



ASX ANNOUNCEMENT

12 May 2016

ARGOSY SIGNS BINDING AGREEMENT FOR SIGNIFICANT NEW LITHIUM PROJECTS IN ARGENTINA

Pocitos & Teresa Projects situated in world renowned "Lithium Triangle" in Argentina

HIGHLIGHTS

- ✦ Argosy enters into a binding Heads of Agreement that provides Argosy with an exclusive due diligence period and, subject to satisfactory completion of due diligence, an option to secure the exclusive right for a 12-month period to purchase 100% of the Salar de Pocitos and Mina Teresa Lithium Projects in Argentina.
- ✦ HOA underpins Argosy's strategy to rapidly transform itself to a lithium development company targeting a production strategy.
- ✦ US\$100,000 option fee payment upon satisfactory completion of due diligence and, should the option be exercised, a final purchase price of US\$4.5 million to acquire the Projects.

Argosy Minerals Limited (ASX: AGY) ("Argosy" or "Company") is pleased to announce that it has executed a binding Heads of Agreement with Ekeko S.A. – a private Argentinian company, granting the Company an exclusive due diligence period and, subject to satisfactory completion of due diligence, the right to enter into an option agreement for a 12-month period to purchase 4,279 hectares of Mining Titles comprising the Salar de Pocitos and Mina Teresa Lithium Projects in Salta and Jujuy Provinces, Argentina. The HOA marks a further step towards achieving the Company's aim to become a lithium developer and producer.

The binding HOA provides the Company with an irrevocable exclusive right to undertake final due diligence investigation on the Projects and related aspects of the transaction for a period of 30 days, which can be extended by up to a further 15 days, if required, at Argosy's discretion.

Argosy believes the proposed acquisition to potentially be a game-changing proposition given the project locations within the world renowned "Lithium Triangle", adjacent, amongst others, to the Salares of Pozeulos, Rincon, Cauchari, Olaroz, Diablillos, Arizaro, and Centenario - host to the world's largest lithium resources. Salta and Jujuy Provinces are well-known, favourable mining jurisdictions, with the ability to immediately target a development and production strategy through expedited technical works, testing and studies aimed at fast-tracking to feasibility stage. This will be achieved via highly skilled consultants experienced in lithium brine geology, geochemistry, plant design, extraction methodologies and product



ASX ANNOUNCEMENT

marketing, who have access to a state-of-the-art equipped laboratory and recently constructed pilot plant in Salta.

The proposed acquisition is consistent with the Company's strategy of enhancing its existing project portfolio, now firmly focused on lithium and related minerals, which are highly leveraged to the forecast growth in the lithium-ion battery sector. Lithium is anticipated to be in tight supply as the demand for lithium-ion batteries for use in home, industrial, utility and electric vehicle power storage undergoes transformational growth over the next decade.

The Project areas are serviced by high quality infrastructure including access via all-seasons roads, electrical power, is the terminus for a natural gas pipeline, and road and railway to Antofagasta port facilities in Chile.

However, it should be noted that the HOA remains subject to due diligence and the Company has not made a decision to proceed with the transaction at the date of this announcement.

OVERVIEW OF SALAR DE POCITOS & MINA TERESA PROJECTS

The Projects have the following key characteristics:

- ✦ The Projects consist of 4,279Ha of mining concessions within the Pocitos and Salinas Grandes Salars - which have been previously explored with historical values of lithium and boron.
- ✦ The Salars are located in the elevated and arid Puna region of Argentina and form part of a number of highly mineralized Salares in production and development, including, amongst others, Pozuelos (Lithea Inc), Olaroz (Orocobre Ltd), Hombre Muerto (FMC Corp), Rincon (Sentient Group) and Cauchari-Olaroz (Western Lithium Corp).
- ✦ Geological studies show historical sample values that are promising for further test-work to determine options for potential production strategies.
- ✦ The Salar de Pocitos was extensively explored in 2010, with a PhD thesis completed in 2014 on the solid facies showing potential for lithium, boron and calcite processing.
- ✦ Evaporation rates are expected to be very effective, given UV is very high, with ~90% of all the days of the year being cloud free and the remainder of the year having minimal cloud cover, and an average rainfall of less than 5mm per year.
- ✦ Access to a laboratory (ISO17025 accredited) and pilot plant equipment to complete the metallurgical and processing studies required to establish Mineral Resources, and Consultants highly skilled and experienced in lithium brine geology, geochemistry, plant design, extraction methodologies and product marketing will expedite the project.
- ✦ High quality regional and site infrastructure facilitating project development, with road, rail, port facilities and power generation services such as electrical and natural gas.
- ✦ Based on historical works, at least three different concentration processes may be considered - including fractional crystallization, membrane separation and solvent extraction.

