



## ASX ANNOUNCEMENT

15 July 2019

# PROSPECTUS FOR OFFER OF NEW OPTIONS

BMG Resources Limited (**ASX: BMG**) (**BMG** or **the Company**) issues the attached prospectus for the offer of New Options and a Shortfall offer ('Offers') to those investors who were registered as a holder of BMGOA Options on or before 30 June 2019, which expired exercised or unexercised, and are resident in Australia or New Zealand.

The terms of the Offers is consistent with the Company's announcement of the proposed grant of new options to holders of BMGOA Options announced on 7 June 2019.

The offer of the New Options is subject to shareholder approval which is being sought at the Company's General Meeting being held on 2 August 2019.

**\*\*\*ENDS\*\*\***

**For further information, shareholders and media please contact:**

Sean Meakin, Company Secretary  
BMG Resources Limited  
Phone: +61 8 9424 9390  
Email: [enquiry@bmgl.com.au](mailto:enquiry@bmgl.com.au)

Website: [www.bmgl.com.au](http://www.bmgl.com.au)

## **BMG Resources Limited**

ACN 107 118 678



# **PROSPECTUS**

### **Options Offer and Shortfall Offer**

For the offer to Eligible Participants to subscribe for up to 346,502,334 New Options, exercisable at \$0.02 on or before 31 December 2019, at an issue price of \$0.001 each (**Options Offer**), on the basis of one (1) New Option for every one (1) BMGOA Option held on or before 30 June 2019, which expired exercised or unexercised, to raise up to \$346,502 before costs, and for the offer of the Shortfall to the Options Offer (**Shortfall Offer**) (together, **Offers**).

The Offers are subject to Shareholder approval of the issue of New Options at the forthcoming General Meeting of the Company to be held on 2 August 2019.

### **Offer Period**

The Offers open on **Tuesday, 23 July 2019** and close at 5.00pm (WST) on **Thursday, 8 August 2019**.

### **IMPORTANT NOTICE**

This Prospectus and the accompanying Application Forms contain important information about the Offers. Each document should be read in its entirety. Please read the instructions in this document and the accompanying Application Forms regarding making an application. You should speak to your professional advisors if you have any questions about the Offers or this Prospectus. The Securities offered by this Prospectus should be considered speculative.

# Important Information

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## General

This Prospectus is dated 15 July 2019 and was lodged with ASIC on that date. Neither ASIC nor ASX take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

This Prospectus is a transaction specific prospectus for an offer to purchase options to acquire 'continuously quoted securities' (as defined in the Corporations Act). It has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level as disclosure as an initial public offering or "full form" prospectus. In preparing this Prospectus, regard has been had to the fact that the Company is a 'disclosing entity' for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and their professional advisers.

New Options will not be issued on the basis of this Prospectus later than 13 months after the Prospectus Date.

## Electronic prospectus

This Prospectus may be viewed in electronic form at [www.bmgl.com.au](http://www.bmgl.com.au) by Australian and New Zealand investors only. The electronic version of this Prospectus is provided for information purposes only. A paper copy of the Prospectus may be obtained free of charge on request during an Offer Period by contacting the Company. The information on the Company's website does not form part of this Prospectus.

## Risk factors

Potential investors should be aware that subscribing for Securities in the Company involves a number of risks. The key risk factors are set out in Section 5 of this Prospectus. These risks together with other general risks applicable to all investments in quoted securities not specifically referred to, may affect the value of the Company's Securities in the future. An investment in the Company should be considered speculative. Investors should consider these risk factors in light of personal circumstances and should consider consulting their professional advisers before deciding whether to apply for New Options pursuant to this Prospectus.

## Overseas Applicants

This Prospectus is not, and is not intended to constitute, an offer, invitation or issue in any place in which, or to any person to whom, it would be unlawful to make such an offer, invitation or issue.

By applying for New Options, including by submitting an Application Form or making a payment using BPAY® an Applicant represents and warrants that there has been no breach of such laws.

The distribution of this Prospectus and accompanying Application Forms (including electronic copies) outside Australia and New Zealand may be restricted by law and persons who come into possession of these documents should observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. The Company disclaims all liability to such persons. Please refer to Section 3.8 for further information.

## Publicly available information

Information about the Company is publicly available and can be obtained from ASIC and ASX (including the

ASX website at [www.asx.com.au](http://www.asx.com.au)). The contents of any website or ASIC or ASX filing by the Company are not incorporated into this Prospectus and do not constitute part of the Offers. This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest in the Company or subscribe for New Options.

The Company has not authorised any person to give any information or make any representation in connection with an Offer which is not contained in this Prospectus. Any such extraneous information or representation may not be relied upon as having been authorised by the Company in connection with this Prospectus.

## Forward-looking statements

This Prospectus contains forward-looking statements that have been based on current expectations about future acts, events and circumstances, such as 'intends', 'may', 'could', 'believes', 'estimates', 'targets' or 'expects'. These forward-looking statements are subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward-looking statements.

Accordingly, the Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur. Further, except during an Offer Period and otherwise as required by law, the Company may not update or revise any forward-looking statement if events subsequently occur or information subsequently becomes available that affects the original forward-looking statement.

## Applications

Applications for New Options offered by this Prospectus can only be made on an original Application Form accompanying this Prospectus. Please read the instructions in this Prospectus and on the accompanying Application Forms regarding the acceptance of an Offer.

By returning an Application Form, lodging an Application Form with a stockbroker or otherwise arranging for payment of New Options in accordance with the instructions on the Application Form, an Applicant acknowledges that they have received and read this Prospectus, acted in accordance with the terms of the Offer to which the Application Form relates and agree to all of the terms and conditions as detailed in this Prospectus.

## Meaning of terms

Capitalised terms and certain other terms used in this Prospectus are defined in the Glossary in Section 10.

References to "\$", "A\$", "AUD", or "dollar" are references to Australian currency, unless otherwise stated.

References to time relate to the time in Perth, Western Australia, unless otherwise stated.

# Corporate Directory

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## Directors

Gregory Hancock  
Chairman

Bruce McCracken  
Managing Director

Simon Trevisan  
Non-Executive Director

Malcolm John Castle  
Non-Executive Director

## Company Secretary

Sean Meakin

## Registered Office

BMG Resources Limited  
Level 14, 225 St Georges Terrace  
PERTH WA 6000

T: +61 8 9424 9320

F: +61 8 9321 5932

Email: [enquiry@bmgl.com.au](mailto:enquiry@bmgl.com.au)

Web: [www.bmgl.com.au](http://www.bmgl.com.au)

## ASX Code

BMG – Shares

## Website

[www.bmgl.com.au](http://www.bmgl.com.au)

## Solicitors to the Company

Jackson McDonald  
Level 17, 225 St Georges Terrace  
Perth, Western Australia 6000

Telephone: (08) 9426 6611

Facsimile: (08) 9321 2002

## Share Registry\*

Security Transfer Australia Pty Ltd  
770 Canning Highway  
Applecross, Western Australia 6153

PO Box 535

Applecross, Western Australia 6153

Telephone (within Australia): 1300 992 916

Telephone (international): +61 3 9628 2200

Email: [registrar@securitytransfer.com.au](mailto:registrar@securitytransfer.com.au)

## Auditor\*

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

T: +61 8 6382 4600

F: +61 8 6382 4601

\*Included for information purposes only. This entity has not been involved in the preparation of this Prospectus.

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## Key Offer Information

### Indicative timetable

| Event  | Target Date                             |
|--|---|
| Lodgement of Prospectus with ASIC                | Monday, 15 July 2019                    |
| Despatch of Prospectus and Acceptance Forms      | Friday, 19 July 2019                    |
| Opening Date of Offers                           | Friday, 19 July 2019                    |
| General Meeting to approve issue of New Options  | Friday, 2 August 2019                   |
| Closing Date of Offers                           | 5:00pm (WST) on Thursday, 8 August 2019 |
| Issue of New Options                             | Friday, 9 August 2019                   |
| Despatch of Holding Statements for New Options   | Friday, 9 August 2019                   |
| ASX quotation of New Options issued under Offers | Monday, 12 August 2019                  |

**Note:** The above dates are indicative only and subject to change. The Company may vary these dates without notice, including whether to close the Offers early, extend the Offers, or accept late Applications, either generally or in particular cases. Investors who wish to submit an Application and subscribe for New Options under the Offers are encouraged to do so as soon as possible after the Offers open as the Offers may close at any time without notice.

### Key Offer details

| Offer  | Details     |
|--|-------------|
| <b><i>Options Offer and Shortfall Offer</i></b>                        |             |
| Issue Price per New Option under the Options Offer and Shortfall Offer | \$0.001     |
| New Options offered under the Options Offer and Shortfall Offer        | 346,502,334 |
| Cash proceeds from the Offers (before costs)                           | \$346,502   |

**Note:** The figures in the table above assume full subscription under the Offers.

# 1. Investment Overview

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## 1.1 Company Overview

### (a) Chilean Lithium Projects

The Company has entered into a joint venture arrangement for the exploration and development of three lithium brine projects in Chile, comprising the Salar West Claims, Pajonales Claims and Natalie Claims in the Salar de Atacama and surrounding areas in northern Chile (**Chilean Lithium Projects**). The Company may earn up to a 50% interest in Lithium Chile SpA (**LCS**), the company which owns the Chilean Lithium Projects.

The Chilean Lithium Projects are located in the 'lithium triangle' region of the Andes, encompassing parts of northern Chile, south-west Bolivia and north-west Argentina. This region hosts over 50% of the world's lithium resources and the largest and highest grade lithium brine deposits in the world.

The Chilean Lithium Projects comprise three areas of over 20,000 hectares (in total) in the Salar de Atacama, Salar de Pajonales and Salar de Tuyajto-Natalie regions of Chile.

The transaction followed an extensive period of review and evaluation by the Company of strategic investment opportunities. The Company identified battery minerals, principally lithium and cobalt, as high priority targets. Chile was prioritised being one of the world's best locations for low cost, high grade lithium brine opportunities.

BMG is now preparing for its maiden drill program at Salar West following the recent TEM Geophysical surveys undertaken by the Company which identified strong conductive units analogous with lithium brines. The drilling program is anticipated to comprise 2 holes of around 200m each in the key conductive units in the Southern area (6,300 Ha) of Salar West identified in the recent geophysical surveys undertaken by BMG – refer ASX announcement on 8 April 2019. The initial drilling is expected to take 2 to 3 weeks from commencement, with first results to follow soon thereafter.

For further information on the Chilean Lithium Projects, refer to the Company's most recent announcement to ASX made on 24 June 2019 and the Company's announcements from 22 August 2018 to 18 February 2019, copies of which can be found on the Company's website ([www.bmg.com.au](http://www.bmg.com.au)) or the ASX announcements webpage for the Company (ASX Code "BMG").

