



2011

ANNUAL REPORT

Annual Financial Report
for the Financial Period
ended 30 June 2011

ARGO EXPLORATION LIMITED
ABN 38 120 917 535



CORPORATE DIRECTORY

BOARD OF DIRECTORS

Hugh Herbert

Executive Chairman and Managing Director

Justin Hondris

Non-Executive Director

Meredith Bird

Non-Executive Director

COMPANY SECRETARY

Melanie J Leydin

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ST KILDA VIC 3182

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Chartered Accountants

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MELBOURNE VIC 3000

SOLICITORS

Holman Fenwick Willan

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STOCK EXCHANGE LISTING

Argo Exploration Limited shares are listed on the Australian Securities Exchange
ASX Code: AXT

WEBSITE ADDRESS

www.argoexploration.com.au

ANNUAL REPORT 2011

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CHAIRMAN'S REVIEW

In my 2010 review, I reported that Argo Exploration Ltd (“Argo”) had entered into:

- (a) a strategic partnership with Xstrata Copper Ltd (“Xstrata”), to aggressively advance exploration of Argo’s Intercept Hill exploration license EL4164; and*
- (b) an investment in AIM-listed Pantheon Resources Plc (“Pantheon”) with the relative short term objective of recapitalizing Argo without recourse to the market.*

Both actions were taken to provide your Company with the potential to add material shareholder value in the short to medium term and allow the Company to aggressively expand its activities in the years ahead.

I am pleased to report that the Joint Venture with Xstrata is functioning smoothly, with strong exploration progress being made during the year.

This included a relogging of Argo drill core by Xstrata, a Magneto-Telluric (MT) survey over the Emmie Bluff-Emmie North iron oxide copper-gold alteration system, completion of semi-quantitative mineralogical (HyLogger™) analysis of selected drill core intervals, extensive 3-D modeling of Argo’s geophysical data sets, conclusion and registration of a Part 9B Agreement with the current Native Title claimants, cultural heritage clearance surveys and commencement of an ongoing diamond drilling program.

Results of MT inversions over Emmie North Prospect area provided interesting information on the Neo-Proterozoic cover sequence but failed to discriminate any clear basement targets for drill testing. The 2-D MT inversions generally illustrate a very conductive cover sequence overlying a resistive basement with a clearly defined basement unconformity. Layered variation is apparent within the cover sequence, particularly conductive zones

which appear to be related to basal Tregolanna Shale-Whyalla Sandstone and are likely a response to increased water content in more porous sandstone beneath a shale aquatard. Features within the basement are very subtle and it is debatable whether these are “real” features as opposed to inversion artefacts.

The aim of the initial drilling program under the Xstrata Copper-Argo JV was/is to test the 3-D modeled Oak Dam South residual gravity feature and further test the Winjabbie East geophysical anomaly. A single hole as/is planned for each locality with the option to expand the program based on results obtained.

The first hole of the drilling program was completed at Oak Dam South on 13th June 2011. Drilling costs for the first hole were partly offset with a PACE (Plan for Accelerating Exploration) program grant of \$60,000.

PACE is an initiative of the South Australian Government

administered by Primary Industries and Resources SA (PIRSA). The vertical hole was cored from surface and intersected a basement lithology of essentially unaltered, greenish granitic gneiss with only sparse pyrite and no visible copper mineralisation.

In light of the disappointing visual results, further drilling at this prospect was deemed to be of low priority and the drill rig was moved to Winjabbie East prospect to commence the second hole of the current program.

Whilst assessment and review of the Oak Dam South project is continuing, cutting and sampling of the drill core is considered to be of low priority at this stage due to the absence of copper minerals. A decision will be made in the near future concerning the merits of conducting down-hole geophysical surveys of drill hole ODSDH001.

Expenditure by Xstrata for the period exceeded that required under the terms of the Binding Terms Sheet.

Additionally, and separate to the Intercept Hill joint venture, Xstrata has generously assisted, at no cost to Argo, with 3-D modelling of geophysical data pertaining to EL4284, Toondulya. Furthermore, Xstrata, again at no cost to Argo, is currently modelling Argo's detailed aeromagnetic data over the area corresponding to the gravity feature.

Work on EL4284, Toondulya, during the period has delivered

some very encouraging results requiring further systematic work which is expected to culminate in the definition of a number of potential drill targets.

3-D modelling of the large circular gravity feature, located in the north-west sector of the exploration license, has greatly refined its geometry. The modelling has defined a well-constrained, generally circular residual gravity feature some 9 km to 10 km in diameter with marginally opposed, 'antler'-like upward projections reaching to the shallow subsurface. There is every indication that the apical projections may have been eroded prior to blanketing by the regionally extensive sand dune field covering much of the exploration license.

The gravity feature has been interpreted as an intrusion and the 'antlers', apophyses. Of interest is the close spatial association of gold-in-calcrete and arsenic-in-calcrete geochemical anomalies with the surface projections of the apophyses. Arsenic is an uncommon element in the crust and commonly occurs associated with gold mineralisation. It could be speculated that the calcrete anomalies may reflect arsenic and gold derived from mineralised and eroded apical projections of the inferred intrusion but additional work is required before this can be concluded with certainty. If so, the apophyses offer clear, but large, relatively very shallow targets for detailed exploration appraisal.

The likely composition of the inferred intrusion is enigmatic

with its conflicting magnetic and gravity signatures. This conflict in respective geophysical responses may possibly be reconciled by assuming that the intrusion is granitic in composition, consistent with the magnetic signature, with the excess density (residual gravity response) being attributed to per cent levels of dispersed sulphide. It is generally agreed that the density contrast is unlikely to be due to iron oxide alteration and/or primary iron and iron-titanium oxide accumulations.

To better understand possible relationships, and to refine target areas, an orientation induced polarization (IP) survey, along survey lines traversing the areas of the surface projection of the apophyses, was commissioned. Raw data was passed to Xstrata for modeling. The results from two completed lines have been instructive. Both lines returned IP responses, over broad zones, up to several hundred meters wide, consistent with dispersed sulphide in the range of 1% to 3%.

The orientation IP program was discontinued due to density of vegetation and resulting damage to survey vehicles. Continuation of the program will be governed by access; various options are being investigated.

Application for renewal of EL4284 has been made.

Delays experienced by Pantheon, in the drilling of the planned Pantheon-Vision Joint Venture Kara Farms #1H ("KF#1H") oil/gas well have proved frustrating for all parties.

Argo holds a 6.86% equity interest in Pantheon which, in turn, has a 25% working interest in a Joint

Venture with Vision Resources LLC (operator) and Kaiser Francis Oil Company. The Joint Venture controls about 33,000 gross acres in Tyler County, East Texas, which is considered by the operator to be proven as a development play. In addition to the primary objective of the Austin Chalk formation, the next well will target the deeper secondary Woodbine zone which, if successful, offers the potential for material value creation.

Whilst disappointed, your Board believes that these delays have in no way diminished the overall positive outlook for the Pantheon investment. The joint venture acreage offers tremendous exposure to the burgeoning US domestic oil/gas resources sector, and offers potential to deliver substantial shareholder value once the drilling program commences.

