DEMPSEY
MINERALS LTD

ACN 149 349 646

DEMPSEY MINERALS LIMITED

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

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CORPORATE DIRECTORY

DIRECTORS

Nathan McMahon (Non-Executive Chairman)
Lisa Wynne (Non-Executive Director)
Chris Chalwell (Non-Executive Director)

COMPANY SECRETARY

Julie Hill

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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AUDITORS

Bentleys
Level 1
12 Kings Park Road
WEST PERTH WA 6005

SHARE REGISTRY

Advanced Share Registry Limited
150 Stirling Highway
Nedlands WA 6009

STOCK EXCHANGE LISTING

The Company is listed on the Australian Securities Exchange Limited.
Home Exchange: Perth
ASX Code: DMI

DIRECTORS' REPORT

The Directors present their report of the consolidated entity, consisting of Dempsey Minerals Limited (ASX: DMI) and its controlled entity (the "Consolidated Entity"), for the half-year ended 31 December 2011.

BOARD OF DIRECTORS

The names and details of the Company directors in office during the financial period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Nathan McMahon	Non-Executive Chairman
Chris Chalwell	Non-Executive Director
Lisa Wynne	Non-Executive Director

COMPANY SECRETARY

Julie Hill (appointed 7 September 2011)

REVIEW OF OPERATIONS

Dandaragan Project

During the past year the Company has focussed on the Dandaragan phosphate project and has drilled ten aircore drill holes for 758m exploring for potassium-rich greensands and Phosphate. Drill hole locations were designed to provide maximum coverage over the Project tenure where favourable Greensand Formations of the Coolyena Group had been interpreted in works by the Geological Society of Western Australia (GSWA).

The Dandaragan Project hosts numerous Phosphate occurrences occurring within Cretaceous sediments of the Dandaragan Trough. The origin and style of this mineralisation is unlike other major rock Phosphate projects in Australia, such as Phosphate Hill (Incitec Pivot) and Wonarah (Minemakers). Phosphate mineralisation at Dandaragan occurs as nodules and precipitates within sandy sedimentary host rocks similar to that observed in the giant Phosphate deposits of Florida, USA. Phosphate rock is one of the world's most important sources of phosphorus which is an essential nutrient for plants and one of the key ingredients in the production of fertilisers for use in agriculture. Currently Australia's resource base for Phosphorous is <1% of the world's global resources.

The Dandaragan Project also hosts Cretaceous potassium-rich Greensand Formations which contain significant concentrations of the potassium-bearing mineral glauconite. Glauconite is an iron-potassium, aluminium silicate (mica) that typically contains 6.6% potassium oxide (K_2O) and gives the formation its green colouration. Green sands are characterised by their high K_2O content, high total iron content (Fe_2O_3), and greensand formations of the Perth Basin can contain up to 50% glauconite. The potential to produce a potash fertiliser product from green sands is being investigated. This process would involve the extraction of glauconite through the removal of clay, followed by magnetic separation.

Cooljarloo Project

The Cooljarloo Heavy Minerals Sands (HMS) Project is situated in the Northern Perth Basin of WA and lies approximately 150km north of Perth within a very active minerals sands mining district hosting HMS mines. The project abuts Tiwest's Cooljarloo mine and Image Resources Limited's Cooljarloo heavy mineral sands discoveries.

Desktop studies have been completed and drilling programmes will commence upon all statutory approvals being granted.

Corporate
The Company withdrew from its takeover bid for Winmar Resources Ltd (ASX:WFE).

The company will continue working on its existing projects and focus on its corporate objectives to implement a growth strategy and to seek out further exploration, acquisition and joint venture opportunities.

RESULTS OF OPERATIONS

The operating loss after income tax of the Consolidated Entity for the half-year ended 31 December 2011 was $268,526 (30 June 2011: $158,297).

No dividend has been paid during or is recommended for the financial period ended 31 December 2011.

FINANCIAL POSITION

The Consolidated Entity's working capital, being current assets less current liabilities was $1,961,072 at 31 December 2011 (30 June 2011: $2,310,711).

In the Directors' opinion there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the half-year ended 31 December 2011 has been received and immediately follows the Directors' Report.

This report has been made in accordance with a resolution of the Board of Directors.

Nathan McMahon
Chairman

Dated at Perth this 12th day of March 2012

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 Australian 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.

Bentleys
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To the Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

This declaration is made in connection with our review of the financial report of Dempsey Minerals Limited and Controlled Entities for the half-year ended 31 December 2011 and in accordance with the provisions of the *Corporations Act 2001*.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- no contraventions of the *Code of Professional Conduct* of the Institute of Chartered Accountants in Australia in relation to the review.

