

ARGOSY MINERALS
LIMITED

ABN | 27 073 391 189

Annual Report
31 December 2012

Corporate Directory

Directors

Mr Peter Lloyd Chief Executive Director
Mr Philip Thick Chairman
Mr Danie Van Den Bergh Non Executive Director
 Director

Group Secretary

Mr Alan Thomas

Registered Offices

Australia

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Solicitors

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Level 2, 50 Kings Park Road
West Perth WA 6005
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Auditors

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Australia

Telephone +61 8 6382 4600

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Bankers

Australia and New Zealand Banking Group Limited
Nedlands Branch
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Nedlands WA 6009
Australia

Home Exchange

Australian Securities Exchange Limited

Home Branch: Perth

ASX Code AGY

ABN 27 073 391 189

Financial Year End

December 31, 2012

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Chairman's Report

During the past 12 months Argosy Minerals Limited has pursued a number of potential opportunities in African countries.

In November 2012 Argosy entered into an agreement for an option to acquire a 70% interest in two prospective coal projects in KwaZulu Natal, South Africa. These projects were targeting coking coal, anthracite and bituminous coal in a location next to and along strike from the operational Aviemore coking coal mine and the Magdalena bituminous coal mine both operated by Forbes Coal. The sector was substantially undermined by the collapse of market sentiment for this commodity in the African region as a result of the Mozambique write-downs in February 2013 by Rio Tinto. As a result Argosy has progressed no further with this project at this time and payments to date have been minimal, with no further commitments.

The Board of Argosy also reached a decision not to renew the mining licenses signed in 2011 for Sierra Leone. The iron ore market has changed significantly since signing these agreements and investment in large greenfields magnetite projects requiring substantial capital injections has lost its attraction.

The Board believes the cautious approach to these projects, including minimal upfront cash injection, has been proven correct.

Argosy continues in negotiation on a number of prospective opportunities in African countries and the Board remains committed to finding and executing the right deals for the company at the earliest possible time.



Mr Philip Thick
Chairman

26 March 2013

Directors' Report

Your directors submit their report on the consolidated entity (the "Group") consisting of Argosy Minerals Limited and the entities it controlled at the end, or during, the financial year ended 31 December 2012.

DIRECTORS and MANAGEMENT

The names of the Group's directors in office during the financial year and until the date of this report are as follows:

Name of Directors:

Peter Lloyd
Philip Thick
Danie Van Den Bergh

Information on Directors:

Peter Lloyd
Bachelor of Law
Chief Executive Officer

Mr Lloyd, a lawyer by profession, is a founding member of Argosy Minerals Limited and has been involved in mining exploration for over 25 years. He has extensive experience in corporate life and has been involved in projects in Canada, United States of America, Eastern Europe, Africa, New Caledonia and Australia.

Directorships in other listed entities in the past 3 years – Nil.

Philip Thick
Bachelor of Engineering (Hons)
Non-Executive Director

Mr Thick worked as an engineer for Alcoa Australia Limited for 5 years before joining Shell Australia Limited. His 20 year career with Shell covered roles in most cities around Australia and a 3 year appointment in London. He was an Executive Director of Shell Australia Limited from 2003 to 2006 and was responsible for the Downstream Oil business across Australia and the Pacific Islands, and was CEO and a Director of Coogee Chemicals Pty Ltd for 4 years until June 2012. Mr Thick is currently Managing Director and CEO of listed company MHM Metals Limited, a Director of New Standard Energy and is Chairman of Perth Home Care Services.

Directorships in other listed entities in the past 3 years – MHM Metals Limited (ASX:MHM) and New Standard Energy (ASX:NSE).

Danie Van Den Bergh
Master of Science
Director

Mr Van Den Bergh has over 38 years of mining industry experience, during which time he specialised in mining engineering, corporate finance work including merger and acquisitions, financial valuation of projects, mining due diligences and competent persons reports.

Mr Van Den Bergh has worked at various Anglo American operations over a period of 26 years. Thereafter he joined Durban Roodepoort Deep as their new business executive, during which time he gained extensive experience internationally and in various countries in Africa. He joined Investec Bank in their corporate finance division for four years during which time he was involved in various projects including company listings. He was also a partner in an independent corporate advisory company where he specialised in the financial valuation of projects. Mr Van Den Bergh is currently a shareholder and director in various mining ventures.

Directorships in other listed entities in the past 3 years – Nil.

Argosy Minerals Limited

Company Secretary

The Company Secretary is Mr Alan Edward Thomas. He has a Bachelor of Business from Curtin University and is a Fellow of the Institute of Chartered Accountants in Australia. Mr Thomas has over 25 years experience in finance and administration, predominantly in the accounting profession.

1. PRINCIPAL ACTIVITY

The principal activity of the Group during the year was the acquisition of exploration projects for precious metals.

2. INTERESTS IN SHARES AND OPTIONS

As at the end of the financial year, the interests of the directors in the shares and options of Argosy Minerals Limited were:

	Fully Paid Ordinary Shares	
	Direct Interest	Indirect Interest
Peter Lloyd	-	17,951,161
Philip Thick	-	2,690,000
Danie Van Den Bergh	-	-

3. DIVIDENDS

No dividends were paid or declared during the financial year. No recommendation for payment of dividends has been made.

4. OPERATING AND FINANCIAL REVIEW

Operating Results for the Period

The operating loss after income tax of the Group for the year ended 31 December 2012 was \$941,378 (2011: \$1,241,747).

Shareholder Returns

	2012	2011
Basic loss per share (cents)	(0.78)	(1.06)

5. REVIEW OF OPERATIONS

During the last year, Argosy Minerals Ltd entered into the option of acquiring two coal projects in South Africa as announced on 21 November 2012.

The Group also developed a close association with a major group in Mozambique and examined a number of coal projects in the Tete area.

The Group made a placement of 6,110,000 shares at 10 cents per share to raise \$611,000 to increase working capital. The placement was finalised on 3 December 2012.

The Group continues to evaluate projects in Africa and hopes to make further acquisitions in the near future.

