

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97

Name of entity

**Argosy Minerals Inc**

ACN or ARBN

ARBN 073 391 189

Quarter ended ("current quarter")

31 March 2004

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$C	Year to date (3 months) \$C
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(241,751)	(241,751)
(b) development	-	-
(c) production	-	-
(d) administration	(782,057)	(782,057)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	89,737	89,737
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid (capital taxes paid)	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(934,071)</b>	<b>(934,071)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments-marketable securities	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-

See chapter 19 for defined terms.

1.12	Other (provide details if material)	-	-
	<b>Net investing cash flows</b>	-	-
1.13	Total operating and investing cash flows (carried forward)	(934,071)	(934,071)
	<b>Cash flows related to financing activities</b>	-	-
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(934,071)	(934,071)
1.20	Cash at beginning of quarter/year to date	8,058,383	8,058,383
1.21	Exchange rate adjustments to item 1.20	188,818	188,818
1.22	Cash at end of quarter (see note 1)	<b>7,313,130</b>	<b>7,313,130</b>

Note 1: C\$7,313,130 converted at the exchange rate applicable at March 31, 2004 of 0.9996 equals A\$7,316,000.

### Payments to directors of the entity and associates of the directors Payments to related entities of the entity and associates of the related entities

		Current quarter \$C
1.23	Aggregate amount of payments to the parties included in item 1.2	586,883
1.24	Aggregate amount of loans to the parties included in item 1.10	NIL

#### 1.25 Explanation necessary for an understanding of the transactions

Payments to Directors and associates of the Directors are for directors' fees, for management and consulting fees and for the provision of staff in Australia and staff and office facilities in Canada. The provision of staff in Australia and Canada is charged at cost. In addition the Company re-imburses expense incurred on Company business. The payment also includes \$441,844 paid on the termination of the management contract with Peninsular Services Pty Ltd.

## Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A
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- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A
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## Financing facilities available

*Add notes as necessary for an understanding of the position*

	Amount available \$C'000	Amount used \$C'000
3.1 Loan facilities	N/A	N/A
3.2 Credit standby arrangements	N/A	N/A

## Estimated cash outflows for next quarter

	\$C
4.1 Exploration and evaluation	400,000
4.2 Development	-
<b>Total</b>	<b>400,000</b>

## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$C	Previous quarter \$C
5.1 Cash on hand and at bank	762,796	796,520
5.2 Deposits at call	6,550,334	7,261,863
5.3 Bank overdraft	NIL	NIL
5.4 Other (provide details)	NIL	NIL
<b>Total: cash at end of quarter (item 1.22)</b>	<b>7,313,130</b>	<b>8,058,383</b>

## Changes in interests in mining tenements

Tenement reference	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed		
6.2	Interests in mining tenements acquired or increased		

## Issued and quoted securities at end of current quarter

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Number issued	Number quoted	Par value (cents)	Paid-up value(cents)
7.1 <b>Preference +securities</b> <i>(description)</i>	N/A			
7.2 Issued during quarter	N/A			
7.3 <b>+Ordinary securities</b>	95,969,105	95,064,073	N/A	N/A
7.4 Issued during quarter	NIL			N/A
7.5 <b>+Convertible debt securities</b> <i>(description and conversion factor)</i>	N/A			
7.6 Issued during quarter	N/A		N/A	
7.7 <b>Options</b> <i>(description and conversion factor)</i>			<i>Exercise Price</i>	<i>Expiry Date</i>
<b>See Appendix I</b>				

7.8	Issued during quarter	Nil	Nil	See Appendix I	
7.9	Exercised during quarter	Nil	Nil		
7.10	Expired/cancelled during quarter	Nil	Nil		
7.11	<b>Debentures</b> <i>(totals only)</i>	Nil	Nil	Nil	Nil
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	Nil	Nil		

### Compliance Statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards in Canada except that exploration expenses, if any, are treated as investing activities under Canadian GAAP, have been deducted in determining net operating cash flows.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: April 28, 2004  
(Director/Company secretary)

Print name: Cecil R. Bond

### Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (Items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 4 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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**Argosy Minerals Inc**  
**Additional Information**  
**APPENDIX I**

**Item 7.7 – Options**

<u>Granted / Exercised</u>	<u>Expiry Date</u>	<u>Exercise Price (\$)</u>	<u>Number of Options</u>	<u>Balance Outstanding at March 31, 2004</u>
Granted June 20, 2002	May 24, 2006	A0.35	4,175,000	
Cancelled 2002			(600,000)	
Cancelled 2003			<u>(500,000)</u>	<u>3,075,000</u>
<b>Balance outstanding March 31, 2004</b>				<b><u><u>3,075,000</u></u></b>

**April 28, 2004**

The Appendix 5B Report for this quarter is an integral part of this summary and is attached.

**Quarter Ending March 31, 2004 - Summary of Activities and Expenditures**

In the quarter ending March 31, 2004 Argosy made progress with its core project – the Albetros Project in Namaqualand South Africa. The processing and sorting of concentrates, obtained from the large diameter auger (“LDA”) drilling programme completed in December 2003, in order to assess the diamond potential of the gravels in the Megalodon Channel was completed.

