

28TH NOVEMBER 2011

CHAIRMAN'S ADDRESS FOR ANNUAL GENERAL MEETING

THE PAST YEAR HAS BEEN ONE CHARACTERISED BY DISAPPOINTMENT.

IN PARTICULAR, ALL AT ARGONAUT RESOURCES WERE SADDENED AT THE PASSING OF GEOFF WILLIAMS ON 1 APRIL 2011. GEOFF WAS AN EXTREMELY DILIGENT AND GOOD HUMOURED NON EXECUTIVE DIRECTOR OF ARGONAUT RESOURCES. HE IS SORELY MISSED.

WE HAVE ALSO, IN LINE WITH MANY OTHERS, BEEN VERY DISAPPOINTED WITH THE PERFORMANCE OF OUR SHARE PRICE. THE ONLY SOLACE IS THAT THE BACKGROUND CONDITIONS TURNED FOR THE WORSE AROUND MARCH THIS YEAR. INVESTORS AROUND THE WORLD HAVE BEEN SHRINKING FROM HIGHER RISK SPECULATIVE INVESTMENTS SUCH AS JUNIOR RESOURCES COMPANIES LIKE ARGONAUT RESOURCES.

THIS IS ILLUSTRATED BY:

	MARCH 2011	NOVEMBER 2011	CHANGE
ASX SMALL RESOURCES INDEX	6800	5200	- 23%
DOW JONES INDUSTRIAL AVERAGE	12300	11300	- 8%
VOLATILITY INDEX (VIX)	20	34	+70%
GOLD PRICE – US\$/OZ	1440	1680	+17%
COPPER PRICE – US\$/LB	4.30	3.28	-24%
AVERAGE TRADE SIZE ON ASX FOR SMALL RESOURCE STOCKS	\$4000	\$2400	-40%

OF COURSE, IF OUR EXPLORATION RESULTS HAD GENERATED THE SUCCESS THEY MIGHT HAVE THEN THE OUTCOME FOR OUR SHAREHOLDERS WOULD HAVE BEEN QUITE DIFFERENT. EXPLORATION DOES REQUIRE PERSISTENCE – WHICH WE HAVE PLENTY OF, ESPECIALLY IN RELATION TO TORRENS.

THE MAJOR BUSINESS DISAPPOINTMENT DURING THE YEAR WAS TORRENS. LAST YEAR WE AND OUR JOINT VENTURE PARTNER, STRAITS RESOURCES LIMITED, WERE EXPECTING TO RE-COMMENCE DRILLING ON TORRENS FOLLOWING RECEIPT OF APPROVAL BY THE MINISTER UNDER SECTION 23 OF THE ABORIGINAL HERITAGE ACT 1988. THIS WAS DERAILED BY A COMPLETELY UNEXPECTED DECISION BY JUSTICE TILMOUTH IN THE ENVIRONMENT, RESOURCE AND DEVELOPMENT COURT TO PREVENT MINERAL EXPLORATION AT TORRENS. THIS DECISION IS CURRENTLY BEING APPEALED IN THE FULL COURT.

Sydney

Suite 4, Level 9, 341 George Street, Sydney, NSW, 2000, Australia
Phone: +61 2 9299 9690, Fax: +61 2 9299 9609, Email: sydney@argonautresources.com

Laos

Unit 3, level 5, ANZ Building, 33 Lane Xang Avenue, Vientiane, Laos
Phone: +856 21 222 731, Fax: +856 21 240 281, Email: laos@argonautresources.com

THE SOUTH AUSTRALIAN GOVERNMENT THROUGH PIRSA ACKNOWLEDGES THAT TORRENS IS A MASSIVE IRON OXIDE COPPER GOLD TARGET THAT DESERVES EXPLORATION IN THE INTERESTS OF THE STATE. NOTWITHSTANDING THIS, THE MINISTER AND PIRSA HAVE PROVEN UNABLE OR UNWILLING TO INTERVENE – DESPITE HAVING THE LEGAL ABILITY TO DO SO AT VARIOUS TIMES. THIS HAS BEEN VERY DISAPPOINTING IN A JURISDICTION THAT SELLS ITSELF TO INVESTORS AS CONDUCIVE TO MINERAL DEVELOPMENT. OUR EXPERIENCE HAS BEEN THAT THIS IS NOTHING MORE THAT RHETORIC.

