ARGOSY MINERALS INC.

2008 ANNUAL REPORT

Report from the Chairman

Dear Shareholder,

During the latter part of 2008 and early 2009 the world credit crisis and resultant economic decline resulted in some of the most challenging business conditions ever experienced. Many companies were driven to bankruptcy or severely curtailed operations. Although Argosy was not immune to the affects of the global economic crisis, it is with much pleasure that I can report that the Corporation is in a strong position, with cash holdings in excess of $2 million at year end, to take advantage of opportunities that are expected to emerge in the coming months.

During 2008 Argosy carefully assessed a number of opportunities including the possible acquisition and retreatment of tailings dumps associated with former large scale mining operations in Zambia. Initially these opportunities had the potential to provide early cash flow. Unfortunately, the deterioration in the price of copper from a high in excess of US$8,000 per ton to below US$3,000 per ton in December made these opportunities totally uneconomic and they are no longer being pursued.

The announcement in early 2009 that the Burundian government had awarded the rights to the Musongati project to a third party was disappointing. Argosy had initiated a claim at the International Chamber of Commerce in Paris to secure its rights, as set out in a mining convention signed with the Burundian government, to the Musongati project. Before the ICC could rule on the Corporation's claim, the Burundian government awarded those rights to a third party. Following that announcement, the Corporation assessed the alternatives available to it and determined that it was not in Argosy's best interest to continue to pursue the Musongati project at this time. That decision was taken as nickel prices had dropped from in excess of US$40,000 per ton to below US$10,000 per ton in early 2009. Our decision is also supported by BHP Billiton's decision to close Ravensthorpe, a nickel laterite project in Australia, and record an impairment charge in excess of US$1 billion.

Currently, the Corporation has a number of proposals to participate in precious metals projects and continues to evaluate those presented. With a strong balance sheet the Corporation is well placed to take advantage of good opportunities as they emerge in what continues to be a very challenging economic environment, particularly for small exploration companies.

On behalf of the Board,

John Maloney, O.A.M.
Chairman

Management's Discussion & Analysis Of Operating Results

March 27, 2009

Description of Business

Since incorporation, Argosy Minerals Inc. ("the Corporation") has been exclusively a natural resource company engaged in exploration for precious metals, base metals and diamonds. At this stage of its development the Corporation has no producing properties and, consequently, has no current operating income or cash flow. The Corporation is a reporting issuer in British Columbia, Alberta and Ontario and trades on the Australian Stock Exchange under the symbol AGY. In May 2005, the Corporation was continued from the Yukon Territory under the Yukon Corporation's Act to British Columbia, under the British Columbia Business Corporations Act and amalgamated with its wholly owned Canadian subsidiaries.

The Corporation's strategy is to build shareholder value through the acquisition of base and precious metal assets, which have the potential for future development. With this in mind, the Corporation is constantly looking for and evaluating natural resource opportunities, in Africa, North America and Asia.

In 2008, the Corporation had one project; the Burundi Nickel Project, covering an area of 171 km^2 located in Burundi, central Africa, however a number of other projects in Africa were assessed for potential acquisition during the year.

The Burundi Nickel Project, acquired in 1999 pursuant to a Mining Convention between the Corporation's wholly subsidiary Andover Resources NL ("Andover") and the government of Burundi, has been subject to force majeure due to political instability in Burundi. In May 2005, the Corporation lifted force majeure and initiated discussions with the Ministry of Mines to secure a continuation of the Mining Convention.

After extensive, but futile, attempts by Andover to negotiate with the Government of Burundi to continue its work under the Mining Convention, and to obtain the necessary research permit from the Minister of Mines, in June 2007, Andover instructed its legal counsel to commence arbitral proceedings against the Government of Burundi at the International Chamber of Commerce in Paris.

Subsequent to December 31, 2008, the Corporation established that the Government of Burundi had awarded a license over Burundi Nickel Project to a third party. The Corporation is currently assessing the legal alternatives available to it, however in the interim, has determined not to continue with the arbitral proceedings at the International Chamber of Commerce at this time. The Corporation does however retain the right to proceed in the future.

Forward Looking Statements

This management discussion and analysis contains "forward-looking information" and "forward-looking statements" (together, the "forward-looking statements") within the meaning of applicable securities laws and the United States Private Securities Litigation Reform Act of 1995, as amended. Forward-looking statements in this MD&A include, but are not limited to the success of any proceeding against the Burundi Government, the potential to acquire acceptable new projects and the ability of the Corporation to fund its activities over the next 12 months. These forward-looking statements appear in a number of different places in this report and can be identified by words and phrases such as, but not limited to "estimate", "plans", "is expected", or variations of such words or phrases or statements that certain activities, events or results "may", "would" or "could" occur. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to vary from any future results, performance or achievements expressed or implied by the forward-looking statements. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. All statements are made as of the date of this Management Discussion and Analysis and the Corporation is under no obligation to update or alter any forward-looking statements except as required under applicable securities laws. See Risk Factors, below.

Risk Factors

The Corporation relies on equity financings to fund its activities. In addition, the Corporation will periodically have to raise additional funds to continue operations from the sale of equity or the sale of some or all of its projects and while it has been successful in raising finance in the past, the global credit crisis has resulted in a shortage of risk capital in the junior resource industry and may result in the Corporation not being able to raise adequate funds in the future. The Corporation had cash and cash equivalents of about $2.1 million and working capital of about $1.9 million at December 31, 2008. Management believes that the Corporation has sufficient capital resources to fund its currently planned levels of activity and has reviewed its budgets to identify areas where they could eliminate costs. Should the current credit crisis persist, the Corporation may have to further reduce its activities, if funding is not available when required.

The Company's maintains an office is in Vancouver, Canada and in Perth, Australia and maintains the majority of its funds in Australian dollars. The ongoing credit crisis has resulted in significant fluctuation in the value of the Canadian and Australian dollars against other currencies and because the Corporation operates in foreign countries it is exposed to significant currency risk. In addition, its operations may be affected by rapid price fluctuation in the countries it operates in due to the effect of current global economic conditions in those countries.

Exploration projects are subject to substantial environmental requirements which could cause a restriction or suspension of certain operations. The anticipated future operations of the Corporation require permits from various governmental authorities and such operations are and will be governed by laws and regulations governing various elements of the mining industry. Exploration activities are subject to various state, provincial and local laws governing land use, the protection of the environment, prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, and other matters. Such operations and exploration activities are also subject to substantial regulation under these laws by governmental agencies and may require that the Corporation obtain permits from various governmental agencies.

The exploration and development of mineral deposits involve significant risks which with careful evaluation, experience and knowledge may not, in some cases, fully mitigate. The commercial viability of any mineral deposit depends on many factors, not all of which are within the control of management. Some of the factors that affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure. Government regulation, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations all have an impact on the economic viability of a mineral deposit. Other potential impacts could include the location of the mineral deposit and if it is found in remote or harsh climates. These unique environments could limit or reduce production possibilities or if conditions are right for potential natural disasters, including but not limited to volcanoes, earthquakes, tornados and other severe weather, could negatively impact facilities, equipment and the safety of its workers dramatically. In particular, subsequent to December 31, 2008 the Corporation was advised that the Government of Burundi has awarded the rights to the Burundi Nickel Project to a third party and as a result has lost the ability to pursue the development of the project.

The marketability of minerals is affected by numerous factors beyond the control of the Corporation. These factors include, but are not limited to, market fluctuations, government regulations relating to prices, taxes and royalties, allowable production, import, exports and supply and demand. One or more of these risk elements could have an impact on costs of an operation and if significant enough, reduce the profitability of all future production and threaten the continuation of a particular project or operations altogether.

The Corporation has no production of minerals and its properties are all currently at the exploration stage. There is no assurance that a commercially viable mineral deposit exists on any of the Corporation's properties, and substantial additional work will be required in order to determine the presence of any such deposit.

Additional risk factors relating to the Corporation's activities are discussed in detail in its annual information filings which can be viewed on SEDAR at www.sedar.com or in its 20F filings with the Securities and Exchange Commission ("SEC") on the SEC's website at www.sec.gov/edgar.shtml.

Projects

BURUNDI NICKEL PROJECT ("MUSONGATI") – Nickel, Cobalt, Platinum Group Metals, Burundi

Andover acquired the Burundi Nickel Project in 1999 pursuant to a Mining Convention with the government of Burundi whereby Andover could earn an 85% interest in the project by completing a feasibility study for the development of a nickel/cobalt processing facility and by reimbursing the Burundi government for certain expenditures incurred on the project.

The Musongati lateritic deposit was explored in the 1970's and 1980's. Studies carried out by these explorers resulted in the identification of a resource of 185 million tonnes of 1.31% nickel and 0.08% cobalt (non-JORC and NI 43-101 compliant). Anomalous grades of platinum and palladium had been recorded from the laterite as well as from the underlying basement rocks.

The nickel - cobalt laterites at Musongati are developed within the weathering profile above a layered igneous complex and are derived mainly from the weathering of a serpentinised dunite which has a primary nickel content of about 0.3%. Two types of ore are present in approximately equal proportions: limonite and saprolite. Nickel in the limonite ore type is tied to goethite whereas in the saprolite ore type it is related to serpentine group minerals and clay minerals.

The resource at Musongati is situated on three adjacent plateaux as a result of erosion of a single layer of laterite. The plateaux are referred to from west to east as the Geyuka, Rubara and Buhinda zones, of which Buhinda is the most significant and best defined.

