

Argonaut Resources NL

ABN 97 008 084 848

Interim Report - 31 December 2016

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 200 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	www.argonautresources.com

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 2016.

Directors

The following persons were directors of Argonaut Resources NL during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

P J D Elliott
L J Oowler
A W Bursill
M R Richmond

Principal activities

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

During the period the principal activities of the consolidated entity 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.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$847,119 (31 December 2015: \$6,828,195).

A review of operations for the half-year is set out separately in the 'Review of Operations' section.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial half-year

Argonaut and Loded Dog Prospecting Pty Ltd executed the Eastern Goldfields Earn-In Joint Venture and Royalty Agreement on 7 February 2017. Under the agreement Argonaut has the right to earn an 80% interest in the tenement package according to the following terms:

- Argonaut can earn a 51% interest in the tenement package in exchange for completing \$500,000 in exploration expenditure within two years of commencement; and
- Argonaut may earn a further 29% interest, for a total of 80%, for completing an additional \$1,500,000 in exploration expenditure within a further three years.
- Reimbursement of tenement acquisition expenses totalling \$250,000 are payable by Argonaut progressively under the agreement.
 - reimbursement of \$100,000 is payable on execution of the definitive earn-in agreement;
 - reimbursement of \$75,000 is payable on the first anniversary; and
 - reimbursement of \$75,000 is payable on election to proceed to the second phase of the earn-in.
- An issue of ordinary fully paid Argonaut shares to the value of \$50,000 is due on execution of the definitive earn-in agreement.

On 9 February 2017, the Company completed a private share placement of 110,000,000 fully paid ordinary shares to sophisticated and professional investors at an average price of \$0.0048 per share, raising a total of \$528,000 (before costs).

No other matter or circumstance has arisen since 31 December 2016 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 immediately after this directors' report.

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



Pat Elliott
Non-Executive Chairman

16 March 2017

Exploration Activities

Crescent Lake, Canada (Argonaut acquiring 100%)

On 4 March 2016, Argonaut released details of the Crescent Lake Lithium Project to the ASX. The initial acquisition included the Falcon Lake and Zigzag areas (Figure 1). On 8 June 2016, Argonaut announced the grant of 22 additional claims in the Crescent Lake area (Figure 1). These new claims are 100% held by Argonaut.

On 16 December 2016, Argonaut announced details of an extension and variation to the option to acquire the Falcon Lake and Zigzag areas.

