



BMG RESOURCES LIMITED

ACN 107 118 673

**Consolidated Interim Financial Report
For the Half Year Ended
31 December 2017**

CORPORATE DIRECTORY

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CORPORATE DIRECTORY

DIRECTORS

Gregory Hancock	Director/Chairman
Bruce McCracken	Managing Director
Simon Trevisan	Non-Executive Director
Malcolm Castle	Non-Executive Director
Peter Munachen	Non-Executive Director (Appointed 2 January 2018)
Anthony Trevisan	Director/Chairman (Resigned 14 February 2018)

COMPANY SECRETARY

Fleur Hudson

REGISTERED AND PRINCIPAL OFFICE

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PERTH WA 6000
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Facsimile: (08) 9321 5932
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Email: enquiry@bmgl.com.au

AUDITORS

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

SHARE REGISTRY

Security Transfer Australia Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

HOME EXCHANGE

Australian Securities Exchange Ltd
Central Park
152-158 St Georges Terrace
PERTH WA 6000
ASX Code: BMG

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 ('Group' or 'Consolidated Entity'), for the half year ended 31 December 2017 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.

- Greg Hancock (Chairman)
- Bruce McCracken (Managing Director)
- Simon Trevisan (Non-Executive Director)
- Malcolm Castle (Non-Executive Director)
- Peter Munachen (Non-Executive Director, appointed 2 January 2018)
- Anthony Trevisan (Director/Chairman, resigned 14 February 2018)

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

OPERATIONS REPORT

During the half BMG Resources Limited (the Company; ASX: BMG) retained its free-carried interest in the Treasure Project in Cyprus and remained actively focussed on securing new investment opportunities for the Company. The Company reviewed a number of investment opportunities and while no commitments were made it remains confident it will secure a new opportunity that meets its investment criteria, ideally an advanced opportunity with strong potential for cash-flow generation and the creation of value for shareholders.

In January 2018 BMG announced that it was evaluating the acquisition of call options over certain gold and polymetallic development and exploration projects located in Bulgaria, subject to due diligence investigations and other regulatory approvals. The Company subsequently completed its due diligence investigations with the assistance of CSA Global, and in March 2018 announced that it had elected not to proceed with the transaction.

Peter Munachen joined the Board in January 2018, bringing with him over 30 years of experience in the resources sector and a depth of commercial and financial experience. Tony Trevisan retired from the Board in February 2018 following 2 years of service, and non-executive director Greg Hancock assumed the position of Chairman in March 2018.

The Company will continue to manage all costs very closely with directors and management fees, including the Transcontinental Group which provides support services to the Company, substantively remaining on hold (ie, no charge) while a new investment opportunity is pursued.

DIRECTOR'S REPORT

TREASURE PROJECT - CYRUS

BMG has a 30% free carried interest in the Treasure Project in Cyprus. The Treasure Project's operator, New Cyprus Copper Company, is responsible for maintaining the project and progressing the exploration program.

The Treasure Project includes nine advanced prospects where copper (+Au-Zn-Ag) was mined after 1920 and eleven 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 10 licences for a total of 36.654 km².

