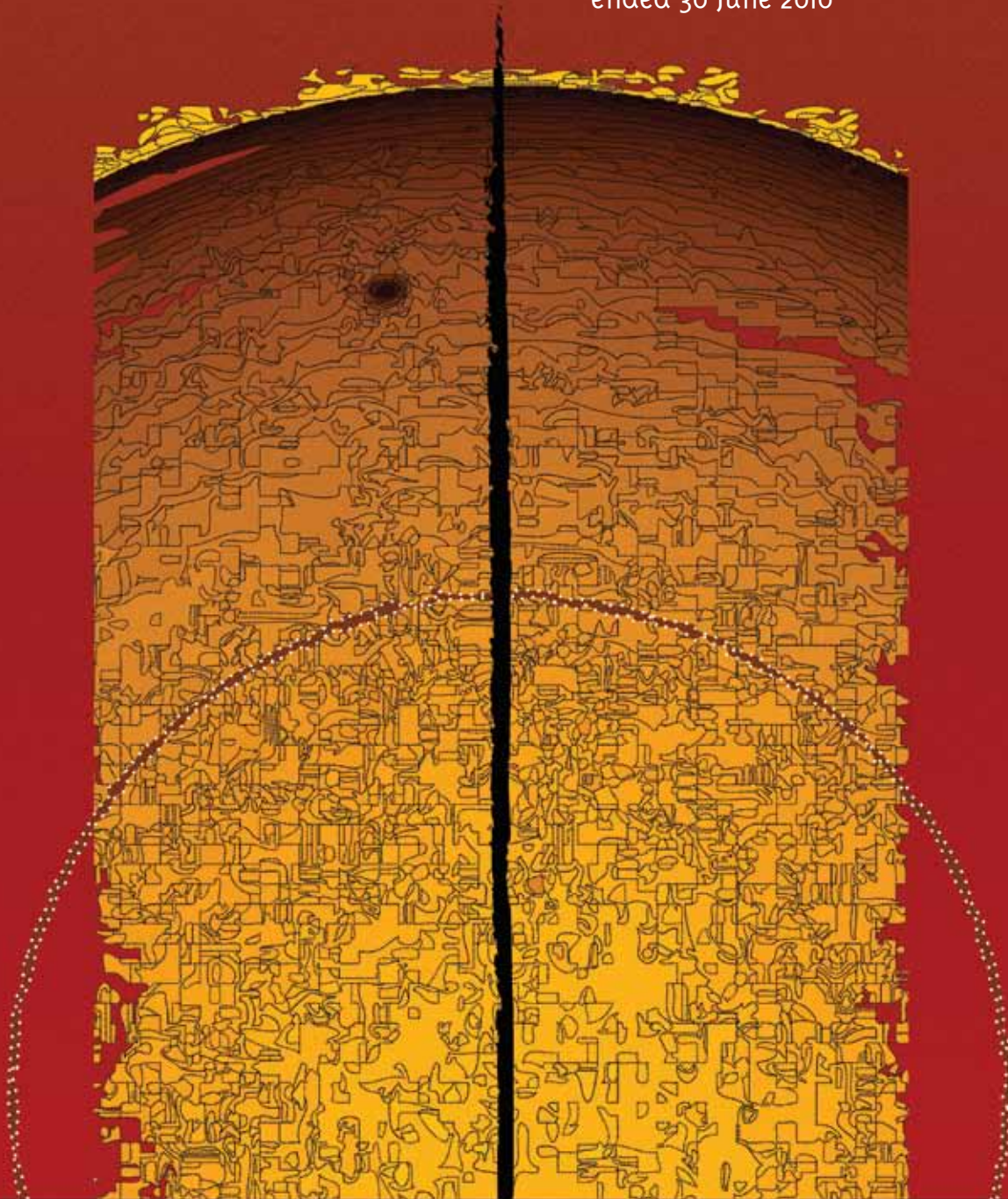




# 2010

## ANNUAL REPORT

Annual Financial Report  
for the Financial Period  
ended 30 June 2010



## CORPORATE DIRECTORY

### BOARD OF DIRECTORS

**Hugh Herbert**

Executive Chairman and Managing Director

**Justin Hondris**

(Non-Executive Director)

**Meredith Bird**

(Non-Executive Director)

### COMPANY SECRETARY

**Melanie J Leydin**

### PLACE OF BUSINESS

Suite 304, 22 St Kilda Road  
ST KILDA VIC 3182  
Ph: 03 9692 7222  
Web: [www.argoexploration.com.au](http://www.argoexploration.com.au)

### AUDITOR

**Grant Thornton Audit Pty Ltd**

Chartered Accountants  
215 Spring Street  
MELBOURNE VIC 3000

### SOLICITOR

**Holman Fenwick Willan**

Level 39, Bourke Place  
600 Bourke Street  
MELBOURNE VIC 3000

### SHARE REGISTRY

**Advanced Share Registry Ltd**

150 Sterling Highway,  
NEDLANDS, Western Australia 6009  
Telephone: (08) 9389 8033

### STOCK EXCHANGE LISTING

Home Exchange is Melbourne  
ASX Code Fully Paid Shares: AXT

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## CHAIRMAN'S REVIEW

In my 2009 review, I reported proactive actions taken by your Board to minimize the impact on the Company of the global financial crisis. These actions included curtailment of field exploration and high cost drilling programs, reduction in overheads and preservation of cash while assessing the depth and extent of the recession. I am now pleased to report that cash preservation through early implementation of the cost reduction measures, coupled with a well-considered investment of a capital tranche and conclusion of a strategic partnership, have positioned your Company with the potential to add material shareholder value in the short to medium term and allow the Company to aggressively expand its activities in the years ahead.

As has been reported from time to time, your Board has, during the global financial crisis, been actively reviewing and evaluating a large number of commercial opportunities, including acquisition, merger, joint venture and investment, under relevant Confidentiality and Non-disclosure Agreements. The main objective was to preserve shareholder value whilst maximising risk-managed opportunity given the changed macroeconomic conditions resulting from the global financial crisis. As part of this process, the Company actively sought to identify, acquire and/or participate in low risk, high potential reward opportunities that provided possibility for non dilutionary capital growth, for the Company moving forward.

The Board determined that it was preferable to preserve capital by deferring further high risk exploration of the Company's South Australian assets. To potentially exhaust existing capital in the short term, at a time when the cost of replacement capital continued to be prohibitive, was deemed to be imprudent. While a number of the projects evaluated were of high technical merit, the associated commercial terms were considered not in the best interests of the Company and its shareholders.

However, one particular opportunity was considered to afford Argo

a potentially low risk means of creating shareholder wealth without shareholder dilution. In December 2009, Argo made a strategic investment in AIM-listed Pantheon Resources Plc ("Pantheon"), a United Kingdom-based oil and gas company focused on development and production within hydrocarbon producing basins in the onshore Gulf of Mexico region of the USA.

Pantheon has a 25% working interest in a Joint Venture with Vision Resources LLC (operator, 37.5%), Kaiser Francis Oil Company (25%) and WR Huff, (12.5%). The Joint Venture controls about 30,000 gross acres in Tyler County, East Texas, which is considered by the operator as proven as a development play. In 2009, The Joint Venture proved the existence of significant hydrocarbons in its first well, the Vision Rice University #1 well. The pressures encountered exceeded well design parameters with the result that the well had to be plugged and abandoned. Importantly, however, the well is considered by the operator to be a technical success providing great encouragement for the programme going forward.

After thorough analysis, the Board considered the Pantheon project met essential investment criteria in terms of geological and commercial risk and potential for reward including, but not limited to, proven hydrocarbons, potential for upside, managed

risk, low sovereign risk, favourable financial terms, near term activity, low subsequent Capex requirements, excellent existing infrastructure, quality partners and management and a highly competent and experienced operator.

In addition, the investment in Pantheon is anticipated to deliver significant upside potential by providing Argo with immediate exposure to a burgeoning US domestic oil/gas resources sector.

Spudding of a new well has been delayed due to an extremely tight market for deep 'horizontal' rigs within East Texas and West Louisiana. However, this next well is currently estimated to spud in Quarter 4, 2010.

The Company acquired 7 million shares in Pantheon at £0.1325 for a cost of £927,500 (\$1.691 million). This represents a holding of 6.86% of the issued capital in Pantheon and makes Argo the largest single shareholder. The unrealised value of the investment at June 30 stood at \$2,946,523. The Board believes this strategic investment in Pantheon offers potential to add material shareholder value in the short to medium term.

Given the prevailing economic realities, your Board concluded that, in order to advance further drill testing of its quality iron oxide

copper-gold (IOCG) targets within the Company's Intercept Hill tenement in the near term, it would be necessary to seek a strategic partner to assume those costs.

To this end, negotiations were commenced with Xstrata Copper Ltd which culminated in the signing, in March 2010, of a Binding Terms Sheet governing the formation of a formal Joint Venture partnership between Xstrata Copper Ltd and Argo Exploration Ltd. The Board believes that this landmark agreement provides confirmation of the extremely high quality of the project by one of the world's leading international mining companies. Xstrata Copper plans to aggressively advance drill testing of the large number of high quality IOCG targets identified by Argo and to fast track the potential discovery of a new world-class deposit.

Under the terms of the agreement, Xstrata Copper Ltd has the right to sole fund \$16 million exploration expenditure to earn a seventy five percent (75%) interest in EL 4164. Initially, Xstrata Copper can earn a 51% interest by spending \$4 million within 3.5 years and must spend a minimum of \$600,000 in the first year. Xstrata Copper may, upon earning 51%, elect to sole fund an additional \$12 million within a further 4 years to earn an additional 24% interest in the project. Upon Xstrata Copper earning a 51% or, if it elects, a 75% interest, Argo has the right to contribute on a pro rata basis, or dilute down according to an agreed formula to a 10% interest at which time the interest will convert to a 2% net smelter royalty.

Xstrata Copper must meet a minimum annual expenditure of A\$600,000 during the initial earn-in. Should Xstrata Copper withdraw following

the first year's minimum expenditure, but prior to expending \$4 million, it will have earned no interest in the tenement.

Xstrata Copper will undertake all exploration carried out during the earn-in period and will manage the joint venture while it maintains a joint venture interest in excess of 50%.

In the event that Xstrata Copper elects, having completed earn-in to 51%, not to further contribute to exploration expenditure, Argo has the right to sole fund further exploration and dilute Xstrata Copper's interest according to an agreed formula. Xstrata Copper may buy back to 51% at any time by reimbursing Argo a multiple of 3 of Argo's sole funding expenditure, and Xstrata Copper may then sole fund \$24 million within 3 years to earn an additional 24% interest in the tenement (75% total).

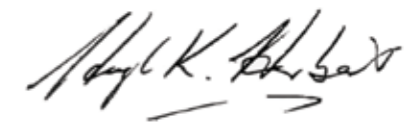
The Board believes that the signing of the Binding Terms Sheet represents strong endorsement by Xstrata Copper Ltd of the quality and prospectivity of the tenement. Further endorsement of the prospectivity for IOCG-style mineralization within the tenement is afforded through the award, under Round 6 of the Plan for Accelerating Exploration (PACE) program, an initiative of the South Australian Government administered by Primary Industries and Resources SA (PIRSA), of a grant for \$60,000 towards the cost of drill testing the Company's Oak Dam South Prospect. Grants under the PACE program are competitive and are internally and externally peer reviewed with only the highest quality exploration proposals, based on sound technical, scientific and commercial criteria, being supported.

It is presently anticipated that the Company's Oak Dam South Prospect will be the first drilled under the new Joint Venture arrangement with Xstrata Copper, and the PACE grant will be applied to defraying costs of the first hole. However, the PACE quantum is additional to agreed Year 1 expenditure under the JV. Preparations for the drilling program are currently well advanced and it is presently anticipated that drilling will commence in Quarter 4, 2010 subject to obtaining the necessary Native Title clearances.

The directors believe that this joint venture represents an ideal outcome for shareholders. The knowledge, resources and depth of talent at Xstrata Copper, coupled with the material financial expenditures that they will commit, have the potential for material and significant value creation for shareholders. Argo could not have made such expenditures without significant shareholder equity dilution which was not considered prudent.

Your Board continues to review potential opportunities to expand its exploration portfolio with the view, over time, to spreading risk. As economic conditions continue to improve, Argo looks forward to accelerating its exploration activities in the year ahead with drilling activity in both the Xstrata Copper JV and Pantheon JV estimated to commence in Quarter 4, 2010.

In conclusion, I wish to thank you, the Company's shareholders, for your continued support and patience during a turbulent year.



**Dr Hugh K Herbert**  
Chairman and Managing Director  
29 September 2010

## REVIEW OF OPERATIONS

Operationally, Argo re-engaged in exploration employing relatively low cost strategies aimed at extracting maximum benefit and information from prior work. At Intercept Hill, this work included down hole, and moving loop, time domain transient electromagnetic (TEM) surveys. Concurrently, all drill core from basement intervals, and a selection from the cover sequence, was submitted for semi-quantitative mineral analysis. The objective of this work was to determine potential electrical and mineralogical vectors to areas of higher grade mineralisation to aid targeting of future drilling.

Existing data was comprehensively reviewed. Argo's detailed gravity and aeromagnetic survey data was further modelled in 3-D by Xstrata Copper to more rigorously refine drill targets. Modelling within EL4164 is continuing with the objective of refining all geophysical features potentially worthy of drill testing. A number of previous drill sites were visited to monitor drill site rehabilitation for environmental compliance.

The Kokatha-Uwankara Native Title claimant group generously endorsed all drill sites previously cleared within EL4164 by the Kokatha claimants, including a site at Oak Dam South Prospect. However, new 3-D modelling of gravity data suggests that the cleared site at Oak Dam South Prospect may not be the favoured position with the result that a further Native Title clearance survey may be necessary before a rig can be mobilised to site. A field trip with representatives from Xstrata Copper was undertaken in mid-July to assess and flag alternative sites for clearance and to assess the appropriateness of the currently cleared site. If logistically possible, commencement of drilling at either Canegrass South, or Oak Dam South, is planned for Quarter 4, 2010.

Re-logging of all Argo drill holes by geologists from Xstrata Copper commenced in July 2010.

The Company received notification of grant of subsequent Exploration License EL4284, Toondulya (replacing EL3156) for one year to 15 July 2010. At Toondulya, work focussed on further data review and verification of anomalous geochemistry in a number of calcrete samples collected by the Company. A field party was mobilised to undertake an orientation biogeochemical sampling program, supported by additional calcrete, soil and possible lag geochemical sampling, at the Toondulya, Ilkina and Hiltaba gold anomalies, together with selected traverse lines overlying geophysically defined areas of interest.

The objective was to evaluate the efficacy of alternative sample media for geochemical assessment of dune-covered areas comprising the bulk of EL4284 as a prelude to more exhaustive geochemical sampling. The field party was forced to withdraw prior to commencement of work due to a heavy rain event which precluded both road and off-road access. Subsequent rain events and crew availability have pushed the program out to Quarter 4 of 2010.

Applications for renewal of EL4164, Intercept Hill and EL4284 Toondulya have been lodged with PIRSA.

### Semi-Quantitative Mineral Analysis

In an attempt to maximise information from the Company's past drilling campaigns, a critical selection of drill core intervals was submitted for semi-quantitative mineral analysis using the HyLogger™ associated with the National Core Library Facility, South Australian Node, Primary Industries and Resources SA (PIRSA). The prime objective was to attempt to establish mineralogical vectors which might be used to focus attention on areas and structures potentially more likely to contain higher-grade mineralisation in iron oxide-altered basement lithologies.

