

2nd December 2011

EXPLORATION TARGET OF BETWEEN 200Mt and 3,000Mt IDENTIFIED FOR EASTERN GALILEE BASIN BY CUESTA COAL LIMITED

Argonaut Resources NL (ASX:ARE) is pleased to advise that Cuesta Coal Limited ("Cuesta Coal"), which has acquired the shares in Blackwood Coal Pty Limited, a company in which Argonaut holds a 38% undiluted interest, has identified a potential exploration target in the Eastern Galilee Basin based on a program of scout drilling investigating previous coal occurrences from water bores.

Exploration Concept

The Galilee Basin, like the Bowen Basin, contains an extensive development of Permian age coal bearing strata. These strata sub-crop along the eastern margin of the basin over a distance of 450km from Pentland in the north to southeast of Alpha. The Galilee Basin sequence laps onto basement rocks comprising folded and faulted strata of the Devonian and Carboniferous age which are part of the Drummond Basin, an older depositional basin.

The area chosen by Cuesta Coal for the initial exploration is due east of the known Betts Creek Beds coal development in an area where the eastern edge of the basin has yet to be fully defined. It is yet to be established to what the extent this eastern margin has also been subject to post-Permian style folding, faulting and depth of pre Tertiary erosion, allowing for remnants of the Betts Creek Beds to be preserved. The areas identified and to be tested by Cuesta Coal are where geophysics and interpretation indicate coal bearing sequences may be preserved under younger masking cover units.

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The Eastern Galilee Project is largely conceptual, targeting areas east of the presently known coal subcrop limit as shown in Figure 1.

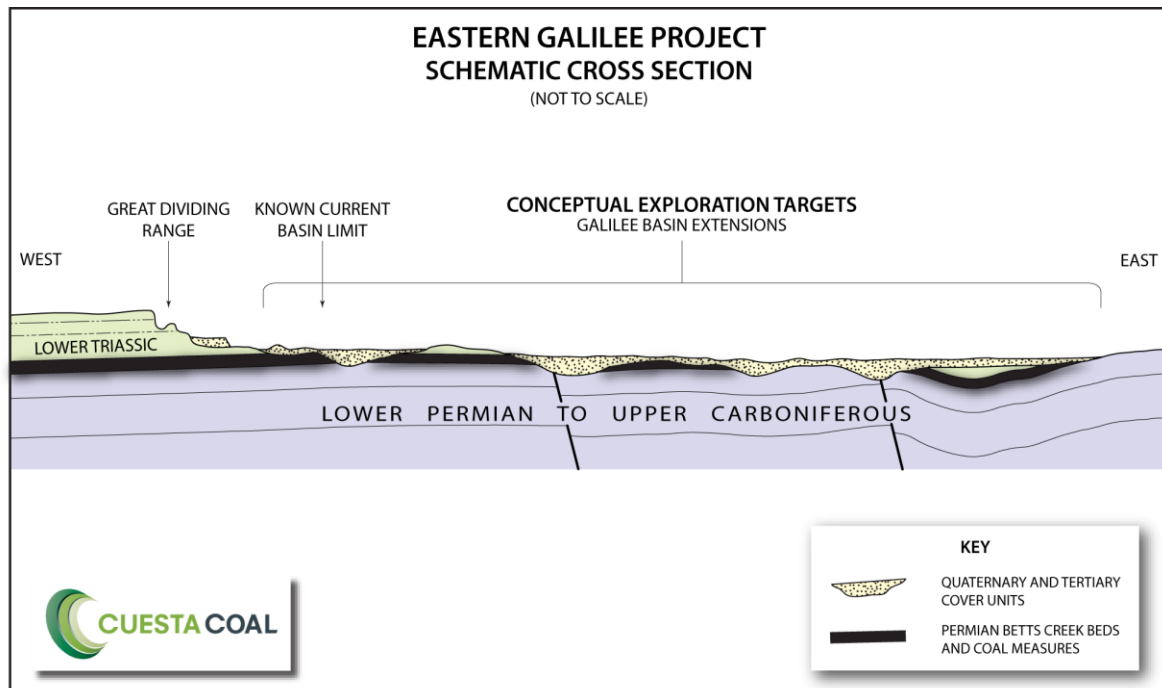


Figure 1 Eastern Galilee Project Schematic Cross Section

Current Exploration

Cuesta Coal recently carried out in EPC 1802 a programme of scout drilling on one of these conceptual exploration targets based on the company’s interpretive work but also supported by a water bore which reportedly intersected some coal.

Significantly this initial exploration has intersected coal bearing strata which supports the contention that the Betts Creek Beds are more widely present eastwards in this area than previously thought. Cuesta Coal intersected coal at depths between 40m and 110m and located 8km east of the previously known Betts Creek subcrop. Full results were released to the ASX by Argonaut on 9th September 2011. A priority area has been identified for comprehensive follow-up drilling in 2012.

Should further work support the idea of separate structural depressions preserving Betts Creek Beds at shallow depths (<150m) and given the vast areas covered by Cuesta Coals permits, then it is possible that a substantial resource may be outlined. Depending if one or several deposits are outlined the exploration target lies between 200Mt and perhaps 3,000Mt.

It should be noted that this exploration target is conceptual in nature and there has not been sufficient exploration drilling to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

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About Cuesta Coal Limited

Cuesta Coal Limited (Cuesta Coal) was formed in September 2011 to acquire all the securities on issue in a private Queensland focused Australian coal exploration company called Blackwood Coal Pty Limited (Blackwood Coal) in preparation for a public listing.

Blackwood Coal is a coal exploration and development company established in November 2009. Since then the Company has acquired a portfolio of 33 EPCs/EPCAs in the Bowen, Surat/Clarence Moreton and Galilee coal basins in Queensland, 9 of which have been granted. It has a pipeline of projects which range from advanced exploration requiring resource definition drilling to conceptual lateral opportunities to be tested by scout drilling.

Cuesta Coal is seeking to list on the ASX in Q1 of 2012.

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Sections of information contained in this report that relate to Exploration Results and Mineral Resources were compiled or supervised by Brice Mutton, who is a Fellow of the Australasian Institute of Mining and Metallurgy and is Technical Director to Cuesta Coal Limited, in which Argonaut Resources Limited holds a 38% undiluted interest. Mr Mutton has sufficient experience which is relevant to the style of mineral deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Mutton consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

All statements as to exploration targets of Cuesta Coal Limited and statements as to potential quality and grade are conceptual in nature. There has been insufficient exploration undertaken to date to define a coal resource and identification of a resource will be totally dependent on the outcome of further exploration. Any statement as to exploration targets has been made consistent with the requirements of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' published by the Joint Ore Reserves Committee (JORC).

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