

Quarterly report

FOR THE PERIOD ENDING 30 SEPTEMBER 2013

Argonaut Resources NL (the Company or Argonaut) (ASX: ARE) is pleased to deliver the following report for the quarterly period to 30 September 2013 (the Quarter).

Highlights

Lumwana West, Zambia

- Argonaut undertook a major regional exploration program at four high priority targets.
- Regional IP geophysics and soil geochemistry programs were extended twice in the period.
- Large-scale, coincident IP chargeability and copper in soil anomalies have been identified.
- 2.5km strike length anomaly defined at West Mwombezhi – now a high priority drill target.
- Defined >13.8km total strike length (IP chargeability plus soil geochemistry) of various targets.
- Argonaut further increased its ownership rights under the Lumwana West joint venture to 90% for a US\$150,000 payment.
- Increase in ownership now captured prior to and during any feasibility study.
- Following the Quarter, Zambian based litigation was discontinued by mutual consent.
- Potential Joint Venture farm-out is being considered provided terms deliver a strong value add to shareholders.

Alford, South Australia

- Major mineralised system confirmed at Alford by partners Sandfire Resources NL.
- Mineralisation confirmed by IP chargeability related to sulphide mineralisation.
- IP chargeability and gravity geophysical surveys and contingent drilling to on completion of crop harvest in December/January.

Argonaut Resources NL
ABN 97 008 084 848

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

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

Outlook

- The Company has strategically refined its exploration focus and asset suite to focus on large-scale copper targets only. The Board is of the view that the definition of large tonnage copper deposits will deliver optimum upside potential for shareholders as market conditions improve.
- The Company is actively pursuing the sale of non-core assets to supplement its existing cash resources.

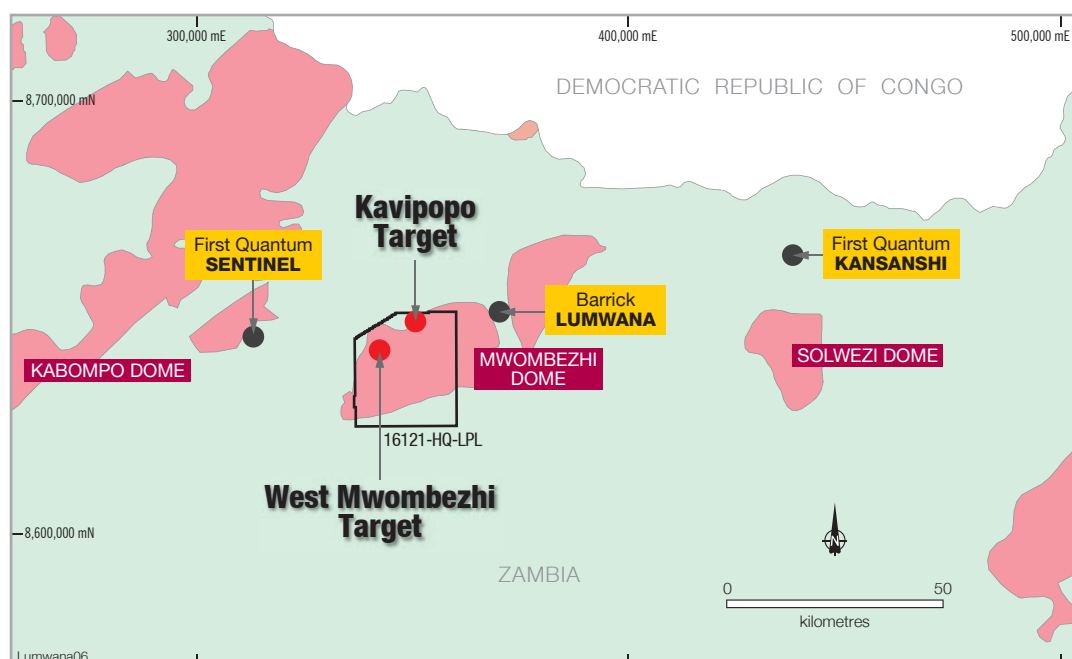
Zambia

Lumwana West

(Argonaut earning 90%)

The Mwombezi Dome is located in the western extension of the Lufilian Arc which is host to the Central African Copperbelt. The Mwombezi Dome is comprised of two northeast-southwest trending basement inliers, and is one of several domes in an area of the Copperbelt known as the Domes Region.

