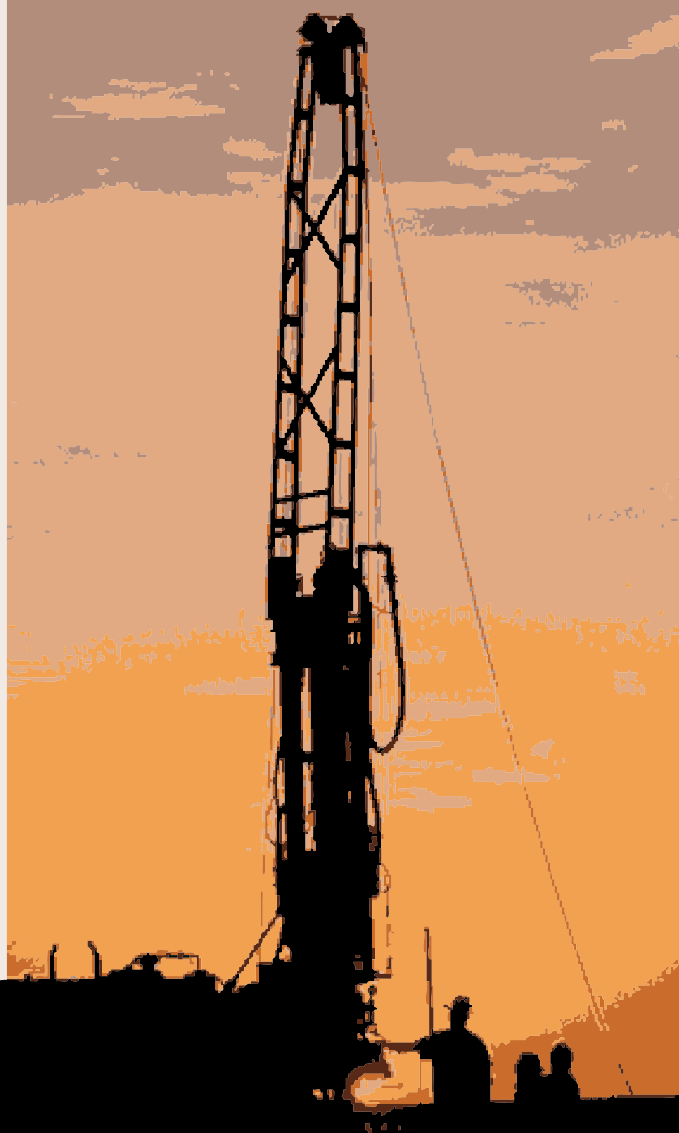


ARGO EXPLORATION LIMITED



*Annual Financial Report
for the Financial Period
ended 30 June 2007*



ABN 38 120 917 535

Corporate Directory



The Company

Argo Exploration Limited
120 917 535
ABN 38 120 917 535

Board of Directors

Dr. Hugh Herbert
(Executive Chairman and Managing Director)

Jim Stewart
(Technical 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 Victoria 3182
Telephone: (03) 9692 7222

Web Site: www.argoexploration.com.au

Auditor

William Buck Chartered Accountants
Level 2, 215 Spring Street
Melbourne Victoria 3000

Solicitors

Oakley Thompson & Co
Level 19, 500 Collins Street
Melbourne Victoria 3000

Share Registry

Computershare Investor Services Pty Ltd
452 Johnson Street
Abbotsford Victoria 3067
Telephone: (03) 9415 5000

Stock Exchange Listing

Home Exchange is Melbourne
ASX Code Fully Paid Shares: AXT

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Chairman's Review

ARGO EXPLORATION LIMITED

ABN 38 120 917 535

CHAIRMAN'S REVIEW

Argo Exploration Ltd was incorporated on 26th July 2006 for the purpose of raising \$A7 million through an Initial Public Offering to conduct focused and systematic exploration of two Exploration Licenses (EL3084 Intercept Hill and EL3156 Toondulya) in South Australia.

The Company is pleased to report that significant progress has been made towards securing these objectives.

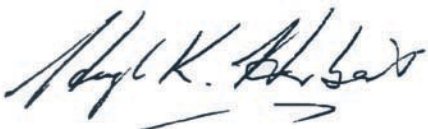
The IPO was heavily oversubscribed with its securities being listed on the Australian Stock Exchange, on 11th December 2006, at an 80% premium.

The Exploration Licenses cover a total area of 823 square kilometers 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.

EL3084 Intercept Hill is located ~20km to the east of Woomera and about 25km west-north-west from Tek Cominco's Carrapateena Prospect on the Stuart Shelf (Fig. 1 over leaf). The tenement is centrally situated in the Olympic Dam Iron Oxide Cu-Au-U Province at the centre of a cluster of iron oxide copper occurrences.

In addition, the 'cover sequence'-hosted stratabound Emmie Bluff inferred base metal resource, believed to pass into the Company's ground, is less than a kilometer from the tenement boundary and provides a second legitimate mineralized target for assessment.

EL3156 Toondulya is positioned in the Central Gawler Craton at the southern end of the Yarlbirinda Shear Zone, host for the Tunkillia and Nuckulla Hill lode gold prospects to the north (Fig.1 next page).

A handwritten signature in black ink, appearing to read "Hugh K. Herbert".

Dr Hugh K. Herbert – Chairman

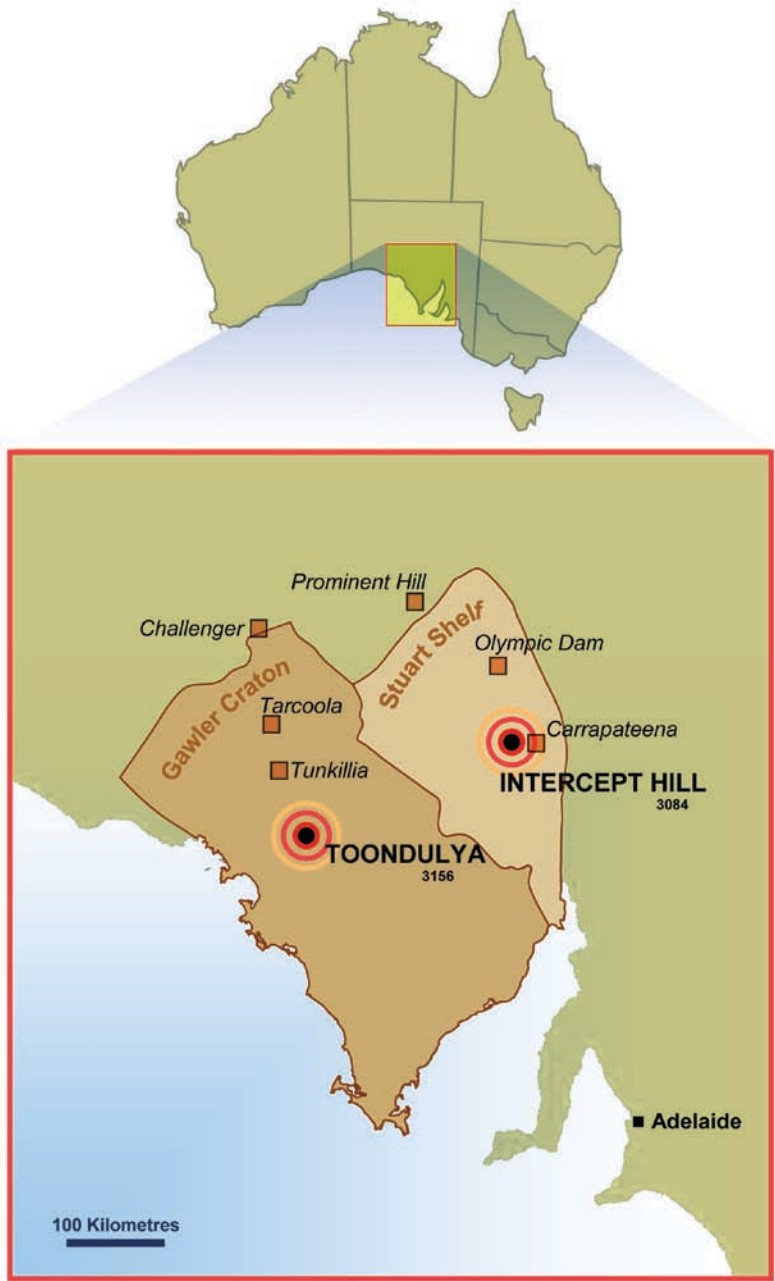


Figure 1: Location of Company's Exploration Licenses.

Exploration Highlights

EL3156 Toondulya

- Airborne magnetic and radiometric surveys completed by UTS Geophysics over the entire EL3156 (Figs 2 and 3).
- Survey comprised ~9,200 line kilometers flown at 50 meter line spacing and 50 meter sensor height.
- Native Title clearance under the Gawler Ranges Mineral Exploration Indigenous Land Use Agreement for low impact surveying obtained.
- Ground-based gravity survey of EL3156 completed by Haines Surveys at 400 meter centers: survey involved 2,337 stations (Fig. 4).
- All data processed by Southern Geoscience Consultants; magnetic and gravity atlases prepared.
- High quality aeromagnetic, gravity and radiometric plans, prepared by Southern Geoscience Consultants, progressively evaluated.



