Argonaut
RESOURCES NL

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

Contents

The financial report covers both Argonaut Resources NL as an individual entity and consolidated entity consisting of Argonaut Resources NL and its subsidiaries. The financial report is presented in the Australian currency.

Argonaut Resources NL is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Argonaut Resources NL
Level 8
235 Macquarie Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the directors' report on pages 5 to 16, which is not part of this financial report. The financial report was authorised for issue by the directors on 28 Sept 2007. The company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial reports and other information are available at our Shareholders' Centre on our website: www.argonautresources.com

Company particulars

Directors

Patrick J D Elliott	Independent Non-Executive Chairman
Graeme A Ellis	Managing Director
Geoffrey N Williams	Independent Non-Executive Director
Lindsay J Owler	Exploration Director

Company Secretary

Graeme A Ellis

Head Office

Level 8
235 Macquarie Street
Sydney
NSW 2000

Telephone	+61 (2) 9239 8787
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Exploration Office

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33 Lane Xang Avenue
Vientiane, Laos

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Facsimile	+856 21 240 281
Email	laos@argonautresources.com

Share Registry

Computershare Investor Services Pty Limited
GPO Box 1903
Adelaide 5001
South Australia

Auditors

PricewaterhouseCoopers
201 Sussex Street
Sydney
NSW 2000

Lawyers

Watson Mangioni
50 Carrington Street
Sydney
NSW 2000

Corporate Adviser

Baron Partners Limited
Level 32, 126 Phillip Street
Sydney
NSW 2000

Stock Exchange Listing

Argonaut Resources NL Shares are quoted on the Australian Stock Exchange
Shares stock code 'ARE'
Options stock code 'AREO'

Website

www.argonautresources.com

CHAIRMAN'S LETTER

28 September 2007

Dear Shareholder

On behalf of your Directors I have pleasure in presenting our Annual Report for the year ended 30 June 2007.

The focus of your Company during the current year has been to progress the exploration of our tenements located in Laos and Australia.

The report by our Exploration Director, Lindsay Owler, set out on pages 5-9 details the considerable exploration activity carried out by his team during the year.

The previous exploration activities on the Century Block in Laos (Argonaut 70% interest) defined a number of targets. Following an independent review of these targets it was decided that we develop similar exploration plans for each of these areas to provide a detailed data set which would allow the proper ranking of each target and the basis for prioritised future development activities. The drilling of the first of these well defined priority targets is expected to commence during November 2007.

On the Xekong block in Laos (Argonaut 65% interest) where limited access by river dictates a shorter exploration season, the current field season provided extensive mapping, soil and stream sediment sampling results together with more than 6000 metres of hand dug trenching activity.

During the current year we also were able to complete the first limited diamond drilling program conducted on this tenement .The Company mobilised this drilling rig by barge from the Kaleum Camp and then by foot from the Xekong River to prepared drill-pads. Despite the difficulties in exploration of this remote area the results to date have provided sufficient encouragement for an increased focus of exploration effort and expenditure on the Xekong tenement in the coming exploration dry season.

In Australia, we announced in August 2006 that Mining License ML 5631 at Mount Kroombit in Coastal Central Queensland had been transferred to our wholly-owned subsidiary, Kelaray Pty Ltd. Subsequently in September 2006 we announced the acquisition of three exploration tenements which collectively cover 663 square kilometres surrounding the Mount Kroombit mining lease. This area includes prospective geological features and all available known zinc and copper mineral occurrences in the area.

The Mount Kroombit area was drilled by MIM in the 1960's and 1970's and a zinc-copper resource established which predated JORC standards.

In late July 2007 we announced the approval by the Queensland Governments Environmental Protection Agency (EPA) of the Plan of Operations lodged by the Company, this was followed in early August 2007 when we announced the commencement of a confirmatory drilling program aimed at improving known intercepts and extending the resources laterally and at depth.

We are encouraged that modern high recovery drilling techniques combined with modern laboratory analysis are likely to improve the previous zinc and copper grades. Subject to satisfactory completion of this confirmatory drilling program the Company proposes to conduct a Preliminary Feasibility Study to consider the economics of an initial open pit operation and acquisition of a conventional concentrating circuit to produce zinc and copper concentrates. Surrounding infrastructure includes easy access to power, road, rail and port facilities.

At Kanmantoo in South Australia (Argonaut 10% Free Carry to Decision to Mine on EL 3277), Hillgrove Resources Ltd (Hillgrove) is continuing its drilling program and they have announced that a feasibility study is expected to complete shortly.

Hillgrove are also earning a 70% interest at our Alford tenement EL 3037 by spending $4 million

At Torrens EL3195 our partners Straits Resources hold an option to earn up to a 70% interest for $7 million expenditure and have progressed their efforts to obtain the necessary access approvals. On the June 26th 2007 a geophysical (gravity) survey program to identify drill hole locations for a proposed drilling program commenced. Torrens contains a strong magnetic anomaly with previous drilling intersecting strong magnetite and haematite alteration typical of the iron oxide style Olympic Dam and Prominent Hill orebodies.

Argonaut is well placed with excellent exploration targets for gold, copper, zinc and iron ore located in both the Laos tenements and in both Queensland and South Australia.

We strongly believe that this spread of both geography and geology places the Company in an excellent position to progress our increased exploration activity and to allow the flow of results through the coming year. We have great potential to participate in the rewards of a major discovery from any one of Century, Xekong, Torrens, Mount Kroombit, Kanmantoo and Alford in the coming year.

Pat Elliott

Patrick JD Elliott
Chairman

Directors' report
Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Argonaut Resources NL (the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2007.

Directors
The following persons were directors of Argonaut Resources NL during the whole of the financial year and up to the date of this report:

PJD Elliott	(Independent Non-executive Chairman)
GA Ellis	(Managing Director)
GN Williams	(Independent Non-executive Director)
LJ Owler	(Exploration Director)

Principal activities
During the year the principal continuing activities of the Group were directed toward identifying resource opportunities capable of exploration to increase value with clear emphasis on projects capable of progress into production. Commodities of current interest include gold, copper, iron ore, silver and zinc. Presently the Group conducts the exploration of two mining tenements in Laos, together with one in Australia each controlled by wholly owned subsidiaries and the exploration mining tenements located in Australia with joint venture partners.

There were no significant changes in the nature of the Group's principal activities during the financial year.

Dividends
The directors recommend that no dividend be paid. No dividends have been declared or paid during the year.

Review of operations
The operating revenues from ordinary activities increased to $233,444 (2006: $59,929). The consolidated loss after tax for the financial year was $1,234,890 (2006: $1,690,351).

<u>Laos Exploration Tenements</u>

The company undertook aggressive programs of exploration on its two flagship exploration tenements in Laos during the year resulting in the discovery of a high volume/low grade gold deposit at Nam Hone on the Century tenement and the delineation of increasingly mature exploration targets at Vang Ma, also at Century, and Ban Bak on the Xekong tenement.

<u>Century</u> (Argonaut 70%)

During the year Argonaut completed 5,148m of reverse circulation drilling, 307m of diamond drilling and 10,459m of trenching at the 226 square kilometre Century tenement. The company carried out exploration programs on eight of the nine previously defined prospect areas.

The Laotian exploration team took 4,767 soil samples, 792 stream sediment samples and 1,386 rock chips samples over the various prospect areas to achieve the company's stated aim of having equivalent geochemical data and geological understanding of each target prior to prioritising drilling and trenching targets.

Nam Hone
Gold mineralisation at Nam Hone extends over a strike length of six kilometres. Geologists have divided this area into three main lobes of gold mineralisation: Nam Hone, Nam Hone Central and Nam Hone South.

48 Reverse Circulation drillholes were completed at Nam Hone and Nam Hone Central for a total of 5,148m. Initial drilling intersections confirmed earlier trenching results.

Gold mineralisation in the oxidised and partially oxidised zones appears to be hosted in fine quartz veins within phyllitic sediments. Below the oxidised zones, gold intercepts are generally associated with quartz veins (+/- carbonate) within a chlorite-sericite schist.

Given the consistency of gold grades in drillholes at Nam Hone, currently shown over an area of 600m by 250m within the six kilometre long mineralised system, the company believes there is potential at Nam Hone for a large volume low grade, open cut gold mining operation.

Highlights of the drilling program at Nam Hone include:

- NHRC2: 22m at 1.00g/t gold from 18m and 12m at 1.80g/t gold from 52m
- NHRC3: 20m at 1.56g/t gold from 10m
- NHRC8: 6m at 1.53g/t gold from 14m and 6m at 1.98g/t gold from 72m
- NHRC14: 12m at 1.07g/t gold from 22m
- NHRC15: 18m at 1.0g/t gold from 0m
- NHRC19: 8m at 1.15g/t gold from 0m
- NHRC24: 2m at 8.99g/t gold from 24m
- NHRC27: 18m at 1.41g/t gold from 88m
- NHRC37: 4m at 2.17g/t gold from 66m
- NHRC39: 16m at 1.4g/t gold from 48m
- NHRC44: 8m at 1.15g/t gold from 18m
- NHRC45: 16m at 1.15g/t gold from 72m

The trenching programs in the Nam Hone area continued from those conducted in the previous year. Trenching targeted robust soil anomalies, principally at Nam Hone and Nam Hone Central.

Highlights of the trenching program at Nam Hone include:

- NHTR54: 6m at 2.5g/t gold
- NHTR55: 18m at 0.87g/t gold
- NHTR56: 24m at 1.47g/t gold
- NHTR64: 20m at 0.91g/t gold
- NHTR91: 12m at 2.27g/t gold
- NHTR146: 32m at 1.3g/t gold

An extensive soil sampling program at Nam Hone resulted in the collection of 1,646 soil samples. Soil samples were principally collected from ridges and spurs where the soil profile is thinnest and best reflects the geochemistry of underlying, mineralised rocks. Ridges and spurs were targeted on the basis of detailed stream sediment sampling. Highlights of assay results included:

- 146 samples greater than 100ppb gold
- 28 samples greater than 500ppb gold and
- peak value of 8,410 ppb gold (8.41 g/t gold).

Vang Ma
Road construction to target areas at Vang Ma was completed during the year and trenching of gold targets commenced in March 2007. 51 trenches for a total of 1,995m were completed in the year. Highlights of this initial program are detailed below:

- VMTR16: 8m at 11.12g/t gold
- VMTR24: 12m at 1.1g/t gold

Gold mineralisation associated with trench VNTR16 is hosted in veining within a Permo-Triassic Andesite.

