BMG RESOURCES LIMITED

ACN 107 118 673

Consolidated Interim Financial Report
For the Half Year Ended
31 December 2019

CONTENTS

CORPORATE DIRECTORY

DIRECTORS

Gregory Hancock	Non-Executive Chairman
Bruce McCracken	Managing Director
Simon Trevisan	Non-Executive Director
Malcolm Castle	Non-Executive Director

COMPANY SECRETARY

Sean Meakin

REGISTERED AND PRINCIPAL OFFICE

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AUDITORS

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HOME EXCHANGE

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ASX Code: BMG

SOLICITORS

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Level 17
225 St Georges Terrace
PERTH WA 6000

BANKERS

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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 2019 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 (Non-Executive Chairman)
- Bruce McCracken (Managing Director)
- Simon Trevisan (Non-Executive Director)
- Malcolm Castle (Non-Executive Director)

All Directors have been in office for the entire period.

OPERATIONS REPORT

During the half BMG progressed its work program in Chile with the completion of its maiden drilling campaign at Salar West in the Atacama region, and the commencement of initial sampling work on its prospective Natalie and Pajonales claims.

The drilling at Salar West targeted the highly conductive zone on line L4 of the March 2019 TEM Geophysics, concluding at a depth of 176m. This conductive unit was consistent with the electrical signature for hypersaline lithium-bearing brine, and hence prioritised for drilling. The sediments encountered throughout the hole were broadly consistent with the San Pedro Formation, however the drilling demonstrated that the geological unit in this location was predominantly clay with unfavourable characteristics for brine extraction, and analysis of the extracted brine samples found only dilute concentrations of lithium to be present.

While the potential for deeper Lithium brines at Salar West remains and will require further analysis, the Company prioritised an evaluation of the other JV areas – Pajonales and Natalie. These are conventional brine targets, either beneath the salar (salt lake) surface, under gravels or under volcanic ash units around the margins of these salars.

The properties in Pajonales are located around the eastern, southern and western limits of the salar, over some areas of salt crust and also volcanic ash, Ignimbrites and volcanic rocks that are interpreted to potentially cover parts of the salar, with the potential to intersect brine beneath these rocks beyond the current extent of the salar.

This sampling confirmed that brine is present at approximately 0.7m below the surface of the salar, around an elevation of 3,540m above sea level. The water table became progressively deeper around the salar margins where volcanic ash, ignimbrites and volcanic rocks possibly postdate the initial formation of the salar hosting the brine. As a result, BMG was unable to collect all planned samples across the project area, in particular those located outside the current salar footprint, as they are covered with the volcanic rocks. The possibility remains for the salar and brine to continue beneath these areas.

BMG plans to test this using geophysics, and possibly drilling, at a later stage, once the results of the shallow sampling have been fully integrated with other information.

The properties in the Natalie Salar cover most of the salar and the alluvial fan immediately to the east, which potentially covers buried salar sediments hosting brine. During the December quarter, BMG continued discussions with local indigenous communities in relation to the Company's proposed exploration works. BMG hoped to complete the surface brine sampling prior to the period of seasonal rain. However, sampling was delayed by unseasonably bad weather, with local flooding preventing access to the area. The sampling will be conducted once the fresh water dissipates, as there is otherwise a risk it could dilute the brine concentrations during sampling.

The Company is currently engaging with its JV partner to extend the initial 12-month milestone date beyond May 2020 for the Chilean project earn-in, given unforeseen delays which have affected the work program. Discussions have been constructive, and the Company is hopeful that the JV partner will agree to extend the first milestone date.

Treasure Project, Cyprus

The Company retains a 30% free-carried interest in the Treasure Project in Cyprus. The Treasure Project comprises nine exploration licences covering a total geographical area of 31.56km2. The Treasure Project's operator, New Cyprus Copper Company Limited, is the majority shareholder and is responsible for maintaining and progressing the project.

