

ARGO EXPLORATION LIMITED
ABN 38 120 917 535

Financial Report
for the half-year ended 31 December 2009

ARGO EXPLORATION LIMITED
ABN 38 120 917 535

CORPORATE DIRECTORY

Board of Directors

H K Herbert
J G Hondris
M A Bird

Company Secretary

M J Leydin

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Place of Business

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Auditor

Grant Thornton Audit Pty Ltd
Chartered Accountants
Level 2, 215 Spring Street
Melbourne Victoria 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 Shares: AXT

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DIRECTORS' REPORT

The Directors of Argo Exploration Limited submit herewith the financial report for the half-year ended 31 December 2009. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

The names of the Company's Directors in office during or since the end of the half-year are:

Name

Dr Hugh K. Herbert	Chairman and Managing Director
Mr James I. Stewart	Technical Director (resigned 1 July 2009)
Mr Justin G. Hondris	Non-executive Director
Ms Meredith A. Bird	Non-executive Director

REVIEW OF OPERATIONS

Corporate

The consolidated net profit after income tax for the half year was \$844,282 inclusive of a gain of \$1,131,212 on revaluation of financial assets at fair value through profit and loss (2008: loss of \$128,797).

Cash reserves at end of December 2009 stood at \$2,145,822 with no secured debt.

Operations

With perceived improvement in the global economic outlook, the Company re-engaged with exploration of its South Australia assets during the December Half. In addition, the Company concluded a £925K (~\$1.691 million) investment mid-December in AIM-listed Pantheon Resources Plc generating an unrealized gain on investment, as at 31 December 2009, of ~\$1.131 million.

INTERCEPT HILL EL4164

Adelaide-based Solo Geophysics and Co. were contracted to conduct down-hole time domain transient electromagnetic (TEM) surveys of all Argo drill holes intersecting basement with the objective of establishing potential off-hole conductors and, hence, electrical vectors towards zones of inferred higher alteration and sulphide content. Unfortunately, however, the dummy probe was lost in the first hole to be surveyed with the result that the down-hole program was abandoned in favour of surface soundings using moving loop techniques at three localities – Emmie North, Winjabbie East and Canegrass prospects (Fig. 1). The current survey work was completed during December.

DIRECTORS' REPORT (CONT'D)

