



## Quarterly Activities Report for the Period Ended 30 June 2016

### Dark Horse Resources Ltd

#### ASX Code: DHR

#### Shares on Issue

734.7 million

#### Market Capitalisation

A\$8.8m (at A\$0.012)

#### Directors

Nick Mather (Non-Executive Chairman)

David Mason (Executive Director)

Brian Moller (Non-Executive Director)

Neil Stuart (Non-Executive Director)

#### Company Secretary

Karl Schlobohm

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### HIGHLIGHTS

#### Projects

- Dark Horse continues to advance its activities and plans for the Pico Power Project, incorporating the Nirihuau Coal Project and the establishment of a 1000MW mine-mouth ultra-supercritical base load coal fired power station to connect to the existing 500kV transmission network serving the Argentinian national electricity network.
- The Company expands its Argentine focus with a substantial lithium acquisition. Package includes an historical lithium-rich spodumene mine and several large exploration licences.

#### Corporate

- Dark Horse Executive Director David Mason has been appointed as the Non-Executive Chairman of the Australia-Argentine Business Council, headed by Mr Enrique Rodriguez as CEO, a progressive business council fostering strong business and public ties between the two countries.
- Senior appointments to Mr Enrique Rodriguez as Dark Horse's Argentine PR Executive Consultant and Mr Marcelo Sanchez as Argentine Project Manager.

## REVIEW OF PROJECTS AND ACTIVITIES

### Excarb (Argentinean Coal Projects)

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

##### Pico Power Project Development

Company Directors and Officers Nick Mather, Neil Stuart, David Mason and Pru Maclean participated in the Latin America Down Under Conference (LADU) in Perth during May, which brought together high level government and private resource and mining executives from many countries to present and discuss the strong growth trends and growing economic clout of Latin America. The Argentine government had a strong presence at the conference with attendance from the Federal Secretary of Mining and Undersecretary of Mining Policies, in the Ministry of Energy and Mining, the Argentine Ambassador to Australia and the Australian Ambassador to Argentina.

Dark Horse presented its 1000MW Pico Power Project, which was overwhelmingly received, particularly because of its strategic importance to the nation's development and growth plans, and its significant economic benefits. Dark Horse intends to develop an ultra-supercritical base load coal fired power station at the Nirihuau Coal Project in western Argentina to connect to the 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 (**Figure 1**). Dark Horse and its future partner (refer below) 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.



Dark Horse Executive Director David Mason presenting at LADU 2016. The federal government Secretary of Mines centre on the panel.

The power generation 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 Australian Government reiterated its commitment in working to enhance its relations with Argentina at LADU and a particularly strong partnership is emerging in the mining and energy sector. Strong relationships were made with government officers of both Australia and Argentina, and plans discussed and set for Dark Horse to advance the Pico Power Project this year. Following submission of the project concept to the Secretary of Energy and the Minister of Mines and Energy in early May 2016, Dark Horse will meet with Ministry officials in Buenos Aires in September to discuss the project in more detail with the primary objective of formalising a plan with the government for progression towards crystallisation.

Dark Horse is finalising negotiations with a major Australian and international group to jointly develop the Pico Power Project, and the Company will make an announcement once agreement is reached. From there, Dark Horse intends for the joint venture to commence a pre-feasibility study on the project to define the major components of the power station, a timeline and budget for development, and a comprehensive financial model.

