



**ASX ANNOUNCEMENT**

**23 October 2018**

## **GEOPHYSICS DEFINES STRONG BRINE POTENTIAL AT SALAR WEST PROJECT, SALAR DE ATACAMA, CHILE**

### **HIGHLIGHTS**

- **Transient electromagnetic (TEM) geophysical study - testing for conductivity responses indicative of lithium brines - now completed at BMG's Salar West Project located in the southern extension of the Salar de Atacama, Chile**
- **Salar de Atacama hosts some of the highest grade, lowest cost lithium brine in the world with Li grades of around 1,800 mg/l**
- **Results confirm strong brine potential across the 4,200 ha Southern Area of Salar West associated with a strong conductivity response from the TEM geophysical study**
- **All three TEM lines in the Southern Area identify a very conductive horizon beneath shallow gravel cover that potentially hosts brine continuing south from the salar**
- **The conductive horizon varies in thickness between 35m and 180m, along approximately 5 km on each TEM line**
- **The geophysics results represent significant risk mitigation, confirming the likely presence of brine and enabling the identification of immediate drill targets**

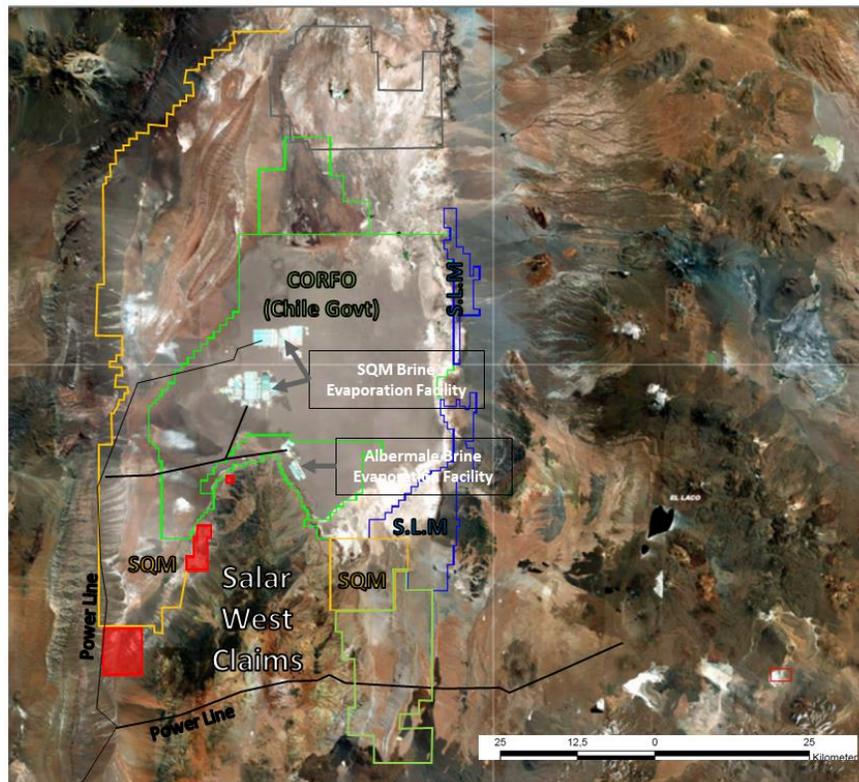
BMG Resources Limited (**ASX: BMG**) (**BMG or the Company**) is pleased to announce that the results of the transient electromagnetic (TEM) geophysical survey conducted on the Salar West claims located in the southwest of the Salar de Atacama in Chile, as part of its acquisition due diligence (refer ASX announcement on 22 August 2018) have been received..

BMG Managing Director, Bruce McCracken, said:

*"The Geophysics undertaken at the Salar West Lithium project as part of our due diligence assessment has delivered very encouraging results in what is the world's best lithium brine province.*

*“This significantly mitigates exploration risk with the results confirming the strong brine potential across a broad area of the project. We are continuing to assess the detail behind the results in order to define drilling targets and undertake 3D modelling of the brine target zones.”*

The Salar West Project is a series of claims located on the south-western margin of the Atacama Salar (Figure 1), in El Loa Province, Antofagasta Region, Chile, approximately 185 km southeast of the major port city of Antofagasta.



