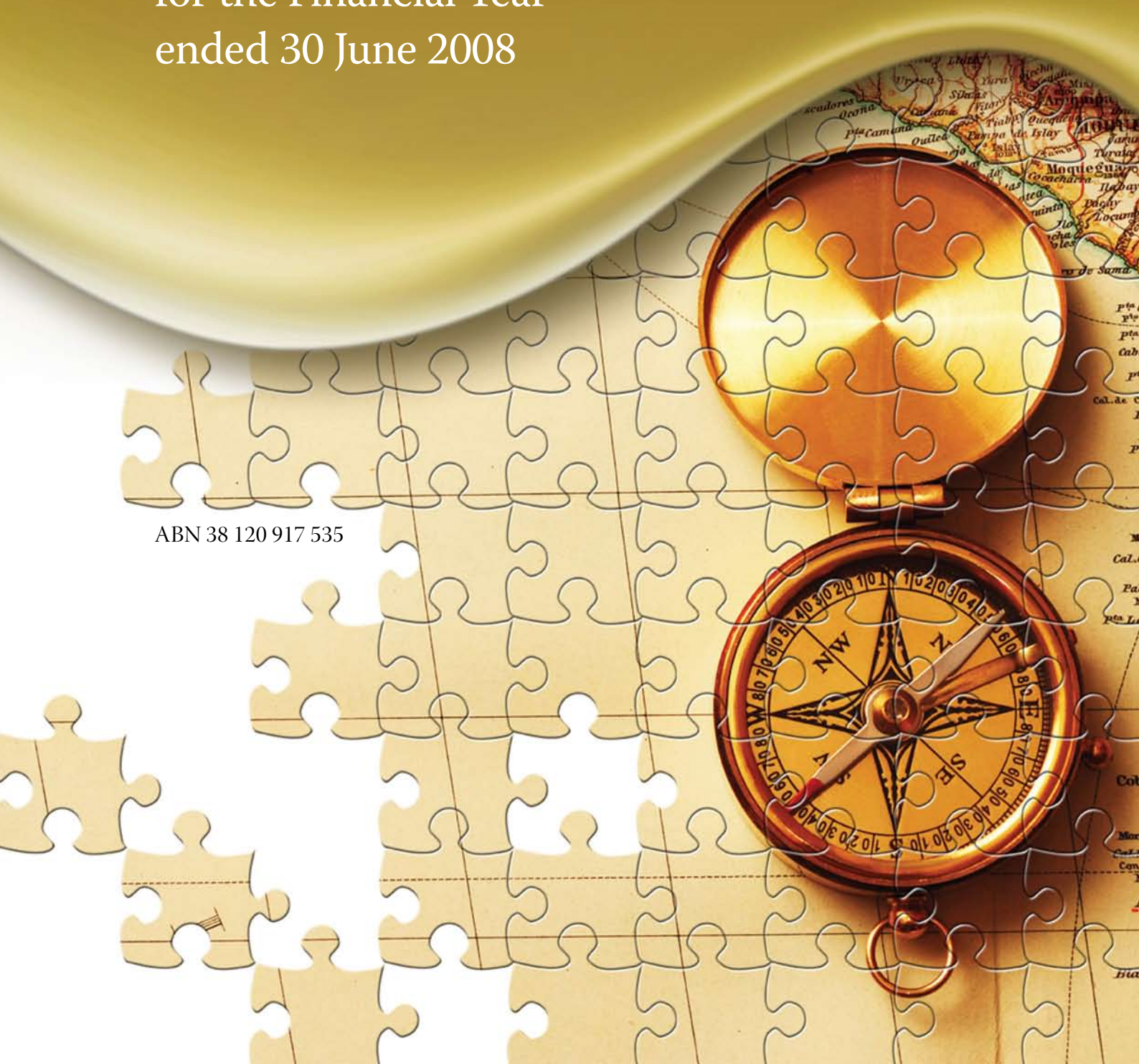




Annual Financial Report for the Financial Year ended 30 June 2008

ABN 38 120 917 535



Annual Financial Report 2008



Board of Directors

Hugh Herbert
(Executive Chairman and Managing Director)

Jim Stewart
(Technical Director)

Justin Hondris
(Non-Executive Director)

Meredith Bird
(Non-Executive Director)

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Stock Exchange Listing

Home Exchange is Melbourne
ASX Code Fully Paid Shares: AXT



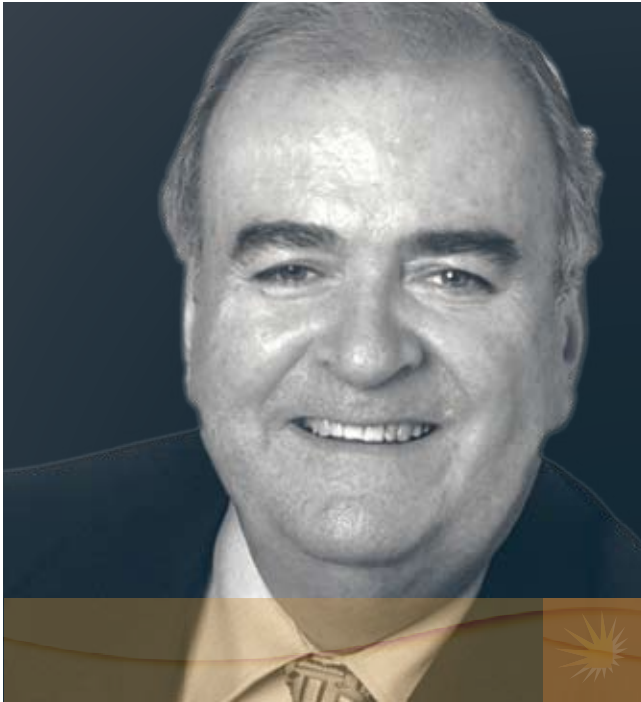
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Forward Looking Statements

This Full-year Report includes certain forward-looking statements that have been based on current expectations about future acts, events and circumstances. These forward-looking statements are however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward-looking statements. These factors include, amongst other things, commercial and other risks associated with the meeting of objectives and other investment considerations, as well as matters not yet known to the Company or not currently considered material by the Company.



On behalf of the Board of Directors, I am pleased to report on progress at the Company's Intercept Hill and Toondulya projects over the past 12 months.

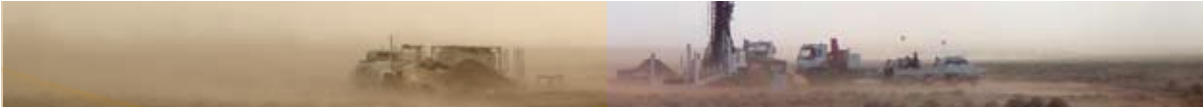
The 2007/2008 exploration program at Intercept Hill, for iron oxide-copper-gold (IOCG) deposits, focused on drill testing ranked gravity-magnetic features along interpreted linear structural zones, inferred to reflect 'deep seated plumbing systems'.

The north-west-trending corridor selected for initial drilling was chosen, in part, because of close proximity to the known IOCG-style alteration system at Emmie Bluff, immediately south of Intercept Hill, where several drill holes intersected copper-gold-silver mineralization within hematite-magnetite altered granite breccias.

The alteration-mineralization at Intercept Hill and Emmie Bluff is considered to be part of the same large system found within a localized graben containing coarse, immature clastic sediments with volcanics intruded by granites. These rock types have been overprinted by magnetite-rich alteration systems, massive ironstones and hematite-dominated alteration that includes a copper-gold mineralizing event.

Two drilling campaigns were undertaken at Intercept Hill during the reporting period. The results of the 2007 Phase 1 drilling were used to develop a geological model employed in the follow-up 2008 Phase 2 drilling campaign.

“Argo looks forward to progressing its encouraging and exciting initial exploration in the year ahead.”



Phase 1 comprised four diamond holes totaling 4,377.9 metres. All holes intersected targeted IOCG-altered basement rocks with associated breccia and/or ironstone systems.

The technical success recorded in the second hole drilled indicates that the chalcopyrite-pyrite-hematite phase of the IOCG-type hydrothermal paragenesis is present in the prospect area.

In addition, two Phase 1 drill holes intersected significant stratabound base metal sulphide accumulations in Tapley Hill Formation at depths of approximately 390 metres.

Phase 2 drilling commenced in late February and was successfully completed during the June quarter. The program consisted of six diamond drill holes totaling 5,824.3 metres.

Phase 2 drilling produced a basement intersection considered particularly significant because it shows all essential 'ingredients' of a fertile IOCG system, including gold and high-tenor copper minerals, are present within the Intercept Hill project area. Further drilling is warranted to evaluate the potential economic significance of this copper-gold mineralized iron oxide alteration system.

A further intersection of base metal mineralized Tapley Hill Formation was achieved during Phase 2 drilling which suggests that stratabound base metal mineralization extends from Emmie Bluff north-west into the Intercept Hill tenement for at least 2.6 kilometres.

This occurrence of stratabound "Kupferschiefer"-style copper-silver-cobalt ± zinc and lead mineralization in three holes is considered very encouraging. When coupled with the results of drilling carried out by Carpentaria Exploration at Emmie Bluff, which outlined a reported 'resource' of 24 million tonnes at 1.3% copper, stratabound mineralization within the Tapley Hill Formation is considered a genuine exploration target warranting follow-up.

Exploration at Toondulya focused on calcrete sampling aimed at geochemically assessing well-defined geophysical anomalies.

The geochemical sampling program along pre-selected grids and traverses, initiated in December 2007 and completed during January 2008, yielded a total of 1,984 calcrete samples which were analyzed for gold, silver, arsenic, cobalt, copper, nickel, lead, uranium and zinc.

Relevant scintillometer readings were taken at localities defined by airborne radiometrics as yielding a radiogenic response. Uranium-in-calcrete data show an excellent correlation between 'elevated' values and areas defined as 'anomalous' based on airborne radiometrics.

Gold-in-calcrete data illustrate mild gold enrichment in calcrete samples associated with a number of sampled grid areas. Data from specific grid areas serve to confirm the veracity of previous broad spaced gold-in-calcrete sampling conducted by Homestake Gold of Australia.

Further 'infill' calcrete and biogeochemical, sampling is planned to refine previously outlined gold-in-calcrete anomalies as a prelude to possible drilling.

The Board of Directors thank staff, contract personnel and landowners for their contributions to the exploration effort, members of the Kokatha and Barnagarla Native Title claimant groups for facilitating drilling access, and stakeholders for their ongoing support. Argo looks forward to progressing its encouraging and exciting initial exploration in the year ahead.

Dr Hugh K Herbert
Chairman and Managing Director

Argo Exploration Ltd has a 100% interest in two Exploration Licenses located in the Olympic Copper-Gold, and Central Gawler Craton Gold, provinces of South Australia respectively (Fig. 1).



Figure 1: Location of EL4164 Intercept Hill Project and EL3156 Toondulya Project in relation to mineral provinces and key mines/prospects.



The Intercept Hill iron oxide copper-gold (IOCG) project is centrally located in the best endowed copper belt in Australia, about 75 kilometres south of BHP Billiton's super-giant Olympic Dam copper-uranium-gold mine and 25 kilometres west-north-west of Teck Cominco's Carrapateena Prospect. The Emmie Bluff Prospect (Gunson Resources Limited/Xstrata plc JV) is centred about 2 kilometres from the boundary of Argo's EL4164.

Strong market interest in the area prevailed until the close of 2007 with copper, gold and uranium exploration spurred by historically high prices for these commodities and some encouraging exploration results. The most significant result was at Carrapateena Prospect where Canadian major Teck Cominco had announced an intersection of 905 metres averaging 2.1% copper and 1 gram per tonne (g/t) of gold in a vertical drill hole. However, the first half of 2008 witnessed a sharp reversal in market sentiment which is likely to impact Argo's short term capacity to continue

to explore aggressively at its Intercept Hill Project. The Toondulya Project is centrally situated within an emerging gold province and straddles structural features that host significant gold prospects at Tunkillia and Nuckulla Hill to the north (Fig. 1). Exploration expenditure in the 2007/2008 financial year totaled approximately \$3.93 million with most (about \$3.41 million) being spent on the Company's Intercept Hill Project.



Intercept Hill IOCG Project

In view of the thick rock cover sequence overlying prospective basement in the Stuart Shelf (Fig. 1), geophysics is used to target potential IOCG systems.

At Intercept Hill, several quality residual gravity-magnetic anomalies, with magnitudes and footprints equal to or better than Teck Cominco's Carrapateena Prospect (Fig. 2), have been defined. A number of these were cleared for drilling by the Kokatha and

Barnjarla Native Title claimant groups during the reporting period, with target zones expected at approximately 800 metres depth. Three prospects, Emmie North, Winjabbie East and Canegrass have been drilled while a number of other anomalies are ready for drilling.

The 2007/2008 exploration program at Intercept Hill, for IOCG deposits, focused on drill testing ranked gravity-magnetic features along interpreted linear structural zones, inferred to

reflect 'deep seated plumbing systems,' commenced in the June quarter 2007.

The north-west-trending corridor selected for initial drilling was chosen, in part, because of close proximity to the known IOCG-style alteration system at Emmie Bluff, immediately south of Intercept Hill, where several drill holes intersected copper-gold-silver mineralization within hematite-magnetite altered granite breccias.

