
QUARTERLY ACTIVITIES REPORT FOR QUARTER ENDED 30 JUNE 2018

HIGHLIGHTS

PROJECT

- Dempsey completes 100% acquisition of the issued capital of Blue Sky, the owner of the rights, interests and title to the *Hombre Muerto* mining tenements
- CSMAT resistivity and gravity survey results confirm extensive brine potential at *Hombre Muerto*
- Pending approvals, brine prospectivity area to increase by ~35% from ~5,000 Ha to ~6,900 Ha
- Land holdings increased via further tenement acquisitions and licence applications
- Landholding is adjacent to Galaxy Resources' Sal de Vida project and pending POSCO sale area, and FMC's Felix lithium operations

CORPORATE

- Shareholders approve Blue Sky Lithium Pty Ltd ('Blue Sky') acquisition and change to nature and scale of activities
- Tranche 2 placement raises further gross proceeds of \$1,384,000
- New Managing Director and Non-Executive Director appointed
- Performance incentives being finalised for Managing Director – linked to 1Mt of LCE in Measured or Indicated JORC resource and closure of financing for a mining operation
- Experienced in-country team engaged
- Company is fully funded to perform geophysics at *Hombre Muerto* plus the initial exploration drilling program at Candelas, expected in Q4 2018
- Shareholder approval being sought for name change to Galan Lithium Limited



The Board of Dempsey Minerals Limited ('Dempsey' or 'the Company') is pleased to provide this Quarterly Activities Report for the quarter ended 30 June 2018 and thereafter. The main focus of the report is the development of Dempsey's interests in the mining tenements located in the lithium bearing *Hombre Muerto* salt flat in the province of Catamarca, Argentina.

Hombre Muerto Lithium Project

The Hombre Muerto Lithium Project (the **Project**) is located within the South American *Lithium Triangle* in the Hombre Muerto Basin, one of the most important and prolific salt flats in Argentina and indeed the world. The Project is situated adjacent to Galaxy Resources' *Sal de Vida* project (proposed production of 25ktpa LCE - GXY:ASX announcement, 22 August 2016) and FMC's Fenix lithium operations (which has been in operation since 1997). The basin is known to have the lowest impurity levels of any producing Salar in Argentina and has been in production for over 20 years. The geology of the basin is well understood with lithium grades ranging from 680 to 780ppm and reserve life's estimated to be greater than 50 years for FMC (GXY NI 43-101, March, 2010) and 40 years for Galaxy (GXY: ASX announcement, 22 August 2016) at current and forecast production rates.

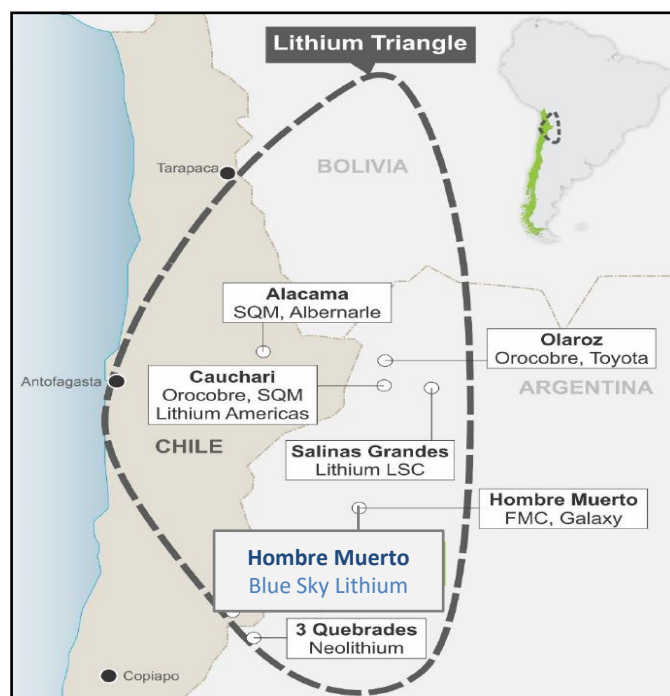


Figure 1 – Hombre Muerto Basin

During the Quarter the Company announced the results from a CSAMT (Controlled Source Audio-frequency Magnetotellurics) and a gravity survey conducted over the Company's Hombre Muerto Lithium Project located in Catamarca Province, Argentina.

