ASX Announcement

12 January 2016

Dark Horse Resources Signs Significant Energy Development MoU with Sunset Power Pty Ltd

Highlights

- **Memorandum of Understanding executed with Sunset Power Pty Ltd for the development of a thermal power station in Argentina to supply low-cost base-load power to the local region and into the main Argentinian electricity supply network.**
- **Sunset Power successfully planned the development of six gas-fired power stations in Australia over the last 15 years, forming ERM Power Limited to construct and operated them, and is the parent company of Sunset Power International, which has been involved overseas in new power station development planning, and recently acquired the Vales Point power station from the NSW Government.**
- **Dark Horse has access to significant thermal fuel resource targets in Argentina.**
- **Sunset Power and Dark Horse will endeavour to enter a Power Purchase Agreement with the government of Argentina, obtain all necessary development approvals and subsequently procure the construction and commissioning of all the power station facilities and finance for the power project.**

Introduction

The Board of Directors of Dark Horse Resources Limited (ASX: **DHR**; formerly Navaho Gold) is pleased to announce the signing of a Memorandum of Understanding (MoU) to investigate the appointment for a mine mouth coal fired power station in Argentina with Sunset Power Pty Limited **(Sunset)**.

DHR and Sunset Venture

The parties will work together to identify the opportunity for an ultra-supercritical base load coal fired power station at the Pico Quemado coal project in Western Argentina to connect to existing 500kV transmission network serving the Argentinian national electricity network, which presently is reliant on imported LNG to meet a major portion of the country's base-load power demand. The venture will scope the size and design, obtain all development and environment approvals, and negotiate the necessary power purchase and funding agreements with a view to future construction and development. The project will help service the country's increasing power demands, help utilise the existing resources and help reduce the need for importing expensive hydrocarbon, fuels and electricity. The next step in the process is to present a business case to the Argentine federal and provincial Governments. The development schedule is outlined in Table 1 (see below).

Sunset plans to secure the development and financing for a coal fired power station. The two parties will work together to develop a mine mouth power operation located at the DHR's Pico Quemado Project (up to 75% DHR, 25% Trendix), in the Rio Negro province, Argentina.

Sunset will provide the necessary expertise for the identification of the most economic development to serve the needs of the interconnected Argentine electricity network, and for appropriate presentation to various Argentine Government and relevant electricity planning and development Agencies of the Argentine Government.

Commenting on the MoU, Sunset's founder Mr Trevor St Baker said:

> *"With a change of Government in Argentina and devaluation of the currency, there is an increasing international interest in addressing Argentina's stretched and expensive electricity supply sector. And with similar low-sulphur coal as in NSW, Australia has credibility in developing low-cost domestic-fuelled base load power for Argentina from this domestic coal resource in world-best-practice clean coal-fired power plants."*

Commenting on the new relationship with Sunset Power, Dark Horse Resources Chairman Mr Nick Mather said:

> *"Bringing the Sunset experience to this project and combining it with a coal basin with the potential for export quality low sulphur thermal coal, and a clear need for cheap base load power generation for Argentina, provides Dark Horse with a great basis for a paradigm shift in the company's growth strategies."*

Cost Efficient, Ultra-Supercritical Base Load Power Generator

The construction of the power station would be based on state of the art Ultra-Supercritical (USC) technology, which requires less coal per megawatt-hour (lower carbon dioxide and sulphur emissions) and reduced fuel consumption, which results in lower overall operational expenses. The parties will look to utilising latest commercially-viable technologies and equipment providers to minimise and control emissions, and will also investigate carbon capture and sequestration and offsetting strategies including fertiliser generation through algae farming.

Sunset Power (Sunset)

Sunset Power is led by Trevor St Baker, who has more than 50 years' experience in the energy industry including 20 years in planning and leadership roles within New South Wales and Queensland Government-owned electricity companies. Sunset Power, under Mr St Baker's leadership, founded ERM Power Limited and developed it into the successful energy provider that it is today. The Sunset Power Group recently acquired from New South Wales Government the business and assets of Delta Electricity, associated with the Vales Point Power Station, located in Lake Macquarie. Sunset Power personnel were also separately part of the business development team of CS Energy who planned and procured the 750 MW Kogan Creek power station in Queensland, a current "world-best-practice" clean coal-fired Queensland power station, the latest engineered version of which will be considered for a possible Argentinian power station development by the DHR and Sunset.

Power Purchase Agreement

DHR and Sunset will negotiate a Power Purchase Agreement with Argentine energy authorities for using the coal from the Pico Quemado Coal Project as the fuel source for the proposed new major base-load power station.

Coal Characteristics at Pico Quemado

Previous coal analyses from Pico Quemado (Announced 26th August 2015) shows the Pico Quemado coal is high volatile bituminous with good thermal, and potential metallurgical, properties with general quality ranges as follows:

