Argo Exploration Limited

ABN 38 120 917 535

Half-year Financial Report - 31 December 2010

Argo Exploration Limited
Corporate directory
31 December 2010

Directors	Hugh Herbert *Executive Chairman and Managing Director* Justin Hondris *Non-executive Director* Meredith Bird *Non-executive Director*
Company secretary	Melanie J Leydin
Registered office	Suite 304 22 St Kilda Road ST KILDA VIC 3182 Ph: (03) 9692 7222
Principal place of business	Suite 304 22 St Kilda Road ST KILDA VIC 3182
Auditor	Grant Thornton Audit Pty Ltd Chartered Accountants 215 Spring Street MELBOURNE VIC 3000
Solicitors	Holman Fenwick Willan Level 39, Bourke Place 600 Bourke Street MELBOURNE VIC 3000
Stock exchange listing	Argo Exploration Limited shares are listed on the Australian Securities Exchange (ASX code: AXT)
Website address	www.argoexploration.com.au

Argo Exploration Limited
Directors' report
31 December 2010

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Argo Exploration Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2010.

Directors
The following persons were directors of Argo Exploration Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Dr. Hugh K. Herbert
Mr Justin G Hondris
Ms Meredith A Bird

Principal activities
During the financial half-year the principal consulting activities of the consolidate entity consisted of exploration and development of mineral resources emphasising copper, gold and uranium.

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $669,609 (31 December 2009: profit of $844,282).

Refer to the separate operational and technical reviews of operation following this Directors' report.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Auditor's independence declaration
A copy of the auditor's independence declaration as rquired under section 307C of the Corporations Act 2001 is set out on page 7.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Dr. Hugh K. Herbert
Chairman

16 March 2011
Melbourne

REVIEW OF OPERATIONS

HIGHLIGHTS

Intercept Hill (EL4164)
Argo – Xstrata Copper Joint Venture

- 3-D modeling of Argo's detailed gravity and aeromagnetic data by Xstrata Copper Exploration Pty Ltd refined a number of drill targets including Oak Dam South, Winjabbie East and Canegrass South Prospects (Fig. 1).

- Regional 3-D geophysical modeling by Xstrata Copper is continuing.

- Cultural heritage clearance of proposed drill sites at Oak Dam South, Canegrass South and Winjabbie East Prospects undertaken. The elected survey party cleared several key drill sites at both Oak Dam South and Winjabbie East, but rejected proposed sites at Canegrass South prospects.

- A second cultural heritage clearance survey, involving Kuyani representatives of the Kokatha Uwankara Native Title Claimant Group, endorsed all sites cleared by the elected survey party.

- A meeting of key persons is being sought in an attempt to negotiate controlled drill access to Canegrass South prospect.

- Drilling is scheduled to commence at Oak Dam South Prospect and move to Winjabbie East during Q1, 2011. All necessary access and drilling permits, together with cultural heritage clearances, have been obtained.

- A magnetotelluric (MT) survey over the Emmie Bluff (Xstrata Copper/Gunson Joint Venture) and Argo's adjoining Emmie North Prospects was completed. Argo has been advised that the broad-spaced orientation MT survey failed to discriminate any clear targets in the altered basement rocks at its Emmie North Prospect.

- Xstrata Copper has commissioned regional 3-D geophysical modeling of EL4164 (Argo-Xstrata Copper JV) and adjoining EL4187 (Xstrata Copper-Gunson Resources JV) to facilitate comparative ranking of geophysical targets within the EL's against constant modeling parameters. Preliminary results are anticipated by Q1, 2011 and when available will be fully evaluated.

- Semi-quantitative (HyLogger™) mineral analysis of selected core intervals from Emmie North, Winjabbie East and Canegrass North Prospects, is continuing at Primary Industries and Resources South Australia (PIRSA).

- Re-logging of all Argo drill holes by geologists from Xstrata Copper completed.