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

- In November 2012, the Group obtained an option to acquire 70% interest in two prospective coal projects, Matlotlo and Sangriblox, in the Klip River Coal field in the KwaZulu Natal province in South Africa. The project is located next to the operational Aviemore coking coal mine and the Magdalena Bituminous Coal Mine and specifically targets the exploration of coking coal, anthracite and bituminous coal mine.
- In November 2012, the Group raised \$611,000 through private placement of 6.11 million ordinary shares at 10 cents per share. This placement was to assist with funding the development of the KwaZulu-Natal coal project, and for working capital purposes.

Apart from the above or as noted elsewhere in this report no significant changes in the state of affairs of the Group occurred

during the financial period.

7. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

There are no matters or circumstances that have arisen since 31 December 2012 that have or may significantly affect the operations, results, or state of affairs of the Group in future financial periods.

8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

As the Group's areas of interest are at an early stage, it is not possible to postulate the likely developments and any expected results.

9. ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are subject to environmental regulation in respect to its mineral tenements relating to exploration activities on those tenements. No breaches of any environmental restrictions were recorded during the financial year.

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation

The information provided in this remuneration report has been audited as required under Section 308 (3C) of the *Corporations Act 2001*.

A. Principles used to determine the nature and amount of remuneration (audited)

Remuneration Policy

The remuneration policy of Argosy Minerals Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The board of Argosy Minerals Limited believes the remuneration policy is appropriate and effective in its ability to attract and retain high calibre executives and directors to run and manage the Group.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Group is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. Emoluments of Directors and senior executives are set by reference to payments made by other companies of similar size and industry, and by reference to the skills and experience of the Directors and executives.

Executive pay and reward consists of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. The grant of options is designed to recognise and reward efforts as well as to provide additional incentive and may be subject to the successful completion of performance hurdles.

Executives are offered a competitive level of base pay at market rates (for comparable companies) and are reviewed annually to ensure market competitiveness.

The Group's policy is to remunerate non executive directors at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. From time to time the Group may grant options to non-executive directors. The grant of options is designed to recognise and reward efforts as well as to provide non executive directors with additional incentive to continue those efforts for the benefit of the Group. The maximum aggregate amount of fees (including superannuation payments) that can be paid to non executive directors is subject to approval by shareholders at a General Meeting.

Performance based remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. Currently, this is facilitated through the issue of options to executives to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing shareholder wealth. For details of directors and executives interests in options at year end, refer note 14 to the financial statements. No market based performance remuneration has been paid in the current year.

Argosy Minerals Limited

Group performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders investment objectives and directors and executives' performance. Currently, this is facilitated through the issue of options to executives to encourage the alignment of personal and shareholder interests. No market based performance remuneration has been paid in the current year.

B. Details of remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Argosy Minerals Limited are set out in the following table.

The key management personnel of Argosy Minerals Limited include the directors who have authority and responsibility for planning, directing and controlling the activities of the Group.

Key management personnel and other executives of Argosy Minerals Limited

	Short-Term		Post Employment		Share-based Payments		Total
	Fees	Consulting	Non-Cash	Superannuation	Options	Remuneration consisting options	
	\$	\$	\$	\$	\$	%	\$
Directors							
Mr Peter Lloyd							
2012	284,000*	-	3,278	-	-	-	287,278
2011	288,000	-	-	-	-	-	288,000
Mr Philip Thick							
2012	40,000	-	3,278	-	-	-	43,278
2011	35,833	-	-	-	-	-	35,833
Mr Danie Van Den Bergh							
2012	30,000	23,800	3,278	-	-	-	57,078
2011	17,524**	-	-	-	-	-	17,524
Mr John Maloney***							
2012	-	-	-	-	-	-	-
2011	16,666	-	-	-	-	-	16,666
Mr Cecil Bond****							
2012	-	-	-	-	-	-	-
2011	19,030	-	-	-	-	-	19,030
Total key management personnel compensation							
2012	354,000	23,800	9,834	-	-	-	387,634
2011	377,053	-	-	-	-	-	377,053

There are no cash bonuses or non-monetary benefits relating to any of the Directors during the year.

* Refer below for details of service agreement related to Mr Peter Lloyd.

** Mr Danie Van Den Bergh was appointed as a Director on 30 May 2011.

*** Mr John Maloney resigned as a Director on 30 May 2011.

**** Mr Cecil Bond resigned as a Director on 15 September 2011.

C. Service agreements

There is no service agreement with any key management personnel except for Mr Peter Lloyd, details of which are as follows.

Former Contract (cancelled effective 31 March 2013)

The Group entered into a service agreement with Peninsular Services Pty Ltd for the provision to secure the services of Mr Peter Lloyd as Managing Director, and other procurement, administration, equipment hire, and other general management services. Effective December 2012, the agreement was adjusted from a base payment of \$24,000 per month to \$20,000 per month plus direct reimbursements (at cost) for salaries and other personnel provided by Peninsular Services Pty Ltd. In the event of termination of the agreement, Peninsular Services Pty Ltd will be entitled to twice the annual fee.

For the purposes of remuneration details provided in section B of this report, a total amount of \$284,000 is shown as remuneration attributable to Mr Peter Lloyd for the year ended 31 December 2012.

Argosy Minerals Limited

C. Service agreements (cont'd)

New Contract (effective 1 April 2013)

Effective 1 April 2013, the service agreement for Peter Lloyd is cancelled. A new contract has been agreed with Peter Lloyd as follows:

- Base remuneration - \$180,000 plus statutory superannuation at 9% are to be paid.
- Term of agreement – no fixed term of agreement
- Payment of termination benefit on early termination by the company, other than by gross misconduct, equal to 12 months remuneration.

In addition, Peninsular Services Pty Ltd, a company related to Peter Lloyd, has entered into a new service agreement effective 1 April 2013 and will be entitled to remuneration for hire of equipment and other services at a rate of \$40,000 per annum.

D. Share-based compensation

No share-based remuneration was granted to directors during the financial year.

E. Voting and comments made at the 2012 Annual General Meeting

Argosy Minerals received 96% yes votes on its remuneration report for the 2012 financial year. The Group did not receive any specific feedback at the AGM or throughout the year on its remuneration practises.

