



DARK HORSE

RESOURCES

Quarterly Activities Report for the Period Ended 30 September 2016

Dark Horse Resources Ltd

ASX Code: DHR

Shares on Issue

789.5 million

Market Capitalisation

A\$8.0m (at A\$0.01)

Directors

Nick Mather (Non-Executive Chairman)

David Mason (Executive Director)

Brian Moller (Non-Executive Director)

Neil Stuart (Non-Executive Director)

Company Secretary

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HIGHLIGHTS

- Exploration in the Nirihuau coal basin in support of the Pico Power Project is planned to commence late 2016, consisting of geological mapping and resource definition drilling in the Pico Quemado, Chenquenyen and Las Bayas deposits.
- The Argentine Government is expected to conduct a tender for the production of thermal power within the next six months and Dark Horse is preparing to participate in the tender with a joint venture partner.
- The Nirahuau basin contains both thermal and coking coal resources, both of which have shown substantial international price increases during 2016 – thermal price approx 100% and coking coal approx 125%.
- Initial field work undertaken at the Company's lithium projects in Cordoba and San Luis produced highly encouraging rock chip sampling assay results as follows:
 - Confirmation of the presence of extensive outcropping spodumene bearing pegmatites within the El Totoral claim in San Luis Province.
 - El Totoral district identified old workings and spodumene showings along a north trending belt approximately 4.5km in length and 300m in width.
 - A total of 54 rock chip samples were collected and assayed by ALS Australia.
 - El Totoral assay results returned maximum 0.9m @ 3.28% Li₂O, 87 g/t Ta₂O₅.
 - Sampling of spodumene from dump material in Los Chañares district returned 3.99% Li₂O and 67 g/t Ta₂O₅.
 - Best assay from spodumene material collected underground at Las Tapias returned 6.04% Li₂O.
- Confirmation that the Company is proceeding with its stepped acquisition of Oronegro SA in Argentina, which has secured prospective lithium projects including two operating mines, in Cordoba and San Luis.
- Heads of Agreement (HOA) signed with Lakes Oil NL for the sale of 100% of NavGas Pty Ltd in return for Lakes Oil scrip in a transaction which effectively values NavGas at \$10m.

REVIEW OF PROJECTS AND ACTIVITIES

Dark Horse Resources is a diversified resource and energy company, with a particular focus on Argentina, where it has invested in coal and lithium projects, and plans to develop a large thermal fired power station (refer **Figure 1**). The Company also has gold interests in the USA, numerous mineral licences in Australia, oil and gas projects in Australia (held via NavGas Pty Ltd).

The Company's coal projects in Argentina consist of the Marayes project (San Juan province) and the Nirihuau project (Rio Negro province). Both projects are located within close proximity to access to existing rail networks with links to industrial areas and ports.

Dark Horse has recently entered into an exclusive option arrangement to acquire an Argentinean company with rights to acquire lithium projects and mines in two separate provinces of Argentina.



Figure 1: Location of DHR's Argentine Projects – the San Juan Marayes Coal Project, Rio Negro Pico Coal and Power Project, and the San Luis and Cordoba Lithium Projects.

Excarb (Argentinean Coal Projects)

Pico Power Station and the Nirihuau Coal Project – Rio Negro Province, Argentina

Pico Power Project Development

Executives of Dark Horse Resources attended the Argentine Forum in Buenos Aires during September 2016 hosted by the President of Argentina, which included the Power and Renewable Energy Roundtable hosted by the Minister of Energy and Mining, several Secretaries of Energy and Under Secretaries, each of who presented the Ministry's strategy and plans for the energy and power market over the next 10 years. The plan is for an additional 10GW of renewable, 5-8GW of thermal, 3GW hydro and 100MW nuclear. There will be tenders each year or so for this amount of energy. The government stated the need to have a varied mix of fuels for power production, and explicitly referred to the need to have a large quantity of thermal power in the mix to provide consistent, reliable and economic power, and to ensure the national transmission grid is suitably balanced and stable.

The first (emergency) thermal tender for 2000MW was held earlier this year and was filled by diesel genset equivalents. The first 1000MW of renewable energy tenders was carried out during the middle of 2016, and contracts have been awarded for 1100MW of power. The next thermal power tender is planned for late 2016 or early 2017, and expected to be for up to 5GW. There is an approx 6-months period from tender opening to close. There will be ongoing tenders periodically to fill the strategic plan. All tenders will be fully open and transparent and considered on their merit. Bids will be completely transparent and there will be no government subsidies as in the past.

