



24 September 2014

**BMG SECURES LOW COST OPTION TO ACQUIRE
ADVANCED HEAVY MINERAL SANDS PROJECT IN AUSTRALIA**

BMG Resources Limited (ASX: BMG) (**BMG** or **the Company**) is pleased to announce that it has entered into a 12 month option agreement with Imperial Granite and Minerals Pty Ltd (**Imperial Granite**) to acquire its 90% interest in the advanced Harts Range Heavy Mineral Sands Project (**Harts Range Project** or **the Project**) near Alice Springs on very favourable terms.

Key Features:

- **12-month option to acquire a 90% interest in the highly prospective Harts Range Project secured for \$43,500**
- **Established JORC resource of 89.3 million tonnes at 33.8 % Heavy Minerals (6.9 % garnet, 24.9 % AMH (alumino-magnesio-hornblende), 2 % others)**
- **Existing Mining Lease, Mine Management Plan, Indigenous Land Use Agreement and Environmental Assessment Report**
- **Feasibility Study (FS) completed by Olympia Resources Limited**
- **Test-work suggests production of heavy minerals using conventional mineral sands processing techniques**
- **Potential to create significant shareholder value with low entry cost and acquisition payments linked to key development milestones**
- **If the option is exercised at the end of 12 months, total consideration (combination of cash and shares) would be up to \$4.5 million, of which up to \$2.43m would be paid out of gross profits from production**

Bruce McCracken, Managing Director of BMG commented, "This unique opportunity provides the Company with a low-cost, low-risk entry into a well-advanced project with near-term production potential and will complement our highly prospective copper-gold-nickel exploration assets in the Republic of Cyprus. It also facilitates the ability to diversify our asset base, both geographically and by commodity type, and to optimise our project pipeline."

BMG will review and refresh the extensive dataset available on the Harts Range Project, including a feasibility study prepared by Olympia Resources Limited in 2006. Recent test-work suggests that the process flow-sheet can be optimised to separate high-value products, such as high-quality garnet and titanium-rich minerals, and extracting both streams may be viable using standard mineral sands processing techniques. This would greatly improve project economics and will be a focus for BMG's review.

OPTION TERMS

BMG has signed a 12 month Option Agreement with Imperial Granite to acquire Imperial Granite's 90% interest in ML23868 in the Northern Territory. The Company paid an option fee of c.\$43,500, being Imperial Granite's share of the current annual rent due on the mining lease.

Imperial Granite sold the project to Olympia Resources in 2000. Olympia significantly advanced the asset by completing a Feasibility Study and had intended to progress into production just prior to the global financial crisis. Olympia was subsequently taken over by Matilda Zircon and the Project ended back with Imperial Granite (90%) and Branvest Pty Ltd (10%) following a legal dispute between Imperial Granite and Matilda Zircon. BMG may exercise the option at its discretion at any time prior to 17 September 2015. If BMG elects to exercise the option and proceed with the acquisition of Imperial Granite's interest in ML23868, BMG will pay Imperial Granite a completion payment of \$450,000, and up to an additional \$4,050,000 based on the achievement of key project milestones as follows:

- **Completion Consideration** – \$450,000 within 3 months of exercising the option comprising \$225,000 in cash and \$225,000 in BMG shares (based on the higher of 5 day VWAP or capital raising price in 3 months prior to issue),
- **Bankable feasibility study** - \$720,000 within 3 months of the completion of a bankable feasibility study comprising all cash or half cash and half shares (on the same basis as the completion consideration shares) at BMG's discretion,
- **Decision to mine** - \$900,000 within 3 months of a decision to mine comprising all cash or half cash and half shares (on the same basis as the completion payment shares) at BMG's discretion,
- **Production Payments** – Up to \$2,430,000 (in total) payable from gross profit earned from mining operations, comprising 10% of gross profits in any financial year (to a maximum of \$450,000) until fully paid. Gross profit is calculated as gross revenue from mining operations on ML23868 less total C3 operating costs and financing costs.

