



## ASX Announcement

26 August 2015

### Option Arrangement for the Highly Prospective Nirihuau Coal Project in Argentina

The Board of Directors of Navaho Gold Limited (**Navaho**, ASX: NVG) is pleased to advise that the Company has executed an Exploration Agreement with Option to Purchase with Trendix SA (**Option Agreement**) for Navaho to progressively acquire an interest of up to 75% in the highly prospective Nirihuau coal project in the Rio Negro province of Argentina.

This proposed acquisition will compliment Navaho's existing Argentinean Marayes coal project.

The consideration payable for entering into the Option Agreement is the sum of USD35,000 in cash.

The progression of Navaho's interest in the project is dependent on Navaho's election to continue to meet a combination of staged earn-in payments and project expenditure commitments, as outlined in further detail below.

#### Staged Equity Arrangements

Should Navaho elect to continue to progress each stage of the farm-in arrangement, it will make the following payments, through to a total equity position of 75%:

At settlement	USD35,000 in cash
6 months	USD35,000 in cash and USD25,000 in Navaho shares ( <b>First Share Payment</b> )
12 months	USD125,000 in cash and USD30,000 in Navaho shares
24 months	USD250,000 in cash
36 months	USD350,000 in cash
48 months	USD500,000 in cash
60 months	USD3,075,000 in cash

The price of the Navaho shares to be issued shall be the average market price of Navaho shares on ASX over the 5 day period ending on the trading day before the allotment of the shares is due to be made.

Assuming:

- a current exchange rate of AUD1.00 = USD 0.73;
- no further Navaho shares are issued over the next 6 month period; and
- based on the closing price of \$0.002 per Navaho share,

the First Share Payment would result in approximately 17.12m Navaho shares being issued which would equate to some 2.86 % of Navaho's issued share capital.

Navaho is entitled, at the end of every 12 month period, to elect whether to continue with the Option Agreement. Additionally, Navaho has a right to terminate the Option Agreement at any time with Navaho's only obligations being any payments which it had elected to make prior to termination.

Navaho Gold Ltd ACN068 958 752

Level 27, 111 Eagle Street GPO Box 5261 Brisbane QLD 4001

p +61 7 3303 0650 f + 61 7 3303 0681 e [info@navahogold.com](mailto:info@navahogold.com) w [www.navahogold.com](http://www.navahogold.com)



Navaho can establish a 50.1% equitable position in the project once it has made payments of USD3.3m and allotted \$USD27,500 worth of Navaho shares to Trendix. Navaho has the right to do this at any time. An incorporated joint venture will then arise with a joint venture mining company to be formed between Navaho and Trendix at that point.

### **Staged Exploration Expenditures**

Should Navaho elect to continue to progress each stage of the farm-in arrangement, it will undertake the following stepped exploration and project development expenditures:

Within the first year	USD150,000
Within the second year	USD250,000
Within the third year	USD350,000
Within the fourth year	USD450,000
Within the fifth year	USD550,000

By way of comparison, exploration expenditure by Navaho in the 2013/14 year was approximately AUD427,000 (AUD1.8m for 2012/13). Under the staged expenditures outlined above, any excess expenditures in any one year will carry forward to Navaho's benefit.

Once the parties arrive at the 75% / 25% equity position, each party must fund their own costs of the development and construction expenditure for a mine and associated infrastructure. Should either party fail to meet their share of costs, normal dilution rules apply, provided that Trendix shall at all times have a non-dilutable 5% interest in the project or joint venture company. Should it be so diluted, Trendix may elect to be debt financed by Navaho for a further 5% interest (for a combined total equity interest of 10%) with repayment of principal, interest (to be charged at standard Argentinean commercial rates) and associated costs to come from any future profit stream.

Once Navaho has acquired a shareholding in the joint venture company it will have usual drag rights enabling it to require Trendix to sell out to a third party in appropriate circumstances if Navaho at some future time receives a purchase offer.

Navaho believes the Option Agreement has the support of major Navaho shareholders and noting that Navaho has extensive rights enabling it to withdraw from the Option Agreement, it does not consider that formal endorsement of the Option Agreement by shareholders in general meeting is required.

### **About Trendix SA**

Trendix S.A. is a well established, private Argentinian mineral company involved in exploration and mining of a varied range of mineral commodities in Argentina. It is managed by a team of well qualified and experienced geoscientists and has projects focused on coal, industrial minerals and precious metals within Argentina and South America. Trendix presently operates a diatomite mine, which supplies product to local markets, as well as exporting to Brazil and Europe.