The Musongati lateritic deposit was explored in the 1970's and 1980's, mostly under the auspices of the United Nations Development Program. A total of 237 diamond drill holes were completed at Musongati for 12,255 metres, with an average depth of 52 metres. During the 1970's to 1980's drilling was conducted in three phases. The first phase of drilling investigated all three zones, with the focus on Rubara and Buhinda. The second phase was devoted to Rubara and Buhinda only, while the third phase focused exclusively on Buhinda. Several metallurgical studies were also completed as well as logistical, transportation and energy studies.

Due to political instability in Burundi, the project had been subject to force majeure until May 2005 when force majeure was lifted due to improving security. In 2005, the Corporation initiated discussions with the Government of Burundi to continue the Mining Convention and to recommence work at Musongati.

In June 2007, Andover instructed its legal counsel to commence arbitral proceedings under the Rules of the International Court of Arbitration of the ICC in Paris against the Government of Burundi to enforce its rights pursuant to the Mining Convention.

This decision was taken after extensive, but futile, attempts by Andover to negotiate with the Government of Burundi to continue its work under the Mining Convention, and to obtain the necessary research permit from the Minister of Mines for that purpose.

Andover's efforts to resume work under the Mining Convention followed periods of violence in Burundi which delayed the feasibility study on the Musongati deposits. These interruptions constituted periods of Force Majeure which, under the Convention, entitled Andover to extensions to its exploration permits allowing it to proceed with exploration and feasibility study work. Andover's continued rights under the Mining Convention were confirmed in December 2005 by an Inter-Ministerial Commission which was established by the Burundian Government to study the continued validity of the Mining Convention.

The Government's Inter-ministerial Commission comprised members from the offices of the Second Vice President of the Republic, Ministry of Foreign Affairs and Co-Operation, Ministry of Justice, Ministry of Energy and Mines and Ministry of Finance. The conclusions reached by the Commission were unequivocal and fully supported Andover's position, as confirmed by the following excerpts from the Commission's report:

1. "The current state of affairs is that the Convention is in full force and both parties must accept and fulfill their obligations. There is no point in the Administration of the Ministry of Energy and Mines to keep boycotting the Convention and turning its back on Andover. Instead it is time to restore calm and revive the relationship with Andover and relaunch the work programme with renewed vigor. There is no other choice."

2. "It would be ill advised for the State to break the Convention as a result of force majeure invocations which appear valid. Any termination of the Convention must, to the extent possible, strictly follow the Convention's provisions in terms of justification and procedure. The alternative could expose the State to the risk of paying damages in immense sums that could exceed the value of the mine itself."

In the face of the clear recommendations of the Inter-Ministerial Commission, the Minister of Mines first delayed taking any

notice to Andover, the Government recently proceeded with a second, internal study that issued recommendations diametrically opposed to those reached by the Inter-Ministerial Commission.

At a meeting of the Council of Ministers held on June 14, 2007, the Minister of Mines presented the findings of the internal study, and recommended termination of the Mining Convention. The minutes of the meeting of the Council of Ministers make no reference to the December 2005 report of the Inter-Ministerial Commission or to the fact that the conclusions of the more recent, internal study flatly contradict the Commission's earlier recommendations. In this context, with partial information, it appears that the Council of Ministers was persuaded to accept the recommendations of the Minister of Mines.

Andover notes there is no proper basis for the purported termination of the Mining Convention and that the Minister's recent conduct simply constitutes a further breach of the Mining Convention.

Subsequent to December 31, 2008, the Corporation was advised that the Government of Burundi had awarded the rights to the Burundi Nickel Project deposits to a third party. While the Corporation believes that the award of the mineral rights for Burundi Nickel Project to a third party is a contravention of the terms of the Mining Convention and a breach of the of the procedures applicable to arbitral proceedings at the ICC, it has determined not to pursue the arbitration proceedings at this time due to the poor prospects of being able to realize any meaningful potential damages award. Further, with the significant decline in commodity prices, notably nickel, and the recent closing down of a major nickel laterite project in Australia, the outlook for nickel laterite projects is poor.

Outlook

New Projects

The Corporation continues to seek additional projects through which shareholder value may be enhanced and has focused on precious and base metals. The Corporation is investigating suitable projects on a global basis and has been active in examining precious and base metal opportunities in North America, Africa and the Pacific region.

Results of Operations

Overall Performance

December 31, 2008 and December 31, 2007

The Corporation incurred a loss of $2,959,219 for the year ended December 31, 2008 compared to a loss of $2,819,889 for the year ended December 31, 2007. This increased loss of $139,331 is mostly attributable to the increased arbitration costs of $167,082 as the Corporation pursued its claims against the Burundi Government, increased stock based compensation expense of $892,427 arising on the grant of 6,500,000 stock options to directors, which was approved by shareholders at the last Annual General Meeting; increased management and consulting fees of $89,885 due to increased fee rates paid to management, offset by decreased project assessment fees of $932,525 as a result of the Corporation terminating its option over the projects in Sudbury Canada at the end of 2007.

Interest income of $152,959 for the year ended December 31, 2008, was similar to interest earned in 2007.

During the year ended December 31, 2008 cash required for operating activities amounted to $1,226,051 compared to $1,693,745 for the year ended December 31, 2007. The decrease in cash required for operating activities of approximately $468,000 resulted mainly from decreased project assessment expenditures offset by the cost associated with the arbitration proceedings.

During 2008 administrative expenses were $3,049,032 compared to $1,846,591 for the year ended December 31, 2007, an increase of approximately $1,202,000. The increase was mainly due to an increased stock based compensation expense recognized on the granting of stock options to directors during 2008 of $892,427 and the increased cost associated with the arbitral proceedings of $167,082.

Selected Annual Information

The Corporation's financial statements are prepared in accordance with Canadian generally accepted accounting principles and values are in Canadian dollars, except where stated otherwise. The selected annual financial information is taken from the Corporation's annual financial statements and should be read in conjunction with those statements.

Year ended December 31,	*2008*	*2007*	*2006*
		$ (000's)	
Interest Income	$ 153	$ 141	$ 108
Foreign Exchange Gains / (Losses)	$ (7)	$ (125)	$ -
Loss	$ (2,959)	$ (2,820)	$ (1,635)
Basic and Diluted Loss per Common Share	$ 0.03	$ 0.03	$ 0.02

As at December 31,	*2008*	*2007*
	$ (000's)	
Working Capital	$ 1,969	$ 3,175
Total Assets	$ 2,119	$ 3,362
Total Liabilities	$ 140	$ 173
Share Capital	$ 46,992	$ 46,992
Deficit	$ (48,026)	$ (45,067)

Summary of Quarterly Results

Year	***2008***				***2007***			
3 months ended	**Dec 31**	**Sept 30**	**June 30**	**Mar 31**	**Dec 31**	**Sept 30**	**June 30**	**Mar 31**
	$ 000's							
Interest Income	17	41	50	45	43	53	27	18
Foreign Exchange Gain / (Loss)	21	(273)	78	167	(53)	(55)	(18)	1
Total Income	39	(232)	128	212	(10)	(2)	9	19
Administration Expenditures	(197)	(264)	(2,247)	(341)	(201)	(300)	(1,167)	(179)
Project Assessment, net of Recoveries	(16)	(1)	2	(40)	(155)	(260)	(540)	(34)
Loss	(176)	(497)	(2,117)	(169)	(366)	(562)	(1,698)	(194)
Basic and Diluted Loss per Common Share of Dollars/Share	(.003)	(.005)	(.02)	(.002)	(.004)	(.006)	(.02)	(.002)
Weighted Average Number of Common Shares (000's)	← 99,919 →				← 95,969 →			

Quarterly Results

Fourth Quarter 2008 to Third Quarter 2008

The Corporation incurred a loss of approximately $176,000 for the quarter ended December 31, 2008 compared to a loss of $497,000 for the quarter ended September 30, 2008. The decreased loss in the quarter ended December 31, 2008 is mainly due to a foreign exchange gain of $21,000 in the quarter compared to a foreign exchange loss of $273,000 in the quarter ended September 30, 2008. The foreign exchange gains and losses result from the significant fluctuation in the exchange rates between the Canadian and Australian dollars and the Corporation holding the majority of its cash balances in Australia.

Fourth Quarter 2008 to Fourth Quarter 2007

The results of operations in 2008 and 2007 are similar except that project assessment expenditures in 2007 were $140,000 higher and the Corporation incurred a loss on foreign exchange of $53,000 in 2007 compared to a gain of $21,000 in 2008 as a result of fluctuations in the rates of exchange between the Canadian and Australian dollars.

Other Quarterly Results

Project assessment expenditures in 2008 were significantly less than 2007 expenditures as the Corporation terminated its interests in the Sudbury projects in November 2007 and did not find a new project in 2008 which warranted significant expenditure.

The fluctuation in income over the past eight quarters is mainly due to the foreign exchange gains and losses as a result of the fluctuating rate of exchange between the Australian and Canadian dollar and the Corporation holding a substantial portion of

its cash balances in Australian dollars, offset by increased interest income in the earlier part of 2008 earned on increased cash balances following the capital raising completed in May 2007. Interest income is expected to decline both due to declining cash balances and due to falling interest rates resulting from the current credit crisis and economic downturn.

Project assessment expenditures decreased in the quarters ended December, September and June 2008, compared to the same period in 2007, mainly due to the Corporation's termination of its interests in the Sudbury projects in November 2007 and it not identifying new projects which warranted further exploration.