NEXT STEPS

The Harts Range Project provides BMG with a low-cost entry into a well advanced development opportunity with strong potential for near-term production and commercialisation. The terms of the option agreement provide BMG with 12 months to evaluate the project and to refresh existing studies to optimise the case for commercial development. In particular BMG proposes to evaluate the following:

- **Products** – The 2006 Feasibility Study primarily focussed on the commercial viability of selling bulk garnet and garnetblende for industrial abrasive applications. Garnet can be used for other purposes, such as filtration, and certain forms of garnet demand materially higher prices. Such garnet is known to be present in the Project area and recent studies suggest that it is obtainable using standard mineral sands processing techniques. Other Heavy Minerals, such as rutile, leucoxene and ilmenite, are also present and may provide additional high-value products. BMG proposes to undertake further analysis to identify whether the processing circuit can be optimised to separate these, and possibly other high-value products.
- **Resources** – The distribution of these potential high-value products is not captured in the current resource. Some of the necessary information may be contained within existing datasets,

but it is expected that further test-work will be required to determine the amount and location of any high-value components. It may be necessary to recalculate the resource to account for a new product mix.

- **Markets** – Further work will be undertaken to update and evaluate the markets for the potential products. Products such as garnet and titanium based minerals have relatively established markets. Other potential products such as the AMH are less developed and will require further work to develop the market. There has already been a considerable body of market-based work for some of the potential products completed for Olympia Resources as part of its FS.

HARTS RANGE PROJECT

The Harts Range Project is located approximately 120 km north east of Alice Springs in the Northern Territory, Australia. The Project is approximately 100 km east of the Alice Springs - Darwin rail line and straddles the Plenty Highway.