Infill soil sampling to further define targets within the Vang Ma area will continue during the current wet season (May to November) prior to additional trenching and initial drilling of this emerging prospect.

<u>Xekong</u> (Argonaut 65%)

The company has now defined seven prospective areas over the 588 square kilometre tenement at Xekong. The most prospective area defined by reconnaissance sampling, channel sampling and drilling is a prospect known as Ban Bak. Argonaut conducted further exploration programs at the Ban Bak and Ban Don prospects within the Xekong tenement during the dry season that ended in May 2007.

During this period the company collected and analysed 562 soil samples and 272 stream sediment samples plus it completed 6,773m of channel sampling and completed a 591m diamond drilling program.

Ban Bak
A seven hole program using a man portable diamond drilling rig commenced in March 2007 to test channel sampling intersections plus other rock chip sampling targets.

The company mobilised this drilling rig by barge from its base camp at Kaleum village and then by foot from the Xekong River to prepared drill-pads. Unexploded Ordinance near tracks (previously sections of the Ho Chi Minh trail), trenches and drill-pads was been marked for avoidance by UXO clearance contractor Milsearch.

The mineralisation is hosted in a sequence of silicified sedimentary rocks in association with porphyry intrusions. High grade samples have been taken from silicified mudstones and silicified bioclastic limestone showing 'replacement style' gold mineralisation.

The highlights of the man-portable diamond drilling program include:

- BBD4: 2m at 7.14g/t gold from 6m

A program combining hand-dug trenching and channel sampling (by rock-saw) of in-situ, outcropping rocks was undertaken at Ban Bak between January 2007 and May 2007. The highlights of this program are summarised below:

- BBRL16: 20m at 10.6 g/t gold
- BBRL12: 16m at 1.2g/t gold
- BBRL34: 18m at 4.35g/t gold
- BBRL94: 16m at 1.65 g/t gold
- BBRL70: 4m at 1.74g/t gold

Australian Exploration Tenements

Kroombit (Argonaut 100%)

During the year the company announced that Environmental Protection and Other Legislation Amendment Regulation (No. 1) 2007; Subordinate Legislation 2007 No. 133 was gazetted by the Queensland Government on Friday, 22 June 2007 thus allowing Argonaut to apply to the Queensland EPA for approval to undertake confirmatory drilling at the Kroombit Zn-Cu deposit.

Argonaut announced the acquisition of the Kroombit Zn-Cu deposit (ML5631) on 14 August 2006. Subsequently the company was granted EPM15705, EPM15733 and EPM15734 covering the ground around the Kroombit deposit and other nearby targets. The Kroombit deposit lies within a one kilometre buffer zone surrounding Kroombit National Park.

Upon applying for permission to commence a drilling program at Kroombit, Argonaut was informed that an omission in the drafting of the Queensland Environmental Protection Act prevented a 'level 2 mining project' application being made due to the deposit's proximity to the National Park. This error has now been corrected and the company resubmitted the application to the Queensland EPA on 6 July 2007. Subsequent to the year end, the EPA granted access to the Kroombit deposit for reverse circulation drilling and other exploration works.

The confirmatory program, in progress at the time of writing, is aimed at improving known intercepts and extending the resources laterally and at depth. The company believes that modern high-recovery drilling techniques combined with modern laboratory analysis are likely to improve the zinc and copper grades

After establishing a mineral resource to JORC standards, the Company proposes to conduct a Preliminary Feasibility Study to consider the economics of an initial open pit operation and acquisition of a conventional concentrating circuit to produce zinc and copper concentrates.

Power, road, rail and port facilities are all located within easy reach of the Kroombit deposit.

Straits Resources Ltd holds a 2% Net Smelter Royalty interest in ML5631.

To protect extensions to the Kroombit deposit and other conceptual targets, the company applied for and was granted three Mineral Exploration Permits covering 663 square kilometres surrounding the Kroombit Mining Lease. Details applicable to these areas being:

- EPM 15705, Mt Kroombit;
- EPM 15733, Blue Hills; and
- EPM 15734, Mt Lookerbie.

This area includes prospective geological features and all available known zinc and copper mineral occurrences adjacent to the Kroombit Mining Lease.

Torrens (Argonaut 100%)

On 31 July 2007, the company announced that access to the EL 3195 project area had been approved for the purposes of completing a gravity survey, which commenced on site on 26 June 2007.

Located in South Australia at the western margin of the Gawler Craton, this tenement is within 50 kilometres of Carapateena and 75 kilometres of Olympic Dam.

It is intended that the gravity survey will define the best possible drillhole locations for the purposes of the conduct of a proposed drilling program which will be undertaken on the completion of the gravity survey.

As from the commencement of the gravity survey, Straits Resources Ltd. has an exclusive twelve month option to earn a 70% interest in the project pursuant to the terms of the Joint Venture. Currently Argonaut holds a 100% interest.

The project contains a strong magnetic anomaly with previous drilling intersecting strong magnetite and haematite alteration typical of the iron oxide style Olympic Dam and Prominent Hill orebodies.

Kanmantoo (Argonaut 10%)

Argonaut holds a 10% free carried interest to decision to mine in the Kanmantoo (EL 3277) Joint Venture with Hillgrove Resources Ltd (Hillgrove). During the year Hillgrove continued a Definitive Feasibility study at Kanmantoo and announced it is targeting commercial production by early 2009.

Alford (Argonaut 80%)

During the year, Argonaut's joint venture partner, Hillgrove Resources Ltd., commenced a 600m diamond drilling program at the Netherleigh Park prospect on EL 3037.

Previous drilling by Argonaut identified significant widths of mineralisation associated with haematite alteration including 76m at 0.95% copper in drillhole ALDDH01.

The 2007 exploration program, now underway, will include calcrete sampling, aircore drilling, diamond drilling and assaying of past work for Uranium.

Past work returned excellent first pass results up to 290ppm Uranium.

Hillgrove is earning up to 70% of the Alford project by spending $4 million within five years of the commencement of the Joint Venture.

Sections of information contained in this report that relate to Exploration Results and Mineral Resources were complied or supervised by Mr Lindsay Owler BSc, MAusIMM who is a Member of the Australasian Institute of Mining and Metallurgy, is a full time employee of Argonaut Resources NL, and has sufficient experience which is relevant to the style of mineralisation of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Owler consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Matters subsequent to balance date

Other than the matters discussed below, there has not arisen in the interval between the end of the financial year and date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Lake Torrens
On 31 July 2007 the Company announced that access to the EL3195, Lake Torrens project area had been approved for the purpose of completing a geophysical (gravity) survey. This survey has been completed. The gravity survey identified the best possible drillhole locations for purposes of the conduct of a proposed drilling program.

As from the commencement of the gravity survey, Straits Exploration (Australia) Pty. Ltd. has an exclusive twelve month option to earn a 70% interest in the project, (currently Argonaut is the 100% holder), pursuant to the terms of the Joint Venture. The project contains a strong magnetic and anomaly with previous drilling intersecting strong magnetite and haematite alteration typical of the Olympic Dam and Prominent Hill orebodies.

Kroombit zinc-copper Deposit
On 9 August 2007 Argonaut advised that a reverse circulation drilling program had commenced on the Company's 100% held Kroombit zinc-copper deposit located near Gladstone in Central Queensland. This confirmatory drilling program was aimed at confirming and improving known intercepts and extending the Kroombit deposit laterally and at depth.

On 12 September 2007 the Company announced the presence of visible zinc and copper sulphide minerals in the first six drillholes of this program.

Likely developments and expected results of operations
The Company will continue identifying resource opportunities capable of exploration to increase value with clear emphasis on projects capable of progress into production. Commodities of current interest include gold, copper, iron ore, silver and zinc. Presently the Group conducts the exploration of two mining tenements in Laos together with one in Australia each controlled by wholly owned subsidiaries and the exploration mining tenements located in Australia with joint venture partners.

Further information on likely developments in the operations of the consolidated entity and the expected results of the operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation
Presently no significant environmental regulations apply to the Company. The Group is in compliance with all relevant environmental regulations.

Earnings per share

	2007 cents	2006 cents
Basic earnings/(loss) per share	**(0.92)**	(2.23)
Diluted earnings/(loss) per share	**(0.92)**	(2.23)

Details of the calculation of basic and diluted earning/(loss) per share is shown in note 25.

Information on directors

<table>
<tr><th rowspan="3">Director</th><th rowspan="3">Responsibilities / Experience / Other Directorships</th><th colspan="2">Particulars of Directors' Interests in Shares:</th></tr>
<tr><th colspan="2">Argonaut Resources NL</th></tr>
<tr><th>Ordinary Shares</th><th>Ordinary Options</th></tr>
<tr><td>PJD Elliott
(Chairman)
Age: 55</td><td>Independent non-executive Chairman of Argonaut Resources NL for 4 years.
❖ Remuneration committee chairman
❖ Nomination committee chairman
❖ Audit committee member

Experience
An investment banker who has 36 years experience in financial management and resource investment and development.

Other current directorships
Director of Magnesium International Limited, Australia Oriental Minerals NL, Crossland Uranium Mines Limited.
Former directorships in last 3 years
Eastern Star Gas Ltd, Heritage Gold NZ Limited and Sundance Resources Ltd.</td><td>-</td><td>1,000,000</td></tr>
<tr><td>GA Ellis
(Managing Director)
Age: 70</td><td>AASA, CPA Member and FAICD
Managing Director of Argonaut Resources NL for 21 years.
Company Secretary for 19 years.
❖ Audit committee member
❖ Nomination committee member

Experience
26 years experience as Director and Secretary of ASX listed Mining Companies in Australia and the United Kingdom

Other current directorships
No current directorships</td><td>1,432,500</td><td>1,000,000</td></tr>
<tr><td>GN Williams
(Director)
Age: 63</td><td>B.COM, FCA
Independent Non-executive Director of Argonaut Resources NL for 8 years.
❖ Audit committee chairman
❖ Remuneration committee member
❖ Nomination committee member

Experience
A chartered accountant and a former partner of PricewaterhouseCoopers for 24 years.

Other current directorships
Director of MFS Limited, Chairman of its Audit and Risk Committee
Director of Storm Financial Limited.</td><td>250,000</td><td>500,000</td></tr>
</table>

LJ Owler (Exploration Director) Age: 35	BSc, MAusIMM Exploration Director of Argonaut Resources NL for 2 years ❖ Nomination committee member. *Experience* A geologist and geophysicist with 14 years experience in mineral exploration and development. *Other current directorships* No current directorships	-	500,000

Company Secretary

The Company Secretary is Graeme A Ellis FAICD, AASA, CPA. Mr Ellis was appointed to the position of the Company Secretary in October 1989.