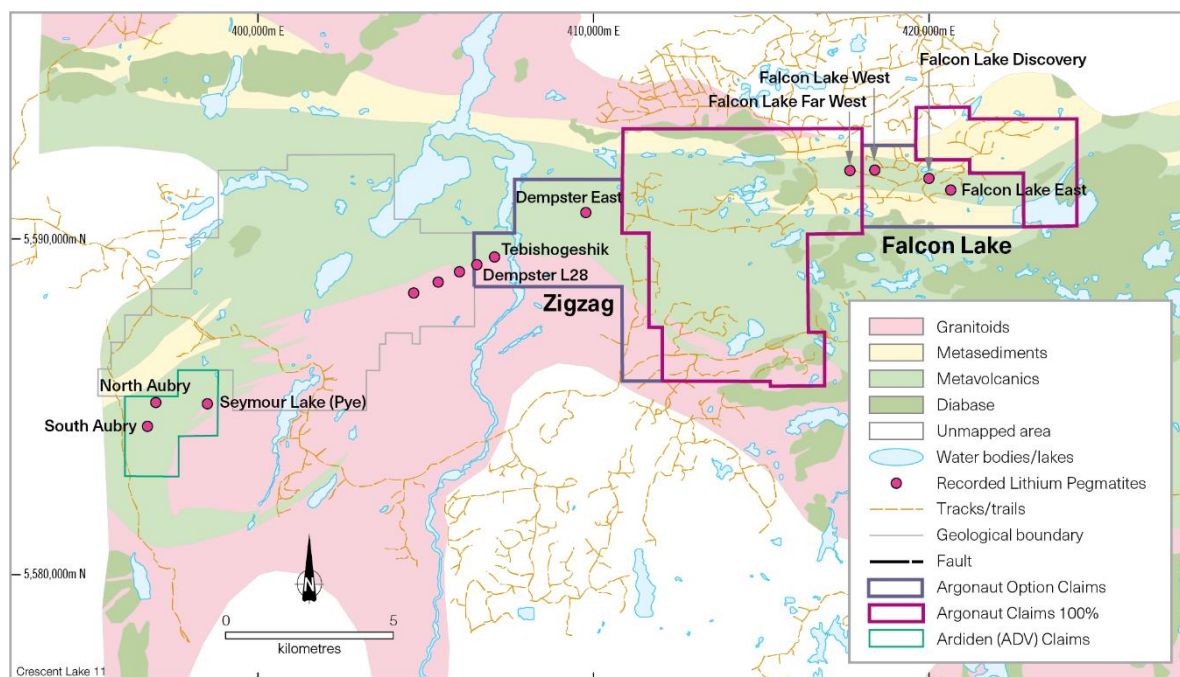


Figure 1: Crescent lake claim locations, pegmatite occurrences and geology

Mapping Program

Crescent Lake is located 250km NNE of Thunder Bay in Ontario, Canada.

In November, Argonaut completed a detailed mapping program across areas previously identified as prospective for pegmatite occurrences. The mapping program involved 50 or 100m spaced traverses which were systematically walked by geologists over the target areas shown in Figure 2.

The survey team identified 39 possible pegmatites. The newly mapped occurrences were predominantly located in the areas of known occurrences. Of the 39 occurrences:

- three are positively identified as spodumene bearing;
- 24 have a coarse-grained texture diagnostic of pegmatites;
- four are not in-situ;
- sizes ranged from:
 - 20m outcrop of unknown thickness; to
 - 10cm thick vein.
- 34 occurrences are located on optioned claims and five occurrences are on claims held 100% by Argonaut's subsidiary, Sunrise Canada Inc.

The most promising occurrence mapped is exposed over 20m. This occurrence is located in the Falcon Lake area (see Figure 2: Target Area 1) and is a newly discovered pegmatite. This pegmatite may contain spodumene and may have a significant strike length and thickness.

