Argonaut Resources NL

ABN 97 008 084 848

Interim Report - 31 December 2013

Argonaut Resources NL
Corporate directory
31 December 2013

Directors	Patrick J D Elliott - Non-executive Chairman Lindsay J Owler - Exploration Director Andrew W Bursill - Non-executive Director Malcolm R Richmond - Non-executive Director
Company secretary	Andrew W Bursill
Registered office	Suite 4, Level 9 341 George Street Sydney NSW 2000
Principal place of business	Suite 4, Level 9 341 George Street Sydney NSW 2000
Share register	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000
Auditor	Ernst & Young Ernst & Young Centre 680 George Street Sydney NSW 2000
Solicitors	Addisons Lawyers Level 12 60 Carrington Street Sydney NSW 2000
Stock exchange listing	Argonaut Resources NL shares are listed on the Australian Securities Exchange (ASX code: ARE)
Website	www.argonautresources.com

Argonaut Resources NL
Directors' report
31 December 2013

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Argonaut Resources NL (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2013.

Principal activities
Argonaut Resources NL is a mineral exploration and development company focussed on large copper targets with projects in Zambia, South Australia and Queensland. Argonaut’s projects are in the advanced exploration and feasibility stages. The company is exploring for copper at its flagship Lumwana West project in Zambia and copper (+/- gold and silver) at its Alford and Torrens projects in South Australia. The company also owns a zinc- copper deposit at Mt Kroombit in Central Queensland and a 70% interest in a gold exploration project in Laos.

During the half-year the principal activities of the consolidated entity were expanding on and defining the extent of copper-cobalt mineralisation at the company's Lumwana West flagship project in Zambia.

Review of operations
The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $1,238,170 (31 December 2012: $2,992,286).

A review of operations for the half-year is set out below.

Events after the reporting date
Events after the reporting date are disclosed in note 12 to the financial statements.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

P J D Elliott
Chairman

14 March 2014
Sydney

Review of Operations

During the half-year the principal activities of Argonaut Resources NL ('Argonaut' or the 'company') were the identification and development of mineral resource opportunities with an emphasis on projects that were amenable to value-adding via exploration and rapid development into production. The review of operations report forms part of the directors' report as set out in the previous section.

Exploration Activities

Lumwana West, Zambia (Argonaut 51%, earning 90%)

Via its 51% held subsidiary, Mwombezhi Resources Ltd (MRL), Argonaut has been successful in intercepting broad copper intercepts at the Nyungu deposit and has defined large, prospective targets at the West Mwombezhi and Kavipopo prospects.

Lumwana West – 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 including 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.

Lumwana West Exploration Targets

On 12 December 2013, Argonaut announced an updated global Exploration Target for the Lumwana West project of **1,090 to 1,560Mt at 0.45 to 0.65% copper**. The potential quantity and grade of the Exploration Target is conceptual in nature. There has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

The Exploration Target was updated to include a revised Exploration Target for the Kavipopo anomaly and a maiden Exploration Target for the West Mwombezhi anomaly. Grades and tonnages are expressed as ranges for potential copper mineralisation at three target areas shown in Table 1.

	Cu Grade (%)	West Mwombezhi (t)	Kavipopo (t)	Nyungu (t)*	Global Exploration Target (t)
Min Case	0.65	240,000,000	720,000,000	130,000,000	1,090,000,000
Mid Case	0.5	430,000,000	860,000,000	155,000,000	1,345,000,000
Max Case	0.45	490,000,000	890,000,000	180,000,000	1,560,000,000

Table 1: Updated Exploration Target ranges for the Lumwana West project

* See RungePincockMinarco (RPM) report released 9 April 2013, Schedule 1

The potential mineralisation is interpreted to be hosted in a biotite kyanite graphite schist. It is interpreted that the targeted areas feature the same original geological unit and that this unit has been metamorphosed and folded around the margin of the Western Mwombezhi Dome then offset by faulting. Disseminated mineralisation at the Nyungu Deposit is typically 1% to 5% sulphide dominated by chalcopyrite. Minor bornite, pyrite and localised carrollite have also been noted.

Table 1 is based on the assumption that the measured chargeability response at West Mwombezhi and Kavipopo is derived from copper-bearing disseminated sulphide mineralisation plus graphite, as found at Nyungu and nearby at the Chimiwungo deposit at Barrick Gold Corporation's Lumwana mine. Chargeability responses like those used to estimate the Exploration Target shown in Table 1 can also be caused by:

- non-copper bearing sulphide minerals;
- graphite;
- major lithological contrasts; or
- a combination of these causes.