Meetings of directors

The meetings of the Company's board of directors and each board committee held during the year ended 30 June 2007, and the number attended by each director were:

	Full Meetings of Directors		Audit Committee		Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B
Meetings attended:								
PJD Elliott	7	5	3	1	2	2	1	1
GA Ellis	7	7	3	3	-	-	1	1
GN Williams	7	7	3	3	2	2	1	1
Lindsay Owler	7	3	-	-	-	-	-	-

A = Number of meetings held during the time the director held office or was a member of the committee
B = Number of meetings attended

Insurance of officers

During the financial year, the Company did not pay a premium to insure the directors and Company Secretary of the consolidated entity.

However, subsequent to year end the Company has paid a premium in respect of Directors and Officers liability and legal expenses and insurance contracts. Such insurance contracts insure against certain liabilities (subject to specific exclusions) for persons who are or have been directors or executives officers of the Company and its controlled entities.

Details of the nature of the liabilities covered have not been included, as such discloser is prohibited under the terms of the contracts.

Officers Indemnities

The Company's constitution provides for the Group, to the extent permitted by law, to indemnify every person who is or has been a director, secretary, executive officer or full time employee of the Company against any liability incurred by that person as an officer of the Company to a person other than the Company or related body corporate, unless the liability arises out of conduct that involved a lack of good faith or was contrary to the Company's express instructions.

The constitution also provides that the Company indemnifies every director, secretary, executive officer or full-time employee of the Company against any liability for cost and expenses incurred by that person in their capacity as a director, secretary, executive officer or full-time employee of the Company:

- In defending any proceedings, whether civil or criminal, in which the judgement is given in favour of, or results in the acquittal of the person; or
- In connection with any application made in relation to such proceeding, in which the Court grants relief to the person under the Corporations Law.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the *Corporations Act* 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Remuneration report

The remuneration report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration
B. Details of remuneration
C. Service agreements
D. Share-based compensation
E. Additional information

The information provided under heading A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited. The disclosures in Sections E are additional disclosures required by the *Corporations Act 2001* and the *Corporations Regulations 2001* which have not been audited.

A. Principles used to determine the nature and amount of remuneration (audited)

The objective of the remuneration committee is to ensure reward for performance is competitive, appropriate and aligns with achievement of strategic objectives. No element of remuneration is determined in relation to the financial performance of the Company. As there is no link to financial performance there is no further discussion required by Section 300A and Part 2M of the Corporations Act 2001. The Board (through the remuneration committee) ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency

The remuneration committee, consisting of two non-executive directors, advises the board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors and other senior executives.

Non-executive directors

Fees and payments to non-executive directors including the chairman reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board.

The current non-executive directors' fees are determined within an aggregate directors' fee limit, which was approved by shareholders. The maximum current aggregate non-executive directors' fee limit stands at $200,000. The current non-executive directors receive $120,000.

Executive pay

The executive pay and reward framework has three components:

- base pay and benefits
- long-term incentives through participation in share-based compensation, and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Base pay

Structured as a total employment cost package which may be delivered as a combination of cash and salary sacrifice arrangements at the executives' discretion. Base pay for senior executives is reviewed annually to ensure executive's pay is competitive with the external market. An executives' pay is also reviewed on promotion.

There are no guaranteed base pay increases fixed in any senior executives' contracts.

Benefits

Executives receive benefits including health insurance and car provision or allowance.

B. Details of remuneration (audited)

Amount of remuneration
Details of the remuneration of each director of Argonaut Resources NL and key management personnel of the Group, including their personally-related entities, are set out below.

Directors of Argonaut Resources NL

2007	Short term benefits			Post Employment benefits		Share based benefits	Fixed remuneration	
Name	Cash salary & fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Long Service Payable $	Options $	%	**Total** **$**
PJD Elliott	70,000	-	-	-	-	-	100%	**70,000**
GA Ellis	25,000	-	26,395	288,500	10,000	-	100%	**349,895**
GN Williams	-	-	-	50,000	-	-	100%	**50,000**
LJ Owler	150,000	-	10,000	-	12,000	-	100%	**172,000**
Total	245,000	-	36,395	338,500	22,000	-		**641,895**

2006	Short term benefits			Post Employment benefits		Share based benefits	Fixed remuneration	
Name	Cash salary & fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Long Service Payable $	Options $	%	**Total** **$**
PJD Elliott	70,000	-	-	-	-	-	100%	**70,000**
GA Ellis	125,000	-	-	175,000	10,000	-	100%	**310,000**
GN Williams		-	-	50,000	-	-	100%	**50,000**
LJ Owler	120,000	-	10,000	-	-	1,390	99%	**131,390**
Total	315,000	-	10,000	225,000	10,000	1,390		**561,390**

Director remuneration is not at risk with respect to performance related conditions.

Key management personnel of the Group

There are no other specified executives. No other officers or directors received emoluments from the Group.

C. *Service agreements (audited)*

Remuneration and other terms of employment for the Managing Director and Exploration Director are formalised in service agreements. Each of these agreements provide for the provision of other benefits including health insurance and car allowances. Other major provisions of the agreement relating to remuneration are set out below.

GA Ellis, Managing Director
- Term of agreement – No fixed term, agreement reviewed annually by the remuneration committee.
- Base salary, inclusive of superannuation and other benefits, for the year ended 30 June 2007 of $339,895.
- Payment of termination benefit by the employer, equal to one year's base salary from the date of termination.

L Owler, Exploration Director
- Term of agreement – Three year term commencing 10th January 2005, agreement reviewed annually by the remuneration committee.
- Base salary, inclusive of benefits, for the year ended 30 June 2007 of $160,000.
- Payment of termination benefit by the employer, equal to one year's base salary from the date of termination.

D. Share based compensation (audited)

Options

The assessed fair value at grant date of options granted to individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration table. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and risk-free interest rate for the term of the option.

There were no options granted for the year ended 30 June 2007.

Details of options over ordinary shares in the Company provided as remuneration to each director of Argonaut Resources NL and each of the specified executives of the consolidated entity are set out below. When exercised, each option is convertible into one ordinary share of Argonaut Resources NL.

Name	**Number of options granted during the year**		**Number of options vested during the year**	
	2007	2006	**2007**	2006
Directors of Argonaut Resources NL				
PJD Elliott	-	-	-	-
GA Ellis	-	-	-	-
GN Williams	-	-	-	-
LJ Owler	-	-	-	-

Name	**Number of options granted**	**Dated granted**	**Exercise price**	**Expiry date**
Directors of Argonaut Resources NL				
PJD Elliott	1,000,000	10.09.04	30 cents	10.09.09
GA Ellis	1,000,000	10.09.04	30 cents	10.09.09
GN Williams	500,000	10.09.04	30 cents	10.09.09
L Owler	500,000	10.09.04	30 cents	10.09.09

All options were vested and exercisable at year end.

Share holdings

The numbers of shares in the Company held during the financial year by each director of Argonaut resources NL and each of the specified executives of the consolidated entity, including personally-related entities, are set out below:

Name	Balance at the start of the year	Received during the year on the exercise of options	Purchases during the year	Balance at the end of the year
Directors of Argonaut Resources NL Ordinary shares				
PJD Elliott	-	-	-	-
GA Ellis	1,432,500	-	-	1,432,500
GN Williams	250,000	-	-	250,000
L Owler	-	-	-	-

Non-audit services
The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2007	2006
	$	$
Assurance services		
1. Audit services		
Fees paid to PricewaterhouseCoopers Australian firm:	45,900	40,500
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	5,500	3,500
Related practices of PricewaterhouseCoopers Australian firm	-	-
Total remuneration for audit services	**51,400**	**44,000**
2. Other assurance services		
Fees paid to PricewaterhouseCoopers Australian firm:		
Due diligence services	-	25,000
Total remuneration for other assurance services	**-**	**25,000**
Total remuneration for assurance services	**51,400**	**69,000**
3. Taxation services		
Fees paid to PricewaterhouseCoopers Australian firm:		
Tax compliance services, including review of Company income tax returns	15,700	15,295
Total remuneration for taxation services	**15,700**	**15,295**

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001.*

This report is made in accordance with a resolution of directors.

GA Ellis
Director

Sydney
28 September 2007

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of Argonaut Resources NL for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Argonaut Resources and the entities it controlled during the period.

Marc Upcroft

Partner
PricewaterhouseCoopers

Sydney
28 September 2007

Corporate Governance Statement

The directors are responsible to the shareholder's for the performance of the Company in both the short and the longer term and seek to balance these sometime competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company and its controlled entities are properly managed.

The functions of the Board include:

- review and approval of corporate strategies, the annual budget and financial plans
- overseeing and monitoring organisational performance and the achievement of the Company's strategic goals and objectives
- monitoring financial performance including approval of cash flow statements and annual and half-year financial reports and liaison with the Company's auditors
- approving fees of non-executive directors
- ensuring there are effective management processes in place and approving major corporate initiatives
- enhancing and protecting the reputation of the organisation
- ensuring the significant risks facing the Company and its controlled entities have been identified and appropriate and adequate control, monitoring and reporting mechanisms are in place
- appointment, retention and termination of the Managing Director, Company Secretary and the Exploration Director
- approving and monitoring major capital and exploration expenditure, capital management, and acquisitions and divestitures, and
- reporting to shareholders
- approving decisions concerning the capital of the Company.

A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year

The Board of directors

The Board operates in accordance with the following broad principles. Further information about the directors is set out in the directors' report under the heading "Information on directors:

- the Board should be comprised of both executive and non-executive directors with at least half the board comprising independent non-executive directors, with the Chairman having a casting vote.
- in recognition of the importance of independent views and the Board's role in supervising the activities of management the Chairman should be an independent non-executive director
- The Chairman of the Board is elected by the full Board and should meet regularly with the Managing Director.
- The Company is to maintain a mix of directors on the board from different backgrounds with complementary skills and experience

In addition the Board seeks to ensure that the membership at any point in time represents an appropriate balance between directors with experience and knowledge of the Company and directors with an external or fresh perspective.

The skills, experience and expertise of each director has been disclosed in the Directors Report on page 10.

Board Committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the nomination, remuneration and audit committees. The committee structure and membership is reviewed on an annual basis.

Each committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All matters determined by committees are submitted to the full Board as recommendations for Board decisions.

