

BKM MANAGEMENT LIMITED

ASX ANNOUNCEMENT

6 March 2013

OAKDALE GRAPHITE PROJECT ACQUISITION AND CAPITAL RAISING

HIGHLIGHTS:

- Acquisition of a highly prospective flake graphite project located on the Central Eyre Peninsula in South Australia comprising 9 tenements and covering approximately 2480km²
- Oxidised, weathered graphitic units approximately 40 metres thick sitting within a graphite-bearing zone greater than 200m wide.
- Initial metallurgical results show graphite to be coarsely crystallised with a high component of flake graphite
- Metallurgical test work on the oxide zone has recovered high grades up to 48.5% Graphitic carbon (**Cg**) with large flake graphite up to 1000 micron.
- Diamond drilling into the primary zone has shown the graphitic schist to be in excess of 200m thick (down hole) with significant results including 33.9m at 8.39% Cg
- Excellent accessible infrastructure – 120 km from active port, available source of electricity (grid) and good network of near project sealed roads
- Incoming senior management has extensive experience and success in exploration and project development
- 30,000m aircore drilling program focusing on known oxidized graphite bearing units to commence immediately following completion of the acquisition and associated capital raising
- BKM to change its name to OAKDALE RESOURCES LIMITED
- \$208,500 raised from sophisticated and professional investors to provide working capital whilst the Company undertakes the acquisition process

The Directors of BKM Management Limited (ASX:BKM) (the "**Company**" or "**BKM**") are pleased to announce the signing a binding Heads of Agreement ("**HOA**") to acquire the Oakdale Graphite Project and associated tenements from Lymex Limited ("**Lymex**"). Lymex is a public unlisted Australian exploration company whose Managing Director John Lynch will, subject to shareholder approval of the acquisition, become Managing Director of the renamed Oakdale Resources Limited.

The Oakdale Graphite project is located on the Eyre Peninsula in South Australia. The tenement package being acquired comprises 9 exploration tenements covering a large area of approximately 2,480 km². In acquiring the tenements BKM is entitled to explore for

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graphite and base metals and shall be entitled to mine and extract the graphite and base metals.

Commenting on the proposed acquisition, BKM Director Evan McGregor stated, *“The Oakdale Graphite Project and associated tenements represent an exciting opportunity for the Company to acquire an evaluation and development flake graphite project located in a favorable mining jurisdiction with potential to deliver significant shareholder value. In addition to the outstanding asset, the Company has obtained a very experienced and successful management and technical team. The Company has negotiated a strong, constructive and performance based agreement tied to the continued evaluation success and ultimately delivery of a JORC resource at the Oakdale Graphite Project. The Project has already produced highly encouraging graphite intersections at this relatively early stage, and the nature of the graphite along with the location of the intersection zones provides an excellent base upon which to commence the extensive drilling programme. So far only some 400m of a potential extensive graphitic bearing horizon has been drilled”*

New Directors

The Directors of Lymex, Mr. John Lynch, Mr. Rob Clifton-Steel and Mr. Graham White will, subject to the proposed transaction securing all the necessary approvals, join the Board of BKM. The appointments bring significant company management and resource sector experience to the Company's Board and a track record of developing successful mining operations.

Mr John Lynch (proposed Managing Director) has significant exploration and development experience and has successfully delivered a number of mining projects into production. He was previously the founding Director, President and CEO of Weda Bay Minerals Inc the founder and MD of Werrie Gold Limited, General Manager, Director and Co-founder of Pan Australian Mining Limited, Exploration Manager of Marathon Petroleum Australia Ltd, Exploration Manager and Chief Geologist of Metals Exploration Limited and Assistant Exploration Manager of North Broken Hill Limited. With the appointment of the new directors Mr Phillip Hains will resign as a Director of the Company but remain as Company Secretary. Mr Evan McGregor and Mr Alvin Tan will remain on the Board.

The incoming team has outlined an extensive exploration program to commence immediately upon completion of the acquisition and associated capital raising with the focus to delivering a maiden JORC resource at the Oakdale Graphite Project. It is believed that the project has significant potential to deliver a resource in a short period of time and in turn deliver significant shareholder value.

