ARGONAUT RESOURCES NL

A.B.N. 97 008 084 848

HALF-YEAR
FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 31 DECEMBER 2010

CORPORATE DIRECTORY

DIRECTORS	Mr Patrick J D Elliott - Independent Non- Executive Chairman Mr Geoff N Williams - Independent Non- Executive Director Mr Lindsay J Owler - Exploration Director Mr Andrew W Bursill - Director and Company Secretary
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COMPANY SECRETARY	Mr Andrew Bursill
SOLICITORS	Watson Mangioni 50 Carrington Street Sydney NSW 2000
AUDITOR	Ernst & Young Ernst & Young Centre 680 George Street Sydney NSW 2000
SHARE REGISTRY	Registries Limited Level 7, 207 Kent Street Sydney NSW 2000
ASX CODE	ARE
INTERNET WEBSITE	www.argonautresources.com

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Your Directors present their report together with the financial report of Argonaut Resources NL (the "Company") and the entities it controlled (the "Group") during the half-year ended 31 December 2010 and the auditor's report thereon.

Directors

The following persons were Directors of the Company during the whole of the half-year and up to date of this report:

Mr Patrick J D Elliott	- Independent Non-Executive Chairman
Mr Geoff N Williams	- Independent Non-Executive Director
Mr Lindsay J Owler	- Exploration Director
Mr Andrew W Bursill	- Director and Company Secretary

Review of Operations

The Group loss for the six months to 31 December 2010, after providing for income tax, was $575,410 (2009: profit of $1,691,805).

Principal Activities

During the half-year the principal activities of the consolidated entity were directed toward indentifying resource opportunities capable of exploration to increase value with clear emphasis on projects capable of early development into production.

Exploration Activities
Australia

Kroombit, Central Queensland

On 21 July 2010, Argonaut announced the Kroombit zinc-copper project Scoping Study had confirmed the project's development potential.

The study showed an IRR of 20%, an NPV of $15 million and cash flow before tax of $71 million under the current taxation system using the estimated Resource and Exploration Potential at a 0.3% copper cut off, uplifted grades and a Discount Rate of 12%.

Other study highlights included:

- Combined zinc/copper ore production estimated at 1.5 million tpa
- Low cost mining scenario - Open cut operation with estimated low striping ratio of 1.3:1
- Conventional processing route with low technology risk
- High grade zinc concentrate of 54% Zn
- Capital cost estimated at $87 million
- Further expansion of the resource base required to underpin project economics

Kroombit, Central Queensland (continued)

Following the estimation of a maiden zinc-copper resource at Kroombit, Argonaut engaged Intech Engineers of Brisbane to undertake the Scoping Study with support and input from Mineral Processing Consultants, Optimet Laboratories and Hellman & Schofield. The study involved:

- preliminary mine planning and site layout;
- preliminary cut-off grade optimisation;
- flotation and comminution testing;
- preliminary plant design and equipment selection;
- transport, logistics and infrastructure requirements; and
- capital and operating cost estimates.

The aim of the study was to:

- Provide grade and tonnage targets for future resource drilling programs
- Establish the scope for further work programs to advance the project
- Provide justification for further major expenditure
- Provide a basis for a detailed Feasibility Study

Scoping Study context: scoping or conceptual studies usually are not sufficiently accurate to carry out a meaningful assessment of the economic viability of any mining project. Rather, their role is to determine whether, and to what extent, further predevelopment efforts are warranted.

Scoping Studies typically have an accuracy level of +/-30-40%.

The study included financial analysis involving resource cases based on:

- the reported mineral Resource estimate;
- potential ore derived from reported Exploration Potential; and
- elevated grades based on possible underreporting of grade in reverse circulation drill samples.

Modelling of three cases was completed to determine potential project economics.

An uplifted grade was applied in Case 2 and Case 3 - based on reasoning detailed below – to model the impact of perceived underreporting of grades.