# Navaho Gold

## About Navaho

Since its ASX debut in 2012, Navaho has slowly evolved into a diversified exploration company, with interests in gold projects in the USA (currently in dispute), numerous mineral licence applications in Australia, oil and gas project interests in Australia (held via NavGas Pty Ltd), and coal project interests in Argentina.

Specifically with regard to Argentina, with its existing Marayes project and the new Nirihuau project, the Company now has exposure to shallow coal assets in Tertiary and Triassic aged formations on the eastern side of the Andes in Argentina (refer **Figure 1**). Both projects are located within close proximity to access to existing rail networks with links to industrial areas and ports.



**Figure 1: Location of Marayes and Pico Quemada Projects, Argentina**

# Navaho Gold

## About the Nirihuau Project

The Nirihuau project area is located in the Rio Negro Province of the Patagonia region of southern Argentina (**Figure 1**). The project area covers the substantial Nirihuau Basin, which contains the smaller, southern Pico Quemado deposit, and the much larger, northern Chenqueniyeu deposit. The basin is an asymmetrical, 25km long and 10 km wide, southerly plunging syncline with a north-south axis. The sediments dip towards the centre of the basin with shallower dips on the western side, and steeper dips on the eastern side.

The coal bearing Nirihuau Formation (Miocene) extends over a strike length of 25km, which is fully contained within the Nirihuau project's portfolio of tenements. The coal measures comprise a minimum of 6 main seams up to 2 metres thick with an aggregate thickness of up to 12 metres. Coal seam outcrops at surface are common and extensive. Surface samples from the seam outcrops (which are only weakly oxidized) show both good quality thermal, and preliminary coking coal characteristics. Coal quality is expected to improve subsurface.

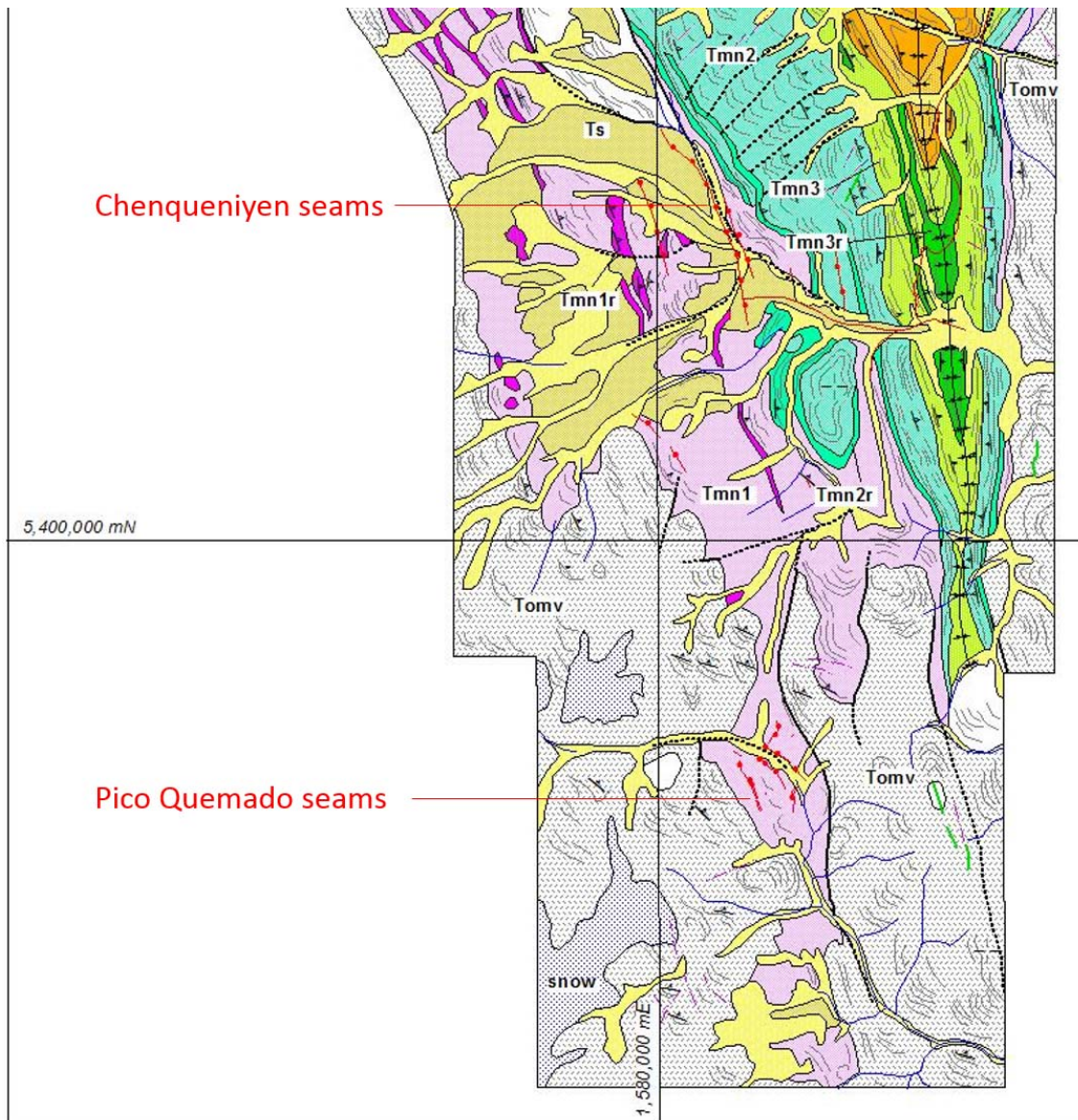
The Pico Quemado project was explored from the 1930's through to the 1950's by the State Mining Company YCF, who drilled approximately 1,000m of shallow core drilling. This supported shallow underground coal mining during this period, which was the principal mining technique utilised in this era. It has been the second largest coal operation in Argentina's mining history.



