

BMG RESOURCES LIMITED

ACN 107 118 678

Circular to Shareholders

Including

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY MEMORANDUM

Date of Meeting

26 November 2015

Time of Meeting

11am

Place of Meeting

Cliftons

Parmelia House

Level 4, 191 St Georges Terrace

Perth Western Australia 6000

These documents should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

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NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of BMG Resources Limited will be held at Cliftons, Parmelia House, Level 4, 191 St Georges Terrace Perth, Western Australia on **26 November 2015 at 11am (WST)**.

AGENDA

To consider, and if thought fit to pass, the resolutions set out below as ordinary resolutions (in respect of Resolutions 1 and 2) and as a special resolution (in respect of Resolution 3).

Information on the proposals to which those resolutions relate is contained in the explanatory memorandum which accompanies and forms part of this Notice of Meeting (**'Explanatory Memorandum'**). Words and expressions defined in the Explanatory Memorandum have the same meanings where used in this Notice of Meeting.

FINANCIAL STATEMENTS AND REPORTS

To receive and consider the Financial Statements, Directors' Report and Auditor's Report of BMG Resources Limited for the financial year ended 30 June 2015.

RESOLUTION 1 – RE-ELECTION OF DIRECTOR

To consider and, if thought fit, to pass with or without amendment the following resolution as an **ordinary** resolution:

"That Mr Bruce McCracken (a Director appointed by the Board on 1 July 2011) who retires in accordance with clause 79 of the Company's constitution and Listing Rule 14.4 and, being eligible, offers himself for re-election, is re-elected as a Director."

RESOLUTION 2 – THE ADOPTION OF THE REMUNERATION REPORT (NON-BINDING RESOLUTION)

To consider and, if thought fit, to pass the following resolution as a non-binding **ordinary** resolution:

"That, for the purpose of section 250R(2) of the Corporations Act 2001 and for all other purposes, the remuneration report as contained in the Company's Annual Report for the financial year ended 30 June 2015 be adopted."

RESOLUTION 3 – APPROVAL OF ADDITIONAL PLACEMENT FACILITY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special** resolution:

"That, for the purpose of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue), calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

In accordance with Listing Rule 7.3A.7, the Company will disregard any votes cast on this resolution by any person (and any associates of such a person) who may participate in the Additional Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any associates of those persons. However, the Company need not disregard a

vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

By Order of the Board

A handwritten signature in cursive script, appearing to read "Fleur Hudson".

Fleur Hudson
Company Secretary

NOTES

These notes form part of the Notice of Meeting.

Background information

To assist you in deciding how to vote on the above resolutions, background information to the resolutions are set out in the Explanatory Memorandum forming part of this Notice of Meeting.

Recommendation

The Board believes that the above resolutions are in the best interests of the Shareholders and (save where otherwise indicated in the Explanatory Memorandum) unanimously recommends that Shareholders vote in favour of each of them.

Voting Entitlements

The Directors have determined that, for the purpose of voting at the Meeting, Shareholders eligible to vote at the Meeting are those persons who are the registered holders of Shares at 11am (WST) on 25 November 2015.

How to vote

You may vote by attending the Meeting in person, by proxy, or by an authorised representative.

Voting in Person

To vote in person, attend the Meeting on 26 November 2015 at 11.00am (WST) at Cliftons, Parmelia House, Level 4, 191 St Georges Terrace, Perth. Shareholders are asked to arrive at the venue 30 minutes prior to the time designated for the meeting, if possible, so that the Company may check their shareholding against the Company's share register and note attendances.

Voting by Proxy

A Shareholder has the right to appoint a proxy (who need not be a Shareholder). A proxy can be an individual or a body corporate. A body corporate appointed as a Shareholder's proxy may appoint a representative to exercise any of the powers the body corporate may exercise as a proxy at the Meeting. The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

If a Shareholder is entitled to cast two or more votes he may appoint two proxies and may specify the percentage of votes each proxy is appointed to exercise. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half the votes.

To vote by proxy, the Proxy Form (together with the original of any power of attorney or other authority, if any, or certified copy of that power of attorney or other authority under which the Proxy Form is signed) must be deposited with the Company at the registered office Level 14, Parmelia House, 191 St Georges Terrace Perth WA 6000 or faxed to the Company (+61) (8) 9321 5932, not less than 48 hours before the time for holding the Meeting.

Corporate Shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:

Annual Report

The Company advises that a copy of its Annual Report for the year ended 30 June 2015, is available to download at the website address, www.bmgl.com.au.

