

CHAIRMAN'S ADDRESS – ANNUAL GENERAL MEETING

28th NOVEMBER 2012

THE PAST YEAR HAS BEEN CHARACTERISED BY BOTH DISAPPOINTMENTS AS WELL AS MUCH PROGRESS ON A NUMBER OF FRONTS.

THE POOR BACKGROUND CONDITIONS I OUTLINED LAST YEAR HAVE CONTINUED. THE AVAILABILITY OF HIGHER RISK CAPITAL FOR EXPLORATION HAS REMAINED VERY LIMITED. VALUATIONS OF MANY RESOURCES ASSETS AND COMPANIES HAVE DETERIORATED AS MOST COMMODITY PRICES HAVE SUFFERED ALONG WITH THE PROSPECTS FOR GLOBAL REAL GDP GROWTH. THE ECONOMIC BACKGROUND CONDITIONS REMAIN EXTREMELY UNCERTAIN AS DE-LEVERAGING BY HOUSEHOLDS AND BANKS IN MANY DEVELOPED COUNTRIES REDUCES GROWTH POTENTIAL. THIS, COMBINED WITH THE EXCESSIVE DEBT BURDENS BY MANY GOVERNMENTS, MAKES FOR A RATHER CAUTIOUS ENVIRONMENT.

HOWEVER, IT IS NOT ALL NEGATIVE. THE LONGER TERM TRENDS OF RISING INCOMES AND INCREASED URBANISATION AND INFRASTRUCTURE ACCUMULATION IN CHINA, AND MANY OTHER DEVELOPING COUNTRIES, IS NOT ABOUT TO STOP. THIS PROVIDES A STRONG BACKDROP FOR FUTURE METALS DEMAND AND PRICING. IN SHORT, THE CURRENT PAUSE IN MINERAL EXPLORATION AND DEVELOPMENT WILL ONLY RESULT IN A STRONG CATCH UP PHASE ONCE THE LONGER TERM FUNDAMENTALS REASSERT THEMSELVES. FURTHER, END OF MINE LIFE CLOSURES AND THE TREND TO LOWER HEAD GRADES, COMBINED WITH RISING REAL CAPITAL AND OPERATING COSTS, WILL RESULT IN A MUCH IMPROVED PRICING ENVIRONMENT – EVEN IF THERE IS ONLY MODEST GDP GROWTH. THE ONLY DIFFICULTY IS FOR HOW LONG THE CURRENT MALAISE WILL CONTINUE.

AT ARGONAUT, WE HAVE FOCUSED ON WORKING ON OUR EXISTING ASSETS AND UNLOCKING AS MUCH VALUE AS WE CAN.

THIS YEAR WE HAVE GENERATED A NET PROFIT AFTER TAX OF \$1.808 MILLION, PRIMARILY FROM THE NET REALISATION AND WRITE DOWN OF OUR INVESTMENT IN CUESTA COAL LIMITED (PREVIOUSLY BLACKWOOD COAL PTY LTD). UNFORTUNATELY THIS IS A ONE-OFF AND WE DO NOT HAVE A SIMILAR TRANSACTION OR OUTCOME IN SIGHT FOR THE CURRENT YEAR.

IN TERMS OF OTHER FINANCIAL METRICS WE HAVE PERFORMED WELL.

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CASH AT BALANCE DATE WAS AROUND \$6 MILLION AND INVESTMENTS IN CUESTA COAL AND MUSGRAVE MINERALS HAD A COMBINED MARKET VALUE OF \$2 MILLION.

DURING THE YEAR OUR EXPLORATION EXPENDITURES WERE \$6.5 MILLION – MAINLY ON THE LUMWANA WEST COPPER PROJECT IN ZAMBIA AND SEKONG GOLD PROJECT IN LAOS. WE BELIEVE THIS EXPENDITURE HAS ADDED VALUE, ESPECIALLY AT LUMWANA WEST.

MORE IMPORTANTLY, OUR ADMINISTRATION AND OVERHEAD COSTS WERE WELL CONTROLLED AT 12% OF OUR TOTAL EXPENDITURES.

THE BOARD AT ARGONAUT HAS BEEN STRENGTHENED WITH THE APPOINTMENT OF MALCOLM RICHMOND IN MARCH 2012. MALCOLM PROVIDES A DEPTH OF INSIGHT AND EXPERIENCE THAT IS UNCOMMON ON SMALLER COMPANY BOARDS. WE ARE INDEBTED TO HIM FOR JOINING OUR SMALL TEAM.

