

30 January 2012

ASX ANNOUNCEMENT

South Australia to appeal against the overturning of heritage approval

The Directors of Argonaut Resources NL advise that the State of South Australia ('the State') has applied to the High Court of Australia ('the High Court') for special leave to appeal the judgment of the Full Court of the Supreme Court of South Australia ('the Full Court') delivered on 22 December 2011.

The State contends that the Full Court erred in overturning the approval previously granted by the Minister of Aboriginal Affairs to the Torrens Joint Venture under section 23 of the Aboriginal Heritage Act 1988 (SA) ('the AHA').

In the event the appeal is allowed by the High Court, the Torrens Joint Venture has been advised that it may be possible for an expedited hearing to be heard in approximately eight months.

Whilst the action by the State to overturn the decision by the Full Court is understood to an extent, Argonaut is concerned that litigation only serves to extend uncertainty, further increase costs to all parties and erode the potential of constructive discussions between the interested parties. We note that litigation is not the only, and certainly not the most immediate, option. The South Australian Government remains in a position to amend its legislation to permit shared access to traditional sites that would provide clarity for project proponents and traditional owners alike.

We are of the view that there has been broad, in principal support for a number of years from indigenous and non-indigenous stakeholders for reform of the AHA. The State government initiated a review aimed at reform of the AHA over three years ago but the review has gone nowhere to date. The State is now pursuing legal action in the High Court regarding interpretation of the same legislation it acknowledges requires amendment in circumstances where the government has other options.

Patrick Elliott, Argonaut's Chairman, commented:

"It beggars belief that in our 14 year history at Torrens all parties, including the State of South Australia, are still wasting considerable amounts of time and money in trying to resolve access issues via litigation rather than a negotiated or, if necessary, mediated outcome.

We query the State's reluctance to amend its unique and ineffective Aboriginal heritage legislation. The series of cases and appeals surrounding Aboriginal heritage and native title access issues at Lake Torrens have clearly demonstrated there are fundamental issues in the drafting of the South Australian legislation. These issues are not present in other jurisdictions and require urgent rectification. The Torrens Joint Venture parties have always maintained their preference for a negotiated outcome but to date the legislation has not supported this approach.

In relation to the State's present application for special leave, we also question the strategic value of the State seeking cost orders against the individuals who assert traditional ownership. If special leave is granted and the appeal successful, the legal costs of the traditional owners may be borne either by the individuals or alternatively the South

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Australian Native Title Services ('SANTS'), a representative body which is funded by both the Commonwealth and the State. It may be the State's prerogative to test the technical merit of its legislation but it is short sighted to do so in a manner which creates further undue financial burden on the parties. Argonaut remains strongly of the view that continued litigation of problematic legislation is an unnecessary drain on all parties' financial resources.

Argonaut calls on the South Australian Government to take a whole of government approach to the problems of land access in South Australia and to effect urgent reform to promote negotiated shared access to all land, including land subject to heritage site applications, and at the same time provide clarity for project proponents and traditional owners alike."

Litigation under the Mining Act 1971 (SA)

In addition to Aboriginal heritage matters, there is a second stream of litigation in progress related to access approvals to Torrens. This primary litigation involves native title authority under the Mining Act and centres around an appeal to the Full Court lodged by the Torrens Joint Venture with a view to overturning a decision of the Environment, Resources and Development Court of South Australia, made on 14 January 2011.

The Native Title related appeal by the Torrens Joint Venture was heard by the Full Court in October and December 2011. The outcome of this appeal is currently expected around March 2012. The joint venture partners stand well placed to receive a positive outcome from the Full Court appeal which, if realised, may in turn help inform the outcome of future heritage considerations.

About EL4296, the Torrens Project

The Torrens Joint Venture is between Argonaut Resources NL and Straits Resources Limited and relates to the Torrens Project, EL 4296. Argonaut currently holds 100% of EL 4296 and Straits is earning a 70% interest.

The Torrens Joint Venture is exploring for iron-oxide copper-gold ("IOCG") systems in the highly prospective Stuart Shelf region of South Australia. The Torrens Project is located near the eastern margin of South Australia's Gawler Craton region (Stuart Shelf), within 50 kilometres of the Carrapateena copper-gold deposit and 75 kilometres from BHP Billiton's Olympic Dam mine.

About Argonaut

Argonaut is an Australian Stock Exchange listed mineral exploration and development company with projects in South Australia, Queensland Zambia and Laos. Argonaut's projects are in the advanced exploration and feasibility stages. The company's exploration efforts are focused on gold and copper in South Australia, Zambia and Laos, whilst its Queensland project at Mt Kroombit involves a zinc-copper resource.

Argonaut has pre-IPO investments in several Queensland coal projects via a holding in Cuesta Coal Ltd.

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