

ARGONAUT RESOURCES N.L.

CHAIRMAN'S ADDRESS

ANNUAL MEETING 20 NOVEMBER 2013

The past year has been especially frustrating as the excellent progress we have been making on our Lumwana West joint venture in Zambia has not been recognized in our share price. Partly this is no doubt due to the overall ongoing negative sentiment in many parts of the resources market but it is also a function of the risk averse approach that many investors have been adopting. However, there are now signs of speculative activity developing, for instance, in some high technology areas.

Many of my comments today are similar to those I made last year. Ongoing background market conditions remained poor – now, for the third year running. This has continued to limit the availability of higher risk capital for exploration although there are now signs that capital markets may be more receptive to exploration capital raisings. Yet again, valuations of many resource assets and companies remained at distressed levels but at least further deterioration has become limited – the damage has been done.

That said, the current outlook is for better times. Real GDP growth numbers coming out of US, Europe and China are confounding the pessimists on the upside. As a result commodity demand and prices have been stronger than many expected. Of especial interest to Argonaut Resources, the copper prices slid from around US\$3.50/lb a year ago to lows around US\$3.00/lb in mid 2013 but has now recovered to around US\$3.20/lb. Reported warehouse stocks are coming down and the scene is being set for higher prices as long as GDP growth remains in the 2+% area. On a longer term basis, it is evident that Copper prices need to be at or above these levels if there is to be any appreciable net supply growth to meet demand growth.

LUMWANA WEST, ZAMBIA

Our focus has increasingly been on the massive opportunity that our work is unveiling at Lumwana West. Results from the drilling conducted in mid/late 2012 on the Nyungu deposit were released early this year. In an announcement dated 9 April 2013, we established that the Nyungu Exploration Target is 130 – 180 Million tonnes at a grade of 0.45 – 0.65% Copper according to work undertaken by RungePincockMinarco (“RPM”). This Exploration Target is 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.

To put this Exploration Target in context, the neighbouring Lumwana Mine, operated by Barrick, had a December 2012 Mineral Reserve of 580 Million tonnes at 0.52% Copper and a combined Mineral Resource of 915 Million tonnes at 0.49% Copper.

Following the definition of the Nyungu Exploration Target, we decided to undertake further surface geochemical sampling and Induced Polarisation surveys on the prospects outside of Nyungu. We did this to establish high quality drill targets on those prospects. This has been very successful and the extent of the geochemical and chargeability anomalies at Kavipopo and West Mwombezhi are in excess of those that were estimated earlier in the year providing an encouraging lead-in to the revision of the resulting Exploration Targets, which will be completed in the very near term.

We chose not to undertake additional in-fill drilling at Nyungu to shift this from an Exploration Target (albeit one that is very well defined by drilling) towards a JORC Compliant Resources given the amounts of capital required and, in our view, the limited incremental value add.

Through the year we have worked well with our Zambian partners in Mwombezhi Resources Limited where we currently hold a 51% shareholding. We are making good progress towards earning our next

share allotment through our exploration work. During the year, we reached agreement with our partners to allow Argonaut to increase this interest to 90%. This required some cash payments which we will believe will prove money wisely spent as we see more exploration results.

TORRENS, SOUTH AUSTRALIA

We are continuing to make progress in achieving the necessary Native Title and Aboriginal Heritage Approvals to enable exploration at Torrens with our Joint Venture partners, Straits Resources Limited.

During the year we made progress on a number of fronts in our quest to commence exploration, including:

- a successful Supreme Court appeal against the earlier ERD Court ruling that disallowed exploration. The South Australian Native Title Service (“SANTS”) has not appealed this Supreme Court decision and the way is clear for Argonaut and Straits to seek an ERD Court ruling on the conditions for exploration in accordance with the decision of the Full Court. A positive ERD Court decision would be a significant step in allowing exploration to proceed.
- the separation of the Native Title Claim into two separate claims, one area to the west our EL4296, which is no longer of any relevance to us and the second area which now includes EL4296. The positive development for us in this separation is the creation of a new native title claim, Adnyamathantha No. 5, over EL4296 which covers Lake Torrens and Andamooka Island . This opens the opportunity for further discussions in respect of the area and the possibility of being able to seek an ERD Court ruling with an exploration agreement in place with one of the two claimant groups.

On the negative side, we have continued to be frustrated by the tactics employed by both SANTS and the South Australian government in acting to support a subset of the Kokatha-Uwankara (“KU”) Native Title Claim Group to the detriment of not only exploration activity in the state, but also the interests of traditional owners, including the wider members of the KU Group itself.

It is certainly noteworthy that the independent anthological reports that were used for the creation of KU Claimant Group have not been made freely available, despite several requests made by Argonaut to have them released.

In acting to effectively block access to these reports, SANTS, with the support of the State, operate far away from the glare of public scrutiny and accountability, which should be a concern for any party responsible for oversight of such bodies.