1. THE PROJECTS

Located between 120km and 160km north of Port Lincoln in the Gawler Craton on the Eyre Peninsula in South Australia. The tenement package comprises:

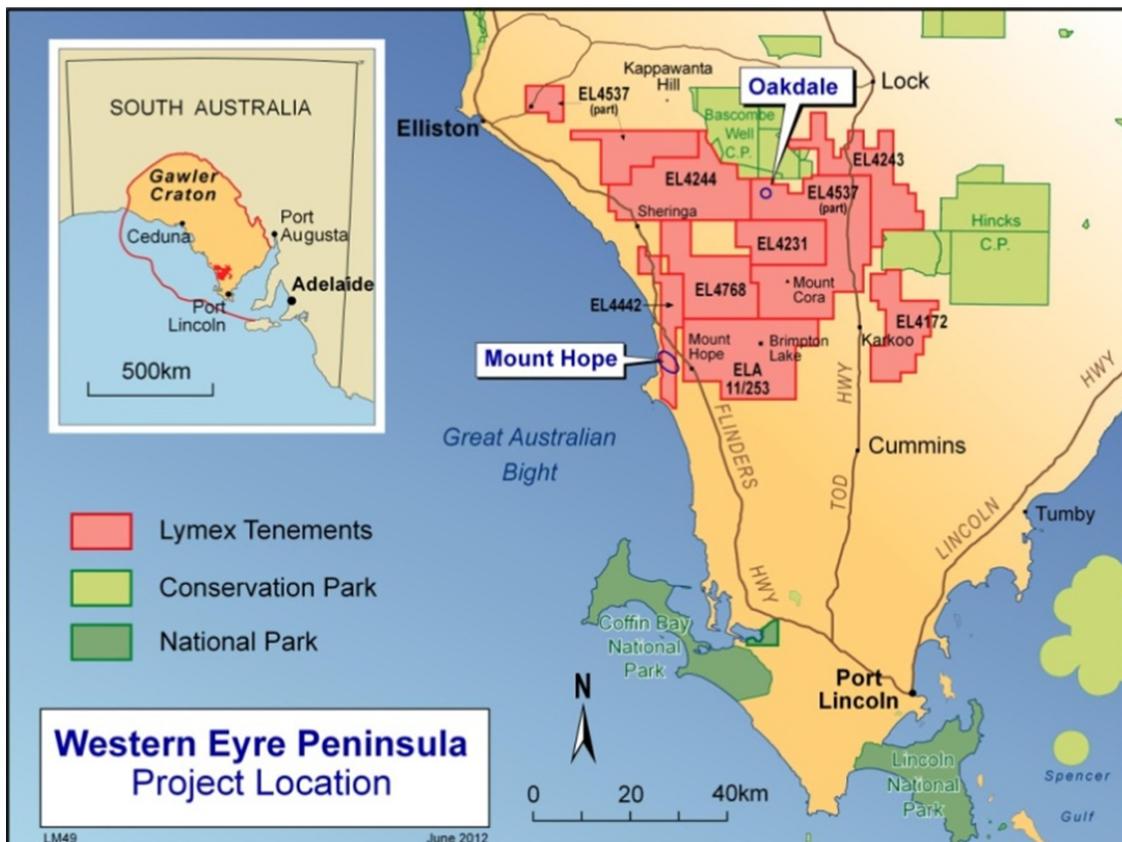
- EL4895(Tungketta Hill);
- EL4537 (Brimpton Lake);
- EL4244 (Sheringa)
- EL4442 (Mt Hope);

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- EL4243 (Lock);
- EL4231 (Kapinnie);
- EL4172 (Brooker);
- EL 4768 (Hillside); and
- EL 4914 (Lake Malata)

In acquiring the tenements BKM shall have the right to explore for graphite and base metals (copper, nickel, lead, zinc) at the tenements with Lymex to retain the rights to explore for all mineral deposits other than graphite and base minerals

