



BMG RESOURCES LIMITED

ACN 107 118 673

**Consolidated Interim Financial Report
For the Half Year Ended
31 December 2016**

CORPORATE DIRECTORY

	Page
Corporate Directory	3
Directors Report	4
Auditors Independence Declaration	7
Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
Consolidated Statement of Financial Position	9
Consolidated Statement of Changes in Equity	10
Consolidated Statement of Cash Flows	11
Notes to the Consolidated Financial Statements	12
Directors Declaration	19
Independent Auditors' Report	20

CORPORATE DIRECTORY

DIRECTORS

Bruce McCracken Managing Director
Anthony Trevisan Director/Chairman
Simon Trevisan Non-Executive Director
Malcolm Castle Non-Executive Director
Gregory Hancock Non-Executive Director
(appointed 6 Feb 2017)

COMPANY SECRETARY

Fleur Hudson

REGISTERED AND PRINCIPAL OFFICE

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191 St Georges Terrace
PERTH WA 6000
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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
APPLECROSS WA 6153
Telephone: (08) 9315 2333
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HOME EXCHANGE

Australian Securities Exchange Ltd
Exchange Plaza
2 The Esplanade
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 (Consolidated Entity), for the half year ended 31 December 2016 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.

- Bruce McCracken (Managing Director)
- Anthony Trevisan (Director/Chairman)
- Simon Trevisan (Non-Executive Director)
- Malcolm Castle (Non-Executive Director)
- Greg Hancock (Non-Executive Director appointed on 6 February 2017)

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

OPERATIONS REPORT

For 6 Months to 31 December 2016

During the first half of FY17 BMG Resources Limited (the **Company**; ASX: **BMG**) focussed on key Corporate initiatives following the divestment of a majority interest in the Treasure Project in Cyprus in FY16, and the Company's remaining interest now free carried and under management of New Cyprus Copper Company Limited (**New Cyprus**).

BMG completed a strategic review of capital initiatives and undertook a \$2.56m fully underwritten rights issue to retire all debt and accruals and provide working capital to pursue new investment opportunities. This was completed in December 2016, and the Company now has in excess of \$1.4m in available cash.

The Company is now well positioned to secure new investment opportunities and is currently reviewing a number of potential investment opportunities in the resources and non-resources sectors, and anticipates progress during the second half of FY17 (i.e. prior to 30 June 2017). The key priority is to secure an advanced investment opportunity with strong potential to generate near term cash-flow and to create value for shareholders.

The Company will continue to manage all costs very closely, and the current directors and management, together with the Transcontinental Group which provides support services to the Company, have agreed to hold all fees (i.e., no charge) until a new investment opportunity is secured.

TREASURE PROJECT - CYRUS

BMG has a 30% free carried interest in the Treasure Project in Cyprus. The Treasure Project's operator, New Cyprus, 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.