The Ministry confirmed they would consider DHR's Pico coal fired power proposal within the thermal tenders. Up until recently they had been expecting bids for gas, as they had limited knowledge of the Nirihuau coal resources. Price is the absolute key determinant in evaluation of the bids, with modern technology and environment impact playing a significant role.

Dark Horse is aiming to provide a reliable source of base load power, which is both environmentally conscious and economically prudent, within this planned thermal framework. Dark Horse is conducting negotiations with major Australian and international groups to jointly develop the Pico Power Project.

Exploration of the Nirihuau Coal Project

The Nirihuau exploration program will be implemented once the Social Licence is obtained, the mandatory licence required under the Environment Impact Assessment Licence, and expected late 2016, to allow the commencement of field works. Final meetings have been arranged within the next few months by representatives of the Rio Negro Government, who manage and coordinate the process. Prior meetings have shown positive response to the Company's planned objectives and activities. Securing the support of these communities and aligning them with the Company's project objectives and plans from the outset is a significant step in ensuring future social and public relations programs are successful.

The planned exploration program for the Nirihuau Coal Project, a joint venture option arrangement with Argentine mining company Trendix SA, will focus on the Pico Quemado, Chenqueniye and Las Bayas deposits (**Figure 2**) and consist of the following phases:

1. Substantial resource definition drilling in the Pico Quemado deposit to define the stratigraphy, geometry, coal seam sequence, quality and quantity. It is anticipated this work will facilitate the preparation of a JORC Resources Report.
2. A combination of detailed geological mapping throughout the Chenqueniye deposit, where several seams have been previously mapped up to 4kms in length, to follow extensions of the known seams, and discover new seams, followed by several exploration and resource definition drilling stages to upgrade the deposit towards JORC standards.
3. Reconnaissance geological mapping in the Las Bayas area where minimal exploration work has been carried out to date. Depending on the results of this preliminary work, further exploration will be designed and implemented.