F. Remuneration Consultants

The Group did not have remuneration consultants during the financial year.

End of Audited Remuneration report.

10. DIRECTORS' MEETINGS

During the period the Group held 6 meetings of directors (including circular resolutions passed by directors). The attendance of directors at meetings of the Board was:

	Directors' Meetings	
	A	B
Mr Peter Lloyd	6	6
Mr Philip Thick	6	6
Mr Danie Van Den Bergh	6	6

Notes

A - Number of meetings attended B - Number of meetings held during the time the director held office during the period
During the year, the directors discuss company matters on a regular basis, avoiding the need for numerous formal meetings.

11. SHARES UNDER OPTION

Year ended 31 December 2012

There are no listed or unlisted options outstanding and exercisable as at the date of this report.

12. PROCEEDINGS ON BEHALF OF GROUP

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001*.

13. INDEMNIFICATION OF OFFICERS AND AUDITORS

Subsequent to the end of the financial year, the Group paid a premium in respect of a contract of insurance insuring the directors and officers of the Group against certain liabilities specified in the contract. The contract prohibits disclosure of the nature of the liabilities insured and the amount of the premium.

The Group has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Group against a liability incurred as such an officer or auditor.

14. NON-AUDIT SERVICES

Details of the amounts paid or payable for non-audit services provided during the year are set out below:

	2012	2011
		\$
Fee for corporate tax and consulting services :		
Assistance with the preparation and setup of account relating to the re-domicile of the Company from Canada to Australia	-	10,000
Total remuneration	<u>-</u>	<u>10,000</u>

The directors are satisfied that the provision of non-audit services, during the year, by the auditor or a related practice of the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are also satisfied that the provision of non-audit services by the auditor, as set out above, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor, and
- None of the services undermine the general principles relating to auditor's independence as set out in APES110: Code of Ethics for Professional Accountants.

15. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11.

Signed in accordance with a resolution of the directors, and on behalf of the Board by



Peter Lloyd
Chief Executive Officer

Perth, 26 March 2013

26 March 2013

The Board of Directors
Argosy Minerals Limited
9/154 Hampden Road
NEDLANDS WA 6009

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF
ARGOSY MINERALS LIMITED**

As lead auditor of Argosy Minerals Limited for the year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Argosy Minerals Limited and the entities it controlled during the period.



Glyn O'Brien
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

Corporate Governance Statement

The ASX Corporate Governance Council requires that the Group must disclose the extent to which it has followed best practice recommendations, identify which recommendations have not been followed and the reason for not adopting the recommendations. The ASX Corporate Governance Council recognises that not all recommendations are appropriate for all companies and those companies should only adopt those recommendations that are suitable in each individual case.

The following is a summary of major policies adopted by the Group, and where appropriate, explanations of where best practice recommendations have not been applied. This Corporate Governance Statement is not an exhaustive list of all the Group's corporate governance policies.

Principle 1 - Lay solid foundations for management and oversight

Recommendations 1.1 and 1.2

Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions, and should disclose the process for evaluating the performance of senior executives.

The Group has complied with these recommendations. The Board recognises the importance of distinguishing between the respective roles and responsibilities of the Board and management, and evaluating the performance of executives. The Board has established a framework for the management of the Group and the roles and responsibilities of the Board and management. The Board is responsible for the strategic direction of the Group, establishing goals for management and monitoring the achievement of these goals, monitoring the overall corporate governance of the Group and ensuring that shareholder value is increased.

The Chairperson and/or the Managing Director are required to review the performance of each executive at least once every calendar year with reference to the terms of their employment contract. A performance evaluation for executives did take place in the reporting period.

Principle 2 - Structure the Board to add value

Recommendation 2.1

A majority of the board should be independent directors.

Mr Peter Lloyd is an Executive director of the Group and currently fills the role of Managing Director.
Mr Philip Thick is a Non-executive director and satisfies the tests of independence.
Mr Danie Van Den Bergh is a Non-executive director and satisfies the tests of independence.

The Group has complied with the requirement that the majority of the Board be independent directors.

The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each director has the relevant industry experience and specific expertise relevant to the Group's business and level of operation.

The Group has followed ASX recommendations in the assessment of whether a director is considered to be "independent" and with respect to conducting regular reviews of directors' independence.

The Group has not yet set specific materiality thresholds in relation to the consideration of director independence. Regardless of their independence all directors are encouraged to bring an independent judgment to bear on Board decisions.

Recommendation 2.2

The chair should be an independent director.

Mr Philip Thick is the Chairman of the Board and satisfies the tests for independence.

Corporate Governance Statement (continued)

Recommendation 2.3

The roles of chair and chief executive officer should not be exercised by the same individual.

The Group complied with this recommendation.

Recommendation 2.4

The board should establish a Nomination Committee.

The Group believes it is not of a size to justify having a Nomination Committee. If any vacancies arise on the Board, all directors are involved in the search and recruitment of a replacement. The Board believes corporate performance is enhanced when the Board has an appropriate mix of skills and experience.

Recommendation 2.5

Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

Key information relating to the directors who served on the Board during the reporting period is located in the Directors' Report including details of the current directors: skills, experience and expertise relevant to their positions and their terms in office.

There are no specific provisions for the evaluation of the performance of the Board, any committees and individual directors, due to the size and operations of the Group.

The Board and any committees it convenes from time to time are able to seek advice from independent experts whenever it is considered appropriate. With the consent of the Managing Director, individual directors may seek independent professional advice, at the expense of the Group, on any matter connected with the discharge of their responsibilities.

Principle 3 - Promote ethical and responsible decision-making

Recommendation 3.1

Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- the practices necessary to maintain confidence in the Group's integrity;
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Group has complied with this recommendation.

Recommendations 3.2, 3.3 and 3.4

Companies should establish a policy concerning gender diversity and disclose a policy or summary of that policy, and in each annual report disclose the measurable objectives for achieving gender diversity.

The Group has not complied with this recommendation.

The Board considers that at this time no efficiencies or other benefits would be gained by introducing a formal diversity policy. In the future, as the Group grows and increases in size and activity, the Board will adopt a formal diversity policy.

