



## QUARTERLY ACTIVITIES REPORT

For the Quarter to 31 March 2019

- Chilean lithium joint venture on track for formal commencement
- JV project area expanded by 8,000ha to more than 20,000ha
- Geophysical survey using the TEM method completed by GEODATOS on expanded Salar West claims
- Survey confirmed the westward extension of the strong conductive unit into new claims
- BMG's initial drilling program at Salar West planning to commence in May, with completion anticipated before the end of June
- \$670,000 share placement to institutional and sophisticated investors completed to fund drilling and other exploration on Chilean JV

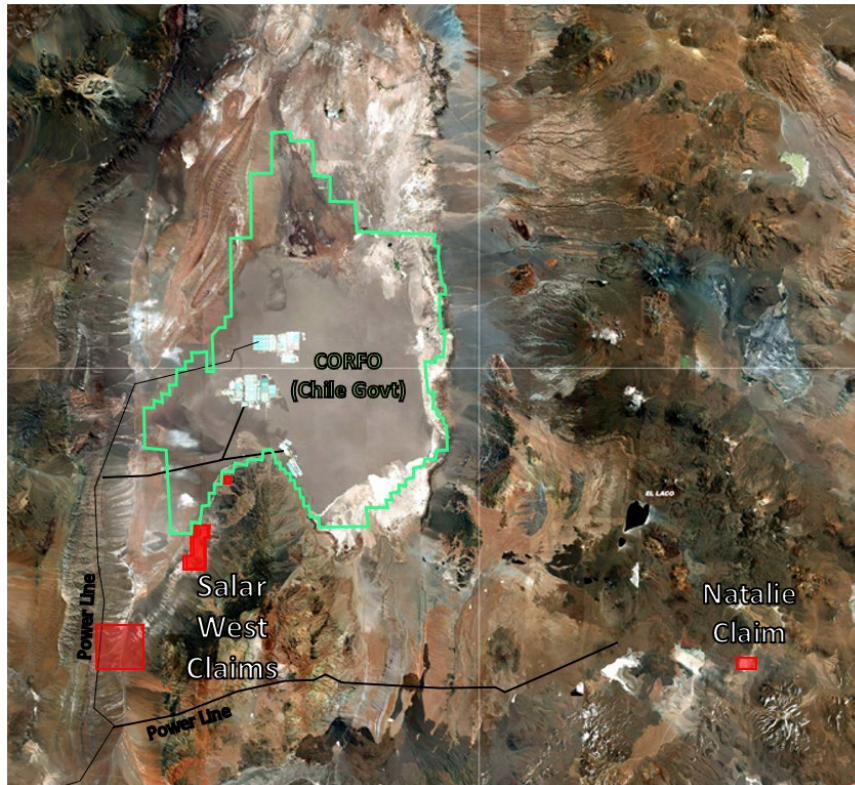
BMG Resources Limited (ASX: BMG) (**BMG** or **the Company**) is pleased to provide shareholders with its Quarterly Report for the three-month period ending 31 March 2019.

### Chilean Lithium Joint Venture

In 2018, BMG entered a binding agreement with Lithium Chile SpA (**LCS**), the owners of three lithium brine projects in Chile, to form a JV to progress and develop these projects.

In February, BMG announced it had successfully finalised and executed a revised binding term sheet for the Company's Joint Venture with LCS to undertake exploration and development of three lithium brine projects in Chile, after undertaking due diligence investigations, an initial geophysical survey at Salar West; and expanding the project area.

The JV now covers a project area of more than 20,000 hectares (an 8,000 hectare increase from the original term sheet) spanning three claims in the Salar de Atacama, Salar de Pajonales and Salar de Tuyajto – Natalie. The projects are located in the Chilean region of the 'Lithium Triangle' - a region of the Andes encompassing parts of Northern Chile, southwest Bolivia and northwest Argentina, which is host to over 50% of the world's lithium resources and the largest and highest grade lithium brine deposits in the world.



***Figure 1 – Location of the Salar West properties in the Salar de Atacama, Chile***

The Parties agreed to vary the timing of the payments and commitments, but not the overall quantum of US\$3.5 million to earn a 50% interest in the projects, to allow more near-term exploration expenditure into the key project areas.

**Payment Schedule:**

1. US\$250,000 paid upon Completion
2. Upon satisfaction of the First Milestone for Expenditure, US\$250,000 + BMG Shares equivalent to a value of US\$200,000 paid for 20% of the JV Company Shares.
3. 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% of the JV Company Shares.
4. 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% of the JV Company Shares.

During April, the Company, together with its JV partner, has been finalising some administrative matters for the JV and expects all documentation to be executed shortly. This will mark the formal commencement of the JV.

BMG's obligation to make the US\$250,000 completion payment will then follow shortly after the relevant government authorities transfer the concessions from the vendors to the Company.