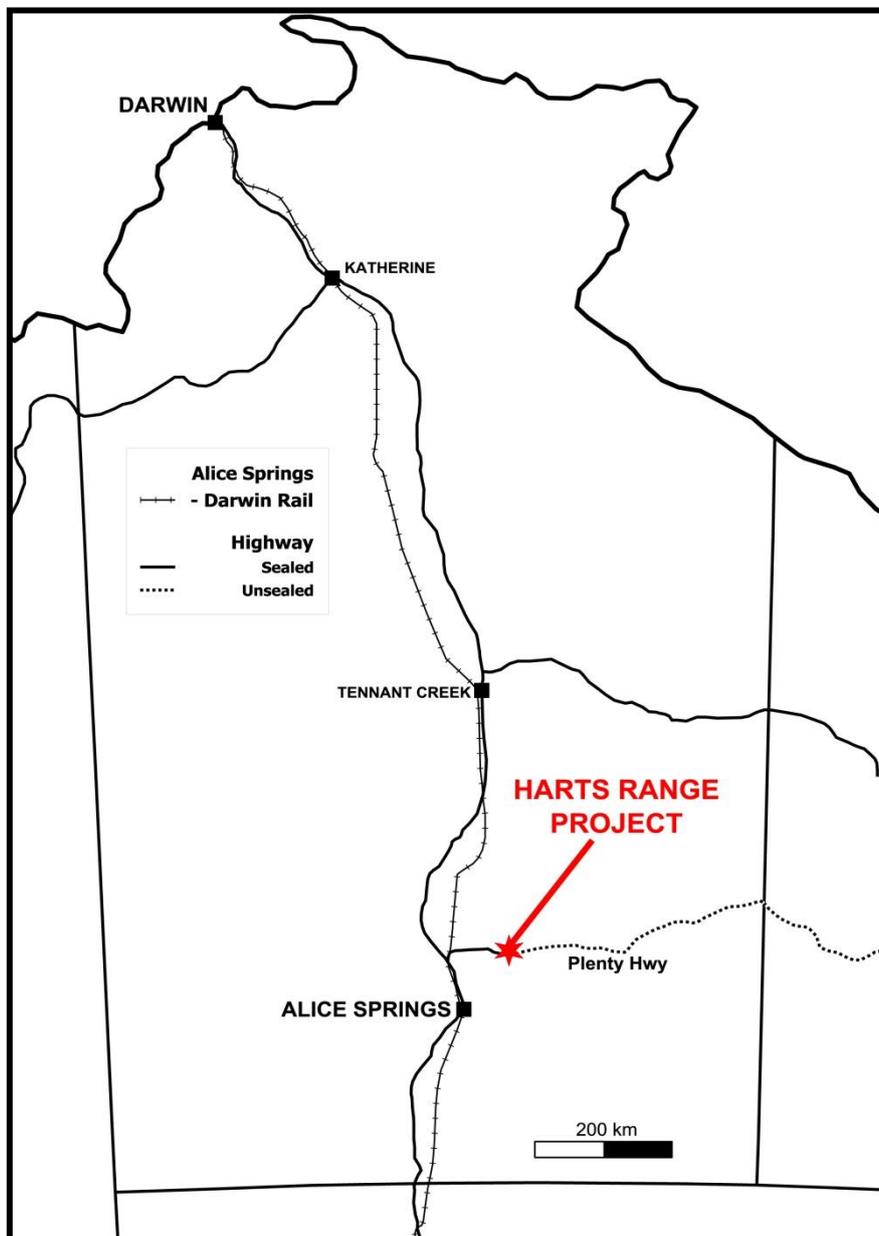


Figure 1: Location of the Harts Range Project, Northern Territory

The Project contains a large established JORC resource of Heavy Minerals within unconsolidated surficial sand in dunes, channels and floodplains. The Heavy Mineral component of the sand is significant (average 33.8% by weight) and predominantly composed of AMH (alumino-magnesian hornblende) and garnet, but also lesser amounts of other minerals including rutile, ilmenite and leucoxene. Prior to 2009, extensive technical, logistical and commercial work was completed by Olympia Resources Limited. There has been limited work since then.

