



## QUARTERLY ACTIVITIES REPORT

For the Quarter to 30 September 2018

- **Binding and exclusive agreement signed with Chilean lithium explorer, Lithium Chile SpA, to develop world-class lithium brine projects in Chile**
- **BMG's recent focus on strategic investment opportunities, with battery minerals – lithium, cobalt – prioritised as preferred investment pathway**
- **Lithium JV meets all criteria and represents a transformational moment for the Company – right commodity, right partner, right location, right time**
- **Lithium outlook remains very positive with strong demand growth forecasts driven by battery requirements for electric vehicles and smartphone and tablet industries**
- **Three initial project areas in Northern Chile within the 'Lithium Triangle' located in the world's highest grade lithium brine district – including Salar de Atacama, the world's largest and purest active source of lithium**
- **Completion of Geophysics testing at Salar West, Salar de Atacama, Chile, with strong brine potential confirmed**
- **Annual General Meeting to be held on 29 November 2018**

BMG Resources Limited (ASX: BMG) (**BMG or the Company**) is pleased to provide shareholders with its Quarterly Report for the three-month period ending 30 September 2018.

### CHILEAN LITHIUM JOINT VENTURE

Following an extensive search to secure a new investment opportunity for the Company specifically targeting the lucrative battery minerals industry, the Company was pleased to announce during the quarter that it had entered into a binding and exclusive agreement with Chilean lithium explorer, Lithium Chile SpA (**LCS**), to form a joint venture to undertake the exploration and development of three lithium brine projects in Chile, subject to the satisfactory completion of legal and technical due diligence and other conditions precedent – refer ASX announcement on 22 August 2018.

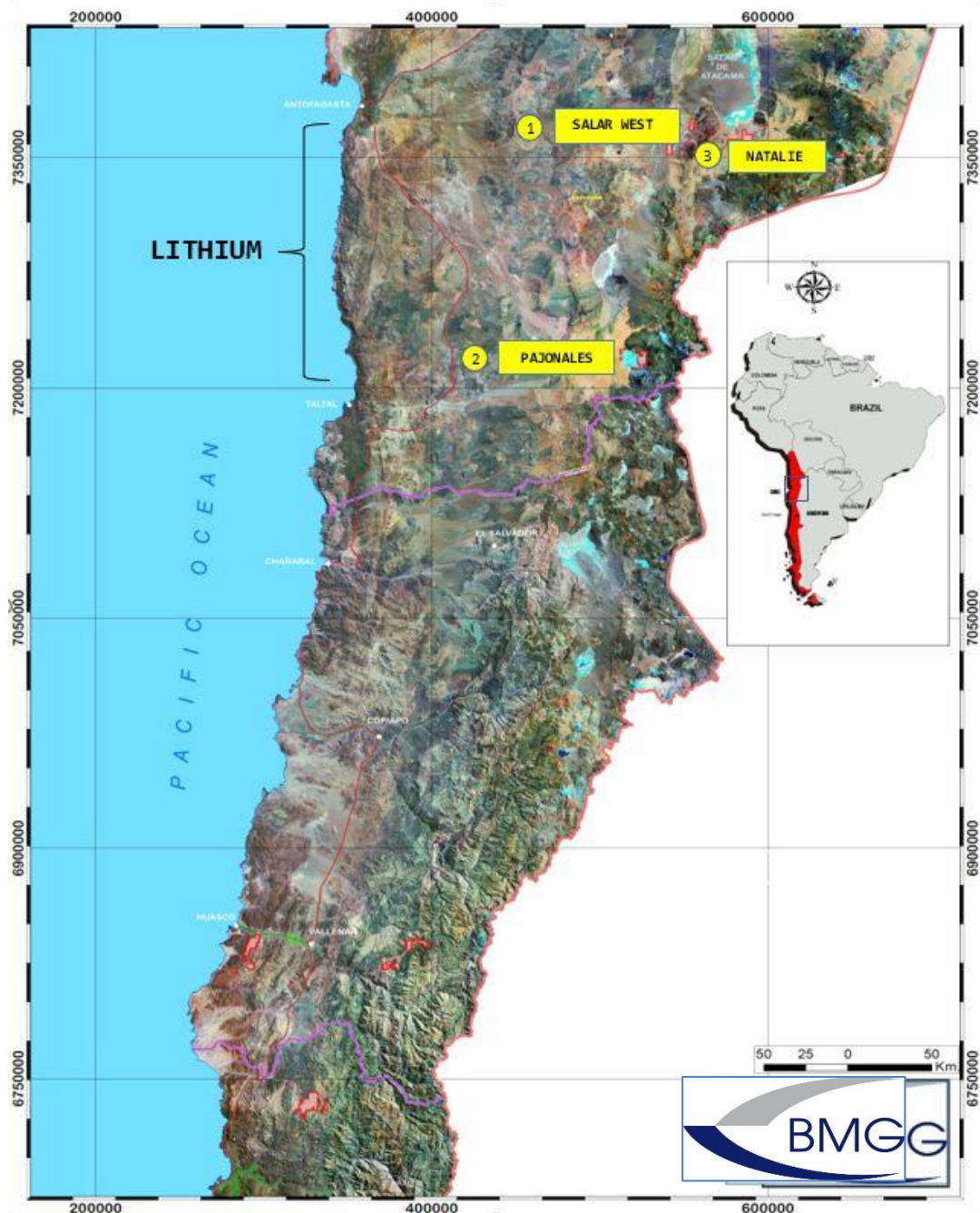
This JV transaction follows an extensive period of review and evaluation by the Company of strategic investment opportunities. BMG identified battery minerals – Lithium and Cobalt – as high priority targets, and Chile was prioritised being the world's best location for low cost, high grade lithium brine opportunities. This JV meets all of BMG's investment criteria and represents a transformational