THE SURVEYS

The surveys were conducted to define the geometry and depths to basement of the salar and Los Patos channel and to map resistivity contrasts to assist in identifying lithium-bearing brine aquifers. The surveys were conducted and interpreted by highly credentialed geophysical consultants Quantec Geoscience Ltd (**Quantec**) who stated in their conclusions that; ***"The 5 CSAMT lines show very conductive and shallow units that are compatible with units being saturated with brine, which constitute a great potential for lithium exploration"*** and that ***"... the basin could be deep since no high density materials seem to appear to depths of up to 600m, which is congruent with the CSAMT survey"***.

Quantec has significant experience in this type of exploration targeting lithium brine mineralisation and has previously conducted work at the neighbouring Sal de Vida project for Galaxy Resources Ltd.

The CSAMT survey covered 20.6 line kms over 5 profiles (Figure 2). The data acquired was noted as being of high quality despite the extremely conductive environment in the area. Profiles were interpreted to a depth of approximately 600m however caution is advised on the deeper results since the extremely low conductivity materials can have a diminished response with depth.

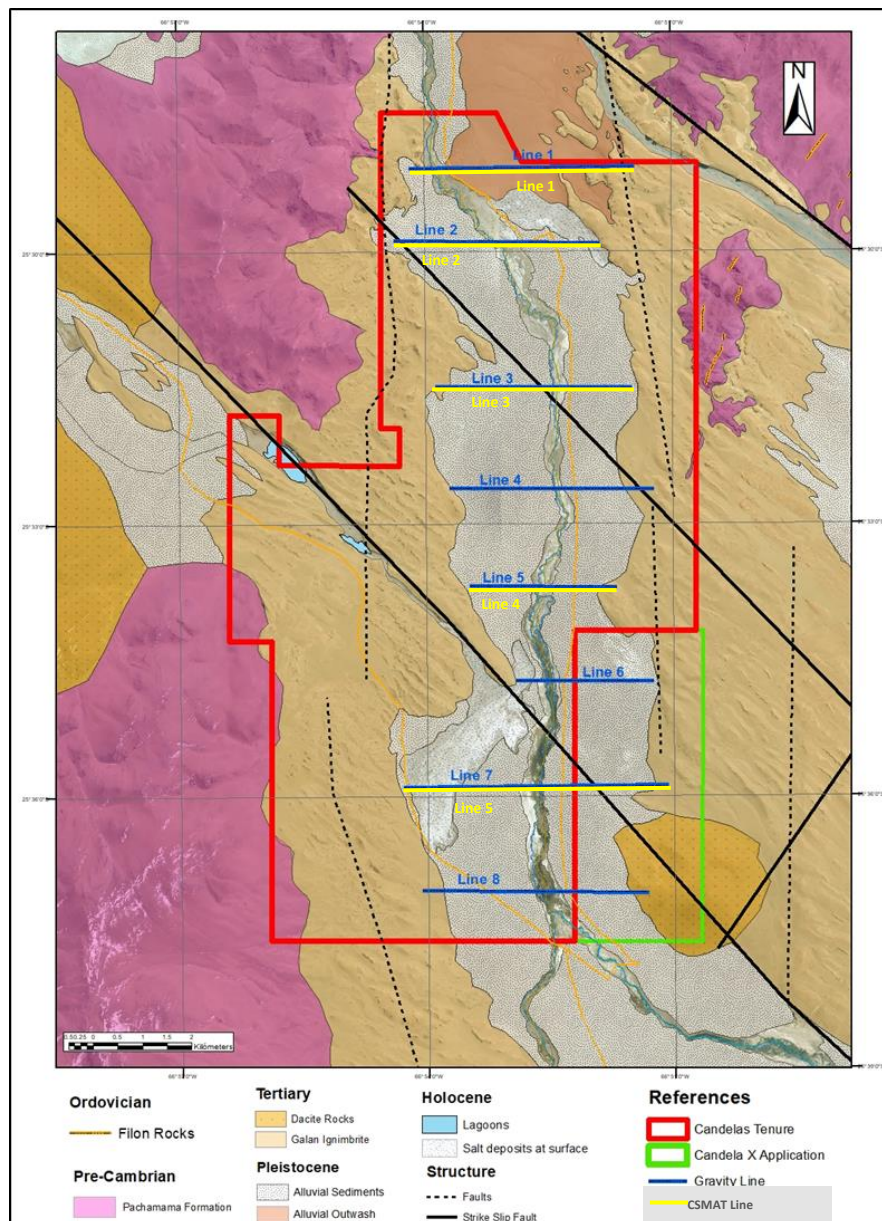


Figure 2: Geological map and location of geophysical profiles

The Gravity survey covered 15km along the length of the Los Patos channel within the Candela's project (Figure 3) and data reduced to Free Air, Bouguer, and Complete Bouguer Anomalies. Regional surveyed points were used to calculate the regional trend and a final Residual Complete Bouguer anomaly was also calculated.

