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ABN 97 008 084 848

# Interim financial report

31 December 2022

# Corporate directory

Argonaut Resources NL  
ABN 97 008 084 848

## Directors

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

## Company secretary

J E Morbey

## Registered office

Level 6, 100 Pirie Street  
Adelaide SA 5000

Telephone: +61 8 8231 0381

## Share register

Boardroom Pty Ltd  
Level 12, 225 George Street  
Sydney NSW 2000

GPO Box 3993  
Sydney NSW 2001

Telephone: 1300 737 760 (within Australia)  
Telephone: +61 2 9290 9600 (outside Australia)

Fax: +61 2 9279 0664

Web: [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

## Auditor

Ernst & Young  
121 King William Street  
Adelaide SA 5000

## Bankers

National Australia Bank  
Level 36, 100 Miller Street  
North Sydney NSW 2060

## Stock exchange listing

Argonaut Resources NL shares are listed on the Australian Securities Exchange (ASX code: ARE)

## Website

[www.argonautresources.com](http://www.argonautresources.com)

# Directors' report

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 at the end of, or during, the half-year ended 31 December 2022.

## Directors

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

Patrick Elliott

Lindsay Owler

Andrew Bursill

Mick Billing

## Principal activities

Argonaut Resources NL is a mineral exploration and development company with operations in Australia and Zambia. The consolidated entity's prime commodity focus is copper and cobalt and to a lesser extent gold, lithium and nickel. In addition, the consolidated entity holds a 100% interest in a zinc-copper resource in Queensland, Australia.

During the period 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.

## Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,089,305 (31 December 2021: \$2,945,679).

# Review of operations

## Lithium

### Higginsville, Western Australia

(Argonaut 80%)

#### Highlights

##### Sampling results

- A 700m high-prospectivity LCT pegmatite has been identified. This is a drill-ready, high-priority target. See Figure 2, Darson South.
- LCT pegmatite Prospectivity Index<sup>1</sup> modelling has generated areas of “probable” LCT mineralisation within five parallel trends including the high-prospectivity pegmatite mentioned above.
- Geochemical classification of rock-chip samples taken within the Darson pegmatite swarm indicate the presence of “fertile granites” along two of these trends. These fertile granites potentially represent the outer shells of fractionated, Spodumene bearing pegmatites.
- Peak Lithium in rock-chip samples is 224ppm Li (Darson South). Peak soil results include 135ppm Li with 52 samples greater than 50ppm Li.

##### LCT pegmatites

- Field mapping and sampling by Argonaut has defined an extensive swarm of LCT pegmatites<sup>2</sup>.
- Detailed mapping of the Darson pegmatite swarm uncovered several new LCT pegmatite outcrops, the largest of which measures ~400m in strike length and ~150m in width. See Figure 3, Darson Central.
- The pegmatite swarm extends from Darson South to the northern area of Darson East over an aggregate strike length of more than two kilometres (Figure 3).

##### Drilling program

- Argonaut is finalising approvals and aims to commence drilling at Darson during March 2023.
- Argonaut is fully funded for this drilling program.

##### ESS takeover offer by Tianqi/IGO

- The Essential Metals (ASX: ESS) lithium assets are located on licences adjoining Argonaut’s Higginsville licence (Figure 1).
- Subsequent to the Period, the board of ESS entered a scheme of arrangement that facilitates its acquisition by Tianqi Lithium Corporation and IGO Limited. The proposed transaction values ESS at A\$136 million.

##### Prime geological setting for discovery

- The Darson pegmatite swarm is located within the Tier 1, world class Norseman – Coolgardie LCT Pegmatite Corridor (Figure 1).
- This is a prime geological setting for the discovery of a commercial lithium deposit and is located within:
  - » four kilometres of the Dome North lithium deposits, and
  - » 12 kilometres of the Sinclair caesium mine (see Figure 1).
  - » Regionally, the Darson pegmatite swarm is located at the centre of a cluster of major lithium Resources (See Figure 1), including:
    - Bald Hill (Alliance),
    - Mount Marion (Mineral Resources), and
    - Buldania (Liontown Resources).

##### Higginsville Project

Argonaut holds an 80% interest in exploration licence E15/1489 which hosts:

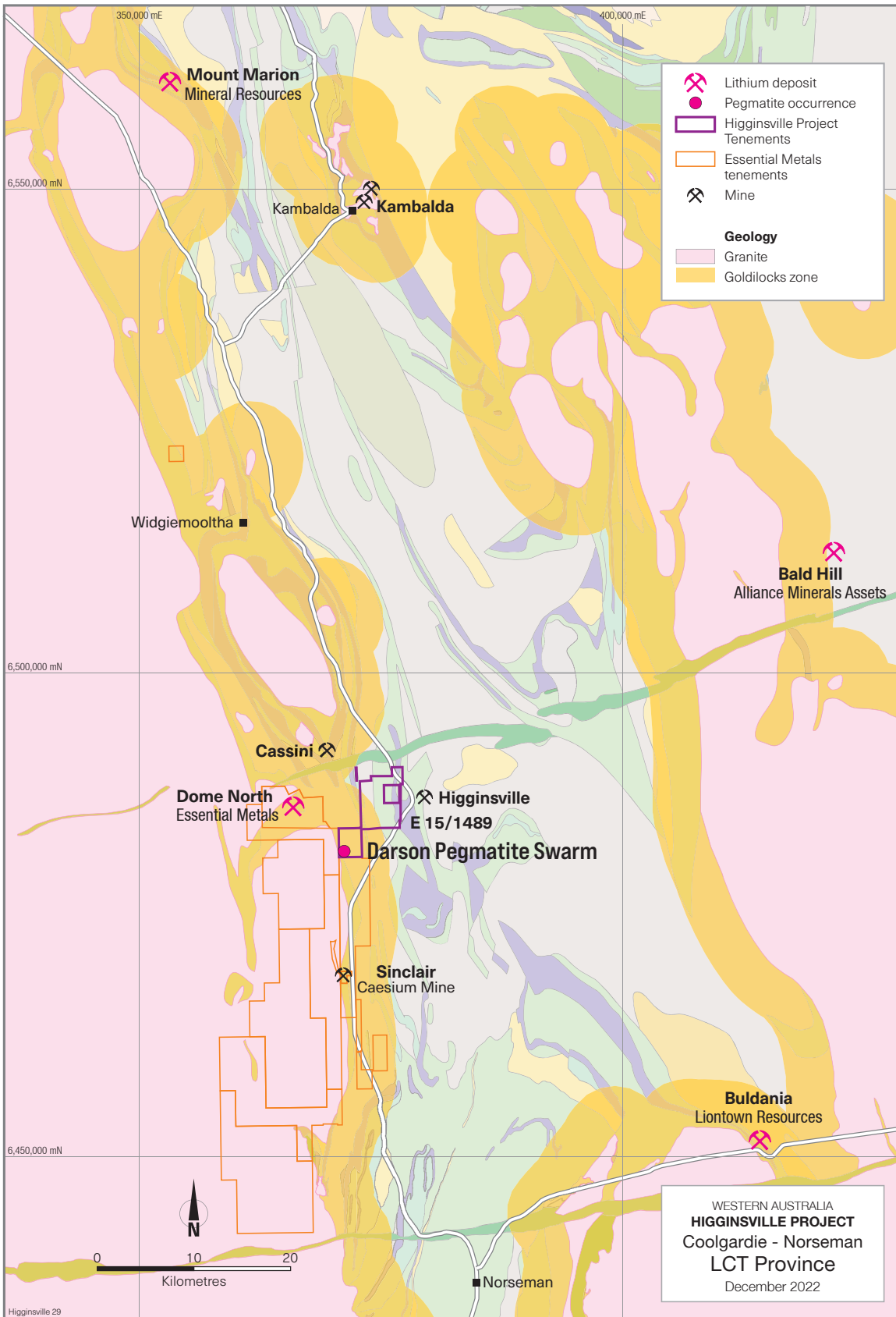
- the Darson Pegmatite Swarm;
- the Amorphous gold deposit; and
- the Footes Find gold prospect.

<sup>1</sup> Based on Cerny 1991b: Prospectivity Index is a combination of LCT elements and host lithic elements combined to identify proximal and highly fractionated zones within pegmatitic rocks.

<sup>2</sup> <https://www.argonautresources.com/site/pdf/23a16478-ebf8-4eca-a164-91ef8f75f414/Additional-Large-Pegmatites-discovered-at-Higginsville.pdf>

# Directors' report continued

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**Figure 1** Coolgardie – Norseman LCT Province showing major Lithium deposits and the “Goldilocks Zone” in relation to the Darson Pegmatite Swarm, Higginsville, WA. After Brand et al 2021.

# Directors' report continued

## Lithium exploration

### Near-term program

- Argonaut is finalising approvals for an RC drilling program targeting LCT Pegmatites at the Darson prospect.
  - » A Program of Works was approved subsequent to the Period.
  - » An Aboriginal Heritage field survey was completed during February 2023.
- The RC drilling program is likely to commence during March 2023.
- Additional soil and rock-chip sampling targeting LCT pegmatites will be undertaken at the Darson area during March 2023, with the objective of improving the resolution of existing targets and delineating additional targets.
- Argonaut is fully funded to drill the lithium targets.

### Geochemical results and prospectivity index

Argonaut commissioned geochemist Dr Nigel Brand<sup>3</sup>, a recognised expert in Western Australian LCT pegmatite geochemistry, to analyse the results of recent field work at Darson. Dr Brand concluded:

- A combination of LCT elements and host lithic elements combined to generate a Prospectivity Index has identified areas of probable LCT mineralisation within five parallel trends.
- Modelling of the soil data indicate that the Li, Be and Cs represent the highly fractionated portion (Zone 4 and Zone 5) of the LCT pegmatite whilst Nb and Ta are proximal (Zone 3 and Zone 4) based on Cerny 1991 diagram<sup>4</sup>.
- Rock chip classification indicates "fertile granites" along two trends and potentially represents the outer shell of a fractionated pegmatite.

