

# QUARTERLY ACTIVITIES REPORT & APPENDIX 5B

For the period ending 31 December 2016

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

## HIGHLIGHTS

The Company progressed its strategy to become a sustainable, European-focused lithium Company through:

- completing phase two, resource definition drilling at the Sepeda lithium project in Portugal<sup>1</sup>;
- confirming a major new lithium discovery at Sepeda, through spectacular lithium grades and widths reported from phase one drilling, including 74 m @ 1.59% Li<sub>2</sub>O<sup>2</sup>;
- initiating a Scoping Study and Environmental Impact Assessment;
- setting an aggressive target of achieving lithium carbonate/lithium hydroxide production in 2019<sup>3</sup>; and
- finalising the sale of its Lynas Find project for a total of up to \$8m<sup>4</sup>.

Dakota's long-term strategy is to be a sustainable supplier of lithium carbonate and lithium hydroxide to the fast-developing 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 affordable home energy storage units and leading automotive manufacturers in the region continue to commit significant investment towards new all-electric vehicle models.

During the Quarter, Dakota added to its significant cash position by the sale of its Lynas Find lithium discovery in WA. Dakota is now well positioned to advance feasibility studies at its flagship Portuguese project, Sepeda. Exploration and development work continued at Sepeda, with the confirmation of a major European lithium discovery from spectacular phase one drilling grades and widths. A Scoping Study to produce lithium carbonate and lithium hydroxide from Sepeda was initiated with Hatch Pty Ltd as consultant. An EIA was also initiated, as Dakota set out an aggressive timeline to become a sustainable supplier of lithium carbonate to the EU market by 2019.

## 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:	363.6m
Options Issued:	31.2m
Market Cap:	\$21.5m
Cash:	\$18.0m

## CONTACT DETAILS

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ACN: 009 146 794

<sup>1</sup> DKO announcement 09/01/17

<sup>2</sup> DKO announcement 09/01/17, 07/11/16

<sup>3</sup> DKO announcement 21/11/16

<sup>4</sup> DKO announcement 01/12/16

## PROJECTS

The focus for the Quarter was to continue to accelerate Dakota's European lithium strategy, by setting an aggressive development timeline for the Sepeda lithium project in Portugal, whilst ensuring a successful sale of the Lynas Find lithium project in WA to fund future operations in Europe. Through the work this Quarter, the Directors believe the Company is well positioned for strong news flow in CY Q1 2017, with a range of potential re-rating opportunities as Dakota is able to update shareholders on developments including a maiden Mineral Resource, Scoping Study, metallurgical testwork, and phase three drilling.

### Lusidakota (Northern Portugal) Projects

#### Sepeda Lithium Project

- Dakota's focus on the European lithium market continued during the Quarter, with the successful completion of its phase two, resource definition drilling campaign at the Sepeda Lithium Project, Portugal
- Outstanding results from phase one drilling, including 74 m @ 1.59% Li<sub>2</sub>O, confirmed Sepeda as a major new European lithium discovery
- Maiden Mineral Resource on track for CY Q1 2017
- Scoping Study and EIA commenced in partnership with Hatch Pty Ltd
- Aggressive timeline set for lithium carbonate/lithium hydroxide production start in 2019.

During the Quarter, the Company confirmed Sepeda as a major new European lithium deposit discovery, with outstanding grades and widths from phase one drilling including 74 m @ 1.59% Li<sub>2</sub>O. The Sepeda pegmatite swarm area, known as the Carvalhais Swarm, has been mapped to 3km by 1km in size, and remains open in all directions. Phase two, resource definition drilling was initiated and completed at the main Romano pegmatite, including some diamond drilling for metallurgical testwork and grade verification purposes. In total, 7,271m of drilling has been conducted at Sepeda so far. Results of phase two drilling are expected shortly, and the maiden resource remains on track for CY Q1 2017. Phase three, focused on reserve definition infill drilling and further exploration drilling, will commence in mid-February 2017.

During November, Dakota announced the initiation of its Scoping Study work with Hatch Pty Ltd in Perth, WA. An Environmental Impact Assessment (EIA) for a mine and processing plant at Sepeda was initiated with Visaconsultores in Portugal. Dakota then outlined an aggressive timeline for the development of Sepeda, with commencement of production targeted for mid-2019.