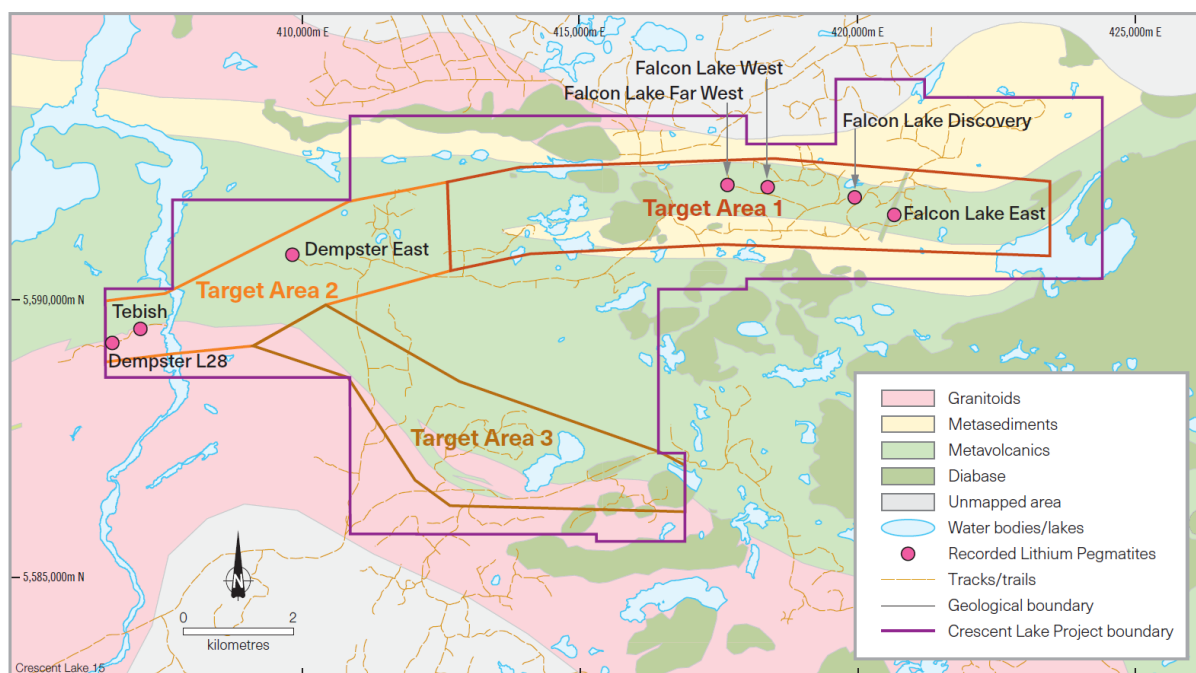


Figure 2: Exploration target zones at Crescent Lake

Amendment to Option Agreement

On 4 March 2016, Argonaut announced it had entered into an option agreement with Canadian Orebodies Inc, a TSX listed company, to acquire claims within the Crescent Lake pegmatite swarm.

The option agreement required Argonaut to complete its assessment of the project by 30 November 2016 at which time Argonaut could elect to purchase 100% of the claims for CAD200,000.

A variation and extension to the option agreement has now been executed which provides for the following amended terms:

- Canadian Orebodies granted Argonaut an extension to the assessment period under the option agreement from 30 November 2016 to 28 February 2017.
- In exchange for the grant of this extension, Argonaut:
 - made a cash payment to Canadian Orebodies of CAD50,000;
 - issued AUD70,000 worth of ordinary shares, calculated on the 2-week volume weighted average price, to Canadian Orebodies; and
 - made the final purchase payment of CAD150,000 on 28 February 2017, at the conclusion of the assessment.

2016 Drilling Program

In July 2016, Argonaut completed a six-hole program of diamond core drilling at the Falcon Lake West deposit. The program targeted two pegmatite units, one of which outcrops boldly.

Highlights from analysis of the 2016 drilling program include:

- 24.4m at 1.48% Li₂O from 10.9m; including
 - 9.0m at 1.95% Li₂O from 20.4m in drill hole FLDD006.
- 11m at 1.05% Li₂O from 40.2m; including
 - 6m at 1.26% Li₂O from 43.8m in drill hole FLDD002.
- 21.7m at 1.09% Li₂O from 48.0m; including
 - 7.9m at 1.31% Li₂O from 49.8m in drill hole FLDD001.

This program confirmed that grades and thicknesses in the Falcon Lake area are potentially economic.

Greenbush Lake, Canada (Argonaut purchasing 100%)

On 1 April 2016, Argonaut entered into the Greenbush Lake agreement. The Greenbush Lake Lithium Pegmatite Project is in Ontario, Canada, and features a large, outcropping spodumene-bearing pegmatite with grades of up to 2.46% Li₂O within an area confirmed as having the requisite geological components for lithium pegmatite emplacement.

The known lithium pegmatite occurrence is 15m wide by 30m in exposed strike length. The actual strike length of the known pegmatite has not yet been determined as the exposure continues under thin sedimentary cover to the north and under lake waters to the south. The pegmatite has not been drilled.

Previous Exploration

Three phases of exploration have been undertaken in the area of the lithium occurrence.

1. The **Ontario Department of Mines** discovered the pegmatite around 1965 and took a chip sample across the full width (50 feet) of the outcrop. **Analysis of the chip sample returned 1.25% Li₂O.**
2. **Placer Development Ltd** explored the area for tantalum in 1980. A magnetic survey attempting to define the extent of the pegmatite was unsuccessful; however, an **assay of the outcrop returned 2.46% Li₂O.**
3. **Canadian Orebodies Inc.** undertook an exploration program in 2009. Highlights of a rock-chip sampling program are shown in Table 1.

Description	Li ₂ O (%)
Outcrop	1.19
Float	1.96
Float	0.85
Float	0.95
Outcrop	1.58

Table 1: 2009 Rock-Chip sample highlights, Greenbush Lake Project

Lake Blanche, South Australia (100%)

On 4 April 2016, Argonaut announced it has secured two exploration licences covering Lake Blanche, a salt lake with the potential to host lithium brines and potash in the north of South Australia. The grant of Exploration Licences covering Lake Blanche was finalised in the period.

Argonaut also pegged, and was granted, the majority of Lake Callabonna to the southeast of Lake Blanche. This tenement is a strategic holding in the event of exploration success at Lake Blanche.

