

# **Argonaut Resources NL**

**ABN 97 008 084 848**

**Interim Report - 31 December 2014**

Directors	Patrick J D Elliott - Non-executive Chairman Lindsay J Owler - Exploration Director Andrew W Bursill - Non-executive Director Malcolm R Richmond - Non-executive Director
Company secretary	Andrew W Bursill
Registered office	Suite 4, Level 9 341 George Street Sydney NSW 2000
Principal place of business	Suite 4, Level 9 341 George Street Sydney NSW 200
Share register	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000
Auditor	Ernst & Young Ernst & Young Centre 680 George Street Sydney NSW 2000
Solicitors	Addisons Lawyers Level 12 60 Carrington Street Sydney NSW 2000
Stock exchange listing	Argonaut Resources NL shares are listed on the Australian Securities Exchange (ASX code: ARE)
Website	<a href="http://www.argonautresources.com">www.argonautresources.com</a>

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Argonaut Resources NL (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

### **Principal activities**

Argonaut Resources NL is a mineral exploration and development company with operations in Zambia, Australia and Laos. The consolidated entity's prime commodity focus is copper, and to a lesser extent gold. In addition, the consolidated entity holds a 100% interest in a zinc-copper Resource in Queensland, Australia.

During the half-year, the principal activities of the consolidated entity were expanding on and defining the extent of copper-cobalt mineralisation at the Nyungu Deposit on the Group's Lumwana West project in Zambia.

### **Review of operations**

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$1,252,154 (31 December 2013: \$1,238,170).

A review of operations for the half-year is set out below.

### **Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

### **Matters subsequent to the end of the financial half-year**

No matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

### **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



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Pat Elliott

12 March 2015

## Review of Operations

### Principal Activities

During the half-year the principal activities of the group were the identification and development of mineral resource opportunities with an emphasis on projects that were amenable to value-adding via exploration and rapid development into production.

### Exploration Activities

#### Lumwana West, Zambia (Argonaut 90%)

The Lumwana West project is located on the western lobe of the Mwombezhi Dome in the Central African Copperbelt. The Mwombezhi Dome is one of several domes in an area of the Copperbelt known as the Domes Region. (Figure 1).

The Domes Region is host to the new generation of Copperbelt mines (Figure 1). Nearby mines include Barrick Gold Corporation's Lumwana Mine on the eastern lobe of the Mwombezhi Dome and First Quantum Minerals Ltd's Kansanshi, the largest copper mine in Africa. The Sentinel Mine, which recently commenced full-scale production is located to the west and is also owned and operated by First Quantum Minerals.

Argonaut, via its 90% held subsidiary, Mwombezhi Resources Ltd, has been successful in intercepting broad copper intercepts at the Nyungu deposit and has defined a series of large, prospective targets which are undergoing first-pass drill testing.