**Summary of Activity**

- Completion of all concentrate processing and diamond sorting from the LDA drill programme on the Megalodon Channel.
- Permit Renewal Application for revised project area was submitted following reconnaissance drilling at Albetros.
- Data compilation and review in preparation for filed work on the gold project in Nevada.
- Ongoing evaluation of new opportunities.

**Summary of Expenditures**

Project Option Fees	\$118,806
Drilling, Processing Expenditures	74,737
Consultant and Supervision	(5,212)
Travel and Accomodation	36,489
Rehabilitation	16,931
	\$241,751

**Albetros Diamond Project – South Africa**

Summary of exploration activities during the quarter

- Completion of concentration and sorting of gravels from 22 LDA holes (940 metres) of drilling within the northernmost 1.4 km of the Megalodon Channel.
- Forty-two LDA samples were treated by DMS plant and the concentrates hand sorted. A total of 33 diamonds weighing 14.962 carats were recovered, the largest stone being 4.979 carats. Re-treatment of selected oversize samples yielded no further diamonds.
- 61% of the diamonds were dodecahedral in form and 57% of the caratage represented stones greater than 1 carat in size. The mean stone size was 0.45 carat.
- Inferred gravel resource estimates of 9.8 Mt for the Megalodon Channel and 10.6 Mt for the Sidewinder Channel were established. These estimates require additional probe drilling for greater reliability.
- Environmental rehabilitation was completed on all LDA sites.

**LDA Sample Results**

The sampling of alluvial gravels from 22 drill holes was conducted using a 2.5 metre diameter LDA drill with samples processed through a nearby dense media separation plant and resulting concentrates through a diamond sorting laboratory.

Although only 35% of the strike extent of the Megalodon Channel has been subject to LDA sampling, results confirm the diamondiferous nature of the alluvial gravels encountered.

Eight separate drill sites were selected based on previous probe drilling data to provide broad, dispersed coverage. Clusters of up to three LDA holes were drilled at each site and in total 42 large diameter auger samples were taken. Sampling preference was given to the shallower, upstream parts of the channel and no attempt was made to target the geologically more prospective topographic lows or bedrock depressions.

All except 6 of the 22 Megalodon LDA holes (73%) returned one or more diamonds. Some 91% of the diamonds recovered (94% of the carats) were sourced from the basal zone. Average thickness of basal gravel zone was 1.6 metres. Results confirm a bimodal population and sensitivity of the deposit to anomalous large stones. A total of 33 diamonds weighing 14.962 carats with the largest stone of 4.979 carats were recovered. Two samples show evidence of the potential for diamond clustering and the impact on grade from a single stone. Diamond recoveries and borehole data are summarised below:

<b>Drill Hole</b>	<b>Sample Interval From / To (m)</b>	<b># Diamonds</b>	<b>Total Carats</b>	<b>Largest Stone (cts)</b>
1	33.5 34.7	1	0.087	0.087
2	33.0 35.7	1	0.583	0.583
3	33.0 36.5	5	2.033	1.517
4	38.0 42.2	4	1.574	0.745
5	39.5 42.7	1	0.263	0.263
6	40.0 42.2	5	0.959	0.237
8	48.0 49.5	1	0.270	0.270
9	46.0 47.2	1	0.200	0.200
10	42.5 45.0	1	0.090	0.090
12	43.5 45.2	2	0.491	0.331
13	48.0 50.0	1	0.120	0.120
14	47.0 49.8	1	0.226	0.226
15	47.0 49.5	4	5.600	4.979
18	38.5 40.5	1	0.086	0.086
19	35.5 37.0	3	2.263	2.045
20	34.5 36.5	1	0.117	0.117

Initial statistical treatment of these sampling data revealed a bimodal diamond population, with an average stone size of 0.45 carats. Of the total caratage, 57% represented stones greater than 1 carat in size. It is stressed that this limited sampling programme is not considered sufficiently representative to establish a resource grade at this stage. The presence of four diamonds in Hole 15, including the largest stone recovered to date, and 3 diamonds in Hole 19 confirms the potential for diamond clustering and the presence of anomalous large stones.

All oversize reject was logged for clast content, size and shape and checked for significant amounts of conglomerate, footwall clay and minus 12 mm material that may have escaped effective screening. A number of oversize samples were selected for re-treatment where heavy mineral-rich conglomerate and clay levels exceeded approximately 8% of volume. These samples were crushed before rejoining the pre DMS circuit. No diamonds were recovered from oversize fractions.

Diamonds were described and individually photographed for database and security purposes. The majority of stones were colourless dodecahedra. DeBeers Diamond Trading Company in Kimberly

has valued the parcel of diamonds recovered at US \$314.70 per carat. This valuation was announced to the market on April 22, 2004.

