

Blue Sky Lithium

Hombre Muerto Project

February 2018

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Blue Sky Lithium

Hombre Muerto Project

Blue Sky Lithium is a lithium exploration company with the rights to earn 100% interests in projects located in the world class Lithium Triangle region in Argentina

Projects located in the *Hombre Muerto* Salt flat, adjacent to *Galaxy Resources* (mkt cap; A\$1.3bn) and *FMC Lithium Corp.* (mkt cap; ~A\$15bn)

The Hombre Muerto Salt Flat (salar) is arguably the most productive lithium brine basin in Argentina

Hombre Muerto brines proven to be low in impurities - FMC preferred salar and only operation (Fenix) has been in production for over 20 years

The Projects cover over 500 Ha directly over the salar and an additional 4,000+ ha over potential brine reservoirs immediately adjacent to Galaxy Resources' project

Targeting fast tracking to production of Lithium Carbonate similar to Argosy Minerals Ltd (ASX:AGY) model

Blue Sky Lithium

The Company



- Company established by Juan Pablo Vargas de la Vega, a Chilean - Australian mineral industry professional with over 15 years in the resources industry
- Significant experience in analysis and optimisation of plant operations in several commodities in Australia and South America - worked for BHP, Rio Tinto and Codelco
- Mr. Vargas de la Vega has a strong understanding of the global lithium market - previously was as a specialist analyst for lithium for Patersons Securities, Foster Stockbroking and other Australian firms
- Corporately, Mr. Vargas de la Vega has worked with companies on projects in Chile and has successfully negotiated agreements with SQM (NYSE:SQM) one of the largest world lithium producers
- BSL also has an experienced in-country team with expertise in hydrogeology, engineering, compliance and business development
- Blue Sky have the rights to earn 100% in the Hombre Muerto projects

Blue Sky Lithium

Dempsey Minerals Ltd

Deal Structure

- Dempsey Minerals (DMI) has the right to either purchase 100% of Blue Sky Lithium (BSL) or acquire its rights to its Argentinian projects
- DMI has an initial exclusive 45 day option period (at no cost) to conduct legal due diligence with the right to extend this to assess the project for a further 2 months by issuing 3M shares and 3M options in DMI to the owners of BSL
- DMI can complete the acquisition, with performance based payments as follows;
 - Upon exercising the Option: Issuing 17M shares and 12M options in DMI
 - Upon delineating JORC resource of not less than 80kt lithium carbonate equivalent issuing 15M DMI shares; and
 - Upon the commencement of production from a pilot plant issuing 10M DMI shares
 - Issuing a facilitators fee of 5M DMI shares and 10M DMI options
 - Raising \$2M to enable sufficient working capital in DMI

DEMPSEY MINERALS' Proforma Capital Structure at Completion

Shares on Issue	42,650,000 fps	15,230,000 Opts. (\$0.14, Dec.2018)
Capital Raising (\$2M @ \$0.08)	25,000,000 fps	
Vendor Payment	20,000,000 fps	15,000,000 Opts. (\$0.14, Dec.2019)
Facilitator Fee	5,000,000 fps	10,000,000 Opts. (\$0.14, Dec.2019)
TOTALS	92,650,000 fps	40,230,000 Options

Hombre Muerto Project Location

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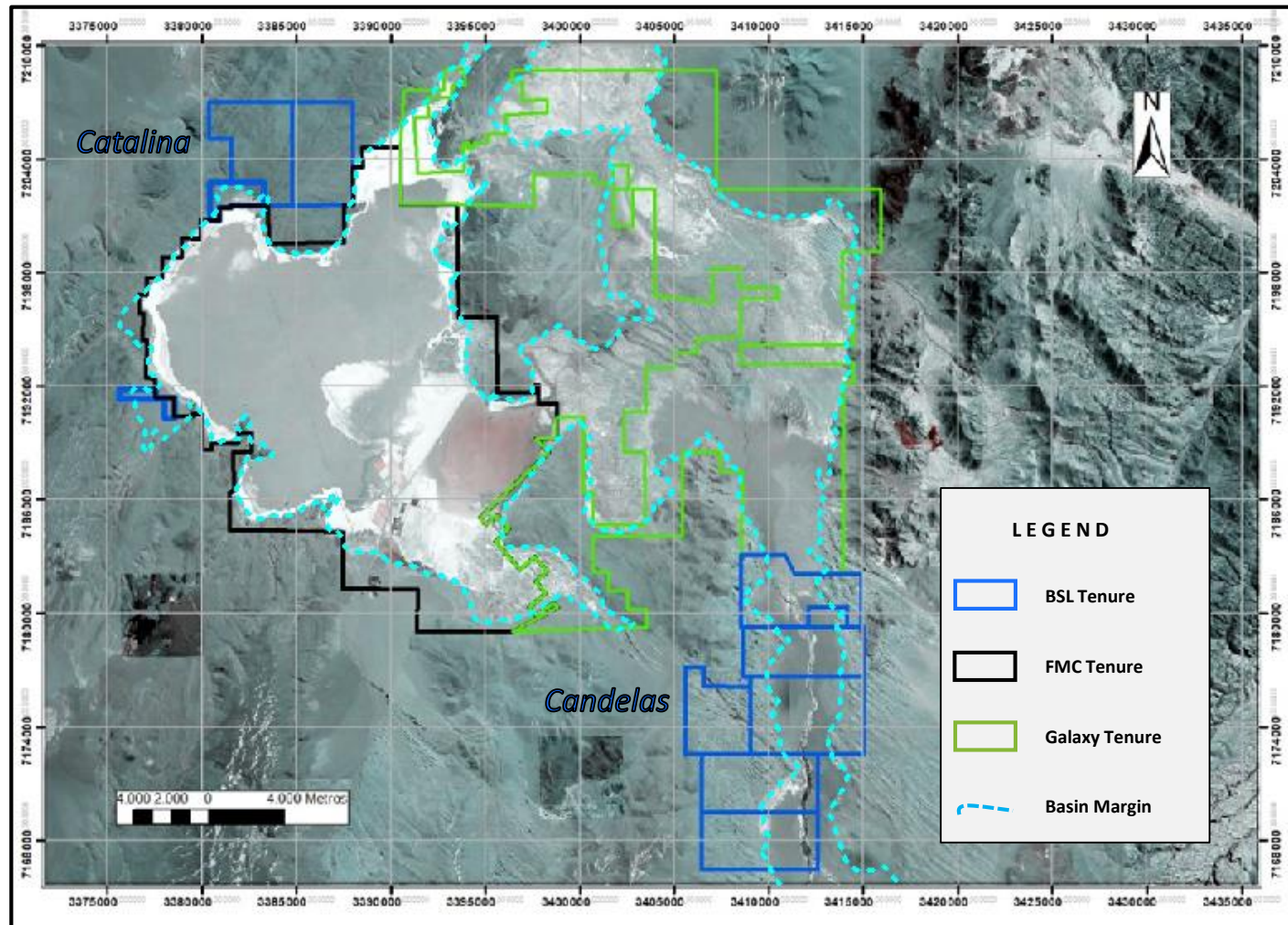