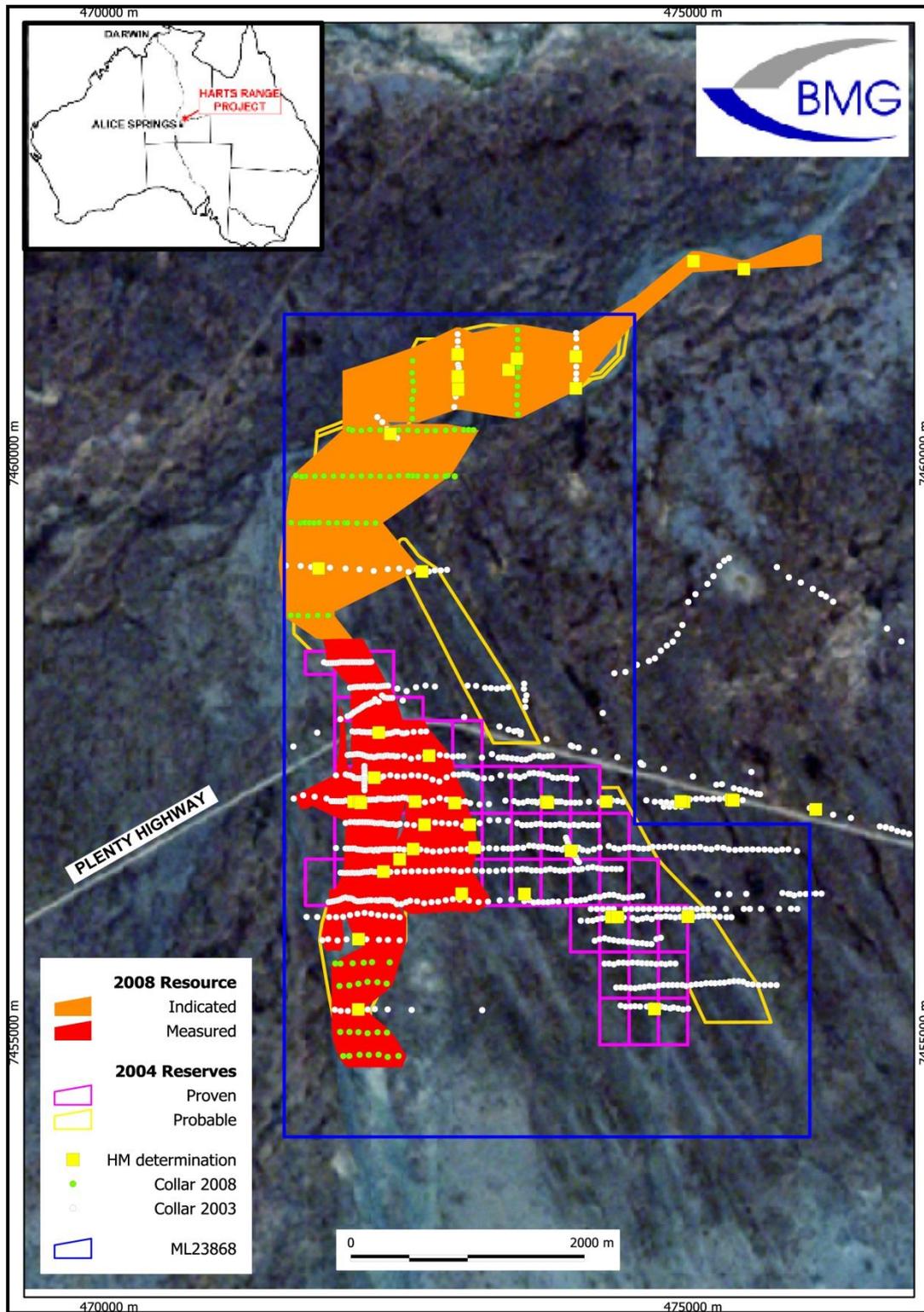


Figure 2: ML23868 showing general Resource Blocks, drill collars and bulk sample sites

HEAVY MINERAL RESOURCE INVENTORY

Olympia Resources released the most recent Harts Range Heavy Mineral Resource inventory to the ASX on 30 January 2009. This supersedes the Mineral Resource and Reserve inventory that had been released in 2004 and supported by a feasibility study completed by HBH Engineering. A small part of the 2009 Indicated Resource extends beyond the northern boundary of ML23868, and this has been included here. The published 2009 Inferred Resources that were outside ML23868 (Plenty River and Spinifex Bore localities) have been omitted. Total heavy mineral percentages were obtained from each drill hole across the project area. The percentages of garnet, AMH and “others” were determined from Heavy Mineral separates collected from bulk samples (drill-hole composites or deliberate excavations). Different landforms (Dune, Swale, Floodplain, Palaeochannel) were used to define “Ore types” as these have quite distinct Oversize, Slimes and Heavy Mineral compositions. Ore Blocks typically comprise more than one “Ore type”.

MINERAL RESOURCE ESTIMATES 2009

Category	Material (t)	Garnet (t)	AMH (t)
Measured	35,642,000	2,380,000	9,374,000
Indicated	40,200,000	2,820,000	9,860,000
TOTAL MEASURED & INDICATED	75,842,000	5,200,000	19,234,000
Inferred	13,500,000	950,000	3,000,000
TOTAL ALL CATEGORIES	89,342,000	6,150,000	22,234,000

