

ARGOSY MINERALS INC.

2005 ANNUAL REPORT

Report from the Chief Executive Officer

I am pleased to present to you Argosy's Annual Report for 2005.

The year was an active one for Argosy with the company withdrawing the state of force majeure from its Musongati lateritic nickel - cobalt project in Burundi. The withdrawal followed the release of news statements which noted that the transitional government of Burundi intended to hold communal elections starting in June 2005 and culminating with the presidential poll after a couple months. In August 2005 Burundi's first democratically elected leader since 1993 was sworn-in. This together with the lack of significant rebel activity during much of the year advanced in a very positive sense the overall security situation in that country. Argosy's interest in the project is held through a wholly-owned subsidiary Andover Resources NL. Our staff visited the Musongati project area in the latter part of the year as a first step in recommencing field activities. Meetings were held with a number of Government departments that included commerce and industry, energy and public works. Our staff were well received with all the officials expressing a desire to see the project progressed.

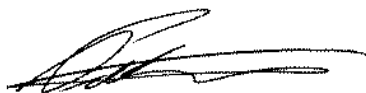
Early in the year Argosy secured an option agreement over a 32 km² area prospective for copper, nickel and platinum group metals. The project, "Lac Panache", is located some 40 km south west of the nickel - copper mining centre of Sudbury in Ontario, Canada. The sulphide mineralisation is hosted primarily within an elongate, arcuate-shaped intrusion of gabbroic composition. Argosy completed a program of trail construction and trenching of known geophysical and geochemical anomalies as well as channel sampling of mineralised horizons. Activities resulted in the identification of a 1km long zone within the gabbro, adjacent to a possible feeder dike, in which 11 out of 25 rock chip samples assayed greater than 0.2% copper (maximum of 0.59% copper), 5 with greater than 0.1% nickel (maximum of 0.17%), and 6 with greater than 1ppm platinum+palladium+gold (maximum of 2.21 ppm). Samples carrying anomalous grades are gabbro with disseminated and/or fracture-controlled sulphides (chalcopyrite, pyrrhotite, pyrite and pentlandite). Argosy is now in the process of costing a geophysical program that will target disseminated and massive sulphides that may be present at depth.

During the year Argosy announced that it had completed a technical and environmental assessment of the Gold Creek unpatented lode mining claims located within Humboldt-Toiyabe National Forest, some 100 km north of Elko, Elko County, Nevada, U.S.A., and had elected not to continue.

Argosy continued to review new business opportunities with a number of precious and base metal properties being examined in Western Australia, North America, southern and central Africa and China.

I would like to take this opportunity to thank my fellow Directors and management team for their continued support of our Company. With field activity set to recommence on our Musongati Project in Burundi we expect 2006 to be a very exciting year.

On behalf of the Board,



Peter H. Lloyd
President and CEO

Management's Discussion & Analysis Of Operating Results

March 15, 2006

Description of Business

Since incorporation, Argosy Minerals Inc. ("the Corporation") has been exclusively a natural resource Corporation engaged in exploration for precious metals, base metals and diamonds. At this stage of its development the Corporation has no producing properties and, consequently, has no current operating income or cash flow. The Corporation is a reporting issuer in British Columbia, Alberta and Ontario and trades on the Australian Stock Exchange under the symbol AGY. In May 2005, the Corporation was continued from the Yukon Territory under the Yukon Corporation's Act to British Columbia, under the British Columbia Business Corporations Act and amalgamated with its wholly owned Canadian subsidiaries.

The Corporation's strategy is to build shareholder value through the acquisition of base and precious metal assets, which have the potential for future development and to that end has focused its efforts in North America, Africa and Asia. Currently it has two projects, namely the Lac Panache Project, which covers 39 claims and includes the smaller Brazil Lake, Little Panache and Norwest areas, covering a total area of 32.2 km² and is located about 40 kms southwest of Sudbury, Ontario, and the Burundi Nickel Project, which covers an area of 171 km² and is located in Burundi, Central Africa. The Burundi Nickel Project acquired in 1999 pursuant to a Mining Convention between the Corporation's subsidiary Andover Resources NL and the government of Burundi has been subject to force majeure due to political instability in Burundi. In May 2005 the Corporation lifted force majeure and has initiated discussion with the Ministry of Mines with a view to securing an extension to the Mining Convention. To date no extension has been secured.

At the present time, none of the Corporation's properties contain defined reserves of recoverable minerals. Should the Corporation successfully delineate commercially mineable reserves through its exploration efforts on any of its properties, it may seek to develop the property by bringing the property into commercial production itself or alternatively develop it through a contract mining arrangement or by way of joint venture or it may sell the property.

The Corporation continues to evaluate natural resource opportunities, in Africa, North America and Asia.

New Caledonia Nickel Project and Request for Arbitration

The arbitration initiated by Norilsk Nickel subsidiary, NN Invest Holdings SA ("NNIH") in September 2002 over the New Caledonia nickel laterite project was settled following a meeting between the Corporation and NNIH in November, 2004.

The terms of the settlement are bound by a confidentiality agreement signed between the parties. Each party remained responsible for its costs incurred in the arbitration process and neither party has any claim outstanding against the other.

Projects

LAC PANACHE – Nickel, Copper, Cobalt, Gold, Platinum Group Metals, Canada

The Lac Panache Project is located some 40 kms southwest of Sudbury, in the Sudbury Mining Division, Ontario, Canada. The project area initially comprised 43 claims containing a total of 162 claim units distributed across 4 separate blocks: Lake Panache, Brazil Lake, Little Panache and Norwest. Subsequently the total land area of the project was increased by a further 39 claim units in 5 claims bringing the total claim holding to 48 (consisting of 201 400m by 400m claim units) in an area of 32.2 km².

The Corporation can earn 100% of the project through staged cash payments totalling \$300,000 and completing staged work commitments over three years of \$455,000. On production the vendor will retain a 3% net smelter return ("NSR"). This NSR is subject to buy-back provisions.

In the 2nd half 2005 the Corporation commenced a program of trail construction and trenching of known geophysical and geochemical anomalies at its Lac Panache Project, southwest of Sudbury, Ontario (Figures 1 and 2).

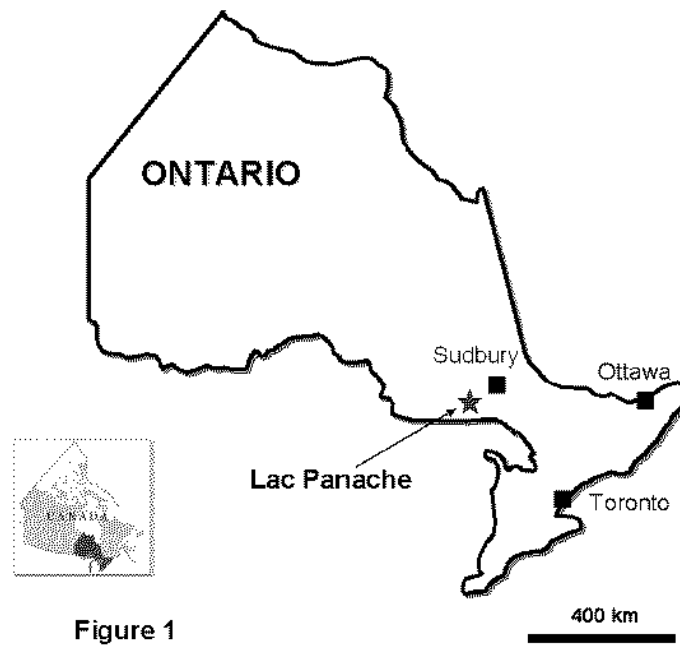


Figure 1

Field activities included reconnaissance-scale sampling of the three smaller claim block areas (Brazil Lake, Little Panache and Norwest) and more detailed mapping and sampling within the larger Panache claim block. Activities in the Panache claim block were mainly at Boundary Prospect (Figure 3). Approximately 2.5 km of new access trails plus 900 metres of trenching (measured along the long axis of the trench) were completed. A total of 129 rock samples were collected during the field program and these were submitted to SGS Canada Inc for assaying. Of the total number of samples, 62 were channel samples with a cumulative length of 122.7 metres and an average length of about 2 metres.

