the net loss per share.

21. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Transcontinental Group (TRG) has provided a letter of support to BMG dated 27 September 2016 and confirmed that TRG will provide financial support to BMG to meet its debts when they fall due and to enable BMG to carry on its business as a going concern and maintain its assets in good standing for a period until BMG completes adequate fund raising for the period of 12 months from the date of signing the 30 June 2016 annual financial report. A fund raising is currently being prepared and is expected to complete this year.

There are no other matters or circumstances that have arisen since the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. REMUNERATION OF AUDITOR

During the year the following fees were paid or payable for services provided by the Auditor of the Entity and its related parties.

	2016 (\$)	2015 (\$)
Audit and Other Assurance Services		
BDO Audit (WA) Pty Ltd	35,206	30,642
G. Kalopetrides & Partners Limited	-	4,886
Total remuneration for Audit and Other Assurance Services	35,206	35,528
G. Kalopetrides & Partners Limited - Other Service		
Non Auditing Service	-	238
Taxation Service	-	575
Total remuneration for G. Kalopetrides & Partners Limited - Other Service	-	813

23. COMMITMENTS

Management Fees Commitment

TRG charged a \$10,000 monthly fee for Administration Services and from 1 March 2016 TRG agreed to reduce the monthly fee from \$10,000 to \$5,000 and to accrue 100% of the fees without being charged any interest of the full invoice on ordinary terms.

From 1 July 2016 TRG has agreed to stop charging the management fee for Administration Services, the fee accrued as at 30 June 2016 was \$255,000 without any interest being charged or required payment in full invoice on ordinary terms.

Anthony Trevisan and Simon Trevisan (Directors of the Company) is a Director and Shareholder of the Transcontinental Group

24. RELATED PARTY INFORMATION

Parent Entity

The legal Parent Entity within the Group is BMG Resources Limited. BMG owns 30% of the issued ordinary shares of Treasure Development Limited (directly) and 100% of the issued ordinary shares of Minas Norte Mineração Ltda (directly).

Wholly-owned Group transactions

Loans made by BMG Resources Limited to wholly-owned subsidiary companies are contributed to meet required expenditure payable on demand and are not interest bearing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Key Management Personnel

The individual Directors and Executives compensation comprised as at 30 June 2016.

	2016 (\$)	2015 (\$)
Short-term employee benefits		
Christopher Eager ¹	54,000	72,000
Bruce McCracken ²	178,000	178,000
Malcolm Castle ³	40,000	40,000
Michael Green ⁴	-	168,750
	272,000	458,750
Post- employee benefits		
Bruce McCracken	16,910	16,910
Malcolm Castle	3,800	3,800
Michael Green	-	-
	20,710	20,710
Share-based payments		
Christopher Eager	-	8,301
Bruce McCracken	(68,751)	42,507
Michael Green	(48,242)	28,809
	(116,993)	79,617

- 1 Mr Eager received \$6,000 per month as remuneration as Non-Executive Chairman and agreed to accrue 100% of his remuneration from 01 October 2014 to 31 March 2016. On 15 April 2016 he resigned as Non-Executive Chairman. At the time of his resignation on 15 April 2016, total accrued fee was \$108,000.
- 2 Mr McCracken received \$14,833 per month as remuneration plus super as Managing Director and agreed to accrue 100% of his remuneration from 1 September 2014 to 30 June 2016. At the end of the financial year ended 30 June 2016, total accrued fee was \$194,910.
- 3 Mr Castle received \$3333 per month as remuneration plus super as Non-Executive Director and agreed to accrue 100% of his remuneration from 01 September 2014 to 30 June 2016. At the end of the financial year ended 30 June 2016, total accrued fee was \$43,800.
- 4 Mr Green's total accrued fee of \$79,917 was transferred to New Cyprus Copper Company on 15 April 2016. At the time of his resignation on 15 April 2016, there was no accrued fee.

Transactions with Related Parties

Transactions between related parties are on normal commercial terms and conditions no more favorable than those available to other parties unless otherwise stated.

