Argonaut Resources NL

ABN 97 008 084 848

Annual Financial Report - 30 June 2014

Argonaut Resources NL
Corporate directory
30 June 2014

Directors	P J D Elliott L J Owler A W Bursill M R Richmond
Company secretary	A W Bursill
Registered office	Suite 4 Level 9 341 George Street Sydney NSW 2000
Share register	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000
Auditor	Ernst & Young 680 George Street Sydney NSW 2000
Solicitors	Addisons Lawyers Level 12 60 Carrington Street Sydney NSW 2000
Bankers	National Australia Bank Level 36 100 Miller Street North Sydney NSW 2060
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 'group') 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 year ended 30 June 2014.

Directors

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

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

Principal activities

Argonaut Resources NL is a mineral exploration and development company with operations in Zambia, Australia and Laos. 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.

During the year, the principal activities of the consolidated entity were expanding on and defining the extent of copper-cobalt mineralisation at the Nyungu Deposit on the Group's Lumwana West project in Zambia.

Dividends

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

Review of operations

The loss for the group after providing for income tax and non-controlling interest amounted to $2,194,508 (30 June 2013: $11,276,733).

A review of operations report is presented below.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the group during the financial year.

Matters subsequent to the end of the financial year

Subsequent to year end, the company sold its equity investments in Musgrave Minerals Ltd for $151,000.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Likely developments and expected results of operations

Likely developments in the operations of the consolidated entity to the extent they would not result in unreasonable prejudice to the consolidated entity are included in the review of operations report.

Environmental regulation

The group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	P J D Elliott
Title:	Non-executive director and chairman
Qualifications:	B.Com, MBA
Experience and expertise:	Mr Elliott has been an Independent non-executive chairman of Argonaut Resources NL for over 10 years. Mr Elliott is an investment banker who has over 40 years experience in financial management and resource investment and development.
Other current directorships:	Cap-XX Limited, Cuesta Coal Limited, Global Geoscience Limited and Variscan Mines Limited
Former directorships (last 3 years):	Foyson Resources Limited (formerly MIL Resources Limited) and Reproductive Health Science Limited (formerly AO Energy Limited / Australia Oriental Minerals NL)
Special responsibilities:	Member of remuneration committee
Interests in shares:	192,001
Interests in options:	1,510,666

Name:	L J Owler
Title:	Exploration director
Qualifications:	B.Sc, MAusIMM
Experience and expertise:	Exploration Director of Argonaut Resources NL since 27 March 2005. Mr Owler is geologist and geophysicist with 19 years' experience in mineral exploration and development. Mr Owler holds a Bachelor of Science and is Member of the Australasian Institute of Mining and Metallurgy.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	1,200,000
Interests in options:	2,566,666

Name:	A W Bursill
Title:	Director, company secretary and CFO
Qualifications:	B.Agr. Ec., CA.
Experience and expertise:	Mr Bursill is a chartered accountant with more than 15 years' experience as a director and company secretary of numerous publicly listed entities. In addition to his appointment at Argonaut, Mr Bursill is currently the company secretary of Aguia Resources Limited, Austral Gold Limited, MOKO Social Limited, Eagle Nickel Limited, Elk Petroleum Limited, and several other unlisted public and private companies.
Other current directorships:	None
Former directorships (last 3 years):	Petrel Energy Limited (formerly Orion Petroleum Limited) and Reproductive Health Science Limited (formerly AO Energy Limited / Australia Oriental Minerals NL)
Special responsibilities:	Member of remuneration committee
Interests in shares:	3,049,438
Interests in options:	1,636,080

Name:	M R Richmond
Title:	Non-executive director
Qualifications:	BSc Hons (Metallurgy) and B. Comm. Merit (Econs) New South Wales
Experience and expertise:	Professor Richmond is a qualified metallurgist and economist with extensive senior executive and board experience in the resource and technology industries. He is a fellow of the Australian Academy of Technological Sciences & Engineering and the Australian Institute of Mining and Metallurgy. Professor Richmond spent 30 years with the Rio Tinto and CRA Groups including the position of managing director of research and development and vice president strategy and acquisitions. Immediately prior to his retirement he held the position of managing director of development at Hamersley Iron Pty Limited. Professor Richmond served as a visiting professor at the University of Western Australia until January 2012, teaching in the MBA programme.
Other current directorships:	Strike Resources Ltd
Former directorships (last 3 years):	Water Resources Group Ltd, Cuervo Resources Inc (listed on CSE) and Advanced Braking Technology Ltd.
Special responsibilities:	Member of remuneration committee
Interests in shares:	None
Interests in options:	1,500,000

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company secretary
A W Bursill

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2014, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
PJ D Elliott	7	7
L J Owler	7	7
A W Bursill	7	7
M R Richmond	7	7

Held: represents the number of meetings held during the time the director held office.

There were no meetings of the remuneration committee during the year although the members of the remuneration committee do have discussions on remuneration matters. Any matters are resolved by way of circular resolution.

Remuneration report (audited)
The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- transparency

The Remuneration Committee, consisting of the non-executive directors, advises the board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors and other senior executives.

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration.

The current non-executive directors’ fees are determined within an aggregate directors’ fee limit. The maximum current aggregate non-executive directors’ fee limit stands at $350,000.

Executive remuneration
The consolidated entity and company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has three components:
- base pay and non-monetary benefits
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example accommodation, car allowance and health insurance benefits) where it does not create any additional costs to the consolidated entity and adds additional value to the executive.

Consolidated entity performance and link to remuneration
Remuneration can be directly linked to performance of the consolidated entity. Options are issued to directors to incentivise their future performance. Refer to section E of the remuneration report for details of the last five years earnings and total shareholders return.

Voting and comments made at the company's 30 June 2013 Annual General Meeting ('AGM')
The company received in excess of 75% of 'for' votes in relation to its remuneration report for the year ended 30 June 2013. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration
Details of the remuneration of the key management personnel of the group are set out in the following tables.

The key management personnel of the group consisted of the following directors of Argonaut Resources NL:
- P J D Elliott
- L J Owler
- A W Bursill
- M R Richmond

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2014	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
P J D Elliott	85,000	-	-	-	-	-	85,000
A W Bursill	40,000	-	-	-	-	-	40,000
M R Richmond	85,000	-	-	-	-	-	85,000
Executive Directors:							
L J Owler	250,000	-	-	23,125	4,166	-	277,291
	460,000	-	-	23,125	4,166	-	487,291

A Bursill is also the company secretary of the Company and a principal of Franks & Associates Pty Ltd who provides accounting and company secretary services to the Company. The contract between the Company and Franks and Associates Pty Ltd is based on normal commercial terms. During the year ended 30 June 2014, Franks and Associates Pty Ltd were paid a total of $184,681 (2013: $141,072).

Non monetary benefits include health insurance, accommodation and car allowances.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2013	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
P J D Elliott	85,000	-	-	-	-	46,110	131,110
A W Bursill	40,000	-	-	-	-	46,110	86,110
M R Richmond	85,000	-	-	-	-	46,110	131,110
Executive Directors:							
L J Owler	250,000	-	28,619	10,109	4,167	76,850	369,745
	460,000	-	28,619	10,109	4,167	215,180	718,075

The proportion of remuneration linked to performance and the fixed proportion are as follows. Fixed remuneration is the actual percentages:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2014	2013	2014	2013	2014	2013
Non-Executive Directors:						
PJ D Elliott	100%	65%	-%	-%	-%	35%
A W Bursill	100%	46%	-%	-%	-%	54%
M R Richmond	100%	65%	-%	-%	-%	35%
Executive Directors:						
L J Owler	100%	79%	-%	-%	-%	21%

Service agreements
Remuneration and other terms of employment for the exploration director is formalised in a service agreement. The service agreement is currently being reviewed.

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2014.

Options
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
06/12/2012	06/12/2012	31/12/2015	$0.10	$0.031

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

Name	Number of options granted during the year 2014	Number of options granted during the year 2013	Number of options vested during the year 2014	Number of options vested during the year 2013
P J D Elliott	-	1,500,000	-	1,500,000
L J Owler	-	2,500,000	-	2,500,000
A W Bursill	-	1,500,000	-	1,500,000
M R Richmond	-	1,500,000	-	1,500,000

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

Name	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
P J D Elliott	-	-	43,200	-%
L J Owler	-	-	72,000	-%
A W Bursill	-	-	43,200	-%

Additional information
The earnings of the group for the five years to 30 June 2014 are summarised below:

	2010 $	2011 $	2012 $	2013 $	2014 $
Profit/(loss) after income tax	296,162	(3,792,133)	1,808,140	(11,401,172)	(7,779,724)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2010	2011	2012	2013	2014
Share price at financial year end ($)	0.07	0.07	0.05	0.03	0.02
Basic earnings per share (cents per share)	0.18	(1.75)	0.71	(4.33)	(0.72)

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the company held during the financial year by each director and other members of key management personnel of the group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
P J D Elliott	160,000	-	32,001	-	192,001
L J Owler	1,000,000	-	200,000	-	1,200,000
A W Bursill	2,041,198	-	1,008,240	-	3,049,438
	3,201,198	-	1,240,241	-	4,441,439

M R Richmond does not hold any interest in shares of the company.

