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P r o j e c t D e s c r i p t i o n a n d L o c a t i o n

The Navidad silver development property is located in Gastre Department in the Province of Chubut, southern Argentina and covers an area of 10,000 hectares. The project is 1,580 km southwest of Buenos Aires and 360 km west of Puerto Madryn.

H i s t o r y

The first known exploration program that included the Navidad property area consisted of a preliminary regional geochemical sampling program conducted by Normandy Argentina ("Normandy") in mid-2000 to locate additional deposits to supplement those known at its Calcatreu Property, a gold and silver deposit located approximately 80 km from Navidad. The program consisted of 1,200 bulk leach extractable gold (BLEG) stream sediment samples taken from drainage systems overlying Jurassic volcanic rocks in Chubut Province in the general vicinity of Calcatreu, Mina Angela, Gastre, Lagunita Salada, Gan Gan, and other areas. This program took place on what was then considered open exploration ground, and resulted in the identification by Normandy of various anomalies, including the Flamingo Prospect and Sacanana, which is today known as Navidad.

In January and February 2002, Newmont Mining ("Newmont") purchased Normandy's worldwide mining interests, and in March 2002, Newmont decided to sell all of its interests in Argentina. In September 2002, IMA Exploration Inc. ("IMA") signed a confidentiality agreement in order to obtain a copy of the Information Brochure and technical data related to Newmont's Argentinean interests, which included the Calcatreu Project. In December 2002, IMA applied for exploration concessions (cateos) over the area formerly known as Sacanana and now known as Navidad, utilizing and relying upon the Normandy BLEG data (known as BLEG A), and began undertaking a regional exploration program over the Navidad area, including regional mapping and sampling. From December 2002 to July 2006, IMA conducted diamond drilling, geochemical sampling, geophysical exploration, and mineral resource estimates at Navidad.

In January 2003 Aquiline entered into an agreement with Newmont, which was completed in July 2003, to purchase all of the shares of Normandy and Newmont's 100% interest in Calcatreu, and acquired all of Newmont's assets including the BLEG A data. In May 2003 Aquiline reviewed the BLEG A data and found that the ground covered by the BLEG A data had already been claimed by IMA. After failure to receive a credible response from IMA as to how they could otherwise have made a legitimate discovery at Navidad without having breached the terms of the confidentiality agreement, Aquiline went on to file suit in the Supreme Court of British Columbia in March 2004.

The Supreme Court of British Columbia awarded ownership of the Navidad property to Aquiline on 14 July 2006 following a court case with IMA where IMA was found to have breached the Confidentiality Agreement. IMA subsequently appealed to the Court of Appeal for British Columbia, but lost the appeal by unanimous decision in June 2007. An Application for Leave to Appeal to the Supreme Court of Canada was filed by IMA in September 2007. Sole ownership rights were granted to Aquiline by the

Supreme Court of Canada on December 20, 2007, subject to Aquiline making payment to IMA which would reimburse the latter for its accrued exploration expenditures up to the July 2006 court decision. Aquiline's final payment to IMA was made on February 8, 2008, giving Aquiline full ownership of the Navidad property.

From October 2006, Aquiline undertook diamond drilling, geophysical and geochemical exploration, metallurgical test work, resource estimates, and a preliminary assessment for Loma de La Plata.

On October 14, 2009, we announced a friendly offer to acquire all of the issued and outstanding securities of Aquiline. On December 7, 2009, we acquired approximately 85% of the issued and outstanding shares of Aquiline and extended our bid to December 22, 2009, and on that later date, we took up approximately an additional 7% of the issued and outstanding shares in the capital of Aquiline. Since the offer to acquire the Aquiline shares was accepted by holders of more than 90% of the Aquiline shares. On December 23, 2009, we provided notice to the remaining shareholders of our intention to exercise our right to acquire the remaining issued and outstanding Aquiline shares pursuant to the compulsory acquisition provisions of the Business Corporation Act (Ontario). Pursuant to the compulsory acquisition, we acquired the balance of the Aquiline shares on or about 22 January 2010.

