



ASX ANNOUNCEMENT

22 January 2016

NOTICE OF GENERAL MEETING

BMG Resources Limited (ASX: BMG) has now despatched to all shareholders the attached Notice of a General Meeting of Shareholders. The Notice includes an Explanatory Memorandum which provides relevant information for shareholders relating to the meeting.

The primary resolution for the consideration of shareholders relates to the proposed sale of the Company's Cyprus exploration project, which is currently the main undertaking of the Company. The Company is seeking to redirect its focus around a new investment opportunity, and is currently evaluating some more advanced resources opportunities and some opportunities outside the resources sector.

The General Meeting will be held at 11.00am (WST) on 22 February 2016 at BMG Resources Limited, Parmelia House, Level 14, 191 St Georges Terrace Perth Western Australia 6000.

The Notice of General Meeting can also be located on the BMG Resources Limited website at www.bmgl.com.au

*****ENDS*****

For further information, shareholders and media please contact:

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Company Secretary
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**BMG RESOURCES LIMITED
ACN 107 118 678**

Circular to Shareholders

Including

NOTICE OF GENERAL MEETING

EXPLANATORY MEMORANDUM

Date of Meeting

22 February 2016

Time of Meeting

11am

Place of Meeting

BMG Resources Limited
Parmelia House
Level 14, 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.

NOTICE OF MEETING

Notice is hereby given that a General Meeting of BMG Resources Limited will be held at BMG Resources Limited, Parmelia House, Level 14, 191 St Georges Terrace Perth, Western Australia on **22 February 2016 at 11am (WST)**.

AGENDA

To consider, and if thought fit to pass, the resolution set out below as an ordinary resolution.

Information on the proposal to which the resolution relates 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.

RESOLUTION 1 – APPROVAL FOR DISPOSAL OF MAIN UNDERTAKING

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

“That for the purposes of Listing Rule 11.2 and for all other purposes, approval is given for the Company to dispose of its main undertaking by the sale of all the shares in Treasure Development Limited on the terms of the Terms Sheet and in the manner described in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on Resolution 1 by a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 1 is passed, and any associates of those persons. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) 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



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 Resolution 1, background information is set out in the Explanatory Memorandum forming part of this Notice of Meeting.

Recommendation

The Board believes that Resolution 1 is in the best interests of the Shareholders and (save where otherwise indicated in the Explanatory Memorandum) unanimously recommends that Shareholders vote in favour of it.

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 20 February 2016.

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 22 February 2016 at 11.00am (WST) at BMG Resources Limited, Parmelia House, Level 14, 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:

- two directors of the company;
- a director and a company secretary of the company; or
- for a proprietary company that has a sole director who is also the sole company secretary, that director.

Corporate Representatives

A body corporate may elect to appoint an individual to act as its representative in accordance with section 250D of the *Corporations Act*, in which case the Company will require a certificate of Appointment of the Corporate Representative executed in accordance with the *Corporations Act*. The Certificate of Appointment must be lodged with the Company and/or the Share Registrar, Security Transfer Registrars Pty Ltd, before the Meeting or at the registration desk on the day of the Meeting. Certificates of Appointment of Corporate Representatives are available at Security Transfer Registrars Pty Ltd or on request by contacting Security Transfer Registrars Pty Ltd on telephone number (08) 9315 2333.

Enquiries

Shareholders are invited to contact the Company Secretary, Fleur Hudson, on (08) 9424 9300 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

This Explanatory Memorandum is prepared for the information of Shareholders in connection with the business to be transacted at the General Meeting of the Company to be held on 22 February 2016.

At the Meeting, Shareholders will be asked to consider Resolution 1 regarding the sale of the Company's main undertaking.

Details of this proposal are set out in this 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 Resolution 1. The Explanatory Memorandum explains Resolution 1 and identifies the Board's reasons for putting it to Shareholders. It should be read in conjunction with the accompanying Notice of Meeting.

Resolution 1 – Approval for change involving main undertaking

1. Background

Treasure Development Limited (**TDL**), which was acquired by the Company in February 2013, is a Cyprus-registered company holding 17 licenses¹ for minerals exploration in the Republic of Cyprus (**Projects**). The Projects are host to copper, gold and nickel mineralisation. TDL is the Company's principal asset and the Projects comprise the Company's principal activity.

