

Argonaut Resources NL

ABN 97 008 084 848

Interim Report - 31 December 2012

Argonaut Resources NL
Corporate directory
31 December 2012

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

Review of Operations

Lumwana West, Zambia

Acquisition of Nsansala interest

On 24 September 2012, Argonaut announced it has signed a binding Heads of Agreement with Nsansala Resources Ltd to purchase Nsansala's 20% interest in Lumwana West Resources Ltd (LWR).

LWR has the right to earn up to 85% of Mwombezhi Resources Ltd (MRL), the company which owns the project (Large Scale Prospecting Licence 16121-HQ-LPL) in North Western Zambia.

The acquisition of the Nsansala shareholding by Argonaut results in a greater exposure to the project's upside.

The following consideration was paid for Nsansala's shareholding in LWR:

1. a cash payment of AUD250,000;
2. 20,000,000 fully paid ordinary Argonaut shares;
3. 10,000,000 unlisted Argonaut options with a strike price of 15c, expiring three years from the completion of the sale; and
4. a milestone payment of AUD2,000,000 upon the estimation of a resource located within the area of 16121-HQ-LPL containing at least 1,000,000 tonnes of in-ground copper metal (the Resource). 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 milestone payment is payable as cash or fully paid ordinary Argonaut shares, at the election of Argonaut.

51% Earn-in under JVA

On 9 October 2012, Argonaut announced that it has completed the first earn-in under the Lumwana West Joint Venture Agreement to take a controlling interest in its flagship Zambian copper project. In completing this initial earn-in, Argonaut's subsidiary, LWR, was allotted a 51% shareholding in MRL.

Argonaut satisfied the terms of the JVA by spending USD1,800,000 on exploration at 16121-HQ-LPL and by paying the original Mwombezhi shareholders a milestone payment of USD600,000.

Nyungu Central Deposit¹

Exploration activity undertaken at Nyungu Central during the period has greatly increased the Company's confidence that the deposit is robust and predictable in nature. Disseminated copper sulphide mineralisation is primarily hosted in tightly folded biotite-kyanite-garnet schists (the 'Host Schist').

Drilling to date shows the north-south oriented deposit occurs over at least 1,400m with a width of approximately 250m. Mineralisation has been intercepted from shallow depths (<10m) and as deep as 435m from surface.

The folded host unit is interpreted to thicken near fold hinges and varies in true thickness from approximately 25m to 80m. A higher grade, graphitic unit is interpreted to persist through the centre of the broader Host Schist. Due to the tight folding, the host unit appears to be repeated 3-4 times across a typical section. The folded package plunges to the north.

¹ There has been insufficient exploration to define a Mineral Resource calculated in accordance with JORC Code and it is uncertain if further exploration will result in the determination of a Mineral Resource.

Review of Operations

Nyungu Central Drilling

Argonaut, via its 51% owned Zambian subsidiary, Mwombezhi Resources Ltd, drilled nine RC/diamond holes for a total of 2,100m at Nyungu Central between August and November 2012. The holes succeeded in determining the orientation of northerly extensions to the mineralisation and in outlining the geometry of mineralisation via follow-up infill holes. Results of this drilling detailed below were reported subsequent to the period.

Northerly Extension

Drill holes NYRD032, 033, 038 and 043 targeted the orientation of the northern extension of the Nyungu Central deposit.

Drill hole NYRD038 succeeded in intercepting the mineralised Host Schist and confirmed the mineralised package was plunging gently to the north. Assays indicate that NYRD038 intercepted 31m at 0.53% copper and 0.12% cobalt from 258m, including 7m at 0.27% cobalt. NYRD038 was drilled to 300m and terminated in copper-cobalt mineralisation.

Follow-up Infill Drilling

Drill holes NYRD030, 031 and 045 targeted the Host Schist geometry in areas adjacent to 2011 drill intercepts.