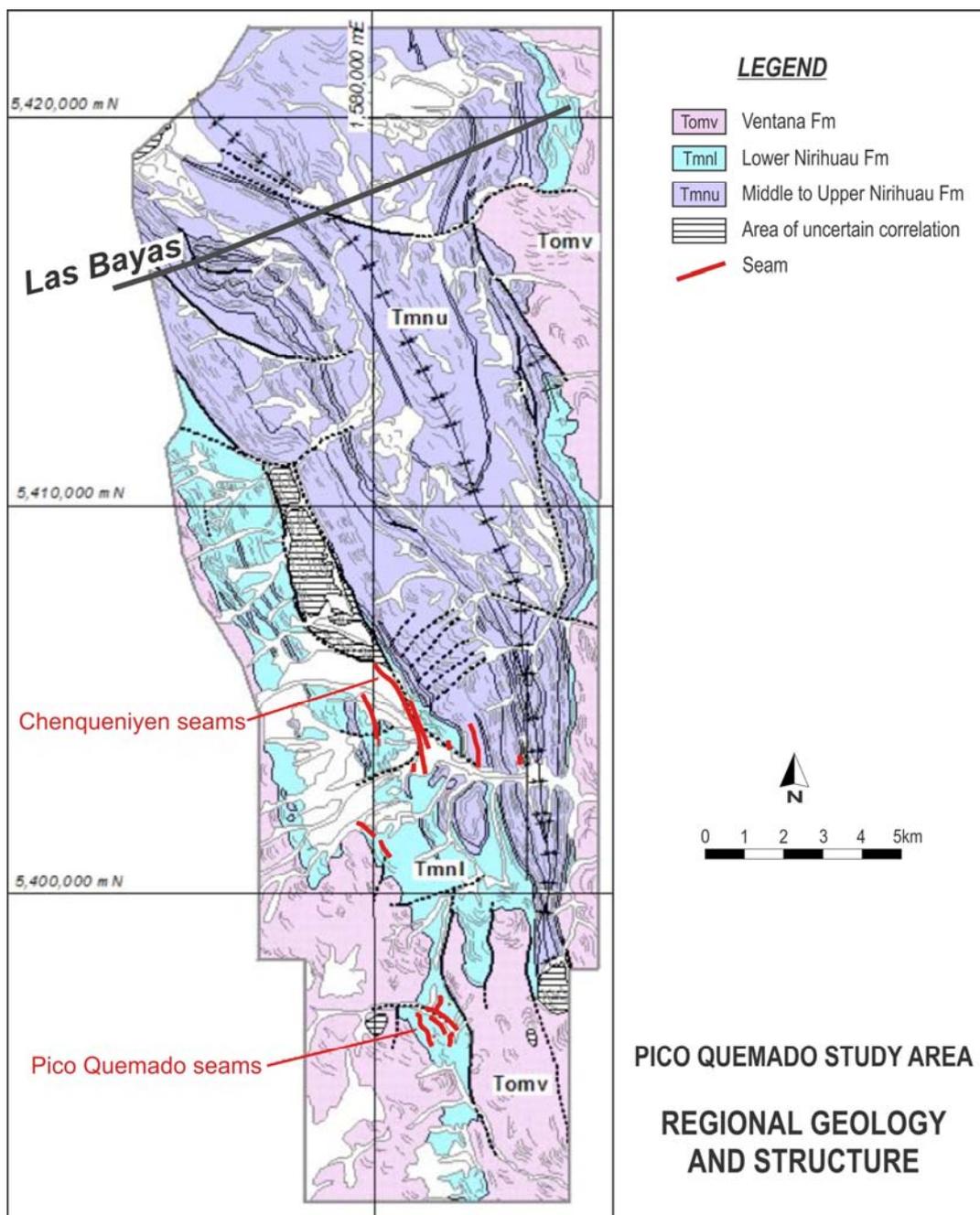


Figure 2: Regional Geology and Structural Map – Pico Quemado Project Area within the Nirihuau Coal Project.

Lithium Projects – San Luis and Cordoba Provinces, Argentina (Oronegro)

On 5 October 2016, Dark Horse confirmed that, following a period of due diligence, it had executed a formal agreement with the vendors of Oronegro SA (Oronegro). Under the agreement, Dark Horse can acquire 100% of Oronegro and holds exclusive exploration rights for lithium and other strategic minerals throughout the San Luis and Córdoba provinces of Argentina. The agreement incorporates the matters contained in the MOU previously agreed between the parties and as detailed in the Company's ASX release of 26 July 2016. Dark Horse subsequently made the initial consideration payment of cash plus shares to the Oronegro vendors. Following the Company's ASX release of 26 July 2016, Oronegro also entered into an Exclusivity Agreement to acquire 100% of the Las Tapias Mine in Córdoba province, the most important beryl and spodumene past producer in Argentina.

Accordingly, Oronegro now has the following interests:

a) San Luis Province

- 1) Oronegro has entered into an "Exclusivity Agreement with Option to Purchase" (EAOP) with the Las Cuevas Mine vendor to acquire 100% of the mining properties of Las Cuevas Group, (Las Cuevas, Daniela Luciana II, Pequeña Lulu and San Roque, totaling 49Ha).
- 2) Oronegro has submitted applications for Exploration Permits ("Cateos") surrounding various lithium bearing pegmatite mines as follows:
 - San Martín (6,400Ha) covering an area immediately surrounding the Las Cuevas group of properties in the northern part of the Conlara pegmatite field.
 - El Totoral (10,000Ha) covering an area immediately surrounding inactive spodumene mines of the prolific El Totoral pegmatite field.
- 3) Oronegro has submitted two new applications for Exploration Permits ("Cateos") covering various old spodumene mines in the Los Chañares pegmatite district named Novillo Negro (8,500 Ha) and León Herido (9,400Ha) (**Figure 3**).

b) Córdoba Province

- 1) Oronegro has entered into an "Exclusivity Agreement with Option to Purchase" (EAOP) with the Las Tapias Mine vendor to acquire 100% of six mining properties covering the historically significant Las Tapias pegmatite mine in the Altautina pegmatite field (Las Tapias, Rosita, San Telesforo, La Protectora, San Jose and San Jose II, totaling 84Ha, **Figure 3**).
- 2) Oronegro has submitted applications for Exploration Permits ("Cateos") as follows:
 - Piedra Pintada claim (300Ha) in the southernmost part of the Altautina pegmatite field and immediately surrounding the Las Tapias Mine to the south and east (Figure 5).
 - Retamillo and Los Mogotes claims (20,000Ha) which cover historically reported elevated lithium values obtained from stream sediment samples along the western boundary of the Achala batholith.