The gravity data were used to build a 3D density inversion and the results presented as constant elevation slices every 50m. A 2D model was also produced which highlighted the density contrast between the basement (SG 2.7 g/cc) and sediments/ignimbrite (SG 2.0 g/cc).

The Company also announced that it had significantly expanded its land holdings within the Hombre Muerto Basin through the acquisition of new licences at *Rana de Sal* and *Santa Barbara* and through a new licence application at *Pata Pila*.

Pending licence approvals, including the previously announced Candelas X application (refer ASX announcement dated 6 June 2018), the additional licences will conservatively increase the company's area of interest for the exploration for lithium brines by ~35% from ~5,000 Ha to at least ~6,900 Ha (Figure 3). Land holdings for the Company total ~25,000Ha. The Hombre Muerto salar hosts FMC Corporation's El Fenix operation and Galaxy's Sal de Vida project, a portion of which is subject to sale to POSCO for US\$280M (ASX:GXY 29 May 2018).

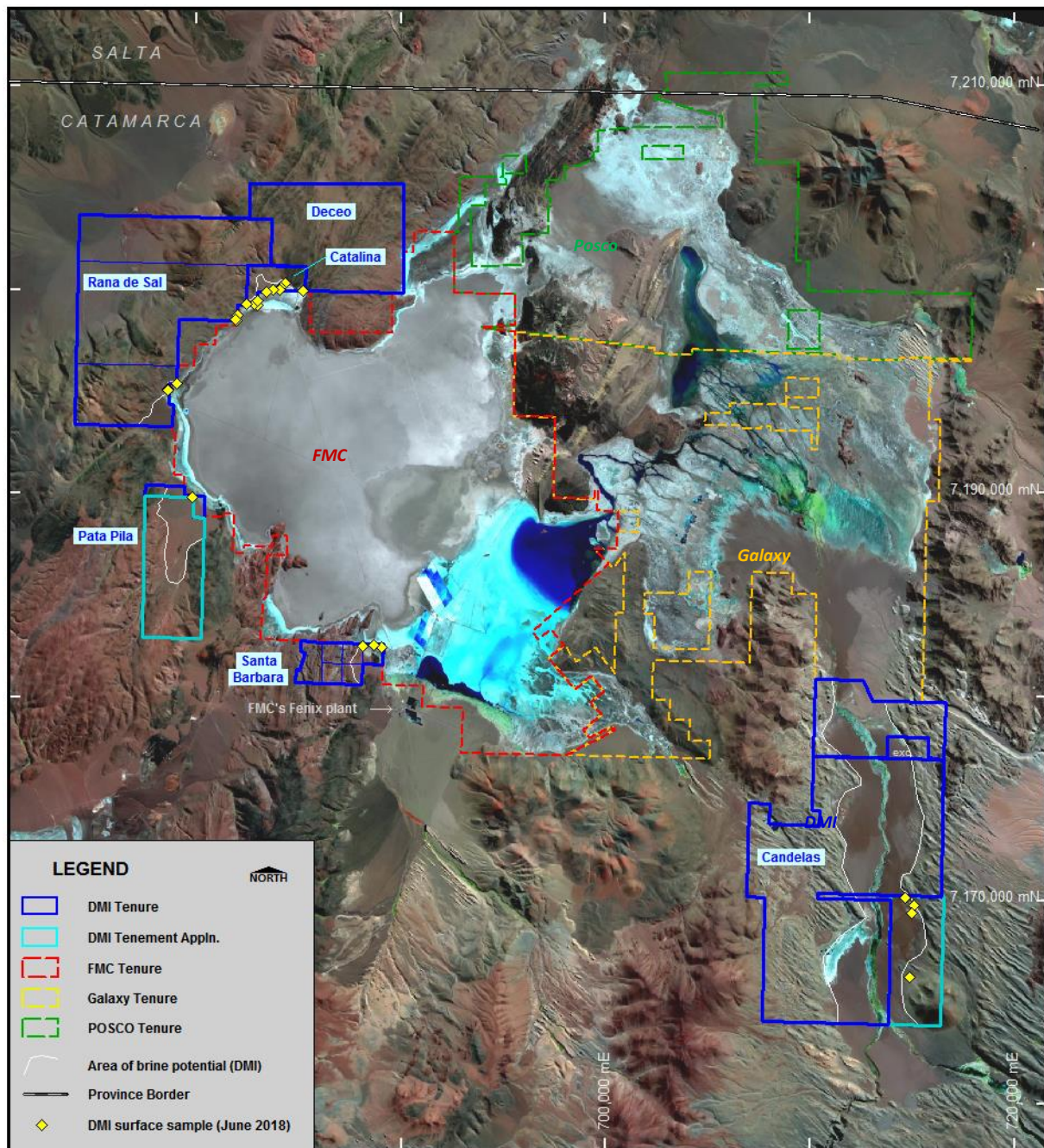


Figure 3: Tenure and recent sample locations, Hombre Muerto

Pata Pila covers a large area of alluvial fan thought to conceal the margin of the Hombre Muerto salar in the west (figure 4). The Rana de Sal licence lies in the northwest, is contiguous with the Catalina licence and covers an area of alluvial fan covered salar. The area also hosts the site of FMC's original pilot processing facility.

The Santa Barbara licences cover a small portion of the salar margin close to FMC's operation. Rana de Sal was purchased for US\$25,000 for 100%. The Santa Barbara licences are held under an option agreement

whereby the Company can purchase 100% equity for US\$300,000 within three years with US\$40,000 being paid upon signing.

The Company plans to conduct various CSAMT resistivity and gravity surveys over the western areas and are planned for August and will expand upon the previously reported survey results (ASX releases dated 6 June 2018 and 15 June 2018) which defined substantial volumes of highly conductive and shallow units compatible with units being saturated with brine that remain open within the Company's ground largely to the west.