EL3084 Intercept Hill

- Airborne magnetic and radiometric survey completed by UTS Geophysics over the entire EL3084 (Figs 5 and 6).
- Survey comprised ~10,000 line kilometers flown at 50 meter line spacing and 50 meter sensor height.
- Data from ground based gravity survey, collected by Haines Surveys on a 400 x 200 meter grid over the entire EL3084 pre-IPO, processed by Southern Geoscience Consultants; survey involved ~7,000 stations (Fig. 7).
- All data processed by Southern Geoscience Consultants; magnetic and gravity atlases prepared.
- Aeromagnetic and ground-based gravity data modeled.
- A significant number of priority drill targets, having characteristics believed to be consistent with the geophysical signature of iron oxide copper-gold-uranium occurrences, delineated.
- Land Access Agreements negotiated with Barngarla and Kokatha Native Title Claimant groups.
- Access clearance surveys of selected preferred drill sites conducted by Barngarla and Kokatha Native Title Claimant groups.
- Clearance granted by both groups of a sufficient number of equivalent sites to allow commencement of drilling operations.
- Boart Longyear Ltd contracted to drill four holes, up to 1200 meters deep, in an initial drilling campaign.
- Field support personnel and associated logistics for the drilling campaign established.
- Completed first diamond drill hole IHAD1 to 1032 meters (Fig. 8); second hole IHAD2 commenced.

The geological results from the Company's first drill hole, IHAD1, are particularly encouraging and augur well for the potential success of current and future drilling campaigns.

The drill hole, designed to test a 3-D inversion-modeled gravity plume penetrating to the relatively shallow depth, was singularly successful. The hole penetrated broad zones of strong iron oxide overprinting at the modeled depth, and deeper iron oxide-rich breccias, hydrothermal ironstone and heterolithic and crackle breccias generally consistent with proximity to the margins of a diatreme and/or major basement-piercing fault system.

While much of the hole was strongly oxidized, bornite splashes and chalcopyrite/pyrite veins are present at depth further emphasizing proximity to a mineralizing system.

Relevant sections of the core are being split and will be dispatched for analysis when prepared; results are not expected for several weeks from sample receipt.

Future Plans

In the coming months, the Company plans to complete the current contracted drill program at Intercept Hill, assess the results and, depending upon those results, commence an expanded drilling program aimed at testing other high quality targets within the tenement once further Native Title clearances have been obtained for the designated sites.

Orientation biogeochemical surveying is planned over known calcrete geochemical anomalies (Fig 9) at Toondulya and, depending upon the outcome, a full-blown survey will be initiated. The data, when to hand, will be carefully integrated with the Company's high quality aeromagnetic, gravity and radiometric data as a prelude to anticipated drilling campaigns.

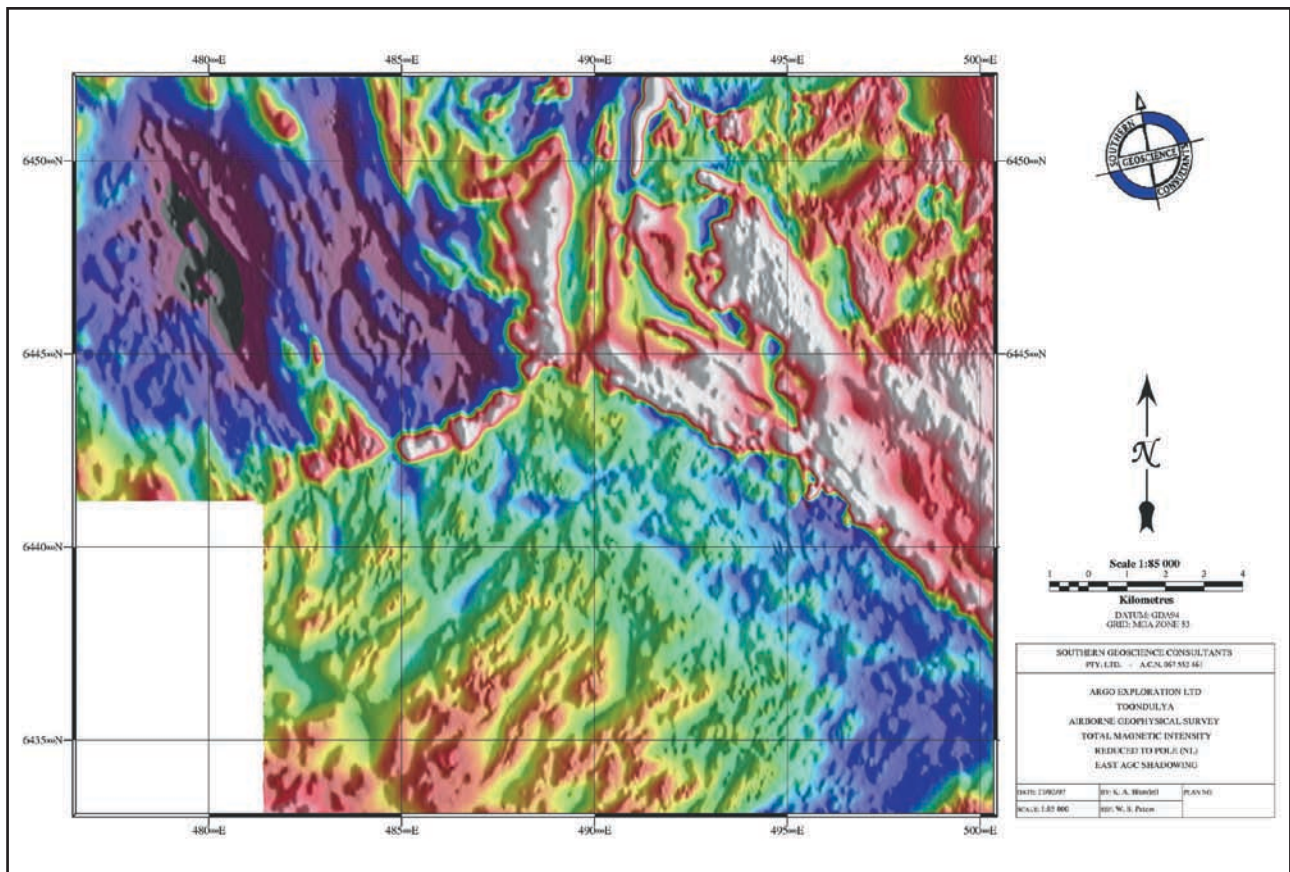


Figure 2: Toondulya - Total Magnetic Intensity RTP (NL) East AGC Shadowing.

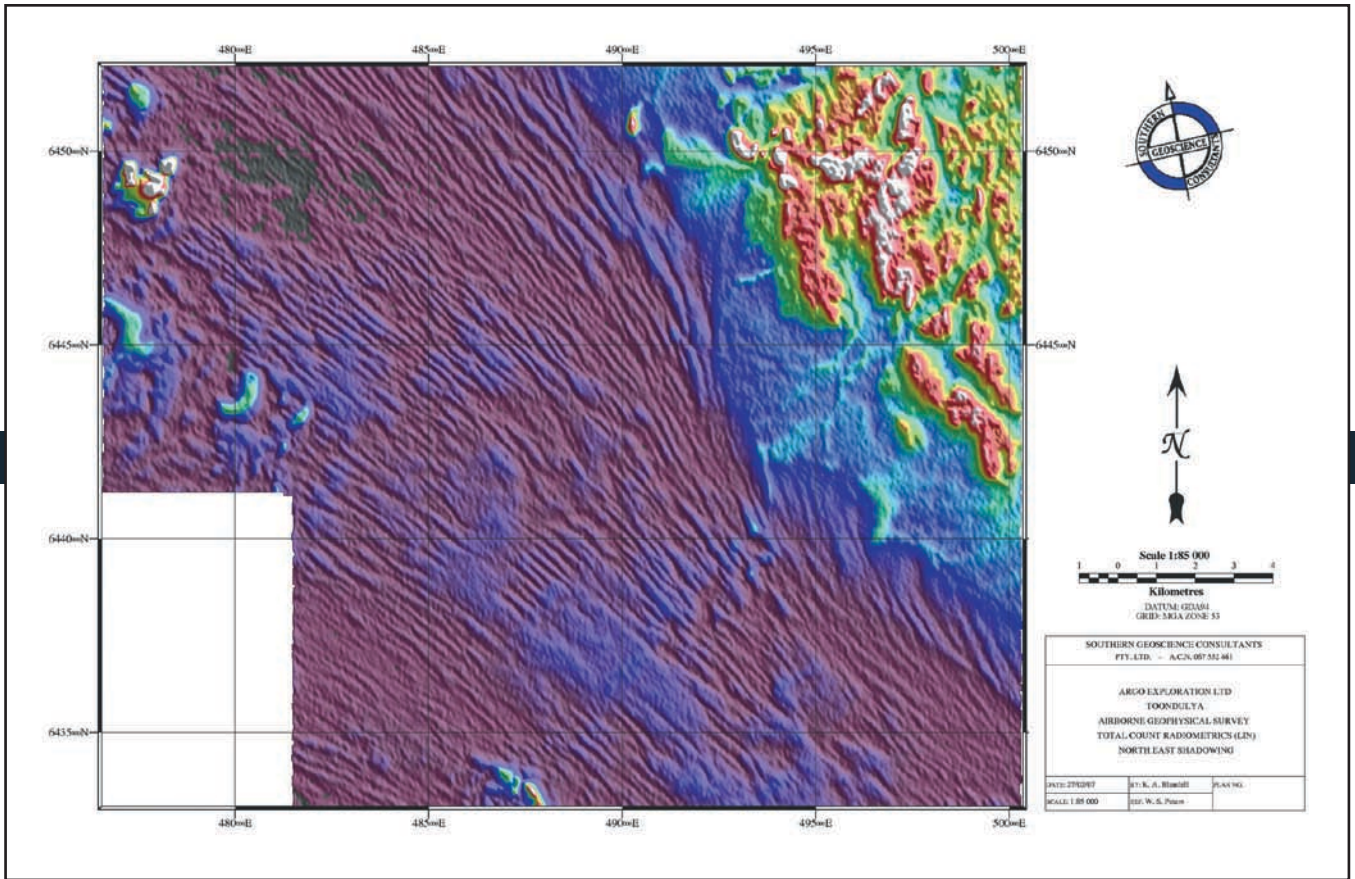


Figure 3: Toondulya – Total Counts Radiometrics (LIN) North East Shadowing.

