

ASX ANNOUNCEMENT

31 October 2018

QUARTERLY ACTIVITIES REPORT – SEPTEMBER 2018

HIGHLIGHTS

- ◆ Rincon Stage 1 industrial scale pilot plant operational and processing works have achieved a 'battery quality' lithium carbonate (LCE) product with up to 99.8% Li₂CO₃ content value
- ◆ Confirmation that the chemical process developed is successful and scalable for producing 'battery quality' LCE Product for future development stages
- ◆ Current processing works have focussed on;
 - ▶ Optimising the production process for confirming next stage commercial plant designs;
 - ▶ LCE product refinement and testing to determine the optimal product quality from the Stage 1 plant; and
 - ▶ Plant equipment efficiencies for optimised LCE Product output
- ◆ Approximately 500kg of LCE Product has been produced to date
- ◆ Stage 2 development and evaporation pond construction works continue to progress
- ◆ Continued engagement with Asian and other LCE end-users for potential off-take and Stage 3 investment

KEY OBJECTIVES FOR DECEMBER 2018 QUARTER

- ◆ Continue Stage 1 industrial scale pilot plant lithium processing works to produce customised 'battery quality' LCE product and scale up for increased production
- ◆ Announce JORC Mineral Resource estimate upgrade
- ◆ Announce Preliminary Economic Assessment
- ◆ Announce Stage 1 LCE Product off-take agreement
- ◆ Complete construction works for Stage 2 evaporation ponds
- ◆ Progress commercial scale processing plant development works





ASX ANNOUNCEMENT

EXECUTIVE SUMMARY

Argosy Minerals Limited ("Argosy" or the "Company") continued its fast-track development strategy at the Rincon Lithium Project in Argentina, achieving significant milestones during the Quarter, including a key strategic component of the principal Stage 1 milestone – achieving a successful and scalable chemical process solution to produce 'battery grade' quality lithium carbonate (LCE) product, and the exclusive chemical process technology is effectively proven for utilisation of future development stages at the Rincon Lithium Project.

In addition, processing works from the Stage 1 industrial pilot plant achieved a 'battery grade' LCE Product with a Li_2CO_3 content value of 99.8%.

During the Quarter, the Company also advanced works to prepare the JORC Mineral Resource estimate upgrade and Preliminary Economic Assessment, and made further progress with Stage 2 evaporation pond construction works.

In addition, Argosy and Puna Mining executives attended a meeting in Buenos Aires recently with the President of Argentina – Mr Mauricio Macri and Federal Mining Secretary – Ms Diana Carolina Sanchez. The objective of the meeting was to inform President Macri and Ms Sanchez of the fast-track development strategy the Company has implemented at the Rincon Lithium Project, the current status and plans to progress toward commercial-scale operations at the project.

The milestones achieved this Quarter establish that the Company is genuinely delivering on its 'fast-track' lithium development strategy and provides additional options to consider accelerating the scale-up development timeframe of the project. Argosy remains confident that key upcoming milestones will prove successful to demonstrate the long-term sustainability and continue toward commercial scale development of the Rincon Lithium Project.

Rincon Lithium Project – Argentina (77.5% JV interest, earning up to 90%)

The Rincon Lithium Project is the flagship asset in Argosy's lithium development strategy, located within the Salar del Rincon in Salta Province, Argentina, in the world renowned "lithium triangle". The Project is a JV partnership with pre-eminent lithium processing expert Pablo Alurralde. His extensive historical works within the Project area and the Salar, together with the recent works in partnership with the Company have established a well-defined pathway to target commercial production of battery grade LCE product.

Stage 1 Industrial Scale Pilot Plant

During the Quarter, the Company achieved its principal Stage 1 milestone through successful processing works to confirm a scalable chemical process solution to produce 'battery quality' lithium carbonate product for future development stages at the Rincon Lithium Project.

The milestone was achieved through a lengthy process test-works phase, whereby the exclusive and proprietary chemical process solution developed by the Company has proven successful.



ARGOSY MINERALS
LIMITED

ASX ANNOUNCEMENT



Figures 1 - 3. Rincon Lithium Project – Stage 1 pilot plant operations (mill top left and dryer top right)



Argosy will continue conducting processing works to ensure Stage 1 plant equipment efficiencies are optimised to complete the final Stage 1 milestone - to produce consistent and customised ongoing 'battery grade' LCE product for our preferred potential off-take customer(s). The Company notes it is critical to ensure our LCE product is fit for purpose and tailored to supply the Asian cathode manufacturers who are continuing to test our LCE product.