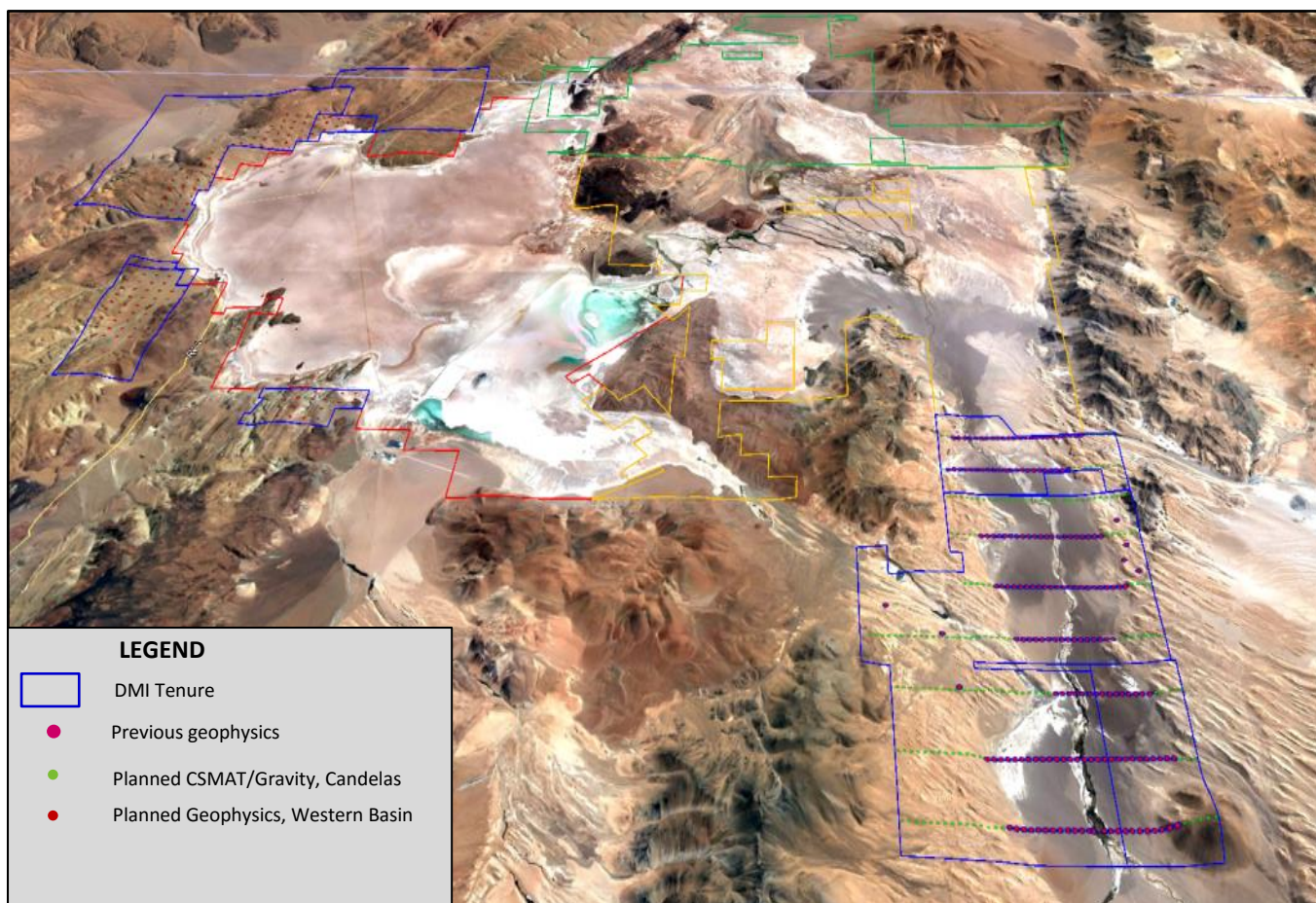


Figure 4: Oblique view of the Hombre Muerto project showing recent and planned geophysical campaigns

Recent work on site included a programme of near surface water sampling comprising 23 samples undertaken over the Candelas X, Santa Barbara, Pata Pila, Catalina and Rana de Sal licences (Figure 4). Water samples were taken from shallow auger holes up to 1.3 metres deep and analysed for conductivity, total dissolved salts and analysed for a range of elements (results included in ASX announcement dated 23 July 2018).

Results from the sampling were highly encouraging with several samples recording Li values in excess of 1,000 mg/l Li taken from Catalina and Santa Barbara. Li values observed from samples taken at Rana de Sal was also very encouraging whilst samples from Candelas X were taken above the RL of the adjacent Rio Patos channel from overlying colluvial cover and within the brackish/fresh water zone interpreted to lie above deeper seated brines as evidenced from the previous CSAMT survey.

The Company will utilise the further information gained from the geophysical surveys to define targets for drilling. Applications for permits to conduct the drilling have been submitted and the company is reviewing drilling contractors for the operation which, dependent upon weather conditions, is expected to commence in Q4 this year.

CORPORATE

At the general meeting held on 4 May 2018, shareholders approved the Blue Sky acquisition and also approved a change in nature and scale of activities for Dempsey.

Upon completing the Blue Sky acquisition on 25 June 2018, the Board of the Company appointed two new Directors - Mr Juan Pablo ("JP") Vargas de la Vega as the Managing Director and Mr Jinyu (Raymond) Liu as a Non-Executive Director. Performance incentives are being finalised for the Managing Director but will be linked to a 1Mt of LCE in a Measured or Indicated JORC compliant resource and the closure of financing to develop a mining operation.