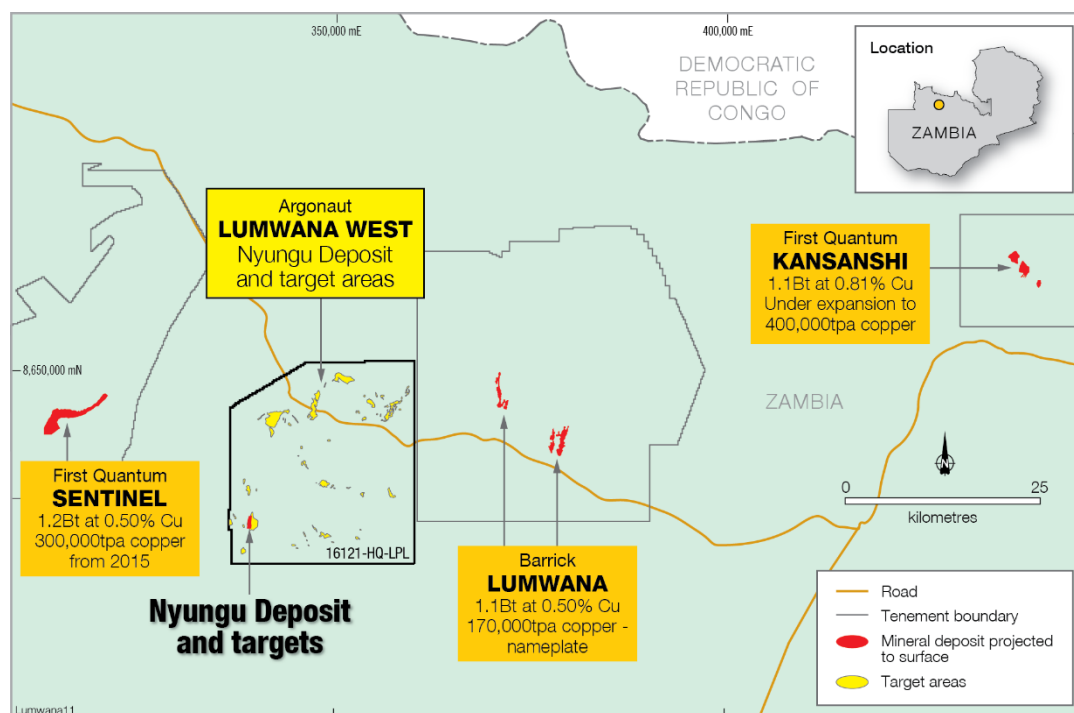


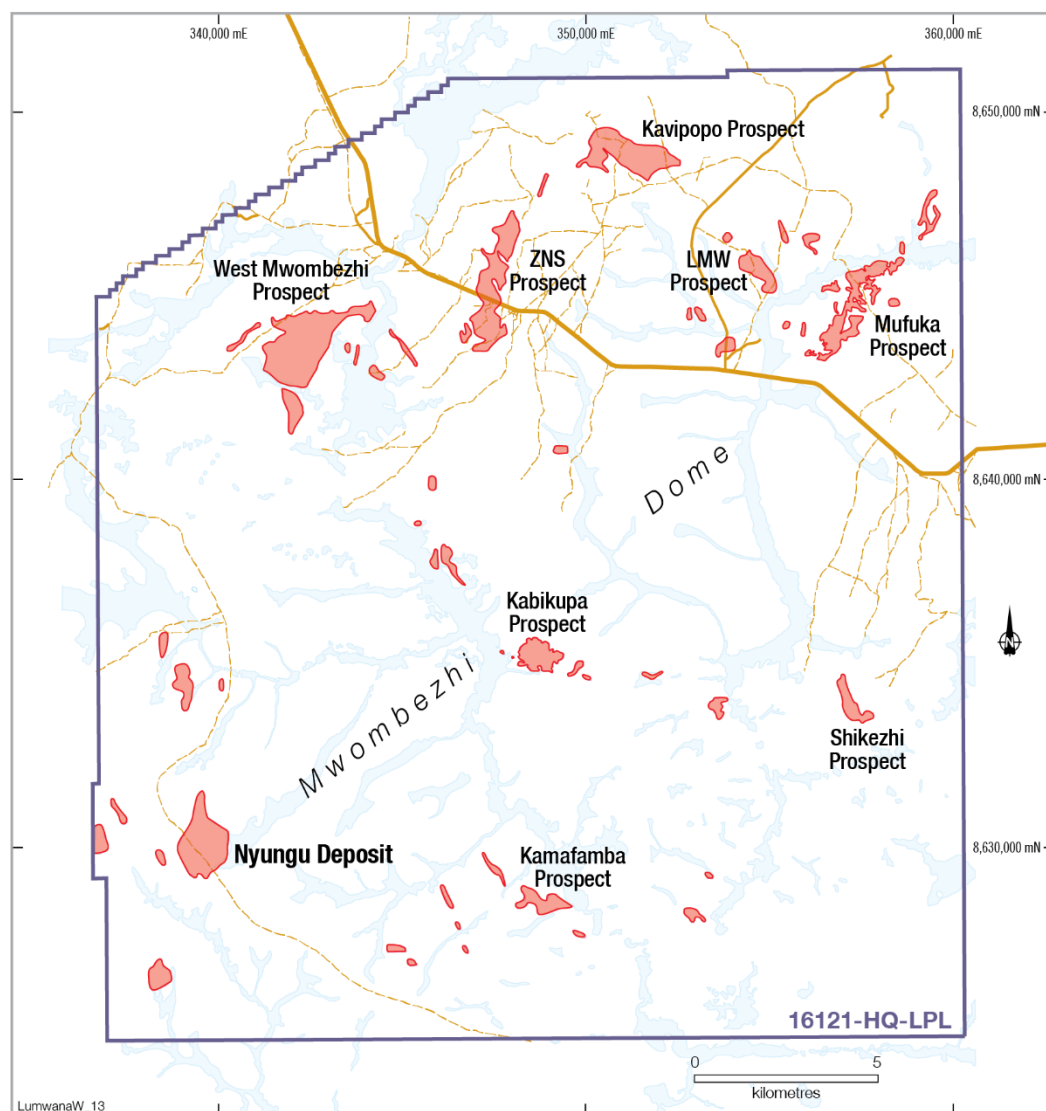
Figure 1: The Domes Region has an international scale copper endowment and is host to the new generation of mines in the Central African Copperbelt.

## Exploration Program

### Key points

- The current drilling program is designed to test:
  - large footprint copper targets defined by surface geochemistry; and
  - interpreted extensions and repetitions of the Nyungu Central copper deposit.
- The current drill program is estimated to comprise over 8,000m in total plus geological mapping and soil sampling. To date, 6,123m of diamond core drilling for 25 holes plus the collection and analysis of 11,919 soil samples has been completed.
- Approximately 2,000m of further diamond core drilling will be completed under this program. Drilling was paused in November 2014 due to the Zambian wet season and will recommence in April/May 2015.
- Two exciting new drill targets, Kabikupa and Kamafamba, were generated by intensive soil sampling
- This current exploration program is the first phase of an option agreement with Antofagasta.
- Antofagasta can earn a 25% interest in the Lumwana West project during the first phase by funding US\$3.9M of exploration.

This is the first program under the option agreement between Argonaut and a wholly owned subsidiary of Antofagasta plc (*Antofagasta*), dated 28 April 2014 (the *Overlying Agreement*). According to the *Overlying Agreement*, exploration expenditure of US\$3.9m in the first period will earn Antofagasta a 25% interest in the project.



Location



- Licence boundary
- Drainage path (Dambo)
- Road
- Track
- Prospect (+40ppm Cu soil sampling)

Figure 2: Lumwana West Large-scale Prospecting Licence and prospect locations

The 2014/2015 program was jointly planned by Argonaut and Antofagasta and aims to considerably increase the extent of known copper mineralisation at Lumwana West. The focus is on testing major target areas previously defined by Argonaut as well as new targets being progressively generated by an extensive regional soil sampling program.

The drilling program, which will comprise over 8,000m, is being progressively revised on the basis of results and interpretations by a technical committee formed under the agreement. To date, 6,123m of diamond core drilling for 25 holes has been completed. Holes have been drilled at the West Mwombezi, Kavipopo, ZNS, LMW, Mufuka and Kapikupa prospects and at the Nyungu deposit (Figure 2).