Given the minimal Stage 1 pilot plant capital cost and having proven the chemical process solution via the processing works, the Company has identified complementary plant equipment to assist in gaining more efficient product output, given the batch-scale and manual nature of the Stage 1 pilot plant, and will be implementing this as necessary over



For personal use only



ARGOSY MINERALS
LIMITED

ASX ANNOUNCEMENT

coming months. This involves installing new continuous filter presses to replace the manual filter presses, and modifying the current dryer to ensure proficient operation. The company will also install an additional electric dryer to assist with the drying phase of the chemical process. These works are expected to be completed during the remainder of 2018.

The Company is targeting ongoing, steady-state operations from the Stage 1 pilot plant to produce 'battery grade' LCE Product and supply to our preferred potential off-take customer(s) to commence in 2019.

During the current Quarter to date, the Company has produced up to ~500kg of 'battery quality' LCE Product, which the Company is partly utilising for additional internal testing and equipment trials, and also for customising in preparation for future customer sales. In addition, the Company has additional primary/raw product prepared for further processing.



Figures 4 - 6. Rincon Lithium Project – LCE Product from Stage 1 pilot plant operations

This milestone further establishes that the Company is genuinely delivering on its 'fast-track' lithium development strategy and provides additional options to consider accelerating the scale-up development timeframe of the project. Argosy remains confident of achieving key upcoming milestones to further demonstrate the long-term sustainability of the Rincon Lithium Project.



For personal use only

ASX ANNOUNCEMENT

Drilling Operations and Resource Development

The Company has completed two concurrent phases of drilling operations – resource exploration drilling utilising a diamond drill rig to collect drill cores for porosity assessment and to obtain brine samples for resource estimation, and production well drilling using a rotary drill rig for construction of production wells for pumping of lithium brine into the Stage 2 evaporation ponds.

The Company, with its independent hydrogeological consultants - AQ2 Pty Ltd, is currently finalising all the drilling and associated data to prepare a JORC Mineral Resource estimate upgrade to its current JORC Resource estimate announced during the previous Quarter. Due to laboratory delays in the provision of final brine sample analysis data and results, the Company was held up in finalising the Resource estimate upgrade, however these works are currently being completed and expected to be announced shortly.

The updated and upgraded JORC Mineral Resource estimate will then allow the Company to finalise the PEA and announce the resulting data.

During the Quarter, the Company completed all drilling works necessary for the JORC Resource estimate upgrade and PEA, which comprised a total of twenty-one (21) drill-holes. The data and results of these works will be announced following final receipt of all drilling and associated data from the Company's service providers.

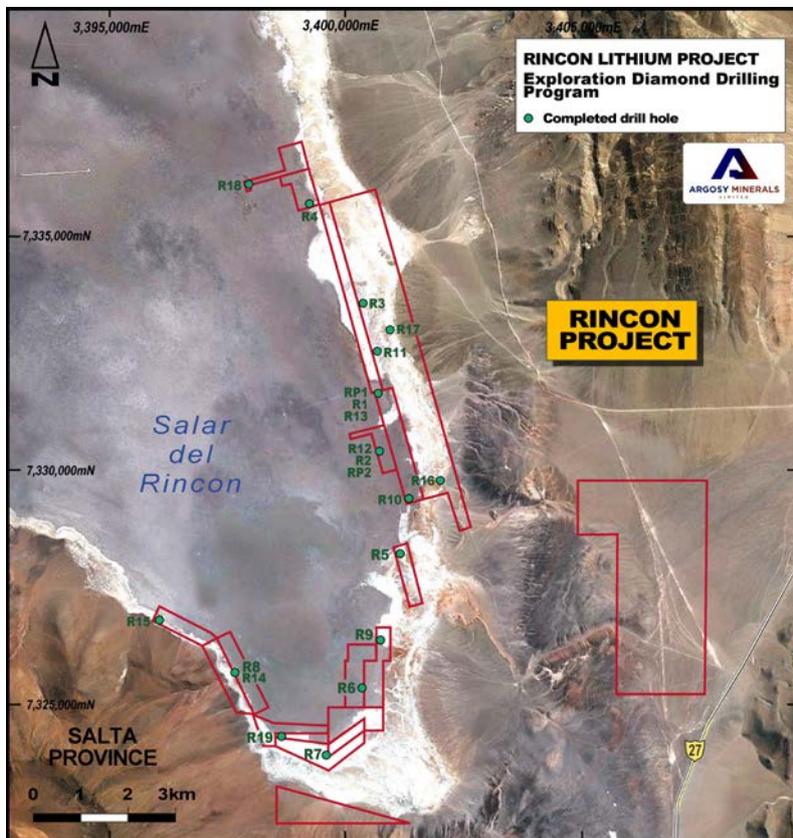


Figure 7. Rincon Lithium Project – Drilling Program Drill-hole Location Map

For personal use only

ASX ANNOUNCEMENT

PEA Works

The Company has engaged independent consultants – Primero Group Ltd to prepare a PEA for the Rincon Lithium Project. These works are nearing finalisation, and are awaiting the announcement of an upgraded JORC Mineral Resource estimate, which was delayed due to laboratory waiting times for brine sample analysis data and results.