Lumwana West, Zambia (Argonaut 65%)

The Lumwana West project is located in the Central African Copperbelt, North-Western Province, Zambia. The area is prospective for large tonnage, low to medium grade copper/cobalt deposits. There are several major mines nearby to Lumwana West that are hosted in similar geological settings.

Argonaut, via its majority 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 that have now undergone first-pass drill testing.

Argonaut is continuing to assess options in relation to the Lumwana West project. These include further definition of the Nyungu copper/cobalt deposit and exploration of targets defined by the Company within the tenement area which are yet to be explored.

Torrens, South Australia (Argonaut 30%)

The Torrens Joint Venture

The Torrens Joint Venture is between Argonaut Resources NL and Aeris Resources Limited (ASX: AIS, previously Straits Resources Ltd) and relates to the Torrens Project, EL5614.

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.

In its role as manager of the joint venture, Argonaut's wholly owned subsidiary, Kelaray Pty Ltd, 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.

The Torrens Anomaly

The Torrens anomaly is a coincident magnetic and gravity anomaly with a footprint larger than that of Olympic Dam. The anomaly is located at the Torrens Hinge Zone, a continent-scale zone of crustal weakness that appears to have been a conduit for mineralising fluids from the Earth's mantle.

Drilling of the Torrens anomaly by Western Mining Corporation in the late 1970s and by the Torrens Joint Venture in 2007 and 2008 confirmed the existence of a major iron oxide copper-gold mineralising system beneath several hundred metres of sedimentary cover.

More drilling is required to intercept the modelled copper-gold mineralisation. In the event of a discovery, the Torrens anomaly has the potential to host a world-class copper-gold deposit.

Native Title Determination

On 9 August 2016, applications for native title over Lake Torrens by three native title groups were dismissed by the Federal Court of Australia.

This matter, known as the Lake Torrens Overlap Proceeding, was initiated by the Federal Court to determine which of three native title claimant groups was entitled to hold native title rights.

The aboriginal claimant groups involved in the proceeding were the Adnyamathanha people, the Barngarla people and the Kokatha people. All three groups have lodged multiple native title claims over Lake Torrens since the introduction of the Native Title Act in 1993. All three groups hold granted native title rights in areas adjoining the lake.

Argonaut's wholly owned subsidiary, Kelaray Pty Ltd, was an active respondent in the proceeding.

The overlap proceeding came after a long period where competing native title claims and intra-group conflict made access negotiations impossible.

Judgement Implications

Certain aboriginal people oppose access to the Torrens anomaly on the basis that exploration works are incompatible with asserted mythological beliefs held in regard to Lake Torrens and Andamooka Island.

As a result of this judgement, those opposed to mineral exploration in the area of Lake Torrens will have significant difficulty establishing standing to grant or withhold native title authority in the area of the Torrens anomaly.

Appeals

All three claimant groups whose applications for native title over Lake Torrens were dismissed by the Federal Court have lodged notices of appeal to the Full Federal Court. The lodgement of appeals does not act as a stay of proceedings, a position reinforced by a further Federal Court decision made in the Joint Venture's favour on 22 December 2016. The Torrens Joint Venture has the right to enjoy the benefit of the 9 August 2016 judgment unless and until alternate orders are made.

Based on current information, parties expect the appeals to be heard jointly in late February / early March 2017.

Access Approvals

The Torrens Joint Venture is proceeding to make applications for exploration approval in the absence of registered native title claims or recognised native title rights. This change significantly simplifies the approval process, particularly in light of previously held environmental and operational approvals.

Alford, South Australia (Argonaut 100%)

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.

Alford Farm-in Joint Venture

The farm-in joint venture agreement for the Alford Project with Sandfire Resources NL was terminated by Sandfire, effective 31 August 2016.

Argonaut thanks Sandfire and its team for its significant efforts in exploring the tenement, and the professional manner in which exploration works were conducted under the farm-in arrangements.

Argonaut confirms that it retains a 100% interest in Exploration Licence 5212.

Higginsville, Western Australia (earning up to 80%)

The tenements that make-up the Higginsville Project are in Western Australia's Eastern Goldfields. Geologically, the package sits within the Norseman-Wiluna Belt, a belt of ancient rocks endowed with gold and nickel that sits within the broader Yilgarn Craton.

Approximately 70% of Australia's historical gold production has come from the Yilgarn Craton and most of that from the Norseman-Wiluna Belt.