New Strategic Investment Opportunities

During the half the Company continued to seek and evaluate new investment opportunities to complement the Company's existing mineral projects.

The Company has some attractive opportunities currently under review, and is hopeful of making further progress during the second half.

Corporate

During the half year, the Company issued 346,502,263 Options to investors who held BMGOA options on or before 30 June 2019 which expired on 30 June 2019, for a price of $0.001 per Option. These Options, with an ASX code of BMGOB, were issued with an exercise price of $0.020, and were exercisable on or before 31 December 2019. There were no BMGOB options exercised during the period and all Options lapsed at 31 December 2019.

The Company held its Annual General Meeting on 25 November 2019 where Mr Malcolm Castle was re-elected as a director of the Company.

The Company has been carefully managing its cash resources, and in the interests of cash-flow management the Non-Executive Directors, being Messrs Greg Hancock, Simon Trevisan and Malcolm Castle, agreed to accrue 50% of their monthly remuneration from 1 January 2020. Tribis Pty Ltd, a major shareholder and related party to Mr Simon Trevisan, with whom the Company has an administrative services agreement, also agreed to accrue 50% of its monthly fee from 1 January 2020.

These arrangements will continue until the board considers it appropriate to resume paying its Non-executive directors and Tribis Pty Ltd at their agreed rates.

DIRECTORS' 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 loss after providing for income tax for the half year ended 31 December 2019 amounted to $647,934 (December 2018: loss $395,031).

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 2019.

Signed in accordance with a resolution of the Board of Directors

Gregory Hancock
Non-Executive Chairman

Dated at Perth, Western Australia, this 13th day of March 2020

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DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF BMG RESOURCES LIMITED

As lead auditor for the review of BMG Resources Limited for the half-year ended 31 December 2019, 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 entities it controlled during the period.

Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 13 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Notes	31 December 2019 $	31 December 2018 $
Interest Received		3,172	6,735
Corporate and administration expenses		(125,341)	(159,316)
Accounting & audit fee		(17,105)	(15,324)
Depreciation and amortisation expenses		(342)	(342)
Director Remuneration		(156,675)	(107,700)
Administration services fee	8	(104,000)	(72,000)
Share Based Payment Expenses	8	(127,903)	-
Other expenses from ordinary activities		(105,490)	(41,793)
Exchange gain/(loss) from Ordinary Activities		(14,250)	-
Share of net profit/(loss) of associates		-	(5,007)
(LOSS) BEFORE INCOME TAX		**(647,934)**	**(395,031)**
Income tax expense		-	-
(LOSS) FOR THE HALF YEAR AFTER TAX		**(647,934)**	**(395,031)**
Profit/(Loss) is attributable to:			
Owners of BMG Resources Limited		**(647,934)**	**(395,031)**
NET (LOSS) FOR THE HALF YEAR		**(647,934)**	**(395,031)**
Other Comprehensive Profit/(Loss)		(10,602)	-
TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD		**(658,536)**	**(395,031)**
Basic (loss) per share (cents per share)	7	(0.11)	(0.10)

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 2019

	Notes	31 December 2019 $	30 June 2019 $
CURRENT ASSETS			
Cash and cash equivalents	5	391,886	1,551,720
Trade and other receivables		16,652	18,399
TOTAL CURRENT ASSETS		**408,538**	**1,570,119**
NON-CURRENT ASSETS			
Property, Plant and Equipment		1,367	1,708
Exploration and Evaluation Assets	4	1,107,656	529,159
TOTAL NON-CURRENT ASSETS		**1,109,023**	**530,867**
TOTAL ASSETS		**1,517,561**	**2,100,986**
CURRENT LIABILITIES			
JV Interest consideration payable		-	355,684
Trade and other payables		35,746	144,936
TOTAL CURRENT LIABILITIES		35,746	500,620
TOTAL LIABILITIES		**35,746**	**500,620**
NET ASSETS		**1,481,815**	**1,600,366**
EQUITY			
Contributed equity	6	43,916,393	43,582,596
Reserves		326,093	130,507
Accumulated (Loss)		(42,760,671)	(42,112,737)
TOTAL EQUITY		**1,481,815**	**1,600,366**