Refer to Section 8.2(a) for further information on the terms of the agreement under which the joint venture is to be established and the Company may earn a 50% interest in LCS.

### (b) Treasure Project

BMG owns 30% of Treasure Development Limited (**TDL**) which owns the Treasure Project in Cyprus, where it has been exploring for high-grade copper-gold-zinc-silver and nickel-copper-cobalt-gold deposits. New Cyprus Copper Company Ltd (**New Cyprus**) owns 70% of TDL and is maintaining and funding TDL and the Treasure Project, with BMG retaining a free carried interest.

The Treasure Project has four project areas and currently comprises 10 licences for a total of 36.7 km<sup>2</sup>. It 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 that are yet to be drilled.

New Cyprus is currently preparing an exploration programme to be agreed by BMG, and once completed during the next 1 - 2 years, BMG will transfer to New Cyprus an additional 20% of TDL (bringing New Cyprus's interest to 90%) and BMG will retain a 10% free-carried interest in TDL.

New Cyprus may increase its interest in TDL to 100% by acquiring the remaining 10% of TDL by either:

- (i) payment to BMG of \$2 million in cash within 12 months of reaching its 90% interest; or
- (ii) payment to BMG of a 1% net smelter royalty until \$2 million is received by BMG, plus a 10% share of any profits generated during that time.

## 1.2 Offers

Under this Prospectus, the Company makes the following offers (**Offers**):

- an offer to eligible participants, being persons who held BMGOA Options which expired exercised or unexercised, on or before 30 June 2019 (**Eligible Participants**), to subscribe for up to 346,502,334 New Options, exercisable at \$0.02 on or before 31 December 2019, at an issue price of \$0.001 each (**Issue Price**), on the basis of one (1) New Option for every one (1) BMGOA Option held; and
- an offer Eligible Participants to subscribe for the Shortfall, at an Issue Price of \$0.001 per New Option (**Shortfall Offer**).

## 1.3 Shareholder approval for New Options

The issue of New Options under the Offers is conditional upon Shareholder approval being obtained at the general meeting (**General Meeting**) of the Company on 2 August 2019.

At the General Meeting, Shareholders will vote to approve the offer and issue of New Options and subsequently, New Options issued under the Shortfall Offer, if any, under this Prospectus.

Please refer to Section 8.1 for further information.

Related Parties of the Company will not be eligible to participate in the Shortfall Offer under this Prospectus.



## 1.4 Purpose of the Offers and proposed use of funds

The purpose of the Offers is to reflect the longer than anticipated period during which the Company established the Chilean Lithium Project Joint Venture and its planned its maiden drill program.

The Offers, if fully subscribed, will raise up to \$346,502 (before costs).

The Company intends to apply those funds as follows:

|  | 50% subscription<br>under New<br>Option and<br>Shortfall Offer | Amount at full<br>subscription<br>under New<br>Option and<br>Shortfall Offer |
|--|--|--|
| <b>Funds available</b>   |  |  |
| Cash on hand at 31 March 2019  | \$1,862,293  | \$1,862,293  |
| Funds from Options Offer and Shortfall Offer   | \$173,251  | \$346,502  |
| <b>TOTAL</b>   | <b>\$2,035,544</b>   | <b>\$2,208,795</b>   |
| <b>Use of funds</b>  |  |  |
| Costs of Offers  | (\$21,606)   | (\$25,606)   |
| Retained as Working capital and for any other necessary cash outlays relating to the Chilean Lithium Project Joint Venture | (\$2,013,938)  | (\$2,183,189)  |
| <b>Total</b>   | <b>(\$2,035,544)</b>   | <b>(\$2,208,795)</b>   |

### Notes:

1. The information in the above table is current as at the Prospectus Date. The use of funds may change depending on any intervening events or changes in the Company's circumstances. The Board reserves the right to change the way funds are used and applied.
2. The above cash on hand balance is consistent with the Company's Appendix 5B for the quarter ended 31 March 2019 which the Company announced to the ASX on 30 April 2019. This balance differs to the cash on hand balance in the Company's proforma statement of financial position in Section 3 which is prepared by recognising adjustments to the Company's most recently published statement of financial position which was contained in the Half Year Financial Report announced to the ASX on 14 March 2019.
3. Costs of the Offers include the other costs identified in Section 8.7.

New Options to be issued under the Options Offer and Shortfall Offer will be issued at a nominal issue price of \$0.001 each New Option. However, the Company may receive up to approximately \$6,900,000 (before costs) if all of these New Options (346,502,334 New Options) are issued and exercised. Such funds will be applied by the Company to its working capital requirements at that time.

## 1.5 Key risks

Activities in the Company, as in any business, are subject to risks which may impact on the Company's future performance. In addition to the risks described in detail in Section 5, prospective Applicants should be aware of the following (non-exhaustive) key risks which have particular application to the Company's operations and projects at this time.

| <b>Risk</b>                        | <b>Description</b>   |
|------------------------------------|--|
| <b>Option Risk</b>                 | <p>The Prospectus is for the offer of New Options, exercisable at \$0.02, on or before 31 December 2019.</p> <p>There is a risk that New Options subscribed for by Eligible Participants will be out-of-the money (exercise price of New Options will be more than the Share price) on or before expiry of the New Options on 31 December 2019. Under these circumstances it is unlikely Eligible Participants will exercise their New Options; thus, there is a risk that their New Options will expire valueless and Eligible Participants will lose their initial capital investment amount.</p>                              |
| <b>Future capital requirements</b> | <p>The Company will most likely require further financing for its future business activities, in addition to amounts raised pursuant to the Offers. The terms of any future equity financing are unknown at this time and will depend on a variety of factors, and could be dilutive to Shareholders, if undertaken at lower prices than the current market price or may involve restrictive conditions which limit the Company's operations and business strategies. There cannot be any assurance that appropriate capital or funding, if and when needed, will be available on terms favourable to the Company or at all.</p> |

## 1.6 The Board

The Company is managed by the Board of Directors. The Board currently comprises 4 Directors, including 1 Executive Director and 3 Non-Executive Directors.

### (a) **Gregory Hancock (Non-Executive Chairman) – BA(Econs); B Ed (Hons) F Fin**

Mr Hancock has over 25 years' experience in capital markets practicing in the area of corporate finance. He has extensive experience in both Australia and the United Kingdom. In this time, he has specialised in mining and natural resources and has a background in the finance and management of small companies. Mr Hancock is currently a director of ASX listed companies Ausquest Ltd, where he serves as Chairman, Strata-X Energy Ltd as non-executive director, Zeta Petroleum PLC., as non-executive director, Golden State Mining Ltd as non-executive director, and; King Island Scheelite Limited as non-executive director. He is a non-executive director of Cobra Resources PLC, listed on the London Stock Exchange.

Mr Hancock has been a director of BMG since 6 February 2017, and was appointed as the Company's Chairman on 8 March 2018 following the retirement of the Company's former chairman Mr Anthony Trevisan with effect from 14 February 2018.

Mr Hancock is a member of the Board's Audit and Risk Committee and Nomination and Remuneration Committee.

### (b) **Bruce McCracken (Managing Director) – B Com, LLB, MBA, GAICD**

Mr McCracken is an experienced business executive having spent over 25 years working across a broad range of industries based in Perth, Melbourne and Sydney.

Prior to joining the Company, Mr McCracken worked in the corporate sector as a Senior Executive with the Kirin Group-owned Lion Pty Ltd (previously Lion Nathan) and the private equity owned Amatek Group, now part of the Fletcher Building Group. Before working in the corporate environment, he was an Investment Banker based in both Perth and Melbourne in specialist corporate advisory and project finance roles and has also practiced as a Banking and Finance Solicitor. During his time as an Investment Banker Mr McCracken worked across a broad range of corporate and financial advisory assignments, primarily in the diversified industrials and mining and resources sectors.

Mr McCracken holds Bachelor of Commerce and Bachelor of Laws degrees from the University of Western Australia, an MBA from Melbourne Business School and is a graduate of the Australian Institute of Company Directors.

(c) **Simon Trevisan (Non-Executive Director) – B Econ, LLB (Hons), MBT**

Mr Trevisan is the managing director of Tribis Pty Ltd, and of the company's property arm Iris Residential Pty Ltd. He has significant experience in public and private investments, corporate finance, and management of large public and private businesses.

Mr Trevisan has been responsible for the funding and management of a number of public companies, and for the Group's substantial property investments. His experience includes the establishment and listing of Mediterranean Oil & Gas plc, an AIM-listed oil and gas company with production and a substantial oil discovery in Italy, the successful listing of Ausgold Ltd and Regalpoint Resources Ltd, and the relisting of Brazilian Metals Group Ltd amongst other ASX-traded companies.

Mr Trevisan was a founding Executive Director of ASX-listed companies Ausgold Ltd and AssetOwl Limited (then Regalpoint Resources Limited). He holds a Bachelor of Economics and a Bachelor of Laws from the University of Western Australia, and a Masters Degree in Business and Technology from the University of New South Wales. Before becoming a full-time executive with Tribis, Mr Trevisan practiced as a solicitor with Allens Arthur Robinson Legal Group firm, Parker and Parker, in the corporate and natural resources divisions.

He is also currently a director of ASX-listed public companies Zeta Petroleum plc and AssetOwl Limited, and on the board of St George's College Foundation.

Mr Trevisan is the Chairman of the Nomination and Remuneration Committee and the Audit and Risk Committee.

(d) **Malcolm Castle (Non-Executive Director) – B.Sc (Hons), GCertAppFin (Sec Inst), MAusIMM**

Mr Castle has over 40 years' experience in exploration geology and property evaluation, working for major companies for 20 years as an Exploration Geologist. He has wide experience in a number of commodities including iron ore, gold, base metals, uranium and mineral sands. He has been responsible for project discovery through to feasibility study and development in Indonesia and the Pilbara in Western Australia and technical audits in many countries.

Mr Castle was a founding member and permanent employee of Fortescue Metals Group as Technical Services Manager for expansion projects and was an integral member of the team developing the definitive feasibility study for start-up projects at Cloudbreak and Christmas Creek.

Mr Castle is Chief Geologist for the Tribis Group. Mr Castle completed a Bachelor's Degree in Applied Geology with the University of New South Wales in 1965 and was awarded a B.Sc (Hons) degree. He completed postgraduate studies with the Securities Institute of Australia in 2001 and was awarded a Graduate Certificate in Applied Finance and Investment in 2004. He is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM), and has the appropriate relevant experience and qualifications to be an 'Expert' and 'Competent Person' under the Australian Valmin and JORC Codes respectively.

Mr Castle is a member of the Board's Nomination and Remuneration Committee.

## **2. Details of the Offers**

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### **2.1 Options Offer**

#### **(a) Offer**

By this Prospectus, the Company invites Eligible Participants to participate in the Options Offer.