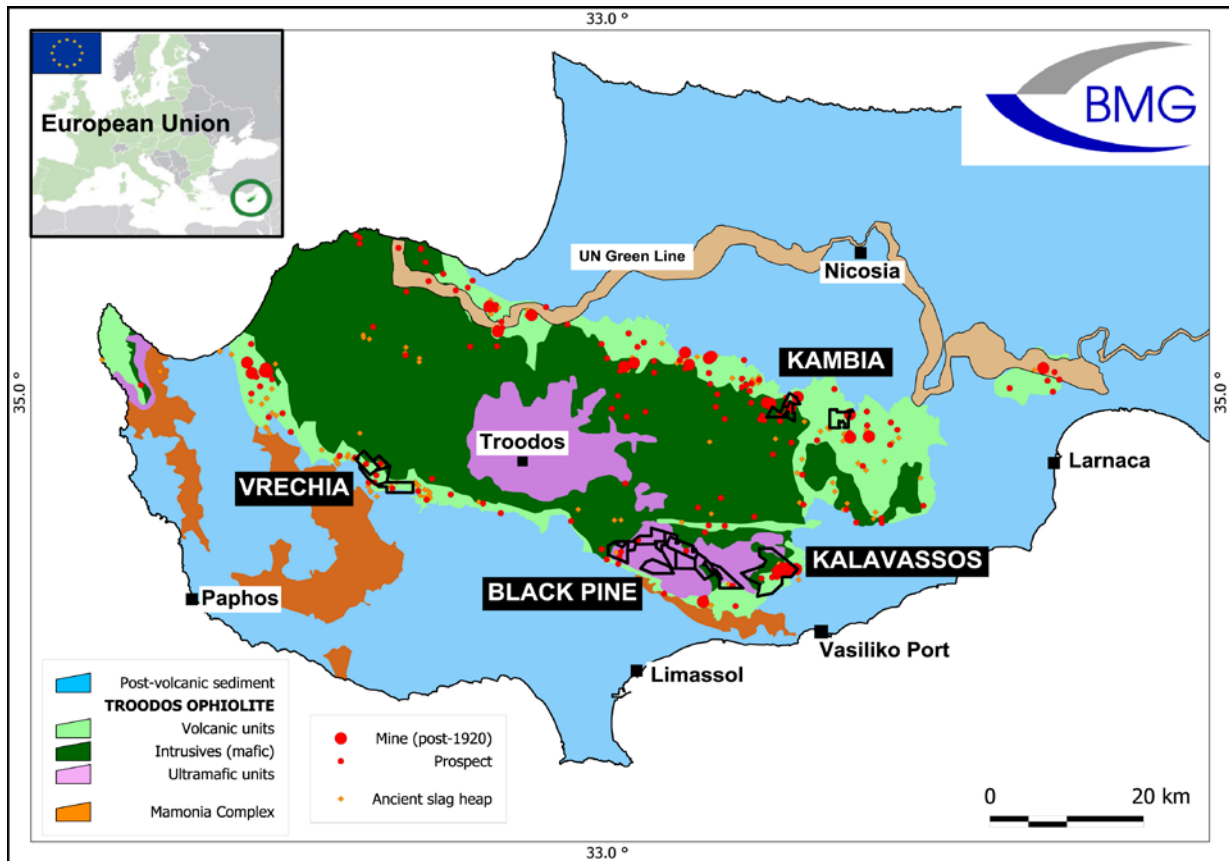


Figure 1: Treasure Project in Cyprus

TENEMENTS

The Treasure Project comprises 10 exploration licences for a total of 36.654 km².

Project	Licence number	Status	Interest (%)
BLACK PINE	EA4589	granted	100
	EA4590	granted	100
	EA4591	granted	100
	EA4610	granted	100

DIRECTOR'S REPORT

	EA4612	granted	100
VRECHIA	EA4457	granted	100
KALAVASSOS	AE4607	granted	100
	AE4608	granted	100
KAMBIA	EA4447	granted	100
	EA4448	granted	100

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 2017 amounted to \$126,047 (December 2016: profit \$171,713).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There are no other significant changes in the state of affairs of the Consolidated Entity during the half year.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 2 January 2018, BMG Resources Limited appointed Mr Peter Munachen to the board as a Non-Executive Director.

On 14 February 2018, Anthony Trevisan resigned from his position as director and chairman of BMG Resources Limited.

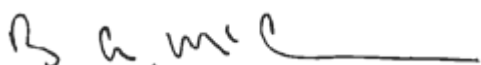
On 8 March 2018, non-executive director Greg Hancock was appointed Chairman of BMG Resources Limited.

There were no other matters or circumstances that have arisen since 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 7 for the half year ended 31 December 2017.

Signed in accordance with a resolution of the Board of Directors



Bruce McCracken
Managing Director

Dated at Perth, Western Australia, this 15th day of March 2018

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 2017, 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 entity it controlled during the period.



Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 15 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Notes	31 December 2017 \$	31 December 2016 \$
Revenue		8,338	77
Other income	3	-	263,983
Directors Fee's		(18,000)	-
Depreciation and amortisation expense		-	(1,110)
Accounting & audit fee		(12,741)	(10,080)
Corporate and administration expenses		(56,844)	(49,988)
Other expenses from ordinary activities (Inc. travel expenses)		(41,793)	(13,050)
Share of net profit/(loss) of associates		(5,007)	(18,119)
PROFIT/(LOSS) BEFORE INCOME TAX		(126,047)	171,713
Income tax expense		-	-
PROFIT/(LOSS) FOR THE HALF YEAR AFTER TAX		(126,047)	171,713
Profit/(Loss) is attributable:			
Owners of BMG Resources Limited		(126,047)	171,713
NET PROFIT/(LOSS) FOR THE HALF YEAR		(126,047)	171,713
Other Comprehensive Profit/(Loss)			
Items that will be reclassified to Profit and Loss:			
Foreign Currency Translation Differences for Foreign Operations		-	-
		-	-
TOTAL COMPREHENSIVE PROFIT / (LOSS) FOR THE PERIOD		(126,047)	171,713
Basic profit/(loss) per share (cents per share)	5	(0.03)	0.187