Figure 1: SPI Rig 2 drilling at Sepeda (photo credit: I. Groves)

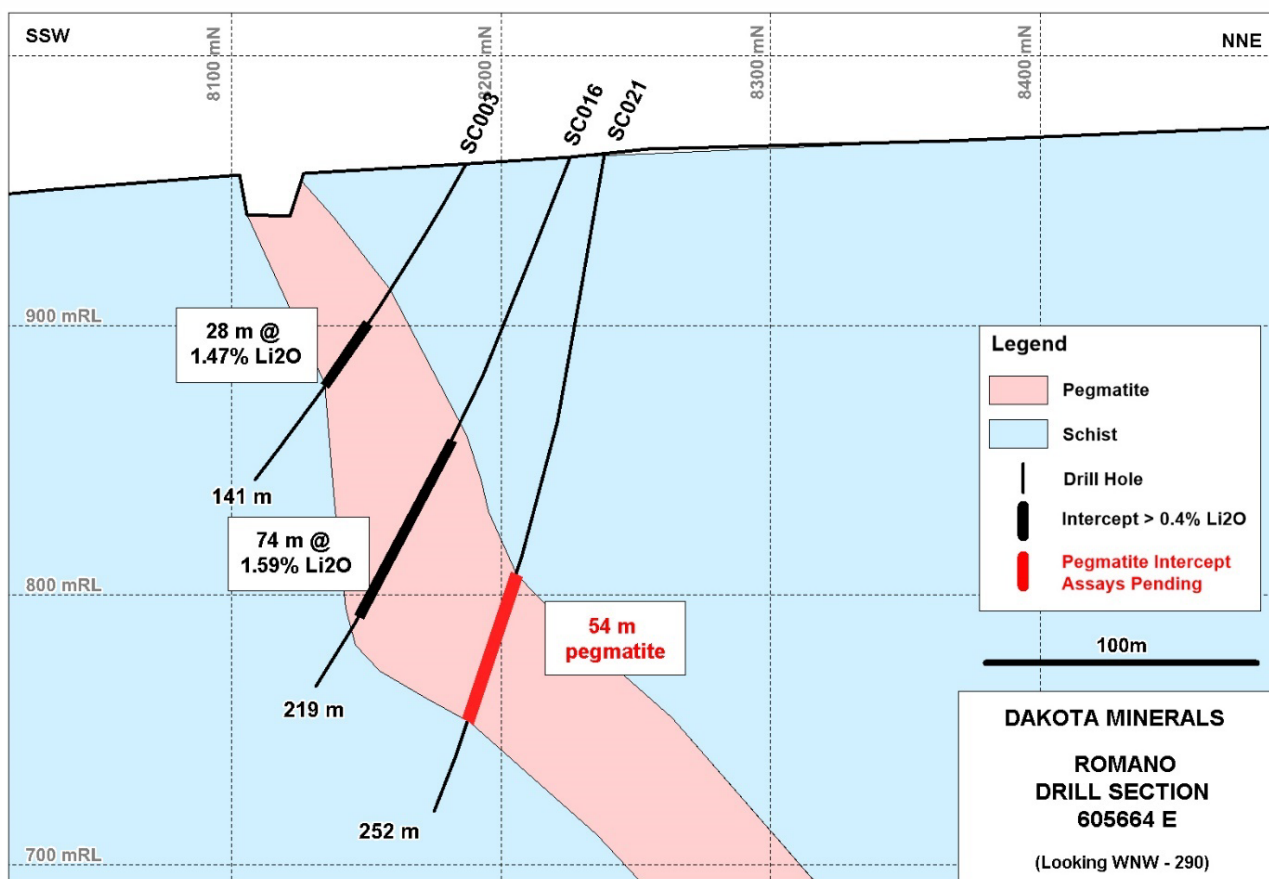


Figure 2: Drill section showing drill results from phase one and latest logging, with downhole pegmatite widths shown (assays pending). Pegmatite is still open in all directions.



