Argonaut Resources NL

ABN 97 008 084 848

Half Year Report

31 December 2003

Contents

Company Particulars

Directors:	PJD Elliott *Non-executive Chairman* GA Ellis *Managing Director* GN Williams *Non-executive Director*
Company Secretary:	GA Ellis
Registered Office:	MLC Centre Level 65 19 Martin Place Sydney NSW 2000
Share Register:	Computershare Registry Services Pty Limited Level 5 115 Grenfell Street Adelaide SA 5000
Auditor:	PricewaterhouseCoopers Chartered Accountants 201 Sussex Street Sydney NSW 1171
Solicitors:	Watson Mangioni 50 Carrington Street Sydney NSW 2000
Stock Exchange Listing:	Argonaut Resources NL's shares are quoted on the Australian Stock Exchange

Directors' Report

Your Directors present their report on the consolidated entity consisting of Argonaut Resources NL and the entities it controlled at the end of, or during, the half-year ended 31 December 2003.

Directors
The following persons were Directors of Argonaut Resources NL during the whole of the half-year and up to the date of this report.

PJD Elliott (Chairman)
GA Ellis
GN Williams

Review of Operations
The consolidated loss of the consolidated entity for the six months to 31 December 2003, after providing for any income tax, was $610,228 (2002: $544,611 loss).

During the period a number of significant changes were approved by shareholders and implemented by the Board which may be summarised as follows;

September 17th 2003 the Company announced a joint venture with Perilya Limited covering EL 2570 Mt Parry and EL 3075 Myrtle Springs allowing expenditure by Perilya to earn an 80% interest in the tenement by sole funding of initial exploration expenditure of $150,000.

October 31st 2003 the Company announced that Straits Resources Limited (Straits) had purchased from Xstrata Plc its rights in the Torrens project held by Argonaut's wholly owned subsidiary, Kelaray Pty Ltd (Kelaray). Under the agreement Straits are required to spend $300,000 within 12 months to earn the right to initiate the joint venture whereby Straits can spend $7 million over 5 years to earn a 70% interest.

Also announced was the signing of a heads of agreement with Hillgrove Gold Limited (Hillgrove). Under the farm in agreement Hillgrove will meet all statutory expenditure requirements to ensure satisfaction of licence term for EL 2663 Kanmantoo area before 2nd May 2004. On completion of the farm in agreement Hillgrove will hold 90% and Kelaray will retain a 10% free carried interest.

As a result of this work the excellent potential of our exploration portfolio has attracted a number of joint venture partners who have executed agreements or indicated an acceptance of terms to spend $1.2 million over the next 12 months leading to subsequent expenditure in excess of $12.6 million, subject only to favourable ongoing exploration results.

These are significant sums that indicate confidence in our exploration areas and emphasise the exploration leverage that Argonaut now has.

The benefit of these joint ventures is that they allow Argonaut to devote its resources to the earlier stage value-adding exploration at lower cost. We still retain great exposure to the upside following any discovery for limited outlay reflecting our approach to managing exploration risk.

This is in line with our strategy of pursuing top quality exploration targets as well as seeking acquisitions of known resources.

On acquisitions, our focus is not limited to Australia, but also overseas in countries where we believe resource tenure laws are well established and mining infrastructure and practices are sufficiently developed to qualify for our investment.

Recently we announced the signing of a head of agreement with Sangthong Development Company Limited giving the Company the right to acquire up to an 80% interest in a mineral concession located in Laos which is currently under application.

This represents the first overseas agreement by Argonaut.

The Board is constantly reviewing a range of potential commodity investments and look forward to reporting further on these investments in coming months.

This report is made in accordance with a resolution of the Directors.

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GA Ellis, Director

15 March 2004, Sydney

Consolidated statement of financial performance
For the half-year ended 31 December 2003

	Notes	HALF YEAR 2003 $	HALF YEAR 2002 $
Revenue from ordinary activities		85	14,669
Accounting, audit & legal fees		(35,261)	(31,500)
Administration & general expenses		(163,154)	(184,231)
Exploration expenses		(78,771)	-
ASX and registry fees		(69,220)	(104,008)
Director & employee benefits		(263,906)	(239,541)
Loss from ordinary activities before income tax expense		(610,227)	(544,611)
Income tax attributable to operating loss		-	-
Loss from ordinary activities after income tax expense		(610,227)	(544,611)
Total changes in equity other than those resulting from transactions with owners as owners		(610,227)	(544,611)
Basic earnings per share		(1.74) cents	(2.00) cents
Diluted earning per share		(1.74) cents	(2.00) cents

The above consolidated statement of financial performance should be read in conjunction with the accompanying notes.

