



QUARTERLY ACTIVITIES REPORT

For the Quarter to 31 December 2018

- **Announcement of intention to complete Chilean Lithium Brine joint venture, encompassing a project area in excess of 20,000 hectares within Northern Chile's 'Lithium Triangle', following the completion of Geophysics testing, with strong brine potential results**
- **Refinement of joint venture terms achieved. Defers US\$250,000 cash completion payment by up to 12 months from completion and allows BMG to pursue additional near-term exploration. Transaction completion expected in the current quarter**
- **Within the next 12 months, JV plans to complete initial drilling programs with the goal of establishing lithium JORC resources within the project areas to fast track development of a lithium production asset and realise value for investors**
- **Completion of a placement to new and existing institutional and sophisticated investors, and Completion of Security Purchase Plan**

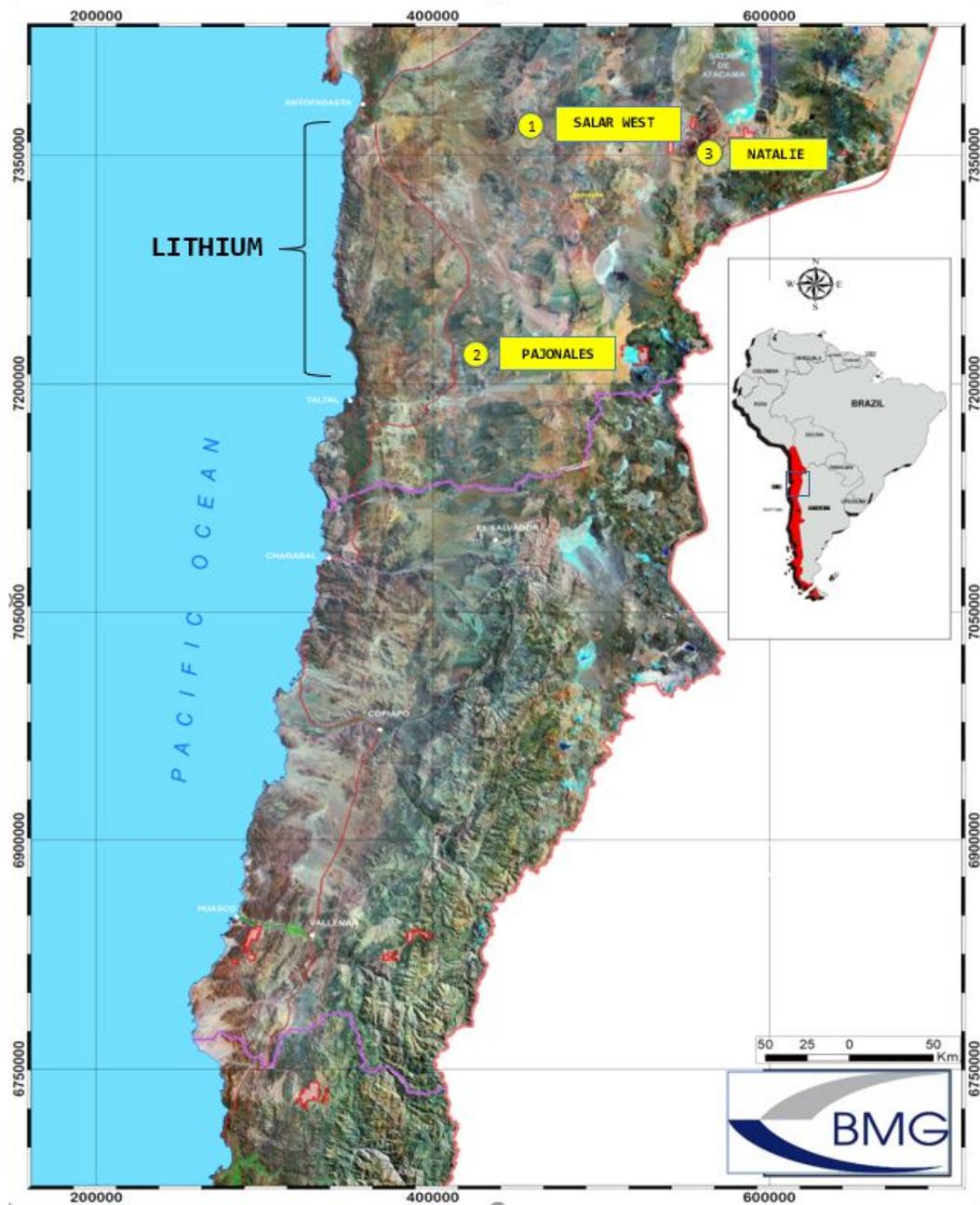
BMG Resources Limited (ASX: BMG) (**BMG or the Company**) is pleased to provide shareholders with its Quarterly Report for the three-month period ending 31 December 2018.