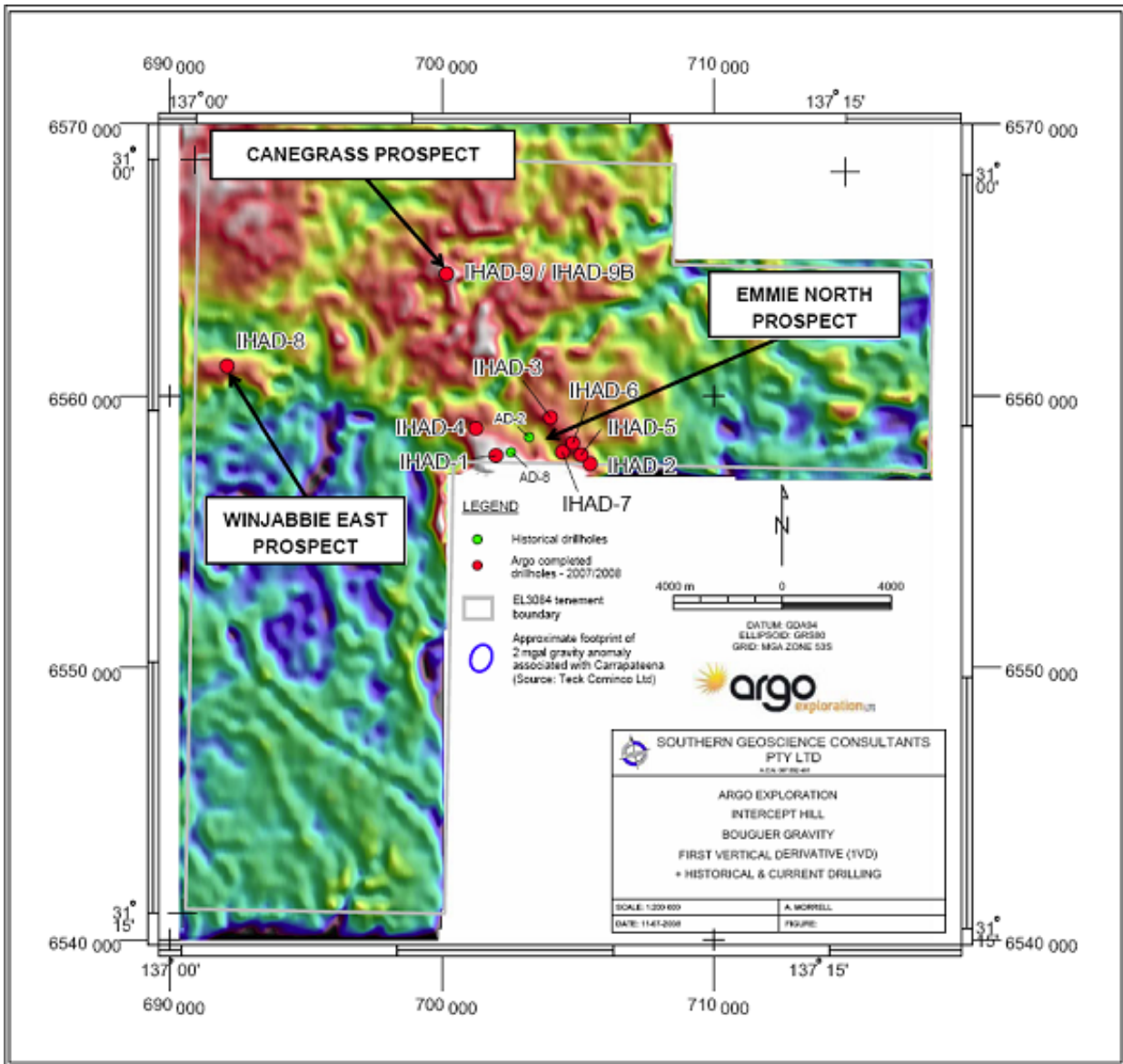


Figure 1: First vertical derivative of Argo's gravity data showing prospect locations and the sites of Argo's diamond drill holes.

Transient Electromagnetic (TEM) Surveying

At Emmie North Prospect, preliminary TEM data indicates a north-west-trending conductive zone (Fig. 2), open to the north-west and untested by Argo drilling, which appears to be contiguous with a north-west conductive zone reported by Gunson Resources Limited in their December Quarterly report to ASX.

DIRECTORS' REPORT (CONT'D)