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

The Salar de Atacama is a closed drainage basin, with important fault systems on its western and eastern margins. The basin has been partially covered by volcanic ash and other volcanic material on its northern and southern margins, a feature frequently associated with globally significant lithium brine deposits.

The surficial geology of the claims comprises Quaternary alluvial deposits, terraced deposits of Miocene – Pliocene age and fine sand, calcareous and salt-gypsum deposits from the San Pedro Formation of Oligocene – Miocene age. The young Quaternary deposits cover the older sedimentary and evaporite deposits that fill the Salar de Atacama basin.

Salt evaporite deposits and some clastic units host brine in the Atacama salt lake. It is important to note that the target in the Salar West Project is brine which has migrated from the salt lake to be hosted in older sediments of the San Pedro Formation or units of similar age.

The Company undertook a geophysics programme utilising a TEM survey to test the conductivity of the subsurface and thereby the potential presence of brines in the Claims' area. The survey (Figure 2) was undertaken by Geodatos Chile, a highly experienced geophysical contractor which has previously undertaken TEM geophysical surveys in the Salar de Atacama.

The survey consisted of 133 stations on four lines. Three north-west to south-east lines, each separated by 1,500 m, were completed on the southern claims. One north north-east to south south-west line was completed on the northern group of claims, for a total of 26.4 km of TEM lines with a maximum investigation depth of 400 m.



**Figure 2 – Location of the TEM geophysical lines within the Salar West claims**

The TEM survey identified a consistent highly conductive unit in the three lines completed in the southern properties, while no significant conductive unit was identified in the northern property, which is located east of 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.

The top of the conductive unit is located at 25m to 75 m below surface and the conductive unit is between 35 and 180 m thick, with the highest conductivity measurements located beneath the topographic low point of the properties. The conductive unit extends over approximately 5km through the southern properties.

It is interpreted that brine from the Salar de Atacama continues south into the area of the geophysical survey, where brine may be hosted in clastic sediments which are older than the salt units within the salar. Evaluation is continuing to assess the type of sediments coincident with the high conductivity response, in order to define targets for drilling, together with 3D modelling of the brine target zones.

As announced to the ASX on 22 August 2018, BMG has entered a binding agreement with Lithium Chile SpA, the owners of the Salar West and other Lithium claims in Chile, to form a JV to progress and develop the lithium projects. Completion of the transaction is anticipated by mid-December 2018, subject to approvals, formal documentation and other conditions precedent.

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

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## APPENDIX 1 - JORC Code, 2012 Edition