Option holding
The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted*	Exercised	Expired/ forfeited/ other**	Balance at the end of the year
Options over ordinary shares					
P J D Elliott	3,000,000	10,666	-	(1,500,000)	1,510,666
L J Owler	5,000,000	66,666	-	(2,500,000)	2,566,666
A W Bursill	3,000,000	136,080	-	(1,500,000)	1,636,080
M R Richmond	1,500,000	-	-	-	1,500,000
	12,500,000	213,412	-	(5,500,000)	7,213,412

* Number of options purchased as part of rights issued during the year.
** Number of options lapsed during the year.

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of Argonaut Resources NL under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
06/12/2012	31/12/2015	$0.10	7,000,000
11/12/2012	11/12/2015	$0.15	10,000,000
14/03/2014	31/03/2017	$0.06	17,179,779
17/04/2014	31/03/2017	$0.06	5,726,593
05/05/2014	31/03/2017	$0.06	14,181,918
			54,088,290

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options
There were no ordinary shares of Argonaut Resources NL issued on the exercise of options during the year ended 30 June 2014 and up to the date of this report.

Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of premium.

Indemnity and insurance of auditor
To the extent permitted by law, the company has agreed to indemnify the auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify the auditors during or since the financial year.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 29 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former audit partners of Ernst & Young
There are no officers of the company who are former audit partners of Ernst & Young.

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 the following page.

Auditor
Ernst & Young continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

P J D Elliott
Chairman

22 September 2014

Review of Operations

Zambia

Lumwana West (Argonaut earning 90%)

Highlights

- Argonaut and Antofagasta executed an overlying agreement for the exploration and development of the Lumwana West project.
- The Project is now fully funded to production:
    - Major Chile-based copper producer, Antofagasta, can earn 70% of the Lumwana West project by spending US$18.9m on exploration plus the amount required to complete a feasibility study to international standards; and
    - if the project is feasible, Argonaut is either carried into production or bought-out prior to construction.
- Argonaut's ownership of the Lumwana West project increased to 90% after it completd the final phase of the underlying Lumwana West Agreement.
- A major drilling program of approximately 8,500m commenced during in June on Argonaut's flagship Lumwana West copper project in Zambia.

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

Argonaut, via its 90% held subsidiary, Mwombezhi Resources Ltd, has been successful in generating broad copper intercepts at the Nyungu deposit (Nyungu Central) within the Lumwana West project and has defined large, prospective targets at the West Mwombezhi and Kavipopo prospects.

During the Period, Argonaut executed an option agreement (the *Overlying Agreement*) with a subsidiary of Antofagasta plc (*Antofagasta*). Under the Overlying Agreement, a US$3.9m exploration spend in the first year will earn Antofagasta a 25% interest in the project.

Project Setting

The Lumwana West project is located on the western lobe of the Mwombezhi Dome in the Central African Copperbelt. The Mwombezhi Dome 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 Copperbelt mines (Table 1) with copper production in the area set reach 870,000 tonnes per annum by 2015. Nearby mines include Barrick Gold Corporation's Lumwana Mine on the eastern lobe of the Mwombezhi Dome and First Quantum Minerals Ltd's Kansanshi, the largest copper mine in Africa. The Sentinel Mine, currently under construction to the west, is also owned and operated by First Quantum.

	Barrick **LUMWANA ^**	First Quantum **KANSANSHI #**	First Quantum **SENTINEL #**
Resource*	1.1Bt at 0.50% Cu	1.1Bt at 0.81% Cu	1.2Bt at 0.50% Cu
Reserves	594Mt at 0.56% Cu	504Mt at 0.65% Cu	774Mt at 0.50% Cu
Production	120,000t in 2013 170,000tpa nameplate	271,000t in 2013 Expansion to 400,000tpa	Commissioning mid 2014 300,000tpa commencing

Table 1: Geologically comparable Copper Deposits and Production in the Domes Region, Central African Copperbelt.

^ Lumwana Ore Reserve and Mineral Resource at 31 December 2013
# Kansanshi and Sentinel Ore Reserve and Mineral Resource at 31 December 2012
* Measured, Indicated and Inferred Resource estimations combined by weighted average

Overlying Agreement

Argonaut and Antofagasta executed the Overlying Agreement for the exploration and development of the Lumwana West project in Zambia on 28 April 2014.

The Overlying Agreement covers all phases of the project's development from regional exploration to the completion of a feasibility study and, in the event the project is feasible and Argonaut elects not to fund its pro-rata share of the project, Argonaut will either be carried into production or bought-out at the value of its interest.

Principal Commercial Terms

The Overlying Agreement between Antofagasta and Argonaut Resources NL is in five phases. The principal commercial terms are described below.

Phase I involves the input by Antofagasta of **US$5M within one year** in exchange for a 25% interest in the project. The funding is in two parts: US$3.9M for exploration works now underway plus a US$1.1M placement in Argonaut completed by the companies during the year. Placement funds were used by Argonaut to secure an additional 39% interest in the project via the underlying Lumwana West Joint Venture, which increased Argonaut's interest in the project to 90%.

Phase II involves **expenditure of US$15M by Antofagasta within four years** of the completion of Phase I at a minimum expenditure rate of US$2.5M per year. Antofagasta can earn an effective 51% interest in the project by completing Phase II.

Phase III involves the **completion of a feasibility study to international standards**. Antofagasta may conduct additional work necessary to commence the feasibility study, such as a preliminary feasibility study, prior to electing to commence the definitive study. Antofagasta will have up to two years to complete additional work and four years to complete the feasibility study. Antofagasta can earn an effective 70% interest in the project by completing the feasibility study.

Phase IV is the period following the delivery of the feasibility study, but prior to a development decision. Argonaut may elect not to contribute during this period provided it reimburses Antofagasta from future dividends.

Phase V is the period after a development decision when, if Argonaut decides not to fund its pro-rata share of the project, Antofagasta may elect to **either carry Argonaut into production**, with Argonaut's development costs being funded by 60% of future dividends, **or buy-out Argonaut**'s interest for its pro-rata share of the project's net present value[1].

Antofagasta may elect to stop contributing at certain stages in which case various provisions including standard dilution and drag-along/tag-along rights will apply.

Argonaut will be the operator under the Agreement during Phase I and part of Phase II. Antofagasta may elect to become operator at any stage during Phase II.

The Underlying Agreement

The Lumwana West Joint Venture, executed in July 2011 (*the Underlying Agreement*) involves large scale prospecting licence 16121-HQ-LPL. Under the terms of the Underlying Agreement, Argonaut's 100% held subsidiary, Lumwana West Resources Ltd, earned a 90% shareholding in Mwombezhi Resources Ltd, the Zambian registered company which holds 16121-HQ-LPL during the year.

[1] Using a discount rate of 12%

Exploration

Key points

- The 2014 drilling commenced in June 2014. The program is designed to test and define:
  - large copper targets at the West Mwombezhi, Kavipopo, ZNS and LMW prospects;
  - interpreted extensions and repetitions of the Nyungu Central copper deposit; and
  - several early-stage regional exploration targets.
- The current drill program is estimated to comprise 8,500 metres in total, plus, IP geophysics, geological mapping and soil sampling.
- This program is the first phase of the recently executed agreement with Antofagasta.

The 2014 exploration program was jointly planned by Argonaut and Antofagasta and aims to considerably increase the extent of known copper mineralisation at Lumwana West. The focus is on testing major target areas previously defined by Argonaut. This is the first exploration program under the Overlying Agreement.

Drilling to test the substantial geophysical and geochemical anomalies that define the West Mwombezhi target started on 1 June 2014. Three initial diamond core holes to test the West Mwombezhi target were completed during the year with three further holes completed following the period.

Two initial holes at the Kavipopo target were also completed in June and drilling at Nyungu is in progress.

The drilling program of approximately 8,500m will be progressively revised on the basis of results and interpretations by a technical committee. The field program is expected to be completed in November 2014, the start of the Zambian wet season.

Discontinuation of Litigation

Litigation between Argonaut's majority owned subsidiary, Mwombezhi Resources Ltd (*MRL*), and Equinox Zambia Ltd (*EZL*), was discontinued by mutual consent.

MRL made an application to the Zambian High Court in 2011 for a declaration that MRL was the legal and beneficial holder of large-scale Prospecting Licence 19121-HQ-LPL. In April 2013, following several months of unrelated technical discussions between the companies, EZL, via its new owner Barrick Gold Corporation, proposed the companies discontinue litigation.

Following agreement between the parties on the process for discontinuation, Argonaut received confirmation that notices required to discontinue the matter had been filed with the High Court.

Australia

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 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.

Litigation

The Full Court of the Supreme Court of South Australia overturned an earlier decision by the Environment, Resource and Development Court of South Australia (*the ERD Court*) that Mining Operations (exploration) may not be conducted on EL4296. The Full Court referred the matter back to the ERD court for retrial. The retrial is yet to be listed.

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 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%, diluting to 51%)

Alford Joint Venture

Argonaut is party to a farm-in joint venture letter agreement with Sandfire Resources NL for the exploration of Argonaut's 100% owned Alford tenement 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*).

