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**ASX/Media Release**  
**16 March 2010**

## **Argo enters into Farm-in Joint Venture with Xstrata Copper**

Xstrata Copper to sole fund up to A\$16 million exploration expenditure on Intercept Hill project.

**Melbourne, 16 March 2010** - Argo Exploration Ltd (**'Argo'**; **ASX Code 'AXT'**) announced today that it has entered into a binding agreement with Xstrata Mount Isa Mines Limited (**'Xstrata Copper'**) to form an exploration Farm-In and Joint Venture fast tracking exploration of its 100%-owned Intercept Hill tenement in South Australia.

**Key highlights are:**

- **Landmark binding agreement secures the involvement of one of the world's leading international mining companies to aggressively advance drill testing of high quality iron oxide copper-gold (IOCG) targets identified by Argo**
- **Two stage agreement: Stage One grants Xstrata Copper the opportunity to earn a 51% interest in Intercept Hill EL4164 by expending A\$4 million within 3.5 years; Stage Two allows Xstrata Copper to earn an additional 24% (to take its interest to 75%) by expending an additional A\$12 million within a further 4 years; expenditures may be brought forward**

Exploration by Argo has confirmed the presence of fertile IOCG systems within its Intercept Hill tenement located ~20km east of Woomera and ~25km west-northwest from Teck Australia and RMG Services Carrapateena project on the Stuart Shelf. The tenement is centrally located in the Olympic Dam Iron Oxide Cu-Au-U Province at the centre of a cluster of iron oxide copper occurrences. The Intercept Hill tenement covers a total area of 423 km<sup>2</sup> of quality tenure considered to be highly prospective for the delineation of iron oxide copper-gold-uranium, stratabound copper-lead-zinc, secondary uranium and lode gold mineralization.

Based on geophysical surveys, previous drilling and structural interpretations completed by Argo, a number of high priority prospective targets have been identified within the Intercept Hill tenement. Xstrata Copper plans to commence work on the project immediately and, under the terms of the agreement, is committed to drill at least one hole to test a basement target in the first year.

Argo's Managing Director, Dr Hugh Herbert, said "The Company is delighted to have received Xstrata Copper's endorsement of the quality and potential of the Intercept Hill project. The agreement recognises the project's results to date, emphasises the ongoing potential for ore deposit discovery and ensures short-term drill testing of identified quality targets at a time when junior explorers are finding it difficult to continue funding high cost exploration of deep targets".

"Xstrata Copper is a world-class mining company with the resources and expertise to explore, develop and mine major deposits. Argo is seeking to develop world class iron oxide copper-gold deposits in the region. Xstrata Copper is the ideal partner for Argo on this project and we look forward to building a strong partnership".

"Through the terms of the agreement, Xstrata Copper immediately takes on project and funding responsibilities to ensure targets are tested in an appropriate manner".

"The terms of the agreement underpin Argo's plan to discover a new world class deposit within the tenement and the magnitude of the potential resource, in the event of success through the joint venture, could deliver significant material value to Argo shareholders", Dr Herbert said.

## **Key Terms of the Agreement**

Under the terms of the agreement, Xstrata Copper 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 A\$4 million within 3.5 years and must spend a minimum of A\$600,000 in the first year. Xstrata Copper 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 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 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%.

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 A\$4 million, it will have earned no interest in the tenement.

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 may then sole fund A\$24 million within 3 years to earn an additional 24% interest in the tenement (75% total).

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## **ABOUT ARGO EXPLORATION**

Argo Exploration Limited ('Argo') (ASX Code 'AXT') is a junior exploration company searching for IOCG, 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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### **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.*