

# Quarterly report

FOR THE PERIOD ENDING 30 JUNE 2013

Argonaut Resources NL (the Company or Argonaut) (ASX: ARE) is pleased to deliver the following report for the quarterly period to 30 June 2013 (the Quarter).

## Highlights

### Lumwana West, Zambia

- Commenced major regional exploration program at four high priority targets.
- Regional program consists of IP geophysics and surface geochemistry and is aimed at defining targets for proposed 2013 drill program.
- Program 80% complete – results imminent.
- Increased its ownership rights under the Lumwana West joint venture to 88.5% via a payment of US\$150,000.
- Maiden Exploration Target estimations for the Nyungu deposit and the Kavipopo prospect – current global Exploration Target of between 200Mt and 680Mt<sup>1</sup>.

### Alford, South Australia

- Six infill aircore holes for approximately 500m were completed by Sandfire Resources NL at the Glenrae Prospect.
- A program of diamond drilling was also undertaken to follow up on anomalous geochemistry. Four holes for approximately 1,300m were completed.
- Ongoing interpretation of drilling results by Sandfire indicate a large, anomalous copper and gold mineralised system with IOCG associations.
- Further exploration work is planned following the crop harvest in the December quarter. This work will include further geophysical surveys, including IP and Gravity with follow up aircore and diamond drilling.

### Xekong, Laos

- Argonaut withdrew its application to extend the Xekong concession in southern Laos. The Board is of the view the obtainable renewal terms were not aligned with the project's stage of development.

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<sup>1</sup> *Exploration Targets quoted in this announcement are based on potential quantity and grade that is conceptual in nature. There has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.*

# Outlook

- Continue exploration work on priority regional targets at Lumwana West Project, including:
  - Completion of IP geophysics and soil geochemistry program – results to be received during August 2013. These results will determine drill targets.
  - Detailed planning of proposed RC drilling program – rig availability established and discussions progressing with potential funding partners

## Zambia

### Lumwana West

(Argonaut earning 88.5%)

The Mwombezhi Dome is located in the western extension of the Lufilian Arc which is host to the Central African Copperbelt. The Mwombezhi Dome is comprised of two northeast-southwest trending basement inliers, and is one of several domes in an area of the Copperbelt known as the 'Domes Region'.

The Domes Region is host to the new generation of Zambian Copperbelt mines including Barrick's Lumwana Mine on the eastern lobe of the Mwombezhi Dome (Figure 1) plus First Quantum's Kansanshi and Sentinel Mines.

