BMG RESOURCES LIMITED

ACN 107 118 673

Consolidated Interim Financial Report
For the Half Year Ended
31 December 2018

CORPORATE DIRECTORY

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

COMPANY SECRETARY

Sean Meakin

REGISTERED AND PRINCIPAL OFFICE

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AUDITORS

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

SHARE REGISTRY

Security Transfer Australia Pty Ltd
770 Canning Highway
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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

DIRECTORS' 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 2018 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)

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

OPERATIONS REPORT

Chilean Lithium Joint Venture

In August, BMG entered into a binding and exclusive agreement with Chilean lithium explorer, Lithium Chile SpA (LCS), to form a joint venture to undertake the exploration and development of three lithium brine projects in Chile.

This followed an extensive period of review and evaluation of strategic investment opportunities, through which BMG identified battery minerals – Lithium and Cobalt – as high priority targets, and Chile was prioritised being the world's best location for low cost, high grade lithium brine opportunities.

The projects are located in the Chilean region of the 'lithium triangle' – a region of the Andes encompassing parts of Northern Chile, SW Bolivia and NW Argentina – which hosts more than 50% of the world's lithium resources and the largest and highest-grade lithium brine deposits in the world. The initial lithium projects comprised three areas of over 12,000 hectares (in total) in the Salar de Atacama, Salar de Pajonales and Salar de Tuyajto - Natalie.

As part of its due diligence investigations, BMG engaged Chilean geophysics company, GEODATOS, to undertake a geophysical resistivity study on the Salar West Claims located on the southern extension of the Salar de Atacama. This was completed in October 2018 with the results confirming strong brine potential across the 4,200ha Southern Area of Salar West, associated with a strong conductivity response from the geophysical study, carried out using the Transient electromagnetic (TEM) method.

Following these results, on 29 November, the Company announced an increase in the size of the project area to 20,000 hectares – a further 2,100ha adjacent to the southern zone of the Salar West project in the Salar de Atacama, and a further circa 6,000ha in adjacent areas at the Salar de Pajonales project.

The additional hectares at the Salar West project lies on the direct extension of the key lithium brine target zone identified by the recent geophysical study BMG completed as part of its due diligence process. The addition of this prospective new ground greatly enhances the size and scope of the lithium brine potential at Salar West.

In terms of exploration, the Salar de Atacama - Salar West areas is the Company's immediate priority. In February, BMG re-engaged GEODATOS, the company which completed the initial study, to undertake a further geophysical resistivity survey using the TEM method on the additional 2,100Ha since added to the Salar West claims, located in the south western area of the Atacama salar. This aims to test the extension of the strong conductive horizon potentially associated with lithium brines identified in the first round of geophysics, which directly abuts the new area.
BMG expects the study to be completed and processed by the end of March/early April.

Joint Venture Terms

Since BMG signed the agreement with LCS on 22 August 2018 it has undertaken due diligence investigations; an initial geophysical survey at Salar West; and expanded the project area.

Subsequent to the initial agreement, the Parties agreed to vary the timing of the payments and commitments, but not the overall quantum of US$3.5 million to earn a 50% interest in the projects, to allow more near term exploration expenditure into the key project areas.

Payment Schedule:

1. US$250,000 paid upon Completion.
2. Upon satisfaction of the First Milestone for Expenditure, US$250,000 + BMG Shares equivalent to a value of US$200,000 paid for 20% of the JV Company Shares.
3. Upon satisfaction of the Second Milestone for Expenditure, US$150,000 payable either in cash or with BMG Shares (at BMG's election) as consideration for an additional 15% of the JV Company Shares.
4. Upon satisfaction of the Third Milestone for Expenditure, US$150,000 payable either in cash or with BMG Shares (at BMG's election) as consideration for an additional 15% of the JV Company Shares.

Timeframe for the Milestones and Expenditure commitments:

Milestone	Maximum Date	Amount
1st Milestone	1 year from Completion	US$1,000,000
2nd Milestone	2 years from Completion	US$1,000,000
3rd Milestone	3 years from Completion	US$500,000

Treasure Project, Cyprus

The Company continues to retain its 30% free-carried interest in the Treasure Project in Cyprus. The Treasure Project's operator, New Cyprus Copper Company Limited, is the majority shareholder and is responsible for maintaining and progressing the project.

Corporate

Share Placement

In the period from 1 July 2018, to the date of this report, the Company has raised $1,545,257 (before costs), via a placement of shares to new and existing institutional and sophisticated investors, and a Security Purchase Plan.

This includes $932,577 (before costs) raised during the period to 31 December 2018.