During the quarter, the Company focused on advancing the formation of a Joint Venture with the owners of Lithium Chile Spa (**LCS**), to undertake exploration and development of three lithium brine projects in Chile. The Company had previously announced the signing of this agreement with LCS 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 project areas 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 comprised three areas of over 12,000 hectares (in total) in the Salar de Atacama, Salar de Pajonales and Salar de Tuyajto - Natalie.



On 23 October, the Company announced that Geophysics testing confirmed strong brine potential at Salar West Project, Salar De Atacama, and following these results, on 29 November, the Company announced an increase in the size of the project area to 20,000 hectares.

That increase saw the Company secure approximately an additional 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, and a further circa 6,000 Ha in adjacent areas at the Salar de Pajonales project.

Significantly, the additional 2,100 hectares at the Salar West project lies on the direct extension of the key lithium brine target zone identified by the recent geophysical study BMG completed as part of the

due diligence process. The addition of this prospective new ground greatly enhances the size and scope of the lithium brine potential at Salar West.

REFINEMENT OF JOINT VENTURE PAYMENT TERMS

Subsequent to the initial proposed joint venture terms between BMG and the owners of LCS being announced to ASX on 22 August 2018, 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. The Company is currently discussing some additional refinements of the terms with the owners of LCS which it anticipates will be finalised and announced shortly.

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 – and the Company anticipates completing the transaction in the current quarter.

Exploration Timeline

The Salar de Atacama - Salar West areas is the Company's immediate priority, following its recent geophysics program that identified a strong conductive zone which is a possible lithium brine target in the southern zone. BMG plans to shortly undertake an additional geophysics program over the new 2,100 Ha area to delineate the extent of the possible brine aquifer targets which trend into the zone.

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.

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 carried out by BMG.

