



QUARTERLY ACTIVITIES REPORT

For the Quarter to 31 December 2015

- BMG signed a binding Term Sheet to divest majority stake in its Treasure Project, Cyprus
- General Meeting of shareholders to be held on 22 February 2016 to approve transaction
- Currently evaluating new investment opportunities for the Company

During the quarter, BMG Resources Limited (the **Company**; ASX: **BMG**) signed a binding Term Sheet to divest a majority interest in its Cyprus Copper and Gold Project (**Treasure Project**) to UK-based New Cyprus Copper Company. The parties have 8 weeks from signing (31 December 2015) to obtain necessary ASX and shareholder approvals and finalise and execute definitive documentation. BMG has called a General Meeting of shareholders on 22 February 2016 to seek approval for the transaction.

BMG remains committed to securing a new business opportunity for the Company and is currently reviewing a number of potential opportunities in the resources and non-resources sectors.

TREASURE PROJECT - CYPRUS

BMG owns 100 % of the Treasure Project in Cyprus, where it has been exploring for high-grade copper-gold-zinc-silver and nickel-copper-cobalt-gold deposits. As detailed below, the Company has signed a binding Term Sheet to divest a majority interest in the Project to New Cyprus Copper Company Ltd which will maintain and fund the exploration project.

The Treasure Project includes nine (9) advanced prospects where copper (+Au-Zn-Ag) was mined after 1920 and eleven (11) other prospects where evidence of similar mineralisation is exposed. In addition, the Black Pine project area contains the Pevkos and Laxia Prospects where exposed massive sulphide veins containing very high-grade copper, nickel, cobalt and gold have been successfully drilled, and two other prospects are yet to be drilled. The Treasure Project has four project areas and currently comprises 17 licences for a total of 67.654 km².