Blue Sky Lithium

Why Invest?



- BSL has an exclusive option to acquire projects in two parts of the highly productive HM basin.
- On average, HM has higher Li grades and lower impurities than AGY at Rincon. BSL's development plan is similar to AGY's in that pilot plant production is targeted within 2 years
- The HM eastern basin remains unexplored, with potential access to freshwater (needed for the production of lithium carbonate) and has a large footprint which could be used for evaporation ponds and a processing plant
- To fast track production, BSL is currently studying the best location for a pilot plant and laboratory to produce lithium carbonate. BSL is also working towards advancing the sourcing of this plant and equipment
- The Company is exploring additional lithium exploration opportunities in-country to further expand it's portfolio



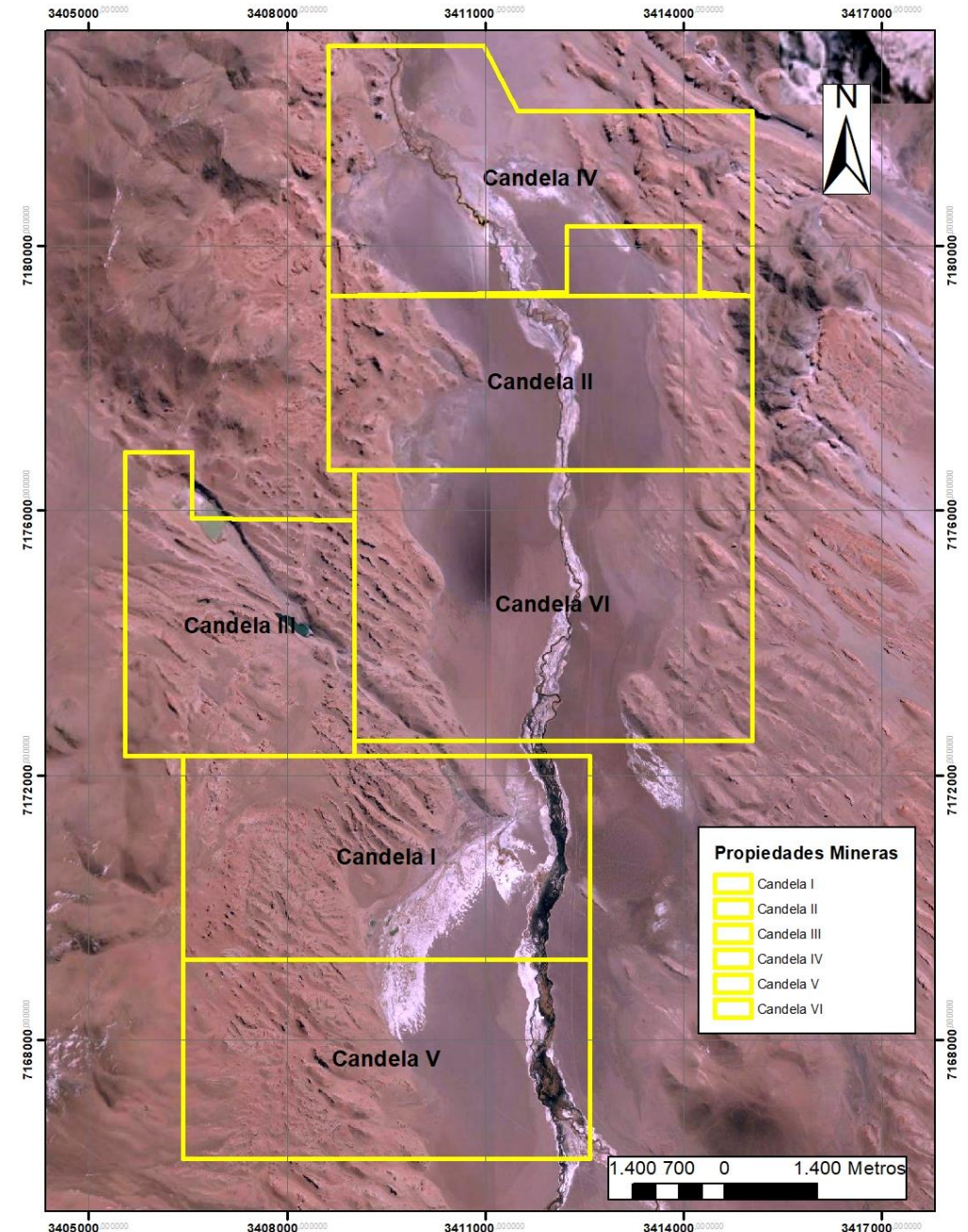
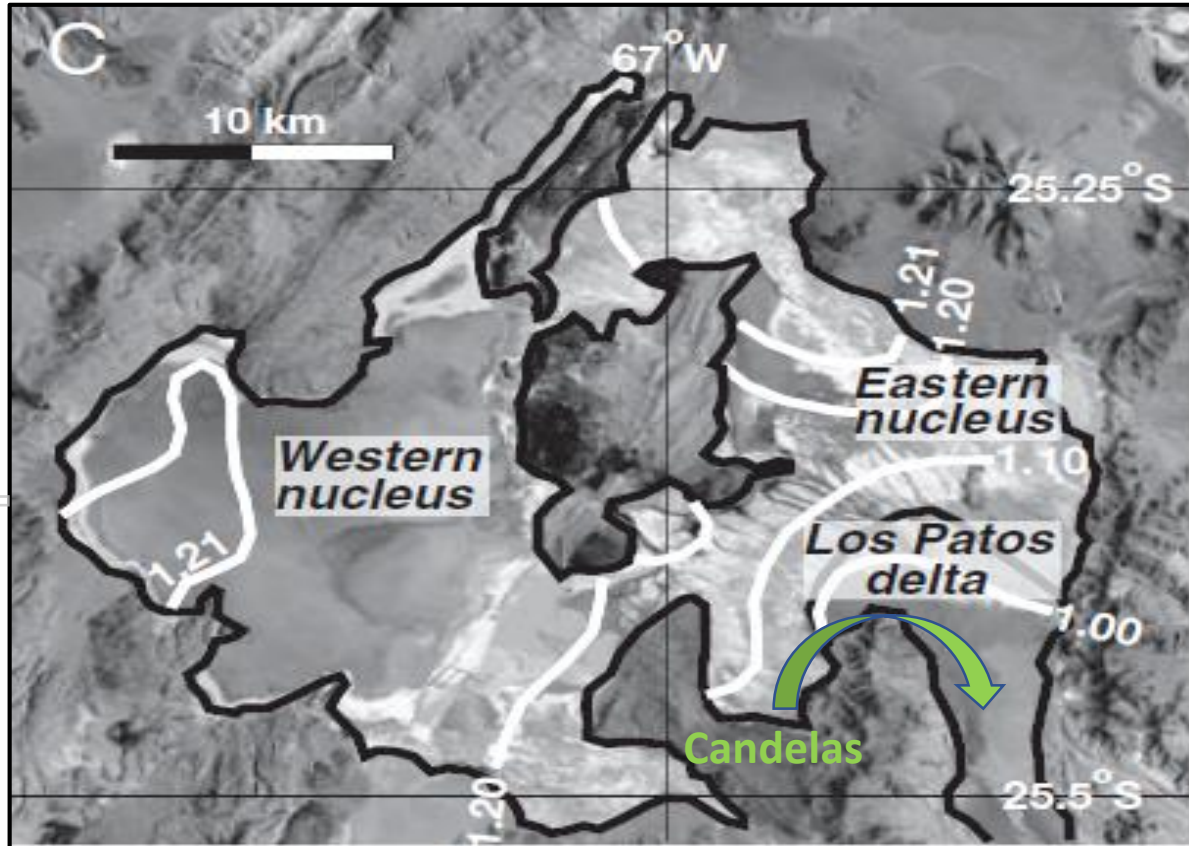
Hombre Muerto Projects