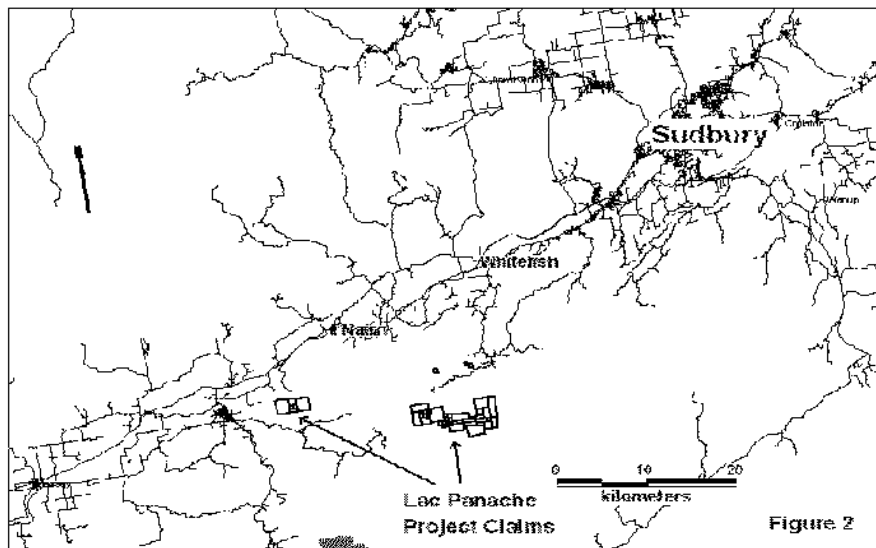
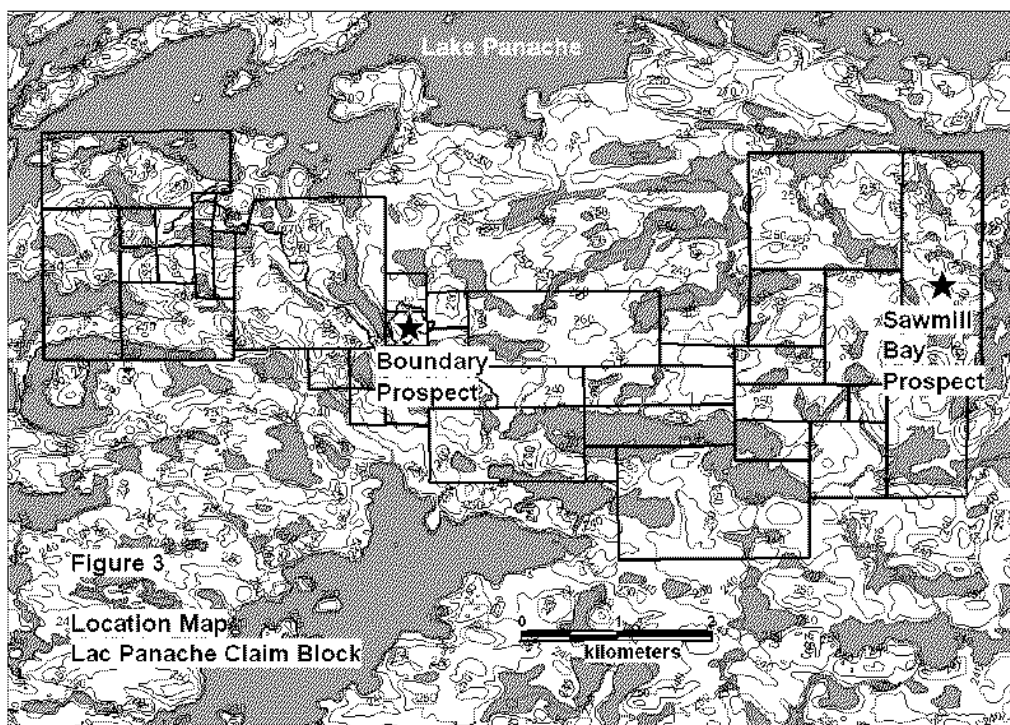


Figure 2

Reconnaissance-scale rock chip sampling was conducted across the eastern end of the Nipissing Gabbro at Sawmill Bay (called "Area C" by earlier explorers) in order to help define areas for future trenching and possible drilling. Sampling by earlier explorers identified anomalous concentrations of gold, platinum, palladium, copper and nickel in sulphide-bearing gabbroic rocks belonging to the Nipissing Gabbro.



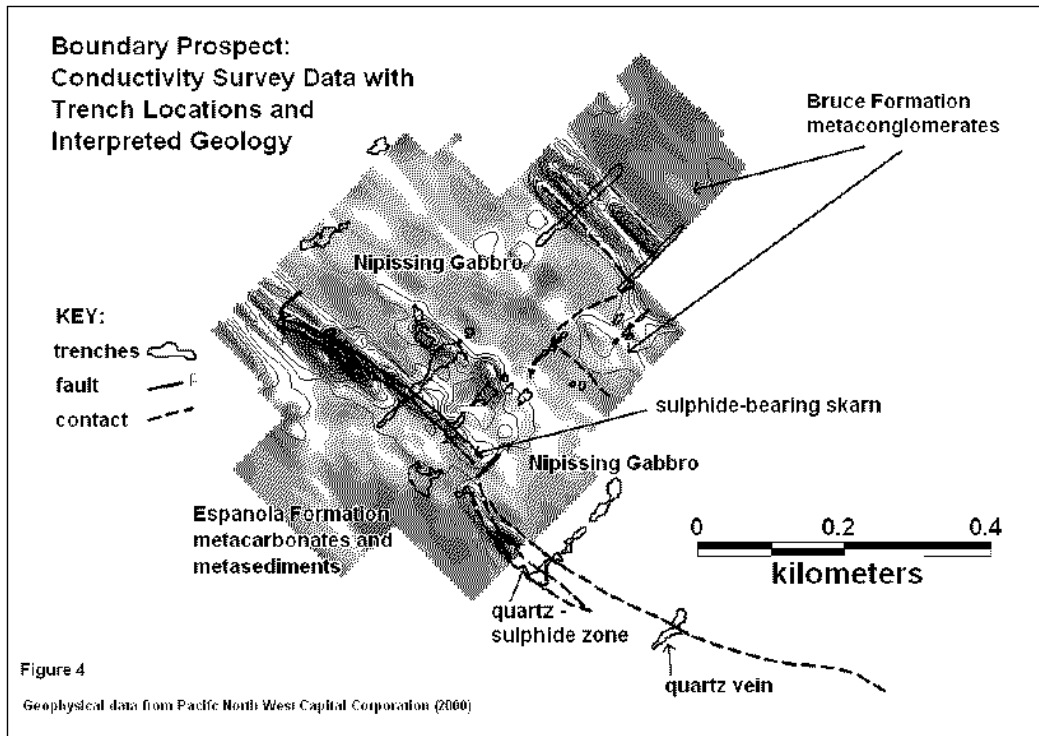
A total of 45 grab samples of outcrop/subcrop were taken along a 2.9 km long interval of gabbro. A central 1km length of strike in which 25 samples were collected returned 11 samples with greater than 0.2% copper (maximum of 0.59% copper), 5 with greater than 0.1% nickel (maximum of 0.17%), and 6 with greater than 1ppm platinum+palladium+gold (maximum of 2.213 ppm). Samples carrying anomalous grades are metagabbro with disseminated and/or fracture-controlled sulphides (chalcopyrite, pyrrhotite, pyrite and pentlandite). The metagabbro is typically a weakly metamorphosed gabbro in which the mafic phases exhibit alteration to biotite and amphibole.

All of the trenching and most of the channel sampling activities that took place during the field program were carried out at Boundary Prospect (called "Area B" by earlier explorers). Trenching was carried out by means of an excavator that removed topsoil and overburden (mostly less than 2m thick) and stockpiled the material adjacent to the trench. The trench was then washed down to expose bedrock. A portable Stihl diamond blade cutter was used to cut a set of parallel slots from which the channel sample was extracted. Individual channel samples, averaging 2m in length, range from 1.4 – 2.6m in length and 8 – 25 kg in weight.

A ground IP/resistivity geophysical survey carried out in 2000 by a previous explorer identified a series of chargeability/conductivity anomalies that are related to the presence of sulphides. Some of these anomalies had been investigated in 2000 by means of trenching and channel sampling. The Corporation focused on trenching of anomalies and their extensions not previously investigated.

A roughly linear NW-trending conductivity anomaly within the southern half of the geophysical survey area is located along the southern contact zone between Nipissing Gabbro and Espanola Formation (Figure 4). As a result of the recent trenching program this contact zone, up to 14m in thickness, has now been traced for some 960m. The mineralogy of the zone changes along strike from a sulphide and magnetite bearing skarn-style assemblage, within the NW half, to a quartz +/- calcsilicates +/- sulphides vein/breccia/replacement style of mineralisation to the SE. Sulphide minerals in the skarn are chalcopyrite, pyrite and pyrrhotite; magnetite is locally abundant.

Channel sampling was carried out at 7 locations along the strike of the contact zone with a total of 30 channel samples being collected. Copper assays ranged between 19 ppm in quartz vein material at the eastern end of the contact zone to 2m with 0.49% copper (within 6m @ 0.34% copper and 0.17% nickel) in quartz-pyrite breccia near the central part.



The strong chargeability anomaly along the gabbro's northern contact was intersected in two trenches. In each the anomaly was found to be caused by the presence of disseminated pyrite and pyrrhotite within metaconglomerates belonging to the Bruce Formation.

Isolated chargeability anomalies within the Nipissing Gabbro are related to zones of disseminated and fracture-controlled sulphides (mainly pyrrhotite and chalcopyrite with minor pentlandite). Channel sampling of Nipissing gabbro returned only weakly anomalous grades, best being 6m with 0.27ppm platinum+palladium+gold. The best grab sample returned 0.57ppm.

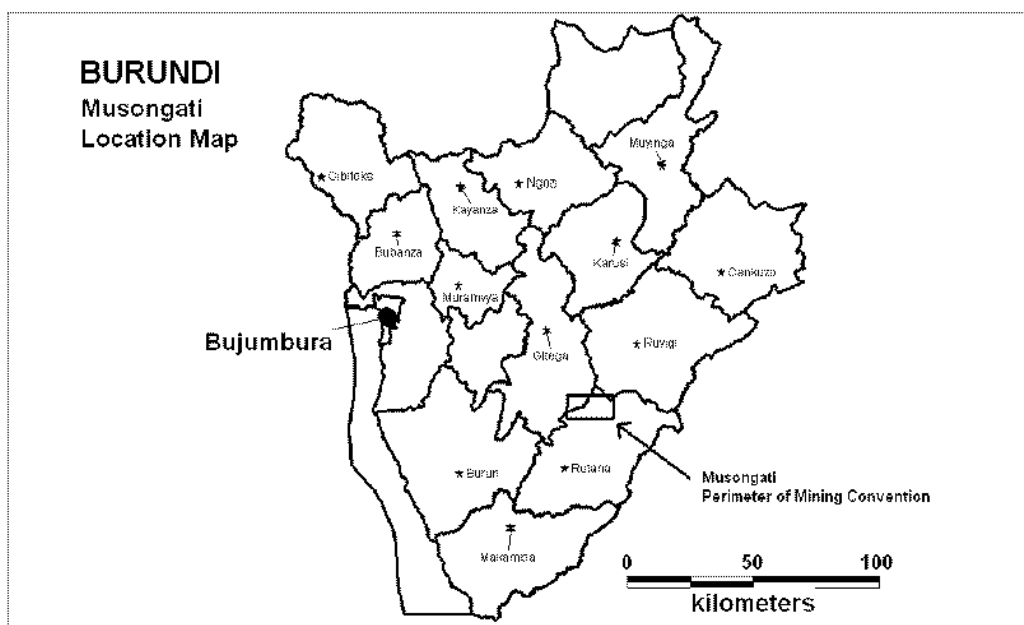
The Corporation is in the process of obtaining a quotation for carrying out an IP geophysical survey at Sawmill Bay over the prospective sulphide-bearing gabbro that returned highly anomalous platinum + palladium + gold + copper + nickel grades over a 1 km strike length. The geophysical survey will help prioritise areas for subsequent trenching and channel sampling.