The Domes Region is host to the new generation of Zambian Copperbelt mines including Barrick's Lumwana Mine on the eastern lobe of the Mwombezi Dome as well as First Quantum's Kansanshi Mine and Sentinel Mine, currently under construction (Figure 1 and Table 1).



Location



- Katanga (conglomerate, quartzite, argillite, arkose, shale, greywacke, dolomite, banded iron fm, mixite, limestone & schist)
- Pre-Katanga (schist, gneiss & granulite) & Basement Complex (granite, gneiss, migmatite, & granite)
- Licence boundary

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

	Lumwana Barrick	Kansanshi First Quantum	Sentinel First Quantum
Reserves	580Mt at 0.52% Cu	504Mt at 0.65% Cu	774Mt at 0.50%Cu
Resource*	915Mt at 0.49% Cu	1.1Bt at 0.81% Cu	1.2Bt at 0.50% Cu
Production	170,000tpa nameplate	Expansion to 400,000tpa	300,000tpa commencing 2015

Table 1: Geologically comparable copper deposits and production in the Domes Region. All Ore Reserve and Mineral Resource figures dated 31 December 2012

* Combined Measured, Indicated and Inferred Resource estimation by weighted average.

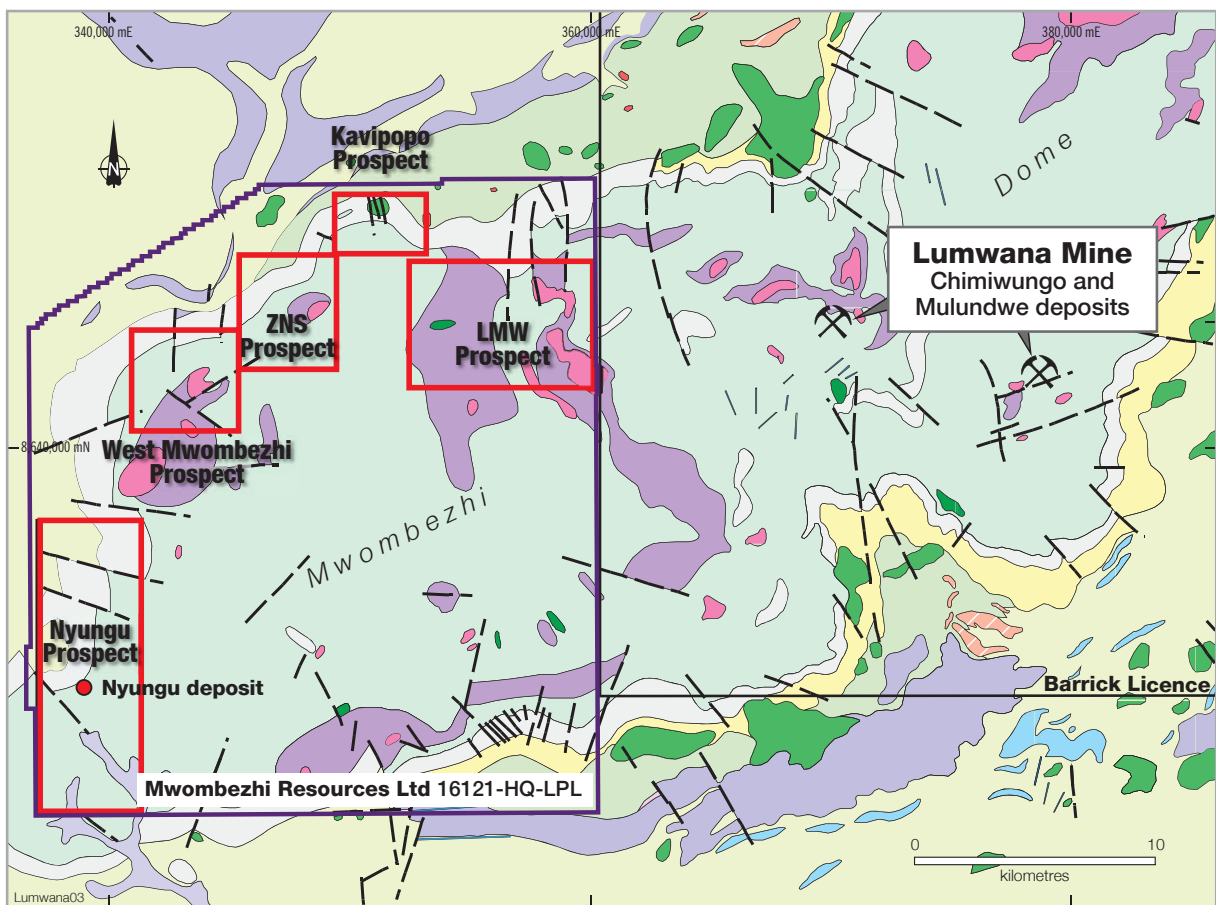


Figure 2: Lumwana West large scale prospecting licence, prospect locations and Lumwana mine location.

West Mwombezi Target

Exploration in the Quarter at West Mwombezi prospect has returned the strongest and largest geochemical and geophysical target defined on the tenement to date.

The copper target measures over 2.5 kilometres (km) striking north-northeast as defined by Induced Polarisation (IP chargeability) geophysical survey and copper in soil sampling.

Argonaut has selected two primary exploration methods for the spatial definition of drill targets at Lumwana West:

1. Geochemical soil sampling in areas where soils are not prone to secondary chemical concentrating effects or major transportation from the soil's source; and