The Higginsville Project is located south of Kambala, west of Lake Cowan and adjacent to Higginsville where over two million ounces of gold has been historically defined. Gold discoveries at Baloo and Monsoon (Polar Bear) by S2 Resources are located immediately east of the Higginsville Project at Lake Cowen.

Gold Exploration

Argonaut's two primary goals in securing the earn-in agreement are to firstly explore for near-surface oxide gold in areas with historic shallow drilling results and secondly to target deeper primary gold mineralisation at depths previously untested by drilling.

Historic Drilling Highlights – Oxide Gold

Historic shallow drilling in the area of Amorphous and Footes Find prospects was completed by Resolute Mining Ltd in the early 1990s. Highlights of this drilling are show below. Detailed historic results are shown in Appendix 1.

Amorphous Prospect

- AMC0007: **8m at 2.07g/t gold from 26m**
 - including 2m at 7.94g/t gold from 28m
- AMC0010: 9m at 1.21g/t gold from 71m
 - including 2m at 3.78g/t gold from 73m
- AMR0013: **5m at 4.03g/t gold from 21m**
 - including 2m at 10.37g/t gold from 22m
- AMR0015: **8m at 3.27g/t gold from 17m**
 - including 3m at 9.6g/t gold from 21m

Footes Find Prospect

- FFP0010: **7m at 2.13g/t gold from 28m**
 - including 1m at 12.5g/t gold from 30m

Amorphous and Footes Find are located approximately 5km along a sealed road from an operating mill and present an excellent opportunity for a meaningful, near-term exploration outcome.

Argonaut intends to commence RC drilling at Amorphous and Footes Find in April/May 2017 on the grant of the overlying tenement. This program will aim to define gold resources to standards sufficient for an estimation under the JORC code.

Nickel Exploration

Nickel targets within the Higginsville tenement package are called Hayes Hill and Green Bananas. These targets are located south of Higginsville near the west shore of Lake Cowan. The targets have been defined by auger drilling and are co-incident with expected magnetic signatures.

Green Bananas features a nickel geochemistry anomaly with auger samples returning between 0.1 and 0.2% nickel. These targets are prospective for massive nickel sulphides such as those discovered by Mincor Resources NL nearby at Cassini. Targets warrant a follow-up geophysical (EM) surveys.

Agreement Terms

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An issue of ordinary fully paid Argonaut shares to the value of \$50,000 is due on execution of the definitive earn-in agreement.

Kroombit, Queensland (Argonaut 100%)

No field based work was undertaken during the period.

Background

Argonaut holds a 100% interest in the Kroombit zinc-copper deposit in Central Queensland via its interest in ML5631 and EPM15705. Mining on ML5631 is subject to a 2% net smelter royalty, payable to Aeris Resources Ltd.

On 11 June 2009 Argonaut announced a maiden resource estimation for the Kroombit deposit. The Indicated and Inferred Resources at Kroombit are composed of:

- a Zinc Resource of 5.2 million tonnes at 1.9% zinc and 0.15% copper using a cut-off of 1.0% Zn, for 98,800 tonnes of zinc and 7,800 tonnes of copper; and
- a Copper Resource of 0.9 million tonnes at 1.0% copper at a cut-off of 0.5% Cu for 9,000 tonnes of copper.

In addition, Exploration Results are reported comprising a defined Exploration Potential of between:

- 1 million and 1.5 million tonnes at 1.5% to 2.0% zinc, and between
- 0.5 million and 1 million tonnes at 0.7% to 1.3% copper.

Aroona, South Australia (Argonaut 100%)

EL5220 and EL5336, Aroona, are subject to a joint venture agreement with Perilya Limited.

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

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.

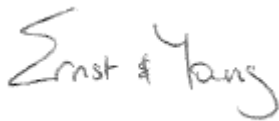
The information regarding Resource definition and Exploration Potential for the Kroombit deposit is extracted from a report entitled 'Maiden resource estimate announced for Queensland zinc-copper project'. This report was released on 11 June 2009 and is available to view on www.asx.com.au. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

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

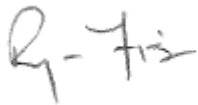
As lead auditor for the review of Argonaut Resources N.L. for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Argonaut Resources N.L and the entities it controlled during the financial period.



