

Dealing Desk Note

Site Visit Update

- We recently conducted a site visit to Argosy Minerals Limited's (AGY) 50% owned (and earning up to 90%) Rincon Lithium Project in the Salta Province, Argentina. We were impressed with the advances at Rincon to date and the behind-the-scenes pre-existing work from the Argentinian JV partner to deliver a 'proof of concept' to produce lithium carbonate. AGY is currently drilling to release a JORC Mineral Resource estimate expected in December 2017. The Project is accessible most of the year. Currently, AGY is building evaporation ponds for its Stage 2 development and finalising its pilot plant capable of producing 500tpa of lithium carbonate equivalent (LCE). Plans for Stage 2 production are also advancing and could potentially be boosted by a potential transaction with a Chinese battery producer, Qianyun (awaiting due diligence and Chinese government approvals). The Company is envisaged to achieve first production of LCE during the March Q 2018.**
- Proof of Concept with Near Term Development Opportunity:** AGY is moving quickly targeting production from its Stage 1 Pilot Plant (500tpa of LCE), if successful, then Stage 2 could potentially produce an additional 1,100t of LCE with the current pond development. Further infrastructure will be required to process Stage 2 lithium brines at a new location. AGY is targeting production by March Q 2018. Stage 2 is scheduled to commence in late CY2018. The Company is due to release the results of Stage 2 and potentially Stage 3 after the transaction with Qianyun is finalised.
- Stage 1 evaporation ponds are operational:** We observed in situ the concentration process for Stage 1, AGY is pleased with the evaporation rate to date despite facing a cold winter this year.
- Drilling at Rincon:** We visited the Salt flat of Rincon where AGY has a diamond drilling rig on site to test eight targets and four production wells to a depth of approximately 100m. AGY expects its maiden JORC Resource Estimation in December 2017.
- Stage 1 Pilot plant is taking shape:** We also visited the pilot plant Stage 1 installations in Salta, AGY is waiting for the equipment to arrive. We went to the proposed location for Stage 2 plant at Pocitos.
- Stage 2 works:** We observed the Stage 2 works at Rincon, AGY expects the Stage 2 ponds to be available in late September or early October 2017.
- Potentially fully funded Stage 2:** AGY is currently earning a 50% interest in the JV, but can increase its project ownership to 77.5% by developing Stage 2 of the Project – i.e. expanding the pilot plant and targeting production of 1,000-1,500tpa of LCE. Stage 3 will be reached once development works for full commercial LCE production have been achieved, granting AGY 90% interest, whilst local partners own 10%.
- Key JV partner:** AGY's local JV partner is Mr Pablo Alurralde, (ex-FMC's Hombre Muerto Director of Technology and Engineering Manager, Argentina) a Chemical engineer with 30 years' experience in the processing of lithium brines to lithium carbonate. We met the JV partner and management and discussed Rincon's risks and challenges. We were pleased with the level of detail and preparation that Mr. Alurralde has invested for the Rincon development for Stage 1 and Stage 2.
- Catalysts:** (1) Completion of the transaction by Qianyun; (2) March Q 2018, first batch of LCE to prove business concept with production of LCE; (3) further tenement acquisition at Rincon; (4) December Q 2017 maiden JORC on Rincon, (5) Late CY2018 end of Stage 2 construction; (6) further off-take agreement and (7) funding and construction of Stage 3.

19 September 2017

Price	A\$	0.215
RIC: AGY.AX		BBG: AGY AU
Shares o/s	m	799
Free Float	%	91.4
Market Cap.	A\$m	172
Net Debt (Cash)	A\$m	3.9
Net Debt/Equity	%	n/a
3m Av. D. T'over	A\$m	0.7
52wk High/Low	A\$	0.22/0.02

DIRECTORS & MANAGEMENT

Name	Role
Alexander Molyneux	Non-Executive Chairman
Jerko Zuvela	Managing Director
Ranko Matic	Non-Executive Director
Mal Randall	Non-Executive Director
Andrea Betti	Company Secretary

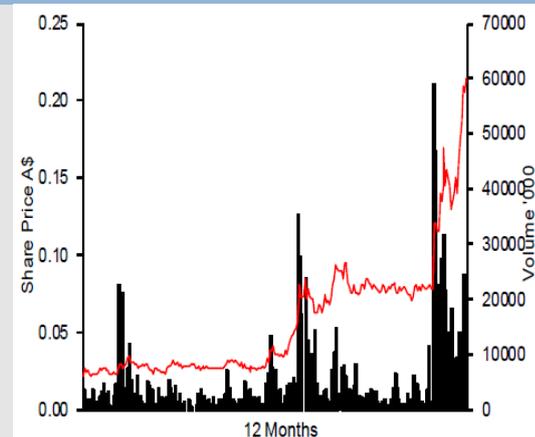
TOP SHAREHOLDERS

Name	Shares	%
Jerko Zuvela	68.9m	8.62

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Disclosure: Patersons Securities Limited was Lead Manager and Underwriter to the placement and share purchase plan that raised \$2.0m at \$0.073/share in May 2017 and received fees for these services.

12 Month Share Price Performance



SITE VISIT UPDATE

We recently visited the Rincon Lithium Project site and were impressed with the level of professionalism of the AGY's JV partner in Argentina. Overall, AGY is on track to become a producer. We have confidence in the potential of AGY to produce lithium carbonate. The question remains whether the LCE product will be battery grade, results are expected by March 2018.