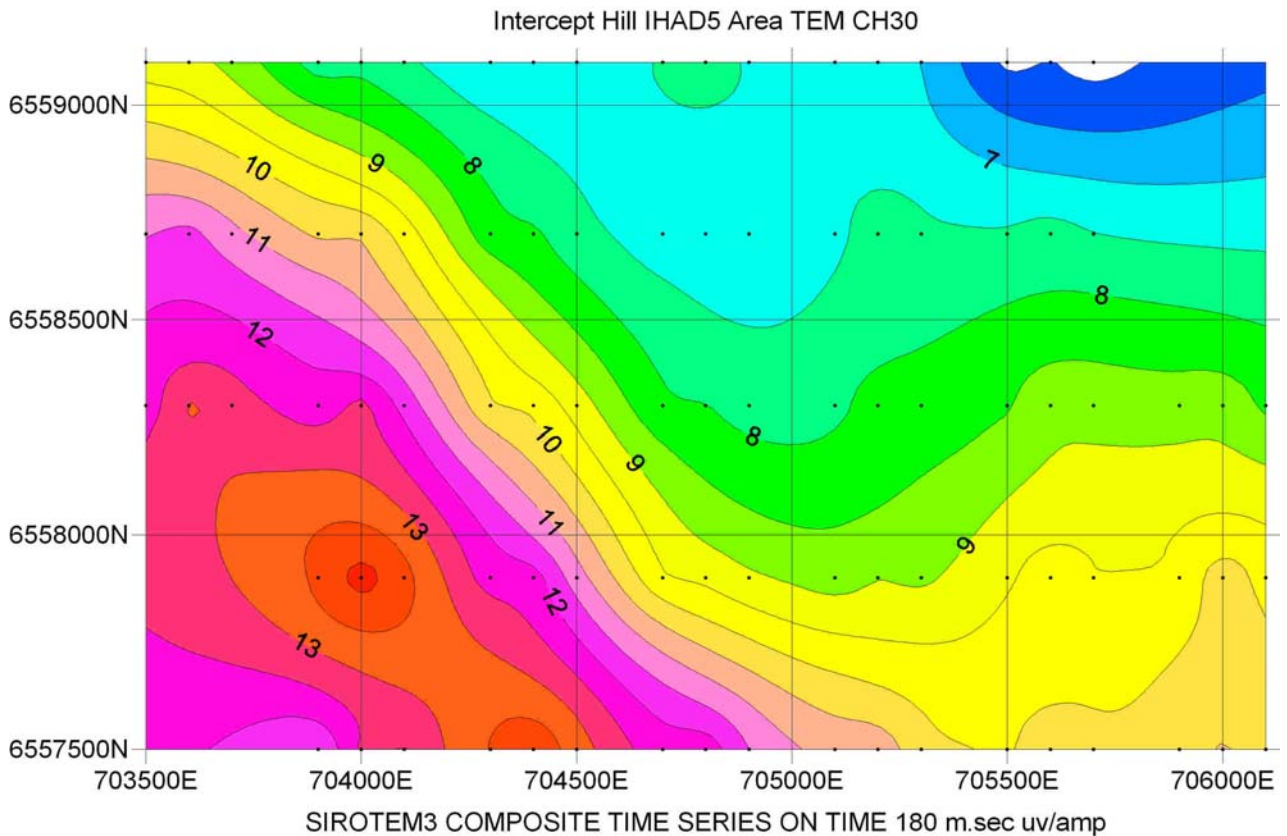


Figure 2: North-west-trending conductive zone within surveyed area contiguous with north-west-trending conductor reported by Gunson Resources Ltd in their December Quarterly Report to ASX. Zone is open to north-west and depicts Channel 30.

Preliminary TEM data from Canegrass Prospect illustrates an unconstrained strong gradient and requires significantly more surveying to close out (Fig. 3). Data from Winjabbie East are unimpressive.

All current TEM survey data, together with the Company's prior reported detailed gravity and aeromagnetic survey data has been passed to consulting geophysicist, James E. Hanneson for full processing and proprietary reprocessing, integration and modeling with the objective of identifying further high priority drill targets. Results are expected during March 2010.

Semi-quantitative Mineral Analysis

The Company also contracted PIRSA to carry out semi-quantitative hyperspectral scanning on several of its diamond drill cores. Attention was initially focused on mineralized and iron oxide altered basement intervals, but has been extended to include continuous intervals from mineralized Tapley Hill Formation trough to basement in those holes intersecting Tapley Hill Formation. Drill core preparation and presentation for scanning was contracted to Adelaide-based Challenger Geological Services. The objective is to establish potential mineralogical vectors towards ore accumulations. This work is progressing well and data for diamond drill holes IHAD1 and IHAD4 have been received.