WHILST LINDSAY OWLER, OUR EXECUTIVE DIRECTOR, WILL OUTLINE OUR ASSETS IN MORE DETAIL LATER, I WILL PROVIDE A HIGH LEVEL OUTLINE OF KEY DEVELOPMENTS AND THE OUTLOOK

TORRENS

FOLLOWING SOME SETBACKS LAST YEAR WE HAVE MADE SIGNIFICANT PROGRESS TOWARDS ACHIEVING NATIVE TITLE AND ABORIGINAL HERITAGE APPROVALS TO ENABLE EXPLORATION AT TORRENS THROUGH OUR JOINT VENTURE PARTNERSHIP WITH STRAITS RESOURCES. AS YOU ARE AWARE THESE 2 LEGAL HURDLES HAVE BEEN SUBJECT OF SEPARATE LITIGATION .

REGARDING NATIVE TITLE, WE HAD A MAJOR WIN IN THE FULL SUPREME COURT ON 5 NOVEMBER 2012. THE FULL COURT UPHELD OUR APPEAL FROM AN EARLIER NEGATIVE DECISION OF THE ENVIRONMENT RESOURCES AND DEVELOPMENT COURT (“ERD COURT”) THAT HAD DENIED NATIVE TITLE AUTHORISATION FOR EXPLORATION WORK AT TORRENS.

WHILST WE HAVE YET TO BE ABLE TO PROCEED TO EXPLORE, THE FULL COURT IN SOUTH AUSTRALIA DEMONSTRABLY VINDICATED OUR POSITION. NOTWITHSTANDING THIS, THERE REMAINS THE POSSIBILITY OF AN APPLICATION TO THE HIGH COURT FOR FURTHER APPEAL.

IN OUR VIEW, THE WIN IN THE SUPREME COURT PROVIDES PARTIES WITH A TIMELY INCENTIVE TO ACHIEVE A NEGOTIATED OUTCOME TO AVOID FURTHER LITIGATION.

AN AGREEMENT PERMITTING EXPLORATION ON TORRENS REMAINS OUR PREFERRED OPTION. WE ENCOURAGE SOUTH AUSTRALIAN NATIVE TITLE SERVICE (“SANTS”) WHICH REPRESENTS THE KOKATHA-UWANKARA (“KU”) NATIVE TITLE CLAIMANT GROUP, TO RECOGNISE THE OPPORTUNITY AT STAKE.

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ON THE ABORIGINAL HERITAGE ACT (“AHA”) FRONT THE SOUTH AUSTRALIAN GOVERNMENT HAS, TO DATE, NOT ADDRESSED THE ACKNOWLEDGED FAILINGS IN THE AHA WHICH LED TO REVOKATION OF THE ABORIGINAL HERITAGE MINISTERS’ EARLIER AUTHORISATION. THE RELEVANT MINISTERS HAVE MADE PROMISES THAT THE AHA WOULD BE AMENDED, BUT WE HAVE YET TO SEE ACTION TO THIS EFFECT. INSTEAD, THE SOUTH AUSTRALIAN GOVERNMENT EMBARKED ON A FUTILE APPLICATION TO APPEAL TO THE HIGH COURT THAT WAS ALWAYS DESTINED TO FAIL (AND DID) IN OUR VIEW. THIS WAS JUST A WASTE OF TIME AND MONEY.

IT IS RELEVANT TO NOTE THAT THE KU NATIVE TITLE CLAIM OVER LAKE TORRENS AND A LARGE AREA OF LAND TO THE WEST, RESULTED FROM A DISPUTE RESOLUTION PROCESS AGREED TO BY SEVERAL OVERLAPPING CLAIMS. WE UNDERSTAND THAT THE SOUTH AUSTRALIAN GOVERNMENT PLAYED A PIVOTAL ROLE IN THE FORMATION OF THE KU CLAIM, WHICH CLAIM OMITTS RECOGNITION OF THE INTERESTS OF THE OTHER GROUPS. THIS OMISSION HAS PROVIDED A SINGLE GROUP POWER TO DOMINATE DECISION MAKING ON TORRENS. THE POLITICS AND ANTHROPOLOGY OF THE GROUP AND AREA SEEM FAR FROM SETTLED.

THE ADNYAMATHANHA (INCLUDING KUYANI PEOPLE) HAVE RECENTLY LODGED AN OVERLAPPING NATIVE TITLE CLAIM, ADNYAMATHANHA NO 5, OVER LAKE TORRENS AND ANDAMOOKA ISLAND. NOTWITHSTANDING THE EXTENT OF DISPUTATION, THE SOUTH AUSTRALIAN GOVERNMENT IS RECOMMENDING A CONSENT DETERMINATION FOR THE BALANCE OF THE KU CLAIM. BY VIRTUE OF ADNYAMATHANHA NO 5, THE FEDERAL COURT WILL LIKELY ATTEMPT TO MEDIATE BETWEEN THE GROUPS AND IF THIS FAILS SET THE CLAIMS OVER TORRENS FOR TRIAL.