Preliminary results proved encouraging, both in terms of mineralogical vectors to mineralisation in basement lithologies, but also in terms of elucidating factors potentially important in influencing possible uranium mineral occurrence in Mesoproterozoic arenaceous red-beds of the cover sequence. Recent research results suggest that IOCG mineralisation in the Olympic Dam Province is not necessarily coeval with the alteration of the host rocks and may span a range up to 400 million years younger. It is therefore possible that these younger fluids circulating through uranium-enriched basement may have been mobilised into the covering strata. Hence, the HyLogging survey was broadened in scope to include semi-quantitative mineral analysis of cover sequence strata.

EL4164 (Intercept Hill), is centrally disposed within the Cariewerloo Basin, South Australia which shares many geological similarities to, and exhibits Prospectivity for, unconformity-style uranium deposits similar to that of the Athabasca Basin, Canada. However, the unconformity uranium deposit style is an untested, under-developed model in South Australia.

The basal unit of the Cariewerloo Basin is the Mesoproterozoic Pandurra Formation, a thick, monotonous unit of flat lying, unmetamorphosed arenaceous red-bed sediments. Underlying the Pandurra, the basement consists of Gawler Range Volcanics and undifferentiated granite and metasediments. Overlying the Pandurra Formation, the following upwards sequence can be expected: locally, Tapley Hill Formation (a grey carbonaceous shale intercalated with carbonate); Whyalla Sandstone (a friable, coarse, red-bed, sandstone); Tregolana Shale (a fissile red/green/buff shale member) capped by Arcoona Quartzite.

At Emmie North Prospect, the general distribution of the cover sequence of interest is graphically portrayed in Figure 1.

The mineralogy of the cover sequence strata under consideration is characterised by a range of "white micas" and clay minerals including pervasive muscovite throughout, dickite in the upper Pandurra Formation, and paragonite, illite, phengite and montmorillonite. Siderite (iron carbonate) and well crystalline kaolinite also form significant components of the system while pyrophyllite is locally important.

Fe- and mixed Fe/Mg-chlorites characterise basement units and, as might be expected, appear to be more intensely developed in parallel with intensity of iron-oxide alteration; Mg-chlorite is spatially associated with mineralisation with an apparent increase in more highly iron oxide-altered, and more strongly mineralised positions.

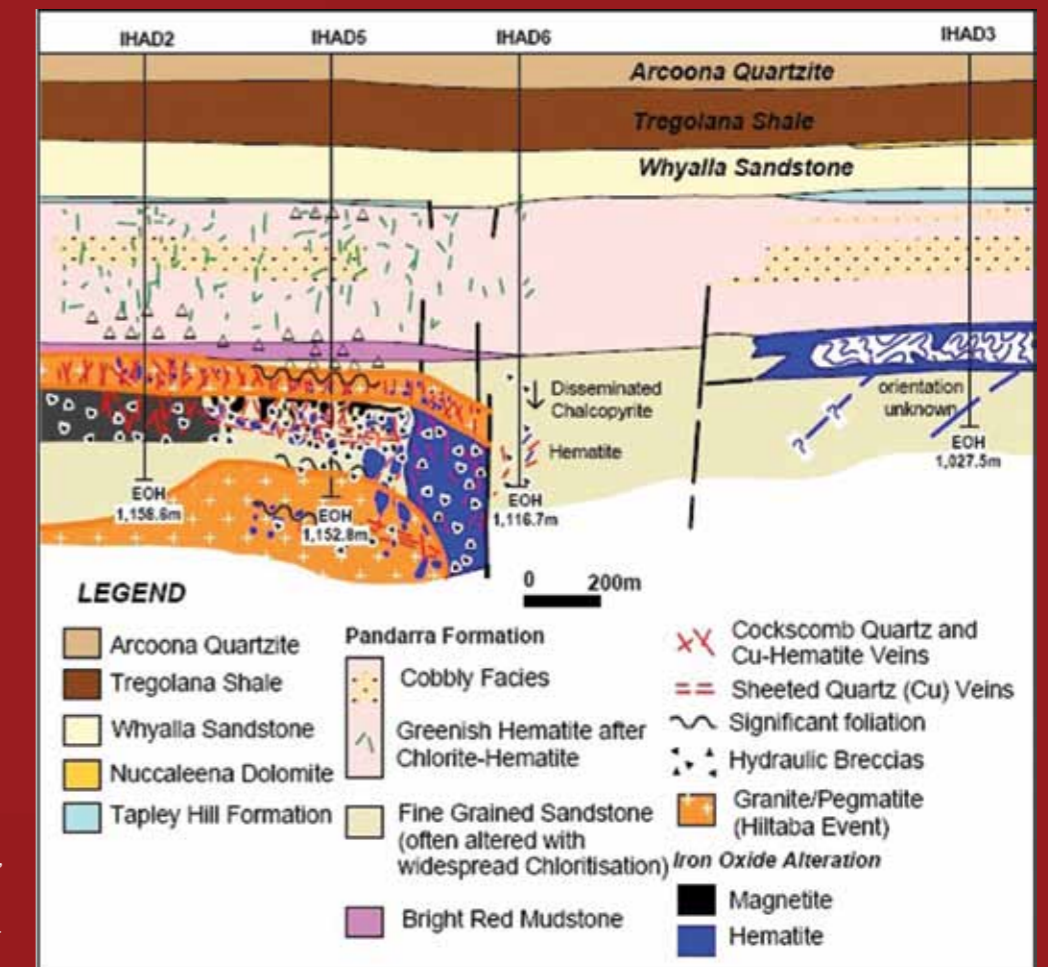


Figure 1: Schematic cross section interpretation along a line between IHAD2 and IHAD3, looking south-west, Emmie North Prospect illustrating stratigraphic relationships amongst basement cover sequence rocks.

At the unconformity interface between basal Pandurra Formation and basement lithologies, montmorillonite is often present, perhaps formed as part of a palaeo-weathering surface. Phengite occurs at the base of the Pandurra moving upwards into muscovite-dominated mineralogy. Dickite occurs above the muscovite, sometimes with associated well crystalline kaolinite. Dickite-bearing Pandurra locally gives way to a basal dolomite of the Tapley Hill Formation. At the top of the Tapley Hill Formation, where present, is another dolomite member on which the Whyalla Sandstone was deposited. Elsewhere, the Whyalla Sandstone rests directly on Pandurra Formation. At the base of the Whyalla Sandstone phengite sometimes occurs. If the Tapley Hill Formation is absent dickite occurs both sides of the stratigraphic boundary between Pandurra and Whyalla red-bed sandstones. An example of the HyLogged mineral distribution for IHAD4 comprises Figures 2 and 3 while Figure 4 illustrates columnar plots of mineralogical data acquired to date.

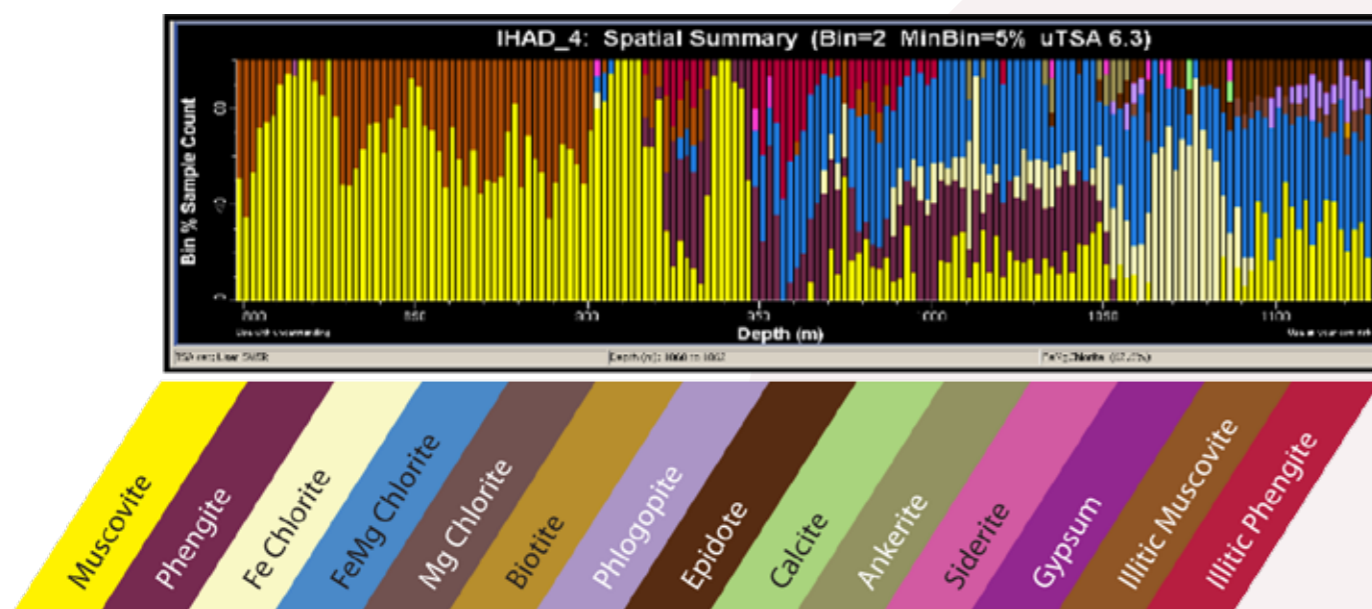


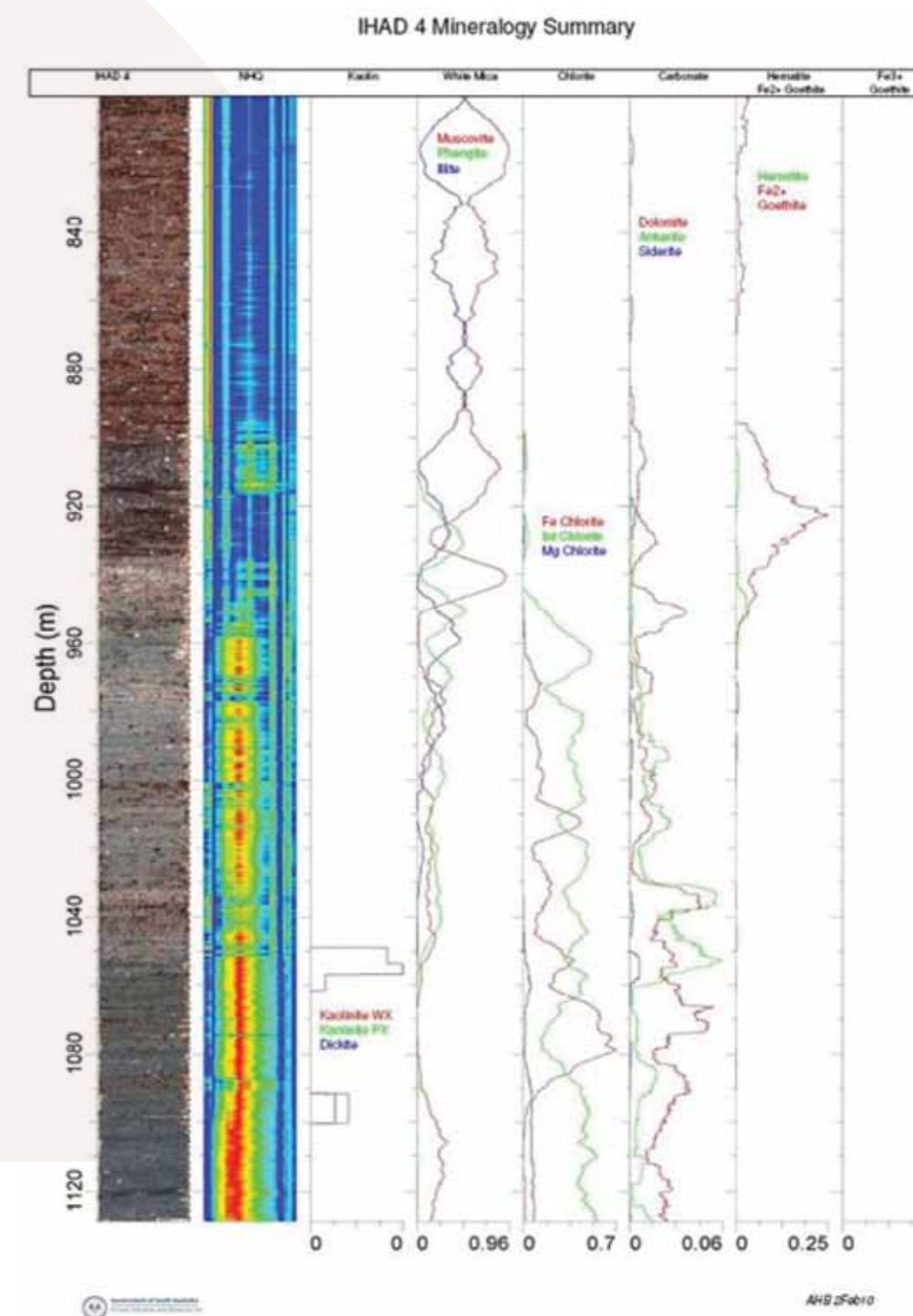
Figure 2: The Spectral Geologist (TSG) Mineral Summary screen with mineral key showing the distribution of minerals down hole for IHAD-4 for a section from 796 m to 1158 m. Top of hole is on the left.

Of interest from an exploration perspective is the relative permeability of the units within the Pandurra Formation and Whyalla Sandstone. Three surrogates for porosity, an essential prerequisite for permeability, may be explored with HyLogger™.

First is the presence of gypsum. When the core dries, evaporitic residue often lodges on the surface of the core. Recording the amount of gypsum present may offer a correlative to porosity. The second surrogate is surface roughness of the sandstones. The more friable sandstone will potentially have greater porosity and the friability can be measured by determining the roughness computed from the laser profilometer data.

Finally, the actual water content of intervals containing hygroscopic minerals, particularly the Whyalla Sandstone, is instructive. Certain intervals of Whyalla, following drying, almost instantaneously re-absorb moisture from the atmosphere which, upon HyLogging analysis, gives rise to a water molecule signature masking the mineralogy at the measurement site. This observation strongly suggests desiccation, during drying of the core, of pore fluids producing a strongly hygroscopic mineral residuum in the pores followed by 'spontaneous' re-hydration with short-term residence in the ambient environment. The corollary is that such intervals possess high inherent permeability and porosity.

Figure 3: Mineralogy summary plot provided by PIRSA for a basal section of Pandurra Formation passing into iron oxide-altered basement for drill hole IHAD4 for the interval 796m to 1058m. The left hand column is a complete high definition colour photographic record of trays of analysed drill core while the variograms record down hole mineral distribution and concentrations.