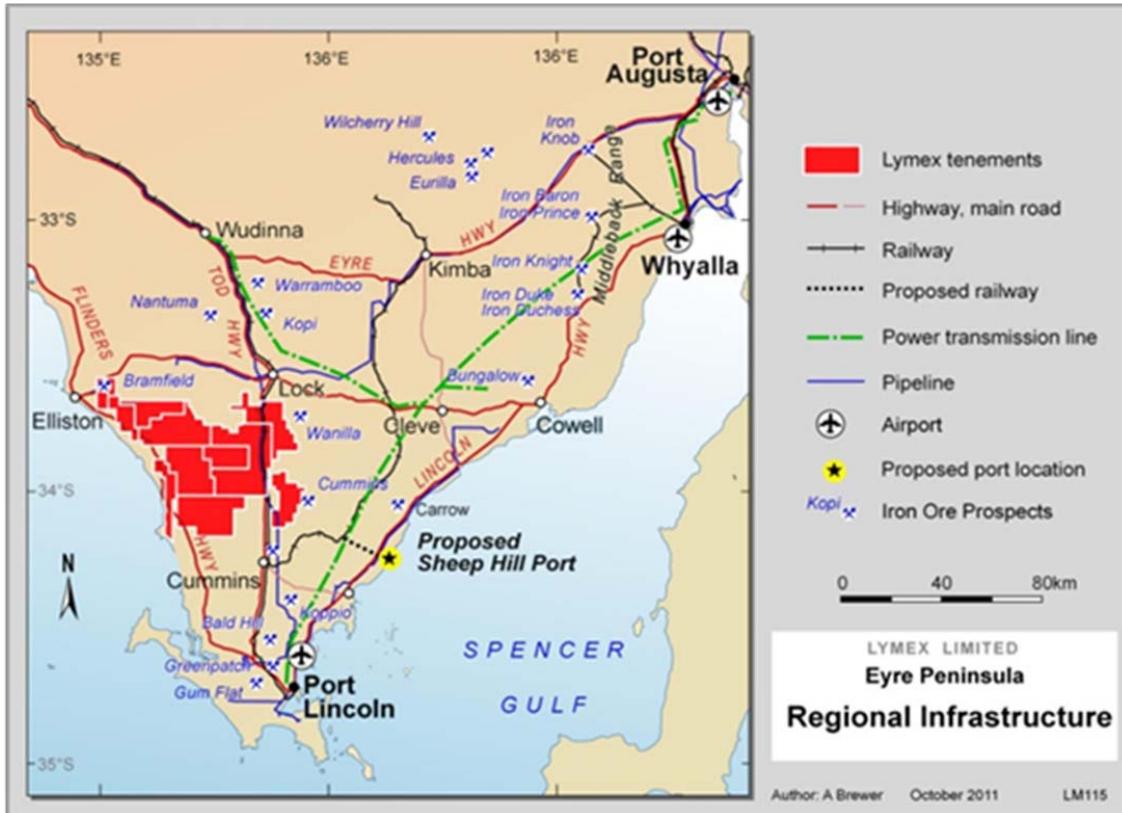
Tenement location



Infrastructure

The Oakdale Graphite project and associated exploration tenements are readily accessible all year round via a network of sealed and weatherproofed roads, are close to excellent accessible infrastructure with a port only 120km from the project and have available sources of grid electricity. The projects are all located on freehold land.

Oakdale Infrastructure



Note all tenements market "Lymex Tenements" are to be acquired by BKM/Oakdale Resources Limited

2. HISTORY OF EXPLORATION

Extensive work carried out by Lymex has shown that the average cover thickness is only approximately 36m and that the geological age is around 2,540 million years which is a highly prospective geological age worldwide.

Significant exploration work has already been undertaken on the tenements and specifically the Oakdale Graphite Project (EL 4537). This includes magnetic surveys, airborne EM, aircore drilling, RC drilling, and diamond drilling. Petrographical work, assaying and metallurgical studies have been integrated into this exploration.

Results received to date indicate that the graphite mineralisation occurs in the hanging wall of a potential volcanogenic hosted massive sulphide system. The graphite mineralisation has been identified in numerous wide spaced diamond drill holes over 1500m apart. Where drilled the graphite occurs interbedded with schists and basic volcanics over a thickness in excess of 200 metres. Initial metallurgical testing of the oxidised graphite material shows carbon assays of up to 48.5% and good recoveries of coarse flake and flake graphite.

The area is underexplored and represents an opportunity for the discovery of significant high value mineral deposits.