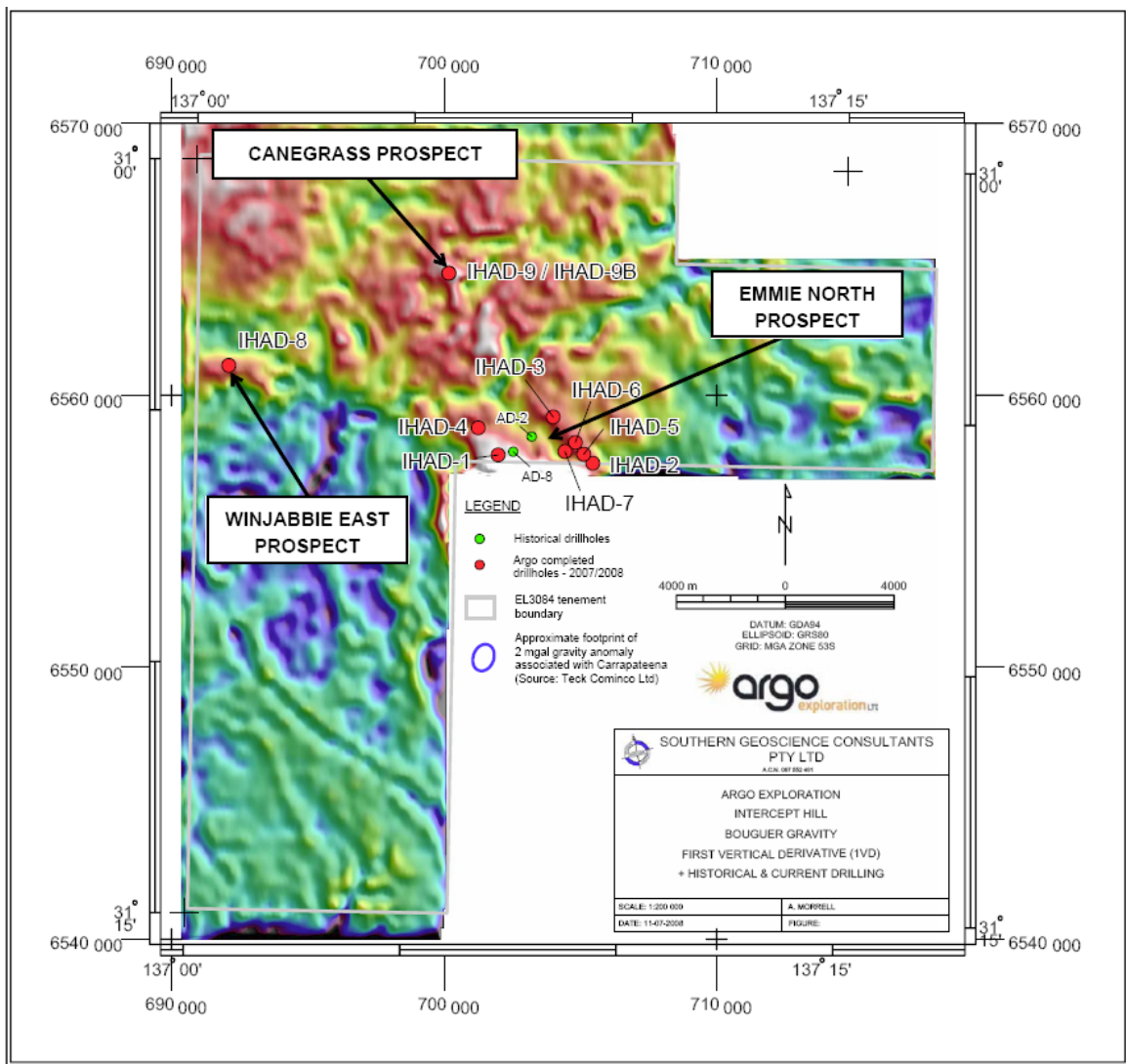


Figure 2: First Vertical Derivative of Bouguer gravity showing positions of Phase 1 and Phase 2 diamond drill holes and Prospect locations, EL4164.

Drilling Program


A ten hole diamond drilling program, totaling 10,202.2 metres, was completed in two campaigns. The first campaign of four holes was drilled at Emmie North Prospect (Fig. 2) with the first hole completed in the June 2007 Quarter and the remaining three holes (3,315 metres) being completed during the September 2007 Quarter.

Based on geological evidence derived from the Phase 1 drilling campaign, Argo believed that there was good potential for the existence of a major mineralized IOCG system within the Exploration Licence and that a more extensive drilling campaign, than was originally budgeted, was warranted.

To facilitate the contemplated expanded drilling program, of specific basement and cover sequence targets, an additional \$3.24million was raised in September 2007 via a placement of 10,800,000 shares at 30 cents per share to sophisticated and institutional investors.

The capital raising allowed the Company to aggressively expand its drilling program for an economic IOCG system and/or Kupferschiefer-style copper-silver-cobalt resource in the second half of the year.

The second campaign, comprising six holes, commenced in March Quarter 2008, was completed during June Quarter 2008 and comprised a further three holes at Emmie North followed by one hole at Winjabbie East, and two at Canegrass, Prospects (Fig. 2). Table 1 outlines the drilling statistics. The results of the Phase 1 campaign were used to guide Phase 2 drilling at Emmie North Prospect.



Hole No.	Northing (m)	Easting (m)	Drill Collar Inclination	Depth (m)
Phase 1				
Emmie North				
IHAD1	6557801	0701982	Vertical	1062.9
IHAD2	6557500	0705450	Vertical	1158.8
IHAD3	6559200	704001	Vertical	1027.5
IHAD4	6558799	701251	Vertical	1128.7
Phase 2				
Emmie North				
IHAD5	6557882	0705119	Vertical	1152.8
IHAD6	6558260	0704806	Vertical	1116.7
IHAD7	6557929	0704430	Vertical	465.9
Winjabbie East				
IHAD8	6561100	692100	Vertical	1206.6
Canegrass				
IHAD9	6564484	0700171	Vertical	774.8
IHAD9B	6564481	0700172	75° to 340°	1107.5

Table 1: Phase 1 and Phase 2 drilling statistics.

Emmie North Prospect

The IOCG system at Emmie North is believed to be spatially and temporally related to the system at Emmie Bluff Prospect, centred some 2 kilometres to the south of Argo's tenement boundary. The system is considered to occupy a localized graben containing coarse, immature clastic sediments with volcanics intruded by granites. These rock types are believed to have been overprinted by magnetite-rich alteration systems, massive variably mineralized ironstones and hematite-dominated alteration that includes copper and copper-gold mineralizing events.

The Emmie Bluff Prospect, tested by Mount Isa Mines Limited (MIM) between 1984-1995, comprises a large body of copper-gold mineralization within basement rocks at 900 metres depth, overlain by a flat lying sheet

of younger copper-cobalt mineralization at 400 metres depth containing an inferred resource of 24 million tonnes averaging 1.3% copper and 0.06% cobalt.

Drilling at Emmie North Prospect has replicated the mineralization geometry and grades previously outlined at Emmie Bluff Prospect, achieving significant intersections of copper-gold mineralization in IOCG basement systems at 800 to 1000 metres depth and have shown that younger, flat lying copper-silver-cobalt mineralization extends for at least 2.6 kilometres into EL4164.

A summary of the Emmie North Prospect drilling appears below with drill hole locations shown on Figures 2 and 3. Figures 4 to 6 represent cross section interpretations along lines IHAD2 to IHAD3, IHAD1 to IHAD3 and IHAD1 to IHAD4 respectively.

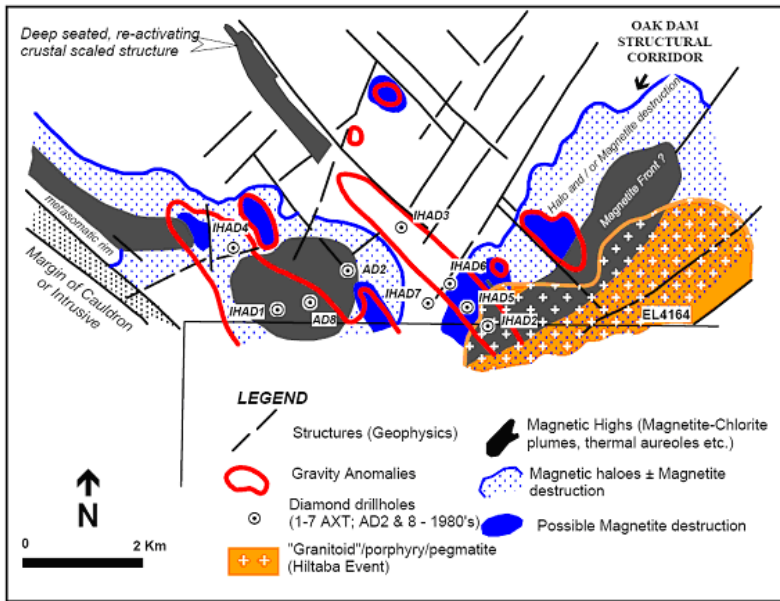


Figure 3: Interpretation plan of key geological elements, Emmie North Prospect area, EL4164. Emmie North occurs at the intersection of geophysically defined north-west-trending crustal-scale structures that pass through Emmie Bluff Prospect to the south and the north-east-trending Oak Dam structural corridor.

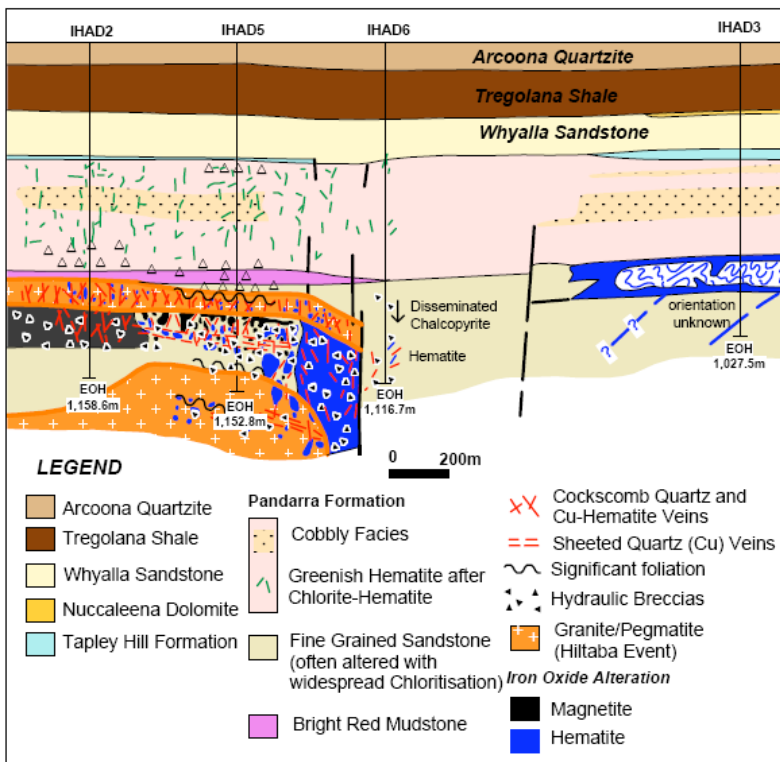


Figure 4: Schematic cross section interpretation along a line between IHAD2 and IHAD3, looking south-west, Emmie North Prospect. The interpretation postulates increasing magnetite destruction to the north-west, of a magnetite aureole about a Hiltaba Suite granite, with attendant increase in copper ± gold grade. The model suggests the possible presence of a steeply dipping, strongly mineralized hematite breccia mass between IHAD5 and IHAD6 warranting drill testing.

IOCG Basement Targets

The Company's exploration program for IOCG deposits has focused on drill testing carefully ranked gravity-magnetic features in an area of interpreted intersecting north-west and north-east linear structural zones postulated to reflect 'deep seated plumbing systems' (Fig. 3).

The geophysical features comprising the direct drilling targets are residual gravity highs considered to indicate high density hematite enriched bodies, and zones of low magnetics attributed to alteration demagnetization. A number of priority features remain untested within the Emmie North Prospect.

The north-west-trending corridor selected by Argo for initial drilling was chosen, in part, because it was close to, and considered to be a continuation of, the known IOCG-style alteration system at Emmie Bluff, immediately to the south of the tenement, where several holes had intersected copper-gold-silver mineralization within hematite-magnetite altered granite breccias.

Argo has aggressively drill tested priority geophysical features within the selected 'corridor' at Emmie North Prospect (IHAD1 to IHAD6). These holes show the presence of a large magnetite-hematite alteration system imposed upon a Mesoproterozoic basement dominated by siliceous

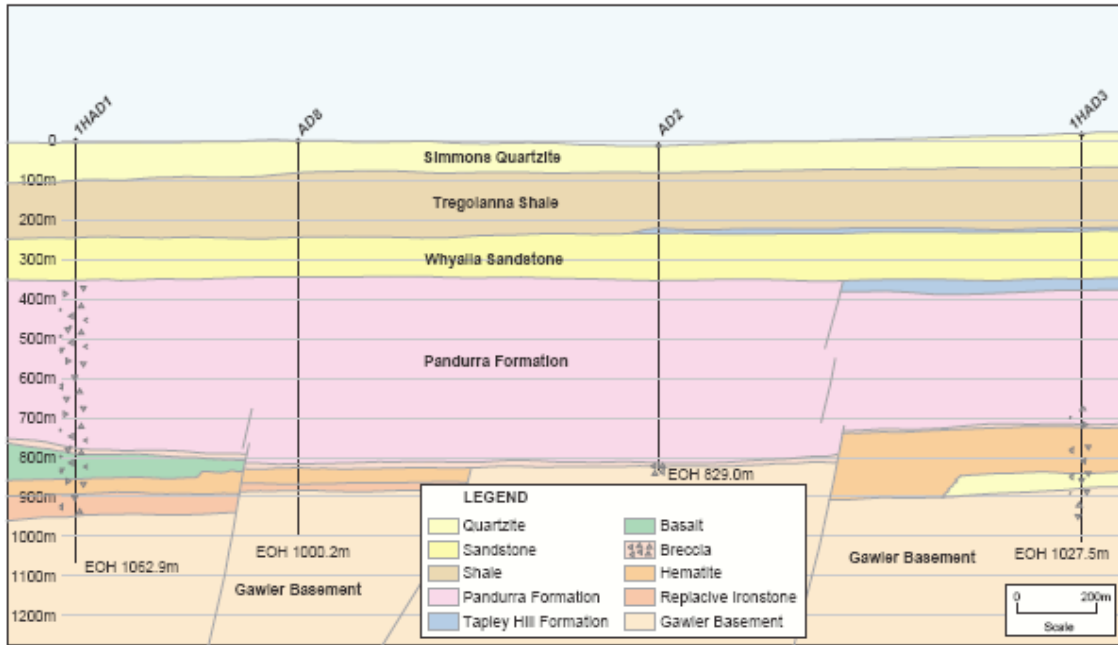


Figure 5: Schematic cross section interpretation along a line between IHAD1 and IHAD3, looking north-west, Emmie North Prospect. (AD2 and ADS are historical drill holes)

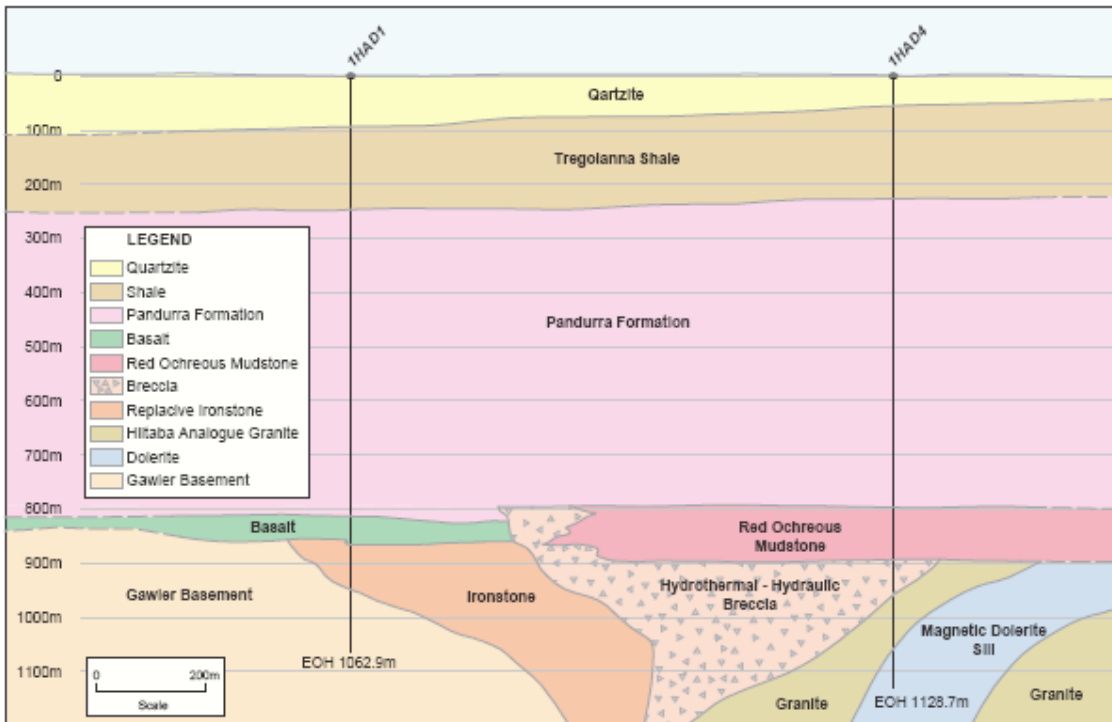


Figure 6: Schematic cross section interpretation along a line between IHAD1 and IHAD4, looking west, Emmie North Prospect.

clastic sediments with zones of brecciated Hiltaba Suite granite and skarn. Holes IHAD2, 3 and 5 contain broad zones of copper anomalism with IHAD2 containing an interval of 35 metres at approximately 0.5% copper and IHAD5, 500 metres to the north-west, 54 metres at 0.6% copper accompanied by accessory gold.