The Company has committed over A\$2,000,000 in total acquisition costs and expenditure to advance the Projects to the current stage. However, as most investors are aware, Chinese economic growth and infrastructure spending, the driving force behind growth in demand for all commodities for the past decade, has dramatically slowed and uncertainty about the near future growth prospects of the Chinese economy has placed downward pressure on commodities prices.

This has had a severely negative affect on investor appetite for resources stocks across the board from major mining companies through to small cap explorers. As a response to market conditions the Company has cut corporate overheads and reduced project expenditure to the absolute minimum to maintain the Projects in good standing.

Whilst the Board considers that the Projects have significant development potential, there has not been sufficient investor support for the exploration expenditure necessary to progress the Projects and the general market consensus is that investor sentiment will remain challenging in the short- to medium-term. The Board is evaluating more advanced resource investment opportunities as well as new investment opportunities outside the resources sector, and the proposed sale of TDL is consistent with the Board's strategic outlook.

¹ See Schedule 1 for a list of TDL's licences.

As announced on 31 December 2015, the Company has signed a binding agreement with New Cyprus Copper Company Limited (**New Cyprus**) for the sale of TDL (**Terms Sheet**). Pursuant to the terms of the Terms Sheet, New Cyprus may acquire 100% of the issued capital of TDL (**Proposed Transaction**). A summary of the key terms of the Terms Sheet is set out in Section 2.2 below. The Company and New Cyprus have also agreed that these key terms will be incorporated into a formal share sale agreement (**Share Sale Agreement**) to be executed during the period between dispatch of this Notice of Meeting and the General Meeting.

2 Regulatory requirements – Listing Rules

2.1 The application of Listing Rule 11.2

Listing Rule 11.2 applies to a disposal of an entity's "main undertaking" and requires that shareholder approval be obtained where a company proposes to dispose of its main undertaking.

The Terms Sheet provides for:

- (a) the sale of 70% of the issued capital of TDL (**Sale Shares**); and
- (b) the grant of an option to acquire the balance of the issued capital of TDL on the occurrence of certain events (see Section 2.2(a)(iii) below).

The Directors consider that the Company's interest in the Projects, held in its wholly-owned subsidiary TDL, represents its main undertaking for the purpose of the Listing Rules and that the disposal of its interest in TDL is a disposal of its main undertaking requiring shareholder approval in accordance with Listing Rule 11.2.

2.2 Key terms of the Terms Sheet

The key terms of the Terms Sheet are set out below.

(a) Consideration payable

The total consideration payable by New Cyprus for TDL consists of:

- (i) an initial payment of €35,000 (equivalent to approximately \$56,000² as at the date of this Notice of Meeting) for the Sale Shares;
- (ii) New Cyprus assuming responsibility for approximately A\$100,000 in outstanding liabilities incurred by the Company with respect to the Projects;
- (iii) the satisfactory completion of an exploration program over the next 2 years, the details of which are to be agreed by the parties within 3 months of the

² Based on an exchange rate of €1 = A\$1.595 as at the date of this Notice (Source: Reserve Bank of Australia)

sale of the Sale Shares (with the Company to be free-carried) for a further 20% of the issued capital of TDL; and

- (iv) subject to New Cyprus having moved to a 90% interest in TDL on satisfactory completion of the 2-year exploration program as set out above, a further payment of A\$2,000,000 for the remaining 10% of the issued capital of TDL, payable:
 - A. within 12 months of reaching 90% (at New Cyprus' option) (**Option**); or
 - B. if New Cyprus does not exercise the Option, by the payment of a net smelter return royalty of 1% (**Royalty**), such Royalty payable until the aggregate amount of Royalty payments equals \$2,000,000.

(b) Conditions precedent

Completion of the sale and purchase of the Sale Shares (**Completion**) is conditional on the satisfaction or waiver of the following conditions precedent:

- (i) the Company obtaining all necessary shareholder and regulatory approvals for the sale of the Sale Shares, including (without limitation) shareholder approval for the purposes of Listing Rule 11.2 (sale of main asset or undertaking); and
- (ii) the Company converting all outstanding debts and liabilities owed by TDL to the Company to equity in the form of fully paid ordinary shares in TDL so that TDL's liabilities to the Company are reduced to zero.

(c) Due diligence

The Company and the New Cyprus have agreed on period of 8 weeks concluding on 25 February 2016 to:

- (i) allow New Cyprus to undertake commercial, legal and financial due diligence in respect of TDL and the Projects;
- (ii) allow the parties to ensure that the Share Sale Agreement and any associated documents are compliant with Cypriot law; and
- (iii) enable the Company to meet its obligations under the Corporations Act and the Listing Rules.