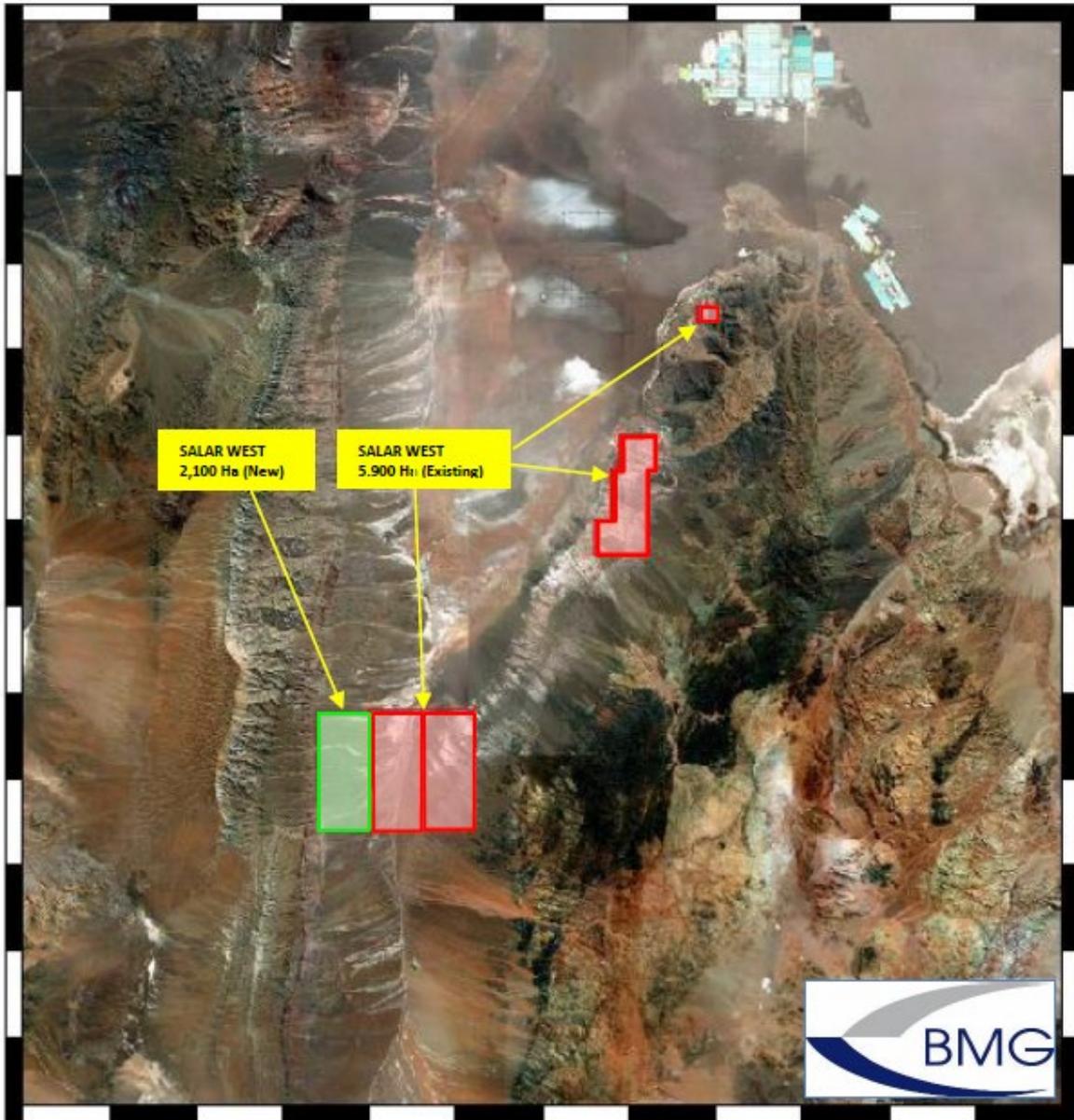


Figure 2 – Location of the Salar West claims in the Salar de Atacama, Chile

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.