Discussion of Results

Basement drill holes IHAD1 to IHAD6 were drilled to test two sub-parallel, north-west-trending residual gravity features (Figs 2 and 3) some 3 kilometres apart. All these holes have intersected variously altered, brecciated hematitic Mesoproterozoic basement, three with long intervals of interesting copper values (IHAD 2, 3 & 5).

From a mineralization/alteration perspective, the most interesting hole is IHAD5. This hole intersected a classic Stuart Shelf IOCG system carrying significant copper and gold mineralization.

Hole No.	Interval (m)	CU (%)	Au (g/t)
IHAD2	815.73–1023.0	0.11	
IHAD3	760.2–819.0	0.15	
IHAD5	919.0–1099.0	0.27	0.18
IHAD5	1083.0–1092.0	0.24	2.56

Table 2: Selected assay results for IOCG mineralized intervals, Emmie North Prospect.

A number of multi-metre zones of greater than 1.0% copper occur within the 180 metre copper-mineralized package intersected in IHAD5 with 55 metres grading 0.6% copper. The highest grade copper intercept in this package was 1.5 metres at 3.66% copper with 0.81 g/t gold, including 0.5 metres at 10.58% copper and 2.00 g/t gold.

Underlying the IOCG “copper” interval is a 9.0 metre thick “gold zone” carrying a weighted average grade of 2.56 g/t gold and 0.24% copper, including 5.0 metres at 3.61 g/t gold

and 1.0 metres at 13.68 g/t gold between 1083.0 and 1092 metres. The exact relationship between the gold and copper-gold zones is yet to be determined.

Host to copper mineralization in IHAD5 includes intensely hematite-altered brecciated granite with clear evidence of multiphase brecciation (including heterolithic breccias) and hematite alteration intensity up to complete replacement. Bornite is relatively abundant in the upper part of the breccia zone, and occurs both disseminated and hosted by hematite veins. Magnetite is totally destroyed in this zone and chalcopyrite is more common towards the base associated with increasing pyrite content. This zone is overlain by strongly altered, partly brecciated coarse-grained biotite granite of Hiltaba Suite character.

Below this, variable brecciation, accompanied by several phases of chlorite-magnetite alteration, of siliceous metasediments occurs with a skarn-calcisilicate overprint. The intensity of this alteration facies decreases down hole. This zone is locally overprinted by hematite alteration/breccia zones with variants of steely and earthy hematite. Pyrite-chalcopyrite mineralization occurs sporadically in the upper part of this zone, with some narrow zones containing high copper grades. Pyrite is dominant over chalcopyrite and increases down hole. Late veins of fluorite and barite are not uncommon.

A strongly gold anomalous 9 metre thick zone (1083-1092 metres), grading 2.6 g/t gold including 1 metre at 13.7 g/t, occurs within this patchily hematite altered zone. There is no obvious explanation for these elevated gold values but they are considered to be unrelated to late vertical barite-carbonate-fluorite veins.

Below the gold zone to end of hole, the core comprises moderately to weakly chlorite-altered, granite-derived arkosic metasediments.

Argo believes that the increase in metal tenor of the crystalline basement material, relative to IHAD2 500 metres to the south-east, and

the characteristics of the alteration package, indicate that IHAD5 is sited within a well mineralized IOCG system.

The more complex evolution of the mineralized system at this locality, as reflected in multi-staged overprinting iron-oxide species, the presence of bornite plus chalcopyrite with variable gold, repeated and strong brecciation, multistage and pervasive chlorite alteration and gold-bornite-chalcopyrite zonation are all considered positive indicators of the “fringes” of a large chlorite end member of an IOCG system which warrants further drilling.

The characteristics of the IHAD5 basement intersection is particularly significant, as it shows that all essential ‘ingredients’ of an IOCG system are present. The features summarized below, well developed in IOCG alteration systems known to host mineralization of ore grade, are present in IHAD5:

- Classic medium- to coarse-grained Hiltaba type granitoids/pegmatoids, with strong background chlorite-sericite (- carbonate?)-hematite alteration, brecciation and hematite veinlets.
- In the basal part of the intersection, within metasediments, well developed magnetite-chlorite alteration in several phases, generally strongly brecciated, grading to skarn-like or calcium-magnesium silicate alteration.
- Overprinted by several phase of hematite-sericite-chlorite alteration and attendant brecciation, with several intervals of heterolithic breccia. Magnetite is completely destroyed. Hematite alteration over short intervals approaches the ‘ultimate hematite replacement’ seen in the highly mineralized parts of ore grade systems.
- Hosting texturally late, partly re-brecciated copper sulphide mineralization, clearly within the most intensely brecciated and hematite altered zones. The uppermost zone is bornite-dominated with chalcopyrite and pyrite

increasing relative to bornite down hole.

- The mesoscopic mineral and metal zoning is congruent with classic IOCG schemes.

In summary, the IHAD5 intersection is considered to be particularly encouraging and has proved a fertile system, interpreted to be located at the orthogonal intersection of north-west and north-east trending 'geophysically defined' structures, exists in the Emmie North Prospect area. The area is a potential 'dilatational' region likely to have been characterized by enhanced fluid flow.

Stratabound Base Metal Mineralization Target

Drilling by Carpentaria Exploration Company at Emmie Bluff Prospect intersected mineralized intervals in Tapley Hill Formation which have been reported as a 'resource' of 24 million tonnes at 1.3% copper and 0.06% cobalt. Drilling by Argo at Emmie North Prospect (IHAD2, 3 and 5) has demonstrated that this same mineralization extends north-west into EL4164 for at least 2.6 kilometres.

Table 3 below lists relevant analytical details of stratabound copper-silver-cobalt intercepts:

The mineralized host package in IHAD2, 3 and 5 is very similar in all three holes, comprising variably carbonate-bearing, carbonaceous pyritic siltstone-shale (Tapley Hill Formation), overlain by reddish sandstone and underlain by conglomeritic red sandstone which lies on the unconformity with Mesoproterozoic Pandurra Formation sandstone. It **has many characteristics in common with 'Kupferschiefer-style' mineralization occurring in Poland and Germany** where, at the Lubin Mine the average mineralized interval is 2 metres grading 1.8% copper. The intersection in IHAD5 (5.76 metres at 1.67% copper, including 2.5 metres at 2.9% copper) compares favourably with the Lubin mineralized interval.

The underlying Pandurra Formation is an oxidized unit, believed to be sourced from metal-rich basement and, as such, may have acted as a major source of copper and other base metals in the Tapley Hill Formation, and associated unconformity positions, through subsequent leaching, migration and re-deposition. Alternatively, the metals may have a direct basement source via diffusional leaching and extraction into reactivated basement fault zones with subsequent focusing into the Adelaidean cover sequence.

Diamond drill hole IHAD7 was designed as a "short" hole to assess potential Tapley mineralization 500 metres to the south-west of hole IHAD6 and to test a geological model of mineralization control. Tapley Hill Formation was not present in the hole.

Stratabound base metal mineralization within the Tapley Hill Formation is considered to constitute a genuine exploration target.

There appears to be a correlation between intensity of IOCG mineralization in 'crystalline basement' and development of better base metal mineralization in overlying Tapley Hill positions that warrants further assessment. In the classic type Kupferschiefer area, the highest copper grades and greatest thickness of mineralization are adjacent to major faults, so the exploration for extensions of the stratabound mineralization may best be directed to the northwest along inferred major basement structures, which are also an important inferred control for basement-hosted IOCG mineralization, highlighted by the gravity data.

Winjabbie East Prospect

Winjabbie East Prospect is located approximately 8 kilometres north-west of the Emmie North Prospect discovery. A summary of the hole drilled at Windjabbie East appears below with the hole location shown on Figures 2 and 7.

Diamond drill hole IHAD8 is sited at the apex of a previously untested residual gravity anomaly some 2 to 3 kilometres long by 800 to 1,000 metres wide (Fig. 7). The gravity feature is coincident with, and on the northern margin of, a distinct airborne magnetic anomaly and at the intersection of interpreted north-north-west- and north-east-trending basement structural corridors.

Vertical diamond drill hole IHAD8 was completed to a depth of 1,206.6 metres. The hole intersected a 210.6 metre thick Tapley Hill Formation sequence, from 547.1 to 757.7 metres, resting unconformably on basement lithologies dominated by strongly chlorite-magnetite replaced precursor clastic sediments transitional through to a mixed 'jigsaw breccia' of chloritic fine-grained sandstone gradational to 'polygonal breccia'. These mixed breccias pass into weakly altered, fine-grained sandstone-metasiltstone

Hole No.	Interval (m)	Ag (g/t)	Cu (%)	Co (%)	Zn (%)
IHAD2	393.50 – 395.0	17.4	1.39	0.06	0.37
IHAD3	392.67 – 394.0	18.0	1.33	0.08	0.31
IHAD5	392.84 – 398.6	18.5	1.67	0.05	0.24

Table 3: Selected assay results for Tapley Hill Formation intervals, Emmie North Prospect.

from 1059 metres to end of hole. From 854.3 to 928 metres, chlorite-magnetite altered clastics exhibit a calcsilicate skarn overprint and late void fill of potassium feldspar, magnetite, hematite, pyrite, chalcopyrite, tremolite, clinopyroxene, chlorite and coarse fluorite cut by minor late brittle-stage veins of chalcopyrite-pyrite and barite. Spatial and chronological relationships of the calcsilicate skarn assemblage and copper mineralization are being assessed.

The current interpretation of the Winjabbie East target is of a hydrothermal/metasomatic aureole at the northern fringe, or above the 'shoulder', of a postulated felsic intrusion to the south (Fig. 7). Figure 8 is a schematic cross section interpretation of possible geological relationships.

Intersected Tapley Hill Formation is locally mildly anomalous in copper, lead, zinc and silver. Copper and silver are sporadically enriched in altered basement lithologies with isolated intervals carrying elevated copper values, for example, 824 to 827 metres grading 1.62% copper and 850 to 851 metres of 1.9% copper.



Figure 7: Interpretation plan of key geological elements, Winjabbie East Prospect area, EL4164. Winjabbie East occurs at the intersection of geophysically defined north-west- and north-east-trending crustal-scale structural corridor.

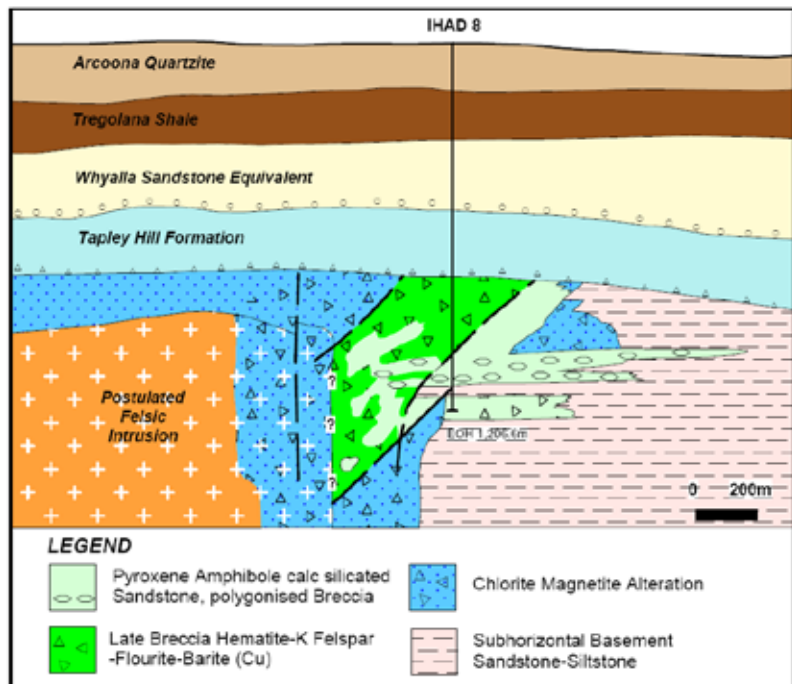


Figure 8: Schematic cross section interpretation of possible geological relationships, looking west-south-west, Winjabbie Prospect.

Figures 9 and 10 below illustrate copper, lead zinc and silver distribution in analyzed Tapley Hill Formation (547 to 757.7 metres) and altered basement intervals respectively.

Canegrass Prospect

Drill hole IHAD9 was designed to test part of an apparently structurally dismembered area of residual gravity identified on 3-D inversion models by Australian Geosciences Organization as having geophysical signatures compatible with strong hematite

alteration interpreted to represent a potential oxidized IOCG system. The hole intersected dolerite at 606.4 metres and continued in this rock type until the hole was terminated at 774.8 metres having passed into fresh unaltered microdolerite-dolerite. Very minor chlorite-carbonate veining is present throughout the dolerite with localized hematite development. Tapley Hill Formation was not intersected in this hole.