DIRECTOR'S REPORT

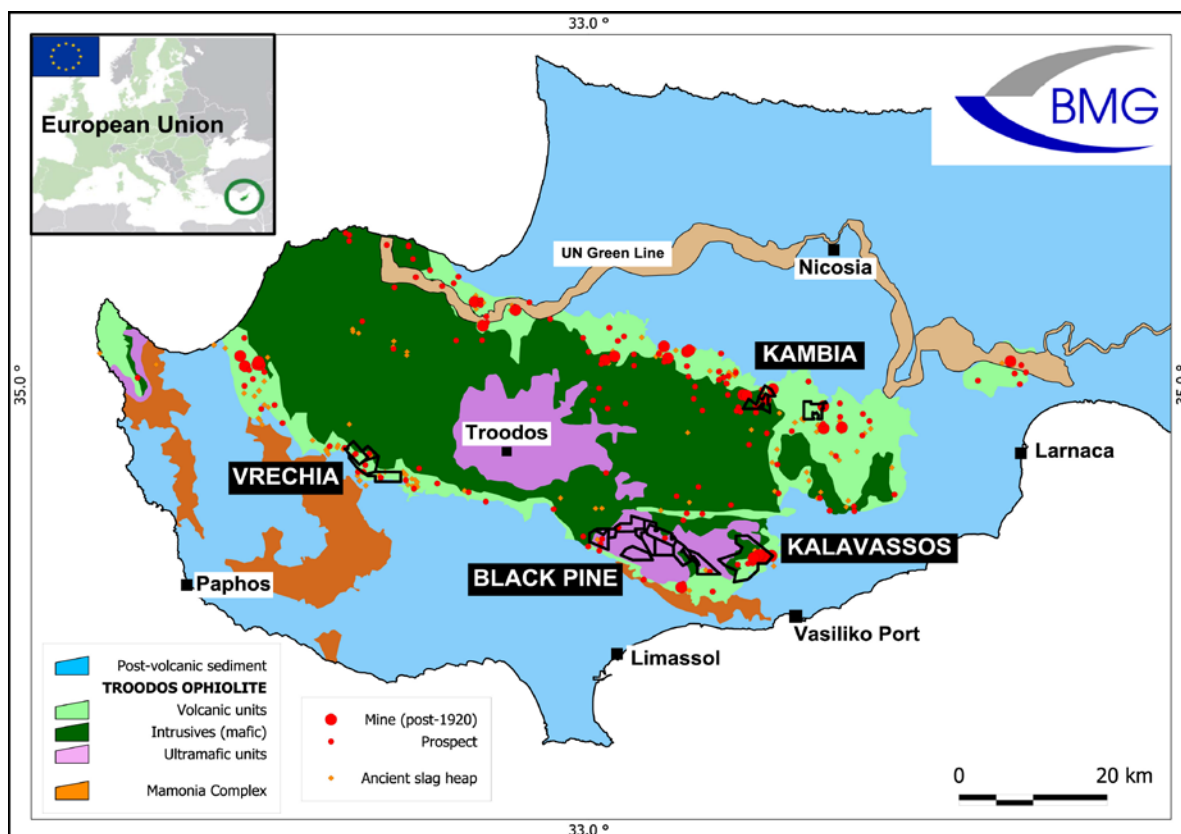


Figure 1: Treasure Project in Cyprus

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
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	

DIRECTOR'S REPORT

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 profit after providing for income tax for the half year ended 31 December 2016 amounted to \$171,713 due to debt forgiveness of accrued directors' fees and management fees which have been accrued in the prior periods as stated on the Right Issued Prospectus (December 2015: Loss \$2,985,350).

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

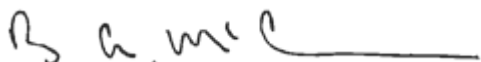
On 6 February 2017, BMG Resources Limited (BMG) has appointed Mr Greg Hancock to the board as a Non-Executive Director

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 2016.

Signed in accordance with a resolution of the Board of Directors



Bruce McCracken
Managing Director

Dated at Perth, Western Australia, this 14th of March 2017

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 2016, 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 2017

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

	Notes	31 December 2016 \$	31 December 2015 \$
Revenue		77	99
Other income	3	263,983	-
Employee benefits expense		-	(155,355)
Employee options expense (reversed)		-	116,994
Depreciation and amortisation expense		(1,110)	(6,285)
Accounting & audit fee		(10,080)	(35,307)
Management and service fees		-	(60,000)
Corporate and administration expenses		(49,988)	(52,374)
Write down of Assets classified as Held for Sale		-	(2,772,177)
Other expenses from ordinary activities		(13,050)	(20,945)
Share of net profit/(loss) of associates		(18,119)	-
PROFIT/(LOSS) BEFORE INCOME TAX		171,713	(2,985,350)
Income tax expense		-	-
PROFIT/(LOSS) FOR THE HALF YEAR AFTER TAX		171,713	(2,985,350)
Profit/(Loss) is attributable:			
Owners of BMG Resources Limited		171,713	(2,985,350)
NET PROFIT/(LOSS) FOR THE HALF YEAR		171,713	(2,985,350)
Other Comprehensive Profit/(Loss)			
Items that will be reclassified to Profit and Loss:			
Foreign Currency Translation Differences for Foreign Operations		-	92,303
		-	92,303
TOTAL COMPREHENSIVE PROFIT / (LOSS) FOR THE PERIOD		171,713	(2,893,047)
Basic profit/(loss) per share (cents per share)	9	0.187	(4.67)

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 2016**

	Notes	31 December 2016 \$	30 June 2016 \$
CURRENT ASSETS			
Cash and cash equivalents	4	1,618,997	29,056
Trade and other receivables		10,844	1,795
TOTAL CURRENT ASSETS		1,629,841	30,851
NON-CURRENT ASSETS			
Property, plant and equipment		6,003	7,112
Investment in Associate		10,145	28,265
TOTAL NON-CURRENT ASSETS		16,148	35,377
TOTAL ASSETS		1,645,989	66,228
CURRENT LIABILITIES			
Trade and other payables	5	28,800	3,099
Borrowings	6	153,940	1,163,979
TOTAL CURRENT LIABILITIES		182,740	1,167,078
TOTAL LIABILITIES		182,740	1,167,078
NET ASSETS/(NET ASSET DEFICIENCY)		1,463,249	(1,100,850)
EQUITY			
Contributed equity	7	42,190,030	39,797,644
Reserves		482,777	482,777
Accumulated Loss	8	(41,209,558)	(41,381,271)
TOTAL EQUITY/(TOTAL DEFICIENCY IN EQUITY)		1,463,249	(1,100,850)