Under the Options Offer, Eligible Participants may subscribe for up to 346,502,334 New Options, exercisable at \$0.02 each, on or before 31 December 2019, at an Issue Price of \$0.001 each, to raise up to \$346,502 (before costs).

Eligible Participants may apply for New Options under the Options Offer, but are not required to do so.

The Options Offer is subject to the terms and conditions set out in this Prospectus.

Each Eligible Participant is entitled to apply for that number of New Options on the basis of one (1) New Option for every one (1) BMGOA Option held expired exercised or unexercised on 30 June 2019.

#### **(b) Eligibility to participate**

Holders of BMGOA Options, which expired exercised or unexercised on 30 June 2019, who were registered in the Company's register, with an Australian or New Zealand address will be Eligible Participants and may participate in the Options Offer, except in respect of any BMGOA Options a registered Shareholder or Option Holder holds on behalf of another person who resides outside of Australia or New Zealand.

Due to foreign securities laws, it is not practical for person who held BMGOA Options resident in countries other than Australia and New Zealand to be offered the opportunity to participate in the Offers.

#### **(c) Shareholder approval of issue of New Options**

The Offers to Eligible Participants who are not Related Parties of the Company are conditional upon the Company obtaining Shareholder approval of the issue of New Options at the forthcoming General Meeting of the Company to be held on 2 August 2019.

Resolution 12 of the Notice of General Meeting, released to ASX on 2 July 2019, provides that subject to Shareholder approval, the Company will offer and issue up to 296,624,516 New Options to holders of the BMGOA series of Options, which expired exercised or unexercised on 30 June 2019, who are non-Related Parties of the Company.

The Options Offer to certain Related Parties of the Company, being Tribis Pty Ltd, Tribis Equity Investments Pty Ltd, Bruce McCracken and Malcolm Castle is subject to Shareholder approval.

Resolutions 13 to 15 of the Notice, provide that subject to Shareholder approval, the Company proposes to offer and issue up to a total of 49,877,818 New Options to Related Parties of the Company who are also Eligible Participants by virtue of being holders of BMGOA Options, which expired exercised or unexercised on 30 June 2019.

For further information about these Resolutions, please see the Notice of General Meeting document released to ASX on 2 July 2019.

If, at the General Meeting, the Company does not receive Shareholder approval for the offer and issue of New Options to non-Related Parties of the Company, contemplated

by Resolution 12 of the Notice of General Meeting, Application Moneys received with any Application Form for New Options will be returned to Eligible Participants without interest.

If the Company does not receive Shareholder approval for the offer and issue of New Options to certain Related Parties of the Company at the General Meeting as contemplated by Resolutions 13, 14 and 15 of the Notice of General Meeting, Application Moneys received with any Application Form for New Options from the relevant Related Party will be returned to the relevant Related Party without interest.

Refer to Section 3.4 for further information regarding treatment and return of Applications Moneys received.

## **2.2 Shortfall Offer**

### **(a) Shortfall**

Any New Options not subscribed for under the Options Offer will form the Shortfall and will be offered under the Shortfall Offer.

### **(b) Offer**

The Shortfall Offer is a separate offer under this Prospectus. The Issue Price of the New Options under the Shortfall Offer is \$0.001, being equal to the Issue Price under the Options Offer.

New Options offered under the Shortfall Offer will be issued with under the same terms and conditions as New Options offered under the Options Offer.

The Shortfall Offer is made to Eligible Participants provided they are eligible under all applicable securities laws to receive an offer under the Shortfall Offer.

The Company is not seeking Shareholder approval to offer New Options under the Shortfall Offer to Related Parties of the Company who are also Eligible Participants, thus, Related Parties who are also Eligible Participants for the purpose of this Prospectus will be excluded from participating in the Shortfall Offer.

### **(c) Placement of balance**

If, after the close of the Offers, any Shortfall has not been subscribed for under the Offers, the Directors reserve the right to place some or all of those New Options within 3 months after the close of the Offers.

### **(d) Allocation and scale-back**

The Directors will have discretion as to how to allocate the Shortfall both under the Shortfall Offer, and after the close of the Offers. The Directors will generally allocate New Options in a manner that they consider to be fair and reasonable to Applicants.

The Company cannot guarantee that all Applicants to the Shortfall Offer will receive the number of New Options applied for. If an Applicant does not receive any or all of the New Options applied for, the excess Application Moneys will be returned to the Applicant without interest.

The Company will not allocate New Options under the Shortfall Offer to the extent that the recipient's voting power in the Company, in the circumstances where New Options are exercised into fully paid ordinary Shares in the Company, would breach the takeover thresholds in the Corporations Act (i.e. in circumstances where the recipient would acquire a controlling interest in 20% or more of the issued Shares, or increase an existing controlling interest of more than 20%, subject to certain exceptions).

## 2.3 **Timetable**

The Offers will open on **Friday, 19 July 2019** and will close at 5.00pm (WST) on **Thursday, 8 August 2019**.

The indicative timetable for the Offers is set out in the Timetable. See Key Offer Information on page 1.

The Directors reserve the right to extend the Offer Period in relation to one or more of the Offers, or to close one or more of the Offers prior to the Closing Date, subject to the requirements of the Corporations Act and the Listing Rules.

The Directors may withdraw an Offer at any time prior to the issue of New Options pursuant to that Offer.

## 2.4 **Minimum subscription**

None of the Offers are subject to any minimum subscription condition.

## 2.5 **No underwriting**

None of the Offers are underwritten.

### 3. Applications for New Options

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#### 3.1 Options Offer and Shortfall Offer – Applications by Eligible Participants

##### (a) Making an Application

An Eligible Participant that would like to participate in the Options Offer, including if they would like to apply for New Options under the Shortfall Offer, can do so by completing and lodging the Application Form which accompanies this Prospectus.

An Eligible Participants may also apply for New Options under the Shortfall Offer by completing the relevant section of the Application Form and providing the relevant Application Moneys. Eligible Participants are not required to lodge a separate Shortfall Offer Application Form if they wish to apply for additional New Options under the Shortfall Offer.

If an Application Form is not completed correctly or if the accompanying payment is for an incorrect amount, it may be treated by the Company as valid at its discretion. If the exact amount of required Application Moneys are not tendered with an Application Form, the Company reserves the right to either:

- return the Application Form and/or Application Moneys received and not issue any New Options to the Applicant; or
- issue to the Applicant the maximum number of New Options represented by the Application Moneys received and refund any excess amount to that Applicant by cheque or electronic funds transfer as soon as possible, without interest.

Eligible Participants that have not received their Prospectus and personalised Application Form, or require a replacement via post or email, should contact the Share Registry using the contact details set out in the Corporate Directory section of this Prospectus above.

The Company reserves the right to accept a lesser amount to the total number of New Options applied for by an Eligible Participant on the Application Form (including if the Options Offer or Shortfall Offer close oversubscribed), at the Company's complete discretion.

##### (b) Payment by cheque or money order

Unless an Eligible Participant pays using BPAY® as outlined below, an Application Form must be accompanied by a personal cheque or money order, payable in Australian dollars, for an amount equal to the number of New Options for which the Eligible Participant wishes to apply, multiplied by the Issue Price (i.e. \$0.001) of those New Options.

Cheques or money orders must be made payable to "BMG Resources Limited" and should be marked "Not Negotiable".

Completed Application Forms and accompanying cheques or money orders must be received by the Company before **5.00pm (WST) on the Closing Date** at the following address:

| By hand  | By post   |
|--|---|
| <b>BMG Resources Limited</b><br>c/- Security Transfer Australia<br>770 Canning Highway<br>Applecross, Western Australia 6153 | <b>BMG Resources Limited</b><br>c/- Security Transfer Australia<br>PO Box 535<br>Applecross, Western Australia 6153 |

(c) **Payment using BPAY®**

Eligible Participants who wish to submit an Application and make payment using BPAY® under the Options Offer (and the Shortfall Offer) should follow the instructions on the Application Form which includes the 'Biller Code' and the Applicant's individual 'Customer Reference Number'.

Eligible Participants can only make payment using BPAY®, with respect to the Offers, if they have an account with an Australian financial institution that supports such transactions.

Eligible Participants must ensure to use the specific 'Biller Code' and 'Customer Reference Number' on their individual Application Form. An Application may not be accepted if these details are incorrect. The 'Customer Reference Number' is used to identify each Eligible Participant's holding.

Eligible Participants with more than one holding of Options may receive multiple 'Customer Reference Numbers'. Such Eligible Participants can apply under one or more of their holdings.

Payments must be made in Australian dollars for an amount equal to the number of New Options for which the Eligible Participant wishes to apply, multiplied by the Issue Price (\$0.001).

If an Applicant makes a payment using BPAY®, an Application Form **does not** need to be submitted to the Company. However, by paying Application Moneys by BPAY®, the Eligible Participant will be taken to have made the declarations on the Application Form.

BPAY® payments of Application Moneys must be received before **5.00pm (WST) on the Closing Date.**

Eligible Participants should take into account when making an Application that their individual financial institutions may implement earlier cut-off times for BPAY® payments. It is an Eligible Participant's responsibility to ensure that the Application Moneys are received by the Company before the Closing Date.

### 3.2 **Shortfall Offer – Applications by Eligible Participants.**

(a) **Making an Application**

Eligible Participants who would like to apply for New Options under the Shortfall Offer can do so by completing and lodging any Shortfall Offer Application Form which accompanies this Prospectus.

The Shortfall Offer Application Form is also available online at the Share Registry's website at [www.securitytransfer.com.au](http://www.securitytransfer.com.au)

If a Shortfall Offer Application Form is not completed correctly or if the accompanying payment is for an incorrect amount, it may be treated by the Company as valid at its discretion.

If the exact amount of required Application Moneys are not tendered with an Application, the Company reserves the right to either:



- return the Shortfall Offer Application Form and/or Application Moneys received and not issue any New Options to the Applicant; or
- issue to the Applicant the maximum number of New Options represented by the Application Moneys received and refund any excess amount to that Applicant by cheque or electronic funds transfer as soon as possible, without interest.

The Company reserves the right to accept a lesser amount to the total number of New Options applied for by an Applicant on the Shortfall Offer Application Form (including if Shortfall Offer closes oversubscribed), at the Company's complete discretion.

(b) **Payment by cheque or money order**

A Shortfall Offer Application Form must be accompanied by a personal cheque or money order, payable in Australian dollars, for an amount equal to the number of New Shares for which the Applicant wishes to apply, multiplied by the Issue Price (i.e. \$0.001) of those New Options.

Cheques or money orders must be made payable to "BMG Resources Limited" and should be marked "Not Negotiable".