Minutes of committee meetings are tabled at the subsequent Board meeting. Additional requirements for specific reporting by the committees to the Board are addressed in the charter of the individual committees.

The members appointed to each committee, the number of meetings held and the attendance at meetings by relevant members held has been disclosed in the Directors report on page 11.

Remuneration committee
The responsibilities of the remuneration committee include a review of and recommendation to the Board on:

- executive remuneration and incentive policies,
- the Company's recruitment retention and termination policies and procedures for senior management,
- superannuation arrangements, and
- the remuneration of executive directors

The Groups remuneration policy has been disclosed in the Directors report on pages 13 and 15.

Nomination Committee
The Nomination Committee supports and advises the Board on Board matters including policies, performance, composition and succession planning. This includes identifying, evaluating and recommending candidates to the Board and providing advice regarding candidates nominated by shareholders. The Nomination Committee also oversees the appointment of non-executive directors to the Boards of subsidiary companies.

Audit Committee
The Audit Committee assists the Board to discharge its corporate governance responsibilities in regard to the:
- Business relationship with, and the independence of the external auditor
- Reliability and appropriateness of disclosure of the financial statements and external related financial communications
- Maintenance of an effective framework of business risk management, including compliance and internal controls.

Independent professional advice
Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Performance Assessment
The Board undertakes annual self assessment of its collective performance and the performance of the Chairman. The Chairman undertakes an annual assessment of the performance of individual directors. The Directors' performance is measured against specific performance goals as set out by the Board annually.

External auditors
The Company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. It is PricewaterhouseCoopers policy to rotate audit engagement partners on listed companies at least every five years. A new audit engagement partner was introduced for the half year end 31 December 2006.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the directors' report and in note 19 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.
The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Continuous disclosure
The Company Secretary has been appointed as the person responsible for communications with the Australian Stock Exchange (ASX). This person is also responsible for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX. A written policy and procedures have been designed to ensure compliance with the ASX listing rules.

Director shareholdings
The Company maintains a policy which requires that Directors, officers and employees of the Company not engage in any dealings in the shares of the Company without giving prior notice to the Company including details of the type and date of dealing, number of securities, parties and price.

In addition Directors, officers and employees shall not engage in any dealings in shares of the Company during the period two weeks prior to and within 24 hours after the date of the announcement of the Company's annual or half year results or any quarterly activities report, or at any time while in the possession of inside information.

Ethical standards
All directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Board reviews the Code of Conduct regularly and processes are in place to promote and communicate these policies.

Communication with shareholders
Past announcements and other relevant information, is available on the Company's website. The Board encourages full participation of shareholders at the annual general meeting.

Risk assessment and management
Investment appraisal – the risks involved in a diversified resources exploration, development and production company and the specific uncertainties for the Company are regularly monitored and reviewed by the Board.

All proposals reviewed by the Board include a conscious consideration of the issues and risks of the proposal.

ASX Corporate Governance Council Best Practice Recommendations

As a listed Company on the Australian Stock Exchange Limited (ASX), the Company must report on its main corporate governance practices by reference to the best practice recommendations of the ASX Corporate Governance Council (the Council), which were released on 31 March 2003, (Recommendations).

The following policies, have been implemented by the Board:
- The functions of the board
- Board Charter
- Remuneration committee
- Nomination committee
- Audit committee
- Communication with shareholders
- Continuous Disclosure Policy
- Share Trading Policy
- Code of Business Conduct
- Risk and assessment management
- Ethical standards

ASXCGC's Best Practice Recommendations		
Principle 1	**Lay solid foundations for management and oversight**	
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management.	Comply
Principle 2	**Structure the Board to add value**	
2.1	A majority of the board should be independent directors	Mr Elliott and Mr Williams are the independent directors on the Board of four. The size and scope of the Company's activities does not justify the cost of appointing another independent director at this stage of its development.
2.2	The chairperson should be an independent director	Comply
2.3	The role of the chairperson and chief executive officer should not be exercised by the same individual	Comply
2.4	The Board should establish a nomination committee	Comply
2.5	Provide the information indicated in Guide to reporting on Principle 2.	Comply
Principle 3	**Promote ethical and responsible decision-making**	
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent) and any other key executives as to: the practices necessary to maintain confidence in the Company's integrity. The responsibility and accountability of individuals for reporting and investigating reports of unethical practices	Comply
3.2	Disclose the policy concerning trading in Company securities by directors, officers and employees	Comply
3.3	Provide the information indicated in the guide to reporting on Principle 3.	Comply
Principle 4	**Safeguard integrity in financial reporting**	
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that the Company's financial report present a true	Comply

	and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with the relevant accounting standards.	
4.2	The Board should establish an audit committee	Comply
4.3	Structure the audit committee so that it consists of; • Only non-executive directors • A majority of independent directors • An independent chairperson, who is not chairperson of the Board • At lease three members	 Qualified compliance[1] Comply Comply Comply
4.4	The audit committee should have a formal charter	Comply
4.5	Provide the information indicated in Guide to reporting on Principle 4	Comply
Principle 5	**Make timely and balanced disclosure**	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior management level for that compliance	Comply
5.2	Provide the information indicated in the guide to reporting on Principle 5	Comply
Principle 6	**Respect the rights of shareholders**	
6.1	Design and disclose a communication strategy to promote effective communication with shareholders and encourage effective participation at general meetings	Comply
6.2	Request the external auditor to attend the annual general meeting and be available to answer questions about the conduct of the audit and the preparation and content of the auditors report.	Comply
Principle 7	**Recognise and manage risk**	
7.1	The Board or appropriate Board Committee should establish policies on risk oversight and management	Comply
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that; 7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity	Comply

	of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board 7.2.2 the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respect	
7.3	Provide the information indicated in guide to reporting on Principle 7	Comply
Principle 8	**Encourage enhanced performance**	
8.1	Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives	Comply
Principle 9	**Remunerate fairly and responsibility**	
9.1	Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance	Comply
9.2	The Board should establish a remuneration committee	Comply
9.3	Clearly distinguish the structure of non-executive directors remuneration from that of executives	Comply
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	Comply
9.5	Provide the information indicated in Guide to reporting on Principle 9	Comply
Principle 10	**Recognise the legitimate interests of stakeholders**	
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	Comply

[1] The audit and risk committee did not consist of only non-executive directors for full financial year, however the overriding premise in determining the composition of the committee is that the committee consists of members with relevant experience and expertise. The Chairman of the audit and risk committee is required to be, and is, a non-executive independent director. The Chairman of the audit and risk committee holds a casting vote.

Income statements
for the year ended 30 June 2007

		Consolidated		Parent entity	
		2007	2006	**2007**	2006
	Notes	**$**	$	**$**	$
Revenue from continuing operations	2	**233,444**	59,929	**233,444**	59,929
Employee & director benefits expense		**(576,660)**	(519,774)	**(576,660)**	(519,774)
Audit, accounting & legal expenses		**(134,310)**	(99,751)	**(134,310)**	(99,751)
Finance costs	3	**(5,009)**	(7,258)	**(5,009)**	(7,258)
Foreign exchange loss	3	**(137,824)**	(2)	**(129,503)**	(2)
Depreciation expenses	3	**(18,826)**	(18,814)	**(18,826)**	(18,814)
Exploration costs	3	**(31,797)**	(551,328)	**-**	-
Statutory expenses		**(92,383)**	(55,386)	**(92,383)**	(55,386)
Impairment of assets expense	3	**-**	(43,110)	**(618,682)**	(610,614)
Travel expenses		**(63,152)**	(200,288)	**(63,152)**	(200,288)
Office lease & maintenance costs		**(88,660)**	(26,162)	**(88,660)**	(26,162)
Office administration expense		**(319,713)**	(228,409)	**(319,713)**	(223,658)
Loss before income tax		**(1,234,890)**	(1,690,351)	**(1,813,454)**	(1,701,776)
Income tax expense	4	**-**	-	**-**	-
Loss after income tax expense		**(1,234,890)**	(1,690,351)	**(1,813,454)**	(1,701,776)
Net loss for the year		**(1,234,890)**	(1,690,351)	**(1,813,454)**	(1,701,776)

Earnings per share for loss attributable to the ordinary equity holders of the company			
		Cents	Cents
Basic earnings per share	25	**(0.92)**	(2.23)
Diluted earnings per share		**(0.92)**	(2.23)

The above income statements should be read in conjunction with the accompanying notes.

Balance sheets
as at 30 June 2007

		Consolidated		Parent entity	
		2007	2006	**2007**	2006
ASSETS	**Notes**	**$**	$	**$**	$
Current Assets					
Cash and cash equivalents	5	**2,330,473**	6,115,192	**2,314,296**	6,068,404
Receivables	6	**117,809**	161,571	**79,874**	84,653
Total Current Assets		**2,448,282**	6,276,763	**2,394,170**	6,153,057
Non-Current Assets					
Other financial assets	7	**-**	-	**5,827,238**	3,950,655
Property, Plant and Equipment	8	**203,224**	221,621	**31,933**	50,759
Exploration and Evaluation Assets	9	**5,900,528**	3,887,515	**220,000**	220,000
Total Non-Current Assets		**6,103,752**	4,109,136	**6,079,171**	4,221,414
Total Assets		**8,552,034**	10,385,899	**8,473,341**	10,374,471
LIABILITIES					
Current Liabilities					
Trade and other payables	10	**253,016**	324,976	**191,620**	314,344
Interest Bearing Liabilities	11	**8,031**	6,655	**8,031**	6,655
Total Current Liabilities		**261,047**	331,631	**199,651**	320,999
Non-Current Liabilities					
Provisions	13	**114,063**	90,063	**114,063**	90,063
Interest Bearing Liabilities	12	**30,358**	37,203	**30,358**	37,203
Total Non-Current Liabilities		**144,421**	127,266	**144,421**	127,266
Total Liabilities		**405,468**	458,897	**344,072**	448,265
Net Assets		**8,146,566**	9,927,002	**8,129,269**	9,926,206
EQUITY					
Contributed equity	14	**16,310,394**	16,293,877	**16,310,394**	16,293,877
Reserves	15	**(526,762)**	35,301	**48,633**	48,633
Accumulated losses	15	**(7,637,066)**	(6,402,176)	**(8,229,758)**	(6,416,304)
Parent Entity Interest		**8,146,566**	9,927,002	**8,129,269**	9,926,206
Total Equity		**8,146,566**	9,927,002	**8,129,269**	9,926,206

The above balance sheets should be read in conjunction with the accompanying notes.

