

QUARTERLY ACTIVITIES REPORT & APPENDIX 5B

For the period ending 30 September 2016

Dakota Minerals (ASX: DKO) ("the Company") is pleased to provide the following summary of activities conducted in the September 2016 quarter.

HIGHLIGHTS

The Company progressed its strategy to become a globally significant lithium Company through:

- **identifying high-grade drill targets at the Sepeda project in northern Portugal¹;**
- **initiating drilling² and metallurgical testwork at the Sepeda project; and**
- **delivering positive metallurgical testwork³ and high-grade drilling results enabling a maiden resource for the Lynas Find project in WA.**

Dakota's long-term strategy is to be a sustainable supplier of lithium carbonate and lithium hydroxide to the globally significant European market. Europe has been identified as the likely first mover in widespread electric vehicle penetration and home energy storage using lithium-ion batteries. European industrial groups are already producing an affordable home energy storage unit and leading automotive manufacturers in the region continue to commit significant investment towards new all-electric vehicle models.

During the Quarter, Dakota continued to accelerate its European strategy by accelerating progress on its Sepeda project in northern Portugal, whilst delivering a maiden resource for Lynas Find. Major achievements during the Quarter included the identification of high-grade drilling targets at Dakota's Sepeda project; initiation of the maiden drilling programme and metallurgical testwork at Sepeda; delivery of highly positive drilling and metallurgical testwork results and commencement of defining a maiden resource at the Lynas Find project in Western Australia.

CORPORATE DIRECTORY

Non-Executive Chair
John Fitzgerald

Managing Director & CEO
David J Frances

Executive Technical Director
Dr. Francis Wedin

Non-Executive Director
Prof. Dudley J Kingsnorth

FAST FACTS

Issued Capital:	362.6m
Options Issued:	31.2m
Market Cap:	\$24.3m
Cash:	\$13.6m

CONTACT DETAILS

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¹ DKO announcement 14/7/16

² DKO announcement 30/8/16

³ DKO announcement 15/9/16

PROJECTS

The focus for the Quarter was to accelerate Dakota's European lithium strategy, by ramping up activities at the Sepeda project in Portugal, whilst ensuring the delivery of a maiden resource at the Lynas Find project remained on track. Through the work this Quarter, Directors believe the Company is well positioned for strong news flow in CY Q4 2016, with a range of potential re-rating opportunities as Dakota is able to update shareholders on developments.

Lusidakota (Northern Portugal) Projects

Sepeda Lithium Project

- **Dakota's focus on the European lithium market continued with the early identification of drill targets from surface work during the Quarter at the Sepeda Lithium Project, Portugal**
- **Maiden drilling programme successfully completed at Sepeda, phase two brought forward to define maiden resource**
- **Metallurgical testwork underway at Dorfner-Anzaplan in Germany to optimise lithium recovery**

During the Quarter, the Company identified drilling targets at the Sepeda Lithium Project, northern Portugal, with surface petalite/spodumene grades up to 2.8% Li₂O identified. Phase one reverse circulation (RC) drilling was then initiated at Sepeda, with the aim of testing some of the main known pegmatites in the area. A total of 18 holes for 2,090m were drilled in phase one, with very thick zones of mineralised pegmatite of up to 87m downhole width intersected. Analyses of the drill samples were ongoing at the end of the quarter. Following the highly positive visual results from phase one, phase two drilling has been brought forward to early November 2016, targeting a maiden resource at the project. Ongoing geological mapping continues to grow the known area of lithium-bearing pegmatites at Sepeda, with a current strike length of 2.4km and expected to grow further. Only a fraction of the current mineralised strike has been drill tested.

Meanwhile, metallurgical testwork on a bulk sample has commenced at Dorfner-Anzaplan in Germany. Anzaplan have extensive experience in developing and optimising hydrometallurgical processes to recover and produce downstream lithium products.

Portugal: Lusidakota

Dakota's Lusidakota lithium projects in Northern Portugal, to which Dakota has 100% rights through its binding agreement with Lusorecursos LDA, are located over three broad districts of pegmatitic dyke swarms, which contain spodumene and petalite-bearing pegmatites. The three main districts are the Serra de Arga, Barroso-Alvão and Barca de Alva pegmatite fields, all three of which are highly prospective for lithium mineralisation. The Lusidakota tenement package consists of eight exploration licences (one granted and seven under application). After encountering encouraging initial results, exploration at the Sepeda Lithium Project within the Barroso-Alvão district has accelerated, with phase one drilling complete and phase two resource drilling scheduled to commence in the first week of November.