Administrative expenses increased by approximately $1,906,000 in the quarter ended June 30, 2008 and by $988,000 in the quarter ended June 30, 2007 compared to the immediately preceding quarters, mainly due to the inclusion of stock based compensation expense of approximately $1,749,000 and $856,000 respectively, incurred on the granting of incentive stock options to directors and employees.

Liquidity and Capital Resources

The Corporation's cash deposits at December 31, 2008 totalled $2,091,150 compared to $3,341,050 at December 31, 2007. The Corporation continues to utilize its cash resources to fund project assessment activities and administrative requirements. Aside from such cash the Corporation has no material unused sources of liquid assets. As the Corporation does not have a source of income, cash balances will continue to decline as the Corporation utilizes these funds to conduct its operations.

The Corporation does not have any loans or bank debt and there are no restrictions on the use of its cash resources.

With cash balances of approximately $2.1 million and current planned expenditures of approximately $0.9 million, over the next 12 months the Corporation has sufficient cash resources to fund its planned activities. Should the Corporation acquire new projects, increase its expenditure to assess projects for acquisition or acquire new projects it will be required to raise additional financing. With the current credit crisis and lack of risk capital of available to junior exploration companies, the Corporation may be required to scale back its operations.

Management of Capital and Financial Instruments

The Corporation's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the acquisition and potential development of mineral properties and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk.

In the management of capital, the Corporation includes the components of shareholders' equity as well as cash and cash equivalents.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Corporation may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Corporation prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Corporation's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with initial maturity terms of 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Corporation expects that its current capital resources will be sufficient to carry out its exploration plans and operations through its current operating period.

The Corporation's activities potentially expose it to a variety of financial risks, including credit risk, foreign exchange risk (currency), liquidity and interest rate risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Corporation to credit risk consist of cash and cash

equivalents and accounts receivable. The Corporation deposits the majority of its cash and cash equivalents with high credit quality financial institutions in Canada and Australia.

Currency risk

The Corporation operates in a number of countries, including Canada and Australia and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

The Corporation's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are held in several currencies (mainly Australian dollars) and are therefore subject to fluctuation against the Canadian dollar.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Corporation manages liquidity by maintaining adequate cash and cash equivalent balances.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term maturity.

Commitments and Property Option Payments

The Corporation has no current property option or expenditure commitments.

Related Party Transactions

During the year ended December 31, 2008, $627,176 (2007: 381,879, 2006: $457,305) was paid to four directors of the Corporation, or to companies controlled by them, for director's fees, management consulting services and project management and assessment services. Fees paid for management and consulting services are mostly paid pursuant to management contracts entered into between the Corporation and the related party.

Fees paid to each non-executive director do not exceed Australian $30,000 per annum except for fees paid to the Chairman which are set at Australian $40,000 per year.

In addition $133,968 (2007: 98,265, 2006: $193,134) was paid to two companies, $89,444 to an Australian Corporation and $44,524 to a Canadian company, each controlled by a director of the Corporation for the provision of office facilities and personnel in Australia and Canada respectively. These services are reimbursed at cost, which approximate fair value.

At December 31, 2008, management and consulting fees and directors' fees payable amounted to $52,393 (2007: $73,045).

The transactions with the related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Proposed Transactions

The Corporation is currently evaluating new opportunities. Should it enter into agreements over any of these opportunities it may be required to make cash payments and complete work expenditure commitments.

Critical Accounting Estimates

The detailed accounting policies are discussed in the Corporation's annual financial statements however, the following accounting policies require the application of management's judgment:

(a) *Contingent Liabilities* – Management evaluates any claims against the Corporation and provides for those claims, where necessary, based on information available to it, including in some instances, legal advice.

(b) *Income Tax* – Income taxes are calculated using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the consolidated balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using the tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. Valuation allowances are

established when necessary to reduce future income tax assets arising from loss carry-forwards to amounts expected to be realized.

Changes in Accounting Policies

(i) Capital Disclosures, Section 1535

Effective January 1, 2008, the Corporation adopted Section 1535 "Capital Disclosures" which requires the disclosure of information that enables users of an entity's financial statements to evaluate its objectives, policies and processes for managing capital such as qualitative information about its objectives, policies and processes for managing capital, summary quantitative data about what the entity manages as capital, whether it has complied with any capital requirements and, if it has not complied, the consequences of non-compliance. Disclosures required by this standard are included in Note 8.

(ii) Going Concern - Amendments to Section 1400

Effective January 1, 2008 the Corporation adopted amendments to CICA 1400, General Standards of Financial Statements Presentation to include requirements to assess and disclose an entity's ability to continue as a going concern. The adoption of this section had no effect on the Corporation's financial statements.

(iii) Financial Instruments Disclosures, Section 3862 / Financial Instruments Presentation, Section 3863

Effective January 1, 2008, the Corporation adopted Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation". This Section requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Disclosures required by this standard are included in Note 9. The adoption of this section had no effect on the Corporation's financial statements.

(iv) Goodwill and intangible assets, Section 3064

The CICA issued the new Handbook Section 3064, "Goodwill and Intangible Assets", which will replace Section 3062, "Goodwill and Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Management is currently assessing the impact of this new accounting standard on its consolidated financial statements.

(v) International financial reporting standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Corporation for the year ended December 31, 2010. While the Corporation has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Other

Capitalization

The Corporation has 99,919,105 shares outstanding at March 27, 2009. The Corporation did not issue any common shares during the year ended December 31, 2008.

In addition, at March 27, 2009, the Corporation had 5,100,000 director and employee stock options outstanding and exercisable at Australian $0.10 per share, 2,750,000 director stock options outstanding and exercisable at Australian $0.50 per share and 6,500,000 options outstanding and exercisable at Australian $0.35 per share.

Management's Responsibility and Oversight

The disclosures and information contained in this MD&A have been prepared by the management of the Corporation. Management has implemented and maintained a system of controls and procedures to ensure the timeliness and accuracy of information disclosed in the MD&A.

The Corporation's audit committee and Board of Directors review the disclosures made in the MD&A to ensure the integrity thereof.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as is appropriate to permit timely decisions regarding public disclosure.

Evaluation

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Corporation's disclosure controls and procedures as of December 31, 2008. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Corporation's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings ("52-109"), were effective at that time to ensure that the information required to be disclosed in reports that are filed or submitted under Canadian Securities legislation are recorded, processed, summarized and reported within the time period specified in those rules. In conducting the evaluation it has become apparent that management relies upon certain informal procedures and communication, and upon "hands-on" knowledge of senior management. Due to the small staff, however, the Corporation will continue to rely on an active Board and management with open lines of communication to maintain the effectiveness of the Corporation's disclosure controls and procedures. It should be noted that any system of controls is based in part upon certain assumptions designed to obtain reasonable assurance as to the effectiveness, and there can be no assurance that any design will succeed in achieving its stated objectives. Lapses in the disclosure controls and procedures could occur and/or mistakes could happen. Should such lapses occur the Corporation will take reasonable steps necessary to minimize the consequences thereof.

Internal Controls and Procedures over Financial Reporting

Management is also responsible for the design of the Corporation's internal control over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. It should be noted that a control system is based in part upon certain assumptions and no matter how well conceived or operated, can only provide reasonable assurance, not absolute assurance, that the objectives of the control system are met.

There has been no change to the system of internal controls during the year ended December 31, 2008.

List of Directors and Officers at Signature and Filing Date

*Peter H. Lloyd	President and CEO
Cecil R. Bond	Director
*John Maloney	Non-executive Director and Chairman
*Philip Thick	Non-executive Director

*Denotes member of audit committee.

Consolidated Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements and the information contained in the annual report have been prepared by the management of the Corporation. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and, where appropriate, reflect management's best estimates based on currently available information. A system of internal accounting control is maintained to provide reasonable assurance that financial information is accurate and reliable.

The Corporation's registered independent accountants, Meyers Norris Penny LLP, who have been appointed by the directors, conduct an audit in accordance with generally accepted auditing standards in Canada and the Public Company Accounting Oversight Board (United States) to allow them to express an opinion on the financial statements.

The Audit Committee of the Board of Directors meets periodically with management to review the financial statements and related reporting matters prior to submission to the Board, and meets with the registered independent accountants to review the scope and result of the annual audit.

Chief Executive Officer
Argosy Minerals Inc.
March 27, 2009

REPORT OF INDEPENDENT ACCOUNTANTS

To The Shareholders of Argosy Minerals Inc.

We have audited the consolidated balance sheet of Argosy Minerals Inc. as at December 31, 2008 and 2007 and the consolidated statements of operations and deficit and cash flows for each of the years in the three-year period ended December 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards and with auditing standards of Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2008 and 2007 and the results of its operations and changes in its cash flow for each of the years in the three-year period ended December 31, 2008 in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Toronto, Ontario
March 27, 2009

Chartered Accountants
Licensed Public Accountants

Argosy Minerals Inc.
(an exploration stage corporation)
CONSOLIDATED BALANCE SHEETS
As at December 31, 2008 and 2007
(expressed in Canadian dollars)

			2008		2007
ASSETS					
Current Assets					
Cash and cash equivalents		$	2,091,150	$	3,341,050
Accounts receivable			18,054		6,916
			2,109,204		3,347,966
Office equipment and furniture	Note 3		9,578		13,723
		$	2,118,782	$	3,361,689
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities		$	140,343	$	172,622
SHAREHOLDERS' EQUITY					
Capital Stock	Note 6				
Issued			46,991,751		46,991,751
Contributed Surplus			3,013,073		1,264,482
Deficit			(48,026,385)		(45,067,166)
			1,978,439		3,189,067
		$	2,118,782	$	3,361,689

APPROVED ON BEHALF OF THE BOARD

John Maloney, Chairman

Peter Lloyd, President & Director

The accompanying notes are an integral part of these consolidated financial statements.