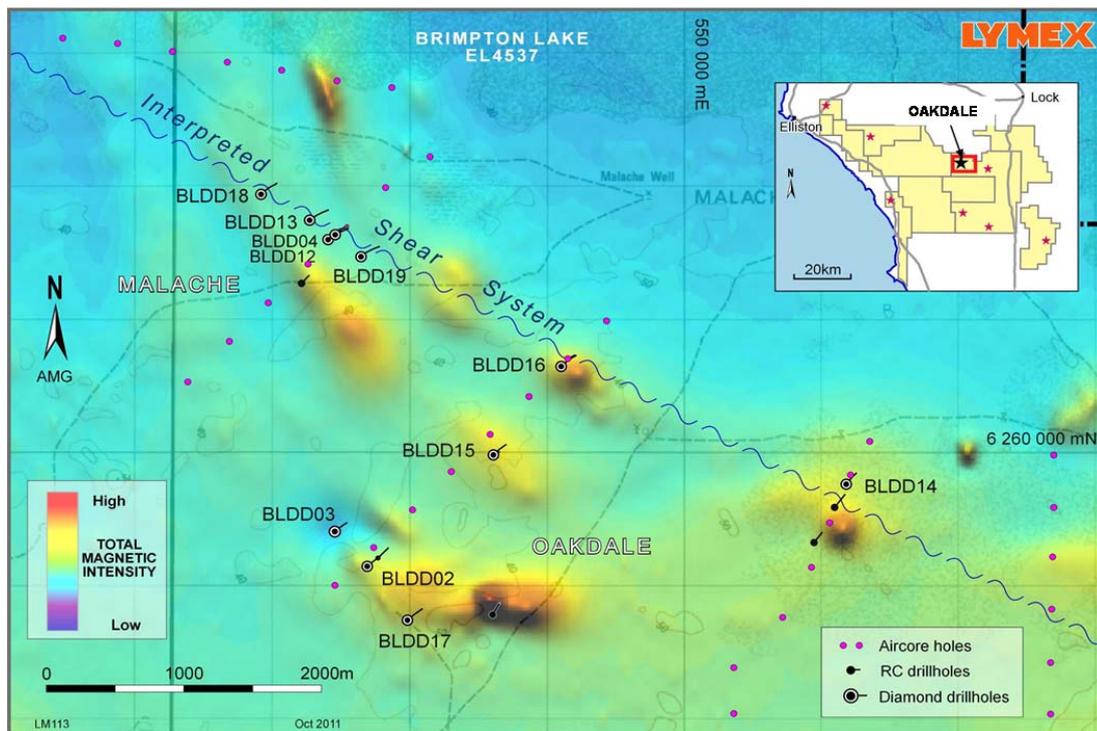
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Exploration has also identified base metal mineralisation at Malache where wide low grade, low iron zinc mineralisation along with associated lead, copper, silver trace germanium, gallium and indium has been identified associated with a major shear system.

3. EXPLORATION DRILLING RESULTS

The units hosting the graphite can be readily traced by an electromagnetic survey.

Oakdale Graphite Project – Graphite Bearing Drillholes



A diamond drilling programme was carried out between 2003 and 2005 with Anglo American Pty. Ltd. to explore and test an electromagnetic anomaly associated with anomalous copper and zinc identified extensive graphite-rich units within the tenements. Work focused on the area surrounding diamond drill holes BLDD02 and BLDD03 which are approximately 400 metres apart. Lymex re-assayed these holes in 2012 and assays of the primary zone included:

BLDD02:

- Intersected 39.3 metres at 3.87% Cg from 166 metres including 30.6 metres of graphitic schist averaging 4.75% Cg; and
- 19 metres at 5.38% including 16.4 metres at 6.2% Cg;

BLDD03

- Intersected 57 metres at 4.9% Cg from 63 metres including 33.9 metres at 8.39% Cg

These graphitic schist units can be projected up dip into the oxidised zone.