Toondulya EL4284

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

- Modeling of circular gravity feature in north-west sector of EL completed by Xstrata Copper. Results of modeling currently being evaluated.

INTERCEPT HILL EL4164

Magnetotelluric (MT) Survey

A magnetotelluric survey over the contiguous, fertile Emmie North-Emmie Bluff iron oxide alteration system was completed by Quantec Geoscience Pty Ltd on behalf of Xstrata Copper Exploration. This Survey covers ground in EL4164 (Argo Exploration) and the adjoining EL4187 (Gunson Resources).

The design parameters were 500m spaced stations on 1000m spaced SW-NE trending Lines. The EL4164 component of the survey comprised 35 stations for 21.8 line kilometers.

Argo has been advised that the MT survey appears to define the basement unconformity, with a very conductive cover sequence on a very resistive basement. Layered variation is apparent within the cover sequence, the particularly conductive zones of which appear to relate to the Whyalla Sandstone and Tapley Hill Formation.

Features within the basement are noted as being very subtle and it is debatable whether these are “real” features as opposed to inversion artefacts. The MT failed to discriminate any stand-out targets.

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

Two cultural heritage clearance surveys of drill sites at Oak Dam South, Canegrass South and Winjabbie East Prospects were undertaken.

The first survey involved eight elected representatives of the Kokatha Uwankara Native Title claimant group with sites at Oak Dam South and Winjabbie East being cleared for drilling; no sites were cleared at Canegrass South Prospect.

The second survey, involving Kuyani representatives of the Kokatha Uwankara Native Title Claimants endorsed those sites cleared by the elected survey members.

Argo is seeking a meeting with key claimant members to attempt to negotiate supervised drill access to Canegrass South Prospect.

Drilling Program

A further campaign of diamond drilling is scheduled to commence Q1, 2011. The first prospect to be drilled is Oak Dam South for which Argo was awarded PACE funding support in the amount of $60K. Depending upon results, further drilling at Oak Dam South may follow on, or the rig relocated to Winjabbie East to drill that prospect.

All necessary entry and equipment permits have been obtained and notice has been served on the landholder.

3-D Modeling of Geophysical Data

Xstrata Copper’s systematic modeling of Argo’s geophysical data sets, to identify and refine further potential drill targets within EL4164, is ongoing. In addition, Xstrata Copper are constructing a ‘regional’ 3-D model of detailed geophysical data covering EL4164 (Argo-Xstrata Copper Join Venture) and adjoining EL4187 (Gunson Resources-Xstrata Copper Joint Venture) to provide a coherent model, based on uniform parameters, against which various defined targets may be comparatively ranked. This modeling is expected to be completed Q1, 2011.

Semi Quantitative Mineralogical Analysis

Semi-quantitative (HyLogger™) mineral analysis of selected core intervals from Emmie North, Winjabbie East and Canegrass North Prospects, is continuing at Primary Industries and Resources South Australia (PIRSA). This work has provided a large volume of data which is currently being evaluated.

TOONDULYA EL4284

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

Modeling of the circular gravity feature in north-west sector of EL has been completed by Xstrata Copper. Results of modeling are currently being evaluated. Once completed, mobilization to the tenement to conduct planned orientation biogeochemical surveying, together with soil and lag sampling, will occur.

The objectives of the orientation survey are twofold: (1) 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, and (2) to assess whether there is any geochemical expression associated with modeled gravity features.

PANTHEON RESOURCES PLC
(Argo principal shareholder)

The operator of the Tyler County Joint Venture, Vision Gas Resources LLC ("Vision"), has informed Pantheon of further progress at the planned Kara Farms #1H well ("KF#1H"). The Texas Department of Transportation has granted the Joint Venture two permits essential for the final stages both for the completion of the site works for KF#1H and, separately, for a natural gas export pipeline. Rig availability has continued to be tight but there are now signs of this easing to some extent. Vision continues actively to pursue a drilling slot with the intention of spudding the KF#1H well at the earliest opportunity. Once Pantheon is informed by Vision of further developments at KFH#1H, it will inform the market.