Field reconnaissance and rock chip sampling was completed during August 2016 on selected lithium bearing pegmatites throughout the Company's tenement portfolio, including El Totoral, Los Chañares and Las Cuevas in San Luis and Las Tapias in Córdoba (refer **Figure 3**).

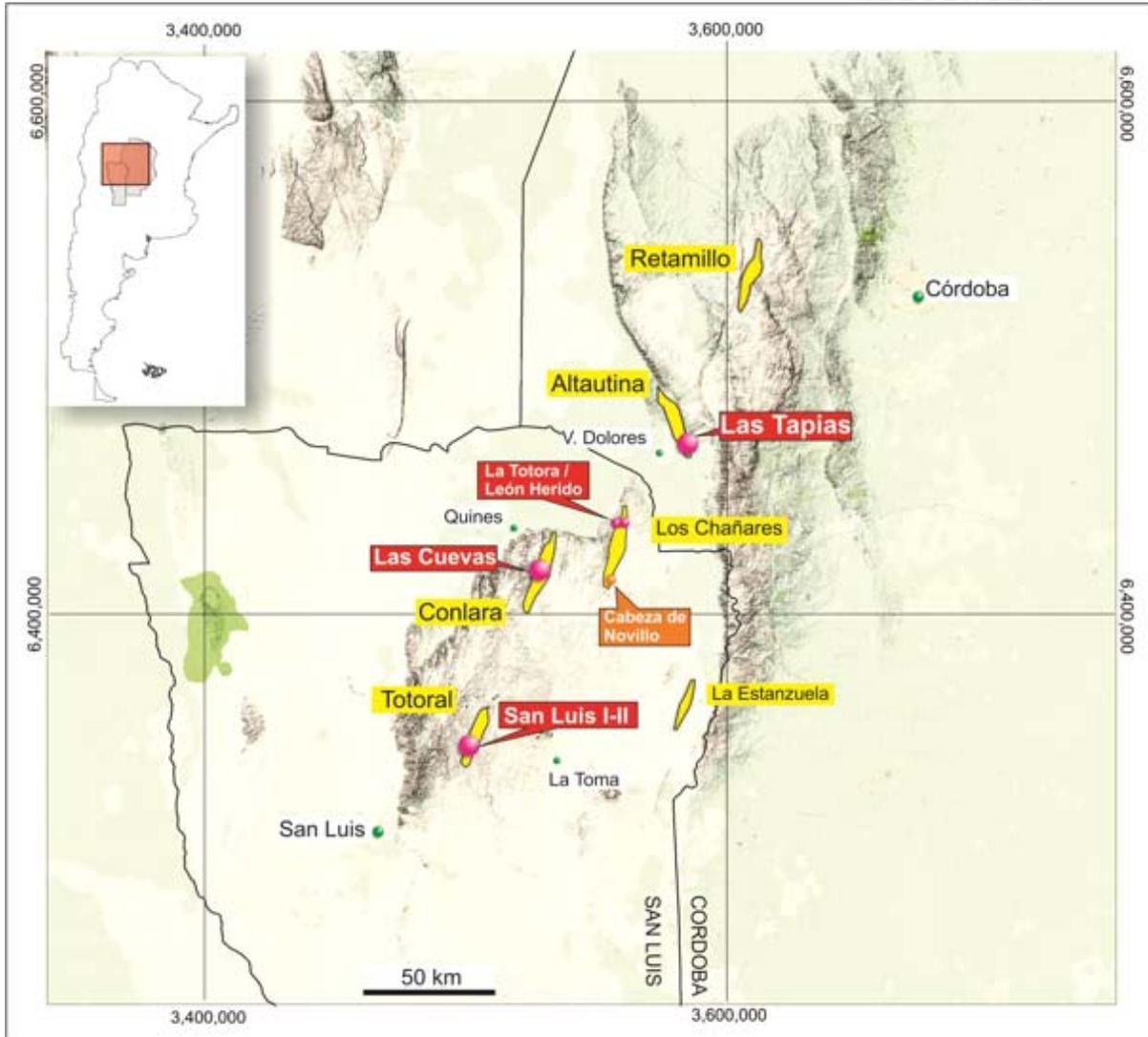


Figure 3: Map of the San Luis and Córdoba Pampean ranges showing the main principal lithium bearing pegmatite districts and its principal historic mines in San Luis Province (modified from Gallisky and Márquez-Zavalía, 2011).