In event Sandfire has satisfied the requirements for the First Earn-in, it then has the right to 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*).

Alford Exploration

The Alford Project on South Australia's Yorke Peninsular lies 20km north-east of Wallaroo, in 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.

Gravity and induced polarisation (IP) geophysical surveys, a 5,400m aircore drilling program and a four hole, 1,200m diamond drilling program were completed Sandfire on the Alford East trend during the year. Diamond drilling targets were generated by modelling aeromagnetic and gravity data combined with copper anomalism, as defined by aircore drilling, at the top of fresh basement rocks.

Diamond core drilling intersected the targeted iron oxide copper-gold (*IOCG*) alteration system towards the south of the Alford East trend. Copper and gold mineralisation was encountered associated with magnetite and a regional diopside skarn alteration system. No significant broad intersections were reported by Sandfire Resources NL.

Musgrave Minerals Ltd (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 (ASX: MGV) in exchange for a 2.1% shareholding in Musgrave Minerals Ltd.

The Argonaut board resolved to dispose of the Company's shareholding in Musgrave Minerals and subsequent to the reporting period Argonaut accepted an offer to sell its shareholding to a private investor.

Kroombit (Argonaut 100%)

Argonaut holds a 100% interest in ML5631 and EPM15705 which cover the Kroombit zinc-copper deposit in Central Queensland. No field based work was undertaken on the Kroombit project during the year.

Aroona (Argonaut 100%)

EL4358 and EL5336, Aroona, are subject to a joint venture agreement with Perilya Limited.

Field work by Perilya on the project during the year included reconnaissance soil surveying and rock chip sampling over the NW Aroona prospect on EL5336.

Laos

Century (Argonaut 70%)

Century Concession

The Century concession agreement was signed with the Lao Government in September 2004 and expired in February 2013. An application for the second renewal of the agreement was lodged in November 2012, prior to expiry.

Given the status of the concession, no field work was undertaken during the year.

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, the Argonaut's interest in the Century concession will be 19%.

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

Outlook

- Argonaut improved its cash position between March and June 2014 via a $1.5m Million placement and a $936,000 rights issue.
- Appropriate funding has now been secured for all of Argonaut's major projects.
- A comprehensive program of works has begun at the key Lumwana West project under the major agreement signed with Antofagasta during the quarter.
- Shareholders can expect news flow on results from drilling now underway at Lumwana West.
- Planned asset sales will further strengthen Argonaut's cash position.

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. 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.

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Auditor's Independence Declaration to the Directors of Argonaut Resources NL

In relation to our audit of the financial report of Argonaut Resources NL for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ryan Fisk
Partner
22 September 2014

CORPORATE GOVERNANCE STATEMENT

Argonaut Resources NL (the Company) and its controlled entities (the Group) have adopted the corporate governance framework and practices set out in this statement. The framework and practices have been in place throughout the financial year, and comply with the second edition of the ASX Corporate Governance Council's Principles and Recommendations (the Recommendations), unless otherwise stated.

This statement has been approved by the Board, and the information provided remains current as at 22 September 2014 Company policies are available in the Corporate Governance section of the Company's website at www.argonautresources.com.

The Board guides and monitors the business and affairs of the Company on behalf of the shareholders, by whom they are elected and to whom they are accountable.

The functions of the Board include:

- review and approval of corporate strategies, the annual budget and financial plans;
- overseeing and monitoring organisational performance and the achievement of the Company's strategic goals and objectives;
- monitoring financial performance including approval of cash flow statements and annual and half-year financial reports and liaison with the Company's auditors;
- approving fees of Non-Executive Directors;
- ensuring there are effective management processes in place and approving major corporate initiatives;
- enhancing and protecting the reputation of the organisation;
- ensuring the significant risks facing the Group have been identified and appropriate and adequate control, monitoring and reporting mechanisms are in place;
- appointment, retention and termination of the Executive and Exploration Director and Chief Financial Officer (CFO) and Company Secretary;
- approving and monitoring major capital and exploration expenditure, capital management, and acquisitions and divestitures;
- reporting to shareholders; and
- approving decisions concerning the capital of the Company.

The Board of Directors

Throughout the year, the Board has consisted of the following members: Patrick Elliott (independent Non-Executive Chairman), Malcolm Richmond (independent Non-Executive Director), Lindsay Owler (Executive and Exploration Director) and Andrew Bursill (Executive CFO and Company Secretary).

The Chairman's responsibilities include leadership of the Board and the efficient organisation and conduct of the functioning of the Board.

There is a clear division of responsibilities between the Chairman and the Executive and Exploration Director. The Board has delegated to the Executive and Exploration Director the authority to manage the day-to-day affairs of the Company. The Board ensures that the Executive and Exploration Director is appropriately qualified and experienced to discharge his responsibilities.

Details of the Directors' skills, experience, expertise, special responsibilities and attendance at Board meetings are set out in the Directors' Report. The Company's constitution provides that at each annual general meeting, one third of the Board (other than any Managing Director in office from time to time) or, if their number is not a multiple of three, the number nearest to one third, must retire and, if the retiring Directors so chose, may offer themselves for re-election.

Performance assessment

Due to the size of the Company and the Board a continual self-assessment is undertaken in relation to its collective performance and the performance of the Chairman.

The Company has two senior executives, who are also Directors. Given the size and the nature of the Company's operations, the performance of each executive is monitored on an ongoing basis by the non-executive Directors.

Board selection, appointment and re-election

Recommendation 2.4 is that the Board should establish a Nomination Committee. Due to the size of the Company and the Board, no Nomination Committee has been established.

The Board considers the following factors when selecting new Directors and when recommending Directors to shareholders for appointment or re-election:

- the aim of having a majority of independent Directors on the Board and of having an independent Non-Executive Chairman;
- that between them, the Directors have appropriate range of skills, expertise, experience and diversity to discharge the Board's mandate;
- that each individual Board member has sufficient time to meet his/her commitments as a Director of the Company;
- the duration of each existing Director's tenure, noting the retirement provisions of the Constitution, as set out above; and
- whether the size of the Board is appropriate to facilitate effective discussions and efficient decision making.

Since the year end, the Board has developed a Board skills matrix, to simplify the process for identifying any 'gaps' in the Board's skills, expertise and experience. As part of the review of the skills matrix the Board monitor the skills, expertise and experience that are relevant to the Company and assess those requirements against the collective attributes of the Directors. The Board skills matrix will be reviewed by the Directors on annual basis.

Independence

The Board annually assesses the independence of each Director. For this purpose an independent Director is a Non-executive Director whom the Board considers to be independent of management and free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with - the exercise of unfettered and independent judgment, and who:

1. is not a substantial shareholder of the Company, is not an officer of, or is not otherwise associated with a substantial shareholder;
2. within the last three years, has not been employed in an executive capacity by the Company or another Group member;
3. within the last three years, has not been a principal of a material professional advisor or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;
4. is not a material supplier to, or customer of, the Company or another Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
5. has no material contractual relationship with the Company or another Group member, other than as a Director.

Patrick Elliott and Malcolm Richmond have been assessed as independent Directors. In reaching that determination, the Board has taken into account (in addition to the matters set out above):

1. the specific disclosures made by each independent Director as referred to above;
2. that no independent Director has ever been employed by the Company or any of its subsidiaries;

3. that no independent Director is, or has been associated with a supplier, professional adviser, consultant to or customer of the Company which is material under accounting standards; and

4. that no independent Director personally carries on any role for the Company otherwise than as a Director of the Company.

Recommendation 2.1 is that a majority of the Board should be independent. The Company has equal numbers of independent and non-independent Directors. As the Chairman has a casting vote at Board meetings, the majority of the Board could be considered to be independent. The Board believes that its current composition is appropriate to deliver on the Company's stated objectives. The size and scope of the Company's activities does not justify the cost of appointing further independent Directors at this stage of its development.

Resources available to Directors

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

The finance and company secretarial functions are outsourced to an external firm, Franks & Associates. Andrew Bursill of Franks & Associates holds the role of CFO and Company Secretary. The Company Secretary is accountable to the Board through the Chairman on corporate governance matters pertaining to the company secretarial role. All Directors have access to the Company Secretary.

Ethical Standards

The Company recognises the importance of establishing and maintaining high ethical standards and decision making in conducting its business and is committed to increasing shareholder value in conjunction with fulfilling its responsibilities as a good corporate citizen. All Directors, officers, employees, contractors, consultants and associates of the Group are expected to act with honesty and integrity in all their dealings with stakeholders.

The Group has established a Code of Conduct, which includes requirements to:

1. act in good faith in pursuing the objectives of the Company;

2. avoid situations which may give rise to a conflict of interest;

3. maintain confidentiality in relation to the affairs of the Company, its customers and its suppliers;

4. comply with the laws and regulations relating to the Company, particularly the prohibition on insider trading;

5. treat each other, suppliers, competitors, clients, customers and other stakeholders fairly and with respect;

6. protect and ensure efficient use of the Company's assets for legitimate business purposes;

7. refrain from offering or receiving a bribe; and

8. report unlawful/unethical behaviour, with those who report violations in good faith to be protected from harassment or discriminatory treatment.