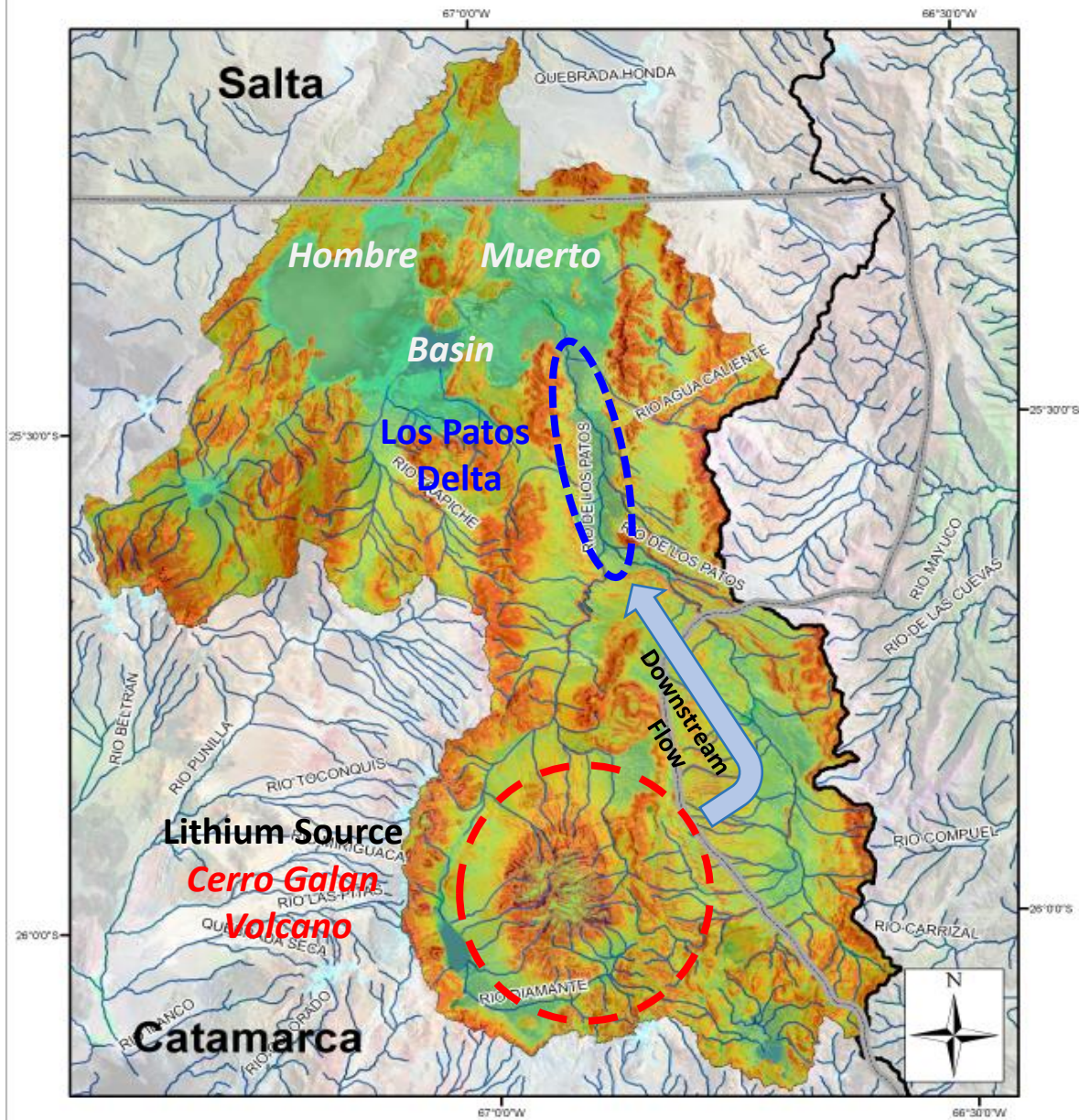
Candelas: shallow alluvial covered delta in the southeast of the HM salar

Catalina: shallow alluvial covered salar & salt flat targets

Candelas Tenements

- ~12km of shallowly alluvial covered salar in the Los Patos delta, feeder zone for the basin
- Extensive exploration potential, adjacent to Galaxy's project
- Very shallow targets, <150m
- Sufficient area for evaporation ponds & processing infrastructure

