

**ASX: ARE**

**CAPITAL STRUCTURE:**

Issued shares: 443,791,701

Listed options: 38,004,957  
(6c, Mar 2017)

Cash on hand: \$241,000

**DIRECTORS:**

Patrick Elliott,  
Non-Exec Chairman

Lindsay Owler,  
Director/CEO

Andrew Bursill,  
Director/Secretary

Malcolm Richmond,  
Non-Exec Director

**MAJOR PROJECTS**

**Lumwana West, Zambia**

- Copper, cobalt (bulk tonnage)
- Advanced exploration stage
- Argonaut 65%
- Antofagasta 25%
- Argonaut operator

**Torrens, South Australia**

- Copper, gold (large IOCG)
- Access negotiation/ exploration stage
- Pro-rata funding under JV
- Aeris Resources Ltd 70%
- Argonaut 30%
- Argonaut operator

**Alford, South Australia**

- Copper (IOCG)
- Exploration stage
- Funding via farm-out
- Sandfire Resources NL earning 70%
- Sandfire operator



# Quarterly report

FOR THE PERIOD ENDING 31 DECEMBER 2015

Argonaut Resources NL (*Argonaut* or *the Company*) (ASX: ARE) is pleased to provide the following report for the three months to 31 December 2015 (*the Quarter*).

## Highlights

### Lumwana West, Zambia

**Option Agreement:**

- Antofagasta advised it has exercised its first option to acquire a 25% interest in the Lumwana West project. The interest holdings in the project are now Argonaut 65%, Antofagasta 25% and the initial shareholders 10%.
- Antofagasta also advised it has terminated the second option with the effect being it will not proceed to sole fund the second phase.
- Approved second phase works will be funded pro rata by Argonaut and Antofagasta.
- Argonaut remains the operator of the project.

### Alford, South Australia

- Argonaut and its partner, Sandfire Resources NL, have agreed to a two year extension to the farm-in provisions for the Alford project in South Australia.
- During this extended period Sandfire will continue to sole fund exploration.

### Torrens, South Australia

- During the Quarter, the Lake Torrens Overlap Proceeding commenced in the Federal Court.
- This proceeding will determine which of three native title claimant groups (if any) are entitled to native title rights in the area of Lake Torrens and Andamooka Island.
- The judgement in this matter will clarify the native title situation in the area for the purpose of access negotiations.

### Asset Sale

- The Company confirms it is aware of the potential to liquidate a major asset. Details of the potential sale remain confidential.

### Business Development

- The Company has considered numerous exploration and development opportunities in the period with a focus on lithium and graphite projects.
- Argonaut has applied for two Australian exploration tenements for the purpose of testing lithium exploration concepts.

## Outlook

- Commodity markets and access to capital will remain challenging. Minimisation of operating costs is essential.
- Current low asset valuations are providing a unique opportunity to secure additional high quality exploration projects.
- Argonaut is evaluating numerous opportunities with a view to adding new assets to the Company's portfolio.

**Registered Office**

Suite 4, Level 9, 341 George Street  
Sydney, NSW, 2000, Australia  
T +61 2 9299 9690  
F +61 2 9299 9629  
E sydney@argonautresources.com

**Adelaide Office**

Level 1, 63 Waymouth Street  
Adelaide, SA, 5000, Australia  
T +61 8 8231 0381  
F +61 8 8231 6092  
E adelaide@argonautresources.com

# Corporate

## Directors' Fees and Service Fees

In light of the continuing downturn in the commodities market and the need to preserve funds, the Argonaut board and management team have elected to make the following cuts to remuneration packages and service fees:

