



ASX ANNOUNCEMENT

29 November 2018

**GO-AHEAD FOR CHILEAN LITHIUM BRINE PROJECT
*70% INCREASE IN PROJECT AREA * FINANCIAL TERMS REVISED
*NEAR TERM DRILLING PLANNED**

HIGHLIGHTS

- **BMG announces go-ahead for Chilean Lithium Joint Venture**
- **The Company's Project Areas located in Northern Chile's 'Lithium Triangle' are now expanded to over 20,000 hectares, an increase of around 70%**
- **Salar West increased by 2,100 Ha in southern zone, directly on the extension of the strong Li brine target zone identified by the geophysics undertaken by BMG in October 2018**
- **Salar de Pajonales area increased by circa 6,000 Ha in highly prospective zone**
- **Timing of transaction payments revised to defer US\$250,000 upfront cash by up to 2 years, with focus on near term investment in the ground**
- **Completion still anticipated in this calendar year, with drilling planned at Salar West in calendar Q1 2019**

BMG Resources Limited (**ASX: BMG**) (**BMG** or **the Company**) is pleased to announce that its Chilean lithium brine project areas have now been expanded to over 20,000 Ha (an increase of around 70%). In addition, BMG has agreed with the owners, Lithium Chile SpA (**LCS**), the holder of the lithium brine project areas, to revise the transaction payment terms by deferring US\$250,000 of upfront cash payments for up to 24 months to enable more near term expenditure to be directed into the ground.

The Company has secured an additional circa 8,000 Ha in the lithium brine project areas – a further 2,100 Ha adjacent to the southern zone of the Salar West project in the Salar de Atacama, Chile, and a further circa 6,000 Ha in adjacent areas at the Salar de Pajonales project.

The new area at Salar West lies on the direct extension of the key lithium brine target zone identified from the recently completed TEM geophysical study, as announced to ASX on 23 October 2018.

The Company has satisfactorily completed its technical due diligence and is currently progressing the remaining conditions with Completion of the transaction anticipated in December 2018.

BMG Managing Director, Bruce McCracken, said:

“This is another very positive step for the Company as we progress the establishment of our lithium joint venture in Chile. The new areas not only significantly enhance the size of our footprint in what is the best lithium brine province in the world, but the additional 2,100 hectares at the Salar West project is on the direct extension of the key lithium brine target zone identified by our recent geophysical study. This significantly enhances the size and scope of the lithium brine potential at that project.

“Additionally, refining our transaction terms empowers us to direct additional funds into near term exploration activity. The additional area and revised terms reflect the positive contribution being made by our JV partner, LCS, to build a strong lithium business in Chile.

“The Company remains on track to complete the transaction in December 2018, and is targeting a drilling program at Salar West early in the new year.”

The projects are located in the Chilean part 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 historical 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 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 initial lithium projects (Lithium Properties) now comprise three areas of over 20,000 Ha (in total) in the Salar de Atacama, Salar de Pajonales and Salar de Tuyajto - Natalie.

