

SEPTEMBER 2010 QUARTERLY REPORT

ABOUT ARGO EXPLORATION LTD

Argo Exploration Limited ('Argo') (ASX Code 'AXT') is a junior exploration company searching for iron oxide copper-gold, gold, uranium and base metal deposits in Prospective locations of the Gawler Craton, South Australia. Argo is a focused explorer searching for world-class ore deposits within two key project areas, namely Intercept Hill and Toondulya.

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SUMMARY OF ACTIVITY

KEY POINTS:

Intercept Hill (EL4164)

Argo – Xstrata Copper Joint Venture

- Magnetotelluric (MT) Survey over Emmie North Prospect in progress.
- *Native Title Mining Agreement for Exploration* between Athena Mines Pty Ltd (100% owned by Argo) and Kokatha Uwankara Native Title Claimants executed.
- Native Title clearance survey team of 3 members selected for clearance of alternative drill site to that previously cleared at Oak Dam South Prospect.
- Native Title clearance survey team of 8 members selected for clearance of up to 19 drill sites at Oak Dam South, Canegrass South and Winjabbie East Prospects.
- 3-D modeling of Argo's detailed gravity and aeromagnetic data by Xstrata Copper Exploration Pty Ltd has refined a number of drill targets. Regional 3-D modeling within EL4164 is continuing.
- Re-logging of all Argo drill holes by geologists from Xstrata Copper completed.
- Semi-quantitative (HyLogger™) mineral analysis of iron oxide-altered basement intersections, together with selected cover sequence intervals, of Argo drill cores from Emmie North, Winjabbie East and Canegrass North Prospects, is continuing at Primary Industries and Resources South Australia (PIRSA).

Toondulya (EL4284)

- EL4284 renewed until 14th July 2011 with minimum statutory expenditure being \$140,000.

INTERCEPT HILL EL4164

Magnetotelluric (MT) Survey

Magnetotellurics (MT) is a geophysical method that measures naturally occurring, time-varying magnetic and electric fields within the earth's crust which can be used to determine the electrical structure of the earth with little environmental impact and cost. These measurements allow assessment of resistivity in the shallow subsurface to thousands of meters depth.

A magnetotelluric survey over the contiguous, fertile Emmie North-Emmie Bluff iron oxide alteration system was proposed and commissioned by Xstrata Copper Exploration in August 2010. This Survey covers ground in EL4164 (Argo Exploration) and the adjoining EL4187 (Gunson Resources). The design parameters are 500m spaced stations on 1000m spaced SW-NE trending Lines (Table 1; Fig. 1). The EL4164 component of the survey comprises 35 stations for 21.8 line kilometers.

Line No.	Western End	Eastern End	Length (m)
Line 1	700080E: 6557250N	704600E: 6560390N	5500
Line 2	698880E: 6555090N	705390E: 6559750N	8000
Line 3	699630E: 6554260N	706160E: 6558900N	8000
Line 4	700200E: 6553480N	706720E: 6558120N	8000

Table 1: Start and end coordinates for lines covering EL4164. Note line lengths include portions within EL4187.