**Figure 2: Photo of coal seam outcrop within the Nirihuau Project area**



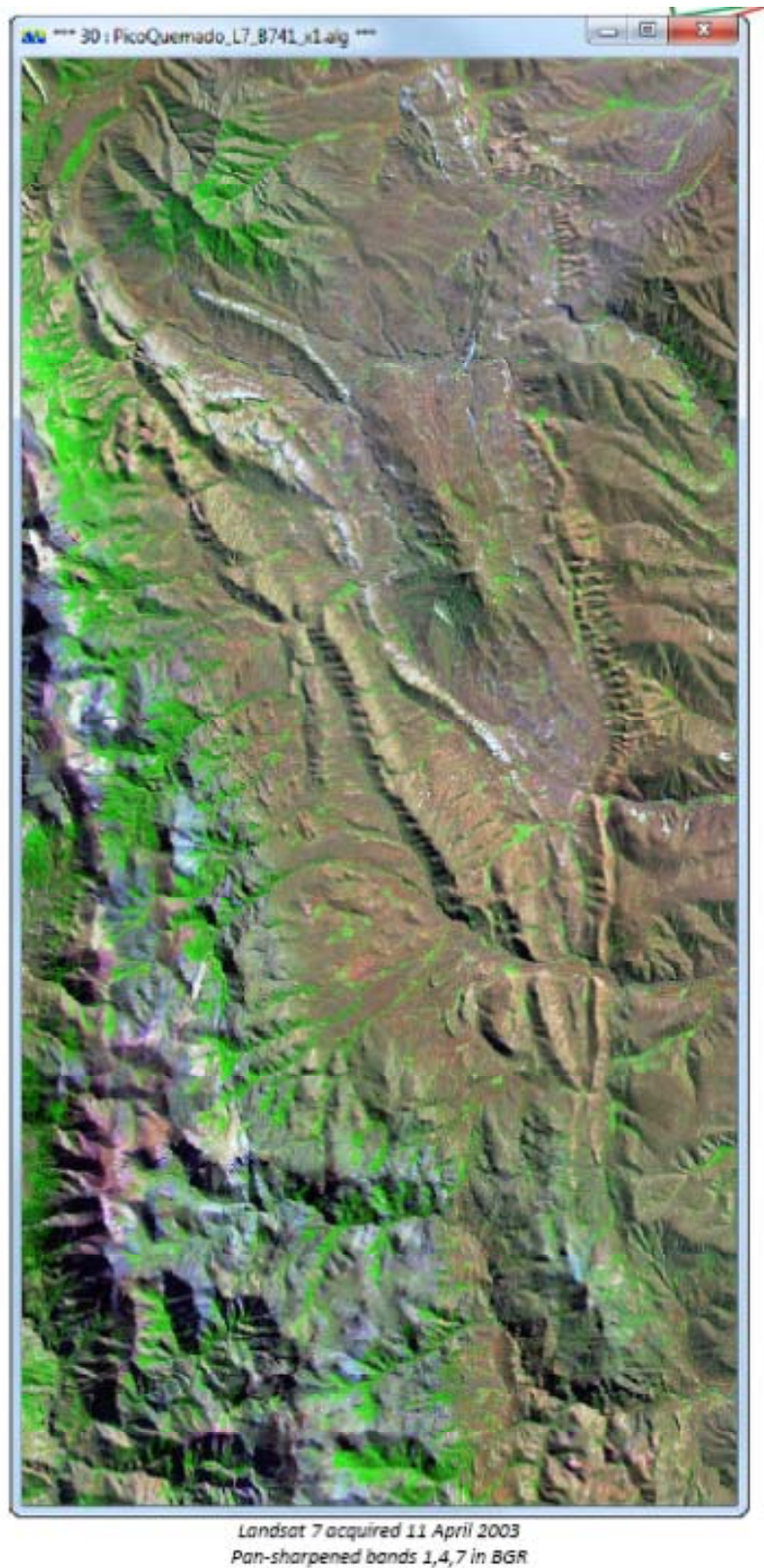
# Navaho Gold



**Figure 3: Structural and geological map of the Nirihuau project area**

Trendix have carried out a series of geological mapping programs, both in the Pico Quemado and Chenqueniyeu areas in recent years, which have confirmed the extensive nature of the coal seam sequence. Excarb SA (100% owned by Navaho) carried out a detailed Photogeological Interpretation of the Pico Quemado project utilising Wv2/Landsat/Srtm Satellite Imagery in 2013 (**Figure 4**) to define the basin structure, and followed this through with reconnaissance mapping, and coal seam sampling and testing (analyses were carried out at an ALS laboratory in Australia). This work has confirmed the results of the fieldwork of Trendix.

# Navaho Gold



**Figure 4: Landsat Image of the Nirihuau Project area, Rio Negro, Argentina**





The Excarb analyses have shown 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%

Based on a review of available historic mining and exploration data and reports, geological exploration work undertaken by Trendix, interpretation of Landsat imagery, initial laboratory test work (refer above), and with up to six coal seams identified in the coal measure sequence (in parts showing a cumulative thickness of 12m coal) observed over a strike length of 25km in a synclinal basin, Navaho has an Exploration Target for the Nirihuau project 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. Further coal quality ranges as stated above are indicative of the coal quality, based on laboratory test results. Navaho 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. Navaho is planning to undertake its own work program, including resource definition drilling, within the next 12 months to start testing the basis of the Exploration Target.