Mr Patrick Corr resigned from the Board of the Company due to increased business commitments.

The Company also completed a tranche 2 placement of \$1,384,000, required as part of the terms of the Blue Sky acquisition which was completed on 25 June 2018.

To better reflect the Company's focus as a lithium explorer/developer in Argentina, the Directors considered it appropriate for the Company to explore and adopt a new name for the Company. Cerro Galan is a volcano located close to the project and is considered the most important source of lithium into the Hombre Muerto Basin. The proposed name change would therefore be more reflective of the Company's new focus and direction whilst also embracing the importance of Cerro Galan and its role in the development of lithium brines in the region. The Board has approved and recommended the change of Company name to **Galan Lithium Limited** (subject to shareholder approval) at the general meeting on 10 August 2018. The change will not affect the legal status of the Company.

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Competent Persons Statement

The information contained herein that relates to Exploration Results is based on information compiled or reviewed by Dr Luke Milan, who has consulted to the Company. Dr Milan is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and types of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Milan consents to the inclusion of his name in the matters based on the information in the form and context in which it appears.

Tenement list as at 30 June 2018

Western Australia

E70/4629 (Greenbushes South - application)

E70/3065 (Walyering Hill - royalty)

Argentina (Hombre Muerto Project – 100% right, interest and title)

1. EL DECEO I
2. EL DECEO II
3. EL DECEO III

4. CANDELA
5. CANDELA II
6. CANDELA III
7. CANDELA IV
8. CANDELA V
9. CANDELA VI

10. CATALINA