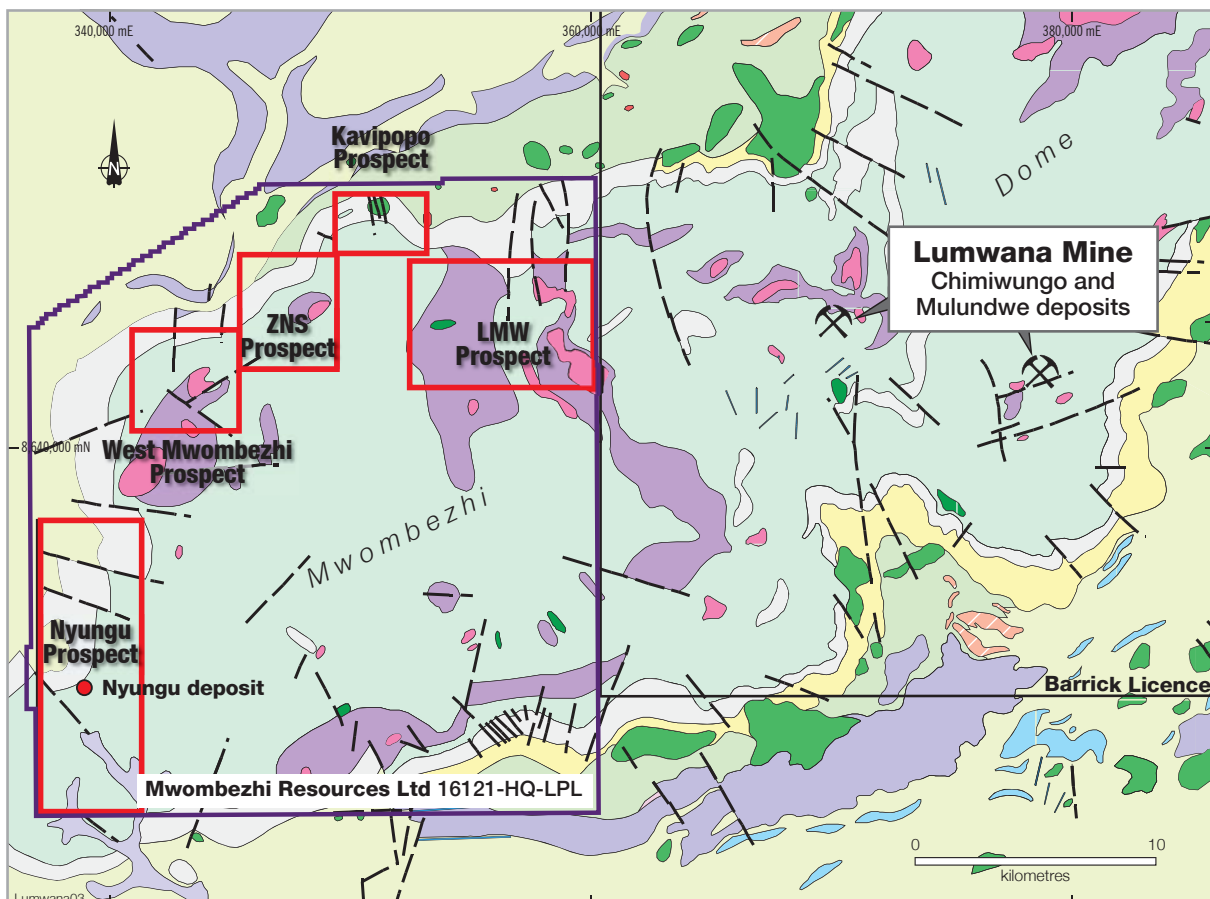


Figure 1: Lumwana West large scale prospecting licence, prospect locations and Lumwana mine location.

## Recent Exploration History

Drilling by Argonaut at the Nyungu Deposit (Figure 1) in 2011 and 2012 resulted in the independent estimation of an Exploration Target of 130 to 180Mt at a grade range of 0.45 to 0.65% copper. (See ASX announcement dated 9 April 2013). Exploration Targets are based on potential quantity and grade that is conceptual in nature. There has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

Nyungu was chosen by the Company as the initial exploration site due to its extensive historical data set, however the Company remained mindful that other regional targets had similar dimensions and encouraging characteristics, they simply lacked high resolution targeting data.

The company must ensure that high cost drilling adds maximum value to the project. To do this, the Company has been using low cost geochemistry and IP targeting tools to better define regional targets. This enables drilling expenditures to be concentrated on higher probability targets.

## 2013 Regional Exploration Program

On 29 April 2013, Argonaut announced details of a regional exploration program, currently nearing completion, at Lumwana West. The company considered and ranked the regional targets (Figure 2) and the four highest priority prospects are summarised in the following table:

Target	Geochem Dimensions	Anomaly	2013 planned follow up
<b>Kavipopo</b>	2,600 x 1,000m	Strong IP, Cu in soil, strong radiometric	Confirmatory soil geochemistry, RC drilling
<b>ZNS</b>	Lobe 1: 4,200 x 1,100m	Cu in soil, radiometric	IP Survey, confirmatory soil geochemistry, RC drilling
	Lobe 2: 1,200 x 900m	Strong radiometric, weak Cu in soil	IP Survey, confirmatory soil geochemistry, RC drilling
<b>West Mwombezi</b>	2,200 x 1,500m	Cu in soil, radiometric	IP Survey, confirmatory soil geochemistry, RC drilling
<b>LMW</b>	Lobe 1: 2,300 x 800m	Strong radiometric, Cu in soil	IP Survey, confirmatory soil geochemistry, RC drilling
	Lobe 2: 2,200 x 400m	Strong radiometric, Cu in soil	IP Survey, confirmatory soil geochemistry, RC drilling

