29 May 2014

NEW LICENCE APPROVED AT HISTORIC KALAVASSOS COPPER MINES, CYPRUS

- **New licence covers the entire historic copper mining centre at Kalavassos, Cyprus**
- **Recorded production at Kalavassos included 4.62 million tonnes at >1.0 % copper**
- **Historic mining of 61,450 tonnes of oxide zone material produced 16,490 oz gold (8.3 g/t) and 34,740 oz silver (17.6 g/t)**
- **No gold or silver assays known from primary copper-sulphide material**
- **Remnant massive sulphide recorded to be 2.28 million tonnes at unspecified copper grade**

BMG Resources Limited (ASX: BMG) (**BMG** or **the Company**) is pleased to announce that its application for a reconnaissance licence over the entire Kalavassos Mineral Field has been approved. The licence covers one of the most important historic copper mining districts in Cyprus with thirteen (13) copper-rich pyrite bodies discovered and mined from 1937 to 1977. Total production is recorded as 4,680,900 tonnes at between 0.5 and 3.0 %copper, including 4.62 million tonnes at >1.0 % copper. Gold and silver assays from the pyrite bodies are not known, but 61,450 tonnes of oxide material was mined between 1937 and 1943 to produce 16,490 ounces gold and 34,740 ounces silver. Official records also refer to a combined total of 2.28 million tonnes of massive sulphide being left in some of the mines at unspecified copper grade. BMG considers the new licence to be highly prospective for copper-gold-silver.

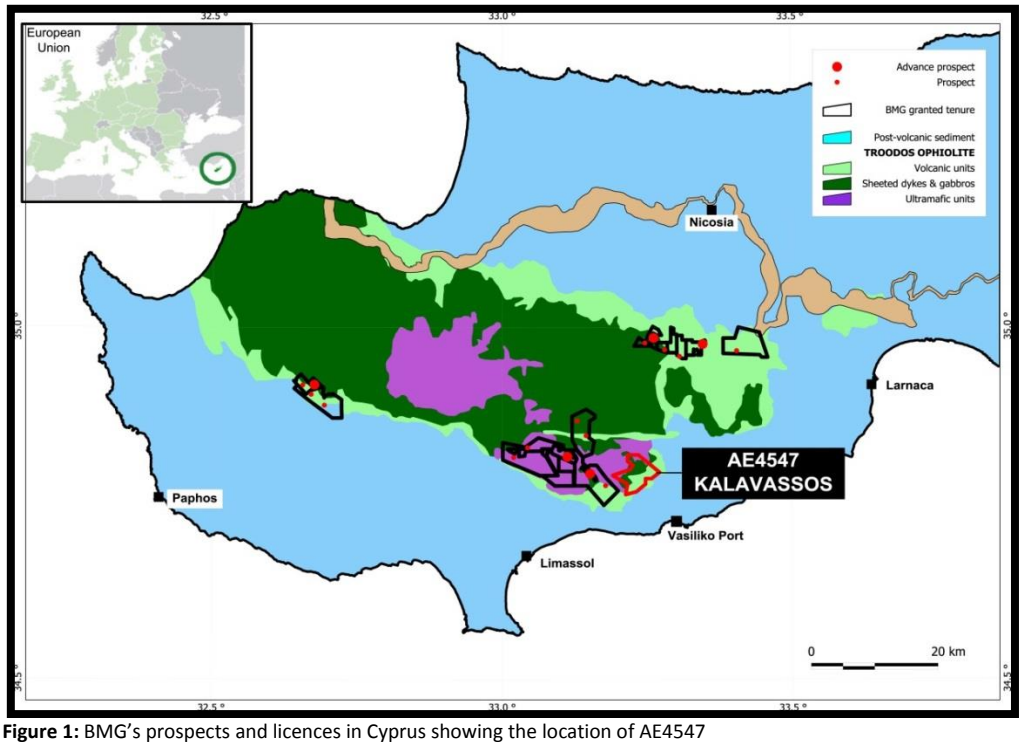

Figure 1: BMG's prospects and licences in Cyprus showing the location of AE4547

BMG's new licence (AE4547) is located on the southern flank of the Troodos Mountains, about 20 km east of the major port city of Limassol, but only 10 km uphill from the bulk-handling port and industrial complex of Vasiliko. The licence is 10.2 km^2 and covers all of the abandoned mines within the Kalavassos Mineral Field. The copper ore from Kalavassos was previously processed at Vasiliko.