Completed Shortfall Offer Application Forms and accompanying cheques or money orders must be received by the Company before **5.00pm (WST) on the Closing Date** at the following address:

| By hand  | By post   |
|--|---|
| <b>BMG Resources Limited</b><br>c/- Security Transfer Australia<br>770 Canning Highway<br>Applecross, Western Australia 6153 | <b>BMG Resources Limited</b><br>c/- Security Transfer Australia<br>PO Box 535<br>Applecross, Western Australia 6153 |

(c) **Payment using BPAY®**

Persons other than Eligible Participants who wish to submit an Application under the Shortfall Offer and make payment using BPAY® should follow the instructions on the online Shortfall Application Form.

Applicants can only make payment using BPAY® with respect to the Shortfall Offer if they have an account with an Australian financial institution that supports such transactions.

Applicants must ensure they follow the instructions on the online Shortfall Application Form. An Application may not be accepted if details are incorrect.

Payments must be made in Australian dollars for an amount equal to the number of New Options for which the Applicant wishes to apply, multiplied by the Issue Price (\$0.001).

If an Applicant makes a payment using BPAY®, a paper copy of the Application Form **does not** need to be submitted to the Company. However, by paying Application Moneys by BPAY®, the Applicant will be taken to have made the declarations on the Application Form.

BPAY® payments of Application Moneys must be received before **5.00pm (WST) on the Closing Date.**

Applicants should take into account when making an Application that their individual financial institutions may implement earlier cut-off times for BPAY® payments. It is an

Applicant's responsibility to ensure that the Application Moneys are received by the Company before the Closing Date.

### **3.3 Lodgement instructions and effect of making an Application**

Applications for New Options must be submitted on an Application Form attached to or accompanying this Prospectus (other than if the Applicant makes a BPAY® payment – refer to Sections 3.1(c) and 3.2(c)). An Application Form must be completed in accordance with the instructions set out on the back of the form.

An original, completed and lodged Application Form constitutes a binding and irrevocable offer to subscribe for the number of New Options specified in that Application Form. An Application Form does not need to be signed to be valid. Once an Application has been made, it cannot be revoked.

If an Application Form is not completed correctly, it may be treated by the Company as valid at its discretion. The Directors' decision as to whether to treat such an Application as valid and how to construe, amend or complete a form is final. However, in relation to the Offers an Applicant will not be treated as having applied for more New Options than is indicated by the amount of Application Money.

Brokerage or transfer/stamp duty is not payable in relation to any of the Offers.

The Company reserves the right to refuse a completed Application Form if it has reason to believe that an Applicant has not received a copy of this Prospectus in paper or electronic form, or the Prospectus or Application Form provided to the Applicant has been altered or tampered with in any way.

If a person makes an Application, that person:

- irrevocably and unconditionally agrees to the terms of the relevant Offers set out in this Prospectus;
- acknowledges that their Application is irrevocable and unconditional;
- if the Application has been made under the Options Offer or Shortfall Offer, agrees to pay the Issue Price for each New Option which they have applied for, subject to any scale back (refer to Section 2.2(d)); and
- if the Application has been made under the Options Offer, the Applicant warrants and represents to the Company that they are an Eligible Participant entitled to participate in the Offers.

### **3.4 Application Money to be held on trust**

Application Money will be held by the Company on trust in accordance with the requirements of the Corporations Act until the Securities to which the Application Money pertains are issued under the Offers, or a refund of Application Money occurs in the circumstances described in this Prospectus. The Company will retain any interest earned on Application Money, including in the event of any refund of Application Money.

In the event a relevant Shareholder approval is not obtained for the offer and issue of New Options at the forthcoming General Meeting, the Company will refund all Application Money received from an Eligible Participant without interest.

Refer to Section 2.1(c) for further information about Shareholder approval of the issue of New Options.

### 3.5 Issue of New Options

Subject to Shareholder approval, New Options under the Offers are expected to be issued on the date specified in the Timetable.

The sale by an Applicant of New Options prior to the receipt of a Holding Statement is at the Applicant's own risk.

### 3.6 ASX quotation – New Options

Application for Official Quotation on ASX of New Options offered pursuant to this Prospectus will be made within 7 days after the Prospectus Date.

If permission for quotation of New Options is not granted by ASX within 3 months after the Prospectus Date, New Options will not be allotted, and Application Moneys will be refunded (without interest) as soon as practicable.

The fact that ASX may agree to grant Official Quotation of the New Options is not to be taken in any way as an indication of the merits of the Company or its Securities.

### 3.7 Withdrawal

The Directors may decide to withdraw this Prospectus or an Offer at any time before the issue of any New Options.

### 3.8 Applicants outside of Australia

#### (a) General

This Prospectus does not constitute an offer of New Options in any jurisdiction where, or to any person to whom, it would not be lawful to issue the Prospectus or make the Offers.

It is the responsibility of any Applicant who is resident outside Australia to ensure compliance with all laws of any country relevant to their Application, and any such Applicant should consult their professional adviser as to whether any government or other consents are required, or whether any formalities need to be observed to enable them to apply for and be issued New Options. Return of a duly completed Application Form will constitute a representation and warranty by an Applicant that there has not been any breach of such regulations.

The Company has not taken any action to register or qualify the New Options or the Offers, or otherwise to permit a public offering of the New Options, in any jurisdiction outside Australia.

#### (b) New Zealand resident Eligible Participants

New Options offered under this Prospectus are not being offered or sold to the public within New Zealand other than to Eligible Participants with registered addresses in New Zealand and to whom the Options Offer and Shortfall Offer are being made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2013* (New Zealand).

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority under the *Securities Act 1978* (New Zealand).

This Prospectus is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

(c) **Other overseas resident Option Holders**

This Prospectus may not be released or distributed in any country other than Australia and New Zealand. The Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in any country other than Australia and New Zealand.

Neither the Offers nor the New Options have been, and nor will they be, registered under the *Securities Act* of 1933 of the United States of America (as amended) (**US Securities Act**). New Options may not be offered or sold in the United States of America, except in transactions exempt from, or otherwise not subject to, registration under the US Securities Act and applicable securities laws in any States of the United States of America.

The distribution of this Prospectus and accompanying Application Forms (including electronic copies) outside Australia or New Zealand may be restricted by law and therefore persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

### 3.9 **CHESS and issuer sponsorship**

The Company participates in the Clearing House Electronic Sub-register System (**CHESS**), operated by ASX Settlement (a wholly owned subsidiary of ASX), in accordance with the Listing Rules and ASX Settlement Rules. The Company operates an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together make up the Company's principal register of its Securities.

Under CHESS, the Company does not issue certificates to the holders of Securities. Instead, the Company provides holders with a Holding Statement (similar to a bank account statement) that sets out the number of New Options allotted and issued to them under this Prospectus.

This Holding Statement also advises investors of either their Holder Identification Number (**HIN**) in the case of a holding on the CHESS sub-register or Security Holder Reference Number (**SRN**) in the case of a holding on the issuer sponsored sub-register.

A Holding Statement is routinely sent to holders at the end of any calendar month during which their holding changes. A holder may request a statement at any other time; however, a charge may be incurred for additional statements.

### 3.10 **Taxation implications**

The Directors do not consider that it is appropriate to give potential Applicants advice regarding the taxation consequences of applying for New Options under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation positions for potential Applicants.

Neither the Company nor any of its advisers or officers accept any responsibility or liability for any taxation consequences to potential Applicants in relation to the Offers. Potential Applicants should, therefore, consult their own tax adviser in connection with the taxation implications of the Offers.

### 3.11 **Privacy disclosure**

The Company collects information about each Applicant from the Application Forms for the purpose of processing the Application and, if the Applicant is successful, for the purposes of administering the Applicant's Security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information in the Application Form for the purposes set out in this privacy disclosure statement.

The Company and the Share Registry may disclose an Applicant's personal information for purposes related to the Applicant's investment to their agents and service providers including those listed below or as otherwise authorised under the Privacy Act:

- the Share Registry for ongoing administration of the Company's register;
- the Company's Related Bodies Corporate, agents, contractors and third party service providers, as well as to ASX, ASIC and other regulatory authorities (including the Australian Taxation Office); and
- the printers and the mailing house for the purposes of preparing and distributing Holding Statements and for the handling of mail.

If an Applicant becomes a Security holder of the Company, the Corporations Act requires the Company to include information about the security holder (name, address and details of the Securities held) in its public register. This information must remain in the Company's register of Shareholders and Option Holders even if that person ceases to be a Security holder of the Company. Information contained in the Company's register of Shareholders and Option Holders is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its Security holders) and compliance by the Company with legal and regulatory requirements.

If an Applicant does not provide the information required on the Application Form, the Company may not be able to accept or process their Application.

Under the Privacy Act, a person may request access to their personal information held by (or on behalf of) the Company or the Share Registry. An Applicant can request access to their personal information by writing to the Company through the Share Registry.

## 4. Effect of the Offers

### 4.1 Principal effect of the Offers on the Company

The issue of New Options under the Offers will have no immediate effect on the number of Shares currently on issue unless and until the holders of New Options exercise the New Options.

The principal effects of the Offers, assuming the Offers are fully subscribed, will be to:

- increase the number of Options on issue by 346,502,334, from nil Options immediately prior to the Offers, to 346,502,334 Options; and
- increase cash reserves by up to \$346,502 (on a full subscription basis) immediately after completion of the Offers less the payment of the costs and expenses set out in Section 8.7..

### 4.2 Effect on capital structure

The capital structure of the Company following completion of the Offers, assuming the Offers are fully subscribed, is set out below:

| Securities  | Full subscription  |
|---|--------------------|
| <b>Shares</b>   |                    |
| Shares on issue prior to the Offers                                   | 557,732,376        |
| <b>Total Shares on issue at completion of the Offers<sup>1</sup></b>  | <b>557,732,376</b> |
| <b>Options</b>  |                    |
| Quoted Options prior to Offers <sup>2</sup>                           | Nil                |
| Unquoted Options on issue prior to Offers <sup>3</sup>                | Nil                |
| New Options to be issued under the Options Offer and Shortfall Offer  | 346,502,334        |
| <b>Total Options on issue at completion of the Offers<sup>1</sup></b> | <b>346,502,334</b> |

**Notes:**

1. The figures in the table above assume that other Shares are not issued (including on the exercise of Options) prior to the close of the Offers.
2. 346,502,334 BMGOA Options in the Company, exercisable at \$0.02 each, expired on 30 June 2019.
3. 2,500,000 unquoted Options in the Company, at various exercise prices from \$0.35 to \$0.50 per Option, issued to the Managing Director were cancelled on 7 May 2019.

### 4.3 Effect of the Offers on control of the Company

As at the Prospectus Date, the Company has 557,732,376 Shares on issue, nil quoted Options on issue and nil unquoted Options on issue.