Ernst & Young



Ryan Fisk
Partner
16 March 2017

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General information

The financial statements cover Argonaut Resources NL as a consolidated entity consisting of Argonaut Resources NL and the entities it controlled at the end of, or during, the half-year. 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 16 March 2017.

Argonaut Resources NL
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016



		Consolidated	
	Note	31 December 2016 \$	31 December 2015 \$
Other income			
	3	4,756	5,626
Net gain transferred from asset revaluation reserve	6	97,898	-
Expenses			
Employee benefits expense		(348,798)	(272,298)
Office administration expenses		(118,129)	(72,467)
Depreciation and amortisation expense		(242)	(706)
Impairment of exploration and intangible assets		-	(3,401,043)
Impairment of financial assets		-	(3,120,097)
Exploration costs expensed		(136,539)	-
Reversal of contingent consideration		-	150,000
Other expenses		(346,065)	(117,210)
Loss before income tax expense		(847,119)	(6,828,195)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Argonaut Resources NL		(847,119)	(6,828,195)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation	6	70,884	(306,661)
Reclassification from revaluation reserve to statement of profit of loss	6	(97,898)	2,768,669
Other comprehensive income for the half-year, net of tax		(27,014)	2,462,008
Total comprehensive income for the half-year attributable to the owners of Argonaut Resources NL		(874,133)	(4,366,187)
		Cents	Cents
Basic earnings per share	10	(0.13)	(1.54)
Diluted earnings per share	10	(0.13)	(1.54)

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

	Note	Consolidated 31 December 2016 \$	30 June 2016 \$
Assets			
Current assets			
Cash and cash equivalents		423,060	1,315,631
Trade and other receivables		88,199	81,105
Other		32,452	15,395
Total current assets		<u>543,711</u>	<u>1,412,131</u>
Non-current assets			
Financial assets at fair value	4	-	415,856
Property, plant and equipment		14,785	15,026
Intangibles		50,000	50,000
Exploration and evaluation	5	677,180	464,741
Total non-current assets		<u>741,965</u>	<u>945,623</u>
Total assets		<u>1,285,676</u>	<u>2,357,754</u>
Liabilities			
Current liabilities			
Trade and other payables		187,560	409,384
Employee benefits		193,301	169,422
Total current liabilities		<u>380,861</u>	<u>578,806</u>
Total liabilities		<u>380,861</u>	<u>578,806</u>
Net assets		<u>904,815</u>	<u>1,778,948</u>
Equity			
Issued capital		42,788,284	42,788,284
Reserves	6	(2,659,865)	(2,632,851)
Accumulated losses		<u>(39,223,604)</u>	<u>(38,376,485)</u>
Total equity		<u>904,815</u>	<u>1,778,948</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 2016



Consolidated	Contributed equity \$	Other reserves \$	Share-based payments \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015	40,611,465	(5,812,214)	611,080	(30,566,425)	4,843,906
Loss after income tax expense for the half-year	-	-	-	(6,828,195)	(6,828,195)
Other comprehensive income for the half-year, net of tax	-	2,462,008	-	-	2,462,008
Total comprehensive income for the half-year	-	2,462,008	-	(6,828,195)	(4,366,187)
Balance at 31 December 2015	<u>40,611,465</u>	<u>(3,350,206)</u>	<u>611,080</u>	<u>(37,394,620)</u>	<u>477,719</u>
Consolidated	Contributed equity \$	Other reserves \$	Share-based payments \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016	42,788,284	(3,299,822)	666,971	(38,376,485)	1,778,948
Loss after income tax expense for the half-year	-	-	-	(847,119)	(847,119)
Other comprehensive income for the half-year, net of tax	-	(27,014)	-	-	(27,014)
Total comprehensive income for the half-year	-	(27,014)	-	(847,119)	(874,133)
Balance at 31 December 2016	<u>42,788,284</u>	<u>(3,326,836)</u>	<u>666,971</u>	<u>(39,223,604)</u>	<u>904,815</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 2016