Recent analysis by the US Department of Energy (Energy Information Administration; EIA) and the Texas state oil and gas regulatory agency – Texas Railroad Commission (TRRC) – of Texas daily natural gas production indicates that EIA Texas daily gas marketed production exceeded TRRC daily total gas production during March 2011 and that by June (mid-summer), the variance was 1.7 billion cubic feet per day.

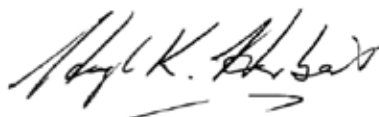
Additionally, recent corporate activity such as BHP Billiton's aggressive takeover offer for Petrohawk at a 65% premium to the market price, demonstrates the premiums that industry is paying for quality exposure to US gas assets, despite the present weaker price of US domestic Natural Gas.

Pantheon has advised that every effort is being made to secure a rig in order to deliver gas production into the 2011 North American winter at a time of apparently tightening supply when prices of gas are traditionally higher.

Your Board continues to review potential opportunities to expand its exploration portfolio with the view, over time, to spreading risk.

In conclusion, I wish to thank you, the Company's shareholders, for your continued support.

Dr Hugh K Herbert



Chairman and
Managing Director

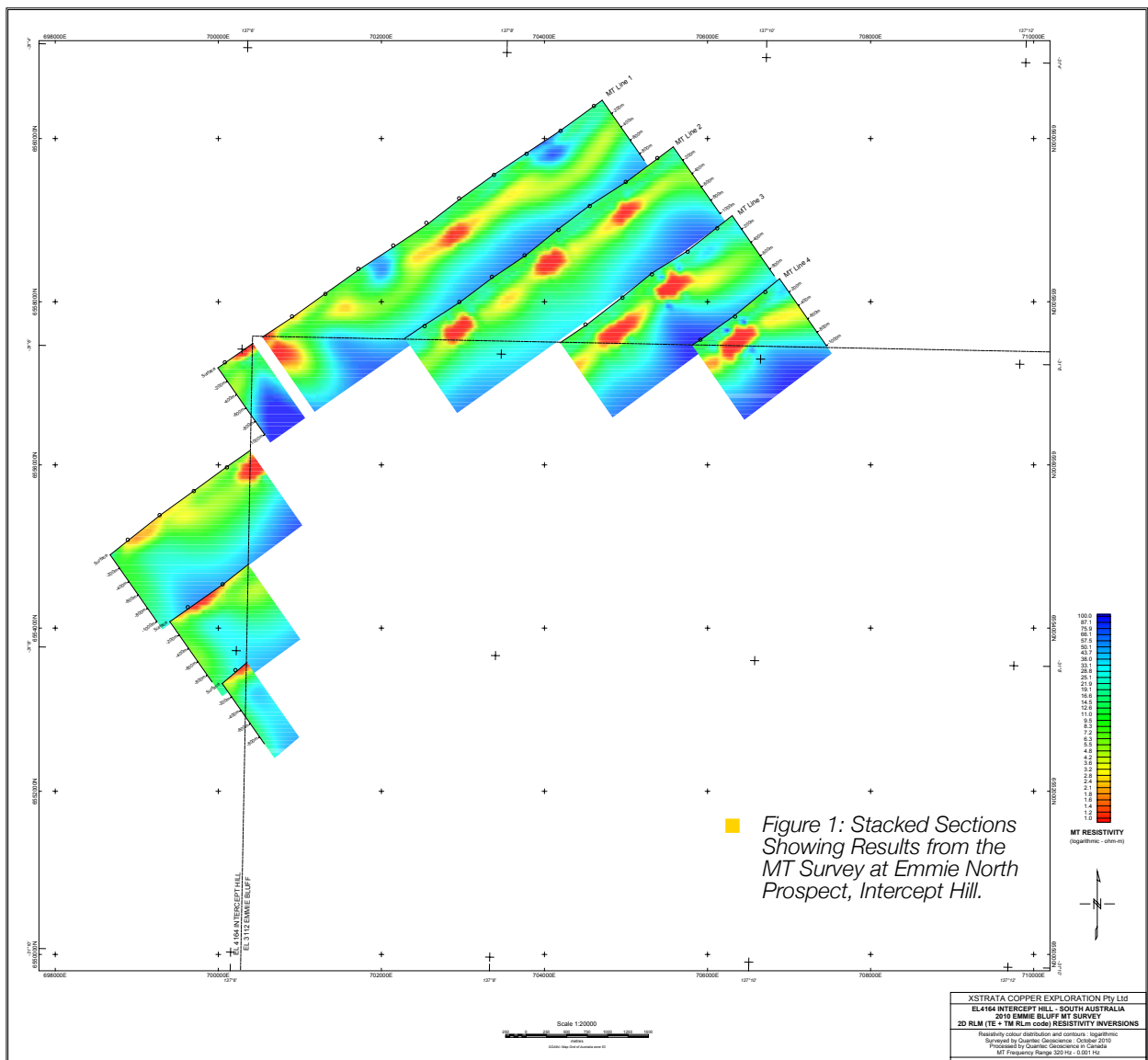
REVIEW OF OPERATIONS

Intercept Hill - EL4164 (Argo-Xstrata Joint Venture)

Work programs completed during the year included a MT (Magneto-Telluric) geophysical survey to test for deep significant conductive bodies within broad zones of gravity and magnetic anomalism at Emmie North Prospect while one deep diamond drill hole was cored from surface to test the 3-D modelled residual gravity feature at the Oak Dam South Prospect in the eastern part of the tenement. A second diamond drill hole was in progress at Winjabbie East Prospect at the end of June.

Magneto-Telluric Survey

Portions of 4 lines (of a total of 6 lines) of MT surveying were carried out over the Emmie North Prospect area within the Emmie Bluff system of anomalous gravity and magnetics. Figure 1 illustrates stacked sections showing results from the MT survey.



MT was used in an attempt to discriminate better targets within the broad zones of gravity and magnetic anomalism, upon the basis that the style and grade of the target mineralisation should result in a significantly conductive body. The depth of the targets, and thickness of highly conductive cover, put them out of range of the well-established techniques of Transient Electromagnetics (TEM) and IP-Resistivity. MT is a passive electromagnetic (EM) technique that has a reputation for being able to measure resistivity to extreme depths, in the order of tens of kilometres. More detailed measurements can be made to shallower depths (2-3km), which is adequate for the target depths of the Emmie Bluff-Emmie North System.

2-D resistivity inversion sections were provided by Quantec Geoscience Pty Ltd as part of the final deliverables. On all lines, the upper 600-1000m is characterised by largely layered variations in an overall low resistivity package. It would appear that most of the extremely low resistivities (1-2ohm-m) correlate with the Whyalla Sandstone beneath the Tregolanna Shale. These layered areas of low resistivity most probably represent more porous sandstones saturated with pore water beneath a thick, impervious shale stratum. The transition to basement is consistent through all sections, generally at about 100 ohm-m. The basement shows resistivities of 100 – 1000 ohm-m and generally increases with depth.

Basement features are generally lacking in the survey area of EL4164 with most of the undulations around the unconformity looking to be inversion artefacts. There are several factors which have limited the efficacy of the MT technique, and argue against over-interpreting the often quite subtle responses. The presence of a thick, electrically conductive cover sequence overlying the basement is expected to have reduced the likely detection of features within the underlying basement.