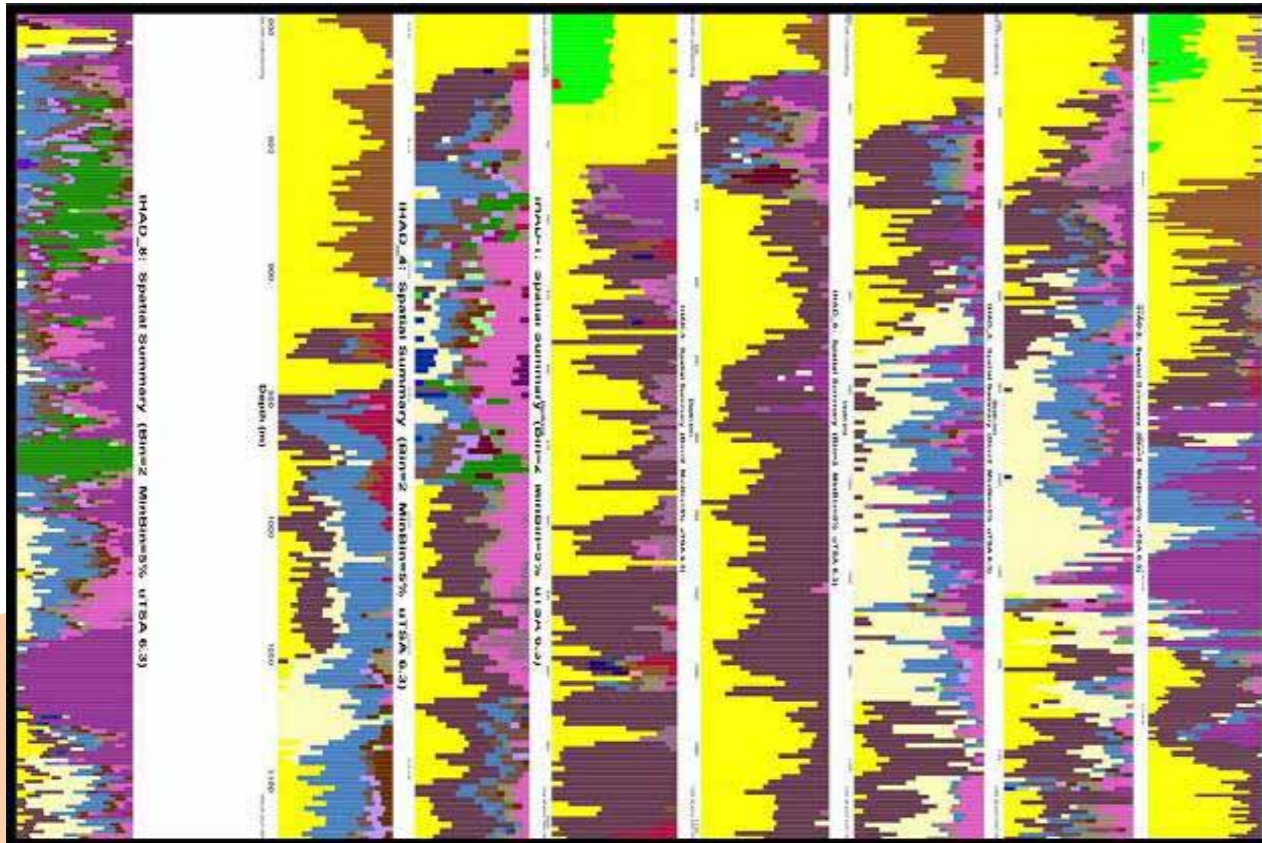


Figure 4: Down hole TSG mineral summary plots. From left to right: IHAD8 (Winjabbie East Prospect), IHAD4, 1, 3, 6, 5, 2 (Emmie North) and SAE6 (Emmie Bluff). It is readily apparent that the alteration mineralogy for drill holes IHAD2 and IHAD5, 500 meters apart, are remarkably similar and characterised by abundant Fe- and mixed Fe/Mg- chlorite with lesser Mg-chlorite; the corresponding section of IHAD4 is also chlorite-rich but with differing chlorite ratio relationships. IHAD2 and IHAD5 are the most strongly copper mineralised of all holes drilled by Argo to date. In contrast, IHAD6, 500 meters to the north-west from IHAD5, and IHAD3, still further north-west of IHAD6, lack the abundant chlorite illustrated in IHAD5 and IHAD2. IHAD6 contains only weak iron oxide alteration and sparse disseminated chalcopyrite and the mineral vector is clearly towards hole IHAD4. The chlorite relationships provide a strong mineralogical vector towards basement IOCG mineralisation.

Such highly water saturated intervals may act as redox barriers capable of effecting uranium precipitation from migrating uraniferous hydrothermal fluids, in response to Eh differences, through fluid mixing. Argo is actively evaluating this possibility in connection with potential development of Athabasca Basin-style occurrences in cover sequence rocks.

**Transient Time Domain Electromagnetic (TEM) Survey**

As an additional element in the overall objective of maximising information from past drilling campaigns, Solo Geophysics of Adelaide was contracted to conduct down hole TEM surveys of the Company's drill holes with the prime objective of potentially

providing off-hole electrical vectors to mineralisation. However, following loss of the dummy probe through caving in the first hole attempted, the down hole program was abandoned in favour of a number of restricted moving loop soundings over the Emmie North, Winjabbie East and Canegrass Prospects (Fig. 5).

TEM soundings were completed over three areas covering drill holes IHAD5 (Emmie North), IHAD8 (Winjabbie East) and IHAD9 (Canegrass) using loop sizes of 400 x 400 meters and 500 x 500 meters. Conductivity Depth Images (CDIs) were constructed, for example, Figure 6. CDIs are pseudo-sections of apparent conductivities of the subsurface.

The CDIs indicate an extensive flat lying conductive response between 240m and 280m on all lines surveyed, for example, CDI from IHAD5 Line 6558300N (Fig. 6). This conductive response coincides with the Tregolana Shale-Whyalla Sandstone contact and resides in the Whyalla Sandstone. An increase in water content, and hence, porosity of the Whyalla Sandstone is interpreted to be the source of the flat-lying conductive response detected with the EM soundings.

In contrast it is worth noting that strongly mineralised, flat lying Tapley Hill Formation, tested by the IHAD5 survey, did not highlight significantly elevated apparent conductivities associated with

this unit. Furthermore, it is clear from the data that the intensity of the conductive zone is depressed in Whyalla Sandstone where the Whyalla Sandstone rests on Tapley Hill Formation (Figs 7, 8 and 9). This is suspected as being related to diminished porosity/permeability in Whyalla Sandstone above Tapley Hill Formation, interpreted to be due to the growth of phengite, in favour of dickite, in this position as shown by the HyLogger semi-quantitative mineralogical analysis. Such a postulate requires the chemical modification of upward percolating fluids by the dolomitic black shale 'membrane' of the Tapley

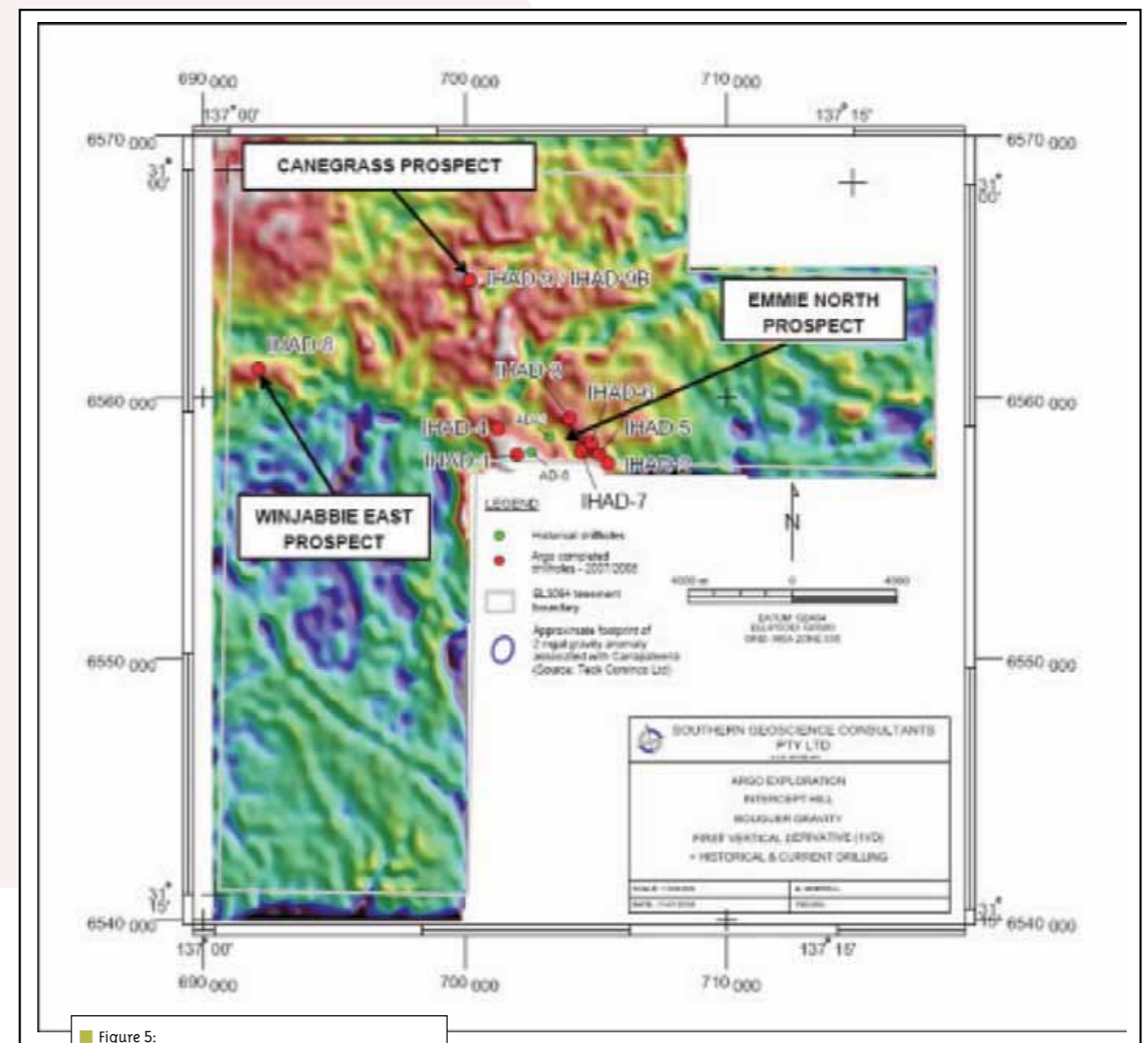


Figure 5: First vertical derivative of Argo's gravity data showing Prospect locations and the sites of Argo's diamond drill holes.

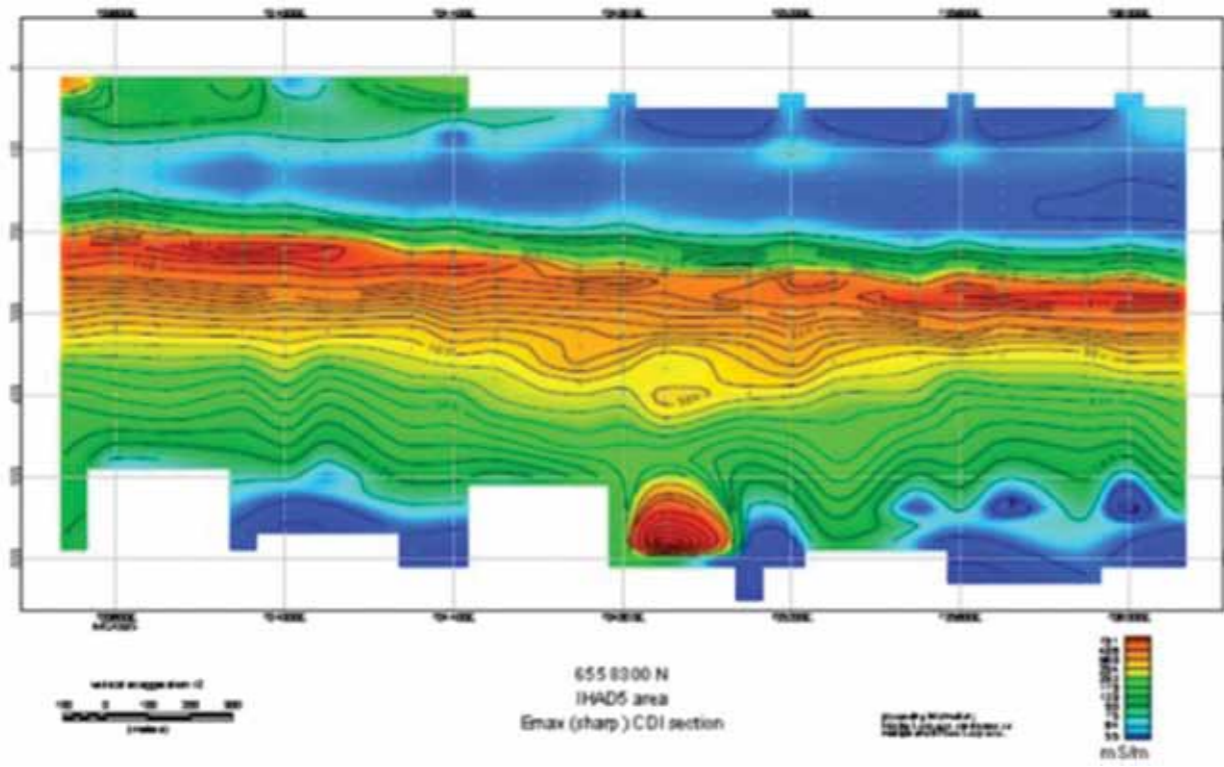


Figure 6: Conductivity Depth Image for Line 6558300N, Emmie North Prospect showing laterally extensive, flat lying conductive zone at about 240 to 280 meters depth corresponding to the Tregolana Shale-Whyalla Sandstone contact and resident within the Whyalla Sandstone. Note also the discrete conductive response at depth.

Hill Formation favouring phengite growth over dickite. The growth of phengite may have partially clogged and eliminated pore space. The general principles involved are significant in terms of the formation of secondary uranium mineralisation.

In addition to the flat lying conductive zone, largely corresponding to the Whyalla Sandstone interval, seven discrete conductive responses were detected by the limited survey at greater depths between 500 and 600 meters within the cover sequence, two each at Emmie North and Canegrass and three at Winjabbie East Prospects. The sources of these discrete anomalies in the cover sequence are unknown.

Given that the TEM surveys are operating at the limits of depth penetration, the use of magnetotellurics (MT) is being investigated to better assess deep seated conductive zones at depths greater than 1,000 meters.

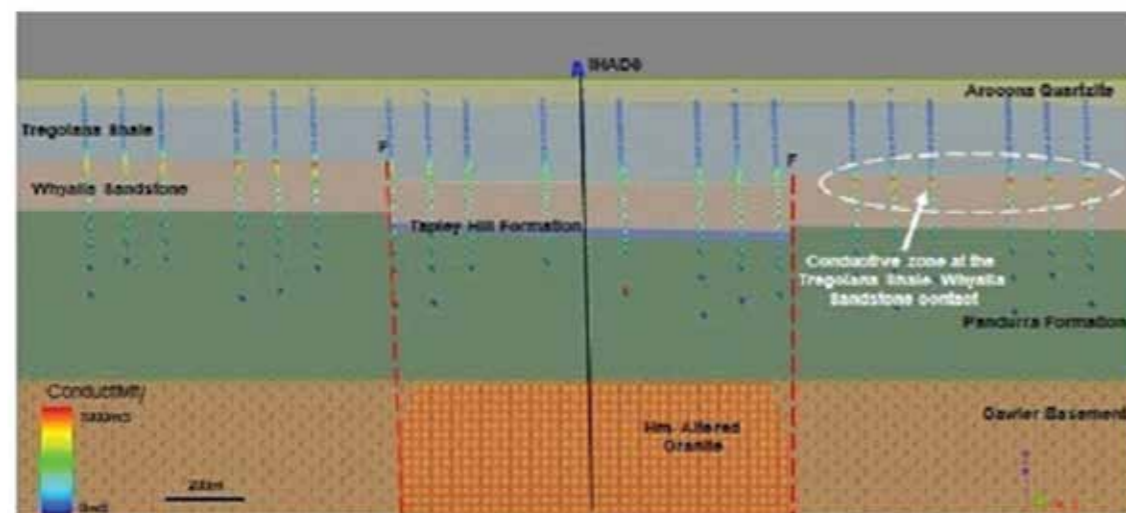


Figure 7: Cross Section along Line 6558300N through diamond drill hole IHAD5, Emmie North Prospect. Note the higher intensity of the TEM conductive response at the top of the Whyalla Sandstone to the East and West of the interpreted graben structure containing Tapley Hill Formation. Above the Tapley Hill Formation, the conductive response is weaker, potentially reflecting contrast in porosity/permeability caused by deposition of phengite in pore spaces as opposed to dickite where no Tapley Hill Formation intervenes between Pandurra Formation and Whyalla Sandstone.