Since the year end, the Board has reviewed and updated the Code of Conduct. The updated Code is available on the Company's website and has been circulated to all employees, contractors and consultants.

Diversity policy

Due to the Company's size and nature of operations, the Company has not yet established a diversity policy. The Company currently has two permanent full-time employees. There are no women employees, senior executives or Directors at the present time. As the Company grows, the Board remains conscious of the requirement to establish measurable objectives for achieving gender diversity and for the Board to assess and report annually both the objectives and the progress in achieving them.

Audit arrangements

Recommendation 4.1 is that the Board should establish an Audit Committee. Due to the size of the Company and the Board, it is more efficient for the full Board to review the integrity of the Company's financial reporting and the processes to ensure the independence and competence of the external auditors.

While considering external reporting, the Board:

- assesses whether financial statements are consistent with Directors' knowledge and adequate for shareholders' needs;
- assesses the management processes supporting external reporting; and
- reviews risk management and internal control systems.

All members of the Board are financially literate and have an in depth understanding of the industry in which the Company operates.

The Board's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender for external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. The audit engagement partner is rotated periodically, as required by the Corporations Act.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Directors' Report and the notes to the financial statements. The external auditors provide an annual declaration of their independence to the Board.

Continuous Disclosure

The CFO and Company Secretary has been appointed as the person responsible for communications with the Australian Securities Exchange (ASX). This officer is also responsible for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX. The Board has established a Disclosure and Communications Policy, which is available on the Company's website.

Communication with Shareholders

The Board aims to keep shareholders informed of all major developments affecting the Company's activities and its state of affairs through announcements to the ASX and releases to the media. The Company's commitment to respect the rights of shareholders is set out in the Disclosure and Communications Policy, which is available on the Company's website.

Past announcements and other relevant information is available on the Company's website. Shareholders and other interested parties may also subscribe for email alerts using the Company's website.

Shareholders may elect to receive electronic notifications when the Annual Report is available on the Company's website, and may electronically lodge proxy instructions for items of business to be considered at general meetings.

The Board encourages full participation of shareholders at the annual general meeting. Shareholders who are unable to attend general meetings are encouraged to lodge proxy appointments in advance of the meeting.

The external auditor is requested to attend the annual general meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Risk Assessment and Management

The Board is responsible for identifying material business risks and implementing procedures to manage those risks. The Board has formalised its processes for documenting the Group's risk profile in a risk management matrix which is reviewed by the Board on a regular basis. The risk management matrix identifies areas of risk for the Group and records any remedial action the Group has taken in the management of those risks.

Internal control framework

The Board and management identify, monitor and manage compliance issues and significant risks on an ongoing basis. In particular, the Board requires that the risks related to diversified resources exploration, development and production are addressed in proposed operations..

Key elements of the Group's internal control systems include:

- the Code of Conduct, which sets out an ethical and legal framework for all employees in the conduct of the Group’s business; and
- financial and reporting systems to provide timely, relevant and reliable information to management and the Board.

The Executive and Exploration Director and the CFO and Company Secretary have reported and declared in writing to the Board that the Group’s management of its material business risks is effective, as required by Recommendation 7.2.

The Board has also received an annual written assurance from the Executive and Exploration Director and the CFO and Company Secretary that the declaration provided under section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks, as required by Recommendation 7.3.

CEO and CFO certification

The Executive and Exploration Director and CFO and Company Secretary have given a written declaration to the Board required by section 295A of the Corporations Act 2001 that in their view:

- the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board;
- the Company's risk management and internal compliance and control system is operating effectively in all material respects;
- the Company’s financial statements and notes thereto comply with the accounting standards; and
- the Company’s financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date.

Remuneration Committee

Recommendation 8.1 is that the Board should establish a Remuneration Committee. Due to the size of the Company and the Board, it is more efficient for the full Board to review remuneration policy matters

The Board considers:

- executive remuneration and incentive policies;
- the Company’s recruitment retention and termination policies and procedures for senior management;
- superannuation arrangements; and
- the remuneration of Executive Directors, with the Executive and Exploration Director excusing himself from the deliberations.

The remuneration policy has been disclosed in the Directors Report.

Due to the size of the Company, the structure of both Executive and Non-Executive Directors’ remuneration includes a long-term incentive component, linked to the performance of the Group. The Non-Executive Directors receive no retirement benefits, other than statutory superannuation contributions. Any increase in the maximum total remuneration of the Non-Executive Directors of the Company, which is set at $350,000 is subject to the approval of shareholders.

Any Directors or employees participating in equity based remuneration schemes are prohibited from entering into transactions in products which limit the economic risk of holding unvested entitlements under those schemes.

Corporate Governance Principles and Recommendations		
Principle 1	**Lay solid foundations for management and oversight**	
1.1	Establish and disclose the functions reserved to the Board and those delegated to senior executives.	Comply
1.2	Disclose the process for evaluating the performance of senior executives.	Comply – refer to 2.5
1.3	Provide information indicated in the Guide to reporting on Principle 1.	Comply
Principle 2	**Structure the Board to add value**	
2.1	A majority of the Board should be independent directors.	Qualified compliance – see 'Independence' section of statement.
2.2	The chairperson should be an independent director.	Comply
2.3	The role of the chairperson and chief executive officer should not be exercised by the same individual.	Comply
2.4	The Board should establish a nomination committee.	Does not comply
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	Comply
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	Comply
Principle 3	**Promote ethical and responsible decision-making**	
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	Comply
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and the progress in achieving them.	Does not comply
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	Does not comply
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Comply
3.5	Provide the information indicated in the Guide to reporting on Principle 3.	Comply
Principle 4	**Safeguard integrity In financial reporting**	
4.1	The Board should establish an audit committee.	Does not comply

4.2	Structure the audit committee so that it consists of:	N/A – refer to 4.1
	• only non-executive directors	
	• a majority of independent directors	
	• an independent chairperson, who is not chairperson of the Board	
	• at least three members	
4.3	The audit committee should have a formal charter	N/A – refer to 4.1
4.4	Provide the information indicated in the Guide to reporting on Principle 4	Comply
Principle 5	**Make timely and balanced disclosure**	
5.1	Establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	Comply
5.2	Provide the information indicated in the Guide to reporting on Principle 5	Comply
Principle 6	**Respect the rights of shareholders**	
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of the policy	Comply
6.2	Provide the information indicated in the Guide to reporting on Principle 6	Comply
Principle 7	**Recognise and manage risk**	
7.1	Establish and disclose policies for the oversight and management of material business risks and disclose a summary of those policies	Comply
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company’s material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company’s risk management of its material business risks.	Comply
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Comply
7.4	Provide the information indicated in the Guide to reporting on Principle 7	Comply
Principle 8	**Remunerate fairly and responsibly**	
8.1	The Board should establish a remuneration committee	Does not comply

8.2	The remuneration committee should be structured so that it consists of:	N/A – refer to 8.1
	• a majority of independent directors	
	• an independent chairperson	
	• at least three members	
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	Does not comply
8.4	Provide the information indicated in the Guide to reporting on Principle 8	Comply

Contents

General information

The financial statements cover Argonaut Resources NL as a group consisting of Argonaut Resources NL and its subsidiaries. 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 notes to the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 September 2014.

Argonaut Resources NL
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2014

	Note	Consolidated 2014 $	2013 $
Revenue	4	36,939	146,263
Expenses			
Employee benefits expense		(267,186)	(262,236)
Office administration expense		(166,194)	(228,950)
Depreciation and amortisation expense	5	(56,011)	(35,000)
Impairment of intangibles		-	(837,413)
Impairment of exploration and evaluation asset	15	(874,064)	(8,995,003)
Impairment of exploration and evaluation asset - earn in	16	(5,580,631)	-
Gain/(loss) on derivative financial instrument	12	1,787	(338,364)
Share based payments		-	(215,180)
Other expenses		(874,364)	(635,289)
Loss before income tax expense		(7,779,724)	(11,401,172)
Income tax expense	6	-	-
Loss after income tax expense for the year		(7,779,724)	(11,401,172)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Foreign currency translation		(1,876)	160,910
Loss on the revaluation of financial assets, net of tax		299,367	(450,581)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(97,022)	547,022
Other comprehensive income for the year, net of tax		200,469	257,351
Total comprehensive income for the year		(7,579,255)	(11,143,821)
Loss for the year is attributable to:			
Non-controlling interest		(5,585,216)	(124,439)
Owners of Argonaut Resources NL	23	(2,194,508)	(11,276,733)
		(7,779,724)	(11,401,172)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(5,585,216)	(124,439)
Owners of Argonaut Resources NL		(1,994,039)	(11,019,382)
		(7,579,255)	(11,143,821)
		Cents	**Cents**
Basic earnings per share	37	(0.72)	(4.33)
Diluted earnings per share	37	(0.72)	(4.33)

