



QUARTERLY ACTIVITIES REPORT

For the Quarter to 30 June 2014

HIGHLIGHTS

- Preparation completed for drilling at Pevkos Nickel-Copper-Cobalt-Gold Sulphide Prospect in Cyprus (now underway)
- Drilling at Mala Copper-Gold Sulphide Prospect to start immediately after Pevkos
- Grant of licence covering the historic copper mining centre at Kalavassos, Cyprus

During the quarter, BMG Resources Limited (the “Company”; ASX: BMG) prepared for Reverse-Circulation (RC) drilling at the Pevkos Nickel-Copper-Cobalt-Gold Sulphide Prospect in Cyprus (which commenced in July). Drilling is progressing well with first assays expected in mid to late August. Immediately following completion of the Pevkos program drilling will shift to the Company’s Mala Copper-Gold Prospect. A licence covering the entire historic Kalavassos copper mining centre was also granted during the quarter. Regional prospecting continued across all of BMG’s tenure and the initial review of the Kambia Project now complete.

PEVKOS PROSPECT – (NICKEL-COPPER-COBALT-GOLD SULPHIDES)

Preparation and planning progressed for RC drilling at the Pevkos Prospect (which commenced in July) where two zones of massive and disseminated sulphide within an ultramafic complex are being targeted. Historic work focused on the copper-only potential of both massive sulphide zones and included excavating small tunnels and drilling. At the time, development was not considered feasible because the copper could not be extracted successfully from the pyrrhotite-rich ore at the nearby Vasilikos facility, which was designed to process copper-rich pyrite ore. Pyrrhotite ore is now processed at numerous facilities around the world. It is now known that the massive sulphide at Pevkos contains high-grade Nickel-Copper-Cobalt-Gold. For example, massive sulphide sample CYP08074 from the Western waste pile returned 3.67 % Nickel, 3.09 % Copper, 0.28 % Cobalt and 7.58 g/t Gold, and sample BPP13001 from the exposed Eastern Lode gossan returned 1.98 % Nickel, 0.35 % Copper, 0.26 % Cobalt and 18.25 g/t Gold. The historic work determined that the Eastern Lode extends for at least 130 metres along strike and more than 200 metres down-dip. The Western Lode appears to be more complicated and is probably disrupted by later faults.

To better constrain the sub-surface location of the Eastern Lode, a fixed-loop transient electromagnetic (TEM) survey was completed in 2010 by Australian geophysical contractor Qantec Geoscience Pty Ltd. On two adjacent 80 metre-spaced lines the EM survey identified a very strong

southwest-dipping conductor which extends down-dip from the massive sulphide outcrop. This conductor also correlates with historic drilling results, albeit about 90 metres northeast along strike.

The current drilling programme at Pevkos is targeting two (2) holes at the Eastern Lode TEM conductor, while a further drill hole is aimed beneath the historic Eastern Lode workings. Two (2) holes are also targeting the Western Lode with one hole aimed beneath the historic workings and the second hole twinning a historic hole which intersected a broad sulphide zone.

Drilling services are being provided by Reflex Drilling Limited who has provided an Australian-designed multi-purpose RC/diamond drill-rig. The current RC programme is using a 5.5 inch face-sampling hammer with automatic blow down for each metre. The set-up greatly reduces the chance of cross-contamination between samples. Penetration rates at Pevkos have been good and there has been minimal water thus far. BMG will update the market after all the drill holes at Pevkos have been completed. Assay results will follow a few weeks later.