Yours faithfully

BENTLEYS
Chartered Accountants

RICHARD JOUGHIN CA
Director

DATED at PERTH this 12th day of March 2012

STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

	Note	31 December 2011 $	30 June 2011 $
Current Assets			
Cash and cash equivalents		1,956,615	2,352,732
Trade and other receivables		309	31,523
Other Assets		19,052	15,388
Total Current Assets		1,975,976	2,399,643
Non Current Assets			
Financial Assets		3,900	-
Exploration and evaluation expenditure		370,413	304,935
Total Non-Current Assets		374,313	304,935
TOTAL ASSETS		2,350,289	2,704,578
Current Liabilities			
Trade and other payables		14,904	88,932
TOTAL LIABILITIES		14,904	88,932
NET ASSETS		2,335,385	2,615,646
Equity			
Issued capital	8	2,773,943	2,773,943
Reserves		(11,735)	-
Accumulated losses		(426,823)	(158,297)
TOTAL EQUITY		2,335,385	2,615,646

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF COMPREHENSIVE INCOME
For the Half-Year Ended 31 December 2011

	31 December 2011 $
Revenue	52,988
Administration expenses	(76,612)
Corporate expenses	(14,674)
Employment expense	(75,000)
Exploration written off	(146,727)
Equity based payments	(8,401)
Fair value of investments adjustment	(100)
Loss before income tax	(268,526)
Income tax	-
Loss from continuing operations	(268,526)
Other comprehensive income/(loss)	
Exchange translation difference	(20,136)
Total comprehensive loss for the period	(288,662)
Basic loss per share (cents per share)	0.91

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
For the Half-Year Ended 31 December 2011

	Issued Capital $	Equity-based Payment Reserve $	Foreign Currency Reserve $	Accumulated losses $	Total $
Balance at 1 July 2011	2,773,943	-	-	(158,297)	2,615,646
Loss for the period	-	-	-	(268,526)	(268,526)
Exchange differences	-	-	(20,136)	-	(20,136)
Total comprehensive loss for the period	-	-	**(20,136)**	**(268,526)**	**(288,662)**
Equity based payments	-	8,401	-	-	8,401
Balance at 31 December 2011	**2,773,943**	**8,401**	**(20,136)**	**(426,823)**	**2,335,385**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
For the Half-Year Ended 31 December 2011

	31 December 2011 $
Cash Flows from Operating Activities	
Payments to suppliers, contractors and employees	(199,836)
Payments for exploration and evaluation	(232,774)
Interest received	40,061
Net cash flows used in operating activities	(392,549)
Cash Flows from Investing Activities	
Purchase of financial assets	(4,000)
Net cash used in investing activities	(4,000)
Cash Flows from Financing Activities	
Proceeds from issue of shares and options	-
Net cash flows from financing activities	-
Net decrease cash and cash equivalents	(396,549)
Effect of exchange rate changes on cash and cash equivalents	432
Cash and cash equivalents at the beginning of the financial period	2,352,732
Cash and cash equivalents at the end of the financial period	1,956,615

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
For The half-year ended 31 December 2011

1. CORPORATE INFORMATION

The financial report of Dempsey Minerals Limited ("the Consolidated Entity") for the half-year ended 31 December 2011 was authorised for issue in accordance with a resolution of the directors on 12 March 2012. Dempsey Minerals Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Company are described on page 2 of this report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The half-year consolidated financial report is a general-purpose financial statement, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The half-year financial report has been prepared on a historical cost basis, except where applicable for financial assets that have been measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets. The consolidated entity is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Dempsey Minerals Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The half-year financial statements have been prepared in accordance with the accounting policies adopted in the consolidated entity's last annual financial statements for the year ended 30 June 2011, except for the adoption of Improvements to AASBs 2010 (2010 Improvements) as of 1 January 2011. The 2010 Improvements made several minor amendments to AASBs. The relevant amendments and their effects on the current period or prior periods are described below.

The accounting policies have been applied consistently throughout the consolidated entity for the purposes of preparation of these half-year financial statements.

Amendment to AASB 101 Presentation of Financial Statements
The amendment provides a choice of presenting the reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The consolidated entity has elected to retain reconciliations within the Statement of Changes in Equity as previously disclosed.

Amendments to AASB 134 Interim Financial Reporting
The amendments clarified certain disclosures relating to events and transactions that are significant to an understanding of changes in the consolidated entity's circumstances since the last annual financial statements. The consolidated entity's half-year financial statements as of 31 December 2011 reflect these amended disclosure requirements, where applicable.
The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Principles of Consolidation

A controlled entity is any entity over which Dempsey Minerals Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

All inter-group balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated entity during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

Business Combinations

Business combinations occur when an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquire and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(b) Comparatives

This is the first interim financial statements prepared for Dempsey Minerals Limited, and, therefore no comparative results are available for statement of comprehensive income, statement of cash flow and statement of changes in equity.