The main items of the PEA will comprise:

- Hydrogeological data, with life of mine modelling, production and brine pumping parameters, mineral resources, bore-field details;
- Capital and operating costs;
- Processing and engineering works;
- Financial analysis; and
- Marketing analysis.

The hydrogeological works for the PEA are being conducted (by AQ2 Pty Ltd) primarily to estimate the mine-life model for the Project area, where the Company is targeting a sustainable long-term lithium processing operation at a commercial production rate.

The capital and operating costs, processing and engineering works, and preliminary financial analysis works were conducted by Primero Group.

The marketing and forecast analysis report was prepared by an international lithium market and forecast consulting company Benchmark Minerals Intelligence Ltd.

Stage 2 Evaporation Pond Works

The Company is currently constructing the Stage 2 lithium brine evaporation ponds, whereby, upon completion of the full Stage 2 pond construction works, Argosy will have a combined total of ~36 hectares of lithium brine evaporation ponds operational and providing concentrated lithium brine for use in the Company's current operating Stage 1 pilot plant and future planned Stage 2 processing plant to produce lithium carbonate product.

During the Quarter, the Company confirmed it had completed construction and lining of an additional ~9 hectare evaporation pond, complementing the existing ~10ha of operational evaporation ponds completed in January 2018. As such, the Company now has a total of ~19 hectares of Stage 2 evaporation ponds in operation for concentrating lithium brine.

The Company is nearing completion of the next ~9ha evaporation pond and several smaller ponds alongside the current operational ponds (see photos below). The ~9ha evaporation pond is due for lining within the next few weeks and will then have lithium brine pumped into it to then commence lithium concentration during the current peak solar evaporation season. The remaining smaller ponds are due for completion by the end of 2018.

For personal use only



ARGOSY MINERALS
LIMITED

ASX ANNOUNCEMENT



Figures 8-9. Rincon Lithium Project – Stage 2 Evaporation Ponds and ongoing construction works



For personal use only





ARGOSY MINERALS
LIMITED

ASX ANNOUNCEMENT



Figures 10-11. Rincon Lithium Project – Stage 2 Evaporation Ponds and ongoing construction works



Off-take Arrangements and LCE Samples to International Customers

Argosy has made arrangements with a number of international cathode and battery industry participants and provided them (and will continue to provide them) with samples of battery grade LCE material produced from Rincon for their own quality confirmation and testing. This process is currently on-going to ensure full compliance and product customisation with our potential off-take customers, as part of their own product manufacturing requirements.

For personal use only



ASX ANNOUNCEMENT

Argosy is in a unique position to provide high quality product samples to potential customers at this time in our development plan.

The Company is progressing on a preliminary off-take arrangement for Stage 1 product, subject to on-going customer testing and product customisation, to ensure future customer sales are consistent quality and specification, and any product impurities are systemised at the customers end, for their own product manufacturing requirements and meeting their own customers specifications.

The Company also is continuing towards arranging potential medium and longer-term off-take arrangements with the highest quality major battery and cathode industry participants.

The product qualification process the Company is now working to, which is an industry norm and to which all cathode and battery manufacturers must adhere to, will ensure the Company is placed in a strong position for future product sales. Argosy is one of the first new LCE product suppliers to reach this position, and it reinforces the strong position the Company is in to establish its credentials well before many other lithium companies, given the stage of development achieved by Argosy.

Lithium Product Market Update

The lithium product market has experienced recent price volatility, predominantly in China, where the local lithium spot prices were recently under pressure, mainly linked to some new/recent unsustainable and much lower quality product supply entering the market at marginal prices from lithium brine producers in the Qinghai region of China.

Alternatively, international contract lithium product prices for Li_2CO_3 supplied from Chile and Argentina have averaged ~US\$15,000 per tonne (FOB South America) during the recent Quarter (source: Benchmark Mineral Intelligence – “BMI”). This is based on ‘battery grade’ lithium product – with specification of 99.5% Li_2CO_3 supplied from the major South American lithium producers. Given Argosy is working on and achieving such product specification, the Company is confident in the long term, sustainable lithium price forecasts, as supplied by BMI.