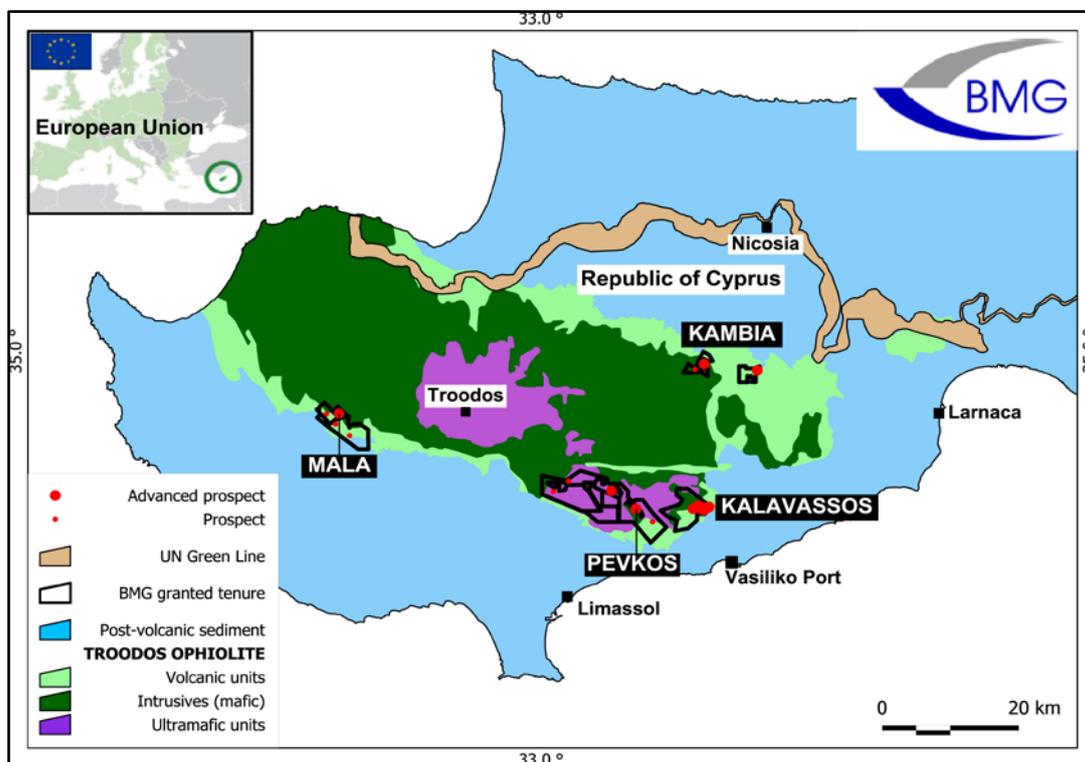


Figure 1: BMG's prospects and licences in Cyprus

MALA PROSPECT – (VOLCANIC-HOSTED MASSIVE SULPHIDE COPPER-GOLD)

RC drilling is also planned at the Mala Prospect, where high-grade Copper-Zinc-Gold-Silver is found within massive sulphide accumulations related to seafloor volcanics. Previous drilling at Mala identified high-grade copper and zinc near the top of a buried massive sulphide (pyrite) body. Eight adjacent drill holes returned intervals with maximum grades >2 % copper. No drill samples were tested for gold, however, historical surface sampling revealed widespread gold anomalism in the area with 17 of 115 samples returning >0.5 g/t gold. A modest open-cut mine was developed in the 1980's to extract high-grade pyrite. Reconciling the existing open-pit configuration with the defined high-grade copper domain indicates that most of the high-grade copper remains in situ. The

upcoming drilling programme aims to confirm and extend the previous high-grade copper results but with gold assays. Drilling will target areas mainly within or immediately around the pit.

KALAVASSOS PROJECT (VOLCANIC-HOSTED MASSIVE SULPHIDE COPPER-GOLD)

BMG has been granted a licence covering the entire Kalavassos Mineral Field; one of the most important historic copper mining districts in Cyprus. Thirteen (13) copper-rich sulphide bodies were discovered and mined from 1937 to 1977. Total production is recorded as 4,680,900 tonnes at between 0.5 and 3.0 % Copper, including 4.62 million tonnes at >1.0 % Copper. Gold and silver assays from the sulphide bodies are not known, although 61,450 tonnes of oxide material were mined between 1937 and 1943 to produce 16,490 ounces Gold (8.3 g/t) and 34,740 ounces Silver (17.6 g/t). Official records refer to a combined total of 2.28 million tonnes of massive sulphide being left in some of the mines at unspecified copper grade. These details were collated by the Cyprus Government each year, probably to calculate royalty payments, using production figures provided by the Hellenic Mining Company (private mine operator of all the Kalavassos Mines) and included estimates of the remaining material to be mined. The methods to calculate these historic estimates are not known and should be considered indicative only.