opportunity for the Company - entry into the best lithium province in the world, at the right time, with the right partner, and on the right terms.

The projects are located in the Chilean region of the 'lithium triangle' - a region of the Andes encompassing parts of Northern Chile, SW Bolivia and NW Argentina - which hosts over 50% of the world's lithium resources and the largest and highest grade lithium brine deposits in the world.

The initial lithium projects comprise three areas of over 12 thousand hectares (in total) in the Salar de Atacama, Salar de Pajonales and Salar de Tuyajto - Natalie.

Figure 1 - Lithium JV Project Areas



As part of its due diligence investigations, the Company engaged Chilean geophysics company, GEODATOS, to undertake a geophysical resistivity study on the Salar West Claims located on the southern extension of the Salar de Atacama. This was completed in October 2018 with the results confirming strong brine potential across the 4,200 ha Southern Area of Salar West, associated with a strong conductivity response from the geophysical study, carried out using the Transient electromagnetic (TEM) method – refer ASX announcement on 23 October 2018.

### **Exploration Timeline**

The phase 1 exploration program following completion will include undertaking geophysics across the project areas (Salar West has already been completed) to define key aquifer target zones for an initial drilling program. A drilling program is anticipated to follow once the JV has been established and due diligence, formal documentation and regulatory approvals have been completed.

Within the next 12 months, the goal of the JV will be to complete initial drilling programs and establish lithium JORC resources within the project areas. The objective of the JV is to fast track the development of a lithium production asset to realise value for investors.

The JV will focus on the development of the three initial project areas – Salar West, Pajonales and Natalie – but will be actively assessing additional lithium areas in Chile to provide further value to the venture.

### **Proposed joint venture terms**

- LCS is the holder of the lithium brine properties comprising the Salar West Claims, Pajonales Claims and Natalie Claims (**Lithium Properties**) in the Salar de Atacama and surrounding areas in Northern Chile as described above.
- BMG and the owners of LCS have entered into a binding and exclusive agreement (**Terms Sheet**) to form a joint venture to undertake the exploration and development of the Lithium Properties and other related opportunities in Chile, subject to satisfactory due diligence enquires, capital raising and required shareholder and regulatory approvals.
- LCS will be the JV entity in Chile (**LCS or JV Company**) which will own all right, title and interest in the Lithium Properties. BMG will acquire an initial 20% interest in JV Company and will earn-in to a 50% interest in JV Company, which will be managed and operated in accordance with a Shareholders Agreement between the parties.
- In consideration for the establishment of the JV, BMG will pay the owners of LCS US\$0.8 million in initial consideration, comprising:
  - A payment of US\$100,000 within 5 days of signing the binding Terms Sheet, which provides an exclusive period to undertake due diligence and execute the transaction – this has been paid.