The recommendations that resulted from Dr Brand's analysis are:

- Further systematic regional soil sampling to identify any near surface potential pegmatite trends.

- Drill testing of the defined area of interest, Darson South and trends, Darson Central and Darson North should be considered as a high priority.

Nigel Brand is the co-author of several papers regarding LCT pegmatite exploration and discovery in the area of the Pioneer Dome. Dr Brand has worked extensively in the area with several explorers as a consulting geochemist.

### Numerous LCT pegmatites up to 150m wide

Fieldwork undertaken by Argonaut during February 2022 and September/October 2022 has defined an extensive swarm of LCT pegmatites up to 150m in width extending over an aggregate strike length of over two kilometres.

The pegmatites are located near the margin of the Pioneer Granite. The Pioneer Granite caused the emplacement of LCT pegmatites at the Dome North lithium deposit and at Sinclair, which was previously mined for Caesium (Figure 1).

### Mapping

Following the success of initial scouting traverses over the Darson area of E15/1489 in February 2022, detailed mapping was undertaken during September and October 2022 in conjunction with a soil sampling program.

This recent geological mapping identified several previously unrecorded LCT pegmatite occurrences including a particularly large pegmatite measuring ~400m in strike length and ~150m in width at Darson Central. The mapping program delineated three distinct types of pegmatite:

1. Darson South: pegmatites occurring on a linear magnetic anomaly, either on or nearby to the margin of the Pioneer Granite.
2. Darson Central: wide, potentially voluminous pegmatites which occur 300 to 600m from the granite margin and are covered by alluvium on the central portion.
3. Darson East: medium to fine grained pegmatites occurring within a meta-basalt approximately 800m from the granite margin.

### Soil Sampling

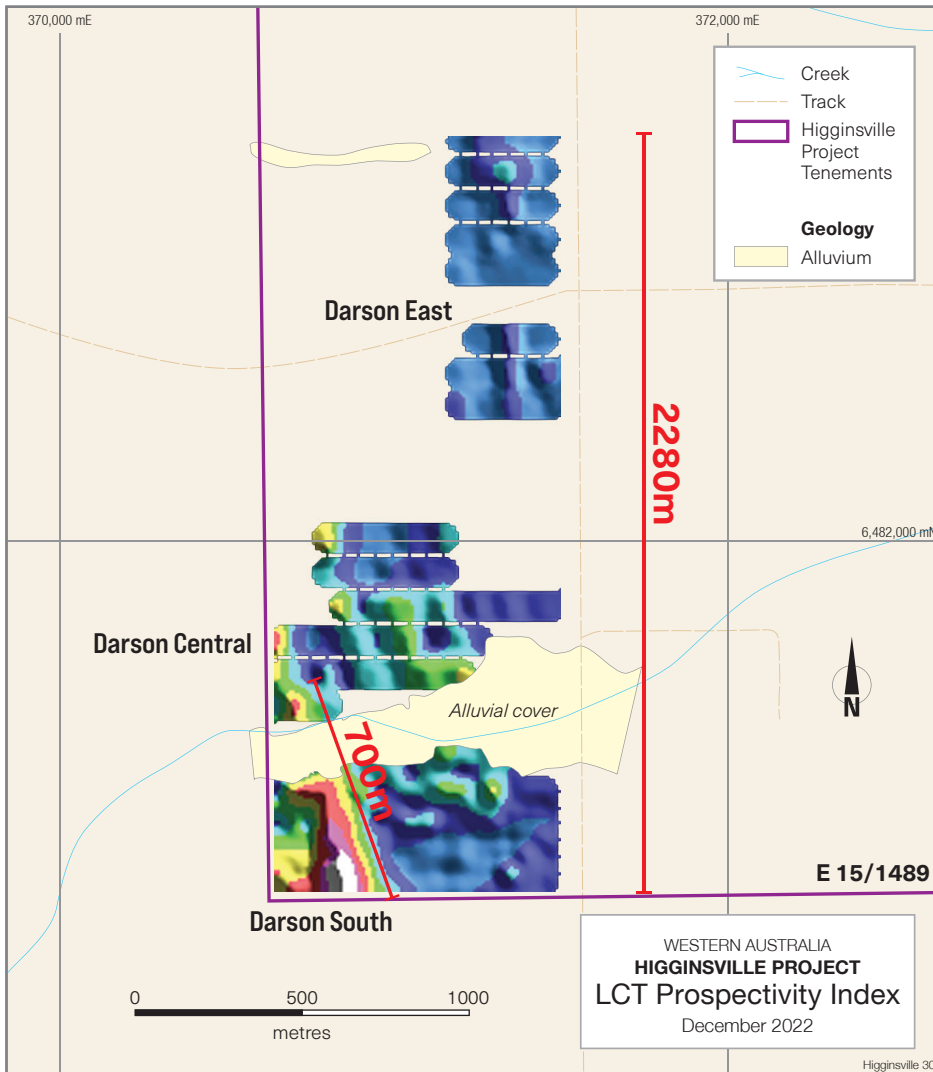
A soil sampling program was completed over the Darson pegmatite swarm during the Quarter. 278 soil samples sieved to #40 mesh plus QA/QC samples were collected from in-situ (residual) soil profiles.

<sup>3</sup> Dr Brand holds Argonaut shares directly and indirectly.

<sup>4</sup> Carny 1991b, Figure 2(b) [https://www.researchgate.net/figure/Regional-zoning-in-fertile-granites-and-pegmatites-Cerny-1991b-a-Regional-zonation-of\\_fig2\\_42797128](https://www.researchgate.net/figure/Regional-zoning-in-fertile-granites-and-pegmatites-Cerny-1991b-a-Regional-zonation-of_fig2_42797128).

# Directors' report continued

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**Figure 2** Soil sampling LCT Prospectivity Index grid showing highly prospective, 700m long LCT pegmatite zone at Darson South, moderate anomalism at Darson Central and a linear prospectivity anomaly over Darson East.

## Exploration results

### Highly fertile, zoned LCT pegmatites

Rock-chip samples of outcropping pegmatites plus surrounding quartz veins and country rocks have been taken. Although no significant lithium results were returned, the indicator elements showed very encouraging, high-order results (see Table 1).

It is common for LCT Pegmatites in this area of WA to be zoned, with the lithium minerals being in the central zone. The zones are broadly defined as: barren, fertile and LCT Pegmatite. These zones can be established using indicator elements and various ratios of elements.

All samples taken of the Darson South pegmatites are “fertile” according to K/Rb vs Cs ratios<sup>5</sup>.

These pathfinder results warrant traverses of angled RC (reverse circulation percussion) drill holes to test for lithium mineralisation within these fertile outer zones.

<sup>5</sup> Breaks, F.W., Selway, J.B., & Tindle, A.G., 2003. Fertile peraluminous granites and related rare element mineralization in pegmatites, Superior province, northwest and northeast Ontario: Operation Treasure Hunt. Ontario Geological Survey, Open File Report 6099.

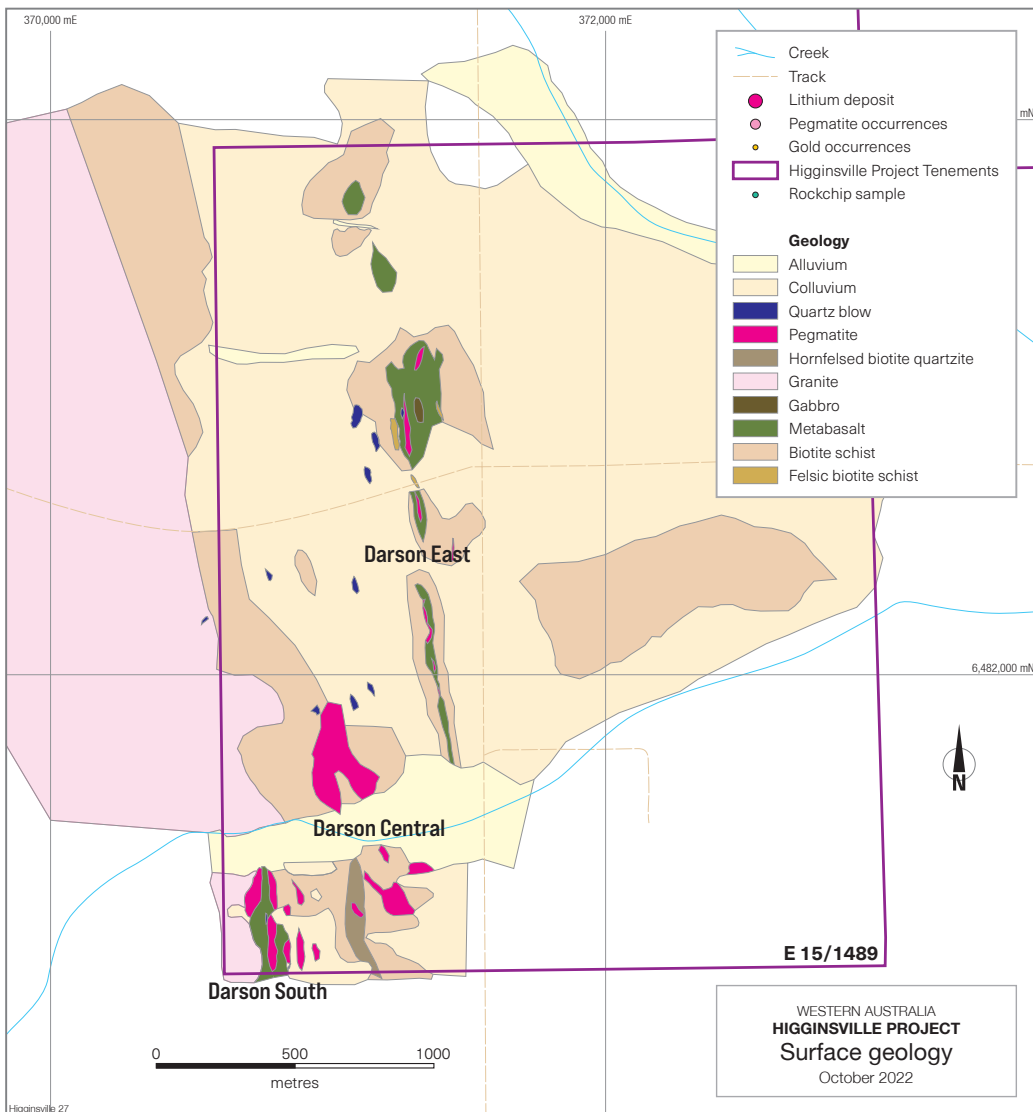
# Directors' report continued

**Table 1: Indicator geochemistry of outcropping, potentially lithium-bearing LCT Pegmatites at the Darson Pegmatite Swarm, near Higginsville, WA. Analysis of outcrop sampling returned Caesium and Rubidium levels that indicate these pegmatites are fertile<sup>6</sup>, hence may be proximal to lithium zones. These wide pegmatites are excellent drilling targets.**