Drill hole NYRD030 targeted the eastern extent of mineralisation reported in drill hole NYU11RD021. NYU11RD021 intercepted 14m at 0.65% copper from 147m and 31m at 1.57% copper from 174m. NYRD030 was drilled to 200m and intercepted the targeted host unit. Assays returned 22m at 0.51% copper from 143m.

NYRD031 was drilled to the east at an angle of 70 degrees between two existing intercepts. This hole succeeded in intersecting significant copper and cobalt mineralisation and better defined the folded structure via measurements taken from orientated drill core. Assay results indicate that NYRD031 intercepted 32m at 0.48% copper from 26m and 78m at 0.59% copper from 217m, including 22m at 0.13% cobalt from 237m.

Drill holes NYRD045 and NYRD046 were drilled as infill holes between drill traverses completed by the Company in 2011. Analytical results received by Argonaut show these holes succeeded in demonstrating the continuity of mineralisation between existing widely spaced (400m) traverses. The holes also confirmed significant mineralisation widths.

Drill hole NYRD045 was diamond drilled from the surface at an angle of 70 degrees to the east, to a depth of 300m. The hole intercepted three major mineralised zones: 71m at 0.61% copper and 0.06% cobalt from 30m including 21m at 1.0% copper and 0.07% cobalt from 64m; plus 35m at 0.54% copper from 126m including 11m at 1.0% copper from 154m; plus 65m at 0.49% copper from 221m.

Drill hole NYRD046 was diamond drilled from the surface at an angle of 70 degrees to the east, to a depth of 290m. The majority of the hole intercepted sulphide mineralisation including high grade cobalt mineralisation. Mineralised intercepts include: 196m at 0.45% copper 0.05% cobalt from 69m² including 38m at 1.0% copper and 0.11% Co from 183m; and 23m at 0.51% copper and 0.21% cobalt from 218m.

² Including internal dilution

Review of Operations

Nyungu South Drilling

Mwombezhi Resources drilled 10 holes at the Nyungu South target for a total of 1,728m across four 400m broadly spaced traverses.

The target at Nyungu South is a broad IP anomaly with associated surface geochemistry. The results received to date show that at least 6 of the 10 holes intercepted elevated copper. Importantly, several drill holes intercepted the Host Schist.

Results for the RC pre-collar of drill hole NYRD040 returned 29m at 0.53% copper from 27m.

Given this initial significant intercept and the potential for satellite mineralisation proximal to the Nyungu Central deposit, detailed structural interpretation of existing drill core and further geophysical modelling is warranted for the targeting of future drill holes at Nyungu South.

Nyungu North and Far North Drilling

The Company drilled two holes at Nyungu North and two holes at Nyungu Far North for a total of 410m. RC pre-collars did not intersect the targeted geology; consequently diamond tails were not drilled.

Despite the less favourable host rocks, drill hole NYRC37 intersected 9m at 0.17% copper from 70m at Nyungu North, indicating modest potential.

Regional Exploration

The Company is also aware that potential exists for additional discoveries outside of the Nyungu area but within the Lumwana West licence. To accompany the planned exploration program at the priority prospects, the Company will devote the required financial resources to the exploration of additional regional targets in 2013.

Lumwana West Joint Venture

The Lumwana West Joint Venture involves large scale prospecting licence 16121-HQLPL. The grant of 16121-HQ-LPL was approved by the Mines Advisory Committee, a majority independent committee in July 2011. The licence was registered in the Zambian 'Flexicadastre' system in the same month.

Under the terms of the Joint Venture, Argonaut's subsidiary, LWR, can earn up to 85% of MRL, the holder of 16121-HQ-LPL, over three phases of exploration.

In earning the initial 51% interest in MRL, LWR paid a US\$300,000 signing fee, spent US\$1.8 million on exploration and paid a US\$600,000 milestone payment to the original MRL shareholders.

To earn a further 24% for a total of 75%, LWR must spend an additional US\$2.4 million on exploration and make a final cash payment of US\$1.1 million to the original MRL shareholders.