THE MAJOR ISSUE AT TORRENS IS THAT THE NATIVE TITLE CLAIM GROUP HAS BECOME CONTROLLED BY A SMALL SUB-GROUP OF THE CLAIM. FURTHER, WE FIND THAT THE SOUTH AUSTRALIAN NATIVE TITLE SERVICE (“SANTS”), SUBSTANTIALLY FUNDED BY THE SOUTH AUSTRALIAN GOVERNMENT, HAS BEEN SPENDING A HUGELY DISPROPORTIONATE SHARE OF THEIR LEGAL BUDGET TO ADVANCE THE CLAIMS OF THIS SUB-GROUP, APPARENTLY IN THE ABSENCE OF INSTRUCTIONS FROM THE REMAINDER. WE BELIEVE THAT THERE NEEDS TO BE SERIOUS QUESTIONING BY THE SOUTH AUSTRALIAN GOVERNMENT OF THESE MATTERS.

SO HOW DO WE GO FORWARD ON TORRENS?

AS I MENTIONED EARLIER WE ARE APPEALING AGAINST THE ERD COURT DECISION ON NUMEROUS POINTS OF LAW. UNFORTUNATELY, THE NATURE OF THE LEGAL PROCESS IS THAT WE ARE UNABLE TO COUNTER THE NUMEROUS MISREPRESENTATIONS MADE BY THE SMALL GROUP OF CLAIMANTS AS PRESENTED BY THE SANTS LAWYERS. IF WE ARE SUCCESSFUL WE WILL THEN BE SUBJECTED TO FURTHER LEGAL PROCESSES BEFORE BEING ABLE TO RE-COMMENCE EXPLORATION DRILLING. WE ARE RESOLUTE THAT WE WILL USE ALL LEGAL OPTIONS OPEN TO US TO PURSUE OUR RIGHT TO EXPLORE ON AN EXPLORATION LICENCE THAT HAS BEEN VALIDLY GRANTED BY THE SOUTH AUSTRALIAN GOVERNMENT.

LUCKILY FOR ARGONAUT RESOURCES THE COSTS OF ALL THIS LEGAL ACTIVITY IS MET BY OUR JOINT VENTURE PARTNERS UNDER THE TERMS OF THEIR EARN-IN TO TORRENS. OF COURSE, THESE COSTS DIVERT FUNDING FROM EXPLORATION. WHAT ALL THIS EXTRAORDINARY LEGAL EXPENDITURE HAS TO DO WITH IMPROVING THE WELFARE OF OUR GENUINE NATIVE TITLE CLAIMANTS IS A COMPLETE MYSTERY TO US.

LAST YEAR WE HAD \$7.9 MILLION IN CASH BUT HAD COMMITTED \$4 MILLION TO OUR INVESTMENT IN BLACKWOOD COAL PTY LTD. BLACKWOOD COAL HAS SINCE CHANGED ITS NAME TO CUESTA COAL LIMITED (“CUESTA”). IN DECEMBER, WE COMPLETED A PLACEMENT AND ENTITLEMENT ISSUE AT 10 CENTS WHICH RAISED \$8.8 MILLION. WE APPRECIATE THE CONFIDENCE THAT OUR SHAREHOLDERS PLACED IN US WITH THIS RAISING. OUR CURRENT CASH BALANCE IS \$ 6.4 MILLION. EXPENDITURES DURING THE YEAR ON EXPLORATION WERE \$3.7 MILLION AND ON ADMINISTRATION \$0.9 MILLION – SO 80% OF OUR EXPENDITURES ARE GOING INTO EXPLORATION ACTIVITY – A KEY MEASURE FOR US.

Sydney

Suite 4, Level 9, 341 George Street, Sydney, NSW, 2000, Australia
Phone: +61 2 9299 9690, Fax: +61 2 9299 9609, Email: sydney@argonautresources.com

Laos

Unit 3, level 5, ANZ Building, 33 Lane Xang Avenue, Vientiane, Laos
Phone: +856 21 222 731, Fax: +856 21 240 281, Email: laos@argonautresources.com

IN THE DECEMBER 2010 CAPITAL RASING WE OUTLINED THAT WE WOULD DELIVER DRILLING ACTIVITY FOR THE MONEY ON A NUMBER OF AREAS. WE HAVE DELIVERED DRILLING ACTIVITY ON SEKONG, LAOS; ALFORD, SOUTH AUSTRALIA; AND INDIRECTLY THROUGH CUESTA. WE FAILED TO DELIVER DRILLING ACTION AT TORRENS AS OUTLINED ABOVE OR ON CENTURY IN LAOS. THERE, OUR JOINT VENTURE PARTNER AURUM DID NOT MOBILISE AS QUICKLY AS WE THOUGHT AND MISSED THE REMAINDER OF THE 2010/11 DRY SEASON. THEY ARE NOW DOING A 2,000 METRE DRILLING PROGRAM. HOWEVER, WE HAVE ADDED DRILLING AT LUMWANA WEST IN ZAMBIA WHERE WE FARMED IN JULY 2011.