Sample	Pegmatite ID	Outcrop description	Caesium (ppm)	Rubidium (ppm)
HIG403	Darson South 4	Quartz, plagioclase, feldspar, mica granitic pegmatite	23.23	515.08
HIG404	Darson South 4	Quartz, feldspar pegmatitic granite.	59.48	806.68
HIG405	Darson South 4	Quartz, feldspar pegmatitic granite.	52.6	796.29
HIG406	Darson South 4	Quartz, feldspar pegmatitic granite.	36.28	826.85
HIG407	Darson South 3	Quartz, feldspar pegmatitic granite.	90.81	1911.53
HIG409	Darson South 1	Quartz, feldspar, biotite pegmatitic granite	47.26	981.56
HIG410	Darson South 1	Quartz, feldspar, biotite pegmatitic granite	77.59	1399.99

<20 barren  
>20 and <100 fertile  
>100 LCT pegmatite

<500 barren  
>500 and <3000 fertile  
>3000 LCT pegmatite



**Figure 3** The Darson Pegmatite Swarm is located radially outwards (to the east) from the Pioneer Granite.

<sup>6</sup> <https://www.appliedgeochemists.org/sites/default/files/documents/Explore%20issues/EXPLORE190-MArch2021.pdf>

# Directors' report continued

## Next steps – Exploration program

### Reverse circulation drilling

Argonaut completed a heritage clearance during February 2023 for a reverse circulation (RC) drilling program to test Darson South, Darson Central and Darson East for lithium mineralisation. The report for this survey is expected in early March 2023. The drilling program is expected to commence in March 2023.

The RC drilling program will involve traverses of angled RC holes to approximately 100m depth to test the most prospective pegmatites.

Access to the site is excellent via existing roads. Argonaut has significant existing experience drilling at E15/1489.

Argonaut submitted a program of works in January 2023 covering approximately 5,000m of RC plus contingent diamond core drilling. Program was subsequently approved by the WA government.

Argonaut is fully funded to proceed to drill the lithium targets.

### Soil and rock-chip sampling

Additional soil and rock-chip sampling targeting LCT pegmatites will be undertaken at the Darson area during March 2023. Soil sampling will infill existing anomalies and cover regional areas, with the objective of improving the resolution of existing targets and delineating additional targets.

The initial RC drilling program is not contingent on this sampling.

### Amorphous gold deposit

The Amorphous gold deposit and the Footes Find gold prospect are located on E15/1489, to the northeast of the Darson Pegmatite Swarm (Figure 2). Argonaut first drilled the Amorphous gold deposit in 2017. Drilling has significantly increased the potential for a commercial gold deposit at Amorphous by demonstrating improved continuity of gold grades along a strike length of 800m.

Drilling results previously generated by Argonaut at the Amorphous Gold Deposit include:

Table 2: Amorphous deposit drill intercepts.

Drill hole	Interval (m)	Grade (g/t gold)	From (m)
AMRC005	4	1.53	69
And	11	2.76	77
including	6	4.62	81
including	3	7.47	82
AMRC006	6	2.37	44
including	3	4.38	45
AMRC008	3	1.66	56
AMRC009	2	1.28	22
AMRC015	4	2.36	64
AMRC024	5	2.04	37

Gold mineralisation at Amorphous is typically hosted in an altered shear-zone within an easterly dipping gabbroic unit.

Previous exploration results were originally announced to the ASX on 21 November 2017<sup>7</sup>.

### Joint venture agreement

Argonaut and its joint venture partner, Loded Dog Prospecting Pty Ltd, executed a new JVA titled "Eastern Goldfields New Joint Venture and Royalty Agreement" which relates to exploration licence E15/1489. The new JVA is pursuant to the terms of the Settlement Agreement. As part of the settlement, Argonaut agreed to relinquish its claim to three lower prospectivity exploration licences E15/1523, E15/1588 and E16/1773 in order to focus on the more prospective E15/1489 licence area. The principal terms of the new JVA were:

- Argonaut paid Loded Dog a sum of \$75,000 and issued 12,820,513 fully paid ordinary Argonaut shares (\$50,000 at 0.39c/share) to bring the new joint venture into effect.
- Percentage interests in E15/1489 are now: Argonaut 80%, and Loded Dog 20%.
- Argonaut will sole fund joint venture activities until completion of a bankable feasibility study and a decision to mine is made.

<sup>7</sup> <https://www.argonautresources.com/site/pdf/d615514a-506c-425c-9be3-ca2a62215e55/Higginsville-Drilling-Update.pdf>



# Directors' report continued



**Photo 1** Darson South 1, highly fertile, outcropping LCT pegmatite.



**Photo 3** Darson South (Northern extent), outcropping LCT Pegmatite, January 2023.



**Photo 2** Darson South 4, outcropping, fertile LCT Pegmatite.



**Photo 4** Darson South, LCT Pegmatite, January 2023.

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# Directors' report continued

## Copper

### Lumwana West, Zambia

(Argonaut 90%)

#### Highlights

- In January 2022, Mwombezhi filed an appeal to the Zambian Minister for Mines and Mineral Development, Hon. Paul Kabuswe MP, against the grant of a new licence over the Lumwana West area.
- On 12 October 2022, Argonaut filed an application to the Zambian High Court for judicial review of the Minister's inordinate delay in deciding this appeal.
- The judicial review application sought orders to have the appeal decided promptly.
- On 6 February 2023, the High Court made a ruling which compels the Minister to decide the appeal within 30 days.
- The subsequent Order of Mandamus<sup>8</sup> includes a Penal Notice which adds significant weight to the order.
- On 8 March 2023, the Company announced that the Zambian Minister of Mines and Mineral Development refused an appeal by Argonaut's 90% held subsidiary, Mwombezhi Resources Ltd, against the grant of a new licence over the Lumwana West area in North-western Zambia. Argonaut is considering the decision.

The Mandamus order is a testimony to the independence of the Zambian courts and to the government's commitment to the separation of powers.

This order speaks to three of the central tenets of President Hakainde Hichilema's UPND government, specifically: the rule of law; anti-corruption; and Zambian prosperity via increased copper production.

Argonaut's licence difficulties have justifiably gained an international profile as a test case. The court's order provides the Minister and the broader UPND government with an excellent opportunity to demonstrate the attractiveness of Zambia as a foreign investment destination.

#### Considerations

Appeal documents filed by Mwombezhi include details of actions, some of which are summarised below.

&# The Lumwana West licence involves an advanced project that benefited from over 10 years of significant investment by Argonaut. Such a project warrants the highest levels of diligence in considering matters of licence validity.

' # Argonaut was served a default notice after the statutory period for response had apparently lapsed.

( # A letter by Mwombezhi outlining the invalid service of the notice, the mistaken allegations of licence breaches, plus a request for an extension of time to respond went unanswered by the Ministry.

) # The author of the notice failed to search the government's records prior to alleging breaches. Breaches of licence conditions alleged in the notice were generic in nature and were not applicable to the Lumwana West licence.

\* # Evidence of licence compliance provided by Mwombezhi was not considered by the Ministry.

+ # An application by a third party for a new licence over the Lumwana West area was registered by the Ministry whilst the original licence was in place.

, # This licence application was by a newly registered company without the requisite technical or financial capacity to advance a mining project.

- # The new licence received Ministerial endorsement within 48 hours.

. # When lawyers for Mwombezhi viewed the government's hardcopy file for the original licence, it was found to contain only the licence application. Some 15 quarterly technical reports, all expenditure reports, all payment receipts and all correspondence were missing.

<sup>8</sup> Mandamus is a judicial remedy in the form of an order from a court to any government, subordinate court, corporation, or public authority, to do some specific act which that body is obliged under law to do.

# Directors' report continued

The Minister was engaged by Argonaut in writing, personally and via Ministerial staff throughout the appeal process.

Argonaut is aware<sup>9</sup> that Ministerial officers duly investigated matters raised by the appeal between January and October 2022, and that recommendations were made to the Minister to cancel the new licence and reinstate the original licence to Mwombezhi.

## Judicial review

Argonaut's subsidiary, Mwombezhi, filed an application in the Zambian High Court for judicial review<sup>10</sup> of the Minister's apparent inaction in deciding an appeal dated January 2022.

The appeal of January 2022 is against the cancellation of large-scale exploration licence 22399-HQ-LEL, Lumwana West, and the hasty grant of a new licence over the same area.

The judicial review proceeded through the Zambian High Court, firstly via an order to extend the time available to Mwombezhi to apply for judicial review and secondly by the grant of leave for judicial review.

The court has further ordered that the grant of leave for judicial review operates as a stay of execution of the decisions by the Zambian Government to both cancel 22399-HQ-LEL, Lumwana West, and grant a new licence over the same area to a different entity.

The stay suspends the purported cancellation of the Lumwana west licence. The stay is in operation until the determination of the judicial review or further order of the court.

The Attorney General's chambers submitted that it attempted to broker an out of court settlement with the Minister. These attempts did not result in a settlement. Argonaut notes that no filings were made in response to the judicial review application and that the Attorney General's chambers put the matter in the hands of the court, save for a reference to Zambian case law regarding unopposed applications.