Jay Cheatham, CEO of Pantheon stated:

"Gaining the approvals necessary to complete final work on the KF#1H drilling location denotes an important step for the Joint Venture and its plans to drill a second well on its exciting Tyler County acreage. Recently, rig utilisation in the Barnett and Haynesville shale plays has witnessed a small decline leading to a modest improvement in rig availability. The outlook for natural gas prices has also improved."

CORPORATE

Cash reserves at the end of the December Half stood at $1,452,358 with no secured debt. The value of the Pantheon Resources Plc investment stood at $2,474,715 at an exchange rate of 0.6585.

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

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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 half year ended 31 December 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Simon Trivett

Simon Trivett
Director - Audit & Assurance Services

Melbourne, 16 March 2011

Argo Exploration Limited
Financial report
For the half-year ended 31 December 2010

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General information

The financial report covers Argo Exploration Limited as a consolidated entity consisting of Argo Exploration Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Argo Exploration Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Argo Exploration Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 304
22 St Kilda Road
ST KILDA VIC 3182

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 16 March 2011. The directors have the power to amend and reissue the financial report.

Argo Exploration Limited
Statement of comprehensive income
For the half-year ended 31 December 2010

	Note	Consolidated 31/12/2010 $	31/12/2009 $
Revenue		45,601	68,662
Other income	3	(471,808)	1,131,212
Expenses			
Corporate Expenses		(43,461)	(89,208)
Administration Expenses		(24,519)	(46,044)
Employee benefits expense		(165,616)	(207,674)
Depreciation and amortisation expense		(7,909)	(10,899)
Loss on sale of assets		-	(702)
Finance costs		(1,897)	(1,065)
Profit/(loss) before income tax expense		(669,609)	844,282
Income tax expense		-	-
Profit/(loss) after income tax expense for the half-year attributable to the owners of Argo Exploration Limited		(669,609)	844,282
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Argo Exploration Limited		(669,609)	844,282
		Cents	**Cents**
Basic earnings per share		(0.81)	1.02
Diluted earnings per share		(0.81)	1.02

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Argo Exploration Limited
Statement of financial position
As at 31 December 2010

	Consolidated	
	31/12/2010	**30/06/2010**
	$	**$**
Assets		
Current assets		
Cash and cash equivalents	1,452,458	1,813,529
Trade and other receivables	29,206	26,192
Other	26,162	-
Total current assets	1,507,826	1,839,721
Non-current assets		
Available-for-sale financial assets	2,474,715	2,946,523
Property, plant and equipment	36,176	42,167
Intangibles	1,075	2,993
Exploration and evaluation	8,351,063	8,176,384
Total non-current assets	10,863,029	11,168,067
Total assets	12,370,855	13,007,788
Liabilities		
Current liabilities		
Trade and other payables	63,234	26,444
Borrowings	9,157	8,766
Total current liabilities	72,391	35,210
Non-current liabilities		
Borrowings	36,795	41,300
Total non-current liabilities	36,795	41,300
Total liabilities	109,186	76,510
Net assets	12,261,669	12,931,278
Equity		
Contributed equity	12,793,414	12,793,414
Reserves	-	331,500
Accumulated losses	(531,745)	(193,636)
Total equity	12,261,669	12,931,278

The above statement of financial position should be read in conjunction with the accompanying notes

Argo Exploration Limited
Statement of changes in equity
For the half-year ended 31 December 2010

	Contributed equity $	Reserves $	Retained profits $	Total equity $
Consolidated				
Balance at 1 July 2009	12,793,414	331,500	(956,389)	12,168,525
Other comprehensive income for the half-year, net of tax	-	-	-	-
Profit/(loss) after income tax expense for the half-year	-	-	844,282	844,282
Total comprehensive income for the half-year	-	-	844,282	844,282
Balance at 31 December 2009	12,793,414	331,500	(112,107)	13,012,807