The New Options issued under this Prospectus will have no effect on control of the Company unless and until they are exercised. However, the Company does not anticipate the circumstance, where if all the New Options are exercised into fully paid ordinary Shares of the Company, that will result in any Shareholder obtaining a relevant interest in Shares of 20% or more.

The Company therefore does not anticipate that the Offers will have any material effect on control of the Company.

#### 4.4 Substantial holdings

A “substantial holding” is defined under section 9 of the Corporations Act to mean a relevant interest in 5% or more of the voting shares of a company.

The table below sets out the Shareholders with a substantial holding based on the Company's register of Shareholders as at the Prospectus Date.

| Name                     | Number of Shares | Percentage interest |
|--------------------------|------------------|---------------------|
| Mr Michael Hsiau Yun Lan | 107,970,000      | 19.36%              |
| Tribis Pty Ltd           | 78,566,978       | 14.09%              |

**Notes:**

1. Percentage interest has been calculated based on 557,732,376 Shares on issue at the Prospectus Date.
2. The figures in the table assume that:
  - (a) additional Shares are not issued after the Prospectus Date; and
  - (b) none of the Options on issue at the Prospectus Date are exercised.
3. The information in the table above has been extracted from the Company's register of Shareholders as at the Prospectus Date, and not from substantial holding notices received from, or otherwise required to be provided by, the relevant Shareholders.

#### 4.5 Pro forma statement of financial position

Set out below is:

- the statement of financial position of the Company as at 31 December 2018 which was reviewed by the Company's Auditors; and
- the unaudited pro forma statement of financial position of the Company as at 31 December 2018 incorporating the effect of the Offers, assuming scenarios for both 50% and 100% subscription under the Offers.

The unaudited pro forma statement of financial position has been derived from the reviewed financial statements of the Company, for the 6 month period ended 31 December 2018, and adjusted to reflect pro forma assets and liabilities of the Company as if completion of the Offers had occurred by 31 December 2018, and also for material adjustments noted below.

The pro-forma information is presented in an abbreviated form. It does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial statements.

The pro forma statement of financial position has been adjusted for the following material movements in the assets and liabilities of the Company between 31 December 2018 and the Prospectus Date:

- In February and March 2019 the Company issued a total of 60,075,553 Shares, at \$0.009 per share, with one free attaching BMGOA Option issued for each share, raising \$508,239 net of costs.
- The Company has liability to pay an amount of US\$250,000 cash as part consideration towards the acquisition of an interest in the Chilean Lithium Projects, using an exchange rate of 1:1.44, the Company has recognised an amount of \$360,000 as an increase to Prepayments and an increase to Current Liabilities.
- At 31 December 2018, the Company recognised a prepayment on its Statement of Financial Position of US\$100,000, reported as \$137,684, using an exchange rate of 1:1.38. The payment of this fee provided the Company an exclusive period to undertake

due diligence and execute the transaction, having undertaken due diligence and executed the transaction the Company no longer recognises this prepayment as an asset and the proforma statement of financial position now reflects this amount being recognised as an expense.

Allowance has not been made for expenditure incurred in the normal course of business from 30 June 2019 to the Prospectus Date.

With the exception of the above noted US\$250,000 which is recognised as a liability, allowance has not been made for future cash payments in relation to the Chilean Lithium Projects outlined in Section 1.1(a). The obligation to pay future cash payments in relation to this project will arise contingent upon the satisfaction of other conditions precedent.

The cash and cash equivalents below differs from the cash balance stated at Section 1.4. The cash balance at Section 1.4 is consistent with the Company's Appendix 5B for the quarter ended 31 March 2019 which the Company announced to the ASX on 30 April 2019, while the figure below is derived from the Company's most recently published Statement of Financial Position which was contained in the Half Year Financial Report announced to the ASX on 14 March 2019.

**BMG Resources Limited**

**Unaudited Pro Forma Statement of Financial Position**

**as at 31 December 2018**

|                                  | Reviewed 31<br>December 2018 | 100% subscription under the<br>Offers<br>Adjustments | Pro Forma<br>Unaudited 31<br>December<br>2018 | 50% subscription under the<br>Offers<br>Adjustments | Pro Forma<br>Unaudited 31<br>December<br>2018 |
|----------------------------------|------------------------------|--|---|---|---|
|                                  | (\$)                         | (\$)   | (\$)  | (\$)  | (\$)  |
| <b>ASSETS</b>                    |                              |  |   |   |   |
| <b>Current Assets</b>            |                              |  |   |   |   |
| Cash and cash equivalents        | 1,603,305                    | 829,136  | 2,432,441                                     | 659,884   | 2,263,189                                     |
| Trade and other receivables      | 22,726                       | -  | 22,726  | -   | 22,726  |
| <b>Total Current Assets</b>      | <b>1,626,031</b>             | <b>829,136</b>                                       | <b>2,455,167</b>                              | <b>659,884</b>                                      | <b>2,285,915</b>                              |
| <b>Non-Current Assets</b>        |                              |  |   |   |   |
| Prepayments                      | 137,684                      | 222,316  | 360,000                                       | 222,316   | 360,000                                       |
| Property, plant and equipment    | 2,046                        | -  | 2,046   | -   | 2,046   |
| <b>Total Non-Current Assets</b>  | <b>139,730</b>               | <b>222,316</b>                                       | <b>362,046</b>                                | <b>222,316</b>                                      | <b>362,046</b>                                |
| <b>Total Assets</b>              | <b>1,765,761</b>             | <b>1,051,452</b>                                     | <b>2,817,213</b>                              | <b>882,200</b>                                      | <b>2,647,961</b>                              |
| <b>LIABILITIES</b>               |                              |  |   |   |   |
| <b>Current Liabilities</b>       |                              |  |   |   |   |
| Trade and other payables         | 214,726                      | 360,000  | 574,726                                       | 360,000   | 574,726                                       |
| <b>Total Current Liabilities</b> | <b>214,726</b>               | <b>360,000</b>                                       | <b>574,726</b>                                | <b>360,000</b>                                      | <b>574,726</b>                                |
| <b>Total Liabilities</b>         | <b>214,726</b>               | <b>360,000</b>                                       | <b>574,726</b>                                | <b>360,000</b>                                      | <b>574,726</b>                                |
| <b>Net Assets</b>                | <b>1,551,035</b>             | <b>691,452</b>                                       | <b>2,242,487</b>                              | <b>522,200</b>                                      | <b>2,073,235</b>                              |
| <b>EQUITY</b>                    |                              |  |   |   |   |
| Issued capital                   | 43,043,339                   | 829,136  | 43,872,475                                    | 659,884   | 43,703,223                                    |



**BMG Resources Limited**  
**Unaudited Pro Forma Statement of Financial Position**  
**as at 31 December 2018**

|                     | Reviewed 31<br>December 2018 | Adjustments    | 100% subscription under the<br>Offers<br>Pro Forma<br>Unaudited 31<br>December<br>2018 | Adjustments    | 50% subscription under the<br>Offers<br>Pro Forma<br>Unaudited 31<br>December<br>2018 |
|---------------------|------------------------------|----------------|--|----------------|---|
|                     | (\$)                         | (\$)           | (\$)   | (\$)           | (\$)  |
| Reserves            | 482,777                      | -              | 482,777  | -              | 482,777   |
| Accumulated losses  | (41,975,081)                 | (137,684)      | (42,112,765)   | (137,684)      | (42,112,765)  |
| <b>Total Equity</b> | <b>1,551,035</b>             | <b>691,452</b> | <b>2,242,487</b>   | <b>522,200</b> | <b>2,073,235</b>  |

#### 4.6 Potential dilutive effect of convertible securities

The table below sets out the potential dilutive effect on Shareholders if Shares are issued on the exercise of all proposed New Options following completion of either the issue of:

- 173,251,167 New Options under the Options Offer and Shortfall Offer (50% subscription) (therefore assuming there are 730,983,543 Shares on issue); or
- 346,502,334 New Options under the Options Offer and Shortfall Offer (100% subscription) (therefore assuming there are 904,234,710 Shares on issue).

| Event  | Number of<br>Shares pre-<br>issue | Shares<br>issued on<br>Option<br>exercise | Number of<br>Shares post-<br>issue | Dilution<br>(rounded) |
|--|-----------------------------------|---|------------------------------------|-----------------------|
| <b>50% subscription under the Offers</b>                                   |                                   |   |                                    |                       |
| Exercise of existing quoted Options  | 557,732,376                       | 0   | 557,732,376                        | 0%                    |
| Exercise of New Options issued under the Options Offer and Shortfall Offer | 557,732,376                       | 173,251,167                               | 730,983,543                        | 23.70%                |
| <b>100% subscription under the Offers</b>                                  |                                   |   |                                    |                       |
| Exercise of existing quoted Options  | 557,732,376                       | 0   | 557,732,376                        | 0%                    |
| Exercise of New Options issued under the Options Offer and Shortfall Offer | 557,732,376                       | 346,502,334                               | 904,234,710                        | 38.31%                |

**Note:**

The interests shown in the table above assume that:

- New Options do not lapse prior to exercise or conversion; and
- other Shares are not issued prior to exercise of New Options.

## 5. Risk Factors

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### 5.1 Introduction

Activities in the Company and its controlled entities, as in any business, are subject to risks which may impact upon the Company's future performance. There can be no guarantee that the Company will achieve its stated objectives.

Potential investors should read the entire Prospectus and review announcements made by the Company to ASX (at [www.asx.com.au](http://www.asx.com.au) under the code "BMG") in order to gain an appreciation of the Company, its activities, operations, financial position and prospects.

An investment in the Company's Securities should be considered speculative. Securities carry no guarantee with respect to the payment of any dividends, returns of capital or the market value of those Securities.

Potential investors should consider the risk factors set out in Section 1.5 above and in Sections 5.2 and 5.3 below which the Directors believe represent some of the general and specific risks that Shareholders and/or Option Holders should be aware of when evaluating the Company and deciding whether to acquire any Securities in the Company. The following risk factors are not intended to be an exhaustive list of all of the risk factors to which the Company is exposed.

### 5.2 Additional specific risks relating to the Company

In addition to the key risks out in Section 1.5 above, the following risks have been identified as being risks specific to an investment in the Company. These risks may adversely affect the Company's financial position, prospects and price of its listed securities.

#### Exploration and development risks

- (a) **Exploration and ability to exploit successful discoveries:** It may not always be possible for the Company to exploit successful discoveries which may be made in areas in which the Company has an interest. Such exploitation would involve obtaining the necessary licences or clearances from relevant authorities that may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. Further, the decision to proceed to further exploitation may require participation of other companies whose interests and objectives may not be the same as the Company's.
- (b) **Mining and development risks:** Profitability depends on successful exploration and/or acquisition of reserves, design and construction of efficient processing facilities, competent operation and management and proficient financial management. Mining and development operations can be hampered by force majeure circumstances, environmental considerations and cost overruns for unforeseen events.
- (c) **Exploration costs:** The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that cost estimates and underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.
- (d) **Environmental risks:** The operations and activities of the Company are subject to its environmental laws and regulations. As with most exploration projects and mining operations, the Company's operations and activities are expected to have an effect on the environment, particularly if advanced exploration or mine development proceeds. The Company attempts to conduct its operations and activities to the highest standard of environmental obligation, including compliance with all environmental laws.