Principle 4 - Safeguard integrity in financial reporting

Recommendation 4.1

The board should establish an Audit Committee.

The Group has established an Audit Committee.

Corporate Governance Statement (continued)

Recommendation 4.2

The Audit Committee should be structured so that it:

- Consists of non-executive Directors;
- Consists of a majority of independent Directors;
- Is chaired by an independent chair, who is not chair of the Board; and
- Has at least three members

The Audit Committee members are Peter Lloyd and Philip Thick.

Given the current size and composition of the Board, the Group is unable to comply with this recommendation. The Group's financial statements are prepared by management under the direction of the Group Secretary and reviewed in detail by not only the Audit Committee but also the full Board.

Recommendation 4.3

The Audit Committee should have a formal charter.

The Group has adopted an Audit Committee charter. The Audit Committee charter is set out on the Group's website.

Recommendation 4.4

Companies should provide the information indicated in the Guide to reporting on Principle 4.

Details on the number of meetings held and the attendees are set out in the Directors' Report.

Principle 5 - Make timely and balance disclosure

Recommendation 5.1

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Group has complied with this recommendation.

The disclosure policy is available on the Group's website.

Principle 6 - Respect the rights of shareholders

Recommendation 6.1

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Group has complied with this recommendation.

The communication policy is available on the Group's website.

Principle 7- Recognise and manage risk

Recommendation 7.1

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Group has an informal risk oversight and management policy and internal compliance and control system.

The Board is aware of the various risks that affect the Group and its particular business and reviews these risks on a regular basis. As the Group develops, the Board will further develop appropriate procedures to deal with risk oversight and management and internal compliance, taking into account the size of the Group and the stage of development of its projects.

The Group does not have an internal audit function.

Corporate Governance Statement (continued)

Recommendation 7.2

The board should require management to design and implement the risk management and internal control system to manage the Group's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Group's management of its material business risks.

The Group's internal management is evolving. Matters of risk management and internal control systems are currently addressed by the Board as a whole. Directors consider it complies with the intentions of Principle 7.2.

Recommendation 7.3

The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Group has complied with this recommendation.

Principle 8 - Remunerate fairly and responsibly

Recommendation 8.1

The board should establish a Remuneration Committee.

The Group has not established a separate remuneration committee. Due to the early stage of development and small size of the Group, a separate remuneration committee was not considered to add any efficiency to the process of determining the levels of remuneration for the Directors and key executives. The Board considers that it is more appropriate to set aside time at 2 Board meetings each year to specifically address matters that would ordinarily fall to a remuneration committee. In addition, all matters of remuneration will continue to be in accordance with Corporations Act requirements, especially in respect of related party transactions. That is, none of the Directors participate in any deliberations regarding their own remuneration or related issues.

No director may be involved in setting their own remuneration or terms and conditions and in such a case relevant directors are required to be absent from the full Board discussion.

Recommendation 8.2

The Remuneration Committee should be structured so that it:

- consists of a majority of independent directors;
- is chaired by an independent chair; and
- has at least three members.

The Group has not complied with this recommendation for the reasons discussed above.

Recommendation 8.3

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The Group has complied with this recommendation.

Details of the Directors' remuneration, including with respect to retirement benefits, are set out in the Remuneration Report.

Consolidated Statement of Comprehensive Income

YEAR ENDED 31 DECEMBER 2012	Notes	CONSOLIDATED	
		2012 \$	2011 \$
REVENUE	4	28,047	42,403
Compliance costs		(49,023)	(87,375)
Bank charges		(1,693)	(2,876)
Rental expenses		(71,523)	(71,556)
Directors fees		(70,000)	(65,000)
Legal fees		(4,272)	(10,276)
Office expenses		(13,147)	(17,635)
Depreciation		(5,729)	(4,801)
Exploration and project assessment expenses		(187,456)	(364,209)
Professional fees		(64,031)	(32,821)
Management fees		(442,877)	(566,747)
Travel expenses		-	(17,907)
Other expenses	5	(59,674)	(42,947)
LOSS BEFORE INCOME TAX		(941,378)	(1,241,747)
INCOME TAX BENEFIT / (EXPENSE)	6	-	-
LOSS FOR THE YEAR		(941,378)	(1,241,747)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(941,378)	(1,241,747)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF ARGOSY MINERALS LIMITED		(941,378)	(1,241,747)
Loss per share for loss attributable to ordinary equity holders of the group:			
Basic and diluted loss per share (cents per share)	22(a)	(0.78)	(1.06)

The above consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Argosy Minerals Limited

Consolidated Statement of Financial Position

YEAR ENDED 31 DECEMBER 2012	Notes	CONSOLIDATED	
		2012	2011
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	7	950,001	1,308,754
Trade and other receivables	8	12,179	7,803
TOTAL CURRENT ASSETS		<u>962,180</u>	<u>1,316,557</u>
NON-CURRENT ASSETS			
Property, plant & equipment	9	9,579	15,308
TOTAL NON-CURRENT ASSETS		<u>9,579</u>	<u>15,308</u>
TOTAL ASSETS		<u>971,759</u>	<u>1,331,865</u>
CURRENT LIABILITIES			
Trade and other payables	10	61,529	65,697
TOTAL CURRENT LIABILITIES		<u>61,529</u>	<u>65,697</u>
TOTAL LIABILITIES		<u>61,529</u>	<u>65,697</u>
NET ASSETS		<u>910,230</u>	<u>1,266,168</u>
EQUITY			
Contributed Equity	11	52,918,140	52,332,700
Reserves	12(a)	3,187,406	3,187,406
Accumulated losses	12(b)	(55,195,316)	(54,253,938)
TOTAL EQUITY		<u>910,230</u>	<u>1,266,168</u>

The above consolidated Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Changes in Equity