LWR can take a further 10% interest in the licence for a total of 85% by completing a Feasibility Study.

General

As noted by the Company in an announcement dated 30 March 2012, an action was initiated by MRL in the High Court of Zambia as a precautionary measure to counter concerns raised by Equinox Zambia Ltd (EZL) in relation to an historical application for a retention licence over an area covered by 16121-HQLPL. During the period, EZL and MRL agreed to adjourn this action to allow time for discussions aimed at resolving the matter.

Review of Operations

Alford, South Australia

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

The joint venture is focusing on copper (+/- silver, cobalt, gold) exploration targets on the 477 square kilometer Alford tenement. Alford is located north of the historical Moonta/Wallaroo copper mining district and north-northwest of Rex Minerals' Hillside project.

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). Sandfire must complete a minimum 2,000m of drilling within 12 months of the date of the Letter Agreement.

Having met the minimum commitment during the First Earn-in Period, Sandfire 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).

Sandfire identified and prioritised areas of interest during the course of the technical due diligence conducted in mid-2012 over EL3969. Exploration drilling under the joint venture commenced in January 2013.

Torrens, South Australia

The Torrens Joint Venture

The Torrens Joint Venture is between Argonaut Resources NL (30%) and Straits Resources Limited (ASX: SRL, 70%) 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 Mineral's Carrapateena copper - gold deposit and 75 kilometres from BHP Billiton's Olympic Dam mine.

Litigation

On 5 November 2012, the Company 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.

The respondent parties did not appeal this decision to the High Court.

The Torrens Joint Venture is considering the merits and timing of an ERD Court retrial under the Mining Act. 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.

The Torrens Joint Venture remains open to a negotiated settlement with regard to land access for the purposes of proposed drilling activities on Andamooka Island and Lake Torrens.

Xekong, Laos

Gold exploration at Xekong is focused on three main prospect areas: Ban Bak, Ban Don and Phu Tuang. The Ban Bak area includes the Ban Klong sub-prospect.

Review of Operations

Exploration at Ban Klong is targeting gold mineralisation discovered by Argonaut in 2011. The Company is exploring for replacement style gold mineralisation analogous in nature to mineralisation found at the Sepon gold mine in Laos and at the Carlin trend in Nevada, USA.

During the period the Company commenced construction and unexploded ordinance clearance of a 22km access road from Ban Klong to Ban Don. The road will be used for access to drill-ready gold targets at Ban Don.

The Xekong concession agreement and associated foreign investment licence expired on 21 February 2013 and is pending renewal. Argonaut's 65% held subsidiary, Xekong River Mining Co Ltd, has applied to the Lao Government for a three year extension for the purpose of continued exploration and feasibility studies.

Century, Laos

During the period, Argonaut's Joint Venture partner, Aurum, continued wet season programs of geological and geochemical sampling at Nam Hone and Khokhe prospects at the Century concession in Laos.

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.

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 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 2004 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.

Argonaut Resources NL
Directors' report
31 December 2012

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 2012.

Principal activities

During the half-year the principal activities of the consolidated entity 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 consolidated entity is exploring for gold and copper at its Alford and Torrens projects in South Australia, zinc-copper at Mt Kroombit in Central Queensland, gold in Laos and copper at the flagship Lumwana West Project in Zambia.

Review of operations

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$2,992,286 (31 December 2011: \$463,749).

A review of operations for the half-year is set out at the front of this report.

Events after the reporting date

Events after the reporting date are disclosed in note 15 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 the following page.

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

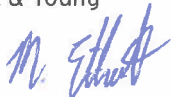
14 March 2013
Sydney

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 2012, 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.

A stylized, handwritten signature of the Ernst & Young firm in blue ink.

Ernst & Young

A handwritten signature of Michael Elliott in blue ink.

