



9 September 2014

**CONTINUED SUCCESS IN CYPRUS DRILLING PROGRAM -
MASSIVE SULPHIDES INTERSECTED IN ALL 13 DRILL HOLES AT MALA PROSPECT**

- **All 13 drill holes at the Mala Prospect have intersected pyrite-rich sulphide zones related to the target Volcanic-Hosted Massive Sulphide (VHMS) system**
- **Samples submitted for assay; results pending**
- **Refining geological interpretation and exploration model**

BMG Resources Limited (ASX: BMG) (**BMG or the Company**) is pleased to inform shareholders that the RC drilling programme to test for Copper-Gold-Zinc-Silver sulphide mineralisation at the Mala Prospect has been completed. Thirteen (13) RC drill holes were completed for a total length of 1,092 metres.

The programme was designed to confirm high-grade Copper-Zinc results from historic drilling, determine whether Gold-Silver is present (historic work did not assay for gold or silver) and see whether the known high-grade mineralisation extends along strike. **All holes intersected pyrite-rich sulphide zones related to the Volcanic-Hosted Massive Sulphide (VHMS) system.** The drilling has also provided a more complete and robust geological dataset for the prospect that will assist in future exploration. A widespread selection of samples has been submitted for assay and results are pending.

BMG Resources Limited Managing Director, Mr. Bruce McCracken, commented: "The current program at Mala, combined with the exploration success we had recently at the Pevkos Prospect, is a very exciting phase for the Company and its shareholders. The faith we have in our geologic interpretation is now being rewarded and moving us a step closer to a commercial outcome in Cyprus."



Figure 1: Drilling within the Mala open-pit (MALRC010; view looking east)

MALA PROSPECT

The Mala Prospect comprises a modest open-cut mine (Figure 1 above) where high-grade pyrite was excavated in the 1980s within a large area of gossan outcrops. Prior to pyrite mining at Mala, drilling identified widespread Copper-Zinc mineralisation, including a high-grade zone in eight (8) adjacent drill holes. Reconciling the historic work shows that a significant amount of the high-grade Copper-Zinc was not removed by mining and remains *in situ* to the north of the mine. Moreover, none of the historic drilling was assayed for Gold or Silver, but subsequent surface work has suggested that they are also present. The Mala Prospect has all the classic features of an ancient Volcanic-Hosted Massive Sulphide (VHMS) deposit where hydrothermal fluids deposit massive pyrite (\pm Copper-Zinc-Gold-Silver) at or near the sea-floor during a hiatus in local volcanic eruptions.