The Company’s view, and reinforced from recent industry conference attendance, the overall lithium supply and demand market picture has not altered significantly. The tight market conditions are expected to persist over the short to medium term, with minor variability due to a growing market and short-term macro-environmental factors.

The key takeaway that the Company has formed in the short to medium term is that ‘battery quality’ lithium products sourced from reputable international suppliers (outside China) via longer term contracts will not enter into an over-supply position, given the continued rising demand for such product by Asian end-users (this being the window within which Argosy aims to enter full commercial production). In addition, new supply is not entering the market as quickly as predicted or estimated. Those end-users are currently demanding increasing supply for the ‘battery quality’ lithium carbonate product that Argosy is currently producing and having tested to potentially supply into these markets.

ASX ANNOUNCEMENT

The Company considers it is in a much stronger and unique position for its current engagement with potential customers due to being the only new “uncontracted” participant able to actually offer potentially high value, premium quality ‘battery grade’ LCE product directly via the spot market or potential off-take arrangements.

Corporate

The Company lodged its half-yearly financial report during the Quarter.

Schedule of Tenements

The schedule of tenements held by the Company at the end of the Quarter is shown below.

| Tenement | Location | Beneficial Percentage held |
|------------------------------------------------|------------------|-------------------------------|
| File 7272 (Telita) ¹ | Salta, Argentina | 77.5% (JV, earning up to 90%) |
| File 14342 (Chiquita 2) ¹ | Salta, Argentina | 77.5% (JV, earning up to 90%) |
| File 22850 (Romulo) ¹ | Salta, Argentina | 77.5% (JV, earning up to 90%) |
| File 22955 (Frodo) ¹ | Salta, Argentina | 77.5% (JV, earning up to 90%) |
| File 1414 (Talisman) ¹ | Salta, Argentina | 77.5% (JV, earning up to 90%) |
| File 1904 (Nelly) ¹ | Salta, Argentina | 77.5% (JV, earning up to 90%) |
| File 1905 (Angelica) ¹ | Salta, Argentina | 77.5% (JV, earning up to 90%) |
| File 2889 (Maria) ¹ | Salta, Argentina | 77.5% (JV, earning up to 90%) |
| File 2890 (Irene) ¹ | Salta, Argentina | 77.5% (JV, earning up to 90%) |
| File 6343 (Tigre) ¹ | Salta, Argentina | 77.5% (JV, earning up to 90%) |
| File 6345 (Puma) ¹ | Salta, Argentina | 77.5% (JV, earning up to 90%) |
| File 100561 (Praga I) ¹ | Salta, Argentina | 77.5% (JV, earning up to 90%) |
| File 100562 (Praga II) ¹ | Salta, Argentina | 77.5% (JV, earning up to 90%) |
| File 100625 (Praga III) ¹ | Salta, Argentina | 77.5% (JV, earning up to 90%) |
| File 10626 (Praga IV) ¹ | Salta, Argentina | 77.5% (JV, earning up to 90%) |
| File 17902 (Reyna) ¹ | Salta, Argentina | 77.5% (JV, earning up to 90%) |
| File 62308 (Tincal) ¹ | Salta, Argentina | 77.5% (JV, earning up to 90%) |
| Mining easement right (File 4128) ¹ | Salta, Argentina | 77.5% (JV, earning up to 90%) |

¹ Interest in mining tenement held 100% by Puna Mining S.A.

ENDS

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.

For further information:

Jerko Zuvela
Managing Director

T | +61 8 6188 8181

E | admin@argosyminerals.com.au

W | www.argosyminerals.com.au



ARGOSY MINERALS LIMITED

ASX ANNOUNCEMENT

Competent Person's Statement – Rincon Lithium Project

The information contained in this ASX release relating to Exploration Results and Mineral Resource Estimates has been prepared by Mr Duncan Storey. Mr Storey is a Hydrogeologist, a Chartered Geologist and Fellow of the Geological Society of London (an RPO under JORC 2012). Mr Storey has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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.

Duncan Storey is an employee of AQ2 Pty Ltd and an independent consultant to Argosy Minerals Ltd. Mr Storey consents to the inclusion in this announcement of this information in the form and context in which it appears. The information in this announcement is an accurate representation of the available data from exploration at the Rincon Lithium Project.

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 a current 77.5% interest in the Rincon Lithium Project in Salta Province, Argentina.

The Company is focused on its flagship Rincon Lithium Project – 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.

Appendix 1: AGY's Argentina Project Location Map



For personal use only