The project area is approximately 600km west of the coastal port of San Antonio d'Este, and somewhat further to the larger port of Bahia Blanca. Potential markets for the coal would include power generation and general domestic industrial thermal uses along the eastern seaboard of Argentina, and export markets for coking coals.

Navaho's objectives are to carry out exploration to define satisfactory coal resources to meet these markets. Exploration programs will entail exploration and resource definition drilling and coal quality testing to allow feasibility studies to be undertaken to confirm the suitability of the resource to open cut mining and for utilisation in the Argentinean energy market.

**Navaho Chairman Mr Nicholas Mather said:**

**"Navaho is very pleased to be able to add the Nirihuau Coal Project to the company's portfolio of investments and I would like to make special thanks to our future joint venture partners Trendix, represented by their President Tomas Heredia. Trendix have an extensive knowledge of the Nirihuau coal resources and add substantial Argentinian exploration and mining expertise to the group."**

**The unique and re-emergent macro economic turnaround expected in Argentina over the next 5 years will, we believe, help stimulate requirements for new power generation facilities. Navaho will seek to apply state of the art coal fired power generation technology to the Nirihuau Project, and in doing so, deliver substantial cost savings to Argentina."**

# Navaho Gold

## 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 Navaho Gold 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.



On behalf of the Board  
Mr Karl Schlobohm  
**Company Secretary**

## For further information contact:

**Mr Nicholas Mather**  
Chairman, Navaho Gold Ltd  
Ph: 07 3303 0650

**Karl Schlobohm**  
Company Secretary, Navaho Gold Ltd  
Ph: 07 3303 0650

[www.navahogold.com](http://www.navahogold.com)  
[info@navahogold.com](mailto:info@navahogold.com)