Argonaut notes that it has sworn and filed a substantial affidavit in the judicial review proceedings that contains relevant contextual materials for the benefit of the court.

On 8 March 2023, the Company announced that the Zambian Minister of Mines and Mineral Development, Paul Kabuswe, has refused an appeal by Argonaut's 90% held subsidiary, Mwombezhi Resources Ltd, against the grant of a new licence over the Lumwana West area in North-western Zambia. Argonaut is considering the decision. The Company notes that an appeal to the Minister of Mines is the first of three forms of relief available to aggrieved parties under the Zambian Mining Act. The second process is an appeal of the Minister's decision to the Mining Tribunal.

Legal action by Argonaut is aimed at the reinstatement of the Lumwana West exploration licence to Mwombezhi Resources Ltd.

## Stalled feasibility study

The court order comes as the Zambian government is working to restore investor confidence in the Zambian mining sector. It is also relevant that the UPND government aims to increase the country's annual copper production to 3 million tons within 10 years, an outcome that can only be achieved if several new copper mines are opened.

Argonaut's work on the Lumwana West project involved various studies which were aimed at demonstrating the commercial viability of copper-cobalt production from the Nyungu deposit.

Feasibility work by Argonaut included programs of metallurgical test work, process engineering studies, mineral resource drilling, resource estimation, and mining engineering studies.

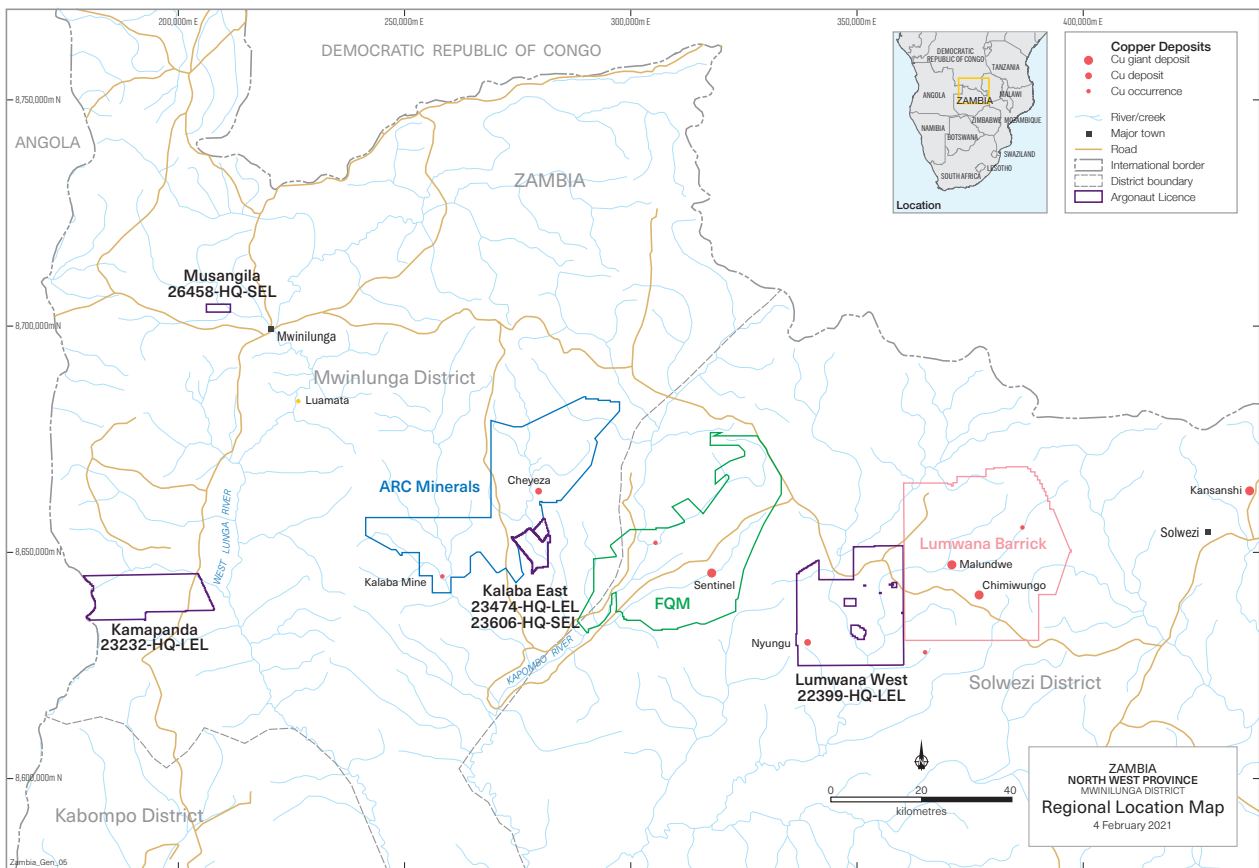
This work was being undertaken earnestly and expediently by Argonaut in the spirit of and in full compliance with the Zambian Mining Act. It is exactly the type of work required of foreign investors if Zambia is to realise its goal of greatly increased copper production.

Argonaut is ready to continue a fast-tracked feasibility study in the event the Lumwana West licence is reinstated.

<sup>9</sup> Via personal communications, not hardcopy documentation.

<sup>10</sup> High Court for Zambia, Holden Registry, Lusaka, file number 2022/HP/1613.

# Directors' report continued



**Figure 4** Lumwana West, Kamapanda, Kalaba East and Musangila project location, Zambia.

## Kamapanda, Zambia

(Argonaut 90%)

The Kamapanda project is located in the Central African Copperbelt, North-Western Province, Zambia. The area is prospective for large tonnage, low to medium grade copper-cobalt deposits and alluvial gold.

Argonaut via its 90% held subsidiary, Sunrise Exploration and Mining Limited has been successful in acquiring the licence and has now received operational approvals and consent from Zambian authorities to commence exploration activities.

The large-scale exploration licence covers an area of 225 km<sup>2</sup> and extends to the Angolan border (Figure 4). The area is remote, with limited access and is largely underexplored.

The area is situated adjacent to the Domes Region, on the southwestern flank of the Kabompo Dome and is prospective for copper-cobalt mineralisation within units of the Lower Roan Group of the Katanga Supergroup.

A program of regional stream sediment sampling is planned to outline both gold and copper potential. Expenditure at Kamapanda is on hold pending the reinstatement of the Lumwana West licence.

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# Directors' report continued

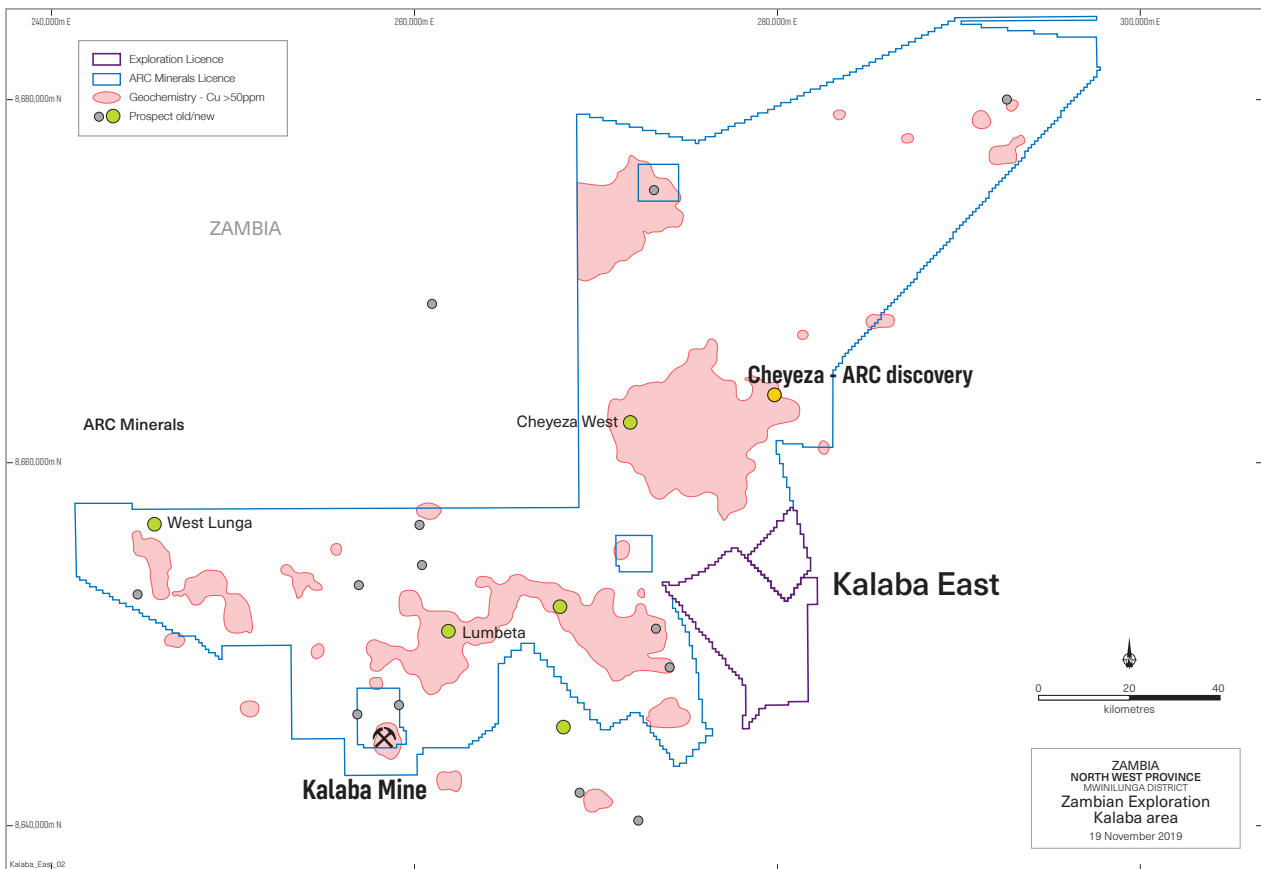


Figure 5 Kalaba East project location, Zambia.