The following transaction occurred with related parties for the year ended 30 June 2016.

	2016 (\$)	2015 (\$)
Other transactions		
Administration Fee to Transcontinental Investments	105,000	150,000
Loan provided by Transcontinental Investments	168,657	180,000
	273,657	330,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The aggregate amount recognised during the year relating to Key Management Personnel and their related parties were as follows.

Director	Transaction	Transactions value for the year ended 30 June		Balance outstanding as at 30 June	
		2016 (\$)	2015 (\$)	2016 (\$)	2015 (\$)
Anthony Trevisan and Simon Trevisan (Directors and controlling Shareholder of Transcontinental Investments Pty Ltd(TRG))	Administrative fee for office space, telecommunications, office supplies, accounting support and administration and business support services	105,000	150,000	255,000	150,000
Anthony Trevisan and Simon Trevisan (Directors and controlling Shareholder of Transcontinental Investments Pty Ltd(TRG))	Cash loan by Transcontinental Investments as per letter of support provided by TRG	168,657	180,000	348,657	180,000
		273,657	330,000	603,657	330,000

Notes in relation to the table of related party transactions.

A Company associated with Mr. Trevisan provides office space, office equipment, supplies, corporate management and administration services in connection with the operations of the Company and amounts are payable on a monthly basis.

Corporate administration services include those services necessary for the proper administration of a small public Company, including:

- (a) company secretarial and accounting, corporate governance and reporting and administration support, management of the Company's website, management of third party professional and expert service providers including legal, accounting, tax, audit and investment banking, independent technical expert and other services associated with proper administration of a listed public Company;
- (b) operating, marketing, strategic and financial activities required in relation to the Company's Australian mining and exploration projects; and
- (c) provision of 'A' grade office space in a central business district office for the Company's main corporate office including use of IT, photocopying and other office equipment and supplies.

The Company must pay a monthly fee to Transcontinental Investments Pty Ltd (TRG) plus reimbursement each month for certain costs, expenses and liabilities incurred and/or paid by TRG on behalf of the Company during the month.

From 1 July 2015 to 31 March 2016 TRG charge \$10,000 monthly fee for Administration Services. From 1 April 2016 TRG agreed to charge \$5,000 monthly fee for Administration Services by accruing 100% of the fees without being charged any interest of full invoice on ordinary terms.

From 1 July 2016 TRG has agreed to stop charging the management fee for Administration Services, the fee accrued as at 30 June 2016 was \$255,000 without being charged any interest of full invoice on ordinary terms.

There were no related party transactions to individual or Directors of the Company during the year ended 30 June 2016.

Loans to/from Related Parties

The table below is the summary of Director's accrued fee during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2016 (\$)	2015 (\$)
Christopher Eager ¹	54,000	54,000
Bruce McCracken ²	194,910	162,425
Malcolm Castle ³	43,800	36,500
Michael Green ⁴	-	79,917
	292,710	332,842

- 1 Mr Eager received \$6,000 per month as remuneration as Non-Executive Chairman and agreed to accrue 100% of his remuneration from 01 October 2014 to 31 March 2016. On 15 April 2016 he resigned as Non-Executive Chairman. At the time of his resignation on 15 April 2016, total accrued fee was \$108,000.
- 2 Mr McCracken received \$14,833 per month as remuneration plus super as Managing Director and agreed to accrue 100% of his remuneration from 1 September 2014 to 30 June 2016. At the end of the financial year ended 30 June 2016, total accrued fee was \$194,910.
- 3 Mr Castle received \$3333 per month as remuneration plus super as Non-Executive Director and agreed to accrue 100% of his remuneration from 01 September 2014 to 30 June 2016. At the end of the financial year ended 30 June 2016, total accrued fee was \$43,800.
- 4 Mr Green's total accrued fee of \$79,917 was transferred to New Cyprus Copper Company on 15 April 2016. At the time of his resignation on 15 April 2016, there was no accrued fee.

There were no other loans to individual or Directors of the Company during the year ended 30 June 2016.