Silver Wheaton Corp., through its subsidiary, Silverstone Resources (Barbados) Corp., has the right to purchase 12.5% of the life of mine payable silver produced at the Loma de La Plata deposit pursuant to a convertible debenture that, upon conversion, committed the parties to a future "silver stream" agreement. This agreement is currently being negotiated with Silver Wheaton Corp.

Early in 2010, we took possession of the Navidad property. We continued with a rigorous drilling campaign, metallurgical testing, hydrologic analysis, environmental studies, and several other works on the Navidad property site during 2011. A preliminary assessment of the Navidad property deposits was completed in January 2011. Metallurgical testing of both older and new drill core continued at G&T in Kamloops, British Columbia. Crushing and grinding test work was completed at the SGS laboratories in Santiago, Chile.

Legislation in place in Chubut (Law 5001) prohibits open pit mining and the use of cyanide in the entire province. No cyanide is expected be used to process the material anticipated to be mined at the Navidad property, but given the depth and orientation of the deposits, the economic mine plan involves open pit mining. The status of this law banning open pit mining methods would need to be changed before permits for the development of Navidad can be obtained.

Our tenements are subject to Argentinean law and policy, which may in the future result in surrender of certain of its tenements outright and/or the reduction in area of its holdings.

In July 2012, we reported that the Governor of Chubut submitted a draft bill to the provincial legislature that would regulate all oil and gas and mining activities in the province. The draft legislation incorporated the expected zoning of the province, which would allow for the development of Navidad as an open pit mine. However, the same draft legislation proposed to introduce a series of new regulations which would significantly increase provincial royalties and impose the province's direct participation in all mining projects, including Navidad. No amendments to the law have yet been instituted and even if the law were to be changed, it is unclear whether it would be amended in a manner which would encourage further investment. As a consequence of the situation in Argentina, Pan American recognized an impairment charge of approximately \$100 million against the carrying value of the project in the fourth quarter of 2012.

G e o l o g y a n d M i n e r a l i z a t i o n

The Navidad Project is located on the southwest edge of the Northern Patagonia Massif in southern Argentina. This boundary of the massif is coincident with the Gastre Fault System, a mega-structural feature believed to be the result of continental-scale northeast to southwest extension that produced a series of northwest to southeast trending half grabens and tectonic basins. Granitoid rocks of the basement in northern Chubut Province belong to the Palaeozoic age Mamil Choique and Lipetren formations. Locally these rocks are exposed at surface in windows through the overlying Mesozoic age volcanic and sedimentary rocks. At Navidad the Mesozoic sequence consists of the Lonco Trapial Formation and overlying Cañadón Asfalto Formation. The latter of these formations hosts the Navidad mineralization.

The oldest rocks are Palaeozoic aged (Mamil Choique Formation) and crop out along the west side of the area. They comprise red and grey granitoids, cut by aplite dykes and quartz-rich pegmatites. These crystalline basement rocks are overlain by a Jurassic sequence of volcanic (Lonco Trapial Formation), and sedimentary (Cañadón Asfalto Formation), rocks. These are the host for silver

mineralisation at Navidad. The contact between the Mamil Choique and Lonco Trapial formations lies about 6.5 km southwest of Navidad.

The older rocks are overlain unconformably by the Cretaceous aged Cerro Barcino Formation of the Chubut Group, comprising continental sandstones, conglomerates and tuffs. The youngest rocks are Miocene aged plateau basalts of the Pire Mahuida Volcanic Complex.

The oldest rocks at the Navidad Project comprise the Mamil Choique Formation. This is overlain by ignimbrites, volcanic agglomerates, and lavas of the Lonco Trapial Formation. These rocks crop out on the southwest side of a complex, faulted sedimentary basin filled by sandstones, mudstones and limestones of the Cañadón Asfalto Formation. Lonco Trapial ignimbrites also occur on the northeast side of the basin. The basin includes, and is defined by, three northwest-striking major fault zones, generally referred to as 'trends'. These comprise the Argenta, Esperanza, and Navidad trends. The Navidad Trend, which includes the bulk of the silver mineralisation, occurs in the immediate hanging wall of a major northeast-striking fault known as the Sauzal Fault. Most of the economic mineralisation is hosted by the upper of two trachytic andesite lava flows referred to as latite. The latites overlie an extensive andesite flow.