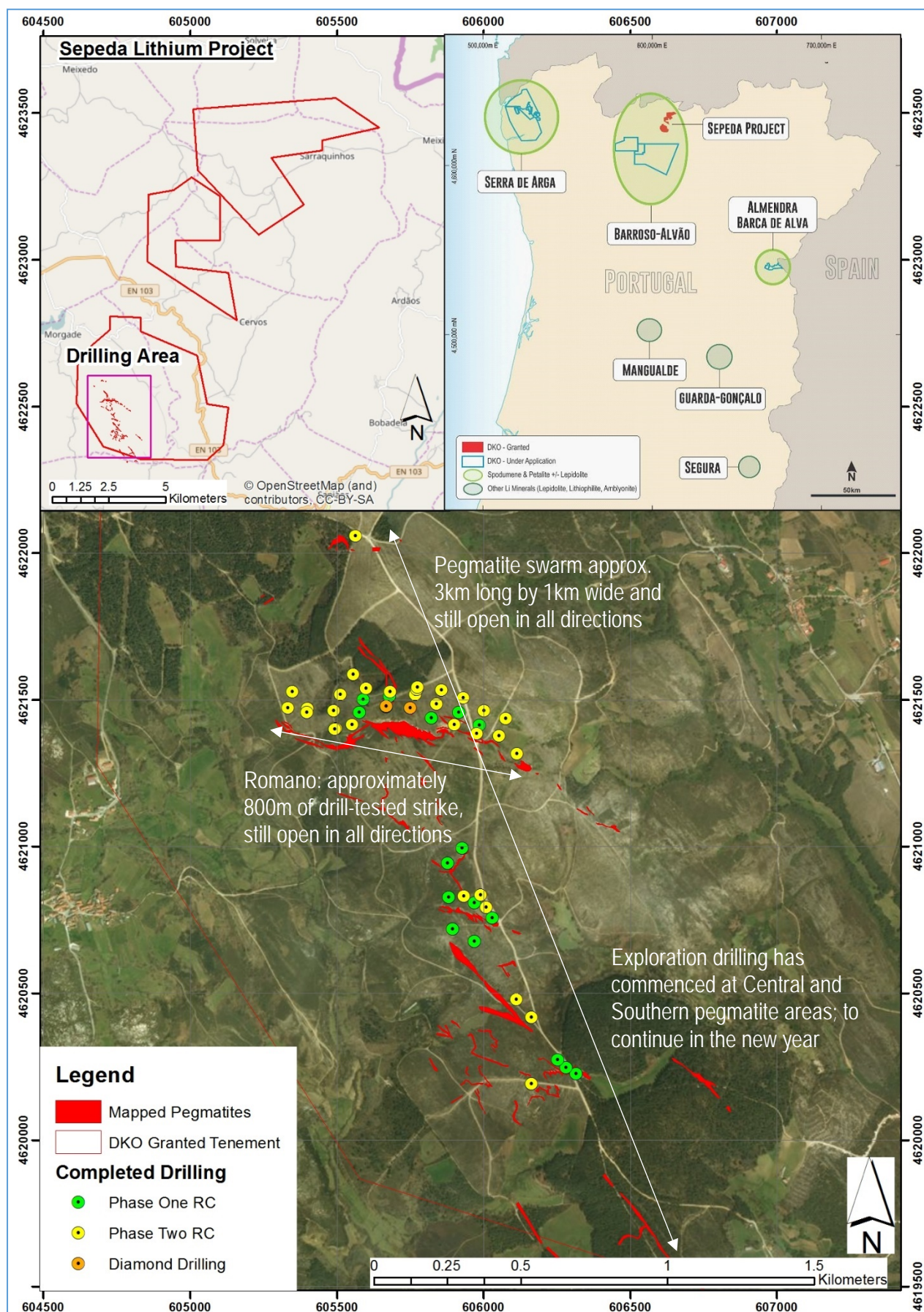


Figure 3: Drilling completed to date, Sepeda Lithium Project

## 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 thirteen exploration licences (one granted and twelve under application). After encountering encouraging initial results, work at the Sepeda lithium project within the Barroso-Alvão district has accelerated, with a maiden resource on track for CY Q1 2017, and a Scoping Study, EIA and metallurgical testwork programme to produce lithium carbonate under way.

Portugal, as the leading lithium producer in Europe<sup>5</sup>, was identified by the Company to be a high priority jurisdiction for lithium, for the following reasons:

- 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.
- Dakota is tracking nine lithium-ion "megafactories" across Europe that are either already producing, under construction or planned, including Nissan<sup>6</sup>, Samsung<sup>7</sup>, BMZ<sup>8</sup>, Daimler-Mercedes<sup>9</sup>, Tesla<sup>10</sup>, Audi<sup>11</sup> and LG Chem<sup>12</sup>.
- Battery producers will require a large lithium supply from safe, nearby jurisdictions. Sourcing lithium from Europe would also significantly 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 policies<sup>13</sup>.