General geological information and brief histories of exploration and mining at Kalavassos have been published by the Cyprus Geological Survey Department. The copper occurs within massive sulphide accumulations which formed on or within sea-floor volcanic complexes. Such deposits are well-known globally and are referred to as Volcanic-Hosted Massive Sulphide (VHMS) deposits. The published reports outline that between 1937 and 1977, thirteen (13) sulphide orebodies were discovered and mined. Historic mining consisted of a combination of open-cut and underground workings. Production summaries show that a total of 4,680,900 tonnes of sulphide ore containing 0.5-3.0 % copper were mined during this 40-year period, of which 4.62 Mt contained >1.0 % copper. No gold or silver values are given for the sulphide ore, but 61,450 tonnes of oxide material related to these deposits are reported to have been mined between 1937 and 1943 to produce 16,490 ounces gold (8.3 g/t gold) and 34,740 ounces silver (17.6 g/t silver). In addition, numerous oxide zones at Kalavassos were worked by artisanal miners for gold and silver, but this production escaped official record.

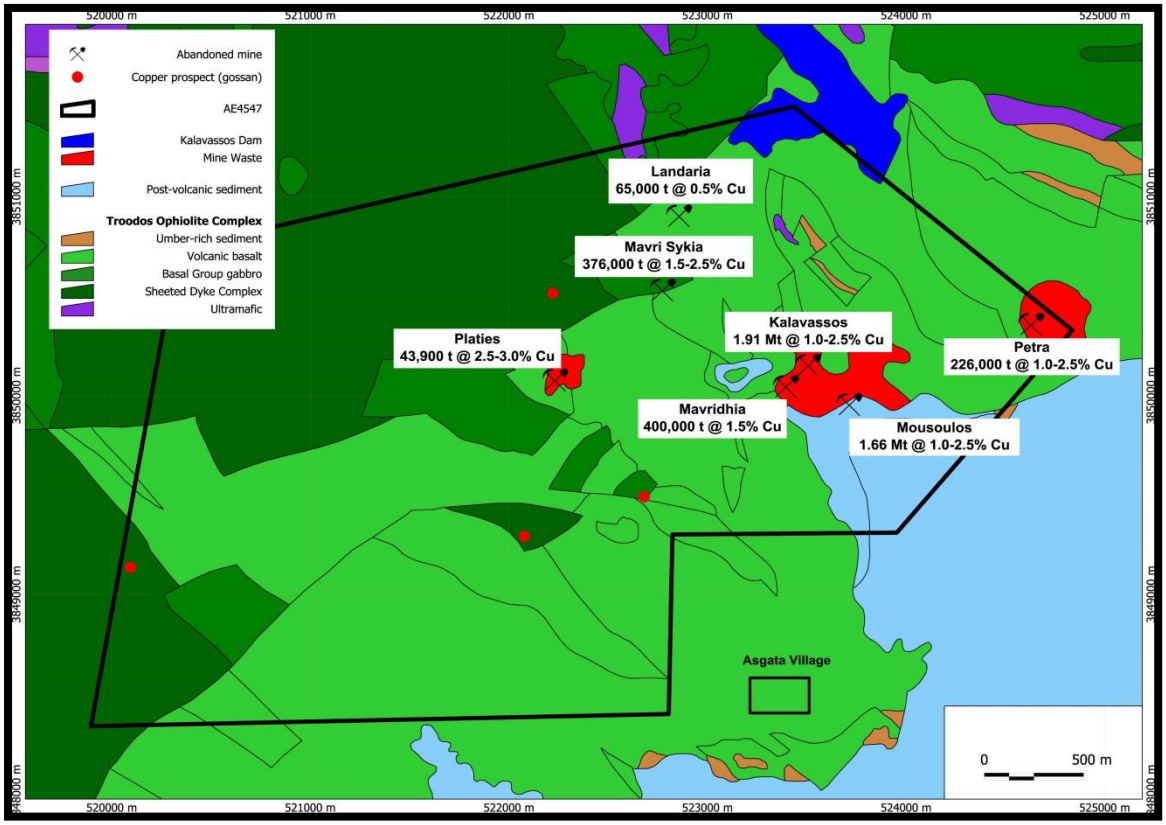

Figure 2: 1:25,000-scale published geology map of Kalavassos Mining Centre with location of abandoned mines

Of great significance to BMG is that aside from gross production figures, the published records also refer to "*Remaining reserves*", which are considered to be massive sulphide left behind when mining ceased. No copper grades are provided for this remnant material, but the figures are indicative, at least, that massive sulphide remains at Kalavassos. Total residual material is reported to be 2.28 Mt,

of which 940,000 tonnes is described to be "mostly sulphur ore", which implies massive pyrite with relatively low copper grade.

Mine	Years of operation	Mining method	Ore mined (tonnes)	Copper %	Sulphur %	Residual (tonnes)
Kalavassos	1937-1956	Underground	1,910,000	1.0-2.5	33	
Mousoulos	1964-1976	Underground	1,660,000	1.0-2.5	40	940,000 (mainly sulphur ore)
Mavridhia	1971-1977	Open cut	400,000	1.5	30-40	200,000
Petra	1953-1957	Underground	226,000	1.0-2.5	25-46	300,000
Landaria	1963-1964	Underground	65,000	0.5	35-46	250,000
Mavri Sykia1	1954-1962	Underground	269,000	1.5-2.5	30-46	
Mavri Sykia2	1970-1977	Open cut	107,000	1.5-2.5	30-46	590,000
Platies	1955-1958	Glory hole	43,900	2.5-3.0	46	

Table 1: Published production and residual figures for Kalavassos copper deposits (Cyprus Geological Survey Department)