In the southernmost region of El Totoral district within the San Luis province, field reconnaissance identified old workings and spodumene showings along a north trending belt at least 4.5 km in length and 300m in width, centered in the historic San Luis quartz-feldspar mine. Best assay results returned 0.8m@ 3.28% Li₂O, 87 g/t Ta₂O₅. The pegmatite field is composed of folded and boudinaged bodies (up to 20 m wide and 700m in length) intruding the low-grade rocks (phyllites and slates) of the Pringles Metamorphic Complex and appears to be closely related to the intrusion of S-type Paso Del Rey leucogranite (of possible Ordovician age, Oyarzabal, 2004).

The spodumene occurrences in Los Chañares district (La Totorita, Don Pancho, Agua Dorada and León Herido) are related to isolated folded pegmatites that have previously been subject to small-scale exploitation from 1938 to 1945. Spodumene mineralisation is related to pegmatites up to 4m wide (León Herido) that can be mapped for up to 100 m along the strike. Selective sampling of spodumene from dump material returned results of 3.99 % Li₂O and 67 g/t Ta₂O₅. (There is significant amounts of spodumene rich dump material on the surface at the mine, which is the waste product from the quartz-feldspar mining activities).

Field reconnaissance work at the Las Tapias quartz-feldspar mine in Cordoba province has given the Company a better understanding of the mineralization identified underground and at surface. Best assay results from spodumene material collected underground at the mine returned 6.04 % Li₂O.

Assay Results

Assays were performed by ALS Australia using ME-ICP82b technique. The assay data is presented in the table below (**Figure 4**) as equivalent lithium oxide using a standard conversion factor of 2.153 for Ta to Ta₂O₅ the conversion factor of 1.221 was applied.

