



ASX ANNOUNCEMENT

22 August 2018

BMG RESOURCES TO ACQUIRE INTEREST IN WORLD CLASS LITHIUM BRINE PROJECTS IN CHILE

HIGHLIGHTS

- **BMG Resources enters into a binding and exclusive agreement 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 district – including Salar de Atacama, the world's largest and purest active source of lithium**
- **High lithium concentrations recharge and high evaporation rates give Chilean salars a world leading production advantage and low cost advantage**
- **Geophysics to commence immediately in key project areas to delineate the depth and size of brine aquifer targets**

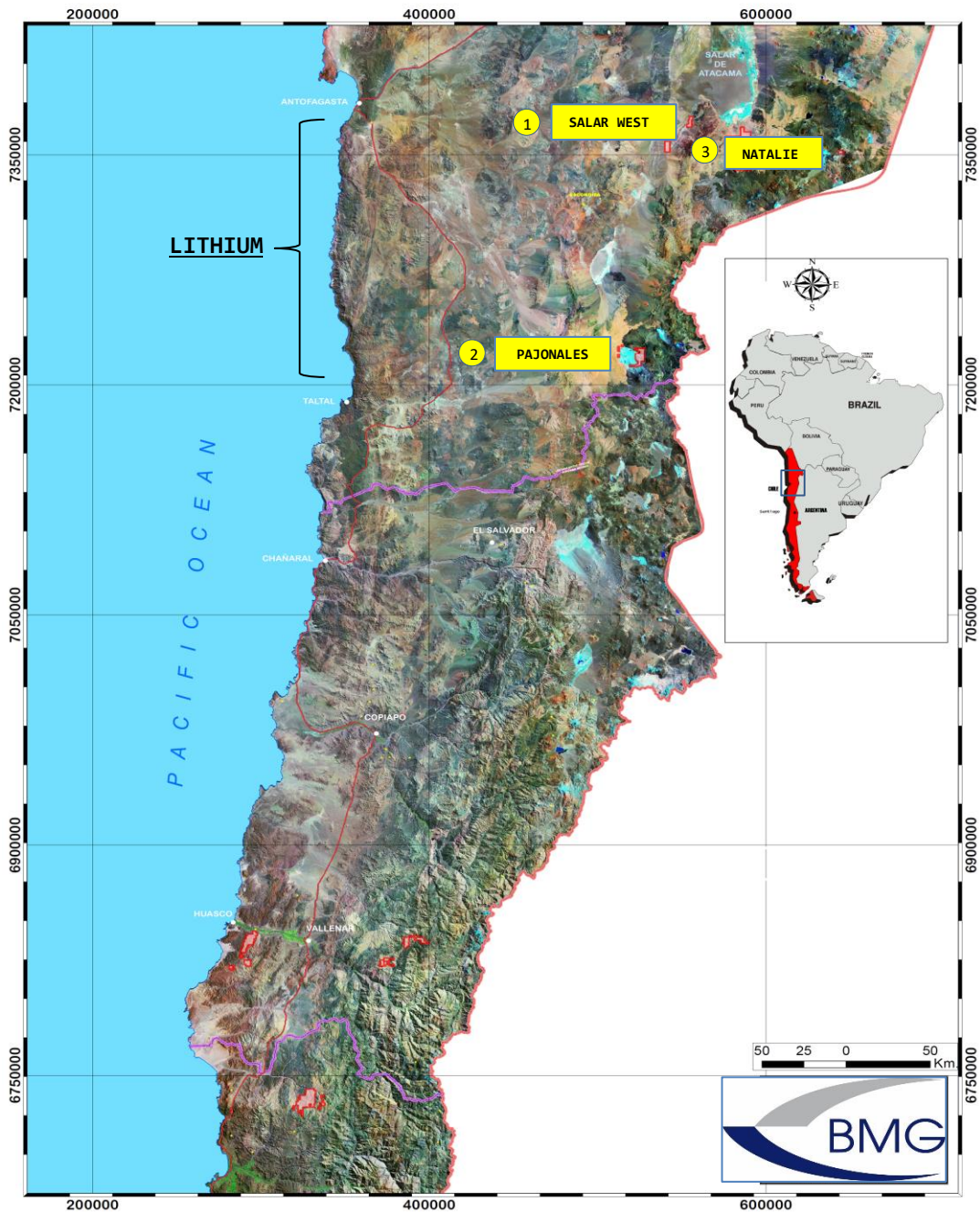
BMG Resources Limited (**ASX: BMG**) (**BMG** or **Company**) is pleased to announce that it has entered into a binding and exclusive agreement with the owners of Lithium Chile Spa (**LCS**) to form a joint venture to undertake the exploration and development of three lithium brine projects in Chile, subject to the satisfactory completion of legal and technical due diligence and other conditions precedent.