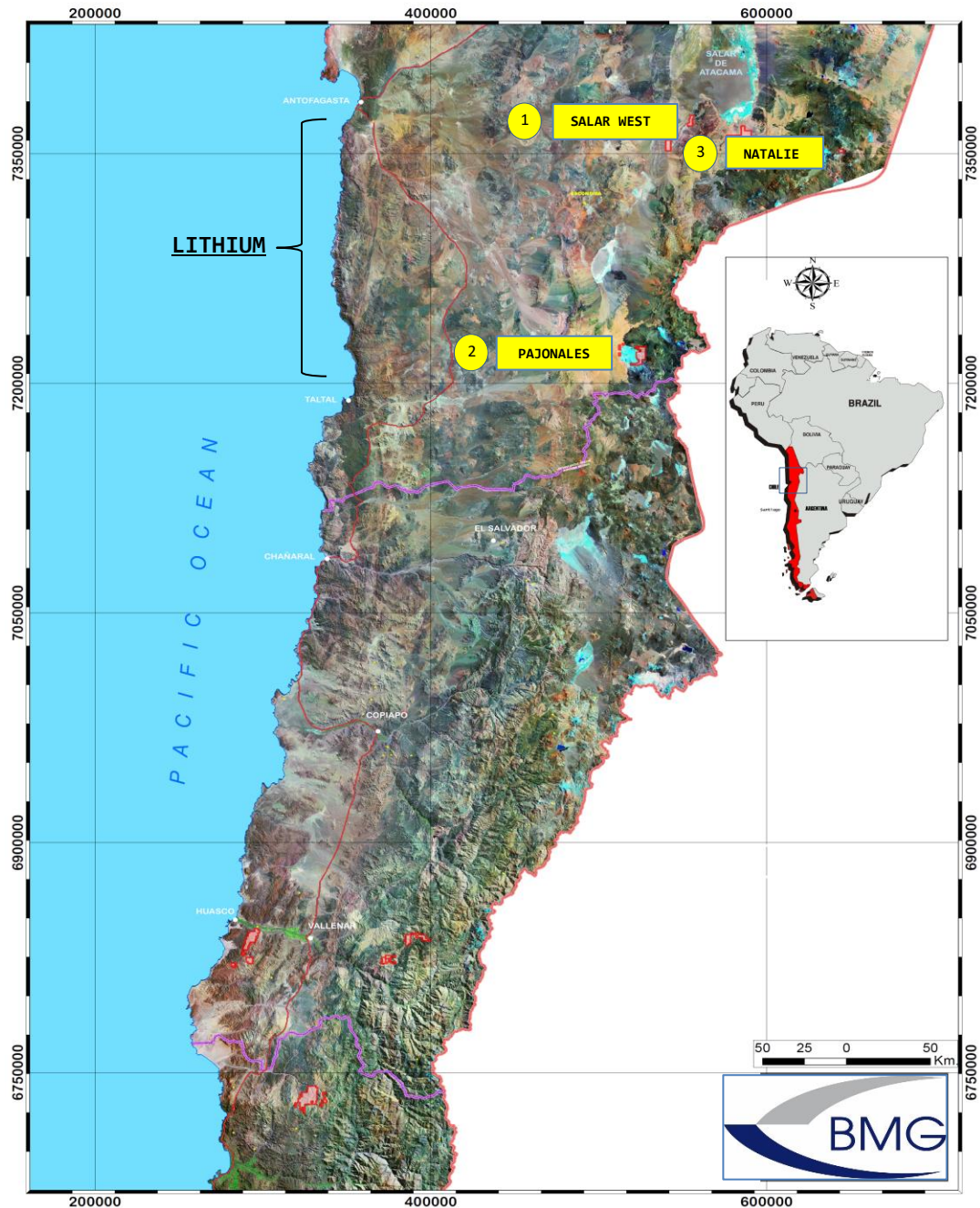


Figure 1 – Location of Lithium Properties

SALAR DE ATACAMA – SALAR WEST

The Salar West Project is a series of claims located on the south-western margin of the Atacama Salar (Figure 2), in El Loa Province, Antofagasta Region, Chile, approximately 185 km southeast of the major port city of Antofagasta. The claim area is now in excess of 8,000 Ha (80km²), with over 6,000 Ha (60km²), including the additional 2,100 Ha recently acquired, contained in the Southern Area – Pegasus/ Orion. This contains the key brine targets identified by the recent TEM geophysical study.