Argosy Minerals Inc.
(an exploration stage corporation)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
For the Years Ended December 31, 2008, 2007 and 2006
(expressed in Canadian dollars)

		2008	2007	2006
Income				
Interest		$ 152,959	$ 141,220	$ 107,563
Foreign exchange gain / (loss)		(6,558)	(125,404)	376
		146,401	15,816	107,939
Expenses				
Accounting and audit		$ 63,695	$ 46,805	$ 53,683
Arbitration	*Note 4(a)*	369,750	202,668	-
Bank charges		1,563	1,996	1,837
Amortization		4,145	6,429	12,515
Directors' fees		62,686	48,566	45,833
Insurance		1,779	2,032	4,673
Legal		8,041	70,351	95,745
Management and consulting fees		564,490	279,865	405,986
Office		11,160	15,911	15,189
Project assessment expenditures	*Note 5*	56,589	989,114	228,646
Rent		31,087	34,765	52,036
Salaries and benefits		101,084	129,436	191,581
Stock based compensation		1,748,591	856,164	439,251
Shareholder communications		16,133	13,111	25,722
Telecommunications		6,677	7,825	14,960
Transfer agent and stock exchange		58,150	107,617	43,623
Travel		-	23,050	111,841
		3,105,620	2,835,705	1,743,121
Net Loss for the Year		(2,959,219)	(2,819,889)	(1,635,182)
Deficit - Beginning of Year		(45,067,166)	(42,247,277)	(40,612,095)
Deficit - End of Year		$ (48,026,385)	$ (45,067,166)	$ (42,247,277)
Basic & Fully Diluted Loss per Common Share		$ (0.03)	$ (0.03)	$ (0.02)
Weighted Average Number of Common Shares Outstanding, Basic and Fully Diluted		99,919,105	98,023,272	95,969,105

The accompanying notes are an integral part of these consolidated financial statements.

Argosy Minerals Inc.
(an exploration stage corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2008, 2007 and 2006
(expressed in Canadian dollars)

	2008	2007	2006
Cash Provided from (Used for)			
Operating Activities			
Net loss for the year	$ (2,959,219)	$ (2,819,889)	$ (1,635,182)
Items not affecting cash:			
Amortization	4,145	6,429	12,515
Foreign exchange (gain) / loss	23,849	97,235	(794)
Project assessment expenditures - common shares issued	-	94,889	-
Stock based compensation	1,748,591	856,164	439,251
	(1,182,634)	(1,765,173)	(1,184,210)
Changes in Non-cash Working Capital			
(Increase) Decrease in accounts receivable	(11,138)	10,346	9,127
Increase/(Decrease) in accounts payable and accrued liabilities	(32,279)	61,082	(96,332)
Cash Flows from Operating Activities	(1,226,051)	(1,693,745)	(1,271,415)
Investing Activities			
(Purchase)/disposal of office equipment and furniture	-	(14,846)	837
Cash Flows from Investing Activities	-	(14,846)	837
Financing Activities			
Issue of common shares	-	2,790,545	-
Cash Flow from Financing Activity	-	2,790,545	-
Foreign Exchange Gain / (loss) on cash held in Foreign Currency	(23,849)	(97,235)	794
Increase (Decrease) in Cash and Cash Equivalents	(1,249,900)	984,719	(1,269,784)
Cash and Cash Equivalents - Beginning of Year	3,341,050	2,356,331	3,626,115
Cash and Cash Equivalents - End of Year	$ 2,091,150	$ 3,341,050	$ 2,356,331

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of Operations

On May 26, 2005, the Corporation amalgamated with its wholly owned subsidiaries and continued its jurisdiction of incorporation from the Yukon Territory under the Yukon Corporations Act to British Columbia, under the Business Corporations Act.

The Corporation and its subsidiaries are engaged in the exploration of mineral properties and it is considered to be an exploration stage company. The Corporation is in the process of investigating possible property acquisitions. In August 2002 the Corporation's subsidiary, Andover Resources N.L., declared force majeure and curtailed its activities in Burundi as a result of the deterioration of the security situation, however in 2005 following elections and the formation of a new government in Burundi, the Corporation lifted force majeure and entered into discussions with the Ministry for Mines regarding the continuation of the Mining Convention and recommencing activities in Burundi. See Note 4(a).) Subsequent to Dec ember 31, 2008, the Corporation established that the Government of Burundi had awarded a licence over Musonagti to a third party. The Corporation is currently assessing the legal alternatives available to it however, in the interim has determined not to continue with the arbitral proceedings at the International Chamber of Commerce at this time. The Corporation does however retain the right to proceed in the future. The continuing operations of the Corporation is dependent upon, obtaining necessary financing to meet its commitments as they come due and to finance exploration and development of the properties, the discovery of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties and upon future profitability, production or proceeds from disposition of the mineral properties.

As yet, where applicable, it has not been determined if the Corporation's mineral properties contain ore reserves that are economically recoverable. The recoverability of any amount recorded for mineral properties and deferred costs is dependent on the existence of economically recoverable reserves, the ability of the Corporation to obtain necessary financing to complete the development and future profitable production or proceeds from disposition of the mineral properties. The amounts shown as mineral properties and deferred costs, if any, represent costs to date, less amounts recovered or written off, and do not necessarily represent present or future values.

2. Changes in Accounting Policies and New Accounting Developments

(i) Capital Disclosures, Section 1535

Effective January 1, 2008, the Corporation adopted Section 1535 "Capital Disclosures" which requires the disclosure of information that enables users of an entity's financial statements to evaluate its objectives, policies and processes for managing capital such as qualitative information about its objectives, policies and processes for managing capital, summary quantitative data about what the entity manages as capital, whether it has complied with any capital requirements and, if it has not complied, the consequences of non-compliance. Disclosures required by this standard are included in Note 8.

(ii) Going Concern - Amendments to Section 1400

Effective January 1, 2008 the Corporation adopted amendments to CICA 1400, General Standards of Financial Statements Presentation to include requirements to assess and disclose an entity's ability to continue as a going concern. The adoption of this section had no effect on the Corporation's financial statements.

(iii) Financial Instruments Disclosures, Section 3862 / Financial Instruments Presentation, Section 3863

Effective January 1, 2008, the Corporation adopted Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation". These Section requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Disclosures required by this standard are included in Note 9. The adoption of this section had no effect on the Corporation's financial statements.

(iv) Goodwill and intangible assets, Section 3064

The CICA issued the new Handbook Section 3064, "Goodwill and Intangible Assets", which will replace Section 3062, "Goodwill and Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Management is currently assessing the impact of this new accounting standard on its consolidated financial statements.

(v) International financial reporting standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over

an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Corporation for the year ended December 31, 2010. While the Corporation has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries after elimination of inter-company accounts and transactions:

Company Name	Country
Argosy Mining Corporation Pty. Ltd.	South Africa
Andover Resources N.L. ("Andover")	Australia
Argosy Energy Zambia Limited	Zambia

Financial Statement Presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The material measurement differences between Canadian and United States GAAP are explained in Note 11, along with their effect on the Corporation’s consolidated statements of operations and deficit.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in Canada requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the period. Significant areas where management’s judgement is applied are valuation of future income tax benefits, stock based compensation and contingent liabilities. Actual results may differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term deposits maturing within 90 days of the original date of acquisition. In order to limit its exposure to losses, the Corporation deposits its funds with major Canadian and Australian banks. A portion of the cash balances are held in Australian dollars, accordingly, the Corporation has exposure to fluctuations in currency exchange rates.

Office Equipment and Furniture

Equipment and furniture is recorded at cost less accumulated amortization. The Corporation records amortization of equipment at the following rates and methods based on the assets’ estimated useful lives:

Computer equipment	35%	declining balance method
Computer software	50%	declining balance method

The Corporation regularly reviews its equipment and furniture to recognize impairments.

Project Assessment Expenditures

Project assessment costs consist of expenditures to evaluate new projects. These expenditures are charged to income when incurred. Once the Corporation decides to acquire the property, costs associated with further exploration or development are accounted for as described under Mineral Properties and Deferred Costs below. Included in project assessment expenditures are option payments for mineral properties. These payments are charged to income when incurred.

Mineral Properties and Deferred Costs

The costs of acquiring mineral properties, and related exploration and development costs, are deferred until the property to which they relate is placed into production, sold or abandoned. Deferred costs will be amortized on a unit production basis of the ore body following commencement of production, or written off if the property is sold or abandoned.

The Corporation will reduce the carrying value of mineral properties and deferred costs by any amount received from the introduction of a joint venture partner.

Management's estimate of carrying values is subject to risks and uncertainties affecting the recoverability of the Corporation's investment in mineral properties. Although management makes its best estimate of these factors, where applicable, based on current conditions, it is possible that changes could occur in the near term which could adversely affect management's estimate of the recoverability of mineral properties and deferred costs and the need for asset impairment write-downs.