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 2019

	Notes	Issued Capital Ordinary	Accumulated Losses	Share Based Payment Reserve	Options Reserve	Foreign Currency Reserve	Total Reserves	Total
		$	$	$	$	$	$	$
BALANCE AT 1 JULY 2019		43,582,596	(42,112,737)	130,450	-	57	130,507	1,600,366
(Loss) for the half year		-	(647,934)	-	-	-	-	(647,934)
Other comprehensive loss		-	-	-	-	(10,602)	(10,602)	(10,602)
Total comprehensive loss for the period			(647,934)			(10,602)	(10,602)	(658,536)
Transactions with owners in their capacity as owners:								
Issue of shares for services	6	121,500	-	-	-	-	-	121,500
Issue of Options to Investors	6	-	-	-	314,452	-	314,452	314,452
Share based payment to Directors	8	236,167	-	(108,264)	-	-	(108,264)	127,903
Less Capital Raising Costs	6	(23,870)	-	-	-	-	-	(23,870)
BALANCE AT 31 DECEMBER 2019		**43,916,393**	**(42,760,671)**	**22,186**	**314,452**	**(10,545)**	**326,093**	**1,481,815**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	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	932,577	-	-	932,577
Less Capital Raising Costs	(93,842)	-	-	(93,842)
BALANCE AT 31 DECEMBER 2018	**43,043,339**	**(41,975,081)**	**482,777**	**1,551,035**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Notes	HALF YEAR 31 December 2019 $	 31 December 2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(442,435)	(268,699)
Interest received		3,172	6,735
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES		**(439,263)**	**(261,964)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation activity		(1,018,023)	-
JV exclusivity payment		**-**	(137,684)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		**(1,018,023)**	**(137,684)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net Proceeds from issue of Options	6	314,452	-
Proceeds from share issue		-	932,577
Transaction costs related to issues of shares	6	(6,371)	(49,086)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**308,081**	**883,491**
NET INCREASE/(DECREASE) IN CASH HELD		**(1,149,205)**	**483,843**
Cash and cash equivalents at the beginning of period		1,551,720	1,119,462
Foreign currency translation		(10,629)	-
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	5	**391,886**	**1,603,305**

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' or 'Group'). 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 2019, together with any public announcements made during the half year ended 31 December 2019 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 13 March 2020.

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

(b) New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Impact of Adoption of AASB 16 - Leases

The consolidated entity has adopted AASB 16 from 1 July 2019 using the retrospective modified approach and as such the comparatives have not been restated. The impact of adoption is not material to the financial statements.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(c) 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 2019.

(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 2019 the Group made a loss of $647,934 (2018: loss of $395,031) and had cash outflows from operating activities of $439,263 (2018: cash outflows from operating activities of $261,964).

The Directors have prepared a cash flow forecast for the period to March 2021, the forecast contemplates the completion of a capital raising to support the continued operation of the business.

Note 4 of this Interim Financial Report provides detail on the expenditure required by the Group to earn an initial interest in the Chilean Lithium Joint Venture, and accordingly to realise any economic benefit from the exploration and evaluation activity expenditure incurred to date.

For the Group to earn this interest in the Joint Venture during the 6-month period to 30 June 2020, it will be necessary for the Group to expend more funds than it has on hand. Accordingly, the ability of the Group to earn the interest whilst continuing as a Going Concern will be dependent upon the completion of an appropriate capital raising, in order to meet the necessary expenditure requirements.

Irrespective of whether the Group progresses to earn an interest in the Joint Venture, the ability of the Group to continue as a going concern is dependent on the successful completion of a capital raising and/or completion of an associated business combination.

These conditions indicate a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business.