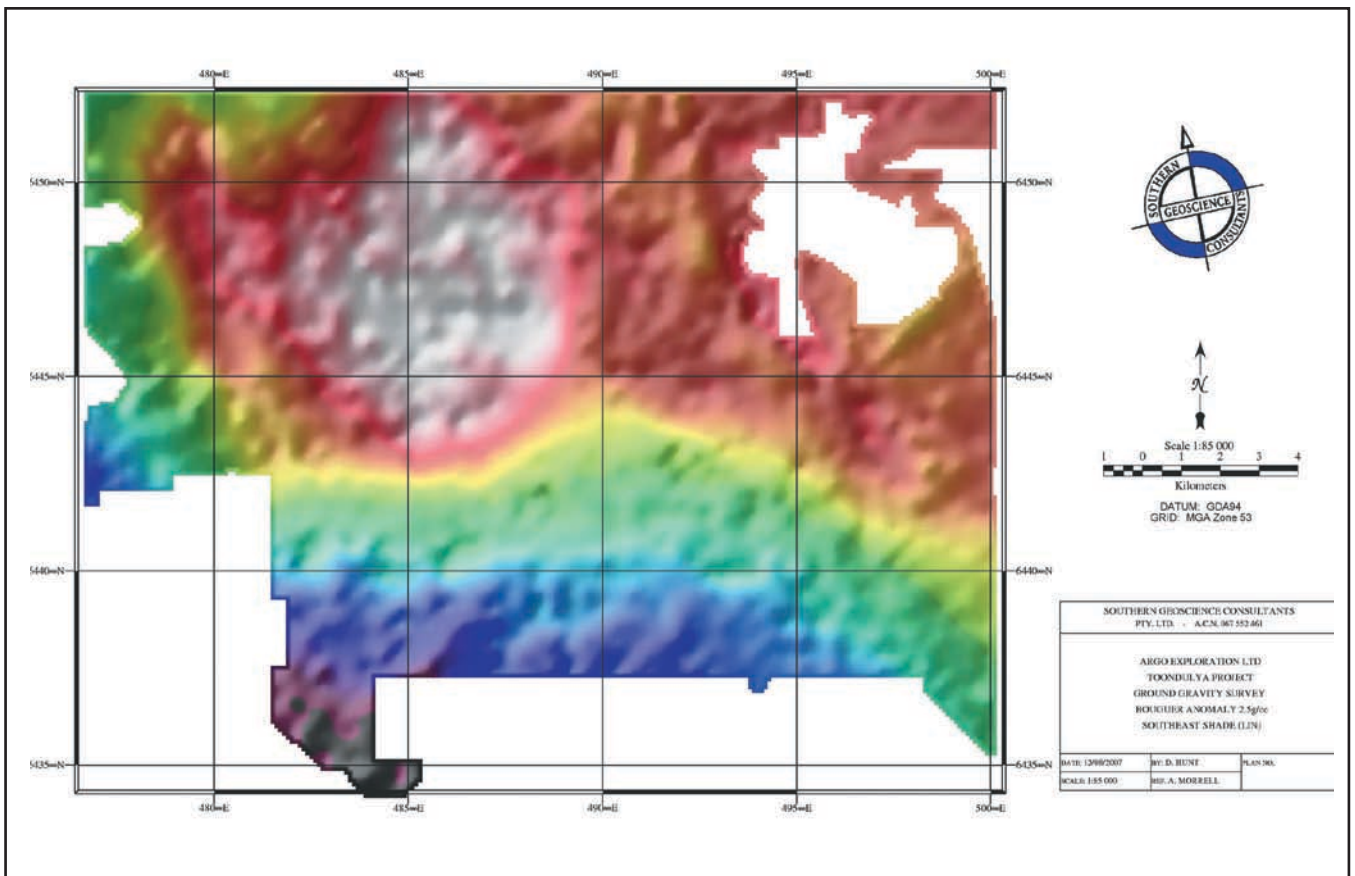


Figure 4: Toondulya – Bouguer Gravity 2.5g/cc (LIN) South East Shadowing.

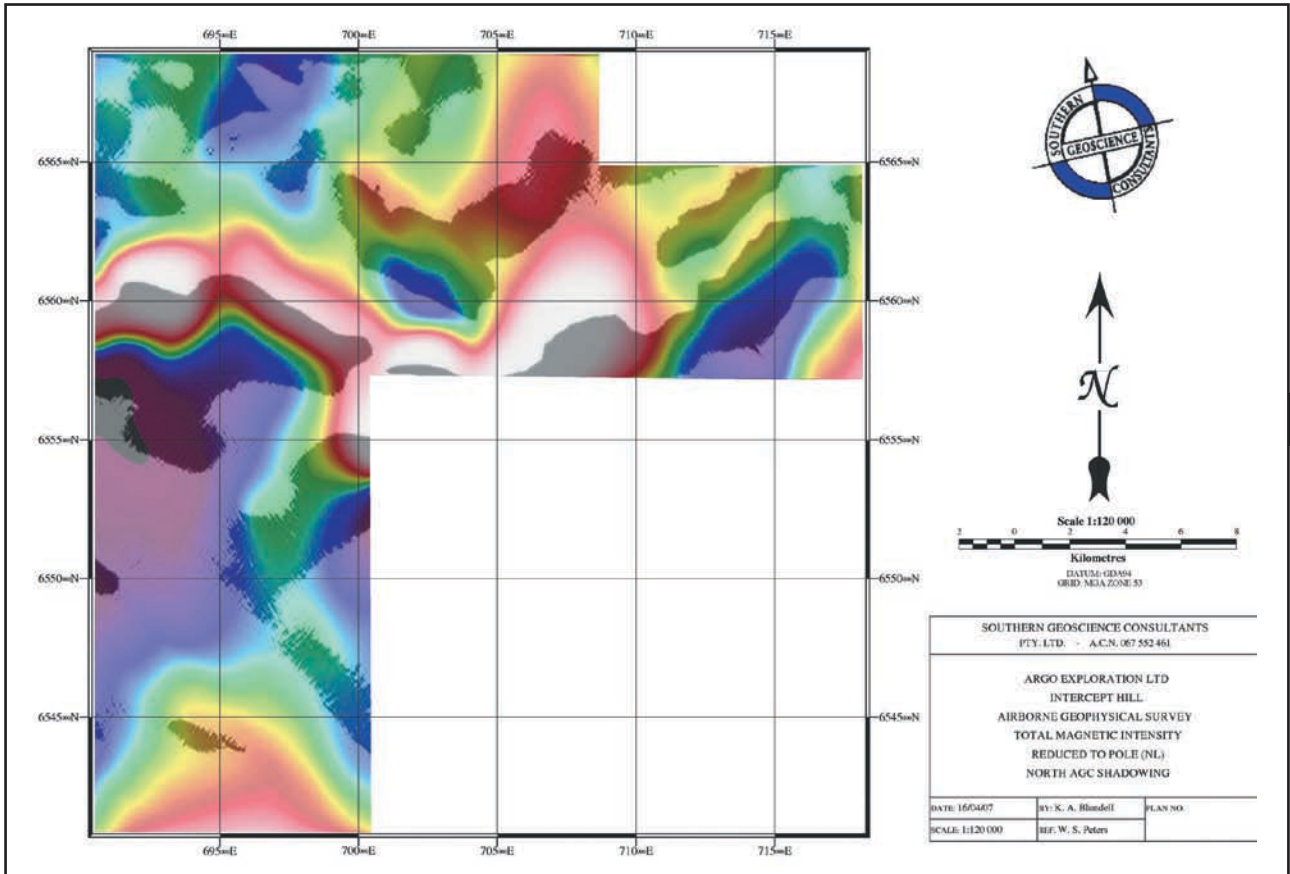


Figure 5: Intercept Hill – Total Magnetic Intensity RTP (NL) North AGC Shadowing.