Although the Corporation has taken steps to investigate title to mineral properties in which it has an interest, these procedures do not guarantee the Corporation's title. Such properties may be subject to prior undetected agreements or transfers and title may be affected by such defects.

Stock Based Compensation

Stock options issued by the Corporation are accounted for in accordance with the fair value based method of accounting. This section requires that an expense to be recognized in financial statements for all forms of employee stock-based compensation, including stock

options. Stock based compensation expense is calculated using the Black-Scholes Model which requires the input of highly subjective assumptions including expected stock price volatility. Differences in input assumptions can materially affect the fair value estimate and therefore the existing models do not necessarily provide a reliable single measure of the fair value of any stock options granted. Upon the exercise of the option, the consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

Comprehensive loss
Section 1530 establishes standards for reporting and presenting comprehensive loss which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but which are excluded from net income calculated in accordance with generally accepted accounting principles. The Corporation does not have comprehensive loss.

Loss per Common Share
Loss per common share is calculated using the weighted average number of common shares issued and outstanding during each year. Basic and fully diluted loss per share, are the same, as the effect of potential issues of shares under stock option arrangements would be anti-dilutive.

Foreign Currency Translation
The Corporation's foreign subsidiaries are integrated foreign operations. Currency translations into Canadian dollars are made as follows:

(i) monetary assets and liabilities at the rates of exchange prevailing at the balance sheet date;
(ii) non-monetary items at rates prevailing when they are acquired;
(iii) exploration costs and administration costs at average rates for the period.

Gains and losses arising on currency translation are included in the statement of operations.

Financial Instruments
Under Section 3855, all financial instruments are classified into one of five categories: Held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities.

The following is a summary of the accounting model the Corporation has elected to apply to each of its significant categories of financial instruments outstanding at December 31, 2008.

Cash and cash equivalents	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

The Corporation initially measures all its financial instruments at fair value. Subsequent measurement and treatment of any gain or loss is recorded as follows:

(a) Held for trading financial assets are measured at fair value at the balance sheet date with any gain or loss recognized immediately in net income. Interest and dividends earned from held-for-trading assets are also included in income for the period.
(b) Loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses are recognized in net income.
(c) Other financial liabilities are measured at amortized cost using the effective interest method.
(d) Transaction costs that are directly attributable to the issuance of financial assets or liabilities are accounted for as part of the carrying value at inception and are recognized over the term of the assets or liabilities using the effective interest method. Any gains or losses are recognized in net income.

Income Taxes
Income taxes are calculated using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the consolidated balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using the tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. Valuation allowances are established when necessary to reduce future income tax assets arising from loss carry-forwards to amounts expected to be realized.

4. Mineral Properties

a) Burundi Nickel Project

During 1998, Andover entered into a Protocol agreement with the Republic of Burundi acquiring the exclusive rights to the Musongati nickel project. On February 11, 1999, a Mining Convention setting out Andover's rights and obligations for the completion of a feasibility study on the Musongati nickel project was ratified by the Burundian Parliament. The Mining Convention requires that Andover complete a feasibility study for the development of a nickel/cobalt processing facility by the end of 2001 or such later date as

may be determined by extensions granted by the Minister of Mines. On April 19, 2000, Andover declared force majeure and curtailed its activities in Burundi as a result of the deterioration in security in the region. Pursuant to the terms of the Mining Convention the declaration of force majeure may be in place for up to two years during which time Andover's obligations are interrupted and the completion of the feasibility study delayed by the period of force majeure. Pursuant to the terms of the Mining Convention, Andover was required to post a performance bond of US$100,000.

On March 28, 2002 the Corporation announced the withdrawal of the declaration of force majeure and planned to resume its exploration activities, however security deteriorated ahead of the implementation of an agreed cease-fire between various political parties and the Corporation re-imposed the declaration of force majeure in August 2002. Following improved security conditions, the Corporation lifted force majeure in July 2004 and commenced planning of a drilling program at Musongati. However, following a massacre outside Bujumbura, the Corporation re-imposed force majeure in August, 2004. In 2005, following elections, a new government was elected, resulting in improving stability in Burundi. Consequently, Andover lifted the declaration of force majeure in May 2005 and commenced discussions with the Ministry of Mines regarding a continuation to the term of the Mining Convention and the re-commencement of activities at Musongati.

On June 21, 2007 Andover, instructed its French legal counsel, Shearman & Sterling LLP to commence arbitral proceedings under the Rules of the International Court of Arbitration of the ICC in Paris against the Government of Burundi to enforce its rights pursuant to the Mining Convention between the parties dated February 11, 1999.

This decision was taken after extensive, but futile, attempts by Andover to negotiate with the Government of Burundi to continue its work under the Mining Convention, and to obtain the necessary research permit from the Minister of Mines for that purpose.

Andover's efforts to resume work under the Mining Convention followed periods of violence in Burundi which delayed the feasibility study work on the Musongati deposits. These interruptions constituted periods of Force Majeure which, under the Convention, entitle Andover to extensions and a further opportunity to proceed with exploration and feasibility study work. This was confirmed in December 2005 by an Inter-Ministerial Commission which was established by the Burundian Government to study the continued validity of the Mining Convention.

The Government's Inter-ministerial Commission comprised members from the offices of the Second Vice President of the Republic, Ministry of Foreign Affairs and Co-Operation, Ministry of Justice, Ministry of Energy and Mines and Ministry of Finance. The conclusions reached by the Commission were unequivocal and fully supported Andover's position, as confirmed by the following excerpts from the Commission's report:

1. ."The current state of affairs is that the Convention is in full force and both parties must accept and fulfill their obligations. There is no point in the Administration of the Ministry of Energy and Mines to keep boycotting the Convention and turning its back on Andover. Instead it is time to restore calm and revive the relationship with Andover and relaunch the work programme with renewed vigor. There is no other choice."
2. "It would be ill advised for the State to break the Convention as a result of force majeure invocations which appear valid. Any termination of the Convention must, to the extent possible, strictly follow the Convention's provisions in terms of justification and procedure. The alternative could expose the State to the risk of paying damages in immense sums that could exceed the value of the mine itself."

In the face of the clear recommendations of the Inter-Ministerial Commission, the Minister of Mines first delayed taking any appropriate steps under the Mining Convention to enable Andover to resume work. It has now been revealed that, without notice to Andover, the Government recently proceeded with a second, internal study that has issued recommendations diametrically opposed to those reached by the Inter-Ministerial Commission.

At a meeting of the Council of Ministers held on June 14, 2007, the Minister of Mines presented the findings of the internal study, and recommended termination of the Mining Convention. The minutes of the meeting of the Council of Ministers make no reference to the December 2005 report of the Inter-Ministerial Commission or to the fact that the conclusions of the more recent, internal study flatly contradict the Commission's earlier recommendations. In this context, with partial information, it appears that the Council of Ministers was persuaded to accept the recommendations of the Minister of Mines.

Andover notes that there is no proper basis for the purported termination of the Mining Convention and that the Minister's recent conduct simply constitutes a further breach of the Mining Convention. Andover intends to prosecute its claims in arbitration vigorously. It shall seek declaratory relief confirming its rights under the Mining Convention and pursue claims for damages as anticipated by the Government itself in the Inter-ministerial Commission report.

Subsequent to December 31, 2008, the Corporation was advised that the Government of Burundi had awarded the rights to the Musongati deposits to a third party. While the Corporation believes that the award of the mineral rights for Musongati to a third party is a contravention of the terms of the Mining Convention and a breach of the of the procedures applicable to arbitral proceedings at the ICC, it has determined not to pursue the arbitration proceedings at this time due to the poor prospects of being able to realize any meaningful potential damages award. Further, with the significant decline in commodity prices, notably nickel, and the recent closing down of a major nickel laterite project in Australia, the outlook for nickel laterite projects is poor.

b) Lac Panache - Sudbury

In April 2005, the Corporation entered into an agreement whereby it could earn 100% of the Lac Panache Project through staged cash payments totalling $300,000 and incurring expenditures over three years totalling $455,000. On production the vendor would retain a 3% net smelter return ("NSR"). The Corporation's annual cash payment and work expenditure commitments were as follows:

Cash Payments:			Work Expenditures:		
	2005	$ 40,000		by April 8, 2006	$ 65,000
	2006	80,000		8, 2007	130,000
	2007	120,000		8, 2008	260,000
	2008	60,000			-
		$ 300,000			$ 455,000

On making cash payments of $300,000 and incurring $455,000 in exploration expenditures the Corporation would have exercised its option to acquire the Lac Panache properties, subject to the 3% NSR. The Corporation had the right to purchase 2% of the NSR for $3 million and had a right of first refusal to purchase the remaining 1%.

In November, 2007, the Corporation decided not to exercise its options over the Lac Panache Project in Sudbury and terminated the Agreement.

c) Fish Creek – Sudbury

In early April, 2006 the Corporation entered into an agreement to acquire the Fish Creek property in Nairn Township, 50km southwest of Sudbury. Covering 2.88 km2 in area, the property consists of 2 claims containing a total of 18 claims units each 400m by 400m in area. The Corporation could earn 100% of the project through staged cash payments totalling $100,000 and completing staged work commitments over three years of $21,600. On production the vendor would retain a 3% NSR.