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

Figure 1 - Lithium JV Project Areas



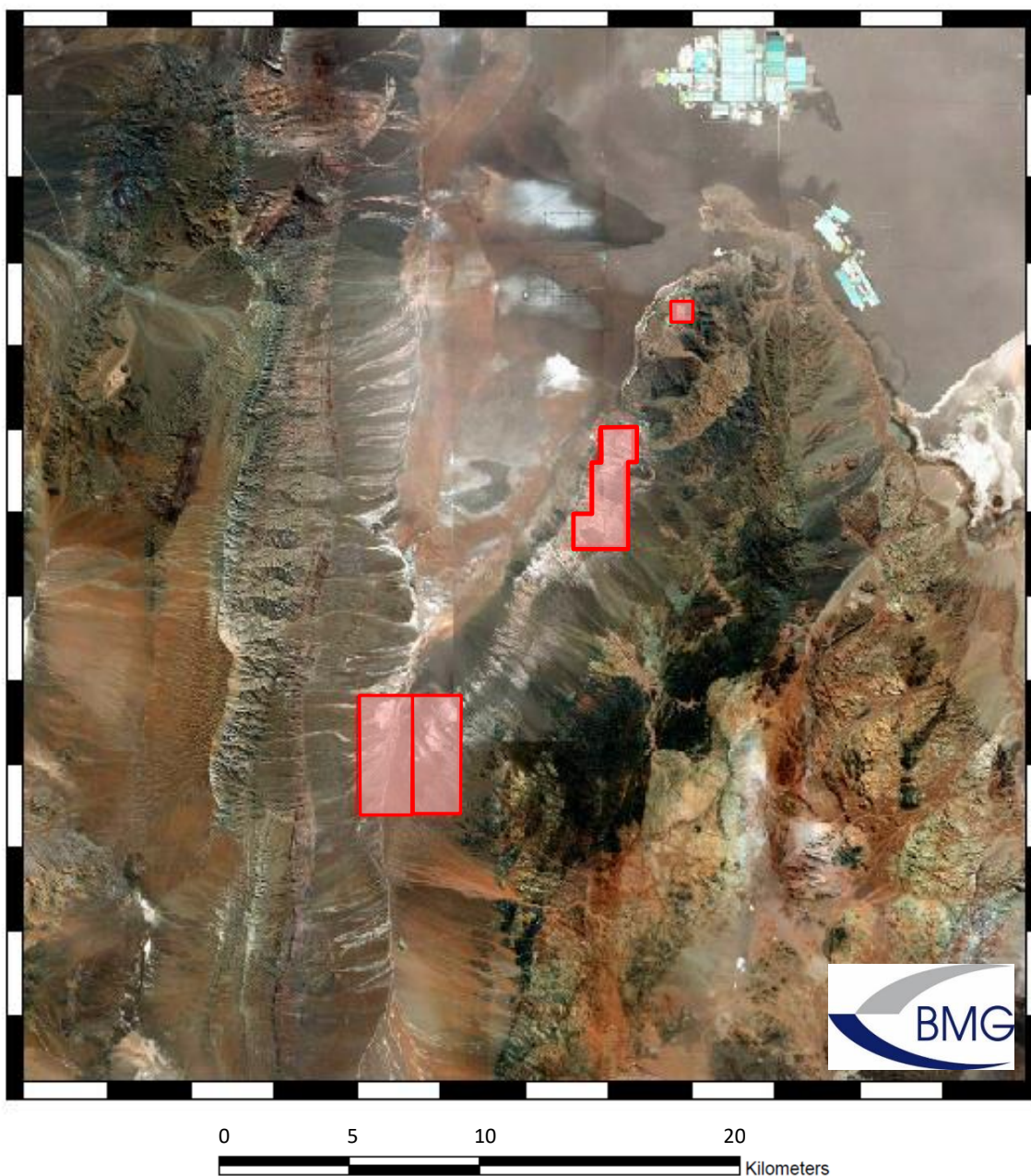
1. SALAR DE ATACAMA – SALAR WEST

The Salar West claims comprise c.5,900 Ha in three areas – north, central and south - adjacent to SQM's Lithium-Potassium operations.

Salar West has similar geology to Monturaqui (located on the eastern extension of Salar de Atacama), where geophysics has identified significant Li bearing aquifers, estimated to be in the order of 1.7 billion cubic meters.

BMG proposes to immediately undertake geophysics in the Salar West central and southern areas as part of its due diligence process, to define the aquifer target zones for the initial drilling program.