	CONSOLIDATED			
	Share Capital Ordinary \$	Accumulated Losses \$	Option Issue Reserve	Total Equity \$
BALANCE AT 1 JANUARY 2011	50,333,611	(53,012,191)	3,187,406	508,826
Loss for the year	-	(1,241,747)	-	(1,241,747)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	-	(1,241,747)	-	(1,241,747)
Shares and options issued during the year, net of costs	1,999,089	-	-	1,999,089
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS	-	-	-	-
BALANCE AT 31 DECEMBER 2011	52,332,700	(54,253,938)	3,187,406	1,266,168
	\$	\$		\$
BALANCE AT 1 JANUARY 2012	52,332,700	(54,253,938)	3,187,406	1,266,168
Loss for the year	-	(941,378)	-	(941,378)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	-	(941,378)	-	(941,378)
Shares and options issued during the year, net of costs	585,440	-	-	585,440
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS	-	-	-	-
BALANCE AT 31 DECEMBER 2012	52,918,140	(55,195,316)	3,187,406	910,230

The above consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Argosy Minerals Limited

Consolidated Statement of Cash Flows

YEAR ENDED 31 DECEMBER 2012	Notes	2012 \$	CONSOLIDATED 2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(972,240)	(1,291,208)
Interest received		28,047	42,185
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	21(a)	<u>(944,193)</u>	<u>(1,249,023)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase)/Disposal of property, plant and equipment		-	(13,093)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		<u>-</u>	<u>(13,093)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		611,000	2,000,000
Share issue costs		(25,560)	(911)
NET CASH INFLOW FROM FINANCING ACTIVITIES		<u>585,440</u>	<u>1,999,089</u>
NET(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		<u>(358,753)</u>	<u>736,973</u>
Cash and cash equivalents at the beginning of the year		1,308,754	571,781
Effect of foreign exchange rate movements		-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	<u>950,001</u>	<u>1,308,754</u>

The above consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial information included in this report have been set out below.

(a) Basis of preparation of historical financial information

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Boards, Australian Accounting Interpretations and the *Corporations Act 2001*. The financial statements were authorised for issue by the directors on 26 March, 2013. These financial statements have been prepared on a historical cost basis.

The consolidated financial statements, comprising the notes thereto, comply with International Financial Reporting Standards (IFRS). These consolidated financial statements are presented in Australian Dollars, which is the Group's functional and presentation currency.

(b) Revenue Recognition

Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipt over the expected life of the financial asset.

(c) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in equity.

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(d) Impairment of Assets

At each reporting date the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the statement of comprehensive income where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

(e) Cash and Cash Equivalents

"Cash and cash equivalents" includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(f) Investments and Other Financial Assets

All investments and other financial assets are initially stated at cost, being the fair value of consideration given plus acquisition costs. Purchases and sales of investments are recognised on trade date which is the date on which the Group commits to purchase or sell the asset. Accounting policies for each category of investments and other financial assets subsequent to initial recognition are set out below.

Loans and receivables

Non-current loans and receivables include loans due from related parties repayable no earlier than 365 days of statement of financial position date. As these are non-interest bearing, fair value at initial recognition requires an adjustment to discount these loans using a market-rate of interest for a similar instrument with a similar credit rating. The discount is credited to the statement of comprehensive income immediately and amortised using the effective interest method. Loans and receivables are carried at amortised costs using the effective interest rate method.

(g) Fair value estimation

Fair values may be used for financial asset and liability measurement and well as for sundry disclosures.

Fair values for financial instruments traded in active markets are based on quoted market prices at statement of financial position date. The quoted market price for financial assets is the current bid price and the quoted market price for financial liabilities is the current ask price.

The fair values of financial instruments that are not traded in an active market are determined using valuation techniques. Assumptions used are based on observable market prices and rates at reporting date. The fair value of long-term debt instruments is determined using quoted market prices for similar instruments. Estimated discounted cash flows are used to determine fair value of the remaining financial instruments.

The fair value of trade receivables and payables is their normal value less estimated credit adjustments due to their short term nature.

(h) Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms.

(i) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, superannuation, annual leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.

(j) Exploration and evaluation expenditure

The Group has adopted the policy of expensing all exploration and evaluation expenditure in relation to its mineral tenements as incurred.

(k) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(l) Goods and Services Tax

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financial activities, which are recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(m) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the Statement of Financial Position based on their nature.

(n) Provisions

Provisions for legal claims are recognised when the Group has a legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(o) Property, Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The depreciable amount of fixed assets are depreciated on a diminishing value basis over their useful lives to the Group, commencing from the time the assets are held ready for use. The depreciation rates used for each class of depreciable assets are:

Property, plant and equipment	20.00% to 66.67%
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Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

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(p) Earnings per Share

(i) Basic Earnings per Share

Basic earnings per share is determined by dividing the operating loss after income tax by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of partly paid shares or options outstanding during the financial year.

(q) Segment Reporting

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker, which has been identified by the Group as the Managing Director and other members of the Board of Directors. This standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting.

(r) Principles of Consolidation

Subsidiaries

A controlled entity is any entity Argosy Minerals Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 19 to the financial statements.

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

(s) Critical Accounting Estimates and Judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts and liabilities within the next financial year are discussed below.

Income Taxes

The Group is subject to income taxes in Australia and jurisdictions where it had foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the current and deferred tax provisions in the period in which such determination is made.

Fair value of share options and assumptions

The fair value of services received in return for share options granted to Directors and employees is measure by reference to the fair value of options granted. The estimate of the fair value of the services is measure based on Black-Scholes options valuation methodology.

(t) Adoption of New and Revised Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013*).

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013* but is available for early adoption. When adopted, the standard will affect in particular the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held

(t) Adoption of New and Revised Accounting Standards (cont'd)

for trading. Fair valued gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Group has not yet decided when to adopt AASB 9.

*In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015.

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013).

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principal that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. While the group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The Group is still assessing the impact of these amendments.

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 31 December 2014.

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013).

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 31 December 2014.

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(t) Adoption of New and Revised Accounting Standards (cont'd)

(iv) Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013).

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. The Group does not have any defined benefit plans and so is not impacted by the amendment.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks, to minimise potential adverse effects on the financial performance and position of the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and cash equivalents.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	CONSOLIDATED	
	2012	2011
	\$	\$
Cash and cash equivalents	950,001	1,308,754
Trade and other receivables	12,179	7,803
	962,180	1,316,557

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	2012	2011
Cash at bank and short-term bank deposits		
Term deposit	362,530	451,397
	362,530	451,397

The short term bank deposits are held with a reputable Australian Banking Institution with S & P long term rating of BBB (\$883,671), as well as a Canadian Banking Institution with S & P rating of A-1 (\$50,742).