- (e) **Successful development of projects:** The business of exploration, project development and mining contains risks by its very nature. To prosper, it depends on the successful exploration and/or acquisition of reserves, design and construction of efficient production/processing facilities, competent operation and managerial performance and proficient marketing of the product. In particular, exploration is a speculative endeavour and force majeure circumstances, cost overruns and other unforeseen events can hamper mining operations.
- (f) **Realising value from projects:** The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits; failure to achieve predicted grades in exploration and mining; operational and technical difficulties encountered in mining; difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; unanticipated metallurgical problems which may affect extraction costs; adverse weather conditions; industrial and environmental accidents; industrial disputes; and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its tenement interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

#### **Other risks specific to the Company**

- (a) **Commodities price and exchange rate fluctuations:** The revenue derived through the sale of mineral commodities exposes the potential income of the Company to mineral commodities price and exchange rate risks. Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include world demand for commodities, forward selling by producers and the level of production costs in major commodity-producing regions. Moreover, commodity prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, commodities.

Furthermore, the international prices of most commodities are denominated in United States dollars, whereas any income and the expenditure of the Company are and will be taken into account in the Australian dollar, exposing the Company to the fluctuations and volatility of the rates of exchange between those currencies.

- (b) **Future capital requirements:** The Company may require substantial further financing in the future for its business activities, in addition to amounts raised pursuant to the Offers. Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the current market price (or the price under the Offers) or may involve restrictive covenants which limit the Company's operations and business strategy.

Although the Directors believe that additional capital can be obtained, no assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce, delay or suspend its operations and this could have a material adverse effect on the Company's activities and could affect the Company's ability to continue as a going concern.

- (c) **Joint venture parties, agents and contractors:** There is a risk of financial failure or default by a participant in any joint venture to which the Company is, or may become, a party or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity.
- (d) **Competition:** The Company competes with other companies, including major mining companies in Australia and internationally. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that the Company can compete effectively with these companies.

- (e) **Key personnel:** Recruiting and retaining qualified personnel are important to the Company's success. The number of persons skilled in the exploration and development of mining properties is limited and competition for such persons is strong. There can be no assurance given that there will be no detrimental impact on the Company if such persons employed cease their employment with the Company.
- (f) **Insurance risk:** In certain circumstances the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.  
  
Insurance of all risks associated with mineral exploration and production is not always available and where available the costs can be prohibitive.
- (g) **Potential acquisitions:** As part of its business strategy, the Company may make acquisitions of or significant investments in companies, products, technologies or resource projects. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products, technologies or resource projects.

### 5.3 General investment risks

The business activities of the Company are subject to various general economic and investment risks that may impact on the future performance of the Company. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. There are a number of general economic and investment risk factors that apply to companies generally and may include economic, financial, market or regulatory conditions. These risk factors include, but are not limited to, the following:

- (a) **General economic conditions:** Economic conditions, both domestic and global, may affect the performance of the Company. Factors such as fluctuations in currencies, commodity prices, inflation, interest rates, supply and demand and industrial disruption may have an impact on operating costs and share market prices. The Company's future possible revenues and Securities prices can be affected by these factors, all of which are beyond the control of the Company and its Directors.
- (b) **Equity market conditions** Securities quoted on the securities market can experience extreme price and volume fluctuations that are often unrelated to the operating performances of such companies. The market price of securities may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. These security market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance.

General factors that may affect the market price of securities include economic conditions in both Australia and internationally, investor sentiment, local and international share market conditions, changes in interest rates and the rate of inflation, variations in commodity prices, the global security situation and the possibility of terrorist disturbances, changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian and foreign taxation laws, changes to the system of dividend imputation in Australia, and changes in exchange rates.

- (c) **Liquidity risk:** There can be no guarantee that there will be an active market for the New Options, or that the trading price New Options will increase. Noting the current state of equity capital markets, there has been and may continue to be relatively few buyers or sellers of Shares and Options on ASX at any given time. This may affect the volatility of the market price of the Shares and Options. It may also affect the prevailing market price at which holders are able to sell their Shares and New Options.

- (d) **Changes in government policy & legislation:** Any material adverse changes in relevant government policies or legislation of Australia or internationally may affect the viability and profitability of the Company, and consequent returns to investors.
- (e) **Investment risk:** New Options offered pursuant to this Prospectus should be considered speculative due to the nature of the Company's business. There cannot be any assurance as to return of capital or the market value of New Options. In particular, the price at which an investor may be able to trade New Options may be above or below the price paid for those New Options.
- (f) **Other:** Other risk factors include those normally found in conducting business, including litigation resulting from the breach of agreements or in relation to employees (through personal injuries, industrial matters or otherwise) or any other cause, strikes, lockouts, loss of service of key management or operational personnel, non-insurable risks, delay in resumption of activities after reinstatement following the occurrence of an insurable risk and other matters that may interfere with the business or trade of the Company.

## 6. Rights and Liabilities Attached to New Options

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### 6.1 Terms and conditions of New Options

Subject to Shareholder approval for the offer and issue of New Options at the General Meeting of the Company, the terms and conditions of the New Options will be as follows:

- (a) Each New Option entitles the option holder (**Option Holder**) to subscribe for one (1) fully paid ordinary share in the Company.
- (b) New Options will be issued at an Issue Price of \$0.001 each.
- (c) The exercise price of the New Options is \$0.02 each, and will be payable in full on exercise.
- (d) Each New Option may be exercised at any time before 5.00pm (WST) on 31 December 2019 (**Expiry Date**). Any New Option not exercised by the Expiry Date will automatically expire.
- (e) The Company must give the Option Holder a certificate or Holding Statement stating:
  - (i) the number of New Options issued to the Option Holder;
  - (ii) the exercise price of the New Options; and
  - (iii) the date of issue of the New Options.
- (f) Subject to quotation on ASX, the New Options may be transferred by an instrument (duly stamped where necessary) in the form commonly used for transfer of New Options at any time until the expiry date of the New Options. This right is subject to any restrictions on the transfer of a New Option that may be imposed by ASX.
- (g) An instrument of transfer of a New Option must be:
  - (i) in writing;
  - (ii) in any usual form or in any other form approved by the Directors that is otherwise permitted by law;
  - (iii) subject to the Corporations Act, executed by or on behalf of the transferor, and if required by the Company, the transferee; and
  - (iv) delivered to the Company, at the place where the Company's register of Option Holders is kept, together with the certificate (if any) of the New Options to be transferred and any other evidence as the Directors require to prove the title of the transferor to that New Options, the right of the transferor to transfer those New Options and the proper execution of the instrument of transfer.
- (h) The Company will apply for quotation of the New Options on ASX.
- (i) In accordance with the Listing Rules the Company will apply for Official Quotation of all Shares allotted pursuant to an exercise of New Options.
- (j) There will be no participating entitlements inherent in the New Options to participate in new issues of capital that may be offered to Shareholders or Option Holders during the currency of the New Option. Prior to any new pro-rata issue of securities to Shareholders, holders of New Options will be notified by the Company in accordance with the requirements of the Listing Rules.
- (k) In the event of a bonus issue of securities, the number of Shares over which the New Options are exercisable may be increased by the number of Shares that the Option

holders would have received if the Options had been exercised before the record date for the bonus issue.

- (l) In the event of a reconstruction, including the consolidation, subdivision, reduction or return of issue capital of the Company prior to the Expiry Date, all rights of an Option Holder are to be changed in a manner consistent with the Listing Rules.
- (m) There is no right to a change in the exercise price of the New Options or to the number of Shares over which the New Options are exercisable in the event of a new issue of capital (other than a change in accordance with the Listing Rules if there is a bonus issue or a pro rata issue to holders of Shares) during the currency of the New Options.
- (n) New Options are exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the Option Holder to exercise all or a specified number of the New Options held by the Option Holder accompanied by an Option certificate and a cheque made payable to the Company for the subscription price for the exercise of the specified New Options. An exercise of only some of the New Options will not affect the rights of the Option Holder to the balance of the New Options held.
- (o) New Options will be deemed to have been exercised on the date the exercise notice is received by the Company.
- (p) The Company will allot the resultant Shares and deliver the holding statement within five business days after the exercise of the New Option.
- (q) Shares allotted pursuant to an exercise of New Options will rank, from the date of allotment, in all respects equally with existing fully paid ordinary Shares of the Company.
- (r) These terms and the rights and obligations of the Option Holder are governed by the laws of Western Australia. The Option Holder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia.

## 7. Continuous Disclosure Documents

### 7.1 Continuous disclosure obligations

This is a Prospectus for the offer of options to acquire continuously quoted securities (as defined in the Corporations Act) of the Company and is issued pursuant to section 713 of the Corporations Act as a transaction specific prospectus. Accordingly, this Prospectus does not contain the same level of disclosure as an initial public offering prospectus.

The Company is a “disclosing entity” for the purposes of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. As a listed company, the Company is subject to the Listing Rules which require it to immediately notify ASX of any information concerning the Company of which it is or becomes aware and which a reasonable person would expect to have a material effect on the price or value of Shares, subject to certain exceptions.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the provisions of the Listing Rules as in force from time to time which apply to disclosing entities, and which require the Company to notify ASIC of information available to the stock market conducted by ASX, throughout the 12 months before the issue of this Prospectus.

New Options to be issued under this Prospectus are options to subscribe for continuously quoted securities in the Company (i.e. Shares) which are in a class of securities that were quoted on the stock market of ASX at all times in the 12 months before the issue of this Prospectus. Further, the Company will apply for quotation of the New Options to be issued under this Prospectus.

### 7.2 Documents available for inspection

The Company has lodged the following announcements with ASX since the lodgement of the Company’s half yearly financial report to shareholders for the period to 31 December 2018 on 14 March 2019:

| Date          | Description of ASX Announcement                           |
|---------------|---|
| 2 July 2019   | Notice of General Meeting                                 |
| 24 June 2019  | Chilean Lithium Brine Presentation                        |
| 7 June 2019   | Appendix 3B   |
| 7 June 2019   | Proposed grant of new options to holders of BMGOA Options |
| 28 May 2019   | Completion of Chilean Lithium Joint Venture               |
| 9 May 2019    | Response to ASX price query                               |
| 7 May 2019    | Cancellation of Options held by Managing Director         |
| 7 May 2019    | Appendix 3Z- Peter Munachen                               |
| 7 May 2019    | Board Change  |
| 30 April 2019 | Quarterly report and Appendix 3B                          |
| 8 April 2019  | Receipt of Stage 2 Geophysics results                     |



| <b>Date</b>   | <b>Description of ASX Announcement</b> |
|---------------|--|
| 20 March 2019 | Ceasing to be a substantial holder     |
| 20 March 2019 | Chilean JV on target                   |
| 14 March 2019 | Half Year Report and Accounts          |

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC.