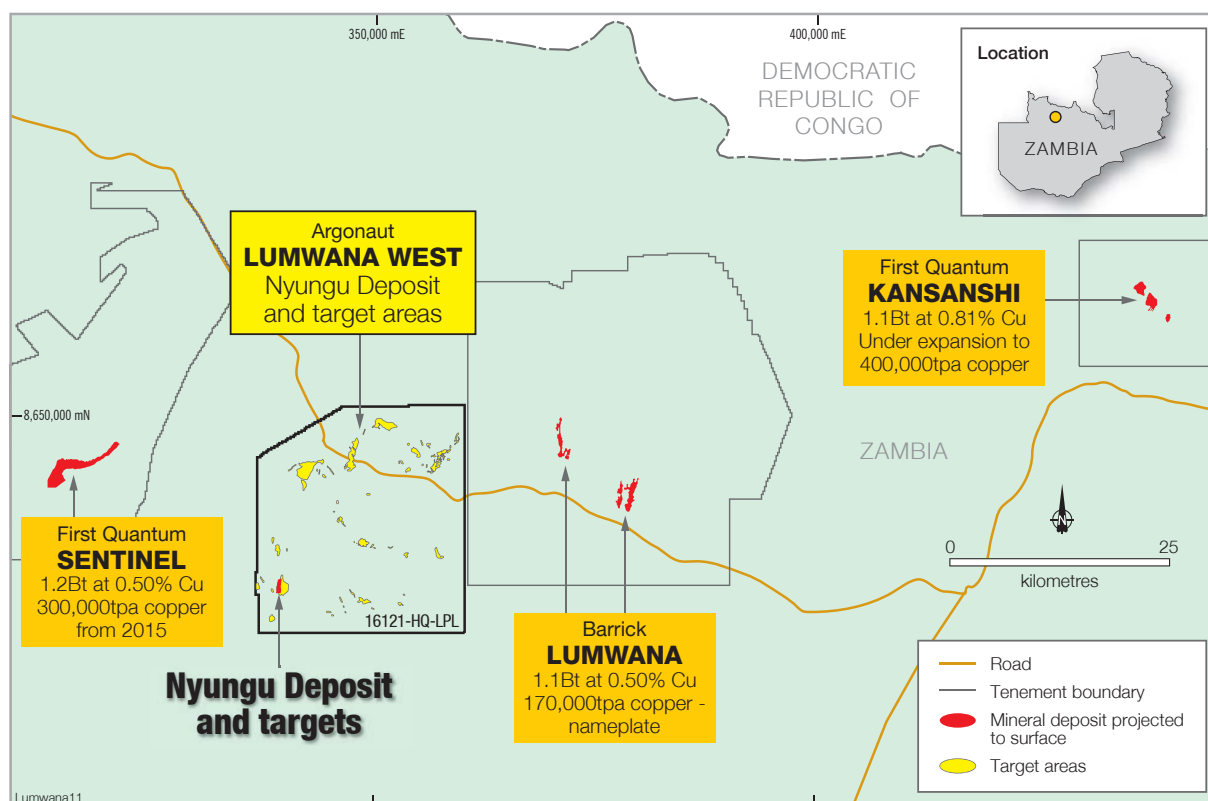
- Argonaut **non-executive directors** will take a 25% reduction in fees in addition to previous reductions detailed in the 2015 annual report. Fees will be taken as ordinary shares, with shares being valued on a monthly basis. The issue of shares will be subject to shareholder approval at the 2016 annual general meeting.
- The Argonaut **executive director** and CEO will take a 25% reduction in fees on top of the reduction detailed in 2015 annual report. Fees will be taken as half cash and half ordinary shares, with shares being valued on a monthly basis. The issue of shares will be subject to shareholder approval at the 2016 annual general meeting.
- The provider of **accounting and company secretarial** services has agreed to a 25% reduction in fees on top of a capping of monthly fees agreed in 2015. Fees will be taken as half cash and half ordinary shares, with shares being valued on a monthly basis. The issue of shares will be subject to shareholder approval at the 2016 annual general meeting.

## Zambia

### Lumwana West (Argonaut 65%)

The Lumwana West project is located in the Central African Copperbelt, North-Western Province, Zambia (Figure 1). The area is prospective for large tonnage, low to medium grade copper deposits. There are several major mines nearby to Lumwana West that are hosted in similar geological settings.

Argonaut, via its majority held subsidiary, Mwombezhi Resources Ltd, has been successful in intercepting broad copper intercepts at the Nyungu deposit and has defined a series of large, prospective targets that have now undergone first-pass drill testing.



**Figure 1:** The Domes Region has an international scale copper endowment and is host to the new generation of mines in the Central African Copperbelt

## Overlying Agreement

During the Quarter, Argonaut received two notices from a subsidiary of Antofagasta plc (*Antofagasta*) in relation to the overlying option agreement between the companies for the exploration and development of the Lumwana West project in Zambia (the *Overlying Agreement*).

Antofagasta advised Argonaut that it has exercised its first option to acquire a 25% interest in the Lumwana West project. The interest holdings in the project is now as follows: Argonaut 65%, Antofagasta 25% and the initial shareholders 10%.

The second notice states that Antofagasta has terminated the second option under the Overlying Agreement with the effect being it will not proceed to sole fund the second phase. Approved second phase works will be funded pro rata by Argonaut and Antofagasta. Argonaut remains the operator of the project.

Argonaut is continuing to assess its options in relation to the Lumwana West project and these include further definition of the Nyungu copper deposit and exploration of targets defined by the Company within the tenement area which are yet to be explored.

## Australia

### Alford, South Australia (Argonaut 100%)

The Alford Project on South Australia's Yorke Peninsula lies 20km north-east of Wallaroo within the geological province known as the Olympic Domain. The tenement is prospective for iron oxide copper-gold mineralisation as found at Prominent Hill, Olympic Dam and Hillside.

#### Alford Farm-in Joint Venture

- During the Quarter, Argonaut and its partner, Sandfire Resources NL, agreed to a two year extension to the farm-in provisions.
- During this extended period Sandfire will continue to sole fund exploration.