For these reasons, the Company has been pursuing projects in areas most prospective for lithium-bearing minerals petalite and spodumene in Portugal.

<sup>5</sup> USGS Mineral Commodity Summaries, 2016

<sup>6</sup> <http://europe.autonews.com/article/20160121/ANE/160129975/nissan-will-produce-leafs-new-advanced-batteries-in-uk>

<sup>7</sup> <http://www.samsungsdi.com/sdi-news/1482.html>, <https://cleantechnica.com/2015/05/25/samsung-sdi-begun-operations-former-magna-steyr-battery-pack-plant/>

<sup>8</sup> <http://www.electronics-eetimes.com/news/european-battery-gigafactory-opens-1/page/0/1>

<sup>9</sup> <http://media.daimler.com/deepink?cci=2734603>

<sup>10</sup> <https://electrek.co/2016/11/08/tesla-location-gigafactory-2-europe-2017-both-batteries-and-cars/>

<sup>11</sup> <http://europe.autonews.com/article/20160120/ANE/160129994/-audi-will-build-electric-suv-in-belgium-shift-a1-output-to-spain>

<sup>12</sup> <http://www.lgchem.com/global/lg-chem-company/information-center/press-release/news-detail-783>

<sup>13</sup> Fraser Institute Survey of Mining Companies 2015

## 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.

## Lynas Find Project

- **Completion of sale of project to Pilbara Minerals Ltd., for a total of up to A\$8m.**
- **Sale increases Dakota's cash position to A\$18m, enabling the Company to be fully funded to completion of DFS.**

During 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 estimate was calculated at 7.3Mt @ 1.25% Li<sub>2</sub>O, 85ppm Ta<sub>2</sub>O<sub>5</sub> and 0.99% Fe<sub>2</sub>O<sub>3</sub>.

On 6 October 2016, Dakota announced that it had entered into a binding agreement to sell Lynas Find to Pilbara Minerals Limited for up to \$8.0 million, of which \$5.0 million was paid at completion on 1 December 2016. Pilbara will make further payments of up to \$3.0 million in total upon the grant of exploration licences for each of the four remaining applications in the Lynas find Project on or before 5 October 2017. The further payments will be in the form of cash or Pilbara shares (to be issued at a 30 day VWAP) at Pilbara's election. The sale transaction puts the Company in a very strong financial position to rapidly advance its strategy of becoming a sustainable European lithium company and leading supplier of lithium hydroxide and lithium carbonate to the rapidly developing European battery industry.

## CORPORATE

### Capital Structure

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

#### Quoted Securities:

Number	Class	ASX Code
363,629,879	Ordinary Fully Paid	DKO

#### Un-Quoted Securities

##### Options

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
6,625,000	Tranche 1 Performance Rights, Vesting on establishment of a 7.5 million tonne JORC Compliant resource of Li <sub>2</sub> O of a grade of at least 1% by 29 November 2018.	DKOAE
3,312,500	Tranche 2 Performance Rights, Vesting on establishment of a 15 million tonne JORC Compliant resource of Li <sub>2</sub> O of a grade of at least 1% by 29 November 2019.	DKOAE
3,312,500	Tranche 3 Performance Rights, Vesting on establishment of a 30 million tonne JORC Compliant resource of Li <sub>2</sub> O of a grade of at least 1% by 29 November 2020.	DKOAE

\*11,750,000 Performance rights vested on 10 October 2016 following the establishment by the company of a 5 million tonne JORC Compliant inferred Mineral Resource of Li<sub>2</sub>O of a grade of at least 1.2%,

#### 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% Li<sub>2</sub>O 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 (in accordance with the requirements of the JORC Code) of 15 million tonnes at 1.2% Li<sub>2</sub>O being identified, on or before 12 February 2012, on the Lynas Find Project tenements by Pilbara Minerals Limited.;

## Expenditure

Please refer to the Appendix 5B quarterly commitments report for the period ended 31 December 2016 as attached.