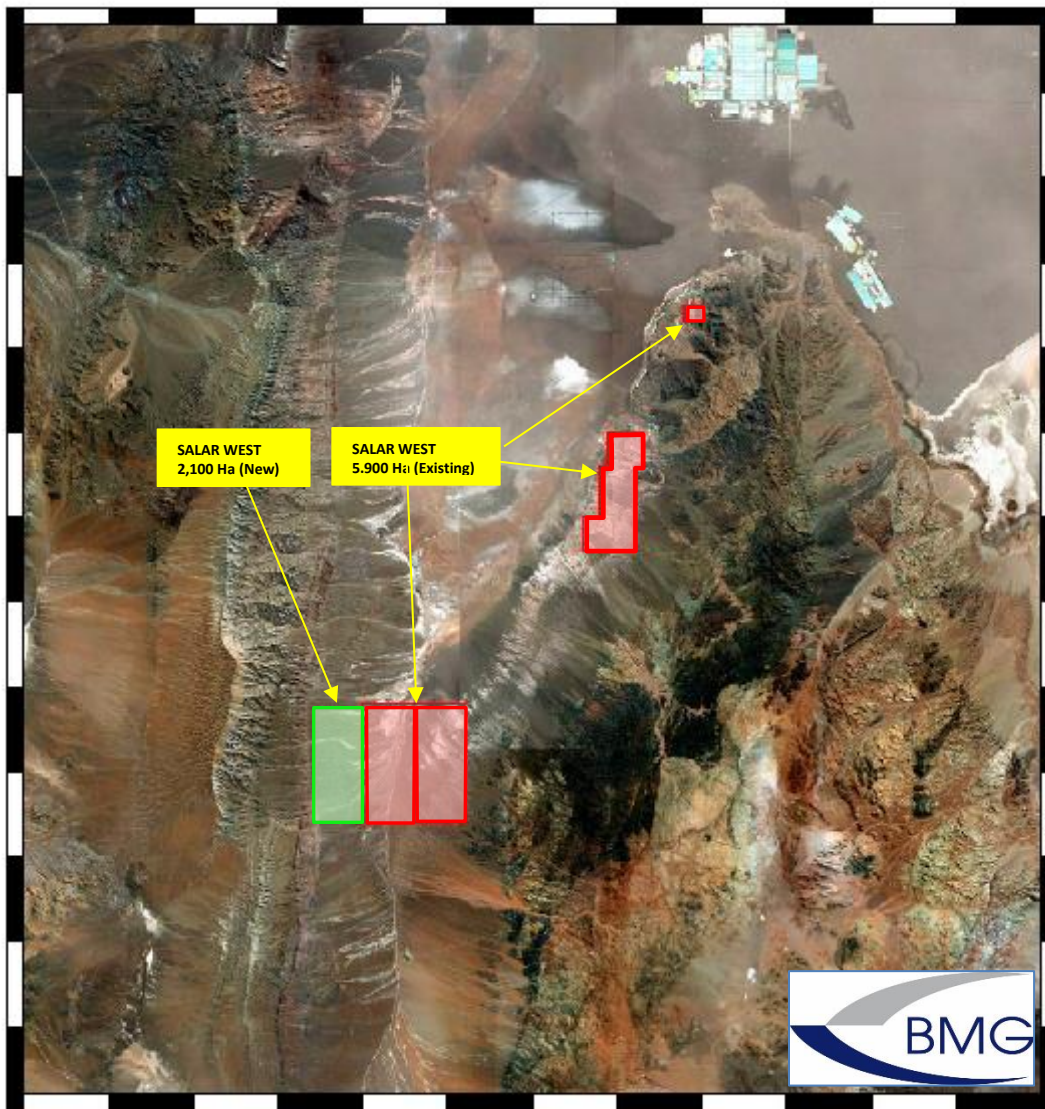


Figure 2 – Location of the Salar West claims in the Salar de Atacama, Chile

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 considered a likely source of lithium in many salt lake lithium brine deposits.

The Company undertook a geophysics program utilising a TEM survey to test the conductivity of the subsurface and thereby evaluating the potential presence of brines in the Claims' area.

The survey (Figure 3) 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 3 – 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, however other interpretations of the geophysics are possible.

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.

SALAR DE PAJONALES

The Salar de Pajonales claims now comprise circa 11,500 Ha (115 km²).

Salar de Pajonales is located approximately 200km to the south of Salar de Atacama in Chile, and hosts high grade boron borates and halite deposits with potential for economic lithium brines. BMG proposes to undertake sampling and geophysics as a priority to define target zones for an initial drilling program.