On the premise that the vertical hole IHAD9 had passed into a wide dolerite dyke, a decision was taken to drill an angled hole from the 'same' location as IHAD9. IHAD9B was spudded 1 metre west of IHAD9 and drilled at a designed declination of 75° on an azimuth of 275°. The hole was completed to a depth of 1,107.5 metres. However, unlike IHAD9, this hole intersected a thin zone of Tapley Hill Formation between 532.85 and 534.03 metres with minor chalcocite identified.

At this location, the Tapley Hill Formation is visually very similar to the mineralized intersection in IHAD3. The unit contains silicified dissolution breccias, stylolites and infill features that may represent degraded hydrocarbon possibly mobilized during diagenesis. Petrological work, and a full element scan, is required.

The location of these holes is shown on Figure 2. Logging and sampling has not been completed.

Rehabilitation

Rehabilitation of drill sites has been progressively undertaken and the drill collars capped and secured. These sites have regularly been inspected to ensure environmental compliance and photographically documented in preparation for inspection by PIRSA.

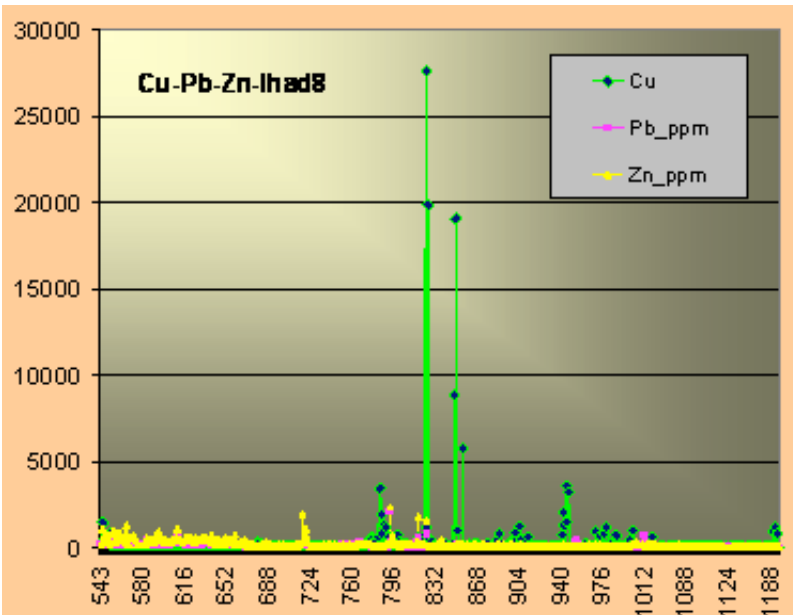


Figure 9: Grade in parts per million versus depth in metres for copper, lead and zinc for analyzed Tapley Hill Formation and altered basement intervals in drill hole IHAD8, Winjabbie East Prospect.

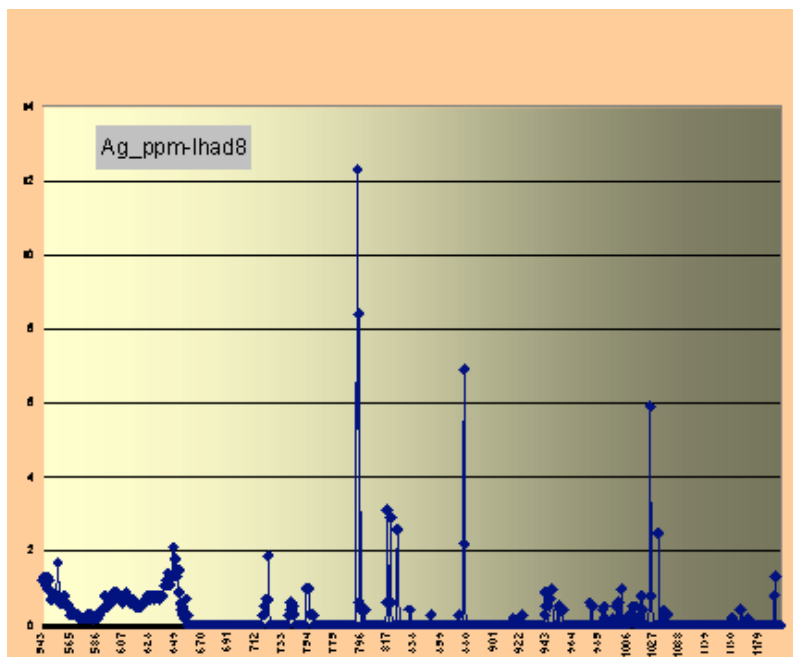


Figure 10: Grade in parts per million versus depth in metres for silver for analyzed Tapley Hill Formation and altered basement intervals in drill hole IHAD8, Winjabbie East Prospect.

Toondulya Project

The Toondulya tenement, EL3156, embraces three significant gold-in-calcrete anomalies (Fig. 11), contains an unexplained large circular gravity anomaly, and is located at the intersection of south-east trending splays of the regional-scale Yarlbrinda Shear Zone and a north-east trending structural corridor. This zone of structural interaction is postulated to contain dilational features with associated high fluid flow, favoured loci for mineral deposition. Hiltaba Suite granitoids are present, while demagnetized sections of the Yarlbrinda Shear Zone host significant gold deposits to the north.

Because the tenement area is extensively blanketed by some 40 to 70 metres of sand dunes and conductive saline clays, **normal electrical geophysical and geochemical surveying was considered to be of limited value.** Argo thus conducted a combination of detailed airborne magnetic-radiometric and ground-based gravity surveying as primary exploration tools to define geophysically anomalous areas for subsequent calcrete and biogeochemical sampling.

High quality geophysical images were generated from relevant survey data during the September 2007 Quarter. These images facilitated selection of a range of structural, magnetic and radiometric anomalies for calcrete geochemical sampling and radioactivity measurements.

Sampled grids and traverses are shown on Figures 12 and 13.

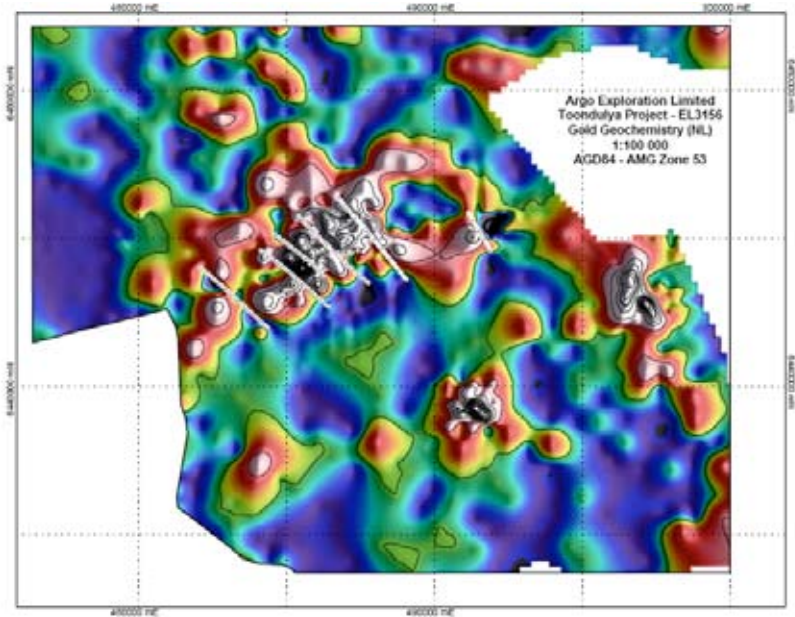


Figure 11: Gold-in-calcrete anomalies defined by Homestake Gold of Australia.

Calcrete Geochemical Sampling Program

The calcrete geochemical sampling program was initiated in December 2007 along pre-defined grids and traverse lines (Figs 12 and 13) and completed during January 2008. In general, the sample traverses and grids were located outside the boundaries of known gold-in-calcrete anomalies (Fig. 11). **A total of 1,984 calcrete samples were collected in the program and analyzed for gold, silver, arsenic, cobalt, copper, nickel, lead, uranium and zinc.**

The aim of the program was to assess whether any calcrete geochemical signatures were spatially associated with previously interpreted geophysical anomalies including:

- potential magnetic destruction zones along inferred late brittle-ductile shear zones;
- discrete magnetic bulls-eyes that might represent blind syenitic and/or magnetic pyrrhotite-rich bodies. These interpreted anomalies are to be 'modeled' by the Company's geophysical consultants for depth, geometry and amplitude; and
- second and third order uranium anomalies that may represent

leakage from another source such as calcrete channel, alluvial or colluvial redox fronts entering the edge of salinas and clay pans, and leakage above structures and other uraniumiferous bodies.

Areas 1 to 4 (Figs 12 and 13) had a general gold plus base metal focus whereas Areas 5 to 8, and 11 to 17, had a primary uranium focus. Apart from outcropping Gawler Range Volcanics and Hiltaba Suite granitoids in the north-east corner of EL3156, the tenement is mantled by prominent north-west trending sand dunes overlying a saline soil profile and regolith from 40 to 70 metres thick. Samples were collected at 50 metre spacing along the lines.

The 'uranium' traverses sampled several third order uranium anomalies defined by the Company's airborne radiometric survey (Areas 8, 13 to 16), second order anomalies (Areas 11 and 12) and approached the margins of other second order anomalies (Areas 5 to 7, 17) without actually sampling them due to absence of an appropriate sample medium in salinas and clay pans (Fig. 13).

The 'gold and other elements' traverses and grids were sited over four geophysically-defined target positions. Area 2 and 3 traverses each passed over discrete circular magnetic features postulated as possible blind syenitic and/or magnetic pyrrhotite-rich bodies while the Area 4 grid was positioned over a prominent geophysically defined north-west inferred demagnetized structural element which displaces an interpreted granitic pluton margin by about 1 kilometre; the Area 4 grid is located on the southern margin of the

previously defined Toondulya gold-in-calcrete anomaly.

The Area 1 grid was positioned over a broad north-south imbricate zone characterized by prominent magnetic striping (Fig. 12) generally to the east, but embodying minor elements of, the Toondulya gold anomaly.

The recently received data have yet to be fully processed and evaluated. However, preliminary plots for gold and uranium respectively comprise Figures 14 and 15.

The uranium-in-calcrete data show good correlation between 'elevated' values and areas defined as anomalous based on airborne radiometric data (Figs 13 and 15) with uranium-in-calcrete responses in keeping with assignment to second and third order airborne anomalies. Scintillometer readings are yet to be processed and correlated with airborne radiometric and uranium-in-calcrete data.

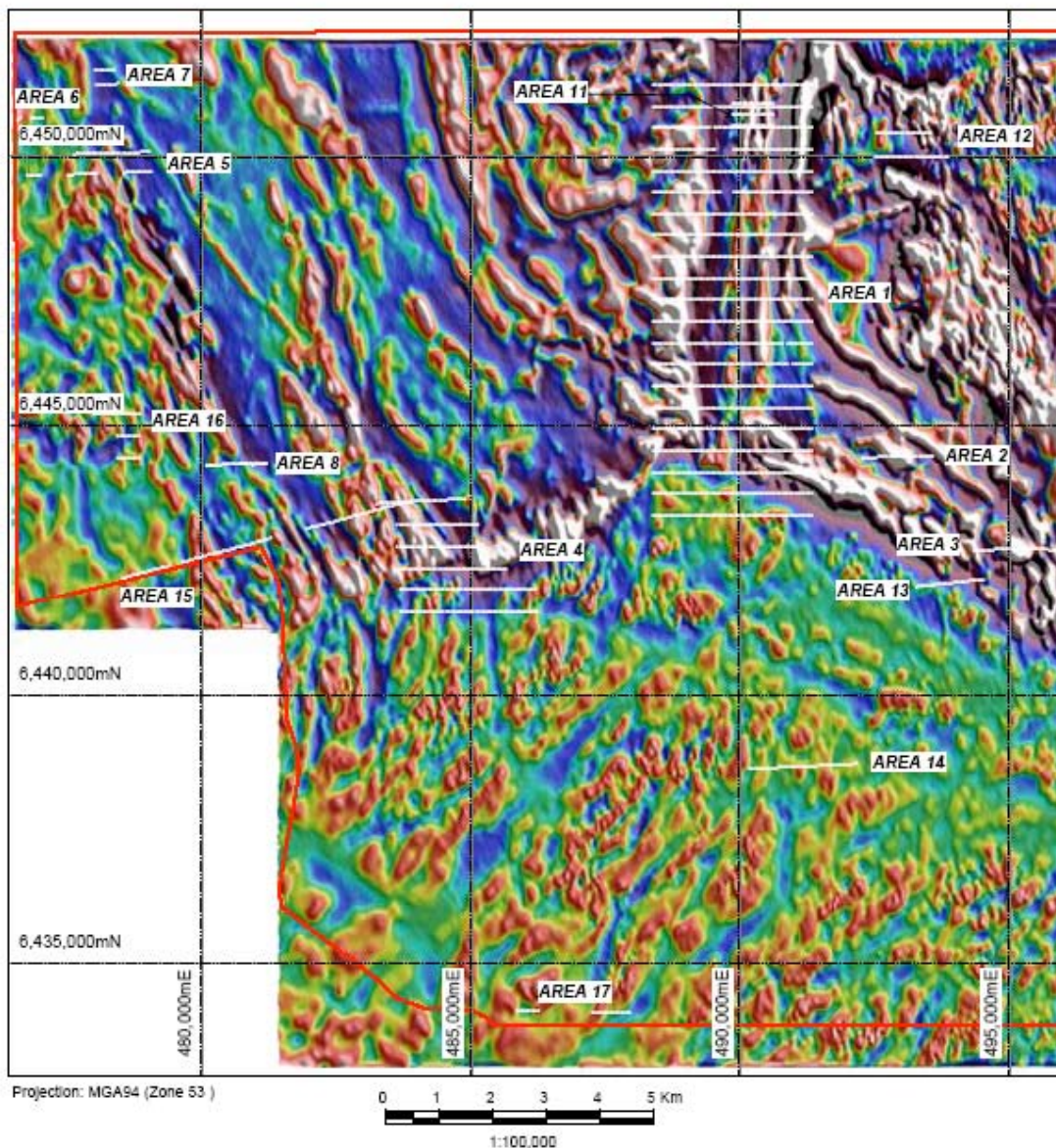


Figure 12: Total Magnetic Intensity First Vertical Derivative image showing position of calcrete geochemical sample traverses/grids relative to geophysically defined structural elements, part EL3156.