## Tenement Information as at 31 December 2016

Tenement	Location	Holding %	Change in Holding during Period %	Status
E45/3648	WA	0%	100%	Granted – pending transfer to Pilbara Minerals Ltd. following sale
P45/2783	WA	0%	100%	Granted – pending transfer to Pilbara Minerals Ltd. following sale
E45/4523	WA	0%	100%	Granted – pending transfer to Pilbara Minerals Ltd. following sale
E45/4624	WA	0%	100%	Application - pending grant, to be transferred to Pilbara Minerals Ltd. following sale
E45/4633	WA	0%	100%	Application - pending grant, to be transferred to Pilbara Minerals Ltd. following sale
E45/4640	WA	0%	100%	Application - pending grant, to be transferred to Pilbara Minerals Ltd. following sale
E45/4689	WA	0%	100%	Application - pending grant, to be transferred to Pilbara Minerals Ltd. following sale
E77/2347	WA	100%	0%	Granted
E69/3417	WA	100%	0%	Granted – pending transfer from Slipstream Resources Investments Pt Ltd
E69/3418	WA	100%	0%	Application – pending grant and transfer from Slipstream Resources Investments Pty Ltd



MNPP04612	Portugal	100%	0%	Granted
MNPPP0394	Portugal	100%	0%	Under Application
MNPPP0275	Portugal	100%	0%	Under Application
MNPPP0393	Portugal	100%	0%	Under Application
MNPPP0396	Portugal	100%	0%	Under Application
MNPPP0274	Portugal	100%	0%	Under Application
MNPPP0395	Portugal	100%	0%	Under Application
MNPPP0407	Portugal	100%	0%	Under Application
MNPPP0427	Portugal	100%	100%	Under Application
MNPPP0424	Portugal	100%	100%	Under Application
MNPPP0426	Portugal	100%	100%	Under Application
MNPPP0430	Portugal	100%	100%	Under Application
MNPPP0431	Portugal	100%	100%	Under Application
Dyngselet-1	Sweden	100%	100%	Granted
Hamrånge nr 100	Sweden	100%	100%	Under Application
Hamrånge nr 101	Sweden	100%	100%	Under Application
Hamrånge nr 102	Sweden	100%	100%	Under Application
Hamrånge nr 103	Sweden	100%	100%	Under Application
Hamrånge nr 104	Sweden	100%	100%	Under Application
Dyngselet nr 2	Sweden	100%	100%	Under Application
Skorped nr 1	Sweden	100%	100%	Under Application
Räggen nr 100	Sweden	100%	100%	Under Application
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 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 27<sup>th</sup> day of January 2017

**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")**

31 DECEMBER 2016

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	6	6
1.2	Payments for		
	(a) exploration & evaluation	(902)	(1,271)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(83)	(140)
	(e) administration and corporate costs	(181)	(292)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	57	174
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/collected)	500	555
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(603)</b>	<b>(968)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(2)	(2)
	(b) tenements (see item 10)	(7)	(98)
	(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	4,959	4,959
	(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)	(1)	(1)
2.6	<b>Net cash from / (used in) investing activities</b>	<b>4,949</b>	<b>4,858</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	(10)	(10)
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	<b>Net cash from / (used in) financing activities</b>	<b>(10)</b>	<b>(10)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>	<b>4,336</b>	<b>3,880</b>
4.1	Cash and cash equivalents at beginning of period	13,660	14,116
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(603)	(968)



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	4,949	4,858
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(10)	(10)
4.5	Effect of movement in exchange rates on cash held	(3)	(3)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>17,993</b>	<b>17,993</b>

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	426	274
5.2	Call deposits	17,567	13,386
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>17,993</b>	<b>13,660</b>

**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

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Current quarter \$A'000
162
-

**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

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**8. Financing facilities available**

*Add notes as necessary for an understanding of the position*

**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.

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**9. Estimated cash outflows for next quarter**

**\$A'000**

9.1 Exploration and evaluation

850

9.2 Development

-

9.3 Production

-

9.4 Staff costs

80

9.5 Administration and corporate costs

180

9.6 Other (provide details if material)

-

**9.7 Total estimated cash outflows**

**1,110**

## Mining exploration entity and oil and gas exploration entity quarterly report

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.

27 January 2017

Sign here: .....  
(Company secretary)

Date: .....

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.