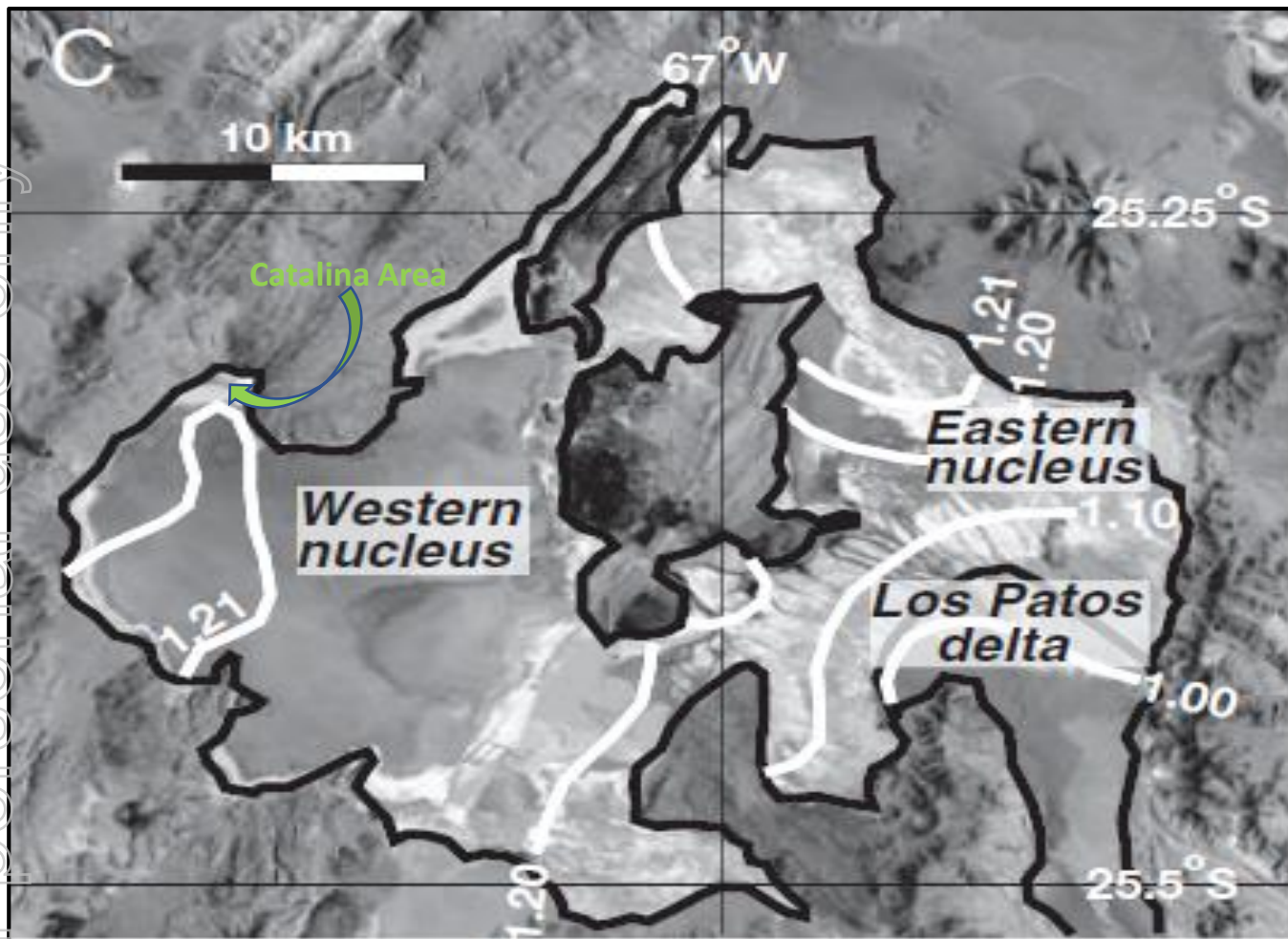




Candelas

Regional Setting and Lithium Provenance





Catalina

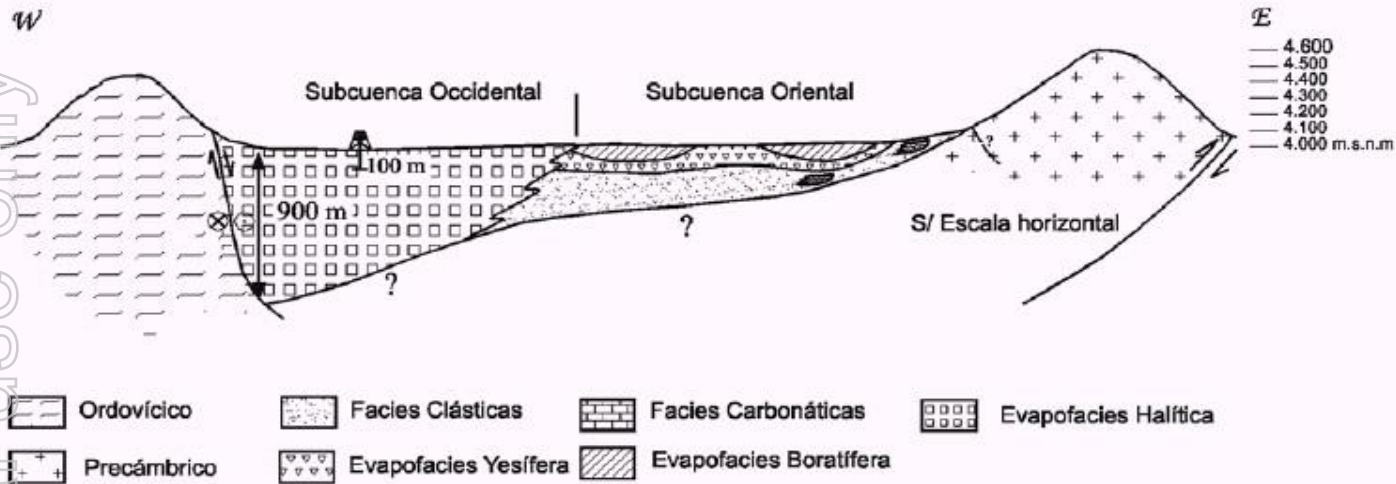
- ~2.4km² of salar & partly shallowly alluvial covered salar in the western part of the basin
- Extensive exploration potential – Adjacent FMC resource grade of 680 mg/l Li
- Deepest part of the basin lies in the Western margin

* FMC's Fenix deposit initially evaluated through shallow drilling in this western part of the basin;

Sixteen drillholes were drilled to evaluate the deposit. The depth of 15 holes ranged from 20 – 50 m, with one hole to 90 m. All of the holes were cored, and core samples collected each 50 cm to evaluate the effective porosity in a field laboratory. Selected samples were shipped to the Corelabs laboratory in Denver for verification.