## Kabikupa

The Kabikupa prospect was defined during the period by soil sampling. The soil geochemistry anomaly strikes south-east and measures approximately 1,000m by 500m. The peak soil sample is 0.13% copper, which is the highest copper-in-soil value returned within the licence area to date.

Preliminary field mapping at Kabikupa also identified an associated vegetation anomaly. Copper flowers are an historical prospecting tool peculiar to Central Africa. The plant can tolerate high levels of copper in soils and is now comparatively rare in the Zambian portion of the Central African Copperbelt due to historical mining of near surface deposits. Copper flowers were recognised and mapped at Kabikupa in September 2014 and their occurrence was confirmed to relate to soil anomaly peaks (Figure 3).

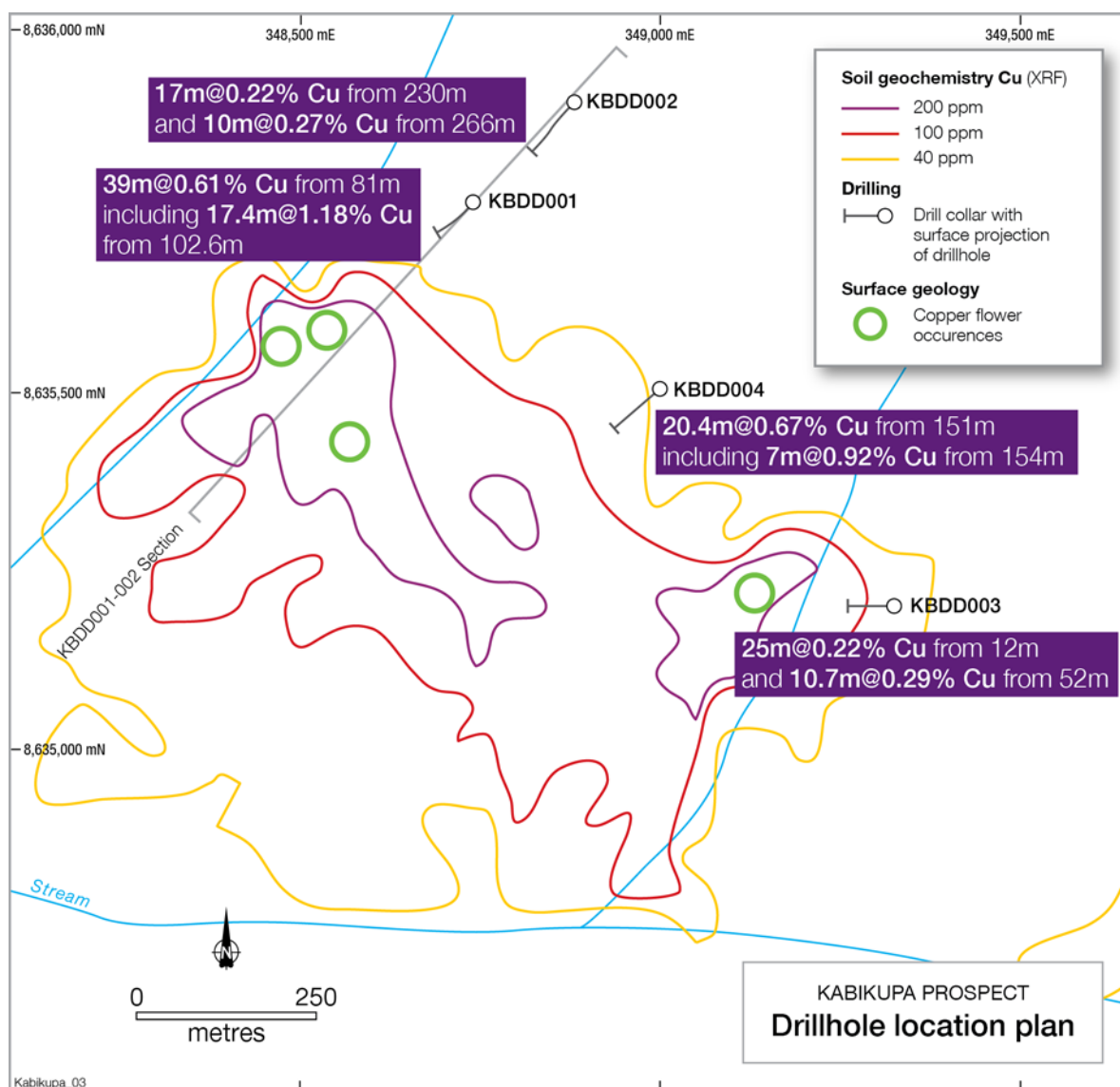


Figure 3: Kabikupa prospect soil geochemistry and drill hole locations.

The structural setting of Kabikupa is interpreted to be favourable for mineral emplacement. The target is adjacent to a granite, located centrally in the western lobe of the Mwombezhi Dome. This core granite possibly provided a competency contrast which during deformational events assisted in creating structural traps for mineralised fluids.

Drilling at Kabikupa commenced in October 2014 and four holes for 903m were completed in the period.

- The first drill hole at Kabikupa prospect, KBDD001, returned **17.4m at 1.18% copper** from 102.6m within a broader intercept of **39m at 0.61% copper** from 81m<sup>1</sup> (Figure 3).
- Drill hole KBDD002 targeted the same mineralisation down-dip and intersected weaker copper mineralisation, interpreted to be the margin of the main mineralisation zone (Figure 3).
- KBDD003, 800m along strike to the southeast, also intersected the interpreted margin of the main mineralised zone (Figure 3).
- KBDD004 intersected the main mineralised zone and returned **20.4m at 0.67% copper** from 151m including **7m at 0.92% copper** from 154m (Figure 3).