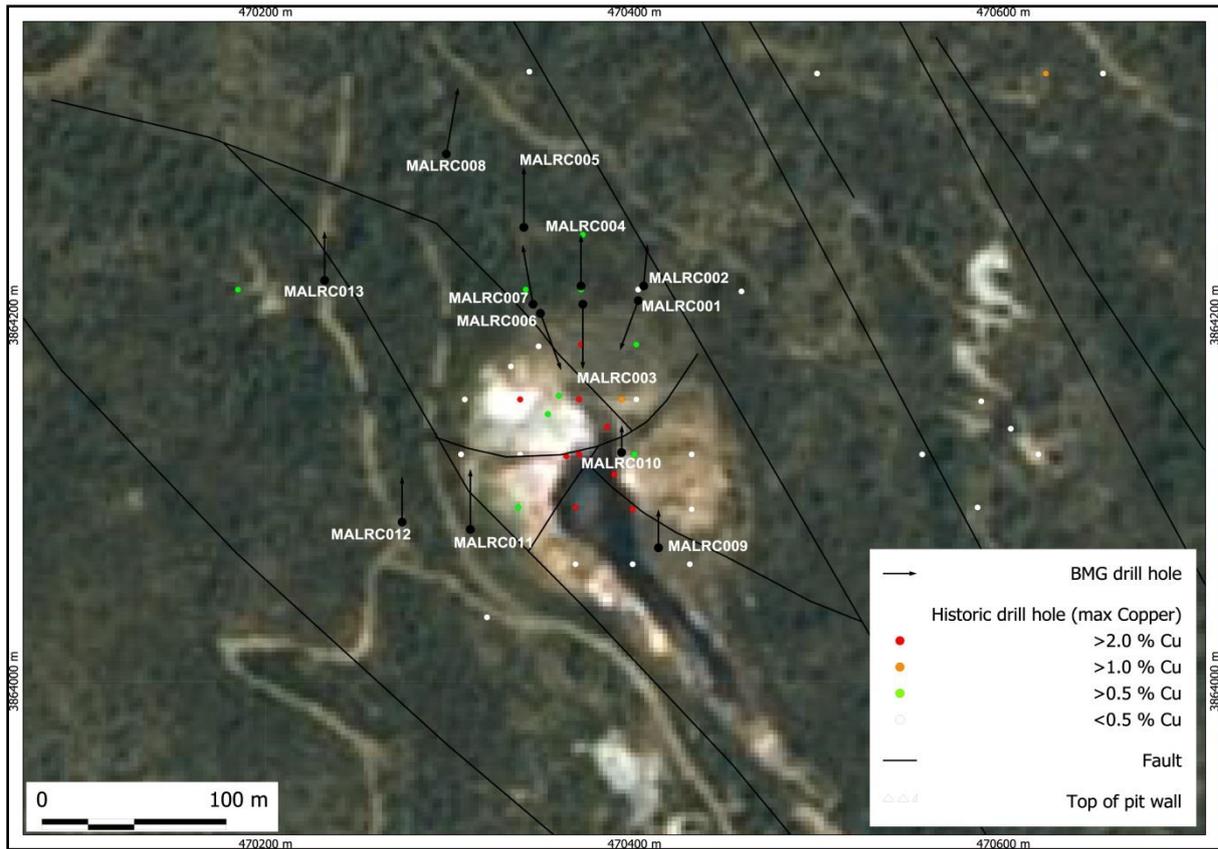


Figure 2: Location of drill holes at Mala Prospect with SPOT satellite image as background.

DRILLING SUMMARY

BMG has just completed thirteen (13) RC drill holes at the Mala Prospect for a total length of 1,092 metres. The drilling program was designed to confirm the historic high-grade Copper-Zinc results, test for Gold-Silver and search for extensions of the mineralisation. **All holes intersected pyrite-rich sulphide zones related to the Volcanic-Hosted Massive Sulphide (VHMS) system.**

Six (6) holes were collared immediately north of the open-pit within the area previously drilled. Due to the location of the pit wall three (3) holes (MALRC001, -003, -006) were angled south towards the pit and the previously delineated high-grade Copper-Zinc zone. The other three (3) holes (MALRC002, -004, -007) were angled to the north as the gross geology was broadly tilted south during uplift of the Troodos Mountains. All of these holes, plus MALRC005 which was collared further north, provide the first-order geological framework for interpreting the geology at the Mala Prospect (see Figure 3). Two holes were collared in the pit floor to determine the extent of sulphide material left from mining. Five (5) holes were collared further north and west of the historic drilling to determine whether the massive sulphide body extends in these directions. A further complication to the geology is that sub-vertical dolerite dykes have intruded the entire package at Mala. They appear to occur in swarms near the major northwest-trending faults. A number of these dolerite dykes were intersected during the drilling (eg., MALRC011), and like the Hangingwall Basalt are not mineralised.