2. IP chargeability anomalism at subsurface depths with reasonable potential for open-pit access to mineralisation.

When soil geochemistry and IP chargeability anomalies are coincident (occur together) and geologists can interpret from 3 dimensional IP models the basic geometric properties of the targeted mineralisation, then an effective drilling program can be planned and implemented. This technique are the principal exploration tool for the discovery and brownfield development of deposits in the Domes Region.

The West Mwombezi exploration program was extended twice during the period. The five initial 3,000m, east-west oriented IP sections all returned chargeability anomalies within the target zone, however the peak anomaly from this initial survey was on the southern-most IP section, indicating a need to extend the grid further South.

Additional soil sampling was undertaken to the south and on confirmation of a southerly geochemistry extension, additional IP traverses were planned and the IP data acquired.

The IP chargeability anomaly extends over 2.5km, plunges gently to the north and appears to be interrupted in the south by a fault, coincident with a surface drainage path (creek). The package is interpreted to have a shallow dip to the west, hence the geochemical peak is east of the main chargeability body, shown at a depth of -200m on Figure 3.

Soil samples were analysed by handheld XRF analyser. The soil anomaly is in two north-northeast trending lobes (Figure 3). Argonaut geologists are mindful these parallel lobes could be indicative of tight folding of a single mineralised unit, having the effect of repeating the mineralised package at accessible depths. The peak copper in soil value is 430ppm.