The main mineralised zone has been intersected over a strike length of 400m and is inferred to exist over at least 800m. Kabikupa geology features the zonation of copper sulphide minerals and persistent alteration, indicating the mineralising system is well developed.

When the exploration program recommences in April/May 2015, the Kabikupa target will be further tested for extensions along strike and down-dip.

#### Overlying Agreement

In April 2014, Argonaut announced the execution of the Overlying Agreement with Antofagasta for the exploration and development of the Lumwana West project in Zambia.

The Overlying Agreement covers all phases of the project's development from regional exploration to the completion of a feasibility study and, in the event the project is feasible and Argonaut elects not to fund its pro-rata share of the project, Argonaut will either be carried into production or bought-out at the value of its interest.

#### Overlying Agreement - Principal Commercial Terms

The Overlying Agreement between Antofagasta and Argonaut Resources NL is in five phases. The principal commercial terms are described below.

**Phase I** involves the input by Antofagasta of **US\$5M** within the first period in exchange for a 25% interest in the project. The funding is in two parts: US\$3.9M for exploration works underway plus a US\$1.1M placement in Argonaut completed by the companies in the May 2014. Placement funds were used by Argonaut to secure an additional 39% interest in the project via the underlying Lumwana West Joint Venture. This increased Argonaut's interest in the project to 90%.

**Phase II** involves **expenditure of US\$15M by Antofagasta within four years** of the completion of Phase I at a minimum expenditure rate of US\$2.5M per year. Antofagasta can earn an effective 51% interest in the project by completing Phase II.

**Phase III** involves the **completion of a feasibility study to international standards**. Antofagasta may conduct additional work necessary to commence the feasibility study, such as a preliminary feasibility study, prior to electing to commence the definitive study. Antofagasta will have up to two years to complete additional work and four years to complete the feasibility study. Antofagasta can earn an effective 70% interest in the project by completing the feasibility study.

**Phase IV** is the period following the delivery of the feasibility study, but prior to a development decision. Argonaut may elect not to contribute during this period provided it reimburses Antofagasta from future dividends.

**Phase V** is the period after a development decision when, if Argonaut decides not to fund its pro-rata share of the project, Antofagasta may elect to **either carry Argonaut into production**, with Argonaut's development costs being funded by 60% of future dividends, **or buy-out Argonaut's interest** for its pro-rata share of the project's net present value<sup>2</sup>.

<sup>1</sup> By weighted average. Cut-off grade not applied.

<sup>2</sup> Using a discount rate of 12%



Antofagasta may elect to stop contributing at certain stages in which case various provisions including standard dilution and drag-along/tag-along rights will apply.

Argonaut will be the operator under the Agreement during Phase I and part of Phase II. Antofagasta may elect to become operator at any stage during Phase II.

#### The Underlying Agreement

The Lumwana West Joint Venture was executed in July 2011 (*the Underlying Agreement*) and involves large scale prospecting licence 16121-HQ-LPL. Under the terms of the Underlying Agreement, Argonaut's 100% held subsidiary, Lumwana West Resources Ltd, has earned a 90% shareholding in Mwombezi Resources Ltd, the Zambian registered company which holds 16121HQ-LPL.

#### Torrens, South Australia (Argonaut 30%)

##### The Torrens Joint Venture

The Torrens Joint Venture is between Argonaut Resources NL and Straits Resources Limited (ASX: SRQ) and relates to the Torrens Project, EL 4296.

The Torrens Joint Venture is exploring for iron oxide-copper-gold systems in the highly prospective Stuart Shelf region of South Australia. The Torrens Project is located near the eastern margin of South Australia's Gawler Craton (Stuart Shelf), within 50 kilometres of Oz Minerals' Carrapateena copper-gold deposit and 75 kilometres from BHP Billiton's Olympic Dam mine.

On 27 August 2014, the parties to the Torrens Joint Venture resolved to appoint Argonaut's wholly owned subsidiary, Kelaray Pty Ltd, as manager of the Torrens Joint Venture. In its role as manager, Kelaray is working to secure access to the tenement for the purpose of a planned seven-hole drilling program targeting areas which have been geophysically modelled as having the physical properties of large iron oxide-copper-gold deposits.

##### Litigation

The Company previously announced that the Full Court of the Supreme Court of South Australia had set aside the decision of 14 January 2011 by the Environment, Resource and Development Court of South Australia (the ERD Court) that Mining Operations (exploration) may not be conducted on EL4296.

A date for the ERD Court retrial has not been set. It is important to note that in overturning the original decision, the Full Court provided considerable guidance for the purpose of an ERD Court retrial including disallowing the original ERD Court Judge from re-hearing the matter.

In the meantime, the Federal Court of Australia commenced an overlap proceeding over the area of Lake Torrens, including the area of EL4296. This proceeding aims firstly to determine which of two registered Aboriginal groups with claims over Lake Torrens may seek rights to the area; and secondly determine at trial, which claimed rights, if any, can be granted.

The Torrens Joint Venture partners remain open to a negotiated settlement with regard to land access for the purposes of proposed drilling activities on Andamooka Island and Lake Torrens.

#### Alford, South Australia (Argonaut 100%)

##### 2015 Exploration Program

The Alford Project on South Australia's Yorke Peninsula lies 20km north-east of Wallaroo within the geological province known as the Olympic Domain. The tenement is prospective for iron oxide copper-gold mineralisation as found at Prominent Hill, Olympic Dam and Hillside.

The field season at Alford runs from December to April. Argonaut's partner, Sandfire Resources NL, will commence a diamond core drilling program at Alford in March 2015.