Individual Key Management Personnel Compensation Disclosures

Information regarding individual Key Management Personnel compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 are provided in the Remuneration Report section of the Directors' Report.

Other Key Management Personnel Transactions with the Company

A number of Key Management Personnel or their related parties hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Other than director fees, there were no transactions with the entities.

For details refer to the Remuneration Report.

25. PARENT ENTITY INFORMATION

The following details information related to the Parent Entity, BMG Resources Limited, as at 30 June 2016. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2016 (\$)	2015 (\$)
Current assets	30,851	1,750,728
Non-current assets	7,112	35,074
Investment and Financial Assets	-	1,026,854
Total Assets	37,963	2,812,656
Current liabilities	1,167,078	693,150
Total Liabilities	1,167,078	693,150
Net Assets/(Liabilities)	(1,129,115)	2,119,506
Contributed equity	39,797,644	39,797,644
Retained earnings/(accumulated losses)	(41,409,535)	(38,277,907)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Option reserve	482,776	599,769
Total Equity/(Deficiency in Equity)	(1,129,115)	2,119,506
(loss) for the year	(3,131,628)	(910,813)
Other comprehensive (loss) for the year	-	-
Total Comprehensive (loss) for the Year	(3,131,628)	(910,813)

There are no other separate commitments and contingencies for parent entity other than Management commitments stated in Note 23 for the Group as at 30 June 2016.

26. LOSS ON DISPOSAL OF SUBSIDIARY

	2016 (\$)	2015 (\$)
Proceed on sale of subsidiary	51,944	
Assets of disposal Group held for sale		
Cash	(29,431)	-
Liabilities Assumed	102,635	
Property, Plant and Equipment	(19,402)	-
Exploration and Evaluation Expenditure	(2,839,826)	-
Foreign Exchange movement	178,271	-
Loss on Disposal	(2,555,809)	-

On 15 April 2016, the Group completed the sale of 70% of majority interest in Treasure Development Limited (TDL) to New Cyprus Copper Company Limited (NCCC).

The key commercial terms for the divestment were as follows:

- New Cyprus acquired an initial 70% interest in TDL;
- New Cyprus assumed ongoing responsibility for all costs and liabilities associated with the operation of TDL and the Treasure Project, including exploration expenditure and maintaining the tenements in good standing;
- Following Completion, New Cyprus paid BMG €35,000 (A\$ 51,944) and \$79,917 of liabilities relating to the Treasure Project were transferred to New Cyprus;
- New Cyprus will undertake an initial 2 year exploration plan as agreed between the parties. Once completed, BMG will transfer to New Cyprus an additional 20% of the TDL (bringing New Cyprus's interest to 90%) and retain a 10% free carried interest in TDL;
- New Cyprus may increase its interest in TDL to 100% by acquiring the remaining 10% of TDL by either:
 - Payment to BMG of \$2 million in cash within 12 months of reaching its 90% interest; or
 - Payment to BMG of a 1% Net Smelter Royalty from any future production and 10% share of net profits until \$2 million is received by BMG.

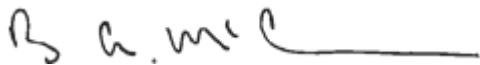
DIRECTORS' DECLARATION

In the opinion of the Directors of BMG Resources Limited (**Company**):

- (a) the Financial Statements and Notes set out on pages 28 to 65, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2016 and of their performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and other mandatory professional reporting requirements.
- (b) the Financial Report also complies with International Financial Reporting Standards as disclosed in Note 1; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* by the Financial Officer for the financial year ended 30 June 2016.

Signed in accordance with a resolution of the Directors.



Bruce McCracken

Managing Director

Dated at Perth, Western Australia, this 29th September 2016.

INDEPENDENT AUDITOR'S REPORT

To the members of BMG Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of BMG Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of BMG Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of BMG Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 23 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of BMG Resources Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd



Jarrad Prue

Director

Perth, 29 September 2016

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 28 July 2016.