Argonaut has not yet conducted a discovery phase drilling program at the West Mwombezhi or Kavipopo targets. Drilling programs are required to test the targets.

Proposed Drilling to Test Exploration Target

To test the Exploration Targets, Argonaut proposes the following exploration work:

West Mwombezhi discovery drilling:

- 2,500m of diamond core drilling in two phases for a total of 10 drill holes testing coincident IP chargeability and soil geochemistry anomaly. 400m drill traverse spacing. Holes drilled to the east, assuming potential mineralisation dips moderately to the west.
- Commencing May 2014

Kavipopo discovery drilling:

- 2,400m of diamond core drilling in two phases for a total of 8 holes testing coincident IP chargeability and soil geochemistry anomaly. 400m drill traverse spacing. Holes drilled to the south, assuming potential mineralisation dips steeply to the north, with at least one hole drilled to the north, i.e. a scissored drill hole, to confirm the geometry of potential mineralisation.
- Commencing May 2014

Nyungu extensional and follow-up drilling:

- 3,000m of diamond core drilling in two phases for a total of nine holes. Holes will be drilled to the east and will test strike extensions plus two previously undrilled chargeability anomalies. Holes will be located at Nyungu Central, Nyungu South, Nyungu North as well as a discrete anomaly west of Nyungu Central.
- Commencing May 2014

Increased Ownership Rights

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

Argonaut then further improved its rights under the Lumwana West Joint Venture (the JVA) by executing a second deed of variation. These revised terms give LWR the right to take a 90% shareholding MRL at the conclusion of phase two under the joint venture.

Under the original 2011 JVA, Argonaut had a pathway to 68% ownership and these rights were contingent on the delivery of a feasibility study. Under the newly revised terms, in addition to an increased ultimate interest in the project, Argonaut benefits by holding a 90% interest prior to and during a feasibility study. The consideration for these enhanced rights was a further payment of UD$150,000.

Argonaut has now improved its project ownership rights under the JVA from 68% to 90% via the buy-out of a third-party in 2012 and the execution of the two deeds of variation.

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

Lumwana West Joint Venture

The Lumwana West Joint Venture involves large scale prospecting licence 16121-HQ-LPL. Under recently varied terms of the joint venture LWR can earn up to 90% of MRL, which holds 16121HQ-LPL.

The Joint Venture is in two phases.

- In earning an initial 51%, LWR paid a US$300,000 signing fee and funded US$1.8 million in exploration works prior to 31 December 2012. The Company paid US$600,000 to the initial shareholders on the first allotment of shares.
- To earn a further 39%, for a total of 90%, LWR completed an additional US$2.4 million of exploration expenditure and must make a final cash payment of US$1.1 million to the initial shareholders prior to 31 December 2014.

Discontinuation of Litigation

On 17 October 2013, Argonaut announced that litigation between Argonaut's majority owned subsidiary, Mwombezhi Resources Ltd, and Equinox Zambia Ltd (EZL), has been discontinued by mutual consent.

In August 2011, MRL made an application to the Zambian High Court for a declaration that MRL was the legal and beneficial holder of large-scale Prospecting Licence 16121-HQ-LPL (the Lumwana West project). In April 2013, following several months of unrelated technical discussions between the companies, EZL, via new owner Barrick, proposed the companies discontinue litigation.

Following agreement between the parties on the process for discontinuation, Argonaut received confirmation that all required notices had been filed with the courts.

Argonaut acknowledges the professional and good-natured manner in which Barrick management handled the matter following its takeover of Equinox Minerals Ltd and the Lumwana mine in 2011.

Torrens, South Australia (Argonaut 30%)

The Torrens Joint Venture

The Torrens Joint Venture is between Argonaut Resources NL and Straits Resources and relates to the Torrens Project, EL 4296.

The Torrens Joint Venture is exploring for iron oxide-copper-gold (IOCG) systems in the highly prospective Stuart Shelf region of South Australia. The Torrens Project is located near the eastern margin of South Australia's Gawler Craton (Stuart Shelf), within 50 kilometres of Oz Minerals' Carrapateena copper-gold deposit and 75 kilometres from BHP Billiton's Olympic Dam mine.