Burundi Nickel Project - Musongati

Andover Resources NL ("Andover"), a wholly owned subsidiary of the Corporation acquired the Burundi Nickel Project in 1999 pursuant to a Mining Convention with the government of Burundi whereby Andover could earn an 85% interest in the project by completing a feasibility study for the development of a nickel/cobalt processing facility by the end of 2001 and by reimbursing the Burundi government for certain expenditures incurred on the Project.

Due to political instability in Burundi, the project had been subject to force majeure until May 2005 when force majeure was lifted due to improving security. The Corporation has initiated discussions with the Ministry of Mines in Burundi to extend the Mining Convention to allow it to conduct a feasibility study. To date, no agreement has been reached regarding an extension to the Mining Convention.

The Musongati lateritic deposit was explored in the 1970's and 1980's. Studies carried out by these explorers resulted in the identification of a resource of 185 million tonnes of 1.31% nickel and 0.08% cobalt (non-JORC and NI 43-101 compliant). Anomalous grades of platinum and palladium had been recorded from the laterite as well as from the underlying basement rocks.



The nickel - cobalt laterites at Musongati are developed within the weathering profile above a layered igneous complex and are derived mainly from the weathering of a serpentinised dunite which has a primary nickel content of about 0.3%. Two types of ore are present in approximately equal proportions: limonite and saprolite. Nickel in the limonite ore type is tied to goethite whereas in the saprolite ore type it is related to serpentine group minerals and clay minerals.

The resource at Musongati is situated on three adjacent plateaux as a result of erosion of a single layer of laterite. The plateaux are referred to from west to east as the Geyuka, Rubara and Buhinda zones, of which Buhinda is the most significant and best defined.

The Musongati lateritic deposit was explored in the 1970's and 1980's, mostly under the auspices of the United Nations Development Program. A total of 237 diamond drill holes were completed at Musongati for 12,255 metres, with an average depth of 52 metres. During the 1970's to 1980's drilling was conducted in three phases. The first phase of drilling investigated all three zones, with the focus on Rubara and Buhinda. The second phase was devoted to Rubara and Buhinda only, while the third phase focused exclusively on Buhinda. Several metallurgical studies were also completed as well as logistical, transportation and energy studies.

Nevada Gold Project, U.S.A.

The Nevada Gold Project is situated within the southern boundary area of the Humboldt – Toiyabe National Forest, in Northern Elko County, Nevada and comprised 70 unpatented lode mining claims and 2 unpatented claims covering water rights.

The Corporation held the Nevada Gold Project under 2 option agreements. The first option agreement over the Gold Creek property covered 37 unpatented mining claims and 2 claims covering water rights. The agreement was for 3 years and had an annual option payment of US\$20,000 and a purchase price of US\$1,250,000 for 100% of the claims. During May 2004 the Corporation entered into an additional option agreement over the adjoining 33 unpatented claims. The agreement was for 3 years and had an annual option payment of US\$20,000 and a purchase price of US\$1,500,000 for 100% of the claims.

In June 2005 following completion of its assessment of the Project, the Corporation elected not to exercise the option to purchase the St. Elmo Mine – Rosebud Mine groups of claims and in November 2005 elected not to exercise its option to purchase the Diamond Jim mine.

Albetros Diamond Project

The Albetros Project is an alluvial diamond project situated on the west coast of South Africa near Kleinsee. The Corporation held its interest in the Albetros Project through an option agreement to purchase up to 85% of the shares of Albetros Inland Diamond Exploration Pty Ltd ("Albetros") the owner of the Project.

The Option Agreement provided for:

- a) an option exercise date of August 31, 2004. *
- b) monthly option fees totalling R4,050,000 (\$799,000) payable as follows:
 - 2003 — R2,400,000 (\$469,000) — paid.
 - 2004 — R1,650,000 (\$344,000) — of which R550,000 has been paid, and
- c) a purchase price of R17,000,000 (\$3,609,000) less all option fees paid at the date of exercise of the option. Had the Corporation exercised its option to acquire Albetros the purchase price of R17,000,000 less option fees totalling R4,050,000 (R2,950,000 paid) will be paid in two payments as follows:
 - R7,000,000 (\$1,486,000) on August 31, 2004. *
 - R5,950,000 (\$1,263,000) on December 1, 2004. *

An application for a new prospecting permit ("Permit") was submitted in January 2004 as the expiry date of the Permit was March 15, 2004. However with the new Minerals and Energy Act in South Africa coming into force in May 2004, processing of the application was delayed.

*Pursuant to the Agreement with the shareholders of Albetros, the Corporation had until August 31, 2004 (the option exercise date) to fully evaluate the Project. As a new Permit had not yet been issued, the Corporation ceased its obligation to make option payments subsequent to March 2003 and advised the shareholders of Albetros that all payment obligations would be extended by the number of days that Albetros did not hold a valid Permit.

In March 2005, the Corporation terminated its option to acquire Albetros as a new Permit still had not been issued.

Outlook

Existing Projects

The Corporation expects to complete its evaluation of exploration results from the activities at Lac Panache early in 2006 following which a decision on the future exploration of the Project will be made. The Corporation has initiated discussions with the Ministry of Mines in Burundi regarding an extension to the Mining Convention covering the Burundi Nickel Project. The Corporation expects to recommence activities on the Burundi Nickel Project once it receives an extension to the Mining Convention.

New Projects

The Corporation continues to seek additional projects through which shareholder value may be enhanced and has focused on precious and base metals. The Corporation is investigating suitable projects on a global basis and has been active in examining precious and base metal opportunities in North America, Africa and the Pacific region.

Forward Looking Statements

This MD&A contains forward looking statements and information. Such forward looking statements are based on the Corporation's plans and expectations and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any performance or achievement expressed or implied by such forward looking statement. *See Risk Factors below.*

Risk Factors

The exploration and development of mineral deposits involves significant financial risks. The success of the Corporation will be influenced by a number of factors including financing, exploration and extraction risks, political uncertainty and regulatory issues, environmental and other regulations.

In addition, the Corporation will periodically have to raise additional funds to continue operations from the sale of equity or the sale of some or all of its projects and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Additional risk factors relating to the Corporation's activities are discussed in detail in its annual information and 20F filings.

Overall Performance

December 31, 2005 and December 31, 2004

The Corporation incurred a loss of \$1,198,637 for the year ended December 31, 2005 compared to a loss of \$3,148,252 for the year ended December 31, 2004. The decreased loss of \$1,949,615 from 2004 to 2005 is mostly attributable to decreased arbitration expenses of \$789,871, due to the arbitration between the Corporation and NNIH being finalized in 2004, a reduction in management fees of \$505,361, reduced salary and benefit costs of \$84,346 due to lower levels of corporate activity, reduced project assessment costs of \$345,917 mainly due to the Albetros Diamond Project and the Nevada Gold Project not proceeding, and foreign exchange losses of \$255,686 in 2004,

due to the Australian dollar weakening against the Canadian dollar and the Corporation holding substantial cash balances in Australian dollars during the 2004 year, not being incurred in 2005. At December 31, 2004 substantially all of the Corporation's cash balances were held in Canadian dollars, consequently exchange gains and losses in 2005 were minimal, however, the Corporation conducts its activities in various countries which require it to incur expenditures in currencies other than Canadian dollars, consequently it will be exposed to exchange gains or losses in the future.

Interest income of \$96,310 for the year ended December 31, 2005, decreased from \$214,247 for the year ended December 31, 2004 as a result of decreasing cash balances and the Corporation holding its balances in Canadian dollars at lower interest rates.

During the year ended December 31, 2005 cash required for operating activities amounted to \$988,671 compared to \$3,434,568 for the year ended December 31, 2004.

The decrease in cash required for operating activities of approximately \$2,446,000 resulted mainly from the decreased loss for the year of \$1,949,615, while accounts receivable declined by \$140,571 and accounts payable increased by \$56,871 compared to a decrease of \$300,172 in 2004 for a further reduction in cash used for operations of approximately \$500,000 in 2005.

During 2005 administrative expenses were \$1,052,479 compared to \$2,519,569 for the year ended December 31, 2004. The decrease of \$1,467,090 arose mainly due to the arbitration between the Corporation and NNH being settled in 2004 and management fees and salaries and benefits decreasing by \$505,361 and \$84,346 respectively, due to lower levels of corporate activity in 2005.

Selected Annual Information

The Corporation's financial statements are prepared in accordance with Canadian generally accepted accounting principles and values are in Canadian dollars, except where stated otherwise. The selected annual financial information is taken from the Corporation's annual financial statements and should be read in conjunction with the attached statements.

Year ended December 31,	2005	2004	2003
	Canadian \$ (000's)		
Interest Income	\$ 96	\$ 214	\$ 363
Foreign Exchange Gains / (Losses)	\$ (1)	\$ (256)	\$ 671
Write Off of Mineral Properties and Deferred Costs	\$ -	\$ -	\$ (20)
Loss	\$ (1,199)	\$ (3,148)	\$ (2,493)
Basic and Diluted Loss Per Common Share	\$ 0.01	\$ 0.03	\$ 0.03

As at December 31,	2005	2004
	Canadian \$ (000's)	
Working Capital	\$ 3,445	\$ 4,632
Total Assets	\$ 3,671	\$ 4,813
Total Liabilities	\$ 208	\$ 151
Share Capital	\$ 44,075	\$ 44,075
Deficit	\$ (40,612)	\$ (39,413)

Results of Operations

Write Downs and Project Assessment

December 31, 2005 and December 31, 2004

Project assessment expenditures decreased by \$345,917 to \$241,327 for the year ended December 31, 2005 compared to the year ended December 31, 2004. The decrease is mainly attributable to the expenditures incurred on the Lac Panache Project of approximately \$165,000 as the Corporation commenced actively on the Project in May 2005, activities were curtailed in early October due to the onset of winter conditions resulting in a relatively short field season, compared to expenditures of \$385,104 and \$216,245 on the Albetros Diamond Project and the Nevada Gold Project respectively.