Figure 2 – Salar de Atacama, Salar West claims

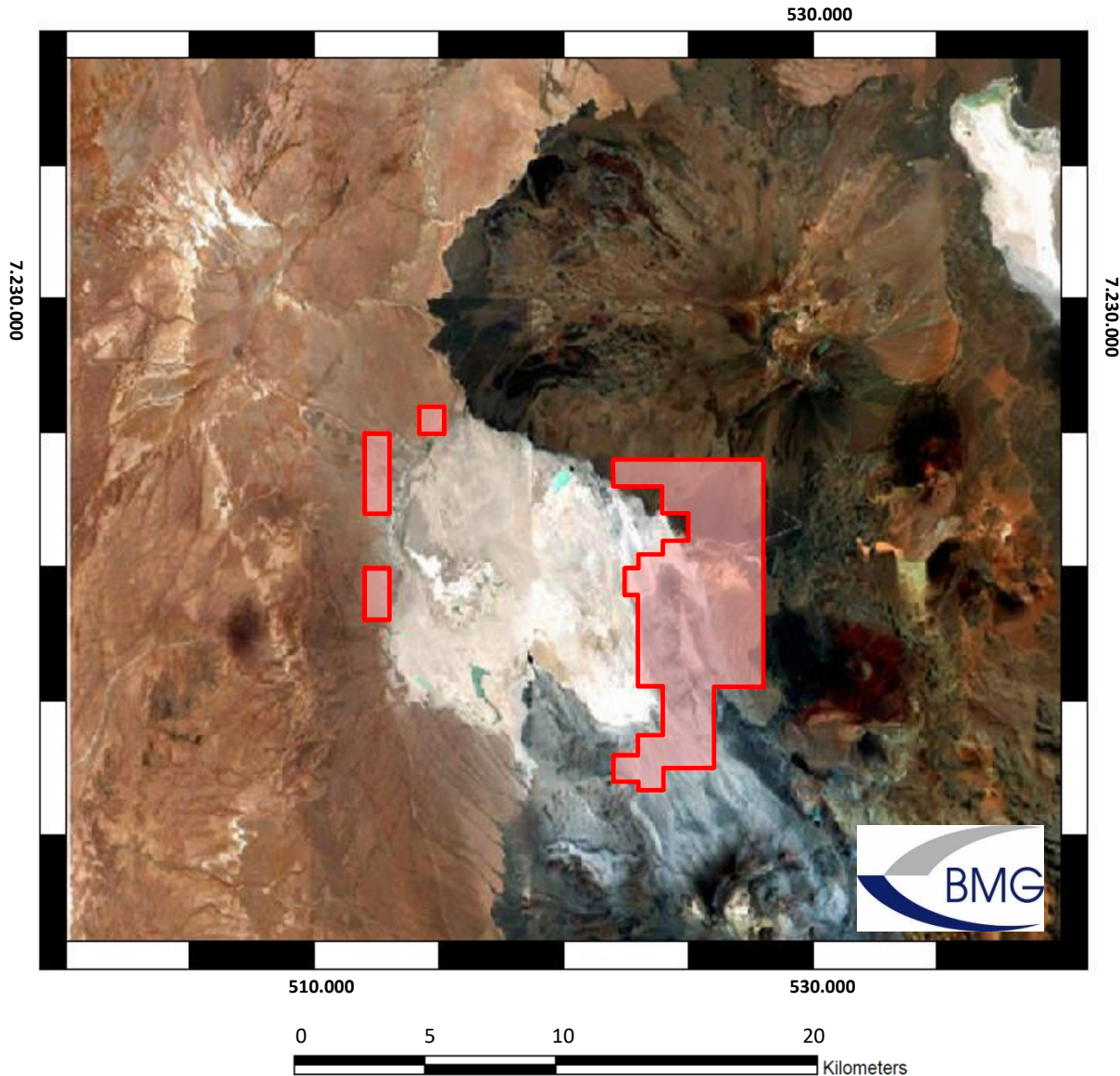


2. SALAR DE PAJONALES

The Salar de Pajonales claims comprise c.5,650 Ha, with further areas under review.

Salar de Pajonales has high grade Boron borates and halite deposits, with strong potential for economic Lithium brines. BMG proposes to undertake geophysics as an immediate priority following completion to define the aquifer target zones for the initial drilling program.

Figure 3 – Salar de Pajonales claims



3. SALAR DE TUYAJTO – NATALIE

The salar de Tuyajto – Natalie claim area comprises 600 Ha covering the heart of the salar.

Initial brine samples are currently being analysed for the potential to host a high grade Li brine deposit. The next phase of work will involve geophysics to delineate the target aquifer depth and size, with a subsequent confirmatory drilling program.

Figure 4 – Salar de Tuyajto – Natalie claim area



EXPLORATION TIMELINE

The phase 1 exploration program will include undertaking geophysics across the project areas to define key aquifer target zones for an initial drilling program. The Salar de Atacama - Salar West areas will be the immediate priority, with geophysics planned to be undertaken within the next month to delineate brine aquifer targets. A drilling program is anticipated to follow once the JV has been established (ie, completion of due diligence, formal documentation, regulatory approvals etc).

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\$0.8m 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.
 - 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\$2.5m in funding to the JV Company 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 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.
 - 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

BACKGROUND ON JV PARTNER

LCS is owned by a private resource development group focussed on base metals and strategic battery metals resources opportunities in Chile, which includes the Lithium Properties which will form the basis of the JV with BMG. The owners of LCS have an experienced technical and commercial team on the ground in Chile which will support the JV in the exploration and development of the Lithium Properties.

LCS founder and principal, Gino Zandonai, commented:

“We are delighted to have BMG join as our partner in the development of the Lithium Properties in Northern Chile. These are highly strategic assets in the best Lithium brine province in the world. By combining our efforts and leveraging the expertise of both companies we look forward to fast tracking the development of these world class exploration properties.”

BMG Managing Director, Bruce McCracken, commented:

“BMG is excited to be partnering with LCS in the best Lithium province in the world. The fundamentals for the Lithium sector remain very positive with strong demand growth from battery requirements for electric vehicles, and there is no better entry point than the world's highest grade, lowest cost brine deposits in Northern Chile. We are working to fast track the establishment of the JV and progress the work program as quickly as possible. This is a transformative moment for the Company and we look forward to updating shareholders as we progress this transaction and transition our focus to the Lithium sector.”

*****ENDS*****

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