Copies of documents lodged with ASX, in relation to the Company, including the Company's corporate governance policies, may be obtained from the Company's website ([www.bmgl.com.au](http://www.bmgl.com.au)) or at ASX's website ([www.asx.com.au](http://www.asx.com.au) using ASX Code "BMG").

The Company will provide a copy of each of the following documents, free of charge, to any person on request from the Prospectus Date until the Closing Date:

- the annual financial report of the Company for the financial year ended 30 June 2018, being the annual financial report of the Company most recently lodged with the ASIC before the issue of this Prospectus;
- the half year financial report of the Company for the half financial year ended 31 December 2018, being the half year financial report of the Company most recently lodged with the ASIC before the issue of this Prospectus; and
- any documents used to notify ASX of information relating to the Company in the period from lodgement of the annual financial report of the Company for the financial year ended 30 June 2018 until the issue of the Prospectus in accordance with the Listing Rules as referred to in section 674(1) of the Corporations Act.

Copies of all documents lodged with ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

## 8. Additional Information

### 8.1 General Meeting

As described in Section 2.1(c), the Company will convene a General Meeting on Friday, 2 August 2019, where Shareholder approval is sought for the issue of up to 346,502,334 New Options to Eligible Participants under the Offers proposed by this Prospectus. Refer to Resolution 12 of the Notice of General Meeting for further information in respect of the proposed issue of New Options to persons other than Directors or their Associates and Resolutions 13 to 15 in respect of the proposed issue of New Options to Directors or their Associates.

A copy of the Notice of General Meeting is available at the Company's website at [www.bmgl.com.au/investors/asx-releases.html](http://www.bmgl.com.au/investors/asx-releases.html).

Unless and until Shareholder approval is obtained at the General Meeting, no New Options will be issued to Eligible Participants. If Shareholder approval is not obtained for any of the specific Resolutions dealing with the offer and issue of New Options to Eligible Participants, the Company will refund all Application Money received under the Offers without interest, to those Eligible Participants to which that specific Resolution pertains.

### 8.2 Material and related party contracts

#### (a) Chilean Lithium Brine Joint Venture

On 28 May 2019, the Company announced it had entered into a joint venture to undertake the exploration and development of the Chilean Lithium Projects and other related opportunities in Chile (**Joint Venture**). The Company has a right to acquire up to 50% of LCS, the owner of the Chilean Lithium Projects, subject to completion of certain conditions and agreed milestones and the investment of US\$3.5M in Joint Venture expenditure and vendor payments.

#### Payment Schedule:

- (i) US\$250,000 paid following satisfaction of all completion conditions;
- (ii) upon satisfaction of the first milestone for expenditure: US\$250,000 + the issue of BMG Shares equivalent to a value of US\$200,000 to pay for a 20% interest in the Joint Venture company's shares;
- (iii) upon satisfaction of the second milestone for expenditure: US\$150,000 payable either in cash or with BMG Shares (at BMG's election) as consideration for an additional 15% interest in the Joint Venture company's shares; and
- (iv) upon satisfaction of the third milestone for expenditure: US\$150,000 payable either in cash or with BMG Shares (at BMG's election) as consideration for an additional 15% interest in the Joint Venture company's shares.

#### Timeframe for the milestones and expenditure commitments:

| Milestone                 | Maximum Date            | Amount        |
|---------------------------|-------------------------|---------------|
| 1 <sup>st</sup> milestone | 1 year from completion  | US\$1,000,000 |
| 2 <sup>nd</sup> milestone | 2 years from completion | US\$1,000,000 |
| 3 <sup>rd</sup> milestone | 3 years from completion | US\$500,000   |

(b) **Administration services agreement with Tribis**

By agreement between Tribis and the Company, the Company has retained Tribis to provide to the Company, on the terms and conditions set out in the agreement, comprehensive administration services including:

- administrative, management, corporate, advisory and other similar services;
- management of third party professional and expert services including legal and audit and investment banking, independent technical expert and other services;
- head office support services including provision of office space for the Company's managing director and one other Company appointee, shared access to Tribis' office IT and telecommunications equipment and access to third party-provided communications systems and support;
- company secretarial, administrative support, accounting, payroll business analysis and recruitment and employee administration services; and
- other administration services as may be requested from time to time by the Board and as agreed by Tribis.

The Company has agreed to pay a monthly fee to Tribis plus reasonable reimbursements each month for certain costs, expenses and liabilities incurred and/or paid by Tribis on behalf of the Company during that month. The monthly fee has been subject to reductions over time. From 1 April 2016 until 30 June 2016, Tribis agreed to waive the monthly fee while the Company was searching for a new project. From that point the monthly fee was \$5,000. With effect from 1 July 2018 the Company pays a fee for administrative services of \$12,000 per month.

Tribis is a related party of the Company by virtue of Mr Simon Trevisan, a Non-Executive Director of the Company, being the managing director.

Subject to Shareholder approval at the forthcoming General Meeting, the Company proposes to issue Tribis 8,000,000 fully paid ordinary Shares 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 total of \$72,000. If Shareholder approval is not received for the settlement of the accrued fees in the form of Shares, the Company will settle the amount accrued in cash.

(c) **Executive Services Agreement with Managing Director - Mr Bruce McCracken**

The Company has entered into an executive services agreement (**ESA**) with Managing Director, Mr Bruce McCracken.

The Company's Notice of General Meeting, announced on 2 July 2019, provides further details of the material terms of the ESA. In the Notice of General Meeting specifically, Schedule 3 provides a summary of the ESA and Schedule 2 provides the terms and conditions attaching to the Performance Rights awarded under the ESA.

### 8.3 **Litigation**

As at the Prospectus Date, the Company is not involved in any material legal proceedings and the Directors are not aware of any material legal proceedings pending or threatened against the Company.

## 8.4 Security holding interests of Directors

At the date of this Prospectus the relevant interest of each Director in the Shares and Options of the Company are as follows:

| Director        | Shares               |                         | Options <sup>5</sup> |          |
|-----------------|----------------------|-------------------------|----------------------|----------|
|                 | Direct               | Indirect                | Direct               | Indirect |
| Greg Hancock    | Nil                  | Nil                     | Nil                  | Nil      |
| Bruce McCracken | 180,000              | 19,920,042 <sup>1</sup> | Nil                  | Nil      |
| Simon Trevisan  | 193,334 <sup>2</sup> | 78,373,644 <sup>3</sup> | Nil                  | Nil      |
| Malcolm Castle  | 5,457,220            | 582,856 <sup>4</sup>    | Nil                  | Nil      |

### Notes:

1. Held by Bruce McCracken and Megan McCracken as trustees for the McCracken Family Trust, of which Mr McCracken is a beneficiary.
2. Held by Simon Trevisan as trustee of Trevisan Superannuation Fund.
3. 78,373,644 Shares held as a Director of Tribis Pty Ltd.
4. 39,896 Shares held as spouse of Susan Castle and 542,960 Shares held as director and sole shareholder of Agricola Mining Consultants Pty Ltd, totalling 582,856 Shares.
5. The table does not include New Options to be issued to Directors or their nominees under this Prospectus. Refer to Section 8.5 for further details of Directors' participation in the Offers.

## 8.5 Directors' participation in the Offers

The Company is seeking Shareholders approval at the forthcoming General Meeting (Resolutions 13 to 15 of the Notice of General Meeting) to offer and issue New Options to the following Directors or their nominees, who are Eligible Participants by virtue of the fact, the Director or their nominees held BMGOA Options, which expired exercised or unexercised, on or before 30 June 2019.

The table below outlines the assumed participation (if Shareholder approval is received) of each Director who is also an Eligible Participant.

| Director        | Options Offer                       | Shortfall Offer |
|-----------------|-------------------------------------|-----------------|
| Bruce McCracken | 10,383,354 New Options              | Nil             |
| Simon Trevisan  | 36,773,554 New Options <sup>1</sup> | Nil             |
| Malcolm Castle  | 2,721,110 New Options               | Nil             |

1. Mr Trevisan holds an indirect interest in 36,773,354 New Options issued to Tribis, by virtue of him being a director and shareholder of Tribis.
2. The Directors and their associated entities are not entitled to participate in the Shortfall Offer.

## 8.6 Remuneration of Directors

The Constitution provides that the Directors may be paid for their services as Directors, as determined by the Company prior to the first annual general meeting. Such payment, in relation to Non-Executive Directors, is to be paid by way of a fixed sum and not by a commission or percentage of operating revenue or Company profits. The sum fixed, which is currently a maximum of \$300,000 per annum, may be divided amongst the Non-Executive Directors as they may from time to time agree or, in the absence of agreement, in equal shares.

Subject to the provisions of any contract between the Company and any Executive Director, the remuneration for Executive Directors may be fixed by the Directors from time to time.

A Director may be paid fees or other amounts as the Directors determine, where a Director performs duties or provides services outside the scope of their normal duties. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

The table below sets out the cash remuneration of each Director for the financial year ended 30 June 2018 and the current financial year ending 30 June 2019.

| Director   | Financial year ended<br>30 June 2018 | Financial year ended 30 June<br>2019 |
|--|--------------------------------------|--------------------------------------|
| Greg Hancock<br>(Non-Executive Director,<br>Chairman)<br>(appointed 6 February 2018) | \$44,000                             | \$60,000                             |
| Bruce McCracken <sup>1</sup><br>(Managing Director)                                  | Nil                                  | \$164,250                            |
| Simon Trevisan <sup>1</sup><br>(Non-Executive Director)                              | Nil                                  | \$15,000                             |
| Malcolm Castle <sup>1</sup><br>(Non-Executive Director)                              | Nil                                  | \$15,000                             |
| Peter Munachen <sup>2</sup><br>(Non-Executive Director)<br>(resigned 7 May 2019)     | \$12,000                             | \$22,000                             |

**Note:**

- Mr McCracken, Mr Trevisan and Mr Castle agreed not to receive any director fees while a new project was being sought for Company.  
  
Mr McCracken received a payment of \$60,000 in January 2019 for services provided in the period 1 July 2018 to 31 December 2018 and has been paid an amount of \$15,000 per month from 1 January 2019.  
  
Messrs Trevisan and Castle have been paid an amount of \$2,500 per month from 1 January 2019 for their services as Non-Executive Directors of the Company.
- Mr Munachen received a fee of \$2,000 per month from 1 July 2018 to 31 December 2018, then received a fee of \$2,500 per month until his resignation from office on 7 May 2019.