BMG's new licence (AE4547) is located on the southern flank of the Troodos Mountains, about 20 km east of the major port city of Limassol, but only 10 km uphill from the bulk-handling port and industrial complex of Vasiliko. The licence is 10.2 km² and covers all of the abandoned mines within the Kalavassos Mineral Field. The copper ore from Kalavassos was previously processed at Vasiliko.

A preliminary assessment of the archival material held by the Cyprus Geological Survey Department has been completed. The archive contains maps covering all of the historic mines at Kalavassos, including details of the progress of underground mining. There are reports and maps of the local geology and graphical drill logs. The archive is extensive and there appears to be sufficient material to provide reasonable constraints for most of the underground workings. The archive is currently being scanned and more thorough assessment will be undertaken to integrate this information into BMG's mapping systems.

Mine	Years of operation	Mining method	Ore mined (tonnes)	Copper %	Sulphur %	Residual (tonnes)
Kalavassos	1937-1956	Underground	1,910,000	1.0-2.5	33	
Mousoulos	1964-1976	Underground	1,660,000	1.0-2.5	40	940,000 (mainly sulphur ore)
Mavridhia	1971-1977	Open cut	400,000	1.5	30-40	200,000
Petra	1953-1957	Underground	226,000	1.0-2.5	25-46	300,000
Landaria	1963-1964	Underground	65,000	0.5	35-46	250,000
Mavri Sykia1	1954-1962	Underground	269,000	1.5-2.5	30-46	
Mavri Sykia2	1970-1977	Open cut	107,000	1.5-2.5	30-46	590,000
Platies	1955-1958	Glory hole	43,900	2.5-3.0	46	

Table 1: Published production and residual figures for Kalavassos copper deposits (Cyprus Geological Survey Department)

KAMBIA PROJECT (VOLCANIC-HOSTED MASSIVE SULPHIDE COPPER-GOLD)

During the quarter, a review of the Kambia Project was completed with a number of target areas identified for further work. The review integrated archival data with recent satellite imagery and field work complemented with hand-held XRF analyses. Areas identified with very high prospectivity for Copper-Gold were near the Kokkinochoma and Mathiatis Mines and the Pitharochoma Prospect. More detailed work is planned at these areas to define Copper-Gold drill targets. The review also recommended that three (3) exploration licences not be renewed.

CORPORATE

The following ASX announcements regarding BMG's activities and projects were released since the last quarterly report.

Date	Headline
21/07/2014	Drilling Underway at Pevkos Nickel-Copper-Cobalt-Gold Sulphide Targets
16/07/2014	Contractor Now on Site at Pevkos and Preparing to Drill Nickel-Copper-Cobalt-Gold Sulphide Targets This Week
30/06/2014	Drilling to Commence at Cyprus Nickel-Copper-Cobalt-Gold Sulphide Targets
29/05/2014	New Licence Approved at Historic Kalavassos Copper Mines, Cyprus

TENEMENTS

During the Quarter, BMG was granted one (1) reconnaissance licence and three (3) exploration and two (2) reconnaissance licences were not renewed (see table below).