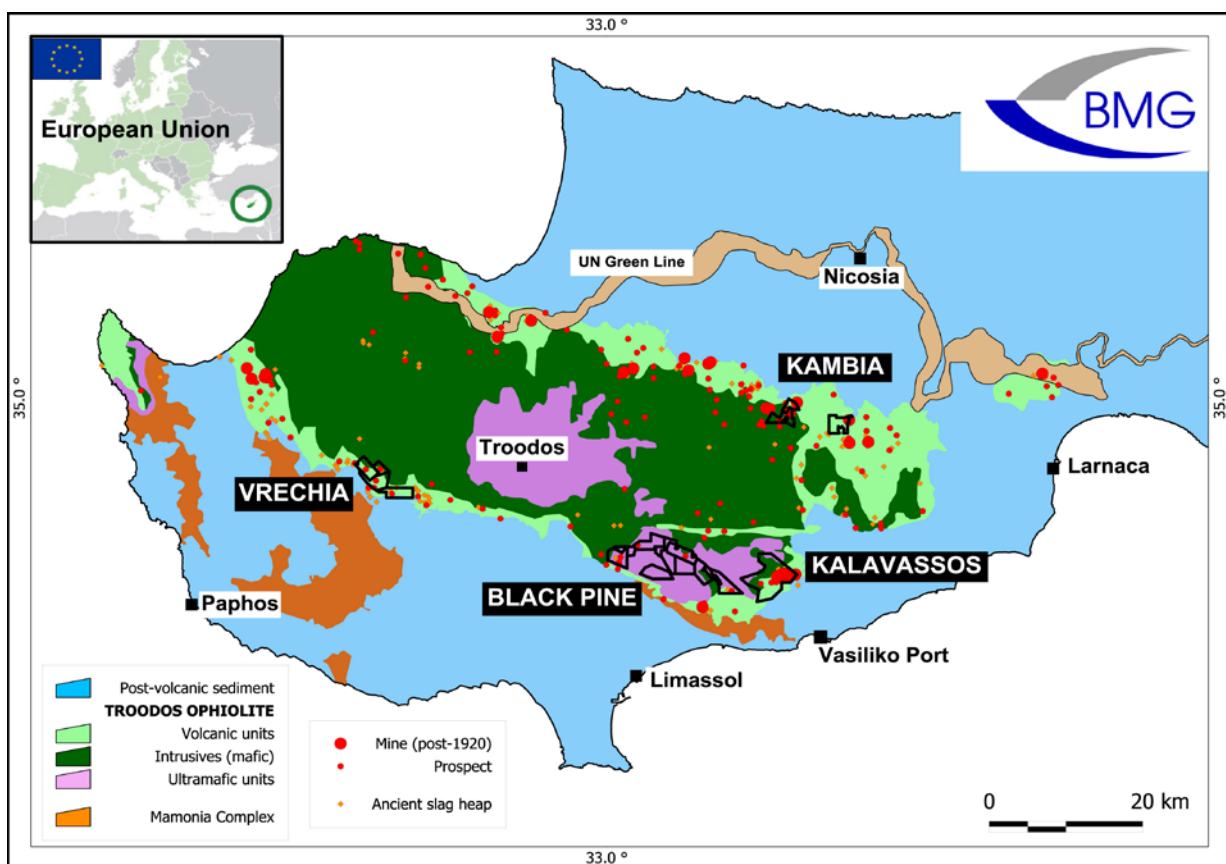


Figure 1: BMG's current tenement status in Cyprus

CORPORATE

On 31 December 2015 BMG signed a binding Term Sheet to divest a majority interest in the Treasure Project to UK-based New Cyprus Copper Company Ltd (**New Cyprus**). The Term Sheet provides a period of 8 weeks to finalise and execute definitive documentation, and for BMG to obtain any necessary ASX and shareholder approvals (**Completion**). The Company has called a General Meeting of shareholders on 22 February 2016 to seek approval for the transaction. The key commercial terms are as follows:

- New Cyprus will acquire an initial 70 % interest in Treasure Development Limited (**TDL**), a wholly owned Cyprus subsidiary company of BMG, which owns the Treasure Project;
- 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 within five (5) days and assume c.\$100,000 of liabilities relating to the Treasure Project;
- New Cyprus will undertake a two (2) year exploration program to be agreed between the parties. Once completed, BMG will transfer to New Cyprus an additional 20 % of TDL (bringing New Cyprus's interest to 90 %) and BMG will 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 until \$2 million is received by BMG, plus a 10% share of any profits generated during this time

The Company remains committed to securing a new business opportunity and is currently reviewing a number of potential acquisition opportunities in the resources and non-resources sectors. The Company is also continuing to manage expenditure very closely with the Transcontinental Group (BMG's major shareholder) providing financial support while a new investment opportunity is secured. Fees to directors and corporate and management fees to the Transcontinental Group continue to be accrued.

TENEMENTS

During the quarter, EA4589 and EA4590 were granted, EA4456 was dropped and EA4607, EA4608, EA4609, EA4610, EA4611 and EA4612 were approved. The Treasure Project now comprises a total of 67.654 km².

Project	Licence number	Status	Interest (%)	Notes	Activity during the quarter
BLACK PINE	EA4456	expired	100		dropped
	EA4589	granted	100		granted
	EA4590	granted	100		granted
	EA4594	approved	100		
	EA4595	approved	100		
	EA4591	approved	100		
	EA4596	approved	100		
	EA4610	approved	100	replaces EA4314	approved
	EA4612	approved	100	replaces EA4318	approved

VRECHIA	EA4457	granted	100		
	EA4592	approved	100	replaces AE4462	
	EA4593	approved	100	replaces AE4462	
	EA4609	approved	100	replaces EA4313	approved
KALAVASSOS	AE4607	approved	100	replaces AE4547	approved
	AE4608	approved	100	replaces AE4547	approved
KAMBIA	EA4447	granted	100		renewed
	EA4448	granted	100		renewed
	EA4611	approved	100	replaces EA4315	approved

ENDS

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COMPETENT PERSON'S STATEMENT

The information in this report that relates to Exploration Results for the Treasure Project, Cyprus, 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 an executive director of BMG Resources Limited and a consultant geologist with Khalkeus Minerals 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.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

BMG RESOURCES LTD

ABN

96 107 118 678

Quarter ended ("current quarter")

31 December 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(39)	(50)
(b) development	-	-
(c) production	-	-
(d) administration	(37)	(84)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(76)	(134)
Cash flows related to investing activities		
1.8 Payment for purchases of:	-	-
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(76)	(134)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(76)	(134)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	65	122
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	65	122
	Net increase (decrease) in cash held	(11)	(12)
1.20	Cash at beginning of quarter/year to date	55	65
1.21	Exchange rate adjustments to item 1.20	(4)	(13)
1.22	Cash at end of quarter	40	40

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	-
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	302	302
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	-
4.2	Development	-
4.3	Production	-
4.4	Administration	30
Total		30

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1	2
5.2 Deposits at call	7	21
5.3 Bank overdraft	-	-
5.4 Other (Security Deposit for Bank Guarantee)	32	32
Total: cash at end of quarter (item 1.22)	40	55

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	None		
6.2	Interests in mining tenements and petroleum tenements acquired or increased	None		

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference ⁺ securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	63,922,852	63,922,852		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	140,000	-	<i>Exercise price</i> \$2.00	<i>Expiry date</i> 01 July 2016
	260,000	-	\$2.20	01 July 2016
	500,000	-	\$0.35	13 December 2016
	500,000	-	\$0.50	31 December 2017
	500,000	-	\$0.35	
	500,000	-	\$0.40	
	500,000	-	\$0.45	
	1,000,000	-	\$0.50	
	300,000	-	\$0.35	
	300,000	-	\$0.40	
	300,000	-	\$0.45	
	800,000	-	\$0.50	
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date:29/01/2016.....
(Director/Company secretary)

Print name:Fleur Hudson.....

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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