In the meantime, the planning and preparation for the initial drilling program at Salar West has been a key focus.

## Exploration

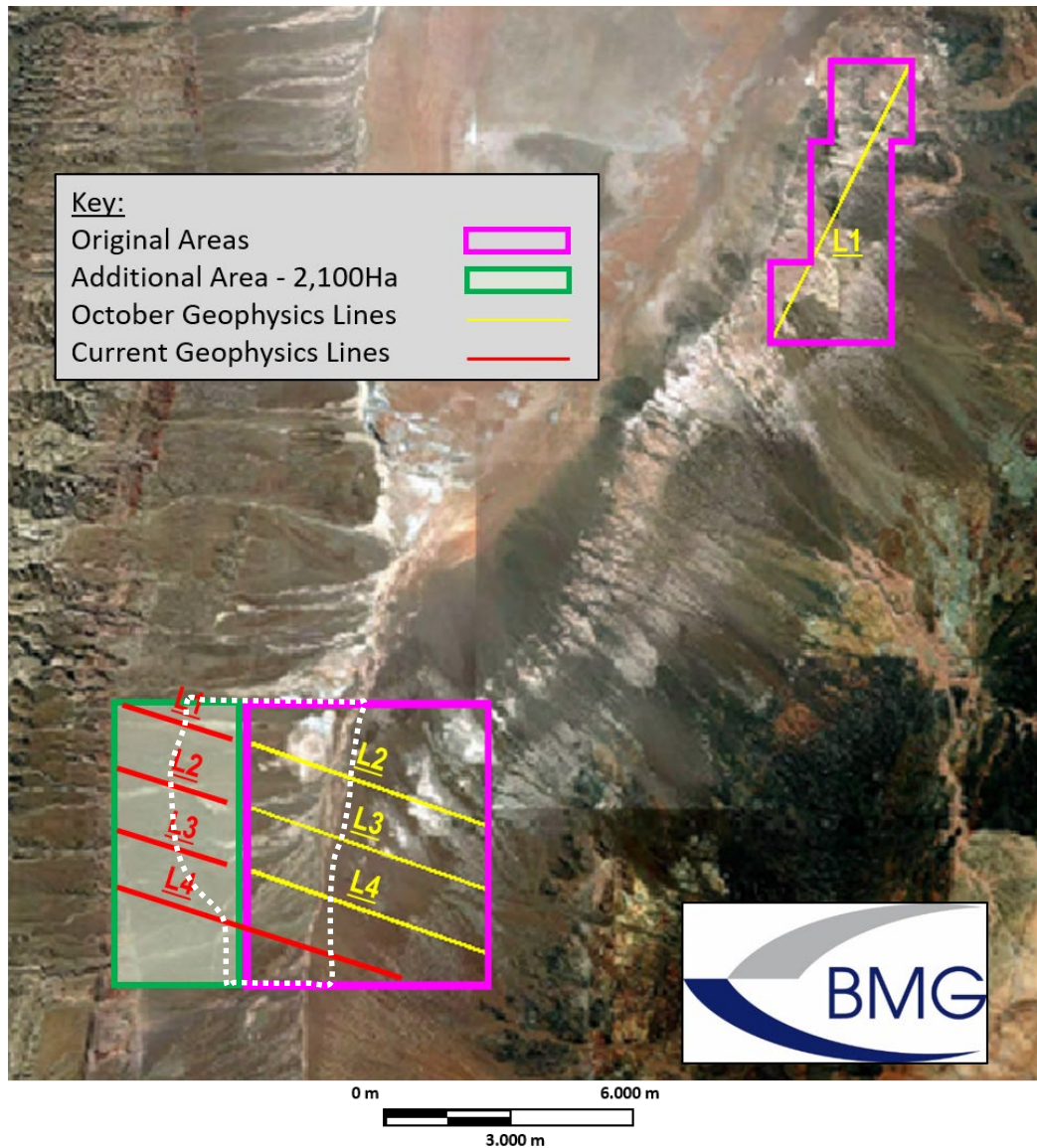
BMG engaged GEODATOS, which it used for an initial geophysical study, to undertake a further geophysical resistivity survey using the TEM method on the additional 2,100Ha added to the Salar West claims, located in the south western area of the Atacama salar. This aimed to test the extension of the strong conductive horizon potentially associated with lithium brines identified in the first round of geophysics, which directly abuts the new area.

The initial TEM study identified a consistent strongly conductive unit in the three lines completed in the southern properties.

BMG received results from the second GEODATOS study, as reported on 8 April 2019, which successfully confirmed the westward extension into the new properties of the strong conductive unit identified by the initial survey.

