

ASX ANNOUNCEMENT

17 August 2017

ARGOSY EXECUTES INVESTMENT & OFF-TAKE AGREEMENTS

HIGHLIGHTS

- ◆ Argosy executes binding investment and off-take agreements with fast-growing Chinese battery company Qingdao Qianyun High-tech New Material Co. Ltd.
- ◆ Transaction includes A\$26.4M to be received upfront through an equity placement and prepayment under a 1-year preliminary off-take agreement
- ◆ Upfront A\$26.4M exceeds Stage 2 development expenditure budget for the Rincon Lithium Project
- ◆ Cornerstone shareholding at a premium combined with long-term off-take validates Argosy's strategy to develop Rincon into a commercial lithium project
- ◆ Argosy to consider additional cooperation with Qianyun for funding proposed Stage 3 development of Rincon Lithium Project

Argosy Minerals Limited (ASX: AGY) ("Argosy" or the "Company") is pleased to advise that it has signed binding investment and off-take agreements for a company-transforming transaction that will see it establish a strategic relationship with one of China's fast growing battery materials companies - Qingdao Qianyun High-tech New Material Co. Ltd. ("Qianyun").

The upfront transaction funds exceed the Stage 2 development expenditure budget for the Rincon Lithium Project in Argentina, securing Argosy's foreseeable future as a commercial lithium producer.

Key terms of the transaction:

- ▶ **Placement of shares to Qianyun representing 19.9%** of the issued capital of Argosy at an issue price of \$0.085 per share under the terms of a Placement Agreement; raising approximately **A\$16.9 million** in total equity investment at a price representing a 7.6% premium to the 30 day volume weighted average price of Argosy shares to 15 August 2017.
- ▶ **US\$7.5 million (A\$9.55 million) upfront prepayment** for an agreed quantity of battery grade lithium carbonate equivalent (LCE) product during the first year of production at the Rincon Lithium Project under the terms of a **Preliminary Off-take Agreement**.
- ▶ **A separate five-year Long-Term Off-Take Agreement** for 1,000 tons per year of potential Stage 2 product from years two to six of production of battery grade LCE product from the Rincon Project, at a sale price based on a formula derived from the China battery grade lithium carbonate import price.
- ▶ Argosy and Qianyun have agreed for Qianyun to have a limited right to provide an offer for funding of capital expenditure for **Stage 3 development of the Rincon Project**, for which potential production is currently uncontracted.

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- ▶ Argosy will appoint Qianyun's Chairman, Mr Sun Qi, as a non-executive director of the Company.
- ▶ **Joint Venture Agreement** to be established for Argosy and Qianyun to collaboratively consider acquisition and development of lithium project opportunities in China during the next two years.
- ▶ The Placement Agreement, Preliminary Off-Take Agreement and Long-Term Off-Take Agreement are all subject to limited confirmatory due diligence by Qianyun, to be carried out over the next 30 days, and Qianyun obtaining the necessary Chinese regulatory approvals to make the payments under the Placement Agreement and Preliminary Off-Take Agreement.
- ▶ Argosy, at its discretion, may elect to offer Qianyun the opportunity to subscribe for an additional 5% equity interest (subject to all required regulatory and shareholder approvals).

Argosy Managing Director, Jerko Zuvela, commented: "*This transaction represents a company-transforming event and we are confident that it provides a strategy for unlocking the immediate value of our strong position in Argentina via fast-tracked development of the Rincon Lithium Project.*

On completion of this transaction, Argosy will have substantial funding (together with its technical and processing expertise), plus a strategic shareholder and customer in Qinyuan – one of China's fast growing battery materials companies, to fully develop and maximise the potential of Rincon, and exploit the insatiable demand growth of the battery grade LCE market.

Argosy's Strategic Adviser, Airguide International Pte Ltd identified and established the relationship to and facilitated the meetings with Qianyun to successfully propose this transaction and were instrumental in the successful final outcome.

Placement Terms

Under the Placement Agreement, Argosy has agreed to issue a total of 198,516,087 new shares to Qianyun at an issue price of A\$0.085 per share to raise approximately A\$16.9 million. The placement will result in Qianyun acquiring a shareholding in Argosy of approximately 19.9% on a post-issue basis. Proceeds from the placement will be used by Argosy to:

1. Progress the development of Stage 2 works at the Rincon Lithium Project; and
2. Provide additional working capital for general corporate purposes.

The share placement is being undertaken in two tranches as follows:

- 150,000,000 shares to be issued from within the existing placement capacity available to Argosy under ASX Rule 7.1 and 7.1A ("Tranche 1"); and
- 48,516,087 shares to be issued subject to shareholder approval under ASX Listing Rule 7.1 ("Tranche 2").

Argosy will convene a meeting of shareholders for the purpose of considering the issue of the Tranche 2 shares as soon as practicable.