Litigation

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

During the period, the Full Court decided that parties to the Full Court appeal will bear their own costs. This was the final legal process prior to the commencement of a retrial in the ERD Court. A date for the retrial has not been set. It is important to note that in overturning the original decision, the Full Court provided considerable guidance for the purpose of an ERD Court retrial including disallowing the original ERD Court Judge from re-hearing the matter.

The 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%)

2014 Exploration Program

On 12 February 2014, Argonaut announced that Sandfire Resources NL has commenced the 2014 exploration program at the Alford tenement in South Australia.

The program is targeting IP chargeability and gravity anomalies in areas of the Alford East trend. These anomalies are also within a large alteration system associated with basement geochemistry copper anomalies.

Sandfire commenced a gravity survey at Alford in December 2013 and an Induced Polarisation (IP) geophysical survey in the January 2104.

Alford Farm-in Joint Venture

On 9 November 2012, Argonaut announced it had signed a farm-in joint venture letter agreement with Sandfire Resources NL in relation to the Company's 100% owned EL3969, Alford, on the Yorke Peninsula in South Australia.

Under the terms of the letter agreement, Sandfire may earn a 49% interest in the Alford tenement by sole funding $4,000,000 of exploration within three years (the first earn-in period). In the first 14 months of the earn-in period Sandfire has met certain requirements under the letter agreement and is progressing steadily towards the first $4,000,000 expenditure target.

If Sandfire meets the minimum commitment during the First Earn-in period, 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 period).

Kroombit, Queensland (Argonaut 100%)

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

Aroona, South Australia (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 period included reconnaissance XRF soil surveying and rock chip sampling over the NW Aroona prospect on EL5336. The target was previously defined by a potential hematite colour anomaly from Landsat satellite imagery and was also identified in iron ratios from Aster Multispectral data.

No significant hematite alteration was noted during reconnaissance mapping with the colour anomaly likely due to a local topographic depression displaying strong limonitic alteration. Bedrock lithologies consisted exclusively of Precambrian quartzites with no prospective Cambrian carbonate rocks visible. A total of 705 XRF soil readings were taken over the target on 400m spaced north-south survey lines.

No significant zinc or other base metal anomalies were defined in the area with iron showing erratically elevated values over the target. A total of 15 rock chip samples were also collected and submitted for major and trace element analysis. Results of these samples are pending.

Century, Laos (Argonaut 70%)

Century Joint Venture

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

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

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

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

Sections of information contained in this report that relate to Exploration Results were compiled or supervised by Mr Lindsay Owler BSc, MAusIMM who is a Member of the Australasian Institute of Mining and Metallurgy and is a full time employee of Argonaut Resources NL. Mr Owler holds shares and options in Argonaut Resources NL, as described on page 9 of the Company's 2013 Annual Report. Mr Owler has sufficient experience which is relevant to the style of mineral deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Owler consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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Auditor's Independence Declaration to the Directors of Argonaut Resources N.L.

In relation to our review of the financial report of Argonaut Resources N.L. for the half-year ended 31 December 2013, 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
14 March 2014

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General information

The financial report covers Argonaut Resources NL as a consolidated entity consisting of Argonaut Resources NL and the entities it controlled. The financial report is presented in Australian dollars, which is Argonaut Resources NL's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Argonaut Resources NL is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 4, Level 9
341 George Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 14 March 2014.

Argonaut Resources NL
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2013

	Note	Consolidated 31/12/2013 $	31/12/2012 $
Revenue	3	21,844	97,524
Other income	4	229,190	596,163
Expenses			
Employee benefits expense		(133,623)	(123,128)
Depreciation		(46,374)	(14,187)
Office administration expenses		(86,649)	(90,503)
Other expenses		(352,505)	(345,796)
Share based payments		-	(215,180)
Impairment - exploration assets		(874,064)	(4,317,078)
Loss before income tax expense		(1,242,181)	(4,412,185)
Income tax expense		-	-
Loss after income tax expense for the half-year		(1,242,181)	(4,412,185)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		333,491	(113,232)
Gain on the revaluation of equity investments		516,632	839,877
Other comprehensive income for the half-year, net of tax		850,123	726,645
Total comprehensive income for the half-year attributable to the owners of Argonaut Resources NL		(392,058)	(3,685,540)
Loss for the half-year is attributable to:			
Non-controlling interest		(4,011)	(1,419,899)
Owners of Argonaut Resources NL		(1,238,170)	(2,992,286)
		(1,242,181)	(4,412,185)
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		(4,011)	(1,419,899)
Owners of Argonaut Resources NL		(388,047)	(2,265,641)
		(392,058)	(3,685,540)
		Cents	**Cents**
Basic earnings per share		(0.45)	(1.17)
Diluted earnings per share		(0.45)	(1.17)