New Cyprus has acknowledged that the Share Sale Agreement will contain no indemnities, representations or warranties other than those to be given in respect of the Company's title in, and authority to sell, the Sale Shares.

(d) *Ongoing obligations to the Previous Owners*

Under the terms of the agreement governing the acquisition of TDL by the Company in 2013 (**2013 Agreement**), the Company is obliged to issue Shares to the value of A\$750,000 to the Previous Owners on the publication of a bankable feasibility study over one or more of the Projects (**BFS Obligation**).

The Company will use its best endeavours to obtain the agreement of the Previous Owners to assign the BFS Obligation to New Cyprus. If for whatever reason the BFS Obligation cannot be assigned to New Cyprus, then it will continue to be held by the Company, and New Cyprus will have a matching obligation to issue A\$750,000 of shares in New Cyprus to the Company on the Company completing the issue of Shares under the BFS Obligation.

2.3 *Financial effect of the transaction on the Company*

Approval of the Proposed Transaction will have the following financial effects on the Company:

- an increase in the Company's cash position of approximately A\$56,000;
- a decrease in liabilities of approximately A\$100,000 (by way of assignment of debt to New Cyprus); and
- a decrease in annual exploration-related expenditure of approximately A\$600,000 (based on FY15 exploration activity).

2.4 *Financial effect of the transaction the interests of Shareholders*

The Company's market capitalisation as at the date of this Notice of Meeting is approximately A\$700,000.

Following Completion, the Company's principal assets will be its cash holdings of approximately A\$50,000 and its 30% interest in TDL.

The Directors do not consider that the Proposed Transaction will have a material impact on the Company's immediate fortunes. It will however enable the Board to focus on new opportunities as they emerge without having to take into account ongoing commitments connected with the Projects.

2.5 *Changes to Board and senior management*

Dr Michael Green, a Director and the Company's chief operating officer, has indicated that he intends to resign his executive role with the Company and continue working on the Projects as a consultant to New Cyprus if the Proposed Transaction is approved by Shareholders. He will continue as a Director for the time being.

2.6 *Advantages of the Proposed Transaction*

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Proposed Transaction:

- (a) the Proposed Transaction will be beneficial to the Company and its Shareholders as a part of the Company's strategy exploring acquisition opportunities outside the resources sector;
- (b) the Proposed Transaction will enable the Company to completely discharge its outstanding liabilities in respect of the Projects;
- (c) the Proposed will relieve the Company of the requirement to fund its minimum expenditure commitments in respect of the Projects;
- (d) while the Company will be relieved from the requirement to fund its minimum expenditure commitments in respect of the Projects, it will retain a free-carried interest in the Projects with the potential to receive up to A\$2 million in the event of successful project development and production; and
- (e) the Company will be free to seek other investment opportunities.

2.7 *Potential disadvantages of the Proposed Transaction*

The Directors are of the view that the following non-exhaustive list of potential disadvantages may be relevant to a Shareholder's decision on how to vote on the Proposed Transaction:

- (a) the Company will no longer hold a 100% interest in the Projects; it will, however, retain an interest in the Projects through its minority shareholding in TDL, which position it will retain until receipt of \$2 million as set out in Section 2.2; and
- (b) the Company will be changing the nature of its activities through the disposal of its main undertaking, which may not be consistent with the investment objectives of all Shareholders.

2.8 *Implications if the Proposed Transaction proceeds*

As set out in Section 1, the Board is actively evaluating more advanced resource investment opportunities as well as new investment opportunities outside the resources sector. Any proposed acquisition or significant investment will require the Company to re-comply with ASX's listing and quotation requirements in accordance with Listing Rule 11.1.3.

It is unlikely that any acquisition or significant investment will be concluded prior to the General Meeting. If Shareholders approve the Proposed Transaction then, until such time as the Company undertakes an acquisition or significant investment, most of the Company's

assets will be comprised of cash (other than the Company's capitalised exploration and evaluation expenditure).

As a consequence, the Company expects that ASX will require that the Company must, within 6 months of approval being obtained, comply with the ongoing requirements set out Listing Rules 12.1 and 12.3 which provide that:

- (a) the Company's operations must, in ASX's opinion, be sufficient to warrant the continued quotation of the Company's securities and its continued listing; and
- (b) not more than half of the Company's assets are in cash or in a form readily convertible to cash.

