
AMENDED QUARTERLY ACTIVITIES REPORT FOR QUARTER ENDED 30 SEPTEMBER 2015

30th October 2015

HIGHLIGHTS

- **\$0.81M CASH IN BANK**
- **COMPANY ENTERED INTO AN OPTION AGREEMENT TO ACQUIRE A 75% INTEREST IN A PROVEN, NEWLY AWARDED ONSHORE OIL LICENCE IN TURKEY**

OPERATIONS

Alasehir Exploration Licence

On 4 September 2015, Dempsey Minerals Limited ("Dempsey" or "the Company") announced that it has entered into a conditional exclusive Option and Sale & Purchase Agreement ("Agreement") under which it has an option to acquire 100% of the issued capital of Petroz Limited ("Petroz") ("Option"). Petroz is an unlisted public Australian oil company, which has secured a 75% interest in a proven, newly awarded, onshore oil licence located in Western Turkey. If exercised, the consideration for the acquisition of Petroz ("Acquisition") is 4,000,000 fully paid ordinary shares in the capital of Dempsey ("Dempsey Shares") and 16,000,000 performance shares that each convert into one (1) Dempsey Share based on the achievement of certain milestones. Further details of the consideration are referred to in the ASX announcement dated 4 September 2015.

Key Points

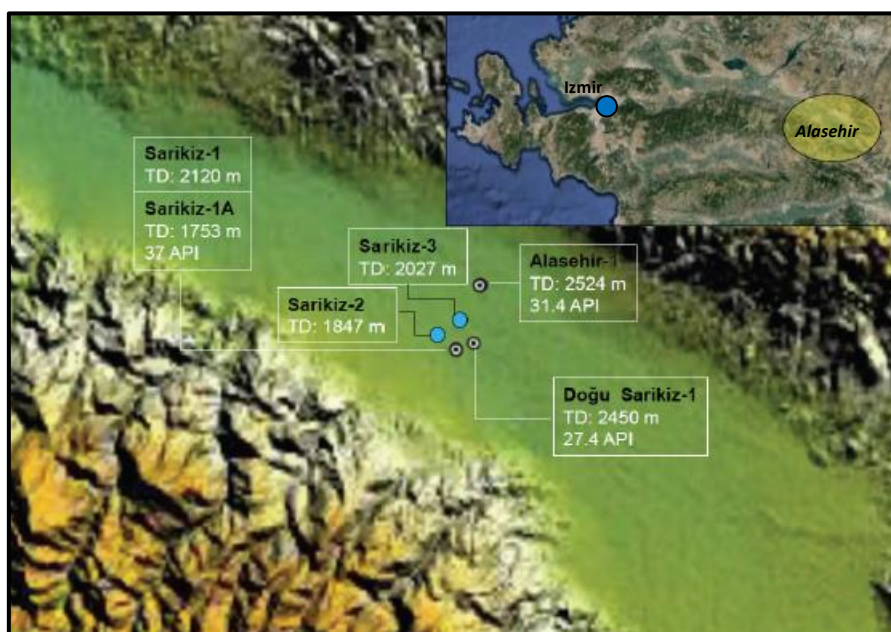
- Alasehir Exploration Licence ("Licence") located ~150km east of Aegean port city of Izmir in Turkey
- Under Turkish law, oil can be produced and sold under an exploration licence
- Minimum exploration risk with existing proven undeveloped oil discoveries
- Aliaga oil terminal and two refineries nearby at Izmir will take Alasehir crude
- Breakeven cost base for Alasehir crude estimated by the Operator Petrako to be approximately US\$20 per barrel
- Robust production margins even at current low oil price at the Izmir refinery gate.
- Premium price for Alasehir crude. Brent equivalent plus international shipping and transport costs to the refinery gate
- Oil previously encountered and recovered in several wells in the Licence, however due to issues with technical management and funding, commercial oil development was not attained. Historical production test rates of 140 barrels/day were attained with scope to increase to 300+ barrels/day per well
- Turkish Government revoked the previous licence, re-gazetted the acreage for competitive tender and recently awarded a new 5-year licence to Petroz (75%) and its local partner Petrako Limited ("Petrako") (25%)
- Highly qualified and experienced Petroz development and management team in place
- Option to acquire Petroz subject to due diligence and standard conditions precedent
- Dempsey will make loan funds of \$700,000 available from its existing working capital to Petroz to secure the Licence performance bonds

Background

The Licence is located within the Alasehir Basin, an elongate Tertiary graben extending for ~100km. The basin shows many similarities with the prolific oil producing Tertiary basins of S.E Asia and the giant oil bearing African rift valleys. Clastic reservoir sediments and rich source rocks reach thicknesses of over 3,000m with a high geothermal gradient ideal for early oil generation and entrapment.

Exploration on the Licence area has previously occurred in two phases. Four wells were drilled and 2D seismic work conducted from 1998-2001 by the Turkish National Oil Company. All four wells recorded good oil shows, including one oil blowout, which was capped.