### **Exploration of the Nirihuau Coal Project**

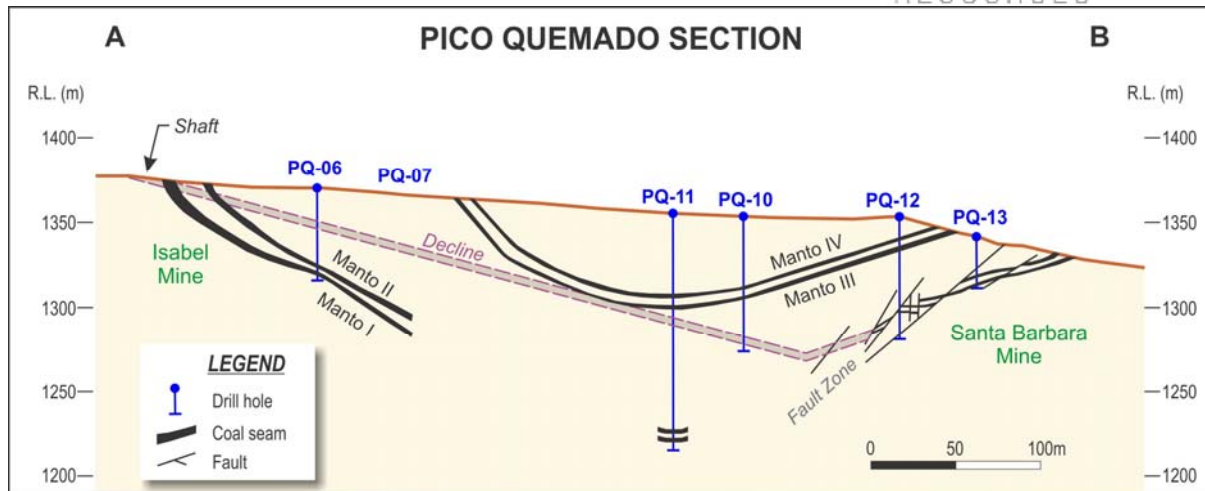
The planned exploration program for the Nirihuau Coal Project, a joint venture option arrangement with successful Argentine mining company Trendix SA, was described in detail in the last quarterly report. The overriding objective is to define sufficient coal resources to support the 1000MW mine mouth Pico Power Project. Based on a comprehensive set of data from all previous exploration works, Dark Horse has an exploration target for the Nirihuau Coal Project of approximately 75 million tonnes to 125 million tonnes of coal with an energy (calorific) range of approximately 6,000 Kcals/kg to approximately 7,400 Kcals/kg. Dark Horse notes that the potential volume and quality of the exploration target is conceptual in nature and that there has been insufficient exploration undertaken to date to estimate a coal resource, and that further exploration may not necessarily result in the estimation of a coal resource.

In summary, the program will focus on the Pico Quemado, Chenqueniye and Las Bayas deposits 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 (**Figure 2**).
2. A combination of detailed geological mapping throughout the Chenqueniye deposit (**Figure 3**), 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 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.**



**Figure 2: Section of the Pico Quemado coal deposit, showing existing drill holes and coal seams.**

The exploration program will be implemented once the Social Licence is obtained, which is the mandatory licence required under the Environment Impact Assessment Licence, to allow the commencement of field works. A work plan is being implemented for this task, which is managed and coordinated by the Rio Negro Government. Winter has interfered somewhat in this process however, a number of meetings and presentations have been made to the relevant local indigenous communities with positive outcomes. 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. It is anticipated that the Social Licence will be obtained during the next quarter which will allow the exploration program to commence.

Dark Horse has provided its future joint venture partner Trendix SA notification that it intends to continue investment in the Nirihuau Coal Project, in line with the terms of the Exploration Agreement with Option-to-Purchase. This includes making various payments to Trendix and meeting minimal expenditure commitments on the project.