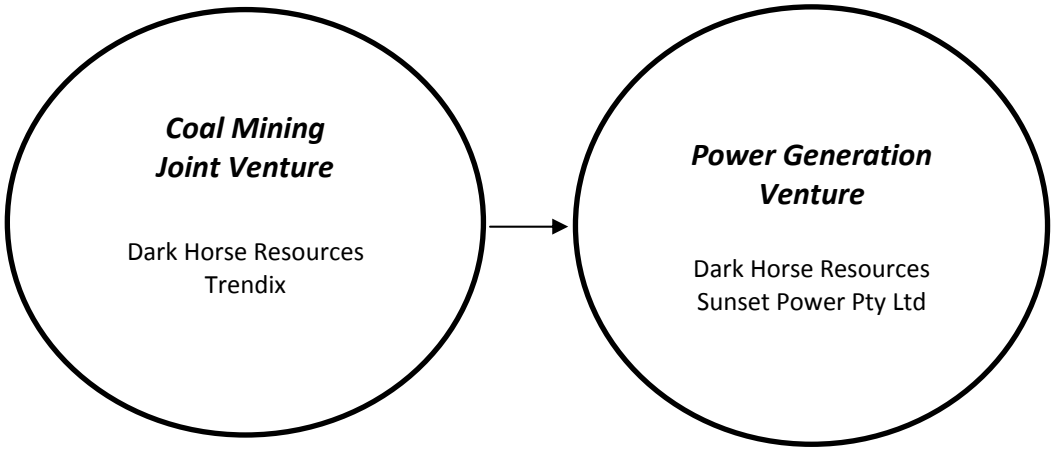
Moisture 2-5%
Ash 10-25%
Volatiles 24-33%
Calorific Value 6000-7400 Kcals/kg
Sulphur 0.2-0.6%
Crucible Swelling Index - up to 5
Mean Maximum Reflectance 0.56-0.68%

A total of six thick seams have been identified in the sedimentary sequence (in parts showing a cumulative thickness of 12m coal), each exposed from the surface to shallow depths affording potential for easy development. DHR envisages that the Pico Quemado product coal will have similar qualities to the New South Wales export standard thermal coals. The coal is high in energy, with moderate ash and low sulphur, which presents the parties with an outstanding opportunity to generate base load electricity and supply power to Argentina using an experienced Australian power generation company.

As outlined in its ASX release of 26 August 2015, DHR has an Exploration Target for the Pico Quemado and Basin projects of approximately 75 million tonnes to approximately 125 million tonnes of coal with an energy (calorific) range of approximately 6,000 Kcals/kg to approximately 7,400 Kcals/kg.

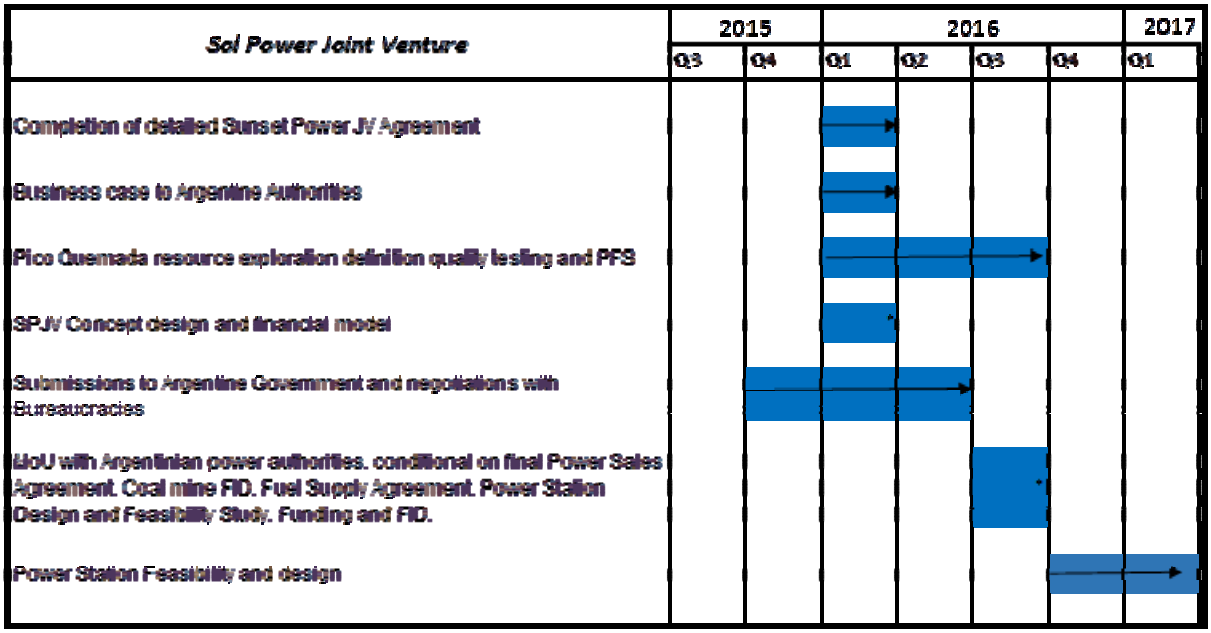
Demand for Electricity in Argentina

Electricity demand in Argentina is growing at approximately 1-2% per annum. The lack of foreign investment adding to the struggle for Argentineans to access cost efficient energy, with peak demand reaching 24,000MW with limited to no spare capacity.



Proposed structure of the elements of the overall Pico Quemado Coal Project and Mine Mouth Coal Fired Power Plant. As outlined in detail in the ASX release of 26 August 2015, DHR has the option to earn up to 75% of the Pico Quemado Coal project.

Table 1 - Indicative Timetable



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Clockwise: From top left: Pico Quemado, meetings in Rio Negro – from left to right - Mr. Juan Pablo Espanola the Secretary of Mines, Mr Neil Stuart Dark Horse Resources Director, the Honourable Alberto Weretilneck Rio Negro Governor, Mr David Mason Dark Horse Resources Director, Mr Tomas Heredia Trendix Director.

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