The MT survey was semi-regional in nature, being conducted with a 500m station spacing on 1km spaced lines, and realistically could only be expected to respond to large volumes of conductive material. The 2-D inversions of the MT data were carried out with an inversion routine thought to be the most appropriate.

However, experience has shown that inversion patterns can differ in detail between routines, particularly in this electrically difficult environment. One concern is the ability of the inversion routine to adequately model basement resistivities beneath localised zones of extreme cover sequence conductivity.

The 2-D MT inversions generally illustrate a very conductive cover sequence overlying a resistive basement with a clearly defined basement unconformity. Layered variation is apparent within the cover sequence, particularly conductive zones which appear to be related to basal Tregolanna Shale-Whyalla Sandstone and are likely a response to increased water content in more porous sandstone beneath a shale aquatard. Features within the basement are very subtle and it is debatable whether these are “real” features as opposed to inversion artefacts. The MT survey failed to discriminate any clear targets for drill testing.

Cultural Heritage Clearances

The Kokatha-Uwankara Native Title claimant group generously endorsed all drill sites previously cleared within EL4164 by the Kokatha claimants, including a site at Oak Dam South Prospect. However, new 3-D modelling of gravity data suggested the cleared site at Oak Dam South Prospect was not the optimum position with the result that a further cultural heritage clearance survey was necessary prior to mobilising a rig to site.

Representatives of Xstrata and Argo visited site in mid-July to assess and flag alternative sites for clearance, and to assess the appropriateness of the currently cleared site at Oak Dam South Prospect.

This was followed by a formal request, through the South Australian Native Title Service (SANTS), for a clearance survey. The elected survey party, in company with Argo and Xstrata representatives, carried out the survey mid-November. Unfortunately, the elected survey party did not include a representative of the Kuyani people, a signatory to the Kokatha-Uwankara unified claim, and it was necessary to repeat the clearance survey with Kuyani elders to ensure that sites cleared by the elected party did not impinge upon sites of spiritual and/or cultural significance known only to the

Kuyani people. This second clearance survey was conducted at the end of November.

An adequate number of sites to permit comprehensive evaluation of the Oak Dam South and Winjabbie East Prospects were cleared by the elected survey party but no sites were cleared at Canegrass South Prospect. The Kuyani elders endorsed all sites cleared by the elected survey party, together with additional sites rejected by the elected survey party at both Oak Dam South and Winjabbie East Prospects.

In addition, the Kuyani cleared sites at Canegrass South Prospect. A meeting between relevant parties is proposed to further negotiate access to the high priority Canegrass South target.

Part 9B Agreement

Athena, as the registered holder of the Company's South Australian exploration assets, had previously executed Work Area Clearance Agreements with the Kokatha and Barnjarla Native Title Claimant groups in relation to the area embodying EL4164 (EL3084). However, the Kokatha and Barnjarla withdrew their respective competing claims August 2009 in favour of a unified claim (SAD90/2009) by the Kokatha-Uwankara people, thereby rendering the existing Agreements with Athena void.

Accordingly, negotiations were commenced through SANTS in August 2010 with the view to concluding a new Work Area Clearance Agreement between Athena Mines Pty Ltd ("Athena"; 100% owned by Argo), and the Kokatha-Uwankara Native Title Claimants.

Athena executed the new Native Title Mining Agreement for Exploration, as put forward by SANTS, with the Kokatha-Uwankara Native Title Claimants on 11th October 2010. The fully countersigned Agreement, which governs the relationship between the Company and the Native Title Claimants, was finally received 2nd May 2011; the Agreement has been registered with Primary Industries and Resources SA (PIRSA).

Semi-quantitative (HyLogger™) Mineral Analysis

In an attempt to maximise information from the Company's past drilling campaigns, a critical selection of drill core intervals was submitted for semi-quantitative mineral analysis using the HyLogger™ associated with the National Core Library Facility, South Australian Node, Primary Industries and Resources SA (PIRSA). The prime objective was to attempt to establish mineralogical vectors which might be used to focus attention on areas and structures potentially more likely to contain higher-grade mineralisation in iron oxide-altered basement lithologies. A secondary objective was to examine inferred fluid interaction with cover sequence units, and potential for 'Athabasca'-style uranium mineral occurrence.

The Company's Exploration Licence, EL4164 (Intercept Hill), is centrally disposed within the Cariewerloo Basin, South Australia which shares many geological similarities with the Athabasca Basin, Canada, and exhibits prospectivity for unconformity-style uranium deposits similar to those occurring within the Athabasca Basin. The unconformity uranium deposit style is an untested, under-developed model in South Australia.

The data are being progressively assessed and integrated into the modelling data base.

3-D Modelling of Geophysical Data

Xstrata completed a comprehensive review of available geophysical data together with 3-D modelling to more rigorously refine drill targets. This work by Xstrata served as the basis for identifying priority drill targets at Oak Dam South, Canegrass South and Winjabbie East Prospects. As well, the modelling has delineated a number of discrete 'dense' features in Pandurra Formation cover rocks which require resolution.

Core Logging

Re-logging of all Argo drill holes by Xstrata geologists was completed during July. This undertaking facilitated the development of uniform logging protocols for the planned diamond drilling program.

Diamond Drilling Program – Oak Dam South Prospect

The Oak Dam South Prospect is located approximately 44km northeast of Woomera in South Australia. It is part of the large Emmie Bluff-Intercept Hill magneto-gravity complex in the Proterozoic Gawler Craton (under 600-800m of Adelaidean Cover). It is located within the Olympic Dam IOCG Province, and is quite proximal (~5km) to Oak Dam (560Mt Fe oxide with Cu-Au-U) and Carrapateena (15km to the east with drill results including 900m at 2.1%Cu).

The broad Emmie Bluff-Intercept Hill gravity complex is considered highly prospective for IOCG-style mineralisation, with previous exploration in the area yielding extensive hematite alteration and brecciation in basement rocks with associated low level copper-gold mineralisation.

The 3-D inversion gravity modelling has allowed refinement of targeting in the region. The modelling of Oak Dam South indicated a discrete density high, with dimensions of 1500m (east-west), 1200m (north-south) and 1300m (vertical, not closed entirely) at a density contrast of 0.045mgal. Due to the thick cover sequence (modelled to be between 600m and 800m) and the lack of prior drilling in the area, nothing tangible was known about the nature of the basement. Drill hole targeting was based solely on gravity modelling.

The large, medium- to high-grade hematite-associated IOCG mineralisation style found in the Gawler Craton, such as Olympic Dam, Prominent Hill and Carrapateena, represent deposits of significance on a global scale and, as such, are considered to be significant exploration targets. The deep cover environment found on the Stuart Shelf precludes the use of most traditional exploration techniques such as surface mapping and geochemistry. Therefore, targeting relies upon the use of geophysics and prior drilling.

Oak Dam South Prospect is a gravity anomaly of large size and moderate tenor, and was

interpreted to occupy a favourable structural location at the intersection of interpreted basement-piercing NE- and NW-trending faults. The drill collar location was targeted to intersect the anomaly towards the centre with refinements made to take into account the topography.

Drilling of the Oak Dam South Prospect commenced 13th May 2011 and was completed on June 13, 2011.

One vertical diamond drill hole (ODSDH001) was completed by contractor AMWD (Australian Mineral and Waterwell Drilling) using a DR800 MK2 Deephole Drill Rig for a total depth of 993.8m. The hole was collared at 711716E; 6563248N, GDA94 Zone53 and was drilled with diamond core from surface.