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

Argonaut Resources NL
Statement of financial position
As at 30 June 2014

	Note	Consolidated 2014 $	2013 $
Assets			
Current assets			
Cash and cash equivalents	7	1,942,550	1,347,705
Trade and other receivables	8	39,847	33,640
Other	9	6,589	39,033
		1,988,986	1,420,378
Non-current assets classified as held for sale	10	-	467,495
Total current assets		1,988,986	1,887,873
Non-current assets			
Financial assets at fair value	11	1,334,008	1,034,641
Derivative financial instruments	12	219,318	217,531
Property, plant and equipment	13	87,832	144,259
Intangibles	14	50,000	50,000
Exploration and evaluation	15	8,586,546	7,415,768
Exploration and evaluation - earn in	16	-	5,187,999
Total non-current assets		10,277,704	14,050,198
Total assets		12,266,690	15,938,071
Liabilities			
Current liabilities			
Trade and other payables	17	443,556	613,384
Employee benefits	18	87,765	59,444
Total current liabilities		531,321	672,828
Non-current liabilities			
Employee benefits	19	72,775	68,609
Contingent consideration	20	150,000	100,000
Total non-current liabilities		222,775	168,609
Total liabilities		754,096	841,437
Net assets		11,512,594	15,096,634
Equity			
Issued capital	21	40,587,351	37,069,509
Reserves	22	(4,264,266)	(4,468,035)
Accumulated losses	23	(23,815,414)	(21,620,906)
Equity attributable to the owners of Argonaut Resources NL		12,507,671	10,980,568
Non-controlling interest	24	(995,077)	4,116,066
Total equity		11,512,594	15,096,634

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 year ended 30 June 2014

Consolidated	**Contributed equity $**	**Other reserves $**	**Share based payments reserve $**	**Accumulated losses $**	**Non-controlling interest $**	**Total equity $**
Balance at 1 July 2012	35,867,009	(3,749,379)	228,600	(10,344,173)	2,564,055	24,566,112
Loss after income tax expense for the year	-	-	-	(11,276,733)	(124,439)	(11,401,172)
Other comprehensive income for the year, net of tax	-	257,351	-	-	-	257,351
Total comprehensive income for the year	-	257,351	-	(11,276,733)	(124,439)	(11,143,821)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 21)	1,202,500	-	-	-	-	1,202,500
Share-based payments (note 38)	-	-	215,180	-	-	215,180
Aurum earn-in	-	-	-	-	1,676,663	1,676,663
Acquisition of remaining interest in subsidiary	-	(1,587,087)	167,300	-	(213)	(1,420,000)
Balance at 30 June 2013	37,069,509	(5,079,115)	611,080	(21,620,906)	4,116,066	15,096,634

Consolidated	**Contributed equity $**	**Other reserves $**	**Share based payments reserve $**	**Accumulated losses $**	**Non-controlling interest $**	**Total equity $**
Balance at 1 July 2013	37,069,509	(5,079,115)	611,080	(21,620,906)	4,116,066	15,096,634
Loss after income tax expense for the year	-	-	-	(2,194,508)	(5,585,216)	(7,779,724)
Other comprehensive income for the year, net of tax	-	200,469	-	-	-	200,469
Total comprehensive income for the year	-	200,469	-	(2,194,508)	(5,585,216)	(7,579,255)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 21)	3,517,842	-	-	-	-	3,517,842
Equity yet to be issued	-	3,300	-	-	-	3,300
Aurum earn-in	-	-	-	-	474,073	474,073
Balance at 30 June 2014	40,587,351	(4,875,346)	611,080	(23,815,414)	(995,077)	11,512,594

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

Argonaut Resources NL
Statement of cash flows
For the year ended 30 June 2014

	Note	Consolidated 2014 $	2013 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(1,251,767)	(862,243)
Interest received		26,780	190,052
Rental income		20,971	27,820
Net cash used in operating activities	36	(1,204,016)	(644,371)
Cash flows from investing activities			
Payments for property, plant and equipment	13	(1,144)	(2,099)
Payments for intangibles	14	-	(194,384)
Payments for exploration and evaluation		(2,105,000)	(1,838,193)
Payments for exploration and evaluation - earn in		(392,632)	(2,240,731)
Proceeds from sale of investment property		425,000	-
Net cash used in investing activities		(2,073,776)	(4,275,407)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs	21	3,521,142	-
Cash paid for Arctic Scene NCI acquisition		-	(250,000)
Funds advanced by Aurum for earn-in		351,245	548,918
Net cash from financing activities		3,872,387	298,918
Net increase/(decrease) in cash and cash equivalents		594,595	(4,620,860)
Cash and cash equivalents at the beginning of the financial year		1,347,705	5,968,019
Effects of exchange rate changes on cash and cash equivalents		250	546
Cash and cash equivalents at the end of the financial year	7	1,942,550	1,347,705

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted
The group 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.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted with the exception of AASB 9 'Financial instruments' adopted from 1 January 2012.

Any significant impact on the accounting policies of the group from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group.

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

AASB 10 Consolidated Financial Statements
The group has applied AASB 10 from 1 January 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The group not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 11 Joint Arrangements
The group has applied AASB 11 from 1 January 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for its share of the assets, liabilities, revenues and expenses separately under the appropriate classifications.

AASB 12 Disclosure of Interests in Other Entities
The group has applied AASB 12 from 1 January 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
The group has applied AASB 13 and its consequential amendments from 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
The group has applied AASB 119 and its consequential amendments from 1 January 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

Note 1. Significant accounting policies (continued)

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities
The group has applied AASB 2012-2 from 1 January 2013. The amendments enhance AASB 7 'Financial Instruments: Disclosures' and requires disclosure of information about rights of set-off and related arrangements, such as collateral agreements. The amendments apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
The group has applied AASB 2012-5 from 1 January 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
The group has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets at fair value and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the group only. Supplementary information about the parent entity is disclosed in note 32.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Argonaut Resources NL ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Argonaut Resources NL and its subsidiaries together are referred to in these financial statements as the 'group'.

The group re-assessed whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year and included in the statement of comprehensive income from the date the group gains control until the date the group ceases to control the subsidiary.

Note 1. Significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between entities in the group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the group. Losses incurred by the group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation
The financial statements are presented in Australian dollars, which is Argonaut Resources NL's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods
Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Rendering of services
Rendering of services revenue from computer maintenance fees is recognised by reference to the stage of completion of the contracts.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

Note 1. Significant accounting policies (continued)

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Other receivables are recognised at amortised cost, less any provision for impairment.

Note 1. Significant accounting policies (continued)

Non-current assets or disposal groups classified as held for sale
Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Joint operations
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The group has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

The group early adopted AASB 9 'Financial instruments' after interests in convertible notes were converted to equity instruments. The policy is applied retrospectively from 1 January 2012 (no restatement of comparatives was recessary), and contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows that are sole payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. An exception applies to certain investments in equity financial instruments held at the date of initial application which have been elected to be designated as fair value through other comprehensive income with no recycling of realised gains and losses into the income statement and no impairment recognition. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity’s own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Held-to-maturity investments
Held-to-maturity investments includes non-derivative financial assets with fixed or determinable payments and fixed maturities where the group has the positive intention and ability to hold the financial asset to maturity. This category excludes financial assets that are held for an undefined period. Held-to-maturity investments are carried at amortised cost using the effective interest rate method adjusted for any principal repayments. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Note 1. Significant accounting policies (continued)

Impairment of financial assets
The group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Land is not depreciated.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	20-40 years
Plant and equipment	5-7 years
Motor vehicles	5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets if there is no reasonable certainty of obtaining ownership.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Intangibles
Intangible assets are initially recognised at cost. Intangible assets are subsequently remeasured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangibles are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Exploration and evaluation assets
Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Note 1. Significant accounting policies (continued)

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:
- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Note 1. Significant accounting policies (continued)

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Note 1. Significant accounting policies (continued)

Where the business combination is achieved in stages, the group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Argonaut Resources NL, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 2014. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the group, are set out below.

Note 1. Significant accounting policies (continued)

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the group.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 January 2014 may increase the disclosures by the group.

Annual Improvements to IFRSs 2010-2012 Cycle
These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 January 2015 will not have a material impact on the group.

Annual Improvements to IFRSs 2011-2013 Cycle
These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments from 1 January 2015 will not have a material impact on the group.

AASB 9 Financial Instruments and its consequential amendments
The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes: new hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures; entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time; and in February 2014, the IASB tentatively decided that the mandatory effective date for AASB 9 will be 1 January 2018. The adoption of these amendments do not have a material impact on the group.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax
The group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated tax audit issues based on the group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Note 3. Operating segments

Identification of reportable operating segments
The 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.

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 non-segmental revenues and expenses and are therefore not allocated to operating segments.