The financial analysis found the following major conclusions:

- Case 1(current Resource using spot metal prices) has a positive net cash flow before tax of $27.5 million but an NPV of $1.4 million at a discount rate of 12% and an IRR of 13.2%.
- Case 2 (current Resource plus Exploration Potential and uplifted grades using spot metal prices) has a positive net cash flow before tax of $55.9 million and an NPV of $9.0 million at 12% discount rate and an IRR of 18.5%

Kroombit, Central Queensland (continued)

- Case 2a (current Resource plus Exploration Potential using notional long term metal prices) has a negative net cash flow before tax of $9.1 million and an NPV of -$21.7 million at 12% discount rate and an IRR of -3.7%
- Case 3 (current Resource plus Exploration Potential and uplifted grades using 0.3% Cu cut off grade and spot metal prices) has a positive net cash flow before tax of $71.4 million and an NPV of $15.0 million at 12% discount rate and an IRR of 20.0%
- Case 3a (current Resource plus Exploration Potential and uplifted grades using 0.3% Cu cut off grade and notional long term metal prices) has a positive net cash flow before tax of $4.0 million and an NPV of -$18.1 million at 12% discount rate and an IRR of 1.3%

The financial breakdown shows that copper is profitable but zinc is marginal, suggesting that an improvement to the zinc grade and/or expanded copper resource would contribute positively to the project's financial performance.

Mineral Resource estimates were prepared from 2007-8 drilling results. The maiden Resource Estimates were announced on 11 June 2009.

During the course of this scoping study additional resource reporting work was completed with the major activities being:

- resource estimate reported in tonnes, volume and grade for 10m levels of the proposed open pit;
- a revised resource report was produced for copper contained within the zinc wireframe for blocks with copper greater than 0.5% and less than 1% zinc not previously reported. Potentially, this would provide additional economic copper feed; and
- revised resource estimate reports including estimated tonnes, volume and grades for copper and zinc mineralisation previously described as Exploration Potential. (Mineralisation defined as Exploration Potential has had insufficient exploration to define a Mineral Resource. It is uncertain whether further drilling will convert this to a Mineral Resource).

These figures were used as the basis for cases 2 and 3 in the financial model.

Financial model cases 2 and 3 used uplifted grades. This was based on the results of four diamond core holes twinning four RC holes which suggested that the diamond drill core contains higher overall zinc grades for the intercepts, implying that the RC data is understating the zinc values by approximately 15%.

The study considered mining at a rate of 1.5mtpa and conclusions drawn from the preliminary investigation of the mining found:

- the Resource is defined to a depth of 140m below the surface making it suitable for extraction by open pit mining methods; and
- indications are that the stripping ratio will be low – in the order of 1.3 waste rock to ore – resulting in a low mining cost.

Kroombit, Central Queensland (continued)

Preliminary metallurgical test work for processing of zinc and copper for the Kroombit deposit was completed as part of the study. The testing results indicate that both copper and zinc primary sulphides can be extracted by flotation with good recoveries.

Infrastructure investigations were able to resolve concept designs for the majority of the infrastructure and identified the following:

- grid power can be provided within an economic distance of the project site;
- water supply to the area is committed and investigation will be required to identify and provide a suitable supply for the project; and
- potential tailings storage facilities were identified and a concept was developed for a location to the east of the pit.

The total project capital cost is estimated at $87 million and the life or average on-site operating cost is estimated at $22.5/tonne of ore (Cu/Zn).

Torrens, Stuart Shelf, South Australia

On 14 July 2010, the parties to the Torrens Joint Venture announced that an application under Section 23 of the Aboriginal Heritage Act 1988 in South Australia in respect of the Torrens Project (EL4296) was approved by the Minister for Aboriginal Affairs and Reconciliation.

On 17 January 2011, Argonaut announced that the Environment, Resource and Development Court of South Australia has determined that Mining (exploration) Operations may not be conducted, pursuant to s 63S(2)(a) of the *Mining Act 1971* (SA) on EL4296.

The parties to the Torrens Joint Venture are considering the decision and avenues of appeal.

The Torrens Joint Venture is between Argonaut Resources NL and Straits Resources Limited and relates to the Torrens Project, EL 4296. Argonaut currently holds 100% of EL 4296 and Straits is earning a 70% interest.

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 region (Stuart Shelf), within 50 kilometres of Teck Cominco's Carrapateena copper - gold discovery and 75 kilometres from BHP Billiton's Olympic Dam mine.

Alford, South Australia

On 12 January 2011, Argonaut announced the commencement of drilling at the Company's 100% held Alford project (EL3969) on South Australia's Yorke Peninsula.

