ASX ANNOUNCEMENT

27 September 2019

CHILEAN EXPLORATION UPDATE

- **Hole 1 at Salar West concluded at 176m**
- **A brine zone was intercepted between 152.9m and 154.9m from which samples are currently being analysed**
- **Initial pit sampling to commence at the Natalie and Pajonales Projects, located to the east and to the south of the Atacama Salar**

BMG Resources Limited (ASX: BMG) ("BMG" or "the Company") provides shareholders with an update regarding its current drilling program at the Company's Salar West lithium brine project in the Atacama region of Chile.

The first hole of the sonic drill program at Salar West has now been concluded, having reached a depth of 176m. The sediments encountered throughout the hole were broadly consistent with the San Pedro Formation, hosting some brine in evaporite units at around 150m where a brine zone was intercepted from 152.9m to 154.9m, which is now being analysed.

The drilling demonstrated that the geological unit in this location is predominantly clay with minor amounts of evaporites with low porosity and hence unfavourable characteristics for brine extraction.

Interpretation of the data from drilling is continuing, with assay results from the brine expected in the coming weeks. While the possibility of intersecting a deeper brine horizon remains this would be below the depth of the current geophysics and further work needs to be undertaken to evaluate the data obtained from the drilling in conjunction with the geophysics and other regional data. The Company is demobilising the rig at Salar West until further analysis has been conducted.

The Company is commencing work on its prospective Natalie and Pajonales projects, located to the east and to the south of the Atacama Salar. BMG will now undertake initial pit sampling of brines ahead of proposed geophysics. These are conventional brine targets, either beneath the salar surface of under gravels, and volcanic ash around the margins of these salars (salt lakes).

The properties in the Natalie Salar cover most of the salar and the alluvial fan immediately to the east. The properties in Pajonales are largely around the eastern limit of the salar, over areas of salt crust and also volcanic ash and rocks that are interpreted to potentially cover parts of the salar, with the potential to intersect brine beneath these rocks beyond the current extent of the salar.

BMG Resources | ACN: 107 118 678 | T: (61 8) 9424 9390 | E: enquiry@bmgl.com.au | www.bmgl.com.au

The Company will aim to conduct the sampling work during October.

Figure 1. Location of BMG Projects

*****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

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

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

Website: www.bmgl.com.au

APPENDIX 1 - JORC Code, 2012 Edition

Table 1: Salar West Lithium Brine Project

Criteria	Section 1 - Sampling Techniques and Data
Sampling techniques	• Brine samples collected with a bailer at the base of the drill hole as it advanced. Field work to date has consisted of a TEM electrical geophysical survey carried out by an independent contractor and drilling which has not yet intersected any significant brine in the drill hole. • Brine sampling undertaken with a bailer, purging the hole of brine before taking a sample from the base of the hole beneath the rods and casing, representing the formation fluid • Core samples are obtained with the sonic drilling technique, which allows for recovery of solid cores without the use of any significant drilling fluid or additives. Cores are recovered from the core barrel and stored in core trays, as for standard diamond drilling techniques.
Drilling techniques	• Drilling is being conducted with a sonic drilling rig to obtain core samples from partially lithified sediments for potential determinations of porosity on the host sediments.
Drill sample recovery	• Drill core is recovered from the rods and stored in wooden core boxes. Core recovery is measured following retrieval of cores. • Brine samples obtained from evacuating brine from the hole using a bailer device on a wireline cable
Logging	• Geological description is made of the drill cores once they are recovered. • Logging is quantitative in nature, describing the thickness of the different geological beds and units.
Sub-sampling techniques and sample preparation	• Core samples would be sub-sampled for porosity analysis – sending 10 cm intervals from the base of drilling runs for analysis. • Representative brine samples from the bailer sampling have been sent to the laboratory for chemical analysis
Quality of assay data and laboratory tests	• Two brine samples have been collected and sent to the laboratory for full chemical analyses of cations and anions.
Verification of sampling and assaying	• Two brine samples have been collected. Laboratory checks will be conducted on the brine analyses. • TEM geophysical lines show a consistent correlation between lines. Drilling to date has not identified lithium mineralised brine.
Location of data points	• The 133 TEM survey points over the four lines were located with a hand held GPS in UTM Zone 19 South. • The drill hole has been located with a hand held GPS.
Data spacing and distribution	• The TEM electrical geophysical survey was undertaken with a 200 x 200 m coincident moving loop
Orientation of data in relation to geological structure	• The sediments encountered in drilling are interpreted to be part of the San Pedro Formation, which consists of former salar sediments which have been subject to some folding and are interpreted to form an antiform in the project area. These sediments were deposited as close to horizontal and the geophysical survey was conducted from surface through the properties.
Sample security	• Two brine samples have been taken to date and sent for analyses by company contractors transporting the samples to the laboratory
Review (and Audit)	• No audit of data has been conducted to date.

BMG Resources | ACN: 107 118 678 | T: (61 8) 9424 9390 | E: enquiry@bmgl.com.au | www.bmgl.com.au

Criteria	Section 2 - Mineral Tenement and Land Tenure Status
Mineral tenement and land tenure status	• The Salar West Lithium Brine project is located in the southwest of the Atacama salt lake at an elevation of approximately 2,500m asl. • The project comprises approximately 8,000 Ha in three claims. • The tenements are believed to be in good standing, with payments made to relevant government departments.
Exploration by other parties	• No previous 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. • No other exploration results were able to be located
Geology	• The claims are covered by gravels which cover fine grained clastic sediments and evaporitic sediments of Miocene age that are older than the evaporites in the Atacama salar and represent an earlier salar sequence. • Drilling to date has intersected clay units with some salt and gypsum layers, consistent with the San Pedro Formation with the sediments deposited in and around a salar.
Drill hole Information	• The hole has been drilled vertically, and intersected salar sediments from 47.9 m to the current depth of the hole, beneath unconsolidated gravels.
Data aggregation methods	• Only two brine samples have been collected and assays have not been received to date.
Relationship between mineralisation widths and intercept lengths	• N/A pending results.
Diagrams	• A plan showing the location of the TEM geophysical lines relative to the claim boundaries was previously provided.
Balanced reporting	• Conclusions have been presented from the interpretation of the geophysical survey and drilling to date. Further information will be provided once the brine assays are received. Physical parameters of the brine suggest it is highly saline, but more dilute than the concentrations associated with high grade brine.
Other substantive exploration data	• 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.
Further work	• The company is evaluating the drilling information in order to decide whether to proceed with additional drilling

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. Mr Brooker 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.