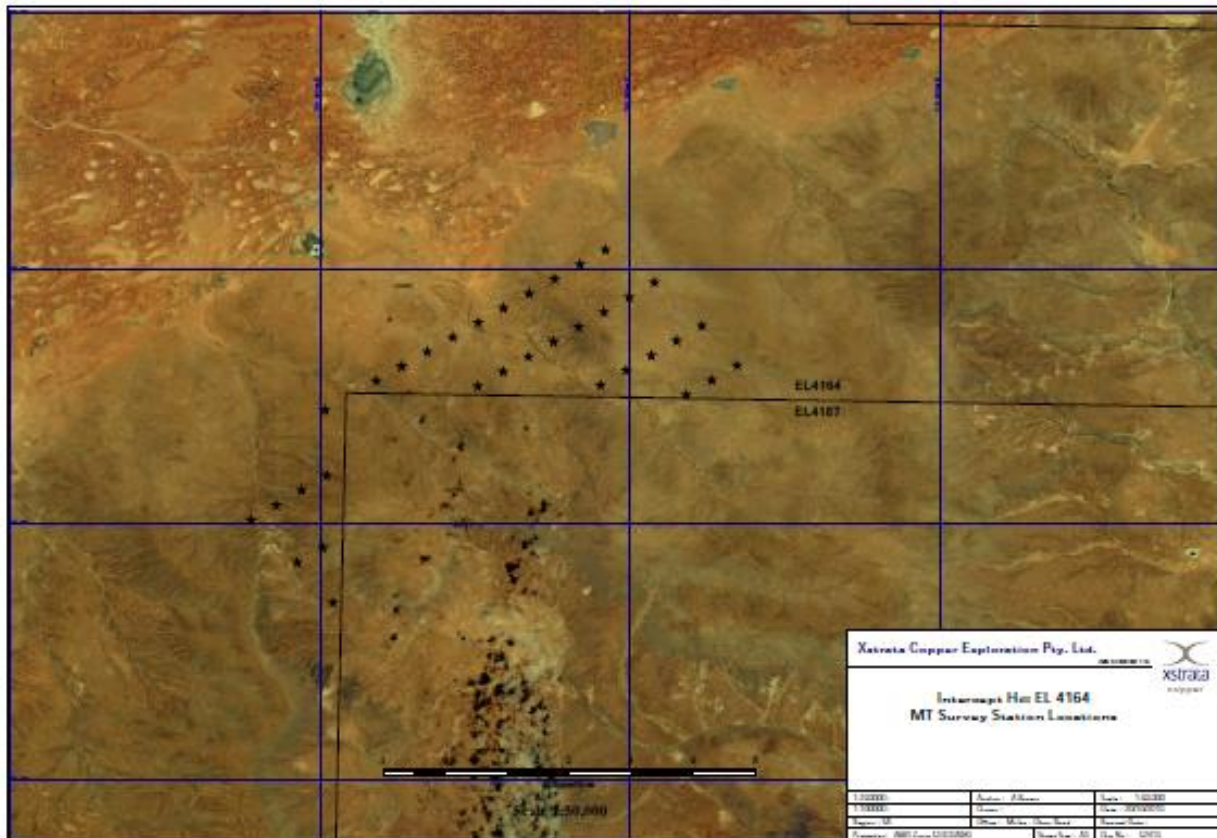


Figure 1: Plan map of the MT station locations for EL4164 on satellite imagery.

Given that the +850 meter target depth of the fertile Emmie Bluff-Emmie North IOCG has been shown to be generally beyond the limits of resolution of Time Domain Transient Electromagnetic (TEM) surveys, Xstrata Copper initiated an MT survey designed to delineate possible zones of higher conductivity (lower resistivity) within the IOCG system at depths well in excess of 1,500 meters.

Quantec Geoscience Pty Ltd. was contracted to carry out the survey. Equipment testing, setting up of the remote base station sensor and wet weather prevented the commencement of the survey until mid-October. Subsequent rain events have further delayed the survey. However, as of the afternoon of 19th October, a total of 21 stations have been completed with most being within EL4164.

The crew is progressing at approximately 7 stations per day. Due to the disposition of the survey lines, the stations on EL4164 will not all be completed ahead of those on EL4187. At the current rate of production, and assuming no further rain delays, the final stations on EL4164 should be completed by the months end.

Low frequency (generally less than 1 Hertz) MT signals are caused by the interaction of the solar wind with the earth's magnetic field while higher frequency signals (greater than 1 Hertz) are created by world-wide thunderstorms. As solar storms emit streams of ions, this energy disturbs the earth's magnetic field and causes low-frequency energy to penetrate the earth's crust while the energy created by electrical storms travels around the earth with a component of the energy penetrating into the earth. Both of these sources of signal create time-varying electromagnetic waves that can be measured.