STRAITS HAVE BEEN ASSIGNED A 70% INTEREST DURING THE YEAR UNDER THE TORRENS JVA. THE DOWNSIDE IS THAT ARGONAUT NOW HAS TO PAY FOR 30% OF THE COSTS IN ORDER TO AVOID DILUTING OUR INTEREST. IT IS INTERESTING TO NOTE THAT \$7 MILLION IN EXPENDITURE HAS RESULTED IN ONLY 3 DRILL HOLES BUT NOT IN ANY WAY DUE TO STRAITS OPERATIONAL ABILITIES. THE BULK OF THE EXPENDITURES HAVE BEEN ON LEGAL AND OTHER COSTS ASSOCIATED WITH THE NATIVE TITLE CLAIMS.

GIVEN THE CONTINUED DISPUTATION AMONGST THOSE CLAIMING NATIVE TITLE RIGHTS TO LAKE TORRENS, THE TIME AND MONEY SUPPORTING A SINGLE GROUP WOULD SEEM TO BE A WASTE OF RESOURCES FOR ALL CONCERNED, ESPECIALLY SANTS WHICH PLAYS A REPRESENTATIVE ROLE FOR ALL GROUPS – IT SHOULD MAKE EVERYONE WONDER – WHY?

IT IS TIMELY FOR THE SOUTH AUSTRALIAN GOVERNMENT TO INDEPENDENTLY REVIEW ITS APPROACH TO TORRENS WITH A VIEW TO ENCOURAGING A SETTLEMENT WITH ALL STAKEHOLDERS TO ENABLE EXPLORATION WITHOUT DELAY.

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STRAITS AND OURSELVES REMAIN CONFIDENT THAT WE WILL WORK THROUGH THESE ISSUES AND BE ABLE TO EXPLORE TORRENS.

IT IS ALSO TIMELY TO REMIND OURSELVES OF THE SIZE OF THE POTENTIAL PRIZE. TORRENS IS PROBABLY THE LARGEST IRON OXIDE COPPER GOLD TARGET IN SOUTH AUSTRALIA WITH AN EXCELLENT JUXTAPOSITION OF GRAVITY LOWS, MAGNETIC HIGHS AND KNOWN PRESENCE OF HEMATITIC "RED ROCK" ALTERATION. THIS HAS ALL THE EARLY STAGE HALLMARKS OF AN OLYMPIC DAM – WE JUST NEED TO GET THE DRILL BIT TO TEST IT IN THE INTERESTS OF ALL WHO WOULD BENEFIT FROM SUCH A DEVELOPMENT IF EXPLORATION WAS SUCCESSFUL.

LUMWANA WEST, ZAMBIA

IN ZAMBIA WE HAVE HAD CONSIDERABLE SUCCESS IN OUR FIRST SEASON EXPLORATION PROGRAM ON THE NYUNGU CENTRAL PROSPECT WITHIN THE LUMWANA WEST TENEMENTS. WE ARE CURRENTLY WAITING ON THE RESULTS FROM THE FOLLOW UP DRILLING PROGRAM IN RECENT MONTHS.

ARGONAUT HAS REACHED AGREEMENT TO INCREASE ITS INTEREST IN LUMWANA WEST RESOURCES ("LWR") FROM 80% TO 100% BY THE ACQUISITION OF NSANSALA RESOURCES LIMITED. LWR HAS, IN TURN, EARNED 51% OF MWOMBEZHI RESOURCES LIMITED ("MRL") WHICH HOLDS THE TENEMENTS. ARGONAUT IS CURRENTLY WORKING TO INCREASE ITS INTEREST IN MRL TO 75% BY FUNDING \$2.4 MILLION IN EXPLORATION.

XEKONG, LAOS

DURING THE YEAR WE UNDERTOOK A 5,200 METRE DRILLING PROGRAM AT XEKONG, LAOS. THIS PROGRAM WAS FOLLOWING UP STRONG GOLD INTERSECTION FROM THE 2011 FIELD SEASON. WHILST WE ENCOUNTERED ENCOURAGING FURTHER RESULTS THE GEOLOGY IS PROVING MORE COMPLEX AND EXPENSIVE TO EXPLORE THAN PREVIOUSLY EXPECTED. AS A RESULT, WE ARE CONSIDERING OUR FINANCING OPTIONS FOR THE FOLLOW UP PROGRAM..