Michael Elliott
Partner
14 March 2013

Argonaut Resources NL
Financial report
31 December 2012

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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 2013.

Argonaut Resources NL
Statement of comprehensive income
For the half-year ended 31 December 2012

	Note	Consolidated	
		31/12/2012	31/12/2011
		\$	\$
Revenue	3	97,524	229,393
Other income	4	596,163	4,323
Expenses			
Employee benefits expense		(123,128)	(66,236)
Depreciation		(14,187)	(9,269)
Impairment of financial assets		-	(100,000)
Office administration expenses		(90,503)	(99,760)
Other expenses		(345,796)	(438,196)
Share based payments		(215,180)	-
Impairment - exploration assets		<u>(4,317,078)</u>	<u>-</u>
Loss before income tax expense		(4,412,185)	(479,745)
Income tax expense		<u>-</u>	<u>-</u>
Loss after income tax expense for the half-year		(4,412,185)	(479,745)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(113,232)	280,676
Gain on the revaluation of equity investments		<u>839,877</u>	<u>-</u>
Other comprehensive income for the half-year, net of tax		<u>726,645</u>	<u>280,676</u>
Total comprehensive income for the half-year		<u>(3,685,540)</u>	<u>(199,069)</u>
Loss for the half-year is attributable to:			
Non-controlling interest		(1,419,899)	(15,996)
Owners of Argonaut Resources NL		<u>(2,992,286)</u>	<u>(463,749)</u>
		<u>(4,412,185)</u>	<u>(479,745)</u>
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		(1,419,899)	(15,996)
Owners of Argonaut Resources NL		<u>(2,265,641)</u>	<u>(183,073)</u>
		<u>(3,685,540)</u>	<u>(199,069)</u>
		Cents	Cents
Basic earnings per share		(1.17)	(0.18)
Diluted earnings per share		(1.17)	(0.18)

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Argonaut Resources NL
Statement of financial position
As at 31 December 2012

		Consolidated	
	Note	31/12/2012	30/06/2012
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		2,770,269	5,968,019
Trade and other receivables		55,500	151,863
Other		39,015	36,955
Total current assets		<u>2,864,784</u>	<u>6,156,837</u>
Non-current assets			
Financial assets at fair value	5	2,325,099	1,485,222
Derivative financial instruments	6	1,152,058	555,895
Investment properties		473,620	479,744
Property, plant and equipment		176,519	230,104
Intangibles	7	784,676	693,029
Exploration and evaluation	8	10,949,402	12,797,631
Exploration and evaluation - earn in		3,083,733	2,947,268
Total non-current assets		<u>18,945,107</u>	<u>19,188,893</u>
Total assets		<u>21,809,891</u>	<u>25,345,730</u>
Liabilities			
Current liabilities			
Trade and other payables		292,042	684,348
Employee benefits		42,439	30,828
Total current liabilities		<u>334,481</u>	<u>715,176</u>
Non-current liabilities			
Employee benefits		66,542	64,442
Contingent consideration	9	50,000	-
Total non-current liabilities		<u>116,542</u>	<u>64,442</u>
Total liabilities		<u>451,023</u>	<u>779,618</u>
Net assets		<u>21,358,868</u>	<u>24,566,112</u>
Equity			
Issued capital	10	37,069,509	35,867,009
Reserves	11	(3,998,954)	(3,520,779)
Accumulated losses		(13,336,459)	(10,344,173)
Equity attributable to the owners of Argonaut Resources NL		19,734,096	22,002,057
Non-controlling interest	12	1,624,772	2,564,055
Total equity		<u>21,358,868</u>	<u>24,566,112</u>