Basement lithologies were intersected at a depth of 808m beneath a thick Neo-Proterozoic cover sequence. This basement is interpreted as the Donnington Suite Granitoid and, at the Oak Dam South Prospect, is typically a granite gneiss – dark green/grey, fine to coarse grained, gneissic granitoid with foliation defined by biotite (with local included magnetite) and lesser chlorite/sericite/epidote alteration.

Minor to sparse red-rock alteration occurs as patches/selvages and veins/veinlets; the whole is cut by quartz-feldspar pegmatite dykes with graphic textures. Pyrite is sparse as disseminated or platy fracture coats. No chalcopyrite or other copper-sulphide minerals were observed visually.

While some assessment and review is continuing, at this stage, due to the absence of copper minerals, cutting and sampling of the drill core is viewed as a low priority. Some decision will also be made about down hole geophysical surveys for drill hole ODSDH001 in the near future.

The drill hole geology is summarised in Figure 2.

Drill Site Rehabilitation

ODSDH001 drill site will be fully rehabilitated in the September Quarter and will be progressively monitored to ensure full environmental compliance.

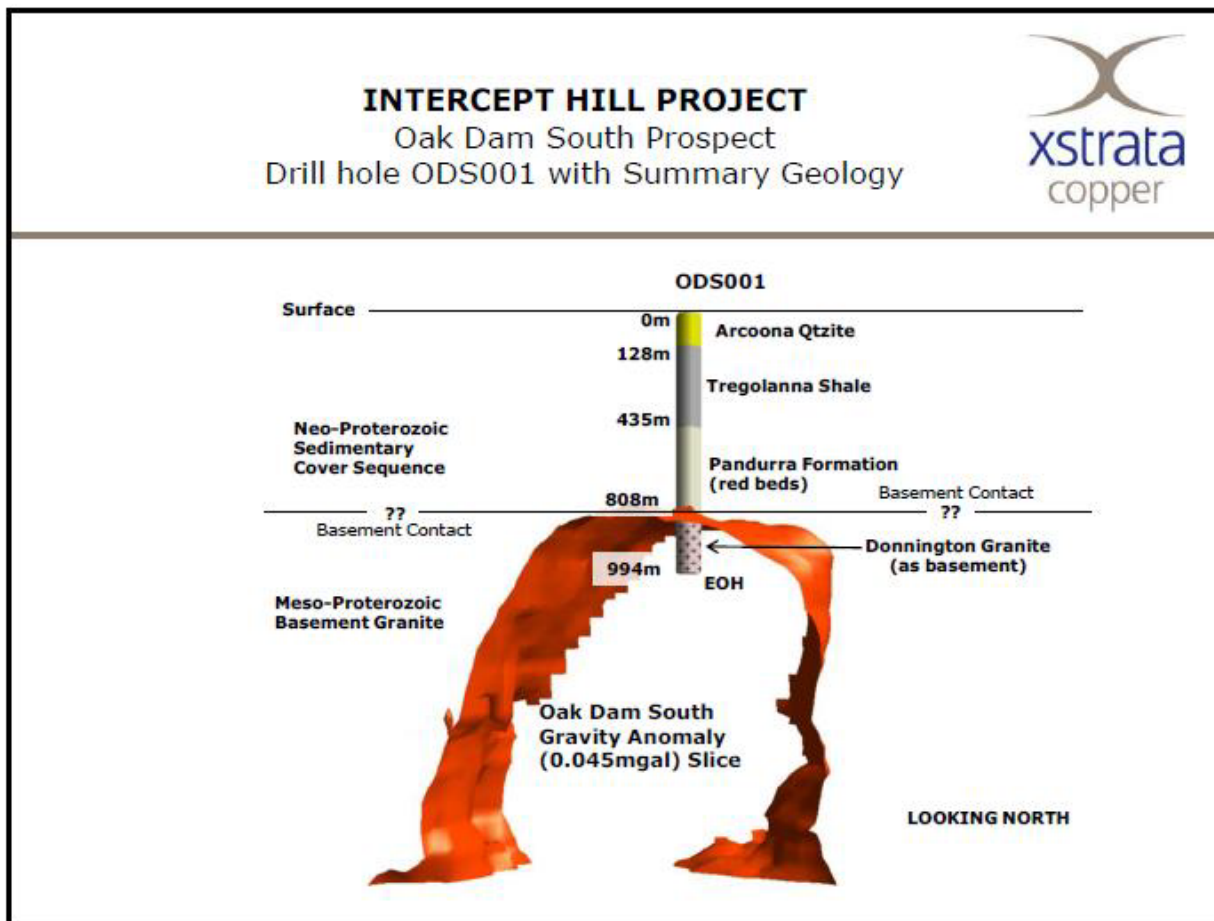
Diamond Drilling Program – Winjabbie East Prospect

Diamond drilling commenced at Winjabbie East Prospect on 16th June 2011. Vertical drill hole WJEDH001 was drilling ahead without problems at the close of June.

Expenditure

Total expenditure by Xstrata Copper, for the 15 months from 15 March 2010 to 30th June 2011 in exploration of EL4164, stands at \$944,020. Work is ongoing.

■ *Figure 2: Summary Section Geology for Drill Hole ODS001.*



TOONDULYA*EL4284 (Argo 100%)*

In an early phase of exploration of the tenement, Argo commissioned a 400 x 400 meter centred groundbased gravity survey. The derivative Bouguer gravity image at 2.5g/cm³ comprises Figure 3, while Figure 4 is a first vertical derivative of the Bouguer gravity.

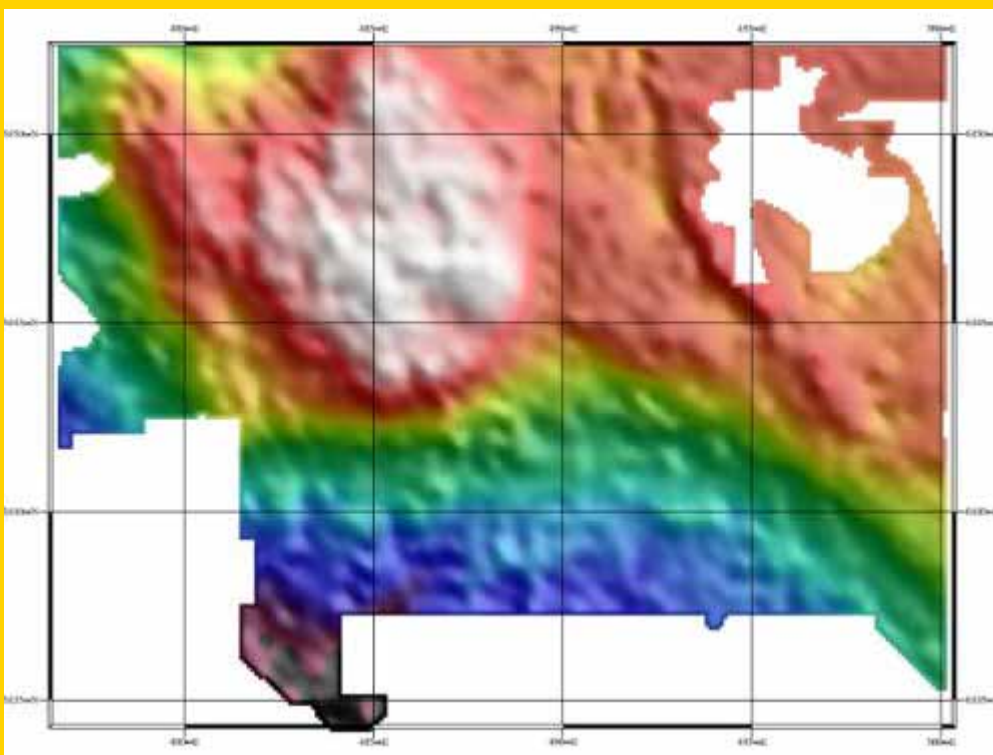
The generally circular gravity feature has previously been cast as a mafic-intermediate intrusive. However, the positive Bouguer gravity feature is generally coincident with a strong magnetic low which would appear to preclude an intrusion of mafic-intermediate composition. Likewise, uncommon plagioclase-rich intrusives such as anorthosites, which carry appreciable magnetite and/or ilmenite, are unlikely candidates.