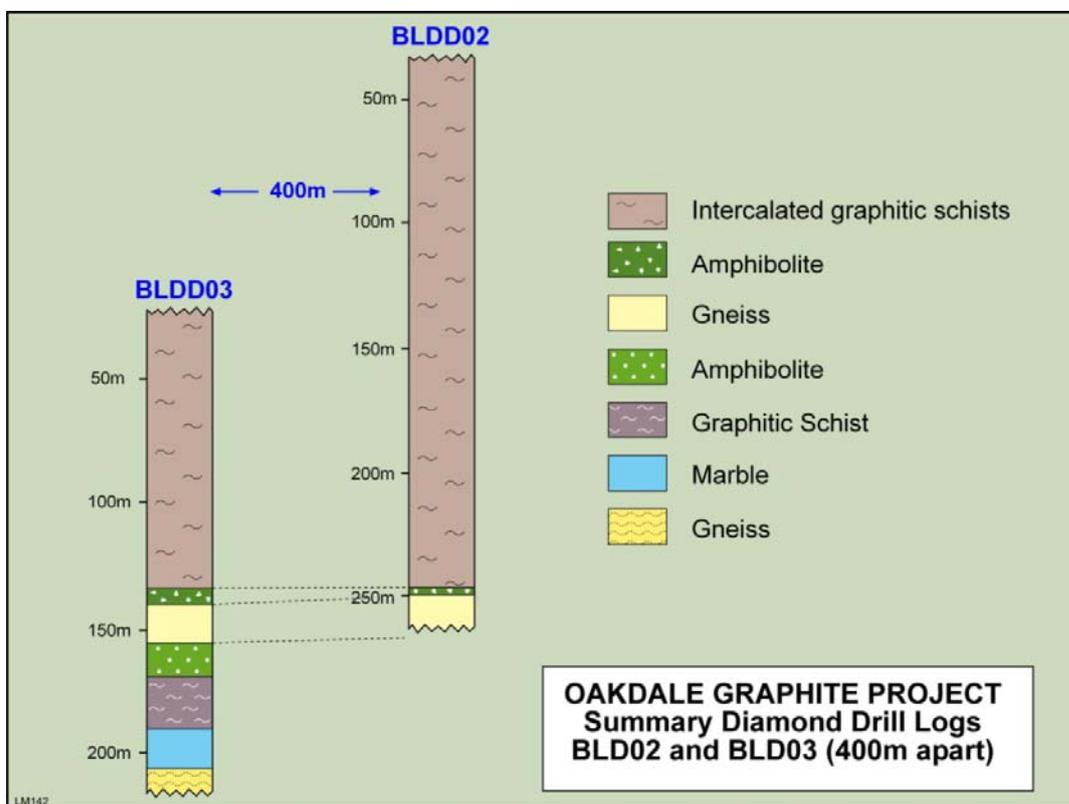
Potentially large graphite bearing zone

The graphitic schist units in BLDD02 are in excess of 200 metres thick (down hole). Geologically the correlation between BLDD02 and BLDD03 also indicates a thickness of approximately 240 metres in BLDD03. Both BLDD02 and BLDD03 intersected graphite from the start of the hole which indicates potential for graphitic units to be even thicker.

It should be noted that these assays are weight percentage assays as the primary unoxidised rock contains considerable pyrrhotite with a specific gravity of 4 which will dominate the weight percentage (Graphite has a specific gravity of 2.2). The graphite content, as a volume percentage, is much higher than the weight percentage. The weathered oxidised graphitic material has higher weight percentage assays, as the pyrrhotite and much of the other associated gangue minerals with higher specific gravities than graphite have been removed by the weathering and oxidisation process. Graphite is pure carbon and does not oxidise and so remains in place. The units hosting the graphite also occur in BLD15 and BLD16 which are approximately 900 metres and 1500 metres from BLDD02 respectively. Evaluation work to date has centred on BLDD02 and BLDD03 as the depth to graphite rich oxidized bedrock is only 20 metres. The oxidized graphite is 42 metres thick (down hole) with the three metallurgical samples assaying 48.50%, 8.44% and 12.20% respectively.