Statements of changes in equity
for the year ended 30 June 2007

		Consolidated		Parent entity	
		2007	2006	**2007**	2006
	Notes	**$**	$	**$**	$
Total equity at the beginning of the year		**9,927,002**	3,934,301	**9,926,206**	3,980,427
Exchange differences on translation of foreign operations		**(562,063)**	35,497	**-**	-
Net income recognised directly in equity		**(562,063)**	35,497	**-**	-
Loss for the year	15(b)	**(1,234,890)**	(1,690,351)	**(1,813,454)**	(1,701,776)
Total recognised income and expense for the year		**(1,796,953)**	(1,654,854)	**(1,813,454)**	(1,701,776)
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction cost		**16,517**	7,626,165	**16,517**	7,626,165
Share based payments		**-**	21,390	**-**	21,390
Total changes in minority interest in subsidiary		**-**	-	**-**	-
Total equity at the end of the year		**8,146,566**	9,927,002	**8,129,269**	9,926,206
Total recognised income and expense for the year is attributed to:					
Members of Argonaut Resources NL		**(1,796,953)**	(1,654,854)	**(1,813,454)**	(1,701,776)
		(1,796,953)	(1,654,854)	**(1,813,454)**	(1,701,776)

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of cash flows
for the year ended 30 June 2007

	Notes	Consolidated 2007 $	Consolidated 2006 $	Parent entity 2007 $	Parent entity 2006 $
Cash flows from operating activities					
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,330,484)**	(1,265,592)	**(1,406,416)**	(1,224,371)
Receipts from customers		**38,083**	37,431	**38,083**	37,431
Interest paid		**(5,009)**	(7,258)	**(5,009)**	(7,258)
GST refund received		**-**	39,972	**-**	39,972
Interest received		**233,444**	59,929	**233,444**	59,929
Net cash outflows from operating activities	24	**(1,063,966)**	(1,135,518)	**(1,139,898)**	(1,094,297)
Cash flows from investing activities					
Investments in subsidiaries through permanent debt funding		**-**	-	**(2,495,265)**	(1,931,515)
Purchase of property, plant & equipment		**(20,752)**	(93,602)	**-**	-
Exploration expenditure		**(2,572,735)**	(1,785,569)	**-**	-
Net cash outflows from investing activities		**(2,593,487)**	(1,879,171)	**(2,495,265)**	(1,931,515)
Cash flows from financing activities					
Proceeds from issue of shares		**16,517**	8,565,342	**16,517**	8,565,342
Share issue transaction costs		**-**	(902,675)	**-**	(902,675)
Repayment of finance lease		**(5,469)**	(4,819)	**(5,469)**	(4,819)
Net cash inflows from financing activities		**11,048**	7,657,848	**11,048**	7,657,848
Net increase (decrease) in cash and cash equivalents held		**(3,646,405)**	4,643,160	**(3,624,115)**	4,632,037
Cash and cash equivalents at the beginning of the financial year		**6,057,959**	1,414,799	**6,011,171**	1,379,134
Effects of exchange rate changes on cash		**(137,824)**	-	**(129,503)**	-
Cash and cash equivalents at the end of the financial year	5	**2,273,730**	6,057,959	**2,257,553**	6,011,171

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

Contents of the notes to the financial statements

30 June 2007

Notes to the financial statements
30 June 2007 (continued)

Note 1: Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Argonaut Resources NL as an individual entity and the consolidated entity consisting of Argonaut Resources NL and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001.*

Compliance with IFRSs
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Argonaut Resources NL comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Disclosure and Presentation.*

Historical cost convention
These financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 30.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Argonaut Resources NL ("company" or "parent entity") as at 30 June 2007 and the results of all subsidiaries for the year then ended. Argonaut Resources NL and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the financial statements
30 June 2007 (continued)

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Argonaut Resources NL.

(c) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Argonaut Resources NL's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Interest revenue

Interest revenue is recognised on a time proportion basis using the effective interest method.

Notes to the financial statements
30 June 2007 (continued)

(f) Income tax
The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.
However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(g) Tax consolidation

Argonaut Resources Group has not elected to consolidate for tax purposes for the year ended 30 June 2007.

(h) Impairment of assets
Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

(i) Cash and cash equivalents
For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(j) Receivables

Collectibility of debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows.

(k) Investments and other financial assets

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Notes to the financial statements
30 June 2007 (continued)

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(l) Exploration and evaluation expenditure

Costs in regards to the initial acquisition of exploration tenements are capitalised. Exploration and evaluation expenditure is carried forward in the financial statements, in respect of areas of interest for which rights of tenure are current and where:

(i) such costs are expected to be recouped through successful development and exploitation of the area of interest, and

(ii) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area of interest are continuing.

Free carry interest

Joint Venture participants interest in the Laos exploration projects are free carried by the company through to the point at which the company makes a decision to mine.

The above policy was adopted with effect from 1 July 2005 to comply with AASB 6 *Exploration for and Evaluation of Mineral Resources.*

General overheads and administrative overheads are expensed as incurred.

(m) Property, plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation on assets is calculated, on the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Office equipment, furniture and fittings	5 – 7 years
Motor Vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

(n) Trade payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Notes to the financial statements
30 June 2007 (continued)

(o) Employee benefits

(i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments
Share-based compensation benefits are provided to employees via the Argonaut Resources NL Employee Option Plan. Information relating to this schemes is set out in note 20.

The fair value of options granted under the Argonaut Resources NL Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

(p) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases (note 27). Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 27). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Notes to the financial statements
30 June 2007 (continued)

(r) Contributed equity
Ordinary shares are classified as equity (note 14).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds

If the entity reacquires its own equity instruments, eg as the result of a share buy back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(s) Dividends
A provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(t) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(u) Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(v) New accounting standards and interpretations
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Directors' assessment of the impact of these new standards and interpretations is that they will not affect any of the amounts recognised in the financial statements or impact the type of information disclosed in relation to the company.

(w) Significant matters relating to the ongoing viability of operations
The company is dependent on ongoing capital raising. The directors are confident successful capital raising will be obtained as required although there is no commitment at this stage to do so. Without successful capital raising a significant uncertainty exists as to whether the company will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report. At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2007. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

Notes to the financial statements
30 June 2007 (continued)

Note 2 Revenue

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Revenue from continuing operations				
Interest received	**233,444**	59,929	**233,444**	59,929
Total Revenue	**233,444**	59,929	**233,444**	59,929

Note 3 Expenses

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Loss before income tax expense includes the following specific expenses:				
Depreciation – plant and equipment	**18,826**	18,814	**18,826**	18,814
Exploration costs written off	**31,797**	551,328	**-**	-
Provision for impairment of investments in subsidiaries through permanent debt funding	**-**	-	**618,682**	567,504
Provision for impairment of receivables	**-**	43,110	**-**	43,110
Rental expense relating to operating leases	**22,449**	22,449	**22,449**	22,449
Finance leases expenses	**5,009**	7,258	**5,009**	7,258
Foreign exchange (gain) / loss	**137,824**	2	**129,503**	2

Notes to the financial statements
30 June 2007 (continued)

Note 4 Income tax expense

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
(a) Numerical reconciliation of income tax expense (benefit) to prima facie tax payable				
(Loss) from continuing operations before income tax expense	**(1,234,890)**	(1,690,351)	**(1,813,454)**	(1,701,776)
Income tax calculated at the Australian tax rate of 30% (2006: 30%)	**(370,467)**	(507,105)	**(544,036)**	(510,533)
Tax effect of amounts which are not deductible in calculating taxable loss:				
Share-based payments	**-**	6,417	**-**	6,417
Deferred tax assets not recognised	**(370,467)**	(500,688)	**(544,036)**	(504,116)
Income tax expense	**-**	-	**-**	-
(b) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	**17,013,716**	15,778,826	**17,609,191**	15,795,737
Potential tax benefit at 30%	**5,104,115**	4,733,648	**5,282,757**	4,738,721

These tax losses have not been brought to account. Refer to note 1 (f).

Note 5 Current assets – Cash and cash equivalents

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Cash at bank and on hand (a)	**73,257**	89,513	**57,080**	42,725
Deposits at call (b)	**2,257,216**	6,025,679	**2,257,216**	6,025,679
	2,330,473	6,115,192	**2,314,296**	6,068,404
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:				
Balance as above	**2,330,473**	6,115,192	**2,314,296**	6,068,404
Less: Restricted cash - unpresented cheques (note 10)	**(56,743)**	(57,233)	**(56,743)**	(57,233)
Balance per statement of cash flows	**2,273,730**	6,057,959	**2,257,553**	6,011,171

(a) Cash at bank and on hand are non-interest bearing.
(b) Deposits at call bear floating interest rates of 5.16% (2006: 5.50%).
(c) Cash is restricted for cheques that have been unpresented from share buy-back conducted in February 2003.

Notes to the financial statements
30 June 2007 (continued)

Note 6 Current assets – Receivables

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Current				
Receivables	**79,874**	102,861	**79,874**	84,653
Other debtors	**37,935**	58,710	**-**	-
	117,809	161,571	**79,874**	84,653

These receivables are non-interest bearing and unsecured with no fixed term of repayment.

Note 7 Non-current assets – Other financial assets

	Note	Consolidated		Parent entity	
		2007	2006	**2007**	2006
		$	$	**$**	$
Non-current					
Investments in subsidiaries	(a)	-	-	**51,127,190**	51,127,190
Provision for the impairment of the carrying value of assets		-	-	**(50,204,852)**	(50,204,852)
Investments in subsidiaries through means of permanent debt funding				**9,279,760**	6,784,495
Provision for impairment of permanent debt funding				**(4,374,860)**	(3,756,178)
		-	-	**5,827,238**	3,950,655

(a) Investment in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of Entity	Place of Incorporation	Equity Holding 2007 %	Equity Holding 2006 %
Argonaut Resources NL	South Australia	**100**	100
Directly Controlled Entities			
Kelaray Pty Limited*	South Australia	**100**	100
Argonaut Resources Overseas Investments Limited ***	British Virgin Islands	**100**	100
Star Mining Corporation Ltd**/*****	Cyprus	**-**	100
Argonaut Overseas Investments Limited ***	British Virgin Islands	**100**	100
Argonaut Resources Laos Limited ****	Laos	**70**	70
Prospect Exploration & Mining Limited ****	British Virgin Islands	**100**	100
Xekong River Mining Limited ****	Laos	**65**	65

* Small proprietary company not required to be audited
** Controlled entity audited by another firm.
*** Controlled entity not required to be audited under British Virgin Island requirements.
**** Controlled entity not required to be audited under Laos requirements.
***** The parent Company has ceased to support Star Mining Corporation Ltd and in due course the Company will be de-registered

All subsidiaries are held through ordinary shares.