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 2012

	Contributed equity	Other reserves	Share based payments reserves	Accumulated losses	Non-controlling interest	Total equity
	\$	\$	\$	\$	\$	\$
Consolidated						
Balance at 1 July 2011	35,867,009	(1,771,830)	1,017,466	(12,152,313)	(31,822)	22,928,510
Loss after income tax expense for the half-year	-	-	-	(463,749)	(15,996)	(479,745)
Other comprehensive income for the half-year, net of tax	-	280,676	-	-	-	280,676
Total comprehensive income for the half-year	-	280,676	-	(463,749)	(15,996)	(199,069)
<i>Transactions with owners in their capacity as owners:</i>						
Share based payments	-	-	1,052,827	-	-	1,052,827
Balance at 31 December 2011	<u>35,867,009</u>	<u>(1,491,154)</u>	<u>2,070,293</u>	<u>(12,616,062)</u>	<u>(47,818)</u>	<u>23,782,268</u>
Consolidated						
	Contributed equity	Other reserves	Share based payments reserves	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 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)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 10)	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	<u>37,069,509</u>	<u>(4,610,034)</u>	<u>611,080</u>	<u>(13,336,459)</u>	<u>1,624,772</u>	<u>21,358,868</u>

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 2012

	Consolidated	
	31/12/2012	31/12/2011
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of GST)	(433,430)	(706,362)
Interest received	141,444	246,003
Rental Income	18,763	-
	<u>(273,223)</u>	<u>(460,359)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Payments for investment in associate	-	(850,000)
Payments for exploration	(3,160,790)	(3,285,081)
Payments for plant and equipment	-	(147,662)
	<u>(3,160,790)</u>	<u>(4,282,743)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Cash paid for Arctic Scene NCI acquisition	(250,000)	-
Funds advanced by Aurum for earn-in	486,628	944,110
	<u>236,628</u>	<u>944,110</u>
Net cash from financing activities		
Net decrease in cash and cash equivalents	(3,197,385)	(3,798,992)
Cash and cash equivalents at the beginning of the financial half-year	5,968,019	8,599,032
Effects of exchange rate changes on cash	(365)	13,704
	<u>(365)</u>	<u>13,704</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>2,770,269</u></u>	<u><u>4,813,744</u></u>

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

Argonaut Resources NL
Notes to the financial statements
31 December 2012

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2012 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 2012 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.

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 in the relevant accounting policy. 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 2010-8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets

The consolidated entity has applied AASB 2010-8 amendments from 1 January 2012. These amendments offer a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life.

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income

The consolidated entity has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation.

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.

Argonaut Resources NL
Notes to the financial statements
31 December 2012

Note 2. Operating segments (continued)

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.

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 - 31/12/2012	Australia \$	Laos \$	Zambia \$	Intersegment eliminations/ unallocated \$	Total \$
Assets					
Segment assets	2,754,951	7,682,753	4,380,107	-	14,817,811
<i>Unallocated assets:</i>					
Cash and cash equivalents					2,770,269
Trade and other current					
Other assets					4,221,811
Total assets					<u>21,809,891</u>
Liabilities					
<i>Unallocated liabilities:</i>					
Current					334,481
Non current					116,542
Total liabilities					<u>451,023</u>

Argonaut Resources NL
Notes to the financial statements
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Note 2. Operating segments (continued)

	Australia \$	Laos \$	Zambia \$	Intersegment eliminations/ unallocated \$	Total \$
Consolidated - 30/06/2012					
Assets					
Segment assets	<u>2,785,180</u>	<u>11,443,220</u>	<u>2,209,528</u>	<u>-</u>	16,437,928
<i>Unallocated assets:</i>					
Cash and cash equivalents					5,968,019
Trade and other current					
Other assets					<u>2,939,783</u>
Total assets					<u>25,345,730</u>
Liabilities					
<i>Unallocated liabilities:</i>					
Current					715,176
Non Current					<u>64,442</u>
Total liabilities					<u>779,618</u>

Note 3. Revenue

	Consolidated	
	31/12/2012	31/12/2011
	\$	\$
Interest	78,761	212,351
Rental	<u>18,763</u>	<u>17,042</u>
Revenue	<u>97,524</u>	<u>229,393</u>

Note 4. Other income

	Consolidated	
	31/12/2012	31/12/2011
	\$	\$
Other	-	4,323
Net gain on derivative financial instrument	<u>596,163</u>	<u>-</u>
Other income	<u>596,163</u>	<u>4,323</u>

A gain of \$596,163 has been recognised in profit or loss in relation to unquoted options in Cuesta Coal Limited.