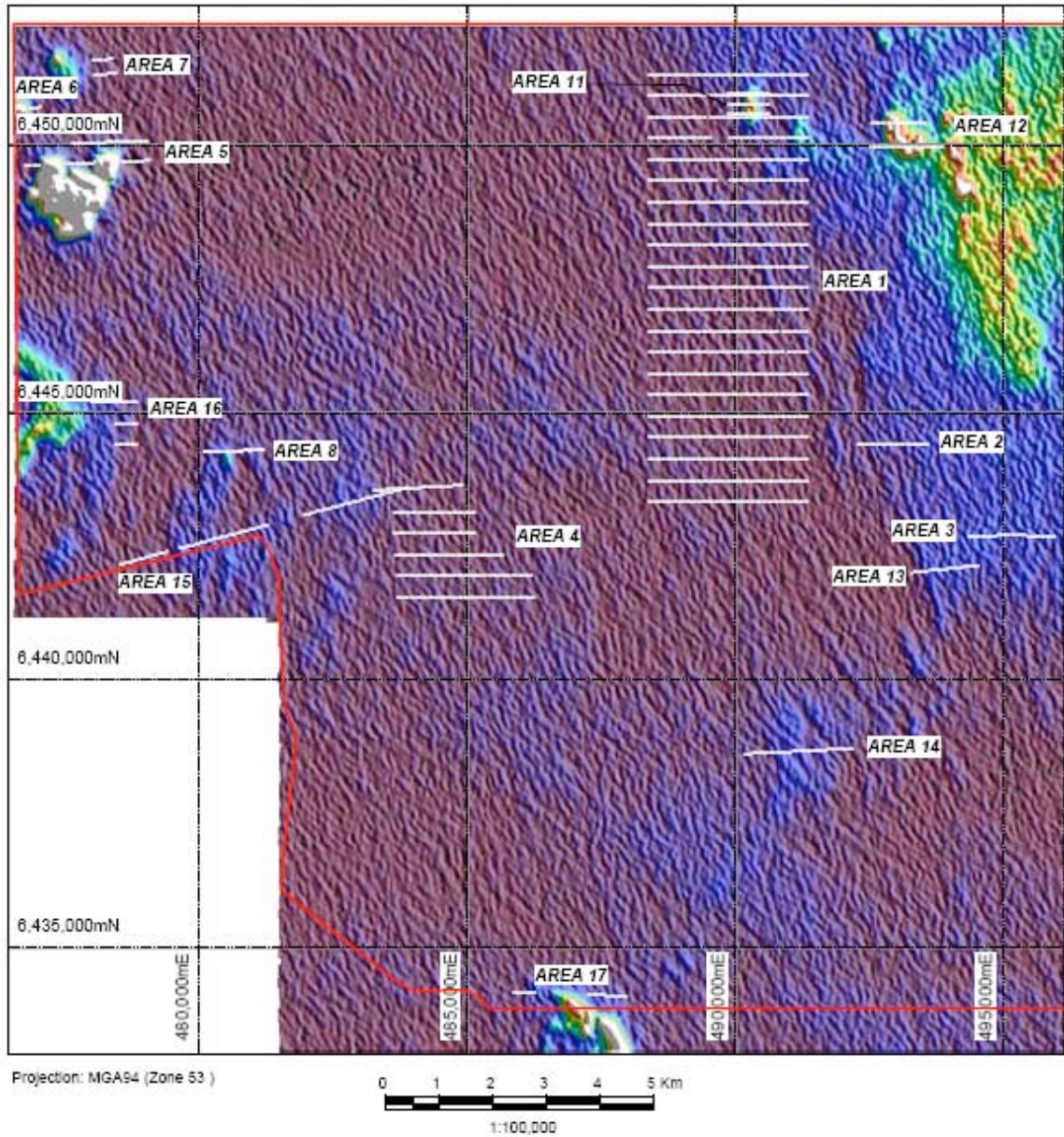


Figure 13: Uranium Channel Radiometrics showing position of calcrete geochemical sample traverses/grids relative to first and second order uranium anomalies as defined by detailed airborne radiometric surveying, part EL3156.

The gold-in-calcrete data illustrate broad gold enrichment in calcrete samples associated with Areas 1 and 4 grids which will refine better margins of the Toondulya anomaly. In contrast, Area 2 and 3 traverses illustrate only isolated weak gold responses. The Area 3 traverse is positioned immediately to the west of the

previously defined Hiltaba gold-in-calcrete anomaly and illustrates low order silver values over 250 metres with two consecutive samples yielding 5.8 and 4.1 ppm (g/t) respectively. These silver results in pedogenic carbonate are possibly significant and may warrant early follow-up.

The Area 14 'uranium' traverse is positioned on the southern flank of the previously defined Ilkena gold-in-calcrete anomaly which overlies an interpreted granitic substrate and, along with Area 1 and 4 data, serves to confirm the veracity of **previous broad spaced gold-in-calcrete sampling carried out by Homestake of Australia.**

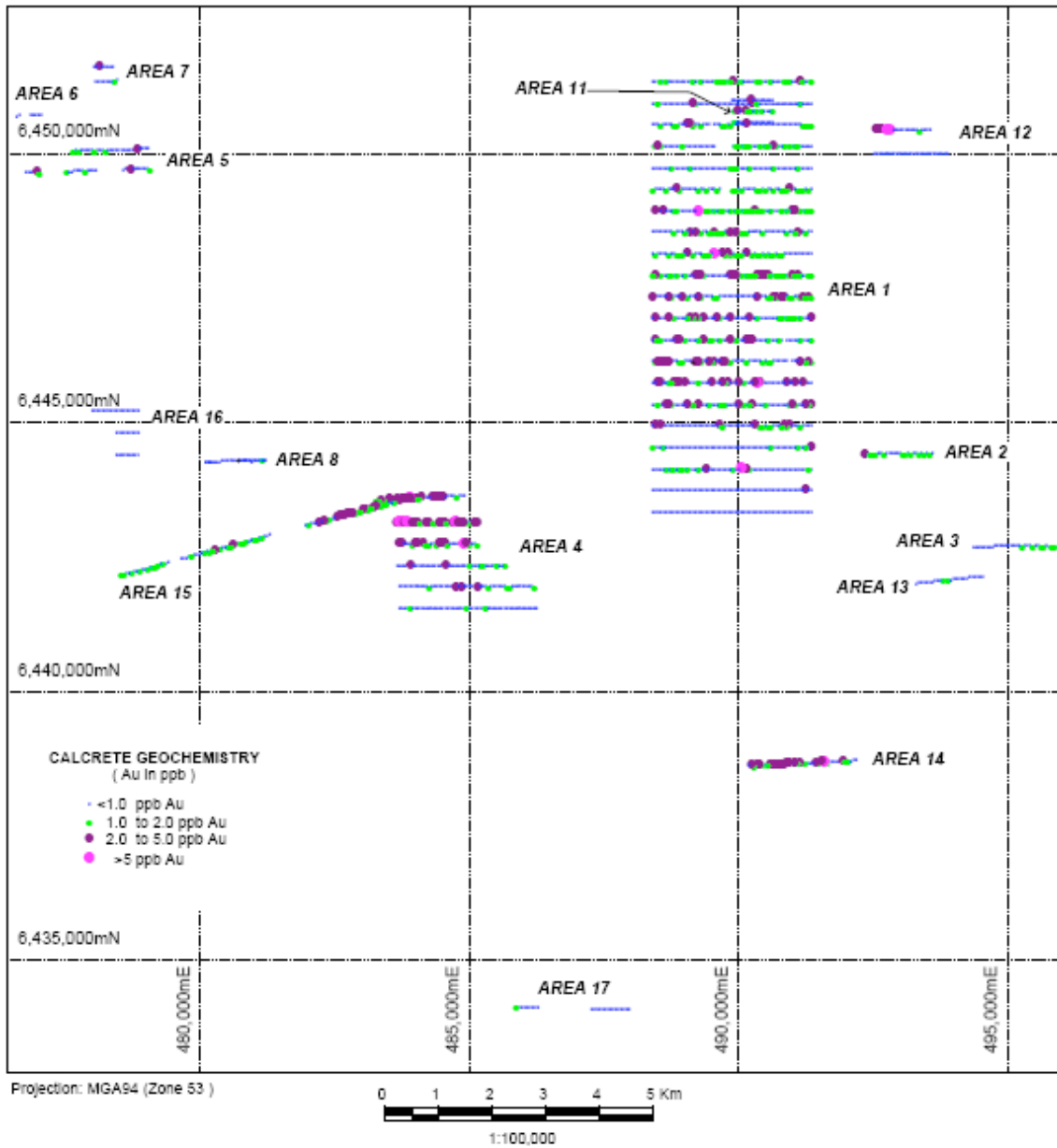


Figure 14: Plot of gold values on defined traverses/grids (Figs 12 and 13)

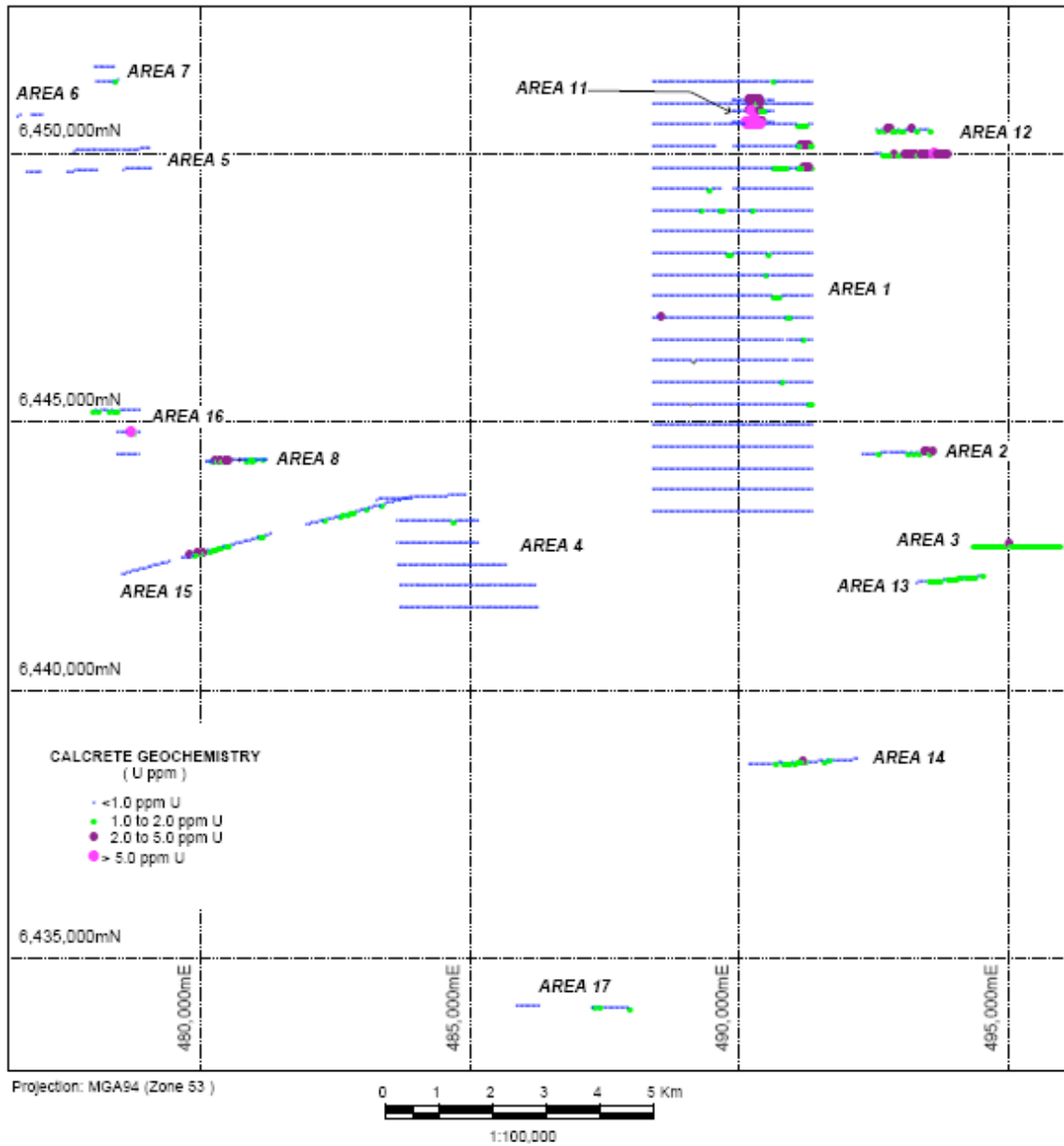


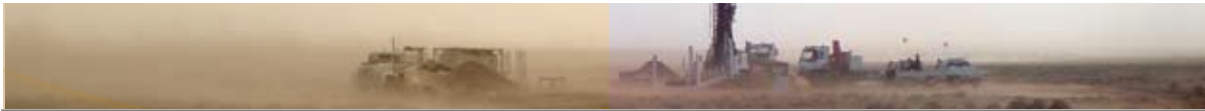
Figure 15: Plot of uranium values on defined traverses/grids (Figs 12 and 13)

Compliance Statement

The information in this report that relates to exploration results, mineral resources and ore reserves is based on information compiled by Dr HK Herbert, who is a Member of the Australasian

Institute of Mining and Metallurgy. Dr Herbert has sufficient experience which is relevant to the styles of mineralization and types of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian

Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' Dr Herbert consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



Project Name	Locality	Tenement	Equity
Intercept Hill	South Australia	Exploration Licence 4164	100%
Toondulya	South Australia	Exploration Licence 3156	100%

The Directors of Argo Exploration Limited submit herewith the annual financial report of the Company for the financial year ended 30 June 2008. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

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

Name	Particulars
Dr Hugh Herbert	Executive Chairman and Managing Director
Qualifications	BSc, MSc, PhD
Experience	Dr Herbert is an economic geologist/geochemist with in-depth experience in mineral exploration, academia, Government service and mineral science consultancy spanning 43 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 Member of The Australasian Institute of Mining & Metallurgy and 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.
Directorships in listed entities	Nil
Relevant interests in shares and options	7,000,000 ordinary shares 7,000,000 unlisted \$0.20 options, expiring 10/12/2010
Mr James Stewart	Technical Director
Qualifications	BSc (Hons) Dip Ed, MSc, MAusIMM, MAIG
Experience	James Stewart has, over the last 22 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 32 years experience in exploration and development geology, specializing in target generation and program execution, portfolio analysis and ranking, and corporate advice.
Directorships in listed entities	Nil
Relevant interests in shares and options	12,301,172 ordinary share 5,000,000 unlisted \$0.20 options, expiring 10/12/2010



Mr Justin Hondris		Non-Executive Director
Qualifications	BBus, ASIA	
Experience	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.	
Directorships in listed entities	Nil	
Relevant interests in shares and options	3,400,000 ordinary shares 4,000,000 unlisted \$0.20 options expiring 10/12/2010	
Ms Meredith Bird		Non-Executive Director
Qualifications	BA, Grad Dip Ed, MComm, CEF, ZMP	
Experience	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 Pty Ltd. 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.	
Directorships in listed entities	Nil	
Relevant interests in shares and options	100,000 ordinary shares 1,000,000 unlisted \$0.20 options expiring 10/12/2010	

Company Secretary

Ms Melanie J Leydin		B.Bus CA
	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 emphasising copper, gold and uranium.