We saw in-situ the evaporation ponds for Stage 1 (Figure 4 and 5). These ponds are already concentrating brines despite experiencing a colder winter. Meanwhile, the evaporation ponds work for Stage 2 are underway (Figure 2 and 3). The Pilot plant construction is well advanced with all concrete works finalised, awaiting equipment arrival and fully permitted.

During our visit, we saw a diamond rig operating at Rincon (Figure 1). The Company's plan is to drill eight diamond holes and four production wells to a depth of 100m to test lithium grade, porosity and specific yields to then proceed with the test flow. At the time of our visit, the diamond rig drilled 15.5m and was still in the halite (rock salts) zone.

AGY is expected to provide an initial JORC Resource estimation in December 2017 with Stage 2 development in mind. It is worth noting that the Rincon Salt Flat has a significant existing Mineral Resource of 8.3Mt of LCE from the study carried out by Enirgi in July 2016.

Figure 1: Exploration Diamond Rig at the Rincon Lithium Project



Source: Patersons Securities Limited

We also visited the proposed Stage 2 plant at Pocitos (25km from Rincon). Pocitos is an industrial hub where FMC Corp. (FMC-US) has a concentrate brines transfer station and other lithium junior's explorers operate. We saw industrial power lines and gas pipes close to the Rincon Project (AGY indicates that there is available capacity), this could potentially be beneficial to AGY in reducing potential Capex and Opex when considering that Stage 3 would require having a plant close to the evaporation ponds at Rincon.

We met with Mr. Pablo Alurralde and management. We discussed Rincon's risks and challenges. AGY is confident that it has the experience, preparation and design to produce lithium carbonate. This is due to Mr. Alurralde's experience of 15 years of working at FMC in Argentina. He was the Director of Technology and Engineering Manager at Hombre Muerto (23ktpa LCE est.).

Mr. Alurralde also indicated that he has studied the Rincon Salar for several years. His processing plant solution for the Rincon Project has been specifically designed to deal with the chemical properties and impurities of the Salar.

We were pleased with the level of detail and preparation that Mr. Alurralde has invested for the Rincon development for Stage 1 and Stage 2. Once the maiden JORC Resource is ready, and given the advanced understanding of Rincon, we believe that AGY will be in a good standing to move into a scoping study for Stage 3

AGY's approach to deal with the concentration and processing to produce LCE follows the SQM path (Salar de Atacama, Chile) instead of FMC at Hombre Muerto. As a result, the process uses less chemicals, less energy,

less water but takes longer to produce lithium carbonate. We agree with AGY's simple application as the proposed method is also less risky into what AGY wants to achieve, lithium carbonate battery grade (>99.5 LCE).

Meanwhile, our confidence in the Company has been boosted by the recent transaction announced on 17 August 2017 with Qianyun (pending confirmatory due diligence and Chinese government approvals) with a potential placement of 19.9% of AGY and partial 5 year off-take agreement (transaction includes upfront payment of A\$26.4m). The transaction has the potential to fully fund AGY's Stage 2 development works, and have a cornerstone investor to possibly participate in funding Stage 3 capital.

We highlight the pre-payment production component of the transaction with Qianyun as we can see it as a reflection of the market shortage in lithium carbonate in the market. Especially when considering that the pilot plant has not been finalised and the duration of producing lithium carbonate takes an average of 9-12 months. On the other hand, Qianyun is validating AGY JV's technical credentials with the potential for near-term production of battery grade lithium carbonate from the Rincon Lithium Project.

In general, we believe that the Rincon Lithium Project has the potential to become an LCE production unit. This is due to the following positive drivers outlined below:

Infrastructure: The Rincon projects can be served from the city of Salta and developed relatively quickly. Road access is in good condition as it uses the main road which connects into Chile. In addition, the Project is c.8km from an existing gas pipeline and the tenements have enough surface land for evaporation ponds to sustain Stage 3. AGY could also be serviced from the mining cities of Calama and Antofagasta (also a port) which supply all major copper and lithium operations in Chile.

Power: AGY has indicated that the closest power line has spare capacity, we saw that the industrial power lines are approximately c.8km from the proposed Stage 3 Project site. However, a new line will need to be built to connect the Rincon Lithium Project with the power grid. The Company is assessing the size of the power supply. Stage 1 could be connected to the grid in Salta, Stage 2 would be powered from the power grid at Pocitos.

Communities: The Project is located in the high lands of Argentina above 3,700m; given its remoteness, there are no communities living nearby. During our visit, we could not see obvious local problems with any community or trouble accessing the Project's offices in the next town in Salta, Argentina.

Interest Increasing in Argentina for Lithium: In Argentina, exploration appears to be heating up as the lithium price continues to soar. All the Salares of the Salta province have been pegged and are under exploration or development. Other provinces in Argentina are following a similar path. We also note there appears to be significant interest from several international mining companies searching for high-quality lithium projects in Argentina.

Significant Reduction in Country Risk: Country risk appears to be relatively low given that Argentina has a new pro-development government and has had lithium brines operations in the Province of Salta since the 1990's. The country has been supportive towards mining to boost its economy. It appears that over the longer term that the mining sector will continue to grow with the potential to establish further mining operations across several commodities.

Figure 2: Rincon Project - Stage 2 Evaporation Pond Liners



Source: Patersons Securities Limited

Figure 3: Rincon Project - Stage 2 Evaporation Ponds Works



Source: Patersons Securities Limited

Figure 4: Rincon Project - Stage 1 Evaporation Ponds



Source: Patersons Securities Limited

Figure 5: Rincon Project – Stage 1 - Brine Collection Trenches



Source: Patersons Securities Limited



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