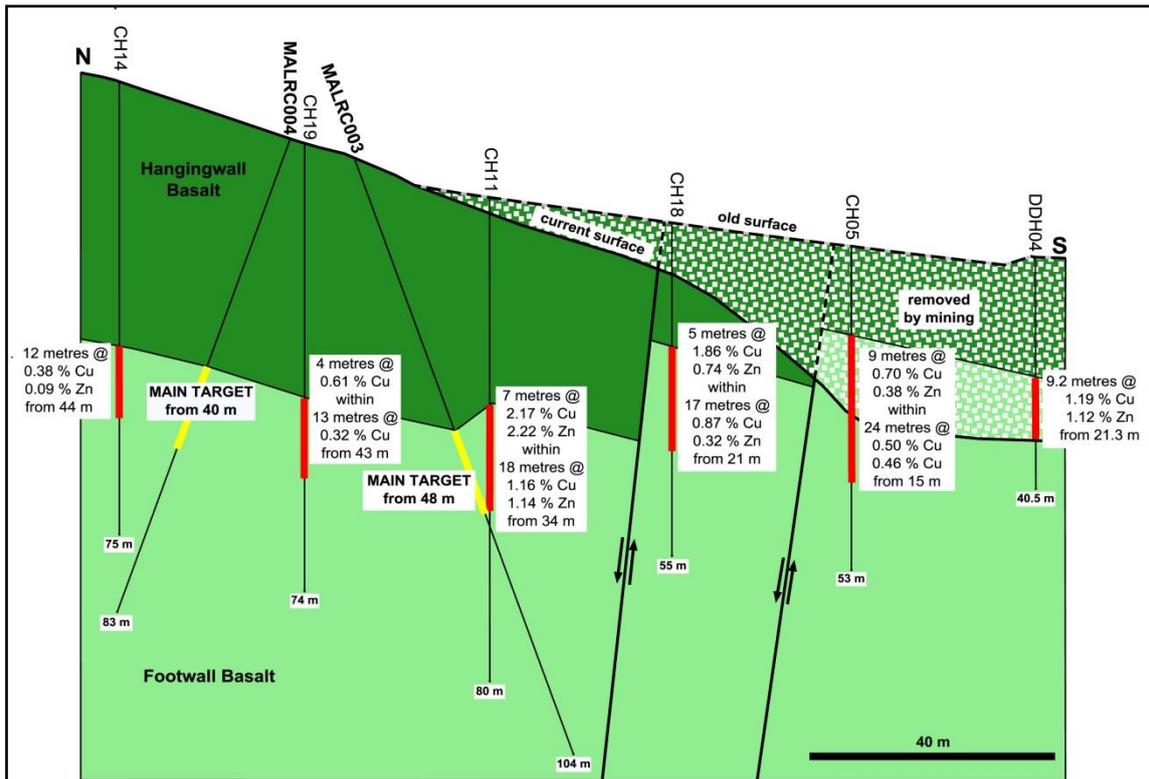


Figure 3: Section looking west showing preliminary drilling results at the Eastern Lode.

GEOLOGICAL INTERPRETATION

The uppermost unit is the Hangingwall Basalt which comprises pillowed or sheet-flow basalt with excellent preservation of many volcanic features. Locally it contains abundant celadonite which formed through alteration by contact with seawater during basalt eruption. Although the Hangingwall Basalt contains traces of disseminated pyrite these are interpreted to be primary magmatic pyrite and not related to the VHMS system. Hence, the Hangingwall Basalt is unmineralised and its eruption probably shut down the hydrothermal system related to the VHMS system.

The VHMS mineralisation sits within the Footwall Basalt which is an intensely altered basalt with few preserved volcanic features. The alteration is highly heterogeneous and comprises variable amounts of pyrite, quartz, chlorite and kaolinite clay. The intensity of alteration appears to decrease with depth, but no drill hole passed through to unaltered, unmineralised basalt beneath the VHMS system. The lowermost parts of the Footwall Basalt intersected during drilling contain quartz-pyrite veins within altered basalt and are probably the stockwork zones to the VHMS system. At the top of the Footwall Basalt there is a black to dark grey sulphide-rich zone which may be the “black smoker” part of the VHMS system where sulphide-rich hydrothermal fluid was released into the sea and settled directly onto the sea-floor. **Previous drilling suggests that this “black smoker” unit consistently contains the highest Copper-Zinc grades and it is considered the MAIN TARGET for exploration.**