When you access the Company's Annual Report on-line, you can view it and print a copy.

Please note that if you have elected to continue to receive a hard copy of the Company's Annual Reports, the Annual Report will accompany this Notice of Meeting or alternatively it will be mailed to you no later than 21 days before the Meeting.

However, if you did not elect to continue to receive a hard copy of the Company's Annual Reports and now (or sometime in the future) wish to receive a hard copy of the Company's Annual Reports, please contact Security Transfer Registrar Pty Ltd on (08) 9315 2333. They will be pleased to mail you a copy.

Enquiries

Shareholders are invited to contact the Company Secretary, Fleur Hudson, on (08) 9424 9390 if they have any queries in respect of the matters set out in these documents.

The Notice of Meeting, Explanatory Memorandum and Proxy Form should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their Accountant, Solicitor or other professional adviser prior to voting.

EXPLANATORY MEMORANDUM TO THE SHAREHOLDERS

INTRODUCTION

This Explanatory Memorandum is prepared for the information of Shareholders in connection with any business to be transacted at the Annual General Meeting of the Company to be held on 26 November 2015.

At the Meeting, Shareholders will be asked to consider resolutions regarding:

- re-election of a Director;
- adoption of the Remuneration Report; and
- approval of Additional Placement Facility.

Details of these proposals are set out in the Explanatory Memorandum, which Shareholders are encouraged to read carefully.

The purpose of this Explanatory Memorandum is to provide information that the Board believes to be material to Shareholders in deciding whether or not to pass these resolutions. The Explanatory Memorandum explains the resolutions and identifies the Board's reasons for putting them to Shareholders. It should be read in conjunction with the accompanying Notice of Meeting.

EXPLANATORY MEMORANDUM

1. Financial Statements and Reports

Shareholders are to receive and consider the Financial Statements, Directors' Report and the Auditor's Report of BMG Resources Limited for the financial year ended 30 June 2015.

Shareholders will be given the opportunity to ask questions of the Board and the Auditors in relation to the Annual Report for the financial year ended 30 June 2015, at the Annual General Meeting.

2. Resolution 1 – Re-election of Director

Clause 79 of the Company's constitution and Listing Rule 14.4 require that at each Annual General Meeting of the Company, one third of the Directors (to the nearest whole number) must retire from office. A retiring Director is eligible for re-election.

Subject to Resolution 1 being passed, after the General Meeting the Board will comprise Mr. Christopher Eager, Mr. Bruce McCracken, Dr. Michael Green and Mr. Malcolm Castle. The Board considers that this board composition, including the mix of executive and non-executive Directors, provides an appropriate range of skills, knowledge and experience.

In accordance with clause 79 of the Company's constitution, Mr McCracken, being eligible, has offered himself for re-election as a Director. A profile of Mr McCracken is contained in the Company's Annual Report for the financial year ended 30 June 2015.

All Directors (other than Mr McCracken) recommend that Shareholders vote in favour of Resolution 1.

3. Resolution 2 – Adoption of the Remuneration Report

The Corporations Act requires that at a listed Company's AGM a resolution that the Remuneration Report be adopted must be put to the Shareholders. This resolution is advisory only and will not bind the Directors or the Company.

The Chairman will allow a reasonable opportunity for discussion of the Remuneration Report at the Meeting.

The Remuneration Report is contained in the Annual Report for the year end 30 June 2015 and sets out the Company's remuneration arrangements for the Directors and senior management of the Company.

If 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution (a "spill resolution") to determine whether another meeting be held within 90 days at which all of the Directors (other than the managing director) must go up for re-election.

At the Company's previous annual general meeting the votes against the remuneration report was less than 25% of the votes cast on the resolution. As such, Shareholders do not need to consider a spill resolution at this Meeting.

Voting exclusion

Section 250R(4) of the Corporations Act prohibits any votes on this resolution being cast by senior executives (or their associates) whose remuneration details are disclosed in the Remuneration Report. This prohibition extends to undirected proxy votes to be cast by the Chairman. In this regard, you should specifically note that if you appoint the Chairman as your proxy and you do not indicate on the Proxy

Form how you wish your proxy to vote on Resolution 2, you will be deemed to have expressly directed the Chairman to cast your votes **in favour of** Resolution 2. **Therefore, if you wish to appoint the Chairman as your proxy but do NOT want your votes to be cast in favour of Resolution 2, you must indicate your voting intention by marking either 'against' or 'abstain' against Resolution 2 in the Proxy Form.**

4. Resolution 3 – Approval of Additional Placement Facility

4.1 General

ASX Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the AGM (**Additional Placement Facility**). The Additional Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

For the purposes of Listing Rule 7.1A an eligible entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the A&P/ASX 300 Index; and
- (b) has a market capitalisation of less than \$300 million.

