



QUARTERLY ACTIVITIES REPORT

For the Quarter to 31 December 2017

- During the quarter BMG remained actively focussed on identifying and evaluating new investment opportunities for the Company
- Peter Munachen joined the Board in early January 2018 bringing a depth of commercial and financial experience and an extensive resources background
- On 5 January 2018 the Company went into a trading halt then voluntary suspension pending an announcement regarding a potential acquisition of a significant resources opportunity
- On 17 January 2018 BMG announced a proposed transaction to acquire call options over advanced precious and base metals opportunities in Bulgaria
- Four significant gold and polymetallic projects are under consideration – Trun (Au-Ag), Babyak (Au-Ag-Pb-Zn-Mo), Srebren (Au-Ag), and Zidarovo (Cu-Au-Ag)/ Varshilo (Au-Ag)
- Projects represent a mix of advanced and prospective exploration opportunities with strong potential to host large scale mining operations
- More than 50,000 metres of diamond drilling completed and 45,000 samples taken plus extensive surface exploration
- Substantial mineral resource estimates previously compiled in accordance with the Bulgarian Minerals Code for Trun, Babyak, Srebren and Zidarovo
- CSA Global appointed to evaluate the historical technical data and prepare mineral resource estimates in accordance with the JORC Code
- Transaction subject to shareholder and regulatory approvals and re-compliance with ASX admission requirements
- The Treasure Project in Cyprus continues to proceed under management of New Cyprus, with BMG retaining a free carried interest

During the quarter BMG Resources Limited (the **Company**; ASX: **BMG**) remained actively focussed on securing a new investment opportunity for the Company. Peter Munachen joined the Board on 2 January 2018, bringing with him over 30 years of experience in the resources sector and a depth of commercial and financial experience.

On 5 January 2018 BMG went into a trading halt then voluntary suspension pending an announcement regarding a potential acquisition of a significant opportunity. On 17 January 2018 the Company announced that it had secured the rights to acquire call options for 100% of four substantial gold and polymetallic development and exploration projects located in Bulgaria: the Trun Project, Babyak Project, Srebren Project, and Zidarovo/ Varshilo Project (**Projects**). The acquisition of the call options is subject to formal documentation, completion of satisfactory due diligence enquires and required shareholder, ASX and Corporations Act approvals.

GOLD AND POLYMETALLIC PROJECTS - BULGARIA

The four projects are located in the Upper Carboniferous and Upper Cretaceous Carpathian Arc in Bulgaria – a well mineralised zone rich in polymetallic, lead-zinc, copper, gold and silver deposits.

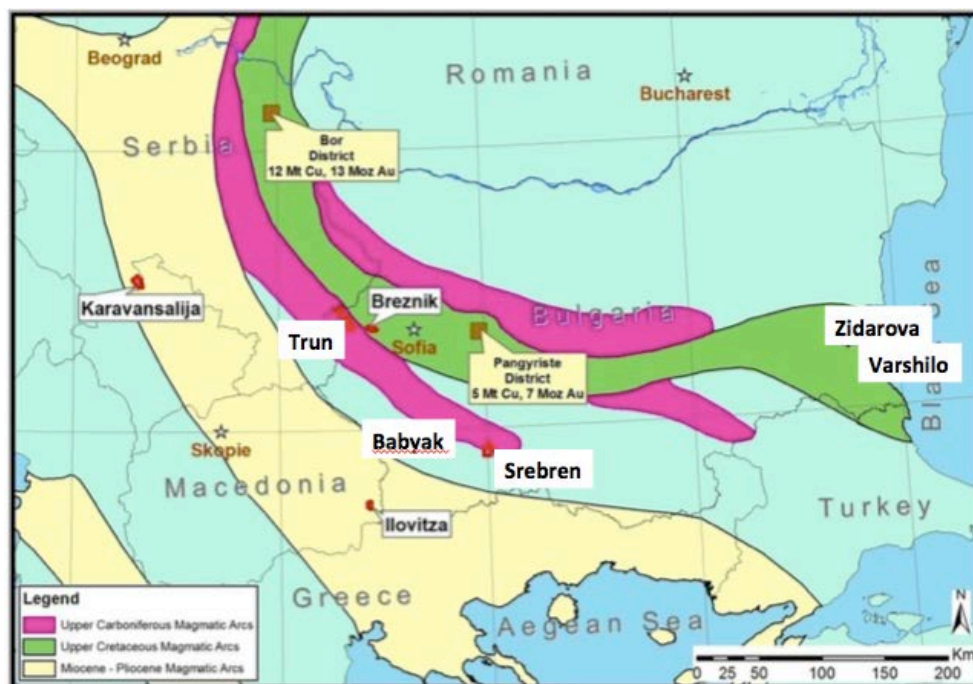


Figure 1: Regional geology of the Carpathian Arc and Project locations.

Extensive exploration works have been conducted across all the Project areas by the current and previous owners with all relevant physical and digital components of the data available for review. The technical work completed to date is considered to be of a good standard and most, if not all procedures and process are considered industry best practise.

CSA Global has been engaged by the Company to review the technical information on the Projects as part of the Company's due diligence, and to prepare mineral resource estimates in accordance with the JORC Code (2012).

Trun Project (Au-Ag)

Exploration completed at Trun includes the following:

- 25,962 metres diamond drilling, 1,742 metres RC drilling and 8,920 metres trenches and channels;
- 17,668 drill and rock samples and 6,721 soil samples collected and assayed;

- 4 metallurgical samples analysed;
- Basic geological mapping covering 106 square kilometres and detailed geological mapping covering 40 square kilometres; and
- IP survey carried out over 40 km, Ground Magnetic Survey-over 93 km.