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 31 December 2013

	Note	Consolidated 31/12/2013 $	30/06/2013 $
Assets			
Current assets			
Cash and cash equivalents		180,283	1,347,705
Trade and other receivables		23,512	33,640
Other		49,822	39,033
		253,617	1,420,378
Non-current assets classified as held for sale		425,000	467,495
Total current assets		678,617	1,887,873
Non-current assets			
Financial assets at fair value	5	1,551,273	1,034,641
Derivative financial instruments	6	446,721	217,531
Property, plant and equipment		119,894	144,259
Intangibles		50,000	50,000
Exploration and evaluation	7	7,247,548	7,415,768
Exploration and evaluation - earn in	8	6,133,622	5,187,999
Total non-current assets		15,549,058	14,050,198
Total assets		16,227,675	15,938,071
Liabilities			
Current liabilities			
Trade and other payables		228,614	237,195
Employee benefits		79,750	59,444
Current liabilities payable by earn-in partner		302,625	376,189
Total current liabilities		610,989	672,828
Non-current liabilities			
Employee benefits		70,709	68,609
Contingent consideration	9	100,000	100,000
Total non-current liabilities		170,709	168,609
Total liabilities		781,698	841,437
Net assets		15,445,977	15,096,634
Equity			
Issued capital		37,069,509	37,069,509
Reserves		(3,617,912)	(4,468,035)
Accumulated losses		(22,859,076)	(21,620,906)
Equity attributable to the owners of Argonaut Resources NL		10,592,521	10,980,568
Non-controlling interest		4,853,456	4,116,066
Total equity		15,445,977	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 half-year ended 31 December 2013

	Contributed equity $	Other reserves $	Share based payments reserves $	Accumulated losses $	Non-controlling interest $	Total equity $
Consolidated						
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 half-year			-	(2,992,286)	(1,419,899)	(4,412,185)
Other comprehensive income for the half-year, net of tax	-	726,645	-	-	-	726,645
Total comprehensive income for the half-year	-	726,645	-	(2,992,286)	(1,419,899)	(3,685,540)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	1,202,500	-	-	-	-	1,202,500
Share-based payments	-	-	215,180	-	-	215,180
Aurum earn in	-	-	-	-	480,616	480,616
Acquisition of remaining interest in subsidiary	-	(1,587,300)	167,300	-	-	(1,420,000)
Balance at 31 December 2012	37,069,509	(4,610,034)	611,080	(13,336,459)	1,624,772	21,358,868

	Contributed equity $	Other reserves $	Share based payments reserves $	Accumulated losses $	Non-controlling interest $	Total equity $
Consolidated						
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 half-year			-	(1,238,170)	(4,011)	(1,242,181)
Other comprehensive income for the half-year, net of tax	-	850,123	-	-	-	850,123
Total comprehensive income for the half-year	-	850,123	-	(1,238,170)	(4,011)	(392,058)
Transactions with owners in their capacity as owners:						
Aurum earn in	-	-	-	-	741,401	741,401
Balance at 31 December 2013	37,069,509	(4,228,992)	611,080	(22,859,076)	4,853,456	15,445,977

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 half-year ended 31 December 2013

	Consolidated	
	31/12/2013	**31/12/2012**
	$	**$**
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of GST)	(401,755)	(433,430)
Interest received	15,023	141,444
Rental income	13,200	18,763
Net cash used in operating activities	(373,532)	(273,223)
Cash flows from investing activities		
Payments for exploration	(1,145,302)	(3,160,790)
Net cash used in investing activities	(1,145,302)	(3,160,790)
Cash flows from financing activities		
Cash paid for Arctic Scene NCI acquisition	-	(250,000)
Funds advanced by Aurum for earn-in	351,245	486,628
Net cash from financing activities	351,245	236,628
Net decrease in cash and cash equivalents	(1,167,589)	(3,197,385)
Cash and cash equivalents at the beginning of the financial half-year	1,347,705	5,968,019
Effects of exchange rate changes on cash	167	(365)
Cash and cash equivalents at the end of the financial half-year	180,283	2,770,269

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2013 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity 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 consolidated entity.