## Kalaba East, Zambia

(Argonaut 90%)

The Kalaba East project is located in the Central African Copperbelt, North-Western Province, Zambia. The area is prospective for large tonnage, low to medium grade copper-cobalt deposits.

Argonaut via its 90% held subsidiary, Sunrise Exploration and Mining Limited has been successful in acquiring two contiguous licences and has now received operational approvals and consent from Zambian authorities to commence exploration activities.

The Kalaba East project lies adjacent to ARC Minerals' recent Cheyeza East prospect (Figure 5) and Muswema North prospect discovery and west of the world-class copper mine Sentinel, operated by First Quantum Minerals. At Cheyeza East ARC Minerals intercepted 18m at 2.35% copper and 39m at 1.47% copper.

Argonaut plans to conduct a regional geochemical sampling program at Kalaba East. Expenditure at Kalaba East is on hold pending the reinstatement of the Lumwana West licence.

## Musangila, Zambia

(Argonaut 90%)

The Musangila project is located in the Central African Copperbelt, North-western Province, Zambia (Figure 4). The area is prospective for large tonnage, low to medium grade copper-cobalt deposits and alluvial gold.

Argonaut via its 90% held subsidiary, Sunrise Exploration and Mining Limited has been successful in acquiring the licence and is waiting for operational approvals and consent from Zambian authorities to commence exploration activities.

The area is situated adjacent to the Domes Region, on the northwestern flank of the Kabompo Dome and is prospective for copper-cobalt mineralisation within units of the Lower Roan Group of the Katanga Supergroup.

Argonaut plans to conduct a geochemical sampling program followed by RC drilling. Expenditure on field activities at Musangila is on hold pending the reinstatement of the Lumwana West licence.

# Directors' report continued

## Murdie, South Australia

(Argonaut 100%)

The Murdie project is located in South Australia near the eastern margin of the Gawler Craton. The project area covers 1,015 square kilometres of highly prospective Olympic Domain geology and includes more than 50 discrete gravity anomalies that are located immediately south and east of the Torrens project and east of the Carrapateena mine (Figure 6). These anomalies represent locations with significant volumes of high-density rock that could contain economic Iron-Oxide Copper-Gold (IOCG) deposits.

Argonaut holds a 100% interest in the Murdie project.

### Authorisations

#### **Authority under the Aboriginal Heritage Act**

On 29 December 2020, the South Australian Government granted an authorisation under the Aboriginal Heritage Act. The authorisation allows for exploration-phase drilling plus potential resource and reserve definition drilling. The approval covers the parts of exploration licences 5937 and 5945 that overlap with Lake Torrens or are onshore and within 500m of the Lake Torrens shoreline.

Exploration works undertaken at the Murdie project were duly authorised. The Company is confident that the State's authorisation process was robust.

### Judicial review

On 16 March 2021, the Barngarla Determination Aboriginal Corporation filed an application in the South Australian Supreme Court for a review of the authorisation announced to the ASX by Argonaut on 4 January 2021.

The Company notes that there are no registered Barngarla heritage sites at Lake Torrens.

On 25 August 2022, the South Australian Supreme Court set aside the Aboriginal Heritage Act authorisation granted to Argonaut's subsidiary, Kelaray Pty Ltd, on 29 December 2020 by then Premier, Steven Marshall, for exploration works at the Murdie project in South Australia.

Argonaut notes that the application as pressed by members of the Barngarla Determination Aboriginal Corporation was dismissed and that the review succeeded on a very limited basis.

### Appeal

Kelaray considered the judgement and filed an appeal against the decision.

This appeal is scheduled to be heard by the South Australian Court of Appeal on 5-6 April 2023.

### Operational approval

The 'Exploration Program for Environment Protection and Rehabilitation' for ongoing exploration activities including ground gravity surveys and diamond drilling at exploration licences 5937 and 5945 was approved under the South Australian Mining Act in January 2020.

The approval allows for up to 200 deep diamond drill holes into a string of large and prospective IOCG anomalies from nearshore and offshore locations on the salt crust of Lake Torrens.

### Native title access

In 2018, the South Australian ERD Court granted native title authority to enter and undertake mining operations (exploration) within the area of EL5937 and EL5945.

### Exploration Planning

Argonaut's drilling authorisations for the Murdie project contain two main options for accessing drill sites on Lake Torrens – access via protective matting and via helicopter. Argonaut has held discussions with relevant contractors regarding the continuation of drilling using both techniques. Argonaut continues to engage with relevant contractors in relation to further drilling at Murdie.

### Torrens project

The Torrens Joint Venture project is located within the globally recognised Olympic Domain, at the eastern margin of South Australia's Gawler Craton, within 40 kilometres of BHP Group's Oak Dam copper discovery, 50 kilometres of OZ Minerals' Carrapateena copper-gold deposit and 75 kilometres from BHP's Olympic Dam mine. BHP's recent discovery at Oak Dam has confirmed the validity of the Torrens target and the copper endowment of the Eastern Gawler Craton.

# Directors' report continued

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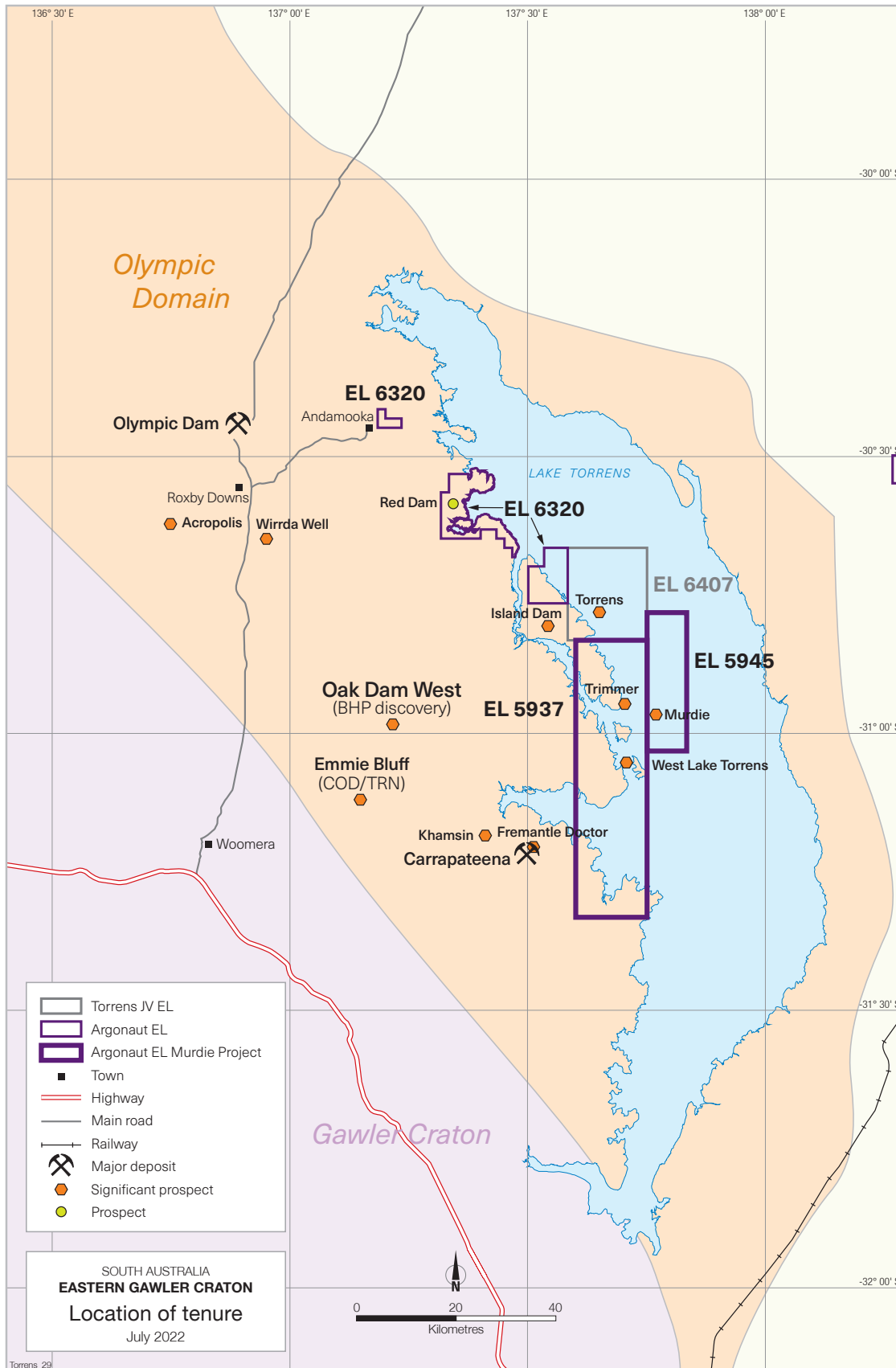


Figure 6 Lake Torrens exploration licences.

# Directors' report continued

## Torrens anomaly

The Torrens anomaly is a coincident magnetic and gravity anomaly with a footprint larger than that of Olympic Dam. The anomaly is located at the Torrens Hinge Zone, a continent-scale zone of crustal weakness that appears to have been a conduit for mineralising fluids from the Earth's mantle.

Drilling at Torrens to date has confirmed the existence of a major IOCG mineralising system beneath several hundred metres of sedimentary cover. Further drilling is required to intercept the modelled copper-gold mineralisation. In the event of a discovery, the Torrens anomaly has the scale to host a world-class copper-gold deposit.

## Work program

The Torrens Joint Venture is currently reviewing appropriate remote sensing techniques to assist with refining of geophysical drill targets.

A magnetotelluric survey to identify deep, crustal structures feeding potential mineralisation and an ambient noise tomography survey to improve the resolution of gravity modelling are both under consideration.