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The Placement Agreement includes a standstill arrangement whereby Qianyun will not dispose of any shares nor acquire additional shares without the Company's consent for a period of 18-months from completion of the Tranche 1 equity subscription ("Standstill Period").

Potential Stage 3 Funding

As part of the Placement Agreement and subject to completion of the equity subscription and Argosy meeting production milestones, Argosy will grant Qianyun the right to offer to fund the capital expenditure required by the Company for Stage 3 of the Rincon Lithium Project. Any such funding offer from Qianyun is subject to further agreement in writing by both parties.

Non-Executive Director Appointment

Subject to and with effect from Tranche 1 completion, Argosy will appoint Qianyun's Chairman, Mr Sun Qi, as a non-executive director of the Company. As part of the appointment, Mr Sun will be granted 5 million options at an exercise price of \$0.10 (subject to shareholder approval at the forthcoming general meeting of the Company).

Mr Sun is Chairman and General Manager of Qianyun with more than 20 years' experience as a senior engineer. He formed Qingdao Industrial Innovation Union of lithium industry in 2009 and has applied for numerous national patents and published several articles. He is also the evaluation expert for "863 Program" project, member of the China New Material Industry Development Promotion Committee, member of Chinese Youth Entrepreneur Association, trustee member of Shandong Youth Entrepreneur Association, member of Qingdao Youth Entrepreneur Association, trustee member of Shandong Society of Aeronautics & Astronautics, trustee member of China Overseas Friendship Association, vice president of Qingdao Youth Federation, Vice President of Qingdao New Materials Industrial Association, president of Chengyang New Materials Industrial Association, member of Qingdao Political Consultative Conference. He has gained individual awards for Science and Technology innovation, Top-ten Outstanding Youth and Technology top-notch talent.

Qianyun's right to be represented by Mr Sun as a non-executive director of the Company is subject to Qianyun maintaining its equity investment interest at not less than 15% of Argosy shares on issue at any time. The board considers the appointment of Mr Sun to be complementary to the development of the Company.

Additional Equity Subscription

Argosy, at its discretion, may elect to offer to Qianyun, upon expiry of the Standstill Period (or sooner if mutually agreed), the right to subscribe for an additional 5% of Argosy shares then on issue at an issue price equal to the higher of \$0.10 per share and the volume weighted average price of Shares, as traded on ASX, for the twelve-month period preceding the subscription date (subject to Argosy obtaining all necessary regulatory and shareholder approvals).

As part of the additional equity subscription, Argosy will grant Qianyun the right to nominate one additional person to be appointed as a non-executive director of the Company; and to maintain that second nominee subject to Qianyun holding not less than 19.9% of the issued capital of the Company.

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About Qingdao Qianyun High-tech New Material Co. Ltd. (www.qianyun-tech.com)

Founded in Qingdao, Qianyun is a fast growing Chinese battery materials, R & D, high-tech and new materials technology-intensive enterprise producing high quality lithium-ion battery cathode material at its technology centre and industrial base. The company has independent intellectual property rights, high-quality research and creative talent, a wealth of development experience, and to project technology as the core technology developed a series of new products, and dozens of patent applications.

Impact on Rincon Lithium Project

Based on the successful conclusion of the strategic process and transformational transaction with Qianyun, Argosy will have funds in excess of the funding required to complete Stage 2 development activities at Rincon Lithium Project. The Company announced on 14 August 2017 initial Stage 2 pond construction works had commenced using funds it had on hand and the Company intends to make subsequent announcements outlining its updated development plan, timetable and 2018 production target of battery grade LCE product.

Any potential production from Stage 3 development of Rincon together with any additional potential production from Stage 2 over and above deliveries pertaining to the Long-Term Off-Take Agreement remains uncommitted.

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For more information on Argosy Minerals Limited and to subscribe for regular updates, please visit our website at www.argosyminerals.com.au or contact us via admin@argosyminerals.com.au or Twitter @ArgosyMinerals.

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Forward Looking Statements: Statements regarding plans with respect to the Company's mineral properties are forward looking statements. There can be no assurance that the Company's plans for development of its mineral properties will proceed as expected. There can be no assurance that the Company will be able to confirm the presence of mineral deposits, that any mineralisation will prove to be economic or that a mine will successfully be developed on any of the Company's mineral properties.

ABOUT ARGOSY MINERALS LIMITED

Argosy Minerals Limited (ASX: AGY) is an Australian company with interests in the Rincon, Mina Teresa and Pocitos Lithium Projects in Argentina.

The Company is focused on its flagship Rincon Lithium Project in Argentina – potentially a game-changing proposition given its location within the world renowned “Lithium Triangle” – host to the world’s largest lithium resources, and its fast-track development strategy toward production of LCE product.

Argosy is committed to building a sustainable lithium production company, highly leveraged to the forecast growth in the lithium-ion battery sector.

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Appendix 1: AGY's Argentina Project Location Map