- A payment of US\$500,000 and the issue of US\$200,000 of shares at completion of the transaction (**Completion**) within 120 days, or such longer period as agreed by the parties. Completion is subject to the satisfaction of various conditions precedent (**Conditions Precedent**) as set out below, including BMG undertaking a capital raising. The number of shares to the owners of LCS at Completion will be determined by the issue price of the shares issued under the capital raising.
- BMG will provide up to US\$2.5 million in funding to the JV Company over 5 years and issue an additional US\$300,000 in shares to LCS (at agreed milestones), for a further 30% interest in JV Company, bringing its total interest in JV Company to 50%.
- JV Company will be managed by the Board and Management Committee with equal representation from BMG and LCS current owners in accordance with the Shareholders Agreement.
- JV Company will leverage the organisational infrastructure of its current owners who will provide management and operational services to JV Company in accordance with a services agreement (**Services Agreement**).
- The key Conditions Precedent to Completion are as follows:
  - BMG completing its due diligence investigations within 90 days. This includes acquiring geophysical data (at BMG's cost) on the Salar West areas within 45 days – this has been completed.
  - BMG undertaking a capital raising of such amount as BMG in its absolute discretion determines
  - BMG obtaining all necessary ASX, shareholder and other regulatory approvals for the issue of securities pursuant to the transaction and the capital raising
  - Any other required regulatory approvals to complete the transaction

The Company is continuing to progress the transaction with LCS, with completion anticipated by mid-December 2018.

### **ANNUAL GENERAL MEETING – 29 NOVEMBER 2018**

The Company recently despatched to shareholders the Notice of Meeting for the Company's 2018 Annual General Meeting (AGM) to be held on 29 November 2018. This includes various resolutions for approval by shareholders associated with the LCS transaction, including the issue of vendor consideration shares and a proposed placement facility.

### **TREASURE PROJECT - CYPRUS**

The Company continues to retain its 30% free-carried interest in the Treasure Project in Cyprus. The Treasure Project's operator, New Cyprus Copper Company Limited, is the majority shareholder and is responsible for maintaining and progressing the project.

## TENEMENTS

The Treasure Project, of which BMG currently owns a 30% interest, comprises 10 exploration licences for a total of 36.654 km<sup>2</sup>.

Project	Licence number	Status	Interest (%)	Notes	Activity during the quarter
<b>BLACK PINE</b>	EA4589	granted	100		
	EA4590	granted	100		
	EA4591	granted	100		
	EA4610	granted	100		
	EA4612	granted	100		
<b>VRECHIA</b>	EA4457	granted	100		
<b>KALAVASSOS</b>	AE4607	granted	100		
	AE4608	granted	100		
<b>KAMBIA</b>	EA4447	granted	100		
	EA4448	granted	100		

ENDS

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## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

**BMG RESOURCES LTD**

### ABN

**96 107 118 678**

### Quarter ended ("current quarter")

**30 September 2018**

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(21)	(21)
(e) administration and corporate costs	(44)	(44)
1.3 Dividends received (see note 3)		
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(62)</b>	<b>(62)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material) LCS Exclusivity Payment	(138)	(138)
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(138)</b>	<b>(138)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	1,119	1,119
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(62)	(62)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(138)	(138)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of period</b>	<b>919</b>	<b>919</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	8	3
5.2 Call deposits	911	1,116
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>919</b>	<b>1,119</b>

<b>6. Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to these parties included in item 1.2	(21)
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Director's fee for 01 July 2018 to 30 Sep 2018

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	



## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	50
9.6 Other (provide details if material)	70*
<b>9.7 Total estimated cash outflows</b>	<b>120</b>

\*This estimate includes the geophysics undertaken at Salar West associated with the due diligence investigations of the proposed lithium brine joint venture in Chile, but excludes any completion payments which require the satisfaction of various conditions precedent – refer ASX announcement on 22 August 2018 for details.

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	None			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	None			

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: .....  
(Director/Company secretary)

Date: 31 October 2018

Print name: .....SEAN MEAKIN.....

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.