Two past producing gold operations are known in the Trun permit area:

- Zlata was active in 1939 to 1973 with reported production of 0.72 million tonnes at 5.97g/t gold (~138,000 ounces) from series of open pits and underground operations
- The KD open pit was active from 1965 to 1974, with reported production of 0.59 million tonnes at 1.77g/t gold and 14.43g/t silver

Babyak Project (Au-Ag-Pb-Zn-Mo)

Exploration completed at Babyak includes the following:

- 22,420 metres diamond drilling and 9,053 metres trenches and channels;
- 17,411 geological samples collected and assayed;
- 5 metallurgical samples analysed;
- IP survey carried out over 23 km; and
- Ground Magnetic survey conducted over 23 km.

High grade Ag, Mo and Au mineralisation within the Babyak project area is distributed within several zones.

Potential Cu-Au porphyry mineralisation has also been identified at depth and remains open for further exploration.

Srebren Project (Au-Ag)

Exploration completed at Srebren includes the following:

- 1,692 metres diamond drilling and 1,253 metres RC drilling
- 2,450 cubic metres trenches and channels;
- 2,306 drill and rock samples and 1,003 soil samples collected and assayed;
- 2 metallurgical samples analysed; and
- detailed geological mapping covering 4.9 square kilometres.

Previous drilling at Srebren targeted a faulted quartz-sericite-pyrite alteration zone, which contains historical workings, over 2 kilometres. This mineralisation has previously been intersected in RC drilling over a strike length of in excess of 1 kilometre.

Zidarovo and Varshilo Projects

Zidarovo (Cu-Au-Ag)

Exploration completed at Zidarovo includes: digitised geological maps at different scales; 2D geophysics for selected targets – ground mag, IP, CSAMT, gravity; geochemical sampling – rock and soil sampling covering the main targets; and compilation of drilling database.

Two ore zones– “Kandarata” (Cu-vein type) and “Yurta” (Au-polymetallic vein type) have been outlined in Zidarovo area with historical production:

- From 1978 to 1992, 708,800 tonnes of ore (6,111 tonnes of Cu) were mined from “Kandarata” Cu ore zone
- From 1986 to 1997, 345,200 tonnes of ore (24,500 ounces of Au) were mined from “Yurta” Au ore zone; and from 2001 to 2004, 148,400 tonnes of ore (10,500 ounces of Au) were mined.

Varshilo (Au-Ag)

Exploration completed at Varshilo includes: digitised geological maps at different scales; 2D geophysics for selected targets – ground mag, IP, CSAMT, gravity; geochemical sampling – rock and soil sampling covering the main targets; BLEG sampling over the whole permit area; and compilation of drilling database.

Systematic BLEG sampling has been historically completed; together with more recent geological mapping, soil and rock sampling, geophysics over selected targets and very limited drilling (8 short RC holes).

Next Steps

The Company will release details of the terms of the transaction once formal agreements are finalised and more detailed technical and commercial information on the Projects as it becomes available.

Pending formal agreements and the release of further information, the Company anticipates it will remain in voluntary suspension.

TREASURE PROJECT - CYPRUS

The Company retained its free-carried interest in the Treasure Project in Cyprus. The Treasure Project’s operator, New Cyprus Copper Company Limited, is responsible for maintaining the project and continued progressing the Treasure Project during the Quarter.

CORPORATE

The Company has in excess of \$1.25m in cash reserves. Management and directors, together with the Transcontinental Group, continued to substantially hold all fees (ie no charge or accrual) during the quarter. This position will be reviewed as the Company moves forward and focusses on its new investment opportunities.

COMPETENT PERSON'S STATEMENT

The information in this report that relates to Exploration Results and Mineral Resources of the Company has been reviewed by Malcolm Castle, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Castle has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which they are undertaking to qualify as an Expert and Competent Person as defined under the VALMIN Code and in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Castle consents to the inclusion in this report of the matters based on the information in the form and context in which they appear.

TENEMENTS

The Treasure Project, of which BMG currently owns a 30% interest, comprises 10 exploration licences for a total of 36.654 km².

Project	Licence number	Status	Interest (%)	Notes	Activity during the quarter
BLACK PINE	EA4589	granted	100		
	EA4590	granted	100		
	EA4591	granted	100		
	EA4610	granted	100		
	EA4612	granted	100		
VRECHIA	EA4457	granted	100		
KALAVASSOS	AE4607	granted	100		
	AE4608	granted	100		
KAMBIA	EA4447	granted	100		
	EA4448	granted	100		

ENDS

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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, 01/05/13, 01/09/16

Name of entity

BMG RESOURCES LTD

ABN

96 107 118 678

Quarter ended ("current quarter")

31 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(6)	(15)
(e) administration and corporate costs	(31)	(91)
1.3 Dividends received (see note 3)		
1.4 Interest received	4	8
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(33)	(98)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,325	1,390
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(33)	(98)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,292	1,292

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1	4
5.2 Call deposits	1,291	1,321
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,292	1,325

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	(6)
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Director's fee of Gregory Hancock for October 2017 and November 2017

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	-
9.4 Staff costs	15
9.5 Administration and corporate costs	150
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	165

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	None			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	None			

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Director/Company secretary)

Date: 31 January 2018

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.