From 2004 to 2013 a further 2 wells were drilled by Merty and a British farminee. Petrako farmed down with a carry through seismic and drilling. Of these 2 new wells, Sarikiz-2 ("S-2"), flowed oil to surface and production testing produced over 1,000 barrels of good quality oil in a flow test over 7 days. Oil was found over twelve levels with a combined net reservoir of ~75m. A second well, Sarikiz-3 ("S-3") produced gassy water with oil and condensate, but the well was plugged and abandoned by the operator, which then ran out of funds and Government support and the licence was terminated.



Location map, Alasehir basin and wells, Western Turkey

Recent detailed geological, geophysical and petrophysical reviews by Petroz identified ~27m of oil pay in S-2 and ~24m of overlooked potential oil pay in S-3. New mapping of the historic 2D seismic also revealed the key structures hosting the oil bearing horizons and delineated two distinct structures, the Alasehir and Sarikiz fields. A recent Geothermal well drilled ~500m from the Alasehir-1 well within mapped closure, produced a significant oil flow into the mud-pit (see photo below), giving further encouragement for the discovery of commercial oil in the Alasehir structure as well as the proven Sarikiz field.

In addition to the potential for near term production from the first well drilled by the Petroz/Petrako Joint Venture, detailed geological interpretation work conducted by Petroz has identified further exploration leads which will be better understood in time through additional 3D seismic data acquisition and interpretation work. The first well drilled by Petroz will be next to the discovery well, which for technical reasons can't be re-entered. This proximity to the discovery well, almost completely eliminates exploration risk for the new well. Any additional exploration success will not only increase the value of the Licence but will have the ability to improve the economics of the Licence through increased scale and use of production facilities to be put in place for the Alasehir and Sarikiz fields.

Under Turkish law, oil can be produced and sold under an exploration licence.

Transaction Overview

The ASX has advised the Company that in the event of the exercise of the Option, ASX Listing Rules 11.1.2 and 11.1.3 will apply to the Acquisition. Hence Dempsey shareholder approval, re-compliance with Chapters 1 and 2 of the ASX Listing Rules and ASX approval for readmission of Dempsey to the official list of ASX will be required as a condition precedent to completion of the Acquisition.

Why oil? Why Turkey?

This investment in oil through the acquisition of Petroz is an opportunistic move by Dempsey and based on the fact that any oil production from the Alasehir Licence has the potential to be highly profitable even in the current depressed oil price environment. Furthermore, Dempsey shares the widely held belief that the oil price will improve when the current production glut has diminished. The ability to add further exploration upside in time should further improve the economics of the project and coincide with what Dempsey believes will be a return to a stronger oil price environment.

Companies such as Shell have been investing in Turkey since 1923. Turkey has recently adopted a new Petroleum Law with attractive terms for the investor including a capping of oil royalties at 12.5% and a corporate tax rate of 20%. It also has a web of established refineries along its coastline. These refineries have the obligation to accept any crude produced and delivered to its gate at equivalent world oil prices plus overseas transport costs to that refinery gate. This provides an all-up oil price above world parity (Brent).

Fraser Range – E28/2369 (100%)

This exploration licence is situated within the Fraser Range region. It covers an area of approximately 200 km² and is located around 40 km north of the Sirius Resources Ltd discoveries of Nova and Bollinger.

The Fraser Range project includes 40 kilometres of strike length of the Proterozoic Albany-Fraser mobile belt on the south-east margin of the Yilgarn Craton. In July 2012, Sirius announced the discovery of the Nova nickel-copper-cobalt deposit, which sits within the Fraser Range Joint Venture. The Dempsey lease application is located to the North of the Sirius Resources discoveries of Nova and Bollinger.

No significant work was undertaken during the quarter.

Kent - E70/4592 (100%)

No significant work was undertaken during the quarter.

Socrates– E28/2452 (100%)

This exploration licence was granted on 4 May 2015. The Socrates Gold Project is located some 155 Km southeast of Kalgoorlie and comprises dramatically underexplored Archaean Greenstones of the Eastern Goldfields Province, as well as Proterozoic metamorphic rocks of the emerging Tropicana Gold Province.

When the Tropicana Gold Deposits in the 'Transition Zone' between the Proterozoic Albany-Fraser Metamorphic Province and the Archaean had been discovered about 300 kilometres to the northeast, by AngloGold Ashanti and the Independence Group, a series of new possibilities emerged. By late 2006, a new prospect Beachcomber, in similar geology, was identified only 75 Km to the NE of the Socrates Project.

CORPORATE ACTIVITIES

At the end of the September quarter, the Company had cash reserves of \$0.81 million.

Dempsey continues to conduct its due diligence on its Turkish oil project as well as trying to grow its project portfolio by evaluating other opportunities in Australia and overseas.

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Competent Person's Statement

The information that relates to exploration targets, exploration results and drilling data of Dempsey operated projects is based on information compiled by Mr Don Horn a Member of The Australasian Institute of Geoscientists. Mr Horn has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Horn consents to the inclusion in their names in the matters based on their information in the form and context in which it appears.

Granted tenement list as at 30 September 2015:

Project	Licence Number	Interest/Status
Fraser Range	E28/2369	100%
Kent	E70/4592	100%
Socrates	E28/2452	100%
Walpyring Hill	E70/3065	Royalty interest