Operation Results

The entity's consolidated net loss for the year after applicable income tax was \$194,132 (2007: \$416,129).

Review Of Operations

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

Financial Position

The net assets of the consolidated entity increased by \$2,866,435 to \$12,527,774 as at 30 June 2008 (2007: \$9,661,339). The major movements were due to capital raisings during the year and payments for exploration expenditure.

The consolidated entity's working capital, being current assets less current liabilities decreased by \$1,086,886 to \$4,749,269 (2007: \$5,836,155).

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

Changes In State Of Affairs

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

- The Company raised \$3,240,000 (before costs) through the issue of 10,800,000 shares to fund a new drilling program.

Future Developments

Disclosure of further information regarding likely developments in the operations of the consolidated entity in future financial years 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 25, that has arisen since the end of the financial year, 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 years.

Dividends

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

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 agency during the year ended 30 June 2008.

Share Options

There were no share options granted to Directors and executives or their nominees during and since the end of the financial year.

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	Unlisted Options
Date options granted	26 July 2006
Number of Shares under option	30,000,000
Exercise Price of options	\$0.20
Expiry Date of options	10/12/2010

During the year and up to the date of this report no options were issued, and no options were exercised. At 30 June 2008 30,000,000 options were on issue. Refer to the notes to the financial statements for details of options granted.

Remuneration Report (Audited)

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.

Remuneration Philosophy

The remuneration of the Company has been designed to align Director and executive objectives with shareholder and business objectives by providing both a fixed and variable remuneration component and offering long-term incentives based on key performance areas. The Board believes the remuneration policy, to be appropriate and effective in its ability to attract and retain the best Executives and Directors to run and manage the Company, as well as create goal congruence between Directors, Executives and shareholders.

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.

All Executives are eligible to receive a base salary (which is based on factors such as experience and comparable industry information) or consulting fee. The Board reviews the Managing Directors remuneration package, and the Managing Director reviews the senior Executives’ remuneration packages, annually by reference to the Company’s performance, executive performance and comparable information within the industry.

The performance of Executives is measured against criteria agreed annually with each executive and is based predominantly on the overall success of the Company in achieving its broader corporate goals. Bonuses and incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses, and options, and can require changes to the Managing Director’s recommendations. This policy is designed to attract the highest caliber of Executives and reward them for performance that results in long-term growth in shareholder wealth.

All remuneration paid to Directors and Executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

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 2006. 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.

Performance Based Remuneration

Remuneration packages do not include performance-based components. An individual member of staff’s performance assessment is done by reference to their contribution to the Company’s overall operational achievements. All Directors and executives hold shares and options in the Company to facilitate goal congruence between Executives with that of the business and shareholders. Further information has not been disclosed as it is commercially confidential.

Relationship between the remuneration policy and company performance

The tables below set out summary information about the Company's earnings and movements in shareholder wealth for the year since incorporation:

	30 June 2008	30 June 2007
Revenue	443,051	234,325
Net profit/(loss) before tax	(194,132)	(416,129)
Net profit/(loss) after tax	(194,132)	(416,129)
Share price at listing date/start of year	\$0.42	\$0.36
Share price at end of year	\$0.24	\$0.42
Basic earnings/(loss) per share	(0.24)cps	(0.78)cps
Diluted earnings/(loss) per share	(0.18)cps	(0.51)cps

The remuneration of the Directors and executives are not linked to the performance, share price or earnings of the consolidated entity.

Key Management Personnel Compensation

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 2008

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:

	Short-term employment benefits	Post-employment	Equity		Total
	Salary, Fees and Commissions	Superannuation Contribution	Shares received as Compensation	Options received as Compensation	
	\$	\$	\$	\$	\$
Directors					
Dr H Herbert	220,000	-	-	-	220,000
Mr J Stewart	267,650	-	-	-	267,650
Mr J Hondris	36,000	-	-	-	36,000
Ms M Bird	36,000	-	-	-	36,000
Ms M Leydin	60,000	-	-	-	60,000
	619,650	-	-	-	619,650

Options Issued as Part of Remuneration for the Year Ended 30 June 2008

There were no options granted as remuneration for the year ended 30 June 2008.

Shares Issued as Part of Remuneration for the Year Ended 30 June 2008

There were no shares issued as part of remuneration for the year ended 30 June 2008.

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:

	Short-term employment benefits	Post-employment	Equity		Total
	Salary, Fees and Commissions	Superannuation Contribution	Shares received as Compensation	Options received as Compensation	
	\$	\$	\$	\$	\$
Directors					
Dr 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 year 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, Dr 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:

- Dr 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 contact at any time without notice if serious misconduct has occurred. Where termination with cause occurs Dr 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 Dr Herbert will be entitled to be paid those outstanding amounts owing to him up until the Termination Date.
- 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 contact 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 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:

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 contact 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' Meetings

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director. During the financial year, 6 Board meetings were held and 1 audit committee meeting was held. There is no separate remuneration or nomination committee.

DIRECTORS	BOARD OF DIRECTORS		AUDIT COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED
Dr H Herbert	6	6	-	-
Mr J Stewart	6	6	-	-
Mr J Hondris	6	6	1	1
Ms M Bird	6	6	1	1

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 year, 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.

There were no non-audit services provided by the company's auditors during the year to 30 June 2008.

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 28.

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 Herbert', with a horizontal line underneath.

Hugh Herbert
Chairman

MELBOURNE, 29 September 2008



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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 year ended 30 June 2008, 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.

A stylized, handwritten signature of Grant Thornton in black ink.

GRANT THORNTON
Chartered Accountants

A handwritten signature of Brad Taylor in black ink.

Brad Taylor
Partner
Melbourne, 29 September 2008



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, 29 September 2008



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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 sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial 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 controls 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.

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.

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 judgement, 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

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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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Electronic Presentation of Audited Financial Report

This auditor's report relates to the financial report of Argo Exploration Limited for the year ended 30 June 2008 included on Argo Exploration Limited's web site. The company's directors are responsible for the integrity of the Argo Exploration Limited web site. We have not been engaged to report on the integrity of the Argo Exploration Limited's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site

Independence

In conducting our audit, we complied with applicable independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

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 the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 23 to 26 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Argo Exploration Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

GRANT THORNTON
Chartered Accountants

Brad Taylor
Partner
Melbourne, 29 September 2008

for the year ended 30 June 2008

	Note	CONSOLIDATED ENTITY		PARENT ENTITY	
		2008 \$	2007 \$	2008 \$	2007 \$
Revenue	2	443,051	234,325	443,051	232,844
Corporate expenses		(115,080)	(104,467)	(115,080)	(104,467)
Administrative expenses		(116,151)	(81,825)	(116,151)	(81,825)
Finance costs		(7,688)	(1,523)	(7,688)	(1,523)
Employment expenses		(359,306)	(320,425)	(359,306)	(320,425)
Depreciation and amortisation		(38,958)	(11,169)	(38,958)	(11,169)
Write off of goodwill on consolidation		-	(131,045)	-	-
Loss before income tax expense	3	(194,132)	(416,129)	(194,132)	(286,565)
Income tax expense	4	-	-	-	-
Loss for the year		(194,132)	(416,129)	(194,132)	(286,565)

		Cents per share	Cents per share
Loss per Share			
Basic Loss per share	22	(0.24)	(0.78)
Diluted Loss per share	22	(0.18)	(0.51)

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



as at 30 June 2008

	Note	CONSOLIDATED ENTITY		PARENT ENTITY	
		2008 \$	2007 \$	2008 \$	2007 \$
Current Assets					
Cash and cash equivalents	20(a)	4,740,816	6,125,919	4,740,716	6,125,819
Trade and other receivables	7	259,660	68,753	259,660	68,753
Total Current Assets		5,000,476	6,194,672	5,000,376	6,194,572
Non-Current Assets					
Plant and equipment	8	143,670	111,663	143,670	111,663
Intangibles	9	5,250	-	5,250	-
Financial assets	10	-	-	3,253,300	3,253,300
Other non-current assets	11	7,705,871	3,780,390	4,974,471	1,048,990
Total Non-Current Assets		7,854,791	3,892,053	8,376,691	4,413,953
Total Assets		12,855,267	10,086,725	13,377,067	10,608,525
Current Liabilities					
Trade and other payables	12	209,169	335,439	209,169	335,439
Borrowings	13	42,038	23,078	434,274	415,314
Total Current Liabilities		251,207	358,517	643,443	750,753
Non-Current Liabilities					
Borrowings	13	76,286	66,869	76,286	66,869
Total Non-Current Liabilities		76,286	66,869	76,286	66,869
Total Liabilities		327,493	425,386	719,729	817,622
Net Assets		12,527,774	9,661,339	12,657,338	9,790,903
Equity					
Issued Capital	14	12,806,535	9,745,968	12,806,535	9,745,968
Reserves	15	331,500	331,500	331,500	331,500
Accumulated losses		(610,261)	(416,129)	(480,697)	(286,565)
Total Equity		12,527,774	9,661,339	12,657,338	9,790,903

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

for the year ended 30 June 2008

	CONSOLIDATED			
	Issued Capital Note 14	Retained Earnings	Option Reserves Note 15	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
	Issued Capital Note 14	Retained Earnings	Option Reserves Note 15	Total
Equity as at 1 July 2007	9,745,968	(416,129)	331,500	9,661,339
Loss for the year (A)	-	(194,132)	-	(194,132)
Issue of Shares	3,240,000	-	-	3,240,000
Costs of Capital Raising	(179,433)	-	-	(179,433)
Equity as at 30 June 2008	12,806,535	(610,261)	331,500	12,527,774
	PARENT			
	Issued Capital Note 14	Retained Earnings	Option Reserves Note 15	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
	Issued Capital Note 14	Retained Earnings	Option Reserves Note 15	Total
Equity as at 1 July 2007	9,745,968	(286,565)	331,500	9,790,903
Loss for the year (A)	-	(194,132)	-	(194,132)
Issue of Shares	3,240,000	-	-	3,240,000
Costs of Capital Raising	(179,433)	-	-	(179,433)
Equity as at 30 June 2008	12,806,535	(480,697)	331,500	12,657,338

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

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



for the year ended 30 June 2008

	Note	CONSOLIDATED ENTITY		PARENT ENTITY	
		2008 \$	2007 \$	2008 \$	2007 \$
Cash Flows From Operating Activities					
Receipts from customers		-	818	-	818
Interest received		339,766	233,507	339,766	233,507
Payments to suppliers and employees		(804,418)	(368,304)	(804,418)	(238,639)
Interest paid		(7,688)	(1,523)	(7,688)	(1,523)
Net cash used in operating activities	20(c)	(472,340)	(135,502)	(472,340)	(5,837)
Cash Flows From Investing Activities					
Payments for exploration expenditure		(3,925,481)	(1,048,990)	(3,925,481)	(1,048,990)
Payment for plant and equipment		(11,619)	(31,988)	(11,619)	(31,988)
Payment for intangibles (software)		(7,159)	-	(7,159)	-
Payments to subsidiary entity		-	-	-	(129,665)
Net cash used in investing activities		(3,944,259)	(1,080,978)	(3,944,259)	(1,210,643)
Cash Flows From Financing Activities					
Proceeds from issue of equity securities		3,240,000	7,686,802	3,240,000	7,686,802
Payment for share issue costs		(179,433)	(340,834)	(179,433)	(340,834)
Repayment of borrowings		(29,071)	(3,669)	(29,071)	(3,669)
Net cash provided by financing activities		3,031,496	7,342,299	3,031,496	7,342,299
Net Increase/(Decrease) in cash and cash equivalents					
Cash and cash equivalents at beginning of the financial year		6,125,919	-	6,125,819	-
Cash acquired on acquisition of subsidiary	20(d)	-	100	-	-
Cash and cash equivalents at the end of the financial year	20(a)	4,740,816	6,125,919	4,740,716	6,125,819

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

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.

Statement of compliance

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

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

The financial report complies with all Australian Accounting Standards, and International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the Directors on 29 September 2008.

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 received. 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 2008.

Adoption of new and revised Accounting Standards

In the current year, the Company 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 Company has also adopted the following standards as listed below which impacted on the Company's financial statements with respect to disclosure.

- AASB 101 'Presentation of Financial Statements (revised October 2006)
- AASB 7 'Financial Instruments: Disclosures'
- AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments'
- AASB 2007-7 'Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128] and Erratum: Proportionate Consolidation [AASB 101, AASB 107, AASB 121, AASB 127, Interpretation 113]

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 affect both current and future periods.

Principles of Consolidation

The consolidated financial statement includes Argo Exploration Limited and the entities it controlled for the year ended 30 June 2008.

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.

At 30 June 2008 there were 2 subsidiary entities, as detailed in Note 23.



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 comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amount of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at date of acquisition.

(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.

Issued Capital

Ordinary shares are classified as equity, for further information see Note 14.

(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 or more frequently if events or changes in circumstances indicate a possible impairment, 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 largely 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 excluding goodwill (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 taxable 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 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 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.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(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

Financial assets can be 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. The Group holds no financial assets 'at fair value through profit or loss', 'held-to-maturity investments' or 'available-for-sale' financial assets.

Investments

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 as the fair value cannot be reliably determined.

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.

Effective Interest Rate Method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate method for debt instruments other than those financial assets at 'fair value through profit and loss.'

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 recognition 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 other 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 Black-Scholes-Merton 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 15.

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) Plant and Equipment

Plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and accumulated 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 capitalised 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) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. Consideration is given to expected future wage and salary rates, expected employee departures and expected periods of service. Expected future payments are discounted using government bond rates, that match, as closely as possible the terms and maturity of expected future cash outflows.

(m) 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.