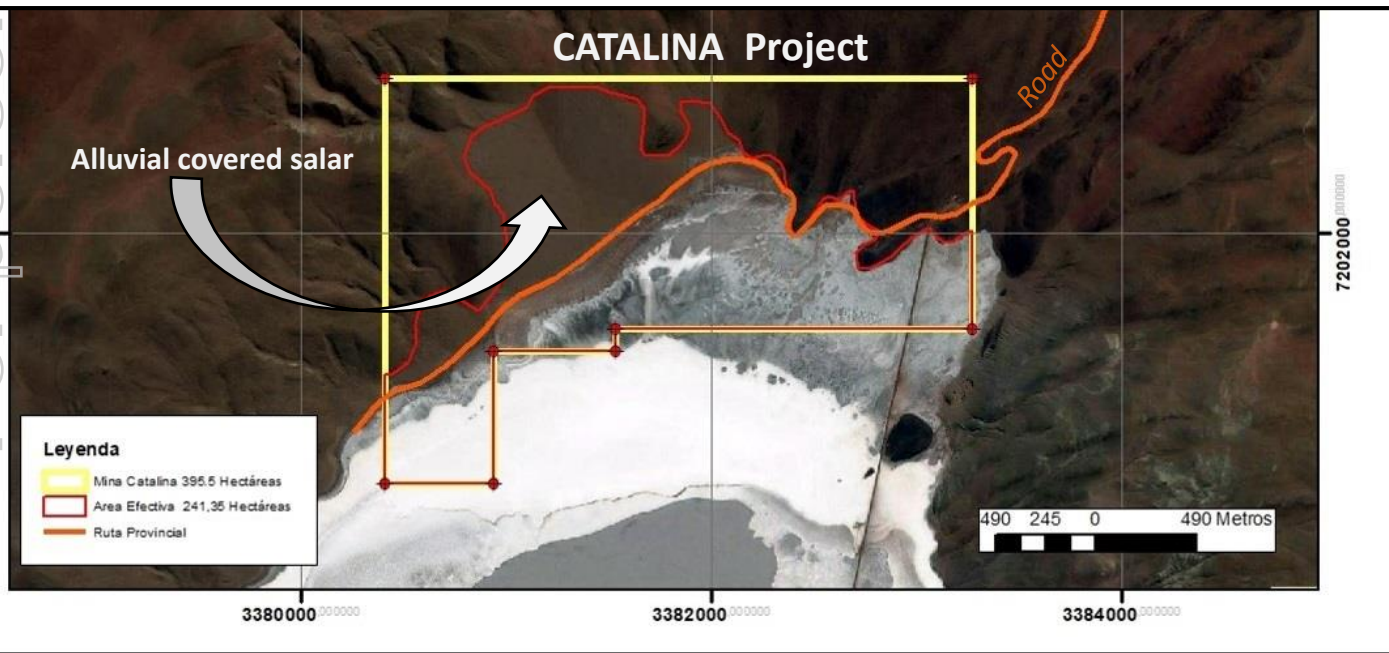
Source: Galaxy Resources' NI43-101 p52 (2011)

Interpreted Cross-Section through the Hombre Muerto Basin



Catalina

Western margin of the HM basin interpreted to be the deepest – more potential for further brine horizons

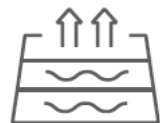


Lithium Brines – General Overview

- The largest reserves of lithium world wide are found in the “Lithium Triangle” between Argentina, Bolivia and Chile
- The geology is more comparble to petroleum exploration rather than convectional mining as it targets aquifers rather than a static resource