The main parameter that is derived from MT is resistivity and the main factor affecting resistivity is lithology. Normally, between two and six stations are acquired simultaneously. Each station is independent of the others. At each MT station, five measurements (channels) are recorded. They are the magnetic field in two horizontal directions and in the vertical direction, and the electric field in two horizontal directions. Hence, ten to thirty channels are recorded at one time.

The magnetic fields are measured with a type of magnetometer while the electric fields are measured with long dipoles, usually wires. The ends of the wires are connected to "pots" with a porous ceramic base filled with an electrolyte solution. The pots are buried several centimetres in the ground and measure the voltage drop along the dipole length. The "magnetometer" coils and electric-field dipoles are all connected to "sensor" boxes where filtering and amplification of the signals take place.

The data are then sent to a computer where they are digitized and recorded on digital media. The electric and magnetic fields are measured as a function of time. The data are synchronized with GPS signals. This is important because, as two or more stations are recorded at one time, these data can be compared with each other for noise. This "remote referencing" allows the data at one station to be compared to data at another station, recorded at exactly the same time, and compared for coherency. Any non-coherent data are rejected and considered as noise greatly improving data quality. Recording at each station takes 6-18 hours, depending on signal strength and survey parameters.

Native Title Mining Agreement for Exploration

Athena Mines Pty Ltd (100% owned by Argo), as the registered holder of the Company's South Australian exploration assets, had previously executed Work Area Clearance Agreements with the Kokatha and Barngarla Native Title Claimant groups in relation to the area embodying EL4164 (EL3084). However, the Kokatha and Barngarla withdrew their respective competing claims August 2009 in favour of a unified claim (SAD90/2009) by the Kokatha Uwankara people, thereby rendering the existing Agreements with Athena void. Athena Mines Pty Ltd has now executed a new Native Title Mining Agreement for Exploration with the Kokatha Uwankara Native Title Claimants. The Agreement, which governs the relationship between the Company and the Native Title Claimants, will be registered with Primary Industries and Resources SA (PIRSA).

Alternative Drill Site Clearance, Oak Dam South Prospect

As previously reported the KokathaUwankara Native Title Claimant group generously endorsed all undrilled drill sites, previously cleared within EL4164 by the prior claimants, including a site at Oak Dam South Prospect. However, subsequent 3-D modeling of the Company's detailed gravity and electromagnetic data by Xstrata Copper has refined the geometry of the Oak Dam South target with the result that the currently cleared drill site is no longer the preferred location for the first hole to be drilled, with PACE funding support, under the Argo-Xstrata Copper Joint Venture. Accordingly, an alternative site has been selected which now requires cultural heritage clearance.

In this connection, the Kokatha Uwankara Claimants have generously agreed to a "low-level" clearance of an alternative site by three representatives (plus company personnel) and the timing of this clearance is currently being finalized.

Drill Site Clearance, Oak Dam South, Canegrass South and Winjabbie East Prospects

As part of the ongoing 3-D modeling of gravity and aeromagnetic data, Xstrata Copper has currently identified three significant residual gravity basement anomalies at Oak Dam South, Canegrass South and Winjabbie East Prospects. Accordingly, Athena has lodged a formal request with the Native Title Claimants for cultural heritage clearance surveys in all three areas and advice has been received that a survey team comprising eight members has been elected for the purpose. The timing of this clearance survey is currently being finalized and it may be possible to coordinate this survey with the Oak Dam South Prospect alternative site clearance referred to above.

In addition to the alternative Phase 1 site at Oak Dam South, a Phase 1 drill site clearance at Canegrass South, and at Winjabbie East, have been requested, with two alternate sites proposed at Canegrass South Prospect should the preferred site not be approved.

A further fifteen Phase 2 sites will be presented for clearance, six at Oak Dam South, five at Canegrass South and four at Winjabbie East. It is unlikely that all sites will be cleared.