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

AASB 10 Consolidated Financial Statements
The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) 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 (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee’s returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity 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. The adoption of this standard from 1 July 2013 did not have an impact where the consolidated entity has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating

AASB 11 Joint Arrangements
The consolidated entity has applied AASB 11 from 1 July 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 will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this standard from 1 July 2013 did not have a material impact on the consolidated entity.

AASB 12 Disclosure of Interests in Other Entities
The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. 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'.

Note 1. Significant accounting policies (continued)

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard does not prescribe when to use fair value. Instead it provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 is minimal, although there will be increased disclosures where fair value is used.

Going concern
The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The consolidated entity has incurred net losses after tax of $1,242,181 (2012: $4,412,185) and net cash outflows from operating and investing activities of $1,167,589 (2012: $3,197,385) for the half-year ended 31 December 2013. For the reasons described below, conditions exist that indicate there is a material uncertainty as to the consolidated entity’s ability to continue as a going concern.

The directors have prepared cash flow forecasts which indicate that the current cash resources will not be sufficient to fund planned exploration expenditure, other principal activities and working capital requirements without the sale of non-core assets and/or capital raising. The consolidated entity will be required to realise through the sale of non-core assets to fund its current operations through to 31 March 2015. The consolidated entity is reviewing various capital raising opportunities to meet its capital requirements.

Based on the cash flow forecasts and achieving all or some funding, the directors are confident that the consolidated entity will be able to continue as a going concern. The directors are confident in the consolidated entity’s ability to fund its activities as mentioned above.

Should the consolidated entity be unable to raise capital or realise the sale of non-core assets, there is a material uncertainty whether the consolidated entity will be able to continue as a going concern and therefore, whether it will be able to realise its assets and discharge its liabilities in the normal course of business.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Note 2. Operating segments

Identification of reportable operating segments
The Chief Operating Decision Maker ('CODM') reviews only direct exploration expenditure. As such no segment results or revenues are separately disclosed. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis.

Types of services by segments
The principal products and services of the consolidated entity are exploration operations. Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar to the type of product and service. The consolidated entity has determined that the reportable operating segments are based on geographical locations as these are the sources of the consolidated entity major assets.

Note 2. Operating segments (continued)

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.

Operating segment information

Consolidated - 31/12/2013	Australia $	Laos $	Zambia $	Intersegment eliminations/ unallocated $	Total $
Assets					
Segment assets	1,519,039	6,133,622	5,778,509	-	13,431,170
Unallocated assets:					
Cash and cash equivalents					180,283
Other assets					2,616,222
Total assets					16,227,675
Liabilities					
Unallocated liabilities:					
Current					610,989
Non current					170,709
Total liabilities					781,698

Consolidated - 31/12/2012	Australia $	Laos $	Zambia $	Intersegment eliminations/ unallocated $	Total $
Consolidated - 30/06/2013					
Assets					
Segment assets	1,496,835	6,062,063	5,094,869	-	12,653,767
Unallocated assets:					
Cash and cash equivalents					1,347,705
Other assets					1,936,599
Total assets					15,938,071
Liabilities					
Unallocated liabilities:					
Current					672,828
Non Current					168,609
Total liabilities					841,437

Note 3. Revenue

	Consolidated	
	31/12/2013	31/12/2012
	$	$
Interest	8,644	78,761
Rental	13,200	18,763
Revenue	21,844	97,524

Note 4. Other income

	Consolidated	
	31/12/2013	31/12/2012
	$	$
Net gain on derivative financial instrument	229,190	596,163

Note 5. Non-current assets - financial assets at fair value

	Consolidated	
	31/12/2013	30/06/2013
	$	$
Financial assets at fair value	1,551,273	1,034,641

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

Opening fair value	1,034,641	1,485,222
Revaluation increments	516,632	(450,581)
Closing fair value	1,551,273	1,034,641

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 are subject to a 24 month escrow. Fair value of equity securities are recognised in other comprehensive income based on ASX quotations. On 4 May 2014 the 13.9 million shares will be released from escrow.

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities
Level 2 - Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)
Level 3 - Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

The carrying amount of the financial assets above is equal to their fair value as at 31 December 2013. The financial assets at fair value are categorised as level 1 within the fair value hierarchy.