The Directors believe that there are reasonable grounds that the Company and consolidated entity will continue as a going concern, after consideration of the following factors:

- As at 13 March 2020, the Group had $250,872 Cash and cash equivalents on hand;
- The consolidated entity has the ability to further manage its cash reserves, in the event capital raisings are delayed or insufficient cash is available to continue the operations of the business; and
- The Group is actively engaged in evaluating new investment opportunities, to complement the Group's existing mineral projects, in the event that the Group is unable to earn an in interest in the Chilean Lithium Joint Venture.

Should the consolidated entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustment relating to the recoverability and classification of recorded asset amounts, nor the amounts or classification of liabilities that might be necessary should the group not be able to continue as a going concern

2. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of components of the Group that are regularly reviewed by the Chief Operating Decision Maker (CODM) in order to allocate resources to the segment and to assess its performance. The Chief Operating Decision Maker of the Group is the Board of Directors. One segment is identified, being the Chilean exploration activity. The Group's principal activity is lithium exploration.

This segment has been determined on the basis of geography and the nature of activities, being exploration activity in Chile.

(a) Segment Performance

Half year ended 31 December 2019

	Exploration (Chile) ($)
Revenue	-
Segment Operating (Loss)	(144,235)
Material item within Segment Operating (Loss)	
Chilean VAT not recognised	(56,566)
Foreign Exchange Gain / (Loss)	(14,242)

Reconciliation of segment loss to consolidated net loss.

	Note	($)
Segment Operating (Loss)		(144,235)
Interest Income		3,172
Share based payments	8	(127,903)
Directors Remuneration		(156,675)
Administration Services Fee	8	(104,000)
Professional Services		(25,770)
Depreciation		(342)
Other expenses		(92,181)
Result, (loss) before income tax		**(647,934)**

For the reporting period to 31 December 2018, the CODM did not identify the Group 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.

(a) Segment Assets and Liabilities

31 December 2019

	Exploration (Chile) ($)	Unallocated ($)	Total Consolidated Entity ($)	Less intercompany balances ($)	Net Total Consolidated Entity ($)
Assets					
Cash and Cash at Bank	391,886	-	391,886	-	391,886
Loan receivable	-	641,561	641,561	(641,561)	-
Statutory Receivables	-	11,778	11,778	-	11,778

	Exploration (Chile) ($)	Unallocated ($)	Total Consolidated Entity ($)	Less intercompany balances ($)	Net Total Consolidated Entity ($)
Other Receivables	4,874	-	4,874	-	4,874
Current assets	**396,760**	**653,339**	**1,050,099**	**(641,561)**	**408,538**
Property, Plant and Equipment	-	1,367	1,367	-	1,367
Exploration and Evaluation Assets	1,107,656	-	1,107,656	-	1,107,656
Non-Current assets	**1,107,656**	**1,367**	**1,109,023**	**-**	**1,109,023**
Total Assets	**1,504,416**	**654,706**	**2,159,122**	**(641,561)**	**1,517,561**
Liabilities					
Loan payable	641,561	-	641,561	(641,561)	-
Trade and Other Payables	1,704	34,042	35,746	-	35,746
Current Liabilities	**643,265**	**34,042**	**677,307**	**(641,561)**	**35,746**
Total Liabilities	**643,265**	**34,042**	**677,307**	**(641,561)**	**35,746**
Net Assets	**861,151**	**620,664**	**1,481,815**	**-**	**1,481,815**