Argonaut Resources NL
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Note 5. Non-current assets - financial assets at fair value

	Consolidated	
	31/12/2012	30/06/2012
	\$	\$
Financial assets at fair value	<u>2,325,099</u>	<u>1,485,222</u>

Reconciliation

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

Opening fair value	1,485,222	400,000
Additions	-	7,013,056
Disposals	-	(3,800,000)
Revaluation increments	839,877	-
Revaluation decrements	<u>-</u>	<u>(2,127,834)</u>
Closing fair value	<u>2,325,099</u>	<u>1,485,222</u>

Fair value of equity securities held in Cuesta Coal Limited and Musgrave Minerals Limited through "other comprehensive income" based on ASX quotations.

Note 6. Non-current assets - derivative financial instruments

	Consolidated	
	31/12/2012	30/06/2012
	\$	\$
Derivative financial instruments	<u>1,152,058</u>	<u>555,895</u>

A gain of \$596,163 has been recognised in profit or loss in relation to unquoted options in Cuesta Coal Limited.

Note 7. Non-current assets - intangibles

	Consolidated	
	31/12/2012	30/06/2012
	\$	\$
Intangible assets - at cost	<u>784,676</u>	<u>693,029</u>

The intangible asset relates to title held by Kelaray Pty Ltd ("Kelaray"), a subsidiary of the company, to an exploration licence on which exploration and evaluation activities cannot currently be undertaken due to Native Title and Cultural Heritage ongoing legal disputes. The carrying value of the intangible asset is considered to be recoverable given there is an option value associated with Kelaray's right to the tenement.

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Note 8. Non-current assets - exploration and evaluation

	Consolidated	
	31/12/2012	30/06/2012
	\$	\$
Exploration and evaluation assets	18,881,913	16,413,064
Less: Impairment	<u>(7,932,511)</u>	<u>(3,615,433)</u>
	<u>10,949,402</u>	<u>12,797,631</u>

Reconciliations

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

	Exploration & evaluation \$	Total \$
Consolidated		
Balance at 1 July 2012	12,797,631	12,797,631
Additions	2,468,849	2,468,849
Impairment of assets	<u>(4,317,078)</u>	<u>(4,317,078)</u>
Balance at 31 December 2012	<u>10,949,402</u>	<u>10,949,402</u>

Exploration expenditure of \$70,886 with regards to South Australian tenements at Mt Parry, Campfire Bore, Sandstone and Myrtle Springs were impaired.

The company has also assessed the results of its most recent exploration program and has made a decision that significant capital is required to further advance the Xekong project. On that basis the company has decided to seek a joint venture partner to continue further exploration. Whilst there are a number of parties interested at present, there is no certainty that a joint venture partner will be found on terms that are considered reasonable to the company.

In addition to the joint venture discussions being held, the current licence term expired during February 2013, with the application for renewal being lodged in advance of the expiration date. As at the date of this report, the renewal of the licence term pending. The Company is confident it can renew the licence by committing to a program of accelerated exploration and feasibility expenditure. It is not clear that the current potential joint venture partners can or will offer to spend sufficient funds to meet licence renewal requirements.

On that basis, the recoverable value of Xekong area tenements in Laos was impaired by \$4,246,192.