### Alford Farm-in Joint Venture

On 9 November 2012, Argonaut announced it had signed a farm-in joint venture letter agreement with Sandfire Resources NL for the exploration of the Company's 100% owned exploration licence 3969, Alford, on the Yorke Peninsula in South Australia.

Under the terms of the letter agreement, Sandfire may earn a 49% interest in the Alford tenement by sole funding \$4,000,000 of exploration within three years (the First Earn-in).

In the event of requirements for the First Earn-in being satisfied, Sandfire has the right to form a joint venture with Argonaut's subsidiary, Kelaray Pty Ltd, to jointly explore the tenement or to proceed to earn an additional 26% interest in the project by spending a further \$4,000,000 on exploration within an additional three years (the Second Earn-in).

### Kroombit, Queensland (Argonaut 100%)

No field based work was undertaken on the Kroombit project during the period.

### Aroona, South Australia (Argonaut 100%)

EL4358 and EL5336, Aroona, are subject to a joint venture agreement with Perilya Limited.

No field based work was undertaken at Aroona during the period.

### Century, Laos

#### Century Joint Venture

The joint venture operator under a Management and Shareholders Agreement, Aurum Resources Pty Ltd, withdrew from the Century Joint Venture during the period after it became clear a second extension of the Century concession agreement would not be granted within a reasonable timeframe.

*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, as described on page 7 of the Company's 2014 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.*



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## Auditor's Independence Declaration to the Directors of Argonaut Resources N.L.

In relation to our review of the financial report of Argonaut Resources N.L. for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ryan Fisk  
Partner  
12 March 2015

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**General information**

The financial statements cover Argonaut Resources NL as a consolidated entity consisting of Argonaut Resources NL and its subsidiaries. The financial statements are presented in Australian dollars, which is Argonaut Resources NL's functional and presentation currency.

Argonaut Resources NL is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 4, Level 9  
341 George Street  
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 12 March 2015.

**Argonaut Resources NL**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2014**



	Note	Consolidated 31/12/2014 \$	31/12/2013 \$
<b>Revenue from continuing operations</b>	3	21,092	21,844
Other income	4	-	229,190
<b>Expenses</b>			
Employee benefits expense		(430,232)	(133,623)
Office administration expenses		(90,511)	(73,279)
Depreciation and amortisation expense		(865)	(46,374)
Impairment of exploration assets		-	(874,064)
Loss on disposal of equity investment		(24,120)	-
Loss on derivative financial instrument	7	(219,318)	-
Other expenses		(343,689)	(352,505)
<b>Loss before income tax expense from continuing operations</b>		(1,087,643)	(1,228,811)
Income tax expense		-	-
Loss after income tax expense from continuing operations		(1,087,643)	(1,228,811)
Loss after income tax expense from discontinued operations	5	(164,511)	(13,370)
<b>Loss after income tax expense for the half-year</b>		(1,252,154)	(1,242,181)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		345,166	333,491
(Loss) / gain on revaluation of equity investments		(489,621)	516,632
Derecognition of foreign currency translation		(612,709)	-
Other comprehensive income for the half-year, net of tax		(757,164)	850,123
<b>Total comprehensive income for the half-year</b>		<u>(2,009,318)</u>	<u>(392,058)</u>
Loss for the half-year is attributable to:			
Non-controlling interest		-	(4,011)
Owners of Argonaut Resources NL		(1,252,154)	(1,238,170)
		<u>(1,252,154)</u>	<u>(1,242,181)</u>
Total comprehensive income for the half-year is attributable to:			
Continuing operations		-	(4,011)
Discontinuing operations		-	-
Non-controlling interest		-	(4,011)
Continuing operations		(1,844,807)	(374,677)
Discontinuing operations		(164,511)	(13,370)
Owners of Argonaut Resources NL		(2,009,318)	(388,047)
		<u>(2,009,318)</u>	<u>(392,058)</u>

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

Argonaut Resources NL  
Statement of profit or loss and other comprehensive income  
For the half-year ended 31 December 2014



	Note	Consolidated	
		31/12/2014	31/12/2013
		\$	\$
		Cents	Cents
Basic earnings per share		(0.28)	(0.45)
Diluted earnings per share		(0.28)	(0.45)

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Argonaut Resources NL**  
**Statement of financial position**  
**As at 31 December 2014**



		<b>Consolidated</b>	
	<b>Note</b>	<b>31/12/2014</b>	<b>30/06/2014</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,461,628	1,942,550
Trade and other receivables		59,624	39,847
Other		47,454	6,589
<b>Total current assets</b>		<u>1,568,706</u>	<u>1,988,986</u>
<b>Non-current assets</b>			
Quoted securities	6	669,387	1,334,008
Derivative financial instruments	7	-	219,318
Property, plant and equipment		17,156	87,832
Intangibles		50,000	50,000
Exploration and evaluation	8	8,696,889	8,586,546
<b>Total non-current assets</b>		<u>9,433,432</u>	<u>10,277,704</u>
<b>Total assets</b>		<u>11,002,138</u>	<u>12,266,690</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		154,781	443,556
Employee benefits		103,527	87,765
<b>Total current liabilities</b>		<u>258,308</u>	<u>531,321</u>
<b>Non-current liabilities</b>			
Employee benefits		74,876	72,775
Contingent consideration		150,000	150,000
<b>Total non-current liabilities</b>		<u>224,876</u>	<u>222,775</u>
<b>Total liabilities</b>		<u>483,184</u>	<u>754,096</u>
<b>Net assets</b>		<u>10,518,954</u>	<u>11,512,594</u>
<b>Equity</b>			
Issued capital	9	40,611,465	40,587,351
Reserves	10	(5,024,730)	(4,264,266)
Accumulated losses		(25,067,568)	(23,815,414)
Equity attributable to the owners of Argonaut Resources NL		10,519,167	12,507,671
Non-controlling interest	11	(213)	(995,077)
<b>Total equity</b>		<u>10,518,954</u>	<u>11,512,594</u>