The Company is in the process of finalising the placement of a further 15,555,555 Shares, at $0.009 per share, to raise a further $140,000 (before costs), the shares will be issued on the same terms as those shares issued by the Company in the period to the date of this report.+

DIRECTORS' REPORT

Annual General Meeting

The Company held its Annual General Meeting on 29 November 2018, where all resolutions were duly passed.

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 2018 amounted to $395,031 (December 2017: loss $126,047).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

EVENTS OCCURING AFTER THE REPORTING PERIOD

There were no material 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 2018.

Signed in accordance with a resolution of the Board of Directors

Bruce McCracken
Managing Director

Dated at Perth, Western Australia, this 14th day of March 2019

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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 2018, 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, 14 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Notes	31 December 2018 $	31 December 2017 $
Interest Received		6,735	8,338
Corporate and administration expenses		(159,316)	(56,844)
Accounting & audit fee		(15,324)	(12,741)
Depreciation and amortisation expenses		(342)	-
Director Remuneration	10	(107,700)	(18,000)
Administration services fee		(72,000)	-
Other expenses from ordinary activities (Inc. travel expenses)		(47,084)	(41,793)
Share of net profit/(loss) of associates		-	(5,007)
(LOSS) BEFORE INCOME TAX	3	**(395,031)**	**(126,047)**
Income tax expense		-	-
(LOSS) FOR THE HALF YEAR AFTER TAX		**(395,031)**	**(126,047)**
Profit/(Loss) is attributable to:			
Owners of BMG Resources Limited		**(395,031)**	**(126,047)**
NET (LOSS) FOR THE HALF YEAR		**(395,031)**	**(126,047)**
Other Comprehensive Profit/(Loss)		**-**	**-**
TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD		**(395,031)**	**(126,047)**
Basic (loss) per share (cents per share)	8	(0.10)	(0.03)

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 2018

	Notes	31 December 2018 $	30 June 2018 $
CURRENT ASSETS			
Cash and cash equivalents	4	1,603,305	1,119,462
Trade and other receivables		22,726	3,569
TOTAL CURRENT ASSETS		**1,626,031**	**1,123,031**
NON-CURRENT ASSETS			
Prepayment	5	137,684	-
Property, Plant and Equipment		2,046	2,388
TOTAL NON-CURRENT ASSETS		**139,730**	**2,388**
TOTAL ASSETS		**1,765,761**	**1,125,419**
CURRENT LIABILITIES			
Trade and other payables	6	214,726	18,088
TOTAL CURRENT LIABILITIES		214,726	18,088
TOTAL LIABILITIES		**214,726**	**18,088**
NET ASSETS		**1,551,035**	**1,107,331**
EQUITY			
Contributed equity	7	43,043,339	42,204,604
Reserves		482,777	482,777
Accumulated Loss		(41,975,081)	(41,580,050)
TOTAL EQUITY		**1,551,035**	**1,107,331**

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 2018

	Notes	Issued Capital Ordinary $	Accumulated Losses $	Share Based Payment Reserve $	Total $
BALANCE AT 1 JULY 2018		42,204,604	(41,580,050)	482,777	1,107,331
Total comprehensive (loss) for the half year		-	(395,031)	-	(395,031)
Transactions with owners in their capacity as owners:					
Issue of shares	7	932,577	-	-	932,577
Less Capital Raising Costs	7	(93,842)	-	-	(93,842)
BALANCE AT 31 DECEMBER 2018		**43,043,339**	**(41,975,081)**	**482,777**	**1,551,035**

	Issued Capital Ordinary $	Accumulated Losses $	Share Based Payment Reserve $	Total $
BALANCE AT 1 JULY 2017	42,179,604	(41,278,277)	482,777	1,384,104
Total comprehensive (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**

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 2018

	Notes	HALF YEAR 31 December 2018 $	 31 December 2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(268,699)	(106,384)
Interest received		6,735	8,338
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES		**(261,964)**	(98,046)
CASH FLOWS FROM INVESTING ACTIVITIES			
JV exclusivity payment		(137,684)	-
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		**(137,684)**	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		932,577	-
Transaction costs related to issues of shares		(49,086)	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		**883,491**	-
NET INCREASE/(DECREASE) IN CASH HELD		**483,843**	(98,046)
Cash and cash equivalents at the beginning of period		**1,119,462**	1,390,397
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**4**	**1,603,305**	1,292,351

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2018, together with any public announcements made during the half year ended 31 December 2018 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 11 March 2019.

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 judgements, 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 judgements 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 2018.

(c) Changes in and adoption of new accounting policies

In the half year ended 31 December 2018, 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 2018.