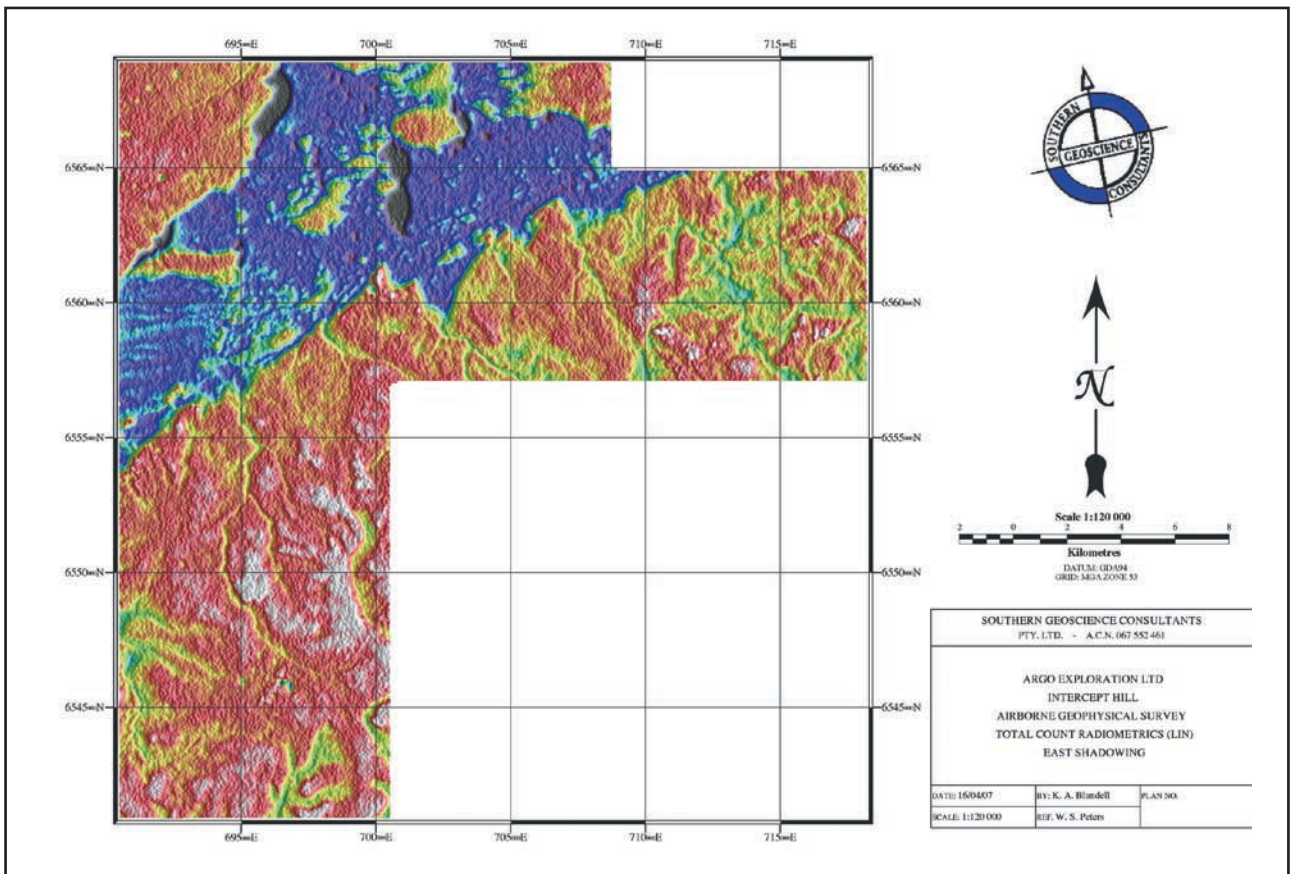


Figure 6: Intercept Hill - Total Counts Radiometrics (LIN) East Shadowing.

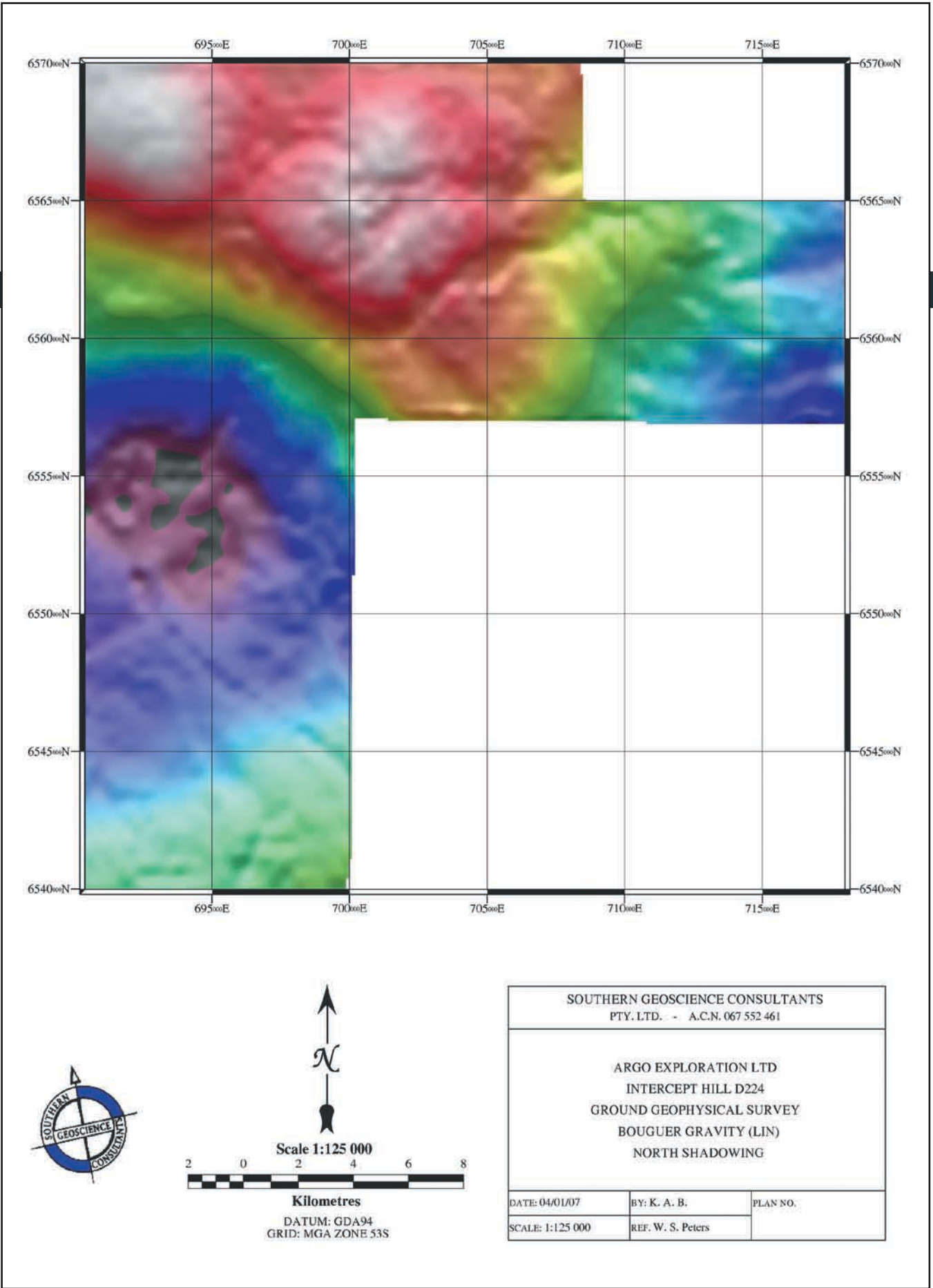


Figure 7: Intercept Hill - Bouguer Gravity (LIN) North Shadowing.



Figure 8: Intercept Hill - Drill site IHAD1.

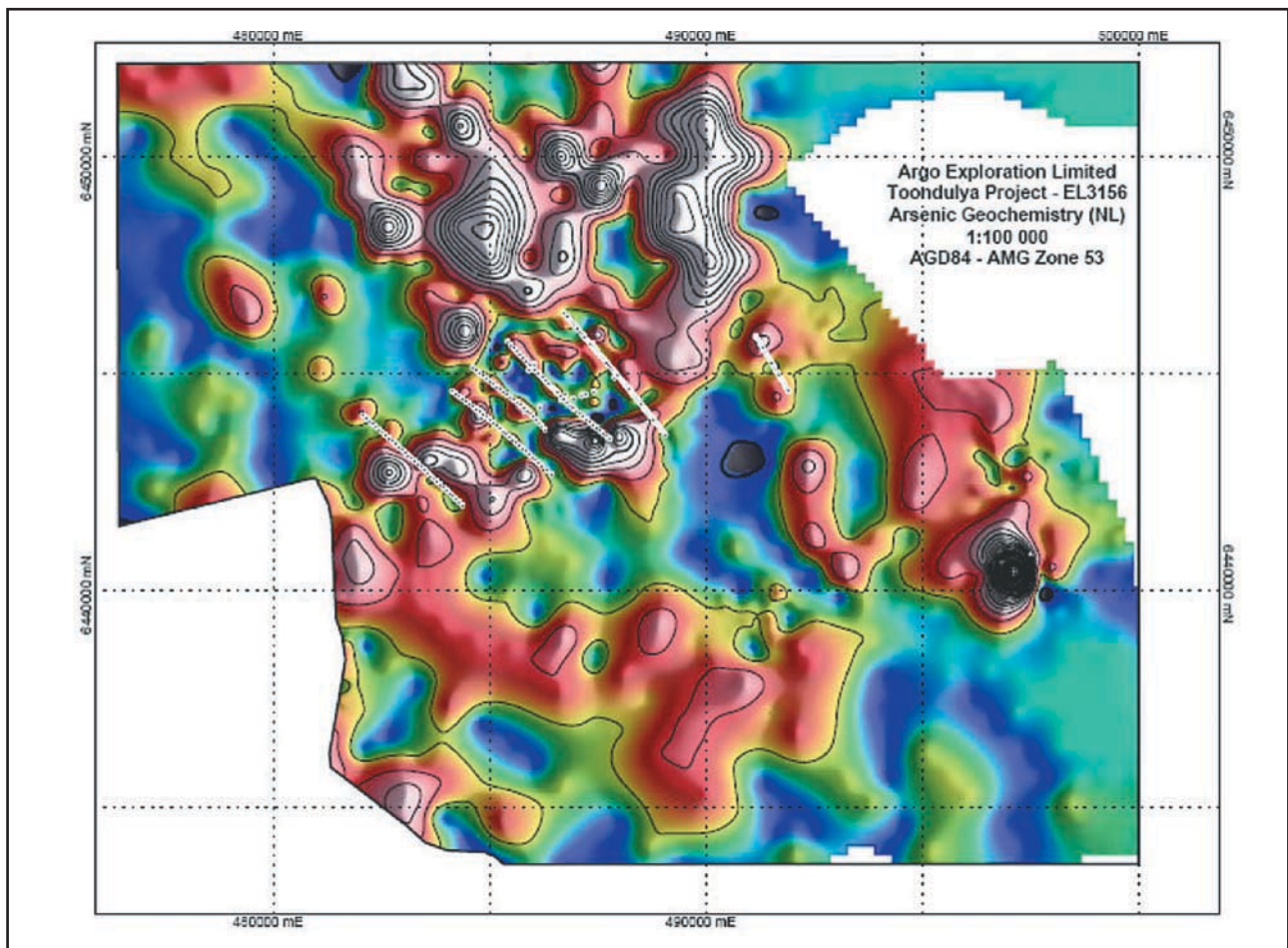


Figure 9: Toondulya - Calcrete Arsenic Geochemistry (NL).



Corporate Governance Statement

The Board of Directors are responsible for the Corporate Governance practices of the Company. The Board guides and monitors the business and affairs of Argo Exploration Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

While the company aims to comply with the ASX Best Practice Recommendations, its small size and the composition of its Board of Directors make it inappropriate or impractical to comply with all the recommendations.