Correlation of graphitic rich units

(24 metres to 240 metres BLDD02 and 24 metres to 130 metres BLDD03)



4. OXIDISED ZONE METALLURGY – COARSE FLAKE GRAPHITE

Initial Metallurgical test work on the oxidised zone material was carried out by ALS – Ammtec Metallurgy in Burnie Tasmania. Results show excellent recoveries of coarse flake graphite in excess of 75µm and the presence of 'jumbo' flakes up to 1000µm

Graphite Flake Sizes	
Product	Size Fraction
Jumbo Flake - High Grade	>425µm
Coarse Flake - High Grade	>250µm<425µm
Medium flake - High Grade	>150µm <180µm
Fine Flake - High Grade	>37µm <150µm
Amorphous	<37µm

Source : Industrial Minerals Magazine (February 2012 - October 2012)

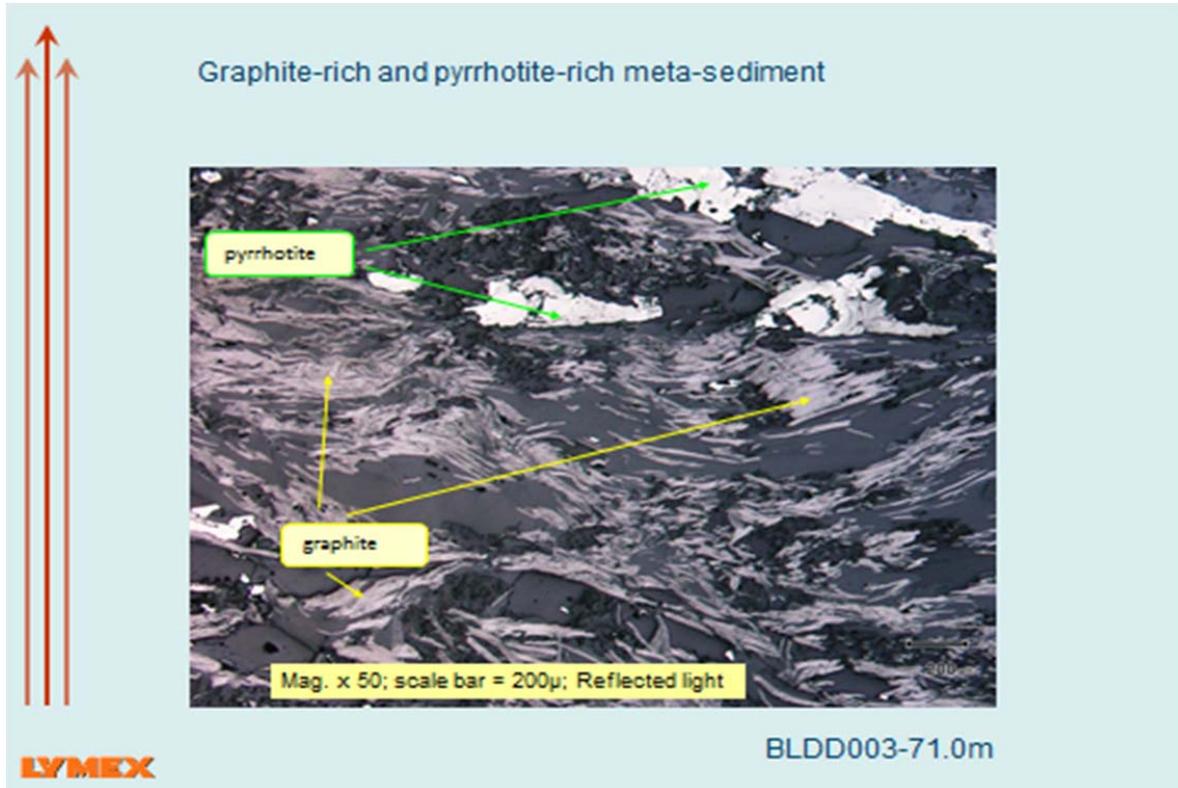
Lymex Consultant Metallurgist, Nick Moony considers that the recoveries and the carbon grade can be improved to in excess of 90% or better by removing the carried over silica.

The recovery of very coarse flake graphite and the high percentage of flake graphite in the tested oxidised material is very encouraging. This and the fact that the fine graphite is microcrystalline rather than amorphous means the economics of the project have the potential to be robust.

5. PRIMARY ZONE

Petrographic studies of the fresh, primary unoxidised graphite unit are very encouraging with graphite flakes averaging in excess of 200 µm and up to 1000 µm as in diagram below.

Graphite-rich and pyrrhotite-rich meta-sediment



Primary Zone Metallurgical – Coarse Flake Graphite

The graphitic flake size in the weathered oxidised material is close to that observed in the photomicrographs as the weathered oxidised material does not need to be heavily crushed and ground to liberate the graphite, as nature has already done this work by weathering and removing the feldspar, pyrrhotite and other gangue minerals. Graphite, being pure carbon, does not break down in the oxidised zone so it can be readily recovered with minimum crushing and subsequent flotation.