DIRECTORS' REPORT (CONT'D)

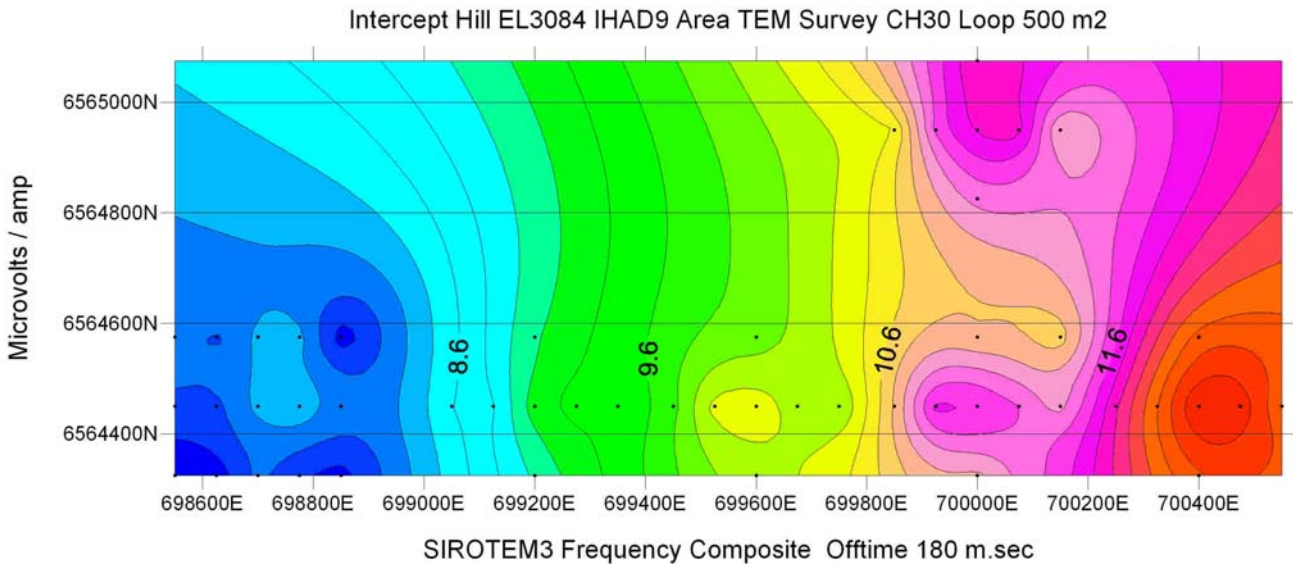


Figure 3: Unconstrained TEM gradient, Channel 30, at Canegrass Prospect. Further surveying is required to close out the zone of enhanced conductivity.

Concurrent, innovative 3-D modeling of gravity and magnetic data is in progress. This latest round of modeling is proving positive in delineating a number of high quality residual gravity features worthy of drilling.

TOONDULYA EL4284

A previously defined ~5ppm silver-in-calcrete anomaly was followed up and found to be spurious, representing an analytical train in the original data set.

Adelaide-based consulting geophysicist, James E. Hannerson has been engaged to re-interpret the Company's detailed gravity and aeromagnetic data with the objective of providing further insight into the possible source of a prominent circular to elliptical gravity/residual gravity feature in the north-west sector of the Exploration Licence with which the Toondulya gold- and related annular arsenic-in-calcrete anomalies are spatially associated. Results are expected in March.

EXPLORATION FUNDING

Drilling by Argo at Emmie North Prospect successfully located an extensive, unconstrained copper-gold mineralized iron oxide (IOCG) alteration system at depths >850 meters. This system is, in part, overlain by flat-lying, stratabound 'Kupferschiefer-style' copper-silver-cobalt ± zinc-lead mineralization at ~400 meters depth. Both the IOCG and Kupferschiefer-style packages are considered to be contiguous with comparable mineralization/alteration systems at Emmie Bluff, centered some 2.5 km to the south of Argo's tenement boundary within the bordering Gunson Resources/Noranda Joint Venture acreage. Hence, the unconstrained IOCG alteration zone, and stratabound mineralization, appears to be well over 5km long and delineation of the mineralization/alteration packages on Argo's tenement represents a major technical success.