Summary of Quarterly Results

Year 3 months ended	2005				2004			
	Dec 31	Sept 30	June 30	Mar	Dec 31	Sept 30	June 30	Mar
	Canadian \$ (000's)							
Interest income	24	23	23	26	25	21	79	90
Foreign exchange gain/(loss)	3	(7)	4	(1)	70	(86)	(438)	198
Total income	27	16	27	25	95	(65)	(359)	288
Administration expenditures	(260)	(186)	(293)	(313)	(404)	(822)	(404)	(890)
Project assessment, net of recoveries	(34)	(84)	(95)	(28)	11	(119)	(237)	(242)
Loss	(267)	(254)	(361)	(316)	(298)	(1,006)	(1,000)	(844)
Basic and diluted loss per common share in dollars/share	(.003)	(.003)	(.005)	(.003)	(.003)	(.010)	(.010)	(.009)
Weighted Average Number of Common Shares (000's)	← 95,969 →							

Quarterly Results

Fourth Quarter 2005 to Third Quarter 2005

The Corporation incurred a loss of \$268,602 for the quarter ended December 31, 2005 compared to a loss of \$253,738 for the quarter ended September 30, 2005. The loss and cash used for operations was similar for the two quarters, although the main differences in expenditures were increased accounting and audit, and travel of approximately \$36,000 and \$68,000 respectively due to the provision for the year end audit and travel to Africa for meetings and to assess new opportunities, offset by decreases in project assessment costs of approximately \$50,000 and a number of other smaller decreases in expenditures.

Other Quarterly Results

The fluctuation in income over the past eight quarters is mainly due to foreign exchange gains and losses due to the changing rate of exchange between the Australian and Canadian dollar and the Corporation holding a substantial portion of its cash balances in Australian dollars until late December 2004 when it converted its cash holdings to Canadian dollars. The majority of the Corporation's cash balances are now held in Canadian dollars which has led to the minimal exchange gain/loss recognized in the quarters ended March 31, 2005, June 30, 2005, September 30, 2005 and December 31, 2005.

Project assessment expenditures reflect activities on the Corporation's projects with 2005 expenditures lower due to commencing activities on the Lac Panache Project in Canada, acquired in April 2005, while expenditures declined over each quarter up to December 31, 2004 reflecting a recovery of expenditure in the quarter ended December 31, 2004 due to the Corporation completing its exploration program at the Albetros Project during the 2nd quarter and no substantial new exploration program being commenced. The recovery in the December 2004 quarter reflects the lower level of assessment expenditures together with the reduction on the settlement of final amounts payable for activities conducted in prior periods. In addition, project assessment expenditures include the evaluation of new projects in Africa, China and Canada.

The loss in the quarter ended September 30, 2004 includes arbitration expenditures of \$557,860, a significant increase compared to previous quarters.

During the quarter ended June 30, 2004 the loss increased significantly, mainly due to the foreign exchange loss of \$437,461 incurred due to the declining value of the Australian dollar.

Liquidity and Capital Resources

The Corporation's cash deposits at December 31, 2005 totaled \$3,626,115 compared to \$4,616,407 at December 31, 2004. The Corporation continues to utilize its cash resources to fund the project assessment activities and administrative requirements. Aside from such cash the Corporation has no material unused sources of liquid assets. As the Corporation does not have a source of income, cash balances will continue to decline as the Corporation utilizes these funds to conduct its operations.

The Corporation does not have any loans or bank debt and there are no restrictions on the use of its cash resources.

In 2001, the Corporation received approximately \$11,300,000 from NNIH for re-imbursement of a portion of expenditure incurred on the New Caledonia Nickel Project. The Corporation has utilized these funds to conduct its operations from 2001 to date. With cash balances of approximately \$3.6 million and current planned expenditures of approximately \$1.5 million, the Corporation has sufficient cash resources for planned activities over the next 12 months. Should the Corporation acquire new projects, increase its expenditure on existing projects or exercise its options to acquire projects currently under option it will be required to raise additional financing.

Commitments and Property Option Payments

	2006	2007	2008	Total
Property Payments – Lac Panache	\$ 80,000	\$ 120,000	\$ 60,000	\$ 260,000 ¹
Property Expenditure Commitments – Lac Panache	130,000	260,000	-	390,000 ¹
	\$210,000	\$ 380,000	\$ 60,000	\$ 650,000

1. The Corporation may withdraw from this agreement at any time.

Related Party Transactions

During the year ended December 31, 2005: \$233,633 (2004: 748,593, 2003: \$461,623) was paid to five directors of the Corporation, or to companies controlled by them, for director's fees, management consulting services and project management and assessment services.

Fees paid to each non-executive director does not exceed \$25,000 per annum.

In addition \$111,292 (2004: \$117,700, 2003: \$414,181) was paid to two companies, \$33,392 to an Australian company and \$77,900 to a Canadian company, each controlled by a director of the Corporation for the provision of office facilities and personnel in Australia and Canada respectively. These services are reimbursed at cost, which approximate fair value.

At December 31, 2005, management and consulting fees and directors' fees payable amounted to \$91,750 (2004: \$NIL). These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Proposed Transactions

The Corporation is currently evaluating new opportunities. Should it enter into agreements over any of these opportunities it may be required to make cash payments and complete work expenditure commitments.

Critical Accounting Estimates

The detailed accounting policies are discussed in the Corporation's annual financial statements, however, the following accounting policies require the application of management's judgment:

- (a) *Mineral property valuations* – Management uses its best estimate for recording any mineral property value based on the results of any exploration conducted, prevailing market conditions, similar transactions and factors such as stability of the country in which the asset may be located.
- (b) *Contingent Liabilities* – Management evaluates any claims against the Corporation and provides for those claims, where necessary, based on information available to it, including in some instances, legal advice.
- (c) *Income Tax* - Income taxes are calculated using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the consolidated balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using the tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. Valuation allowances are established when necessary to reduce future income tax assets arising from loss carry-forwards to amounts expected to be realized.

Changes in Accounting Policies

There have been no changes in accounting policies during the year ended December 31, 2005.

Financial Instruments and Other Instruments

The Corporation holds certain cash balances in Australian and US dollars which are subject to exchange rate fluctuations which could give rise to exchange losses.

Other

Capitalization

The Corporation has 95,969,105 shares outstanding at March 15, 2006.

In addition, the Corporation has 2,125,000 options outstanding and exercisable at Australian \$0.35 per share. These options expire on May 26, 2006.

Properties, Location and Description

Lac Panache Project

The Lac Panache Project is located some 40 kms southwest of Sudbury, in the Sudbury Mining Division, Ontario, Canada. The project area initially comprised 43 claims containing a total of 162 claim units distributed across 4 separate blocks: Lake Panache, Brazil Lake, Little Panache and Norwest. Subsequently the total land area of the project was increased by a further 39 claim units in 5 claims bringing the total claim holding to 48 (consisting of 201 400m by 400m claim units) in an area of 32.2 km².

Burundi Nickel Project

The Burundi Nickel Project, located in Burundi, Central Africa, covers an area of 171 km² and is situated primarily within the Province of Rutana, some 90 kms southeast of Bujumbura. The nickel laterite deposit occupies a plateau at an elevation of 1700 m in an area of savannah grassland and is sparsely populated.

Management's Responsibility and Oversight

The disclosures and information contained in this MD&A have been prepared by the management of the Corporation. Management has implemented and maintained a system of controls and procedures to ensure the timeliness and accuracy of information disclosed in the MD&A.

The Corporation's audit committee and Board of Directors review the disclosures made in the MD&A to ensure the integrity thereof.

Evaluation of Disclosure Controls

The Corporation's chief executive and chief financial officers have evaluated the effectiveness of the Corporation's disclosure controls as of December 31, 2005. Based on such evaluation they have concluded that, at such time, the Corporation's disclosure controls were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed in the Corporation's periodic filings.

It should be noted that any system of controls is based in part upon certain assumptions designed to obtain reasonable assurance as to effectiveness, and there can be no assurance that any design will succeed in achieving its stated objectives.

List of Directors and Officers at Signature and Filing Date

*Peter H. Lloyd	President and CEO
Cecil R. Bond	Director
*John Maloney	Non-executive Director
*Malcolm Smartt	Non-executive Director

*Denotes member of audit committee.

Mr. John Nicholls, Director of the Corporation and Mr. Marcus Foster, Director and CFO of the Corporation resigned on December 31, 2005 and January 27, 2006 respectively. Mr. Malcolm Smartt was appointed as a Director and member of the Audit Committee on March 7, 2006.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements and the information contained in the annual report have been prepared by the management of the Corporation. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and, where appropriate, reflect management's best estimates based on currently available information. A system of internal accounting control is maintained to provide reasonable assurance that financial information is accurate and reliable.

The Corporation's registered independent accountants, Horwath Orenstein LLP, who have been appointed by the directors, conduct an audit in accordance with generally accepted auditing standards in Canada and the Public Company Accounting Oversight Board (United States) to allow them to express an opinion on the financial statements.

The Audit Committee of the Board of Directors meets periodically with management to review the financial statements and related reporting matters prior to submission to the Board, and meets with the registered independent accountants to review the scope and result of the annual audit.



Chief Executive Officer
Argosy Minerals Inc.
March 15, 2006

REPORT OF REGISTERED INDEPENDENT ACCOUNTANTS

To the Shareholders of Argosy Minerals Inc.

We have audited the consolidated balance sheets of Argosy Minerals Inc. as at December 31, 2005 and 2004 and the consolidated statements of operations and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2005 and 2004 and the results of its operations and changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated statements of operations and deficit and cash flows for the year ended December 31, 2003 were audited by other auditors who expressed an opinion without reservation on those financial statements in their report dated January 16, 2004.