The Company is an eligible entity.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the Additional Placement Facility. The exact number of Equity Securities to be issued under the Additional Placement Facility will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out below in Section 3.2(c)).

The effect of Shareholders approving Resolution 3 will be to allow the Company to issue Equity Securities under Listing Rule 7.1A in addition to the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 3 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders eligible to vote at the Meeting must be in favour of Resolution 3 for it to be passed.

4.2 Requirements of Listing Rule 7.1A

(a) Quoted securities

Any Equity Securities issued under the Additional Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

(b) Number of Equity Securities that may be issued

The exact number of additional Equity Securities that the Company may issue under the Additional Placement Facility is not fixed but is calculated under a formula prescribed by the Listing Rules (set out below).

At the date of this Notice the Company has 63,922,852 Shares on issue. If all the resolutions in this Notice are passed, the Company will be permitted to issue (as at the date of this Notice):

- (i) 9,500,428 Equity Securities under Listing Rule 7.1 (15% placement capacity); and

- (ii) 6,392,285 quoted Options and/or Shares under Listing Rule 7.1A (10% Additional Placement Facility).

Formula for calculating Additional Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained Shareholder approval at an AGM may issue or agree to issue, during the 12 month period after the date of the AGM, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

Where:

- A** is the number of shares on issue 12 months before the date of issue or agreement to issue:
 - (a) plus the number of shares issued in the previous 12 months under an exception in Listing Rule 7.2;
 - (b) plus the number of partly paid shares that became fully paid in the previous 12 months;
 - (c) plus the number of shares issued in the previous 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the eligible entity's 15% placement capacity without shareholder approval; and
 - (d) less the number of shares cancelled in the previous 12 months.
- D** is 10%.
- E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of Ordinary Securities under Listing Rule 7.1 or 7.4.

Listing Rule 7.1A.3 provides that Equity Securities issued under rule 7.1A.2 must be in an existing quoted class of the Company's securities.

4.3 Information required under the Listing Rules

(a) Minimum Price

Listing Rule 7.1A.3 provides that Equity Securities issued under rule 7.1A.2 must be issued at an issue price of not less than 75% of the volume weighted average price for securities in the relevant class, calculated over the 15 ASX trading days in which trades in the relevant class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(b) Risk of economic and voting dilution

If Resolution 3 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the Additional Placement Facility, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Explanatory Memorandum.

The table also shows the voting dilution impact where the number of Shares on issue changes and the economic dilution where there are changes in the issue price of Shares issued under the Additional Placement Facility.

Number of Shares on issue	Dilution			
	Issue price (per Share)	\$0.003 (50% decrease in issue price)	\$0.006 (current issue price)	\$0.009 (50% increase in issue price)
63,922,852 (current)	10% voting dilution	6,392,285 shares	6,392,285 shares	6,392,285 shares
	Funds raised	\$19,177	\$38,354	\$57,531
95,884,278 (50% increase)	10% voting dilution	9,588,428 shares	9,588,428 shares	9,588,428 shares
	Funds raised	\$28,765	\$57,531	\$86,296
127,845,704 (100% increase)	10% voting dilution	12,784,570 shares	12,784,570 shares	12,784,570 shares
	Funds raised	\$38,354	\$76,707	\$115,061

The table above contains the following assumptions:

- (i) The current Shares on issue are the Shares on issue as at 14 September 2015.
- (ii) The issue price set out above is the closing price of the Shares on the ASX on 14 September 2015.
- (iii) The Company issues the maximum possible number of Equity Securities under the Additional Placement Capacity.
- (iv) No options (including any options issued under the Additional Placement Facility) are exercised before the date of the issue of the Equity Securities.
- (v) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (vi) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the Additional Placement Facility, based on that Shareholder's holding at the date of the AGM.
- (vii) The table shows only the effect of the issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (viii) The issue of Equity Securities under the Additional Placement Facility consists only of Shares. If the Issue of Equity Securities includes options it is assumed that those options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.