30 June 2019

	Exploration (Chile) ($)	Unallocated ($)	Total Consolidated Entity ($)	Less intercompany balances ($)	Net Total Consolidated Entity ($)
Assets					
Cash and Cash at Bank	1,551,720	-	1,551,720	-	1,551,720
Loan receivable	-	71,137	71,137	(71,137)	-
Statutory Receivables	-	18,399	18,399	-	18,399
Current assets	**1,551,720**	**89,536**	**1,641,256**	**(71,137)**	**1,570,119**
Property, Plant and Equipment	-	1,708	1,708	-	1,708
Exploration and Evaluation Assets	529,159	-	529,159	-	529,159
Non-Current assets	**529,159**	**1,708**	**530,867**	**-**	**530,867**
Total Assets	**2,080,879**	**91,244**	**2,172,123**	**(71,137)**	**2,100,986**
JV Interest Consideration Payable	355,684	-	355,684	-	355,684
Loan payable	71,137	-	71,137	(71,137)	-

	Exploration (Chile) ($)	Unallocated ($)	Total Consolidated Entity ($)	Less intercompany balances ($)	Net Total Consolidated Entity ($)
Trade and Other Payables	18,488	126,448	142,936	-	142,936
Current Liabilities	**445,309**	**126,448**	**571,757**	**(71,137)**	**500,620**
Total Liabilities	**445,309**	**126,448**	**571,757**	**(71,137)**	**500,620**
Net Assets	**1,635,570**	**(17,552)**	**1,600,366**	**-**	**1,600,366**

3. REVIEW OF OPERATIONS

Consolidated Statement of Profit or Loss and Other Comprehensive Income

The Group's loss result for the period has increased relative to the prior comparative period, the current period includes expenditure of a nature not incurred in the prior period including; share based payment expense, foreign exchange loss attributable to the Groups' Chilean operations, and Value Added Tax (V.A.T.) relating to Chilean expenditure for which the Group is unable to recognise as an asset.

Consolidated Statement of Financial Position

The Groups' net asset position has reduced from $1,600,366 to $1,481,815, a reduction of $118,551.

The reduction in net assets which would otherwise have occurred as a result of the net loss generated has been offset by an increase in the Groups' Exploration and Evaluation Assets.

Consolidated Statement of Changes in Equity

The Groups' issued capital has increased as a result of the issue of shares to settle fees owing for services performed and to settle share-based payment awards approved by shareholders during the period.

The Groups' reserves have increased by a net amount of $195,586, the increase relates to the issue of 346,502,263 BMGOB Options to investors who held BMGOA options held or before 30 June 2019 which expired on 30 June 2019. The Options were offered at a price of $0.001 per Option, net of costs the issue of the Options raised $314,452 which the Group used for necessary cash outlays relating to the Chilean Lithium Project Joint Venture, and for working capital.

Consolidated Statement of Cash Flows

The Group's cash flows for the period included:

- Outflows for operating expenditures, other than non-cash expenditure such as the value shares issued for services.
- Outflows for exploration and evaluation activity in Chile, including the settlement of a USD$250,000 consideration payment liability, relating to the Chilean Lithium Joint Venture, which the Group had recognised at 30 June 2019.
- An inflow from the issue of share options to investors.

4. JOINT VENTURE OPERATION

On 24 May 2019, the Group entered into a Share Purchase Agreement to enable the Company to earn up to a 50% interest in the Chilean Lithium Joint Venture: Lithium Chile SpA.

In September 2019 the Group concluded its maiden drilling program at Salar West, in the Atacama region of Chile, the Company targeted the primary area of low resistivity identified in the Company's Geophysical program, which indicated the potential for Lithium saturated brines. The drilling located a thin brine zone, but the Lithium concentrations were low. While the potential for deeper Lithium brines at Salar West remains and will require further analysis, the Company prioritised an evaluation of the other JV areas – Pajonales and Natalie - with some initial sampling, which is currently ongoing.

During the period, the Group incurred exploration and evaluation expenditure of $578,497 (USD$396,110), in addition to the consideration payment of $361,836 (USD$250,000), and this has been capitalised to the Group's Consolidated Statement of Financial Position in accordance with the Groups accounting policy for Exploration and Evaluation expenditure.

