Argonaut Resources NL

ABN 97 008 084 848

Interim Report - 31 December 2015

Directors	Patrick J D Elliott - Non-executive Chairman Lindsay J Owler – Executive Director and Chief Executive Officer 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	MSM Legal 11-13 Gilbert Street Adelaide SA 5000
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 2015.

Principal activities
Argonaut Resources NL is a mineral exploration and development company with operations in Zambia and Australia. 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 and in March 2016, signed an option agreement to acquire 100% of the Crescent Lake Lithium Project in Canada.

During the half-year 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 $6,828,195 (31 December 2014: $1,252,154). The loss for the period is mainly due to the provision for impairment losses on exploration assets ($3.4 million) and the quoted securities ($3.1 million).

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 financial half-year.

Matters subsequent to the end of the financial half-year
On 3 March 2016, a subsidiary of Argonaut entered an option agreement with Canadian Orebodies Inc. (COB) to acquire 100% of the Crescent Lake Lithium Project (the Option). The principal terms of the Option are:

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

Apart from the above, no other matter or circumstance has arisen since 31 December 2015 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 page 10.

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

15 March 2016

Corporate

During the half-year, commodity markets and access to capital for related projects remained challenging. The Company continued with 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, that were also able to attract capital to undertake such activities.

The Company reviewed numerous exploration and development opportunities and as a result, secured an exclusive option to acquire 100% of the Crescent Lake Lithium Project, as outlined below applied for two Australian exploration tenements for the purpose of testing lithium exploration concepts.

Exploration Activities

Crescent Lake, Canada (Argonaut acquiring 100%)

Subsequent to the period, Argonaut announced it has secured an exclusive option to acquire 100% of the Crescent Lake Lithium Project. The project consists of two adjacent lithium deposits in Ontario, Canada.

Location and Infrastructure

The Crescent Lake Lithium Project is located 250km NNE of Thunder Bay, north of Lake Superior in Ontario, Canada (Figure 1).

Figure 1: Crescent Lake Project location

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

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

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

Deposit Geology

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

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

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

Exploration Potential

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

Significant opportunity exists to define:

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

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

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

Regional Lithium Deposits

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

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

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

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

Seymour Lake: is a lithium-beryllium-tantalum pegmatite deposit located approximately 10km west of the Crescent Lake Project.

Lithium Market

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

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

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

Option Agreement to Acquire 100%

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

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

Lake Blanche, South Australia (100%)

Argonaut has applied for two exploration tenements covering Lake Blanche in South Australia for the purpose of testing lithium exploration concepts. The application areas cover approximately 1,000 square kilometres.

Lumwana West, Zambia (Argonaut 65%)

The Lumwana West project is located in the Central African Copperbelt, North-Western Province, Zambia (Figure 2). The area is prospective for large tonnage, low to medium grade copper 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.