**Table 1 Report: Salar West Lithium Brine Project**

<b>Criteria</b>	<b>Section 1 - Sampling Techniques and Data</b>
<i>Sampling techniques</i>	<ul style="list-style-type: none"> <li>No brine samples have been taken to date. Field work to date has consisted of a TEM electrical geophysical survey carried out by an independent contractor.</li> </ul>
<i>Drilling techniques</i>	<ul style="list-style-type: none"> <li>No drilling has been conducted to date.</li> </ul>
<i>Drill sample recovery</i>	<ul style="list-style-type: none"> <li>No drilling has been conducted to date.</li> </ul>
<i>Logging</i>	<ul style="list-style-type: none"> <li>No drilling has been conducted to date.</li> </ul>
<i>Sub-sampling techniques and sample preparation</i>	<ul style="list-style-type: none"> <li>No brine samples have been collected due to gravel cover in the area. No drilling has yet been carried out.</li> </ul>
<i>Quality of assay data and laboratory tests</i>	<ul style="list-style-type: none"> <li>No brine samples have yet been collected.</li> </ul>
<i>Verification of sampling and assaying</i>	<ul style="list-style-type: none"> <li>No brine samples have yet been collected.</li> <li>TEM geophysical lines show a consistent correlation between lines, but drilling will be required to determine whether the conductive unit identified contains lithium mineralised brine.</li> </ul>
<i>Location of data points</i>	<ul style="list-style-type: none"> <li>The 133 TEM survey points over the four lines were located with a hand held GPS in UTM Zone 19 South.</li> </ul>
<i>Data spacing and distribution</i>	<ul style="list-style-type: none"> <li>Brine samples were collected over 1m intervals every 6 m intervals within brine producing aquifers, where this was possible.</li> </ul>
<i>Orientation of data in relation to geological structure</i>	<ul style="list-style-type: none"> <li>The sediments in and around the salt lake were deposited as close to horizontal and the geophysical survey was conducted from surface through the properties.</li> </ul>
<i>Sample security</i>	<ul style="list-style-type: none"> <li>No brine samples have been taken to date, as this will require drilling.</li> </ul>
<i>Review (and Audit)</i>	<ul style="list-style-type: none"> <li>No audit of data has been conducted to date.</li> </ul>
<b>Criteria</b>	<b>Section 2 - Mineral Tenement and Land Tenure Status</b>
<i>Mineral tenement and land tenure status</i>	<ul style="list-style-type: none"> <li>The Salar West Lithium Brine project is located in the southwest of the Atacama salt lake at an elevation of approximately 2,500m asl.</li> <li>The project comprises approximately 4,000 Ha in three claims.</li> <li>The tenements are believed to be in good standing, with payments made to relevant government departments.</li> </ul>
<i>Exploration by other parties</i>	<ul style="list-style-type: none"> <li>No exploration is known to have occurred in the claims, however these claims are approximately 10 km south of properties where the Chilean company SQM is producing lithium and potash from mineralised brine in the Atacama salar.</li> <li>No other exploration results were able to be located</li> </ul>
<i>Geology</i>	<ul style="list-style-type: none"> <li>The claims are covered by gravels but are thought to cover clastic and potentially evaporitic sediments of similar age and older than the evaporites in the Atacama salt lake.</li> <li>As there are no know outcrops in the claims drilling will be required to confirm the geology and existence of brine.</li> </ul>
<i>Drill hole Information</i>	<ul style="list-style-type: none"> <li>No drilling has been undertaken to date.</li> </ul>
<i>Data aggregation methods</i>	<ul style="list-style-type: none"> <li>No brine samples have been collected and assayed to date, as that would require drilling.</li> </ul>
<i>Relationship between mineralisation widths and intercept lengths</i>	<ul style="list-style-type: none"> <li>N/A pending results.</li> </ul>
<i>Diagrams</i>	<ul style="list-style-type: none"> <li>A plan showing the location of the TEM geophysical lines relative to the claim boundaries is provided.</li> </ul>

<i>Balanced reporting</i>	<ul style="list-style-type: none"> <li>Conclusions have been presented from the interpretation of the geophysical survey to date. There are multiple potential interpretations of the geophysical data and drilling will be required to more definitively interpret the geophysics.</li> </ul>
<i>Other substantive exploration data</i>	<ul style="list-style-type: none"> <li>Public information is available from Geological Survey mapping and documents made public regarding drilling and geophysical surveys conducted on the Atacama Salar. This information has been assessed to assist interpretation of the TEM survey.</li> </ul>
<i>Further work</i>	<ul style="list-style-type: none"> <li>The company is evaluating the geophysics in order to decide whether to proceed with the option on the project.</li> </ul>

### **Competent Persons Statement**

The information in this report that relates to exploration reporting at the Salar West project has been prepared by Mr Murray Brooker. Murray Brooker is a geologist and hydrogeologist and is a Member of the Australian Institute of Geoscientists. Mr Brooker is an employee of Hydrominex Geoscience Pty Ltd and is independent of BMG Resources. Murray has sufficient relevant experience to qualify as a competent person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Murray Brooker consents to the inclusion in this announcement of this information in the form and context in which it appears.