## Geophysical Data Modelling

Unconstrained 3-D modelling of Argo's high-quality gravity and magnetic survey data throughout the tenement area by Xstrata Copper is well advanced with areas modelled to date focusing on the Canegrass, Winjabbie East, Oak Dam South and Oak Dam West Prospect areas (Figs 10 to 13). This work has outlined a number of significant targets within basement and has served as the basis for identifying priority drill targets. As well, the modelling has delineated a number of discrete features in Pandurra Formation cover rocks. Work is progressing to ascertain the relationship, if any, between these well-defined residual gravity 3-D 'blobs' and discrete TEM conductive responses.

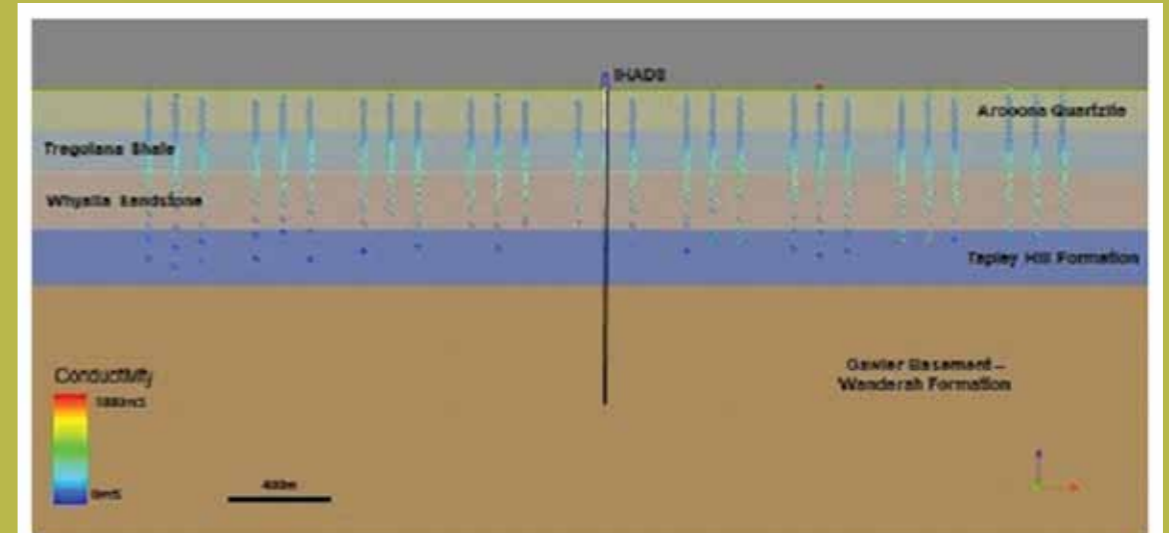


Figure 8: Cross Section along Line 6561325N through diamond drill hole IHAD8, Winjabbie East Prospect. Note that Pandurra Formation is not represented at this locality and Whyalla Sandstone rests on a thick sequence of Tapley Hill Formation directly overlying Gawler Basement/Wanderah Formation. Here the subdued, flat lying conductive response is broad and appears to straddle the Tregolana Shale and Whyalla Sandstone units. The magnitude of the conductive response is similar to that occurring above the Tapley Hill Formation position at Emmie North Prospect.

Preliminary 3-D modelling of a significant residual gravity feature outlined a high priority, north-easterly elongated gravity target some 4 by 2 km in size at Canegrass South (Fig. 10). A proposed drill site, CGSDH001, has been identified at Canegrass South Prospect as shown. The exact position of the drill site will be subject to change depending upon Native Title clearance.

In this connection, Argo has received favourable consideration of its request to have all sites previously cleared endorsed by the new Native Title claimants but is likely to require further clearance ahead of drill rig mobilisation.

The 3-D modelling has also defined a high priority target at Oak Dam South Prospect. The Oak Dam South geophysical target is considered to have the potential to host a significant IOCG mineralized system, a conclusion independently supported

by the award of PACE funding for drill testing this position. The target presents as a prospective, structurally associated, magnetic-gravity response in close proximity to BHP's Oak Dam resource (560Mt of iron oxide-copper-gold-uranium). It is centred on a residual gravity feature located 5 kilometres south of Oak Dam.

Xstrata Copper has prepared the necessary Application for Exploration Work Approval Exploration Licence in connection with the contemplated drilling program together with the required notice to landowner and these have been lodged and approved. Downer EDI has been selected to undertake the drilling using an URD 1000 drill rig mounted on a 6 x 6WD truck with drilling anticipated as soon as Native Title clearances are obtained.

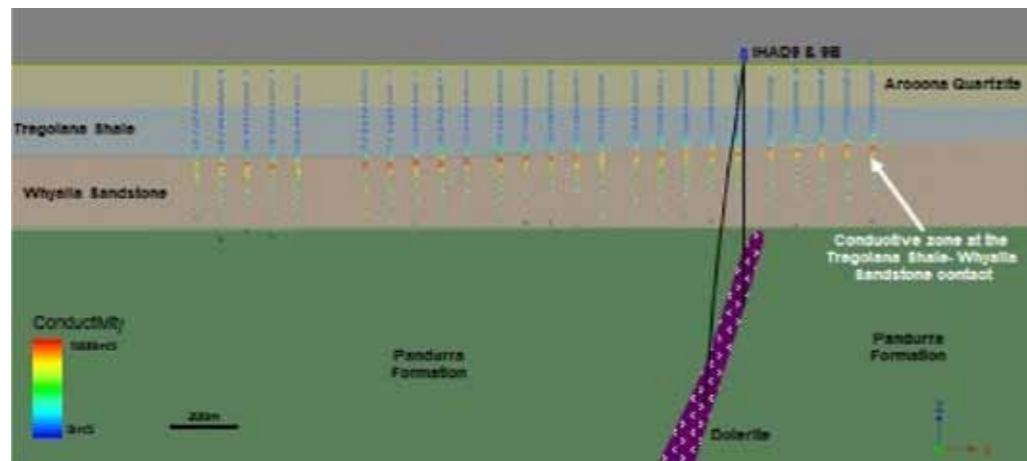


Figure 9: Cross Section along Line 6564450N through diamond drill holes IHAD9 and 9B, Canegrass Prospect. Note the absence of Tapley Hill Formation in the cross section overlying Pandurra Formation and the well-defined flat lying conductive zone at the contact of the Tregolana Shale and Whyalla Sandstone, but resident with the Whyalla Sandstone.

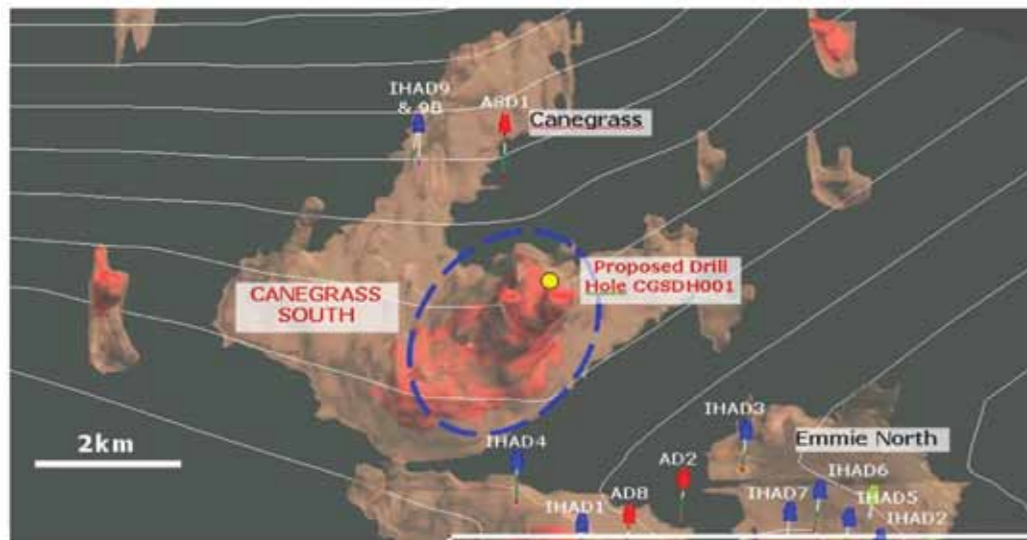


Figure 10: 3-D model of residual gravity Canegrass South Prospect showing site of proposed drill hole in relation to a number of Argo and historical drill holes. The high-amplitude part of the anomaly covers an area of some 8km<sup>2</sup>.

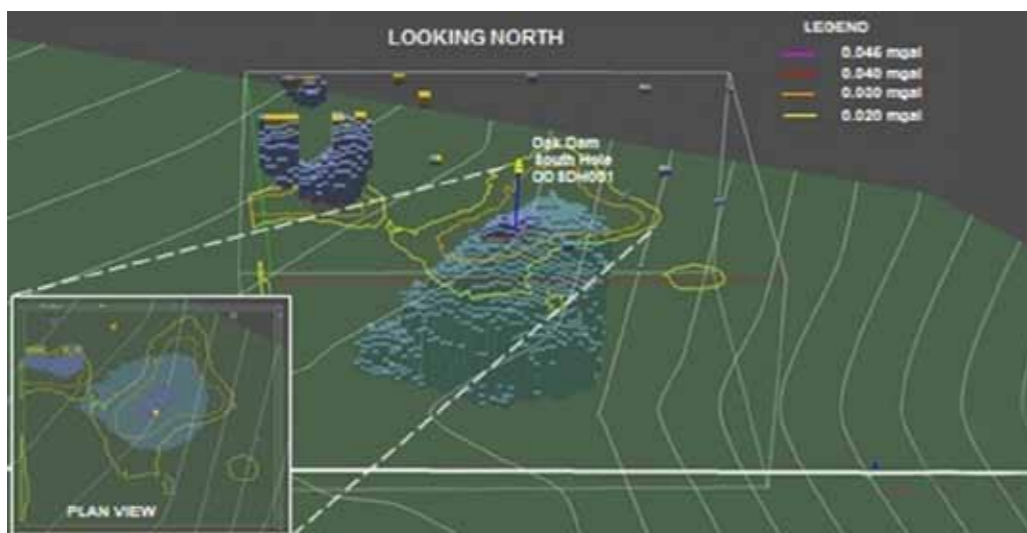


Figure 11: 3-D model of residual gravity Oak Dam South Prospect showing site of proposed drill hole. This is a significant feature having a pipe-like form. Note the secondary discrete anomalies occurring in the cover sequence to the north-west of the main Oak Dam South anomaly.

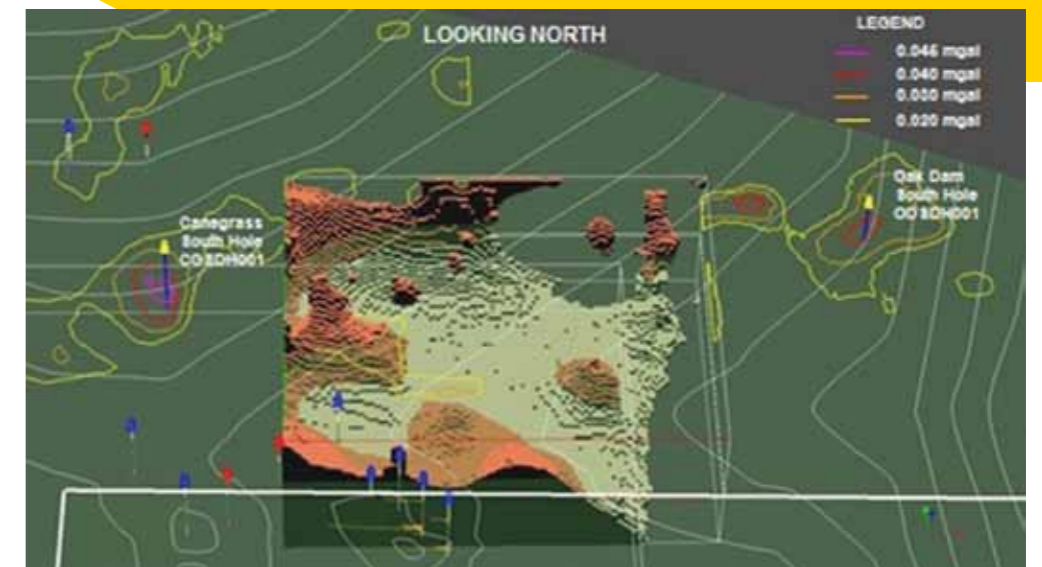


Figure 12: 3-D model of residual gravity Oak Dam West area between Canegrass South and Oak Dam South Prospects. Note the discrete, globular anomalies in the north-east corner of the block diagram. These features occur above basement and presently are of unknown origin.

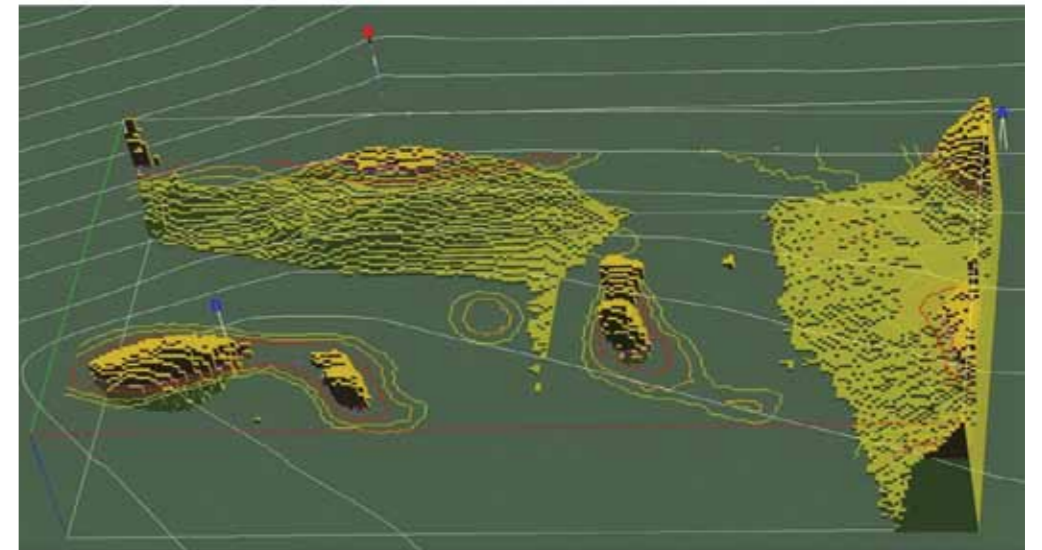


Figure 13: 3-D model of residual gravity at Winjabbie East Prospect showing the position of Argo's drill hole IHAD8. It would appear that this drill hole did not satisfactorily test the anomaly which requires additional drilling to better evaluate. Note also the discrete anomalies to the east of IHAD8 occurring in the cover sequence. The origin of these anomalies is currently unknown.