The company currently complies with the ASX Best Practice Recommendations except for the following:

- The Board has not specifically established a remuneration committee.

This function is undertaken by the Board as a whole with compensation arrangements for Directors and senior executives determined by the Board on recommendations of the Chairman and the Directors.

For further information on corporate governance policies adopted by Argo Exploration Limited, refer to our website www.argoexploration.com.au.

Corporate Governance Statement cont'd

The Board of Directors

The Board carries out its responsibilities according to the following mandate:

- The Chairman of the Board should be an independent Director;
- The Directors should possess a broad range of skills, qualifications and experience; and
- All available information in connection with items to be discussed at a meeting of the Board shall be provided to each Director prior to that meeting.

The primary responsibilities of the Board include:

- The approval of the annual and half-year financial statements;
- The establishment of the long term goals of the Company and strategic plans to achieve those goals;
- The review and adoption of annual budgets for the financial performance of the Company and monitoring the results on a monthly basis;
- Ensuring that the Company has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities;
- Reviewing Board structure and performance from time to time and making decisions on new appointments; and
- The issue of any shares, options, equity instruments or other securities in the Company or its subsidiaries.

On the day on which the Directors' report is made out the Board consisted of two Non-Executive Directors. Details of the Directors are set out in the Directors' Report.

Risk Management

The board is responsible for the Company's systems of internal controls. The Board constantly monitors the operational and financial aspects of the Company's activities and the Board considers the recommendations and advice of external auditors and other external advisers on the operational and financial risks that face the Company. The Board ensures that recommendations made by the external auditors and other

external advisors are investigated and, where considered necessary, appropriate action is taken to ensure that the Company has an appropriate internal control environment in place to manage the key risks identified.

In addition, the Board investigates ways of enhancing existing risk management strategies.

Board Committees

Given the nature of the Company's current operations and the size of the Board, there is no remuneration or nomination committee. The functions of these types of committees are performed by the Board of Directors as a whole.

Audit and Risk Management Committee

The current members of the committee are:

- H Herbert
- J Stewart

The committee is responsible for risk management and oversight of the Company's financial reporting policies and other operational risk areas.

Furthermore, the committee monitors the internal controls and the integrity of the Company's financial statements in compliance with the regulatory requirements. The committee is also responsible for the appointment, evaluation and oversight of the external auditor, ensuring that the independence of the external assurance function is maintained.

Corporate Governance Statement cont'd

Code of Conduct

As part of the Board's commitment to the higher standard of conduct, the Company adopts a code of conduct to guide executives and management in carrying out their duties and responsibilities in compliance with all applicable laws and regulations. The code of conduct covers such matters as:

- Responsibilities to Shareholders;
- Compliance with laws and regulations;
- Relations with customers, suppliers, competitors and trade practices;
- Ethical responsibilities;
- Employment practices:
 - equal opportunity and unlawful harassment
 - safety of the workplace
- Responsibilities to the environment and the community, and;
- Corporate assets and information:
 - Company funds and property
 - corporate records and accounting
 - confidential and proprietary information
 - insider trading
 - legal disputes

In accordance with the Company's constitution and the Corporations Act 2001, Directors disclose to the Board any material contract in which they may have interest. In compliance with Section 195 of the Corporations Act 2001 any Director with a material personal interest in a matter being considered by the Board will not be present when the matter is being considered and will not vote on the matter.

Reappointment of Directors

The Company's Constitution provides that at every Annual General Meeting, one-third of Directors, and Directors appointed since the most recent Annual General Meeting,

shall retire from office and, being eligible, may stand for re-election. All vacant directorships may be filled at the meeting.

Shareholders

Shareholders play an integral part in corporate governance. To give effect to this, the Board ensures that Shareholders are kept fully informed through:

- the Annual Report which is distributed to all Shareholders;
- disclosures made to the Australian Stock Exchange; and
- notices and explanatory memoranda of extraordinary and general meetings.

Shareholders may raise matters of concern at General Meetings and have the ultimate control in corporate governance as they vote for the members of the Board, the Company's governing body.

Independent Professional Advice

With the prior approval of the Chairman, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect

of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

Review of Corporate Governance

The Company's corporate governance practices, Board and committee operations are subject to annual review and revi-

sion as required, and to performance assessment collectively and individually under the direction of the Chairman.

DR Directors Report

The Directors of Argo Exploration Limited submit herewith the annual financial report of the Company for the financial period ended 30 June 2007. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

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Directors

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

Dr Hugh Herbert	Executive Chairman and Managing Director
<i>Qualifications</i>	BSc, MSc, PhD
<i>Experience</i>	Dr Herbert is an economic geologist/geochemist with in-depth experience in mineral exploration, academia, Government service and mineral science consultancy spanning 42 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 Advance Australia Award in recognition of his "Outstanding Contribution in Science". Dr Herbert is a 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.
<i>Directorships in listed entities</i>	Nil
<i>Relevant interests in shares and options</i>	7,000,000 ordinary shares 7,000,000 unlisted \$0.20 options, expiring 10/12/2010
Mr James Stewart	Executive Director
<i>Qualifications</i>	BSc (Hons) Dip Ed, MSc, MAusIMM
<i>Experience</i>	James Stewart has, over the last 20 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 28 years experience in exploration and development geology, specializing in target generation and program execution, portfolio analysis and ranking, and corporate advice.
<i>Directorships in listed entities</i>	Nil
<i>Relevant interests in shares and options</i>	12,000,000 ordinary shares 5,000,000 unlisted \$0.20 options, expiring 10/12/2010

Mr Justin Hondris	Non-Executive Director
<i>Qualifications</i>	BBus, ASIA
<i>Experience</i>	Justin Hondris is a Partner in the London operation of a boutique venture capital fund and brings experience in international capital markets, venture capital investment and analysis, institutional stockbroking, and corporate finance both in Australia and Europe. Prior to working in the venture capital markets, he spent 4½ years at the investment bank Cazenove & Co in London, where he was responsible for promoting Australasian Equities to international institutional investors. 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.
<i>Directorships in listed entities</i>	Nil
<i>Relevant interests in shares and options</i>	3,400,000 ordinary shares 4,000,000 unlisted \$0.20 options expiring 10/12/2010
Ms Meredith Bird	Non-Executive Director
<i>Qualifications</i>	BA, Grad Dip ED, MComm, CEF, ZMP
<i>Experience</i>	Meredith Bird has cross-industry experience with high-growth public and private companies. She is currently Global Communications Manager to the international mining, utilities, transport, defence and governmental software and services company, Mincom Limited. She has extensive knowledge in corporate communications, 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.
<i>Directorships in listed entities</i>	Nil
<i>Relevant interests in shares and options</i>	50,000 ordinary shares 1,000,000 unlisted \$0.20 options expiring 10/12/2010

Directors Report cont'd

Company Secretary

Ms Melanie J Leydin	
<i>Qualifications</i>	B.Bus CA
<i>Experience</i>	Ms Leydin is a Chartered Accountant and principal in a chartered accounting firm specialising in audit and company secretarial services. Ms Leydin has 15 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 with emphasis on copper, gold and uranium.

Operation Results

The entity's consolidated net loss for the year after applicable income tax was \$416,129.

Review of Operations

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

Financial Position

The net assets of the consolidated entity are \$9,661,339 as at 30 June 2007. The major movements were due to capital raisings during the year and payment for acquisitions of exploration licences.

The consolidated entity's working capital, being current assets less current liabilities was \$5,836,155.

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

Changes in State of Affairs

During the financial period there were the following changes in the state of affairs of the consolidated entity:

- The Company raised \$7,000,000 (before costs) through the issue of 35,000,000 shares in an initial public offer.
- The Company raised \$686,800 through seed capital issue via the issue of 25,000,000 shares.
- The Company issued 12,000,000 shares and 5,000,000 unlisted options exercisable at \$0.20 expiring 10 December 2010 under a Tenement Acquisition Agreement.Future Developments

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

Events Subsequent To Balance Date

There has not been any matter or circumstance, other than that referred to in Note 23, that has arisen since the end of the financial period, 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.

Dividends

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

Environmental Regulations

The economic 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 agencies during the year ended 30 June 2007.

Directors Report cont'd

Share Options

Share options granted to Directors and executives or their nominees during and since the end of the financial period:

Directors	Date Options Granted	Number of Options Granted \$	Exercise Price of Options	Expiry Date of Options
Mr H Herbert	26 July 2006	7,000,000	0.20	10/12/2010
Mr J Stewart	26 July 2006	5,000,000	0.20	10/12/2010
Mr J Hondris	26 July 2006	3,400,000	0.20	10/12/2010
Ms M Bird	26 July 2006	1,000,000	0.20	10/12/2010
Ms M Leydin	26 July 2006	100,000	0.20	10/12/2010
		16,500,000		

Share Options On Issue At Year End Or Exercised During The 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 30,000,000 options were issued, and no options were exercised. At 30 June 2007 30,000,000 options were on issue. Refer to the notes to the financial statements for details of options granted.

Remuneration Report

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.

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 and a long term incentive portion as appropriate.

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 Directors 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.

The amount of aggregate remuneration sought to be approved by Shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers the amount of Director fees being paid by comparable companies with similar responsibilities and the experience of the Non-Executive Directors when undertaking the annual review process.

The Company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for Directors by resolution. Further details regarding components of Director and executive remuneration are provided in the notes to the financial statements.

Remuneration consists of a fixed remuneration and a long term incentive portion as appropriate.