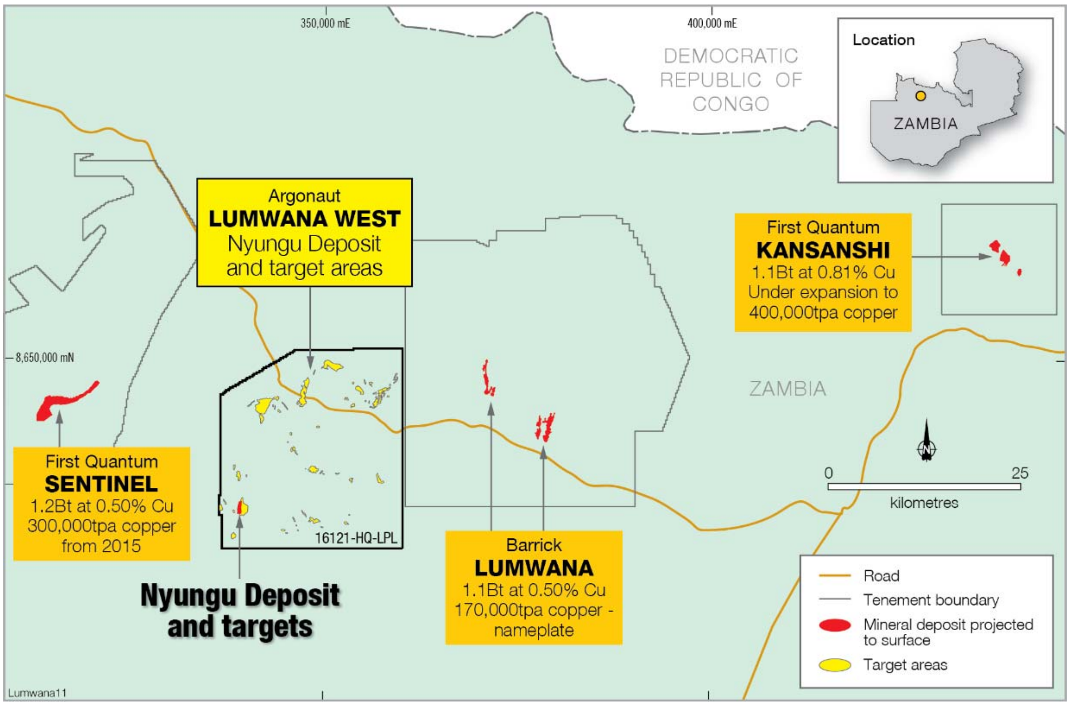

Figure 2: The Domes Region has an international scale copper endowment and is host to the new generation of mines in the Central African Copperbelt

Overlying Agreement

During the period, Argonaut received two notices from a subsidiary of Antofagasta plc (Antofagasta) in relation to the overlying option agreement between the companies for the exploration and development of the Lumwana West project in Zambia (the Overlying Agreement).

Antofagasta advised Argonaut that it has exercised its first option to acquire a 25% interest in the Lumwana West project. The interest holdings in the project is now as follows: Argonaut 65%, Antofagasta 25% and the initial shareholders 10%. The second notice states that Antofagasta has terminated the second option under the Overlying Agreement with the effect being it will not proceed to sole fund the second phase. Approved second phase works will be funded pro rata by Argonaut and Antofagasta. Argonaut remains the operator of the project.

Argonaut is continuing to assess its options in relation to the Lumwana West project and these include further definition of the Nyungu copper 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 (previously EL4296).

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.

Native Title Determination

During the period, the Lake Torrens Overlap Proceeding commenced in the Federal Court of Australia. This proceeding will determine which of three native title claimant groups (if any) are entitled to native title rights in the area of Lake Torrens and Andamooka Island.

Argonaut management is pleased by the thorough anthropological investigations that have been brought about by this matter. Such investigations, together with the oral evidence of senior aboriginal representatives, given both 'on-country' and in the courtroom, provides a proper foundation for an equitable native title outcome.
After a long period of competing native title claims and intra-group conflict, the judgement in this matter will clarify the native title situation for the purpose of access negotiations.

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 EL5614.

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.

The Federal Court proceeding mentioned may eliminate the need for an ERD Court retrial.

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%)

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

- During the period, Argonaut and its partner, Sandfire Resources NL, agreed to a two year extension to the farm-in provisions.
- During this extended period Sandfire will continue to sole fund exploration.

Argonaut previously announced it had signed a farm-in joint venture letter agreement with Sandfire Resources NL (ASX: SFR) for the exploration of the Company's 100% owned exploration licence 5212, 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).

Sandfire has now met the minimum expenditure commitment for the First Earn-in and the companies have agreed to extend the period of the farm-in by two years.

Sandfire then has the right to either 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%)

An application for a Mineral Development Licence over the area required to develop the Kroombit zinc-copper deposit has been lodged with the Queensland Government. 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.

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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 2015, 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 NL and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

R Fisk

Ryan Fisk
Partner
15 March 2016

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Contents

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 15 March 2016.

	Note	Consolidated 31 December 2015 $	31 December 2014 $
Other income from continuing operations	3	5,626	21,092
Expenses			
Employee benefits expense		(272,298)	(430,232)
Office administration expenses		(72,467)	(90,511)
Depreciation and amortisation expense		(706)	(865)
Impairment of exploration assets	6	(3,401,043)	-
Loss on disposal of equity investment		-	(24,120)
Loss on derivative financial instrument		-	(219,318)
Impairment of quoted securities	5	(3,120,097)	-
Reversal of contingent consideration	9	150,000	-
Other expenses		(117,210)	(343,689)
Loss before income tax expense from continuing operations		(6,828,195)	(1,087,643)
Income tax expense		-	-
Loss after income tax expense from continuing operations		(6,828,195)	(1,087,643)
Loss after income tax expense from discontinued operations	4	-	(164,511)
Loss after income tax expense for the half-year attributable to the owners of Argonaut Resources NL		(6,828,195)	(1,252,154)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation	7	(306,661)	345,166
(Loss) / gain on revaluation of equity investments	7	2,768,669	(489,621)
Derecognition of foreign currency translation		-	(612,709)
Other comprehensive income for the half-year, net of tax		2,462,008	(757,164)
Total comprehensive income for the half-year attributable to the owners of Argonaut Resources NL		(4,366,187)	(2,009,318)
Total comprehensive income for the half-year is attributable to:			
Continuing operations		(4,366,187)	(1,844,807)
Discontinued operations	4	-	(164,511)
		(4,366,187)	(2,009,318)
		Cents	**Cents**
Basic earnings per share		(1.54)	(0.28)
Diluted earnings per share		(1.54)	(0.28)