**Compliance Statement**

The information in this report that relates to exploration results, mineral resources and ore reserves is based on information compiled by Dr HK Herbert, who is a Member of the Australasian Institute of Mining and Metallurgy. Dr Herbert has sufficient experience which is relevant to the styles of mineralization and types of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Herbert consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

**\*SCHEDULE OF MINING AND EXPLORATION TENEMENTS AS AT 30 JUNE 2010**

Project Name	Locality	Tenement	Equity
Intercept Hill	South Australia	Exploration Licence 4164	100%
Toondulya	South Australia	Exploration Licence 4284	100%

On 15 July 2010 both Exploration Licences 4164 and 4284 expired and were processed for renewal with the department of Primary Industries and Resources South Australia (PIRSA). As of the date of this report, the Company has not received confirmation from PIRSA in regard to the renewal of the Exploration Licences.

# DIRECTORS' REPORT

The Directors of Argo Exploration Limited (the "Company") submit herewith the annual financial report of the Company for the financial year ended 30 June 2010. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

## DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

<b>Name</b>	<b>Particulars</b>
<b>Dr Hugh Herbert</b>	Executive Chairman and Managing Director
Qualifications	BSc, MSc, PhD, MAusIMM
Experience	Dr Herbert is an economic geologist/geochemist with in-depth experience in mineral exploration, academia, Government service and mineral science consultancy spanning 46 years. Contributions made to "the advancement and enrichment of Australia, its people and way of life" were recognised by the Advance Australia Foundation in March 1995 with the presentation of the <i>Advance Australia Award</i> in recognition of his "Outstanding Contribution in Science". Dr Herbert is a Member of The Australasian Institute of Mining & Metallurgy and past Federal Treasurer and Councilor of the Geological Society of Australia Inc. Dr Herbert has served on Government Expert Working Parties and Minerals Industry Advisory Committees.
Directorships in listed entities	Nil
Relevant interests in shares and options	7,000,000 ordinary shares 7,000,000 unlisted \$0.20 options, expiring 10/12/2010
<b>Mr Justin Hondris</b>	Non-Executive Director
Qualifications	BBus, ASIA
Experience	Justin Hondris brings 20 years business experience in international capital markets, venture capital investment and analysis, institutional stockbroking and corporate advisory both in Australia and Europe. He is a partner in a Private Equity Fund management company and is a director of Pantheon Resources PLC (AIM listed).  He holds a Bachelor of Business and previously qualified as a chartered accountant and an Associate of the Securities Institute of Australia, and is also a past member of Chartered Secretaries Australia.
Directorships in listed entities	Pantheon Resources Plc, Executive Director
Relevant interests in shares and options	3,400,000 ordinary shares 4,000,000 unlisted \$0.20 options expiring 10/12/2010
<b>Ms Meredith Bird</b>	Non-Executive Director
Qualifications	BA, Grad Dip ED, MComm, CEF, ZMP
Experience	Meredith Bird has cross-industry experience and accomplishments with high-growth public and private companies. Her key area of expertise lies in corporate communications within the resources and energy sector. She currently heads corporate communications for ASX listed geothermal energy developer, Geodynamics Limited. Meredith has extensive knowledge in investor relations, strategic planning, market research and analysis and media liaison both domestically and internationally. She holds Master of Commerce and Bachelor of Arts Degrees coupled with numerous awards.
Directorships in listed entities	Nil
Relevant interests in shares and options	100,000 ordinary shares 1,000,000 unlisted \$0.20 options expiring 10/12/2010

<b>Mr James Stewart</b>	Executive Director (resigned 1 July 2009)
Qualifications	BSc (Hons) Dip Ed, MSc, MAusIMM, MAIG
Experience	James Stewart has, over the last 22 years, held positions as Independent Technical Consultant and Principal/Chief Geologist for three of the world's largest gold producers and several mid-sized producers and junior companies. He has over 32 years experience in exploration and development geology, specializing in target generation and program execution, portfolio analysis and ranking, and corporate advice.

## COMPANY SECRETARY

Ms Melanie J Leydin	B.Bus CA
Ms Leydin is a Chartered Accountant and principal in a chartered accounting firm specialising in audit and company secretarial services. Ms Leydin has 19 years experience in the accounting profession and is a director and company secretary for a number of oil and gas, junior mining and exploration entities listed on the Australian Stock Exchange.	

## PRINCIPAL ACTIVITIES

The principal activities of the Company are the exploration and development of mineral resources emphasising copper, gold and uranium.

## OPERATION RESULTS

The Company's consolidated net profit for the year after applicable income tax was \$762,753 inclusive of a gain of \$1,255,661 on revaluation of financial assets at fair value through profit and loss (2009: loss of \$346,128).

## REVIEW OF OPERATIONS

Refer to the Review of Operations preceding this Directors' Report.

## FINANCIAL POSITION

The net assets of the consolidated entity increased by \$762,753 to \$12,931,278 as at 30 June 2010 (2009: \$12,168,525). The major movements were due to the increased value of the Company's investment in an AIM listed Oil & Gas exploration and production company, Pantheon Resources Plc ("Pantheon"; AIM Code: PANR).

The consolidated entity's working capital, being current assets less current liabilities decreased by \$2,327,429 to \$1,804,511 (2009: \$4,131,940). This decrease was predominately due to the expenditure on the Company's non-current investments in Pantheon Resources Plc.

As a result of the above the Directors believe the consolidated entity is in a strong and stable position to expand and grow its current operations.

## CHANGES IN STATE OF AFFAIRS

There were no significant changes in the State of Affairs during the financial year of the consolidated entity.

## FUTURE DEVELOPMENTS

Disclosure of further information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

## DIRECTORS' REPORT (CONT'D)

### EVENTS SUBSEQUENT TO REPORTING DATE

There has not been any matter or circumstance, other than that referred to in Note 28, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

### DIVIDENDS

No dividend has been declared or paid during the financial year and the Directors do not recommend the payment of any dividend in respect of the current or preceding financial years.

### ENVIRONMENTAL REGULATIONS

The consolidated entity holds participating interests in a number of mining and exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under those terms of the tenement. There have been no known breaches of the tenement conditions, and no such breaches have been notified by any government agency during the year ended 30 June 2010.

### SHARE OPTIONS

There were no share options granted to Directors and executives or their nominees during and since the end of the financial year.

No option holder has rights under the options to participate in any other share issue of the Company or any other entity.

Details of unissued ordinary shares of the Company under option at the date of this report are as follows:

Item	Date options granted	Number of Shares under option	Exercise Price of options	Expiry Date of Options
Unlisted Options	26 July 2006	30,000,000	\$0.20	10/12/2010

During the year and up to the date of this report no options were issued, and no options were exercised. At 30 June 2010 30,000,000 options were on issue.

## DIRECTORS' REPORT (CONT'D)

### REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and Executives of Argo Exploration Limited (the "Company").

The Board policy for determining the nature and amount of remuneration of Directors and Executives is agreed by the Board of Directors as a whole. The Board obtains professional advice where necessary to ensure that the Company attracts and retains talented and motivated Directors and employees who can enhance Company performance through their contributions and leadership.

### Remuneration Philosophy

The remuneration of the Company has been designed to align Director and Executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives based on key performance areas. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best Executives and Directors to run and manage the Company, as well as create goal congruence between Directors, Executives and shareholders.

### Executive Director Remuneration

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

Remuneration consists of a fixed remuneration.

All Executives are eligible to receive a base salary (which is based on factors such as experience and comparable industry information) or consulting fee. The Board reviews the Managing Director's remuneration package, and the Managing Director reviews the senior Executives' remuneration packages, annually by reference to the Company's performance, executive performance and comparable information within the industry.

The performance of Executives is measured against criteria agreed annually with each Executive and is based predominantly on the overall success of the Company in achieving its broader corporate goals. The Board may, however, exercise its discretion in relation to approving incentives, bonuses, and options, and can require changes to the Managing Director's recommendations. This policy is designed to attract the highest caliber of Executives and reward them for performance that results in long-term growth in shareholder wealth.

All remuneration paid to Directors and Executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

### Non-Executive Director Remuneration

Non-Executive Directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. The limit of Non-Executive Director fees was set at a maximum of \$250,000 at a general meeting of shareholders held on 26 July 2007. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the *Corporations Act 2001* at the time of the Director's retirement or termination. Non-Executive Directors' remuneration may include an incentive portion consisting of bonuses and/or options, as considered appropriate by the Board, which may be subject to shareholder approval in accordance with the ASX Listing Rules.

Currently the Company remunerates non-executive Directors at a rate of \$36,000 per annum. There were no incentives, bonuses or options paid during the year to non-executive Directors.

**DIRECTORS' REPORT (CONT'D)**  
**REMUNERATION REPORT (AUDITED) (CONT'D)**

**Performance Based Remuneration**

Remuneration packages do not include performance-based components. An individual member of staff's performance assessment is done by reference to their contribution to the Company's overall operational achievements. All Directors and Executives hold shares and options in the Company to facilitate goal congruence between Executives with that of the business and shareholders. Further information has not been disclosed as it is commercially confidential.

**Relationship between the remuneration policy and company performance**

The tables below set out summary information about the Company's earnings and movements in shareholder wealth for the year since listing in December 2006:

	30 June 2010	30 June 2009	30 June 2008	30 June 2007
Revenue	1,384,256	256,271	443,051	234,325
Net profit/(loss) before tax	762,753	(346,128)	(194,132)	(416,129)
Net profit/(loss) after tax	762,753	(346,128)	(194,132)	(416,129)
Share price at start of year	\$0.03	\$0.24	\$0.42	\$0.36
Share price at end of year	\$0.03	\$0.03	\$0.24	\$0.42**
Basic earnings per share (cents)	0.92	(0.42)	(0.42)	(0.78)
Diluted earning per share (cents)	0.92	(0.42)	(0.42)	(0.78)

\*\*Argo Exploration Limited listed on Australian Stock Exchange on 11 December 2006.

The remuneration of the Directors and Executives are not linked to the performance, share price or earnings of the consolidated entity.

**Key Management Personnel Compensation**

The compensation of each member of the key management personnel of the consolidated entity is set out below.

**Details of Remuneration for Year Ended 30 June 2010**

The remuneration for each Director and executive officer of the consolidated entity receiving the highest remuneration during the year was as follows:

	Short-term employment benefits	Post-employment	Equity		Total
	Salary, Fees and Commissions \$	Superannuation Contribution \$	Shares Received as Compensation \$	Options Received as Compensation \$	
<b>Directors</b>					
Dr H Herbert	209,519	-	-	-	209,519
Mr J Stewart <sup>(1)</sup>	-	-	-	-	-
Mr J Hondris	36,000	-	-	-	36,000
Ms M Bird	36,000	-	-	-	36,000
Ms M Leydin	60,000	-	-	-	60,000
	<b>341,519</b>	-	-	-	<b>341,519</b>

(1) Mr J Stewart resigned on 1 July 2009

**DIRECTORS' REPORT (CONT'D)**  
**REMUNERATION REPORT (AUDITED) (CONT'D)**

**Options Issued as Part of Remuneration for the Year Ended 30 June 2010**

There were no options granted as remuneration for the year ended 30 June 2010.

**Shares Issued as Part of Remuneration for the Year Ended 30 June 2010**

There were no shares issued as part of remuneration for the year ended 30 June 2010.

**Details of Remuneration for Year Ended 30 June 2009**

The remuneration for each Director and executive officer of the consolidated entity receiving the highest remuneration during the year was as follows:

	Short-term employment benefits	Post-employment	Equity		Total
	Salary, Fees and Commissions \$	Superannuation Contribution \$	Shares Received as Compensation \$	Options Received as Compensation \$	
<b>Directors</b>					
Dr H Herbert	215,338	-	-	-	215,338
Mr J Stewart	92,250	-	-	-	92,250
Mr J Hondris	36,000	-	-	-	36,000
Ms M Bird	36,000	-	-	-	36,000
Ms M Leydin	60,000	-	-	-	60,000
	<b>439,588</b>	-	-	-	<b>439,588</b>

**Options Issued as Part of Remuneration for the Year Ended 30 June 2009.**

There were no options granted as remuneration for the year ended 30 June 2009.

**Shares Issued as Part of Remuneration for the Year Ended 30 June 2009.**

There were no shares issued as part of remuneration for the year ended 30 June 2009.

**Employment contracts**

The Managing Director, Dr H Herbert, is employed under contract. The employment contract commenced on 1 January 2009 and was renewed on 17 February 2010. Under the terms of the present contract:

- Dr Herbert may resign from his positions and thus terminate this contract by giving 6 months written notice.
- The Company may terminate this employment agreement by providing 6 months written notice.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs Dr Herbert is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.
- On termination of the agreement Dr Herbert will be entitled to be paid those outstanding amounts owing to him up until the termination date.

**DIRECTORS' REPORT (CONT'D)  
REMUNERATION REPORT (AUDITED) (CONT'D)**

The Company Secretary and Chief Financial Officer, Ms Leydin, is employed under contract. The current employment contract commenced on 1 January 2009 and was renewed on 17 February 2010. Under the terms of the present contract:

- Ms Leydin may resign from her position and thus terminate this contract by giving 6 months written notice.
- The Company may terminate this employment agreement by providing 6 months written notice.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs Ms Leydin is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.
- On termination of the agreement Ms Leydin will be entitled to be paid those outstanding amounts owing to her up until the termination date.

**DIRECTORS' MEETINGS**

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director. During the financial year, 11 Board meetings were held and 2 audit committee meeting was held. There is no separate remuneration or nomination committee.

DIRECTORS	BOARD OF DIRECTORS		AUDIT COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED
Dr H Herbert	11	11	-	-
Mr J Stewart	-	-	-	-
Mr J Hondris	11	11	2	2
Ms M Bird	11	11	2	2

**INDEMNIFICATION OF OFFICERS AND AUDITORS**

During the financial period, the Company paid a premium in respect of a contract insuring the Directors of the Company (as named above), the company secretary and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

**PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied for leave of the Court under Section 327 of the *Corporations Act 2001* to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

**NON-AUDIT SERVICES**

The Directors are satisfied that the provision of non-audit services, during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standards of independence for auditors imposed by the *Corporations Act 2001*.

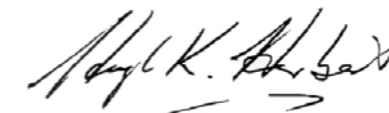
There were no non-audit services provided by the Company's auditors during the year to 30 June 2010.

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration under s.307C of the *Corporation Act 2001* in relation to the audit of the full year is included on page 24.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors



**Hugh Herbert**  
Chairman

29 September 2010  
MELBOURNE

Grant Thornton Audit Pty Ltd  
ACN 130 913 594

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Auditor's Independence Declaration  
To the Directors of Argo Exploration Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Argo Exploration Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



B.L. Taylor  
Director - Audit & Assurance Services

Melbourne, 29 September 2010

## DIRECTOR'S DECLARATION

The Directors declare that:

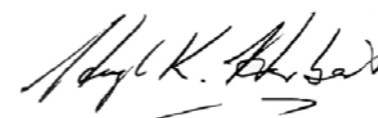
- a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 3 to the financial statements;
- c) in the Directors' opinion, the attached financial statements and notes thereto, are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in Note 26 to the financial statements, as a group, will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors



**Hugh Herbert**  
Chairman  
29 September 2010

MELBOURNE

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Independent Auditor's Report  
To the Members of Argo Exploration Limited

#### Report on the financial report

We have audited the accompanying financial report of Argo Exploration Limited (the "Company"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial report and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

#### Directors' responsibility for the financial report

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

#### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### Independence

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

#### Auditor's opinion

In our opinion:

- a the financial report of Argo Exploration Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

#### Report on the remuneration report

We have audited the Remuneration Report included in pages 19 to 22 of the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

#### Auditor's opinion on the remuneration report

In our opinion, the Remuneration Report of Argo Exploration Limited for the year ended 30 June 2010 complies with section 300A of the Corporations Act 2001.