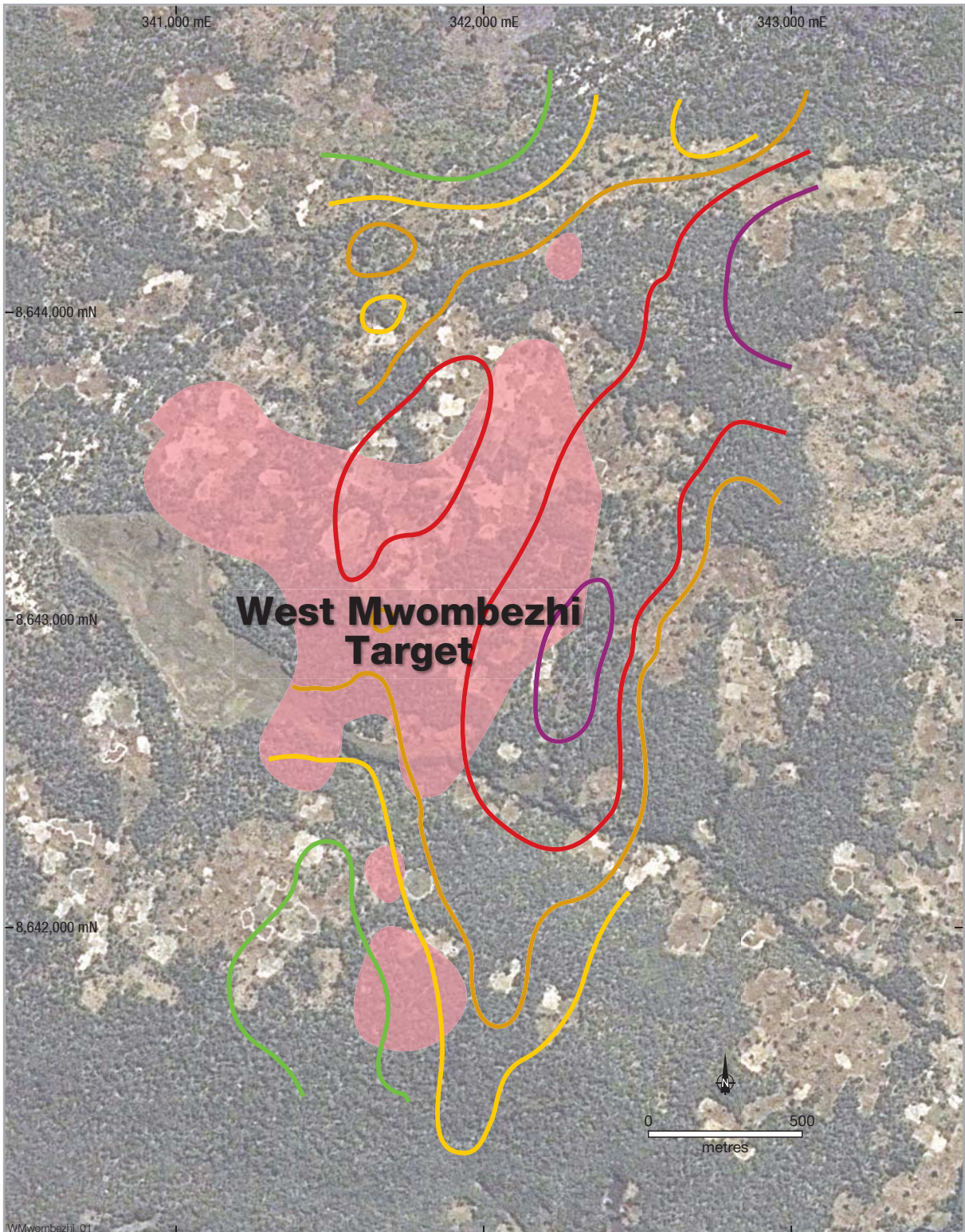
The targeted mineralisation style at West Mwombezi is Lumwana-style, shear-hosted, copper (+/- cobalt and gold) mineralisation in biotite-kyanite schists. The anomaly is in the vicinity of a decollement (detaching fault) which separates the basement terrain (which hosts the targeted mineralisation) from the overlying, sedimentary Roan Group.

The West Mwombezi IP target is along strike (to the north-northeast) from the Nyungu Deposit.

A program of reverse circulation and diamond drilling is planned, subject to board approval, for 2014. The planned drilling at West Mwombezi involves ten holes for 2,500m in two rounds. The initial round would test the anomaly on three 400m spaced traverses with drill holes spaced at 160m along traverses. The second round would seek to extend along strike and infill along traverses in the areas of copper mineralisation.

Given the size of the anomalies at West Mwombezi, considerable drilling to extend the strike length is expected to be contemplated on confirmation of mineralisation of economic grade.

Additional soil sampling to the north, east and south of the current West Mwombezi target has also been proposed for the 2014 season. Contingent IP surveys would follow-up on surface geochemical anomalies as required.



Location



Soil geochemistry Cu (XRF)

- 200 ppm
- 100 ppm
- 60 ppm
- 40 ppm
- 20 ppm

IP chargeability

- >20ms at -200mRL



ZAMBIA
LUMWANA WEST

WEST MWOMBEZI PROSPECT
Soil geochemistry Cu contours,
IP chargeability and Google Earth image

Figure 3: West Mwombezi target showing copper in soil contours and IP chargeability depth slice at -200mRL over a Google Earth image.

Other Regional Targets

Between May and October 2013, the Company also undertook soil geochemistry surveys at Kavipopo, ZNS and LMW prospects and IP surveys at ZNS and LMW prospects (Figure 2). The results of these surveys will be released on completion of data modelling and interpretation.