Toronto, Canada
March 15, 2006

Chartered Accountants

Argosy Minerals Inc.
(an exploration stage corporation)
CONSOLIDATED BALANCE SHEETS
As at December 31, 2005 and 2004
(expressed in Canadian dollars)

	2005	2004
ASSETS	Canadian \$	
Current Assets		
Cash and cash equivalents	\$ 3,626,115	\$ 4,616,407
Accounts receivable and prepaids	26,389	166,960
	<u>3,652,504</u>	<u>4,783,367</u>
Office equipment and furniture	18,657	29,560
	<u>\$ 3,671,161</u>	<u>\$ 4,812,927</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 207,872	\$ 151,001
SHAREHOLDERS' EQUITY		
Capital Stock	<i>Note 5</i> 44,075,384	44,075,384
Accumulated Deficit	(40,612,095)	(39,413,458)
	<u>3,463,289</u>	<u>4,661,926</u>
	<u>\$ 3,671,161</u>	<u>\$ 4,812,927</u>

APPROVED ON BEHALF OF THE BOARD



John Maloney, Director



Peter H. Lloyd, Director

The accompanying notes are an integral part of these consolidated financial statements.

Argosy Minerals Inc.**(an exploration stage corporation)****CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT****For the Years Ended December 31, 2005, 2004 and 2003**

(expressed in Canadian dollars)

		2005	2004	2003
		Canadian \$		
Income				
Interest	\$	96,310	\$ 214,247	\$ 363,362
Gain on disposal of mineral property	Note 3(c)	-	-	125,500
Foreign exchange gain / (loss)		(1,141)	(255,686)	670,724
Gain on sale of marketable securities		-	-	14,548
		95,169	(41,439)	1,174,134
Expenses				
Accounting and audit	\$	81,201	\$ 98,606	\$ 105,121
Arbitration	Note 3(d)	-	789,871	366,310
Bank charges		3,673	6,386	7,721
Capital taxes		-	-	334
Amortization		12,227	13,088	15,292
Directors' fees		75,000	76,136	68,750
Insurance		22,289	83,894	77,812
Legal		51,981	52,373	55,268
Management and consulting fees		163,303	668,664	428,827
Office		19,533	25,292	25,029
Project assessment expenditures	Note 4	241,327	587,244	1,721,363
Rent		59,155	63,611	60,403
Salaries and benefits		350,319	434,665	427,394
Shareholder communications		40,863	35,930	33,740
Telecommunications		18,527	15,558	18,249
Transfer agent and stock exchange		52,042	57,254	46,146
Travel		102,366	98,241	189,725
Write-off of mineral properties and deferred costs		-	-	19,783
		1,293,806	3,106,813	3,667,267
Net Loss for the Year		(1,198,637)	(3,148,252)	(2,493,133)
Deficit - Beginning of Year		(39,413,458)	(36,265,206)	(33,772,073)
Deficit - End of Year		\$ (40,612,095)	\$ (39,413,458)	\$ (36,265,206)
Basic & Fully Diluted Loss per Common Share		\$ (0.01)	\$ (0.03)	\$ (0.03)
Weighted Average Number of Common Shares				

The accompanying notes are an integral part of these consolidated financial statements.

Argosy Minerals Inc.
(an exploration stage corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2005, 2004 and 2003
(expressed in Canadian dollars)

	2005	2004	2003
	Canadian \$		
Cash Provided from (Used for)			
Operating Activities			
Net loss for the year	\$ (1,198,637)	\$ (3,148,252)	\$ (2,493,133)
Items not affecting cash:			
Amortization	12,227	13,088	15,292
Foreign exchange (gain) / loss	297	4,173	(641,617)
Gain on marketable securities	-	-	(14,548)
Write-off of mineral properties and deferred costs	-	-	19,783
Gain on disposal of mineral property	-	-	(125,500)
	(1,186,113)	(3,130,991)	(3,239,723)
Changes in Non-cash Working Capital			
(Increase) Decrease in accounts receivable and prepaids	140,571	(3,405)	(120,559)
Increase/(Decrease) in accounts payable and accrued liabilities	56,871	(300,172)	125,767
Cash Flows from Operating Activities	(988,671)	(3,434,568)	(3,234,515)
Financing Activities	-	-	-
Cash Flows from Financing Activities	-	-	-
Investing Activities			
Disposal of mineral property	-	-	500,000
Mineral properties and deferred costs	-	-	(53,771)
Disposition of marketable securities	-	-	278,288
Purchase of office equipment and furniture	(1,324)	(3,234)	(11,371)
Restricted cash	-	-	157,960
Cash Flows from Investing Activities	(1,324)	(3,234)	871,106
Foreign Exchange Gain / (loss) on cash held in Foreign Currency	(297)	(4,173)	641,617
Decrease in Cash and Cash Equivalents	(990,292)	(3,441,975)	(1,721,792)
Cash and Cash Equivalents - Beginning of Year	4,616,407	8,058,383	9,780,175
Cash and Cash Equivalents -			

The accompanying notes are an integral part of these consolidated financial statements.

Argosy Minerals Inc.
(an exploration stage corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2005

1. Nature Of Operations

On May 26, 2005, the Corporation continued its jurisdiction of incorporation from the Yukon Territory under the Yukon Corporations Act to British Columbia, under the Business Corporations Act and amalgamated with its wholly owned Canadian subsidiaries.

The Corporation and its subsidiaries are engaged in the exploration of mineral properties and is considered to be an exploration stage company. The Corporation is in the process of investigating possible property acquisitions and continues to evaluate the Lac Panache property in Sudbury, Ontario acquired under an option agreement entered into in April, 2005. See Note 3(b). During 2005, the Corporation terminated its options to acquire the Albetros Diamond Project in South Africa and the Nevada Gold Project in Nevada, USA. See Notes 3(e) and (f). The Corporation was previously involved in studies for the development of a nickel/cobalt processing facility at Musongati in the Republic of Burundi and in gold exploration in the Slovak Republic. In August 2002 the Corporation's subsidiary, Andover Resources N.L., declared force majeure and curtailed its activities in Burundi as a result of the deterioration of the security situation, however in 2005 following elections and the formation of a new government in Burundi, the Corporation lifted force majeure and entered into discussions with the Ministry for Mines regarding recommencing activities in Burundi. See Note 3(a). In July 2003, the Corporation sold its Slovak subsidiary, Kremnica Gold a.s. See Note 3(c).

As yet, it has not been determined if the Corporation's mineral properties contain ore reserves that are economically recoverable. The recoverability of any amount recorded for mineral properties and deferred costs is dependent on the existence of economically recoverable reserves, the ability of the Corporation to obtain necessary financing to complete the development and future profitable production or proceeds from disposition of the mineral properties. The amounts shown as mineral properties and deferred costs, if any, represent costs to date, less amounts recovered or written off, and do not necessarily represent present or future values.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries after elimination of inter-company accounts and transactions:

Company Name	Country
Argosy Mining Corporation Pty. Ltd.	South Africa
Andover Resources N.L. ("Andover")	Australia

Financial Statement Presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The material measurement differences between Canadian and United States GAAP are explained in Note 10, along with their effect on the Corporation's consolidated statements of operations and deficit.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the period. Significant areas where management's judgement is applied are mineral property valuations, valuation of future income tax benefits and contingent liabilities. Actual results may differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term deposits maturing within 90 days of the original date of acquisition. In order to limit its exposure to losses, the Corporation deposits its funds with major Canadian and Australian banks. A portion of the cash balances are held in Australian dollars, accordingly, the Corporation has exposure to fluctuations in currency exchange rates.

Office Equipment and Furniture

Amortization is provided on office equipment and furniture using the straight line method over the estimated useful lives of the assets.

Project Assessment Expenditures

Project assessment costs consist of expenditures to evaluate new projects. These expenditures are charged to income when incurred. Once the Corporation decides to acquire the property, costs associated with further exploration or development are accounted for as described under Mineral Properties and Deferred Costs below. Included in project assessment expenditures are option payments for mineral properties. These payments are charged to income when incurred.

Mineral Properties and Deferred Costs

The costs of acquiring mineral properties, and related exploration and development costs, are deferred until the property to which they relate is placed into production, sold or abandoned. Deferred costs will be amortized on a unit production basis of the ore body following commencement of production, or written off if the property is sold or abandoned.

The Corporation will reduce the carrying value of mineral properties and deferred costs by any amount received from the introduction of a joint venture partner.

Management's estimate of carrying values is subject to risks and uncertainties affecting the recoverability of the Corporation's investment in mineral properties. Although management makes its best estimate of these factors, where applicable, based on current conditions, it is possible that changes could occur in the near term which could adversely affect management's estimate of the recoverability of mineral properties and deferred costs and the need for asset impairment write-downs.

Although the Corporation has taken steps to investigate title to mineral properties in which it has an interest, these procedures do not guarantee the Corporation's title. Such properties may be subject to prior undetected agreements or transfers and title may be affected by such defects.

Stock Based Compensation

The Corporation prospectively adopted the amended requirements of CICA 3870, Accounting for Stock Based Compensation and Other Stock Based Payments, in the year ended December 31, 2003. These amendments require an expense to be recognized in financial statements for all forms of employee stock-based compensation, including stock options. Stock based compensation expense is calculated using the Black-Scholes Model which requires the input of highly subjective assumptions including expected stock price volatility. Differences in input assumptions can materially affect the fair value estimate and therefore the existing models do not necessarily provide a reliable single measure of the fair value of any stock options granted.

Loss per Common Share

Loss per common share is calculated using the weighted average number of common shares issued and outstanding during each year. Basic and fully diluted loss per share are the same, as the effect of potential issues of shares under stock option arrangements would be anti-dilutive.

Foreign Currency Translation

The Corporation's foreign subsidiaries are integrated foreign operations. Currency translations into Canadian dollars are made as follows:

- (i) monetary assets and liabilities at the rates of exchange prevailing at the balance sheet date;
- (ii) non-monetary items at rates prevailing when they are acquired;
- (iii) exploration costs and administration costs at average rates for the period.

Gains and losses arising on currency translation are included in the statement of operations.

Financial Instruments

The fair value of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying amounts. The Corporation is not exposed to significant interest rate risk due to the short term maturity of its monetary current assets and current liabilities.

Income taxes

Income taxes are calculated using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the consolidated balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using the tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. Valuation allowances are established when necessary to reduce future income tax assets arising from loss carry-forwards to amounts expected to be realized.