CENTURY, LAOS

THE CENTURY AREA IN LAOS IS UNDER A JOINT VENTURE WITH AURUM RESOURCES INC. AURUM HAVE SPENT AROUND \$3.0 MILLION TO DATE BUT HAVE NOT YET GENERATED ANY SIGNIFICANT DRILL RESULTS.

ALFORD, SOUTH AUSTRALIA

AT ALFORD IN SOUTH AUSTRALIA, WE RELEASED THE RESULTS OF A DRILLING PROGRAM THAT PRODUCED FURTHER ENCOURAGING RESULTS. HOWEVER, WE TOOK THE VIEW THAT OUR FINANCIAL AND TECHNICAL RESOURCES WERE BETTER FOCUSED ON LUMWANA WEST. ACCORDINGLY WE HAVE ENTERED INTO A JOINT

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VENTURE AT ALFORD WITH SANDFIRE RESOURCES LIMITED. SANDFIRE WILL EARN A 49% INTEREST BY SPENDING \$4 MILLION OVER THE NEXT 3 YEARS. SANDFIRE THEN HAVE THE OPTION TO SPEND A FURTHER \$4 MILLION TO INCREASE THEIR INTEREST TO 75%. THIS IS A SOUND JOINT VENTURE WITH A STRONG PARTNER WHO HAS ALREADY DEMONSTRATED THEIR INTENTIONS BY PROPOSING A LARGE DRILLING PROGRAM IN THE NEXT YEAR.

KROOMBIT, QUEENSLAND

AS WITH LAST YEAR, WE HAVE NOT UNDERTAKEN ANY WORK ON KROOMBIT IN THE PAST YEAR. THE MODEST ZINC/COPPER DEPOSIT WE HAVE WELL DEFINED IS NOT CURRENTLY ECONOMIC AND WE ARE WAITING FOR MUCH BETTER ZINC AND COPPER PRICES TO EXTRACT SOME VALUE FROM IT.

INVESTMENTS – CUESTA COAL LIMITED (“CUESTA”)

ARGONAUT HOLDS 16.7 MILLION SHARES AND 26.6 MILLION OPTIONS IN CUESTA WITH A CURRENT MARKET VALUE OF \$2.5 MILLION. DURING THE YEAR CUESTA COMPLETED ITS IPO AND WE TOOK THE OPPORTUNITY TO SELL DOWN OUR SHAREHOLDING TO CURRENT LEVELS. IN THE PROCESS ARGONAUT SIGNIFICANTLY RECOUPED ITS INITIAL OUTLAY FULLY WITH THE REMAINING SHARE AND OPTION HOLDINGS HAVING AN EFFECTIVE NET COST OF ONLY \$850,000.

WE ARE VERY PLEASED WITH HOW CUESTA IS DEVELOPING EVEN THOUGH THE SHARE MARKET DOES NOT REALLY REFLECT THAT. CUESTA HAS SIGNICANTLY INCREASED ITS COAL RESOURCE BASE AND IS INEXORABLY MOVING TOWARDS DEVELOPMENT AND PRODUCTION.

INVESTMENTS – MUSGRAVE MINERALS LIMITED (“MUSGRAVE”)

ARGONAUT HOLDS A 2.1% SHAREHOLDING IN MUSGRAVE WHICH HAS AN EXTENSIVE EXPLORATION PORTFOLIO IN THE NORTH WEST OF SOUTH AUSTRALIA. MUSGRAVE IS CURRENTLY RC DRILLING AT ITS MENNINNIE SILVER, ZINC, LEAD PROJECT, WEST OF PORT AUGUSTA AND VACUUM DRILLING AT ITS DEERING HILL PROJECT IN THE MUSGRAVE BLOCK.

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CONCLUSION

I THANK SHAREHOLDERS FOR THEIR SUPPORT DURING THE YEAR AND LOOK FORWARD TO REPORTING POSITIVE OUTCOMES THROUGH THE FORTHCOMING YEAR.

WE ARE ANTICIPATING DRILL RESULTS FROM LUMWANA WEST IN COMING WEEKS. IF THESE CONFIRM AND POSSIBLY EXTEND THE RESULTS FROM THE PREVIOUS YEAR'S PROGRAM WE CAN EXPECT AN EXCEPTIONAL YEAR.

LATER THIS YEAR WE EXPECT ONGOING PROGRESS TOWARDS BEING ABLE TO EXPLORE TORRENS AND CAN LOOK FORWARD TO DRILLING AT ALFORD THROUGH THE SANDFIRE JOINT VENTURE. WE ALSO EXPECT DRILLING ON SEKONG ONCE WE FINALISE CURRENT JOINT VENTURE DISCUSSIONS.

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