(n) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares

(o) Standards and Interpretations issued not yet effective

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

Initial application of the following Standard will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the company's financial report:

<ul style="list-style-type: none"> • AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101' 	Effective for annual reporting periods beginning on or after 1 January 2009
<ul style="list-style-type: none"> • AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8' 	Effective for annual reporting periods beginning on or after 1 January 2009

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the Group and the company:

<ul style="list-style-type: none"> • AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123' 	Effective for annual reporting periods beginning on or after 1 January 2009
<ul style="list-style-type: none"> • AASB 3 'Business Combinations' (2008), AASB 127 'Consolidated and Separate Financial Statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127' 	AASB 3 (business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009) AASB 127 and AASB 2008-3 (1 July 2009)
<ul style="list-style-type: none"> • AASB 2008-1 'Amendments to Australian Accounting Standard – Share-based payments: Vesting Conditions and Cancellations' 	Effective for annual reporting periods beginning on or after 1 January 2009
<ul style="list-style-type: none"> • AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process' 	Effective for annual reporting periods beginning on or after 1 January 2009
<ul style="list-style-type: none"> • AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process' 	Effective for annual reporting periods beginning on or after 1 July 2009
<ul style="list-style-type: none"> • AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate' 	Effective for annual reporting periods beginning on or after 1 January 2009

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
2. REVENUE				
Revenue from continuing operations consisted of the following items				
Other Income				
Interest revenue	443,051	233,507	443,051	232,026
Other revenue	-	818	-	818
Total Revenue	443,051	234,325	443,051	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	26,758	6,024	26,758	6,024
Amortisation of leased assets	10,291	5,145	10,291	5,145
Amortisation of software	1,909	-	1,909	-
	38,958	11,169	38,958	11,169
Finance costs				
- Interest on obligations under finance leases	7,688	1,523	7,688	1,523
Write off of fixed assets	-	2,772	-	2,772
Write off of goodwill	-	131,045	-	-

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
4. INCOME TAX EXPENSE				
(a) The Components of Tax Expense comprise:				
Current Tax	-	-	-	-
Deferred Tax	-	-	-	-
	-	-	-	-
(b) The prima facie tax from the loss for the year before income tax is reconciled to the income tax expense as follows:				
Loss for the year	(194,132)	(416,129)	(194,132)	(286,565)
Income tax benefit calculated at 30%	(58,240)	(124,839)	(58,240)	(85,970)
Add: Tax Effect of:				
- Accrued Expenses	2,057	-	2,057	-
- Lease Amortisation and Interest	3,736	-	3,736	-
- Provisions	809	-	809	-
- Share Based Payments	-	3,087	-	-
- Goodwill write off	-	39,314	-	-
	(51,638)	(82,438)	(51,638)	(85,970)
Add/(Less) Temporary Differences:				
- Deductible Capitalised Exploration Expenditure (314,697)	(1,177,644)	(314,697)	(1,177,644)	
- Deductible Share issue costs	(32,217)	(20,450)	(31,216)	(20,450)
- Other Timing Differences (Lease payments)	(2,797)	4,868	(2,797)	4,868
Tax benefit for the year	(1,264,296)	(412,717)	(1,263,295)	(416,249)
Income Tax losses carried forward not taken up as benefit	1,264,296	412,717	1,263,295	416,249
Tax Expense	-	-	-	-
Deferred tax assets not brought to account as assets:				
- Tax Losses	1,718,979	415,804	1,679,233	416,249
- Temporary Differences	(1,529,144)	(215,777)	(1,526,170)	(215,777)
	189,835	200,027	153,063	200,472

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 realised.

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.

5. KEY MANAGEMENT PERSONNEL**(a) The key management personnel of Argo Exploration Limited during the year were:**

Dr H Herbert	Managing Director and Chairman
Mr J Stewart	Technical Director
Mr J Hondris	Non-executive Director
Ms M Bird	Non-executive Director
Ms M Leydin	Company Secretary

(b) Compensation practices

Details of key management personnel compensation practices are in the Remuneration Report within the Directors Report.

(c) 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 ENTITY		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
Short-term employment benefits	619,650	493,833	619,650	493,833
Post employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	-	-	-	-
	619,650	493,833	619,650	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.

(d) Option holdings by Key Management Personnel or their nominees

	Balance at Incorporation	Granted as Compensation	Net Change Other ⁽¹⁾	Balance 30.6.2007 (unvested)
Dr 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

	Balance at 01.07.2007	Granted as Compensation	Net Change Other	Balance 30.6.2008 (unvested)
Dr 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
	17,100,000	-	-	17,100,000

(e) Shareholdings by Key Management Personnel or their nominees

	Balance at Incorporation	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2007
Dr 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

	Balance at 01.07.2007	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2008
Dr H Herbert	7,000,000	-	-	-	7,000,000
Mr J Stewart	12,000,000	-	-	301,172	12,301,172
Mr J Hondris	3,400,000	-	-	-	3,400,000
Ms M Bird	50,000	-	-	50,000	100,000
Ms M Leydin	750,000	-	-	-	750,000
	23,200,000	-	-	351,172	23,551,172

(f) Loans/Payables to Key Management Personnel

Amounts payable to Key Management Personnel at 30 June 2008 are detailed in Note 12

(g) Other transactions with Key Management Personnel

Other transactions with Key Management Personnel during the year ended 30 June 2008 are detailed in Note 19.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
6. AUDITORS REMUNERATION				
Auditor of the Parent Entity – Grant Thornton				
Auditing or reviewing the financial report	26,607	13,500	26,607	13,500
Independent Accountants Report	-	7,500	-	7,500
	26,607	21,000	26,607	21,000

7. TRADE AND OTHER RECEIVABLES				
Current				
Goods and services tax recoverable	155,333	66,504	155,333	66,504
Other receivables	104,327	2,249	104,327	2,249
	259,660	68,753	259,660	68,753

The average credit period on trade and other receivables is 30 days. Due to the short term nature of the receivables their carrying value is assumed to approximate their fair value. No collateral or security is held. No interest is charged on the receivables. The consolidated entity has financial risk management policies in place to ensure that all receivables are received within the credit timeframe.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
8. PLANT AND EQUIPMENT				
Plant and equipment - at cost	145,898	76,842	145,898	76,842
Less: Accumulated Depreciation	(32,527)	(5,769)	(32,527)	(5,769)
	113,371	71,073	113,371	71,073
Leased assets	45,735	45,735	45,735	45,735
Less: Accumulated Amortisation	(15,436)	(5,145)	(15,436)	(5,145)
	30,299	40,590	30,299	40,590
	143,670	111,663	143,670	111,663

	Plant and Equipment			
	CONSOLIDATED		PARENT	
	2008 \$	2007 \$	2008 \$	2007 \$
Reconciliation of carrying value				
Carrying amount at beginning of the year	71,073	-	71,073	-
Additions	69,056	79,869	69,056	79,869
Depreciation expense	(26,758)	(6,024)	(26,758)	(6,024)
Write-off of assets	-	(2,772)	-	(2,772)
Carrying amount at end of the year	113,371	71,073	113,371	71,073

	Leased Assets			
	CONSOLIDATED		PARENT	
	2008 \$	2007 \$	2008 \$	2007 \$
Reconciliation of carrying value				
Carrying amount at beginning of the year	40,590	-	40,590	-
Additions	-	45,735	-	45,735
Depreciation expense	(10,291)	(5,145)	(10,291)	(5,145)
Write-off of assets	-	-	-	-
Carrying amount at end of the year	30,299	40,590	30,299	40,590

9. INTANGIBLES				
Software – at cost	7,159	-	7,159	-
Less accumulated amortisation	(1,909)	-	(1,909)	-
	5,250	-	5,250	-
Movement in carrying value of intangibles				
Opening carrying value	-	-	-	-
Additions	7,159	-	7,159	-
Amortisation expense	(1,909)	-	(1,909)	-
Closing carrying value	5,250	-	5,250	-

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
10. FINANCIAL ASSETS				
<u>Investments carried at cost</u>				
Non-current				
Investment in subsidiaries	-	-	3,253,300	3,253,300
	-	-	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
	-	-	3,253,300	3,253,300

11. OTHER NON-CURRENT ASSETS				
Costs carried forward in respect of areas of interest in exploration and evaluation phase (Note 1(f))	7,705,871	3,780,390	4,974,471	1,048,990
Reconciliation of exploration and evaluation costs				
Balance at beginning of year	3,780,390	-	1,048,990	-
Current year expenditure	3,925,481	1,048,990	3,925,481	1,048,990
Write-off during the year	-	-	-	-
Acquisition through business combinations - Note 20(d)	-	2,731,400	-	-
Balance at end of year	7,705,871	3,780,390	4,974,471	1,048,990

Recoverability of the carrying amount of exploration assets is dependent upon the successful exploration and sale of resources.

Capitalised cost of \$3,925,481 has been included in cash flows from investing activities in the cash flow statement.

12. TRADE AND OTHER PAYABLES				
Current				
Trade payables ⁽¹⁾	183,198	281,528	183,198	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	25,971	15,000	25,971	15,000
	209,169	335,439	209,169	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 Statements for the year ended 30 June 2008

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
13. BORROWINGS				
Current				
Loans from subsidiary ⁽¹⁾ – unsecured	-	-	392,236	392,236
Finance lease liabilities – secured ⁽²⁾	8,266	7,163	8,266	7,163
Hire purchase liabilities – secured ⁽²⁾	33,772	15,915	33,772	15,915
	42,038	23,078	434,274	415,314
Non-Current				
Finance lease liabilities – secured ⁽²⁾	26,638	34,903	26,638	34,903
Hire purchase liabilities – secured ⁽²⁾	49,648	31,966	49,648	31,966
	76,286	66,869	76,286	66,869

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

(2) Finance Leases and Hire Purchase Liabilities are secured at amortised cost against the asset.

14. ISSUED CAPITAL				
82,800,000 (2007: 72,000,000) fully paid ordinary shares	12,806,535	9,745,968	12,806,535	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.

	2008		2007	
	No.	\$	No.	\$
(a) Fully paid ordinary shares				
Balance at incorporation	72,000,000	9,745,968	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
Issue of shares to fund new drilling program	10,800,000	3,240,000	-	-
Less: Costs of capital raising	-	(179,433)	-	(340,832)
Balance at end of financial period	82,800,000	12,806,535	72,000,000	9,745,968

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

14. 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 2011. The options are transferable. The options carry neither rights to dividends nor voting rights.

	2008 No.	2007 No.
Balance at beginning of the financial period	30,000,000	-
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	30,000,000

Directors Options

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

15. RESERVES

Option Reserve

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

During the prior 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 AASB2, 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%

16. DIVIDENDS

There have been no dividends paid or proposed in the 2007 or 2008 financial years.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
17. COMMITMENTS 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 Mineral Resources Authority. 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	227,500	245,000	227,500	245,000
Later than one year but not later than five	140,000	87,500	140,000	87,500
Later than five years	-	-	-	-
	367,500	332,500	367,500	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	49,645	9,324	49,645	9,324
Later than one year but not later than five	79,882	36,076	79,882	36,076
Later than five years	-	-	-	-
Minimum future lease payments	129,527	45,400	129,527	45,400
Less future finance charges	(11,202)	(3,334)	(11,202)	(3,334)
Present value of minimum lease payments	118,325	42,066	118,325	42,066
Included in the financial statements as:				
Current borrowings	42,039	7,163	42,039	7,163
Non-current borrowings	76,286	34,903	76,286	34,903
	118,325	42,066	118,325	42,066

18. SEGMENT INFORMATION

The Company operates in the mineral exploration segment within Australia.

19. RELATED PARTY DISCLOSURES

Key Management Personnel Compensation

Details of key management personnel compensation are disclosed in the Remuneration 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 prior 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 15.

Transactions with Director Related Entities

Cornwall Development Corporation, a Company associated with Mr Justin Hondris, received \$20,223 for services rendered in regards to capital raising.

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	
	2008 \$	2007 \$	2008 \$	2007 \$
20. NOTES TO THE CASH FLOW STATEMENT				
(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 year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:				
Cash and cash equivalents	4,740,816	6,125,919	4,740,716	6,125,819
(b) Financing Facilities				
The company has the following credit card facilities:				
Credit Card Facilities	70,000	-	70,000	-
Amounts Utilised	(12,544)	-	(12,544)	-
	57,456	-	57,456	-

At 30 June 2008 the company has a \$40,000 term deposit in place as a security against these facilities.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
20. NOTES TO THE CASH FLOW STATEMENT (continued)				
(c) Reconciliation of Net Loss After Related Income Tax to Net Cash Flows From Operating Activities				
Loss after related income tax	(194,132)	(416,129)	(194,132)	(286,565)
Less: Non-cash activities:				
Depreciation and amortisation of non-current assets	38,958	11,169	38,958	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	(190,909)	(68,753)	(190,909)	(68,753)
Increase/(decrease) in liabilities:				
Current payables	(126,257)	204,394	(126,257)	335,540
Net cash used in operating activities	(472,340)	(135,502)	(472,340)	(5,837)
(d) Acquisition of Entities				
During the 2007 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 11	-	2,731,400	-	2,731,400
	-	2,731,500	-	2,731,500

(1) Option valuation detailed at Note 15.

(e) Non cash financing and Investing Activities

During the year the consolidated entity acquired assets via a hire purchase agreement for \$57,437.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The consolidated entity's principal financial instruments comprise cash and cash equivalents.

The main purpose of these financial instruments is to finance the consolidated entity's operations. The consolidated entity has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations. It is, and has been throughout the entire period, the consolidated entity's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the consolidated entity's financial instruments are cash flow interest rate risk. Other minor risks are summarised below. The Board reviews and agrees policies for managing each of these risks.

i. Cash flow interest rate risk

The consolidated entity's exposure to the risks of changes in market interest rates relates primarily to the consolidated entity's short-term deposits with a floating interest rate. These financial assets with variable rates expose the consolidated entity to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The consolidated entity does not engage in any hedging or derivative transactions to manage interest rate risk.

The following tables set out the carrying amount by maturity of the parent entity and consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of these financial instruments. Also included is the effect on profit and equity after tax if interest rates at that date had been 10% higher or lower with all other variables held constant as a sensitivity analysis.