The exploration program is targeting a range of mineralisation styles across three prospect areas. The company plans to drill 12 diamond core holes to approximately 250m for a total of 3,000m.

Netherleigh Park
Extension and definition of the mineralisation identified at the Netherleigh Park prospect is the Company's highest priority at Alford.

Drill intercepts to date were derived from copper mineralisation hosted in a formerly carbonaceous meta-siltstone unit. This unit has been strongly metasomatised in the area of known mineralisation and is adjacent to a meta-basalt unit and granite. Certain, deeper drill holes intercepted primary (hypogene) copper sulphide mineralisation whilst shallower aircore and rotarty mud drill holes intercepted related copper oxide mineralisation in the weathered zone above.

Alford East
Interpretation and recompilation of historical datasets reveals strong association between copper mineralisation and magnetic intensity at Alford East. A lithostratigraphic control is also apparent within the geological data with carbonaceous metasediments preferentially hosting copper mineralisation.

The banded high magnetic intensity target area associated with the Alford Fault Zone extends over 7 kilometres north - south and up to 1 kilometre in width. Recently completed geophysical modelling has identified 11 prospective, untested geophysical targets in the Alford East area (excluding Netherleigh Park). Of most significant interest are seven bodies (or groups of bodies) that are defined by coincident magnetic, gravity and conductivity highs (conductivity highs are hosted below the weathered zone i.e. between 75 and 150m in depth).

These targets are analogous to the mineralisation at the Rex Mineral's Hillside project, approximately 80km to the southeast. Geophysically, both projects have magnetic and gravity anomalies associated with major regional structures. Geologically, copper mineralisation is sub-vertical and structurally controlled with broad low grade mineralisation envelopes. Mineralisation at the Alford and Hillside projects appears to be related to Hiltaba suite granites.

Glenrae
There are several Iron Oxide Copper – Gold ("IOCG") targets within the project area that have been inadequately tested. The priority target of this style is the Glenrae target.

Review and modelling of historic geophysical data has indicated magnetic and gravity anomaly sources at approximately 200 metres depth. This review also determined that existing gravity data was spurious in that historic data did not correspond well with modern data. Argonaut has now completed an airborne heli-mag survey at Glenrae and a ground based gravity survey at Glenrae.

Alford, South Australia (continued)

Historical drill hole data indicates low grade copper anomalism associated with a high magnetic intensity anomaly. Shallow RAB (rotary air blast) drilling to an average depth of approximately 50 metres returned maximum copper grades of 2m at 2.4% Cu within an intercept of 20m at 0.45% Cu from 44m in R338. This drill hole ended in mineralisation.

Two follow up diamond drill holes targeted the magnetic anomaly but neither hole tested the gravity anomaly that is located to the south east. Minor copper anomalism was recorded up to 0.3% Cu.

The company will select targets for drill testing at Glenrae on the basis of modelling.

Laos

During the Period, Argonaut continued preparations for a major dry season drilling program at the Xekong tenement in southern Laos and executed an agreement allowing Aurum Resources Pty. Ltd. to earn a 51% interest via US$6.5 million in exploration expenditure.

Xekong Area (Argonaut 65%)
Argonaut has finalised the construction of a 15km track plus 3km of inter-prospect access tracks to provide drill rig and heavy equipment access to its highly prospective Ban Bak gold target on the Company's Xekong tenement in Southern Laos.

Geophysical surveys, additional soil sampling (1,200+ samples) and the clearing of unexploded ordinance were completed in the period.

A 5,000m reverse circulation drilling program is now underway at Ban Bak.

Century Area (Argonaut 70%)
On 13 December 2010, Argonaut announced that it had entered into a Management and Shareholders Agreement with Aurum Resources Pty. Ltd. in respect of Argonaut's 70% held Century Concession in Laos.

Aurum Resources Pty. Ltd. is a subsidiary of Aurum Inc., a US based company listed on the over the counter market. Aurum is a development stage company which engages in the exploration and development of mineral properties. It focuses on exploration for gold and copper in the Lao Peoples Democratic Republic. Aurum was founded in 2008 and is based in Melbourne, Australia. Mr Joseph Gutnick is Aurum's President and CEO.