Shareholders should note that there is a risk that:

- (i) the market price of the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the AGM; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

(c) Additional Placement Facility period

Shareholder approval of the Additional Placement Facility is valid from the date of the AGM at which the approval is obtained and expires on the earlier to occur of the following:

- (i) 12 months after the date of the AGM; and
- (ii) the date of approval by Shareholders of any transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of the Company's activities) or Listing Rule 11.2 (disposal of the Company's main undertaking).

(d) Purposes for which issues under Additional Placement Facility may be made

The Company may issue Equity Securities under the Additional Placement Facility for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised for the acquisition of new resources, assets and investments (including expenses associated with such an acquisition), continued exploration expenditure on the Company's current assets and general working capital; or
- (ii) as non-cash consideration for the acquisition of new resources assets and investments, in such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

(e) Allocation policy

The Company will comply with disclosure obligations under the Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities. The Company's allocation policy is dependent upon the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility.

The allottees of the Equity Securities to be issued under the Additional Placement Facility have not yet been determined. However, the allottees of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the allottees at the time of the issue under the Additional Placement Facility, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;

- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new resources assets or investments, it is likely that the allottees under the Additional Placement Facility will be vendors of the new resources assets or investments.

(f) Previous approval under Listing Rule 7.1A

The Company previously obtained approval under Listing Rule 7.1A at the Annual General Meeting held on 5 November 2014.

The Company has not issued any Equity Securities in the 12 months preceding the date of the Annual General Meeting and so is not required to make any further disclosure pursuant to Listing Rule 7.3A.6. However, in the interests of full disclosure, the Company notes that on 3 November 2014, 10,000,000 Shares were issued to Helmsec Capital Limited (**Helmsec**) and its nominee in accordance with the terms of the mandate agreement between the Company and Helmsec dated 20 October 2014. Those Shares represented 1.59% of the Company's issued Share capital at the time of their issue.

The Shares were issued to Helmsec as consideration for services, being assistance with any capital raising initiatives proposed by the Company, and were not issued for cash consideration. Furthermore, the Shares were not issued at a deemed issue price. Consequently, they were not issued at any discount to market price.

The Company underwent a capital consolidation on 5 December 2014. Pursuant to that capital consolidation, which was on a 10 for 1 basis, the Company's 639,227,732 Shares were consolidated into 63,922,852 Shares, and the Company's 57,500,000 Options were consolidated into 5,750,000 Options. The Shares issued to Helmsec were issued on an pre-consolidation basis, and so have since been consolidated into 1,000,000 Shares.

The Company did not issue any securities pursuant to the prospectus it lodged on 5 December 2014, but instead withdrew the offers and returned all application monies that had been received.

ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders should read this Explanatory Memorandum carefully before deciding how to vote on the resolution set out in the Notice of Meeting.

Attached to the Notice of Meeting is a proxy form for use by Shareholders. Shareholders are invited and encouraged to attend the Annual General Meeting or, if unable to attend in person, to complete, sign and return the Proxy Form to the Company in accordance with the instructions contained on the Proxy Form and in the Notice of Meeting. Lodgment of a Proxy Form will not preclude a Shareholder from attending and voting at the Annual General Meeting in person.

GLOSSARY

The following terms and abbreviations used in this Explanatory Memorandum have the following meanings:

Additional Placement Facility	Has the meaning given in Section 3.1 of the Explanatory Memorandum
AGM	(a) A company's annual general meeting; or (b) the Annual General Meeting, as the context requires.
Annual General Meeting or Meeting	The annual general meeting of the Company to be held on 26 November 2015
Annual Report	The Company's annual report including the reports of the Directors and the Auditor and the Financial Statements of the Company for the year ended 30 June 2015, which can be downloaded from the Company's website at www.bmgl.com.au
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ACN 008 624 691) trading as the Australian Securities Exchange
ASX Listing Rules or Listing Rules	The official listing rules of the ASX, as amended from time to time
Auditor	BDO Audit (WA) Pty Ltd
Board	The board of Directors
Chairman	The chairman of the Meeting
Company or BMG	BMG Resources Limited (ACN 107 118 678)
Constitution	The constitution of the Company
Corporations Act	Corporations Act 2001 (Cth)
Director	A director of the Company
Equity Securities	Has the meaning given in the Listing Rules
Notice of Meeting or Notice	The notice convening the AGM which accompanies this Explanatory Memorandum
Option	An option to acquire a Share
Proxy Form	The proxy form attached to the Notice of Meeting
Remuneration Report	The remuneration report appearing in the Annual Report
Share	A fully paid ordinary share in the Company
Share Registrar	Security Transfer Registrars Pty Ltd
Shareholder	A registered holder of a Share

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