BMG RESOURCES LIMITED

ACN 107 118 673

Consolidated Interim Financial Report
For the Half Year Ended
31 December 2015

CORPORATE DIRECTORY

	Page
Corporate Directory	3
Directors Report	4
Auditors Independence Declaration	6
Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Consolidated Financial Statements	11
Directors Declaration	21
Independent Auditors' Report	22

CORPORATE DIRECTORY

DIRECTORS	**Christopher Eager**	Non-Executive Chairman
	Bruce McCracken	Managing Director
	Michael Green	Chief Operating Officer
	Malcolm Castle	Non-Executive Director
COMPANY SECRETARY	Fleur Hudson	
REGISTERED AND PRINCIPAL OFFICE	Level 14 191 St Georges Terrace PERTH WA 6000 Telephone: (08) 9424 9320 Facsimile: (08) 9321 5932 Website: www.bmgl.com.au Email: enquiry@bmgl.com.au	
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; BMGO**	
SOLICITORS	Jackson McDonald Level 17 225 St Georges Terrace PERTH WA 6000	
BANKERS	St George Bank Level 2, Westralia Plaza 167 St Georges Terrace PERTH WA 6000	

DIRECTOR’S REPORT

The Directors present their report together with the consolidated financial report of BMG Resources Limited (the Company; ASX: BMG), being the Company and its subsidiaries (Consolidated Entity), for the half year ended 31 December 2015 and the auditor’s review report thereon.

DIRECTORS

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

- Christopher Eager (Non-Executive Chairman)
- Bruce McCracken (Managing Director)
- Michael Green (Chief Operating Officer)
- Malcolm Castle (Non-Executive Director)

Directors have been in office for the entire period unless otherwise stated.

OPERATIONS REPORT

During the half of the 2015 financial year BMG experienced a continuation of the very challenging trading conditions in the junior exploration space as capital markets remained very tight with uncertainty around the prevailing growth outlook for the major global economies and subdued commodity prices. 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. New Cyprus will assume ongoing responsibility for all costs and liabilities associated with the Treasure Project, including exploration expenditure and maintaining the tenements in good standing. The transaction was approved by shareholders in February 2016 and is expected to complete in the coming month.

The Company continues 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 a new opportunity for the Company we did review a number of opportunities during the half, including the potential acquisition of Fitlink which didn’t ultimately proceed – refer ASX announcements on 15 July 2015 and 8 October 2015.

The directors and management have continued to substantially ‘park’ their costs to assist with cash flow management, as has TRG Investments Pty Ltd (TRG), a significant shareholder of BMG, which provides administrative support and services 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.

DIRECTOR'S REPORT

PRINCIPAL ACTIVITIES

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

OPERATING RESULTS

The Consolidated Entity's loss after providing for income tax for the half year ended 31 December 2015 amounted to $2,985,350 due to the write down of assets classified as Held for Sale of $2,772,177 (2014: $516,787).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

All other significant changes in the state of affairs of the Group during the half year are discussed on page 4.

EVENTS OCCURING AFTER THE REPORTING PERIOD

Transcontinental Group (TRG) has provided a letter of support to BMG dated 10 March 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 or for the period of 12 months from the date of signing the 2015 Half Year Report.

There were no other post reporting date events at the reporting date.

AUDITORS INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6 for the half year ended 31 December 2015.

Signed in accordance with a resolution of the Board of Directors

Bruce McCracken
Managing Director
Dated at Perth, Western Australia, this 14th of March 2016

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Australia

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

As lead auditor for the review of BMG Resources Limited for the half-year ended 31 December 2015, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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, 14 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Notes	31 December 2015 $	31 December 2014 $
Revenue		99	4,844
Employee benefits expense	3	(155,355)	(113,455)
Employee options expense (reversed)	4	116,994	(44,155)
Depreciation and amortisation expense		(6,285)	(7,359)
Accounting & audit fee		(35,307)	(21,692)
Management and service fees		(60,000)	(90,000)
Corporate and administration expenses		(52,374)	(145,783)
Tenement administration expenses		-	(43,463)
Write down of Assets classified as Held for Sale	6	(2,772,177)	-
Other expenses from ordinary activities		(20,945)	(55,724)
LOSS BEFORE INCOME TAX		**(2,985,350)**	**(516,787)**
Income tax expense		-	-
LOSS FOR THE HALF YEAR AFTER TAX		**(2,985,350)**	**(516,787)**
Loss is attributable:			
Owners Of BMG Resources Limited		(2,985,350)	(516,787)
NET LOSS FOR THE HALF YEAR		**(2,985,350)**	**(516,787)**
Other Comprehensive Loss			
Items that will be reclassified to Profit and Loss:			
Foreign Currency Translation Differences for Foreign Operations		92,303	49,801
		92,303	**49,801**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(2,893,047)**	**(466,986)**
Basic and diluted loss per share (cents per share)	14	(4.67)	(0.82)