Argonaut Overseas Investments Ltd. (AOI), an indirectly wholly owned Subsidiary of Argonaut Resources NL, holds a 70% interest in Argonaut Resources (Laos) Co. Ltd. (ARL) which in turn holds a 100% interest in the 223 square kilometre Century concession in western Laos.

Under the terms of the agreement, Aurum will be appointed the manager of the Century Thrust Joint Venture Agreement and will have the right to earn 72.86% of AOI, which is equivalent to a 51% beneficial interest in the Century concession. In order to acquire this interest, Aurum must spend US$6.5 million on

Laos (continued)

exploration within five years. The five year period includes an initial one year assessment period. At the completion of this earn-in Argonaut Resources interest in the Century concession will be 19%.

Aurum's Lao based technical team is currently finalising a proposal to conduct confirmatory drilling programs in the current Laotian dry season (Nov 2010 to May 2011).

Blackwood Coal, Queensland

On 17 December 2010, Argonaut announced it has finalised matters in relation to its $4 million investment in Blackwood Coal Pty. Ltd.

Blackwood is a private company and currently has 3 granted coal exploration permits (EPC 1955, EPC 1979 & EPC 1802) and 9 EPC's under application. This funding, plus an additional $2 million from other investors, is being used to explore and define coal resources in the Bowen, Surat and Galilee coal basins.

Blackwood has confirmed it is looking to fast-track exploration programs with a view to estimating an initial resource to Joint Ore Reserves Committee (JORC) standards at Moorlands in the first quarter of 2011.

Blackwood's current project areas are:

- Moorlands Project, Moorlands Basin: EPCA 1738 and 1891 – approximately 20km west of the Blair Athol steaming coal mine – past exploration consisting of approximately 2000m of fully cored drill holes, established coal in-situ prior to the JORC reporting standards. Blackwood proposes to undertake a drilling program to establish a resource calculated in accordance with the JORC code;

- East Wandoan Project, Surat Basin: EPC 1955; EPCA 1987 – within the north-eastern margin of the Surat Basin, immediately to the north of Cockatoo Coal Ltd's Bottle Project (on EPC 813) which has a stated resource calculated in accordance with the JORC code. Past exploration on EPC 1955 included an intersection of coal. Blackwood proposes an initial drilling program of 15 RC holes to ascertain the existence of, and if applicable, define, a resource in the target area followed by strategically placed fully cored holes to allow determination of coal quality;

- East Acland Project, Clarence-Moreton Basin: EPC 1979 – between Toowoomba and the New Acland coal mine and targeting equivalent coal bearing sequences along the interpreted strike length. Desktop studies have commenced to identify target areas for initial drilling which will consist of 4-8 RC holes; and

- Galilee Basin: EPC 1802 & EPCA's 1957, 2079 and 2080– located in the eastern margin of the Galilee Basin where geological interpretation by Blackwood, supported by gravity and magnetic data, suggests that the Galilee Basin could extend into these areas (further than previously indicated) This is also supported by historical water bore hole data indicating coal seams.

On 16 February 2011 Blackwood announced a maiden inferred resource calculated to JORC standards for its Moorlands Project (EPC 1738).

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 9.

Signed in accordance with a resolution of the directors:

Patrick J D Elliott
Chairman

Sydney, New South Wales
14 March 2011

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Auditor's Independence Declaration to the Directors of Argonaut Resources NL

In relation to our review of the financial report of Argonaut Resources NL for the half-year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

M. Elliott

Michael Elliott
Partner
Sydney
14 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 31 December 2010