Consolidated statement of financial position
As at 31 December 2003

	31 December 2003 $	30 June 2003 $
Current Assets		
Cash Assets	93,775	692,596
Other	87,391	35,329
Total Current Assets	181,166	727,925
Non-Current Assets		
Property, Plant and Equipment	1,238,785	1,241,059
Total Non-Current Assets	1,238,785	1,241,059
Total Assets	1,419,951	1,968,984
Current Liabilities		
Payables	287,007	228,313
Total Current Liabilities	287,007	228,313
Non-Current Liabilities		
Payables	55,500	53,000
Total Non-Current Liabilities	55,500	53,000
Total Liabilities	342,507	281,313
Net Assets	1,077,444	1,687,671
EQUITY		
Contributed Equity	184,969,467	184,969,467
Retained Losses	(183,892,023)	(183,281,796)
TOTAL EQUITY	1,077,444	1,687,671

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2003

	HALF YEAR 2003 $	HALF YEAR 2002 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees (inclusive of goods and services tax)	(542,438)	(746,416)
Interest received	85	14,668
Other – GST refund	38,345	30,419
Net cash outflow from operating activities	(504,008)	(701,329)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of exploration tenement	-	(200,000)
Payments for Plant and Equipment	-	(10,898)
Net cash outflow from investing activities	-	(210,898)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of shares	-	2,166,766
Share issue costs	-	(160,489)
Net cash inflow from financing activities	-	2,006,277
NET INCREASE/ (DECREASE) IN CASH HELD	(504,008)	1,094,050
Cash at beginning of reporting period	597,783	127,181
CASH AT THE END OF THE REPORTING PERIOD	93,775	1,221,231

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2003

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORTS

This general purpose financial report for the interim half-year reporting period ended 31 December 2003 has been prepared in accordance with Accounting Standard AASB 1029: *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2003 and any public announcements made by Argonaut Resources NL during the interim period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2. EQUITY SECURITIES ISSUED

	HALF YEAR		HALF YEAR	
	2003 Shares	**2002 Shares**	**2003 $**	**2002 $**
Opening Balance	34,972,727	1,590,000,000	184,969,467	181,879,116
Share consolidation 100 to 1	-	(1,574,095,516)	-	-
Shares issued for acquisition of Kelaray Pty Ltd	-	5,000,000	-	1,000,000
Share placement at 16 cents	-	8,000,000	-	1,280,000
Shares issued via Shareholder Share Purchase Scheme	-	5,528,300	-	884,528
Options converted at 30 cents	-	7,460	-	2,238
Shares issue costs	-	-	-	(160,489)
Closing Balance	34,972,727	34,440,244	184,969,467	184,885,393

3. SEGMENT INFORMATION

The economic entity operates predominantly in the one industry and in one geographical area, namely Australian mineral exploration and evaluation.

4. CONTINGENT LIABILITIES

The economic entity has contingent liabilities as at 31 December 2003 in respect of:

Native Title
Tenements in which the company has an interest are covered by one or more Native Title claims or are within aboriginal lands. The estimated contingent liability with respect to Native Title claims is not expected to exceed $100,000.

There are no other material contingent liabilities relating to the economic entity.

5. EVENTS OCCURING AFTER REPORTING DATE

On January 12th 2004 the Company announced the entry into a deed of option with Hillgrove Gold Limited (ASX:HGO) whereby they may earn up to a 70% interest in exploration licence 3037 located at Alford within the Gawler Craton in South Australia. Hillgrove may exercise the option after spending $250,000 on exploration cost and expenses where upon it will be deemed to have earnt a 20% equity in the tenement and may earn a further 50% interest by spending a further $4 million over a five year period.

On 20th January 2004, the Company announced that it had signed a Heads of Agreement with Sangthong Development Company Ltd, giving the Company the right to acquire up to 80% of a Laotian mineral concession, which is currently under application.

On February 6th the Company announced that it had agreed to place 20,000,000 ordinary shares at .15 cents each to sophisticated and professional investors subject to the approval of shareholders at a meeting to be held on March 9th 2004. The funds raised will be used to augment the working capital of the Company.

On March 5th the Company announced drill results from work being carried out by Hillgrove on Argonaut exploration licence 3037 the Alford project which materially extended the zone of mineralisation along strike both to the north east and south west.

On 9th March the Company announced that the resolution approving the issue and allotment of 20 million fully paid shares in the capital of the Company at 15 cents per share was passed unanimously on a show of hands at the General Meeting of shareholders held on that date.

The Company has received firm commitments for 20 million shares which will result in a total amount of $3 million being received.

As at the date of this report the Company has already received $1,735,000 from capital raising which the Company believes will be sufficient cash resources to cover the consolidated entity requirements for working capital expenditure for at least the next twelve months.

Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 6 to 10:

(a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of the consolidated entity's financial position as at 31 December 2003 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the Directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001, and

(b) there are reasonable grounds to believe that Argonaut Resources NL will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

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GA Ellis, Director

15 March 2004, Sydney

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Independent review report to the members of Argonaut Resources NL

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Argonaut Resources NL:

- does not give a true and fair view, as required by the Corporations Act 2001in Australia, of the financial position of the Argonaut Resources NL Group (defined below) as at 31 December 2003 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Argonaut Resources NL Group (the consolidated entity), for the half-year ended 31 December 2003. The consolidated entity comprises both Argonaut Resources NL (the company) and the entities it controlled during that half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

Liability is limited by the Accountant's Scheme under the Professional Standards Act 1994 (NSW)

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel/the responsible entity's personnel, and
- analytical procedures applied to financial data.

When this review report is included in a document containing information in addition to the financial report, our procedures include reading the other information to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

PricewaterhouseCoopers

Derrick Ryley
Partner

Sydney
15 March 2004