## Torrens Joint Venture

The Torrens Joint Venture is between Argonaut Resources NL (30%) and Aeri Resources Limited (ASX: AIS) (70%) and relates to the Torrens project, EL6407. Aeri's subsidiary, Straits Exploration (Australia) Pty Ltd, is the manager of the project.

## Red Dam, South Australia

*(Argonaut 100%)*

Argonaut holds exploration licence EL6320 located adjacent to the Torrens project. The 198 square kilometre licence area is in three parts and encompasses the Red Dam IOCG target that was previously identified by WMC. The licence areas were relinquished by BHP prior to the announcement of the Oak Dam West discovery (November 2018).

Argonaut has assessed the relevant, historical drill core and conducted a ground gravity survey in 2020 to improve resolution for geophysical modelling and target generation.

## Uranium IPO

*(Argonaut 67%)*

Argonaut acquired a substantial package of prospective uranium exploration licences in South Australia and the Northern Territory via a 67% held, unlisted public company, Orpheus Minerals Ltd (Orpheus).

Orpheus lodged a prospectus with the Australian Securities and Investments Commission on 17 October 2022 in connection with a proposed initial public offering of fully paid shares in Orpheus.

The Orpheus IPO closed on 9 December 2022 without meeting the minimum subscription condition. Accordingly, the Orpheus IPO was withdrawn.

The Directors of Argonaut and Orpheus are working with relevant stakeholders to determine how best to progress Orpheus's portfolio of prospective uranium exploration assets for the benefit of all shareholders.

## Kroombit, Queensland

*(Argonaut 100%)*

Argonaut holds a 100% interest in the Kroombit zinc-copper deposit in Central Queensland via its interest in ML5631 and MDL2002. Mining on ML5631 is subject to a 2% net smelter royalty, payable to Aeri Resources Ltd.

MDL2002 has been renewed by the Queensland Government Department of Resources for a further five years to 31 August 2026.

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.

Argonaut plans to capitalise on its Kroombit holding at a time of higher zinc prices. No field-based work was undertaken at Kroombit during the reporting period.



# Directors' report continued

## Aroona, South Australia

(Argonaut 100%)

The Aroona project is prospective for zinc-silicate (willemite) mineralisation in the locally endowed carbonate units of the Wilkawillina Limestone, adjacent to the Aroona fault which hosts numerous willemite occurrences along trend, including the Aroona, Aroona and Reliance deposits.

Field work has been regional in scope and includes mapping, airborne geophysics and minor rock chip sampling targeting the NW Aroona prospect, showing potential hematite alteration identified from Landsat/Aster imagery.

Argonaut holds a 100% interest in EL 6199. No field-based work was undertaken at Aroona during the reporting period.

## Corporate

Argonaut raised \$1,809,513 in a non-renounceable entitlement offer which was announced to the Australian Securities Exchange on 24 August 2022. The entitlement offer was made to all eligible shareholders on a 1 share for 2 shares basis at an issue price of \$0.001 per share.

Argonaut completed an investor-led, private placement for the issue of approximately 933.3 million new fully paid ordinary shares at a price of \$0.0015 per share to sophisticated and professional investors.

Argonaut received a \$946,613 tax rebate following an application by the Company under the Australian Government's AusIndustry R&D Tax Incentive program.

Argonaut is now funded to complete the exploration of potentially lithium-bearing pegmatites at the Company's Higginsville project in Western Australia and expenses related to the recovery of the Lumwana West exploration licence in Zambia.

## About Argonaut

Argonaut Resources NL is an Australian Securities Exchange listed exploration and development company focused on the Higginsville lithium project in Western Australia, Murdie copper project in South Australia, copper exploration in North-western Zambia, and the Orpheus Minerals Ltd uranium project.

### Lindsay Owler

Director and CEO

Argonaut Resources NL

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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 2022 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.

### About Dr. Nigel Brand

Nigel worked for WMC Resources for eleven years until 1999. During his time at WMC he worked throughout the Norseman-Wiluna Greenstone belt on various regional Ni & Au exploitation programs and at WMC operations at Norseman, Kambalda, Kalgoorlie, Leinster and Mt Keith.

He completed his PhD in 1997 on weathering process associated with nickel sulphides.

On leaving WMC, Nigel joined Anglo American for four and a half years as their geochemist in the Asian-Pacific region, including India, Philippines and Australia exploring for Zn, Ni and Cu-Au PC/IOCG deposits. In 2004, Nigel and Dr David Lawie co-founded ioGeochemistry, a global independent geochemical consulting group based in Perth, Western Australia.

In January 2005, Nigel established an independent geochemical consulting Geochemical Services Pty Ltd to provide hands-on and applied geochemical expertise to international mineral exploration.

# Directors' report continued

## 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.

## Matters subsequent to the end of the financial half-year

On 7 February 2023, the Company announced that the Zambian High Court ordered the Minister for Mines to decide an appeal by an Argonaut subsidiary, Mwombezhi Resources Ltd. The appeal is against the purported cancellation of the Lumwana West licence and the hasty re-grant to a newly registered company. The Minister must decide the appeal within 30 days.

On 8 March 2023, the Company announced that the Zambian Minister of Mines and Mineral Development, Paul Kabuswe, has refused an appeal by Argonaut's 90% held subsidiary, Mwombezhi Resources Ltd, against the grant of a new licence over the Lumwana West area in North-western Zambia. Argonaut is considering the decision. The Company notes that an appeal to the Minister of Mines is the first of three forms of relief available to aggrieved parties under the Zambian Mining Act. The second process is an appeal of the Minister's decision to the Mining Tribunal. Legal action by Argonaut is aimed at the reinstatement of the Lumwana West exploration licence to Mwombezhi Resources Ltd.

The director loan of \$100,000 made by Pat Elliott, director, to Orpheus Minerals Limited, was fully repaid on 28 February 2023.

On 28 February 2023, Mr Simon O'Loughlin resigned as a director of Orpheus Minerals Limited.

In February 2023, Orpheus Minerals Limited paid \$120,000 in cash pertaining to the Mt Douglas tenement.

No other matter or circumstance has arisen since 31 December 2022 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.

## 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 immediately after this directors' report.

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



**Patrick Elliott**  
Chairman

16 March 2023

# Auditor's Independence Declaration



**Building a better  
working world**

Ernst & Young  
121 King William Street  
Adelaide SA 5000 Australia  
GPO Box 1271 Adelaide SA 5001

Tel: +61 8 8417 1600  
Fax: +61 8 8417 1775  
ey.com/au

## **Auditor's independence declaration to the directors of Argonaut Resources NL**

As lead auditor for the review of the half-year financial report of Argonaut Resources NL for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Argonaut Resources NL and the entities it controlled during the financial period.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'L A Carr'.

L A Carr  
Partner  
16 March 2023

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# Financial Report

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## General information

The financial statements cover Argonaut Resources NL as a group consisting of Argonaut Resources NL and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars (rounded to the nearest dollar), which is Argonaut Resources NL's functional and presentation currency.

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

Level 6, 100 Pirie Street  
Adelaide SA 5000

Telephone: +61 8 8231 0381

A description of the nature of the consolidated entity's operations and its principal activities are included in the notes to the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 16 March 2023.

# Statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2022

	Note	Consolidated	
		31 Dec 2022	31 Dec 2021
		\$	\$
<b>Other revenue</b>	3	960,289	1,211
<b>Expenses</b>			
Employee benefits expense	4	(655,750)	(524,408)
Office administration expenses		(71,623)	(137,035)
Depreciation and amortisation expense	4	(8,388)	1,399
Exploration costs expensed	5	(99,966)	(57,951)
Exploration assets impaired	5	-	(2,004,632)
Finance expense		-	(1,019)
Foreign exchange		(34,770)	(24,907)
Share based payments		-	(44,345)
Other expenses	4	(1,179,097)	(153,992)
<b>Loss before income tax expense</b>		(1,089,305)	(2,945,679)
Income tax expense		-	-
<b>Total comprehensive loss for the period</b>		(1,089,305)	(2,945,679)
Loss is attributable to:			
- Owners of Argonaut Resources NL		(867,397)	(2,941,592)
- Non-controlling interests		(221,908)	(4,087)
<b>Total comprehensive Loss for the half-year attributable to the owners of Argonaut Resources NL</b>		<u>(867,397)</u>	<u>(2,941,592)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings / (loss) per share	12	(0.0002)	(0.0008)
Diluted earnings / (loss) per share	12	(0.0002)	(0.0008)

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

# Statement of financial position

As at 31 December 2022

	Note	Consolidated	
		31 Dec 2022	30 Jun 2022
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,153,011	482,742
Trade and other receivables		37,178	149,864
Other receivables		36,600	9,013
<b>Total current assets</b>		<b>2,226,789</b>	<b>641,619</b>
<b>Non-current assets</b>			
Property, plant and equipment		33,001	41,389
Exploration and evaluation	5	2,782,168	2,031,859
<b>Total non-current assets</b>		<b>2,815,169</b>	<b>2,073,248</b>
<b>Total assets</b>		<b>5,041,958</b>	<b>2,714,867</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		1,080,682	1,491,362
Employee benefits		416,743	401,319
Loan from related party	6	100,000	-
<b>Total current liabilities</b>		<b>1,597,425</b>	<b>1,892,681</b>
<b>Non-Current liability</b>			
Employee benefits		6,170	6,170
<b>Total non-current liability</b>		<b>6,170</b>	<b>6,170</b>
<b>Total liabilities</b>		<b>1,603,595</b>	<b>1,898,851</b>
<b>Net assets</b>		<b>3,438,363</b>	<b>816,016</b>
<b>Equity</b>			
Issued capital	7	65,509,431	62,397,779
Reserves	8	2,244,219	2,244,219
Accumulated losses		(64,963,328)	(64,095,931)
		2,790,322	546,067
Non-controlling interest		648,041	269,949
<b>Total equity</b>		<b>3,438,363</b>	<b>816,016</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