- Aquifer porosity plays a significant part of Resource estimation, with higher porosity allowing for higher extraction rates. Brine impurities play a important part of the production cost to produce lithium carbonate
- Typically, Capex and Opex for lithium brine operations are lower than conventional hard rock mining that target Spodumene and Talc host rocks
- Lithium brine operations are relatively simple with only a small number of steps required to produce Lithium Carbonate



Pump lithium brine from the salar



Use solar evaporation to concentrate lithium brine in shallow ponds



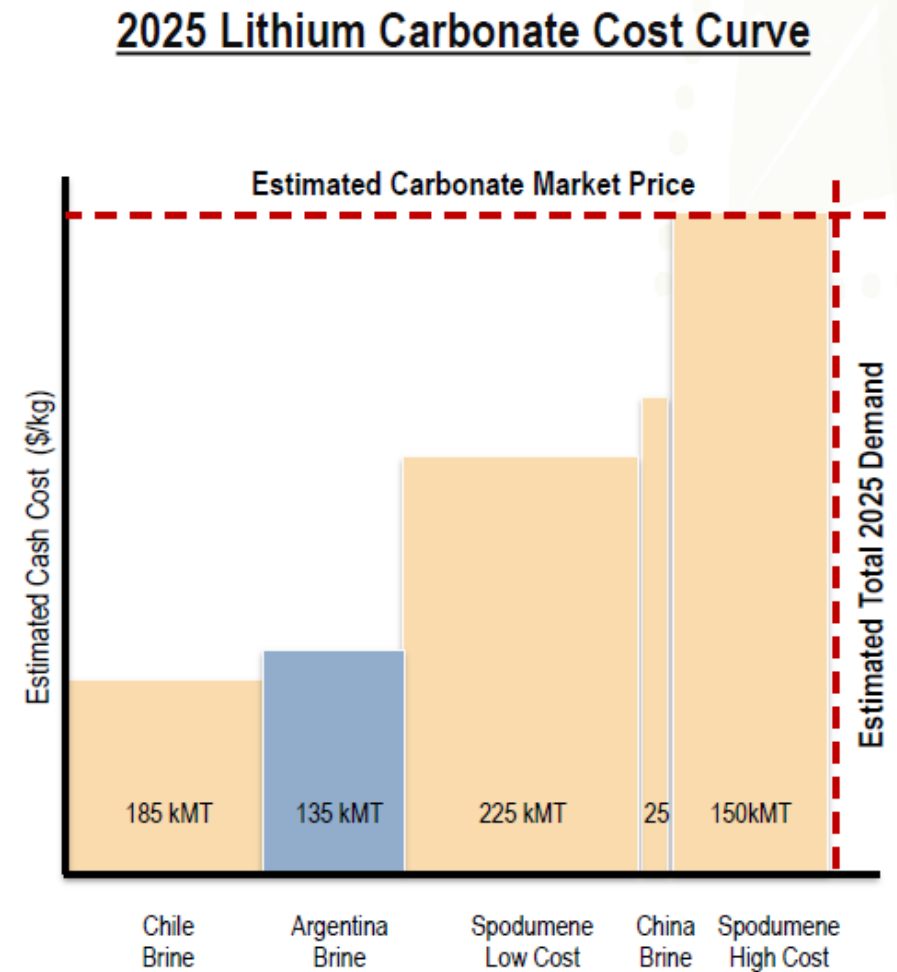
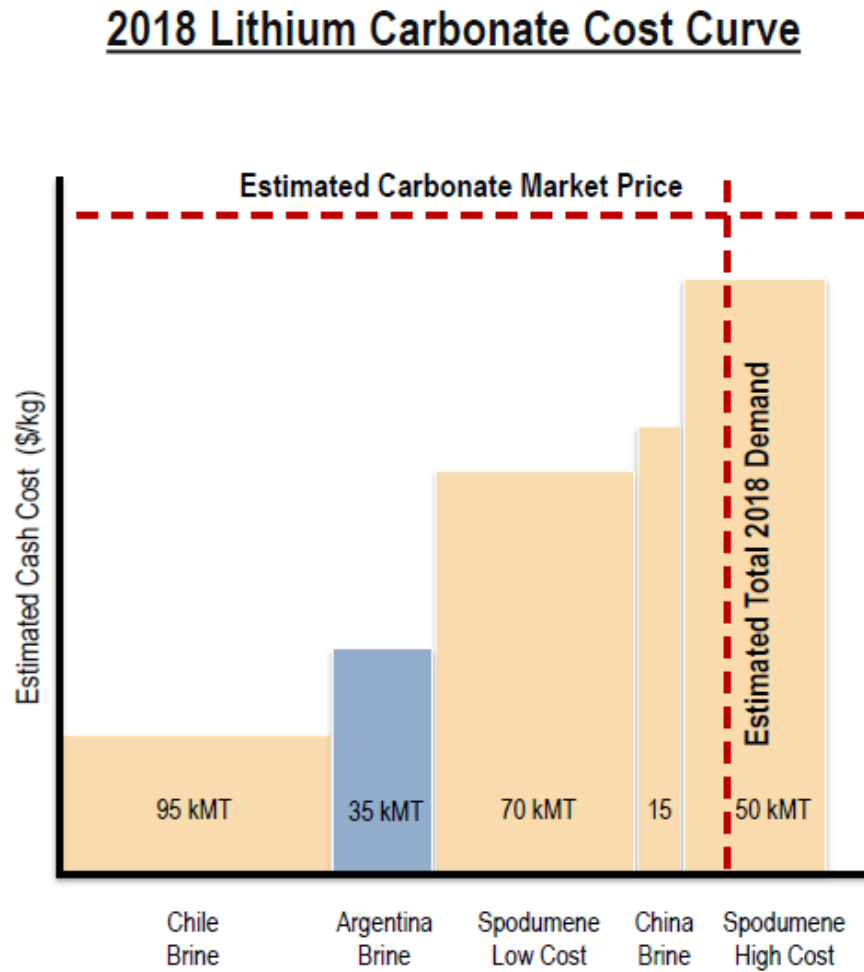
Process concentrated lithium brine in a plant