3. Mineral Properties**a) Burundi Nickel Project**

During 1998, Andover entered into a Protocol agreement with the Republic of Burundi acquiring the exclusive rights to the Musongati nickel project. On February 11, 1999, a Mining Convention setting out Andover's rights and obligations for the completion of a feasibility study on the Musongati nickel project was ratified by the Burundian Parliament. The Mining Convention requires that Andover complete a feasibility study for the development of a nickel/cobalt processing facility by the end of 2001 or such later date as may be determined by extensions granted by the Minister of Mines. On April 19, 2000, Andover declared force majeure and curtailed its activities in Burundi as a result of the deterioration in security in the region. Pursuant to

the terms of the Mining Convention the declaration of force majeure may be in place for up to two years during which time Andover's obligations are interrupted and the completion of the feasibility study delayed by the period of force majeure. Pursuant to the terms of the Mining Convention, Andover was required to post a performance bond of US\$100,000.

On March 28, 2002 the Corporation announced the withdrawal of the declaration of force majeure and planned to resume its exploration activities, however security deteriorated ahead of the implementation of an agreed cease-fire between various political parties and the Corporation re-imposed the declaration of force majeure in August 2002. Following improved security conditions, the Corporation lifted force majeure in July 2004 and commenced planning of a drilling program at Musongati. However, following a massacre outside Bujumbura, the Corporation re-imposed force majeure in August, 2004. In 2005, following elections, a new government was elected, resulting in improving stability in Burundi. Consequently, Andover lifted the declaration of force majeure in May and has commenced discussions with the Ministry of Mines regarding an extension to the term of the Mining Convention and the re-commencement of activities at Musongati. As at December 31, 2005, the Corporation had not reached agreement with the Ministry of Mines regarding an extension of the term of the Mining Convention.

At December 31, 2002, the Corporation wrote off its investment in the project of \$7,973,049, to recognize the reduction in value due to the ongoing political instability in the country and the failure of nickel laterite projects around the world.

The term of the performance bond provided by the Corporation expired during 2002. A new performance bond will be required should the Corporation lift force majeure and re-commence activity in Burundi.

b) Lac Panache - Sudbury

In April 2005, the Corporation entered into an agreement whereby it can earn 100% of the Lac Panache Project through staged cash payments totalling \$300,000 and incurring expenditures over three years totalling \$455,000. On production the vendor would retain a 3% net smelter return ("NSR") which is subject to buy-back provisions. The Corporation's annual cash payment and work expenditure commitments are as follows:

<u>Cash Payments:</u>	2005	\$ 40,000 (paid)	<u>Work Expenditures:</u>	by April 8, 2006	\$ 65,000 (incurred in 2005)
	2006	80,000		8, 2007	130,000
	2007	120,000		8, 2008	260,000
	2008	60,000			-
		<u>\$ 300,000</u>			<u>\$ 455,000</u>

The Corporation may terminate its option at any time.

On making cash payments of \$300,000 and incurring \$455,000 in exploration expenditures the Corporation will have exercised its option to acquire the Lac Panache properties, subject to the 3% NSR. The Corporation will have the right to purchase 2% of the NSR for \$3 million and have a right of first refusal to purchase the remaining 1%.

The Lac Panache Project area is located some 40kms southwest of Sudbury, Ontario in Canada and covers 48 claims containing a total of 201 claim units.

c) Slovak Gold Property

In July 2003, the Corporation sold its Slovak subsidiary, the owner of the Slovak Gold Property for \$500,000. During the year ended December 31, 2001, the Corporation wrote down its investment in the project by \$7,533,332 to recognize the difficulty in being able to sell the project or introduce a joint venture partner. The sale of the project gave rise to a gain on disposal of \$125,500.

d) New Caledonia Nickel Project - Joint Venture Arrangement and Arbitration

On July 25, 2001, the Corporation announced JSC "MMC Norilsk Nickel" ("Norilsk") had taken the positive decision to proceed with the Nakety/Bogota Project in New Caledonia by completing a feasibility study leading to the joint development with the Corporation and Societe des Mines de la Tontouta ("SMT") of the project. The Tripartite Agreement (the "Agreement") between the Norilsk subsidiary, NN Invest Holdings SA ("NNIH"), SMT and a subsidiary of the Corporation was signed on October 16, 2001. Under the terms of the Agreement, NNIH reimbursed the Corporation's subsidiary 45% of its costs incurred, amounting to US\$7,166,000 (C\$11,307,948) which was applied to reduce the carrying value of the project. Thereafter, NNIH had the ability to earn a 45% stake in the project by completing a feasibility study to international standards over two years.

On August 5, 2002, the Corporation received a notice of termination from NNIH terminating the Agreement and its involvement in the New Caledonia Nickel Project. On September 13, 2002, the Corporation received a request for arbitration by NNIH from the International Court of Arbitration of the International Chamber of Commerce ("ICC"). The request for arbitration sought to recover US\$7,166,000 paid to the Corporation's subsidiary, plus an additional US\$1,368,222 expended on the project.

The termination notice effectively terminated the Agreement and the Corporation wrote off its remaining investment of \$2,539,625 in the project. Following a meeting between the Corporation and NNIH in November 2004, the arbitration was settled. The terms

of the settlement agreement are bound by a confidentiality agreement signed between the parties, however, each party remains responsible for its costs incurred in the arbitration process and neither party has any future claim outstanding against the other regarding this matter. The Corporation does not anticipate that it will incur any further costs related to this matter.

e) Albetros Diamond Project

The Albetros Project is an alluvial diamond project situated on the west coast of South Africa near Kleinsee. The Corporation held its interest in the Albetros Project through an option agreement to purchase up to 85% of the shares of Albetros Inland Diamond Exploration Pty Ltd ("Albetros") the owner of the Project.

The Option Agreement provided for:

- d) an option exercise date of August 31, 2004. *
- e) monthly option fees totalling R4,050,000 (\$799,000) payable as follows:
 - 2003 – R2,400,000 (\$469,000) – paid.
 - 2004 – R1,650,000 (\$344,000) – of which R550,000 has been paid, and
- f) a purchase price of R17,000,000 (\$3,609,000) less all option fees paid at the date of exercise of the option. Should the Corporation exercise its option to acquire Albetros the purchase price of R17,000,000 less option fees totalling R4,050,000 (R2,950,000 has been paid to date) will be paid in two payments as follows:
 - R7,000,000 (\$1,486,000) on August 31, 2004. *
 - R5,950,000 (\$1,263,000) on December 1, 2004. *

An application for a new prospecting permit ("Permit") was submitted in January 2004 as the expiry date of the Permit was March 15, 2004. However with the new Minerals and Energy Act in South Africa coming into force in May 2004, processing of the application was delayed.

*Pursuant to the Agreement with the shareholders of Albetros, the Corporation had until August 31, 2004 (the option exercise date) to fully evaluate the Project. As a new Permit had not yet been issued, the Corporation ceased its obligation to make option payments subsequent to March 2003 and advised the shareholders of Albetros that all payment obligations would be extended by the number of days that Albetros did not hold a valid Permit.

In March 2005, the Corporation terminated its option to acquire Albetros as a new Permit still had not been issued.

f) Nevada Gold Project

The Nevada Gold Project is situated within the southern boundary area of the Humboldt – Toiyabe National Forest, in Northern Elko County, Nevada and comprised 70 unpatented lode mining claims and 2 unpatented claims covering water rights.

The Corporation held the Nevada Gold Project under 2 option agreements. The option agreement dated November 17, 2003 over the Gold Creek property covered 37 unpatented mining claims and 2 claims covering water rights. The agreement was for 3 years and had an annual option payment of US\$20,000 and a purchase price of US\$1,250,000 for 100% of the claims. During May 2004 the Corporation entered into an option agreement over the adjoining 33 unpatented claims. The agreement was for 3 years and had an annual option payment of US\$20,000 and a purchase price of US\$1,500,000 for 100% of the claims.

On June 1, 2005 and November 23, 2005 the Corporation announced that it had terminated its Option Agreements with respect to the Nevada Gold Projects.

4. Project Assessment Expenditures

Details of Project Assessment Expenditures during the years ended December 31, 2005, 2004 and 2003 are as follows:

	2005	2004	2003
<u>Lac Panache Project</u>			
Consulting, Supervision and Legal	\$ 9,130	\$ -	\$ -
Travel and Accommodation	1,705	-	-
Option and Claim Fees	43,900	-	-
Contractor, Equipment and Labor	111,026	-	-
	<u>165,761</u>	<u>-</u>	<u>-</u>
<u>Albetros Diamond Project</u>			
Consulting, Supervision and Legal	-	44,565	218,115
Drilling	-	80,207	486,693
Gravel Processing and Sorting	-	57,020	147,866
Travel and Accommodation	-	55,220	129,608
Option Fees	-	117,158	469,000

Rehabilitation	-	30,934	-
	-	385,104	1,451,282
<u>Nevada Gold Project</u>			
Consulting, Supervision and Legal	4,990	81,995	-
Assessment and Data	-	8,894	-
Option Fees	-	59,317	-
Claim Fees	6,328	12,904	-
Travel and Accommodation	-	53,135	-
	11,318	216,245	-
<u>Other Projects</u>			
Consulting	44,889	40,331	142,216
Assessment	3,622	-	74,463
Option Fees	61,513	-	-
Travel, Accommodation and other	15,737	62,368	53,402
Expenses Recovered	(61,513)	(116,804)	-
	64,248	(14,105)	270,081
<u>Total</u>	\$ 241,327	\$ 587,244	\$ 1,721,363

5. Capital Stock

a) Authorised Capital Stock

The Corporation is authorised to issue an unlimited number of common shares without par value.

b) Issued

	Number of Shares	Amount
Total Issued – December 31, 2005 and 2004	95,969,105	\$ 44,075,384

Stock Options

The Corporation grants stock options to employees as determined by the Corporation's Board of Directors. Stock options granted to the directors of the Corporation are granted subject to approval of the Corporation's shareholders.

No stock options were granted during the years ended December 31, 2005, 2004 and 2003.