Note 3. Operating segments (continued)

Operating segment information

Consolidated - 2014	Australia $	Laos $	Zambia $	Intersegment eliminations/ unallocated $	Total $
Assets					
Segment assets	1,542,117	-	7,094,429	-	8,636,546
Unallocated assets:					
Cash and cash equivalents					1,942,550
Other assets					1,687,594
Total assets					12,266,690
Liabilities					
Unallocated liabilities:					
Current					531,321
Non current					222,775
Total liabilities					754,096

Consolidated - 2013	Australia $	Laos $	Zambia $	Intersegment eliminations/ unallocated $	Total $
Assets					
Segment assets	1,496,835	6,062,063	5,094,869	-	12,653,767
Unallocated assets:					
Cash and cash equivalents					1,347,705
Ordinary shares					1,936,599
Total assets					15,938,071
Liabilities					
Unallocated liabilities:					
Current					672,828
Non current					168,609
Total liabilities					841,437

Note 4. Revenue

	Consolidated	
	2014 $	**2013 $**
Interest	15,968	118,443
Other revenue	20,971	27,820
Revenue	36,939	146,263

Note 5. Expenses

	Consolidated 2014 $	2013 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Property, plant and equipment	56,011	35,000
Impairment		
Intangibles - note 15	-	837,413
Exploration and evaluation assets - note 16	874,064	8,995,003
Total impairment	874,064	9,832,416
Other expenses include:		
Audit, accounting and legal fees	355,582	366,115
Office lease and maintenance	48,802	25,618
Statutory expenses	59,272	74,754
Travelling	119,497	118,802
Tenement expenses *	231,398	-
Increase in deferred consideration	50,000	50,000
Loss on sale of investment property	9,813	-
Total other expenses	874,364	635,289

* Tenement expenses includes principally administration and legal expenses incurred to defend the Torrens title.

Note 6. Income tax expense

	Consolidated 2014 $	2013 $
Income tax expense		
Current tax	(419,315)	(452,698)
Deferred tax	41,930	(44,463)
Tax losses (used) / unused	377,385	497,161
Aggregate income tax expense	-	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(7,779,724)	(11,401,172)
Tax at the statutory tax rate of 30%	(2,333,917)	(3,420,352)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible items	1,956,532	2,923,190
	(377,385)	(497,162)
Tax losses (used) / unused	377,385	497,162
Income tax expense	-	-

Note 6. Income tax expense (continued)

Unused income tax losses carried forward to later years are $32,384,082 (2013: $30,754,966) resulting in potential tax benefits of $9,715,225 (2013: $9,226,490) The potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

	Consolidated	
	2014	**2013**
	$	**$**
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Carry forward tax losses	397,171	913,353
Provisions and accruals	65,464	57,548
Exploration and evaluation	(462,635)	(970,901)
Total deferred tax assets not recognised	-	-

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Note 7. Current assets - cash and cash equivalents

	Consolidated	
	2014	**2013**
	$	**$**
Cash at bank	1,942,550	347,705
Cash on deposit	-	1,000,000
	1,942,550	1,347,705

Exposure to interest rate risks is disclosed in the financial risk management note below.

Note 8. Current assets - trade and other receivables

	Consolidated	
	2014	**2013**
	$	**$**
Other receivables	39,847	22,828
Interest receivable	-	10,812
	39,847	33,640

Note 9. Current assets - other

	Consolidated	
	2014	**2013**
	$	**$**
Prepayments	6,589	39,033

Note 10. Current assets - non-current assets classified as held for sale

	Consolidated	
	2014	2013
	$	$
Investment properties	-	467,495

The sale of the investment property at 60 Park Street, Sydney, generated gross proceeds of $425,000 on 11 March 2014. A loss on disposal of $9,813 has been recognised in profit or loss.

Note 11. Non-current assets - financial assets at fair value

	Consolidated	
	2014	2013
	$	$
Quoted equity securities	1,334,008	1,034,641

Reconciliation
Reconciliation of the fair values at the beginning and end of the current financial year are set out below:

Opening fair value	1,034,641	1,485,222
Revaluation increments	299,367	-
Revaluation decrements	-	(450,581)
Closing fair value	1,334,008	1,034,641

Refer to note 27 for further information on fair value measurement.

Quoted securities represent 16.7m shares in Cuesta Coal Limited and 2.5m shares in Musgrave Minerals Limited. The company holds 16.7 million shares in Cuesta Coal Limited of which 13.9 million were subject to a 24 month escrow and released on 4 May 2014. Subsequent to year end, the investment in Musgrave Minerals Limited were disposed of for $150,881.

Note 12. Non-current assets - derivative financial instruments

	Consolidated	
	2014	2013
	$	$
Derivative financial instruments	219,318	217,531

Reconciliation
Reconciliation of the fair values at the beginning and end of the current financial year are set out below:

Opening fair value	217,531	555,895
Revaluation increments	1,787	-
Revaluation decrements	-	(338,364)
Closing fair value	219,318	217,531

Refer to note 27 for further information on fair value measurement.

Note 12. Non-current assets - derivative financial instruments (continued)

The derivative financial instruments are unquoted options which relate to 26.6m options issued by Cuesta Coal Limited in April 2012, exercisable at 25 cents and expiring 31 December 2015. Options are measured at fair value at each reporting date with changes recognised in profit or loss.

Note 13. Non-current assets - property, plant and equipment

	Consolidated	
	2014 $	2013 $
Land - at cost	13,133	13,133
Leasehold improvements - at cost	-	24,562
Less: Accumulated depreciation	-	(12,857)
	-	11,705
Plant and equipment - at cost	103,539	102,395
Less: Accumulated depreciation	(99,495)	(91,621)
	4,044	10,774
Motor vehicles - at cost	253,795	261,961
Less: Accumulated depreciation	(183,140)	(153,314)
	70,655	108,647
	87,832	144,259

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

Consolidated	Leasehold improvements $	Land $	Plant and equipment $	Motor vehicles $	Total $
Balance at 1 July 2012	17,756	13,133	58,935	140,280	230,104
Additions	-	-	2,099	-	2,099
Disposals	-	-	(9,837)	-	(9,837)
Exchange differences	-	-	(2,589)	16,909	14,320
Depreciation expense	(6,051)	-	(37,834)	(48,542)	(92,427)
Balance at 30 June 2013	11,705	13,133	10,774	108,647	144,259
Additions	-	-	1,144	-	1,144
Disposals	(3,969)	-	-	(8,166)	(12,135)
Exchange differences	-	-	(268)	(11,401)	(11,669)
Depreciation expense	(7,736)	-	(7,606)	(18,425)	(33,767)
Balance at 30 June 2014	-	13,133	4,044	70,655	87,832

Note 14. Non-current assets - intangibles

	Consolidated 2014 $	Consolidated 2013 $
Intangible assets - at cost	887,413	887,413
Less: Impairment	(837,413)	(837,413)
	50,000	50,000

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

Consolidated	Exploration licence $	Total $
Balance at 1 July 2012	-	-
Additions	887,413	887,413
Impairment of assets	(837,413)	(837,413)
Balance at 30 June 2013	50,000	50,000
Balance at 30 June 2014	50,000	50,000

Note 15. Non-current assets - exploration and evaluation

	Consolidated 2014 $	Consolidated 2013 $
Exploration and evaluation assets - at cost	22,071,046	20,026,204
Less: Impairment	(13,484,500)	(12,610,436)
	8,586,546	7,415,768

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

Consolidated	Australia $	Century Laos $	Xekong Laos $	Mwombezhi Zambia $	Total $
Balance at 1 July 2012	1,880,097	4,199,016	4,508,990	2,209,528	12,797,631
Expenditure during the year	131,280	-	596,519	2,885,341	3,613,140
Impairment of assets	(564,542)	(3,324,952)	(5,105,509)	-	(8,995,003)
Balance at 30 June 2013	1,446,835	874,064	-	5,094,869	7,415,768
Expenditure during the year	45,283	-	-	1,999,559	2,044,842
Impairment of assets	-	(874,064)	-	-	(874,064)
Balance at 30 June 2014	1,492,118	-	-	7,094,428	8,586,546

Note 15. Non-current assets - exploration and evaluation (continued)

At the interim date, a provision for impairment of $874,064 was made in relation to the company's interest in the Century tenement licences in Laos which expired in February 2013. An application to extend the Century concession agreement has been lodged since November 2012 but due to substantial delays with the Laotian government's renewal process, management acknowledges the reduced chance that exploration will recommence, hence, the tenement has been impaired at year end.

In the prior year, advancement of the Xekong project in Laos was subject to licence renewal and funding from potential joint venture partners willing to meet licence renewal requirements. Given these events did not happen, the Xekong area tenements were fully impaired.

Note 16. Non-current assets - exploration and evaluation - earn in

	Consolidated	
	2014 $	2013 $
Exploration and evaluation - earn-in partner	-	5,187,999

Expenditure incurred by Aurum Resources Pty Ltd ("Aurum") and accrued amounts in relation to their earn in into the Century tenement is separately reported in this account. A non-controlling interest is recognised within equity to effectively reflect Aurum's compensation for services received determined based on earn in expendiutre incurred.

There is no intention to pursue the Century tenement renewal, hence, the exploration asset of $5,580,631 subject to the earn in has been fully impaired at year end.

Note 17. Current liabilities - trade and other payables

	Consolidated	
	2014 $	2013 $
Trade payables	66,410	103,941
Advance from Aurum	2,643	3,234
Trade and other payables - payable by earn-in partner	287,462	376,189
Other payables	87,041	130,020
	443,556	613,384

Refer to note 26 for further information on financial instruments.

Refer to share -based payment note below for information on Aurum.