The Emmie North Prospect has been independently assessed by an expert in IOCG deposits as possessing all essential ingredients necessary to host a commercial deposit. This is fundamentally different from saying that a commercial deposit exists but the potential of commercial discovery has been greatly enhanced – discovery of a fertile IOCG alteration system is a necessary precursor to potential discovery of an IOCG ore body and this may only be achieved through additional drilling.

Relative to the unconstrained indicated volume of IOCG altered rock involved, an economic deposit, if present, is anticipated to comprise perhaps a few percent, at best, by volume. The geometry of any economic mineral accumulation will greatly influence the likely number of additional holes required for its initial location,

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that is, whether it is tabular horizontal, tabular vertical or steeply dipping, a mantle about magnetite-rich protore, pipe-like and so forth and this may involve a large number of drill holes. Argo has completed 10 diamond drill holes, totaling 10,202 meters (7 holes at Emmie North Prospect) within its Intercept Hill Project without intersecting an economic mineral accumulation and there is a limit, in the absence of additional resourcing, to the extent to which our 'big company' exploration can be carried out on a 'junior company's' budget without compromising the Company's liquidity.

While targeting the iron oxide alteration package is relatively straight forward, using differential gross residual gravity and magnetic responses, targeting volumetrically 'small' features likely to represent ore-grade sulphide accumulations within the iron oxide alteration package is a number of orders more difficult, particularly at depths >800 meters.

The Board recognized that such a task was likely to require material additional financial resources than those available to the Company. Given the cost/risk profile, coupled with the low prevailing share price in the wake of the global financial crisis (which ascribes almost no value to the Company's projects), the director's considered it imprudent to commit to further drilling expenditures against such a backdrop. Anything other than 'best-in-class' drilling results would, in all probability, have compromised the Company's liquidity and capital base.

Presently, while the economic outlook has improved sufficiently to permit 'low-cost' electrical geophysical surveys and semi-quantitative mineralogical analysis of select core, with the objective of potentially providing electrical and mineralogical vectors to ore, it has not improved enough to warrant rescinding prior Board resolutions and thereby allow re-activation of high-cost drilling operations at Intercept Hill.

Hence, the Board has been active in seeking ways to fund further drilling within its Intercept Hill asset without recourse to the market and consequent shareholder dilution. As previously stated, the Board began to consider investment, or participation, in other lower risk, lower capital cost and later stage projects in the resources sector. These activities led to a decision, in December 2009, to take part in a placement of securities of AIM-listed Pantheon Resources Plc ("Pantheon"), with the view to adding value to the Company's asset base and potentially enabling the downstream resourcing of further drilling. The Pantheon investment followed an active and protracted period of due diligence on a number of potential resource projects in Australia and internationally. Pantheon was the first project which best met the Board's criteria for low risk / high potential economic reward, low sovereign risk, high quality partners, near term drilling activity with potential to develop reserves in the short to medium term. Importantly, however, the project should not require significant additional capital raising. This is in stark contrast to many of the projects offered to the Company during this time. Additionally, the Board has also been active in on-going assessment of potential Joint Venture partners to farm into the Intercept Hill project and assume the high costs and risks associated with further drill testing.

As at December 30, an unrealized profit on investment of >\$1.13 million has been achieved for Argo shareholders. It is possible that further positive news flow leading up to well commencement and completion might see further appreciation in the value of the investment. In addition, exploration of the Company's Toondulya asset is expected to be ramped up.

Joint Venture

As previously announced, the Board has concurrently been active in seeking an appropriate Joint Venture partner to farm into the Company's Intercept Hill asset and assume the high costs and risks associated with further drill testing of the fertile Emmie North Prospect, and several other quality targets yet to be tested, as an alternative means of advancing further drilling of the asset. Naturally, any joint venture entered into may lead to dilution of shareholders interests and the Board would only enter into a joint venture on the basis that there is likely to be potential downstream value to shareholders.