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 2017

	Notes	31 December 2017 \$	30 June 2017 \$
CURRENT ASSETS			
Cash and cash equivalents		1,292,351	1,390,397
Trade and other receivables		2,580	3,748
TOTAL CURRENT ASSETS		1,294,931	1,394,145
NON-CURRENT ASSETS			
Property, Plant and Equipment		2,726	-
Investment in Associate		1,630	6,637
TOTAL NON-CURRENT ASSETS		4,356	6,637
TOTAL ASSETS		1,299,287	1,400,782
CURRENT LIABILITIES			
Trade and other payables		16,230	16,678
TOTAL CURRENT LIABILITIES		16,230	16,678
TOTAL LIABILITIES		16,230	16,678
NET ASSETS/(NET ASSET DEFICIENCY)		1,283,057	1,384,104
EQUITY			
Contributed equity	4	42,204,604	42,179,604
Reserves		482,777	482,777
Accumulated Loss		(41,404,324)	(41,278,277)
TOTAL EQUITY/(TOTAL DEFICIENCY IN EQUITY)		1,283,057	1,384,104

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 2017**

	Issued Capital Ordinary \$	Accumulated Losses \$	Option Reserve \$	Total \$
BALANCE AT 1 JULY 2017	42,179,604	(41,278,277)	482,777	1,384,104
Total comprehensive profit/(loss) for the half year	-	(126,047)	-	(126,047)
Transactions with owners in their capacity as owners:				
Issue of shares	25,000	-	-	25,000
BALANCE AT 31 DECEMBER 2017	42,204,604	(41,404,324)	482,777	1,283,057

	Issued Capital Ordinary \$	Accumulated Losses \$	Option Reserve \$	Total \$
BALANCE AT 1 JULY 2016	39,797,644	(41,381,271)	482,777	(1,100,850)
Total comprehensive profit/(loss) for the half year	-	171,713	-	171,713
Transactions with owners in their capacity as owners:				
Issue of shares under Rights Issue	2,567,340	-	-	2,567,340
Cost of share issue	(174,954)	-	-	(174,954)
BALANCE AT 31 DECEMBER 2016	42,190,030	(41,209,558)	482,777	1,463,249

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 2017**

	HALF YEAR	
	31 December 2017 \$	31 December 2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(106,384)	(71,154)
Interest received	8,338	77
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	(98,046)	(71,077)
NET CASH (OUTFLOW) IN INVESTING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from share issue	-	1,792,629
Transaction costs related to issues of shares, convertible notes or options	-	(174,954)
Proceeds from borrowings	-	43,343
NET CASH INFLOW FROM FINANCING ACTIVITIES	-	1,661,018
NET INCREASE/(DECREASE) IN CASH HELD	(98,046)	1,589,941
Cash and cash equivalents at the beginning of half year	1,390,397	29,056
CASH AND CASH EQUIVALENTS AT THE END OF HALF YEAR	1,292,351	1,618,997

Non Cash transactions relating to financing activities

On 8 September 2017, the Company issued a total of 2,500,000 new ordinary shares, at an issue price of \$0.01 per share, to Azure Capital Investments as payment for professional consultancy services provided.

The Company cannot reliably estimate the fair value of the services received and therefore the value of services received and amount expensed has been measured by reference to the fair value of the equity instruments granted.

The value of these services is accounted for in Corporate and administration expenses on the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

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

NOTES TO THE CONSOLIDATED 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 2017, together with any public announcements made during the half year ended 31 December 2017 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.

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

This half year financial report was approved by the Board of Directors on 15 March 2018.

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

(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 2017.

(c) Adoption of new and revised accounting standards

In the half year ended 31 December 2017, 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 2017.

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 2017. 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 Group accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

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 Decision Makers (CODM) in order to allocate resources to the segment and to assess its performance.

The Consolidated Entity has identified the following segments:

- (a) Exploration (Cyprus) – consists of the exploration expenditure involved in the search and discovery of minerals; (The Group has a 30% free carried interest in the Treasure Project in Cyprus).
- (b) 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.

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 2017 is as follows:

Segment Performance

Six months ended 31 December 2017

	Exploration (Cyprus) \$	Corporate (Australia) \$	Total Consolidated Entity \$
External revenues	-	8,338	8,338
Corporate and administration	-	(87,585)	(87,585)
Other expenses	-	(41,793)	(41,793)
Share net profit/(loss) of associates	(5,007)	-	(5,007)
Reportable segment profit/(loss) before income tax	(5,007)	(121,040)	126,047

Six months ended 31 December 2016

	Exploration (Cyprus) \$	Corporate (Australia) \$	Total Consolidated Entity \$
Forgiveness of accrued fees	-	223,260	223,260
Corporate and administration	-	(19,268)	(19,268)
Depreciation and amortisation expense	-	(1,110)	(1,110)
Other expenses	-	(13,050)	(13,050)
Share net profit/(loss) of associates	(18,119)	-	(18,119)
Reportable segment profit/(loss) before income tax	(18,119)	189,832	171,713