*The above statement of financial position should be read in conjunction with the accompanying notes*

**Argonaut Resources NL**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2014**



<b>Consolidated</b>	<b>Contributed equity</b> <b>\$</b>	<b>Other reserves</b> <b>\$</b>	<b>Share-based payments</b> <b>\$</b>	<b>Accumulated losses</b> <b>\$</b>	<b>Non-controlling interest</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 July 2013	37,069,509	(5,079,115)	611,080	(21,620,906)	4,116,066	15,096,634
Loss after income tax expense for the half-year	-	-	-	(1,238,170)	(4,011)	(1,242,181)
Other comprehensive income for the half-year, net of tax	-	850,123	-	-	-	850,123
Total comprehensive income for the half-year	-	850,123	-	(1,238,170)	(4,011)	(392,058)
<i>Transactions with owners in their capacity as owners:</i>						
Aurum earn-in	-	-	-	-	741,401	741,401
Balance at 31 December 2013	<u>37,069,509</u>	<u>(4,228,992)</u>	<u>611,080</u>	<u>(22,859,076)</u>	<u>4,853,456</u>	<u>15,445,977</u>
<b>Consolidated</b>	<b>Contributed equity</b> <b>\$</b>	<b>Other reserves</b> <b>\$</b>	<b>Share-based payments</b> <b>\$</b>	<b>Accumulated losses</b> <b>\$</b>	<b>Non-controlling interest</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 July 2014	40,587,351	(4,875,346)	611,080	(23,815,414)	(995,077)	11,512,594
Loss after income tax expense for the half-year	-	-	-	(1,252,154)	-	(1,252,154)
Other comprehensive income for the half-year, net of tax	-	(757,164)	-	-	-	(757,164)
Total comprehensive income for the half-year	-	(757,164)	-	(1,252,154)	-	(2,009,318)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity	60,500	(3,300)	-	-	994,864	1,052,064
Transaction costs	(36,386)	-	-	-	-	(36,386)
Balance at 31 December 2014	<u>40,611,465</u>	<u>(5,635,810)</u>	<u>611,080</u>	<u>(25,067,568)</u>	<u>(213)</u>	<u>10,518,954</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes*



**Argonaut Resources NL**  
**Statement of cash flows**  
**For the half-year ended 31 December 2014**



	<b>Consolidated</b>	
<b>Note</b>	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(529,977)	(401,755)
Interest received	19,086	15,023
Rental income	-	13,200
	<u>(510,891)</u>	<u>(373,532)</u>
<b>Cash flows from investing activities</b>		
Payments for exploration and evaluation	(141,725)	(1,145,302)
Proceeds from sale of investments	150,880	-
	<u>9,155</u>	<u>(1,145,302)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	9	57,200
Share issue transaction costs		(36,386)
Funds advanced by Aurum for earn-in		-
		<u>351,245</u>
Net cash from financing activities	<u>20,814</u>	<u>351,245</u>
Net decrease in cash and cash equivalents	(480,922)	(1,167,589)
Cash and cash equivalents at the beginning of the financial half-year	1,942,550	1,347,705
Effects of exchange rate changes on cash and cash equivalents	-	167
	<u>1,461,628</u>	<u>180,283</u>
Cash and cash equivalents at the end of the financial half-year		

*The above statement of cash flows should be read in conjunction with the accompanying notes*

## **Note 1. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2014 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

### **New, revised or amending Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

#### *AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*

The consolidated entity has applied AASB 2013-3 from 1 July 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed.

#### *AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments (Part B)*

The consolidated entity has applied Part B of 2013-9 from 1 July 2014, which amends particular Australian Accounting Standards to delete references to AASB 1031 Materiality as part of the AASB's aim to eventually withdraw AASB 1031.

#### *AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)*

The consolidated entity has applied Parts A to C of AASB 2014-1 from 1 July 2014. These amendments affect the following standards: AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market condition'; AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9; AASB 8 'Operating Segments': amended to require disclosures of judgements made in applying the aggregation criteria and clarifies that a reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker; AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption applies to the valuation of contracts within the scope of AASB 9 and AASB 139; AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset; AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity; AASB 140 'Investment Property': clarifies that the acquisition of an investment property may constitute a business combination.

### **Going concern**

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

## Note 2. Operating segments

### Identification of reportable operating segments

The Chief Operating Decision Maker ('CODM') reviews only direct exploration expenditure. As such no segment results or revenues are separately disclosed. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis.

### Types of services by segments

The principal products and services of the consolidated entity are exploration operations. Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar to the type of product and service. The consolidated entity has determined that the reportable operating segments are based on geographical locations as these are the sources of the consolidated entity major assets.

### Segment assets

Segment assets are those operating assets of the entity that the CODM views as directly attributing to the performance of the segment. These are the mining and exploration assets.

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

### Corporate office activities

Corporate office activities comprise of non-segmental revenues and expenses and are therefore not allocated to operating segments.