No compensation expense was recognised in 2005, 2004 or 2003 because no stock options were granted or vested in those years. Any consideration paid by employees on the exercise of stock options is credited to capital stock.

The status of stock options granted to employees and directors as at December 31, 2005 and 2004 and the changes during the years ended on those dates is presented below:

	December 31, 2005		December 31, 2004	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding and exercisable				
- Beginning of Year	2,725,000	\$0.33	3,075,000	\$0.34
Cancelled/Expired	(600,000)	\$0.33	(350,000)	\$0.34
Options outstanding and exercisable				
- End of Year	2,125,000	\$0.30	2,725,000	\$0.33

All options outstanding at December 31, 2005 have an exercise price of Australian \$0.35 (C\$0.30). The weighted average remaining contractual life of these options is 0.4 years.

c) Escrow Shares

At December 31, 2005 there were no common shares of the Corporation subject to escrow.

6. Related Party Transactions

During the year ended December 31, 2005: \$233,633 (2004: \$748,593; 2003: \$461,623) was paid to five directors of the Corporation, or to companies controlled by them, for director's fees, management consulting services and project management and assessment services.

In addition \$111,292 (2004: \$117,700, 2003: \$414,181) was paid to two companies, \$33,392 to an Australian company and \$77,900 to a Canadian company, each controlled by a director of the Corporation for the provision of office facilities and personnel in Australia and Canada respectively. These services are reimbursed at cost, which approximate fair value.

At December 31, 2005, management and consulting fees and directors' fees payable amounted to \$91,750 (2004: \$NIL) and are included in accounts payable and accrued liabilities.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. Income Taxes

A potential future income tax asset of approximately \$3,465,000 arises from the following loss carry forwards (for Canadian Tax purposes):

a) Non capital loss carry forwards	\$ 8,595,000
b) Other deductible tax amounts	1,362,000
	<u>\$ 9,957,000</u>

The non-capital loss carry forwards can be offset against income for Canadian purposes in future years and expire as follows:

2006	\$ 88,000
2007	1,576,000
2008	-
2009	1,506,000
2010	1,505,000
2011	2,088,000
2012	1,032,000
Total	<u>\$ 8,595,000</u>

The Corporation has reduced the value of the potential future income tax asset to \$Nil through the application of a valuation allowance of \$3,465,000 as the Corporation does not have any current source of income to which the tax losses can be applied.

The Corporation's statutory tax rate of 34.80% (2004 and 2003-35.62%) has been reduced to an effective rate of nil% (2004-nil%) due to losses for which no tax benefit has been recognized.

8. Segmented Information

	2005		
	Canada	Australia	Total
Current Assets	\$ 3,643,229	\$ 9,275	\$ 3,652,504
Office equipment and furniture	4,515	14,142	18,657
	<u>\$ 3,647,744</u>	<u>\$ 23,417</u>	<u>\$ 3,671,161</u>

	2004			
	Canada	Australia	UK	Total
Current Assets	\$ 69,699	\$ 40,325	\$ 4,673,343	\$ 4,783,367
Office equipment and furniture	5,148	24,412	-	29,560
	<u>\$ 74,847</u>	<u>\$ 64,737</u>	<u>\$ 4,673,343</u>	<u>\$ 4,812,927</u>

The Corporation's sole operating segment is the exploration for mineral resources.

9. Commitments

The Corporation has provided a guarantee to Albetros in the amount of R100,000 (\$21,000) for any environmental rehabilitation which may be required on the Albetros Diamond Project. See Note 3(e).

10. Differences between Canadian and US Generally Accepted Accounting Principles ("GAAP")

The Corporation's consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada. The material measurement differences between GAAP in Canada and the United States that would have had an effect on these financial statements are as follows:

Statements of Operations and Deficit

	2005	2004	2003
Loss for the Year - under Canadian GAAP	\$ 1,198,637	\$ 3,148,252	\$ 2,493,133
Exploration Expenditures and write-downs - net of recoveries	-	-	(90,512)
Loss for the Year - under US GAAP	\$ 1,198,637	\$ 3,148,252	\$ 2,402,621
Basic & diluted loss per common share - under US GAAP	\$ (0.01)	\$ (0.03)	\$ (0.03)
Deficit - under US GAAP - Beginning of Year	\$ 39,413,458	\$ 36,265,206	\$ 33,862,585
Loss - under US GAAP	1,198,637	3,148,252	2,402,621
Deficit - under US GAAP - End of Year	\$ 40,612,095	\$ 39,413,458	\$ 36,265,206

Project Assessment Expenditures (Exploration Expenses)

For US GAAP purposes the Corporation expenses exploration costs as incurred. When proven and probable reserves are determined for a property, subsequent development costs of the property will be capitalized. The capitalized costs of such properties will then be measured, on a periodic basis for recoverability of carrying values. Acquisition costs of mineral properties are capitalized for US GAAP purposes.

Stock Based Compensation

For US GAAP purposes, the Corporation has prospectively adopted the fair value based method of accounting for stock based compensation in accordance with FASB 123(R). As no stock options were granted in fiscal 2005, there is no impact on the Corporation's loss for the year or balance sheet at December 31, 2005 under US GAAP.

Shareholder Information

As at February 28, 2006 the Corporation had 2,128 shareholders each of whom on a poll, has one vote for each share held. Of these shareholders 1,307 are holders of CHESS Units in Foreign Securities (CUFS). While CUFS holders have the right to vote on a poll (whereupon proxies can be counted), they are not able to personally vote on a show of hands.

Distribution of Shareholdings

Shareholdings were distributed in the following categories as at February 28, 2006:

Category of Holding	Number of Shareholdings	%	Shares Held	%
Ordinary Common Shares				
1-1,000	450	21.15	146,331	0.15
1,001-5,000	208	9.77	579,298	0.60
5,001-10,000	71	3.34	593,230	0.62
10,001-100,000	69	3.24	1,834,588	1.91
100,001 & over	23	1.08	14,577,926	15.19
Sub-Total, Common	821	38.58	17,731,373	18.48
CUFS				
1-1,000	68	3.20	45,781	0.05
1,001-5,000	388	18.23	1,306,419	1.36
5,001-10,000	232	10.90	1,976,291	2.06
10,001-100,000	490	23.03	17,576,552	18.31
100,001 & over	129	6.06	57,332,689	59.74
Sub-Total, CUFS	1,307	61.42	78,237,732	81.52
Total	2,128	100.00	95,969,105	100.00

Less than Marketable Parcel

Ordinary Common Shares	739	1,437,140
CUFS Common Shares	688	3,328,491

Substantial Shareholders

As at February 28, 2006 the interest of Peter H. Lloyd, a director of the Corporation, was 6.8% of the total issued and outstanding shares of the Corporation as follows:

Direct Interest

Peter H. Lloyd Ordinary Shares 270,000 Options 1,000,000

Indirect Interest

Emmerson Holdings Pty Ltd	Ordinary Shares	2,591,625
Java Black Mining Pty Ltd	Ordinary Shares	2,421,872
Wedgefield Holdings Pty Ltd	Ordinary Shares	58,499

The twenty largest shareholders of ordinary common shares were:

	Number of Shares	% of Total
Cede & Co.	5,478,315	5.71
Emmerson Holdings Pty Ltd	2,591,625	2.70
CDS & Co	2,436,866	2.54
Java Black Mining Pty Ltd	2,367,415	2.47
Jagen Nominees Pty Ltd	500,000	0.52
Kaleen Holdings Pty Ltd	358,075	0.37
Mr. Peter H. Lloyd	270,000	0.28
Second Diviyar Pty Ltd	190,630	0.20
Ian Ross Lloyd	156,000	0.16
Michael S Vitton	144,000	0.15
Yamuni Investments Pty Ltd	127,000	0.13
Mr. William Henry Thurston & Mrs. Mary Elizabeth Thurston	110,006	0.11
FBC Investments Pty Ltd	100,000	0.10
Pivotal Investments Ltd	100,000	0.10
Ms. Terry Ann Knight	93,400	0.10
Wedgefield Holdings Pty Ltd	58,499	0.06
Lonsynd Pty Ltd	50,500	0.05
F&F Finance Pty Ltd	50,000	0.05
Gaje Pty Ltd	50,000	0.05
Mr. Hendricus Petrus Indrisie	44,000	0.05
Total	15,276,331	15.92

The twenty largest CUFS holders were:

	Number of Shares	CUFS % of Total
National Nominees Limited	16,445,106	19.14
Citicorp Nominees Pty Limited	2,768,375	3.22
International Finance Trust Company Limited	1,630,000	1.90
ANZ Nominees Limited	1,625,641	1.89
Coralberry Grove Pty Ltd	1,500,000	1.75
Merrill Lynch (Australia)	1,378,637	1.60
Mr. Steve Panomarenko	934,604	1.09
Mr. Peter James Avery	700,000	0.81
Dawesville Nominees Pty Ltd	670,000	0.78
Mr. Erwin John Clayton	635,597	0.74
Erinella Pty Ltd	615,500	0.72
Mr. Andrew Peter Fisher	614,000	0.71
Mr. Peter John Fisher & Mrs. Loris Joyce Fisher	580,000	0.67
Garnett (Holdings) Pty Ltd	539,742	0.63
Fireball Investments Pty Ltd	532,652	0.62
Kerry Investments Pty Ltd	530,000	0.62
Dawesville Nominees Pty Ltd	525,000	0.61
Mr. Geoffrey Lennard	516,000	0.60
Mr. Horst Hamp & Mrs. Rosemary Jean Hamp	500,000	0.58
Mr. Terrance John Shaw & Mrs. Kristine Anne Shaw	500,000	0.58
Total	33,240,854	38.68

Restricted Securities

As at February 28, 2006 there were no common shares subject to escrow.

Unquoted Securities

As at February 28, 2006 there were 2,150,000 incentive stock options held by 3 option holders. Option holders holding more than 20% of the Unquoted Securities are as follows:

Peter H. Lloyd	1,000,000
Cecil R. Bond	1,000,000

Summary of Mineral Licences

Licence	Location	Ownership
Musongati Exploration Licence	Musongati, Burundi	85%

*Note – The Corporation has initiated discussion with the Ministry of Mines regarding an extension to the Mining Convention.