  
GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

  
B.L. Taylor  
Director - Audit & Assurance Services

Melbourne, 29 September 2010

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2010**

	Note	Consolidated	
		2010 \$	2009 \$
Revenue	5	128,595	256,271
Gain on fair value adjustment on fair value through profit and loss investments	13	1,255,661	-
Corporate expenses		(151,384)	(88,448)
Administrative expenses		(86,697)	(47,045)
Finance costs		(3,324)	(5,805)
Employment expenses		(357,898)	(407,166)
Loss on sale of plant & equipment		(702)	(13,929)
Depreciation and amortisation		(21,498)	(40,006)
<b>Profit/(loss) before income tax</b>	6	<b>762,753</b>	<b>(346,128)</b>
Income tax expense	7	-	-
<b>Profit/(loss) for the year</b>		<b><u>762,753</u></b>	<b><u>(346,128)</u></b>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the period</b>		<b><u>762,753</u></b>	<b><u>(346,128)</u></b>
<b>Profit/(loss) attributable to</b>			
Owners of the Company		<u>762,753</u>	<u>(346,128)</u>
<b>Total comprehensive income attributable to</b>			
Owners of the Company		<u>762,753</u>	<u>(346,128)</u>
		<b>Cents per Share</b>	<b>Cents per Share</b>
<b>Profit/(loss) per Share</b>			
Basic Profit/(loss) per share	25	0.92	(0.42)
Diluted Profit/(loss) per share	25	0.92	(0.42)

this statement is to be read in conjunction with the notes to the financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2010**

	Note	Consolidated	
		2010 \$	2009 \$
<b>Current Assets</b>			
Cash and cash equivalents	23(a)	1,813,529	4,147,244
Trade and other receivables	10	26,192	66,018
<b>Total Current Assets</b>		<u>1,839,721</u>	<u>4,213,262</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	11	42,167	25,754
Intangibles	12	2,993	9,215
Financial assets	13	2,946,523	-
Other non-current assets	14	8,176,384	8,001,616
<b>Total Non-Current Assets</b>		<u>11,168,067</u>	<u>8,036,585</u>
<b>Total Assets</b>		<u>13,007,788</u>	<u>12,249,847</u>
<b>Current Liabilities</b>			
Trade and other payables	15	26,444	54,761
Borrowings	16	8,766	26,561
<b>Total Current Liabilities</b>		<u>35,210</u>	<u>81,322</u>
<b>Non-Current Liabilities</b>			
Borrowings	16	41,300	-
<b>Total Non-Current Liabilities</b>		<u>41,300</u>	<u>-</u>
<b>Total Liabilities</b>		<u>76,510</u>	<u>81,322</u>
<b>Net Assets</b>		<u>12,931,278</u>	<u>12,168,525</u>
<b>Equity</b>			
Issued capital	17	12,793,414	12,793,414
Reserves	18	331,500	331,500
Accumulated losses		(193,636)	(956,389)
Equity attributable to owners of the Company		<u>12,931,278</u>	<u>12,168,525</u>
<b>Total Equity</b>		<u>12,931,278</u>	<u>12,168,525</u>

this statement is to be read in conjunction with the notes to the financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2010**

CONSOLIDATED				
	Issued Capital Note 17	Accumulated Losses	Option Reserves Note 18	Total
Equity as at 1 July 2008	12,806,535	(610,261)	331,500	12,527,774
Loss for the year	-	(346,128)	-	(346,128)
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	-	(346,128)	-	(346,128)
Costs of capital raising	(13,121)	-	-	(13,121)
<b>Equity as at 30 June 2009</b>	<b>12,793,414</b>	<b>(956,389)</b>	<b>331,500</b>	<b>12,168,525</b>
Equity as at 1 July 2009	12,793,414	(956,389)	331,500	12,168,525
Profit for the year	-	762,753	-	762,753
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	-	762,753	-	762,753
<b>Equity as at 30 June 2010</b>	<b>12,793,414</b>	<b>(193,636)</b>	<b>331,500</b>	<b>12,931,278</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2010**

Note	Consolidated	
	2010 \$	2009 \$
<b>Cash flows from operating activities</b>		
	171,928	309,826
	(627,803)	(556,980)
	(3,324)	(5,805)
23(c)	(459,199)	(252,959)
<b>Cash flows from investing activities</b>		
	(174,768)	(295,745)
	14,590	69,605
	(1,690,862)	-
	-	(9,589)
	(1,851,040)	(235,729)
<b>Cash flows from financing activities</b>		
	-	(13,121)
	(23,476)	(91,763)
	(23,476)	(104,884)
<b>Net (Decrease)/Increase in cash and cash equivalents</b>		
	(2,333,715)	(593,572)
	4,147,244	4,740,816
23(a)	<b>1,813,529</b>	<b>4,147,244</b>

This statement is to be read in conjunction with the notes to the financial statements.

This statement is to be read in conjunction with the notes to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2010

### 1. General Information

Argo Exploration Limited (the "Company") is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the Company and its subsidiaries (the Group) are described in the Director's Report.

### 2. Adoption of new and revised Accounting Standards

#### 2.1 Standards and Interpretations affecting amounts reported in the current period

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 2.2.

#### Standards affecting presentation and disclosure

AASB 101 *Presentation of Financial Statements* (as revised in September 2007), AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* and AASB 2007-10 *Further Amendments to Australian Accounting Standards arising from AASB 101*

AASB 101 (September 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments*

The amendments to AASB 7 expand the disclosures required in respect of fair value measurements and liquidity risk.

Amendments to AASB 107 *Statement of Cash Flows* (adopted in advance of effective date of 1 January 2010)

The amendments (part of AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*) specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

#### 2.2 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations*

The amendments clarify the definition of vesting conditions for the purposes of AASB 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2010 (CONT'D)

### 2.3 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective and were not expected to have a significant effect on the entity's financial statements on initial application;

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2009-05 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	1 January 2010	30 June 2011
AASB 2009-10 <i>Amendments to Australian Accounting Standards – Classification of Rights Issues</i>	1 February 2010	30 June 2011
AASB 124 <i>Related Party Disclosures</i> (revised December 2009), AASB 2009-12 <i>Amendments to Australian Accounting Standards</i>	1 January 2011	30 June 2012
AASB 9 <i>Financial Instruments</i> , AASB 2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9</i>	1 January 2013	30 June 2014

### 3. Significant accounting policies

#### 3.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 29 September 2010.

#### 3.2 Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

#### 3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) as listed in Note 26 (collectively the "Group"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2010 (CONT'D)

### 3.4 Going concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realization of assets and settlement of liabilities in the ordinary course of business. The going concern of the consolidated entity is dependent upon it maintaining sufficient funds for its operations and commitments. The Directors continue to monitor the ongoing funding requirements of the consolidated entity. The Directors are confident that sufficient funds can be secured if required by a combination of capital raising, sale of assets or joint ventures to enable the consolidated entity to continue as a going concern and as such are of the opinion that the financial report has been appropriately prepared on a going concern basis.

*The following significant accounting policies have been adopted in the preparation and presentation of the financial report:*

### 3.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

#### 3.5.1 Interest Revenue

Interest revenue is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### 3.6 Share based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the option reserve.

No amounts have been recognised in the financial statements in respect of other equity-settled share-based payments.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

### 3.7 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### 3.7.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### 3.7.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2010 (CONT'D)

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### 3.7.3 Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

### 3.8 Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straightline method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation rates and methods shall be reviewed at least annually and, where changed, shall be accounted for as a change in accounting estimate. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method. Depreciation recognised in prior financial years shall not be changed, that is, the change in depreciation rate or method shall be accounted for on a 'prospective' basis.

The following useful lives have been used in the calculation of depreciation and amortisation:

Plant and equipment	2 – 4 years
Leased assets	3 – 5 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### 3.9 Financial Assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2010 (CONT'D)

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### 3.9.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for financial instruments other than those financial assets classified as at FVTPL.

### 3.9.2 Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the gain on fair value adjustment or fair value through profit and loss investment line item in the statement of comprehensive income. Fair value is determined in the manner described in Note 24.

### 3.9.3 Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

### 3.9.4 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2010 (CONT'D)

well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### 3.10 **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### 3.10.1 The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### 3.11 **Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

### 3.12 **Exploration and evaluation**

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2010 (CONT'D)

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
  - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - (b) exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities.

General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

### 3.13 Development

Development expenditure is recognised at cost less accumulated amortisation and any impairment losses. Where commercial production in an area of interest has commenced, the associated costs together with any forecast future capital expenditure necessary to develop proved and probable reserves are amortised over the estimated economic life of the mine on a units-of-production basis.

Changes in factors such as estimates of proved and probable reserves that affect unit-of production calculations are dealt with on a prospective basis.

### 3.14 Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amount of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at date of acquisition.

### 3.15 Impairment of assets

At each reporting date or more frequently if events or changes in circumstances indicate a possible impairment, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are largely independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2010 (CONT'D)

Where an impairment loss subsequently reverses, the carrying amount of the asset excluding goodwill (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent

that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

### 3.16 Earnings per share

#### Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

#### Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### 4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### 4.1 Critical judgements in applying accounting policies

The following are the critical judgements, including those involving estimations that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

##### 4.1.1 Estimation of useful lives of Plant and Equipment

The estimation of useful lives of plant and equipment has been based on historical experience. Adjustments to useful lives are made when considered necessary and reviewed at each reporting date as stated in Note 3.8.

##### 4.1.2 Tax losses

The Company has not recognised a deferred tax asset with regard to unused tax losses and other temporary differences, as it has not been determined whether the Company will generate sufficient taxable income against which the unused tax losses and other temporary differences can be utilised in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2010 (CONT'D)

	Consolidated	
	2010	2009
	\$	\$
<b>5. REVENUE</b>		
Revenue from continuing operations consisted of the following items		
<b>Other Income</b>		
Interest revenue	<u>128,595</u>	<u>256,271</u>
<b>6. PROFIT/(LOSS) FROM OPERATIONS</b>		
<b>Profit/(Loss) before income tax has been arrived at after crediting/(charging) the following gains and losses from continuing operations</b>		
Depreciation and Amortisation		
Depreciation of non-current assets	5,157	24,092
Amortisation of leased assets	10,119	10,290
Amortisation of software	<u>6,222</u>	<u>5,624</u>
	<u>21,498</u>	<u>40,006</u>
Finance costs		
- Interest on obligations under finance leases	<u>3,324</u>	<u>5,805</u>
Loss on sale of plant and equipment	<u>702</u>	<u>13,929</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2010 (CONT'D)

	Consolidated	
	2010	2009
	\$	\$
<b>7. INCOME TAX EXPENSE</b>		
(a) The components of income tax expense comprise:		
Current Tax	-	-
Deferred Tax	-	-
	<u>-</u>	<u>-</u>
(b) The prima facie tax from ordinary activities before income tax is reconciled to the income tax expense as follows:		
<b>Profit/(Loss) from Ordinary Activities</b>	<b><u>762,753</u></b>	<b><u>(346,128)</u></b>
Income tax expense/(benefit) calculated at 30%	228,826	(103,838)
Add:		
Tax Effect of:		
- Lease amortisation and interest	4,033	3,404
- Fair value adjustments	<u>(376,698)</u>	<u>-</u>
	<u>(143,839)</u>	<u>(100,434)</u>
Add/(Less) Temporary Differences:		
- Deductible capitalised exploration expenditure	(52,430)	(88,724)
- Deductible share issue costs	(33,004)	(33,005)
- Accrued expenses	(900)	(1,967)
- Accrued income	13,000	(15,231)
- Disposal of leased vehicle	(227)	-
- Other timing differences (Lease payments)	<u>(3,225)</u>	<u>(2,820)</u>
Tax benefit for the year	(220,625)	(242,181)
Income tax losses not taken up as benefit	<u>220,625</u>	<u>242,181</u>
Income tax expense	<u>-</u>	<u>-</u>
Deferred tax assets not brought to account as assets:		
- Tax Losses	2,181,784	1,961,159
- Temporary Differences	<u>(1,749,360)</u>	<u>(1,676,605)</u>
	<u>432,424</u>	<u>284,554</u>

The taxation benefits of tax losses and temporary differences not brought to account will only be obtained if:

- i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- ii) the consolidated entity continues to comply with the conditions for deductibility imposed by law; and
- iii) no change in tax legislation adversely affects the consolidated entity in realising the benefits from deducting the losses.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2010 (CONT'D)

### 8. KEY MANAGEMENT PERSONNEL

(a) The key management personnel of Argo Exploration Limited during the year were:

Dr H Herbert	Managing Director and Chairman
Mr J Stewart	Technical Director (resigned 1 July 2009)
Mr J Hondris	Non-executive Director
Ms M Bird	Non-executive Director
Ms M Leydin	Company Secretary

### (b) Compensation practices

Details of key management personnel compensation practices are in the Remuneration Report within the Directors' Report.

### (c) Aggregate Key Management Personnel Compensation

The aggregate compensation of the key management personnel of the consolidated entity is set out below:

	Consolidated	
	2010 \$	2009 \$
Short-term employment benefits	341,519	439,588
Post employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share based payments	-	-
	<b>341,519</b>	<b>439,588</b>

Information regarding individual directors and executive's compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 are provided in the Remuneration Report section of the Directors' Report.

### (d) Option holdings by Key Management Personnel or their nominees

	Balance 1.7.2008	Granted as Compensation	Net Change Other	Balance 30.6.2009	Vested and exercisable	Vested and unexercisable	Not Vested and unexercisable
Dr H Herbert	7,000,000	-	-	7,000,000	7,000,000	-	-
Mr J Stewart	5,000,000	-	-	5,000,000	5,000,000	-	-
Mr J Hondris	4,000,000	-	-	4,000,000	4,000,000	-	-
Ms M Bird	1,000,000	-	-	1,000,000	1,000,000	-	-
Ms M Leydin	100,000	-	-	100,000	100,000	-	-
	<b>17,100,000</b>	-	-	<b>17,100,000</b>	<b>17,100,000</b>	-	-

	Balance 1.7.2009	Granted as Compensation	Net Change Other	Balance 30.6.2010	Vested and exercisable	Vested and unexercisable	Not Vested and unexercisable
Dr H Herbert	7,000,000	-	-	7,000,000	7,000,000	-	-
Mr J Stewart	5,000,000	-	(5,000,000) <sup>(1)</sup>	-	-	-	-
Mr J Hondris	4,000,000	-	-	4,000,000	4,000,000	-	-
Ms M Bird	1,000,000	-	-	1,000,000	1,000,000	-	-
Ms M Leydin	100,000	-	-	100,000	100,000	-	-
	<b>17,100,000</b>	-	<b>(5,000,000)</b>	<b>12,100,000</b>	<b>12,100,000</b>	-	-

(1) Mr J Stewart resigned as a Director on 1 July 2009.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2010 (CONT'D)

### (e) Shareholdings by Key Management Personnel or their nominees

	Balance 1.7.2008	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2009
Dr H Herbert	7,000,000	-	-	-	7,000,000
Mr J Stewart	12,301,172	-	-	(450,000)	11,851,172
Mr J Hondris	3,400,000	-	-	-	3,400,000
Ms M Bird	50,000	-	-	-	50,000
Ms M Leydin	750,000	-	-	-	750,000
	<b>23,501,172</b>	-	-	<b>(450,000)</b>	<b>23,051,172</b>

	Balance 1.7.2009	Received as Compensation	Options Exercised	Net Change Other <sup>(1)</sup>	Balance 30.6.2010
Dr H Herbert	7,000,000	-	-	-	7,000,000
Mr J Stewart	11,851,172	-	-	(11,851,172)	-
Mr J Hondris	3,400,000	-	-	-	3,400,000
Ms M Bird	50,000	-	-	-	50,000
Ms M Leydin	750,000	-	-	-	750,000
	<b>23,051,172</b>	-	-	<b>(11,851,172)</b>	<b>11,200,000</b>

(1) Mr J Stewart resigned as a Director on 1 July 2009.