TOONDULYA EL4284

A Memorandum of Renewal of Term of Exploration Licence No. 4284, dated 27th September 2010, has been received and accepted on 4th October 2010. The Licence is current through to 15 July 2011 and carries with it minimum statutory expenditure commitments of \$140,000.

Mobilization to the tenement to conduct planned orientation biogeochemical surveying, together with soil and lag sampling, was further delayed during the Quarter due to a number of rain events affecting access to the area. The objective of the orientation survey is to evaluate the efficacy of alternative sample media to calcrete for geochemical assessment of dune covered areas comprising the bulk of EL4284 as a prelude to more exhaustive geochemical sampling.

PANTHEON RESOURCES PLC *(Argo principal shareholder)*

Pantheon has been informed by the operator, Vision Resources LLC ("Vision"), that the drilling of the Kara Farms #1H ("KF#1H") well (formerly referred to as the Vision William Baggett #1 well) has been further delayed due to the continued tight market for drilling which has led to the lack of availability of a suitable specialised rig. Vision has options on a number of rigs that meet the specific requirements of the planned well, but the timing of their availability to Vision is subject to their release by current operators. Currently, it is anticipated that the well will spud mid to late November 2010.

Progress has been made to ensure that drilling operations will proceed quickly upon a rig becoming available to the Joint Venture ("JV"). The chosen drilling location for KF#1H has been readied with necessary specialist piping in place and site survey and preparation completed.

The JV continues to be active in building its acreage portfolio in the region, which remains an on-going process. This has led to the addition of material acreage which Pantheon considers to be of strategic importance.

The KF#1H well is designed to test two separate and independent formations, with the Austin Chalk as the main target and an exploration play at a deeper level. According to the JV partners, either of these targets on its own merits would justify drilling a well. The ability, therefore, to test both with a single well, at a modest incremental cost, is considered compelling both from a geological and economic standpoint.

The choice of location of the KF#1H well has been enhanced by the results from the VRU#1 well, which confirmed the existence both of the main Austin Chalk target and the petroleum system. The well location also benefits from the proximity of an existing pre-farm in well. Data obtained from this previous well contributed to the identification of the second, separate high potential target to be investigated by the KF#1H well.

Mr Jay Cheatham, CEO of Pantheon, stated: "Shareholders will undoubtedly share Pantheon's frustration at this unavoidable delay to the drilling of a key well for the company. It is a disappointment made more acute as recent work on both targets has enhanced our expectations and given us further confidence in the entire Tyler County play. I am extremely positive about the well's potential. Success in the well would have a major impact on the value of our company."

As the major shareholder in Pantheon, Argo endorses Pantheon's frustration but notes that commencement of the KF#1H well is anticipated in the near term and that success with the well may be expected to add significant material value to Argo's shareholders.

CORPORATE

Cash reserves at the end of the September 2010 Quarter stood at \$1,676,500, with no secured debt. The value of the Pantheon Resources Plc investment stood at \$2, 812,397 at an exchange rate of 0.6098.

The Board continues to examine quality commercial opportunities to expand its exploration/development portfolio.

CORPORATE DIRECTORY

Board of Directors

Hugh Herbert Chairman & MD
Meredith Bird Non-Executive Director
Justin Hondris Non-Executive Director

Company Secretary

Melanie Leydin

Issued Share Capital

Argo Exploration Ltd has 82,800,000 ordinary shares currently on issue.

In addition, there are 30 million options issued to cornerstone investors, directors and employees with an expiry date of 10 December 2010. The options are exercisable at \$0.20.

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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.

Quarterly Share Price Activity

	High	Low	Last
Sept 2009	\$0.053	\$0.030	\$0.053
Dec 2009	\$0.080	\$0.045	\$0.052
Mar 2010	\$0.115	\$0.040	\$0.065
Jun 2010	\$0.050	\$0.034	\$0.034
Sept 2010	\$0.080	\$0.034	\$0.065

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