TURNING NOW TO A HIGH LEVEL REVIEW OF OUR EXPLORATION ACTIVITY. LATER OUR EXPLORATION DIRECTOR, LINDSAY OWLER, WILL PROVIDE A MORE DETAILED TECHNICAL PRESENTATION.

SEKONG, LAOS

WE COMPLETED A 3,600 METRE DRILLING PROGRAM AT THE BAN BAK AND BAN KLONG PROSPECTS. TOWARDS THE END OF THE PROGRAM AND THE DRY SEASON WE HAD SOME VERY ENCOURAGING INTERSECTIONS AT BAN KLONG WHICH WE PROPOSE TO FOLLOW UP ONCE THE GROUND ACCESS ALLOWS. IN ADDITION, WE HAVE COMPLETED FURTHER SURFACE ROCK CHIP SAMPLING AND IDENTIFIED FURTHER EXTENSIVE MINERALISATION. THE TARGETS WE HAVE DEFINED ARE REPLACEMENT STYLE GOLD MINERALISATION ANALOGOUS TO SEPON AND CARLIN AS WELL AS SKARN TYPE MINERALISATION.

CENTURY, LAOS

AS MENTIONED, AURUM COMMENCED A 2,000 METRE DIAMOND DRILLING PROGRAM IN EARLY OCTOBER AT THE NAM HONE PROSPECT ON THE CENTURY BLOCK. AURUM COMPLETED EXTENSIVE ROCK CHIP SAMPLING, AUGUR SAMPLING AND INDUCED POLARISATION SURVEY OVER NAM HONE BEFORE DECIDING ON THE DRILLING PROGRAM. AURUM REPORT THAT THERE IS A SIZEABLE CHARGEABILITY ANOMALY AT DEPTH WHICH STRONGLY CORRELATES WITH THE HIGH GRADE SURFACE ZONES. WE AWAIT THE RESULTS.

ALFORD, SOUTH AUSTRALIA

DURING THE YEAR WE COMPLETED A 1,978 METRE DIAMOND AND 5,136 METRE AIR CORE DRILLING PROGRAM ON SEVERAL PROSPECTS. THESE PRODUCED SOME TANTALISING SHALLOW COPPER OXIDE MINERALISATION WITH GRADES ABOVE 0.6% COPPER OVER WIDE INTERSECTIONS. THIS MAY AGGREGATE INTO A REASONABLE SIZE EXPLORATION TARGET. WE ARE UNDERTAKING SOME METALLURGICAL TESTWORK SO WE CAN UNDERSTAND THE POTENTIAL SCOPING ECONOMICS BEFORE COMMITTING TO FOLLOW UP DRILLING.

Sydney

Suite 4, Level 9, 341 George Street, Sydney, NSW, 2000, Australia
Phone: +61 2 9299 9690, Fax: +61 2 9299 9609, Email: sydney@argonautresources.com

Laos

Unit 3, level 5, ANZ Building, 33 Lane Xang Avenue, Vientiane, Laos
Phone: +856 21 222 731, Fax: +856 21 240 281, Email: laos@argonautresources.com

I NOTE THAT THESE AREAS ARE ON FREEHOLD LAND AND ARE NOT SUBJECT TO THE VAGARIES OF THE NATIVE TITLE PROCESS THAT HAS STYMIED OUR ABILITY TO PROGRESS EXPLORATION AT TORRENS.