Directors Report cont'd

Key Management Personnel Compensation

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

	Consolidated	Parent
	2007	2007
	\$	\$
Short-term employment benefits	493,833	493,833
Post employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share based payments	-	-
	493,833	493,833

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 2007

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

Directors	Short –term employment benefits	Postemployment	Equity		Total
	Salary, Fees and Commissions	Superannuation Contribution	Shares Received as Compensation	Options Received as Compensation	
	\$	\$	\$	\$	\$
Mr H Herbert	200,333	-	-	-	200,333
Mr J Stewart	147,500	-	-	-	147,500
Mr J Hondris	33,000	-	-	-	33,000
Ms M Bird	33,000	-	-	-	33,000
Ms M Leydin	80,000	-	-	-	80,000
	493,833	-	-	-	493,833

Options Issued as Part of Remuneration for the Year Ended 30 June 2007

There were no options granted as remuneration for the period ended 30 June 2007.

Shares Issued as Part of Remuneration for the Year Ended 30 June 2007

There were no shares issued as part of remuneration for the year ended 30 June 2007.

Employment Contracts

The **Managing Director, Mr H Herbert**, is employed under contract. The employment contract commenced on 7 December 2006 and will continue for an initial term of 2 years. Under the terms of the present contract:

- Mr 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 12 months written notice.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs Mr 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 Mr Herbert will be entitled to be paid those outstanding amounts owing to him up until the Termination Date.

The **Technical Director, Mr J Stewart**, is employed under contract. The current employment contract commenced on 7 December 2006 and will continue for an initial term of 2 years. Under the terms of the present contract:

- Mr Stewart may resign from his position and thus terminate this contract by giving 6 months written notice.
- The Company may terminate this employment agreement by providing 3 months written notice.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs Mr Stewart is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.
- On termination of the agreement Mr Stewart will be entitled to be paid those outstanding amounts owing to him up until the Termination Date.

The **Company Secretary and Chief Financial Officer, Ms Leydin**, is employed under contract. The current employment contract commenced on 26 July 2006 and will continue for an initial term of 2 years. Under the terms of the present contract:

- Ms Leydin may resign from her position and thus terminate this contract by giving 1 months written notice.
- The Company may terminate this employment agreement by providing 1 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 Report cont'd

Directors Meetings

The following table sets out the number of Directors' meetings held during the financial period and the number of meetings attended by each Director. During the financial period, 10 Board meetings were held. There is no separate remuneration or nomination committee.

Directors	Board Of Directors	
	Held	Attended
Mr H Herbert	10	10
Mr J Stewart	10	10
Mr J Hondris	10	10
Ms M Bird	10	10

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 financial period, 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 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.

These non-audit services provided by the Company's auditor during the year to June 2007 are as follows:

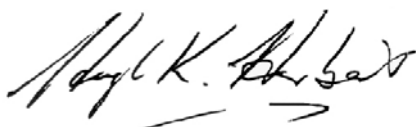
<i>Independent Accountants Report</i>	\$7,500
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Auditor's Independence Declaration

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 21.

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

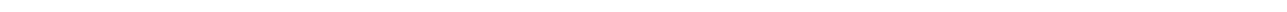
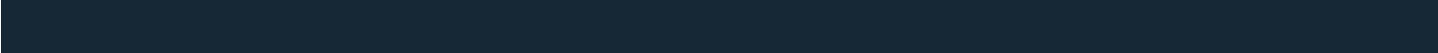
A handwritten signature in black ink, appearing to read "Hugh K. Herbert". The signature is written in a cursive style with a horizontal line underneath.

Hugh Herbert
Chairman

MELBOURNE, 28 September 2007



Auditor's Independence Declaration



Auditor's Independence Declaration
Under Section 307C of the Corporations Act 2001

To the Directors of Argo Exploration Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2007 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001; and
- no contraventions of any applicable code of professional conduct in relation to the audit.



William Buck
Chartered Accountants



Brad Taylor
Partner

Dated this 28th day of September 2007.

Melbourne, Australia.

DD 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) in the Directors' opinion the Remuneration Report, 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 entity; and
- c) the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

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

MELBOURNE, 28 September 2007

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 balance sheets as at 30 June 2007, and the income statements, statements of changes in equity and cash flow statements for the period ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Australian Accounting Standard AASB 124 Related Party Disclosures, under the heading Remuneration Report on pages 16-18 of the Directors' report and not in the financial report. We have audited the remuneration disclosures on pages 16-18 of the Directors' report.

Directors' Responsibility for the Financial Report and the AASB 124 Remuneration Disclosures Contained in the Directors' 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 control relevant to the preparation and fair presentation of the 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.

In Note 1, the directors also state, 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.

The directors of the Company are responsible for the remuneration disclosures contained in the Directors' report.

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. These Auditing Standards require that we 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. Our responsibility is also to express an opinion on the remuneration disclosures contained in the Directors' report based on our audit.

Independent Auditor's Report cont'd

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 judgment, 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 and the remuneration disclosures contained in the Directors' 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. We confirm that the independence declaration required by the Corporations Act 2001, has been provided to the directors on the same date as this auditor's report.

Auditor's Opinion on the financial report

In our opinion:

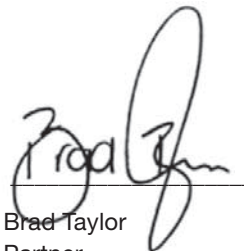
- a) the financial report of Argo Exploration Limited is in accordance with the Corporations Act 2001, including:
 - i) giving a true and fair view of company and consolidated entity's financial position as at 30 June 2007 and of their performance for the period ended on that date; and
 - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Auditor's Opinion on the AASB 124 remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures on pages 16-18 of the Directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures.



William Buck
Chartered Accountants



Brad Taylor
Partner

Dated this 28th day of September 2007.
Melbourne, Australia.

IS Income Statement

for the period ended 30 June 2007

	Note	CONSOLIDATED ENTITY	PARENT ENTITY
		2007 \$	2007 \$
Revenue	2	234,325	232,844
Corporate expenses		(105,990)	(105,990)
Administrative expenses		(81,825)	(81,825)
Employment expenses		(320,425)	(320,425)
Depreciation and amortisation		(11,169)	(11,169)
Write off of Goodwill on consolidation		(131,045)	-
Loss before income tax expense	3	(416,129)	(286,565)
Income tax expense	4	-	-
Profit/(loss) attributable to members of the parent entity		(416,129)	(286,565)
		Cents per Share	
Earnings/(Loss) per Share			
Basic Earnings per share	21	0.78	
Diluted Earnings per share	21	0.51	

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

B.S

Balance Sheet

as at 30 June 2007

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	Note	CONSOLIDATED ENTITY	PARENT ENTITY
		2007 \$	2007 \$
Current Assets			
Cash and cash equivalents	19(a)	6,125,919	6,125,819
Trade and other receivables	7	68,753	68,753
Total Current Assets		6,194,672	6,194,572
Non-Current Assets			
Property, plant and equipment	8	111,663	111,663
Financial assets	9	-	3,253,300
Other non-current assets	10	3,780,390	1,048,990
Total Non-Current Assets		3,892,053	4,413,953
Total Assets		10,086,725	10,608,525
Current Liabilities			
Trade and other payables	11	335,439	335,439
Borrowings	12	23,078	415,314
Total Current Liabilities		358,517	750,753
Non-Current Liabilities			
Borrowings	12	66,869	66,869
Total Non-Current Liabilities		66,869	66,869
Total Liabilities		425,386	817,622
Net Assets		9,661,339	9,790,903
Equity			
Issued Capital	13	9,745,968	9,745,968
Reserves	14	331,500	331,500
Accumulated losses		(416,129)	(286,565)
Total Equity		9,661,339	9,790,903

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

SCE

Statement of Changes in Equity

for the period ended 30 June 2007

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CONSOLIDATED				
	Issued Capital Note 13	Retained Earnings	Option Reserves Note 14	Total
Equity as at incorporation	-	-	-	-
Loss for the period (A)	-	(416,129)	-	(416,129)
Issue of Options	-	-	331,500	331,500
Issue of Shares	10,086,800	-	-	10,086,800
Costs of Capital Raising	(340,832)	-	-	(340,832)
Equity as at 30 June 2007	9,745,968	(416,129)	331,500	9,661,339

PARENT				
	Issued Capital Note 13	Retained Earnings	Option Reserves Note 14	Total
Equity as at incorporation	-	-	-	-
Loss for the period (A)	-	(286,565)	-	(286,565)
Issue of Options	-	-	331,500	331,500
Issue of Shares	10,086,800	-	-	10,086,800
Costs of Capital Raising	(340,832)	-	-	(340,832)
Equity as at 30 June 2007	9,745,968	(286,565)	331,500	9,790,903

(A) Loss for the period equals total recognised income and expense for the period.

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

CFS

Cash Flow Statement

for the period ended 30 June 2007

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	Note	CONSOLIDATED ENTITY	PARENT ENTITY
		2007 \$	2007 \$
Cash Flows From Operating Activities			
Receipts from customers		818	818
Interest received		233,507	233,507
Payments to suppliers and employees		(368,304)	(238,639)
Interest paid		(1,523)	(1,523)
Net cash used in operating activities	19(c)	(135,502)	(5,837)
Cash Flows From Investing Activities			
Payments for exploration expenditure		(1,048,990)	(1,048,990)
Payment for plant and equipment		(31,988)	(31,988)
Payments to subsidiary entity		-	(129,665)
Net cash used in investing activities		(1,080,978)	(1,210,643)
Cash Flows From Financing Activities			
Proceeds from issue of equity securities		7,686,802	7,686,802
Payment for share issue costs		(340,834)	(340,834)
Repayment of borrowings		(3,669)	(3,669)
Net cash flows from financing activities		7,342,299	7,342,299
Net Increase (Decrease) in cash and cash equivalents		6,125,819	6,125,819
Cash and cash equivalents at beginning of the financial period		-	-
Cash acquired on acquisition of subsidiary	19(d)	100	-
Cash and cash equivalents at the end of the financial period	19(a)	6,125,919	6,125,819

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

NES

Notes to the Financial Statement

1. Statement of Significant Accounting Policies

Corporate Information

Argo Exploration Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange.