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

	Note	Consolidated 31 December 2015 $	30 June 2015 $
Assets			
Current assets			
Cash and cash equivalents		241,291	835,000
Trade and other receivables		23,526	103,595
Other		33,546	20,430
Total current assets		298,363	959,025
Non-current assets			
Quoted securities	5	317,959	669,387
Property, plant and equipment		15,602	16,308
Intangibles		50,000	50,000
Exploration and evaluation	6	205,717	3,657,308
Total non-current assets		589,278	4,393,003
Total assets		887,641	5,352,028
Liabilities			
Current liabilities			
Trade and other payables		223,285	183,703
Employee benefits		186,637	174,419
Total current liabilities		409,922	358,122
Non-current liabilities			
Contingent consideration	9	-	150,000
Total non-current liabilities		-	150,000
Total liabilities		409,922	508,122
Net assets		477,719	4,843,906
Equity			
Issued capital		40,611,465	40,611,465
Reserves	7	(2,739,126)	(5,201,134)
Accumulated losses		(37,394,620)	(30,566,425)
Total equity		477,719	4,843,906

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 2015

Consolidated	Contributed equity $	Other reserves $	Share-based payments $	Accumulated losses $	Non-controlling interest $	Total equity $
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)
Transactions with owners in their capacity as owners:						
Contributions of equity	60,500	(3,300)	-	-	994,864	1,052,064
Transaction costs	(36,386)	-	-	-	-	(36,386)
Balance at 31 December 2014	40,611,465	(5,635,810)	611,080	(25,067,568)	(213)	10,518,954

Consolidated	Contributed equity $	Other reserves $	Share-based payments $	Accumulated losses $	Non-controlling interest $	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	40,611,465	(3,350,206)	611,080	(37,394,620)	-	477,719

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

	Consolidated 31 December 2015 $	Consolidated 31 December 2014 $
Cash flows from operating activities		
Payments to suppliers and employees	(344,163)	(529,977)
Interest received	6,487	19,086
Net cash used in operating activities	(337,676)	(510,891)
Cash flows from investing activities		
Payments for exploration and evaluation	(256,033)	(141,725)
Proceeds from disposal of investments	-	150,880
Net cash from/(used in) investing activities	(256,033)	9,155
Cash flows from financing activities		
Proceeds from issue of shares	-	57,200
Share issue transaction costs	-	(36,386)
Net cash from financing activities	-	20,814
Net decrease in cash and cash equivalents	(593,709)	(480,922)
Cash and cash equivalents at the beginning of the financial half-year	835,000	1,942,550
Cash and cash equivalents at the end of the financial half-year	241,291	1,461,628

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 2015 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 2015 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.

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

The principal Australian Accounting Standards and interpretations that became effective since 30 June 2015 are set out in the following table.
- AASB 2014-7 - Financial instruments
- AASB 2014-8 - Financial instruments
- AASB 2015-3 - Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.

The adoption of these standards did not have a significant impact on the group's results in the current and / or prior 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 $6,828,195 (2014: $1,252,154) and net cash outflows from operating and investing activities of $593,709 (2014: $501,736) for the period ended 31 December 2015. At 31 December 2015 the Company had cash of $241,291 and a net current liability of $111,559. 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. 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 2017. 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 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

Consolidated - 31 December 2015	Australia $	Zambia $	Intersegment eliminations/ unallocated $	Total $
Assets				
Segment assets	217,498	53,821	-	271,319
Unallocated assets:				
Cash and cash equivalents				241,291
Other assets				375,031
Total assets				887,641
Liabilities				
Unallocated liabilities:				
Current				409,922
Non current				-
Total liabilities				409,922

Note 2. Operating segments (continued)

Consolidated - 30 June 2015	Australia $	Zambia $	Intersegment eliminations/ unallocated $	Total $
Assets				
Segment assets	1,494,020	2,163,288	-	3,657,308
Unallocated assets:				
Cash and cash equivalents				835,000
Other assets				859,720
Total assets				5,352,028
Liabilities				
Unallocated liabilities:				
Current				358,122
Non current				150,000
Total liabilities				508,122

Note 3. Other income

	Consolidated	
	31 December 2015 $	**31 December 2014 $**
From continuing operations		
Interest	5,626	21,092

Note 4. 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.