Accordingly, in the event the Company does not find a suitable investment prior to 22 August 2016, trading in its securities may be suspended. It is the Board's intention that a suitable investment be identified and secured well in advance of that date.

2.9 *Implications if the Proposed Transaction does not proceed*

Shareholders will be aware that the Company's financial resources are presently very limited due to the expenditure requirements of the Projects, the challenging capital markets conditions since the Global Financial Crisis, and the fall in demand for commodities generally following the softening in China's growth trajectory.

Whilst the Company will need to undertake a capital raising some time during 2016, the Board does not consider that it is in the Company's best interests to devote further capital to the Projects. Accordingly, if the Proposed Transaction is not approved, the Company will be required to relinquish the tenements comprising the Projects as it will not be meeting minimum expenditure requirements.

2.10 *Timetable for implementation*

If Shareholders approve Resolution 1, the Board expects that Completion will occur within 3 to 4 weeks following the General Meeting, subject to the conditions precedent set out in Section 2.2 above having been satisfied or waived.

2.11 *Directors' interests and recommendation*

No Director has a material interest in the outcome of Resolution 1, or will receive any payment or benefit of any kind as a consequence of the disposal of the main undertaking, other than in their capacity as a Shareholder.

The Board has reviewed the Proposed Transaction thoroughly and recommends that Shareholders vote to accept the Proposed Transaction.

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:

| | |
|-----------------------------------|--|
| 2013 Agreement | Has the meaning given to that term in Section 2.2 of the Explanatory Memorandum. |
| ASIC | Australian Securities and Investments Commission. |
| ASX | ASX Limited (ACN 008 624 691) trading as the Australian Securities Exchange. |
| Board | The board of Directors . |
| Chairman | The chairman of the Meeting. |
| Company or BMG | BMG Resources Limited (ACN 107 118 678). |
| Completion | Has the meaning given to that term in Section 2.2 of the Explanatory Memorandum. |
| Constitution | The constitution of the Company. |
| Corporations Act | <i>Corporations Act 2001</i> (Cth). |
| Director | A director of the Company. |
| General Meeting or Meeting | The general meeting of the Company to be held on 22 February 2016. |
| Listing Rules | The official listing rules of the ASX, as amended from time to time. |
| New Cyprus | New Cyprus Copper Company Limited (company no. 9864965), a company registered in the United Kingdom. |
| Notice of Meeting | The notice convening the Meeting which accompanies this Explanatory Memorandum. |
| Previous Owners | The vendors of 100% of the issued capital of TDL under the 2013 Agreement. |
| Proposed Transaction | Has the meaning given to that term in Section 1 of the Explanatory Memorandum. |
| Projects | Has the meaning given to that term in Section 1 of the Explanatory Memorandum. |
| Proxy Form | The proxy form attached to the Notice of Meeting. |
| Sale Shares | Has the meaning given to that term in Section 2.1 of the Explanatory Memorandum. |
| Share | A fully paid ordinary share in the Company. |
| Share Registrar | Security Transfer Registrars Pty Ltd. |

| | |
|-----------------------------|--|
| Share Sale Agreement | Has the meaning given to that term in Section 1 of the Explanatory Memorandum. |
| Shareholder | A registered holder of a Share. |
| TDL | Treasure Development Limited (company no. HE144115), a company registered in Cyprus. |
| Terms Sheet | Has the meaning given to that term in Section 1 of the Explanatory Memorandum. |

Schedule 1 - Project Licences

| Project | Licence no. | Status | Interest (%) |
|-------------------|-------------|----------|--------------|
| BLACK PINE | EA4589 | granted | 100 |
| | EA4590 | granted | 100 |
| | EA4594 | approved | 100 |
| | EA4595 | approved | 100 |
| | EA4591 | approved | 100 |
| | EA4596 | approved | 100 |
| | EA4610 | approved | 100 |
| | EA4612 | approved | 100 |
| | | | |
| VRECHIA | EA4457 | granted | 100 |
| | EA4592 | approved | 100 |
| | EA4593 | approved | 100 |
| | EA4609 | approved | 100 |
| | | | |
| KALAVASSOS | AE4607 | approved | 100 |
| | AE4608 | approved | 100 |
| | | | |
| KAMBIA | EA4447 | granted | 100 |
| | EA4448 | granted | 100 |
| | EA4611 | approved | 100 |

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