Note 18. Current liabilities - employee benefits

	Consolidated	
	2014 $	2013 $
Annual leave	87,765	59,444

Note 19. Non-current liabilities - employee benefits

	Consolidated	
	2014 $	2013 $
Long service leave	72,775	68,609

Note 20. Non-current liabilities - contingent consideration

	Consolidated	
	2014	**2013**
	$	**$**
Contingent consideration	150,000	100,000

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 determined the fair value of this liability by applying a probability factor determined based on the current 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. This amount continues to reflect the fair value and remains appropriate based on exploration results to date and probability of the company making this future payment. No discount has been applied to this liability as a result of uncertainty in the timing of the future payment. However, management do not believe this will result in a material difference in the financial liability balance.

Note 21. Equity - issued capital

	Consolidated			
	2014	**2013**	**2014**	**2013**
	Shares	**Shares**	**$**	**$**
Ordinary shares - fully paid	441,041,701	274,876,470	40,587,351	37,069,509

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$**
Balance	1 July 2012	253,376,470		35,867,009
Issue of shares	6 December 2012	1,500,000	$0.06	82,500
Issue of shares	11 December 2012	20,000,000	$0.06	1,120,000
Balance	30 June 2013	274,876,470		37,069,509
Issue of shares	14 March 2014	51,539,337	$0.02	1,133,865
Issue of shares	17 April 2014	17,179,780	$0.02	377,955
Issue of shares	5 May 2014	54,899,991	$0.02	1,183,644
Issue of shares	24 June 2014	42,546,123	$0.02	936,016
Share issue costs		-	$0.00	(113,638)
Balance	30 June 2014	441,041,701		40,587,351

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

Note 21. Equity - issued capital (continued)

Capital risk management
The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. Capital is defined as total shareholders equity.

In order to maintain or adjust the capital structure, the consolidated entity may issue new shares or sell assets.

Note 22. Equity - reserves

	Consolidated	
	2014	**2013**
	$	**$**
Foreign currency reserve	(1,012,511)	(913,613)
Share-based payments reserve	611,080	611,080
Revaluation reserve	(2,279,048)	(2,578,415)
Transaction between shareholders reserve	(1,583,787)	(1,587,087)
	(4,264,266)	(4,468,035)

Revaluation surplus 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 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.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Other reserve $	Foreign currency reserve $	Share based payment reserve $	Revaluation reserve $	Transaction between shareholders reserve $	Total $
Balance at 1 July 2012	-	(1,621,545)	228,600	(2,127,834)	-	(3,520,779)
Revaluation - gross	-	-	-	(450,581)	-	(450,581)
Foreign currency translation	-	707,932	-	-	-	707,932
Share-based payments *	-	-	215,180	-	-	215,180
Acquisition of remaining interest in subsidiary **	-	-	167,300	-	(1,587,087)	(1,419,787)
Balance at 30 June 2013	-	(913,613)	611,080	(2,578,415)	(1,587,087)	(4,468,035)
Revaluation - gross	-	-	-	299,367	-	299,367
Foreign currency translation	-	(98,898)	-	-	-	(98,898)
Equity yet to be issued ***	3,300	-	-	-	-	3,300
Balance at 30 June 2014	3,300	(1,012,511)	611,080	(2,279,048)	(1,587,087)	(4,264,266)

* Options issued to directors of $215,180.
** Consideration for acquisition of remaining 20% non-controlling interest in Lumwana West Resources Ltd through Arctic Scene Limited, satisfied by a combination of cash payment of $250,000, issuance of 20 million shares of $1,120,000, 10 million share options of $167,300 and deferred consideration fair valued at $50,000 at acquisition date.
*** Subscription money received in advance , shares issued post year end.

Note 23. Equity - accumulated losses

	Consolidated 2014 $	Consolidated 2013 $
Accumulated losses at the beginning of the financial year	(21,620,906)	(10,344,173)
Loss after income tax expense for the year	(2,194,508)	(11,276,733)
Accumulated losses at the end of the financial year	(23,815,414)	(21,620,906)

Note 24. Equity - non-controlling interest

	Consolidated 2014 $	Consolidated 2013 $
Aurum earn in	(805,223)	4,301,335
Accumulated losses	(189,854)	(185,269)
	(995,077)	4,116,066

Note 25. Equity - dividends

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

Note 26. Financial instruments

Financial risk management objectives
The group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the group's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk
The group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Despite international operations, the financial statements are not significantly affected by transactional currency exposures given overseas operations are transacted in their functional currencies. The consolidated entity does not have any significant transactions or balances denominated in foreign currencies at the year end.

Price risk
The group is exposed to price risk arising from investments in equity securities. All equity investments held by the company are publicly traded on the ASX and derivatives are valued using an option pricing model. The price risk for these instruments is material in terms of the possible impact on other comprehensive income with respect to equity investments or on profit and loss with respect to derivatives and as such a sensitivity analysis is completed below.

Note 26. Financial instruments (continued)

	Average price increase			Average price decrease		
Consolidated - 2014	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
Equity investments	20%	-	266,802	20%	-	(266,802)
Derivative financial instruments	2%	-	-	20%	(43,864)	-
		-	266,802		(43,864)	(266,802)

	Average price increase			Average price decrease		
Consolidated - 2013	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
Equity investments	20%	-	206,928	20%	-	(206,928)
Derivative financial instruments	20%	-	-	20%	(43,506)	-
		-	206,928		(43,506)	(206,928)

Interest rate risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's exposure to the risk of changes in market interest rates relates primarily to the group's cash at bank held on deposits. As at the reporting date, no amounts were held on deposits and the group was still negotiating the best interest rates for its future bank deposits, hence, a sensitivity analysis was not performed at year end.

As at the reporting date, the group had the following bank deposits exposed to variable interest rate:

	2014		2013	
Consolidated	**Weighted average interest rate %**	**Balance $**	**Weighted average interest rate %**	**Balance $**
Cash on deposit	-%	-	2.60%	1,000,000
Net exposure to cash flow interest rate risk		-		1,000,000

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The group does not hold any collateral.

Liquidity risk
Vigilant liquidity risk management requires the group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 26. Financial instruments (continued)

Remaining contractual maturities
The following tables detail the group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2014	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-%	66,410	-	-	-	66,410
Other payables	-%	374,503	-	-	-	374,503
Total non-derivatives		440,913	-	-	-	440,913

Consolidated - 2013	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-%	460,972	-	-	-	460,972
Other payables	-%	149,178	-	-	-	149,178
Total non-derivatives		610,150	-	-	-	610,150

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 27. Fair value measurement

Fair value hierarchy
The following tables detail the group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2014	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Equity shares	142,500	1,191,508	-	1,334,008
Options	-	219,318	-	219,318
Total assets	142,500	1,410,826	-	1,553,326
Liabilities				
Contingent consideration	-	-	150,000	150,000
Total liabilities	-	-	150,000	150,000

Note 27. Fair value measurement (continued)

Consolidated - 2013	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Equity shares	97,500	937,141	-	1,034,641
Options (unquoted)	-	217,531	-	217,531
Total assets	97,500	1,154,672	-	1,252,172
Liabilities				
Contingent consideration	-	-	100,000	100,000
Total liabilities	-	-	100,000	100,000

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial year.

Level 2 equity shares relate to the group's investment in Cuesta Coal shares. In determining the fair value management has applied a 20% discount to the quoted share price at 30 June 2014 given Cuesta Coal shares are traded inactively with only few transactions and insignificant volumes close to the balance sheet date.

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

Valuation techniques for fair value measurements categorised within level 2 and level 3
Options are measured at fair value at each reporting date with changes recognised in profit or loss. The options have been valued up using the Black Scholes option pricing model as at the reporting date.

The valuation requires management to make certain assumptions about unobservable inputs to the model, of which the significant unobservable inputs are disclosed below:

• Volatility – 60%
• Risk free interest rate – 2.68%
• Discount rate – 20%

Details of the fair value of the contingent consideration is disclosed in note 20.

Note 28. Key management personnel disclosures

Directors
The following persons were directors of Argonaut Resources NL during the financial year:

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

Note 28. Key management personnel disclosures (continued)

Compensation
The aggregate compensation made to directors and other members of key management personnel of the group is set out below:

	Consolidated	
	2014 $	2013 $
Short-term employee benefits	460,000	488,619
Post-employment benefits	23,125	10,109
Long-term benefits	4,166	4,167
Share-based payments	-	215,180
	487,291	718,075

Note 29. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Ernst & Young, the auditor of the company, and its network firms:

	Consolidated	
	2014 $	2013 $
Audit services - Ernst & Young		
Audit or review of the financial statements	71,000	55,100
Other services - Ernst & Young		
Preparation of the tax return and tax related services	6,300	6,000
	77,300	61,100
Audit services - network firms		
Audit or review of the financial statements	-	15,000

Note 30. Contingent liabilities

There were no contingent liabilities as at year end (2013: nil).

Note 31. Related party transactions

Parent entity
Argonaut Resources NL is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 33.

Joint operations
Interests in joint operations are set out in note 34.

Key management personnel
Disclosures relating to key management personnel are set out in note 28 and the remuneration report in the directors' report.

