

# QUARTERLY REPORT

For period ending 30 September 2009

Argonaut Resources NL is pleased to deliver the following report for the Quarter to 30 September 2009.

## Highlights

### **Kroombit, Australia**

During the Quarter, Argonaut moved to increase its tenement holding over known base-metal targets in the Kroombit region of Central Queensland through the application for two additional exploration permits.

The company also conducted investigations into 17 mineral occurrences within EPM 15705 and EPM 15734 in order to better prioritise the numerous regional targets for follow-up exploration work.

### **Laos**

During the Quarter, Argonaut significantly advanced its application for the extension of its two majority held Mineral Reconnaissance and Exploration Agreements in Laos. Both concession agreements were signed with the Lao Government in September 2004.

The company has applied to extend the MREAs for three years to October 2012.

### **Cash**

- At 30 September 2009 Argonaut had cash and deposits of \$9 million and no debt.

**ASX Code: ARE**

**ABN: 97 008 084848**

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# Exploration

## Australia

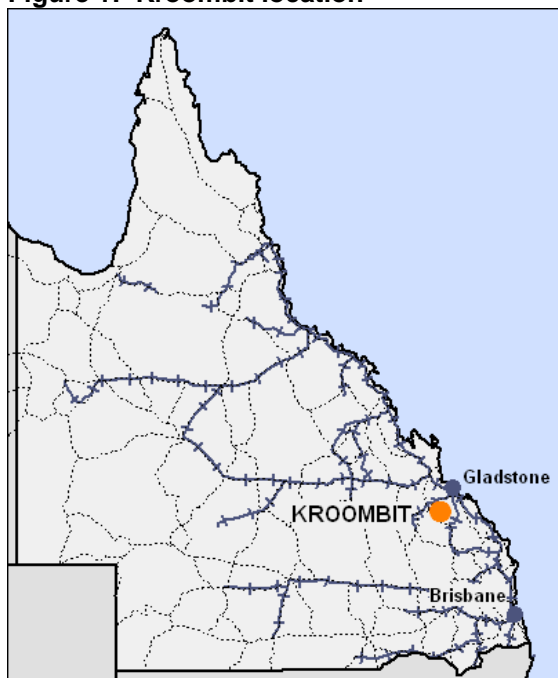
### *Kroombit (Argonaut 100%)*

In the previous Quarter, Argonaut announced a maiden resource estimate for the Kroombit zinc-copper deposit in Central Queensland (refer ARE ASX [announcement](#) dated 11 June 2009).

The company is confident that further drilling at the Kroombit deposit will increase the existing resource base.

During the Quarter to 30 September 2009, the company engaged consulting economic geologists to investigate and prioritise exploration targets on EPM 15705 and EPM 15734.

**Figure 1: Kroombit location**



The purpose of this study is to define further base-metal deposits within trucking distance of the Kroombit zinc-copper deposit to

supplement the known resource and extend the potential life of the project.

The regional exploration potential in the area is strong.

The Kroombit deposit is located near appropriate road, rail, port and electricity facilities. It is also located close to existing large coal mining operations; hence an experienced local workforce and excellent engineering facilities are available.

The company holds three granted Mineral Exploration Permits (EPM 15705, 15733 and 15734) and one granted mining lease (ML 5631) (Figure 3). The company also holds two EPM applications: 18071 Malakoff Creek and 18072 Pine Mountain (Figure 3).

In the Quarter, Argonaut accepted an offer by the Queensland Department of Mines to grant EPM 18072, Pine Mountain. The company expects the granting of both EPM applications to be completed during the Quarter to 31 December 2009.

In addition to mineral tenure, the company also holds two freehold blocks which cover 85% of the Kroombit zinc-copper deposit.

### *EL3195, Torrens (Argonaut 100%)*

Argonaut is exploring for iron-oxide copper-gold (“IOCG”) systems in the highly prospective Stuart Shelf region of South Australia (Torrens Project) via the Torrens Joint Venture between Argonaut and Straits Resources Ltd. (ASX: SRL).

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 Carapateena copper-gold discovery and 75 kilometres from BHP Billiton’s Olympic Dam mine.

During the quarter a meeting was held with the new Kokatha Uwankara management committee in Port Augusta. The Joint Venture was given a firm commitment from the group that discussions in relation to the Torrens project will be progressed. In addition, the Joint Venture held a number of meetings with the South Australian State Government to resolve the access issue in order to recommence drilling operations. During these meetings the Joint Venture was given a firm undertaking and commitment that this matter is likely to be resolved within the next three to six months.