# Statement of changes in equity

For the half-year ended 31 December 2022

	Contributed equity \$	Non-Controlling interest \$	Share based payments reserve \$	Accumulated losses \$	Total equity \$
<b>Consolidated</b>					
Balance at 1 July 2021	62,386,957	-	1,927,625	(54,230,400)	10,084,182
Loss after income tax expense for the half-year	-	-	-	(2,941,592)	(2,941,592)
Loss attributable to non-controlling interests	-	(4,087)	-	-	(4,087)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive loss for the half-year	-	(4,087)	-	(2,941,592)	(2,945,679)
Transactions with owners in their capacity as owners:					
Non-controlling interests		370,000	-	-	370,000
Contributions of equity, net of Transaction costs	(23,663)	-	-	-	(23,663)
Share based payments	-	-	68,008	-	68,008
Balance at 31 December 2021	62,363,294	365,913	1,995,633	(57,171,992)	7,552,848
<b>Consolidated</b>					
Balance at 1 July 2022	62,397,779	269,949	2,244,219	(64,095,931)	816,016
Loss after income tax expense for the half-year	-	-	-	(867,397)	(867,397)
Loss attributable to non-controlling interests	-	(221,908)	-	-	(221,908)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive loss for the half-year	-	(221,908)	-	(867,397)	(1,089,305)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of Transaction costs (note 7)	3,111,652	-	-	-	3,111,652
Share based payments	-	600,000	-	-	600,000
Balance at 31 December 2022	65,509,431	648,041	2,244,219	(64,963,328)	3,438,363

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

# Statement of cash flows

For the half-year ended 31 December 2022

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(1,805,225)	(1,532,849)
Interest received	13,676	1,211
Net cash used in operating activities	<u>(1,791,549)</u>	<u>(1,531,638)</u>
<b>Cash flows from investing activities</b>		
Payments for exploration and evaluation	(696,447)	(2,322,169)
ATO – Research and Development tax receipt	946,613	-
Receipt of government grant for exploration	-	300,000
Payment for office equipment	-	(4,395)
Net cash from / (used in) investing activities	<u>250,166</u>	<u>(2,026,564)</u>
<b>Cash flows from financing activities</b>		
Ordinary shares issued	3,209,513	-
Cash receipts from shares issued into subsidiary	-	370,000
Share issue transaction costs	(97,861)	-
Loan from related party	100,000	-
Net cash from financing activities	<u>3,211,652</u>	<u>370,000</u>
Net increase/(decrease) in cash and cash equivalents	1,670,269	(3,188,202)
Cash and cash equivalents at the beginning of the financial half-year	<u>482,742</u>	<u>5,347,638</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>2,153,011</u></u>	<u><u>2,159,436</u></u>

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



# Notes to the Financial Statements

For the year ended 31 December 2022

## Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 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 2022 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 or amended Accounting Standards and Interpretations adopted.

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

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

### Going concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The consolidated entity has incurred net losses after tax of \$1,089,305 (2021: \$2,945,679) and net cash outflows from operating and investing activities of \$2,501,672 (2021: \$3,558,202) for the period ended 31 December 2022.

As at 31 December 2022, the consolidated entity has prepared a cash flow forecast which indicates that the consolidated entity does not have sufficient funds to meet its minimum expenditure commitments and support its current level of corporate overheads for a period of at least 12 months from the date of this financial report, and would need to raise additional funds to continue as a going concern.

Considering the ongoing work being undertaken at the Higginsville lithium tenement, the exploration potential across key tenements, the Directors are confident in the ability of the consolidated entity to continue to raise funds through the issuing of new shares to support its planned level of overhead expenditures and exploration activities. The Directors are also confident of receiving research and development incentives rebates in the coming months and the ability to launch an Initial Public Offering of the Orpheus Minerals Limited subsidiary (Orpheus) later in 2023, following which amounts owing from Orpheus to the Company will be repaid. Accordingly, the Directors consider it appropriate to prepare the financial statements on the going concern basis.

However, in the event that the consolidated entity is not able to successfully complete the fundraising referred to above, does not receive the research and development incentive refund, does not successfully IPO Orpheus, and / or the actual corporate and planned exploration expenses exceed the forecast, significant uncertainty would exist as to whether the company and consolidated entity will continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business at the amounts stated in the financial statements.

The financial statements do not include adjustments relating to the recoverability and classification of recorded assets amounts nor to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

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**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 a monthly basis.

*Segment assets*

Segment assets are those operating assets of the entity that the CODM views as directly attributing to the performance of the segment. These are the mining and exploration assets.

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

*Corporate office activities*

Corporate office activities comprise of non-segmental revenues and expenses and are therefore not allocated to operating segments.

*Operating segment information*

<b>Consolidated - 31 Dec 2022</b>	Australia \$	Zambia \$	Total \$
<b>Assets</b>			
Exploration assets	2,413,365	368,803	2,782,168
<i>Unallocated assets:</i>			
Cash and cash equivalents			2,153,011
Other assets			106,779
<b>Total assets</b>			<u>5,041,958</u>
<b>Liabilities</b>			
<i>Unallocated liabilities:</i>			
Current			1,597,425
Non-current			6,170
<b>Total liabilities</b>			<u>1,603,595</u>
<b>Consolidated - 30 Jun 2022</b>	Australia \$	Zambia \$	Total \$
<b>Assets</b>			
Exploration assets	1,663,056	368,803	2,031,859
<i>Unallocated assets:</i>			
Cash and cash equivalents			482,742
Other assets			200,266
<b>Total assets</b>			<u>2,714,867</u>
<b>Liabilities</b>			
<i>Unallocated liabilities:</i>			
Current			1,892,681
Non-current			6,170
<b>Total liabilities</b>			<u>1,898,851</u>

### Note 3. Other revenue

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Interest	13,676	1,211
Research and development grant – Australian Taxation Office – relating to eligible research and development work on the drill pads used in the Murdie drill program. All Murdie exploration expenditure has been impaired awaiting the Judicial Review by the Full Bench of the Supreme Court of South Australia.*	946,613	-
Other income	960,289	1,211
* as the refund relates to activity that would otherwise have been treated as an offset against exploration and evaluation expenditure, the amount has been treated as an investing activity in the statement of cash flows.		

### Note 4. Profit / (loss) items

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Depreciation expense	8,388	12,809
Amortisation expense	-	(14,208)
	8,388	(1,399)
Director fees	115,000	140,609
Wages and salaries	488,918	335,250
Superannuation	33,777	33,525
Leave provisions	15,425	13,709
Sundry expenses	2,630	1,315
<b>Total Employee benefits</b>	<b>655,750</b>	<b>524,408</b>
Accounting and audit fees *	185,276	48,581
Costs associated with transaction that did not proceed *	244,704	-
Company Secretarial	7,892	-
Legal fees *	503,840	45,062
Office costs	1,966	1,932
Rent	40,374	-
Share registry, ASX fees and compliance costs *	109,603	51,841
Travel	85,442	6,576
<b>Total Other expenses</b>	<b>1,179,097</b>	<b>153,992</b>

\* Included across the relevant categories of expenses above are \$433,889 of costs which relate to the unsuccessful IPO of Orpheus.

### Note 5. Non-current assets - Exploration and evaluation

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Exploration and evaluation assets	34,640,494	34,190,185
Government Grant	-	(300,000)
Less: Impairment	(31,858,326)	(31,858,326)
	2,782,168	2,031,859

### Reconciliations

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

Consolidated	Australia	Mwombezhi Zambia	Total
	\$	\$	\$
Balance at 1 July 2022	1,663,056	368,803	2,031,859
Expenditure during the half-year	785,607	64,668	850,275
Exploration expenditure written off	(35,298)	(64,668)	(99,966)
Balance at 31 December 2022	<u>2,413,365</u>	<u>368,803</u>	<u>2,782,168</u>

The Directors have reviewed the current market conditions relating to commodity prices and exploration results and the carrying value as at 31 December 2022 represents the Directors' view of these assets, which are expected to be recovered.

### Lumwana West Project

As outlined in the 30 June 2022 Financial Statements the license over the tenements held by Mwombezhi Resources Limited was not renewed as at 31 December 2021, it is considered a trigger for impairment under AASB 6 as a company should have the right to tenure to continue to carry the exploration and evaluation expenditure to date on the balance sheet. The Company is disputing the nature of the non-renewal of the license with relevant authorities in Zambia. The license has been impaired to nil. Should the licence be reinstated in line with the Company's requests, the asset will be tested for an impairment reversal to reinstate the value of the tenement.

### Murdie Project

On 24 August 2022 the directors announced that the South Australian Supreme Court had set aside an Aboriginal Heritage Act authorisation granted to Argonaut's subsidiary, Kelaray Pty Ltd, on 29 December 2020 by then Premier, Steven Marshall, for exploration works at the Murdie project in South Australia.

Argonaut noted in the announcement that the majority of the application as pressed by members of the Barnjarla Determination Aboriginal Corporation was dismissed and that the review succeeded only on a very limited basis.

The Company has lodged an Appeal to the decision made by the South Australian Supreme Court. The Appeal Hearing in front of the Full Bench of the South Australian Supreme Court is set down for April 2023.

The license has been impaired to nil. Should the Aboriginal Heritage Act authorization grant be reinstated in line with the Company's requests, the asset will be tested for an impairment reversal to reinstate the value of the tenement.

The Company received a tax receipt of \$946,613 following the lodgement of the 2021 Company Tax Return relating to eligible deductions covering research and development studies relating to the drill pads used in the Murdie drill program. All Murdie exploration expenditure has been impaired awaiting the Judicial Review by the Full Bench of the Supreme Court of South Australia. This receipt has been credited to statement of profit and loss as Other income (note 3) and treated as an investing activity in the statement of cash flows.

### Erudina and Cummins

Expenditures during the half-year include an amount of \$600,000 relating to the acquisition cost associated with the Purchase Share component of the consideration for the acquisition of the Cummins and Erudina licences by Orpheus Minerals Limited. The Agreements require payment by way of the issuance of Orpheus IPO shares to a value of \$300,000 for each of Cummins and Erudina licenses, or, can be settled in cash at Orpheus' discretion as mentioned in below analysis.