Note 6. Non-current assets - derivative financial instruments

	Consolidated	
	31/12/2013	30/06/2013
	$	$
Derivative financial instruments	446,721	217,531

Unquoted options relate to 26.6m options issued by Cuesta Coal Limited in April 2012, exercisable at 25 cents and expiring 31 December 2015, subject to a 24 month escrow. Options are measured at fair value at each reporting date with changes recognised in profit or loss. The options were revalued up using the Black Scholes option pricing model as at the reporting date.

The carrying amount of the derivative financial instruments above is equal to their fair value as at 31 December 2013. The derivative financial instruments are categorised as level 3 within the fair value hierarchy.

The valuation requires management to make certain assumptions about unobservable inputs to the model, of which the significant unobservable inputs are disclosed below:
• Volatility – 81%
• Risk free interest rate – 2.68%
• Discount rate – 20%

Note 7. Non-current assets - exploration and evaluation

	Consolidated	
	31/12/2013	30/06/2013
	$	$
Exploration and evaluation assets	20,732,048	20,026,204
Less: Impairment	(13,484,500)	(12,610,436)
	7,247,548	7,415,768

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

	Exploration & evaluation	Total
	$	$
Consolidated		
Balance at 1 July 2013	7,415,768	7,415,768
Expenditure during the half-year	705,844	705,844
Provision for impairment	(874,064)	(874,064)
Balance at 31 December 2013	7,247,548	7,247,548

The company's interest in the Century tenement licence in Laos with a carrying value of $874,064, is subject to renewal. Given substantial delays with the Laotian government's renewal process, a provision for impairment has been made in the financial statements. Any impairment will be assessed based on future progress over the next few months to the financial year end.

Note 8. Non-current assets - exploration and evaluation - earn in

	Consolidated	
	31/12/2013	30/06/2013
	$	$
Exploration and evaluation - earn in	6,133,622	5,187,999

Expenditure incurred by Aurum Resources Pty Ltd ("Aurum") and accrued amounts in relation to their earn in into Century 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 expenditure incurred.

Note 9. Non-current liabilities - contingent consideration

	Consolidated	
	31/12/2013	30/06/2013
	$	$
Contingent consideration	100,000	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. 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 $100,000 at 30 June 2013. This amount continues to reflect the fair value and remains appropriate as at 31 December 2013 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.

The contingent consideration is categorised as level 3 within the fair value hierarchy.

Note 10. Equity - dividends

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

Note 11. Contingent liabilities

Other than the contingent consideration disclosed in the statement of financial position, the consolidated entity did not have any contingent liabilities as at 31 December 2013.

Note 12. Net fair values

Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair values of current financial assets and financial liabilities are the equivalent of the net carrying amount as the financial assets and financial liabilities are short-term instruments. Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for relating to annual leave which is not considered a financial instrument.

Note 13. Events after the reporting period

On 12 February 2014, the company announced a contract for the sale of an office it owned at 60 Park Street, Sydney, for $425,000 has been executed and expected to be settled mid March 2014.

On 27 February 2014, the company announced it had agreed a non-binding term sheet with a financing partner for a proposed option and joint venture agreement for the exploration and development of the Lumwana West project in Zambia.

On 6 March 2014, the company announced it has completed a placement to sophisticated and professional investors to raise $1.5 million in new capital. The placement of 68,719,000 ordinary Argonaut shares will be made in two tranches to sophisticated and professional investors at 2.2c per share with one attaching option for every three new shares to raise approximately $1.5 million in additional capital. In addition to the placement, the company will undertake a 1 for 5 rights issue on the same terms as the placement to raise up to a further $1.5 million. The options expiring on 31 March 2017 will have a strike price of 6c and will be issued for no additional consideration. The funds raised will be used for operation of the Lumwana West project, maintenance of the company's Torrens joint venture interest, and working capital.

No other matter or circumstance has arisen since 31 December 2013 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Argonaut Resources NL
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

P J D Elliott
Chairman

14 March 2014
Sydney

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Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Argonaut Resources NL, which comprises the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Argonaut Resources NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Argonaut Resources NL is not in accordance with the *Corporations Act 2001*, including:

i giving a true and fair view of the company's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which describes the principal conditions that raise doubt about the entity's ability to continue as a going concern. As a result of these matters, there is significant uncertainty whether the consolidated entity will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

Ernst & Young

Ernst & Young

Ryan Fisk

Ryan Fisk
Partner
Sydney
14 March 2014