**Table 1:** Lumwana West regional targets.

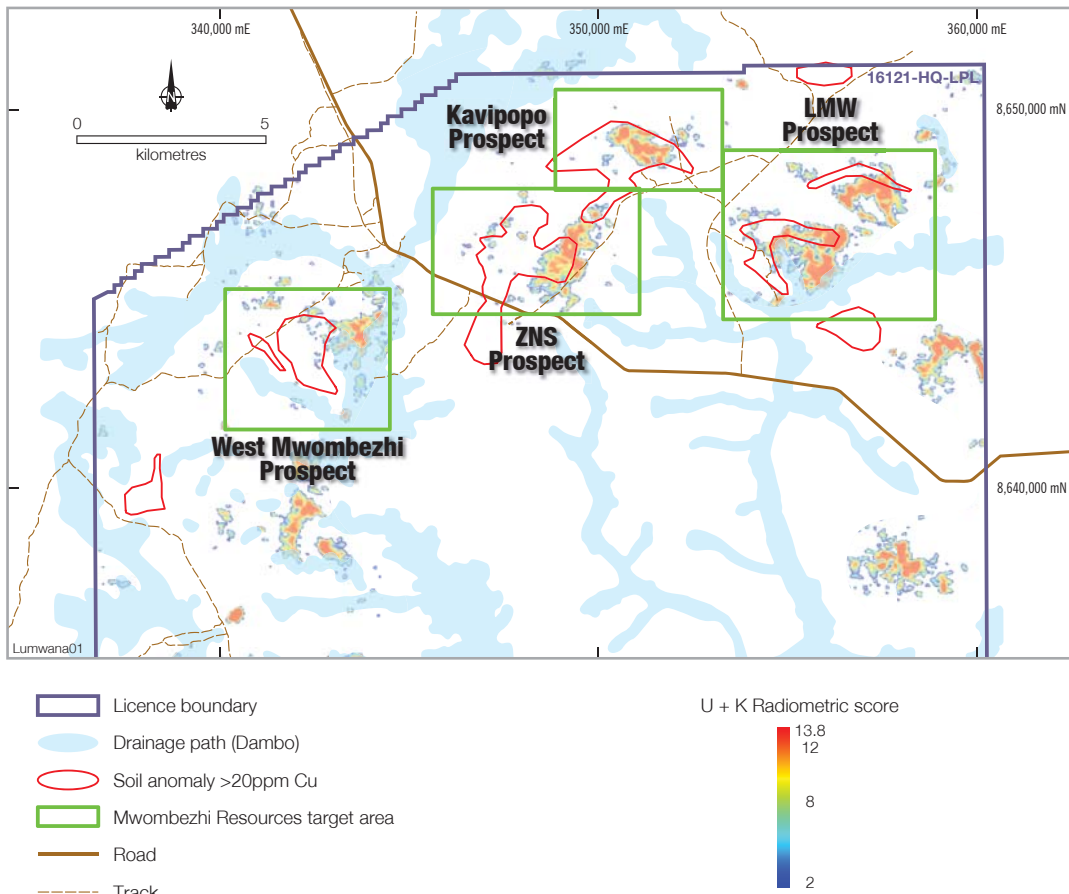
## Induced Polarisation (IP) Geophysics

Argonaut is undertaking a major IP geophysics program in three phases over the regional targets. The first phase is covering the highest priority regional targets as defined by surface geochemistry and airborne radiometrics (Figure 2). Subsequent phases will expand on subsurface anomalies and infill as required.

Acquisition of phase one IP data is approximately 80% complete. The results of these surveys will be compiled and the resultant anomalies will be ranked in order of priority for drilling.

## Surface Geochemistry

Argonaut is undertaking a soil sampling program concurrent with the IP geophysics program, with soil samples being progressively analysed by handheld XRF. The Company plans to collect 1,380 soil samples in areas that are not subject to hydromorphic effects. The collection of soil samples will be completed in early August. To date 1,295 samples have been collected and 977 samples have been analysed.



**Figure 2:** Lumwana West priority regional targets with surface Cu geochemistry and K+U radiometric overlay.

## Reverse Circulation (RC) Drilling

Preliminary data, compiled prior to the completion of the regional exploration program discussed above, indicate that a significant 2013 drilling program of regional targets will be warranted.

The company has established the availability of a suitable drilling rig for the program. The Board is currently in negotiations with several parties in respect of funding for this and future exploration programs at Lumwana West.

The emerging tenor of the regional targets shown in Figure 2 is such that the Board remains confident that suitable financing can be finalised in time to allow drilling during the 2013 Zambian dry season (May to November).

## Increased Ownership Rights

On 17 June 2013, Argonaut announced that its 100% owned subsidiary, Lumwana West Resources Ltd (LWR), had agreed to purchase an additional 3.5% effective interest in the Lumwana West Project, for US\$150,000. This lifted Argonaut's ultimate earnable interest in the project to 88.5%.

In exchange for the payment of US\$150,000, the parties to the Lumwana West Joint Venture Agreement agreed to vary LWR's second and third phase earn-in rights by 3.5% each, being a 78.5% interest on the second earn-in and an ultimate 88.5% interest. The additional project equity will be as new shares in the joint venture vehicle, Mwombezhi Resources Ltd.