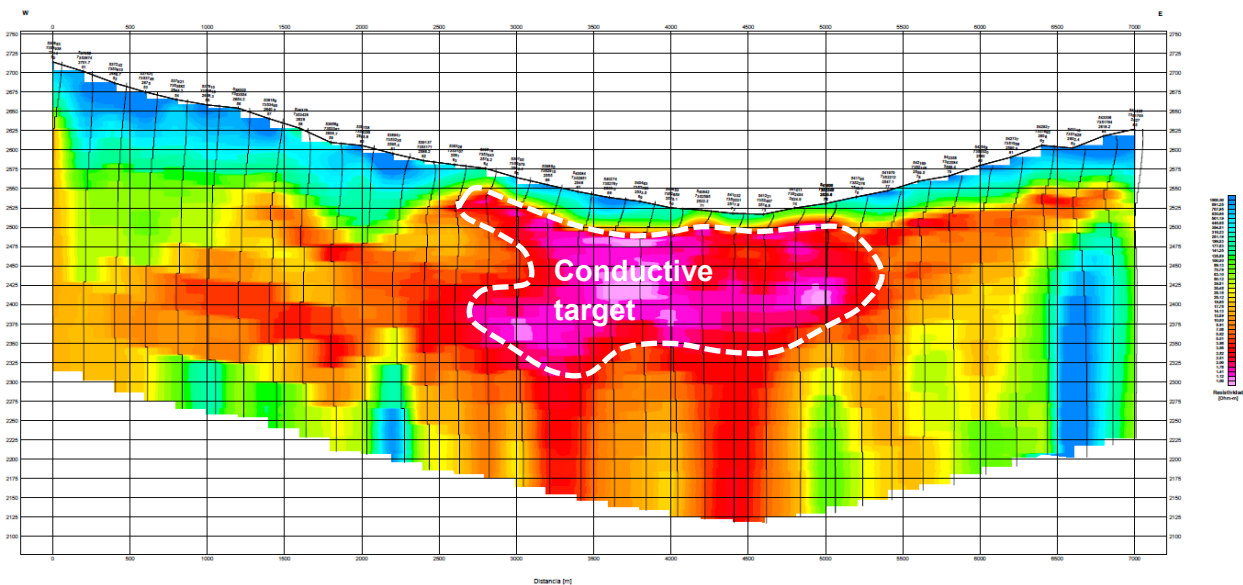
GEODATOS' second survey consisted of 85 stations on four lines. The northern three north-west to south-east lines are continuations from the north-western corner of the three southern lines in the original survey. Each line is separated by 1,500 m, with the southernmost line longer than the northern three. The northern three lines covered a total of 2,800m in Line 1 and 3,000m in Lines 2 and 3, and 7,000m in the Southernmost line, Line 4, for a total of 16.2km in addition to the original survey, comprising a total of 26.4 km of TEM lines with a maximum investigation depth of 400m.

Both TEM surveys identified a consistent strongly conductive unit in the lines completed in the southern properties, which coincide with the topographic low draining into the salar. This conductive unit contains a significant volume corresponding to resistivities of  $<2$  ohm-m which potentially represents hypersaline lithium-bearing brine extending south from the surface of the Atacama Salar.

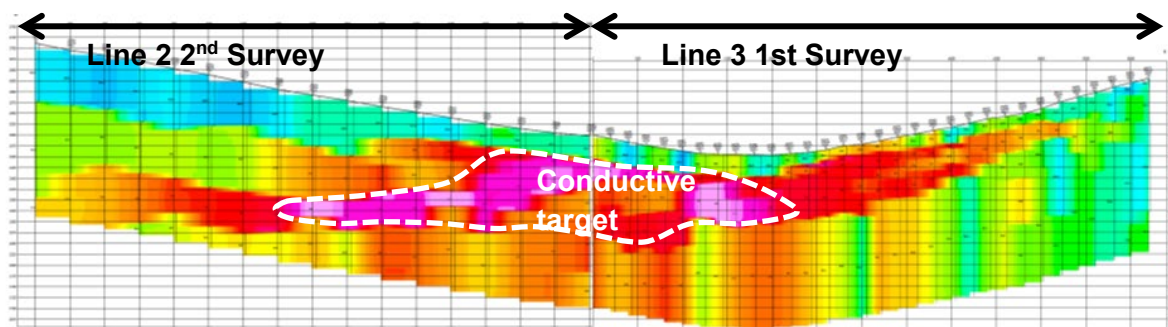


**Figure 2 – Additional TEM geophysical survey lines (red) within the westward extension of the Salar West properties to evaluate continuation of the possible brine body. Original survey lines shown in yellow, conductive target in white.**





**Figure 3 – Line 4 of the second TEM geophysical survey within the Salar West properties, with the conductive unit a target for drilling as possible brine hosted in pre-salar sediments, with possible stratigraphic and fault control of the brine migration into the project area.**



**Figure 4 – Merged interpretation of Line 2 from the second TEM geophysical survey within Line 3 from the original survey. The conductive unit is a target for drilling as possible brine hosted in pre-salar sediments, with possible stratigraphic and fault control of the brine migration into the project area**

The top of the conductive unit is typically located at 25m to 75m below surface and the conductive unit is between 35m and 200m thick, with the highest conductivity measurements located beneath the topographic low point of the properties. The conductive unit is approximately 2km wide and extends over approximately 6km north-south through the southern properties, covering an area of approximately 12km<sup>2</sup>, a significant target for drilling. The porosity corresponding to the volume of the conductive unit will be evaluated during drilling.