Impairment Losses

None of the Group's other receivables are past due. There is no impairment loss recognised in 2012 (2011: nil).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and hire purchase contracts if required.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

There were no undrawn borrowing facilities in place during the current or prior year.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

2012

	Carrying amount	Total Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Trade payables and accruals	61,529	61,529	61,529	-	-	-	-
	61,529	61,529	61,529	-	-	-	-

2011

	Carrying amount	Total Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Trade payables and accruals	65,697	65,697	65,697	-	-	-	-
	65,697	65,697	65,697	-	-	-	-

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency Risk

The Group is not exposed to any material currency risk.

Interest rate risk

Exposure arises predominantly from assets and liabilities bearing variable interest rates as the Group intends to hold fixed rate assets and liabilities to maturity. Interest rate risk is not considered to be material.

Sensitivity Analysis

If the interest rates had weakened/strengthened by 1% at 31 December 2012, there would be no material impact on the statement of comprehensive income. There would be no effect on the equity reserves other than those directly related to the statement of comprehensive income movements (2011: nil).

Fair Values

All financial assets and liabilities have been recognised at the reporting date at amounts approximating their carrying value due to their short term nature.

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Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the acquisition and potential development of mineral properties and to maintain a flexible capital structure which optimises the cost of capital at an acceptable risk.

In the management of capital, the Group includes the components of shareholders' equity as well as cash and cash equivalents.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Group may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Group prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Group's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with initial maturity terms of 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Group expects that its current capital resources will be sufficient to carry out its exploration plans and operations through its current operating period.

3. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions. The entity does not have any operating segments with discrete financial information. The Group does not have any customers, and all the group's assets and liabilities, as recorded in the Statement of Financial Position, are located within Australia.

The Board of Directors review internal management reports on a monthly basis that is consistent with the information provided in the statement of comprehensive income, statement of financial position and statement of cash flows. As a result no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

4. REVENUE

From continuing operations

Other revenue

Interest income

CONSOLIDATED	
2012	2011
\$	\$

- 218

28,047 42,185

28,047 42,403

5. EXPENSES

Loss before income tax includes the following specific expenses:

General expenses

Foreign exchange

Insurance

Other expenses

Total general expenses

3,758 (767)

11,142 1,091

44,774 42,623

59,674 42,947

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CONSOLIDATED

2012 2011
\$ \$

6. INCOME TAX

Income Tax expense

Current tax Liability
Deferred Tax Expense

-	-
-	-
-	-

The prima facie tax payable/(loss) on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:

Loss from continuing operations before income tax benefit	(941,378)	(1,241,747)
Prima facie tax payable on loss from ordinary activities before income tax at 30%	(282,413)	(372,524)
Add:		
Tax effect of:		
Non deductible expenses	107,837	109,263
Temporary differences not recognised	(1,722)	4,924
Current year tax losses for which no deferred tax asset has been recognised	176,298	258,337
	-	-

Movement in deferred tax assets and liabilities not recognised relate to the following:

Deferred tax assets

Accrued audit fees	-	(4,924)
Accrued leave	1,722	-
	1,722	(4,924)

Deferred tax liabilities

-	-
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Deferred income tax assets have not been recognised as it is not probable that future profit will be available against which deductible temporary differences can be utilised.

In addition to the above Australian estimated future income tax benefits, the Group has incurred significant expenditure in Sierra Leone, some of which should give rise to taxable deductions. At this stage, the Group is unable to reliably estimate the quantity of such future tax benefits.

There are no franking credits available.

CONSOLIDATED
2012 2011
\$ \$

7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash and cash equivalents as shown in the statement of financial position and statement of cash flows

950,001	1,308,754
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Cash at bank earns interest at floating rates based on daily bank deposit rates.

Deposits at calls are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group. Information about the Group's exposure to interest rate risk is disclosure in Note 2.

8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Trade and other receivables

12,179	7,803
12,179	7,803

As at 31 December 2012, trade receivables that were past due or impaired were nil (2011: nil). Refer to Note 2 for details of credit risk and fair value.

Argosy Minerals Limited

CONSOLIDATED

9. NON-CURRENT ASSETS

2012 2011
\$ \$

PROPERTY PLANT AND EQUIPMENT

(a) *Property, plant and equipment*

Cost	98,890	98,890
Accumulated depreciation	(89,311)	(83,582)
	9,579	15,308

Reconciliations of the carrying amounts of plant and equipment

Balance at 31 December 2010		7,016
Additions		13,093
Depreciation expense		(4,801)
Balance at 31 December 2011		15,308
Additions		-
Depreciation expense		(5,729)
Balance at 31 December 2012		9,579

10. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

Trade payables	21,522	19,950
Other payables	10,007	15,747
Accrued expenses	30,000	30,000
	61,529	65,697

11. ISSUED CAPITAL

(a) *Share capital*

	Notes	2012		2011	
		Number of shares	\$	Number of shares	\$
Ordinary shares fully paid	11(b)	126,029,105	52,944,611	119,919,105	52,333,611
Cost of capital raising			(26,471)		(911)
Total contributed equity			52,918,140		52,332,700

(b) *Movements in ordinary share capital*

For the financial year ended 31 December 2011

	Issue Price	Number of shares	\$
Beginning of the financial year		99,919,105	50,333,611
Shares issued through placement	\$0.10	14,900,000	1,490,000
Conversion of options	\$0.10	5,100,000	510,000
Share issue costs			(911)
End of the financial year		119,919,105	52,332,700

For the financial year ended 31 December 2012

	Issue Price	Number of shares	\$
Beginning of the financial year		119,919,105	52,332,700
Shares issued through placement	\$0.10	6,110,000	611,000
Share issue costs			(25,560)
End of the financial year		126,029,105	52,918,140

11. ISSUED CAPITAL (cont'd)

(c) Movements in options on issue

For the financial year ended 31 December 2011

Expiry date	Exercise Price (cents)	Balance 01/01/11	Exercised	Correction *	Balance 31/12/2011
25 May 2011	10	5,100,000	5,100,000	-	-
25 May 2012	50	2,750,000	-	2,750,000	-
22 May 2013	35	6,500,000	-	6,500,000	-
Total		14,350,000	5,100,000	9,250,000	-

* In August 2010 the Group determined that options approved at the Group's 2007 and 2008 Annual General Meetings were never issued. Accordingly, an adjustment was made.