This is a clear representation of the Company's view on the strength and significance of the project.

## Lumwana West Joint Venture

The Lumwana West Joint Venture involves large scale prospecting licence 16121-HQLPL. The grant of 16121-HQ-LPL was approved by the Mines Advisory Committee in July 2011. The licence was registered in the Zambian 'Flexicadastre' system in the same month.

Under the newly varied terms of the joint venture, Argonaut's 100% held subsidiary, Lumwana West Resources Ltd, can earn up to 88.5% of Mwombezhi Resources Ltd which holds 16121HQ-LPL. The Joint Venture is in three phases.

In earning an initial 51%, LWR paid a US\$300,000 signing fee and funded US\$1.8 million in exploration works prior to 31 December 2012. Argonaut paid US\$600,000 to the initial shareholders on the first allotment of shares.

To earn a further 27.5%, for a total of 78.5%, LWR must spend an additional US\$2.4 million on exploration and make a final cash payment of US\$1.1 million to the initial shareholders prior to 31 December 2014.

LWR can acquire a further 10% interest in the licence for a total of 88.5%, by completing a Feasibility Study.

## General

As noted by the Company in an announcement dated 30 March 2012, an action was initiated by Mwombezhi Resources Ltd in the High Court of Zambia as a precautionary measure to counter concerns raised by Equinox Zambia Ltd (EZL) in relation to an historical application for a retention licence over an area covered by 16121-HQ-LPL. The Argonaut Board confirms that a satisfactory resolution of this matter will be forthcoming.

# Australia

## Alford, South Australia

*(Argonaut 100%)*

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

During the quarter, an aircore drilling program was completed by Argonaut's partner, Sandfire Resources NL (ASX: SFR), with six infill holes for approximately 500m at the Glenrae Prospect on a nominal spacing of 200m x 180m centres.

A program of diamond drilling was also undertaken by Sandfire to follow up on the anomalous geochemistry defined by an extensive aircore program undertaken last quarter. Diamond drilling targeted geochemically anomalous areas associated with IP chargeability geophysical highs. Four holes for approximately 1,300m were completed. Three holes were completed along the Alford East trend and one hole at the Glenrae prospect.

Ongoing interpretation of drilling results by Sandfire indicate a large, anomalous copper and gold mineralised system with IOCG associations. Diamond drilling results for one hole are pending.

Further work is planned once the crops are harvested in the December quarter. This work will include further geophysical surveys, including IP and Gravity with follow up aircore and diamond drilling.

## Alford Farm-in Joint Venture

On 9 November 2012, Argonaut announced it has signed a farm-in joint venture letter agreement with Sandfire Resources NL in relation to the Company's 100% owned EL3969, 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 period). Sandfire has now completed a minimum 2,000m of drilling within 12 months of the date of the Letter Agreement.

Having met the minimum commitment during the First Earn-in Period, Sandfire then has the right to form a Joint Venture with Argonaut's subsidiary, Kellaray 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 Period).

## **Torrens, South Australia**

*(Argonaut 30%)*

### **The Torrens Joint Venture**

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

The Torrens Joint Venture is exploring for iron oxide-copper-gold (IOCG) 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 Mineral's Carrapateena copper-gold deposit and 75 kilometres from BHP Billiton's Olympic Dam mine.

### **Litigation**

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

The Torrens Joint Venture is considering the merits and timing of an ERD Court retrial under the Mining Act. 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.

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

## **Musgrave Minerals**

*(Argonaut 2.1%)*

Argonaut's wholly owned subsidiary, Kelaray Pty Ltd, vended four mineral Exploration Licence Applications in the Musgrave Block into Musgrave Minerals Ltd. Argonaut holds 2.1% of the ordinary shares in Musgrave Minerals.

Musgrave Minerals has a large footprint in the Musgrave Block - one of the least explored geological provinces in Australia - with tenements covering an area totalling 50,000km<sup>2</sup>, approximately 5% of the State of South Australia.

### **Kroombit**

*(Argonaut 100%)*

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

### **Aroona**

*(Argonaut 100%)*

EL4358 and EL4153, Aroona, are subject to a joint venture agreement with Perilya Limited.

No field work was completed on the property during the period although brief reconnaissance work was completed by Perilya on EL4153 to evaluate access to the Aroona NW prospect area. The target is defined by a strong hematite colour anomaly and coincident multispectral ferric iron anomaly. Access to the area has been hindered recently however due to heavy rains in 2010-2011 which washed out several roadways. Field follow-up on the target including XRF soil surveying and rock chip sampling is planned for next quarter.