Notes to the financial statements
30 June 2007 (continued)

All controlled entities operate in the country in which they were incorporated, except for Argonaut Resources Overseas Investments Limited which is domiciled in Hong Kong.

Argonaut Overseas Investments Ltd acquired a 70% interest in Argonaut Resources Laos Ltd which holds the Century exploration tenement in Laos. The cost was US$180,000 in December 2004

Prospect Exploration & Mining Limited holds the Xekong exploration tenement in Laos. The cost was US$300,000 and the issue of 500,000 unlisted options exercisable at 30 cents until 21st December 2009.

(b) Investments in subsidiaries through means of permanent debt funding

The debt funding to controlled entities are non-interest bearing and unsecured with no fixed term of repayment. The ultimate collection is dependent on the commercialisation and exploitation of the exploration properties held by the subsidiaries, refer note 9.

Notes to the financial statements
30 June 2007 (continued)

Note 8 Property, plant and equipment

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
(a) Plant and equipment				
Office equipment, furniture and fittings				
Cost or fair value – 1 July	**307,898**	243,890	**222,816**	222,816
Accumulated depreciation – 1 July	**(213,657)**	(198,477)	**(202,851)**	(194,875)
Net book amount – 1 July	**94,241**	45,413	**19,965**	27,942
- Additions	**4,847**	64,008	**-**	-
- Depreciation charge	**(15,555)**	(15,180)	**(7,988)**	(7,976)
Cost or fair value – 30 June	**312,745**	307,898	**222,816**	222,816
Accumulated depreciation – 30 June	**(229,212)**	(213,657)	**(210,839)**	(202,851)
Net book amount – 30 June	**83,533**	94,241	**11,977**	19,965
Motor vehicle				
Cost or fair value – 1 July	**76,723**	58,122	-	-
Accumulated depreciation – 1 July	**(17,496)**	(5,832)	-	-
Net book amount – 1 July	**59,227**	52,290	-	-
- Additions	**10,921**	18,601	-	-
- Depreciation charge	**(12,756)**	(11,664)	-	-
Cost or fair value – 30 June	**87,644**	76,723	-	-
Accumulated depreciation – 30 June	**(30,252)**	(17,496)	-	-
Net book amount – 30 June	**57,392**	59,227	-	-
Leased motor vehicle				
Cost or fair value – 1 July	**54,192**	54,192	**54,192**	54,192
Accumulated depreciation – 1 July	**(23,398)**	(12,560)	**(23,398)**	(12,560)
Net book amount – 1 July	**30,794**	41,632	**30,794**	41,632
- Additions	**-**	-	-	-
- Depreciation charge	**(10,838)**	(10,838)	**(10,838)**	(10,838)
Cost or fair value – 30 June	**54,192**	54,192	**54,192**	54,192
Accumulated depreciation – 30 June	**(34,236)**	(23,398)	**(34,236)**	(23,398)
Net book amount – 30 June	**19,956**	30,794	**19,956**	30,794
Assets under construction				
Cost or fair value – 1 July	**37,359**	26,366	-	-
Accumulated depreciation – 1 July	**-**	-	-	-
Net book amount – 1 July	**37,359**	26,366	-	-
- Additions	**4,984**	10,993	-	-
- Depreciation charge	**-**	-	**-**	-
Cost or fair value – 30 June	**42,343**	37,359	**-**	-
Accumulated depreciation – 30 June	**-**	-	**-**	-
Net book amount – 30 June	**42,343**	37,359	**-**	-
Total plant and equipment	**203,224**	221,621	**31,933**	50,759

The depreciation incurred on the assets in Laos has been capitalised as part of exploration and evaluation assets.

Notes to the financial statements
30 June 2007 (continued)

Note 9 Exploration and evaluation assets

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Exploration assets – 1 July	**3,887,515**	2,597,518	**220,000**	220,000
Expenditure incurred during the year	**2,606,873**	1,804,438	**-**	-
Exchange differences	**(562,063)**	36,887		
Expenditure written off during the year	**(31,797)**	(551,328)	**-**	-
Proceeds from joint venturer executed	**-**	-	**-**	-
Exploration assets – 30 June	**5,900,528**	3,887,515	**220,000**	220,000

Note 10 Current liabilities – Payables

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Trade and other payables	**190,023**	196,493	**128,627**	185,861
Unpresented cheques on share buy back (Note 5 (c))	**56,743**	57,233	**56,743**	57,233
Directors fees payable	**6,250**	71,250	**6,250**	71,250
	253,016	324,976	**191,620**	314,344

Note 11 Current liabilities – Interest bearing liabilities

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Lease liability (note 27)	**8,031**	6,655	**8,031**	6,655

Lease liabilities bear interest of 7.44%.

Note 12 Non-Current liabilities – Interest bearing liabilities

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Lease liability (note 27)	**30,358**	37,203	**30,358**	37,203

Lease liabilities bear interest at of 7.44%.

Notes to the financial statements
30 June 2007 (continued)

Note 13 Non-Current liabilities – Provisions

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Employee benefits – long service leave	**114,063**	90,063	**114,063**	90,063

Note 14 Contributed equity

	Parent entity		Parent entity	
	2007	2006	**2007**	2006
	Shares	Shares	**$**	$
(a) Share capital				
Ordinary shares, fully paid	**134,944,719**	134,889,664	**16,310,394**	16,293,877

(b) Movements in ordinary share capital

Date	Details	Notes	Number of Shares	Issue Price	$
1 July 2005	Balance		63,684,419		8,667,712
22 Dec 2005	Share placement at 12 cents	(i)	12,500,000	$0.12	1,500,000
	Share issue costs	(i)	-		(75,000)
18 April 2006	Share placement	(ii)	7,843,680	$0.12	941,241
30 May 2006	Exercise of listed options		3,975	$0.30	1,192
2 June 2006	Share placement at 12 cents	(iii)	50,857,590	$0.12	6,102,911
	Share issue costs	(iv)	-		(844,179)
1 July 2006	Balance		134,889,664		16,293,877
31 March 2007	Exercise of listed options	(v)	1,698	$0.30	509
29 June 2007	Exercise of listed options	(v)	53,357	$0.30	16,008
30 June 2006	**Closing balance**		**134,944,719**		**16,310,394**

I. ***Share placement***
In December 2005, Argonaut arranged a placement of 12,500,000 shares at 12 cents per share raising $1,425,000 after share placement costs.

II. ***Share placement***
In April 2006, Argonaut arranged a placement of 7,843,680 shares raising $941,241.

III. ***Share placement***
In June 2006, Argonaut arranged a placement and completed a rights issue issuing 50,857,590 shares at 12 cents per share raising $6,102,911.

IV. ***Share placement***
Share placements II and III above provided $6,199,973 after share placement costs of $844,179.

V. ***Share placement - exercise of listed options***
Share issued upon exercise of listed options prior to expiry on 30 June 2007. All other listed options expired on 30 June 2007.

(c) Ordinary shares

Ordinary shares (with no par value) entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. At 30 June 2007 all ordinary shares were fully paid.

Notes to the financial statements
30 June 2007 (continued)

Note 15 Reserves and retained profits

	Consolidated		Parent entity	
	2007	2006	2007	2006
	$	$	$	$
(a) Reserves				
Share-based payments reserve	**48,633**	48,633	**48,633**	48,633
Foreign currency translation reserve	**(575,395)**	(13,332)	**-**	-
	(526,762)	35,301	**48,633**	48,633
Movements				
Share-based payments reserve				
Balance 1 July	**48,633**	27,243	**48,633**	27,243
Option expense	**-**	21,390	**-**	21,390
Balance 30 June	**48,633**	48,633	**48,633**	48,633
Foreign currency translation reserve				
Balance 1 July	**(13,332)**	(48,829)	**-**	-
Currency translation differences arising during the year	**(562,063)**	35,497	**-**	-
Balance 30 June	**(575,395)**	(13,332)	**-**	-
(b) Accumulated losses				
Movements in accumulated losses were as follows:				
Balance 1 July	**(6,402,176)**	(4,711,825)	**(6,416,304)**	(4,714,528)
Net loss for the year	**(1,234,890)**	(1,690,351)	**(1,813,454)**	(1,701,776)
Balance 30 June	**(7,637,066)**	(6,402,176)	**(8,229,758)**	(6,416,304)

(c) Movements in unquoted options

Date	Details	Number of Options	Exercise Price	$
30 June 2005	Balance	1,000,000		27,243
10 Sept 2005	Valuation of final tranche of options issued to employees	-	-	1,390
30 June 2006	Options issued in lieu of share placement management fees	3,000,000	$0.30	20,000
30 June 2007	**Closing Balance**	**4,000,000**		**48,633**

(d) Nature and purpose of reserves

(i) Share-based payments reserve
The share based payments reserve is used to recognise:
- the fair value of options issued to employees but not exercised,
- the fair value of shares issued to employees

(ii) Foreign currency translation reserve
Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1(d).
The reserve is recognised in profit and loss when the net investment is disposed of.

Notes to the financial statements
30 June 2007 (continued)

Note 16 Financial Risk Management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk and fair value interest rate risk), liquidity risk, and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by the Board of Directors.

(a) Market Risk

(i) Foreign exchange risk
Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the US dollar. In order to address this risk, the Board decided on completion of the fund raising carried out in June 2006 to secure US dollars sufficient to cover a major part of exploration activity planned for Laos. On 1 August 2006 US$2.0 million was purchased at a cost of AUD$2.6 million the relevant exchange rate being 76.42 US cents to AUD $1. These funds have been deposited for a range of maturity dates and will earn US$ interest better than 5% per annum and will be drawn down progressively to fund US denominated exploration expenditure in Laos. The balance of US dollars held as at 30 June 2007 is US$682,018.

ii) Fair value interest rate risk
Refer to (b) below

(b) Cash flow and fair value interest rate risk
The company has interest rate risk exposures through its cash holdings and finance lease liabilities.
The weighted average effective interest rates on the cash holdings is 5.16% (2006: 5.50%) (refer note 5).
The weighted average effective interest rate on finance lease liabilities is 7.44% (refer notes 11 and 12).

(c) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through responsible cash management and monitoring of expenditure commitments.