To date, the Navidad property comprises eight individual epithermal mineral deposits in the Navidad, Esperanza, and Argenta trends. The six deposits of the Navidad Trend occur along strike over a distance of about 5.8 kilometres and are essentially continuous. They comprise, from northwest to southeast: Calcite NW, Calcite Hill, Navidad Hill, Connector Zone, Galena Hill, and Barite Hill. The Valle Esperanza deposit occurs on the east flank of the Esperanza Trend and is found approximately 400 metres south-southwest of Galena Hill. The Loma de La Plata deposit occurs in the north part of the Argenta Trend, approximately 2.2 kilometres southwest from Calcite Hill.

In all of the Navidad deposits the gangue minerals are principally calcite with minor barite. Silica is less important and occurs mostly as chalcedony and late amethyst. Ore minerals recognizable with a hand lens include: native silver, clots of black sulphide comprising argentite/acanthite, discrete grains of sphalerite, galena, chalcocopyrite, cuprite, bornite, native copper and copper carbonates (malachite, azurite). Similar styles of mineralisation and a similar paragenesis occur in most of the deposits. However, the proportion of sulphides varies considerably. Loma de La Plata is silver-rich, but is sulphide-poor and contains very low levels of lead, zinc and copper. Various pulses of mineralisation are observed, principally at Galena Hill.

The principal metal association is Ag-Pb. Other associations include Ag-Pb-Cu and Cu-Ag and, more rarely, Ag-Zn. Occasionally there is Ag only, or Cu-Pb-Zn or simply isolated occurrences of these base metals. This suggests that deposition occurred through successive pulses of mineralisation. Gold appears to be totally absent from the system.

Mineralisation is mostly hosted in the upper latite, but important mineralisation occurs in the lower latite at Galena Hill. In a few places the underlying andesite also hosts high grade mineralisation. Deposits with mostly latite-hosted mineralisation include Loma de La Plata, Valle Esperanza, Calcite Hill, and Galena Hill. Sedimentary rocks and volcanoclastics that overlie or are laterally equivalent to the upper latite also host significant mineralisation. Deposits where the mineralisation is dominantly hosted by these rock types include Calcite NW, Navidad Hill, Barite Hill, and Connector Zone.

High grade mineralisation mostly occurs in permeable host rocks. Examples of primary porosity include coarse volcanoclastic rocks and autobrecciated lava flows. Secondary porosity occurs as crackle brecciation of the brittle lava flows, hydrothermal eruption breccias, and tectonic breccias. At both Valle Esperanza and Loma de La Plata, the autobrecciated upper latite acted as an aquifer, sealed by overlying organic-rich sedimentary rocks (mudstones, limestones). The sediments were unconsolidated and are commonly slumped. Mixing of reduced water, derived from the organic-rich sediments, and rising metal-laden hydrothermal fluid probably triggered sulphide precipitation.

M i n e r a l R e s o u r c e E s t i m a t e s

Management estimates that the mineral resources at the Navidad property, as at April, 2009, are as follows:

Navidad Mineral Resources 1, 2

Resource Category	Tonnes (Mt)	Grams of Silver per tonne	% Lead	% Copper
Measured	15.4	137	1.44	0.10
Indicated	139.8	126	0.79	0.04
Inferred	45.9	81	0.57	0.02

Notes:

1. Estimated and reported above a 50 g/t AgEQ using a silver equivalence formula of $AgEQ = Ag + (Pb \times 10,000/365)$ and a price of \$12.52 per ounce of silver and \$1,100 per tonne of lead. The most likely cut-off grade for these deposits is not known at this time and must be confirmed by the appropriate economic studies. The estimated metal content does not include any consideration of mining, mineral processing, or metallurgical recoveries.

2. Mineral resource estimates for Navidad were prepared by Pamela De Mark, P. Geo., as a Qualified Person as that term is defined in NI 43-101.