KROOMBIT, QUEENSLAND

WE HAVE NOT DONE ANY FIELD WORK AT KROOMBIT OVER THE PAST YEAR. HAVING ESTABLISHED A MODEST ZINC AND COPPER RESOURCE AND GOT A HANDLE ON THE ECONOMICS WE DECIDED THAT FURTHER EXPENDITURE ON TRYING TO EXTEND THE RESOURCE WAS NOT JUSTIFIED UNTIL ZINC PRICES MOVED SUBSTANTIALLY HIGHER – AND THEY HAVE NOT. WE EXPECT THAT THERE WILL BE A SHORTAGE OF ZINC CONCENTRATES WITHIN 3 – 5 YEARS BASED ON LIKELY SUPPLY CONTRACTIONS AND CONTINUED DEMAND GROWTH ESPECIALLY FROM CHINA AND INDIA. WE WILL SEEK TO MAXIMISE OUR OUTCOMES FROM KROOMBIT AS THAT PLAYS OUT.

CUESTA COAL LIMITED

LAST YEAR WE INVESTED \$4 MILLION IN THE THEN BLACKWOOD COAL PTY LTD. CUESTA HAS BEEN ACTIVELY DRILLING ON SOME OF ITS QUEENSLAND COAL EXPLORATION TENEMENTS. HIGHLIGHTS FROM THEIR WORK:

- CUESTA HAS HAD A MAJOR EXPLORATION SUCCESS ON ITS EASTERN GALILEE BASIN MARGIN PLAY. INITIAL DRILLING INTERSECTED COAL AT DEPTHS BETWEEN 40 AND 110 METRES SOME 8 KILOMETRES EAST OF THE PREVIOUSLY KNOWN GALILEE BASIN MARGIN. THIS CONFIRMED CUESTA'S EXPLORATION CONCEPT. INDEPENDENT GEOLOGISTS HAVE DETERMINED THAT THIS AREA HAS AN EXPLORATION TARGET BETWEEN 300 AND 3,000 MILLION TONNES OF STEAMING COAL;
- AN INFERRED RESOURCE TO JORC STANDARDS OF 27.3 MILLION TONNES OF STEAMING COAL HAS BEEN DEFINED AT THE MOORLANDS PROPERTY, 10 KMS WEST OF BLAIR ATHOL AS ANNOUNCED ON 16 FEBRUARY 2011. FURTHER DRILLING PLANNED IN COMING MONTHS SHOULD EXPAND THAT RESOURCE;
- AT EAST WANDOAN, CUESTA HAVE INTERSECTED MULTIPLE SEAMS AND WITH SOME FURTHER DRILLING IN COMING MONTHS SHOULD BE IN A POSITION TO ANNOUNCE A RESOURCE IN ACCORDANCE WITH THE JORC CODE BY EARLY NEXT YEAR;
- FINALLY, CUESTA HAS ACQUIRED ADDITIONAL COAL AREAS AROUND WEST EMERALD IN THE BOWEN BASIN THAT HAVE SIGNIFICANT PROMISE FOR COKING/PCI COAL DEPOSITS

CUESTA IS IN THE PROCESS OF AN ADDITIONAL CAPITAL RAISING AT A SIGNIFICANT PREMIUM TO ARGONAUT RESOURCES' PER SHARE ENTRY PRICE. THIS VINDICATES OUR ORIGINAL INVESTMENT DECISION.

Sydney

Suite 4, Level 9, 341 George Street, Sydney, NSW, 2000, Australia
Phone: +61 2 9299 9690, Fax: +61 2 9299 9609, Email: sydney@argonautresources.com

Laos

Unit 3, level 5, ANZ Building, 33 Lane Xang Avenue, Vientiane, Laos
Phone: +856 21 222 731, Fax: +856 21 240 281, Email: laos@argonautresources.com

LUMWANA WEST, ZAMBIA

IN JULY 2011 WE ENTERED INTO A FARM-IN JOINT VENTURE WITH MWOMBEZHI RESOURCES LTD, A LOCAL ZAMBIAN COMPANY, TO EXPLORE AND DEVELOP THE WESTERN PORTION OF THE MWOMBEZHI DOME. THE AREA IS ADJACENT TO BARRICK'S LUMWANA MINE. THE AREA HAS BEEN EXTENSIVELY EXPLORED BUT WITH LIMITED DRILLING. THE HOST LITHOLOGIES AND STRUCTURAL SETTING OF SEVERAL OF THE DEFINED PROSPECTS ARE ANALOGOUS TO THE MALUNDWE AND CHIMIWUNGO DEPOSITS OF THE LUMWANA MINE. IN TERMS OF MANAGEMENT WE ARE EXPLORING USING LOCAL CONTRACTORS UNDER THE DIRECTION OF OUR TEAM. IT IS HELPFUL THAT THE ZAMBIAN EXPLORATION SEASON IS DURING THE LAOS WET SEASON. MORE IMPORTANTLY, IT IS RARE THAT THE OPPORTUNITY EXISTS TO FARM-IN TO SUCH A HIGH QUALITY EXPLORATION PROPERTY.