ASX ANNOUNCEMENT

PROJECT STRATEGY

Argosy's immediate strategy to advance the Projects, subject to successful completion of due diligence works, will involve:

- ✦ Commencing a geological, engineering and development works program with the ultimate objective to prepare a bankable feasibility study for the Project(s).
- ✦ The purpose of the geological exploration program would be to determine the hydrogeological characteristics of the aquifer, and involve;
 - Rotary and diamond drilling.
 - Transmissivity and porosity test-work on the drill core.
 - Flows in the sub-aquifer.
 - QA/QC controls.
 - Data verification and reporting.
- ✦ Engineering and processing works would involve evaporation field tests to determine the feasibility of using natural evaporation to concentrate the Salar's brines prior to further processing. This test program will determine the operating conditions, mass balance and thermo-dynamical equilibrium of the ponds. Crystallisation kinetics studies will be supported by climatic conditions analysis and the evapo-transpiration characteristics of the Salars using a fully automated weather station.
- ✦ As part of the engineering and development works program, a pilot plant simulation of lithium recovery will be carried out to determine the conceptual engineering parameters for the recovery, crystallisation and purification of lithium carbonate using brines recovered from the Salars, and ultimately preparing the bankable feasibility study.
- ✦ Obtaining all necessary regulatory permits and approvals to allow for lithium mining, processing and export.
- ✦ Arranging trial products for relevant product marketing and/or off-take agreements.



Photo 1 & 2 –Salar de Pocitos historic sampling works

The Company will immediately, subject to successful completion of due diligence works, initiate project works with a sampling program to commence shortly and regular news flow to follow supplemented by an aggressive schedule of operations planned for 2016.

ASX ANNOUNCEMENT

The Company considers the Salar de Pocitos and Mina Teresa Projects may have a comparable setting to other Argentinian lithium projects within the “lithium triangle”, comprising NYSE-listed FMC Corp’s Fenix operations, ASX-listed Orocobre Ltd’s Olaroz operation, Lithea Inc’s Pozuelos Project, and Sentient Group’s Rincon Project.

Heads of Agreement Summary Terms

Argosy has executed a binding Heads of Agreement with Ekeko S.A. whereby the Company has the exclusive right to enter into an option agreement for a 12-month period to purchase and acquire the 100% right, title and interest in the Salar de Pocitos and Mina Teresa Projects – Mining Licence File Numbers 19457, 19458, 19463 and 227-C-2004.

The key terms of the Agreement are:

- Argosy shall, subject to completion of due diligence, be granted the exclusive right to enter into an option agreement for a period of 12 months to purchase, at any time during the option period, 100% of both Projects for US\$4,500,000. Argosy’s election to exercise the option to purchase the Projects will be subject to shareholder approval under ASX Listing Rule 11.1.2.
- Argosy has an irrevocable exclusive right to undertake due diligence investigation on the Projects and related aspects of the transaction for a period of 30 days, which can be extended by up to a further 15 days, if required, at Argosy’s discretion.
- Upon satisfactory completion of due diligence investigations, Argosy can execute the option agreement and make a non-refundable payment of US\$100,000 cash. The Company currently has the necessary funds available to make the option fee payment. It will then consider a capital raising in the near-term to ensure exploration works at the projects can be conducted.
- If the Company proceeds with the transaction, it will be entitled to manage all exploration, development and mining activities at the Projects.
- Argosy will be able to terminate the Option Agreement at any time during the option period.

Argosy Director, Jerko Zuvela commented “This is potentially a fantastic acquisition and substantial milestone for Argosy. It represents a rare opportunity for the Company to capitalise on a high quality development asset with excellent exposure to the surging lithium market. The Salar de Pocitos and Mina Teresa Projects will complement Argosy’s exposure to the Mt Paris Lithium Project in Tasmania, and can position the Company as a significant lithium player on the ASX.

The Company has established highly skilled and experienced in-country consultants and advisors to advance its lithium development and production strategy for the Projects, and will continue to consider additional projects to complement our portfolio,” said Mr Zuvela.

ENDS



ASX ANNOUNCEMENT

For further information:

Jerko Zuvela, Director

T | +61 8 9226 4500

E | jerko@argosyminerals.com.au

W | www.argosyminerals.com.au