### (f) Loans/Payables to Key Management Personnel

Amounts payable to Key Management Personnel at 30 June 2010 are detailed in Note 15.

### (g) Other transactions with Key Management Personnel

Other transactions with Key Management Personnel during the year ended 30 June 2010 are detailed in Note 22.

	Consolidated	
	2010 \$	2009 \$

## 9. AUDITORS REMUNERATION

### Auditor of the Parent Entity - Grant Thornton Audit Pty Ltd

Auditing or reviewing the financial report	35,500	34,500
	<b>35,500</b>	<b>34,500</b>

## 10. TRADE AND OTHER RECEIVABLES

### Current

Goods and services tax receivables	18,754	15,247
Other receivables	7,438	50,771
	<b>26,192</b>	<b>66,018</b>

The average credit period on trade and other receivables is 30 days. Due to the short term nature of the receivables their carrying value is assumed to approximate their fair value. No collateral or security is held. No interest is charged on the receivables. The consolidated entity has financial risk management policies in place to ensure that all receivables are received within the credit timeframe.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2010 (CONT'D)

	Consolidated	
	2010	2009
	\$	\$
<b>11. PLANT AND EQUIPMENT</b>		
Plant and equipment - at cost	31,193	31,193
Less: Accumulated depreciation	(30,605)	(25,448)
	<u>588</u>	<u>5,745</u>
Leased assets	46,982	45,735
Less: Accumulated amortisation	(5,403)	(25,726)
	<u>41,579</u>	<u>20,009</u>
	<u><b>42,167</b></u>	<u><b>25,754</b></u>
<b>Plant and Equipment</b>		
	<b>2010</b>	<b>2009</b>
	\$	\$
<i>Reconciliation of carrying value</i>		
Carrying amount at beginning of the year	5,745	113,371
Additions	-	-
Depreciation expense	(5,157)	(24,092)
Disposal of assets	-	(83,534)
<b>Carrying amount at end of the year</b>	<u><b>588</b></u>	<u><b>5,745</b></u>
<b>Leased Assets</b>		
	<b>2010</b>	<b>2009</b>
	\$	\$
<i>Reconciliation of carrying value</i>		
Carrying amount at beginning of the year	20,009	30,299
Additions	46,982	-
Amortisation expense	(10,119)	(10,290)
Disposal of assets	(15,293)	-
<b>Carrying amount at end of the year</b>	<u><b>41,579</b></u>	<u><b>20,009</b></u>
<b>12. INTANGIBLES</b>		
Software - at cost	16,748	16,748
Less accumulated amortisation	(13,755)	(7,533)
	<u><b>2,993</b></u>	<u><b>9,215</b></u>
<i>Movement in carrying value of intangibles</i>		
Opening carrying value	9,215	5,250
Additions	-	9,589
Amortisation expense	(6,222)	(5,624)
Closing carrying value	<u><b>2,993</b></u>	<u><b>9,215</b></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2010 (CONT'D)

	Consolidated	
	2010	2009
	\$	\$
<b>13. FINANCIAL ASSETS</b>		
<u>Financial assets carried at fair value through profit and loss</u>		
<b>Non-Current</b>		
Shares in listed entity	<u>2,946,523</u>	<u>-</u>
<i>Reconciliation of financial assets:</i>		
Balance at the beginning of the year	-	-
Purchase of shares in listed entity	1,690,862	-
Fair value adjustments of shares in listed entity	1,255,661	-
	<u>2,946,523</u>	<u>-</u>
<b>14. OTHER NON-CURRENT ASSETS</b>		
Costs carried forward in respect of areas of interest in exploration and evaluation phase (Note 3.12)	<u>8,176,384</u>	<u>8,001,616</u>
<i>Reconciliation of exploration and evaluation costs</i>		
Balance at beginning of year	8,001,616	7,705,871
Current year expenditure	174,768	295,745
Write-off during the year	-	-
Balance at end of year	<u>8,176,384</u>	<u>8,001,616</u>
Recoverability of the carrying amount of exploration assets is dependent upon the successful exploration and sale of resources.		
Capitalised cost of \$174,768 has been included in cash flows from investing activities in the statement of cash flows.		
<b>15. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Trade Payables <sup>(1)</sup>	11,444	20,261
Amounts payable to:		
- Key management personnel	-	16,500
Sundry payables and accrued expenses	<u>15,000</u>	<u>18,000</u>
	<u><b>26,444</b></u>	<u><b>54,761</b></u>
<sup>(1)</sup> The average credit period on purchases is 30 days. Due to the short term nature of the payables their carrying value is assumed to approximate their fair value. No interest is charged on the trade payables. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2010 (CONT'D)

16. BORROWINGS

Current

Finance lease liabilities - secured <sup>(1)</sup>

	Consolidated	
	2010	2009
	\$	\$
Finance lease liabilities - secured <sup>(1)</sup>	8,766	26,561

Non-Current

Finance lease liabilities - secured <sup>(1)</sup>

Finance lease liabilities - secured <sup>(1)</sup>	41,300	-
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(1) Finance Leases and Hire Purchase Liabilities are secured at amortised cost against the asset.

17. ISSUED CAPITAL

82,800,000 fully paid ordinary shares  
(2009: 82,800,000)

	12,793,414	12,793,414
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Fully paid ordinary shares carry one vote per share and carry the right to dividends. Changes to the corporations' law abolished the authorised capital and par value concept in relation to the Share Capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

	2010		2009	
	No.	\$	No.	\$
(a) Fully paid ordinary shares				
Balance at beginning of financial year	82,800,000	12,793,414	82,800,000	12,806,535
Less: Costs of capital raising	-	-	-	(13,121)
	<u>82,800,000</u>	<u>12,793,414</u>	<u>82,800,000</u>	<u>12,793,414</u>

(b) Terms and Conditions of Issued Capital

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(c) Options

An option entitles the holder to subscribe for one ordinary share in Argo Exploration Limited upon the payment of \$0.20 (20 cents). The options will lapse at 5.00pm (AEST) on 10 December 2010. The options are transferable. The options carry neither rights to dividends nor voting rights.

	2010	2009
	No.	No.
Balance at beginning of the financial year	30,000,000	30,000,000
Granted during the financial year	-	-
Exercised during the financial year	-	-
Lapsed during the financial year	-	-
Balance at end of the financial year	<u>30,000,000</u>	<u>30,000,000</u>

Directors' Options

Options granted to Directors or their nominees are disclosed in the Remuneration Report contained in the Directors' Report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2010 (CONT'D)

18. RESERVES

Option Reserve

The option reserve records items recognised as expenses on valuation of employee share options.

Option Valuation

In accordance with AASB 2, the value of options granted have been independently assessed.

19. DIVIDENDS

There have been no dividends paid or proposed in the 2009 or 2010 financial years.

20. COMMITMENTS FOR EXPENDITURE

Exploration Tenements - Commitments for Expenditure

In order to maintain current rights of tenure to exploration tenements, the Company and consolidated entity are required to outlay rentals and to meet the minimum expenditure requirements of the Mineral Resources Authority. Minimum expenditure commitments may be subject to renegotiation and with approval may otherwise be avoided by sale, farm out or relinquishment. These obligations are not recorded in the financial statements and are payable:

	Consolidated	
	2010	2009
	\$	\$
Not longer than 1 year	-	220,000
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	<u>-</u>	<u>220,000</u>

On 15 July 2010 both Exploration Licences 4164 and 4284 expired and was processed for renewal with the department of Primary Industries and Resources South Australia (PIRSA). As of the date of this report, the Company has not received confirmation from PIRSA in regard to the renewal of the Exploration Licences.

Finance Lease Expenses - Commitments for Expenditure

Finance leases relate to motor vehicles with a term of 3 years. The Group has the option to purchase the motor vehicle for the residual value at the conclusion of the lease agreement.

Not later than one year	12,802	26,676
Later than one year but not later than five years	45,803	-
Later than five years	-	-
Minimum future lease payments	<u>58,605</u>	<u>26,676</u>
Less future finance charges	<u>(8,539)</u>	<u>(115)</u>
	<u>50,066</u>	<u>26,561</u>
Included in the financial statements as:		
Current borrowings	8,766	26,561
Non-current borrowings	<u>41,300</u>	<u>-</u>
	<u>50,066</u>	<u>26,561</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2010 (CONT'D)

### 21. SEGMENT INFORMATION

The Company operated predominately as an explorer for base and precious metals, with the emphasis on copper, gold and uranium mineralisation within Australia.

The Group has adopted AASB 8 Operating Segments with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief decision maker in order to allocate resources to the segment and to assess its performance. The board reviews the Company as a whole in the business segment of mineral exploration within Australia.

Upon the adoption of AASB 8, there has been no change to the reportable segments. The Group has therefore not changed any reporting for the previous corresponding period.

### 22. RELATED PARTY DISCLOSURES

#### Key Management Personnel Compensation

Details of key management personnel compensation are disclosed in the Remuneration Report and Note 8.

#### Transactions with Key Management Personnel

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

#### Transactions with Director Related Entities

There were no transactions with Director related entities during the financial year, other than:

A Director of the Company, Mr Justin Hondris, is also an Executive Director of AIM-listed Pantheon Resources PLC ("Pantheon" AIM Code: PANR). The Company acquired a strategic shareholding in Pantheon and became the largest shareholder during the reporting period. Mr Hondris has been excluded from all decisions, analysis and voting on the acquisition of the investment in Pantheon and will continue to be excluded from decisions in the future. The investment comprised 7 million shares at £0.1325 per share for a total of £927,500.

Mr Justin Hondris currently holds 760,000 ordinary shares in Pantheon Resources Plc, representing a 0.7% holding of Company's issued capital.

#### Transactions with Controlled Entities

During the year, Argo Exploration Limited, in the normal course of business, entered into transactions with its controlled entities, Olympic Resources Limited and Athena Mines Pty Ltd.

### 23. NOTES TO THE STATEMENT OF CASH FLOWS

#### (a) Reconciliation of Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated	
	2010	2009
	\$	\$
Cash and cash equivalents	<u>1,813,529</u>	<u>4,147,244</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2010 (CONT'D)

### 23. NOTES TO THE STATEMENT OF CASH FLOWS (CONT'D)

	Consolidated	
	2010	2009
	\$	\$
<b>(b) Financing Facilities</b>		
The Company has the following credit card facilities:		
Credit Card Facilities	20,000	20,000
Amounts Utilised	<u>(2,398)</u>	<u>(919)</u>
	<u><b>17,602</b></u>	<u><b>19,081</b></u>

At 30 June 2010 the Company has a \$40,000 term deposit in place as a security against these facilities.

#### (c) Reconciliation of Net Profit/(Loss) from ordinary activities after related income tax to net cash flows from operating activities

Profit/(Loss) after related income tax	762,753	(346,128)
Non-cash activities:		
Depreciation and amortisation of non-current assets	21,498	40,006
Loss on sale of plant and equipment	702	13,929
Fair value adjustments for fair value investments through profit and loss	(1,255,661)	-
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/Decrease in assets:		
Trade and other receivables	39,826	193,642
Increase/(Decrease) in liabilities:		
Trade and other payables	<u>(28,317)</u>	<u>(154,408)</u>
Net cash used in operating activities	<u><b>(459,199)</b></u>	<u><b>(252,959)</b></u>

#### (d) Non cash financing and investing activities

During the year the consolidated entity acquired assets via a finance lease agreement for \$46,982.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The consolidated entity's principal financial instruments comprise cash and cash equivalents and shares in listed entities. The main purpose of these financial instruments is to finance the consolidated entity's operations.

The consolidated entity has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations.

The main risks arising from the consolidated entity's financial instruments are cash flow interest rate risk and the price risk of shares held in listed entities. Other minor risks are summarised below. The Board reviews and agrees policies for managing each of these risks.

24.1 Cash flow interest rate risk

The consolidated entity's exposure to the risks of changes in market interest rates relates primarily to the consolidated entity's short-term deposits with a floating interest rate. These financial assets with variable rates expose the consolidated entity to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The consolidated entity does not engage in any hedging or derivative transactions to manage interest rate risk.

The following tables set out the carrying amount by maturity of the consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of these financial instruments. Also included is the effect on profit after tax and equity if interest rates at that date had been 30% higher or lower with all other variables held constant as a sensitivity analysis.

The consolidated entity has not entered into any hedging activities to cover interest rate risk. In regard to its interest rate risk, the consolidated entity continuously analyses its exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Consolidated Entity	Note	Float Interest Rate		Non-Interest Bearing		Total Carrying Amount		Interest Rate Risk Sensitivity						
		2010	2009	2010	2009	2010	2009	-30%	-40%	+30%	+40%			
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$			
<b>Financial Assets</b>														
Cash at bank	23(a)	1,813,529	4,147,244	-	-	1,813,529	4,147,244	(19,913)	(72,991)	19,913	72,991			
Trade and other receivables	10	-	-	26,192	66,018	26,192	66,018	-	-	-	-			
Financial Assets	13	-	-	2,946,523	-	2,946,523	-	-	-	-	-			
<b>Total</b>		<b>1,813,529</b>	<b>4,147,244</b>	<b>2,972,715</b>	<b>66,018</b>	<b>4,786,244</b>	<b>4,213,262</b>	<b>(19,913)</b>	<b>(72,991)</b>	<b>19,913</b>	<b>72,991</b>			
Weighted average interest rate		3.66%	4.40%											
<b>Financial Liabilities</b>														
Trade and other payables	15	-	-	26,444	54,761	26,444	54,761	-	-	-	-			
Borrowings	16	-	-	50,066	26,561	50,066	26,561	-	-	-	-			
<b>Total</b>		<b>-</b>	<b>-</b>	<b>76,510</b>	<b>81,322</b>	<b>76,510</b>	<b>81,322</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>			
Weighted average interest rate		-	-											
<b>Net financial assets/(liabilities)</b>		<b>1,813,529</b>	<b>4,147,244</b>	<b>2,896,205</b>	<b>(15,304)</b>	<b>4,709,734</b>	<b>4,131,940</b>	<b>(19,913)</b>	<b>(72,991)</b>	<b>19,913</b>	<b>72,991</b>			

A sensitivity of 30% has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates. A 30% sensitivity would move short term interest rates at 30 June 2010 from 3.66% to 4.76% representing a 110 basis points shift. This would represent two to three increases which is reasonably possible in the current environment with the bias coming from the Reserve Bank of Australia and confirmed by market expectations that interest rates in Australia are more likely to move up than down in the coming period.

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances is impacted resulting in a decrease or increase in overall income and equity.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2010 (CONT'D)

### 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

#### 24.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to ensure the ability to meet debt requirements. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company aims at maintaining flexibility in funding by having in place operational plans to source further capital as required.