Of equal concern is that South Australia operates a unique system of Native Title representation with there being only one Government funded organisation to represent claimants’ interests. Other states have numerous bodies giving claimants who are feel aggrieved the opportunity to seek alternative representation.

All in all, in our experience, South Australia has become a difficult exploration jurisdiction. We have found the resistance to our attempts to progress our exploration project at complete odds with the political rhetoric of the need for South Australia to create jobs and offset the State’s reliance on sunset manufacturing industry.

Yet again, it is timely to remind ourselves of the size of the potential prize. Torrens is an extremely large iron oxide copper gold target with an excellent juxtaposition of gravity lows and aeromagnetic highs combined with a known presence of hematitic brecciation and red rock alteration – the same setting as Olympic Dam. This has all the early stage hallmarks of an Olympic Dam scale deposit – we just need to get the drill bit to test it. This is in the interests of all who would benefit from such a development if exploration was successful. Accordingly, we are not about to give up and will continue to pursue our interests to the maximum extent possible.

ALFORD, YORKE PENINSULA, SOUTH AUSTRALIA

The Alford project is in Joint Venture with Sandfire Resources who are earning an initial 49% interest by spending \$4 million on exploration within the first three years. Sandfire can increase their interest to 75% by spending a further \$4 million within a further three year period.

Sandfire undertook a 17,000 metre air core drilling program and also drilled four diamond holes for 1,300 metres. This drilling indicated a large anomalous copper and gold mineralized system with Iron Oxide Copper Gold associations.

Not only have Sandfire delivered some very encouraging results but here have been some very interesting intersections announced by Adelaide Resources Ltd on their West Alford property.

Sandfire are proposing a gravity and Induced Polarisation survey to further define drilling targets. Drilling is expected in the March 2014 Quarter.

KROOMBIT, QUEENSLAND

Kroombit is a 100% owned zinc-copper deposit. We have not undertaken any field work on Kroombit in the past year. Kroombit is sub-economic at current zinc and copper prices. The time when we expect zinc prices to improve, primarily due to end of mine life closures is getting closer and we will then be in a position to realize some value from this asset.

CENTURY, LAOS

Argonaut Resources retains a 70% interest in the Century tenement, around 70 kilometres northwest of Vientiane, Laos. The tenement is subject to a Management and Shareholders Agreement with Aurum Resources Pty Ltd. Under this agreement Aurum has the right to earn a 51% beneficial interest in Century by spending US\$6.6 million on exploration within five years. Aurum has completed the second year of their earn-in and conducted geological and geochemical sampling at the Nam Hone and Khokhe prospects.

XEKONG, LAOS

The drilling program we undertook in 2012 delivered some encouraging results but highlighted that the geology is much more complex than previously expected. The major consequence of this is that exploration is also more expensive. Accordingly, we sought to farm out our interests, which necessitated a renewal of the Exploration Licence. Negotiations with the relevant Laos authorities indicated the terms of extension would be too expensive to justify continuing with Xekong. Accordingly we allowed the tenement to lapse. This was a significant component of the exploration and evaluation asset impairment in the 30 June 2013 accounts.

FINANCIAL

During the last Financial Year our cash balances declined from \$6 million to \$1.3 million – a decline of \$4.7 million. This was primarily due to expenditure of \$4.1 million on exploration at Lumwana West in Zambia. We believe this was money well spent given the scale of the Exploration Targets we have outlined and the drilling results from the Nyungu prospect.

Of our expenditures in the past year, some 87% was payments for exploration and evaluation and the balance administration and other overheads. This reflects our focus on directing capital into those activities that are expected to deliver significant value upsides. We believe we have done this even though the investment markets are not giving us any credit for the Lumwana West exploration outcomes.

Clearly, funding of the Lumwana West exploration program in the next dry season (May to November) will require us to raise additional capital for this program. Our very strong preference is to attract a Joint Venture partner who will fund this program rather than issue Argonaut Resources shares based on current prices.

We have had discussions with a number of large copper producers, some of whom are already producing or exploring in Zambia. Now that we have the better definition of the scale of the Exploration Targets at Lumwana West we are much better placed to pursue those discussions to a successful conclusion. Simply put, there are very few Exploration Targets of this size that are as well defined as Lumwana West.

OUTLOOK

The coming year offers the prospect of a slingshot recovery in our fortunes. We can look forward to:

- edging closer to being able to explore Torrens,
- Sandfire are expected to be drilling some very interesting targets at Alford, and most importantly;
- Drilling of the very large Exploration Targets on Lumwana West.

Sections of information contained in this address that relate to Exploration Results were compiled or supervised by Mr Lindsay Owler BSc, MAusIMM who is a Member of the Australasian Institute of Mining and Metallurgy and is a full time employee of Argonaut Resources NL. Mr Owler holds shares and options in Argonaut Resources NL, as described on page 10 of the Company's 2013 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.