(a) Distribution of equity securities as at 30 June 2016

Listed Fully Paid Ordinary Shares	Number of Holders	Number of Shares
1 - 1,000	210	108,773
1,001 - 5,000	179	479,302
5,001 - 10,000	97	787,200
10,001 - 100,000	104	7,960,723
100,001 and over	85	54,586,854
	775	63,922,852

(b) Top twenty shareholders at 30 June 2016

Listed Fully Paid Ordinary Shares	Number of Shares	Percentage of Shares
1 Transcontinental Resources Group 2013 Pty Ltd	8,799,985	13.77%
2 TRG Equity Investments Pty Ltd	4,904,800	7.67%
3 Mr Cheyne Michael Dunford	4,216,603	6.60%
4 Jasper Hill Resources Pty Ltd	3,419,625	5.35%
5 RBC Investor Services Australia Nominees Pty Limited	3,258,750	5.10%
6 Mr Michael Hsiau Yun Lan	3,188,341	4.99%
7 Randal Investment Holdings Pty Ltd	1,819,000	2.85%
8 Transcontinental Investments Pty Ltd	1,588,802	2.49%
9 Upper Rise Group Ltd	1,375,090	2.15%
10 Mr Vincenzo Brizzi & Mrs Rita Brizzi	1,219,935	1.91%
11 Mr Bruce McCracken	1,000,000	1.56%
12 Mr Kostas Latouros	900,000	1.41%
13 TCH Holdings Pty Ltd	899,999	1.41%
14 Mr James Chau	800,000	1.25%
15 Ms Ainslie Helen Hoad	700,000	1.10%
16 Future Super Pty Ltd	638,813	1.00%
17 Agricola Mining Consultants	597,856	0.94%
18 ABN Amro Clearing Sydney	583,898	0.91%
19 Ollid Pty Ltd	551,740	0.86%
20 Mr Richard Thomas Hayward Daly	500,000	0.78%
	40,963,237	64.08%

ASX ADDITIONAL INFORMATION

(c) Top twenty Option Holders at 30 June 2016

Unlisted options issued under Employee Share Option Plans (ESOP) are as follows. The information is current as at 30 June 2016.

	Number of Options (Vested)	Number of Options (Unvested)	Percentage of Options
Mr Bruce Alexander McCracken	400,000	2,500,000	51.78%
Mr Michael Green		1,700,000	30.36%
Mr Christopher John Eager	500,000	500,000	17.86%
	900,000	4,700,000	100.00%

(d) Substantial Shareholders

The names of Substantial Shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Number of Shares	Percentage of Ordinary Shares
Transcontinental Resources Group 2013 Pty Ltd	8,799,985	13.77%
TRG Equity Investments Pty Ltd	4,904,800	7.67%
Mr Cheyne Michael Dunford	4,216,603	6.60%

(e) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(f) Unlisted Options

There are no unlisted options over unissued shares.

(g) Cash Usage

Since the time of listing on the ASX, the Entity has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of the ASX in a manner which is consistent with its business objectives.

SCHEDULE OF MINING TENEMENTS AND INTERESTS

The Treasure Project, of which BMG currently owns a 30% interest, now comprises 10 exploration licences for a total of 36.654km².

Project	Licence number	Status	Interest (%)	Notes	Activity during the quarter
BLACK PINE	EA4589	granted	100		
	EA4590	granted	100		
	EA4594	expired	100		not renewed
	EA4595	expired	100		not renewed
	EA4591	granted	100		
	EA4596	expired	100		not renewed
	EA4610	granted	100	replaced EA4314	granted
	EA4612	granted	100	replaced EA4318	granted
VRECHIA	EA4457	granted	100		
	EA4592	expired	100	replaced AE4462	not renewed
	EA4593	expired	100	replaced AE4462	not renewed
	EA4609	expired	100	replaced EA4313	not renewed
KALAVASSOS	AE4607	granted	100	replaced AE4547	granted
	AE4608	granted	100	replaced AE4547	granted
KAMBIA	EA4447	granted	100		
	EA4448	granted	100		renewed
	EA4611	expired	100	replaces EA4315	not renewed