	Consolidated	
	31 December 2016	31 December 2015
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(964,185)	(344,163)
Interest received	4,756	6,487
Net cash used in operating activities	<u>(959,429)</u>	<u>(337,676)</u>
Cash flows from investing activities		
Payments for exploration and evaluation	(348,998)	(256,033)
Proceeds from sale of financial assets at fair value	415,856	-
Net cash used in investing activities	<u>66,858</u>	<u>(256,033)</u>
Cash flows from financing activities		
Net cash from financing activities	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	(892,571)	(593,709)
Cash and cash equivalents at the beginning of the financial half-year	<u>1,315,631</u>	<u>835,000</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>423,060</u></u>	<u><u>241,291</u></u>

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

Note 1. Significant accounting policies

These financial statements for the interim half-year reporting period ended 31 December 2016 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 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 2016 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 or amended Accounting Standards and Interpretations adopted

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

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. The consolidated entity has incurred net losses after tax of \$847,119 (2015: \$6,828,195) and net cash outflows from operating and investing activities of \$892,571 (2015: \$593,709) for the period ended 31 December 2016. For the reasons described below, conditions exist that indicate there is a material uncertainty as to the consolidated entity's ability to continue as a going concern.

The directors have prepared cash flow forecasts which indicate that the current cash resources will not be sufficient to fund planned exploration expenditure, other principal activities and working capital requirements without the sale of non-core assets and/or capital raising. Notwithstanding that the entity has successfully carried a capital raising in February 2017, the consolidated entity will be required to realise through the sale of non-core assets or capital raising to fund its current operations through to 31 March 2018. The consolidated entity is reviewing various capital raising opportunities to meet its capital requirements.

Based on the cash flow forecasts and achieving all or some funding, the directors are confident that the consolidated entity will be able to fund its activities as mentioned above and hence the entity will be able to continue as a going concern. Should the consolidated entity be unable to raise capital or realise the sale of non-core assets, there is a material uncertainty whether the consolidated entity will be able to continue as a going concern and therefore, whether it will be able to realise its assets and discharge its liabilities in the normal course of business.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Note 2. Operating segments

Identification of reportable operating segments

The Group only has one operating segment being exploration activity. 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 a monthly basis.

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.

Note 2. Operating segments (continued)

Operating segment information

Consolidated - 31 December 2016	Australia \$	Canada \$	Total \$
Assets			
Exploration assets	67,995	609,185	677,180
Property, plant and equipment	14,785	-	14,785
Intangibles	50,000	-	50,000
	<u>132,780</u>	<u>609,185</u>	<u>741,965</u>
<i>Unallocated assets:</i>			
Cash and cash equivalents			423,060
Other assets			120,651
Total assets			<u>1,285,676</u>
Liabilities			
<i>Unallocated liabilities:</i>			
Current			380,861
Total liabilities			<u>380,861</u>

Consolidated - 30 June 2016	Australia \$	Canada \$	Total \$
Assets			
Exploration assets	34,082	430,659	464,741
Property, plant and equipment	15,026	-	15,026
Intangibles	50,000	-	50,000
Financial assets at fair value	415,856	-	415,856
	<u>514,964</u>	<u>430,659</u>	<u>945,623</u>
<i>Unallocated assets:</i>			
Cash and cash equivalents			1,315,631
Other assets			96,500
Total assets			<u>2,357,754</u>
Liabilities			
<i>Unallocated liabilities:</i>			
Current			578,806
Total liabilities			<u>578,806</u>

Note 3. Other income

	Consolidated	Consolidated
	31 December	31 December
	2016	2015
	\$	\$
Interest	<u>4,756</u>	<u>5,626</u>

Note 4. Non-current assets - financial assets at fair value

	Consolidated	
	31 December 2016	30 June 2016
	\$	\$
Quoted securities	-	415,856
<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	415,856	669,387
Sold during the period	(415,856)	-
Revaluation decrements	-	(253,531)
Closing fair value	-	415,856

Note 5. Non-current assets - exploration and evaluation

	Consolidated	
	31 December 2016	30 June 2016
	\$	\$
Exploration and evaluation assets	22,716,497	22,480,731
Less: Impairment	(22,039,317)	(22,015,990)
	677,180	464,741

Reconciliations

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

Consolidated	Exploration & evaluation \$	Total \$
Balance at 1 July 2016	464,741	464,741
Additions	212,439	212,439
Balance at 31 December 2016	677,180	677,180

The Directors had reviewed the current market conditions relating to commodity prices and accordingly had impaired certain licences in Australia to a nominal value on the basis the company is unlikely to recover the exploration costs incurred on these licences within the foreseeable future. The remaining carrying value as at 31 December 2016 represents the Directors' view of these assets, which are expected to be recovered.