### Gravel Resource Estimates

#### *Megalodon Channel*

133 probe drill holes have been directed at the Megalodon Channel. Drilling was conducted over the northernmost 1.9 km along 200 metre spaced lines and at 100 metre intervals. Megalodon has well-developed concentrate rich diamond bearing gravels up to 5.2 metres thick across the channel floor which varies between 380 meters to 650 metres in width. A gravel resource is estimated at 6.1 million tonnes with the potential for a further 3.7 million tonnes in the southern extension of the channel.

#### *Sidewinder Channel*

184 probe drill holes have been directed at the Sidewinder Channel and its tributaries. Drilling explored the channel, often at 400 metre line spacing, up to its exit from the Albetros project area, a distance of approximately 12 km. Although preliminary gravel resource estimates amount to 10.6 million tonnes, the potential of the drainage system to host diamonds has yet to be proven. The gravel character and maturity in the Sidewinder Channel are different from that in the Megalodon Channel. Additional probe drilling and large diameter auger sampling will be essential in the determination on whether the Sidewinder Channel has diamond potential.

### Reduction in Permit Size and Renewal Application

Probe drilling has confirmed that the westernmost axial drainages on the Albetros Project are the most prospective in contrast to the eastern sector of the permit area, which exhibits increasing overburden and less mature drainage systems. These factors combine to downgrade the eastern sector's prospectivity relative to that closer to the coast and existing De Beers Namaqualand Mines' operations.

Consequently, Albetros Inland Diamond Exploration Pty Ltd, the prospecting permit holder, has reduced the permit size in its renewal application. A 2 year renewal application for 76.65 km<sup>2</sup>, 61% of the original area, was lodged with the DME in Springbok on 12<sup>th</sup> January 2004.

### **Gold in Nevada**

A combination of severe winter conditions and altitude of the project resulted in a delay to the start of reconnaissance exploration fieldwork until the second quarter. However in the interim much preparatory work has been conducted in advance of commencing field work.

From the existing data base, geophysical mapping and geological mapping it has been possible to advance Argosy's understanding of the project through:

- Compilation of available historical data on Gold Creek and transformation of these data into a digital format.
- These data are being stored within a GIS database (Geographic Information System) where possible.
- Quotations have been obtained for a geophysical survey while planning for the upcoming (April commencement) field program. This extension of previous IP surveys will assist in mapping out extensions of the St Elmo vein system.

All this work is being undertaken with a view to assisting in the delineation of distinct high grade zones that can be targeted by future drilling.

In addition several data reviews were conducted in respect of other precious metal opportunities in Nevada.

## **Musongati Nickel / PGM Project**

There has been a discernable reduction in tension in Burundi following the implementation of the Peace Process and the UN now paying attention to the introduction of a Peace Keeping Force. According to Argosy's sources in Burundi, only one rebel group remains outside the inclusive political process and their activities are localised in the SW of the country. Consequently Argosy is encouraged that it may be possible to reconsider the imposition of force majeure if the current moves to a permanent peaceful solution can be cemented. Given the record prices prevailing for both nickel and PGMs it is not surprising that Musongati, with its well documented resources has started to attract the attention of major nickel and PGM producers. In this regard Argosy has been in contact with major companies and is examining ways of initiating further exploration and studies on this deposit once conditions in the country are stable.

## **New Project Opportunities**

Argosy continues to seek additional projects and has focussed on diamonds and precious metals as targets. The company continues to investigate suitable projects on a global basis and has been active in examining precious metal opportunities in South Africa and the Pacific region. The company continues to look for additional diamond projects and is examining opportunities in South Africa, Angola and elsewhere in Africa where there are areas of known diamond potential.

## **Arbitration**

Pursuant to the terms of an agreement dated October 16, 2001 among the Corporation, its subsidiary Balzan, NN Invest Holdings SA, a Luxembourg company ("NNIH") that is a subsidiary of Norilsk Mining Company and Societe Des Mines de la Tontouta ("SMT"), a French company, NNIH and SMT agreed to participate with Balzan in the development of mineral properties in New Caledonia. NNIH subsequently terminated the agreement and commenced arbitration proceedings in the International Court of Arbitration in Paris against the Corporation and Balzan to recover funds reimbursed to Balzan of US\$7,166,000 plus amounts expended on the project amounting to US\$1,368,222. In November, 2003 in preliminary proceedings, the arbitral tribunal ruled that it had jurisdiction under the terms of the agreement to hear the arbitration claim. It is too early to determine the outcome of merits of the arbitration claim and the Corporation is defending the claim, which it believes to be wholly without merit, and has filed a counterclaim against NNIH.

## **Corporate**

In March 905,029 common shares were released from escrow.

The Corporation appointed Mr. Marcus N. Foster as a director on April 2, 2004.

The Corporation's Annual General Meeting of shareholders will be held at 11:00 a.m. on Monday May 17th, 2004, at 1600 Cathedral Place, 925 West Georgia Street, Vancouver, British Columbia. Mail out of annual reports, the annual information circular and proxy documents was completed on April 14<sup>th</sup>, 2004