Cash Payments:		Work Expenditure Commitments:	
2006	$ 20,000	by April 2006	$ 7,200
2007	25,000	2007	7,200
2008	35,000	2008	7,200
2009	20,000		
	$ 100,000		$ 21,600

In November, 2007, the Corporation decided not to exercise its options over the Fish Creek Project in Sudbury and terminated the Agreement.

d) Copper Cliff - Sudbury

On May 24, 2007, the Corporation entered into an agreement whereby it had an option to acquire a 100% interest, subject to a 3% NSR, in 16 mineral claims, covering 29.44 sq. kms in Eden Township, Sudbury, Ontario in Canada. The Copper Cliff property is believed to cover a portion of the southern extension of the Copper Cliff Offset dike.

The terms of the agreement were that the Corporation would incur staged expenditures totalling $494,600 over three years with a minimum expenditure of $78,200 in the first year. In addition, the Corporation would make staged cash payments totalling $313,200 and issue 1 million fully paid shares over the three years. On execution of the agreement, the Corporation made a cash payment of $33,200 and issued 250,000 fully paid shares to the vendor.

In November, 2007, the Corporation decided not to exercise its options over the Copper Cliff Project in Sudbury and terminated the Agreement.

5. Project Assessment Expenditures

Details of Project Assessment Expenditures during the years ended December 31, 2008, 2007 and 2006 are as follows:

	2008	2007	2006
Lac Panache, Fish Creek and Copper Cliff Projects			
Consulting	$ 1,444	$ 51,761	$ 4,755
Travel and Accommodation	-	-	-
Geophysics & Assays	-	-	54,343
Option and Claim Fees	-	193,026	100,000
Contractor, Equipment and Labor	-	-	-
	1,444	244,787	159,098

Other Projects (Zambia and South Africa)			
Consulting and Assessment	15,536	450,709	140,151
Travel, Accommodation and other	39,609	293,618	8,932
Expenses Recovered	-	-	(79,535)
	55,146	744,327*	69,548
Total	$ 56,589	$ 989,114	$ 228,646

* Includes expenditures on projects that are currently the subject of negotiation for possible acquisition, travel related to attempts to advance the Burundi Nickel project and expenditures on a number of projects that were reviewed but which did not meet the Corporation's criteria for ongoing exploration.

6. Capital Stock

a) Authorised Capital Stock

The Corporation is authorised to issue an unlimited number of common shares without par value.

Issued and Outstanding

	Number of Shares	Amount		Number of Shares	Amount
Total Issued – December 31, 2007	99,919,105	46,991,751	Total Issued – December 31, 2006	95,969,105	$ 44,075,384
Issued during the 2008 year:	-	-	Issued during the 2007 year:		
Private Placement	-	-	Private Placement	3,200,000	2,747,248
For Mineral Property	-	-	For Mineral Property	250,000	94,839
Exercise of Stock Options	-	-	Exercise of Stock Options	500,000	43,297
Contributed Surplus Allocated	-	-	Contributed Surplus Allocated	-	30,953
Total Issued – December 31, 2008	99,919,105	46,991,751	Total Issued – December 31, 2007	99,919,105	$ 46,991,721

Contributed Surplus

	2008	2007
Balance, beginning of year	$ 1,264,482	$ 439,251
Grant of stock options – Stock based compensation	1,748,591	856,164
Contributed Surplus allocated	-	(30,933)
Balance, end of year	$ 3,013,073	$ 1,264,482

Stock Options

The Corporation grants stock options to employees as determined by the Corporation's Board of Directors. Stock options granted to the directors of the Corporation are granted subject to approval of the Corporation's shareholders. All stock options vested on the date of approval.

Compensation expense of $1,748,591 recognised in 2008 (2007: $856,164; 2006: $439,251) on stock options granted was calculated using the Black Scholes model based on the following assumptions with a corresponding charge to contributed surplus:

Risk free interest rate	2.8%
Expected life of stock options	5 years
Expected volatility	1.50 - 1.55
Expected dividend	Nil

Upon the exercise of the option, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

The status of stock options granted to employees and directors as at December 31, 2008 and 2007 and the changes during the periods ended on those dates is presented below:

	December 31, 2008		December 31, 2007	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding and exercisable - Beginning of Year	7,850,000	$0.21	7,100,000	$0.20
Granted	6,500,000	$0.30	2,750,000	$0.43
Cancelled/expired	-		(1,500,000)	$0.09
Exercised	-		(500,000)	$0.09
Options outstanding and exercisable - End of Year	14,350,000	$0.25	7,850,000	$0.21

Details of Options Outstanding	Exercise Price	Remaining Life
5,100,000	$ 0.09	2.4 years
2,750,000	$ 0.43	3.4 years
6,500,000	$ 0.30	4.4 years

b) Escrow Shares

At December 31, 2008 there were no common shares of the Corporation subject to escrow.

7. Related Party Transactions

During the year ended December 31, 2008: $627,176 (2007: $381,879, 2006: $457,305) was paid to four directors of the Corporation, or to companies controlled by them, for director's fees, management consulting services and project management and assessment services. Generally management fees are paid pursuant to agreements entered into between the Corporation and the related party.

In addition $133,968 (2007: $98,265, 2006: $193,134) was paid to two related companies; $89,444 to an Australian company and $44,524 to a Canadian company, each controlled by a director of the Corporation for the provision of office facilities and personnel in Australia and Canada respectively. These services are reimbursed at cost, which approximate fair value. At December 31, 2008, management and consulting fees and directors' fees payable amounted to $52,393 (2007: $73,045, 2006: $48,024) and are included in accounts payable and accrued liabilities.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. Management of Capital

The Corporation's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the acquisition and potential development of mineral properties and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk.

In the management of capital, the Corporation includes the components of shareholders' equity as well as cash and cash equivalents.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Corporation may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Corporation prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Corporation does not pay out dividends.

The Corporation's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with initial maturity terms of 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Corporation expects that its current capital resources will be sufficient to carry out its exploration plans and operations through its current operating period.

9. Financial Instruments

a) Fair Value

The fair value of cash and cash equivalents; accounts receivable and accounts payable approximate their carrying amounts. The Corporation is not exposed to significant interest rate risk due to the short term maturity of its monetary current assets and current liabilities. The Corporation maintains substantial cash balances in Australian dollars and as such is subject to substantial currency risk due to fluctuating exchange rates between the Australian and Canadian dollars. The Corporation does not engage in any hedging activities to mitigate such currency risk.

The fair value of financial instruments at December 31, 2008 and December 31, 2007 is summarized as follows:

	December 31, 2008		December 31, 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Held for trading				
Cash and cash equivalents	$ 2,091,150	$ 2,091,150	$ 3,341,050	$ 3,341,050
Accounts receivable	18,054	18,054	6,916	6,916
Financial Liabilities				
Accounts payable and accrued liabilities	$ 140,343	$ 140,343	$ 172,622	$ 172,622

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about the financial instruments.

b) Financial Risk Management

The Corporation's activities potentially expose it to a variety of financial risks, including credit risk, foreign exchange risk (currency), liquidity and interest rate risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Corporation to credit risk consist of cash and cash equivalents and accounts receivable. The Corporation deposits the majority of its cash and cash equivalents with high credit quality financial institutions in Canada and Australia.

Currency risk

The Corporation operates in a number of countries, including Canada and Australia and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

The Corporation's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are held in several currencies (mainly Australian dollars) and are therefore subject to fluctuation against the Canadian dollar.

The Corporation had the following balances in foreign currency as at December 31, 2008:

	Australian Dollar	Euro
Cash and cash equivalents	1,986,291	-
Accounts receivable	9,369	-
Accounts payable and accrued liabilities	(100,400)	(6,800)
Net balance	1,895,260	(6,800)
Equivalent in Canadian dollars	$1,620,447	$(11,635)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Corporation manages liquidity by maintaining adequate cash and cash equivalent balances.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term maturity.

10. Income Taxes

A potential future income tax asset of approximately $2,764,000 arises from the following loss carry forwards (for Canadian Tax purposes):

a) Non capital loss carry forwards	$ 9,411,000
b) Other deductible tax amounts	1,219,000
	$ 10,630,000

The non-capital loss carry forwards can be offset against income for Canadian purposes in future years and expire as follows:

2009	1,506,000
2010	1,505,000
2011	2,088,000
2015	1,067,000
2026	999,000
2027	1,449,000
2028	797,000
Total	$ 9,411,000

The Corporation does not consider it more likely than not that a future tax asset will be recovered. The Corporation has reduced the value of the potential future income tax asset to $Nil through the application of a valuation allowance of $2,764,000 as the Corporation does not have any current source of income to which the tax losses can be applied.

The Corporation's statutory tax rate of 31% (2007-34.1%) has been reduced to an effective rate of nil% due to losses for which no tax benefit has been recognized.

11. Segmented Information

The Corporation operates in one business segment, being the acquisition and exploration of mineral properties. The Corporation maintains corporate offices in Canada and Australia with each jurisdiction reflected as a segment.

	2008		
	Canada	Australia	Total
Current Assets	$ 402,928	$ 1,706,276	$ 2,109,204
Office equipment and furniture	-	9,578	9,578
	$ 402,928	$ 1,715,854	$ 2,118,782

	2007		
	Canada	Australia	Total
Current Assets	$ 1,055,800	$ 2,292,166	$ 3,347,966
Office equipment and furniture	-	13,723	13,723
	$ 1,055,800	$ 2,305,889	$ 3,361,689

The Corporation's sole operating segment is the exploration for mineral resources.