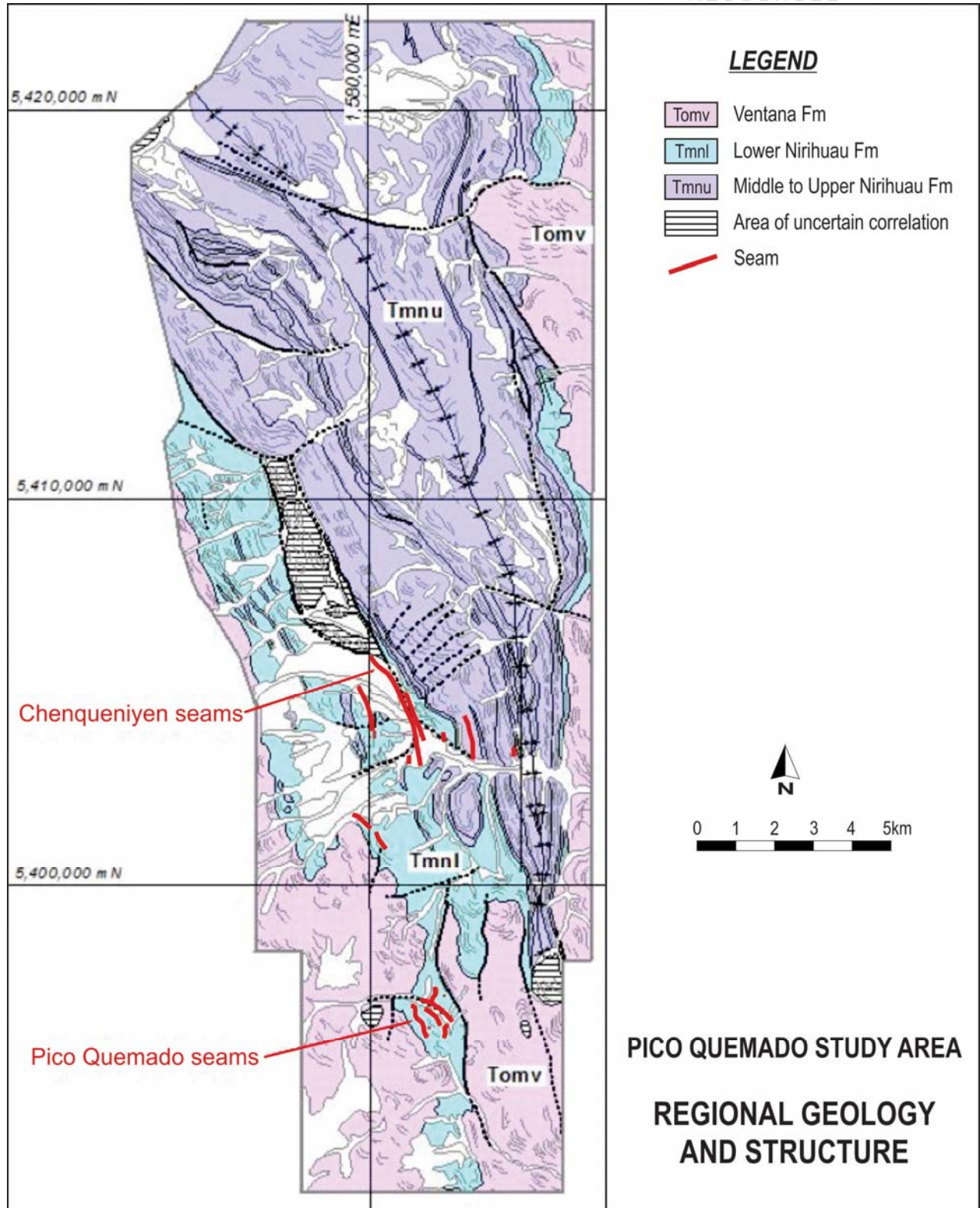


Figure 3: Regional Geology and Structural Map – Pico Quemado Project Area within the Nirihuau Coal Project.

## Electricity Sector in Argentina and the Rio Negro Province

Argentina is presently suffering restricted access to cost-effective energy and power. The development of a mine mouth coal fired power station within Rio Negro would help to address the issue and support sustainable growth of the Rio Negro Province economy.

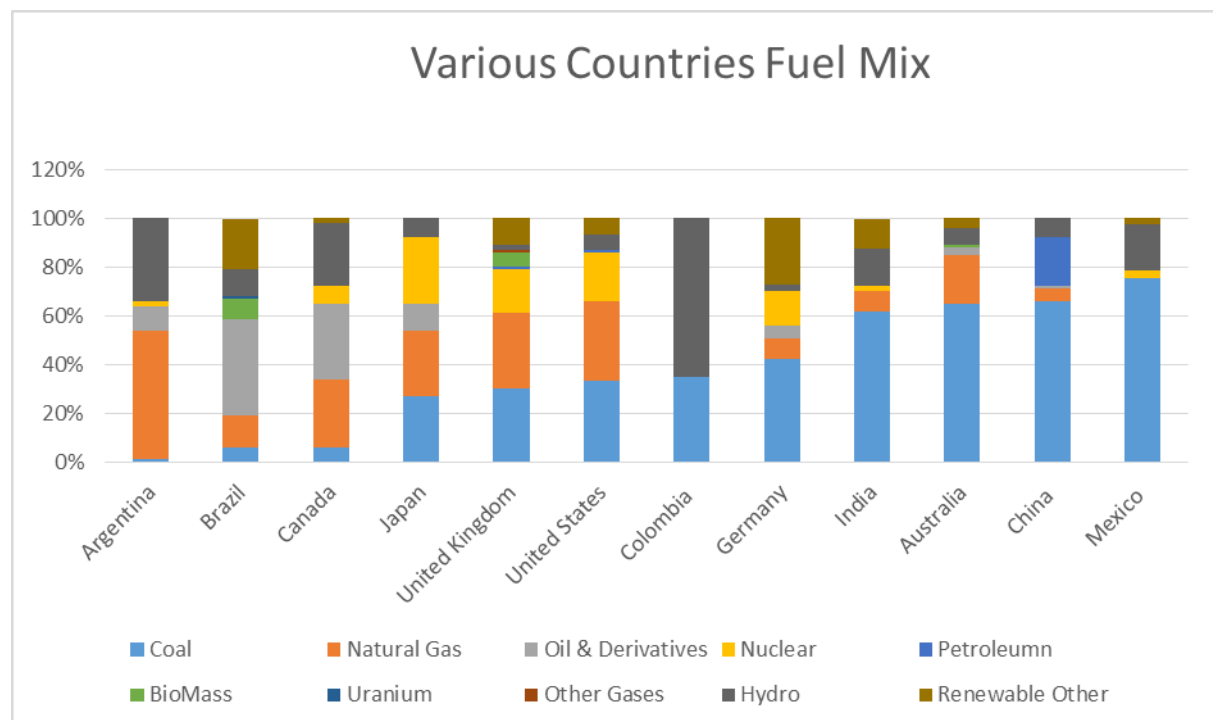
The Province is more sparsely populated than other provinces, with the main industries being agriculture, fishing, oil and gas, and tourism. Cost-effective power would allow (and attract) other industries, including down-stream processing of agricultural and derivative products and create substantial employment for the region.

