

ASX announcement

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Acquisition of Canadian Lithium Deposits

Argonaut Resources NL (ASX: ARE) (*Argonaut* or the *Company*) is pleased to announce it has secured an exclusive option to acquire 100% of the Crescent Lake Lithium Project. The project consists of two adjacent lithium deposits approximately 250km NNW of Thunder Bay in Ontario, Canada.

Highlights

- Argonaut secures a quality lithium project in the week **Goldman Sachs declares lithium the 'new gasoline'**.
- The project includes mineral claims that cover **two lithium deposits: Zigzag and Falcon Lake**.
- The deposits are hard rock, **spodumene pegmatite deposits**.
- Deposits are defined by high quality but limited historic and recent diamond core drilling.
- The areas surrounding these known deposits are yet to be systematically explored and there is potential to define deposit extensions and additional deposits.
- The deposits are well located close to the **North American rail network and a major port**. Deposits are accessible by road from Thunder Bay, Ontario.

The combination of a secure mining jurisdiction, defined lithium mineralisation and easy rail access to US battery manufacturing facilities makes the Crescent Lake Lithium Project an extremely attractive investment opportunity.

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Crescent Lake Project (Argonaut acquiring 100%)

Location and Infrastructure

The Crescent Lake Lithium Project is located 250km NNE of Thunder Bay, north of Lake Superior in Ontario, Canada.

The project consists of 12 claim areas in two clusters. These areas are accessible by road from Thunder Bay via Armstrong Station. A class-one railway line runs within 20km of the project area, and Armstrong (railway) Station is located 75km to the south-west. The rail network interconnects with the US.

The Port of Thunder Bay is a major facility that ships grain, coal, liquids and general cargo via the Great Lakes to the Atlantic Ocean.

Electricity substations and gas pipelines are located between Lake Superior and Lake Nipigon, 50-60km south of the project area.



Figure 1: Project location map.

Deposit Geology

The Crescent Lake lithium deposits are hard rock, 'complex-type/spodumene sub-type' pegmatite deposits. They are defined by two phases of drilling: historic diamond core drilling, undertaken in the 1950s; and limited modern diamond drilling completed in 2011, plus trench sampling.

The pegmatites also feature elevated tantalum and are geological comparable to the lithium tantalum pegmatites being mined at Tanco in Manitoba, Canada and Greenbushes in Western Australia.

The known deposits outcrop and are potentially suitable for open-cut mining.

A detailed report containing drill intercepts and deposit geology will be released on compilation and interpretation of existing data.

Exploration Potential

Argonaut considers claim areas under option to have strong potential for the discovery of additional deposits. The areas surrounding outcropping spodumene pegmatites are yet to be systematically explored by surface sampling. Volcanic and sedimentary cover is interpreted to obscure certain areas surrounding the known occurrences.

Significant opportunity exists to define:

- further mineralised pegmatites;
- stacked pegmatites associated with known occurrences;
- strike extensions to known pegmatites; and
- down-dip extensions to the existing, shallow (<75m) drill intercepts.

In recent years, assay techniques designed to highlight sub-surface lithium bearing pegmatites have been developed and demonstrated to be effective in the Crescent Lake environment. Claim areas under option are yet to be explored using this technique.

The project benefits from its location in a geological province hosting several lithium mines and deposits, a high quality database of previous work and access to experienced local geological contractors.

Regional Lithium Deposits

Several internationally significant hard rock lithium deposits occur in the region.

Tanco Mine: is an underground lithium, caesium and tantalum mine located in Manitoba Province, 500km west of Crescent Lake. The Tanco ore body is also pegmatitic.

Separation Rapids: is a complex-type lithium pegmatite deposit located 440km west of Crescent Lake within the same geological sub-province.

Georgia Lake: spodumene pegmatite deposit located 60km south of the Crescent Lake Project.

Seymour Lake: is a Lithium-Beryllium-Tantalum pegmatite deposit located approximately 10km west of the Crescent Lake Project.

Lithium Market

The lithium market is known to be in short supply due to the sharp increase in demand for lithium-ion batteries used in electric cars and domestic power storage systems. Storage of renewable electricity is a major international issue and domestic self-sufficiency via solar panels and lithium-ion storage units has mass consumer appeal.

The sale of all-electric and hybrid vehicles more than quadrupled in China between 2013 and 2014 and Tesla's 'gigafactory' in Nevada hopes to supply lithium-ion batteries for over 500,000 cars within five years.

As of May 2015, the estimated maximum international supply rate of lithium carbonate equivalent (*LCE*) was 235,000 tonnes per annum. Industry insiders note that long-term producers have been slow to react to the increased demand. The price of 99%-pure lithium carbonate imported to China more than doubled to \$13,000/tonne in December 2015 – a reflection of the tight market.

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Option Agreement to Acquire 100%

A subsidiary of Argonaut entered an option agreement with Canadian Orebodies Inc. (COB) on 3 March 2016 (the *Option*). The principal terms of the Option are:

1. COB grants Argonaut an exclusive option to conduct a due diligence study on the Crescent Lake Project for a period of six weeks in return for a payment of C\$20,000.
2. The Option defines the material terms of a definitive agreement.
3. Argonaut may exercise the Option by paying COB C\$50,000.
4. An interim option fee of C\$150,000 is due on 1 July 2016.
5. Argonaut will then have until 30 November 2016 to complete its assessment of the project at which time it can elect to purchase 100% the Crescent Lake Project for C\$200,000.
6. The following milestone payments are also defined in the Option:
 - a. C\$400,000 in cash or shares payable to COB on announcement of a maiden resource; and
 - b. C\$1,000,000 in cash or shares payable to COB on decision to mine.
7. Claims are subject to a 2% royalty, payable to historic vendors.

The transaction may be subject to ASX approval.

Lindsay Owler

Director and CEO

Argonaut Resources NL

Sections of information contained in this report that relate to Exploration Results were compiled or supervised by Mr Lindsay Owler BSc, MAusIMM who is a Member of the Australasian Institute of Mining and Metallurgy and is a full time employee of Argonaut Resources NL. Mr Owler holds shares and options in Argonaut Resources NL, details of which are disclosed in the Company's 2015 Annual Report. Mr Owler has sufficient experience which is relevant to the style of mineral deposits under consideration 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 Mineral Resources and Ore Reserves". Mr Owler consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.