Table 1: 2009 Resource summary

Resource type	Material (t)	Heavy Mineral (%)	Oversize (%)	Slime (%)	Heavy Minerals (t)	Garnet (t)	AMH (t)
Floodplain	6,491,000	34.7	5.8	16.4	2,254,000	488,000	1,685,000
Palaeochannel	3,539,000	31.4	10.7	14.1	1,112,000	311,000	764,000
Dune	25,612,000	35.0	1.0	19.0	8,967,000	1,581,000	6,925,000
TOTAL	35,642,000	34.6	2.8	18.0	12,333,000	2,338,000	9,374,000

Table 2: 2009 Measured Resource

Resource type	Material (t)	Heavy Mineral (%)	Oversize (%)	Slime (%)	Heavy Minerals (t)	Garnet (t)	AMH (t)
Floodplain	10,040,000	34.5	6.5	13.4	3,460,000	830,000	2,500,000
Palaeochannel	7,500,000	31.3	14.3	11.5	2,350,000	750,000	1,540,000
Dune	22,660,000	32.9	1.0	20.0	7,450,000	1,240,000	5,820,000
TOTAL	40,200,000	33.0	4.9	16.8	13,260,000	2,820,000	9,860,000

Table 3: 2009 Indicated Resource

Resource type	Material (t)	Heavy Mineral (%)	Oversize (%)	Slime (%)	Heavy Minerals (t)	Garnet (t)	AMH (t)
Dune	13,500,000	34.1	1.0	20.0	4,600,000	950,000	3,000,000

Table 4: 2009 Inferred Resource

STATUTORY APPROVALS

Olympia Resources obtained all the necessary approvals to commence mining operations at Harts Range, including:

- Grant of Mining Lease (ML23868; granted 12 August 2005 for 25 years),
- Mine Management Plan (Northern Territory Government, March 2008),
- Indigenous Land Use Agreement (ILUA) with Central Land Council (DI2003/008; registered with National Native Title Tribunal 20 November 2003), and
- Environmental Assessment (Public Environmental Report and various baseline studies).

COMMERCIAL AND LOGISTICAL WORK

Numerous internal commercial and logistics studies were completed by Olympia Resources to produce a Feasibility Study in 2006. The Feasibility Study only looked at the scenario of producing abrasives with bulk garnet and garnet-AMH (garnetblende) product streams. A summary of this Feasibility Study was released by Olympia Resources Limited to the ASX on 9 January 2007. Since then the Resource inventory has been significantly upgraded and many of the original inputs will have been superseded by more recent work.

ENDS



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COMPETENT PERSON'S STATEMENT

The Feasibility Study and Resource Estimates referenced herein for the Harts Range Project were reported to the ASX by Olympia Resources Limited (ASX: OLY, now MZI) on:

- 18 June 2004 [**Olympia Resources Limited - Prospectus**],
- 21 September 2004 [**Harts Range Garnet Recovery Increased to 75%**],
- 12 September 2005 [**Mining Lease Granted for Harts Range Abrasives Project**],
- 9 January 2007 [**Olympia Resources Board Approves the Harts Range Abrasive Project**] and
- 30 January 2009 [**Increases in Tonnage and Garnet Grade of Harts Range Resource**] under the 2004 JORC Code. The details pertaining to resource estimation and mineralisation resource were prepared by Mr John Baxter who at the time was a Member of the Australasian Institute of Geoscientists (RPGeo) and a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM") and qualified as a competent person to report on these matters. There have been no material changes since these results were last reported.

The author of this Report is not aware of any new information or data that materially affects the information included in the Harts Range Resource Estimates, 2009 and, in the case of mineral resources that all the material assumptions and technical parameters underpinning the estimates in the Harts Range Resource Estimates, 2009 continue to apply and have not materially changed. The form and context in which the findings of Mr Baxter are presented have not been materially modified.

The information in this report that relates to Exploration Results, Exploration Targets, Mineral Resources or Ore Reserves is based on information reviewed by Mr Malcolm Castle who is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM"). Mr Castle is a non-executive director of BMG Resources Limited and a consultant geologist with Agricola Mining Consultants Pty Ltd. He 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. Mr Castle consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.