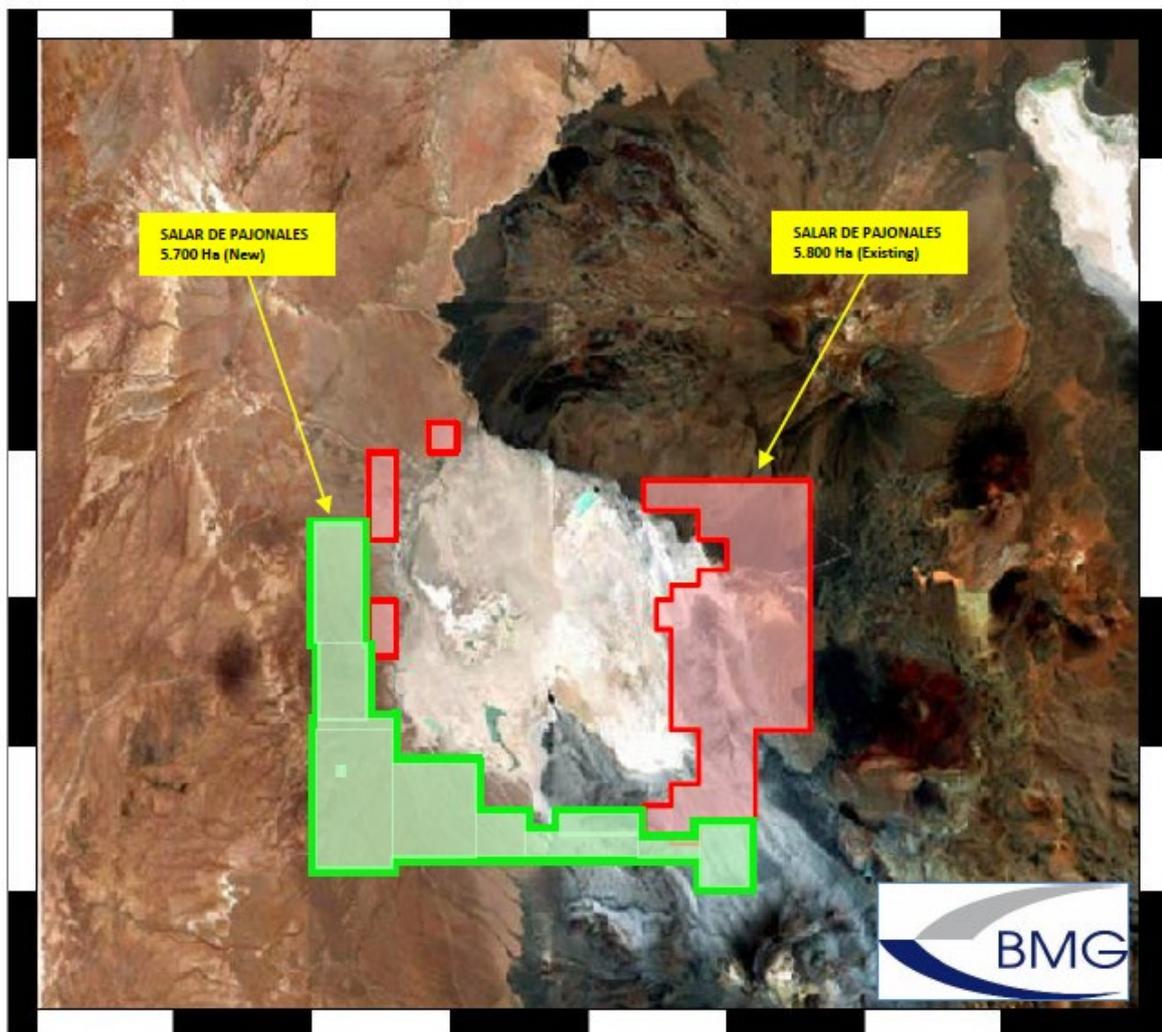


Figure 4 – Location of the Salar De Pajonales claims

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

Corporate

Annual General Meeting

The Company held its Annual General Meeting on 29th November 2018 where all resolutions were duly passed.

Share Placement

The Company completed an A\$900,000 share placement (**Placement**) to new and existing institutional and sophisticated investors during November to assist with the execution of the Chilean Lithium JV. In addition the Company raised \$128,500 (before costs) from a shareholder share purchase plan.

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 km².

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

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(59)	(59)
(b) development	-	-
(c) production	-	-
(d) staff costs	(21)	(42)
(e) administration and corporate costs	(123)	(167)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	6
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)	-	-
1.9 Net cash from / (used in) operating activities	(200)	(262)
2. Cash flows from investing activities		
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 (6 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)
2.6	Net cash from / (used in) investing activities	-	(138)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	933	933
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	(49)	(49)
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)	-	-
3.10	Net cash from / (used in) financing activities	884	884

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	919	1,119
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(200)	(262)
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)	884	884
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,603	1,603

5. Reconciliation of cash and cash equivalents 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	7	8
5.2 Call deposits	1,596	911
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,603	919

6. Payments to directors of the entity and their associates	Current quarter \$A'000
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 Oct 2018 to 31 Dec 2018

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
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

8. Financing facilities available <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.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	375*
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)	-
9.7 Total estimated cash outflows	525

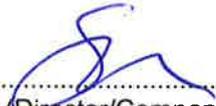
*Exploration and evaluation includes a payment of USD\$250,000 payable upon Completion of the Chilean Lithium Joint Venture

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
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 January 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.