Adoption of new and revised Accounting Standards

In the current year, 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 its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Group's accounting policies.

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

• AASB 7 'Financial Instruments: Disclosures and consequential amendments to other accounting standards resulting from its issue.	Effective for annual reporting periods beginning on or after 1 January 2007.
• AASB 8 'Operating Segments	Effective for annual reporting periods beginning on or after 1 January 2009.
• AASB 101 'Presentation of Financial Statements' – revised standard	Effective for annual reporting periods beginning on or after 1 January 2007.
• AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED151 and other standards	Effective for annual reporting periods beginning on or after 1 July 2007.
• Interpretation 10 'Interim Financial Reporting and Impairment'	Effective for annual reporting periods beginning on or after 1 November 2006.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the company or the Group. The circumstances addressed by Interpretation 10, which prohibits the reversal of certain impairment losses, do not affect either the company's or the Group's previously reported results and accordingly, there will be no impact to these financial statements on adoption of the Interpretation.

The application of AASB 101 (revised), AASB 7 and AASB 2005-10 will not affect any of the amounts recognised in the financial statements, but will change the disclosures presently made in relation to the company's and the Group's financial instruments and the objectives, policies and processes for managing capital.

Notes to the Financial Statement cont'd

These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement, which will be the company's annual reporting period beginning on 1 July 2007.

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards, Urgent Issues Group, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group.

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 28 September 2007.

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.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2007.

Principles of Consolidation

The consolidated financial statements includes Argo Exploration Limited and the entities it controlled for the period ended 30 June 2007.

A controlled entity is any entity Argo Exploration Limited has the power to control the financial and operational policies of so as to obtain benefits from its activities.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operational results have been included/excluded from the date control was obtained or until the date control ceased.

Investments in subsidiaries are carried at cost in the individual financial statements of Argo Exploration Limited.

Significant accounting policies

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

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(b) Financial instruments issued by the company

Transaction costs on the issue of equity instruments
Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(c) 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 cash flow statement 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 as operating cash flows.

(d) Impairment of assets

At each reporting date, the entity 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 independent from other assets, the entity 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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.

(e) **Income tax**

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences

giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these 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.

(f) **Exploration Expenditure**

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:

- (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 and an allocation of depreciation and amortisation of assets used in exploration and evaluation 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.

(g) Financial Assets

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

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, 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.

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 impairment.

Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recogni-

tion of the financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the 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 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.

With the exception of available-for-sale equity instruments, 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 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.

(h) Share-Based Payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 5.

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 shares that will eventually vest.

(i) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash

flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including capitalized lease assets is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation
Plant and equipment	40%
Leased assets	23%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(j) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

(k) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(l) Revenue

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

Interest Revenue

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.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 1, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. 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.

Notes to the Financial Statement cont'd

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007		2007	
	\$		\$	
2. Revenue				
Revenue from continuing operations consisted of the following items				
Revenue from the Sale of Goods	-		-	
Revenue from the Rendering of services	-		-	
	-		-	
Other Income				
Interest revenue	233,507		232,026	
Other revenue	818		818	
	234,325		232,844	
Total Revenue	234,325		232,844	
3. Loss From Operations				
Loss before income tax has been arrived at after crediting/ (charging) the following gains and losses from continuing operations				
Depreciation of non-current assets	6,024		6,024	
Amortisation of leased assets	5,145		5,145	
	11,169		11,169	
Finance costs				
- Interest on obligations under finance leases	1,523		1,523	
Write off of fixed assets	2,772		2,772	
Write off of goodwill	131,045		-	

	CONSOLIDATED	PARENT
	ENTITY	ENTITY
	2007	2007
	\$	\$
4. Income Tax Expense		
(a) The Components of Tax Expense comprise:		
Current Tax	-	-
Deferred Tax	-	-
	-	-
(b) The prima facie tax from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Profit/(Loss) from Ordinary Activities	(416,129)	(286,565)
Income tax expense/(benefit) calculated at 30%	(124,839)	(85,970)
Add:		
Tax Effect of:		
- Goodwill write off	39,314	-
	(85,525)	(85,970)
Add/(Less) Temporary Differences:		
- Deductible Capitalised Exploration Expenditure	(314,697)	(314,697)
- Deductible Share issue costs	(20,450)	(20,450)
- Other Timing Differences	4,868	4,868
Tax benefit for the year	(415,804)	(416,248)
Income Tax losses carried forward not taken up as benefit	415,804	416,248
Tax Expense	-	-
Deferred tax assets not brought to account as assets:		
- Tax Losses	415,804	416,248
- Temporary Differences	(215,777)	(215,777)
	200,027	200,471

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 realized.
- 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 realizing the benefits from deducting the losses.

Notes to the Financial Statement cont'd

5. Key Management Personnel

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

Mr H Herbert	Chairman
Mr J Stewart	Director
Mr J Hondris	Director
Ms M Bird	Director
Ms M Leydin	Company Secretary

- (a) Key Management Personnel Compensation Details of key management personnel compensation are in the Remuneration Report within the Directors Report.
- (b) Aggregate Key Management Personnel Compensation
The aggregate compensation of the key management personnel of the consolidated entity and the company is set out below:

	CONSOLIDATED		PARENT	
	2007	2007	2007	2007
	\$	\$	\$	\$
Short-term employment benefits	493,833		493,833	
Post employment benefits	-		-	
Other long-term benefits	-		-	
Termination benefits	-		-	
Share based payments	-		-	
	493,833		493,833	

Information regarding individual directors and executives 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.

- (c) Option holdings by Key Management Personnel or their nominees

	Balance at Incorporation	Granted as Compensation	Net Change Other (1)	Balance 30.6.2007 (unvested)
Mr H Herbert	7,000,000	-	-	7,000,000
Mr J Stewart	-	-	5,000,000	5,000,000
Mr J Hondris	4,000,000	-	-	4,000,000
Ms M Bird	1,000,000	-	-	1,000,000
Ms M Leydin	100,000	-	-	100,000
	12,100,000	-	5,000,000	17,100,000

(1): Options issued on acquisition of Athena Mines Pty Ltd

(d) Shareholdings by Key Management Personnel or their nominees

	Balance at Incorporation	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2007
Mr H Herbert	7,000,000	-	-	-	7,000,000
Mr J Stewart	-	-	-	12,000,000(2)	12,000,000
Mr J Hondris	3,400,000	-	-	-	3,400,000
Ms M Bird	-	-	-	50,000	50,000
Ms M Leydin	-	-	-	750,000	750,000
	10,400,000	-	-	12,800,000	23,200,000

(2): Shares issued on acquisition of Athena Mines Pty Ltd

(e) Loans/Payables to Key Management Personnel

Amounts payable to Key Management Personnel at 30 June 2007 are detailed in Note 11

(f) Other transactions with Key Management Personnel

Other transactions with Key Management Personnel during the period ended 30 June 2007 are detailed in Note 18.

	CONSOLIDATED ENTITY	PARENT ENTITY
	2007 \$	2007 \$
6. Auditor's Remuneration		
Auditor of the Parent Entity – William Buck		
Auditing or reviewing the financial report	13,500	13,500
Independent Accountants Report	7,500	7,500
	21,000	21,000
7. Trade and other Receivables		
Current		
Goods and services tax recoverable	66,504	66,504
Other receivables	2,249	2,249
	68,753	68,753

Notes to the Financial Statement cont'd

	CONSOLIDATED ENTITY		PARENT ENTITY
	2007		2007
	\$		\$
8. Plant and Equipment			
Plant and equipment - at cost	76,842		76,842
Less: Accumulated Depreciation	(5,769)		(5,769)
	71,073		71,073
Leased assets	45,735		45,735
Less: Accumulated Amortisation	(5,145)		(5,145)
	40,590		40,590
	111,663		111,663

	Plant and Equipment		Leased Assets	
	Consolidated	Parent	Consolidated	Parent
	2007	2007	2007	2007
	\$	\$	\$	\$
<i>Reconciliation of carrying value</i>				
Carrying amount at beginning of the year	-	-	-	-
Additions	79,869	79,869	45,735	45,735
Depreciation expense	(6,024)	(6,024)	(5,145)	(5,145)
Write-off of assets	(2,772)	(2,772)	-	-
Carrying amount at end of the year	71,073	71,073	40,590	40,590

	CONSOLIDATED ENTITY		PARENT ENTITY
	2007		2007
	\$		\$
9. Financial Assets			
Investments carried at cost			
Non-current			
Investment in subsidiaries	-		3,253,300
	-		3,253,300
Disclosed in the financial statements as:			
Current other financial assets	-		-
Non-current other financial assets	-		3,253,300
	-		3,253,300

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007		2007	
	\$		\$	
10. Other non-current Assets				
Costs carried forward in respect of areas of interest in exploration and evaluation phase		3,780,390		1,048,990
<i>Reconciliation of deferred exploration and evaluation costs</i>				
Balance at beginning of year		-		-
Current year expenditure		1,048,990		1,048,990
Write-off during the year		-		-
Acquisition through business combinations - Note 19(d)		2,731,400		-
Balance at end of year		3,780,390		1,048,990

Recoverability of the carrying amount of exploration assets is dependent upon the successful exploration and sale of resources. Capitalised cost of \$1,048,990 has been included in cash flows from investing activities in the cash flowstatement.

11. Trade and other Payables			
Current			
Trade payables (1)		281,528	281,528
Amounts payable to:			
- Key management personnel		23,325	23,325
- Key management personnel related entities		15,586	15,586
Sundry payables and accrued expenses		15,000	15,000
		335,439	335,439

(1) The average credit period on purchases is 30 days. 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 Statement cont'd

	CONSOLIDATED ENTITY		PARENT ENTITY
	2007		2007
	\$		\$
12. Borrowings			
Unsecured – at amortised cost			
Current			
Loans from subsidiary (1)	-		392,236
Finance lease liabilities	7,163		7,163
Hire purchase liabilities	15,915		15,915
	23,078		415,314
Non-Current			
Finance lease liabilities	34,903		34,903
Hire purchase liabilities	31,966		31,966
	66,869		66,869

(1) Payables to wholly owned subsidiaries have no interest payable and no repayment date.