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 2016**

	Issued Capital Ordinary \$	Accumulated Losses \$	Option Reserve \$	Foreign Currency 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

	Issued Capital Ordinary \$	Accumulated Losses \$	Option Reserve \$	Foreign Currency Reserve \$	Total \$
BALANCE AT 1 JULY 2015	39,797,644	(38,703,172)	599,770	435,050	2,129,292
Total comprehensive profit/(loss) for the half year	-	(2,985,350)	-	-	(2,985,350)
Foreign exchange movement	-	-	-	92,303	92,303
Transactions with owners in their capacity as owners:					
Employee share options (reversed)	-	-	(116,994)	-	(116,994)
BALANCE AT 31 DECEMBER 2015	39,797,644	(41,688,522)	482,776	527,353	(880,749)

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 2016**

		HALF YEAR	
		31 December 2016	31 December 2015
		\$	\$
Notes			
CASH FLOWS FROM OPERATING ACTIVITIES			
	Payments to suppliers and employees	(71,154)	(85,838)
	Interest received	77	97
	GST Refunded/(Paid)	-	1,214
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES		(71,077)	(84,527)
CASH FLOWS FROM INVESTING ACTIVITIES			
	Payments for exploration and evaluation	-	(52,544)
NET CASH (OUTFLOW) IN INVESTING ACTIVITIES		-	(52,544)
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)	-
	Proceed on borrowings	43,343	121,876
NET CASH INFLOW FROM FINANCING ACTIVITIES		1,661,018	121,876
NET DECREASE IN CASH HELD		1,589,941	(15,195)
	Cash and cash equivalents at the beginning of half year	29,056	65,133
	Effect of exchange rates on cash holdings in foreign currencies	-	(10,274)
CASH AND CASH EQUIVALENTS AT THE END OF HALF YEAR	4	1,618,997	39,664

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

NOTES TO THE 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 2016, together with any public announcements made during the half year ended 31 December 2016 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 14 March 2017.

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 2016.

(c) Adoption of new and revised accounting standards

In the half year ended 31 December 2016, 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 2016.

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 2016. 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 Company accounting policies.

NOTES TO THE 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 2016 is as follows:

Segment Performance

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

Six months ended 31 December 2015

	Exploration (Cyprus) \$	Corporate (Australia) \$	Total Consolidated Entity \$
External revenues	99	-	99
Corporate and administration	(6,368)	(106,925)	(113,293)
Depreciation and amortisation expense	(4,720)	(1,565)	(6,285)
Assets held for sales write off	(2,772,177)	-	(2,772,177)
Employee option expenses	-	116,994	116,994
Other expenses	(9,095)	(201,593)	(211,607)
Reportable segment profit/(loss) before income tax	(2,792,261)	(193,089)	(2,985,350)

NOTES TO THE FINANCIAL STATEMENT

Segment Assets and Liabilities

31 December 2016	Exploration (Cyprus) \$	Corporate (Australia) \$	Total Consolidated Entity \$
Assets			
Current assets	-	1,629,841	1,629,841
Property, plant and equipment	-	6,003	6,003
Exploration and evaluation expenditure	10,145	-	10,145
Total Segment Assets	10,145	1,635,844	1,645,989
Current liabilities	-	(182,740)	(182,740)
Total Segment Liabilities	-	(182,740)	(182,740)
Net Assets/(Liabilities) Employed	10,145	1,453,104	1,463,249

30 June 2016	Exploration (Cyprus) \$	Corporate (Australia) \$	Total Consolidated Entity \$
Assets			
Current assets	-	30,851	30,851
Property, plant and equipment	-	7,112	7,112
Investment in Associate	28,264	-	28,264
Total Segment Assets	28,264	37,963	66,277
Total Segment Liabilities	-	(1,167,078)	(1,167,078)
Net Assets/(Liabilities) Employed	28,264	(1,129,115)	(1,100,850)

3. OTHER INCOME

	31 December 2016 \$	31 December 2015 \$
Directors' Fee reduction	223,183	-
Management Fees reduction	40,800	-
	263,983	-

The Directors' fee and management fee reduction relates to the forgiveness of accrued directors' fee and management fees that had been accrued to 30 June 2016.

NOTES TO THE FINANCIAL STATEMENT

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the Consolidated Statement of Cash Flows comprise the following Consolidated Statement of Financial Position amounts:

	31 December 2016 \$	30 June 2016 \$
Cash at bank and on hand (as per Statement of Cash Flows)	1,618,997	29,056
Cash and cash equivalents	1,618,997	29,056

During this half year, the Company completed a right issue raising for a total value of \$1,792,629 in cash and \$774,712 was in non-cash due to converting liabilities to shares. The movement in cash could be seen on the Consolidated Statement of Cash Flow on Page 11.