Unpublished material, including maps, sections and reports, have been found in the Cyprus GSD archives, but these are yet to be assessed. AE4547 is a reconnaissance licence, and, as such, no ground disturbing work is permitted. Therefore, the immediate work programme will focus on locating and delineating any residual massive sulphides by compiling the available archival data. This compilation will also produce a robust geological model to assist with defining additional areas prospective for copper-rich massive sulphide bodies. A comprehensive surface sampling programme will be undertaken to evaluate the gold and silver potential. At least three entrances to the underground workings remain open and an evaluation will be made to see whether these workings can be safely accessed. If so, underground sampling will be undertaken.

Figure 3: Mavridhia open-cut mine showing oxide zones. Entrance to Mousoulos underground mine.

Update - Upcoming Drilling Program

The Company is continuing to progress its planning for the upcoming drilling program at the Pevkos (Black Pine Project Area) and Mala (Vrechia Project Area) prospects. An RC rig is currently being mobilised from offshore and the required regulatory approvals and consents for the program are progressing as expected. We will update the market with regards timing once the arrival date of the rig is confirmed. BMG currently anticipate drilling will commence in the next 4 to 6 weeks.

ENDS

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COMPETENT PERSON'S STATEMENT

The information in this report that relates to Exploration Results is based on information compiled by Dr Michael Green, a Competent Person who is a Member of the Australian Institute of Geoscientists (MAIG). Dr Green is a full-time employee and executive director of BMG Resources Limited. Dr Green has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Green consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

JORC Code, 2012 Edition – Table 1 report template

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	• Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. • Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. • Aspects of the determination of mineralisation that are Material to the Public Report. • In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.	• All historic production results are from published data provided by the Cyprus Geological Survey Department. • No details of sampling techniques have been provided. • Given the historical nature of the results and the lack of supporting data they should be considered as indicative only.
Drilling techniques	• Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).	• No drill results are referred to here.
Drill sample recovery	• Method of recording and assessing core and chip sample recoveries and results assessed. • Measures taken to maximise sample recovery and ensure representative nature of the samples. • Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	• No drill results are referred to here.