Argentina has approximately 32,559MW of installed capacity of which only 80% is available, 1,500MW is considered peak power and 3,500MW is over 30 years old and nearing the end of its life. Demand is reaching 26,000MW in peak periods with limited to no spare capacity. This in turn has caused brown outs across the country.

Following the 2001 financial crisis in Argentina, measures were implemented to shield the Argentine consumers from substantial increases in electricity and gas prices caused by the devalued Argentine peso. Today, the Government is still heavily subsidising the electricity sector and importing expensive hydrocarbons to generate electricity. Dark Horse believes there is an opportunity to generate cost-effective electricity through coal fired power without the need for government subsidies.

Argentina has published a 10 year generation plan to install a further 22,000 MW of power including: 10,000MW of Renewable, 8,000MW Thermal, 3,000MW Hydro and 1,500MW Nuclear.

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.



**The current fuel mix in Argentina allows for further thermal generation both economically and environmentally.**

### **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.

### **Lithium Projects – San Luis and Cordoba Provinces, Argentina**

On 26 July 2016, the Company announced that it had entered into a Memorandum of Understanding (MOU) to acquire 100% of Oronegro SA (“Oronegro”), with exclusive rights to explore for lithium and other strategic minerals throughout the San Luis and Córdoba provinces of Argentina.

Oronegro has entered into an Exclusivity Agreement to acquire 100% of the Las Cuevas Mine in San Luis province, which is considered one of the most important spodumene mines in Argentina. Oronegro also holds 36,700Ha of exploration license applications over the most prospective lithium bearing pegmatite fields in San Luis and Córdoba (specifically outlined below).

Oronegro management have been retained by Dark Horse to source and secure other opportunities.

Oronegro holds a portfolio of lithium bearing pegmatite projects comprising:

#### ***a) San Luis Province***

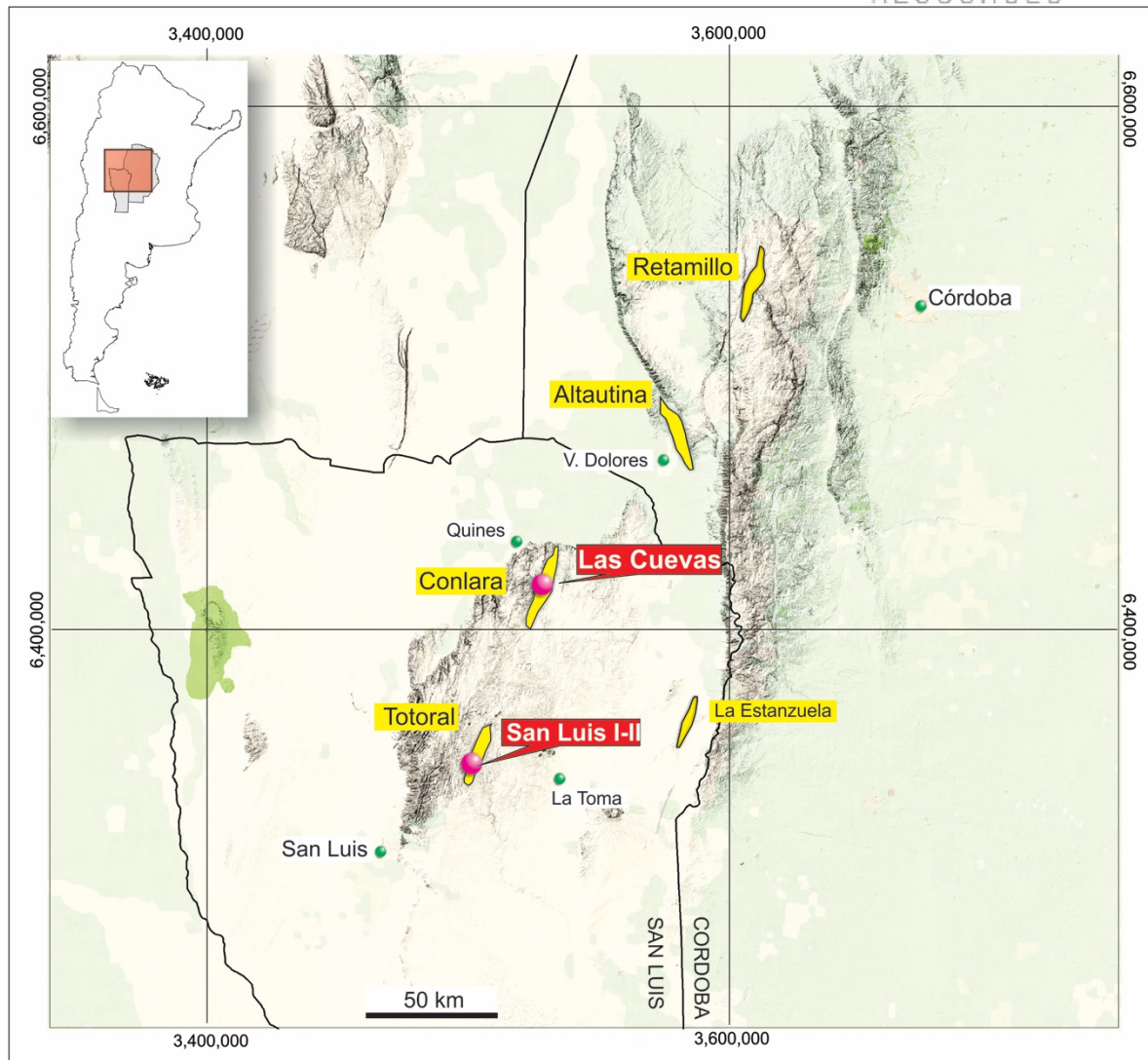
- Oronegro has entered into an “Exclusivity Agreement with Option to Purchase” (EAOP) with the **Las Cuevas Mine** vendor to acquire 100% of the mining properties of Las Cuevas Group, (Las Cuevas, Daniela Luciana II, Pequeña Lulu and San Roque, totaling 49Ha).
- Oronegro has submitted applications for 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.

#### ***b) Córdoba Province***

- Oronegro has submitted applications for Exploration Permits (“Cateos”) as follows:
  - **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.
  - **Piedra Pintada** claim (300Ha) in the southernmost part of the Altautina pegmatite field.

Oronegro is a private Argentine company founded and managed by a team of experienced mining professionals. Its principals include Dr Gustavo Rodriguez, Mr Carlos Saravia Frias and Mr Alastair Morrison. Dr Rodriguez is a Cordoba-based geologist with extensive experience in South America working for international mining groups, including Gold Fields, Iamgold, Crystallex and Mariana Resources. Mr Saravia Frias is a renowned Argentine mining lawyer, a founding partner of the law firm of Saravia Frias Abogados, and a former Vice Minister of the Argentinean Mining and Energy Department. Mr Morrison is an Australian-based mining professional and a director of the ASX-listed OreCorp Limited.





**Figure 4: 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).**

The Company's strategy is to acquire and explore for lithium and other strategic minerals in the geological environment of the Sierras Pampeanas.

On the completion of due diligence, Dark Horse will move quickly to evaluate the Las Cuevas / San Martin Group of properties and also El Totoral District in San Luis Province. 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.

Further project details and the terms of the relevant agreements are outlined in the Company's ASX release of 26 July 2016.