13. Issued Capital		
72,000,000 fully paid ordinary shares	9,745,968	9,745,968
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.		
	2007	
	No.	\$
(a) Fully paid ordinary shares		
Balance at incorporation	18,000,000	1,800
Seed capital at 5 cents per share	300,000	15,000
Seed capital at 10 cents per share	6,700,000	670,000
Issue of shares under Tenement Acquisition Agreement at 20 cents	12,000,000	2,400,000
Issue of shares under Initial Public Offering	35,000,000	7,000,000
Less: Costs of capital raising		(340,832)
Balance at end of financial period	72,000,000	9,745,968
Fully paid ordinary shares carry one vote per share and carry the right to dividends.		

13. Issued Capital cont'd

(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

Option entitles the holder to subscribe for 1 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.

	2007 No.
Balance at beginning of the financial period	-
Granted during the financial period	30,000,000
Exercised during the financial period	-
Lapsed during the financial period	-
Balance at end of the financial period	30,000,000

Directors Options

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

14. Reserves

Option Reserve

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

During the year 5,000,000 options were granted to Mr James Stewart as part of the consideration for acquisition of exploration licences.

Option Valuation

In accordance with AASBL, the value of the options have been independently assessed at \$0.0663. The Directors adopted the option valuation of \$331,500.

The options were independently valued using the Black Scholes option valuation methodology and the key assumptions used were:

Share Price:	\$0.20
Exercise Price:	\$0.20
Volatility:	52%
Time to Maturity:	4.11 years
Risk Free Interest Rate:	5.814%

15. Dividends

There have been no dividends paid or proposed in the 2006 or 2007 financial periods.

Notes to the Financial Statement cont'd

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007		2007	
	\$		\$	
16. Copmmittments for Expenditure				
Exploration Tenements – Commitments for Expenditure				
In order to maintain current rights of tenure to exploration tenements, the Company 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 one year	245,000		245,000	
Later than one year but not later than five	87,500		87,500	
Later than five years	-		-	
	332,500		332,500	
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	9,324		9,324	
Later than one year but not later than five	36,076		36,076	
Later than five years	-		-	
Minimum future lease payments	45,400		45,400	
Less future finance charges	(3,334)		(3,334)	
Present value of minimum lease payments	42,066		42,066	
Included in the financial statements as:				
Current borrowings	7,163		7,163	
Non-current borrowings	34,903		34,903	
	42,066		42,066	

17. Segment Information

The Company operates in the mineral exploration segment within Australia. The Company operates in the mineral exploration segment within Australia.

18. Related Party Disclosures

Key Management Personnel Compensation

Details of key management personnel compensation are disclosed in the Remuneration Report contained in the Directors Report.

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.

During the year the Company entered into a Share Purchase Agreement with Mr James Stewart to purchase 100% of the shares in Athena Mines Limited. The consideration for this purchase was the issue of 12,000,000 ordinary shares in the Company at the issue price of \$0.20 and 5,000,000 unlisted options exercisable at \$0.20 expiring 10/12/2010. These options were independently valued at \$0.0663 cents per option. Details of this valuation are included in Note 14.

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.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007		2007	
	\$		\$	
19. Notes to the Statement of Cash Flows				
(a) Reconciliation of Cash and Cash Equivalents				
For the purposes of the Cash Flow Statement, 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 period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:				
Cash and cash equivalents		6,125,919		6,125,819
(b) Financing Facilities				
The company has no financing facilities in place at 30 June 2007				

Notes to the Financial Statement cont'd

19. Notes to the Statement of Cash Flows cont'd

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007		2007	
	\$		\$	
(c) Reconciliation of Net Profit/(Loss) After Related Income Tax to Net Cash Flows From Operating Activities				
Profit/(loss) after related income tax	(416,129)		(286,565)	
Less: Non-cash activities:				
Depreciation and amortisation of non-current assets	11,169		11,169	
Write-off of fixed assets	2,772		2,772	
Write-off of Goodwill on consolidation	131,045		-	
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Current receivables	(68,753)		(68,753)	
Increase/(decrease) in liabilities:				
Current payables	204,494		335,540	
Net cash used in operating activities	(135,402)		(5,837)	
(d) Acquisition of Entities				
During the year 100% of the controlled entity, Athena Mines was acquired. Details of the transaction are:				
Purchase consideration	2,731,500		2,731,500	
Consisting of:				
- Issue of 12,000,000 Ordinary Shares in the Company at \$0.20	2,400,000		2,400,000	
- Issue of 5,000,000 Exercisable at \$0.20 on or before 10 December 2010 (1)	331,500		331,500	
	2,731,500		2,731,500	
Net tangible assets acquired:				
Cash and Cash Equivalents	100		100	
Exploration Licences – Note 10	2,731,400		2,731,400	
	2,731,500		2,731,500	

(1) Option valuation detailed at Note 14.

20. Financial Instruments

(a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

(b) Interest Rate Risk

The following table details the consolidated entity's exposure to interest rate risk as at the 30 June 2007:

2007	Average Interest Rate	Variabl Interest Rate	Fixed Interest Rate Maturity			Non-Interest Bearing	Total
			Less than 1 Year	1 to 5 Years	More than 5 Years		
Financial Assets							
Cash	6.0	887,233	5,225,420	-	-	13,266	6,125,919
Trade and other receivables	-	-	-	-	-	68,753	68,753
		887,233	5,225,420	-	-	82,019	6,194,672
Financial Liabilities							
Payables	-	-	-	-	-	335,439	335,439
Borrowings	10.0	-	23,078	66,869	-	-	89,947
		-	23,078	66,869	-	335,439	425,386

(c) Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of managing its exposure to credit risk by assessment of the creditworthiness of potential customers and obtaining sufficient collateral or other security where appropriate. The carrying amount of financial assets included in the consolidated accounts represents the exposure of the consolidated entity to credit risk.

(d) Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

(e) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

21. Loss Per Share

	2007 Cents Per Share
Basic Loss per share	(0.7815)
Diluted Loss per share	(0.5121)
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows	2007 \$
Earnings (i)	(416,129)
	2007 No
Weighted average number of ordinary shares used in the calculation of basic earnings per share	53,248,968
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	81,257,817

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

22. Subsidiaries

Name of Entity	Country of Incorporation	Ownership Interest 2007 %
Parent Entity Argo Exploration Limited	Australia	
Subsidiaries		
Olympic Resources Limited	Australia	100
Athena Mines Limited	Australia	100

23. Contingent Liabilities

The Company has tendered a submission to the South Australian State Revenue Office regarding its liability to pay stamp duty on the Acquisition of 100% of the issued share capital of Athena Mines Pty Ltd. The Company submits that nominal duty is payable however there is a potential contingent stamp duty of up to \$144,062.

24. After Balance Date Events

There has not been any matter or circumstance that has arisen since the end of the financial period, 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, other than on 28 September 2007 the Company announced a capital raising of \$3,240,000 through the issue of 10,800,000 shares.



Shareholder Information

The shareholder information set out below was applicable as at 31 August 2007.

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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	13,043	0.00
1,001 – 5,000	139	473,665	0.66
5,001 – 10,000	165	1,478,106	2.05
10,001 – 100,000	359	12,951,256	17.99
100,001 and over	54	57,083,930	79.30
Total	731	72,000,000	100.00

(b) There are 14 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	%
1. Mr J Stewart	12,000,000	16.67%
2. Mr H Herbert	7,000,000	9.73%
3. Yarra Management Pty Ltd	7,000,000	9.73%
4. Roxtrus Pty Ltd	4,250,000	5.90%
5. Saturn Investments	4,250,000	5.90%
6. Cornwall Development Corporation	3,400,000	4.73%
7. National Nominees Limited	3,157,000	4.38%
8. Ronay Investments Pty Ltd	1,542,453	2.14%
9. Eiroz Investment Corporation Pty Ltd	1,500,000	2.08%

Shareholder	Holding	%
10. Rojul Nominees Pty Ltd <RR Martin Super Fund A/C>	875,000	1.22%
11. Citicorp Nominees Pty Ltd	872,000	1.21%
12. Mr C Pyser & Mr M Danson	835,000	1.16%
13. ANZ Nominees Limited <Cash income A/C>	738,000	1.03%
14. Lamonde Industries Pty Ltd <Dorizzi Super Fund>	650,000	0.90%
15. Mr E E Martin <E E Martin Super Fund A/C>	575,000	0.80%
16. Mrs C A Lewis	530,000	0.74%
17. Ecne Investments Limited	375,000	0.52%
18. Mr M Gallagher	375,000	0.52%
19. Cribben Vest Pty Ltd <Cribben Family A/C>	350,000	0.49%
20. P & M Harbig (Holdings) Pty Ltd	345,520	0.48%

3. Restricted Securities

As at 31 August 2007, the company had the following securities subject to escrow arrangement:

Security	No	Escrow Expiry
Ordinary shares	500,000	September and October 2007
Ordinary shares	29,566,300	6 December 2008
Options (1)	30,000,000	6 December 2008

(1) Options exercisable at \$0.20 each up to 10 December 2010.

4. Substantial Shareholders

As at 31 August 2007 the substantial shareholders were as follows:

Name of Shareholder	No of Shares	% of Issued Capital
Mr J Stewart	12,000,000	16.67%
Mr H Herbert	7,000,000	9.73%
Yarra Management Pty Ltd	7,000,000	9.73%
Roxtrus Pty Ltd	4,250,000	5.90%
Saturn Investments Pty Ltd	4,250,000	5.90%

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.

NOTES