Drilling is required to confirm the nature of the conductive unit. The potential quantity and grade of the conductive target is conceptual in nature, and it is uncertain if exploration drilling will intersect lithium-bearing brine or result in the determination of a Mineral Resource in the target volume. The conductive target is defined solely on the resistivity information from the TEM geophysical survey and the concept of brine migrating away from the salar, a concept that has been confirmed by drilling on other brine exploration projects in South America. It must be stressed the conductive target for drilling

is based on a series of assumptions and drilling is required to determine the potential brine grade and formation drainable porosity values to establish whether a resource could be defined.

Preparation is well advanced for BMG's initial drilling program at Salar West which the Company intends to complete, together with all results, prior to 30 June 2019.

BMG's Stage 2 Geophysics details were provided in its ASX announcement on 8 April 2019. The Company is not aware of any new information or data that materially affects the information included in that announcement.

## **CORPORATE**

### **Share Placement**

In late February, BMG successfully closed a A\$670,000 share placement to new and existing institutional and sophisticated investors. It was conducted under the same terms as BMG's December 2018 SPP and Shortfall Offer, with the issue of 74,742,221 new, fully paid ordinary shares at \$0.009 per new share with 1 free BMGOA option attaching to each share issued, to raise \$672,680 (before costs). Of the new securities placed, 59,186,665 shares and 59,186,665 options were issued on 28 February 2019 with the approval of shareholders at the Company's annual general meeting in November 2018, and the remaining placement securities were issued under the Company's available share placement capacity.

Peak Asset Management Pty Ltd was lead manager for the placement.

The placement is funding BMG's upcoming work program, including a proposed maiden drilling program at Salar West.

BMG Managing Director, Bruce McCracken, said:

*"BMG's development plan remains on track and we are increasingly excited by the potential we are seeing in the geophysics at Salar West. We are well-funded following our recent capital raising to commence drilling here in the coming weeks. We enter the June quarter ready to execute our plans to realise the potential of our projects in the world's best lithium district, and look forward to delivering a strong period of positive news for investors."*

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

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

Bruce McCracken, Managing Director  
BMG Resources Limited  
Phone: +61 8 9424 9390  
Email: [enquiry@bmgl.com.au](mailto:enquiry@bmgl.com.au)

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

Tim Dohrmann, Investor and Media Enquiries  
NWR Communications  
Phone: +61 468 420 846  
Email: [tim@nwrcommunications.com.au](mailto:tim@nwrcommunications.com.au)

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



## 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")

**31 March 2019**

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	(59)
(b) development	-	-
(c) production	-	-
(d) staff costs	(136)	(178)
(e) administration and corporate costs	(94)	(261)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	11
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>(225)</b>	<b>(487)</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 (9 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)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>(138)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	575	1,508
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	(91)	(140)
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</b>	<b>Net cash from / (used in) financing activities</b>	<b>484</b>	<b>1,368</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,603	1,119
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(225)	(487)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(138)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	484	1,368
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,862</b>	<b>1,862</b>



5. <b>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	Current quarter \$A'000	Previous quarter \$A'000
5.1     Bank balances	10	7
5.2     Call deposits	1,852	1,596
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>1,862</b>	<b>1,603</b>

6. <b>Payments to directors of the entity and their associates</b>	Current quarter \$A'000
6.1     Aggregate amount of payments to these parties included in item 1.2	(136)
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 Jan 2019 to 31 Mar 2019, including an outstanding payment to the Company's executive officer.

7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$A'000
7.1     Aggregate amount of payments to these parties included in item 1.2	(36)
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	

Payment to Tribis Pty Ltd for administration services for the period 1 Jan 2019 – 31 Mar 2019

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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.		

9. <b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	350
9.2 Development	-
9.3 Production	-
9.4 Staff costs	75
9.5 Administration and corporate costs	75
9.6 Other (provide details if material)	350*
<b>9.7 Total estimated cash outflows</b>	<b>850</b>

\*Payment of USD\$250,000 upon formal commencement of the Chilean Lithium Joint Venture

10. <b>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: 30 April 2019

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.