The above 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 31 DECEMBER 2015

	Notes	31 December 2015 $	30 June 2015 $
CURRENT ASSETS			
Cash and cash equivalents	5	563	65,133
Prepayments		-	4,794
Trade and other receivables		1,775	561
Assets of disposal group held for sale	19	138,685	-
TOTAL CURRENT ASSETS		**141,023**	**70,488**
NON-CURRENT ASSETS			
Property, plant and equipment		8,414	41,447
Exploration and evaluation expenditure	6	-	2,715,189
TOTAL NON-CURRENT ASSETS		8,414	**2,756,636**
TOTAL ASSETS		149,437	**2,827,124**
CURRENT LIABILITIES			
Trade and other payables	9	9,640	34,990
Borrowings	10	1,014,072	662,842
Liabilities of disposal group held for sale	19	6,474	-
TOTAL CURRENT LIABILITIES		1,030,186	697,832
TOTAL LIABILITIES		1,030,186	**697,832**
NET ASSETS/(NET ASSET DEFICIENCY)		(880,749)	**2,129,292**
EQUITY			
Contributed equity	11	39,797,644	39,797,644
Reserves	12	1,010,129	1,034,820
Accumulated Loss	13	(41,688,522)	(38,703,172)
TOTAL EQUITY/(TOTAL DEFICIENCY IN EQUITY)		(880,749)	2,129,292

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Issued Capital Ordinary $	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 comprehensive loss for the half year	-	(2,985,350)	-	-	(2,985,350)
Foreign exchange movement	-	-	-	92,303	92,303
Transactions with owners in their capacity as owners:					
Employee share options (reversed)	-	-	(116,994)	-	(116,994)
BALANCE AT 31 DECEMBER 2015	**39,797,644**	**(41,688,522)**	**482,776**	**527,353**	**(880,749)**

	Issued Capital Ordinary $	Accumulated Losses $	Option Reserve $	Foreign Currency Reserve $	Total $
BALANCE AT 1 JULY 2014	**39,777,644**	**(37,780,276)**	**520,153**	**414,472**	**2,931,993**
Total comprehensive loss for the half year	-	(516,787)	-	-	(516,787)
Foreign exchange movement	-	-	-	49,801	49,801
Transactions with owners in their capacity as owners:					
Employee share options	-	-	44,155	-	44,155
Share issued to settle liabilities	20,000	-	-	-	20,000
BALANCE AT 31 DECEMBER 2014	**39,797,644**	**(38,297,063)**	**564,308**	**464,273**	**2,529,162**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Notes	HALF YEAR 31 December 2015 $	 31 December 2014 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(85,838)	(186,455)
Interest received		97	4,936
GST Refunded/(Paid)		1,214	(7,503)
NET CASH (OUTFLOW) IN OPERATING ACTIVITIES		**(84,527)**	**(189,022)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-	(1,222)
Payments for exploration and evaluation		(52,544)	(487,872)
NET CASH (OUTFLOW) IN INVESTING ACTIVITIES		**(52,544)**	**(489,094)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan from Transcontinental Investments Pty Ltd		121,876	70,000
NET CASH INFLOW IN FINANCING ACTIVITIES		**121,876**	**70,000**
NET DECREASE IN CASH HELD		**(15,195)**	**608,116**
Cash and cash equivalents at the beginning of half year		**65,133**	**696,944**
Effect of exchange rates on cash holdings in foreign currencies		**(10,274)**	**21,154**
CASH AND CASH EQUIVALENTS AT THE END OF HALF YEAR	5	**39,664**	**109,982**

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

NOTES TO THE FINANCIAL STATEMENT

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretation and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Company and its subsidiaries (Consolidated Entity). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the consolidated entity. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the consolidated entity for the year ended 30 June 2015, together with any public announcements made during the half year ended 31 December 2015 in accordance with the continuous disclosure requirements arising under Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period with the exception of the below accounting policy.

Non-current assets or disposal groups classified as held for sale
Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

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

This half year financial report was approved by the Board of Directors on 14 March 2016.

For the purpose of preparing the interim financial report, the half year has been treated as a discrete reporting period.

(i) 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 17. The Directors have determined that Transcontinental has the capacity to provide the pledged support and they have a history of supporting the group as and when required.

(b) Significant accounting judgements and key estimates

The preparation of the half year financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half year financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 30 June 2015.

(c) Adoption of new and revised accounting standards

In the half year ended 31 December 2015, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2015.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half year ended 31 December 2015. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Company accounting policies.