12. Differences between Canadian and US Generally Accepted Accounting Principles ("GAAP")

The Corporation's consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada. There are no material measurement differences between GAAP in Canada and the United States that would have had an effect on these financial statements.

Project Assessment Expenditures (Exploration Expenses)

For US GAAP purposes the Corporation expenses exploration costs as incurred. When proven and probable reserves are determined for a property, subsequent development costs of the property will be capitalized. The capitalized costs of such properties will then be measured, on a periodic basis for recoverability of carrying values. Acquisition costs of mineral properties are capitalized for US GAAP purposes.

Stock Based Compensation

For US GAAP purposes, the Corporation has adopted the fair value based method of accounting for stock based compensation in accordance with FASB 123(R).

Recent Pronouncements

In June 2006, the FASB issued FIN 48, "Accounting for Uncertainty in Tax Positions, an Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 addresses the recognition and measurement of all tax positions. The recognition process involves determining whether it is more likely than not that a tax position would be sustained on audit based solely on its technical merits. The amount of benefit recognized in the financial statements is the maximum amount which is more likely than not to be realized based on a cumulative probability approach. FIN 48 is effective for the Corporation on December 1, 2007. The Corporation finds that FIN 48 has no material impact on its consolidated financial statements.

In September 2006, the FASB issued FAS Statement No. 157, "Fair Value Measurements" ("FAS 157"). FAS 157 defines fair value, establishes a framework and gives guidance regarding the methods used for measuring fair value, and expands disclosures about fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods of those fiscal years. In February 2008, the FASB released a FASB Staff Position (FSP FAS 157-2 – Effective Date of FASB Statement No. 157) which delays the effective date of FAS 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008. In October 2008, the FASB released a Staff Position (FSP FAS 157-3 – Determining the fair value of a financial asset when the market for that asset is not active) which clarifies the application of FAS 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that asset is not active. The adoption of FAS 157 for financial assets and liabilities had no impact on the Corporation's consolidated financial position, results of operations or cash flows.

In February 2007, the FASB issued FAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities" including an amendment of FASB Statement No. 115 ("FAS 159"). FAS 159 expands the use of fair value accounting but does not affect existing standards which require assets or liabilities o be carried at fair value. The objective of FAS 159 is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Under FAS 159 a company may elect to use fair value to measure eligible items at specified election dates and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. Eligible items include, but are not limited to, accounts and loans receivable, available-for-sale and held-to-maturity securities, equity method investments, accounts payable, guarantees, issued debt and firm commitments. The Corporation has not elected to use the fair value option as of December 31, 2008.

In December 2007, FASB issued Statement 141 (revised), Business Combinations. Statement 141R establishes principles and requirements of the acquisition method for business combinations and related disclosures. This statement is effective for fiscal years beginning on or after December 15, 2008. We do not expect the adoption of this statement to have a material impact on our results of operations or financial position.

In December 2007, FASB issued Statement 160, Non-controlling Interests In Consolidated Financial Statements, an amendment of ARB No. 51. This statement clarifies that a non-controlling interest in a subsidiary should be reported as equity in the consolidated financial statements. This statement is effective for fiscal years beginning on or after December 15, 2008. The Corporation does not expect the adoption of this statement to have a material impact on our results of operations or financial position.

In March 2008, FASB issued Statement 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement 133. The statement requires qualitative disclosures about the objectives and strategies for using derivatives, quantitative data about the fair value of gains and losses on derivative contracts and details of credit-risk-related contingent features in their hedged position. The statement also requires the disclosure of the location and amounts of derivative instruments in the financial statements. This statement is effective for fiscal years and interim periods beginning on or after November 15, 2008. The Corporation does not expect the adoption of this statement to materially impact our results of operations or financial position.

In April 2008, the FASB issued FASB Staff Position 142-3, Determination of the Useful Life of Intangible Assets (FSB 142-3). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS Statement No 142. "Goodwill and Other Intangible Assets" (SFAS 142). The objective of FSP 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141(R). "Business Combinations", and other U.S. generally accepted accounting principles. FSP 142-3 will be effective beginning in fiscal year 2010. The Corporation is currently evaluating the impact that FSP 142-3 will have on its financial statements and disclosures.

Shareholder Information

As at February 28, 2009 the Corporation had 2,156 shareholders each of whom on a poll, has one vote for each share held. Of these shareholders 1,514 are holders of CHESS Units in Foreign Securities (CUFS). While CUFS holders have the right to vote on a poll (whereupon proxies can be counted), they are not able to personally vote on a show of hands.

Distribution of Shareholdings

Shareholdings were distributed in the following categories as at February 28, 2009:

Substantial Shareholders

As at February 28, 2009 the interest of Peter H. Lloyd, a director of the Corporation, was 6.5% of the total issued and outstanding shares of the Corporation as follows:

Indirect Interest

Sunbreaker Holdings Pty Ltd	5,135,381
Java Black Mining Pty Ltd	1,093,659
Wedgefield Holdings Pty Ltd	58,499

Category of Holding	Number of Shareholdings	%	Shares Held	%
Ordinary Common Shares				
1-1,000	252	11.69	118,207	0.12
1,001-5,000	257	11.92	511,265	0.51
5,001-10,000	83	3.85	675,814	0.68
10,001-100,000	39	1.81	806,569	0.81
100,001 & over	11	0.51	12,121,575	12.13
Sub-Total, Common	642	29.78	14,233,430	14.24
CUFS				
1-1,000	106	4.92	70,894	0.07
1,001-5,000	475	22.03	1,542,790	1.54
5,001-10,000	291	13.50	2,445,794	2.45
10,001-100,000	512	23.75	17,856,866	17.87
100,001 & over	130	6.03	63,769,331	63.82
Sub-Total, CUFS	1,514	70.22	85,685,675	85.76
Total	2,156	100.00	99,919,105	100.00
Less than Marketable Parcel				
Ordinary Common Shares	614		1,591,655	
CUFs Common Shares	1,033		6,367,328	

The twenty largest shareholders of ordinary common shares were:

	Number of Shares	% of Total
Sunbreaker Holdings Pty Ltd	4,135,381	4.15
Cede & Co	3,426,812	3.44
CDS & Co	1,435,450	1.44
Java Black Mining Pty Ltd	1,093,659	1.10
Glencore Finance (Bermuda) Ltd.	710,568	0.71
Bedel & Sowa Corp Pty Ltd	500,000	0.50
Kaleen Holdings Pty Ltd	358,075	0.36
Second Diviyar Pty Ltd	190,630	0.19
Yamuni Investments Pty Ltd	127,000	0.13
Michael S Vitton	144,000	0.14
Wedgefield Holdings Pty Ltd	58,499	0.06
F&F Finance Pty Ltd	50,000	0.05
Gaje Pty Ltd	50,000	0.05
Mr. Kevin John Wright	50,000	0.05
Beachcraft Pty Ltd	40,000	0.04
Mr. Terence William Fulton-Kennedy	40,000	0.04
Mr. Rodney Howe	35,000	0.04
Centennial Holdings Pty Ltd	30,000	0.03
Claremont Superannuation Pty Ltd	30,000	0.03
Plato Holdings Pty Ltd	28,000	0.03
Total	**12,533,074**	**12.57**

The twenty largest CUFS holders were:

	Number of Shares	CUFS % of Total
National Nominees Limited	12,056,141	14.07
Citicorp Nominees Pty Limited	4,997,835	5.83
Dawesville Nominees Pty Ltd	2,750,000	3.21
ANZ Nominees Limited	2,624,947	3.06
Frollo Enterprises Limited	2,139,000	2.50
Walker Super Fund	1,800,000	2.10
Mr. Steve Panomarenko	1,626,616	1.90
Mr. Peter John Fisher & Mrs. Loris Joyce Fisher	1,051,000	1.23
Mr. Peter James Avery	1,000,000	1.17
Mr. Troy Harris	1,000,000	1.17
Sunbreaker Holdings Pty Ltd	1,000,000	1.17
Merrill Lynch (Australia)	910,471	1.06
J & T. W. Dekker Pty Ltd	900,000	1.05
Mr. Graham Geoffrey Walker & Mrs. Thelma Jean Walker	800,000	0.93
E. C. Dawson Investments	700,000	0.82
Gaje Pty Ltd.	700,000	0.82
Kefford Holdings Pty Ltd	700,000	0.82
Mr. Horst Hamp & Mrs. Rosemary Jean Hamp	625,000	0.73
Erinella Pty Ltd	615,500	0.72
Mr. Andrew Peter Fisher	600,000	0.70
Total	**38,596,510**	**45.04**

Restricted Securities

As at March 31, 2009 there were no common shares subject to escrow.

Unquoted Securities

As at March 31, 2009 there were 14,350,000 incentive stock options held by 6 option holders. Option holders holding more than 20% of the Unquoted Securities are as follows:

Peter H. Lloyd 7,500,000

The shares in the Corporation are not subject to Chapter 6 of the Corporations Act dealing with the acquisition of shares.

Restrictions Affecting the Corporation's Shares

By virtue of its status as a public company, the purchase and sale of shares of the Corporation in the market is regulated by the securities legislation of the provinces of British Columbia, Alberta and Ontario. These provisions are complex and any holder or prospective holder of common shares of the Corporation should consult professional advisors as to whether and how these provisions might apply. This discussion does not address all potentially relevant legal matters and it does not consider the potential effects of any future legislation with regard to such matters. The following is for general information only and is not intended to be, nor should it be construed to be, legal advice to any holder or prospective holder of common shares of the Corporation and no opinion or representation with respect to the consequences to holders or prospective holders of common shares of the Corporation of such laws, regulations and policies is made. Accordingly, holders and prospective holders of common shares of the Corporation should consult their own legal advisors about the consequences of purchasing, owning and disposing of common shares of the Corporation.