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 2018. 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.

(d) Going Concern

The Directors are satisfied that the going concern assumption has been appropriately applied in preparing the financial statements and the historical financial information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

For the period ended 31 December 2018 the Group made a loss of $395,031 (2017: loss of $126,047) and had cash outflows from operating activities of $261,964 (2017: cash outflows from operating activities of $98,046).

Joint Venture transaction with Lithium Chile SpA

On 10th February 2019, the Company entered into a revised Binding Terms Sheet with Lithium Chile SpA (LCS) and its shareholders, for the formation of a Joint Venture for the exploration of Lithium Brine properties in Chile (JV).

Completion of the transaction is subject to the satisfaction of certain Conditions Precedent on or before 1 April 2019, which have previously been disclosed. As at the date of this report, the Conditions Precedent have been substantially met.

Upon Completion, the Company will have an obligation to make a USD$250,000 vendor payment to the Shareholders of LCS.

The Company will then be in a position to earn up to a 50% interest in the JV by investing in the Lithium Brine properties and making further milestone payments to the owners of LCS as previously disclosed, but all payments will remain in the Company's discretion.

The Directors believe that the Group will continue as a going concern.

As at 13 March 2019, the Group had $1,874,416 Cash and cash equivalents on hand. The Directors believe that irrespective of whether or not the Chilean Lithium project transaction is completed, the Group will continue as a going concern.

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

For the reporting period to 31 December 2018, the CODM does not identify the Consolidated Entity as having any operating segments, based on the definition of operating segments as defined in AASB8 *Operating Segments*.

Consequentially, unless otherwise disclosed or identified, all expenditure and assets and liabilities relate to the Corporate entity.

3. REVIEW OF EXPENDITURE

Relative to the comparative period, the expenditure of the Group has increased significantly, this increase is attributable to activity including, Due Diligence activity relating to the proposed Lithium Chile Transaction, Legal fees, Travel and Accommodation expenditure, and Director Remuneration.

Due Diligence activity relating to the proposed Lithium Chile Transaction and Legal fees recognised as an expense during the period totalled $84,086 and are included within Corporate and Administration expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 8.

Further disclosure on Director Remuneration is provided at note 10 below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CASH AND CASH EQUIVALENTS

	31 December 2018 $	30 June 2018 $
Cash at bank and in hand	1,603,305	1,119,462
	1,603,305	**1,119,462**

The increase in Cash at bank is the result of a share placement completed during the year and Securities Purchase Plan raising $838,735 (net of capital raising costs) during the period.

5. PREPAYMENT

	31 December 2018 $	30 June 2018 $
Chilean Lithium Brine exclusivity period payment	137,684	-
	137,684	**-**

On 22 August 2018 BMG entered into a binding and exclusive agreement with Chilean lithium explorer, Lithium Chile SpA (LCS), to develop world-class lithium brine projects in Chile.

Consistent with terms of the agreement, within five days of executing the terms sheet, BMG made a payment to LCS of US$100,000 providing BMG an exclusive period to undertake due diligence and execute the transaction.

6. TRADE CREDITORS AND ACCRUALS

	31 December 2018 $	30 June 2018 $
Trade Creditors and Accruals	214,726	18,088
	214,726	**18,088**

The significant increase in Trade Creditors and Accruals reflects the increased activity during the period.

In December 2018, the Directors, other than Managing Director Mr Bruce McCracken, resolved to approve an amount of A$60,000 to Mr McCracken, pursuant to his services agreement in place as at the end of the reporting period, this payment recognises his significant commitment to the Company over the period to 31 December 2018, particularly with regard to the Chilean lithium project, and is regarded as a salary payment. The Company paid this amount to Mr McCracken in January 2019.

Accruals also includes an amount of $72,000, accrued in favour of Tribis Pty Ltd, with whom the Group has an administration services agreement. $72,000, represents an amount of $12,000 per month over the period 1 July 2018 to 31 December 2018.

Other significant accruals include capital raising fees not paid as at the end of the period.

7. CONTRIBUTED EQUITY

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

	31 December 2018 $	30 June 2018 $
Balance at the start of the period	42,204,604	42,179,604
Shares issued to Azure Capital as payment for Professional Consultancy services provided	-	25,000
Issue of shares under Placement	804,077	-
Issue of shares under Securities Purchase Plan	128,500	-
Cost of Share Issue	(93,842)	-
Balance at the end of the period	**43,043,339**	**42,204,604**

(a) Movements of share capital during the half year

Date	Details	No of shares	Issue price $	$
01.07.2018	Opening Balance, fully paid ordinary shares	386,037,138		42,204,604
08.11.2018	Issue of shares under Placement	26,905,162	$0.009	242,146
07.12.2018	Issue of shares under Placement	52,776,367	$0.009	474,988
14.12.2018	Issue of shares under Placement	9,660,374	$0.009	86,943
17.12.2018	Issue of shares under Securities Purchase Plan	14,277,782	$0.009	128,500
	Cost of Share Issue			(93,842)
Closing Balance as at 31 December 2018		**489,656,823**		**43,043,339**

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.