Argonaut Resources NL
Notes to the financial statements
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Note 9. Non-current liabilities - contingent consideration

	Consolidated	
	31/12/2012	30/06/2012
	\$	\$
Contingent consideration	<u>50,000</u>	<u>-</u>

In relation to the purchase of Nsansala Resources Limited's 20% interest in Lumwana West Resources Ltd, in the event of the estimation of a resource located within the area of 16121-HQ-LPL containing at least 1,000,000 tonnes of in-ground copper metal ("the Resource"), a milestone payment of \$2 million in cash or shares in Argonaut Resources NL may be payable as additional consideration. 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%.

Based on current available estimates, a maximum fair value of \$50,000 has been recognised as a financial liability.

Note 10. Equity - issued capital

	Consolidated		Consolidated	
	31/12/2012	30/06/2012	31/12/2012	30/06/2012
	Shares	Shares	\$	\$
Issued capital	<u>274,876,470</u>	<u>253,376,470</u>	<u>37,069,509</u>	<u>35,867,009</u>

Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$
Balance	1 July 2012	253,376,470		35,867,009
Issue of shares	28 November 2012	1,500,000	\$0.06	82,500
Issue of shares	11 December 2012	<u>20,000,000</u>	\$0.06	<u>1,120,000</u>
Balance	31 December 2012	<u>274,876,470</u>		<u>37,069,509</u>

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.

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.

Shares issued during the half-year

The issue of shares on 28 November 2012 relates to non-cash consideration for advisory services and on 11 December 2012 relates to consideration for the purchase of Nsansala Resources Limited's 20% interest in Lumwana West Resources Ltd through Arctic Scene Limited.

Share buy-back

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

Argonaut Resources NL
Notes to the financial statements
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Note 11. Equity - reserves

	Consolidated	
	31/12/2012	30/06/2012
	\$	\$
Foreign currency reserve	(1,734,777)	(1,621,545)
Share-based payments reserve	611,080	228,600
Revaluation reserve	(1,287,957)	(2,127,834)
Transaction between shareholders reserve	(1,587,300)	-
	<u>(3,998,954)</u>	<u>(3,520,779)</u>

	Transaction between shareholders \$	Revaluation \$	Foreign currency \$	Share based payment \$	Total \$
Consolidated					
Balance at 1 July 2012	-	(2,127,834)	(1,621,545)	228,600	(3,520,779)
Revaluation - gross	-	839,877	-	-	839,877
Foreign currency translation	-	-	(113,232)	-	(113,232)
Share-based payment *	-	-	-	215,180	215,180
Acquisition of remaining interest in subsidiary **	(1,587,300)	-	-	167,300	(1,420,000)
Balance at 31 December 2012	<u>(1,587,300)</u>	<u>(1,287,957)</u>	<u>(1,734,777)</u>	<u>611,080</u>	<u>(3,998,954)</u>

* Options issued to directors.

** 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 shares of \$1,120,000, share options of \$167,300 and deferred consideration fair valued at \$50,000.

Note 12. Equity - non-controlling interest

	Consolidated	
	31/12/2012	30/06/2012
	\$	\$
Aurum earn in	3,105,289	2,624,673
Accumulated losses	(1,480,517)	(60,618)
	<u>1,624,772</u>	<u>2,564,055</u>

Note 13. Equity - dividends

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

Note 14. 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 2012.

Argonaut Resources NL
Notes to the financial statements
31 December 2012

Note 15. Events after the reporting period

On 17 January 2013, the company announced drilling confirms a major copper-cobalt deposit at the Nyungu Central prospect on Lumwana West licence in Zambia following receipt of initial 2012 drilling results.

On 12 February 2013, the company announced further strong drill intercepts confirming the delineation of a major copper-cobalt deposit at the above company's site.

No other matter or circumstance has arisen since 31 December 2012 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 2012 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) of the Corporations Act 2001.

On behalf of the directors



P J D Elliott
Chairman

14 March 2013
Sydney

Independent review report to the members of Argonaut Resources NL

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 2012, 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 of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 consolidated entity's financial position as at 31 December 2012 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 and the entities it controlled during the half-year, 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.

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:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Michael Elliott
Partner
Sydney
14 March 2013