Initial metallurgical work done on the graphitic material in primary, competent, unoxidised rocks showed recoveries and grades to be very good, however the crushing and grinding degraded the bulk of the soft coarse graphite flakes to less than 75µm.

6. COMPANY STRATEGY

12 month exploration plan commencing from completion of the acquisition and associated capital raising

The Company's intention is to focus on an electromagnetic survey followed by near surface drilling in the oxide zone identified in BLDD002 and BLD003 with the objective being to identify and delineate significant near surface oxidized graphite with a high percentage of coarse flake graphite.

7. GRAPHITE MARKET

Graphite is presently mainly used in the steel and automotive industries. The industrialisation of China, India and other major emerging economies has seen demand for graphite continues to rise. New applications have the potential to significantly increase demand for graphite. The lithium ion battery market is seen as one of the most important growth markets for natural flake graphite. Graphite is a significant component of the battery's anode and there is up to 10 times more graphite than lithium in a Lithium ion battery. Other new applications for graphite include fuel cells and nuclear power. New, well located sources or graphite supply are required, with or without high-tech scenarios

On the supply side consistent quality supplies of graphite are likely to remain scarce for the near term. China produces approximately 70% of the world's graphite of which the majority of this is amorphous graphite. Increasing state control and mine consolidation coupled with higher domestic consumption have resulted in lower exports from China. The Chinese government has recently imposed a 20% export duty on graphite in addition to the 17% Value Added Tax and is also importing natural flake graphite from North Korea* Graphite has been named a strategic mineral by the US Government and the British Geological Survey has named carbon (Graphite) in the top 10 minerals for supply risk

Pricing

Sales contracts are by private treaty. Industry prices are surveyed and published by Industrial Minerals Magazine. Prices of high quality graphite have risen from approximately US\$600 per tonne to US\$3,000 per tonne between 2004 and 2011. As a general rule the larger the graphite flake the higher the price received.

*Source Patersons Research 23 August 2012

8. WORKING CAPITAL PLACEMENT

The Company has finalized a share placement to raise approximately \$208,500 (before costs) through the issue of 69.5 million new BKM shares at a price of 0.3 cents per share ("**Placement**"). The Placement is to be undertaken without requiring disclosure or shareholder approval utilizing the Company's available 15% placement capacity pursuant to ASX Listing Rule 7.1. The shares were placed to sophisticated and professional investors who qualify under s708 of the Corporations Act.

9. TERMS OF THE ACQUISITION

The HOA provides for BKM to acquire 100% of Lymex Tenements Pty Ltd a wholly owned subsidiary of Lymex Limited and the owner of the 9 exploration licences (including the

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Oakdale Graphite project) the subject of the acquisition. In acquiring Lymex Tenements Pty Ltd BKM shall have the right to explore for graphite and base metal deposits and shall be entitled to mine and extract the graphite and base metals and to keep the proceeds for all minerals extracted (including any minor or trace metals (by-products) associated with the deposits)

The terms of the acquisition under the HOA are as follows (on a post consolidation basis):

1. 25.0 million ordinary fully paid BKM shares (post consolidation i.e. at a deemed price of \$0.20 per share) and 12.5 million options exercisable at 25 cents (post consolidation) on or before [insert date] 2014] ("**Initial Consideration**"); and
2. Deferred Consideration:
 - (a) 7.5 million ordinary fully paid BKM shares at a deemed issue price of \$0.20 per share that are to be issued upon delineation of at least a 10 million tonne Inferred Graphite Resource grading no less than 7% total graphitic content ("**TGC**") being defined at the Oakdale Graphite Project ("**Deferred Consideration Tranche 1**"); and
 - (b) 7.5 million ordinary fully paid BKM shares at a deemed issue price of \$0.20 per share that are to be issued upon completion of a JORC compliant measured and indicated resource of 10 million tonnes of 7% TCG ("**Deferred Consideration Tranche 2**")

The acquisition as describe above is conditional upon amongst other things BKM completing due diligence to its satisfaction within 30 days of the parties entering into the HOA.