Based on magnetic characteristics, a granitic intrusion is more likely but this would require the

excess density to be contributed to the rock mass by a small percentage of dense, non-magnetic minerals such as sulfides.

Given the subdued nature of the residual gravity expression, and the overall 'pimplly' texture of higher residual gravity, with clear north west-trending linear arrays of higher residual gravity, it would appear that distribution of the inferred dense minerals is not uniform and potentially may occur as patchy disseminations and as concentration along northwest-trending fractures within the body of the intrusion. In addition, there are discontinuous marginal areas of enhanced gravity which correlate with higher, fringing magnetics which may reasonably be postulated as areas of potential skarn development.

The coincidence of a positive gravity feature with a magnetic low, coupled with closely associated goldarsenic calcrete geochemistry and evidence of strong late-stage structural



■ *Figure 3: Bouguer gravity image (Datum GDA94; Grid MGA Zone 53) at 2.5 g/cm³ shaded with 50% north east gradient. Note the gravity contrast between the defined positive gravity feature and the Hiltaba Suite granite pluton comprising the southern sector.*

Argo gravity data processed and imaged by Southern Geoscience Consultants, Perth.

perturbations, renders the inferred intrusion and marginal regions particularly attractive to mineral occurrence and exploration. To better define areas of high potential for drill assessment, 3-D modelling of the gravity feature was commissioned to understand the geometrical relationships of structural, geochemical and lithological elements.

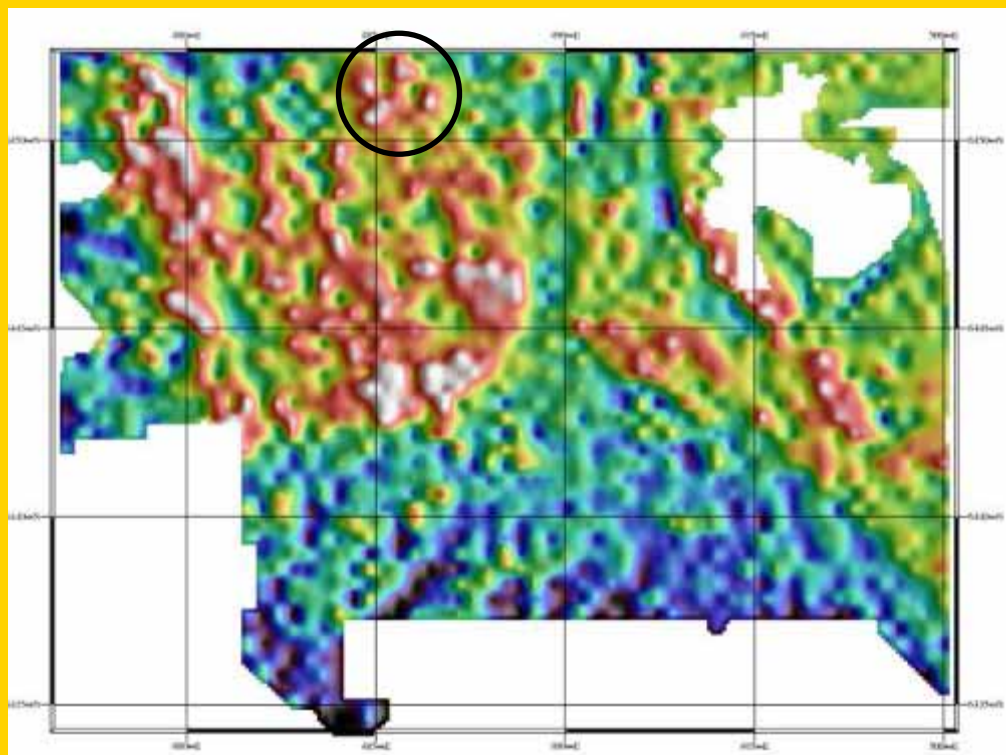
3-D Gravity Modelling by Xstrata Copper Ltd

Xstrata Copper expressed a desire to review the gravity data and undertook to reprocess the data and prepare a 3-D model. It is noted that Xstrata Copper has no interest in EL4284 nor does it seek, at this stage, to acquire one having concluded that the gravity feature is unlikely to represent IOCG-style alteration. Xstrata Copper is not responsible for any aspect of the discussions and conclusions contained herein.