Portugal, as the leading lithium producer in Europe⁴, was identified by the Company to be a high priority jurisdiction for lithium. Many countries in Europe are leading the world in uptake of electric vehicles (EVs) using lithium-ion batteries, with EVs already totalling 22% of all new vehicle sales in Norway. Lithium-ion batteries are already being produced in Europe to meet this increasing demand, and production capacity in car-producing countries such as Germany is growing dramatically to keep up with Daimler recently announcing a new 500 million Euro battery factory⁵, and Volkswagen to follow suit with an 8 billion Euro “gigafactory”⁶. Battery producers will require a large lithium supply from safe, nearby jurisdictions. Sourcing lithium from Europe would also reduce the carbon footprint of the car production supply chain. Portugal has public policies deemed to be highly supportive of mining: it ranked in the global Top 10 of all countries in the Fraser Institute 2015 Survey of Mining Companies for Policy Perception Index, an assessment of the attractiveness of mining policies⁷. For these reasons, the Company has been pursuing projects in areas most prospective for lithium-bearing minerals petalite and spodumene in Portugal.

Lithium Processing in Europe

Dakota is of the view that as the Company’s Portuguese deposits of petalite are closer to potential downstream processing locations than the spodumene deposits in Australia and Canada, which tend to be in remote locations, they offer the following economic advantages:

- The established storage and transportation infrastructure associated with the distribution of minerals in Europe will reduce the investment required by Dakota for these capabilities. The net result is that deliveries of concentrates will probably be made on a daily basis.
- The proximity of potential downstream processing facilities will reduce the storage facility requirements at the mine/concentrator site.
- The proximity of the Dakota lithium projects to established communities familiar with the mining and processing of petalite will eliminate the need for fly-in fly-out arrangements.
- The combination of the above factors is likely to reduce the minimum size of an economic independent supply lithium battery supply chain in Europe; reducing the capital requirements of the supply chain.

⁴ USGS Mineral Commodity Summaries, 2016

⁵ <http://media.daimler.com/deeplink?cci=2734603>

⁶ <http://www.telegraph.co.uk/business/2016/05/27/vw-to-invest-8bn-in-battery-factory-as-it-tries-to-reinvent-itse/>

⁷ Fraser Institute Survey of Mining Companies 2015

Lynas Find Project

- **Highly encouraging results from initial metallurgical testwork on Lynas Find diamond core with good diamond v RC grade correlation**
- **High grade (6.56% Li₂O) spodumene mineral concentrate produced using Heavy Liquid Separation (HLS), achieving 90.6% Li₂O recovery from diamond core material**
- **Diamond holes twinning existing RC holes yielded high grade intercepts of 16.6m @ 2.47% Li₂O from 8.4m, and 24.9m @ 2.16% Li₂O from 17.1m depth.**

During the quarter, the Company continued to progress Lynas Find towards a maiden resource, with the completion of metallurgical testwork on the Lynas Find ore at SGS Metallurgy in Perth. The testwork showed good repeatability of grade with previous RC drilling, and very high lithium recoveries of 90.6% Li₂O using heavy liquid separation (HLS). The results of this work complemented the resource estimation process for Lynas Find. Resource modelling and estimation was concluding at the end of the Quarter, as Dakota started to explore routes to maximise shareholder value for the deposit.

Subsequent Events

Since the end of the Quarter, the Company announced the completion of the maiden Mineral Resource estimate for the Lynas Find Lithium Project, a major milestone for the company achieved in a very short timeframe. The Resource estimate⁸ was calculated at 7.3Mt @ 1.25% Li₂O, 85ppm Ta₂O₅ and 0.99% Fe₂O₃. Shortly afterwards, Dakota announced that it had entered into a binding agreement to sell Lynas Find to Pilbara Minerals Limited for \$8.0 million⁹. The sale comprises a \$4.0 million cash payment on completion of the sale, a \$1.0 million cash payment on the grant of extension of term in respect of E45/3648 and further payments upon the grant of exploration licences in respect of certain applications of up to \$3.0 million in total over a period of up to 12 months after signing as either cash or Pilbara shares (30 day VWAP) at Pilbara's election. The transaction puts the Company in a very strong financial position to rapidly advance its strategy of becoming a globally significant lithium company and leading supplier of lithium hydroxide and lithium carbonate to the rapidly developing European battery industry.