Issue of Shares and Options to investors

During the half year, the company issued 89,341,903 new shares to new and existing institutional and sophisticated investors raising $804,077 before costs, under the offer, investors received one free attaching BMGOA option exercisable at $0.02 on or before 30 June 2019.

On 8 November 2018, the Company also announced at Securities Purchase Plan and Shortfall offer to eligible Company shareholders, to raise up $500,000, consistent with the above placement, shareholders received on free attaching BMGOA option for each share issued. Company Directors Mr Simon Trevisan and Mr Bruce McCracken participated in this Securities Purchase Plan to the extent permitted pursuant to ASIC Class Order 09/425, being $15,000 each. Total funds raised amounted to $128,500.

Options

Set out below is a summary of options issued by the Company.

Date of Expiry	Exercise Price	Grant Date (During the period)	Balance at beginning of period	Granted during the period	Balance at end of period
30.06.2019	$0.02	-	159,807,096	-	159,807,096
30.06.2019	$0.02	08.11.2018	-	26,905,162	26,905,162
30.06.2019	$0.02	07.12.2018		52,776,367	52,776,367
30.06.2019	$0.02	14.12.2018	-	9,660,374	9,660,374
30.06.2019	$0.02	17.12.2018	-	14,277,782	14,277,782
3 years from the vesting date	$0.35	-	500,000	-	500,000
3 years from the vesting date	$0.40	-	500,000	-	500,000
3 years from the vesting date	$0.45	-	500,000	-	500,000
3 years from the vesting date	$0.50	-	1,000,000	-	1,000,000
			162,307,096	**103,619,685**	**265,926,781**

There we no options exercised during the period to 31 December 2018.

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.5 years (2017–1.5 years).

Subsequent to the end of the reporting period, to the date of this report, the Company issued a further 68,075,553 Shares and 68,075,553 free attaching options, on the same terms as those Shares and Options issued during the period.

8. LOSS PER SHARE

The following reflects the net (loss) and share data used in the calculations of basic loss per share:

	31 December 2018 $	31 December 2017 $
(a) Reconciliation of earnings to profit or loss		
Net (loss) used in calculating basic loss per share	(395,031)	(126,047)
(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	403,181,604	385,045,264
Calculated Basic (Loss) per share (cents per share)	(0.10)	(0.03)

Effect of dilutive securities: Share Options are not considered dilutive as the options are out of the money at 31 December 2018.

9. 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 2018.

10. RELATED PARTY TRANSACTIONS

The Group has accrued an amount of $72,000 for administration services provided by Tribis Pty Ltd for the period from 1 July 2018 to 31 December 2018.

Tribis Pty Ltd is a related party as Non-Executive Director Mr Simon Trevisan is the Managing Director of Tribis Pty Ltd.

The Group has accrued an amount of $60,000 in favour of the Group's Managing Director, Mr Bruce McCracken, pursuant to his existing services agreement with the Company, for services provided in the period 1 July 2018 to 31 December 2018.

The Director Remuneration disclosed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income represents the following transactions

Transaction	Amount
Payment of regular Director Fees to Greg Hancock and Peter Munachen during the period	$42,000
Accrual of cash payment to Bruce McCracken, including superannuation	$65,700
	$107,700

11. DIVIDENDS

The Company has not paid or provided for dividends during this half year (2017: Nil).

12. COMMITMENTS

On 23 December 2018, the Company agreed with related party Tribis Pty Ltd, to re-commence paying a monthly fee for administration services provided to the Company, the fee per month is $12,000, with a 6 month notice period if the Company should wish to discontinue the provision of these services. Consequentially, the commitment at 31 December 2018 is $72,000. From 1 January 2019, the monthly fee of $12,000 is payable in cash.

There are no other commitments as at 31 December 2018, or arising up to the date of this financial report.

13. EVENTS OCCURING AFTER THE REPORTING PERIOD

There were no material matters or circumstances that have arisen since the reporting date.

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 18, 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 2018 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 day of March 2019

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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 2018, 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 2018 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 2018 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

BDO

J Prue

Jarrad Prue
Director

Perth, 14 March 2019