Exploration Targets

Drilling by Argonaut at the Nyungu Deposit (Figure 2) in 2011 and 2012 resulted in the independent estimation of an Exploration Target of 130 to 180Mt at a grade range of 0.45 to 0.65% copper. (See ASX announcement dated 9 April 2013). Exploration Targets are based on potential quantity and grade that is conceptual in nature. There has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

Nyungu was chosen by the Company as the initial exploration site due to its extensive historical data set, however the Company remained mindful that other regional targets had similar dimensions and encouraging characteristics, they simply lacked high resolution targeting data.

Given the compelling prospectivity of the West Mwombezhi target, the Argonaut board has decided to estimate an Exploration Target under the 2012 JORC Code for the West Mwombezhi area, adding to the existing Exploration Targets for the Lumwana West Project announced on 9 April 2013 for the Nyungu Deposit and Kavipopo Target.

This estimate, as well as supplementary information for the Kavipopo Exploration Target, will be estimated and released on the refinement and finalisation of 3D modelling of 2013 IP data.

Increased Ownership Rights

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

Argonaut has now further improved its rights under the JVA by executing a second deed of variation. These revised terms give LWR the right to take a 90% shareholding in Mwombezhi Resources Ltd (MRL) at the conclusion of phase two under the joint venture.

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

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

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

Lumwana West Joint Venture

The Lumwana West Joint Venture involves large scale prospecting licence 16121-HQ-LPL. Under the newly varied terms of the joint venture, Argonaut's 100% held subsidiary, Lumwana West Resources Ltd, can earn up to 90% of Mwombezhi Resources Ltd which holds 16121HQ-LPL.

The Joint Venture is now in two phases.

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

Discontinuation of Litigation

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

In August 2011, MRL made an application to the Zambian High Court for a declaration that MRL was the legal and beneficial holder of large-scale Prospecting Licence 19121-HQ-LPL (the Lumwana West project). In April 2013, following several months of unrelated technical discussions between the companies, EZL, via its new owner, Barrick Gold Corporation, proposed the companies discontinue litigation.

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

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

Australia

Alford, South Australia

(Argonaut 100%)

The Alford Project on South Australia's Yorke Peninsular lies 20km north-east of Wallaroo, within the Olympic Domain near the south-eastern margin of the Gawler Craton. The tenement is prospective for iron oxide copper-gold mineralisation as found at Prominent Hill, Olympic Dam and Hillside.

No field-based exploration work was undertaken during the Quarter as the all prospective areas were under crop.

In the Quarter, ongoing interpretation of drilling and IP chargeability results by Sandfire indicated a large, anomalous copper and gold mineralised system with IOCG associations.

Detailed planning is underway for a gravity and IP survey for the December quarter to follow-up on the work completed in the 2012/2013 field season, especially in the Alford East trend. Targets defined will be further tested with aircore and diamond drilling during the March quarter.

Alford Farm-in Joint Venture

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

Under the terms of the letter agreement, Sandfire may earn a 49% interest in the Alford tenement by sole funding \$4,000,000 of exploration within three years (the first earn-in period). Sandfire has now completed 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).

Torrens, South Australia

(Argonaut 30%)

The Torrens Joint Venture

The Torrens Joint Venture is between Argonaut Resources NL and Straits Resources Limited (ASX: SRQ) 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

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

Subsequent to the Quarter the Full Court handed down its decision that parties bear their own costs. This was the final legal process delaying the commencement of a retrial in the ERD Court. It is important to note that in overturning the original decision, the Full Court provided considerable guidance for the purpose of an ERD Court retrial including disallowing the original ERD Court Judge from re-hearing the matter.

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

Musgrave Minerals

(Argonaut 2.1%)

Argonaut's wholly owned subsidiary, Kelaray Pty Ltd, vended four mineral Exploration Licence Applications in the Musgrave Block into Musgrave Minerals Ltd. Argonaut holds 2.1% of the ordinary shares in Musgrave Minerals.

Musgrave Minerals has a large footprint in the Musgrave Block – one of the least explored geological provinces in Australia – with tenements covering an area totalling 50,000km², approximately 5% of the State of South Australia.