### Operating segment information

<b>Consolidated - 31/12/2014</b>	Australia \$	Zambia \$	Intersegment eliminations/ unallocated \$	Total \$
<b>Assets</b>				
Segment assets	1,549,774	7,197,115	-	8,746,889
<i>Unallocated assets:</i>				
Cash and cash equivalents				1,461,628
Other assets				793,621
<b>Total assets</b>				<u>11,002,138</u>
<b>Liabilities</b>				
<i>Unallocated liabilities:</i>				
Current				258,308
Non current				224,876
<b>Total liabilities</b>				<u>483,184</u>

**Note 2. Operating segments (continued)**

<b>Consolidated - 30/06/2014</b>	Australia \$	Zambia \$	Intersegment eliminations/ unallocated \$	Total \$
<b>Assets</b>				
Segment assets	1,542,117	7,094,429	-	8,636,546
<i>Unallocated assets:</i>				
Cash and cash equivalents				1,942,550
Other assets				1,687,594
<b>Total assets</b>				<u>12,266,690</u>
<b>Liabilities</b>				
<i>Unallocated liabilities:</i>				
Current				531,321
Non current				222,775
<b>Total liabilities</b>				<u>754,096</u>

**Note 3. Revenue**

	<b>Consolidated</b>	
	<b>31/12/2014</b>	<b>31/12/2013</b>
	\$	\$
<b>From continuing operations</b>		
Interest	21,092	8,644
Rental revenue	-	13,200
Revenue from continuing operations	<u>21,092</u>	<u>21,844</u>

**Note 4. Other income**

	<b>Consolidated</b>	
	<b>31/12/2014</b>	<b>31/12/2013</b>
	\$	\$
Net gain on derivative financial instrument	-	229,190

**Note 5. Discontinued operations**

*Description*

The company had an agreement whereby Aurum Resources Pty Ltd ("Aurum") had a right to earn in the Century tenement. The agreement which was signed with the Lao Government expired in February 2013. Although an application for the second renewal of the agreement was lodged in November 2012, the company does not intend to continue to pursue its renewal. Aurum has taken control of Argonaut Resources Laos Limited which holds the Century tenement project and is responsible to settle all remaining liabilities. On that basis, on 1 July 2014, the group has de-recognised the assets and liabilities of Argonaut Resources Laos Limited and Aurum's non controlling interest in the project.

**Note 5. Discontinued operations (continued)**

*Financial performance information*

	<b>Consolidated</b>	
	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>\$</b>	<b>\$</b>
Discontinued administration expense	-	(13,370)
Total expenses	-	(13,370)
Loss before income tax expense	-	(13,370)
Income tax expense	-	-
Loss after income tax expense	-	(13,370)
Loss on disposal before income tax	(164,511)	-
Income tax expense	-	-
Loss on disposal after income tax expense	(164,511)	-
Loss after income tax expense from discontinued operations	<u>(164,511)</u>	<u>(13,370)</u>

*Carrying amounts of assets and liabilities disposed*

	<b>Consolidated</b>	
	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>\$</b>	<b>\$</b>
Trade and other receivables	8	-
Property, plant and equipment	69,811	-
Total assets	<u>69,819</u>	-
Trade and other payables	287,462	-
Total liabilities	<u>287,462</u>	-
Net liabilities	<u>(217,643)</u>	-

*Details of the disposal*

	<b>Consolidated</b>	
	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>\$</b>	<b>\$</b>
Carrying amount of net liabilities disposed	217,643	-
Derecognition of foreign currency reserve	612,709	-
Derecognition of non-controlling interest	(994,863)	-
	-	-
Loss on disposal before tax income	(164,511)	-
Income tax expense	-	-
Loss on disposal after income tax	<u>(164,511)</u>	-

**Note 6. Non-current assets - Quoted securities**

	<b>Consolidated</b>	
	<b>31/12/2014</b>	<b>30/06/2014</b>
	<b>\$</b>	<b>\$</b>
Quoted securities	<u>669,387</u>	<u>1,334,008</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial half-year are set out below:		
Opening fair value	1,334,008	1,034,641
Disposals	(175,000)	-
Revaluation increments	-	299,367
Revaluation decrements	(489,621)	-
Closing fair value	<u>669,387</u>	<u>1,334,008</u>

Quoted securities represent 16.7m shares in Cuesta Coal Limited The company holds 16.7 million shares in Cuesta Coal Limited of which 13.9 million were subject to a 24 month escrow and released on 4 May 2014. During the period, the investment in Musgrave Minerals Limited were disposed of for \$150,880, resulting in a loss on disposal of \$24,120.

**Note 7. Non-current assets - Derivative financial instruments**

	<b>Consolidated</b>	
	<b>31/12/2014</b>	<b>30/06/2014</b>
	<b>\$</b>	<b>\$</b>
Derivative financial instruments	<u>-</u>	<u>219,318</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial half-year are set out below:		
Opening fair value	219,318	217,531
Revaluation increments	-	1,787
Revaluation decrements	(219,318)	-
Closing fair value	<u>-</u>	<u>219,318</u>

The derivative financial instruments are unquoted options which relate to 26.6m options issued by Cuesta Coal Limited in April 2012, exercisable at 25 cents and expiring 31 December 2015. Options are measured at fair value at each reporting date with changes recognised in profit or loss. The options were valued at nil at 31 December 2014.

The Black-Scholes option valuation methodology has been used on the assumption that the options would be exercised at 25 cents on or before 31 December 2015. The inputs applied to the valuation model are: share price of 5 cents, volatility of 47.75%, interest free rate of 2.68% and a discount rate of 20%.