Straits Resources Ltd. has the right to earn a 70% interest in the project, pursuant to the terms of the Joint Venture, by spending \$7 million on exploration. Argonaut currently holds 100%.

### ***EL3037, Alford (Argonaut 80%)***

Argonaut's Joint Venture partner, Hillgrove Resources Ltd can earn a 70% interest by spending \$4 million on exploration.

### ***ELA63/09 and EL4153, Aroona (Argonaut 100%)***

No exploration work was undertaken on ELA63/09 or EL4153 during the Quarter. These tenements are currently subject to a joint venture agreement with Perilya Limited.

## **Laos**

During the Quarter Argonaut significantly advanced its application for the extension of its two majority held Mineral Reconnaissance and Exploration Agreements (MREAs) in Laos. Both MREAs were signed with the Lao Government in September 2004.

The company has applied to extend the MREAs for three years to October 2012. According to the structure of the MREAs, the three year period will comprise a two year Exploration Phase and a one year Feasibility Study Phase. Both phases can be extended with approval from the Lao Government.

**Figure 2: Laos**



### ***Century Area (Argonaut 70%)***

Argonaut maintained its exploration presence at Century during the Quarter. Field activity included continued evaluation of gold targets at the Houai Khouay and Vang Ma prospects and reassessment of previous exploration results at Khohke and Nam Hone prospects.

In the lead-up to MREA extension negotiations, the company chose to conduct cost effective, wet season exploration programs which included soil and topography mapping and the review and recompilation of all interpretative geological maps.

### ***Xekong Area (Argonaut 65%)***

Field work was not undertaken at Xekong in the Quarter due to prevailing wet season conditions and on-going MREA extension negotiations.

### **Ban Bak Prospect**

The principal gold mineralisation at Ban Bak appears to be strata-bound, replacement style gold mineralisation hosted in a silicified mudstone, stratigraphically above a decalcified bioclastic limestone.

Mineralisation at Ban Bak is spatially associated with porphyry intrusions which, in many cases, are related to separate economically viable deposits.

The mineralised areas were identified using a gold, arsenic and antimony geochemical signature in soil samples. This geochemical 'fingerprint' has been used in the discovery of numerous economic gold deposits.

## ***Corporate***

During the Quarter, the company received confirmation that the sale of its remaining 4 million shares in Hillgrove Resources Ltd. (ASX: HGO) had been completed for a net return of \$983,312.

These shares represented the final balance of shares acquired from the sale of the company's interest in EL3277, Kanmantoo, to Hillgrove, announced on 19 March 2008.

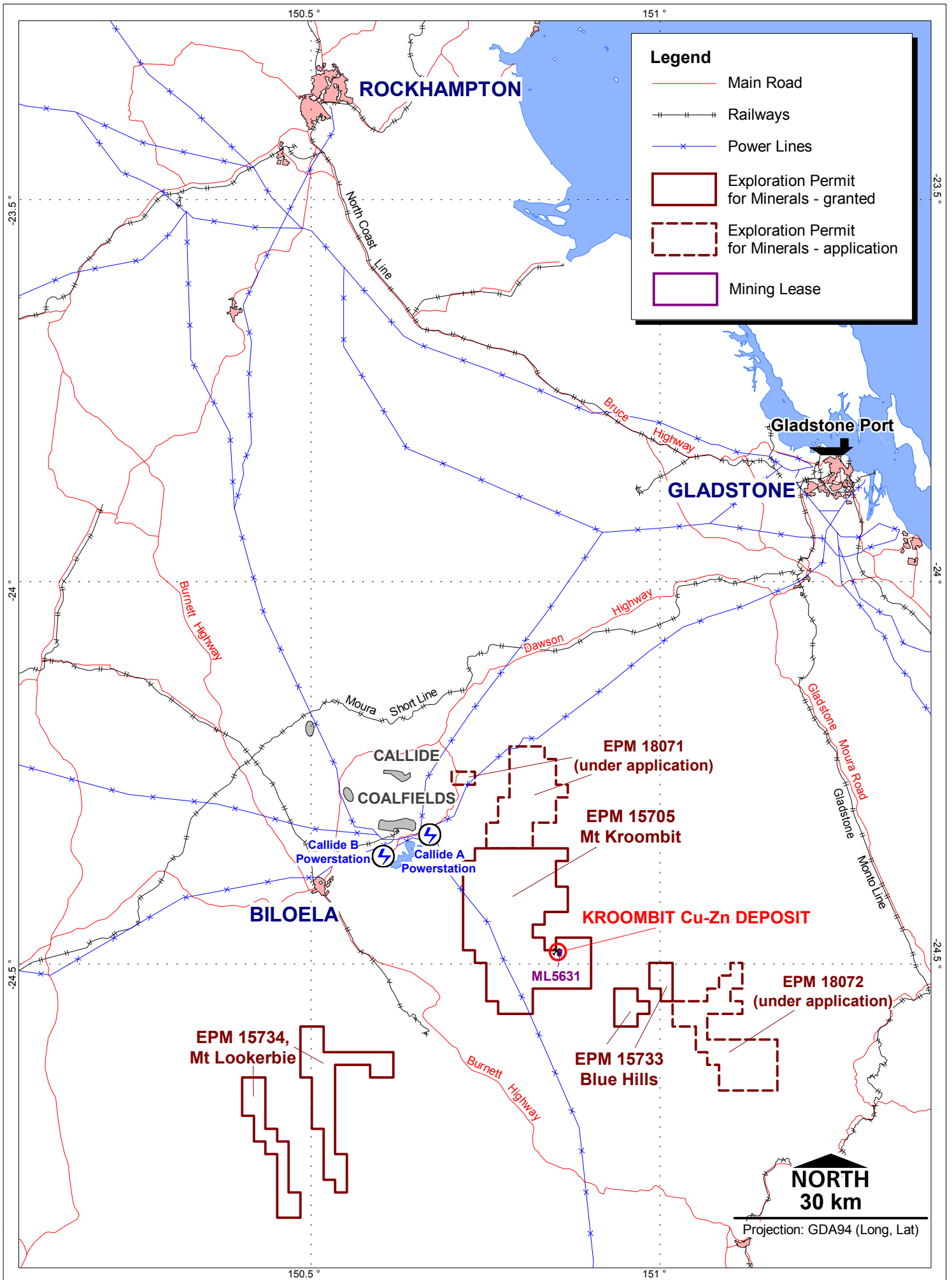
On 1 September 2009 Argonaut announced that a Settlement Agreement which further remedied previously announced losses had been reached, under which the Company received a further \$2million.