Consistent with terms currently agreed with the joint venture partner, Lithium Chile SpA, for the Group to earn an initial 20% interest in the Joint Venture, the Company must incur total exploration expenditure of USD$1,000,000 ('minimum required expenditure') in the year to 24 May 2020, in addition to the USD$250,000 consideration payment made on 29 August 2019.

A minimum 16% interest can be earned by incurring 80% of the minimum required expenditure, USD$800,000, by 24 May 2020. After incurring the minimum required expenditure, the Group would need to make a further consideration payment of USD$250,000 and issue shares of value USD$200,000 to earn an interest in the Joint Venture.

The Group is also engaging with its JV partner to extend the initial 12-month milestone date for the earn-in, given unforeseen delays which have affected the work program.

	31 December 2019 $		**30 June 2019 $**	
	AUD	**USD**	**AUD**	**USD**
Exploration activity				
Balance at the start of the period	**167,323**	**117,238**	**-**	
Expenditure for completion of exploration activity	578,497	396,110	167,323	117,238
Balance at the end of the period	**745,820**	**513,348**	**167,323**	**117,238**
Consideration payments				
Balance at the start of the period	**361,836**	**250,000**	**-**	
Initial Consideration Payment recognised	-	-	361,836	250,000
Balance at the end of the period	**361,836**	**250,000**	**361,836**	**250,000**
Total at end of period	**1,107,656**	**763,348**	**529,159**	**367,238**

5. CASH AND CASH EQUIVALENTS

	31 December 2019 ($)	30 June 2019 ($)
Cash at bank and in hand	391,886	1,551,720
	391,886	**1,551,720**

The decrease in Cash at bank is the result of exploration activity undertaken as part the Group's Joint Venture with Lithium Chile SpA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. CONTRIBUTED EQUITY

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

	Note	31 December 2019 ($)			30 June 2019 ($)		
		No. of shares	Issue price ($)	$	No. of shares	Issue price ($)	$
Balance at the start of the period		**557,732,376**		**43,582,596**	**386,037,138**		**42,204,604**
Issue of shares to Tribis Pty Ltd	8	8,000,000	$0.013	104,000	-	-	-
Issue of shares for professional services		1,250,000	$0.014	17,500	-	-	-
				121,500			
Share based payments (related parties)							
Issue of shares to Related Parties		8,166,667	$0.013	106,167	-	-	-
Issue of shares to Managing Director (settlement of Performance Rights)		10,000,000	$0.013	130,000	-	-	-
	8			**236,167**			
Issue of Shares under Placement to institutional and sophisticated investors		-	-	-	157,417,456	$0.009	1,416,757
Issue of shares under Securities Purchase Plan		-	-	-	14,277,782	$0.009	128,500
Cost of Share Issue		-	-	(23,870)[1]	-	-	(167,265)
Balance at the end of the period		**585,149,042**	**-**	**43,916,393**	**557,732,376**	**-**	**43,582,596**

[1] Includes the value of shares issued to a professional advisor in connection with a capital raising in the prior reporting period, the remaining share issue costs were settled via payment of cash.

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.

Options

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

Date of Expiry	Exercise Price	Grant Date	Balance at beginning of period	Granted during the period	Lapsed during the period	Balance at end of period
31.12.2019	$0.020	13.08.19	-	346,502,263	346,502,263	-
31.01.2022	$0.025	02.08.19	-	1,500,000	-	1,500,000
31.01.2022	$0.025	02.08.19	-	1,500,000	-	1,500,000
			-	**349,502,263**	**346,502,263**	**3,000,000**

There we no options exercised during the period to 31 December 2019.

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.5 years (2018–0.5 years).

Options issued to investors

During the half year, the Company issued 346,502,263 Options to investors who held BMGOA options on or before 30 June 2019 which expired on 30 June 2019, holders of BMGOA options were entitled to apply for 1 Option for every 1 every BMGOA option held at a price of $0.001 per Option. The issue of the Options generated gross proceeds of $346,502.