	Note	31 Dec 2010 $	31 Dec 2009 $
Revenue	3	191,862	154,457
Other income	4	21,994	2,366,818
Expenses			
Accounting, audit and legal fees		151,291	67,990
Office administration expenses		116,310	105,291
Office lease and maintenance costs		4,101	4,487
Travel expenses		4,013	36,233
Statutory fees		53,858	39,091
Finance costs		195	13
Depreciation expense		6,416	23,778
Directors and employee benefits	5	142,865	544,693
Share based payments		201,173	-
Impairment of exploration assets	6	109,044	-
Loss on sale of investments		-	7,894
Total expenses		789,266	829,470
Profit/(Loss) before income tax		(575,410)	1,691,805
Income tax credit/(expense)		-	-
Profit/(Loss) after income tax		(575,410)	1,691,805
Net Profit/(Loss) for the period		**(575,410)**	**1,691,805**
Profit/(Loss) for the period is attributable to:			
Non-controlling interest		(19,832)	-
Owners of the parent		(555,578)	1,691,805
		(575,410)	**1,691,805**
Other comprehensive income			
Foreign currency translation		(1,098,301)	(485,239)
Available for sale investment revaluation		-	336,644
Other comprehensive income/(loss)		(1,098,301)	(148,595)
Total comprehensive income/(loss) for the period		**(1,673,711)**	**1,543,210**
Total comprehensive income/(loss) for the period is attributable to:			
Non-controlling interest		(19,832)	-
Owners of the parent		(1,653,879)	1,543,210
		(1,673,711)	**1,543,210**
Earnings per share for profit/(loss) attributable to the Ordinary Equity Holders of the Parent:			
Basic profit/ (loss) per share (cents per share)		(0.31)	1.02
Diluted profit/ (loss) per share (cents per share)		(0.31)	1.02

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	31 Dec 2010 $	30 Jun 2010 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		9,501,560	7,941,761
Other current assets	7	1,966,707	73,197
Total Current Assets		11,468,267	8,014,958
NON CURRENT ASSETS			
Property, plant and equipment		545,750	550,467
Exploration and evaluation assets		10,078,954	10,754,226
Investments in associates	8	4,079,972	-
Total Non-Current Assets		14,704,676	11,304,693
TOTAL ASSETS		26,172,943	19,319,651
LIABILITIES			
CURRENT LIABILITIES			
Payables		115,244	392,378
Provisions		4,172	561
Total current liabilities		119,416	392,939
NON-CURRENT LIABILITIES			
Provisions		50,242	48,572
Total Non- Current liabilities		50,242	48,572
TOTAL LIABILITIES		169,658	441,511
NET ASSETS		26,003,285	18,878,140
EQUITY			
Contributed equity	9	36,310,989	27,698,987
Reserves		(1,357,369)	(460,668)
Accumulated losses		(8,915,757)	(8,360,179)
		26,037,863	18,878,140
Non-controlling interest		(34,578)	-
TOTAL EQUITY		26,003,285	18,878,140

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2010

For the half year ended 31 December 2010	Issued capital	Accumulated losses	Available for sale asset reserve	Foreign currency translation reserve	Share based payments reserve	Non-controlling interest	Total equity
	$	$	$	$	$	$	$
Balance at 1 July 2010	27,698,987	(8,360,179)	-	(460,668)	-	-	18,878,140
(Loss) for the period	-	(555,578)	-	-	-	(19,832)	(575,410)
Other comprehensive (loss) for the half year	-	-	-	(1,098,301)	-	-	(1,098,301)
Total comprehensive (loss) for the half-year	-	(555,578)	-	(1,098,301)	-	(19,832)	(1,673,711)
Shares issued	8,813,175	-	-	-	-	-	8,813,175
Capital raising costs	(201,173)	-	-	-	-	-	(201,173)
Dividends paid	-	-	-	-	-	(14,746)	(14,746)
Share based payments	-	-	-	-	201,600	-	201,600
Balance at 31 December 2010	**36,310,989**	**(8,915,757)**	**-**	**(1,558,969)**	**201,600**	**(34,578)**	**26,003,285**

For the half year ended 31 December 2009	Issued capital	Accumulated losses	Available for sale asset reserve	Foreign currency translation reserve	Share based payments reserve	Non-controlling interest	Total equity
	$	$	$	$	$	$	$
Balance at 1 July 2009	27,698,987	(7,960,412)	(336,644)	(973,292)	48,633	-	18,477,272
Profit for the period	-	1,691,805	-	-	-	-	1,691,805
Other comprehensive income/(loss) for the half year	-	-	336,644	(485,239)	-	-	(148,595)
Total comprehensive income/(loss) for the half-year	-	1,691,805	336,644	(485,239)	-	-	1,543,210
Share based payments	-	48,633	-		(48,633)	-	-
Balance at 31 December 2009	**27,698,987**	**(6,219,974)**	**-**	**(1,458,531)**	**-**	**-**	**20,020,482**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2010