For the financial year ended 31 December 2012

As at 31 December 2012, there are no options outstanding.

There was no movement in options on issue in year ended 31 December 2012.

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held.

CONSOLIDATED
2012 **2011**
\$ **\$**

12. RESERVES AND ACCUMULATED LOSSES

(a) Reserves

Option issue reserve

Balance at beginning of year	3,187,406	3,187,406
Transfer of option reserve to share capital	-	-
Balance at end of year	3,187,406	3,187,406

(b) Accumulated losses

Balance at beginning of year	(54,253,938)	(53,012,191)
Net loss for the year	(941,378)	(1,241,747)
Balance at end of year	(55,195,316)	(54,253,938)

(c) Nature and purpose of reserves

Option issue reserve

The option issue reserve is used to recognise the fair value of options issued.

13. DIVIDENDS

There was no dividend paid during the current and prior years.

Argosy Minerals Limited

14. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation	2012	2011
	\$	\$
Short-term benefits	387,634	377,053
Post employment benefits	-	-
Share-based payments	-	-
	387,634	377,053

Detailed remuneration disclosures are provided in the remuneration report.

(i) Option holdings

The numbers of options over ordinary shares in the Group held during the financial year by each director of Argosy Minerals Limited and other key management personnel of the Group, including their personally related parties, are set out below:

2012	Balance at start of the year	Granted as compensation	Exercised	Adjustment (see Note)	Balance at end of the year	Vested and exercisable	Unvested
Directors of Argosy Minerals Limited							
Peter Lloyd	-	-	-	-	-	-	-
Philip Thick	-	-	-	-	-	-	-
Danie Van Den Bergh	-	-	-	-	-	-	-

There were no options on issue for the year ended 31 December 2012.

2011	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Argosy Minerals Limited							
Peter Lloyd	7,500,000	-	(2,500,000)	(5,000,000)	-	-	-
Philip Thick	1,000,000	-	-	(1,000,000)	-	-	-
Danie Van Den Bergh	-	-	-	-	-	-	-
John Maloney *	2,250,000	-	(1,000,000)	(1,250,000)	-	-	-
Cecil Bond *	3,500,000	-	(1,250,000)	(2,250,000)	-	-	-

* Represent balances held at resignation.

Note – During the year it was determined that options approved for issue at the Group's 2007 and 2008 Annual General Meetings were never issued. Adjustments are therefore shown in the year ended 31 December 2011 for reconciliation purposes.

(ii) Shareholdings

The numbers of shares in the Group held during the financial year by each director of Argosy Minerals Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2012	Balance at start of the year	Purchased	Options Exercised	Sold	Balance at end of the year	Balance Nominally Held
Directors of Argosy Minerals Limited						
Peter Lloyd	17,951,161	-	-	-	17,951,161	17,951,161
Philip Thick	2,690,000	-	-	-	2,690,000	2,690,000
Danie Van Den Bergh	-	-	-	-	-	-

Argosy Minerals Limited

(ii) Shareholdings (cont'd)

2011	Balance at start of the year	Purchased	Options Exercised	Sold	Balance at end of the year	Balance Nominally Held
Directors of Argosy Minerals Limited						
Peter Lloyd	16,201,161	-	2,500,000	(750,000)	17,951,161	17,951,161
Philip Thick	250,000	2,440,000	-	-	2,690,000	2,690,000
Danie Van Den Bergh	-	-	-	-	-	-
John Maloney *	-	-	1,000,000	(300,000)	700,000	700,000
Cecil Bond *	732,000	-	1,250,000	(375,000)	1,607,000	-

* Represent balances held at date of resignation.

15. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Group, its related practices and non-related audit firms:

Audit services	CONSOLIDATED	
	2012	2011
	\$	\$
BDO Audit (WA) Pty Ltd - Audit and review of financial reports	28,139	32,684
	28,139	32,684

Details of the amounts paid or payable for non-audit services provided during the year are set out below:

Non Audit services

Fee for corporate tax and consulting services :

Assistance with the preparation and set up of accounts relating to the re-domicile of the Company from Canada to Australia

-	10,000
-	10,000

16. CONTINGENCIES

There are no material contingent liabilities or contingent assets of the Group at reporting date.

17. RELATED PARTY TRANSACTIONS

(a) Other transactions with director related entities

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	CONSOLIDATED	
	2012	2011
	\$	\$
(i) Payments to Peninsular Services Limited for provision of office facilities, consultancy services and personnel. Peninsular Services Limited is a related entity of Peter Lloyd. The services were reimbursed at cost.	150,632	241,144
(ii) Payments to 667060 BC Ltd, a company in which Cecil Bond is a Director, for management and consulting services.	-	18,221

(b) Aggregate amount payable to Directors and their director related entities at reporting date.

Current Liabilities		
Trade payables	16,878	-

Argosy Minerals Limited

18. COMMITMENTS

(a) Exploration commitments

In order to maintain an interest in the mining and exploration tenements in which the Group is involved, the Group is committed to meet the conditions under which the tenements were granted. The timing and amount of exploration expenditure commitments and obligations of the Group are subject to the minimum expenditure commitments required as per the Mining Act, as amended, and may vary significantly from the forecast based upon the results of the work performed which will determine the prospectivity of the relevant area of interest.

These obligations are not provided for in the financial report and are payable.

Outstanding exploration commitments are as follows (no estimate has been given of expenditure commitments beyond 12 months as this is dependent on the directors' ongoing assessment of operations):

	2012	2011
	\$	\$
Within one year	-	-

(b) Lease commitments: Group as lessee

The Group leases offices located in Nedlands under non-cancellable operating leases expiring within five years. The lease has varying terms, escalation clauses and renewal rights. On renewal, the terms of the lease are renegotiated.