Argonaut previously announced it had signed a farm-in joint venture letter agreement with Sandfire Resources NL (ASX: SFR) for the exploration of the Company's 100% owned exploration licence 5212, 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).

Sandfire has now met the minimum expenditure commitment for the First Earn-in and the companies have agreed to extend the period of the farm-in by two years.

Sandfire then has the right to either 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).

### Torrens, South Australia (Argonaut 30%)

#### The Torrens Joint Venture

The Torrens Joint Venture is between Argonaut Resources NL and Aeris Resources Limited (ASX: AIS, previously Straits Resources Ltd) and relates to the Torrens Project, EL5614 (previously EL4296).

The Torrens Joint Venture is exploring for iron oxide-copper-gold 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.

In its role as manager of the joint venture, Argonaut's wholly owned subsidiary, Kelaray Pty Ltd, is working to secure access to the tenement for the purpose of a planned seven-hole drilling program targeting areas which have been geophysically modelled as having the physical properties of large iron oxide-copper-gold deposits.

## Native Title Determination

During the Quarter, the Lake Torrens Overlap Proceeding commenced in the Federal Court of Australia. This proceeding will determine which of three native title claimant groups (if any) are entitled to native title rights in the area of Lake Torrens and Andamooka Island.

Argonaut management is pleased by the thorough anthropological investigations that have been brought about by this matter. Such investigations, together with the oral evidence of senior aboriginal representatives, given both 'on-country' and in the courtroom, provides a proper foundation for an equitable native title outcome.

After a long period of competing native title claims and inter-group conflict, the judgement in this matter will clarify the native title situation for the purpose of access negotiations.

## Litigation

The Company previously announced that the Full Court of the Supreme Court of South Australia had set aside the decision of 14 January 2011 by the Environment, Resource and Development Court of South Australia (the ERD Court) that Mining Operations (exploration) may not be conducted on EL5614.

A date for the ERD Court 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 Federal Court proceeding mentioned may eliminate the need for an ERD Court retrial.

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.

## Kroombit, Queensland (Argonaut 100%)

An application for a Mineral Development Licence over the area required to develop the Kroombit zinc-copper deposit has been lodged with the Queensland Government. No field based work was undertaken during the Quarter.

### Background

Argonaut holds a 100% interest in the Kroombit zinc-copper deposit in Central Queensland via its interest in ML5631 and EPM15705. Mining on ML5631 is subject to a 2% net smelter royalty, payable to Aeris Resources Ltd.

On 11 June 2009 Argonaut announced a maiden resource estimation for the Kroombit deposit. The **Indicated and Inferred Resources** at Kroombit comprise:

- a Zinc Resource of 5.2 million tonnes at 1.9% zinc and 0.15% copper using a cut-off of 1.0% Zn, for 98,800 tonnes of zinc and 7,800 tonnes of copper; and
- a Copper Resource of 0.9 million tonnes at 1.0% copper at a cut-off of 0.5% Cu for 9,000 tonnes of copper.

In addition, Exploration Results are reported comprising a **defined Exploration Potential** of between:

- 1 million and 1.5 million tonnes at 1.5% to 2.0% zinc, and between
- 0.5 million and 1 million tonnes at 0.7% to 1.3% copper.

## Aroona, South Australia (Argonaut 100%)

EL4358 and EL5336, Aroona, are subject to a joint venture agreement with Perilya Limited. No field based work was undertaken at Aroona during the Quarter.

### Strategy

Argonaut has adapted its exploration strategy to suit prevailing market conditions. The main aspects of the Company's strategy are:

- ✓ Continue to progress exploration projects under agreements with farm-in partners which off-set or minimise direct exploration expenditure.
- ✓ Capitalise on current low asset valuations by seeking to secure additional high quality exploration projects, capable of delivering immediate exploration results and share price uplift as markets recover.
- ✓ Focus on Central Africa and Australia where the Company has demonstrated operating capacity.
- ✓ Preserve cash and lower company overheads by minimising costs.

# About Argonaut

Argonaut is an Australian Securities Exchange listed 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.

Argonaut has a significant shareholding in Cuesta Coal Ltd.