	Note	31 Dec 2010 $	31 Dec 2009 $
Cash flows from operating activities			
Payment to suppliers and employees (including GST)		(567,073)	(966,345)
Receipts from recovery of fraud related matters		21,994	2,236,454
Interest received		204,593	173,896
Interest paid		-	(13)
Net cash from / (used in) operating activities		(340,486)	1,443,692
Cash flows from investing activities			
Proceeds from sale of available for sale investments		-	988,750
Purchase of investments in associates	8	(4,079,972)	-
Payments for exploration		(697,407)	(694,750)
Transaction fees for sale of investment		-	(4,944)
Payments for plant and equipment		(3,686)	(8,294)
Net cash from / (used in) investing activities		(4,781,065)	280,760
Cash flows from financing activities			
Proceeds from issue of shares		6,915,641	-
Transaction costs on issue of shares		(201,173)	-
Dividends paid to minority holders in subsidiaries		(14,746)	-
Net cash from financing activities		6,699,722	-
Net increase in cash and cash equivalents		1,578,171	1,724,452
Net foreign exchange differences		(18,372)	167,135
Cash and cash equivalents at the beginning of the period		7,941,761	6,652,167
Cash and cash equivalents at the end of the period		**9,501,560**	**8,543,754**

The accompanying notes form part of these financial statements

1. BASIS OF PREPARATION

This general purpose condensed financial report for the half-year ended 31 December 2010 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

This half-year financial report does not include all the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2010 and considered together with any public announcements made by Argonaut Resources NL during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations of the ASX listing rules.

The half-year financial report has been prepared in accordance with the historical cost convention, except for certain assets, which are at fair value. For the purposes of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

The financial report is presented in Australian Dollars.

Changes in accounting policy

The Consolidated Entity has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 July 2010:

- AASB 2009-9 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions (AASB 2) effective 1 January 2010. The amendments did not have an impact on the financial position or performance of the Consolidated Entity.

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 5, 8, 101, 107, 117, 118, 136 & 139) effective 1 January 2010. The amendments did not have an impact on the financial position or performance of the Consolidated Entity.

The Group has not elected to early adopt any other new Standards or amendments that are issued by not yet effective.

2. OPERATING SEGMENTS

Segment Result

The internal reports that are reviewed and used by the board of directors comprise only direct exploration expenditure. This information is used by the board of directors in assessing performance and in determining the allocation of resources and as such no segment result or segment revenues are separately disclosed.

Segment Assets

Segment Assets 31 December 2010	Australia $	Laos $	Total $
Segment operating assets	4,652,081	5,426,873	10,078,954
Intersegment eliminations:			
Cash and cash equivalent			9,501,560
Trade and other current assets			1,966,707
Property, plant and equipment			545,750
Investments			4,079,972
Total assets from continuing operations per the statement of financial position			26,172,943

Segment Assets 30 June 2010	Australia $	Laos $	Total $
Segment operating assets	4,612,421	6,141,805	10,754,226
Intersegment eliminations:			
Cash and cash equivalent			7,941,761
Trade and other current assets			73,197
Property, plant and equipment			550,467
Total assets from continuing operations per the statement of financial position			19,319,651

2. OPERATING SEGMENTS (continued)

Segment Exploration Cash Spend

The following represents the total cash spent for each reportable segment for the half-years ended 31 December 2010 and 31 December 2009.

	Australia $	Laos $	Total $
Cash spent - 31 December 2010	334,398	363,009	697,407
Cash spent - 31 December 2009	408,245	286,505	694,750

3. REVENUE

	31 Dec 2010 $	31 Dec 2009 $
Interest received	191,862	154,457

4. OTHER INCOME

	31 Dec 2010 $	31 Dec 2009 $
Other income *	21,994	2,366,818

* Other income relates to fraud recovery including fraud related expenses. This amount includes both actual cash recoveries made during the half-year, and the release of expense provisions made in prior periods.