Note 31. Related party transactions (continued)

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated 2014 $	Consolidated 2013 $
Payment for goods and services:		
Payment for accounting, administration and company secretarial services to Franks & Associates Pty Ltd of which the director, A W Bursill, is a principal	184,681	141,072

All transactions were made on normal commercial terms and conditions and at market rates.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated 2014 $	Consolidated 2013 $
Current borrowings:		
Contributions from Aurum to the Century joint operation	2,643	3,234

The Company has an agreement whereby Aurum has been granted 1% of the share capital of Argonaut Overseas Investments Limited and a right to earn in the Century tenement which could potentially increase to a 72% share capital interest (ie 50% of the joint venture interest) if the earn in expenditure is met. This arrangement is accounted for as a share based payment. The fair value of the goods and services received is determined based on the actual expenditure incurred by Aurum during the period. The increase in exploration and evaluation assets and property, plant and equipment arises from share based payment transaction recognised during the year.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 32. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 2014 $	Parent 2013 $
Loss after income tax	(1,082,371)	(6,403,637)
Total comprehensive income	(1,082,371)	(6,403,637)

Note 32. Parent entity information (continued)

Statement of financial position

	Parent 2014 $	Parent 2013 $
Total current assets	1,981,287	1,392,537
Total assets	18,973,938	16,202,900
Total current liabilities	148,255	257,286
Total liabilities	458,795	425,895
Equity		
Issued capital	40,587,351	37,069,509
Share-based payments reserve	611,080	611,080
Other reserves	3,300	-
Revaluation reserve	(2,279,048)	(2,578,415)
Accumulated losses	(20,407,540)	(19,325,169)
Total equity	18,515,143	15,777,005

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2014 and 30 June 2013.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2014 and 30 June 2013.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at 30 June 2014 and 30 June 2013.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the group, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.

Note 33. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2014 %	Ownership interest 2013 %
Kelaray Pty Limited	Australia	100.00%	100.00%
Argonaut Resources Overseas Investments Limited	British Virgin Islands	100.00%	100.00%
Argonaut Overseas Investments Limited	British Virgin Islands	99.00%	99.00%
Argonaut Resources Laos Limited	Lao	70.00%	70.00%
Prospect Exploration & Mining Limited	British Virgin Islands	85.50%	85.50%
Sunrise International Resources Limited	British Virgin Islands	100.00%	100.00%
Arctic Scene Ltd	Hong Kong	100.00%	100.00%
Yellow Bridge Limited	Hong Kong	100.00%	100.00%
Lumwana West Resources Limited	Zambia	100.00%	100.00%
Argonaut (CCSS) Pty Ltd	Australia	-%	100.00%

Note 33. Interests in subsidiaries (continued)

Subsidiaries domiciled in British Virgin Islands, Hong Kong and Lao are not required to be audited under these countries requirements. Argonaut (CCSS) Pty Ltd was deregistered during the year.

Note 34. Interests in joint operations

Information relating to joint operations that are material to the group are set out below:

		Ownership interest	
	Principal place of business /	2014	2013
Name	**Country of incorporation**	**%**	**%**
ELA 243/09 -Sandstone *	South Australia - Gold	3.30%	3.30%
EL 3782 - Campfire Bore	South Australia - Gold	3.30%	3.30%
EL 4153 -Myrtle Springs **	South Australia - Zinc	100.00%	100.00%
ELA 4358 - Mt Parry **	South Australia - Zinc	100.00%	100.00%
Century - Aurum earn-in ***	Laos - Gold	69.00%	69.00%
Lumwana West ****	Zambia - Copper	90.00%	51.00%

* Kelaray Pty Ltd, a subsidiary of the consolidated entity, holds a 33% interest in Coombedown Resources Pty Ltd.

** These are subject to an earn in agreement with the joint operation partner. As at year end, the joint operation partner has completed the required expenditure but the transfer of interest is yet to be effected and Argonaut Resources still holds 100% interest.

*** The company has entered into an agreement whereby Aurum Resources Pty Limited has been granted 1% of the share capital of Argonaut overseas Investments Limited and a right to earn in the Century tenement which could potentially increase to a 72% share capital interest (ie 51% of the joint operation interest) if the earn in expenditure is met.

**** Lumwana West Resources Ltd ("Lumwana West"), a subsidiary of the consolidated group, has entered into a farm in joint arrangement with Mwombezhi Resources Ltd. Under the terms of the joint arrangement Lumwana West can earn up to 90% in the copper project. In October 2012, 51% shareholding in Mwombezhi Resources Ltd was alloted to the Lumwana West upon completion of the initial earn-in by spending U$1.8 million on exploration and by paying the original shareholders of Mwombezhi Resources Ltd a milestone payment of U$600,000.

In April 2014, the company announced it signed an agreement with a wholly owner subsidiary of Antofagasta PLC ("Antofagasta") for the exploration and funding of the Lumwana West project. Under this agreement, Antofagasta can earn up 70% project interest by spending US$18.9 million on exploration plus the amount required to complete a feasibility study to international standards. In the event the project is moved forward and Argonaut decides not to fund its pro-rata share of the project, it will be either carried into production or be bought-out at the value of its interest.

In May 2014, the group has completed the second earn-in of the underlying Lumwana West agreement to increase project ownership from 51% to 90%. The group has met the second phase expenditure target of US$2.4 million and made a payment of US$1.1 million to the project vendors.

Note 35. Events after the reporting period

Subsequent to year end, the company sold its equity investments in Musgrave Minerals Ltd for $151,000.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Note 36. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2014 $	2013 $
Loss after income tax expense for the year	(7,779,724)	(11,401,172)
Adjustments for:		
Depreciation and amortisation	56,011	35,000
Impairment of non-current assets	6,454,695	8,995,003
Impairment of intangibles	-	837,413
Share-based payments	-	215,180
(Gain) / Loss on derivative financial instrument	(1,787)	338,364
Other	-	82,500
Contingent consideration fair valued through profit or loss	-	50,000
Change in operating assets and liabilities:		
Decrease in trade and other receivables	26,238	116,146
Increase in trade and other payables	40,551	87,195
Net cash used in operating activities	(1,204,016)	(644,371)

Note 37. Earnings per share

	Consolidated	
	2014 $	2013 $
Loss after income tax	(7,779,724)	(11,401,172)
Non-controlling interest	5,585,216	124,439
Loss after income tax attributable to the owners of Argonaut Resources NL	(2,194,508)	(11,276,733)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	302,731,890	260,375,100
Weighted average number of ordinary shares used in calculating diluted earnings per share	302,731,890	260,375,100
	Cents	**Cents**
Basic earnings per share	(0.72)	(4.33)
Diluted earnings per share	(0.72)	(4.33)

There are 14 million share options excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for the current period presented.

Note 38. Share-based payments

The consolidated entity has an agreement whereby Aurum has been granted 1% of the share capital of Argonaut Overseas Investments Limited ("AOI") and a right to earn in an additional 71% interest in AOI by spending $6.5 million on exploration and evaluation activity with respect to the Century tenement in Laos. This arrangement is accounted for as a share based payment. The fair value of the goods and services received is determined based on the actual expenditure incurred by Aurum during the period and details of amounts recognised in equity. As this arrangement results in the issue of shares in a subsidiary of the company, the transaction is being accounted for with an increase to non-controlling interest within equity.

Note 38. Share-based payments (continued)

A share option plan is established by the consolidated entity and approved by shareholders at a general meeting, whereby the consolidated entity may grant options over ordinary shares in the parent entity to employees, key management personnel and suppliers of the consolidated entity. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the board.

Set out below are summaries of options granted under the plan:

2014

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/12/2010	31/12/2013	$0.30	7,000,000	-	-	(7,000,000)	-
06/12/2012	31/12/2015	$0.10	7,000,000	-	-	-	7,000,000
			14,000,000	-	-	(7,000,000)	7,000,000

2013

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/12/2010	31/12/2013	$0.30	7,000,000	-	-	-	7,000,000
06/12/2012	31/12/2015	$0.10	-	7,000,000	-	-	7,000,000
			7,000,000	7,000,000	-	-	14,000,000

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2014 Number	2013 Number
01/12/2010	31/12/2013	-	7,000,000
06/12/2012	31/12/2015	7,000,000	7,000,000
		7,000,000	14,000,000

The weighted average remaining contractual life of options outstanding as at the end of the financial year was 1.50 years (2013: 1.50 years).

The average exercise price of options outstanding as at the end of the financial year was $0.10 (2013: $0.20).

For the options granted during the prior financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
06/12/2012	31/12/2015	$0.07	$0.10	84.00%	-%	2.69%	$0.031

Argonaut Resources NL
Directors' declaration
30 June 2014

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes thereto give a true and fair view of the group's financial position as at 30 June 2014 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

P J D Elliott
Chairman

22 September 2014

Building a better working world

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

Report on the financial report

We have audited the accompanying financial report of Argonaut Resources NL, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit 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.

Opinion

In our opinion:

a. the financial report of Argonaut Resources NL is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Argonaut Resources NL for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ryan Fisk
Partner
Sydney
22 September 2014