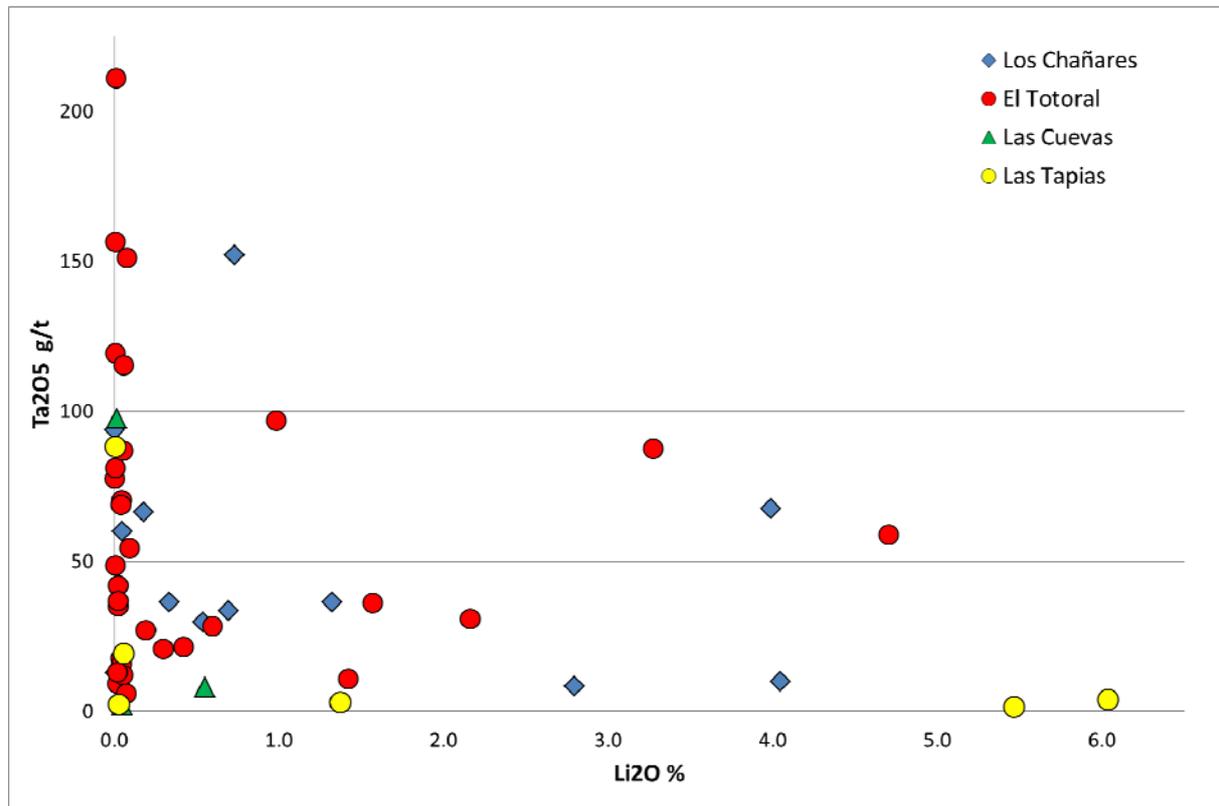


Figure 4: Graph of Li₂O and Ta₂O₅ assay results returned from recent rock chip sampling at El Totoral, Los Chañares, Las Cuevas and Las Tapias districts.

Most of the Li grades and some of the Ta grades of the rock chip samples are within or above known commercial grades on presently operating hard rock Li-Ta mines – e.g. Mt Cattlin in Western Australia (1.04% Li₂O, 149ppm Ta₂O₅).

El Totoral

The Company collected 31 rock chip samples from El Totoral. Due to the very large size of the spodumene crystals, obtaining a representative sampling of the bulk lithium content of the pegmatite proved difficult. A continuous channel sample (PL023, 24, 25) across a well exposed mineralized structure returned 3.4m @ 0.88% Li₂O, 45 g/t Ta₂O₅ (includes 0.88 m @ 3.28% Li₂O, 87 g/t Ta₂O₅). The assay results validate visual observations of spodumene and confirms the presence of a trend > 4.5km in length, 300m in width, consisting of several distinct outcrop areas of spodumene bearing pegmatites.

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Los Chañares

Samples collected from Las Chañares district included; La Totorá (2 samples), Don Pancho (4 samples), Agua Dorada (2 samples); La Bomba (1 sample), León Herido (3 samples) and Cabeza de Novillo (2 samples). Best assays results included:

La Totorá – 0.54% Li₂O, 30 g/t Ta₂O₅
Agua Dorada – 4.0% Li₂O, 36g/t Ta₂O₅
León Herido – 3.99% Li₂O, 152g/t Ta₂O₅

Don Pancho – 2.8% Li₂O, 94g/t Ta₂O₅
La Bomba – 0.3% Li₂O, 36g/tTa₂O₅
Cabeza de Novillo – 1.2% Li₂O, 25g/t Ta₂O₅

Las Cuevas

Three samples were collected from the Las Cuevas lease and returned low lithium contents though reasonable tantalum contents (0.01 to 0.55% Li₂O and up to 97 g/t Ta₂O₅).

Las Tapias

The Company collected six samples from Las Tapias (3 underground samples, 3 surface samples). Samples collected at surface returned low Li₂O values but up to 88 g/t Ta₂O₅. In contrast, samples collected underground in the Arce mine development area assayed from 1.38% to 6.04% Li₂O from 1m by 1m panel sampling with massive zones of spodumene in the lowermost part of the area. It is speculated that the low lithium contents obtained on surface exposures of both El Totoral and Las Tapias may reflect weathering effects at surface.

Conclusions and Future Work

Geochemical results of initial rock chip sampling indicates the El Totoral district represents a significant lithium-tantalum target. There are numerous pegmatite bodies and DHR will give this area priority in future exploration programs. Additionally, Las Tapias represents a most attractive target and will be systematically investigated.

Marayes Coal Project – San Juan Province, Argentina

With the overwhelming interest and Argentinean support for the Nirihuau Coal Project and the Pico Power Project, work on the Marayes Coal Project has had to be temporarily sidelined. However, basic exploration works and coal marketing efforts continue at Marayes to advance the project.

Dark Horse Resources (US Gold Projects)

On 19 September 2016, Dark Horse advised the market that it had essentially lost the legal dispute over the extent and legal framework for the Company's interest in the Carlin East gold project in Nevada. Accordingly, the Company wrote off the carrying value of this interest. The Company is considering whether or not to maintain any interests in the USA given its other project opportunities in Argentina.

Dark Horse Resources (Australian Projects)

In April 2016 the Company lodged a PACE Application for the co-funding of an exploration drill hole in one of its South Australian mineral tenements. The Company is waiting to hear the result of its application.

NavGas (Australian Oil & Gas Projects)

No substantive work on the Company's oil and gas portfolio was undertaken during the quarter.

