

20 November 2015

ASX Market Announcements
ASX Limited
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CHAIRMAN'S ADDRESS

ANNUAL MEETING 20TH NOVEMBER 2015

THE PAST YEAR HAS BEEN DISAPPOINTING IN A NUMBER OF WAYS. FIRSTLY, EXPLORATION RESULTS FROM OUR JOINT VENTURE WITH ANTOFAGASTA AT LUMWANA WEST, ZAMBIA WERE LIMITED. THIS LED ANTOFAGASTA TO WITHDRAW FROM FURTHER EXPENDITURE COMMITMENT. UNFORTUNATELY, THERE IS LITTLE WE CAN DO TO MITIGATE AGAINST POOR EXPLORATION OUTCOMES EXCEPT, AS WE HAD DONE, BY BRINGING IN JOINT VENTURE FUNDING.

SECONDLY, COPPER PRICES HAVE BEEN WEAK THROUGH MOST OF THE YEAR. THE COMEX COPPER PRICE HAS DECLINED BY AROUND 30% FROM US\$3.00/LB, A YEAR AGO, TO BE CURRENTLY US\$2.10/LB. PART OF THIS REFLECTS THE HIGHER US DOLLAR AGAINST MANY CURRENCIES BUT THE MAJOR FEATURE HAS BEEN SUBDUED DEMAND GROWTH FOR COPPER , MAINLY FROM CHINA.

THE OUTLOOK FOR COPPER MAY WELL STABILISE AROUND CURRENT LEVELS AS THERE HAVE BEEN SEVERAL MINE CLOSURES ANNOUNCED THAT WILL ASSIST IN RECTIFYING THE SUPPLY SURPLUS. ALTHOUGH THE COST CUTTING ACROSS THE COPPER INDUSTRY IS PULLING THE COST CURVE DOWNWARDS (AIDED BY LOWER FUEL COSTS) MOST ANALYSTS RECOGNIZE THAT COPPER PRICES WILL NEED TO EXCEED US\$3.50 – 4.00/LB TO ATTRACT FINANCING FOR THE LARGE NEW MINES THAT WILL BE NEEDED TO ACCOMMODATE EVEN MODEST DEMAND GROWTH BY 2020. OUR ISSUE, IS THAT WE DO NOT BELIEVE THAT A “SIT AND WAIT FOR BETTER COPPER PRICES” STRATEGY WILL DELIVER ANY BENEFIT TO OUR SHARE PRICE.

ACCORDINGLY, WE HAVE REVIEWED OUR FOCUS ON EXPLORING FOR LARGE COPPER TARGETS. THIS HAS LED US TO BROADEN OUR AREAS OF INTEREST TO INCLUDE OTHER COMMODITIES WHICH HAVE A MORE ROBUST LONG TERM DEMAND OUTLOOK. THESE INCLUDE GRAPHITE AND LITHIUM. IN THESE COMMODITIES, THE DEMAND OUTLOOK IS DRIVEN MUCH MORE BY SPECIFIC DEMAND GROWTH FROM ENERGY STORAGE APPLICATIONS THAN BY OVERALL GDP GROWTH RATES. OUR OBJECTIVE IS TO SOURCE A NEW PROJECT OR PROJECTS THAT OFFER SIGNIFICANT POTENTIAL FOR VALUE GROWTH AND TO LEVERAGE OUR GEOLOGICAL AND OTHER SKILLSETS.

WE HAVE REVIEWED NUMEROUS COPPER PROJECTS IN THE ZAMBIAN COPPER BELT BUT HAVE NOT BEEN SUCCESSFUL IN CONCLUDING ANY TRANSACTIONS. ALTHOUGH, WE

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HAVE A MORE SANGUINE VIEW ON THE COPPER PRICE OUTLOOK FOR THE NEXT YEAR OR TWO, WE CONTINUE TO KEEP A WATCHING BRIEF ON ZAMBIAN OPPORTUNITES.

IN ZAMBIA, WE HAVE STRONG LOCAL GEOLOGICAL AND OTHER IN-COUNTRY KNOWLEDGE. ALTHOUGH THE LUMWANA WEST EXPLORATION OUTCOMES WERE POOR WE HAVE DEMONSTRATED WE CAN OPERATE EFFECTIVELY IN ZAMBIA. WE BELIEVE THIS PROVIDES US WITH A COMPETITIVE ADVANTAGE FOR WHEN OVERALL COPPER MARKET CONDITIONS IMPROVE.

AT TORRENS WE HOLD 30% AND ARE THE OPERATOR OF THE JOINT VENTURE WITH STRAITS EXPLORATION. WE ARE IN THE MIDST OF THE FEDERAL COURT TRIAL OVER THE DISPUTED NATIVE TITLE OWNERSHIP. IT WOULD BE INAPPROPRIATE TO MAKE ANY COMMENT EXCEPT THAT A JUDGEMENT IS EXPECTED BY MID 2016.

WE ARE STILL WAITING ON THE ERD COURT ESTABLISHING A HEARING DATE FOLLOWING OUR SUCCESSFUL APPEAL TO THE EARLIER DECISION. GIVEN THE DEGREE OF OVERLAP WITH THE FEDERAL COURT NATIVE TITLE PROCEEDINGS IT MAKES SENSE THAT THE ERD COURT HEARING OCCURS AFTER THE NATIVE TITLE ISSUE HAS BEEN DETERMINED.

WE REMAIN COMMITTED TO TORRENS. THE PRIZE IS POTENTIALLY ENORMOUS. TORRENS IS AN EXTREMELY LARGE IRON OXIDE COPPER GOLD TARGET WITH AN EXCELLENT JUXTAPOSITION OF GRAVITY HIGHS AND MAGNETIC LOWS COMBINED WITH A KNOWN PRESENCE OF HEMATITIC BRECCIATION AND RED ROCK ALTERATION – THE SAME SETTING AT BHP BILLITON’S OLYMPIC DAM. TORRENS HAS ALL THE EARLY STAGE HALLMARKS OF AN OLYMPIC DAM STYLE DEPOSIT – WE JUST NEED TO GET THE DRILL BIT TO TEST IT. THIS IS IN THE INTERESTS OF ALL WHO WOULD BENEFIT FROM SUCH A DEVELOPMENT IF EXPLORATION WAS SUCCESSFUL. ACCORDINGLY, WE ARE NOT ABOUT TO GIVE UP AND WILL CONTINUE TO PURSUE OUR INTERESTS TO THE MAXIMUM EXTENT POSSIBLE.

SANDFIRE RESOURCES HAVE UNDERTAKEN FURTHER WORK AT ALFORD BUT THE RESULTS ARE INCONCLUSIVE. FURTHER ANALYSIS OF THE GEOLOGICAL DATA AND RESULTS IS BEING UNDERTAKEN.

OUTLOOK

IN THE COMING YEAR WE ARE COMMITTED TO DELIVERING NEW PROJECTS INTO ARGONAUT RESOURCES THAT WILL BE SUPPORTED BY INVESTORS AS WELL AS CONTINUING OUR EFFORTS TO GAIN EXPLORATION ACCESS TO THE MASSIVE TORRENS IOCG TARGET.

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