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 Officer (COO) in order to allocate resources to the segment and to assess its performance. Management has determined the operating segments based on reports reviewed by the Board that are used to make strategic decisions.

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 2014, 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 period, the group has decided to write off the exploration assets held for sales of the Cyprus Company)

(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. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the entity and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

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

Segment information provided to the executive management committee for the half year ended 31 December 2015 is as follows:

NOTES TO THE FINANCIAL STATEMENT

Segment Performance

Six months ended 31 December 2015

	Exploration (Brazil)	**Exploration (Cyprus)**	**Corporate (Australia)**	**Total Consolidated Entity**
External revenues	-	99	-	99
Inter-segment revenue	-	-	-	-
Corporate and administration	-	(5,449)	(106,925)	(112,374)
Depreciation and amortisation expense	-	(4,720)	(1,565)	(6,285)
Assets held for sales write off	-	(2,772,177)	-	(2,772,177)
Employee option expenses	-	-	116,994	116,994
Other expenses	(919)	(9,095)	(201,593)	(211,607)
Reportable segment profit before income tax	**(919)**	**(2,791,342)**	**(193,089)**	**2,985,350**

Six months ended 31 December 2014

	Exploration (Brazil)	**Exploration (Cyprus)**	**Corporate (Australia)**	**Total Consolidated Entity**
External revenues	1,005	-	3,839	4,844
Inter-segment revenue	-	-	-	-
Corporate and administration	(222)	(12,910)	(222,650)	(235,782)
Depreciation and amortisation expense	-	(1,094)	(6,266)	(7,360)
Exploration expenditure write off	-	-	-	-
Employee option expenses	-	-	(44,155)	(44,155)
Other expenses	(12,424)	(12,115)	(209,795)	(234,334)
Reportable segment profit before income tax	**(11,641)**	**(26,119)**	**(479,027)**	**(516,787)**

(a) Segment Assets and Liabilities

31 December 2015

	Exploration (Brazil)	Exploration (Cyprus)	Corporate (Australia)	Total Consolidated Entity
Assets				
Current assets	-	-	2,338	2,338
Property, plant and equipment	-	-	8,414	8,414
Exploration and evaluation expenditure	-	138,685	-	138,685
Total Segment Assets	**-**	**138,685**	**10,752**	**149,437**
Current liabilities	**-**	**(6,474)**	**(1,023,712)**	**(1,030,186)**
Total Segment Liabilities	**-**	**(6,474)**	**(1,023,712)**	**(1,030,186)**
Net Assets Employed	**-**	**132,211**	**(1,012,960)**	**(880,749)**

30 June 2015

	Exploration (Brazil)	Exploration (Cyprus)	Corporate (Australia)	Total Consolidated Entity
Assets				
Current assets	868	28,898	40,722	70,488
Property, plant and 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**
Total Segment Liabilities	**-**	**(4,682)**	**(693,150)**	**(697,832)**
Net Assets Employed	**868**	**2,745,778**	**(617,354)**	**2,129,292**

3. EMPLOYEE BENEFITS EXPENSES

	31 December 2015 $	31 December 2014 $
Directors' fees *	145,000	106,776
Superannuation *	10,355	6,679
Employee benefits expense	**155,355**	**113,455**

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

The majority of directors' fees have been accrued since September 2014.

4. EMPLOYEE OPTION EXPENSES

	31 December 2015 $	31 December 2014 $
Shared based payment expense	-	44,155
Reversal of shared based payment	(116,994)	-
Employee option expense	**(116,994)**	**44,155**

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. Given the proposed sale of the Treasure Project, the Directors have decided to reverse the previous expense relating to the performance options as it is not considered sufficiently certain that the performance conditions will ever be met.

5. CASH AND CASH EQUIVALENTS

	31 December 2015 $	30 June 2015 $
Cash at bank and on hand (as per Statement of Cash Flows)	39,664	65,133
Cash included in the disposal group (refer Note 19)	(39,101)	-
Cash and cash equivalents	**563**	**65,133**

6. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2015 $	30 June 2015 $
Opening balance	2,715,189	2,271,852
Exchange movement	84,610	12,203
Exploration expenditure capitalised	52,551	481,173
Exploration assets written off	-	(50,039)
Write down on classification as held for sale	(2,772,177)	-
Exploration assets included in Disposal Group Held for Sale	(80,173)	-
Exploration and evaluation expenditure	**-**	2,715,189

Refer to note 19 for details of the Disposal Group Held for Sale at 31 December 2015.

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.

7. CONTINGENT LIABILITIES

There have been no changes in contingent liabilities during this half year ended 31 December 2015.