In contemplating a joint venture, consistent with its continuous announcements, the Board has been obliged to consider a wide range of parameters. At the depths involved, and the diffuse nature of the targets, considerable risk capital is required in locating a commensurately high potential reward economic deposit. It is believed that the potential for world class ore deposit discovery may be of considerable to a major company. In this regard, drilling completed by Argo has considerably de-risked the area by discovering a

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fertile IOCG alteration system which, when coupled with interesting levels of copper mineralization and associated gold, renders the prospect attractive to joint venture participation.

It is important to note that there are several other untested, high order geophysical anomalies within the tenement which warrant drilling.

PROGRAM

In view of immediate capital constraints on mounting the required drilling program at Intercept Hill, exploration in the short term is expected to focus on the Company's Toondulya asset, where a level of expenditure by June is required to maintain the tenement in good standing. The Board believes Toondulya to be a high quality, early stage target, with materially lower expenditure levels than the Intercept Hill project.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration under s.307C of the *Corporation Act 2001* in relation to the review of the half-year is included on page 10.

Signed in accordance with a resolution of the Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors

A handwritten signature in black ink, appearing to read "Hugh K. Herbert". The signature is written in a cursive style with a horizontal line underneath.

Dr. Hugh K. Herbert
Chairman

16 March 2010

MELBOURNE

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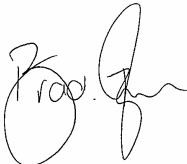
**Auditor's Independence Declaration
To The Directors of Argo Exploration Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Argo Exploration Limited for the half-year ended 31 December 2009, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B.L. Taylor
Director - Audit & Assurance Services

Melbourne, 16 March 2010

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

We have reviewed the accompanying half-year financial report of Argo Exploration Limited (“the Company”), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors’ declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year’s end or from time to time during the half-year.

Directors’ responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year 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 half-year financial report that is 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.

Auditor’s responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity’s financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Argo Exploration Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

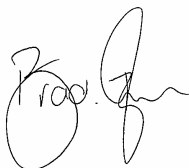
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Argo Exploration Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B.L. Taylor
Director - Audit & Assurance Services

Melbourne, 16 March 2010

DIRECTORS 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; and
- b) 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.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Hugh K. Herbert', with a horizontal line underneath.

Dr. Hugh K. Herbert
Chairman

16 March 2010

MELBOURNE

ARGO EXPLORATION LIMITED
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	CONSOLIDATED ENTITY	
	Half year ended	
	31 December 2009	31 December 2008
	\$	\$
Revenue – interest revenue	68,662	187,678
Gain on fair value adjustment on fair value through profit and loss investments	1,131,212	-
Corporate expenses	(89,204)	(52,846)
Depreciation and amortisation	(10,899)	(26,921)
Employment expenses	(207,673)	(201,944)
Administration expenses	(47,816)	(34,764)
	844,282	(128,797)
Profit/(loss) before tax for the period		
Income tax expense	-	-
	844,282	(128,797)
Profit/(loss) for the period		
Other comprehensive income	-	-
Total comprehensive income	844,282	(128,797)
	Cents per share	Cents per share
Earnings/(loss) per share		
Basic earnings/(loss) per share	1.02	(0.16)
Diluted earnings/(loss) per share	0.75	(0.11)

