



ASX Announcement

7 December 2015

Argentina Power Project Update

Highlights

- **Power Generation initiatives progressing.**
- **Achieved Environmental approval for exploration at Nirihuau.**
- **Exploration to commence at the Pico Quemado deposit at Nirihuau in early 2016.**
- **Advanced discussions with substantial power station development companies as potential partners for the next stage in power generation continue.**

The Board of Directors of Navaho Gold Limited (**Navaho, ASX:NVG**) are pleased to announce an update on the Company's power generation initiatives around the Nirihuau Coal Project in the Rio Negro province of western Argentina.

Power Generation Initiatives Progressing

Directors Neil Stuart and David Mason travelled to Argentina in November to liaise with the Navaho's Country Manager, Joint-Venture Partners, advisors and contractors, in order to progress the Company's objectives for mining and power generation development in the Rio Negro province. The Directors visited Viedma (the capital of the province) together with representatives of the Company's Joint-Venture Partner for the Nirihuau Coal Project (**Trendix Mining**), and held meetings with officials from the Provincial Government. These meetings included discussions with the Honorable Alberto Weretilneck - Rio Negro Governor, Ing. Marcelo Echegoyen the Secretary for Energy, Mr. Juan Pablo Espinola the Secretary of Mines, Ing. Dina Lina Migani the Secretary for Environmental matters and Ms Andrea Confini the Secretary for Institutional Relations.

The Secretary of Mines accompanied the Navaho-Trendix team to the site, so that he could gain a direct and independent appreciation of the geological and mining potential of the Nirihuau Project, and the perceived social and environmental factors.

Presentations to the Rio Negro Government were well received and we believe the government is likely to value the social benefits the country will receive in the development of the Nirihuau Coal Project. Navaho is aiming to define sufficient economic coal resources to support a modern coal mine at the project site. Discussions are underway regarding the development of a mine mouth power plant at the Nirihuau site.

EIA Approval and Exploration to Commence in 2016

Following the meetings with Government officials, Navaho's Joint-Venture Partner (Trendix), was informed that their application for environmental approval to carry out exploration work had been granted. Exploration work, including drilling, is planned to commence in the first half of 2016.



Navaho's objective is to define sufficient JORC compliant resources to support the mine development and the mine mouth power generation plans.

The Company wishes to advise that discussions have been initiated with substantial power station developers regarding potential corporate partners for securing the development and financing of a power station development in Argentina. The Company will release further updates on this matter as it progresses these discussions.

Greater Argentina

A new national President was elected in Argentina on the 22nd November 2015. The President elect is Sn. Mauricio Macri who is from the opposition alliance Cambiemos ("Let's Change"), which is a conservative-centre-right party with a developmental agenda aiming to attract private capital from both within Argentina and internationally. His election ends a 12 year period government by the Frente para la Victoria party held by Nestor and Cristina Kirchner.

Mining companies, businesses and investors in Argentina, and offshore, are optimistic that the new President will aim to introduce measures to create economic stability.

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.

Argentina has approximately 29,000MW of installed capacity, 1,500MW of which is considered peak power and 3,500MW of which is over 30 years old and nearing the end of its life. Demand is reaching 24,000MW in peak periods with limited to no spare capacity. This in turn has caused some 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. Navaho believes there is an opportunity to generate cost-effective electricity though coal fired power without the need for government subsidies.

There are two existing coal fired power stations in Argentina. The 240MW plant located near the Rio Turbio coal mine in Santa Cruz Province (Patagonia) and the 650MW San Nicholas plant in Buenos Aires Province. The former is supplied by the state owned coal mine, which extracts lower quality coal and has difficulty in providing enough fuel to allow the power station to operate at full capacity. The San Nicholas plant runs on a mix of imported coal and fuel oil.

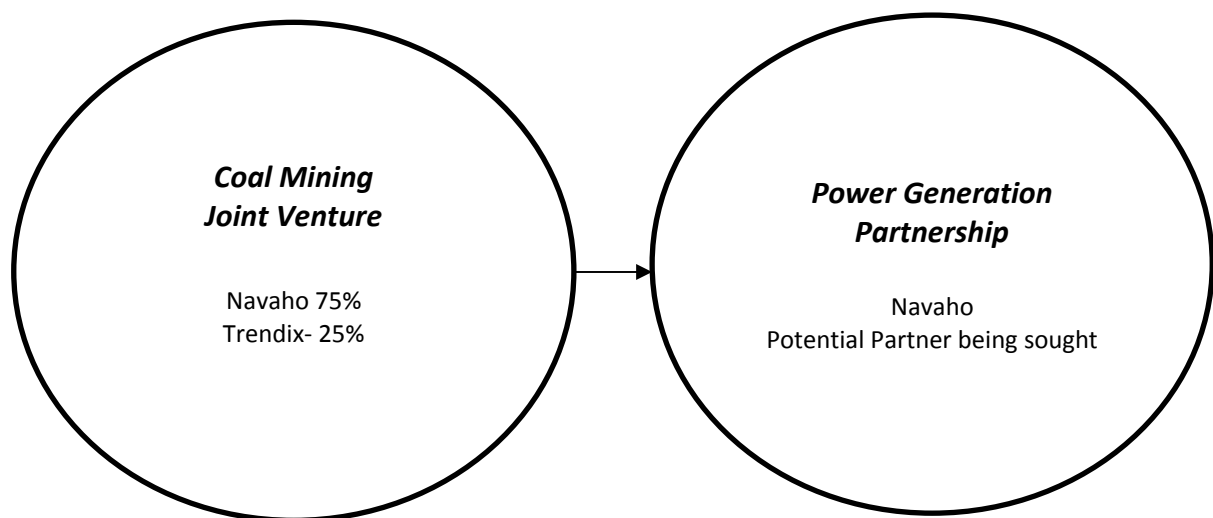
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In addition to the use of coal in power stations (and, of course, steel making), there are many industries which use (or could use) coal for their processing/manufacturing needs – lime kilns, cement plants, fertilizer manufacturers, breweries, agriculture product processing, activated carbon, carbon fibre, silicon metal (used to produce silicones and silanenes – which in turn are used to make lubricants, resins, cosmetics etc.) and many other uses.

In relation to the Company's Marayes Coal Project in the San Juan Province, a market study has revealed a potential demand for approximately 200,000 tonnes of coal per annum within economic transport distances of the project site. The Company will carry out similar marketing studies for the Nirihuau Project in the Rio Negro Province, as it is clear there will be some industrial fuel requirements in addition to supplying a power station.

It is important to note that the world demand for, and the use of coal, is in fact increasing, in line with increasing demand for energy. The International Energy Agency (IEA) projects coal consumption worldwide will increase by 17% through to 2035. Another study showed that in South-east Asia, there are currently 1066 HELE (High Energy Low Emissions) coal fired power plants in construction or in the planning phase for construction in the near future. In addition, it is widely recognised that there are some processes where there is absolutely no economically viable substitute for the use of coal – such as steel making and cement manufacturing.

A coal mine and power station in Rio Negro Province could contribute greatly to the growth and development of the local and provincial economy, creating new employment and associated service industries.



Proposed structure of the elements of the overall Nirihuau Coal Project and Mine Mouth Coal Fired Power Plant.



Clockwise: From top left: Pico Quamado, meetings in Rio Negro – from left to right - Mr. Juan Pablo Espinola the Secretary of Mines, Mr Neil Stuart Navaho Director, the Honorable Alberto Weretilneck Rio Negro Governor, Mr David Mason Navaho Director, Mr Tomas Heredia Trendix Director.



On behalf of the Board
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