8. DIVIDENDS

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

9. TRADE AND OTHER PAYABLES

	31 December 2015 $	30 June 2015 $
CURRENT LIABILITIES		
Trade creditors and accruals	9,640	34,990
	9,640	34,990

10. BORROWINGS

	31 December 2015 $	30 June 2015 $
Current Liabilities		
Borrowings (Transcontinental Investments)	301,876	180,000
Other creditors (Accrued Management Fees)	210,000	150,000
Other creditors (Accrued Directors Fee)	502,196	332,842
	1,014,072	**662,842**

*There is no interest charge on accrued management fees and loan provided by Transcontinental Investments
**Directors agreed to their fees being deferred without any interest.

Transcontinental Investments Pty Ltd has agreed to provide the Company with financial support by way of interest free loans to cover the working capital requirements until a capital raising is completed.

All directors' fees have been accrued.

11. CONTRIBUTED EQUITY

A reconciliation of the movement in capital for the entity can be found in the Statement of Changes in Equity.

	31 December 2015 $	30 June 2015 $
Balance at the start of the period	39,797,644	39,777,644
Shares issued to settle consultancy fee	-	20,000
Balance at the end of the half year	39,797,644	39,797,644

(a) Movements of share capital during the half year

Date	Details	No of shares	Issue price$	$
01.07.2015	Opening Balance 63,922,852 fully paid ordinary shares (June 15: 63,922,852)	63,922,852	-	39,797,644
Closing Balance as at 31 December 2015		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.

NOTES TO THE FINANCIAL STATEMENT

12. RESERVES

	31 December 2015 $	30 June 2015 $
Opening Balance	1,034,820	934,625
Movement during the half year		
Foreign exchange movement	92,303	20,578
Employees Share Based Payment	(116,994)	79,617
	1,010,129	**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.

13. ACCUMULATED LOSS

	31 December 2015 $	30 June 2015 $
Accumulated loss at the beginning of the half year	(38,703,173)	(37,780,276)
Net profit/(loss) attributable to shareholders	(2,985,350)	(922,897)
Accumulated loss at the end of the half year	**(41,688,523)**	**(38,703,173)**

14. LOSS PER SHARE

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

	31 December 2015 $	31 December 2014 $
(a) Reconciliation of earnings to profit or loss		
Net loss used in calculating basic loss per share	**(2,985,350)**	**(516,787)**
(b) Weighted average number of ordinary shares outstanding during the half year		
Weighted average number of ordinary shares used in calculating basic loss per share	**63,922,852**	**63,243,504**

15. EXPENDITURE COMMITMENTS

Management Fees Commitment

TRG charged a $10,000 monthly fee for Administration Services by accruing 100% of the balance without charging any interest or required payment of the full invoice on ordinary terms.

There is no other change to commitment or contingencies since or after the annual financial statements for the year ended 30 June 2015.

16. RELATED PARTY INFORMATION

There are no material changes to the related party transactions since or during the half year.

17. EVENTS OCCURING AFTER THE REPORTING PERIOD

Transcontinental Group (TRG) has provided a letter of support to BMG dated 10 March 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 or for the period of 12 months from the date of signing the 2015 Half Year Report.

There were no other post reporting date events at the reporting date.

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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.

19. ASSETS OF DISPOSAL GROUP HELD FOR SALE

	31 December 2015 $	30 June 2015 $
Cash	39,101	-
Property, Plant and Equipment	19,411	-
Exploration and Evaluation Expenditure	80,173	-
	138,685	-

There is $6,474 (30 June 2015: nil) of trade creditors included in the disposal group.

The assets in the table above are of Treasure Development Limited **(TDL)** (incorporated in Cyprus) which is a wholly owned subsidiary of BMG and owns the Treasure Copper and Gold Project (Treasure Project) in Cyprus.

On 31 December 2015 the group signed a binding Term Sheet to divest 70% of TDL to New Cyprus Copper Company Limited (New Cyprus).

The key commercial terms for the divestment are as follows:

- New Cyprus will acquire an initial 70% interest in TDL
- New Cyprus will assume 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 will pay BMG €35,000 (A$ 52,294) within 7 days and $79,917 of liabilities, totalling $138,685, to be transferred to New Cyprus relating to the Treasure Project to gain the 70% interest
- 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 ("the Company"):

1. The financial statements and notes set out on pages 7 to 20, are in accordance with the Corporations Act 2001, including:

   (a) giving a true and fair view of the consolidated financial position as at 31 December 2015 and the performance for the half year ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

On behalf of the Board

Bruce McCracken
Managing Director
Dated at Perth, Western Australia, this 14th of March 2016

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of BMG Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of BMG Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2015, 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of BMG Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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 review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of BMG Resources Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO Audit (WA) Pty Ltd

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J Prue

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Director

Perth, 14 March 2016