WE HAVE REPROCESSED THE PAST DATA AND HAVE NOW COMPLETED AN INITIAL 4,113 METRE DRILLING PROGRAM. THE CORE IS PRESENTLY BEING CUT AND WE EXPECT ASSAY RESULTS THROUGH JANUARY 2012.

OTHER INTERESTS

ARGONAUT RESOURCES HOLDS 2.1% OF MUSGRAVE MINERALS FOLLOWING THE VENDING IN OF FOUR MINERAL EXPLORATION LICENCE APPLICATIONS IN THE MUSGRAVE BLOCK, NORTH WEST SOUTH AUSTRALIA. MUSGRAVE HAVE AN ACTIVE EXPLORATION PROGRAM IN SOME ESPECIALLY PROSPECTIVE AREAS AND WE INTEND TO RETAIN THIS SHAREHOLDING TILL WE SEE THE RESULTS OF THEIR EXPLORATION EFFORTS.

WE ALSO HOLD TWO EXPLORATION LICENCES AT AROONA IN SOUTH AUSTRALIA WHICH ARE JOINT VENTURED TO PERILYA LIMITED. THESE ARE PROSPECTIVE FOR ZINC AND OTHER BASE METALS BUT LITTLE FIELD WORK HAS BEEN UNDERTAKEN BY PERILYA THROUGH THE YEAR.

CONCLUSION

I WOULD LIKE TO EXPRESS MY APPRECIATION FOR THE EFFORTS OF MY FELLOW DIRECTORS OVER THE PAST YEAR. LINDSAY OWLER HEADS A SMALL AND DEDICATED EXPLORATION TEAM THAT HAS MANAGED OUR DRILLING AND OTHER EXPLORATION PROGRAMS.

WHILST THE PAST YEAR HAS BEEN FRUSTRATING IN MANY SENSES WE ARE LOOKING FORWARD FOR THE COMING YEAR TO DELIVER SIGNIFICANT EXPLORATION OUTCOMES.

WE EXPECT RESULTS FROM:

- THE INITIAL DRILLING ON THE LUMWANA WEST JOINT VENTURE, ZAMBIA DUE THROUGH JANUARY 2012;
- COMMENCEMENT OF FOLLOW UP DRILLING AT SEKONG, LAOS IN THE NEXT MONTH OR SO WITH INITIAL RESULTS EXPECTED BY FEBRUARY/MARCH 2012;

Sydney

Suite 4, Level 9, 341 George Street, Sydney, NSW, 2000, Australia
Phone: +61 2 9299 9690, Fax: +61 2 9299 9609, Email: sydney@argonautresources.com

Laos

Unit 3, level 5, ANZ Building, 33 Lane Xang Avenue, Vientiane, Laos
Phone: +856 21 222 731, Fax: +856 21 240 281, Email: laos@argonautresources.com

- RESULTS FROM THE NAM HONE DRILLING PROGRAM BEING UNDERTAKEN BY OUR JOINT VENTURE PARTNERS, AURUM; AND
- ONGOING RESULTS FROM THE DRILLING BY CUESTA OF ITS QUEENSLAND COAL AREAS WHICH SHOULD FURTHER ADD TO THE VALUE OF OUR INVESTMENT.

IN ADDITION, WE EXPECT METALLURGICAL WORK TO ADVANCE THE ALFORD COPPER PROPERTY, YORKE PENINSULA, SOUTH AUSTRALIA.

FINALLY, THE TORRENS JOINT VENTURE CONTINUES TO PURSUE ALL AVAILABLE OPTIONS TO ENABLE EXPLORATION DRILLING TO RE-COMMENCE. THIS REMAINS AN ENORMOUS IOCG TARGET WITH DRAMATIC EXPLORATION POTENTIAL.

Sydney

Suite 4, Level 9, 341 George Street, Sydney, NSW, 2000, Australia
Phone: +61 2 9299 9690, Fax: +61 2 9299 9609, Email: sydney@argonautresources.com

Laos

Unit 3, level 5, ANZ Building, 33 Lane Xang Avenue, Vientiane, Laos
Phone: +856 21 222 731, Fax: +856 21 240 281, Email: laos@argonautresources.com