Australian Corporate Law

The shares in the Corporation are not subject to Chapter 6 of the Corporations Act dealing with the acquisition of shares.

Restrictions Affecting the Corporation's Shares

By virtue of its status as a public company, the purchase and sale of shares of the Corporation in the market is regulated by the securities legislation of the provinces of British Columbia, Alberta and Ontario. These provisions are complex and any holder or prospective holder of common shares of the Corporation should consult professional advisors as to whether and how these provisions might apply. This discussion does not address all potentially relevant legal matters and it does not consider the potential effects of any future legislation with regard to such matters. The following is for general information only and is not intended to be, nor should it be construed to be, legal advice to any holder or prospective holder of common shares of the Corporation and no opinion or representation with respect to the consequences to holders or prospective holders of common shares of the Corporation of such laws, regulations and policies is made. Accordingly, holders and prospective holders of common shares of the Corporation should consult their own legal advisors about the consequences of purchasing, owning and disposing of common shares of the Corporation.

Except as provided in the Investment Canada Act, there are no limitations under the laws of Canada, the Province of British Columbia or in the charter or any other documents of the Corporation on the right of foreigners to hold or vote the common shares of the Corporation.

By virtue of its status as a public company, the purchase and sale of shares of the Corporation in the market is regulated by the securities legislation of British Columbia, Alberta and Ontario, and the policies of the security regulatory authorities of such Provinces. In general, purchasers of shares of the Company may be subject to (i) insider trading rules which prohibit trading on the basis of undisclosed material facts or material changes in the affairs of the Corporation; (ii) insider reporting requirements for persons holding more than 10% of the Corporation's shares; (iii) restrictions on sales by persons holding more than 20% of the Corporation's shares; and (iv) "early warning" and reporting requirements on the acquisition of 10% or more of the Corporation's shares and takeover bid restrictions on the acquisition of 20% or more of the Corporation's shares.

The Investment Canada Act requires a non-Canadian making an investment to acquire control, directly or indirectly, of a Canadian business, the gross assets of which exceed certain defined threshold levels, to file an application for review with Investment Canada, the federal agency created by the Investment Canada Act. For the purposes of the Investment Canada Act, direct acquisition of control means a purchase of the voting interests of a corporation, partnership, joint venture or trust carrying on a Canadian business, or any purchase of all or substantially all of the assets used in carrying on a Canadian business. An indirect acquisition of control means a purchase of the voting interest of a corporation, partnership, joint venture or trust, whether a Canadian or foreign entity, which controls a corporation, partnership, joint venture or trust company carrying on a Canadian business in Canada.

Audit Committee

The Audit Committee of the Corporation at March 15, 2006 is comprised of:

Mr. Malcom Smartt	- Director and Chairman of Audit Committee
Mr. Peter H. Lloyd	- Director
Mr. John Maloney	- Director

Corporate Governance

The board of directors of the Corporation is ultimately responsible for corporate governance and operates within the following broad principles:

General

The Corporation has adopted a written Audit Committee Charter, a Code of Conduct and Ethics for directors and officers and qualifications for directors. While the Corporation strives to implement the recommendation of the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations, small companies such as Argosy have limited resources and necessarily are not always able to implement all recommendations.

Discussion of Best Practice Recommendations

1. Role of the Board and Management

Argosy has not adopted a formal statement of matters reserved for the board as frequent board meetings allow for board participation in all significant matters.

2. Independence of Directors

Argosy's charter requires the majority of directors to be independent. The board reviews the independence of its members based on various criteria, such as the relationship of the directors to the Corporation, any shareholding held by that director, any remuneration paid to the director, as well as other matters that may be considered to impact on their independence. The Corporation is in the process of looking for an individual independent board member such that the majority of the directors are independent.

The board has established that the following directors are independent:

Mr. John Maloney
Mr. Malcolm Smartt

Mr. John Maloney serves as Chairman of Argosy.

Board Composition

The board currently has 4 directors including two executive directors, Mr. Peter Lloyd, President and CEO, and Mr. Cecil Bond and two non-executive directors, Mr. John Maloney and Mr. Malcolm Smartt. The compensation of the board is reviewed by the full board periodically, including the total number of directors and requirements for non and executive directors as well as selection criteria for additional members. The board has the right to appoint directors to fill vacancies on the board and to increase the number of members subject to the Corporation's by-laws. Shareholder approval is required on an annual basis for the composition of the board.

Independent Professional Assistance

The directors have the right to seek independent professional advice, at the Corporation's expense, in connection with their duties and responsibilities as directors. The boards' prior approval for such expenditures is required, which will not unreasonably be withheld.

Nomination of Directors

Argosy does not have a nomination committee, however the board reviews the requirements for new directors when necessary and nominates candidates who meet these requirements.

3. Promotion of Ethical and Responsible Decision Making

Argosy has adopted a code of conduct and ethics for directors and officers.

4. Safeguard Integrity of Financial Reporting

The board has appointed an audit committee, the majority of which are independent directors. The audit committee consist of:

Mr. Malcolm Smartt, Chairman of the Audit Committee – Mr. Smartt is an accountant with over 20 years of public company experience.
Mr. John Maloney – Mr. Maloney has served in various senior capacities in a number of associations for more than 20 years and is a director of various private companies.
Mr. Peter Lloyd – Mr. Lloyd is the Chief Executive Officer of Argosy. Mr. Lloyd has also served as a director for various public companies.

- (a) The Chief Executive Officer and Chief Financial Officer certify certain of the corporation's financial reports which are filed with regulatory authorities.

- (b) The audit committee meets with the Corporation's independent accountants and management periodically to review the scope and results of the annual audit and to review the Corporation's financial statements and related reporting matters prior to the submission of the financial statements to the board.

5. Timely and Balanced Disclosure

Argosy prepares a Management Discussion and Analysis on a quarterly basis as well as releases information in news releases to its shareholders. It strives to provide information in an open, clear and balanced manner while maintaining the integrity of confidential information where required.

6. Rights of Shareholders

Argosy endeavours to keep shareholders informed of all its activities by updating information on its website, which can be accessed at www.argosyminerals.com.au, by filing all materials required in Canada, which can be reviewed at www.sedar.com and by releasing information to the ASX, which shareholders can access at www.asx.com.au.

7. Management of Risk

Argosy does not have a separate risk committee, however the board reviews the Corporation's activities from time to time to ensure that the Corporation is not exposed to unacceptable risk. It should be noted that the business of mining exploration is a high risk business and that the Corporation's activities necessarily expose it to significant risks. For more information on risk, please review the Management Discussion and Analysis in this Annual Report.

As part of its ongoing functions the board regularly reviews alternate business strategies for developing the Corporation and implements those strategies where necessary to manage significant business risk. In addition the board reviews where necessary, in conjunction with the Corporation's external professional consultants, its procedures in respect of compliance with and maintenance of its statutory legal and other obligations.

8. Enhanced Performance

The board reviews the performance of itself and of management from time to time and determines the need for changes to board or management based on that review. In addition, information relating to industry and corporate governance matters is regularly provided to board members and management is encouraged to attend meetings and seminars to improve performance.

9. Remuneration

The Corporation does not have a separate remuneration committee. The full board reviews the terms and conditions of employment and remuneration levels for employees. Remuneration paid to directors and officers of the Corporation during the year ended December 31, 2005 is as follows:

	Directors Fees	Other Services
Mr. Peter Lloyd	\$25,000	\$Nil
Mr. Cecil Bond	\$Nil	\$115,133
Mr. John Maloney	\$25,000	\$Nil
Mr. John Nicholls ¹	\$25,000	\$Nil
Mr. Marcus Foster ²	Nil	\$42,000

¹ Resigned as a director on December 31, 2005

² Resigned as a director on January 27, 2006

No stock options were granted to directors or officers during the year.

Fees paid to non-executive directors have been approved by the shareholders and are set at a maximum of \$25,000 per director per annum.

Any stock options granted to directors are granted subject to shareholder approval.

10. Recognition of Legitimate Interests of Shareholders

Argosy has adopted a written code of conduct.

CORPORATE INFORMATION

Directors

Peter H. Lloyd
Cecil R. Bond
John Maloney
Malcolm Smartt

Secretary

Cecil R. Bond

Canadian Business Office

20607 Logan Avenue
Langley, BC
V3A 7R3 Canada
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Canada V6C 3L2

Australia

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Australia
Telephone: + 618 9 474 4178
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Email: info@argosyminerals.com
Website: www.argosyminerals.com.au

ARBN

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Share Registries

Computershare Investor Services Pty Ltd
Level 2, 45 St. Georges Terrace
Reserve Bank Building
Perth, WA 6000
Australia
Telephone: + 618 9 323 2000
Facsimile: + 618 9 323 2033

Computershare Investor Services Inc.

510 Burrard Street
Vancouver, British Columbia
V6C 3B9
Canada
Telephone: + 1 604 661 9400
Facsimile: + 1 604 683 3694

Auditors

Horwath Orenstein LLP
Chartered Accountants

Annual General Meeting

The Annual General Meeting of Argosy Minerals Inc. will be held on May 26, 2006 at 11:00 am in the Board Room, 1600 Cathedral Place, 925 West Georgia Street, Vancouver, BC V6C 3L2.

Shareholder Enquiries

Computershare Investor Services Inc. is the Corporation's Canadian share transfer agent. Computershare Investor Services Pty Ltd maintains the Australian share registry for the Corporation. Enquiries regarding shareholdings should be addressed to the appropriate company at the addresses listed above.

Stock Exchange Listing

Argosy Mineral Inc.'s shares are listed on the Australian Stock Exchange and traded under the ASX code "AGY" under the Mining industry grouping.

Company Reports

Argosy Minerals Inc.'s Annual Report to Shareholders will be mailed each year to all shareholders and CUFS holders on the Corporation's Australian register. Any Australian shareholder that does not wish to receive this report is requested to notify the Corporation in writing.

Key Dates

Annual General Meeting
May 26, 2006

Financial Year End
December 31, 2006

ARGOSY

MINERALS INC.

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