**Note 8. Non-current assets - exploration and evaluation**

	<b>Consolidated</b>	
	<b>31/12/2014</b>	<b>30/06/2014</b>
	<b>\$</b>	<b>\$</b>
Exploration and evaluation assets	22,181,389	22,071,046
Less: Impairment	<u>(13,484,500)</u>	<u>(13,484,500)</u>
	<u>8,696,889</u>	<u>8,586,546</u>

**Note 8. Non-current assets - exploration and evaluation (continued)**

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

<b>Consolidated</b>	Exploration & evaluation \$	Total \$
Balance at 1 July 2014	8,586,546	8,586,546
Additions	<u>110,343</u>	<u>110,343</u>
Balance at 31 December 2014	<u><u>8,696,889</u></u>	<u><u>8,696,889</u></u>

**Note 9. Equity - issued capital**

	<b>Consolidated</b>			
	<b>31/12/2014</b>	<b>30/06/2014</b>	<b>31/12/2014</b>	<b>30/06/2014</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	<u>443,797,701</u>	<u>441,047,701</u>	<u>40,611,465</u>	<u>40,587,351</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

During the period, the company issued 2,750,000 ordinary shares at \$0.022 per share to raise \$60,500 as a result of a rights issue placement. The purpose of the capital raising is to fund new exploration opportunities primarily within Zambia and maintenance of the company's Australian projects. Transactions costs of \$36,386 were paid relating to prior period capital raising.

*Share buy-back*

There is no current on-market share buy-back.

**Note 10. Equity - reserves**

	<b>Consolidated</b>	
	<b>31/12/2014</b>	<b>30/06/2014</b>
	<b>\$</b>	<b>\$</b>
Foreign currency reserve	(1,280,054)	(1,012,511)
Share-based payments reserve	611,080	611,080
Revaluation reserve	(2,768,669)	(2,279,048)
Transaction between shareholders reserve	<u>(1,587,087)</u>	<u>(1,583,787)</u>
	<u><u>(5,024,730)</u></u>	<u><u>(4,264,266)</u></u>

**Note 10. Equity - reserves (continued)**

*Movements in reserves*

Movements in each class of reserve during the current financial half-year are set out below:

<b>Consolidated</b>	Other reserve \$	Foreign currency reserve \$	Share-based payments reserve \$	Revaluation reserve \$	Transaction between shareholders reserve \$	Total \$
Balance at 1 July 2014	3,300	(1,012,511)	611,080	(2,279,048)	(1,587,087)	(4,264,266)
Revaluation - gross	-	-	-	(489,621)	-	(489,621)
Foreign currency translation	-	345,166	-	-	-	345,166
Derecognition of foreign currency translation	-	(612,709)	-	-	-	(612,709)
Equity yet to be issued*	(3,300)	-	-	-	-	(3,300)
Balance at 31 December 2014	<u>-</u>	<u>(1,280,054)</u>	<u>611,080</u>	<u>(2,768,669)</u>	<u>(1,587,087)</u>	<u>(5,024,730)</u>

\* Reversal of subscription money received in advance upon equity issued.

**Note 11. Equity - non-controlling interest**

	<b>Consolidated</b>	
	<b>31/12/2014</b>	<b>30/06/2014</b>
	\$	\$
Aurum earn-in	-	(995,077)
Accumulated losses	(213)	-
	<u>(213)</u>	<u>(995,077)</u>

The company had an agreement whereby Aurum Resources Pty Ltd ("Aurum") had a right to earn in the Century tenement. The group has de-recognised the assets and liabilities of Argonaut Resources Laos Limited which holds the Century tenement project and Aurum's non controlling interest in the project. Further details are disclosed in note 5 to the financial statements.

**Note 12. Equity - dividends**

There were no dividends paid, recommended or declared during the current or previous financial half-year.

**Note 13. Contingent liabilities**

As part of the agreement to purchase the remaining 20% non-controlling interest in Arctic Scene Ltd from Nsansala Resources Ltd, a portion of the consideration was determined to be contingent, based on reaching set tonnage and grade levels. A milestone payment of \$2 million in cash or shares in Argonaut Resources NL may be payable as additional consideration when 1 million tonne of in-ground copper is located and the resource must be estimated to JORC standards with an average grade of at least 0.5% copper, using a cut-off grade of 0.2%.



**Note 13. Contingent liabilities (continued)**

The company has previously determined the fair value of this liability by applying a probability factor determined based on the drilling information to the potential \$2 million future cash outflow. An increase in the probability of meeting the target will result in an increase in the liability. The initial fair value of the contingent consideration at the agreement date was \$50,000. On the basis of encouraging initial drillings, the fair value was increased to \$150,000 at 30 June 2014.

The exploration undertaken since that date was inconclusive, with a further drilling program being scheduled for the upcoming exploration season to further evaluate the prospectivity of that area. On that basis, the valuation of \$150,000 continues to reflect the fair value and remains appropriate based on exploration results to date and probability of the company making this future payment. No discount has been applied to this liability as a result of uncertainty in the timing of the future payment. However, management do not believe this will result in a material difference in the financial liability balance.

Other than the contingent consideration disclosed in the statement of financial position, the consolidated entity did not have any contingent liabilities as at 31 December 2014.

**Note 14. Net fair values**

Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair values of current financial assets and financial liabilities are the equivalent of the net carrying amount as the financial assets and financial liabilities are short-term instruments. Cash and cash equivalents, trade and receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for relating to annual leave which is not considered a financial instrument.

**Note 15. Events after the reporting period**

No matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Pat Elliott

12 March 2015



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## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Argonaut Resources NL, which comprises the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

## Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Argonaut Resources NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Argonaut Resources NL is not in accordance with the *Corporations Act 2001*, including:

- i giving a true and fair view of the company's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and



ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive, stylized font.

Ernst & Young

A handwritten signature in black ink that reads 'R. Fisk' in a cursive, stylized font.

Ryan Fisk  
Partner  
Sydney  
12 March 2015