31st October 2003

EL 2663, Kanmantoo, Farm-In Agreement

The board of Argonaut Resources NL (Argonaut) announces that a Heads of Agreement has been signed allowing Hillgrove Gold Limited (Hillgrove) to farm into the interest in exploration licence 2663 held by Argonaut’s wholly owned subsidiary Kelaray Pty Ltd (Kelaray).

The agreement provides for the sale by Kelaray’s previous joint venture partners, Messrs Allender, Youles and LeBrun, of their combined 40% interest in the tenement to Hillgrove and for Hillgrove to earn an additional 50% from Kelaray by spending $375,000 on exploration works before 2 May 2004.

At the conclusion of the earn-in period Hillgrove will hold a 90% interest and Kelaray will retain a 10% interest free carried to a decision to mine. At the decision to mine Kelaray can elect to retain its interest by contributing to development expenses on a pro-rata basis or revert to a 2% net smelter royalty.

Diamond exploration rights on the tenement are excluded from this agreement and will remain with Flinders Diamonds Limited.

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