Figure 5 is an example of the modelled gravity

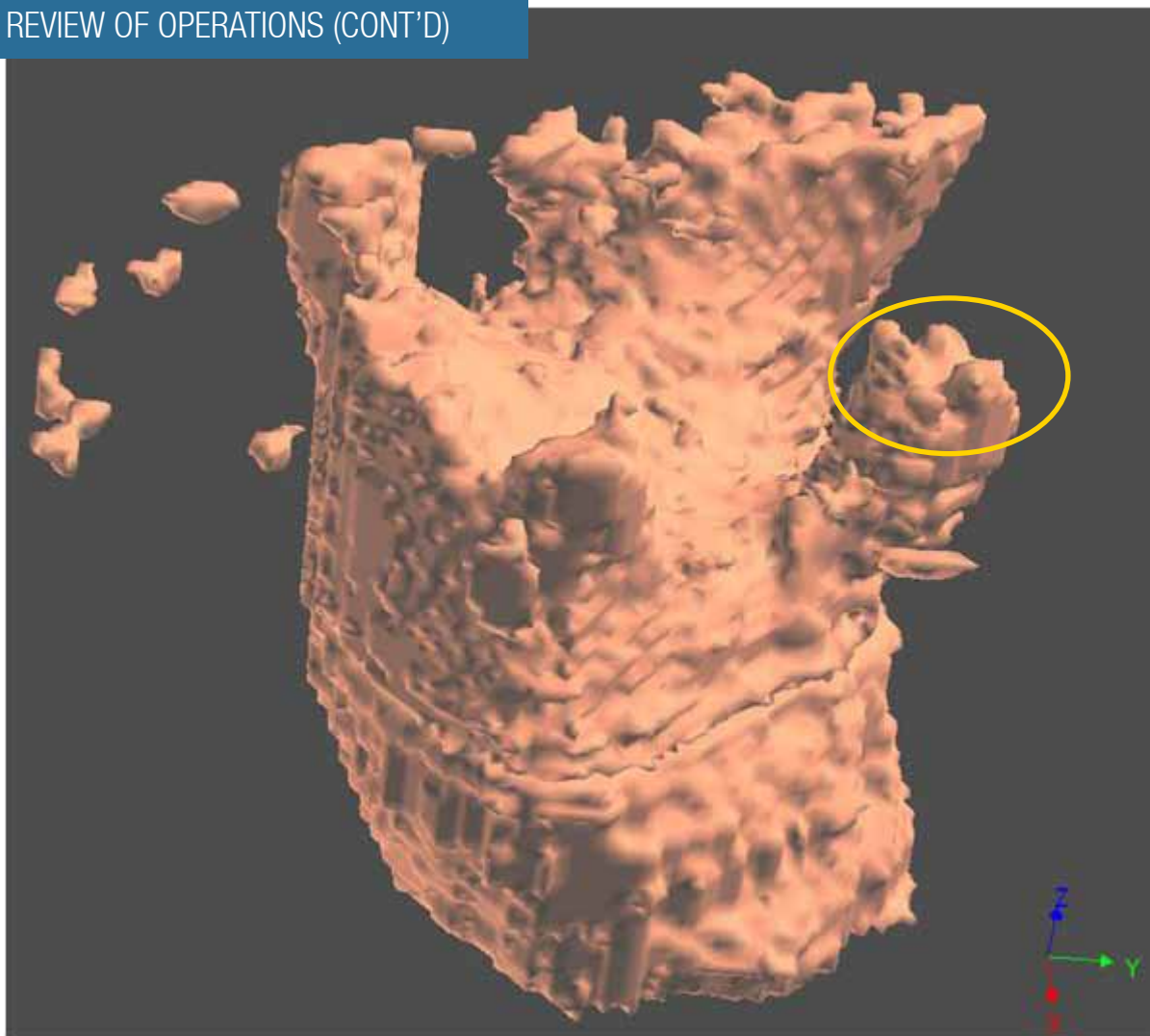
feature, looking west, with a model depth of 5 km. The modelled gravity feature is sharply constrained and illustrates four opposing apophyses reaching up to the sub-surface.

The margins of the main 'pluton' and apophyses are sharply defined, as illustrated in Figure 5 even though modelling suggests a density contrast of 0.1 g/cm³ at best. The modelled density contrast between the 'pluton' and surrounds of 0.1 g/cm³ does not suggest anything particularly mafic (unless of course the pluton is already sitting in a very dense host). There is a sharp fall-off in regional gravity adjacent to the southern margin, which may reasonably be attributed to the interpreted felsic Hiltaba Suite pluton. There appears to be a good correlation between the partial magnetic 'rim' and the annular gravity-indicated apophyses where a small magnetite content could be contributing to the apophysis density contrast.



■ Figure 4: First vertical derivative (Lin) of 2.5 g/cm³ Bouguer gravity shaded with 50% north east gradient. The image illustrates a subdued, pimply residual gravity distribution with mild north west striping consistent with the interpreted structural fabric and distribution of variably magnetized, interpreted skarn, granite and granitic gneiss lithologies (Fig. 7).

Argo gravity data processed and imaged by Southern Geoscience Consultants, Perth.



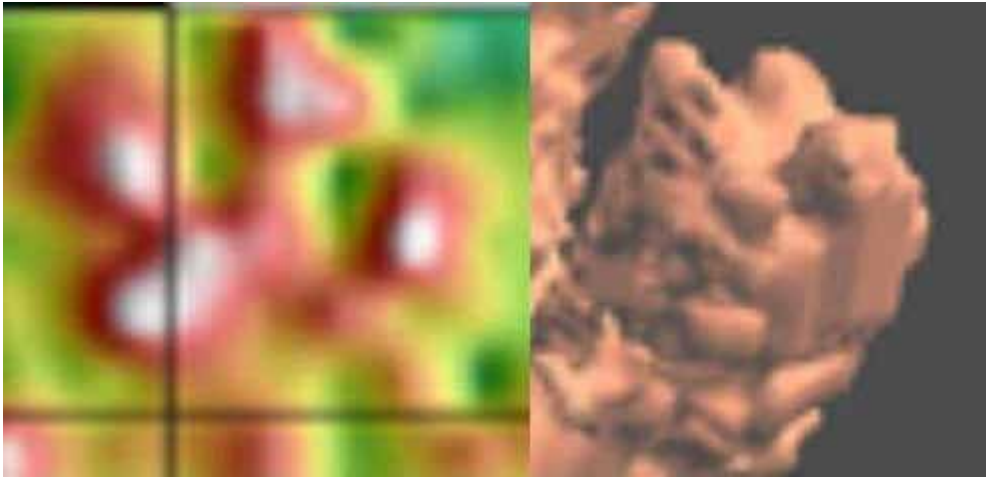
■ *Figure 5: 3-D model of Toondulya gravity feature illustrating 0.05 g/cm³ density difference shell, looking West. Note the four opposed apophyses reaching upwards to shallow levels. Note also the excellent correspondence of the apophyses and their upper surface pimples with the 2-D residual gravity image (Fig. 4). The 3-D model diameter at depth in the current view is about 9 kilometres.*

As well, the pimples on the planar, potentially eroded apophyses surfaces (Fig. 5), appear to correlate exceptionally well with pimples of higher residual gravity in the 2-D residual gravity image (Fig. 4). See for example the corresponding circled areas of Figures 4 and 5, extracted as Figure 6.

The correspondence between the two images, processed some four years apart by different specialist geophysicists, is very pleasing and demonstrates that part of the 'pimple' texture in 2-D is related to specific gravity contrast between shallow versus deeper inferred intrusive material overlain by variable thicknesses of less dense material. This conclusion is consistent with the geophysically-based geological interpretation (Fig. 7), which maps

out north west-trending, variably magnetic units of the Gawler Ranges Volcanics and Lincoln Complex-St Peter Suite granitic gneisses (Fig. 8). These rocks form a cup-shaped carapace to the intrusive and, as modelled, are up to 3 kilometres thick in the central region of the modelled intrusive.

The density contrast of the apophyses 0.1 g/cm³ is very subdued and it is appealing to suggest that the excess density may be due to perhaps 1 to 3% dispersed sulfide content. The close correlation of gold and arsenic calcrete geochemical anomalies with the modelled intrusive permits the suggestion that, if the subdued excess density is indeed attributable to sulfide, a component may be arsenical and gold-bearing.



- *Figure 6: Comparison of 2-D and 3-D images of a selected area of residual gravity. In the case of the 3-D image of the north-eastern apophysis, the model has been rotated clockwise through 90°, that is, looking west. Restoring the model orientation anticlockwise through 90° brings into sharp correspondence the four surface pimples on the 3-D model with the high residual gravity pimples of the left hand 2-D image. An orientation IP survey line has been completed over the north-eastern pimple along Line 6, 452,000mN and between 484,800mE and 486,900mE*

Orientation Induced Polarization (IP) Survey

Given that portions of the apophyses appear to reach almost to surface (at the resolution of the model), a decision was taken to evaluate the efficacy of surface-based electrical geophysical assessment of the upper portions to establish whether electrical geophysical protocols such as IP could be utilized to better refine potential drilling targets. The clear caveat in the use of IP and other electrical techniques is that the regolith underlying the sand dunes does not couple to the basement. On the premise that the regolith is not sufficiently electrically conductive to couple to basement, and with the current definition of clearly constrained apophysis areas to test, a ground-based orientation induced polarization (IP) survey was commissioned in June. Several geophysically defined features, within the large survey areas, presented as obvious targets for assessment. A total of 30 line kilometres, over 11 lines, of IP surveying was planned (Fig. 9). Two of these lines have since been surveyed and results are presented in Figures 10 to 13.