Liquidity risk is measured using liquidity ratios such as working capital as follows:

	Consolidated	
	2010	2009
	\$	\$
Current Assets	1,839,721	4,213,262
Current Liabilities	<u>35,210</u>	<u>81,322</u>
<b>Surplus</b>	<b><u>1,804,511</u></b>	<b><u>4,131,940</u></b>

#### Financial Liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities.

	Consolidated	
	2010	2009
	\$	\$
Contracted maturities of payables for the year ended 30 June 2010:		
Payable:		
- less than 6 months	35,210	54,761
- 6 to 12 months	-	26,561
- 1 to 5 years	41,300	-
- later than 5 years	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>76,510</u></b>	<b><u>81,322</u></b>

#### 24.3 Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for asset or liability that are not based on observable market data (unobservable inputs).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2010 (CONT'D)

### 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

	Note	2010	2010	2010
		\$	\$	\$
		Level 1	Level 2	Level 3
<b>Financial assets carried at fair value through profit and loss</b>				
Shares in listed entities	13	<u>2,946,523</u>	<u>-</u>	<u>-</u>

There were no transfers between Level 1 and 2 in the period.

#### 24.4 Net Fair Value Risk

For financial assets and liabilities, the net fair value approximates their carrying value. The consolidated entity has no financial assets where carrying amount exceeds net fair values at reporting date.

#### 24.5 Credit Risk

Credit risk arises from cash and cash equivalents and outstanding receivables. The cash balances are held in financial institutions with high ratings and the receivables comprise interest receivable and GST input tax credits refundable by the ATO. The Company has assessed that there is minimal risk that the cash and receivables balances are impaired.

The consolidated entity's receivables at reporting date are detailed in Note 10.

The maximum exposure to credit risk on financial assets of the Company which have been recognised in the Statement of financial position is generally the carrying amount.

#### 24.6 Capital Risk Management

When managing capital, management's objectives are to ensure the Company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also maintains a capital structure that ensures the lowest cost of capital available to the Company.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, enter into joint ventures or sell shares.

The Company does not have a defined share buy-back plan.

No dividends were paid in 2009 and no dividends are expected to be paid in 2010.

There is no current intention to incur debt funding on behalf of the Company as on-going exploration expenditure will be funded via equity or joint ventures with other companies.

The consolidated entity is not subject to any externally imposed capital requirements.

Management reviews management accounts on a monthly basis and reviews actual expenditure against budget on a quarterly basis.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2010 (CONT'D)

### 25. EARNINGS PER SHARE

	2010 Cents Per Share	2009 Cents Per Share
<b>Basic earnings Profit/(Loss) per share</b>	<u>0.92</u>	<u>(0.42)</u>
<b>Diluted earnings Profit/(Loss) per share</b>	<u>0.92</u>	<u>(0.42)</u>

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	2010 \$	2009 \$
Earnings (i)	<u>762,753</u>	<u>(346,128)</u>
	2010 No	2009 No
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<u>82,800,000</u>	<u>82,800,000</u>
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	<u>82,800,000</u>	<u>82,800,000</u>

(i) Earnings are the same as profit after tax in the statement of comprehensive income.

### Diluted Earnings Per Share

The rights to options held by option holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The rights to options are non-dilutive as the exercise price was significantly higher than the Company's share price as at 30 June 2010.

### 26. SUBSIDIARIES

Name of Entity	Country of Incorporation	Ownership Interest	
		2010 %	2009 %
<u>Parent Entity</u>			
Argo Exploration Limited	Australia		
<u>Subsidiaries</u>			
Olympic Resources Limited <sup>(1)</sup>	Australia	100	100
Athena Mines Limited	Australia	100	100

<sup>(1)</sup> This wholly-owned subsidiary has entered into a deed of cross guarantee with Argo Exploration Limited pursuant to ASIC Class Order 98/1418 and is relieved from the requirements to prepare and lodge an audited financial report. The deed of cross guarantee was signed on 1 June 2009.

### 27. CONTINGENT LIABILITIES

The Company does not have any contingent liabilities as at 30 June 2010.

### 28. AFTER REPORTING DATE EVENTS

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2010 (CONT'D)

### 29. PARENT ENTITY INFORMATION

	2010 \$	2009 \$
Current assets	1,839,620	4,213,161
Non-current assets	11,689,967	8,558,485
<b>Total assets</b>	<u>13,529,587</u>	<u>12,771,646</u>
Current liabilities	427,445	473,557
Non-current liabilities	41,300	-
<b>Total liabilities</b>	<u>468,745</u>	<u>473,557</u>
Issued capital	12,793,414	12,793,414
Options reserve	331,500	331,500
Retained earnings	(64,072)	(826,825)
<b>Total Shareholders' equity</b>	<u>13,060,842</u>	<u>12,298,089</u>
Profit/(Loss) for the year	762,753	(346,128)
Total comprehensive income for the year	762,753	(346,128)

Argo Exploration Limited has provided a deed of cross guarantee under Class Order 98/1418 made by ASIC to Olympic Resources Limited as per the signed deed between the two entities dated 1 June 2009.

The consolidated disclosures made in relation to guarantees, contingent liabilities and capital commitments all relate to the parent, and therefore it is not necessary to disclose them separately.

## ADDITIONAL SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 1 September 2010.

### 1. Distribution of Shareholders

(a) Analysis of number of shareholders by size of holding.

Category of holding	Holders	Number of Shares	% of Capital
1 - 1,000	14	6,815	0.01%
1,001 - 5,000	105	327,277	0.40%
5,001 - 10,000	151	1,346,574	1.63%
10,001 - 100,000	413	16,471,590	19.89%
100,001 and over	131	64,647,744	77.07%
<b>Total</b>	<b>814</b>	<b>82,800,000</b>	<b>100.00%</b>

(b) There are 274 shareholders with less than a marketable parcel of ordinary shares.

### 2. Twenty Largest Shareholders

The names of the twenty largest holders by account holding of ordinary shares are listed below:

SHAREHOLDER	HOLDING	%
Mr H Herbert	7,000,000	8.45%
Citicorp Nominees Pty Limited	5,640,343	6.81%
Roxtrus Pty Ltd	4,250,000	5.13%
Saturn Investments	4,250,000	5.13%
Cornwall Development Corporation	3,400,000	4.11%
CIMB Securities Pte Ltd	2,200,000	2.66%
Eiroz Investment Corporation	1,634,426	1.97%
Dr Robert J Hafner <Superannuation A/C>	1,497,500	1.81%
Mr C Pyser & Mr M Danson	1,301,667	1.57%
Ronay Investments Pty Ltd	1,222,900	1.48%
Mr S B Hutton & Mrs G Hutton <Hutton Retirement Fund A/C>	1,000,000	1.21%
Mr Paul W Henderson	996,266	1.20%
Mr Andrew C Della-Sale & Mrs Hayley K Della-Sale	963,053	1.16%
Allua Holdings Pty Ltd	821,888	0.99%
Abbawood Nominees Pty Limited	800,000	0.97%
Bushline Pty Ltd <Hutton Family A/C>	800,000	0.97%
Mr Francesco Cusamo	700,000	0.85%
Mrs Cynthia A Lewis	595,000	0.72%
Mr J I Stewart	590,401	0.71%
Clodene Pty Ltd	570,000	0.69%
<b>TOTAL</b>	<b>40,233,444</b>	<b>48.59%</b>

## ADDITIONAL SHAREHOLDER INFORMATION (CONT'D)

### 3. Restricted Securities

The Company did not have any restricted securities during the financial year.

### 4. Substantial Shareholders

As at 1 September 2010 the substantial shareholders were as follows:

Name of Shareholder	No of Shares	% of Issued Capital
Mr H Herbert	7,000,000	8.45%
Citicorp Nominees Pty Limited	5,640,343	6.81%
Roxtrus Pty Ltd	4,250,000	5.13%
Saturn Investments	4,250,000	5.13%

### 5. Voting Rights

At a general meeting of shareholders:

- (a) On a show of hands, each person who is a member or sole proxy has one vote.
- (b) On a poll, each shareholder is entitled to one vote for each fully paid share.

## CORPORATE GOVERNANCE STATEMENT

The directors of Argo Exploration Limited believe firmly that benefits will flow from the maintenance of the highest possible standards of corporate governance. A description of the Company's main corporate governance practices is set out below. The Company has adopted the 2<sup>nd</sup> Edition of the "Corporate Governance Principals and Recommendations of the ASX Corporate Governance Council" issued by the ASX Corporate Governance Council in August 2007.

Principal No	Best Practice Recommendation	Compliance	Reason for Non-compliance
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The board has adopted a formal charter setting out the responsibilities of the Board. This charter can be accessed at <a href="http://www.argoexploration.com.au">www.argoexploration.com.au</a> . Any functions not reserved for the Board and not expressly reserved for members by the Corporations Act and ASX Listing Rules are reserved for senior executives.	The consolidated entity complies.
1.2	Disclose the process for evaluating the performance of senior executives.	The Board meets annually to review the performance of executives. The senior executives' performance is assessed against the performance of the company as a whole.	The consolidated entity complies.
1.3	Provide the information indicated in the Guide to reporting on Principal 1.	A performance evaluation has been completed during the reporting period in accordance with the process detailed in 1.2 above.	The consolidated entity complies.
2.1	A majority of the Board should be independent of directors.	Currently the Board has one independent Director and two non-independent Directors.	Due to the Company's size and its specialised operations, the Board considers that a majority of Independent Directors is not currently warranted. As the Company's activities expand, this policy will be reviewed, with a view to aligning the Company's policies to conformity with this recommendation. The Board recognises that Directors remain in office for the benefit of and are accountable to shareholders and that shareholders have the voting power to elect members to the Board regardless of their standing, independent or otherwise.
2.2	The chair should be an independent director.	The Chairman, Dr Hugh Herbert, is not independent.	Whilst the Board recognises that it is desirable for the Chairman to be an Independent Director, the Company's current size dictates that this is the most efficient mode of operation at the current time. The Board will review the appointment of

## CORPORATE GOVERNANCE STATEMENT (CONT'D)

2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	As noted, Dr Hugh Herbert is the Managing Director and the Company Chairman.	an Independent Chairperson should the Company's size and growth warrant this. For similar reasons expressed in relation to recommendation 2.2, the existing arrangement is the most efficient mode of operation at the current time for the Company's size. The Board will review the appointment of a separate Chairperson should the Company's size and growth warrant this.
2.4	The board should establish a nomination committee.	The board does not have a nomination committee.	It is not a company policy to have a nomination committee, given the size and scale of Argo Exploration Limited. The role of a nomination committee is carried out by the full Board. The full board considers the appointment of new directors, on an informal basis. The Board's policy for the appointment of new directors to the Board can be accessed at <a href="http://www.argoexploration.com.au">www.argoexploration.com.au</a> .
2.5	Disclose the process for evaluating the performance of the board, its committee and individual directors.	The performance evaluation of board members occurs by way of an informal review by the full board (in the absence of the relevant Board member)	The consolidated entity complies.
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	The skills, experience and expertise relevant to the position held by each director is disclosed in the Directors' Report which forms part of the Annual Report. The name of the Independent Directors are disclosed in the Annual Report. The directors are entitled to take independent professional advice at the expense of the company. The period of office held by each director is disclosed in the Directors' Report which forms part of this Annual Report.	The consolidated entity complies.
3.1	Establish a code of conduct and disclose the code for a summary of the code as to: <ul style="list-style-type: none"> <li>the practise necessary to maintain confidence in the Company's integrity;</li> </ul>	The Company has adopted a Board Code of Conduct and a Company Code of Conduct, both of which can be accessed at <a href="http://www.argoexploration.com.au">www.argoexploration.com.au</a>	The consolidated entity complies.

## CORPORATE GOVERNANCE STATEMENT (CONT'D)

	<ul style="list-style-type: none"> <li>the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;</li> <li>the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>		
3.2	Establish a policy concerning trading in Company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	The Company has adopted a Trading Policy which can be accessed at <a href="http://www.argoexploration.com.au">www.argoexploration.com.au</a> .	The consolidated entity complies.
3.3	Provide the information indicated in the Guide to reporting on Principle 3.	The information has been disclosed in the Annual Report.	The consolidated entity complies.
4.1	The board should establish an audit committee.	The company has established an Audit Committee.	The consolidated entity complies.
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>consists only of non-executive directors;</li> <li>consists of a majority of independent directors;</li> <li>is chaired by an independent chair, who is not chair of the board;</li> <li>has at least three members</li> </ul>	The Audit Committee has three members, consisting of the independent directors and the company secretary, Justin Hondris, Meredith Bird and Melanie Leydin.  The Audit Committee is chaired by Justin Hondris.	The consolidated entity complies.
4.3	The audit committee should have a formal charter.	The formal charter can be accessed at <a href="http://www.argoexploration.com.au">www.argoexploration.com.au</a> .	The consolidated entity complies.
4.4	Provide the information in the Guide to reporting on Principle 4.	The names of the members of the Audit Committee are disclosed above. The qualifications of the members of the Audit Committee are disclosed in the Directors' Report which forms part of this Annual Report. The audit committee will meet twice in each year, before sign off of the annual and half year financial statements. The external auditor, Grant Thornton Audit Pty Ltd, has a rotation policy such that lead partners are rotated every 5 years and review partners are rotated every 5 years.	The consolidated entity complies.

## CORPORATE GOVERNANCE STATEMENT (CONT'D)

5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has adopted a Disclosure Policy which can be accessed at <a href="http://www.argoexploration.com.au">www.argoexploration.com.au</a>	The consolidated entity complies.
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	The information has been disclosed in the Annual Report.	The consolidated entity complies.
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	The Company has adopted a Shareholder Communications Policy which can be accessed at <a href="http://www.argoexploration.com.au">www.argoexploration.com.au</a> .	The consolidated entity complies.
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	The information has been disclosed in the Annual Report	The consolidated entity complies.
7.1	Establish policies for the oversight and management of material business risk and disclose a summary of those policies.	The Company has adopted Risk Management Policy which can be accessed at <a href="http://www.argoexploration.com.au">www.argoexploration.com.au</a> . This policy outlines the material risks face by the Company as identified by the Board. Given the size and scale of Argo Exploration Limited it does not have a Risk sub-committee or Internal Audit function.	The consolidated entity complies.
7.2	The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	The Board believes the risk management and internal control systems designed and implemented by the Directors and the Financial Officer are adequate given the size and nature of the company's activities. The board informally reviews and requests management to report on risk management and internal control.	Management has not formal reported to the board as to the effectiveness of the Company's management of material business risks. Given the nature and size of the Company and the Board's ultimate responsibility to manage the risks of the Company this is not considered critical. The Company intends to develop the risk reporting framework into a detailed policy as its operations continue to grow.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial office (or equivalent)	The Board receives assurance from Dr Hugh Herbert (Managing Director) and the chief financial officer in the form of a declaration, prior to approving financial statements.	The consolidated entity complies.

## CORPORATE GOVERNANCE STATEMENT (CONT'D)

that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	The information has been disclosed in the Annual Report.	The consolidated entity complies.
8.1	The board should establish a remuneration committee.	The company does not have an established remuneration committee.	It is not a company policy to have a nomination committee, given the size and scale of Argo Exploration Limited. The role of a nomination committee is carried out by the full Board. The full board considers the appointment of new directors, on an informal basis. The Board's policy for the appointment of new directors to the Board can be accessed at <a href="http://www.argoexploration.com.au">www.argoexploration.com.au</a> .
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The structure of non-executive directors' remuneration is clearly distinguished from that of executive directors and senior executives, as described in the Directors' Report which forms part of this Annual Report.	The consolidated entity complies.
8.3	Companies should provide the information indicated in the guide to reporting on Principle 8.	The information has been disclosed in the Annual Report.	The consolidated entity complies.



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