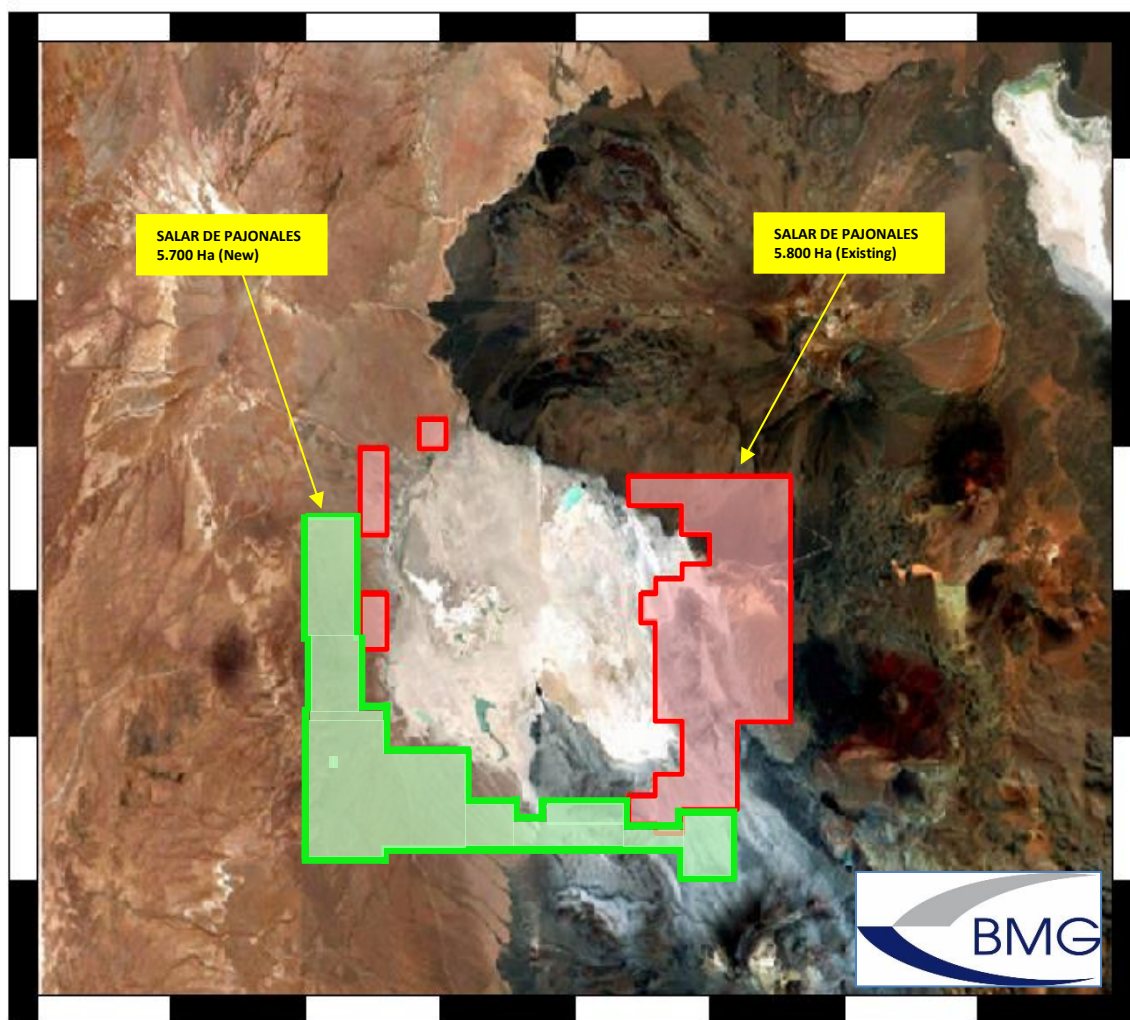


Figure 4 – Location of the Salar De Pajonales claims

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 lithium 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 5 – Salar de Tuyajo - Natalie claim area

EXPLORATION TIMELINE

The Salar de Atacama - Salar West areas continue to remain the immediate priority, with geophysics identifying a strong conductive zone which is a possible lithium brine target in the southern zone. The Company plans to undertake an additional geophysics program within the near term over the new 2,100 Ha area to delineate the extent of the possible brine aquifer targets which trend into the zone. A drilling program is anticipated to follow early in the new year following the formal establishment of the JV.

Within the next 12 months, the goal of the JV will be to complete initial drilling programs and establish JORC resources for lithium 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.

REFINEMENT OF JOINT VENTURE PAYMENT TERMS

A summary of the proposed joint venture terms between BMG and the owners of LCS was announced to ASX on 22 August 2018. The Parties have now 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. The revised schedule is summarised below:

- **Completion Payment:** US\$250,000 in cash (with US\$250,000 in cash now deferred for up to 24 months) and US\$200,000 in shares at the current capital raising price (\$0.009 per share) to acquire an initial 20% interest in LCS. BMG's initial 20% JV interest may be relinquished, forfeited or transferred to the owners of LCS if the US\$250,000 deferred completion cash amount is not paid in full or the Year 1 commitment expenditure is not satisfied.
- **Year 1 JV Commitment expenditure:** US\$1 million
- **Year 2 JV Commitment expenditure:** US\$1 million. Vendor payments of US\$250,000 (deferred Completion payment for a maximum of 24 months) and US\$150,000 in shares/cash at BMG's election. BMG will earn a 35% interest in the JV.
- **Year 3 JV Commitment expenditure:** US\$500,000. Vendor payments of US\$150,000 in shares/cash at BMG's election. BMG will earn a 50% interest in the JV.

The proposed JV terms otherwise remain unchanged. LCS will be the JV entity in Chile which will own all right, title and interest in the Lithium Properties. The JV will be operated on an equal basis from inception, and BMG will earn-in to a 50% interest in the JV Company, which will be managed and operated in accordance with a Shareholders Agreement between the parties.

The parties are continuing to progress the satisfaction of the conditions precedent – including legal documentation, regulatory and shareholder approvals. BMG has satisfactorily completed its technical due diligence and is well advanced with its capital raising, and anticipates completing the transaction in December 2018.

ENDS

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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.