Ship lithium carbonate

Lithium Cost Curve – Why Argentinian Brine?

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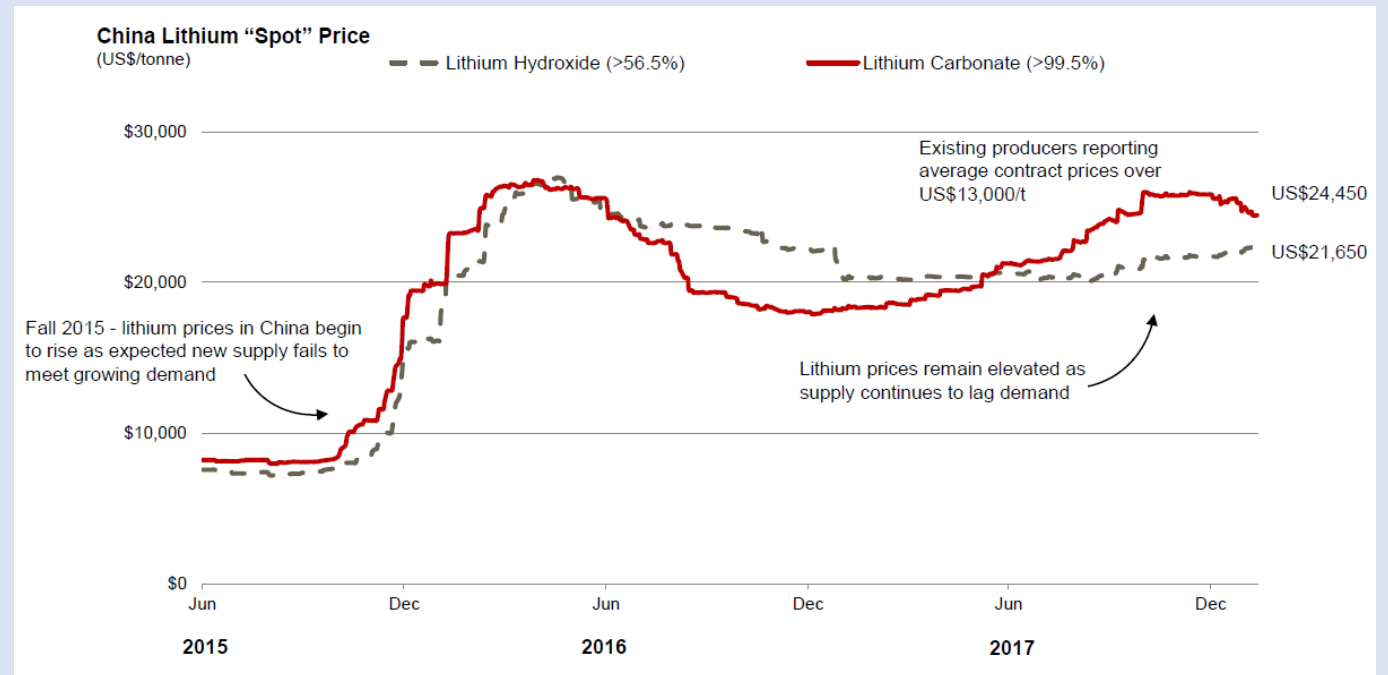
Source: FMC