Musgrave Minerals is also earning up to 75% of the Menninnie Dam silver-zinc-lead project in South Australia. The Project covers a contiguous area of 2,471km² in the Southern Gawler Craton. The project hosts an inferred mineral resource of 7.7Mt at 27g/t silver, 3.1% zinc and 2.6% lead.

Kroombit

(Argonaut 100%)

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

Aroona

(Argonaut 100%)

EL4358 and EL5336, Aroona, are subject to a joint venture agreement with Perilya Limited.

No field work was completed on the property during the period. Perilya continues to evaluate access to the Aroona NW prospect area on EL5336. The target is defined by a strong hematite colour anomaly and coincident multispectral ferric iron anomaly. Access to the area has been hindered recently due to heavy rains which washed out several roadways. Field follow-up on the target including XRF soil surveying and rock chip sampling is planned.

Laos

Century

(Argonaut 70%)

During the period, Argonaut's Joint Venture partner, Aurum, continued 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 Resource'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.

Corporate

Net operating cash flow for the Quarter was \$1,005,000. At the conclusion of the quarter, Argonaut's cash position was \$480,000.

The Company is actively pursuing the sale of non-core assets and other capital raising activities to supplement its existing cash resources and, based on those activities, is confident of having sufficient cash resources to meet its ongoing operating costs.

About Argonaut

Argonaut is an Australian Securities Exchange listed mineral exploration and development Company focussed on large Copper targets with projects in South Australia, Queensland, Laos and Zambia. Argonaut's projects are in the advanced exploration and feasibility stages.

The Company is exploring for copper at its flagship Lumwana West project in Zambia and copper (+/- gold and silver) at its Alford and Torrens projects in South Australia. The Company also owns a zinc-copper deposit at Mt Kroombit in Central Queensland and a 70% interest in a gold exploration project in Laos.

Argonaut has a significant investment in Cuesta Coal Ltd which listed on the Australian Securities Exchange in May 2012.

Lindsay Owler

Director

Argonaut Resources NL

Sections of information contained in this report that relate to Exploration Results were compiled or supervised by Mr Lindsay Owler BSc, MAusIMM who is a Member of the Australasian Institute of Mining and Metallurgy and is a full time employee of Argonaut Resources NL. Mr Owler holds shares and options in Argonaut Resources NL, as described on page 10 of the Company's 2013 Annual Report. Mr Owler has sufficient experience which is relevant to the style of mineral deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Owler consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Argonaut Resources NL

ABN

97 008 084 848

For the period ending

30 September 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date (3 months)
	\$A'000	\$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(757)	(757)
(b) development	-	-
(c) production	-	-
(d) administration	(263)	(263)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	15	15
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – abnormal costs, fraud related recovery	-	-
Net Operating Cash Flows	(1,005)	(1,005)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(1,005)	(1,005)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,005)	(1,005)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Joint venture contributions received	138	138
1.20	Other (capital raising costs)	-	-
Net financing cash flows		138	138
Net increase (decrease) in cash held		(867)	(867)
1.21	Cash at beginning of quarter/ year to date	1348	1348
1.22	Exchange rate adjustments to item 1.20	(1)	(1)
1.23	Cash at end of the period	480	480

Payments to directors of the entity and associates of the directors

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

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	121
1.25	Aggregate amount of loans to the parties included in item 1.10	-

1.26 Explanation necessary for an understanding of the transactions

Payment for Directors Fees (1.24)

Non-cash financing and investing activities

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

NA

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

NA

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	140
4.2	Development	-
4.3	Production	-
4.4	Administration	200
Total		340

Reconciliation of cash

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

		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	230	348
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details) – short term deposits	250	1,000
Total: cash at end of period (item 1.22)		480	1,348

Changes in interests in mining tenements

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

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	274,876,470	274,876,470		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 *Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	7,000,000 (Exp. 31/12/2013, \$0.30) 7,000,000 (Exp. 31/12/2015, \$0.10) 10,000,000 (Exp. 11/12/2015, \$0.15)			
7.8 Issued during quarter				
7.9 Exercised during quarter				

7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance statement

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

Sign here:Date: 31 October 2013
(Company secretary)

Print name: Andrew Bursill
Company Secretary

Notes

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

== == == == ==