5. TRADE AND OTHER PAYABLES

	31 December 2016 \$	30 June 2016 \$
CURRENT LIABILITIES		
Trade creditors and accruals	28,800	3,099
	28,800	3,099

6. BORROWINGS

	31 December 2016 \$	30 June 2016 \$
Current Liabilities		
Borrowings (Transcontinental Investments)*	44,493	348,657
Other creditors (Accrued Management Fees)	-	255,000
Other creditors (Accrued Fees)**	109,447	560,322
	153,940	1,163,979

*There is no interest charge on this loan and it was fully repaid on 19 January 2017.

**All Accrued Directors' fees have been settled by the issue of shares and amounts forgiven. The balance of unpaid Directors fee is \$23,914 which has been paid in cash to Malcolm Castle on 20 February 2017. The other accrued amount relates to PAYG and Superannuation has been paid by 7 February 2017.

NOTES TO THE FINANCIAL STATEMENT

7. CONTRIBUTED EQUITY

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

	31 December 2016 \$	30 June 2016 \$
Balance at the start of the period	39,797,644	39,797,644
Shares issued to settle Accrued Directors' fees, Management fees and cash advance under Right Issue	774,712	-
Issue of shares under Rights Issue	1,792,628	-
Cost of Share Issue	(174,954)	-
Balance at the end of the period	42,190,030	39,797,644

(a) Movements of share capital during the half year

Date	Details	No of shares	Issue price\$	\$
01.07.2016	Opening Balance 63,922,852 fully paid ordinary shares (June 15: 63,922,852)	63,922,852	-	39,797,644
16.12.2016	Conversion of Transcontinental Investments cash advance loan to equity under Right Issue	43,438,375	\$0.008	347,507
16.12.2016	Conversion of Transcontinental Investments accrued management fees to equity under Right Issue	26,775,000	\$0.008	214,200
16.12.2016	Conversion of Bruce McCracken's accrued director fees to equity under Right Issue	17,433,375	\$0.008	139,467
16.12.2016	Conversion of Christopher Eager's accrued director fees to equity under Right Issue	3,750,000	\$0.008	30,000
16.12.2016	Conversion of Malcolm Castle's accrued director fees to equity under Right Issue	5,442,220	\$0.008	43,538
16.12.2016	Issue of shares under Rights Issue	222,775,290	\$0.008	1,792,628
16.12.2016	Cost of share issue	-	-	(174,954)
Closing Balance as at 31 December 2016		383,537,112	-	42,190,030

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.

NOTES TO THE FINANCIAL STATEMENT

8. ACCUMULATED LOSS

	31 December 2016 \$	30 June 2016 \$
Accumulated loss at the beginning of the half year	(41,381,271)	(38,703,172)
Net profit/(loss) attributable to shareholders for the years	171,713	(2,678,099)
Accumulated loss at the end of the half year	(41,209,558)	(41,381,271)

9. LOSS PER SHARE

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

	31 December 2016 \$	31 December 2015 \$
(a) Reconciliation of earnings to profit or loss		
Net profit/(loss) used in calculating basic loss per share	171,713	(2,985,350)
(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	91,715,397	63,922,852

Effect of dilutive securities: Share Options are not considered dilutive as the options are out of the money at 31 December 2016.

10. 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 2016.

11. DIVIDENDS

The Company has not paid or provided for dividends during this half year (2015: Nil).

12. COMMITMENTS

There is no commitment during this half year ended 31 December 2016.

13. RELATED PARTY INFORMATION

During this half year, all the accrued directors' fee and management fees have been settled by shares and partial forgiveness of accrued directors' fee and management fees that had been accrued to 30 June 2016.

There is no related party transactions during this half year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENT

14. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 6 February 2017, BMG Resources Limited (BMG) has appointed Mr Greg Hancock to the board as a Non-Executive Director.

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

15. 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.

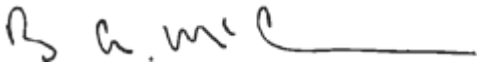
DIRECTORS DECLARATION

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

1. The financial statements and notes set out on pages 8 to 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 2016 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

A handwritten signature in black ink, appearing to read 'B. McCracken', followed by a horizontal line extending to the right.

Bruce McCracken

Managing Director

Dated at Perth, Western Australia, this 14th of March 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of BMG Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of BMG Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2016, 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 ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

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 consolidated entity's financial position as at 31 December 2016 and its 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 BMG Resources Limited, 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 BMG Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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 BMG Resources Limited is not in accordance with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink. The first line reads 'BDO' and the second line reads 'J Prue'.

Jarrad Prue

Director

Perth, 14 March 2017