The Company incurred costs of $32,050 to issue these Options, the net proceeds from the issue of these Options, being $314,452, is recognised as an increase to the Group's 'Options reserve' on the Consolidated Statement of Changes in Equity.

These Options, with an ASX code of BMGOB were issued with an exercise price of $0.020, and were exercisable on or before 31 December 2019. There were no BMGOB options exercised during the period and all Options lapsed at 31 December 2019.

Options issued to a director and former director

Refer to note 8 for further detail on the issue of 1,500,000 Options to a current non-executive director and 1,500,000 Options to a former non-executive director.

Subject to shareholder approval, which was granted on 2 August 2019, these options vested, and the related expense was recognised, during the financial year ended 30 June 2019.

Performance Rights

On 8 August 2019, the Company issued 20,000,000 Performance Rights to its Managing Director, Mr Bruce McCracken, the terms of the Performance Rights were as follows:

Class	Vesting Condition	Entitlement
Tranche 1 Performance Rights	Satisfaction of each of the following conditions: (i) the proposed agreement between the Company and the owners of Lithium Chile SpA (LCS) as announced to ASX on 29 November 2018 being formally concluded; (ii) the Company raising a minimum of $1 million net of costs pursuant to its capital raising strategy as announced to ASX on 5 and 8 November 2018; and (iii) the successful completion of an initial drilling program at Salar West or other Lithium project areas.	10,000,000 Shares
Tranche 2 Performance Rights	The Tranche 1 Performance Rights vesting and a JORC Mineral Resource being defined on any mining exploration project held or controlled by the Group or LCS by 30 June 2020.	5,000,000 Shares
Tranche 3 Performance Rights	The Tranche 2 Performance Rights vesting and completion of positive feasibility within 12 months of a JORC Mineral Resource being defined on any mining exploration project held or controlled by the Group or LCS.	5,000,000 Shares

7. LOSS PER SHARE

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

	31 December 2019	31 December 2018
(a) Reconciliation of earnings to profit or loss		
Net (loss) used in calculating basic loss per share	$(647,934)	$(395,031)
(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	571,604,416	403,181,604
Calculated Basic (Loss) per share (cents per share)	(0.11)	(0.10)

Effect of dilutive securities: Share Options are not considered dilutive as the options are out of the money at 31 December 2019.

8. RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel

On 2 August 2019 shareholders approved the issue of Shares, Options and Performance Rights to related parties, including its Directors and former Director Mr Peter Munachen which had been awarded in the 2019 financial year.

Subsequently, on 8 August 2019 the following instruments where then issued:

	Total value, at date of shareholder approval	Value recognised in reserve in the period to 30 June 2019.	Expense recognised in current period	Transferred from reserve to share capital	Balance remaining in reserve
Mr Bruce McCracken					
6,666,666 Ordinary Shares	$86,667	$86,667	-	$86,667	-
20,000,000 Performance Rights[1]	$260,000	$2,097	$127,903	$130,000	-
Mr Malcolm Castle					
1,500,000 Ordinary Shares	$19,500	$19,500	-	$19,500	-
1,500,000 Share Options[2]	$11,093	$11,093	-	-	$11,093
Mr Peter Munachen[3]					
1,500,000 Share Options[2]	$11,093	$11,093	-	-	$11,093
		$130,450	**$127,903**	**$236,167**	**$22,186**[4]

[1]During the period to 31 December 2019, the first tranche of these Performance Rights vested and shares were issued to settle 10,000,000 Performance Rights. The remaining Performance Rights are not expected to vest and accordingly Mr McCracken is not expected to receive any benefit from these Tranche 2 and Tranche 3 Performance Rights.
[2]Options Exercisable at $0.025 on or before 31 January 2022.
[3]Mr Peter Munachen was a non-executive director of the Company for the period 2 January 2018 to 7 May 2019.
[4] $108,264 has been transferred from the Share Based Payment Reserve to Issued Capital in the period, to recognise the issue of shares to Mr Bruce McCracken and Mr Malcolm Castle.