The above simple geological model has been complicated by later faulting which shuffled the geology. The most significant faults around the Mala Prospect trend 330° and appear to be the faults that defined the seafloor architecture at the time of volcanic eruption and VHMS hydrothermal activity. These faults would have defined long valleys in the seafloor and the extent of the gossans at

the Mala Prospect suggests that the VHMS system was active in a valley at least 600 metres wide. These faults were reactivated during the uplift of the Troodos Mountains such that adjacent parts of the original valley were moved up or down relative to each other. However, there are also local northeast-trending faults along which the geological units were also displaced. The upshot of this faulting at Mala is that the uppermost part of the Footwall Basalt (MAIN TARGET) may now be missing in some areas due to uplift and erosion. In such areas the lower parts of the Footwall Basalt and the VHMS system may be exposed and are probably expressed in the field as gossans.

This model provides a simple predictive scenario whereby drilling through the Hangingwall Basalt should find the MAIN TARGET at the top of the Footwall Basalt. Conversely, a drill hole collared in the Footwall Basalt is unlikely to find the MAIN TARGET unless it crosses a fault into a down-thrown block.

The basic geological model for Mala is that the VHMS system developed in a northwest-trending (present-day orientation) basin during a hiatus of local magmatic activity. An extensive VHMS system developed within the Footwall Basalt with a high-grade Copper-Zinc (and possible Gold-Silver pending assay results) zone, possibly corresponding to “black smokers”, at the very top. The extent of the gossan suggests that the original basin was at least 600 metres wide. The Hangingwall Basalt was subsequently deposited onto the VHMS deposit and locally shut down the hydrothermal system. Dolerite dykes cut all units. Much later, the uplift of the Troodos Mountains led to movement along the original basin faults and faults were also developed across the basin. These fault displacements appear to be relatively small (<50 metres) but have shuffled the VHMS system such that it is not straightforward.

The above geological model greatly expands the prospective area around the Mala Prospect and downgrades some other areas. Previous work has focused largely around the exposed gossans, but if these areas are below the MAIN TARGET then searching such areas is quite futile. Some of the historic drill holes that returned poor Copper-Zinc results sit in such unfavourable positions. The Mala Prospect is now being remapped to define the fault blocks and determine their relative displacements. This will outline new highly prospective domains.

| Hole ID | East | North | RL | Dip | Azimuth | Depth |
|----------|--------|---------|-----|-----|---------|-------|
| MALRC001 | 470402 | 3864208 | 522 | 70° | 200° | 85 |
| MALRC002 | 470405 | 3864216 | 523 | 70° | 355° | 67 |
| MALRC003 | 470372 | 3864206 | 517 | 70° | 180° | 104 |
| MALRC004 | 470371 | 3864216 | 520 | 70° | 360° | 83 |
| MALRC005 | 470340 | 3864248 | 528 | 70° | 360° | 97 |
| MALRC006 | 470349 | 3864201 | 512 | 70° | 160° | 97 |
| MALRC007 | 470345 | 3864206 | 514 | 70° | 350° | 97 |
| MALRC008 | 470298 | 3864288 | 536 | 70° | 010° | 109 |
| MALRC009 | 470413 | 3864073 | 477 | 70° | 360° | 61 |
| MALRC010 | 470393 | 3864125 | 473 | 70° | 360° | 43 |
| MALRC011 | 470311 | 3864083 | 500 | 70° | 360° | 97 |
| MALRC012 | 470274 | 3864087 | 510 | 70° | 360° | 73 |
| MALRC013 | 470232 | 3864219 | 533 | 70° | 360° | 79 |

Table 1: Drill hole information. Co-ordinates in WGS84, Zone 36N and collected with handheld GPS. Holes not surveyed.



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 styles of mineralisation and types 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.

*The results referenced herein for the Mala Prospect (Vrechia Project) were reported to the ASX on 18 December 2013 [**High Grade Copper-Zinc Mineralisation at Mala Prospect – Vrechia**] under the 2012 JORC Code. There have been no material changes since these results were last reported.*