5. DIRECTORS AND EMPLOYEE BENEFITS

	31 Dec 2010 $	31 Dec 2009 $
Wages, salaries and directors fees	142,865	394,693
Retirement payment to managing director	-	150,000
Total	142,865	544,693

6. IMPAIRMENT OF EXPLORATION ASSETS

	31 Dec 2010 $	31 Dec 2009 $
Impairment expense	109,044	-
Total	109,044*	-

* These impairment expenses relate to the write off capitalised expenditure on the Mt Lockerbie and Blue Hills projects following the Directors decision not to renew the exploration licenses.

7. OTHER CURRENT ASSETS

	31 Dec 2010 $	30 June 2010 $
Other currents assets	1,966,707	73,197
Total	1,966,707*	73,197

* Of this balance $1,897,535 related to a receivable from Veritas Securities as part of an underwriting agreement entered in November 2010, the total balance was subsequently received in January 2011, refer also Note 9.

8. INVESTMENTS IN ASSOCIATES

	31 Dec 2010 $	30 June 2010 $
Investment in associates*	4,079,972	-
Total	4,079,972	-

* On 21 December 2010 the Group finalised its investment in Blackwood Coal Pty Limited (BWC). The investment was part of a capital raising by BWC via a convertible note issue.

The investment by the Company represents 38% of the ordinary shares in BWC assuming conversion of all the convertible notes, which are convertible at any time. The notes are redeemable for cash at any time at the option of the company and are convertible into 1 ordinary share and 1 option in BWC. The notes are redeemable at face value.

9. CONTRIBUTED EQUITY	31 Dec 2010 Shares	30 June 2010 Shares	31 Dec 2010 $	30 June 2010 $
Equity issued*	230,138,588	165,244,720	36,310,989	27,698,987

* During the period Argonaut announced a fully underwritten 1 for 3 rights issues of 63,345,050 shares at $0.10 per share to raise $6,334,505. In addition, Argonaut also undertook a private placement with sophisticated and institutional investors to issue 24,786,700 shares at $0.10 per share to raise $2,478,670.

At 31 December 2010, the share placement was completed and 40,107,168 shares were issued under the rights issue. 23,237,882 shares relating to the rights issue had not been issued at the half-year end and are therefore not reflected in the number of ordinary shares above. Argonaut has recognised a receivable of $1,897,535 relating to the unpaid portion of these shares at the half-year end, refer also to Note 7.

10. SHARE BASED PAYMENTS

Options	31 Dec 2010 Options	30 June 2010 Options	31 Dec 2010 $	30 June 2010 $
Opening Balance	-	8,000,000	-	48,633
Unlisted Options issued*	7,000,000	-	201,600	-
Unlisted Options expired	-	(3,000,000)	-	(48,633)
Unlisted Options relinquished **	-	(5,000,000)	-	-
Closing Balance	7,000,000	-	201,600	-

* On 19 November 2010, 7,000,000 Director Options were issued valued at $201,600. The options vested immediately and have a life of 3 years.

** 5,000,000 unlisted options to acquire ordinary shares in the Company have been voluntarily relinquished by the Director's. The options were voluntarily relinquished for no consideration.

11. CONTINGENT LIABILITIES

The Group had no contingent liabilities at 31 December 2010.

12. EVENTS AFTER THE BALANCE SHEET DATE

On 12 January 2011 the Company issued 23,237,882 ordinary shares at 10 cents per share, raising $2,323,788. The funds were part of an underwriting agreement entered with Veritas Securities in November 2010.

No other matters or circumstances have arisen since 31 December 2010 that have significantly affected or may significantly affect:

1. The consolidated Company’s operations in future financial years; or
2. The results of those operations in future financial years; or
3. The consolidated Company’s state of affairs in future financial years.

DIRECTORS' DECLARATION
For the half-year ended 31 December 2010

The Directors of the company declare that:

In the opinion of the directors:

a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including :

   (i) giving a true and fair view of the financial position of the consolidated group as at 31 December 2010 and its performance for the half-year ended on that date; and

   (ii) complying with Accounting Standards AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*

b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Patrick J D Elliott
Chairman

Sydney, New South Wales
14 March 2011

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To the members of Argonaut Resources NL

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Argonaut Resources NL, which comprises the statement of financial position as at 31 December 2010, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the half-year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act* 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Argonaut Resources NL and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Argonaut Resources NL is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

M. Elliott

Michael Elliott
Partner
Sydney
14 March 2011