In accordance with the Group's accounting policy for share based payments and accounting standard *AASB2 Share Based Payment*, the above awards have been valued at the date that shareholders approved the award, being 2 August 2019, when the Company's share price was $0.013.

Based on the Company's share price at 11 March 2020 of $0.003, the value of the benefit currently held by the above recipients is substantially lower than the values stated above.

On 8 August 2019, BMG Resources Limited issued 8,000,000 Ordinary Shares to Tribis Pty Ltd, in lieu of a cash payment for the value of administrative services provided during the period 1 July 2018 to 31 December 2018, being a debt of $72,000, equal to 6 months' fees at $12,000 per month. Tribis Pty Ltd is a related party of Non-executive Director Mr Simon Trevisan.

On 2 August 2019, being the date when shareholders approved the issue of shares to Tribis to settle this debt, the Company's share price was $0.013, and accordingly the value of consideration deemed to have been provided for these administration services for the 6 month period to 31 December 2018 is deemed to be $104,000, accordingly the value recognised on the Consolidated Statement of Profit or Loss and Other Comprehensive Income represents:

	Total value
Ordinary fee for the current reporting period, 6-months of fee's at $12,000 per month.	$72,000
Incremental fee provided for 6-month to 31 December 2018	$32,000
Total	**$104,000**

Full detail on these equity instruments and the reasoning for their issue is provided in the Group's 2019 Annual Financial Report (announced 30 September 2019) and the notice of meeting dispatched on 2 July 2019.

Issue of 'BMGOB' Options

During the half year, the Company issued 346,502,263 Options to investors who held BMGOA options on or before 30 June 2019 which expired on 30 June 2019, for a price of $0.001 per Option.

These options, with an ASX code of BMGOB were issued with an exercise price of $0.020, and were exercisable on or before 31 December 2019.

Company directors, or their related parties - Mr Simon Trevisan, Mr Bruce McCracken and Mr Malcolm Castle - held BMGOA Options and were therefore entitled to acquire BMGOB Options on the same terms as all other holders of BMGOA Options.

- A related entity of Mr Bruce McCracken acquired 5,000,000 BMGOB Options for consideration of $5,000
- Tribis Pty Ltd, a related party of Mr Simon Trevisan, acquired 36,773,354 BMGOB Options for consideration of $36,773.

All BMGOB Options expired unexercised on 31 December 2019.

Administration Services Agreement

The Group is party to an Administration Services Agreement with Tribis Pty Ltd which provides administration services to the Group on the terms and conditions set out in the agreement.

The terms of this Administration Services Agreement for the period to 31 December 2019 where consistent with the terms for the year to 30 June 2019.

Reduction in fees payable to Directors and their related parties.

On 25 November 2019, with effect from 1 January 2020, Company's non-executive directors - Mr Greg Hancock, Mr Malcolm Castle and Mr Simon Trevisan - have agreed to accrue 50% of their monthly director fee and receive 50% as a cash payment. The directors will continue to accrue their fees until the Company completes a necessary capital raising and when the Board considers it appropriate to resume paying directors at the ordinary rate.

Tribis Pty Ltd, a related party of Mr Simon Trevisan, with whom the company has an administration services agreement, has also agreed to accrue 50% of its monthly fee and receive 50% as a cash payment. Tribis will continue to accrue 50% of its monthly fee until the Company completes a necessary capital raising and when the Board considers it appropriate to resume paying Tribis at the agreed rate.

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 2019.

10. COMMITMENTS

There are no changes to the Group's commitments since 30 June 2019.

11. 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 26, 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 2019 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

G Hancock

Gregory Hancock
Non-Executive Chairman
Dated at Perth, Western Australia, this 13th day of March 2020

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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 subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, 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, 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 2019 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 *Corporations Regulations 2001*.

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 1(d) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

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 2019 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

Neil Smith

Director

Perth, 13 March 2020