The IP anomaly in the eastern section of Line 10 looks quite good (at the colour stretch used) on the IP inversion, but is more faithfully rendered (at the same colour stretch) on the LIP section. The LIP processing Xstrata use is designed to minimize the artificial enhancement of IP anomalies in the presence of locally higher resistivities, which appears to have happened here.

Renewal of term of EL4284

Application has been made for renewal of the term of the tenement, without reduction, for a further period from 15th July 2011.

PANTHEON RESOURCES Plc

(Argo principal shareholder)

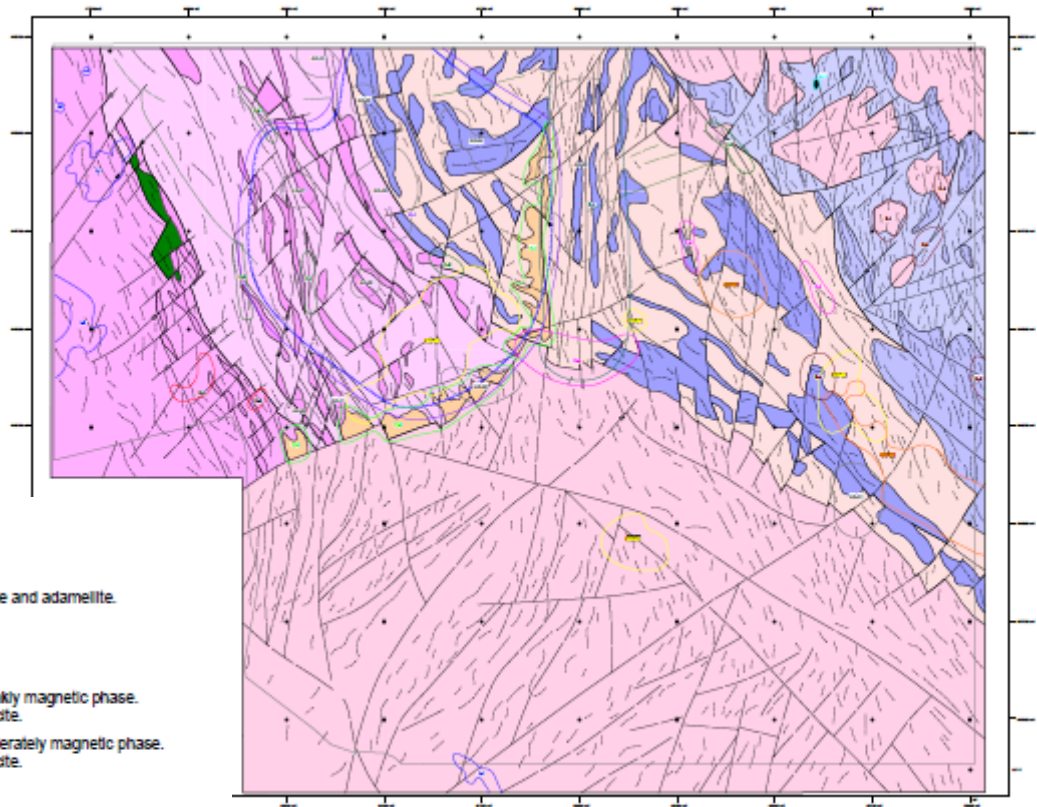
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Delays experienced in the drilling of the planned Pantheon-Vision Joint Venture Kara Farms #1H oil/gas well have proven frustrating. The delays are a function of the extremely tight market for rigs, and the present high cost structure of the industry, largely driven by the proliferation of drilling activity on US onshore shale plays, together with the relative strength of the oil price.

Whilst disappointed, your Board believes that these delays have in no way diminished the overall positive outlook for the Pantheon investment. The joint venture acreage offers tremendous exposure to the burgeoning US domestic oil/gas resources sector, and offers potential to deliver substantial shareholder value once the drilling program commences.

First, despite the lack of activity by the Vision JV, your Board believes that the value of Argo's investment in Pantheon has, indirectly, been markedly improved through the \$US15.1 billion takeover, in recent months, of Petrohawk Energy by BHP Billiton which, with its \$US4.75 billion purchase of Chesapeake Energy Corp's interest in the Fayetteville Shale field in Arkansas, elevates BHP to the 7th biggest independent oil and gas company just behind Anadarko Petroleum which has production wells offsetting the Vision JV's acreage in the Brookeland field of East Texas.

Geological interpretation prepared by Southern Geoscience Consultants, Perth. Lithological classification based on Streaky Bay Sheet SI 53-2, 1:250 000 published geology. Geological Survey of South Australia, 1991



LEGEND

HILTABA SUITE

Weakly magnetic granite, granodiorite and adamellite.

GAWLER RANGER VOLCANICS

UPPER

Eucarro Dacite / Yardea Dacite. Weakly magnetic phase. Massive porphyritic dacite to rhyodacite.

Eucarro Dacite / Yardea Dacite. Moderately magnetic phase. Massive porphyritic dacite to rhyodacite.

LOWER

Bittall Rhyolite. Weakly magnetic rhyolite to rhyodacite.

Waganny Dacite. Moderately to strongly magnetic dacite to rhyodacite.

LINCOLN COMPLEX - ST PETER SUITE

Granite, granodiorite, adamellite and granite gneiss. Non-magnetic phase.

Granite, granodiorite, adamellite and granite gneiss. Weakly magnetic phase.