Financial performance information

	Consolidated	
	31 December 2015 $	**31 December 2014 $**
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	-	(164,511)

Note 4. Discontinued operations (continued)

Carrying amounts of assets and liabilities disposed

	Consolidated	
	31 December 2015 $	31 December 2014 $
Trade and other receivables	-	8
Property, plant and equipment	-	69,811
Total assets	-	69,819
Trade and other payables	-	287,462
Total liabilities	-	287,462
Net liabilities	-	(217,643)

Details of the disposal

	Consolidated	
	31 December 2015 $	31 December 2014 $
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 income tax	-	(164,511)
Loss on disposal after income tax	-	(164,511)

Note 5. Non-current assets - Quoted securities

	Consolidated	
	31 December 2015 $	30 June 2015 $
Quoted securities	317,959	669,387

Reconciliation
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	669,387	1,334,008
Disposals	-	(175,000)
Revaluation decrements – through to equity	-	(489,621)
Transfer from equity	2,768,669	-
Impairment loss – through to profit or loss	(3,120,097)	-
Closing fair value	317,959	669,387

Quoted securities represent 16.7m shares in Cuesta Coal Limited. During the period, as a result of prolonged decrement in the share price, an impairment loss of $3,120,097 has been recognised in the profit or loss.

Note 6. Non-current assets - exploration and evaluation

	Consolidated	
	31 December 2015 $	30 June 2015 $
Exploration and evaluation assets	22,233,039	22,231,600
Less: Impairment	(22,027,322)	(18,574,292)
	205,717	3,657,308

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

Consolidated	Mwombezhi Zambia $	Australia $	Total $
Balance at 1 July 2015	2,163,288	1,494,020	3,657,308
Additions	254,673	1,440	256,113
Exchange differences	(306,661)	-	(306,661)
Impairment of assets	(2,061,300)	(1,339,743)	(3,401,043)
Balance at 31 December 2015	50,000	155,717	205,717

During the period, a subsidiary of Antofagasta plc (Antofagasta) had decided to terminate the phase two of an option agreement (Overlying Agreement) to farm in the Lumwana West project due to discouraging drilling results. As a result of this termination and the discouraging drilling results, the company had recognised an impairment charge of $2.1 million on the Lumwana West project.

In addition to the above, the Directors had reviewed the current market conditions relating to commodity prices and accordingly had impaired certain licences in Australia 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 2015 represents the Directors' view of these assets, which are expected to be recovered.

Note 7. Equity - reserves

	Consolidated	
	31 December 2015 $	30 June 2015 $
Foreign currency reserve	(1,763,119)	(1,456,458)
Share-based payments reserve	611,080	611,080
Revaluation reserve	-	(2,768,669)
Transaction between shareholders reserve	(1,587,087)	(1,587,087)
	(2,739,126)	(5,201,134)

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.

Note 7. Equity - reserves (continued)

Consolidated	Other reserve $	Foreign currency reserve $	Share-based payments reserve $	Revaluation reserve $	Transaction between shareholders reserve $	Total $
Balance at 1 July 2015	-	(1,456,458)	611,080	(2,768,669)	(1,587,087)	(5,201,134)
Foreign currency translation	-	(306,661)	-	-	-	(306,661)
Reversal of revaluation reserve to profit or loss	-	-	-	2,768,669	-	2,768,669
Balance at 31 December 2015	-	(1,763,119)	611,080	-	(1,587,087)	(2,739,126)

Note 8. Equity - dividends

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

During the period there was no change in ordinary shares, being the Ordinary shares – fully paid for both periods 443,791,701.

Note 9. 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%.

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.

As disclosed in Note 6, during the period a subsidiary of Antofagasta plc (Antofagasta) had decided to terminate the phase two of the Overlying Agreement to farm in the Lumwana West project due to discouraging drilling results. As a result of this, the Directors are of the view that the company at this stage is highly unlikely to meet the set tonnage and grade level under the agreement within the foreseeable future. The Directors therefore determined that the fair value of the liability at 31 December 2015 is nil and reversed the liability of $150,000 to the profit or loss.

Other than the above, the consolidated entity did not have any other contingent liabilities as at 31 December 2015.

Note 10. 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 11. Events after the reporting period

On 3 March 2016, a subsidiary of Argonaut entered an option agreement with Canadian Orebodies Inc. (COB) to acquire 100% of the Crescent Lake Lithium Project (the Option). The principal terms of the Option are:

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

Apart from the above, no other matter or circumstance has arisen since 31 December 2015 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 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 2015 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

15 March 2016

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Independent auditor's review report to the members of Argonaut Resources NL

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 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the 31 December 2015 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 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 2015 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 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.

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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:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 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*.

Emphasis of Matter

Without qualifying our conclusion, 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. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Ernst & Young

Ernst & Young

Ryan Fisk
Partner
Sydney
15 March 2016

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