Shortly afterwards, the Company announced¹⁰ the first drill results from the maiden drilling programme at the Sepeda project in Portugal. The results from the first two drillholes were highly encouraging, and included thick, mineralised pegmatites of up to 56m down hole width, with intercepts including 40 m @ 1.11% Li₂O and 16 m @ 1.39% Li₂O. Visual logging of subsequent holes indicates very thick intercepts of petalite and spodumene-bearing pegmatite of up to 87 m downhole; the assays of these holes were pending at the time of writing. Mapping of the mineralised pegmatite system shows a strike of 2.4km and still growing, indicating a **highly significant new lithium discovery on the doorstep of Europe**. Phase two drilling is due to commence early November 2016, targeting a maiden resource. Dakota looks forward to keeping shareholders updated on the progress of the Lusidakota projects in Portugal, including Sepeda, during the coming months.

⁸ DKO announcement 5/10/16

⁹ DKO announcement 6/10/16

¹⁰ DKO announcement 10/10/16

CORPORATE

Capital Structure

As at the date of this report the Company's Capital structure is as follows:

Quoted Securities:

Number	Class	ASX Code
362,629,879	Ordinary Fully Paid	DKO

UN-QUOTED SECURITIES:

Number	Class	ASX Code
2,900,000	Options exercisable at \$0.016 expiring 31 December 2018	DKOAA
2,437,500	Options exercisable at \$0.035 expiring 31 December 2017	DKOAB
16,625,000	Options exercisable at \$0.060 expiring 31 December 2017	DKOAB
9,250,000	Options exercisable at \$0.090 expiring 31 December 2017	DKOAB

Performance Rights

Number	Class	ASX Code
11,750,000	Performance Rights (Tranche 2) expiring 23 December 2018*	N/a

*11,750,000 Tranche 1 Performance rights vested on 10 October 2016 following the establishment by the company of a 5 million tonne JORC Compliant inferred Mineral Resource of Li₂O of a grade of at least 1.2%,

* Tranche 2 Performance rights will vest on the establishment by the company of a 15 million tonne JORC Compliant inferred Mineral Resource of Li₂O of a grade of at least 1.2% and in the event the milestone is not met within 3 years of 23 December 2015 any unvested performance rights will be cancelled.

ASX waiver details

Pursuant to the waiver from ASX Listing rules 7.3.2 and 10.13.3 (granted by ASX and announced on 20 January 2015) (Waivers), the Company advises that:

- A. the following securities, which were the subject of the Waivers, were issued on 10 October 2016:
 - i. 30,000,000 fully paid ordinary shares to the shareholders of ASM and SRI (on a 49:51 basis) upon an Inferred Mineral Resource of 5 million tonnes at 1.2% Li₂O being identified on the Pilgangoora Project and announced on the ASX platform by the Company in accordance with the requirements of the JORC Code; and ;
- B. the following securities, which were the subject of the Waivers, remain to be issued:
 - i. 30,000,000 fully paid ordinary shares to the shareholders of ASM and SRI (on a 49:51 basis) upon an Inferred Mineral Resource of 15 million tonnes at 1.2% Li₂O being identified on the Pilgangoora Project and announced on the ASX platform by the Company in accordance with the requirements of the JORC Code;

Expenditure

Please refer to the Appendix 5B quarterly commitments report for the period ended 30 September 2016 as attached.