Notes to the financial statements
30 June 2007 (continued)

Note 17 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Assurance services				
1. Audit services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports and other audit work under the Corporations Act 2001	**45,900**	40,500	**45,900**	40,500
Fees paid to related practices of PricewaterhouseCoopers Australian firm	**5,500**	3,500	**5,500**	-
Total remuneration for audit services	**51,400**	44,000	**51,400**	40,500
2. Non-audit services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Due diligence services	**-**	25,000	**-**	25,000
Total remuneration for other assurance services	**-**	25,000	**-**	25,000
Total remuneration for assurance services	**51,400**	69,000	**51,400**	65,500
3. Taxation services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Tax compliance services, including review of company income tax returns	**15,700**	15,295	**15,700**	15,295
Total remuneration for taxation services	**15,700**	15,295	**15,700**	15,295

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

Notes to the financial statements
30 June 2007 (continued)

Note 18 Contingent liabilities

The parent entity and Group had contingent liabilities at 30 June 2007 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. No material losses are anticipated in respect of this contingent liability.

Deferred Laos acquisition costs
On completion of a bankable feasibility study relating to Century or Xekong tenements and the issue of a mining licence for either tenement on terms acceptable the Company, the Company is required to pay within 5 days US$450,000 (Century) or US$700,000 (Xekong) respectively in deferred acquisition costs.

There are no other material contingent liabilities relating to the Company and/or the Group.

Notes to the financial statements
30 June 2007 (continued)

Note 19 Key management personnel disclosures

(a) Directors

The following persons were directors of Argonaut Resources NL during the financial year:

PJD Elliott	(Independent Non-executive Chairman)
GA Ellis	(Managing Director)
GN Williams	(Independent Non-executive Director)
LJ Owler	(Exploration Director)

(b) Key management personnel compensation

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Short-term employee benefits	**281,395**	325,000	**281,395**	325,000
Post employment benefits - super	**338,500**	225,000	**338,500**	225,000
Post employment benefits – long service provision	**22,000**	10,000	**22,000**	10,000
Share-based payments	**-**	1,390	**-**	1,390
	641,895	561,390	**641,895**	561,390

The company has taken advantage of the relief provided by *Corporations Regulations 2M.6.04* and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-C of the remuneration report on pages 13 to 14.

(c) Equity instruments disclosures relating to key management personnel

(i) Options provided as remuneration
Details of options provided as remuneration and shares issued on exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on page 14.

(ii) Option holdings
The number of options over ordinary shares in the company held during the financial year by each director of Argonaut Resources NL, including their personally related parties, are set out below.

2007

Director of Argonaut Resources NL	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes	Balance at the end of the year	Vested and exercisable during the year
PJ Elliot	1,000,000	-	-	-	1,000,000	-
GA Ellis	2,500,000	-	-	(1,500,000)	1,000,000	-
GN Williams	700,000	-	-	(200,000)	500,000	-
LJ Owler	500,000	-	-	-	500,000	-

2006

Director of Argonaut Resources NL	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes	Balance at the end of the year	Vested and exercisable during the year
PJ Elliot	1,000,000	-	-	-	1,000,000	-
GA Ellis	2,500,000	-	-	-	2,500,000	-
GN Williams	700,000	-	-	-	700,000	-
LJ Owler	500,000	-	-	-	500,000	-

Notes to the financial statements
30 June 2007 (continued)

(iii) Share holdings
The number of shares in the company held during the financial year by each director of Argonaut Resources NL, including their personally related parties, are set out below. There were no shares granted during the reported period as compensation.

2007				
Director of Argonaut Resources NL	Balance at the start of the year	Received during the year on exercise of options	Share purchases	Balance at the end of the year
PJ Elliot	-	-	-	-
GA Ellis	1,432,500	-	-	1,432,500
GN Williams	250,000	-	-	250,000
LJ Owler	-	-	-	-
2006				
Director of Argonaut Resources NL	Balance at the start of the year	Received during the year on exercise of options	Share purchases	Balance at the end of the year
PJ Elliot	-	-	-	-
GA Ellis	1,193,750	-	238,750	1,432,500
GN Williams	212,927	-	37,073	250,000
LJ Owler	-	-	-	-

(d) Loans to key management personnel

There are no loans outstanding from directors of Argonaut Resources NL.

(e) Other transactions with key management personnel

For a period of two months, a director, PJ Elliott occupied office space within the head lease executed by the company on the same commercial terms and conditions as the company. Amounts recognised as an offset to expense were $6,520 (2006: $37,000) (exclusive of GST).

Note 20 Share-based payments

(a) Option Plan

Options are granted under the plan for no consideration. When exercisable, each option is convertible into one ordinary share. Shares issued on exercise of options are to rank equally with all other shares on issue at the time of exercise of the options.

There were no options granted for the year ended 30 June 2007.

Notes to the financial statements
30 June 2007 (continued)

Set out below are summaries of options granted under the plan:

Consolidated and parent entity – 2007

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number	Number
29 July 2002	30 June 2007	$0.30	1,700,000	-	-	(1,700,000)	-	-
10 Sep 2004	10 Sep 2009	$0.30	2,500,000	-	-	-	2,500,000	2,500,000
10 Sep 2004	10 Sep 2009	$0.30	500,000	-	-	-	500,000	500,000
Total			4,700,000	-	-	(1,700,000)	3,000,000	3,000,000

Consolidated and parent entity – 2006

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number	Number
29 July 2002	30 June 2007	$0.30	1,700,000	-	-	-	1,700,000	1,700,000
10 Sep 2004	10 Sep 2009	$0.30	2,500,000	-	-	-	2,500,000	2,500,000
10 Sep 2004	10 Sep 2009	$0.30	500,000	-	-	-	500,000	500,000
Total			4,700,000	-	-	-	4,700,000	4,700,000

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share fourteen days after the release of the half-yearly and annual financial results of the Group to the market.

No Options have been exercised during the financial year and no shares issued to employees on the exercise of options.

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Options issued under option plan	-	1,390	-	1,390
	-	1,390	-	1,390

(c) Other share based payments

2007
No other share based payments were made in 2007.

2006
As part of the share placement Veritas Securities was issued 3,000,000 options exercisable at 30 cents with an expiry date of 30 June 2008 and a fair value of $20,000. Refer to note 15(c).

Notes to the financial statements
30 June 2007 (continued)

Note 21 Segment information

(a) Business Segments
The consolidated entity operates primarily in one business segment, that being exploration for gold and other precious metals.

(b) Geographical Segments
The consolidated entity operates in two geographical segments, being Australia and Laos. Commencing in December 2003 the company commenced investigations into exploration opportunities in the Lao P.D.R.

Primary reporting – geographic segments

30 June 2007	Australia $	Laos $	Other $	Inter-segment eliminations/ unallocated $	Consolidated $
Total segment revenue	233,444	-	-	-	233,444
Unallocated revenue					-
Revenue from continuing operations					233,444
Segment result	(1,097,066)	(137,824)	-	-	(1,234,890)
Unallocated revenue less unallocated expenses					-
Profit/(loss) before income tax					(1,234,890)
Segment assets	3,113,904	5,438,130	-	-	8,552,034
Unallocated assets					-
Total assets					8,552,034
Segment liabilities	344,072	61,396	-	-	405,468
Unallocated liabilities					-
Total liabilities					405,468
Acquisitions of property, plant and equipment, and other non-current segment assets	81,151	1,932,291	-	-	2,013,442
Depreciation	18,826	-	-	-	18,826

Notes to the financial statements
30 June 2007 (continued)

Primary reporting – geographic segments

30 June 2006	Australia $	Laos $	Other $	Inter-segment eliminations/ unallocated $	Consolidated $
Total segment revenue	59,929	-	-	-	59,929
Unallocated revenue					-
Revenue from continuing operations					59,929
Segment result	(1,690,349)	(2)	-	-	(1,690,351)
Unallocated revenue less unallocated expenses					-
Profit/(loss) before income tax					(1,690,351)
Segment assets	6,808,652	3,577,247	-	-	10,385,899
Unallocated assets					-
Total assets					10,385,899
Segment liabilities	448,265	10,632	-	-	458,897
Unallocated liabilities					-
Total liabilities					458,897
Acquisitions of property, plant and equipment, and other non-current segment assets	-	1,916,058	-	-	1,916,058
Depreciation	18,814	-	-	-	18,814

Secondary reporting segments

The consolidated entity's secondary reporting segment is mining exploration, all activities of the group fall under this segment.

Note 22 Related party information

(a) Parent entities
The parent entity of the Group is Argonaut Resources NL.

(b) Subsidiaries
Interests in subsidiaries are set out in Note 7.

(c) Key management personnel
Disclosures relating to key management personnel are set out in Note 19.

Notes to the financial statements
30 June 2007 (continued)

Note 23 Events occurring after reporting date

- Lake Torrens

On 31 July 2007 the Company announced that access to the EL3195, Lake Torrens project area had been approved for the purpose of completing a geophysical (gravity) survey. This survey has been completed. The gravity survey identified the best possible drillhole locations for purposes of the conduct of a proposed drilling program.

As from the commencement of the gravity survey, Straits Exploration (Australia) Pty. Ltd. has an exclusive twelve month option to earn a 70% interest in the project, (currently Argonaut is the 100% holder), pursuant to the terms of the Joint Venture. The project contains a strong magnetic and anomaly with previous drilling intersecting strong magnetite and haematite alteration typical of the Olympic Dam and Prominent Hill orebodies.

- Kroombit zinc-copper Deposit

On 9 August 2007 Argonaut advised that a reverse circulation drilling program had commenced on the Company's 100% held Kroombit zinc-copper deposit located near Gladstone in Central Queensland. This confirmatory drilling program was aimed at confirming and improving known intercepts and extending the Kroombit deposit laterally and at depth.

On 12 September 2007 the Company announced the presence of visible zinc and copper sulphide minerals in the first six drillholes of this program.

No other matters or circumstances have arisen since 30 June 2007 that have significantly affected or may significantly affect:

a) the consolidated Company's operations in future financial years; or
b) the results of those operations in future financial years; or
c) the consolidated Company's state of affairs in future financial years.