The consolidated entity has not entered into any hedging activities to cover interest rate risk. In regard to its interest rate risk, the consolidated entity continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates

Consolidated Entity

	Note	Float Interest Rate		Non-Interest Bearing		Total Carrying Amount		Interest Rate Risk Sensitivity			
								-10%		+10%	
		2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$
Financial Assets											
Cash at bank	20(a)	4,740,816	6,125,919	-	-	4,740,816	6,125,919	(31,858)	(33,386)	31,858	33,386
Trade and other receivables	7	-	-	259,660	68,753	259,660	68,753	-	-	-	-
Total		4,740,816	6,125,919	259,660	68,753	5,000,476	6,194,672	(31,858)	(33,386)	31,858	33,386
Weighted average interest rate		6.12%	5.27%								
Financial Liabilities											
Trade and other payables	12	-	-	209,169	335,429	209,169	335,429	-	-	-	-
Borrowings	13	-	-	118,324	23,078	118,324	23,078	-	-	-	-
Total		-	-	327,493	358,507	327,493	358,507	-	-	-	-
Weighted average interest rate		-	-								
Net Financial assets (liabilities)		4,740,816	6,125,919	(67,833)	(289,754)	4,627,983	5,836,165	(31,858)	(33,386)	31,858	33,386

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Parent Entity

	Note	Float Interest Rate		Non-Interest Bearing		Total Carrying Amount		Interest Rate Risk Sensitivity			
								-10%		+10%	
		2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$
Financial Assets											
Cash at bank	20(a)	4,740,816	6,125,919	-	-	4,740,816	6,125,919	(31,858)	(33,386)	31,858	33,386
Trade and other receivables	7	-	-	259,660	68,753	259,660	68,753	-	-	-	-
Investment in subsidiaries	10	-	-	3,253,300	3,253,300	3,253,300	3,253,300	-	-	-	-
Total		4,740,816	6,125,919	3,512,960	3,322,053	8,253,776	9,447,972	(31,858)	(33,386)	31,858	33,386
Weighted average interest rate		6.12%	5.27%								
Financial Liabilities											
Trade and other payables	12	-	-	209,169	335,429	209,169	335,429	-	-	-	-
Borrowings	13	-	-	510,560	415,314	510,560	415,314	-	-	-	-
Total		-	-	719,729	750,743	719,729	750,743	-	-	-	-
Weighted average interest rate											
Net Financial assets (liabilities)		4,740,816	6,125,919	2,793,231	2,571,310	7,534,047	8,697,229	(31,858)	(33,386)	31,858	33,386

A sensitivity of 10% has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates. A 10% sensitivity would move short term interest rates at 30 June 2008 from 6.72% to 7.40% representing a 68 basis points shift. This would represent two to three increases which is reasonably possible in the current environment with the bias coming from the Reserve Bank of Australia and confirmed by market expectations that interest rates in Australia are more likely to move up than down in the coming period.

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances is impacted resulting in a decrease or increase in overall income.

ii. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to ensure the ability to meet debt requirements. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company aims at maintaining flexibility in funding by having in place operational plans to source further capital as required.

Liquidity risk is measured using liquidity ratios such as working capital as follows:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
Current Assets	5,000,476	6,194,672	5,000,376	6,194,572
Current Liabilities	251,207	358,517	643,443	750,753
Surplus/(Deficit)	4,749,269	5,836,155	4,356,933	5,443,819

Financial Liabilities

The following tables the Company’s and the Groups remaining contractual maturity for its non-derivative financial liabilities.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
Contracted maturities of payables year ended 30 June 2008:				
Payable:				
-less than 6 months	209,169	335,439	209,169	335,439
-6 to 12 months	42,038	23,078	434,274	415,314
-1 to 5 years	76,286	66,869	76,286	66,869
-later than 5 years	-	-	-	-
Total	327,493	425,386	719,729	817,622

iii. Net Fair Values

For financial assets and liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The consolidated entity has no financial assets where carrying amount exceeds net fair values at balance date.

iv. Credit Risk

Credit risk arises from cash and cash equivalents and outstanding receivables. The cash balances are held in financial institutions with high ratings, primarily Australian Big 4 banks and the receivables comprise accrued income receivable and GST input tax credits refundable by the ATO. The entity has assessed that there is minimal risk that the cash and receivables balances are impaired.

The consolidated entity’s receivables at balance date are detailed in Note 7

The maximum exposure to credit risk on financial assets of the economic entity which have been recognised on the Balance Sheet is generally the carrying amount.

v. Capital Risk Management

When managing capital, management’s objectives is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also maintain a capital structure that ensures the lowest cost of capital available to the entity.

In order to maintain or adjust the capital structure, the entity may adjust the amount of dividends paid to shareholders, return capital to shareholder, issue new shares, enter into joint ventures or sell shares.

The entity does not have a defined share buy-back plan.

No dividends were paid in 2007 and no dividends are expected to be paid in 2008.

There is no current intention to incur debt funding on behalf of the company as on-going exploration expenditure will be funded via equity or joint ventures with other companies.

The consolidated entity is not subject to any externally imposed capital requirements.

Management reviews management accounts on a monthly basis and reviews actual expenditure against budget on a quarterly basis.

22. EARNINGS PER SHARE

	Cents per share	Cents per share
Basic Loss per share	(0.2423)	(0.7815)
Diluted Loss per share	(0.1763)	(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	2008	2007
	\$	\$
Earnings ⁽ⁱ⁾	(194,132)	(416,129)
	2008	2007
	No.	No.
Weighted average number of ordinary shares used in the calculation of basic earnings per share	80,107,397	53,248,968
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	110,107,397	81,257,817

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

23. SUBSIDIARIES

Name of Entity	Country of Incorporation	Ownership Interest 2008	Ownership Interest 2007
		%	%
<u>Parent Entity</u>			
Argo Exploration Limited	Australia		
<u>Subsidiaries</u>			
Olympic Resources Limited	Australia	100	100
Athena Mines Limited	Australia	100	100

24. CONTINGENT LIABILITIES

The company does not have any contingent liabilities post year end.

25. AFTER BALANCE DATE EVENTS

There has not been any matter or circumstance that has arisen since the end of the financial year 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.



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The shareholder information set out below was applicable as at 2 September 2008.

1. Distribution of Shareholders

(a) Analysis of number of shareholders by size of holding.

Category of holding	Holders	Number of Shares	% of Capital
1 – 500	2	260	0.00
501 – 1,001	7	6,043	0.02
1,001 – 5,000	141	474,396	0.57
5,001 – 10,000	199	1,758,859	2.12
10,001 – 100,000	435	15,368,045	18.56
100,001 and over	91	65,192,397	78.73
Total	875	82,800,000	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 quoted ordinary shares not under Escrow are listed below:

SHAREHOLDER	HOLDING	%
Roxtrus Pty Ltd	4,250,000	7.98
Saturn Investments	4,250,000	7.98
National Nominees Limited	3,815,841	7.17
Ronay Investments Pty Ltd	1,760,000	3.31
Eiroz Investment Corporation Pty Ltd	1,500,000	2.82
Mr C Pysen & Mr M Danson	1,301,667	2.45
Cimb-GK Investments Pte Ltd	1,200,000	2.25
Allundy Pty Ltd	700,000	1.31
Mr S B Hutton & Mrs G Hutton <Hutton Retirement A/C>	600,000	1.13
P & M Harbid (Holdings) Pty Ltd	600,000	1.13
Mrs C A Lewis	595,000	1.12
HSBC Custody Nominees (Australia) Limited	500,000	0.94
UBS Nominees Pty Ltd	482,000	0.91
Mr C S Lee	440,670	0.83
Allua Holdings Pty Ltd	410,944	0.77
Ecne Investments Limited	375,000	0.70
Mr M Gallagher	375,000	0.70
Cribben Vest Pty Ltd	350,000	0.66
Mr F Cusamo	350,000	0.66
Visumi Pty Ltd	350,000	0.66
Total	24,206,122	45.47%



3. Restricted Securities

As at 2 September 2008, the company had the following securities subject to escrow arrangement:

Security	No	Escrow Expiry
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 2 September 2008 the quoted substantial shareholders were as follows:

Name of Shareholder	No. of Shares	% of Issued Capital
Roxtrus Pty Ltd	4,250,000	7.98
Saturn Investments	4,250,000	7.98
National Nominees Limited	3,815,841	7.17

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.

The directors of Argo Exploration Limited believe firmly that benefits will flow from the maintenance of the highest possible standards of corporate governance. A description of the company's main corporate governance practises is set out below. The Company has elected to early adopt the 2nd Edition of the "Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council" issued by the ASX Corporate Governance Council in August 2007.

Principal No	Best Practice Recommendation	Compliance	Reason for Non-compliance
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The board has adopted a formal charter setting out the responsibilities of the Board. This charter can be accessed at www.argoexploration.com.au . Any functions not reserved for the Board and not expressly reserved for members by the Corporations Act and ASX Listing Rules are reserved for senior executives.	The consolidated entity complies.
1.2	Disclose the process for evaluating the performance of senior executives.	The Board meets annually to review the performance of executives. The senior executives' performance is assessed against the performance of the company as a whole.	The consolidated entity complies
1.3	Provide the information indicated in the Guide to reporting on Principal 1.	A performance evaluation has been completed during the reporting period in accordance with the process detailed in 1.2 above.	The consolidated entity complies.
2.1	A majority of the Board should be independent of directors.	Currently the Board has two independent Directors and two non-independent Directors.	Due to the Company's size and its specialised operations, the Board considers that a majority of Independent Directors is not currently warranted. As the Company's activities expand, this policy will be reviewed, with a view to aligning the Company's policies to conformity with this recommendation. The Board recognises that Directors remain in office for the benefit of and are accountable to shareholders and that shareholders have the voting power to elect members to the Board regardless of their standing, independent or otherwise.
2.2	The chair should be an independent director.	The Chairman, Dr Hugh Herbert, is not independent.	Whilst the Board recognises that it is desirable for the Chairman to be an Independent Director, the Company's current size dictates that this is the most efficient mode of operation at the current time. The Board will review the appointment of an Independent Chairperson should the Company's size and growth warrant this.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	As noted, Dr Hugh Herbert is the Managing Director and the Company Chairman.	For similar reasons expressed in relation to recommendation 2.2, the existing arrangement is the most efficient mode of operation at the current time for the Company's size. The Board will review the appointment of a separate Chairperson should the Company's size and growth warrant this.



Principal No	Best Practice Recommendation	Compliance	Reason for Non-compliance
2.4	The board should establish a nomination committee.	The board does not have a nomination committee.	It is not a company policy to have a nomination committee, given the size and scale of Argo Exploration Limited. The role of a nomination committee is carried out by the full Board. The full board considers the appointment of new directors, on an informal basis. The Board's policy for the appointment of new directors to the Board can be accessed at www.argoexploration.com.au .
2.5	Disclose the process for evaluating the performance of the board, its committee and individual directors.	The performance evaluation of board members occurs by way of an informal review by the full board (in the absence of the relevant Board member)	The consolidated entity complies.
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	The skills, experience and expertise relevant to the position held by each director is disclosed in the Directors' Report which forms part of the Annual Report. The name of the Independent Directors are disclosed in the Annual Report. The directors are entitled to take independent professional advice at the expense of the company. The period of office held by each director is disclosed in the Directors' Report which forms part of this Annual Report.	The consolidated entity complies.
3.1	Establish a code of conduct and disclose the code for a summary of the code as to: <ul style="list-style-type: none"> • the practise necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	The Company has adopted a Board Code of Conduct and a Company Code of Conduct, both of which can be accessed at www.argoexploration.com.au	The consolidated entity complies.
3.2	Establish a policy concerning trading in Company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	The Company has adopted a Trading Policy which can be accessed at www.argoexploration.com.au .	The consolidated entity complies.
3.3	Provide the information indicated in the Guide to reporting on Principle 3.	The information has been disclosed in the Annual Report.	The consolidated entity complies.
4.1	The board should establish an audit committee.	The company has established an Audit Committee.	The consolidated entity complies.

Principal No	Best Practice Recommendation	Compliance	Reason for Non-compliance
4.2	The audit committee should be structured so that it: consists only of non-executive directors; <ul style="list-style-type: none"> • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the board; • has at least three members 	The Audit Committee has three members, consisting of the independent directors and the company secretary, Justin Hondris, Meredith Bird and Melanie Leydin. The Audit Committee is chaired by Justin Hondris.	The consolidated entity complies.
4.3	The audit committee should have a formal charter.	The formal charter can be accessed at www.argoexploration.com.au .	The consolidated entity complies.
4.4	Provide the information in the Guide to reporting on Principle 4.	The names of the members of the Audit Committee are disclosed above. The qualifications of the members of the Audit Committee are disclosed in the Directors' Report which forms part of this Annual Report. The audit committee will meet twice in each year, before sign off of the annual and half year financial statements. The external auditor, Grant Thornton, has a rotation policy such that lead partners are rotated every 5 years and review partners are rotated every 5 years.	Not applicable.
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has adopted a Disclosure Policy which can be accessed at www.argoexploration.com.au	The consolidated entity complies.
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	The information has been disclosed in the Annual Report.	The consolidated entity complies.
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy	The Company has adopted a Shareholder Communications Policy which can be accessed at www.argoexploration.com.au .	The consolidated entity complies.
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	The information has been disclosed in the Annual Report	The consolidated entity complies.
7.1	Establish policies for the oversight and management of material business risk and disclose a summary of those policies.	The Company has adopted Risk Management Policy which can be accessed at www.argoexploration.com.au . This policy outlines the material risks face by the Company as identified by the Board. Given the size and scale of Argo Exploration Limited it does not have a Risk sub-committee or Internal Audit function.	The consolidated entity complies.
7.2	The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	The Board believes the risk management and internal control systems designed and implemented by the Directors and the Financial Officer are adequate given the size and nature of the company's activities. The board informally reviews and requests management to report on risk management and internal control.	Management has not formally reported to the board as to the effectiveness of the company's management of its material business risks. Given the nature and size of the Company and the Board's ultimate responsibility to manage the risks of the Company this is not considered critical. The company intends to develop the risk reporting framework into a detailed policy as its operations continue to grow.

Principal No	Best Practice Recommendation	Compliance	Reason for Non-compliance
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board receives assurance from Dr Hugh Herbert (Managing Director) and the chief financial officer in the form of a declaration, prior to approving financial statement.	The consolidated entity complies.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	The information has been disclosed in the Annual Report.	The consolidated entity complies.
8.1	The board should establish a remuneration committee.	The company does not have an established remuneration committee.	It is not a company policy to have a nomination committee, given the size and scale of Argo Exploration Limited. The role of a nomination committee is carried out by the full Board. The full board considers the appointment of new directors, on an informal basis. The Board's policy for the appointment of new directors to the Board can be accessed at www.argoexploration.com.au .
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The structure of non-executive directors' remuneration is clearly distinguished from that of executive directors and senior executives, as described in the Directors' Report which forms part of this Annual Report.	The consolidated entity complies.
8.3	Companies should provide the information indicated in the guide to reporting on Principle 8.	The information has been disclosed in the Annual Report.	The consolidated entity complies.

Annual Financial Report
for the Financial Year
ended 30 June 2008



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