## **Laos**

### **Xekong**

On 15 May 2013, Argonaut announced that its 65% held subsidiary, Xekong River Mining Co Ltd, had withdrawn its application to the Lao Government to extend the Xekong Mineral Exploration and Reconnaissance Agreement in Southern Laos.

The Argonaut Board is of the view that obtainable renewal terms were not aligned with the project's stage of development.

Xekong River Mining Co Ltd closed its office and wound-up on 30 June 2013.

## Century

(Argonaut 70%)

During the period, Argonaut's Joint Venture partner, Aurum, continued programs of geological and geochemical sampling at Nam Hone and Khokhe prospects at the Century concession in Laos.

### Century Joint Venture

The Century tenement is subject to a Management and Shareholders Agreement with Aurum Resources Pty. Ltd.

Under the terms of the agreement, Aurum has been appointed the manager of the Century Thrust Joint Venture Agreement and will have the right to earn a 51% beneficial interest in the Century concession.

In order to acquire this interest, Aurum must spend US\$6.5 million on exploration within five years. The five year period includes an initial one year assessment period. At the completion of this earn-in Argonaut Resource's interest in the Century concession will be 19%.

Century is located approximately 70km northwest of the capital city Vientiane on the highly prospective Loei-Luang Prabang fold belt, a prominent, regionally mineralised belt, which stretches from Thailand in the south, to Laos in the north.

## Corporate

Net operating cash flow for the Quarter was \$598,000. At the conclusion of the quarter, Argonaut's cash position was \$1,380,000.

## About Argonaut

Argonaut is an Australian Stock Exchange listed mineral exploration and development Company with projects in South Australia, Queensland, Laos and Zambia. Argonaut's projects are in the advanced exploration and feasibility stages.

The Company is exploring for gold and copper at its Alford and Torrens projects in South Australia, zinc-copper at Mt Kroombit in Central Queensland, gold in Laos and copper at the flagship Lumwana West Project in Zambia.

Argonaut has a significant investment in Cuesta Coal Ltd which listed on the Australian Securities Exchange in May 2012.

### Lindsay Owler

Director

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, as described on pages 54 to 56 of the Company's 2012 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.*

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Argonaut Resources NL

ABN

97 008 084 848

For the period ending

30 June 2013

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date (12 months)
	\$A'000	\$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(430)	(4,294)
(b) development	-	-
(c) production	-	-
(d) administration	(215)	(841)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	47	190
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – rental income	-	28
<b>Net Operating Cash Flows</b>	<b>(598)</b>	<b>(4,917)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments – (see section 2.1 below)	-	(250)
(c) other fixed assets	-	(2)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>(252)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(598)</b>	<b>(5,169)</b>



**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(598)	(5,169)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Joint venture contributions received	(260)	549
1.20	Other (capital raising costs)	-	-
	<b>Net financing cash flows</b>	(260)	549
	<b>Net increase (decrease) in cash held</b>	(858)	(4,620)
1.21	Cash at beginning of quarter/ year to date	2,206	5,968
1.22	Exchange rate adjustments to item 1.20	-	-
1.23	<b>Cash at end of the period</b>	1,348	1,348

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	121
1.25	Aggregate amount of loans to the parties included in item 1.10	-

1.26 Explanation necessary for an understanding of the transactions

Payment for Directors Fees (1.24)

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

NA

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

**Estimated cash outflows for next quarter**

		\$A'000
4.1	Exploration and evaluation	260
4.2	Development	-
4.3	Production	-
4.4	Administration	290
<b>Total</b>		<b>550</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter	Previous quarter
		\$A'000	\$A'000
5.1	Cash on hand and at bank	348	206
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details) – short term deposits	1,000	2,000
<b>Total: cash at end of period (item 1.22)</b>		<b>1,348</b>	<b>2,206</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of year	Interest at end of 3 months
6.1		Interests in mining tenements relinquished, reduced or lapsed		
6.2		Interests in mining tenements acquired or increased		

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	274,876,470	274,876,470		
7.4 Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	7,000,000 (Exp. 31/12/2013, \$0.30)  7,000,000 (Exp. 31/12/2015, \$0.10)  10,000,000 (Exp. 11/12/2015, \$0.15)			
7.8 Issued during quarter				
7.9 Exercised during quarter				

7.10	Expired during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <i>(totals only)</i>				

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: .....Date: 31 July 2013  
(Company secretary)

Print name: Andrew Bursill  
Company Secretary

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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