Note 6. Equity - reserves

	Consolidated	
	31 December	30 June
	2016	2016
	\$	\$
Foreign currency reserve	(1,739,749)	(1,810,633)
Share-based payments reserve	666,971	666,971
Revaluation reserve	-	97,898
Transaction between shareholders reserve	(1,587,087)	(1,587,087)
	<u>(2,659,865)</u>	<u>(2,632,851)</u>

Revaluation reserve

The reserve is used to recognise increments and decrements in the fair value of equity instruments.

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

	Other reserve	Foreign currency reserve	Share-based payments reserve	Revaluation reserve	Transaction between shareholders reserve	Total
	\$	\$	\$	\$	\$	\$
Consolidated						
Balance at 1 July 2016	-	(1,810,633)	666,971	97,898	(1,587,087)	(2,632,851)
Foreign currency translation	-	70,884	-	-	-	70,884
Reversal of revaluation reserve to profit or loss	-	-	-	(97,898)	-	(97,898)
Balance at 31 December 2016	<u>-</u>	<u>(1,739,749)</u>	<u>666,971</u>	<u>-</u>	<u>(1,587,087)</u>	<u>(2,659,865)</u>

Note 7. Equity - dividends

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

Note 8. Net fair values

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Note 9. Events after the reporting period

Argonaut and Loded Dog Prospecting Pty Ltd executed the Eastern Goldfields Earn-In Joint Venture and Royalty Agreement on 7 February 2017. Under the agreement Argonaut has the right to earn an 80% interest in the tenement package according to the following terms:

- Argonaut can earn a 51% interest in the tenement package in exchange for completing \$500,000 in exploration expenditure within two years of commencement; and
- Argonaut may earn a further 29% interest, for a total of 80%, for completing an additional \$1,500,000 in exploration expenditure within a further three years.
- Reimbursement of tenement acquisition expenses totalling \$250,000 are payable by Argonaut progressively under the agreement.

Note 9. Events after the reporting period (continued)

- reimbursement of \$100,000 is payable on execution of the definitive earn-in agreement;
- reimbursement of \$75,000 is payable on the first anniversary; and
- reimbursement of \$75,000 is payable on election to proceed to the second phase of the earn-in.
- An issue of ordinary fully paid Argonaut shares to the value of \$50,000 is due on execution of the definitive earn-in agreement.

On 9 February 2017, the Company completed a private share placement of 110,000,000 fully paid ordinary shares to sophisticated and professional investors at an average price of \$0.0048 per share, raising a total of \$528,000 (before costs).

No other matter or circumstance has arisen since 31 December 2016 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.

Note 10. Earnings per share

	Consolidated	
	31 December 2016	31 December 2015
	\$	\$
Loss after income tax attributable to the owners of Argonaut Resources NL	<u>(847,119)</u>	<u>(6,828,195)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>654,340,318</u>	<u>443,791,701</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>654,340,318</u>	<u>443,791,701</u>
	Cents	Cents
Basic earnings per share	(0.13)	(1.54)
Diluted earnings per share	(0.13)	(1.54)

In the directors' opinion:

- the attached financial statements and notes 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 give a true and fair view of the consolidated entity's financial position as at 31 December 2016 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



Pat Elliott
Non-Executive Chairman

16 March 2017

To the members of Argonaut Resources N.L.

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Argonaut Resources N.L., which comprises the statement of financial position as at 31 December 2016, 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 of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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 N.L. and the entities it controlled during the half-year, 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.

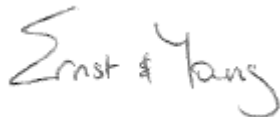
Conclusion

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 N.L. is not in accordance with the *Corporations Act 2001*, including:

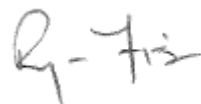
- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which describes the principal conditions that raise doubt about the entity's ability to continue as a going concern. As a result of these matters, there is significant uncertainty whether the consolidated entity will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.



Ernst & Young



Ryan Fisk
Partner
Sydney
16 March 2017