CORPORATE ACTIVITIES

Lakes Oil to Acquire NavGas Pty Ltd

During the quarter Dark Horse announced the potential sale of NavGas Pty Ltd to ASX-listed Lakes Oil NL (ASX: LKO) in return for scrip, effectively valuing NavGas at \$10m.

The transaction is subject to a number of conditions, including Lakes Oil obtaining shareholder approval for the proposed acquisition which, pursuant to s 611 item 7 of the Corporations Act, will require Lakes Oil to submit to its shareholders an independent expert's report on the fairness and reasonableness of the acquisition.

Subject to the transaction being approved by the shareholders of Lakes Oil, the parties will be aiming to complete the transaction before the end of 2016.

Following completion of the NavGas acquisition by Lakes Oil, Lakes Oil proposes to proceed with a capital raising that will afford all Lakes Oil shareholders the opportunity to participate, either through a rights issue or pro-rata offer of shares. Lakes Oil will issue a prospectus for the capital raising in accordance with section 713 of the Corporations Act. Among other things, the prospectus will contain all information that investors will reasonably require to make an informed assessment of the offer and its effect upon Lakes Oil.

Lakes Oil has a conditional arrangement in place with DGR Global Limited for the proposed capital raising to be underwritten in the amount of \$1.5 million.

Fundraising

During the quarter, Company Directors David Mason and Neil Stuart agreed to lend the Company \$100,000 each to fund its ongoing activities in Argentina. Interest payable under the loans is to be on the same terms as the facility provided by DGR Global, as previously advised to the market. The short-term loan arrangements were approved by Messrs Moller and Mather, being the non-interested Directors on the Board of Dark Horse Resources.

On 14 September 2016, the Company announced that it had finalised arrangements with a small number of professional and sophisticated investors to raise a total of \$330,500 by way of a limited private placement at a price of \$0.008 per share.

ACTIVITIES PLANNED FOR THE DECEMBER 2016 QUARTER

Argentina

Pico Power Project

Dark Horse is finalising negotiations with a major Australian and international group to jointly develop the Pico Power Project and the Company expects to be able to announce something on this shortly. Once this arrangement has been established, a prefeasibility study will commence for the project to define the major components of the power station, a timeline and budget for development, and a comprehensive financial model.

Nirihuau Coal Project

Work will continue on securing the Social Licence in conjunction with Rio Negro government and joint venture partner Trendix SA. Final meetings and presentations with local indigenous community groups are planned over the next several months. Once the License is obtained, the planned exploration program will commence at the Pico Quemado, Chenqueniye and Las Bayas deposits.

Oronegro Lithium Project

An exploration program is being developed in conjunction with Dark Horse's Argentinian partners, Oronegro to advance the portfolio of lithium projects in San Luis and Cordoba. Focus will be given to the Las Cuevas / San Martin Group of properties and also El Totoral District in San Luis Province, where spodumene pegmatites are known to exist through prior mining and exploration results. Initial exploration is expected to focus on geological mapping and rock sampling of exposed pegmatites and historical extraction sites, the latter in particular to determine what work may be required to resurrect mining activities and allow the Company to move quickly into operations, production and ore sales.

Other Argentine Resource Projects

Dark Horse is currently evaluating a number of new resource projects in Argentina with a view to expanding its portfolio to take advantage of the current world resurgence in some minerals and commodities, and the positive social and political situation of Argentina.

INTERESTS IN TENEMENTS

Refer Appendix A to this report.

Competent Persons Statement

The information herein that relates to Exploration Targets and Exploration Results is based on information compiled by Mr Neil Stuart, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Neil Stuart is a Director of Dark Horse Resources Ltd.

Mr Stuart has more than five years experience which is relevant to the style of mineralisation and type of deposit being reported and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves' (the JORC Code). This public report is issued with the prior written consent of the Competent Person(s) as to the form and context in which it appears.

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APPENDIX A TO QUARTERLY ACTIVITIES REPORT

INTEREST IN TENEMENTS HELD IN THE QUARTER

As at the date of this report, the Group has an interest in the following tenements.

Australian Tenements

No tenements were acquired or disposed of during the quarter.