Except as provided in the Investment Canada Act, there are no limitations under the laws of Canada, the Province of British Columbia or in the charter or any other documents of the Corporation on the right of foreigners to hold or vote the common shares of the Corporation.

By virtue of its status as a public company, the purchase and sale of shares of the Corporation in the market is regulated by the securities legislation of British Columbia, Alberta and Ontario, and the policies of the security regulatory authorities of such Provinces. In general, purchasers of shares of the Company may be subject to (i) insider trading rules which prohibit trading on the basis of undisclosed material facts or material changes in the affairs of the Corporation; (ii) insider reporting requirements for persons holding more than 10% of the Corporation's shares; (iii) restrictions on sales by persons holding more than 20% of the Corporation's shares; and (iv) "early warning" and reporting requirements on the acquisition of 10% or more of the Corporation's shares and takeover bid restrictions on the acquisition of 20% or more of the Corporation's shares.

The Investment Canada Act requires a non-Canadian making an investment to acquire control, directly or indirectly, of a Canadian business, the gross assets of which exceed certain defined threshold levels, to file an application for review with Investment Canada, the federal agency created by the Investment Canada Act. For the purposes of the Investment Canada Act, direct acquisition of control means a purchase of the voting interests of a corporation, partnership, joint venture or trust carrying on a Canadian business, or any purchase of all or substantially all of the assets used in carrying on a Canadian business. An indirect acquisition of control means a purchase of the voting interest of a corporation, partnership, joint venture or trust, whether a Canadian or foreign entity, which controls a corporation, partnership, joint venture or trust company carrying on a Canadian business in Canada.

Audit Committee

The Audit Committee of the Corporation at March 31, 2009 is comprised of:

Mr. Peter H. Lloyd	- Director and President
Mr. John Maloney	- Director
Mr. Philip Thick	- Director

Corporate Governance

The board of directors of the Corporation is ultimately responsible for corporate governance and operates within the following broad principles:

General

The Corporation has adopted a written Audit Committee Charter, a Code of Conduct and Ethics for directors and officers and qualifications for directors. While the Corporation strives to implement the recommendation of the ASX Corporate

Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations, small companies such as Argosy have limited resources and necessarily are not always able to implement all recommendations.

Discussion of Best Practice Recommendations

1. Role of the Board and Management

The Corporation has not adopted a formal statement of matters reserved for the board as frequent board meetings allow for board participation in all significant matters.

2. Independence of Directors

The Corporation's charter requires the majority of directors be independent. The board reviews the independence of its members based on various criteria, such as the relationship of the directors to the Corporation, any shareholding held by that director, any remuneration paid to the director, as well as other matters that may be considered to impact on their independence. The Corporation is in the process of looking for an independent board member such that the majority of the directors are independent.

The board has established that the following directors are independent:

Mr. John Maloney
Mr. Philip Thick

Mr. John Maloney serves as Chairman of the Corporation.

Board Composition

The board currently has 4 directors, which includes one executive director, Mr. Peter Lloyd, President and CEO and three non-executive directors, Mr. Cecil Bond, Mr. John Maloney and Mr. Philip Thick. The compensation of the board is reviewed by the full board periodically, including the total number of directors and requirements for non and executive directors as well as selection criteria for additional members. The board has the right to appoint directors to fill vacancies on the board and to increase the number of members subject to the Corporation's by-laws. Shareholder approval is required on an annual basis for the composition of the board.

Independent Professional Assistance

The directors have the right to seek independent professional advice, at the Corporation's expense, in connection with their duties and responsibilities as directors. The boards' prior approval for such expenditures is required, which will not unreasonably be withheld.

Nomination of Directors

The Corporation does not have a nomination committee however the board reviews the requirements for new directors when necessary and nominates candidates who meet these requirements.

3. Promotion of Ethical and Responsible Decision Making

The Corporation has adopted a code of conduct and ethics for directors and officers.

4. Safeguard Integrity of Financial Reporting

The board has appointed an audit committee, two of whom are independent directors. The audit committee consist of:

Mr. Peter Lloyd – Mr. Lloyd is the Chief Executive Officer of the Corporation. Mr. Lloyd has also served as a director of various public companies.

Mr. John Maloney – Mr. Maloney has served in various senior capacities in a number of associations for more than 20 years and is a director of various private companies.

Mr. Philip Thick – Mr. Thick currently serves as a director of various public companies and has served on the Board for Shell Australia Limited.

The Chief Executive Officer and Chief Financial Officer certify certain of the Corporation's financial reports which are filed with regulatory authorities.

The audit committee meets with the Corporation's independent accountants and management periodically to review the scope and results of the annual audit and to review the Corporation's financial statements and related reporting matters prior to the submission of the financial statements to the board.

5. Timely and Balanced Disclosure

The Corporation prepares a Management Discussion and Analysis on a quarterly and annual basis as well as releases information in news releases to its shareholders. It strives to provide information in an open, clear and balanced manner while maintaining the integrity of confidential information where required.

6. Rights of Shareholders

The Corporation endeavours to keep shareholders informed of all its activities by filing all materials required in Canada, which can be reviewed at www.sedar.com and by releasing information to the ASX, which shareholders can access at www.asx.com.au.

7. Management of Risk

The Corporation does not have a separate risk committee however the board reviews the Corporation's activities from time to time to ensure that the Corporation is not exposed to unacceptable risk. It should be noted that the business of mining exploration is a high risk business and that the Corporation's activities necessarily expose it to significant risks. For more information on risk, please review the Management Discussion and Analysis in this Annual Report.

As part of its ongoing functions the board regularly reviews alternate business strategies for developing the Corporation and implements those strategies where necessary to manage significant business risk. In addition the board reviews where necessary, in conjunction with the Corporation's external professional consultants, its procedures in respect of compliance with and maintenance of its statutory legal and other obligations.

8. Enhanced Performance

The board reviews the performance of itself and of management from time to time and determines the need for changes to board or management based on that review. In addition, information relating to industry and corporate governance matters is regularly provided to board members and management is encouraged to attend meetings and seminars to improve performance.

9. Remuneration

The Corporation does not have a separate remuneration committee. The full board reviews the terms and conditions of employment and remuneration levels for employees. Remuneration paid to directors and officers of the Corporation during the year ended December 31, 2008 is as follows:

	Directors Fees	Other Services
Mr. Peter Lloyd	Nil	$445,152
Mr. Cecil Bond	Nil	$119,337
Mr. John Maloney	$35,821	Nil
Mr. Philip Thick	$26,866	Nil

Stock options, approved by shareholders, issued to directors or officers during the year are disclosed in Note 6 of the consolidated financial statements.

Fees paid to non-executive directors have been approved by the shareholders and are set at a maximum of A$30,000 per director per annum, except for the Chairman who receives A$40,000 per annum.

Any stock options granted to directors are granted subject to shareholder approval.

10. Recognition of Legitimate Interests of Shareholders

The Corporation has adopted a written code of conduct.

CORPORATE INFORMATION

Directors

Peter H. Lloyd
Cecil R. Bond
John S. Maloney
Philip Thick

Secretary

Peter H. Lloyd

Registered Offices

Canada

1600 Cathedral Place
925 West Georgia Street
Vancouver, British Columbia
Canada. V6C 3L2

Australia

Level 2, Suite 10,
Peninsula Place
57 Labouchere Road
South Perth, W. Australia 6151
Australia
Telephone: + 618 9 474 4178
Facsimile: + 618 9 474 4236
Email: info@argosyminerals.com
Website: www.argosyminerals.com.au.

ARBN

073 391 189

Company Reports

Argosy Minerals Inc.'s Annual Report to Shareholders will be mailed each year to all shareholders and CUFS holders on the Corporation's Australian register. Any Australian shareholder that does not wish to receive this report is requested to notify the Corporation in writing.

Key Dates

Annual General Meeting
May 28, 2009

Share Registries

Computershare Investor Services Pty Limited,

GPO Box 242
Melbourne,
Victoria 3001 Australia
Telephone: + 613 9415 5000
Facsimile: + 613 9473 2500

Computershare Investor Services Inc.

510 Burrard Street
Vancouver, British Columbia
V6C 3B9
Canada
Telephone: + 1 604 661 9400
Facsimile: + 1 604 683 3694

Auditors

Meyers Norris Penny LLP
Chartered Accountants

Annual General Meeting

The Annual General Meeting of Argosy Minerals Inc. will be held on May 28, 2009 at 11:00 am in the Board Room, 1600 Cathedral Place, 925 West Georgia Street, Vancouver, BC. V6C 3L2.

Shareholder Enquiries

Computershare Investor Services Inc. is the Corporation's Canadian share transfer agent. Computershare Investor Services Pty Ltd maintains the Australian share registry for the Corporation. Enquiries regarding shareholdings should be addressed to the appropriate company at the addresses listed above.

Stock Exchange Listing

Argosy Mineral Inc.'s shares are listed on the Australian Stock Exchange and traded under the ASX code "AGY" under the Mining industry grouping.

Financial Year End
December 31, 2009

ARGOSY

MINERALS INC.

ARBN 073 391 189