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Segment Assets and Liabilities

31 December 2017	Exploration (Cyprus) \$	Unallocated \$	Total Consolidated Entity \$
Assets			
Current assets	-	1,294,931	1,294,931
Property, plant and equipment	-	2,726	2,726
Investment in Associate	1,630	-	1,630
Total Segment Assets	1,630	1,297,657	1,299,287
Current liabilities	-	(16,230)	(16,230)
Total Segment Liabilities	-	(16,230)	(16,230)
Net Assets/(Liabilities) Employed	1,630	1,281,427	1,283,057

30 June 2017	Exploration (Cyprus) \$	Unallocated \$	Total Consolidated Entity \$
Assets			
Current assets	-	1,394,145	1,394,145
Investment in Associate	6,637	-	6,637
Total Segment Assets	6,637	1,394,145	1,400,782
Current Liabilities	-	(16,678)	(16,678)
Total Segment Liabilities	-	(16,678)	(16,678)
Net Assets/(Liabilities) Employed	6,637	1,377,467	1,384,104

3. OTHER INCOME

	31 December 2017 \$	31 December 2016 \$
Waiver of Directors' Fee accrued	-	223,183
Wavier of Management Fees liability	-	40,800
	-	263,983

The Other Income recognised in the 6 month period to 31 December 2016 relates to the forgiveness of accrued directors' fee and management fees that had been accrued to 30 June 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

4. CONTRIBUTED EQUITY

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

	31 December 2017 \$	30 June 2017 \$
Balance at the start of the period	42,179,604	39,797,644
Shares issued to settle Accrued Directors' fees, Management fees and cash advance under Right Issue	-	774,712
Shares issued to Azure Capital as payment for Professional Consultancy services provided	25,000	-
Issue of shares under Rights Issue	-	1,782,202
Cost of Share Issue	-	(174,954)
Balance at the end of the period	42,204,604	42,179,604

(a) Movements of share capital during the half year

Date	Details	No of shares	Issue price\$	\$
01.07.2017	Opening Balance 383,537,112 fully paid ordinary shares (June 16: 63,922,852)	383,537,112	-	42,179,604
08.09.2017	Shares issued to Azure Capital as payment for Professional Consultancy services provided	2,500,000	\$0.01	25,000
Closing Balance as at 31 December 2017		386,037,112	-	42,204,604

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.

Shares Issued

During the half year, the company issued 2,500,000 new ordinary shares, at an issue price of \$0.01 per share, to Azure Capital Investments as payment for professional consultancy services provided. 7

These shares were issued on 8 September 2017 at a share price of \$0.01 per share and are collectively valued at \$25,000. The Group cannot estimate the fair value of these services received, therefore have measured the services received and expensed in Corporate and administration expenses on the Consolidated Statement of Profit or Loss and Other Comprehensive Income, by reference to the fair value of the equity instruments granted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

5. LOSS PER SHARE

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

	31 December 2017 \$	31 December 2016 \$
(a) Reconciliation of earnings to profit or loss		
Net profit/(loss) used in calculating basic loss per share	(126,047)	171,713
(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	385,045,264	91,715,397

Effect of dilutive securities: Share Options are not considered dilutive as the options are out of the money at 31 December 2017.

6. CONTINGENT LIABILITIES

The Board is not aware of any circumstances or information, which leads them to believe there are material contingent liabilities outstanding as at 31 December 2017.

7. DIVIDENDS

The Company has not paid or provided for dividends during this half year (2016: Nil).

8. COMMITMENTS

There is no commitments as at 31 December 2017.

9. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 2 January 2018, BMG Resources Limited (BMG) has appointed Mr Peter Munachen to the board as a Non-Executive Director.

On 14 February 2018, Anthony Trevisan resigned from his position as director and chairman of BMG Resources Limited.

On 8 March 2018, non-executive director Greg Hancock was appointed Chairman of BMG Resources Limited.

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

10. 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.

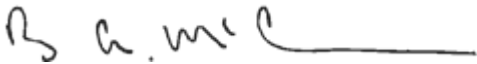
DIRECTORS DECLARATION

In the opinion of the Directors of BMG Resources Limited ("the Company"):

1. The financial statements and notes set out on pages 8 to 16, 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 2017 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 15th day of March 2018

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of BMG Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of BMG Resources Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, 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 then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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 Group's financial position as at 31 December 2017 and its financial 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 the Group, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink. The word 'BDO' is written in a simple, blocky font. Below it, the name 'J Prue' is written in a cursive, handwritten style.

Jarrad Prue

Director

Perth, 15 March 2018