Project	Licence number	Status	Interest (%)	Notes	Activity during the quarter
BLACK PINE	EA4314	granted	100		
	EA4316	granted	100		
	EA4317	granted	100		
	EA4318	granted	100		
	EA4456	granted	100		
	AE4461	granted	100	reconnaissance	
	AE4464	application	100	reconnaissance	
	AE4465	granted	100	reconnaissance	
	AE4467	application	100	reconnaissance	now AE4547
	AE4492	granted	100	reconnaissance	not renewed
VRECHIA	EA4313	granted	100		
	EA4457	granted	100		
	AE4462	granted	100	reconnaissance	

KALAVASSOS	AE4547	granted	100	reconnaissance	granted
KAMBIA	EA4315	granted	100		
	EA4447	granted	100		
	EA4448	granted	100		
	EA4449	granted	100		not renewed
	EA4452	granted	100		not renewed
	EA4453	granted	100		not renewed
	AE4466	granted	100	reconnaissance	not renewed

ENDS

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COMPETENT PERSON'S STATEMENT

The information in this report that relates to Exploration Results is based on information compiled by Dr Michael Green, a Competent Person who is a Member of the Australian Institute of Geoscientists (MAIG). Dr Green is a full-time employee and executive director of BMG Resources Limited. Dr Green has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Green consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The results referenced herein for the Pevkos Prospect (Black Pine) were reported to the ASX on:

- **25 January 2013 – Independent geologist's report on the base and precious metal assets of Treasure Development in the Republic of Cyprus (SRK Consulting Australasia)**
- **16 April 2013 – High grade assays returned at Treasure copper-gold project**
- **23 April 2014 – Vrechia and Black Pine Update**

These results were prepared and first disclosed under the 2004 JORC Code. They have not been updated since to comply with the 2012 JORC Code on the basis that the information has not materially changed since it was reported. The Company is not aware of any new information or data that materially affect the information included in the relevant announcements.

The results referenced herein for the Mala Prospect (Vrechia Project) were reported to the ASX on:

- **18 December 2013 - High Grade Copper-Zinc Mineralisation at Mala Prospect – Vrechia**
- **23 April 2014 – Drilling Program Planned for High-Priority Copper-Gold Targets at Mala (Vrechia) and Pevkos (Black Pine) in Cyprus**

under the 2012 JORC Code. There have been no material changes since these results were last reported.

The results referenced herein for the Kalavassos Project were reported to the ASX on:

- **29 May 2014 – New Licence Approved at Historic Kalavassos Copper Mines, Cyprus**
- **30 June 2014 – Drilling to Commence at Cyprus Nickel-Copper-Cobalt-Gold Sulphide Targets under the 2012 JORC Code. There have been no material changes since these results were last reported.**

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, 01/05/2013

Name of entity

BMG RESOURCES LTD

ABN

96 107 118 678

Quarter ended ("current quarter")

30 June 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(220)	(1,160)
(b) development	-	-
(c) production	-	-
(d) administration	(60)	(575)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	7	50
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(273)	(1,685)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(273)	(1,685)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(273)	(1,685)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(273)	(1,685)
1.20	Cash at beginning of quarter/year to date	974	2,350
1.21	Exchange rate adjustments to item 1.20	(4)	32
1.22	Cash at end of quarter	697	697

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	55
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	Payment of consulting fees to directors & salaries to employees, administration fees and office space cost paid to director related entities.	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
- | |
|------|
| None |
|------|
- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest
- | |
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| |
|--|

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	200
4.2	Development	-
4.3	Production	-
4.4	Administration	80
Total		280

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	97	56
5.2 Deposits at call	600	918
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	697	974

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	None		
6.2	Interests in mining tenements and petroleum tenements acquired or increased	None		

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	629,227,732	629,227,732		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
	1,500,000	-	\$0.22	09 December 2014
	1,400,000	-	\$0.20	01 July 2016
	2,600,000	-	\$0.22	01 July 2016
	5,000,000	-	\$0.035	13 December 2016
	5,000,000	-	\$0.05	
	5,000,000	-	\$0.035	
	5,000,000	-	\$0.04	
	5,000,000	-	\$0.045	
	10,000,000	-	\$0.05	
	3,000,000	-	\$0.035	
	3,000,000	-	\$0.04	
	3,000,000	-	\$0.045	
	8,000,000	-	\$0.05	
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.



31 July 2014

Sign here: Date:
(Director/Company secretary)

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.