*Old underground workings at the Las Cuevas lithium pegmatite mine.*



*Coarse-grained euhedral spodumene crystals up to 2m in length within the lithium pegmatite zones at the Las Cuevas Mine.*





*Intercalations of quartz-albite with large spodumene, lepidolite and lithium rich tourmaline zones at the Las Cuevas Mine.*

### **NavGas (Australian Oil & Gas Projects)**

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

### **Dark Horse Resources (US Gold Projects)**

The Company is in dispute with Genesis Gold over the nature and structures associated with the New Mexico and Nevada projects. Specifically, litigation continues in the District Court of Nevada in respect of the Carlin East project in Nevada.

The Company has not committed to any further exploration expenditures on these two projects until such time as matters with Genesis Gold have been finalised.

### **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.

## **ACTIVITIES PLANNED FOR THE SEPTEMBER 2016 QUARTER**

### **Argentina**

#### **Pico Power Project**

Dark Horse will meet with Ministry officials in Buenos Aires in September to discuss the project in more detail with the primary objective to formalise a plan with the government for progression towards crystallisation.

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 in the next quarter. 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. Various meetings and presentations with local indigenous 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**

On the completion of due diligence, Dark Horse will move quickly to evaluate the Las Cuevas / San Martin Group of properties and also El Totoral District in San Luis Province. 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.

## **CORPORATE ACTIVITIES**

### **Involvement in the Australia-Argentine Business Association**

Mr Enrique Rodriguez, founder and CEO of the newly formed Australia-Argentine Business Council (AABC) attended the LADU conference, and was sufficiently impressed with Dark Horse's investment commitment and business intentions for Argentina, he requested CEO David Mason's participation in the AABC organisation as Non-Executive Chairman. The AABC is rapidly gaining acknowledgement as a progressive business council amongst government and private entities and the membership and programs are expanding quickly.

### **Appointment of PR Executive Consultant**

The Board wishes to advise that, completely independent from the AABC, Mr Enrique Rodriguez has been engaged as PR Executive Consultant to assist DHR in progressing their mining and energy interests in Argentina, particularly the Pico Power Plant, a large 1000MW power generation project in the Rio Negro province. Mr Rodriguez brings a wealth of expertise and experience in bi-mutual relations between Argentina and Australia and will be a valuable asset in supporting and promoting the Company's business plans at multiple levels throughout both countries to ensure success.

### **Appointment of Argentinean Project Manager**

Additionally, the Board wishes to advise that it has employed Mr Marcelo Sanchez as the Argentinean Project Manager, specifically to drive the business operations of the Nirihuau Coal Project and the Pico Power Project. Mr Sanchez was formally the Business Development Manager of Orocobre Limited, an operating Lithium brine project producing high grade lithium carbonate in north western Argentina, and brings significant engineering and managerial skills to the Company.

## 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.

### For further information contact:

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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)***

No tenements were acquired or disposed of during the quarter.

At the end of the quarter, the Company retains an interest in one (1) project in Nevada and 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
NCAR 1-6	Nevada, USA	Genesis Gold LLC	CED Gold LLC earn up to 100%
NCAR 8-9	Nevada, USA	Genesis Gold LLC	CED Gold LLC earn up to 100%
NCAR 11-12	Nevada, USA	Genesis Gold LLC	CED Gold LLC earn up to 100%
NCAR 14-25	Nevada, USA	Genesis Gold LLC	CED Gold LLC earn up to 100%
NCAR 27-30	Nevada, USA	Genesis Gold LLC	CED Gold LLC earn up to 100%
NCAR 32-108	Nevada, USA	Genesis Gold LLC	CED Gold LLC earn up to 100%
NC 109-114	Nevada, USA	Genesis Gold LLC	CED Gold LLC earn up to 100%
NC 116-119	Nevada, USA	Genesis Gold LLC	CED Gold LLC earn up to 100%
NC 121-217	Nevada, USA	Genesis Gold LLC	CED Gold LLC earn up to 100%
NC 300-336	Nevada, USA	Genesis Gold LLC	CED Gold LLC earn up to 100%
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%

Tenement	Location	Current Holder	% Interest
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%
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***

No tenements were acquired or disposed of during the quarter.

The interests held by the Company are as follows:

Tenement	Location	Current Holder	% Interest
407 – 2008	Marayes, Argentina	Excarb SA	100%
408 – 2008	Marayes, Argentina	Excarb SA	100%
409 – 2008	Marayes, Argentina	Excarb SA	100%
1124 – 131	Marayes, Argentina	Excarb SA	100%
1124 - 132	Marayes, Argentina	Excarb SA	100%
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%