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### **Graeme Ellis**

Managing Director  
Argonaut Resources NL

*Sections of information contained in this report that relate to Exploration Results were compiled or supervised by Mr Lindsay Owler BSc, MAusIMM who is a Member of the Australasian Institute of Mining and Metallurgy and is a full time employee of Argonaut Resources NL. Mr Owler 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 Owler consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*



# Appendix 5B

## Mining exploration entity quarterly report

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

Name of entity

Argonaut Resources NL

ABN

97 008 084 848

For the period ending

30 September 2009

### Consolidated statement of cash flows

| Cash flows related to operating activities                      | Three Months ending<br>30 September 2009<br>\$A'000 | Year to date<br>(3 months)<br>\$A'000 |
|---|---|---------------------------------------|
| 1.1 Receipts from product sales and related debtors             | -   | -                                     |
| 1.2 Payments for  |   |                                       |
| (a) exploration and evaluation                                  | (275)   | (275)                                 |
| (b) development   | -   | -                                     |
| (c) production  | -   | -                                     |
| (d) administration  | (274)   | (274)                                 |
| 1.3 Dividends received  | -   | -                                     |
| 1.4 Interest and other items of a similar nature received       | 69  | 69                                    |
| 1.5 Interest and other costs of finance paid                    | -   | -                                     |
| 1.6 Income taxes paid   | -   | -                                     |
| 1.7 Other – fraud related recovery net of abnormal costs        | 1,842   | 1,842                                 |
| <b>Net Operating Cash Flows</b>                                 | <b>1,362</b>  | <b>1,362</b>                          |
| <b>Cash flows related to investing activities</b>               |   |                                       |
| 1.8 Payment for purchases of:                                   |   |                                       |
| (a) prospects   | -   | -                                     |
| (b) equity investments  | -   | -                                     |
| (c) other fixed assets  | (7)   | (7)                                   |
| 1.9 Proceeds from sale of:                                      |   |                                       |
| (a) prospects   | -   | -                                     |
| (b) equity investments  | 983   | 983                                   |
| (c) other fixed assets  | -   | -                                     |
| 1.10 Loans to other entities                                    | -   | -                                     |
| 1.11 Loans repaid by other entities                             | -   | -                                     |
| 1.12 Other (provide details if material)                        | -   | -                                     |
| <b>Net investing cash flows</b>                                 | <b>976</b>  | <b>976</b>                            |
| 1.13 Total operating and investing cash flows (carried forward) | 2,338   | 2,338                                 |