## **Lindsay Owler**

Director and CEO

Argonaut Resources NL

*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, details of which are disclosed in the Company's 2015 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.*

*The information regarding Resource definition and Exploration Potential for the Kroombit deposit is extracted from a report entitled 'Maiden resource estimate announced for Queensland zinc-copper project'. This report was released on 11 June 2009 and is available to view on [www.asx.com.au](http://www.asx.com.au). The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.*

# Tenement Schedule

**Table 1 - Summary of mining tenements**

South Australian Mineral Exploration Licences						
Tenement	Granted	Expiry	Area (km <sup>2</sup> )	Locality	Licensee	Interest
EL 5183	21/05/2012	20/05/2017	33	Campfire Bore	Coombedown Resources Pty Ltd	10% <sup>1</sup>
EL 5212 <sup>2</sup>	05/11/2012	04/11/2015	481	Alford	Kelaray Pty Ltd	100%
EL 5336	04/06/2013	03/06/2018	27	Myrtle Springs	Kelaray Pty Ltd	100%
EL 5614	18/08/2014	17/08/2019	295	Lake Torrens	Kelaray Pty Ltd	30%
EL 5220	04/11/2014	03/11/2016	27	Mt Parry	Kelaray Pty Ltd	100%
EL 4577 <sup>2</sup>	18/10/2010	17/10/2015	119	Sandstone	Coombedown Resources Pty Ltd	10% <sup>1</sup>

Queensland Mineral Exploration Permit						
Tenement	Granted	Expiry	Area (km <sup>2</sup> )	Locality	Licensee	Interest
EPM 15705	28/09/2006	27/09/2016	63	Kroombit Creek	Kelaray Pty Ltd	100%

Queensland Mining Lease						
Tenement	Granted	Expiry	Area (km <sup>2</sup> )	Locality	Licensee	Interest
ML 5631	16/05/1974	31/05/2026	0.32	Kroombit	Kelaray Pty Ltd	100%

Queensland Mineral Development Licence Application						
Tenement	Granted	Expiry	Area (km <sup>2</sup> )	Locality	Licensee	Interest
MDL 2002			0.64	Kroombit	Kelaray Pty Ltd	100%

Zambian Large Scale Prospecting Licences						
Tenement	Applied	Expiry	Area (km <sup>2</sup> )	Locality	Licensee	Interest
16121-HQ-LPL	21/07/2011	20/07/2017	575	North Western Province	Mwombezhi Resources Ltd	65%

<sup>1</sup> Kelaray holds a 33% interest in Coombedown Resources Pty. Ltd.

<sup>2</sup> Renewal application

**Table 2 - Summary of mining tenements acquired in Quarter**

South Australian Mineral Exploration Licence Applications						
Tenement	Granted	Expiry	Area (km <sup>2</sup> )	Locality	Licensee	Interest
ELA 2015/221			997	Lake Blanche area	Kelaray Pty Ltd	100%
ELA 2015/222			997	Petermorra Creek area	Kelaray Pty Ltd	100%

**Table 3 - Summary of mining tenements surrendered in Quarter**

South Australian Mineral Exploration Licence						
Tenement	Granted	Expiry	Area (km <sup>2</sup> )	Locality	Licensee	Interest
EL 5359	06/12/2013	05/12/2015	170	Yardea	Kelaray Pty Ltd	100%

## Appendix 5B

### Mining exploration entity quarterly report

Name of entity

Argonaut Resources NL

ABN

97 008 084 848

For the period ending

31 December 2015

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(169)	(225)
(b) development	-	-
(c) production	-	-
(d) administration	(286)	(375)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	6	6
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – abnormal costs, fraud related recovery	-	-
<b>Net Operating Cash Flows</b>	<b>(449)</b>	<b>(594)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects/interest in licences	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets (commercial property)	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(449)</b>	<b>(594)</b>

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(449)	(594)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Joint venture contributions received	-	-
1.20	Share capital money received – shares not yet issued	-	-
1.20	Other (capital raising costs)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(449)	(594)
1.21	Cash at beginning of quarter/ year to date	690	835
1.22	Exchange rate adjustments to item 1.20	-	-
1.23	<b>Cash at end of the period</b>	241	241

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	104
1.25	Aggregate amount of loans to the parties included in item 1.10	-

1.26 Explanation necessary for an understanding of the transactions

Payment for directors fees and salaries(1.24)

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NA

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

NA

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-



**Estimated cash outflows for next quarter**

		\$A'000
4.1	Exploration and evaluation	15
4.2	Development	-
4.3	Production	-
4.4	Administration	141
<b>Total</b>		<b>156</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	241	690
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details) – short term deposits	-	-
<b>Total: cash at end of period (item 1.22)</b>		<b>241</b>	<b>690</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of year	Interest at end of 3 months
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

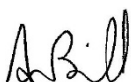
*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	443,791,701	443,791,701		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	38,004,957 (Exp. 31/03/2017, \$0.06)	38,004,957 (Exp. 31/03/2017, \$0.06)		
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	7,000,000 (Exp. 31/12/2015, \$0.10)  10,000,000 (Exp. 11/12/2015, \$0.15)			
7.11 <b>Debentures</b> <i>(totals only)</i>				

7.12	Unsecured notes (totals only)			
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## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: .....Date: 29 January 2016  
(Company secretary)

Print name: Andrew Bursill  
Company Secretary

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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