Tenements held in Australia are as follows:

Tenement	Location	Current Holder	% Interest	Granted
Triple Bluff (EL5700)	South Australia	Mingoola Gold Pty Ltd	100% (2 year term)	19 Jan 2016
Parachilna (EL 5690)	South Australia	Mingoola Gold Pty Ltd	100% (2 year term)	26 Nov 2015
Wallerbedina (EL 5693)	South Australia	Mingoola Gold Pty Ltd	100% (2 year term)	26 Nov 2015
Kallioota (EL 5694)	South Australia	Mingoola Gold Pty Ltd	100% (2 year term)	26 Nov 2015
Monument (EL 5695)	South Australia	Mingoola Gold Pty Ltd	100% (2 year term)	26 Nov 2015
Torrens (EL 5638)	South Australia	Dark Horse Resources Ltd	100% (3 year term)	2 July 2015
Roma Shelf (ATP 1183)	Queensland	NavGas Pty Ltd	100% (6 year term)	1 July 2014

USA Tenements (Note that the USA tenement interests are in dispute as outlined in the body of the Report)

During the quarter the Company abandoned any claim it had over the Carlin East Project in Nevada, USA as a result of an unfavourable US court ruling.

At the end of the quarter, the Company retains an interest in five (5) projects in New Mexico and currently has an interest in, or holds options and farm-in agreements over, the following claim areas:

Tenement	Location	Current Holder	% Interest
CC 178	New Mexico USA	Oryx Resources Inc	Big Iron Resources earn up to 51%
CC 189	New Mexico USA	Oryx Resources Inc	Big Iron Resources earn up to 51%
CC 192	New Mexico USA	Oryx Resources Inc	Big Iron Resources earn up to 51%
CC 194	New Mexico USA	Oryx Resources Inc	Big Iron Resources earn up to 51%
CC 195-198	New Mexico USA	Oryx Resources Inc	Big Iron Resources earn up to 51%
CC 203-205	New Mexico USA	Oryx Resources Inc	Big Iron Resources earn up to 51%
CC 217-222	New Mexico USA	Oryx Resources Inc	Big Iron Resources earn up to 51%
CC 226-227	New Mexico USA	Oryx Resources Inc	Big Iron Resources earn up to 51%
CC307-309	New Mexico USA	Oryx Resources Inc	Big Iron Resources earn up to 51%
CC 407-409	New Mexico USA	Oryx Resources Inc	Big Iron Resources earn up to 51%
TB 201	New Mexico USA	Oryx Resources Inc	Big Iron Resources earn up to 51%
TB 207	New Mexico USA	Oryx Resources Inc	Big Iron Resources earn up to 51%
TB 307-309	New Mexico USA	Oryx Resources Inc	Big Iron Resources earn up to 51%

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Tenement	Location	Current Holder	% Interest
TB 405-406	New Mexico USA	Oryx Resources Inc	Big Iron Resources earn up to 51%
TB 711	New Mexico USA	Oryx Resources Inc	Big Iron Resources earn up to 51%
TB 715-716	New Mexico USA	Oryx Resources Inc	Big Iron Resources earn up to 51%
TB 1110	New Mexico USA	Oryx Resources Inc	Big Iron Resources earn up to 51%
TB 1210	New Mexico USA	Oryx Resources Inc	Big Iron Resources earn up to 51%
LSP 108-109	New Mexico USA	Oryx Resources Inc	Big Iron Resources earn up to 51%
LSP 104-115	New Mexico USA	Oryx Resources Inc	Big Iron Resources earn up to 51%
FR 186-188	New Mexico USA	Oryx Resources Inc	Big Iron Resources earn up to 51%
GR 130-131	New Mexico USA	Oryx Resources Inc	Big Iron Resources earn up to 51%
GR 136-137	New Mexico USA	Oryx Resources Inc	Big Iron Resources earn up to 51%

Argentinean Tenements

During the quarter the Company rationalized its tenement holding in the Marayes project area, relinquishing a number of the less prospective tenements. The Company still has four (4) applications pending for Marayes.

The interests held by the Company at the end of the quarter are now as follows:

Tenement	Location	Current Holder	% Interest
30.143-M-2005	Rio Negro, Argentina	Dark Horse	Dark Horse can earn up to 75%
29.092-M-2004	Rio Negro, Argentina	Dark Horse	Dark Horse can earn up to 75%
33.030-M-2008	Rio Negro, Argentina	Dark Horse	Dark Horse can earn up to 75%
37.058-M-2012	Rio Negro, Argentina	Dark Horse	Dark Horse can earn up to 75%
37.150-M-2012	Rio Negro, Argentina	Dark Horse	Dark Horse can earn up to 75%
40.039-M-2015	Rio Negro, Argentina	Dark Horse	Dark Horse can earn up to 75%