	2012	2011
	\$	\$
Within one year	74,250	10,267
Later than one year but not later than five years	12,558	-
	<u>86,808</u>	<u>10,267</u>

19. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy noted in Note 1 (s).

Name of Entity	Country of Incorporation	Class of shares	2012	2011
Argosy Mining Corporation Pty Ltd	South Africa	Ordinary	0%	100%
Andover Resources N.L. ('Andover')	Australia	Ordinary	100%	100%
Argosy Energy Zambia Limited	Zambia	Ordinary	100%	100%
Argosy Minerals (S.L.) Limited	Sierra Leone	Ordinary	100%	100%

All subsidiaries incorporated overseas are currently dormant. During the year ended 31 December 2012, Argosy Mining Corporation Pty Ltd was deregistered.

20. EVENTS OCCURRING AFTER THE REPORTING DATE

There are no matters or circumstances that have arisen since 31 December 2012 that have or may significantly affect the operations, results, or state of affairs of the Group in future financial periods.

	CONSOLIDATED	
	2012	2011
	\$	\$
21. STATEMENT OF CASH FLOWS		
<i>(a) Reconciliation of net loss after income tax to net cash outflow from operating activities</i>		
Net loss for the year	(941,378)	(1,241,747)
Non-cash Items		
Movement in foreign exchange	-	7,075
Depreciation	5,729	4,801
GST (refundable)/payable	3,667	770
Increase/(decrease) in accounts payable	(3,803)	(9,550)
Increase/(decrease) in provisions	(365)	(10,372)
(Increase)/decrease in receivable	(2,835)	-
(Increase)/decrease in prepayments	(5,208)	-
Net cash outflow from operating activities	<u>(944,193)</u>	<u>(1,249,023)</u>
22. LOSS PER SHARE		
<i>(a) Reconciliation of loss used in calculating loss per share</i>		
Loss attributable to the members of the Group used in calculating basic and diluted loss per share	<u>941,378</u>	<u>1,241,747</u>
Basic earnings / (loss) per share (cents per share)	(0.78)	(1.06)
	Number of shares	
	2012	2011
<i>(b) Weighted average number of shares used as the denominator</i>		
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	<u>120,430,471</u>	<u>117,169,472</u>

Argosy Minerals Limited

23. PARENT ENTITY FINANCIAL INFORMATION

The following details information related to the parent entity, Argosy Minerals Limited, at 31 December 2012. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2012	2011
	\$	\$
Net (loss)	(941,378)	(1,443,470)
Total current assets	962,180	1,316,557
Total non-current assets	9,579	15,307
Total assets	971,759	1,331,864
Total current liabilities	61,529	65,697
Total liabilities	61,529	65,697
Net assets	910,230	1,266,167
Equity		
Contributed Equity	52,918,140	52,332,700
Reserves	3,218,339	3,218,339
Accumulated losses	(55,226,249)	(54,284,872)
Total Equity	910,230	1,266,167

There are no specific commitments for the parent entity other than the ones specified in Note 18.

Directors' Declaration

The Directors of the Group declare that:

1. The financial statements, comprising the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes, are in accordance with the *Corporations Act 2001* and:

- a) comply with Accounting Standards and the Corporations Regulations 2001; and
- b) give a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the year ended on that date.

2. In the Director's opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

3. The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A

4. The Group has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards (IFRS).

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Peter Lloyd

Chief Executive Officer

Perth, 26 March 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARGOSY MINERALS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Argosy Minerals Limited, which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Argosy Minerals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Argosy Minerals Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Argosy Minerals Limited for the year ended 31 December 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd



Glyn O'Brien
Director

Perth, Western Australia
Dated this 26th day of March 2013

ASX Additional Information

Additional information required by Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows.

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding as at 28 February 2013:

		No. of holders
1	- 1,000	459
1,001	- 5,000	607
5,001	- 10,000	321
10,001	- 100,000	516
100,001	and over	171
		2,074

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares as at 14 March 2013 are:

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	Sunbreaker Holdings Pty Ltd	16,786,546	13.32%
2	Mr Graham Geoffrey Walker & Mrs Thelma Jean Walker	5,610,000	4.45%
3	Citicorp Nominees Pty Ltd	3,892,548	3.09%
4	Dawesville Nominees Pty Ltd	3,780,000	3.00%
5	Mr Philip Andrew Thick & Mrs Susan Jennifer Thick	2,690,000	2.13%
6	JP Morgan Nominees Australia Limited	2,678,824	2.13%
7	J & TW Dekker Pty Ltd	2,500,000	1.98%
8	E C Dawson Super Pty Ltd	2,340,000	1.86%
9	Mrs Felicity Claire Koekoek	2,300,000	1.82%
10	Merrill Lynch (Australia) Nominees Pty Limited	2,249,241	1.78%
11	Frollo Enterprises Limited	2,139,000	1.70%
12	Castle Bailey Pty Ltd	1,860,477	1.48%
13	Mr Steven Panomarenko	1,501,065	1.19%
14	Estate of Mr Ian Ross Lloyd	1,371,000	1.09%
15	LQ Super Pty Ltd	1,250,000	0.99%
16	Gaje Pty Ltd	1,200,000	0.95%
17	Mr Peter John Fisher & Mrs Loris Joyce Fisher	1,095,381	0.87%
18	Java Black Mining Pty Ltd	1,093,659	0.87%
19	HSBC Custody Nominees (Australia) Ltd	1,028,404	0.82%
20	Ms Monica Constance Avery	1,000,000	0.79%
		58,366,145	46.31%

(c) Substantial shareholders

The names of substantial shareholders who have notified the Group in accordance with section 671B of the *Corporations Act 2001* are:

	Number of Shares
Sunbreaker Holdings Pty Ltd and associated entities	17,951,161

Argosy Minerals Limited

Set out above is an extract from the Company's register of last substantial shareholder notices as received by the Company and/or lodged at the ASX. Shareholdings and percentages reported in the table are as reported in the most recent notifications received, however these may differ from current holdings as substantial shareholders are required to notify the Company only in respect of changes which act to increase or decrease their percentage holding by at least 1% of total voting rights.

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.