The Directors have assessed for indicators of impairment in accordance with AASB 6, including assessing current market conditions and impact on planned expenditure, commodity prices, tenure of licences and exploration results, and considering that IPO of Orpheus is planned for later in calendar year 2023, have concluded no indicators of impairment are present and the carrying values of assets are expected to be recovered.

Below is the analysis of the terms and conditions of the Erudina and Cummins agreement:

Consideration	Transaction Detail	Impact at 30 June 2021	Impact at 30 June 2022	Impact at 31 December 2022
\$30,000 in shares ('Exclusivity shares') subject to, and to be issued immediately following, listing of the parent entity ('IPO').	The Exclusivity Shares are only issued if there is a listing. The number of shares to be issued is based on the IPO offer price.	Accounted for as a share-based payment transaction. As the fair value of the asset acquired could not be reliably determined, the transaction was recognized and measured with reference to the estimated fair value of Exclusivity Shares at the date the Agreement was executed (as a cost within exploration and evaluation assets and in the share-based payment reserve). The estimated fair value of the Exclusivity Shares took into account the likelihood of an IPO occurring (a non-vesting condition).	No change to Agreement and therefore no change to the amounts recorded.	No change to Agreement and therefore no change to the amounts recorded.
\$300,000 in share in the event of Orpheus exercising its option to purchase the license.	<p>In the event Orpheus exercises its option to acquire the Erudina or the Cummins license, an additional payment with a face value of \$300,000 is to be made.</p> <p>Payment to be made via the issuance of IPO shares in the event of an IPO or shares in Orpheus in the event the option is exercised subsequent to IPO.</p>	As the option to acquire the license had not been exercised by 30 June 2021, there was no amount recorded for this component of the Agreement at the balance sheet date.	<p>The Agreement was amended to remove the requirement for Orpheus to exercise the option to purchase the license. Under the amended Agreement, shares will be issued upon IPO and following receipt of Ministerial Consent. Orpheus can elect to make cash payments in lieu of issuing the Exclusivity and Purchase shares.</p> <p>No amount was recorded at balance sheet date as the agreement was subject to Ministerial Consent, which was not received until 25 August 2022, and accordingly the transaction had not Completed on 30 June.</p>	<p>The transaction was recognised once the condition precedent regarding Ministerial consent had passed on 25 August 2022 and hence was recognised in the half year ended 31 December 2022.</p> <p>At the time of recognition on 25 August 2022 accounting standards require the Purchase Share component of the consideration to be recognised at fair value, which includes an assessment of the likelihood of IPO, and at that time the IPO was expected to proceed. However, subsequently, the IPO did not proceed.</p> <p>Orpheus retains the right to settle the Purchase Shares via issue of Orpheus IPO shares in the event of a successful IPO (and retains the option to settle in cash), no later than 30 June 2024, subsequent to which either party may terminate the agreement.</p>

<p>\$300,000 milestone payment ('Milestone Payment')</p>	<p>In the event Orpheus exercises its option to acquire the Erudina or the Cummins license, a further payment of \$300,000 will be made. This payment is subject to the drilling of at least 10 exploration drill holes within the Tenement that exhibit the following minimum criteria: -          1. 500m.ppm U3O8 grade thickness accumulation with a 100ppm U3O8 grade cut-off, and          2. Minimum drill hole spacing of 100m the grade of uranium to be measured using a calibrated Gamma tool and reported as U3O8.          Payment will be made via the issuance of shares, or, at Orpheus' discretion, in cash.</p>	<p>As the option to acquire the license had not been exercised at 30 June 2021 there was no amount recorded for this component of the Agreement at the balance sheet date.</p>	<p>The Agreement was amended such that the Milestone Payment will be paid in cash subject to the conditions being met. The ability of Orpheus to settle in shares was removed.</p> <p>This obligation is accounted for as a contingent liability in accordance with Orpheus' accounting policy for accounting for contingent consideration payable in an asset acquisition. This means this amount will only be recognised when the requirement to make the payment becomes unconditional.</p>	<p>No change to Agreement and therefore no change to the amounts recorded as contingent liability.</p>
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**Note 6. Loan from related party**

**Consolidated**  
31 Dec 2022    30 June 2022

On 25 July 2022, Pat Elliott, the Chairman of Argonaut Resources NL and its subsidiary Orpheus Minerals Limited provided a loan of \$100,000 to the Orpheus Minerals Limited. The conditions of the loan are as follows:

*Amount:* \$100,000

*Interest rate:* nil

*Term:* The borrower must repay the loan amount on the earlier of

- 7 days after the Borrower completes an equity capital raising; or
- 25 January 2023, otherwise extended in writing by agreement of all parties

100,000                      -

The loan was fully repaid on 28 February 2023.

**Note 7. Equity – issued capital**

**Consolidated**

	2022 Shares	2021 Shares	2022 \$	2021 \$
Ordinary shares - fully paid	<u>6,337,871,276</u>	<u>3,595,025,295</u>	<u>65,509,431</u>	<u>62,397,779</u>

*Movements in ordinary share capital*

Details	Date	Shares	Issue Price	\$
Balance 30 June 2022		3,595,025,295		62,397,779
Capital raise – 26 September 2022 (Rights issue)	26 September 2022	1,809,512,648	\$0.001	1,809,513
Capital raise – 10 November 2022 (Placement)	10 November 2022	933,333,333	\$0.0015	1,400,000
Share issue costs		-		(97,861)
Balance 31 December 2022		<u>6,337,871,276</u>		<u>65,509,431</u>

*Shares under option*

Unissued ordinary shares of Argonaut Resources NL under option as at 31 December 2022 are as follows:

Grant date	Expiry date	Exercise price	Number under option
27 August 2020	11 August 2025	\$0.020	30,000,000
30 November 2021	30 November 2026	\$0.020	<u>10,000,000</u>
			<u>40,000,000</u>

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

*Ordinary shares*

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

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

**Note 8. Equity - Reserves**

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Share based payments reserve	<u>2,244,219</u>	<u>2,244,219</u>
	<u>2,244,219</u>	<u>2,244,219</u>

*Share based payments reserve*

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

*Movements in reserves*

Movements in the reserve during the current financial half-year are set out below:

<b>Consolidated</b>	Share based payment reserve \$
Balance at 1 July 2022	<u>2,244,219</u>
Balance at 31 December 2022	<u><u>2,244,219</u></u>

The share based payment reserve in subsidiary entity Orpheus Minerals Limited forms part of the non-controlling interest in the Argonaut Resources consolidation financial position. This includes \$600,000 recognised as a share based payment in respect of the Cummins and Erudina licences, as discussed in Note 5 above.

**Note 9. Equity - Dividends**

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

**Note 10. Net fair values**

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

**Note 11. Events after the reporting period**

1. On 7 February 2023, the Company announced that the Zambian High Court ordered the Minister for Mines to decide an appeal by an Argonaut subsidiary, Mwombezhi Resources Ltd. The appeal is against the purported cancellation of the Lumwana West licence and the hasty and re-grant to a newly registered company. The Minister must decide the appeal within 30 days.

On 8 March 2023, the Company announced that the Zambian Minister of Mines and Mineral Development, Paul Kabuswe, has refused an appeal by Argonaut's 90% held subsidiary, Mwombezhi Resources Ltd, against the grant of a new licence over the Lumwana West area in North-western Zambia. Argonaut is considering the decision. The Company notes that an appeal to the Minister of Mines is the first of three forms of relief available to aggrieved parties under the Zambian Mining Act. The second process is an appeal of the Minister's decision to the Mining Tribunal. Legal action by Argonaut is aimed at the reinstatement of the Lumwana West exploration licence to Mwombezhi Resources Ltd.

2. The director loan of \$100,000 made by Pat Elliott, director, to Orpheus Minerals Limited, was fully repaid on 28 February 2023.

3. On 28 February 2023 Simon O'Loughlin resigned as a director of Orpheus Minerals Limited.

4. In February 2023 Orpheus Minerals Limited paid \$120,000 in cash pertaining to the Mt Douglas tenement.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.



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**Note 12. Earnings per share**

	<b>Consolidated</b>	
	<b>31 Dec 2022</b>	<b>31 Dec 2021</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax attributable to the owners of Argonaut Resources NL	<u>(867,397)</u>	<u>(2,941,592)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>4,828,387,121</u>	<u>3,582,204,782</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>4,828,387,121</u>	<u>3,582,204,782</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings / (loss) per share	(0.0002)	(0.0008)
Diluted earnings / (loss) per share	(0.0002)	(0.0008)

At the reporting date, the Company has 40,000,000 (31 December 2021: 77,750,000) options issued and of those, none of the options are in the money and so have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the balance sheet date presented.

**Note 13. Contingent Liability**

An amount of \$600,000 (being \$300,000 each on the Cummins and Erudina license) is payable in cash by Orpheus Minerals Limited in satisfaction of minimum criteria relation to these tenements as mentioned in Note 5 above.

# Directors' declaration

In the directors' opinion:

- the attached financial statements and notes 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 give a true and fair view of the Company's financial position as at 31 December 2022 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



**Patrick Elliott**  
Chairman

16 March 2023

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# Independent Auditor's Review Report

to the Members of Argonaut Resources NL



**Building a better  
working world**

121 King William Street  
Adelaide SA 5000 Australia  
GPO Box 1271 Adelaide SA 5001

Tel: +61 8 8417 1600  
Fax: +61 8 8417 1775  
ey.com/au

## **Independent auditor's review report to the members of Argonaut Resources N.L.**

### **Conclusion**

We have reviewed the accompanying half-year financial report of Argonaut Resources N.L. (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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.

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 the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial 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*.

### **Basis for conclusion**

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### **Material uncertainty related to going concern**

We draw attention to Note 1 in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

### **Directors' responsibilities 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 control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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#### **Auditor's responsibilities for the review of the half-year financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 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*.

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.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'L A Carr'.

L A Carr  
Partner  
Adelaide  
16 March 2023

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