Comparatives for the statement of financial position are to Dempsey Minerals Limited as a single entity as the company was not consolidated at that time.

3. Operating Segments

(i) Segment performance

For management purposes the consolidated entity has one segment which is exploration activities relating to minerals and the exploration in 2 countries, Brazil and Australia.

31 December 2011

	Exploration $	Total $
Revenue	-	-
Expenses	(146,827)	(146,827)
Reconciliation of segment result to net loss		
i) Unallocated items		
- Interest revenue		52,988
- Other		(174,687)
Net loss from continuing operations		**268,526**

(ii) Segment Assets

31 December 2011

	Exploration $	Total $
Opening balance 30 June 2011		
Segment Assets	304,935	**304,935**
Additions	215,171	**215,171**
Disposals	-	-
Other movements in segment assets	(146,727)	**(146,727)**
Closing balance 31 December 2011	373,379	**373,379**
Unallocated assets:		
- Cash and cash equivalents		1,953,649
- Trade and other receivables		309
- Other Assets		19,052
- Investments		3,900
Total Assets		**2,350,289**

5. Subsequent Events

There have not been any material events subsequent to the end of the reporting date and the date of this report that have not been included in this financial report.

6. Contingent Liabilities

Dempsey Minerals Limited and its controlled entities have no known material contingent liabilities as at 31 December 2011.

8. Issued Capital

(a) Issued and paid up capital

	31 December 2011 $	30 June 2011 $
Ordinary shares		
Shares issued and fully paid	2,773,943	2,773,943
Partly-Paid Contributing Shares		
Issued and fully paid capital	2,773,943	2,773,943

(b) Movement in ordinary shares on issue

		Number of Shares	Total $
1/07/2011	Opening Balance	29,500,001	2,773,943
31/12/2011	Closing Balance	29,500,001	2,773,943

(c) Options as at 31 December 2011

Unlisted options on issue as at 31 December 2011 as follows:

- 100,000 exercisable at $0.26 on or before 20 September 2013

(d) Contingent Entitlement Shares

On 11 April 2011, the Company issued 6,250,000 ordinary shares for nil consideration to a Contingent Entitlement Trustee, Barclay Wells Limited. The Contingent Entitlement Trustee has entered into a declaration of trust under which it declares that it holds the Contingent Entitlement Shares on trust for certain shareholders of the Company ("Eligible Beneficiaries"). Eligible Beneficiaries are those Shareholders who hold at least 10,000 shares in the Company as at 6 June 2011 and who hold at least one share in the Company on the first business day following 8 June 2013. The formula for the distribution of the contingent entitlement shares is as follows:

The Contingent Entitlement Trustee will distribute the Contingent Entitlement Shares to each of the Eligible Beneficiaries on a pro rata basis in accordance with the following formula:

$$\frac{A}{B} \times C = X$$

Where:

A is the number of shares in the Company held by an Eligible Beneficiary as at the Entitlement Date;
B is the total number of shares in the Company held by all of the Eligible Beneficiaries as at the Entitlement Date;
C is the total number of Contingent Entitlement shares; and
X is the amount of Contingent Entitlement shares which the Eligible Beneficiary is entitled to receive on the Entitlement Date.

The number of contingent entitlement shares which are yet to be distributed at the end of the period is 6,250,000.

9. Acquisition of entity

On 22 August 2011, the Company acquire 99% of Dempsey Mineracao Ltda, a company incorporated in Brazil for nil consideration. Dempsey Mineracao Ltda had no assets or liabilities at the date of acquisition.

DIRECTORS' DECLARATION

The directors of Dempsey Minerals Limited declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards AASB 134: *Interim Financial Reporting*; and

   (b) give a true and fair view of the consolidated entity's financial position as at 31December 2011 and of its performance as represented by the results of its operations, changes in equity and its cash flows for the half-year ended on that date; and

2. At the date of this statement there are reasonable grounds to believe that the Dempsey Minerals Limited will be able to pay its debts when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Nathan McMahon
Chairman

Dated at Perth this 12th day of March 2012

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Independent Auditor's Review Report

To the Members of Dempsey Minerals Limited

We have reviewed the accompanying half-year financial report of Dempsey Minerals Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Dempsey Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Dempsey Minerals Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

BENTLEYS
Chartered Accountants

RICHARD JOUGHIN CA
Director

DATED at PERTH this 12th day of March 2012