**Appendix 5B**  
**Mining exploration entity quarterly report**

|   |  |       |       |
|---|--|-------|-------|
| 1.13  | Total operating and investing cash flows (brought forward) | 2,338 | 2,338 |
| <b>Cash flows related to financing activities</b> |  |       |       |
| 1.14  | Proceeds from issues of shares, options, etc.              | -     | -     |
| 1.15  | Proceeds from sale of forfeited shares                     | -     | -     |
| 1.16  | Proceeds from borrowings                                   | -     | -     |
| 1.17  | Repayment of borrowings                                    | -     | -     |
| 1.18  | Dividends paid   | -     | -     |
| 1.19  | Other (capital raising costs)                              | -     | -     |
| <b>Net financing cash flows</b>                   |  | -     | -     |
| <b>Net increase (decrease) in cash held</b>       |  | 2,338 | 2,338 |
| 1.20  | Cash at beginning of year to date                          | 6,652 | 6,652 |
| 1.21  | Exchange rate adjustments to item 1.20                     | -     | -     |
| 1.22  | <b>Cash at end of the period</b>                           | 8,990 | 8,990 |

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

|      |  | Three Months<br>\$A'000 |
|------|--|-------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 96                      |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10   | 0                       |

1.25 Explanation necessary for an understanding of the transactions

Directors Fees, salaries and wages

**Non-cash financing and investing activities**

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

NA

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

NA

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

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

**Estimated cash outflows for next quarter**

|              |                            | \$A'000    |
|--------------|----------------------------|------------|
| 4.1          | Exploration and evaluation | 250        |
| 4.2          | Development                | -          |
| 4.3          | Production                 | -          |
| 4.4          | Administration             | 280        |
| <b>Total</b> |                            | <b>530</b> |

**Reconciliation of cash**

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

|   |   | Three Months<br>\$A'000 | YTD<br>\$A'000 |
|---|---|-------------------------|----------------|
| 5.1   | Cash on hand and at bank                | 487                     | 487            |
| 5.2   | Deposits at call                        | -                       | -              |
| 5.3   | Bank overdraft                          | -                       | -              |
| 5.4   | Other (provide details) – term deposits | 8,503                   | 8,503          |
| <b>Total: cash at end of three months (item 1.22)</b> |   | <b>8,990</b>            | <b>8,990</b>   |

**Changes in interests in mining tenements**

|     | Tenement reference  | Nature of interest (note (2))   | Interest at beginning of year | Interest at end of 3 months |
|-----|---|---|-------------------------------|-----------------------------|
| 6.1 | Interests in mining tenements relinquished, reduced or lapsed | There have been no changes to the mining tenement schedule for the quarter. |                               |                             |
| 6.2 | Interests in mining tenements acquired or increased           |   |                               |                             |



**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of 30 September 2009**

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

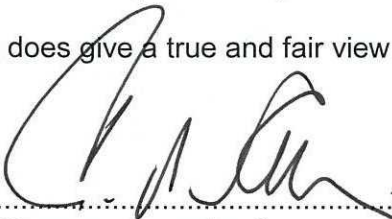
|  | Total number   | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|--|--|---------------|---|--|
| 7.1 <b>Preference securities</b><br><i>(description)</i>   |  |               |   |  |
| 7.2 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs, redemptions |  |               |   |  |
| 7.3 <b>*Ordinary securities</b>  | 165,244,720  | 165,244,720   |   |  |
| 7.4 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs              |  |               |   |  |
| 7.5 <b>*Convertible debt securities</b><br><i>(description)</i>  |  |               |   |  |
| 7.6 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted              |  |               |   |  |
| 7.7 <b>Options</b><br><i>(description and conversion factor)</i>   | 2,500,000<br>500,000   |               | Exercise price<br>\$0.30<br>\$0.30            | Expiry date<br>15.12.2009<br>21.12.2009          |
| 7.8 Issued during quarter  |  |               |   |  |
| 7.9 Exercised during quarter   |  |               |   |  |
| 7.10 Expired during quarter  | 750,000<br><br>3,000,000<br>(voluntarily cancelled by the Directors) |               | \$0.30<br><br>\$1.00                          | 10.09.2009<br><br>29.11.2009                     |
| 7.11 <b>Debentures</b><br><i>(totals only)</i>   |  |               |   |  |

|      |                                      |  |  |
|------|--------------------------------------|--|--|
| 7.12 | <b>Unsecured notes</b> (totals only) |  |  |
|------|--------------------------------------|--|--|

## Compliance statement

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

Sign here:



(Company secretary)

Date: 30<sup>th</sup> October 2009

Print name: Graeme Ellis  
Company Secretary

## Notes

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

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