Tenement Information as at 31 September 2016

Tenement	Location	Holding %	Change in Holding during Period %	Status
E45/3648	WA	100%	100%	Granted -pending transfer from Asgard Minerals Pty Ltd
P45/2783	WA	100%	100%	Granted -pending transfer from Asgard Minerals Pty Ltd
E45/4523	WA	100%	100%	Granted- pending transfer from Wildviper Pty Ltd
E45/4624	WA	100%	100%	Application-pending grant, held in 100% owned subsidiary Slipstream LP Pty Ltd
E45/4633	WA	100%	100%	Application-pending grant, held in 100% owned subsidiary Slipstream LP Pty Ltd
E45/4640	WA	100%	100%	Application-pending grant, held in 100% owned subsidiary Slipstream LP Pty Ltd
E45/4689	WA	100%	100%	Application – pending grant
E77/2347	WA	100%	100%	Application – pending grant
E69/3417	WA	100%	100%	Application – pending grant and transfer from Slipstream Resources Investments Pty Ltd
E69/3418	WA	100%	100%	Application – pending grant and transfer from Slipstream Resources Investments Pty Ltd
MNPP04612	Portugal	100%	100%	Granted
MNPPP0395	Portugal	100%	100%	Under Application
MNPPP0407	Portugal	100%	100%	Under Application
MNPPP0274	Portugal	100%	100%	Under Application
MNPPP0275	Portugal	100%	100%	Under Application
MNPPP0276	Portugal	100%	100%	Under Application

MNPPP0396	Portugal	100%	100%	Under Application
MNPPP0393	Portugal	100%	100%	Under Application
MNPPP0394	Portugal	100%	100%	Under Application
Dyngselet-1	Sweden	100%	100%	Granted
EL 4933	Victoria	0%	100%	Expired August 2016
EL 4981	Victoria	0%	100%	Relinquished August 2016
EL 7548	NSW	30%	N/A	Farm out to Perpetual Resources Ltd (ASX:PEC), DKO Free carried
EL 7549	NSW	30%	N/A	Farm out to Perpetual Resources Ltd (ASX:PEC), DKO Free carried
EL 6627	NSW	30%	N/A	Farm out to Perpetual Resources Ltd (ASX:PEC), DKO Free carried
EL 7550	NSW	30%	N/A	Farm out to Perpetual Resources Ltd (ASX:PEC), DKO Free carried
EL 6628	NSW	30%	N/A	Farm out to Perpetual Resources Ltd (ASX:PEC), DKO Free carried
EL 7756	NSW	30%	N/A	Farm out to Perpetual Resources Ltd (ASX:PEC), DKO Free carried
EL 6629	NSW	30%	N/A	Farm out to Perpetual Resources Ltd (ASX:PEC), DKO Free carried
EL 7553	NSW	0%	30%	Relinquished
EL 8269	NSW	0%	30%	Relinquished
EL 6789	NSW	30%	N/A	Farm out to Perpetual Resources Ltd (ASX:PEC), DKO Free carried

Tenement Schedule (ASX LR 5.3.3)

Dated this 31st day of October 2016

DAVID J FRANCES

Managing Director & CEO

Dakota Minerals Limited

The technical information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Francis Wedin, who is a member of the Australasian Institute of Mining and Metallurgy. Dr Wedin is a full-time employee of Dakota and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a competent person as defined in the 2012 Edition of the "Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves" (JORC Code). Dr Wedin consents to the inclusion in this report of the matters based upon the information in the form and context in which it appears. **All material assumptions and technical parameters underpinning the JORC 2012 reporting tables in the relevant market announcements referenced in this text continue to apply and have not materially changed**

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity

DAKOTA MINERALS LIMITED

ABN

16 009 146 794

Quarter ended ("current quarter")

30 SEPTEMBER 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(363)	(363)
(b) development	-	-
(c) production	-	-
(d) staff & consulting costs	(69)	(69)
(e) administration and corporate costs	(106)	(106)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	117	117
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (GST refunded)	55	55
1.9 Net cash from / (used in) operating activities	(366)	(366)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	(90)	(90)
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(90)	(90)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period	(456)	(456)
4.1	Cash and cash equivalents at beginning of period	14,116	14,116
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(366)	(366)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(90)	(90)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	13,660	13,660

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	274	294
5.2	Call deposits	13,386	13,824
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	13,660	14,118

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
132
-

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

N/A

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	\$900
9.2 Development	-
9.3 Production	-
9.4 Staff costs	42
9.5 Administration and corporate costs	75
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	1,017

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	*			
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

*Refer to Quarterly Activities Report for Schedule of Tenements.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:
(Company secretary)

Date: 31 October 2016

Print name:
Mathew Whyte

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.