10. RE-COMPLIANCE WITH ASX LISTING RULES

The proposed acquisition of Lymex Tenements Pty Ltd constitutes a significant change in the nature and scale of the Company's activities of the nature contemplated by Chapter 11 of the ASX Listing Rules. As a result of changing the nature of its activities to the mining sector, various aspects of the transaction will need to be approved by Shareholders and the requirements of Chapters 1 and 2 of the ASX Listing Rules will need to be complied with.

The BKM board believes these acquisitions represent an attractive opportunity to acquire a large scale tenement package including a highly prospective large flake graphite project with the potential to generate significant shareholder value in the future. The Company intends to convene a meeting of shareholders as soon as practicable to obtain the necessary approvals.

BKM will also issue a prospectus for the Capital Raising to enable the Company to complete the acquisitions and support its intended development strategy. Further details will be provided in the Notice of Meeting and Prospectus which will be sent to all BKM shareholders.

The Company expects its securities will be suspended from trading from the date of the meeting of shareholders and will remain in suspension until the Company satisfies the requirements of Chapters 1 and 2 of the ASX Listing Rules. It is anticipated that the BKM shareholder meeting will occur in late April / early May 2013.

11. CAPITAL CONSOLIDATION AND CAPITAL RAISING

The Company will also seek shareholder approval for the consolidation of its securities on the basis of 1 share for every 67 share held. The Company will also undertake a prospectus raising to raise up to \$6 million (**Capital Raising**). The capital raising is to include a priority offer to BKM shareholders of not less than \$1 million.

The proceeds of the Capital Raising will be used to undertake significant drilling at the Oakdale Graphite project with the objective of delineating a JORC compliant resource, and to meet the costs of the transaction and for general working capital purposes.

The Company has appointed Patersons Securities Limited as corporate adviser in respect of the acquisition and as Lead Manager to the capital raising. Further details in respect of the capital raising will be set out in the prospectus which the Company expects to lodge in early April 2013.

The Company intends to make shareholder investor presentations in Hong Kong, Sydney, Melbourne and Perth as the prospectus is lodged.

12. CHANGE OF COMPANY NAME

The Company will seek shareholder approval to change its name to Oakdale Resources Limited to better reflect the nature of the company after completion of the transaction.

13. NEW DIRECTORS

John Lynch, Managing Director (to be appointed)

Currently a director of Lynch Mining Pty Ltd John was previously the founding Director, President and CEO of Weda Bay Minerals Inc the founder and MD of Werrie Gold Limited, General Manager, Director and Co-founder of Pan Australian Mining Limited, Exploration manager of Marathon Petroleum Australia Ltd, Exploration Manager and Chief Geologist of Metals Exploration Limited and Assistant Exploration Manager of North Broken Hill Limited.

Robert Clifton-Steele, Non-Executive director (to be appointed)

Rob has extensive administration and management consulting experience, with more than 35 years' board or management consulting experience in a wide range of industries and organisations in Australia South East Asia. These have included information technology, agriculture, government services, education, manufacturing, tourism, legal services, professional associations, retail, export, and Indigenous business and employment development. and management consulting. Has been a panel business adviser for Indigenous Business Australia for more than a decade. A company director since 1976, he is presently a director and CEO of Bizcaps Software, a non-executive Director of Lymex Limited and Lymex Tenements Pty Ltd, and a director of the Acteum Group and a board member of a number of non-profit organisations.

Graham S White, Non-Executive Director (to be appointed)

Extensive experience in investor and media relations with companies and organisations in the mining sector over more than 25 years. He has consulted to industry groups including the Minerals Council, The AusIMM and AMIRA International on communications issues, handled investor and media relations for a range of minerals companies and developed and

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managed community relations programs for mining projects and for other sensitive industries.

COMPETENT PERSONS: *The information in this report that relates to Exploration Results is based on information compiled and/or reviewed by Mr. John Lynch, Member of the Australian Institute of Geoscientist, Fellow of the Australian Institute of Mining and Metallurgy and Managing Director of Lymex Limited. Mr. Lynch has sufficient experience which is relevant to the activity being undertaken to qualify as a "Competent Person", as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves and consents to the inclusion in this report of the matters reviewed by him in the form and context in which they appear.*

Signed



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