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

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	CONSOLIDATED ENTITY	
	31 December 2009 \$	30 June 2009 \$
Current Assets		
Cash and cash equivalents	2,145,822	4,147,244
Trade and other receivables	39,910	66,018
Other current assets	5,040	-
Total Current Assets	2,190,772	4,213,262
Non-Current Assets		
Property, plant and equipment	49,894	25,754
Intangibles	5,865	9,215
Financial assets	2,822,075	-
Other non-current assets	8,056,946	8,001,616
Total Non-Current Assets	10,934,780	8,036,585
Total Assets	13,125,552	12,249,847
Current Liabilities		
Trade and other payables	58,946	54,761
Borrowings	7,632	26,561
Total Current Liabilities	66,578	81,322
Non-Current Liabilities		
Borrowings	46,167	-
Total Non-Current Liabilities	46,167	-
Total Liabilities	112,745	81,322
Net Assets	13,012,807	12,168,525
Equity		
Issued Capital	12,793,414	12,793,414
Reserves	331,500	331,500
Accumulated losses	(112,107)	(956,389)
Total Equity	13,012,807	12,168,525

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

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	CONSOLIDATED			
	Issued Capital	Accumulated Losses	Option Reserves	Total
Equity as at 1 July 2008	12,806,535	(610,261)	331,500	12,527,774
Loss for the half-year	-	(128,797)	-	(128,797)
Total comprehensive income for the period	-	(128,797)	-	(128,797)
Costs of capital raising	(13,121)	-	-	(13,121)
Equity as at 31 December 2008	12,793,414	(739,058)	331,500	12,385,856
Equity as at 1 July 2009	12,793,414	(956,389)	331,500	12,168,525
Profit for the half-year	-	844,282	-	844,282
Total comprehensive income for the period	-	844,282	-	844,282
Equity as at 31 December 2009	12,793,414	(112,107)	331,500	13,012,807

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

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	CONSOLIDATED ENTITY	
	Half year ended	
	31 December 2009	31 December 2008
	\$	\$
Cash flows from operating activities		
Interest received	97,829	65,499
Payments to suppliers and employees	(346,841)	(258,213)
Interest paid	(1,065)	(4,568)
Net cash used in operating activities	<u>(250,077)</u>	<u>(197,282)</u>
Cash flows from investing activities		
Payments for exploration expenditure	(55,329)	(251,809)
Proceeds from sale of plant and equipment	14,590	-
Payments for fair value through profit and loss investments	(1,690,863)	-
Payment for intangibles (software)	-	(7,204)
Net cash used in investing activities	<u>(1,731,602)</u>	<u>(259,013)</u>
Cash flows from financing activities		
Payment for share issue costs	-	(13,121)
Repayment of borrowings	(19,743)	(21,208)
Net cash used in financing activities	<u>(19,743)</u>	<u>(34,329)</u>
Net (Decrease)/Increase in cash and cash equivalents	(2,001,422)	(490,624)
Cash and cash equivalents at beginning of the financial period	<u>4,147,244</u>	<u>4,740,816</u>
Cash and cash equivalents at the end of the financial period	<u>2,145,822</u>	<u>4,250,192</u>

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134: *Interim Financial Reporting*. Compliance with AASB134 ensured compliance with International Financial Reporting Standard IAS34: *Interim Financial Reporting*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and, therefore, cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Argo Exploration Limited as at 30 June 2009. It is also recommended that the half-year financial report be considered together with any public announcements made by Argo Exploration Limited and controlled entities during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations arising under the Corporation Act 2001.

Basis of preparation accounting policies

The condensed consolidated financial statements have been prepared on the basis of historical costs, except for the revaluation of selected 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.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2009 annual financial report for the financial year ended 30 June 2009, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the Group include:

AASB8: Operating Segments
AASB101: Presentation of Financial Statements

The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements in the following areas:

- Presentation of the financial statements. Previously, in addition to the statement of financial position (formerly termed the "balance sheet"), the income statement and the cash flow statement, the Group presented a statement of recognised income and expenses. As a consequence of the adoption of AASB101 Presentation of Financial Statements (2007) and its associated amending standards, the Group no longer presents a statement of recognised income and expenses, but presents in addition to the statements listed above, a statement of comprehensive income and a statement of changes in equity.
- Information about the Group's segments. The adoption of AASB 8: *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8* has resulted in no change to the Group's reporting segments and disclosures (refer to Note 2).