Further information relating to the remuneration of Directors can be found in the Company's 2018 Annual Report, which can be found on the Company's website ([www.bmgl.com.au](http://www.bmgl.com.au)) or the ASX announcements webpage for the Company (ASX Code "BMG").

## 8.7 Expenses of the Offers

The expenses of the Offers (assuming full subscription) are expected to comprise the following estimated costs, exclusive of GST.

| Expense  | Amount          |
|--|-----------------|
| ASIC fees  | \$3,206         |
| ASX fees   | \$12,000        |
| Legal fees   | \$10,000        |
| Printing, distribution and Share Registry expenses | \$400           |
| <b>TOTAL</b>                                       | <b>\$25,606</b> |

## 8.8 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus:

- (a) all other persons named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus do not have, and have not had in the 2 years before the Prospectus Date, any interest in:
- (i) the formation or promotion of the Company;
  - (ii) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offers; or
  - (iii) the Offers; and

amounts have not been paid or agreed to be paid (whether in cash, Securities or otherwise), and other benefits have not been given or agreed to be given, to any of those persons for services provided by those persons in connection with the formation or promotion of the Company or the Offers.

| Expert/advisor                      | Service or function      | Amount paid or to be paid   |
|-------------------------------------|--------------------------|---|
| Jackson McDonald                    | Solicitors to the Offers | Jackson McDonald will be paid approximately \$10,000 (plus GST) for services related to this Prospectus and the Offers.<br><br>Including the fees above, Jackson McDonald has been paid or is entitled to be paid approximately \$120,069 (plus GST) for legal services provided to the Company in the period 2 years prior to the Prospectus Date. |
| BDO Audit (WA) Pty Ltd              | Auditor                  | BDO Audit (WA) Pty Ltd has been paid or is entitled to be paid approximately \$50,742 (plus GST) for audit services provided to the Company in the period 2 years prior to the Prospectus Date.   |
| Security Transfer Australia Pty Ltd | Share Registry           | Security Transfer Australia Pty Ltd will be paid approximately \$400 (plus GST) for services to be provided in relation to printing and despatch of this Prospectus and for receiving and   |

| Expert/advisor | Service or function | Amount paid or to be paid  |
|----------------|---------------------|--|
|                |                     | managing Applications under the Offers.<br><br>In addition, it has been paid or is entitled to be paid approximately \$36,280 (plus GST) for the provision of share registry services to the Company in the period 2 years prior to the Prospectus Date. |

## 8.9 Market prices of Shares on ASX

Information about the closing market price of Shares quoted on ASX during the 3 month period prior to Prospectus Date is set out in the table below.

|         | Price   | Date(s)       |
|---------|---------|---------------|
| Highest | \$0.015 | 5 June 2019   |
| Lowest  | \$0.007 | 29 April 2019 |
| Latest  | \$0.010 | 12 July 2019  |

**Note:** The above trading data has been sourced from ASX, which has not consented to its use in this Prospectus.

## 8.10 Consents and liability statements

The following persons have given their written consent to be named in the Prospectus in the form and context in which they are named and to the inclusion of a statement or report in this Prospectus in the form and context in which it is included:

| Party                               | Capacity in which named  | Statement or report in this Prospectus   |
|-------------------------------------|--------------------------|--|
| Jackson McDonald                    | Solicitors to the Offers | Not applicable   |
| Security Transfer Australia Pty Ltd | Share Registry           | Not applicable   |
| BDO Audit (WA) Pty Ltd              | Auditor                  | Financial accounts as at 31 December 2018 set out in Section 4.5, on which the pro forma statement of financial position is based. |

Each of the parties named above as providing their consent:

- did not authorise or cause the issue of this Prospectus;
- does not make, or purport to make, any statement in this Prospectus nor is any statement in this Prospectus based on any statement by any of those parties other than as specified in this Section 8.10; and
- to the maximum extent permitted by law, expressly disclaims any responsibility or liability for any part of this Prospectus other than a reference to its name and a statement contained in this Prospectus with consent of that party as specified in this Section 8.10.

## 9. Directors' Statement

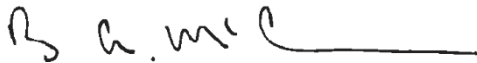
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The Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

This Prospectus is signed for and on behalf of the Company pursuant to a resolution of the Board by:

**Bruce McCracken**  
Managing Director

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

Date: 15 July 2019



## 10. Glossary of Terms

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|   |   |
|---|---|
| <b>A\$ or \$</b>                            | Australian dollars.   |
| <b>Applicant</b>                            | A person who applies for New Options under and in accordance with this Prospectus.  |
| <b>Application</b>                          | A valid application for New Options offered under this Prospectus.  |
| <b>Application Form</b>                     | The application forms that accompany this Prospectus, being the Options Offer Application Form and the Shortfall Offer Application Form, or any one or more of those applications forms as the case may be. |
| <b>Application Moneys</b>                   | Money received from an Applicant in respect of an Application.  |
| <b>ASIC</b>                                 | The Australian Securities and Investments Commission.   |
| <b>ASX</b>                                  | ASX Limited (ACN 008 624 691) trading as the 'Australian Securities Exchange'.  |
| <b>ASX Settlement</b>                       | ASX Settlement Pty Limited (ACN 008 504 532).   |
| <b>ASX Settlement Rules</b>                 | The settlement rules of ASX Settlement.   |
| <b>BMGOA Options</b>                        | An expired series of Options in the Company quoted on ASX, exercisable at \$0.02 per Option, on or before 30 June 2019.   |
| <b>Board</b>                                | The board of Directors of the Company.  |
| <b>Business Day</b>                         | Has the meaning given to that term in the Listing Rules.  |
| <b>CHESS</b>                                | Clearing House Electronic Sub-register System operated by ASX Settlement.   |
| <b>CHESS Statement or Holding Statement</b> | A statement of shares registered in a CHESS account.  |
| <b>Chilean Lithium Projects</b>             | Salar West Claims, Pajonales Claims and Natalie Claims in the Salar de Atacama and surrounding areas in northern Chile.   |
| <b>Closing Date</b>                         | The closing date of the Offers, being 5.00pm WST on Thursday, 8 August 2019 or such other date as determined by the Directors.  |
| <b>Company or BMG</b>                       | BMG Resources Limited (ACN 107 118 678).  |
| <b>Constitution</b>                         | The constitution of the Company.  |
| <b>Corporations Act</b>                     | <i>Corporations Act 2001</i> (Cth).   |
| <b>Company Secretary</b>                    | The company secretary of the Company.   |
| <b>Director</b>                             | A director of the Company as at the Prospectus Date.  |
| <b>Eligible Participants</b>                | A person who was registered as a holder of BMGOA Options on or before 30 June 2019, which expired exercised or unexercised, and is resident in Australia or New Zealand.                                    |

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| <b>Executive Director</b>        | An executive Director of the Company.   |
| <b>ESA</b>                       | Executive services agreement between the Company and the Managing Director.   |
| <b>Expiry Date</b>               | The expiry date of New Options, being 31 December 2019.   |
| <b>General Meeting</b>           | The general meeting of the Company's Shareholders convened for 2 August 2019.   |
| <b>GST</b>                       | Goods and services tax levied under the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).  |
| <b>Joint Venture</b>             | A joint venture between the Company and LCS to undertake the exploration and development of the Chilean Lithium Projects and other related opportunities in Chile.            |
| <b>LCS</b>                       | Lithium Chile SpA.  |
| <b>Listing Rules</b>             | The official listing rules of ASX.  |
| <b>Managing Director</b>         | The Company's managing director, Bruce McCracken.   |
| <b>New Cyprus</b>                | The entity which owns a 70% interest in the TDL.  |
| <b>New Option</b>                | An Option exercisable at \$0.02 each on or before 31 December 2019, and otherwise on the terms and conditions set out in Section 6, to be issued or offered under the Offers. |
| <b>Non-Executive Director</b>    | A non-executive Director of the Company.  |
| <b>Notice of General Meeting</b> | The Company's notice of general meeting.  |
| <b>Offer Period</b>              | The period that an Offer is open, being the period between the Opening Date and the Closing Date.   |
| <b>Offer Price</b>               | \$0.001 per New Option.   |
| <b>Offers</b>                    | The Options Offer and the Shortfall Offer, or any one or more of those offers as the case may be.   |
| <b>Official Quotation</b>        | The admission of Securities to the official list of the ASX.  |
| <b>Opening Date</b>              | The opening date of the Offers, being Friday, 19 July 2019 or such other date as determined by the Directors.   |
| <b>Option</b>                    | An option to subscribe for a Share.   |
| <b>Option Holder</b>             | A holder of Options in the Company  |
| <b>Options Offer</b>             | The offer of up to 346,502,334 New Options to Eligible Participants who held BMGOA Options, which expired exercised or unexercised on 30 June 2019.                           |
| <b>Performance Right</b>         | The Entitlement to one Share in the Company on the satisfactory achievement of a vesting condition.   |
| <b>Privacy Act</b>               | <i>Privacy Act 1988</i> (Cth).  |
| <b>Prospectus</b>                | This document, including the Application Forms.   |

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| <b>Prospectus Date</b>          | The date of this Prospectus, being the date that this Prospectus is lodged with ASIC.                                 |
| <b>Related Bodies Corporate</b> | Has the meaning given to that term in the Corporations Act.   |
| <b>Related Party</b>            | Has the meaning given to that term in section 228 of the Corporations Act.  |
| <b>Resolution</b>               | A resolution to be considered at the General Meeting of the Company   |
| <b>Section</b>                  | A section of this Prospectus.   |
| <b>Securities</b>               | Has the meaning given to that term in section 761A of the Corporations Act and includes a Share and an Option.        |
| <b>Share</b>                    | A fully paid ordinary share in the capital of the Company.  |
| <b>Shareholder</b>              | The holder of a Share.  |
| <b>Share Registry</b>           | The Company's Share Registry, Security Transfer Australia Pty Ltd.  |
| <b>Shortfall</b>                | The shortfall to the New Options offered under this Prospectus for which Applications are not received and accepted.  |
| <b>Shortfall Offer</b>          | Has the meaning given to that term in Section 1.2.  |
| <b>Timetable</b>                | The indicative timetable for the Offers as set out in the Key Offer Information on page 1.                            |
| <b>TDL</b>                      | The entity which owns of the treasure project as outlined in Section 1.1(b) of which the Company owns a 30% interest. |
| <b>Tribis</b>                   | Tribis Pty Ltd (ACN 009 017 985).   |
| <b>US\$</b>                     | United States dollar.   |
| <b>VWAP</b>                     | Volume weighted average price of Shares traded on ASX.  |
| <b>WST</b>                      | Western Standard Time, being the time in Perth, Western Australia.  |