	Contributed equity $	Reserves $	Retained profits $	Total equity $
Consolidated				
Balance at 1 July 2010	12,793,414	331,500	(193,636)	12,931,278
Other comprehensive income for the half-year, net of tax	-	-	-	-
Profit/(loss) after income tax expense for the half-year	-	-	(669,609)	(669,609)
Total comprehensive income for the half-year	-	-	(669,609)	(669,609)
Transactions with owners in their capacity as owners:				
Expiry of options during the half-year	-	(331,500)	331,500	-
Balance at 31 December 2010	12,793,414	-	(531,745)	12,261,669

The above statement of changes in equity should be read in conjunction with the accompanying notes

Argo Exploration Limited
Statement of cash flows
For the half-year ended 31 December 2010

	Note	Consolidated 31/12/2010 $	Consolidated 31/12/2009 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(225,982)	(346,841)
Interest received		45,601	97,829
Interest and other finance costs paid		(1,897)	(1,065)
Net cash used in operating activities		(182,278)	(250,077)
Cash flows from investing activities			
Payments for investments		-	(1,690,863)
Payments for exploration and evaluation		(174,679)	(55,329)
Proceeds from sale of property, plant and equipment		-	14,590
Net cash used in investing activities		(174,679)	(1,731,602)
Cash flows from financing activities			
Repayment of borrowings		(4,114)	(19,743)
Net cash used in financing activities		(4,114)	(19,743)
Net decrease in cash and cash equivalents		(361,071)	(2,001,422)
Cash and cash equivalents at the beginning of the financial half-year		1,813,529	4,147,244
Cash and cash equivalents at the end of the financial half-year		1,452,458	2,145,822

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

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 2010 to 31 December 2010.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into one operating segment, exploration for base and precious metals in Australia. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The information reported to the CODM is on at least a monthly basis.

Note 3. Other income

	Consolidated	
	31/12/2010	**31/12/2009**
	$	**$**
(Loss)/gain on revaluation of held-for-sale investments	(471,808)	1,131,212

Note 4. Equity - dividends

There were no dividends paid during the current or previous financial half-year.

Note 5. Issued capital

There have been no issue of securities during the half-year ended 31 December 2010.

Note 6. Related party transactions

During the previous half-year Argo Exploration Limited acquired 7,000,000 ordinary shares at a total cost of $1,690,863 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. Argo Exploration Limited still holds the 7,000,000 ordinary shares as at 31 December 2010.

Note 7. Contingent liabilities

The consolidated entity does not have any contingent liabilities at reporting date.

Note 8. Commitments for expenditure

	Consolidated	
	31/12/2010	**30/06/2010**
	$	**$**
Exploration and evaluation		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	350,000	220,000
One to five years	210,000	-
	560,000	220,000

In order to maintain current rights of tenure to exploration tenements, the Group and econominc entity is require to outlay rentals and to meet the 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 as per above.

Note 9. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

		Equity holding	
	Country of	**31/12/2010**	**30/06/2010**
Name of entity	**incorporation**	**%**	**%**
Olympic Resources Limited	Australia	100.00	100.00
Athena Mines Pty Ltd	Australia	100.00	100.00

Note 10. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Argo Exploration Limited
Olympic Resources Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission ('ASIC').

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Argo Exploration Limited, they also represent the 'Extended Closed Group'.

Note 11. Events occurring after the reporting date

No matter or circumstance has arisen since 31 December 2010 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Argo Exploration Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the financial half-year ended on that date;

- 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

- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed 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 described in note 10 to the financial statements.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors

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Dr. Hugh K. Herbert
Chairman

16 March 2011
Melbourne

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ACN 130 913 594

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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 2010, 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 2010 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.

Grant Thornton

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 2010 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Simon Trivett

Simon Trivett
Director - Audit & Assurance Services

Melbourne, 16 March 2011