Note 24 Reconciliation of profit after income tax to net cash outflow from operating activities

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Loss for the year	**(1,234,890)**	(1,690,351)	**(1,813,454)**	(1,701,776)
Provision for employee entitlements	**24,000**	12,000	**24,000**	12,000
Exploration costs written off	**31,797**	551,328	**-**	-
Non-cash employee share based payments	**-**	-	**-**	1,390
Net exchange differences	**137,824**	-	**129,503**	-
Doubtful debts expense	**-**	43,110	**618,682**	610,614
Depreciation expense	**18,826**	18,814	**18,826**	18,814
Change in operating assets and liabilities				
Increase/(decrease) in operating creditors	**(85,285)**	(26,258)	**(122,234)**	(36,890)
(Increase)/decrease in other assets	**43,762**	(44,161)	**4,779**	1,551
Net cash outflows from operating activities	**(1,063,966)**	(1,135,518)	**(1,139,898)**	(1,094,297)

Notes to the financial statements
30 June 2007 (continued)

Note 25 Earnings per share

	2007 cents	2006 cents
Basic earnings per share	**(0.92)**	(2.23)
Diluted earnings per share	**(0.92)**	(2.23)

	Number 2007	Number 2006
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	**134,890,234**	75,661,746

Note 26 Non-cash financing and investing activities

	Consolidated 2007 $	Consolidated 2006 $	Parent entity 2007 $	Parent entity 2006 $
Issue of options in lieu of part placement fees	**-**	20,000	**-**	20,000

Note 27 Commitments for expenditure

	Consolidated 2007 $	Consolidated 2006 $	Parent entity 2007 $	Parent entity 2006 $
Lease commitments				
Commitments in relation to leases contracted at the reporting date but not recognised as liabilities, payable:				
Within one year	**30,667**	30,980	**30,667**	30,980
Later than one year but not later than five years	**19,928**	50,485	**19,928**	50,485
	50,595	81,465	**50,595**	81,465
Representing:				
Non-cancellable operating leases	**48,300**	77,280	**48,300**	77,280
Future finance charges on finance leases	**2,295**	4,185	**2,295**	4,185
	50,595	81,465	**50,595**	81,465

Operating leases

The parent entity leases office space under a non-cancellable operating lease expiring within two years.

	Consolidated 2007 $	Consolidated 2006 $	Parent entity 2007 $	Parent entity 2006 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**28,980**	28,980	**28,980**	28,980
Later than one year but not later than five years	**19,320**	48,300	**19,320**	48,300
	48,300	77,280	**48,300**	77,280

Finance leases

The parent entity leases a motor vehicle with a carrying amount of $19,956 (2006: $30,794) under finance lease expiring in two years. Under the terms of the lease the parent entity acquires the motor vehicle at the end of the lease upon payment of a residual balance of $20,000.

Notes to the financial statements
30 June 2007 (continued)

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Commitments in relation to finance leases are payable as follows:				
Within one year	**9,718**	9,638	**9,718**	9,638
Later than one year but not later than five years	**30,966**	38,405	**30,966**	38,405
Minimum lease payments	**40,684**	48,043	**40,684**	48,043
Less: Future finance charges	**(2,295)**	(4,185)	**(2,295)**	(4,185)
Recognised as a liability	**38,389**	43,858	**38,389**	43,858
Representing:				
Current (Note 11)	**8,031**	6,655	**8,031**	6,655
Non-current (Note 12)	**30,358**	37,203	**30,358**	37,203
	38,389	43,858	**38,389**	43,858

Note 28 Commitments for exploration expenditure

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Exploration leases				
Commitments in relation to exploration leases (Mt Kroombit, Mt Lookerbie & Blue Hills) contracted at the reporting date but not recognised as liabilities, payable:				
Within three years	**360,000**	-	-	-
Later than three years but not later than five years	**360,000**	-	-	-
	720,000	-	-	-

Note 29 Joint venture interests

The Company is a participant in the following joint ventures as at 30 June 2007. The percentage interests of the respective partners under these joint ventures may vary depending on the monies expended by certain of the joint venturers. The Company has not recognised the assets and liabilities associated with the free carry investments. The Company's percentage interests in future output if all the venturers fulfil their obligations to the joint ventures are as follows:

Joint Venture	Location	Principal Activity	% Interest
EL 2884	Campfire Bore, S Aust	Gold	10 (carried)
EL 3277	Kanmantoo, S Aust	Copper	10 (carried)
EL 3037	Alford, S Aust	Copper	80
EL 3262	Sandstone, S Aust	Gold	10*
EL 3779	Coober Pedy		10*
EL 3781	Coober Pedy		10*
Century	Laos	Copper/Gold	70
Xekong	Laos	Copper/Gold	65

* Kelaray holds a 33% interest in Coombedown Resouces Pty Ltd.

The contingent liabilities and commitments in respect thereto are referred to in note 18 and 27.

Notes to the financial statements
30 June 2007 (continued)

Note 30 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Exploration assets
The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful future development and commercial exploitation, or alternatively, sale of the respective areas of interest.
The directors review the carrying amount for impairment annually and where it is concluded that it is unlikely to recover the expenditure through future exploration or sale, and then the relevant capitalised amount will be recognised in the profit and loss account as an expense.

Investments
Argonaut has determined that the long-term interests in its subsidiaries, in substance forms part of the net investment in the subsidiary. Settlement of these long term receivables is neither planned nor likely to occur in the foreseeable future and in effect is as permanent as equity.

Directors Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 24 to 54 are in accordance with the *Corporations Act 2001,* including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(c) the audited remuneration disclosures set out on pages 13 to 15 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*; and

The directors have been given the declaration by the managing director required by section 295A of the *Corporations Act 2001.*

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

GA Ellis
Director

Sydney
28 September 2007

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Independent auditor's report

to the members of Argonaut Resources NL

Report on the financial report and the AASB 124 Remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Argonaut Resources NL (the company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Argonaut Resources NL and the Argonaut Resources NL Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in pages 13 to 15 of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 Remunerations disclosures contained in the directors' report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the consolidated financial statements and notes comply with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PRICEWATERHOUSECOOPERS

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Argonaut Resources NL is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Auditor's opinion on the AASB 124 Remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in pages 13 to 15 of the directors' report comply with Accounting Standard AASB 124.

PricewaterhouseCoopers

PricewaterhouseCoopers

Marc Upcroft
Partner

Sydney
28 September 2007

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 28th September 2007.

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

			Number of Shareholders
1	–	1,000	1,819
1,001	–	5,000	588
5,001	–	10,000	294
10,001	–	100,000	685
100,000–		and over	210
			3,596

There were 2,360 ordinary shareholders who had less than a marketable parcel of shares.

(b) Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Class of equity security	Number Held	Percentage of Issued Shares
Mr Robert Anthony Healy	Ordinary shares	5,000,000	3.71
Karari Australia Pty Ltd	Ordinary shares	4,240,000	3.14
ANZ Nominees Limited	Ordinary shares	3,761,948	2.79
Mr Andrew Lenox Hewitt	Ordinary shares	2,739,000	2.03
Bestfield Company	Ordinary shares	2,572,401	1.91
Pacific Gold Resources Limited	Ordinary shares	2,307,113	1.71
National Nominees Limited	Ordinary shares	2,173,701	1.61
Dacin Nominees Pty Ltd	Ordinary shares	2,000,000	1.48
Mrs Petrea Kristine McGhee	Ordinary shares	2,000,000	1.48
Howard Trading Co Pty Ltd	Ordinary shares	1,852,000	1.37
Bluestar Management Pty Ltd	Ordinary shares	1,790,026	1.33
Redcliff Pty Ltd	Ordinary shares	1,700,000	1.26
Mrs Po Chu Wong	Ordinary shares	1,688,086	1.25
Cleland Projects Pty Ltd	Ordinary shares	1,500,000	1.11
Mytece Pty Ltd	Ordinary shares	1,432,500	1.06
Mr Zheng Hua Wang	Ordinary shares	1,400,000	1.04
Skylea Holdings Pty Ltd	Ordinary shares	1,284,000	0.95
Mr Geoffrey Vincent Banks & Mrs Joan Elizabeth Banks	Ordinary shares	1,250,000	0.93
Mr Rong Shou Wei	Ordinary shares	1,244,360	0.92
Private Equity Capital Pty Ltd	Ordinary shares	1,206,880	0.89
		43,142,015	31.97

(c) Twenty largest quoted option holders

All quoted options expired on 30 June 2007.

(d) Voting Rights

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

SUMMARY OF MINING TENEMENTS AS AT 30 June 2007

South Australian Mineral Exploration Licences

Tenement	Granted	Expiry	Area Km^2	Locality	Licensee	Interest
EL 3037	25/01/2002	24/10/2007	477	Alford	Kelaray	80%
EL 3075	2/04/2003	1/04/2008	166	Myrtle Springs	Kelaray	100%
EL 3193	1/04/2004	31/03/2008	281	Mt Parry	Kelaray	100%
EL 3195	6/04/2004	5/04/2009	295	Lake Torrens	Kelaray	100%
EL 3262	14/10/2004	13/10/2007	226	Sandstone	Coombedown	10%*
EL 3277	3/11/2004	2/11/2008	489	Kanmantoo	Kelaray	10%
EL 3779	17/05/2007	16/05/2008	101	Coober Pedy	Coombedown	100%*
EL 3781	17/05/2007	16/05/2008	30	Coober Pedy	Coombedown	100%*
EL 3782	21/05/2007	20/05/2008	42	Campfire Bore	Coombedown	10%*

* Kelaray holds a 33% interest in Coombedown Resources Pty. Ltd.

South Australian Mineral Exploration Licence Applications

Tenement	Applied	Expiry	Area Km^2	Locality	Licensee	Interest
ELA 143/97	6/02/1997	-	1040	Carbeena Hill	Kelaray	100%
ELA 144/97	6/02/1997	-	835	Harcus	Kelaray	100%
ELA 186/97	14/02/1997	-	1815	Moombunya	Kelaray	100%
ELA 321/97	15/04/1997	-	624	Mt Illillinna	Kelaray	100%

Queensland Mineral Exploration Permits

Tenement	Granted	Expiry	Area Km^2	Locality	Licensee	Interest
EPM 15705	28/09/2006	27/09/2011	313	Kroombit Creek	Kelaray	100%
EPM 15733	9/10/2006	8/10/2011	66	Blue Hills	Kelaray	100%
EPM 15734	9/10/2006	8/10/2011	312	Mt Lookerbie	Kelaray	100%

Queensland Mining Leases

Tenement	Granted	Expiry	Area Km^2	Locality	Licensee	Interest
ML 5631	16/05/1974	31/05/2010	0.32	Kroombit	Kelaray	100%

Laotian Exploration Licences

Tenement	Granted	Expiry	Area Km^2	Locality	Licensee	Interest
174/MIH.DGM	8/10/2004	7/10/2008	226	Sangthong	Argonaut Resources Laos Co Ltd	70%
184/MIH.DGM	8/10/2004	7/10/2008	588	Kaleum	Xekong River Mining Co Ltd	65%