Lithium Market

- The lithium price has risen significantly in the past two years with unprecedented prices exceeding >US\$20,000/t (spot) and >US\$13,000/t (contract)
- Price rise primarily due to the demand for lithium batteries in electric vehicles
- Lithium demand is expected to further increase which should place further upward pressure on prices
- Long term Li prices are estimated to still remain above US\$10,000/t...

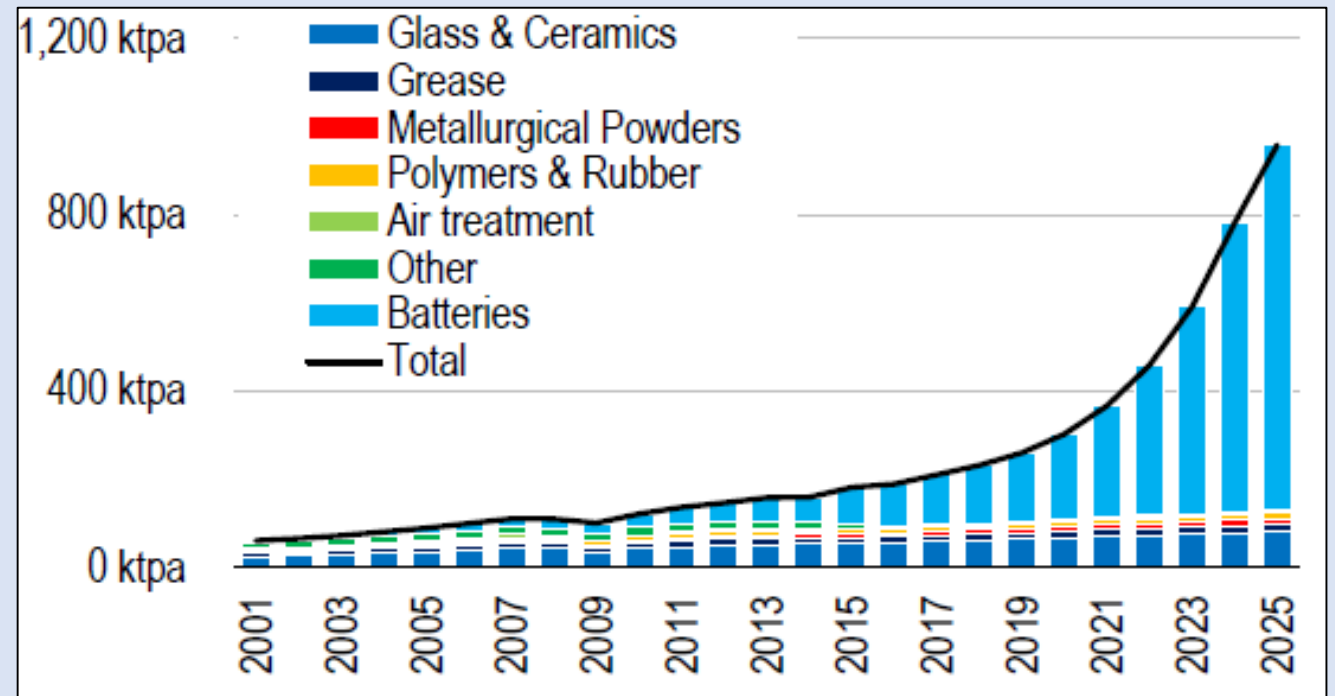
EVEN IF all of the planned capacity reaches the market

- Li brine producers are economic at US\$5,000/t



Lithium Batteries - Here to Stay

- The electric vehicle (EV) revolution is growing quickly as more car makers announce the production of electric/hybrid vehicles into their range
- Meanwhile, the cost of the battery packs (largest cost in EV's) continues to decline making EV's more attractive to consumers.
- The entire EV revolution and lithium battery applications are yet to be fully understood
- The announcement of increased supply of Li (SQM, FMC) is not expected to completely reach the market until 2030 - as such near term supply/demand dynamics will remain supply constrained
- The lithium market is expected to mature eventually however, market balance is not expected to be reached in the next 5 years, potentially longer



Source: UBS

Argentina

Open for Business



- In 2015 Mauricio Macri was elected President and has championed the opening up of the Argentinian economy to international investment
- The fixed exchange rate between the US\$ and Argentinian Peso has been dropped and capital controls are no longer in place
- The majority of export duties and trade controls have been removed. Most importantly for BSL, the 5% duty on high grade lithium and boron is no longer applicable
- FMC, a US based company, has been successfully producing lithium carbonate and lithium hydroxide in Argentina for more than 20 years
- Results from the recent 2017 regional elections have shown that the electorate continues to support Macri's party and its progressive government policies

Company Strategy

1

BSL plans to achieve a maiden JORC within the first 18 months, underpinned by a low capital cost drilling program

2

In parallel, the Company will be studying a number of technologies with which to incorporate into the pilot plant design

3

BSL intends to deliver a DFS to underpin industrial production of lithium carbonate within 36 months

4

Utilise its in-country expertise to review and negotiate further opportunities in Argentina