Mineral resources that are not mineral reserves do not have demonstrated economic viability. The Navidad property does not currently have any mineral reserves.

There are material governmental and legal factors that affect the mineral resources at the Navidad and the conversion of the mineral resources to mineral reserves. Legislation in place in Chubut, prohibits open pit mining and the use of cyanide in the entire province. No cyanide will be used to process the material anticipated to be mined at Navidad, but given the depth and orientation of the deposits, the economic mine plan involves open pit mining. No amendments to the law have yet been instituted and even if the law were to be changed, it is unclear whether it would be amended in a manner which would encourage further investment. Because of these governmental and legal factors, the otherwise economically viable portions of the deposit cannot be estimated as mineral reserves at this time.

On October 26, 2011, the Federal Government of Argentina promulgated an "economic emergency" decree requiring all oil, gas and mining exporters to repatriate 100% of revenue receipts, in an attempt to stem ongoing capital flight. The Government of Argentina has also instituted certain other currency and import and export controls.

M i n i n g a n d P r o c e s s i n g O p e r a t i o

A preliminary economic assessment completed in 2011 anticipated a daily production rate of 15,000 tonnes per day from open pit mines at the eight deposits using shovels 150 tonne trucks. The mine schedule, based on the current mineral resources, was anticipated to last 14.9 years after a pre-production and construction period with an additional 1.6 years of re-handling ore from a low grade stockpile for plant feed after mining is completed.

The process plant was anticipated to consist of a gyratory crusher, stockpile, and a 15,000 tonne per day capacity semi-autogenous/ball mill with flotation and filtration, producing a copper silver concentrate and a lead silver concentrate. Metallurgical recoveries were anticipated to vary depending on the concentrate type and head grade, and ranged from 78% silver, 52% copper, and 57% lead for copper silver concentrates and 34% silver, 33% copper, and 77% lead for lead silver concentrates. We had no contracts in place for the sale of the concentrates at the time of the assessment.

In 2012, \$20.0 million was spent on activities at Navidad, including infill drilling and work related to advancing a feasibility study.

Activities in 2013

The Navidad project budget assumes that the law in Chubut will not be amended in a manner which encourages further investment at this stage and hence, our activities at Navidad will no longer be centered on advancing the project engineering and design and will instead be guided by an investment plan which focusses primarily on satisfying the legal requirements necessary to maintain our property interests under the current mining law. We do, however, remain committed to Navidad and to contributing to the positive economic and social development of Chubut should the adoption of a favourable legislative framework take place.

We currently expect to spend a total of \$1.6 million at Navidad in 2013 and all expenditures will be expensed as incurred.

E n v i r o n m e n t a l

Drilling at the Navidad property requires a separate permit for each affected tenement valid for one year, subject to the submission of an EIS update within a one year period from the date of granting each successive permit. An updated EIS is required to cover the exploration activities, environmental impacts and mitigation/monitoring actions implemented in the period following the last permit. The level of the exploration activity dictates the level of study required.

The Navidad property is in an advanced exploration stage involving drilling activities. Environmental and social baseline studies have been completed for the Navidad property. The most recent EIS update was submitted in 2011 and is currently being evaluated by the Chubut Ministry for the

Environment and Control of Sustainable Development. This drilling permit allows for the operation of up to eight drill rigs. Rehabilitation of the drilling platforms and impacted areas is carried out continuously and Pan American maintains an extensive environmental management and monitoring program on site.

Water rights are treated separately from environmental permits. Two extraction wells have been permitted for use in exploration activities.

Chubut's Law 5001 prohibits open pit mining and the use of cyanide in mineral processing in the entire province. The status of this law banning open pit mining methods would need to be changed before permits for the development of Navidad can be obtained.

A closure cost estimate for Navidad was prepared according to State of Nevada approved SRCE methodology in 2011 and is updated every year. We have estimated the present value of reclamation costs for the Navidad development property to be approximately \$0.4 million at December 31, 2012. Minera Argenta holds environmental reclamation insurance for the Navidad property in accordance with Argentinean law.