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period. The half-year financial period refers to 1 July 2009 to 31 December 2009.

2. SEGMENT INFORMATION

The Group 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 July 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 Group as a whole in the business segment of mineral exploration within Australia. This segment reporting was previously reported under AASB 114 as Primary Reporting – Business Segments and its segment analysis has been continued for the current half-year.

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. Argo Exploration Limited operates in the mining exploration industry within Australia.

3. ISSUE OF EQUITY SECURITIES

There have been no issues of securities for the half year ended 31 December 2009.

4. BUSINESS COMBINATIONS

The ownership interests in subsidiaries at the end of the half-year are listed below:

Name of Entity	Country of Incorporation	Ownership Interest	
		31 December 2009 %	31 December 2008 %
Parent Entity	Australia		
Subsidiaries			
Olympic Resources Limited	Australia	100%	100%
Athena Mines Pty Ltd	Australia	100%	100%

5. COMMITMENTS

CONSOLIDATED ENTITY
31 December 2009 **30 June 2009**

Exploration Tenements – Commitments for Expenditure

In order to maintain current rights of tenure to exploration tenements, the Group and economic entity is required to outlay rentals and to meet the minimum expenditure requirements of the State Mines Departments. 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 provided in the accounts and are payable:

Not later than 1 year	180,000	220,000
Later than one year but not later than five	-	-
Later than 5 years	-	-
	180,000	220,000

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

5. COMMITMENTS (CONT'D)

Finance Lease Expense – 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.

	CONSOLIDATED ENTITY	
	31 December 2009	30 June 2009
Not later than 1 year	12,802	26,676
Later than one year but not later than five	52,204	-
Later than five years	-	-
Minimum future lease payment	65,006	26,676
Less future finance charge	(11,207)	(115)
Present value of minimum lease payments	53,799	26,561
Included in the financial statements as:		
Current borrowings	7,632	26,561
Non-current borrowings	46,167	-
	53,799	26,561

6. RELATED PARTY TRANSACTIONS

During the half-year Argo Exploration Limited acquired 7,000,000 shares at a total cost of \$1,690,862.50 in a director related entity - Pantheon Resources Plc. Mr Hondris is a director of Pantheon Resources Plc. This acquisition was undertaken under normal commercial terms and conditions.

7. SUBSEQUENT EVENTS

There has been no matter or circumstance that has arisen since the date of this report which 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, other than:

The Company has signed a binding agreement for an exploration Farm-in and Joint Venture leading mining company Xstrata to fast track the development of Argo's Intercept Hill tenement (EL4164)

This is a two stage agreement. Stage One grants Xstrata the opportunity to earn a 51% interest in Intercept Hill by expending A\$4 million over 3.5 years. Stage two allows Xstrata to earn an additional 24% (to take its interest to 75%) by expending an additional A\$12 million over a further 4 year period

Key Terms of the Agreement

Under the terms of the agreement, Xstrata has the right to sole fund \$16 million exploration expenditure to earn a seventy five percent (75%) interest in EL 4164. Initially, Xstrata can earn a 51% interest by spending A\$4 million within 3.5 years and must spend a minimum of A\$600,000 in the first year. Xstrata may, upon earning 51%, elect to sole fund an additional A\$12 million within a further 4 years to earn an additional 24% interest in the project. Upon Xstrata 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 must meet a minimum annual expenditure of A\$600,000 during the initial earn-in. Should Xstrata withdraw following the first year's minimum expenditure, but prior to expending A\$4 million, it will have earned no interest in the tenement.

Xstrata 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%.

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In the event that Xstrata 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's interest according to an agreed formula. Xstrata may buy back to 51% at any time by reimbursing Argo a multiple of 3 of Argo's sole funding expenditure, and may then sole fund A\$24 million within 3 years to earn an additional 24% interest in the tenement (75% total).