Criteria	JORC Code explanation	Commentary
Logging	• Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. • Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. • The total length and percentage of the relevant intersections logged.	• No drill results are referred to here.
Sub-sampling techniques sample preparation	• If core, whether cut or sawn and whether quarter, half or all core taken. • If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. • For all sample types, the nature, quality and appropriateness of the sample preparation technique. • Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. • Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. • Whether sample sizes are appropriate to the grain size of the material being sampled.	• No drill results are referred to here.
Quality of assay data and laboratory tests	• The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. • For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. • Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.	• No results are referred to here. The details of any historic assay techniques or procedures are currently unknown.
Verification of sampling a assaying	• The verification of significant intersections by either independent or alternative company personnel. • The use of twinned holes. • Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. • Discuss any adjustment to assay data.	• No supporting documentation provided.

Criteria	JORC Code explanation	Commentary
Location of data points	• Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. • Specification of the grid system used. • Quality and adequacy of topographic control.	• No specific data points provided. • Brief field visit undertaken by author to confirm the location of the mining infrastructure (eg., open-cut mine, underground access). • All maps in UTM Zone 36; WGS 84 • No modern surveying has been completed.
Data spacing and distribu	• Data spacing for reporting of Exploration Results. • Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. • Whether sample compositing has been applied.	• NA
Orientation of data in rel to geological structure	• Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. • If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.	• No drill results are referred to here.
Sample security	• The measures taken to ensure sample security.	• No documentation available
Audits or reviews	• The results of any audits or reviews of sampling techniques and data.	• No documentation available

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. • The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.	• AE4547 is a reconnaissance exploration licence. The licence is 100% owned by Treasure Development Limited, which is in turn 100% owned by BMG. A very small part of the licence is within Forestry land. There are no European Union Nature 2000 sites within AE4547. Reconnaissance licences do not permit ground disturbing work, such as drilling. • The licence has been approved. • No impediments to the planned exploration are known.

Criteria	JORC Code explanation	Commentary
Exploration done by other parties	• Acknowledgment and appraisal of exploration by other parties.	• All results reported here were from published data and were completed by other parties.
Geology	• Deposit type, geological setting and style of mineralisation.	• Cyprus-style volcanic-hosted massive sulphide (VHMS) deposit, sea-floor massive sulphide with underlying sulphide stockwork, well-known for containing copper-zinc-gold-silver in pyrite-dominated system.
Drill hole Information	• A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: ○ easting and northing of the drill hole collar ○ elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar ○ dip and azimuth of the hole ○ down hole length and interception depth ○ hole length. • If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.	• No drill results are referred to here.
Data aggregation methods	• In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated. • Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. • The assumptions used for any reporting of metal equivalent values should be clearly stated.	• NA
Relationship between mineralisation widths and intercept lengths	• These relationships are particularly important in the reporting of Exploration Results. • If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. • If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').	• A robust geological model has not been established for Kalavassos at this stage. Work ceased in the area in 1977.

Criteria	JORC Code explanation	Commentary
Diagrams	• Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.	• See body of report
Balanced reporting	• Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.	• No drill results are referred to here.
Other substantive exploration data	• Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.	• Not known at this stage. It is expected that there will be a significant amount of relevant material in the archive.
Further work	• The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling). • Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.	• Access and assess the government archive. • Validate archival data. • Surface sampling of pit and other areas. • Sampling of waste dumps and other moved materials. • Determine whether underground access is safe, and if so, undertake sampling. • Apply to Cyprus Government to upgrade licence from Reconnaissance to Exploration to permit drilling.