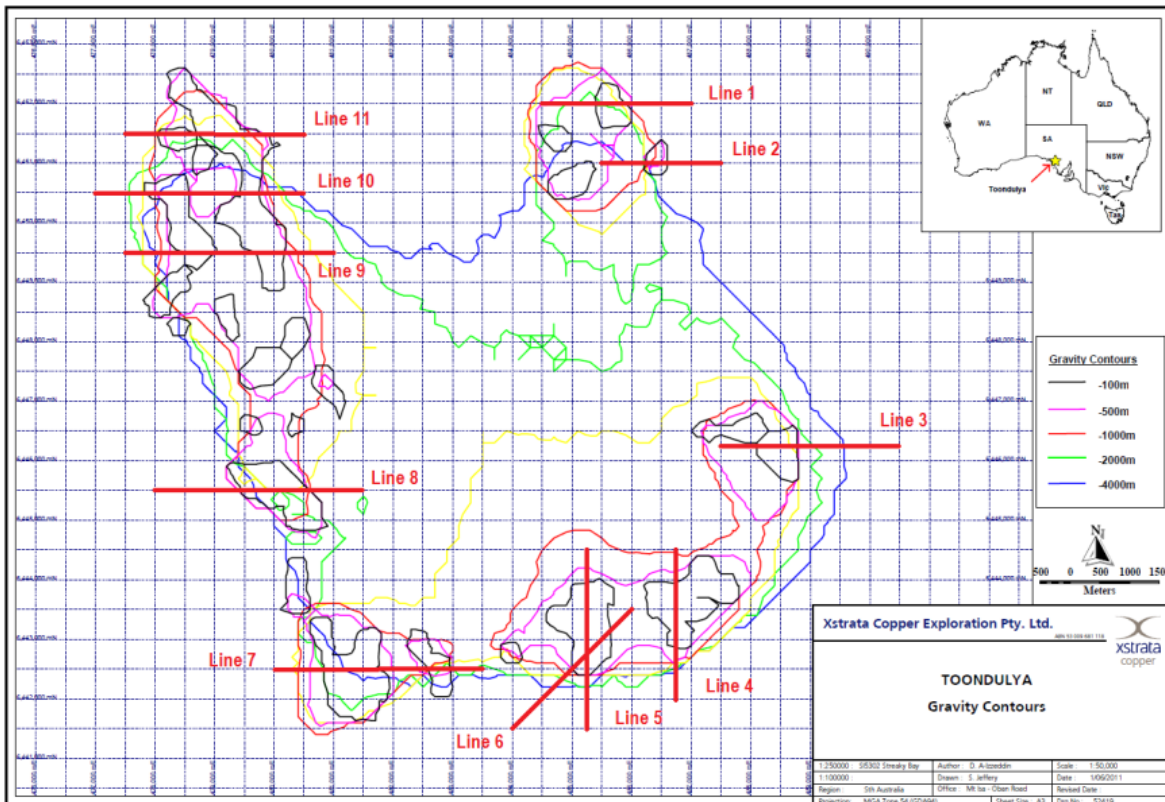
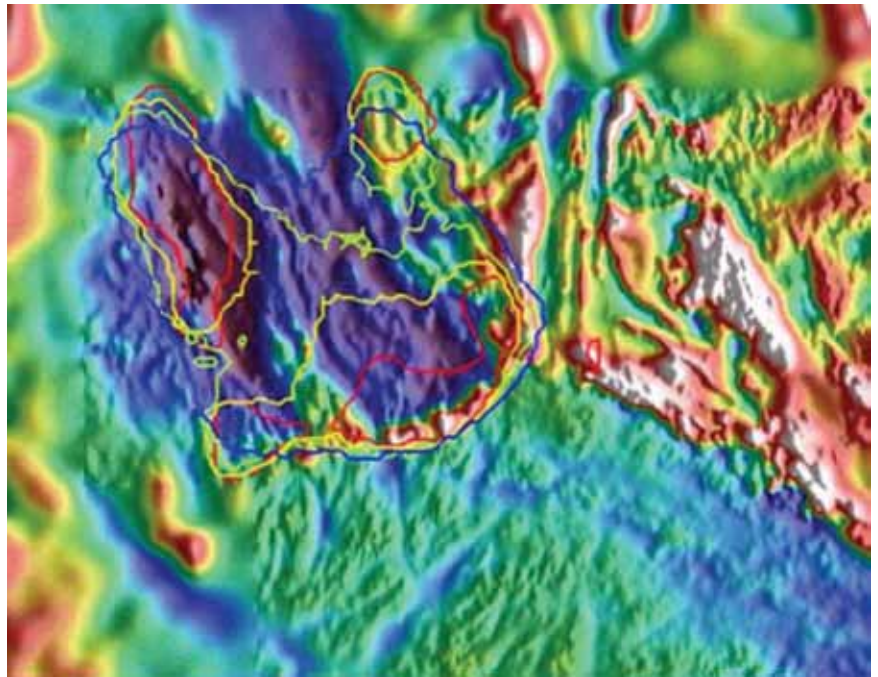
Granite, granodiorite, adamellite and granite gneiss. Weakly to moderately magnetic phase.

Possible mafic unit. Moderately to strongly magnetic and reversely magnetised.

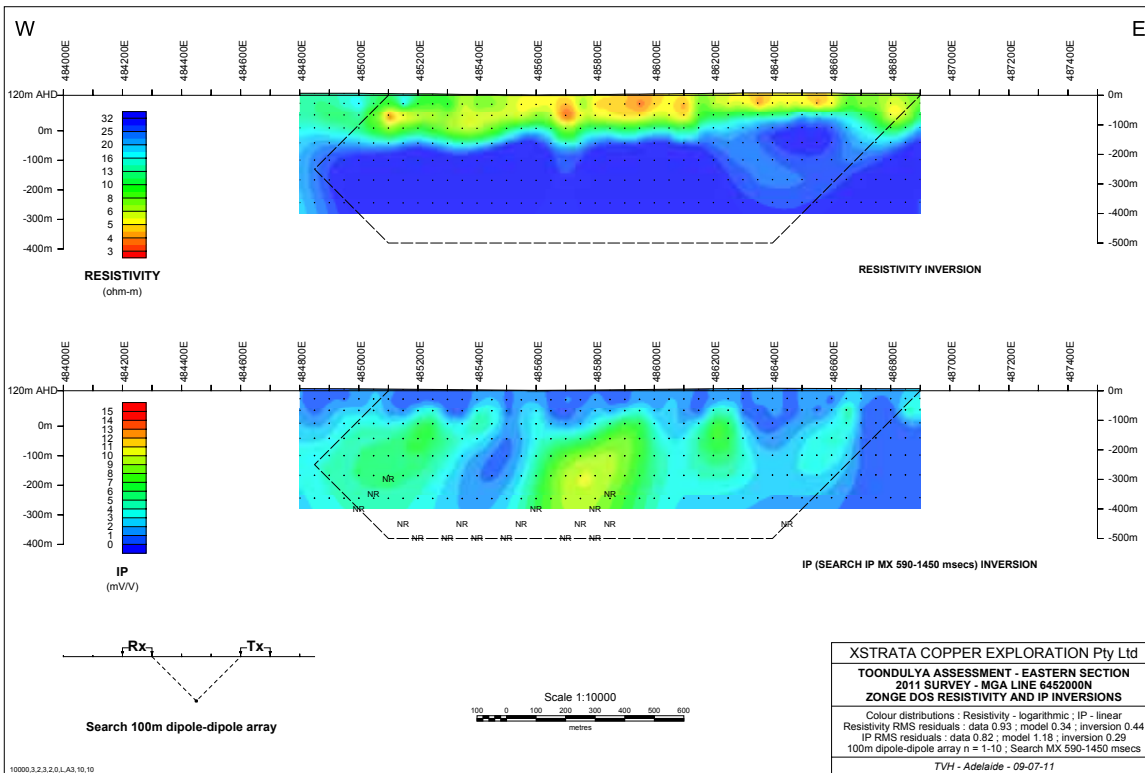
Strongly magnetic unit. Possible contact metamorphism or mafic intrusive.

Figure 7: Geological interpretation of tenement area derived from the aeromagnetic data. The southern sector is interpreted as part of a large Hiltaba Suite granite pluton while the north eastern sector comprises about 70% exposed and interpreted Gawler Range Volcanics (GRV). The north eastern and north western sectors are separated by a north-trending imbricate zone, also interpreted as GRV. The north western sector is interpreted to comprise about 25% GRV in the east abutting, to the west, about 75% Lincoln Complex – St Peter Suite dominantly composed of variable, but weakly magnetized granitic rocks and granite gneiss. The north western sector is partly bordered by a fringe of magnetized material against the north eastern and southern sectors. This fringe is interpreted as a contact metamorphic effect.

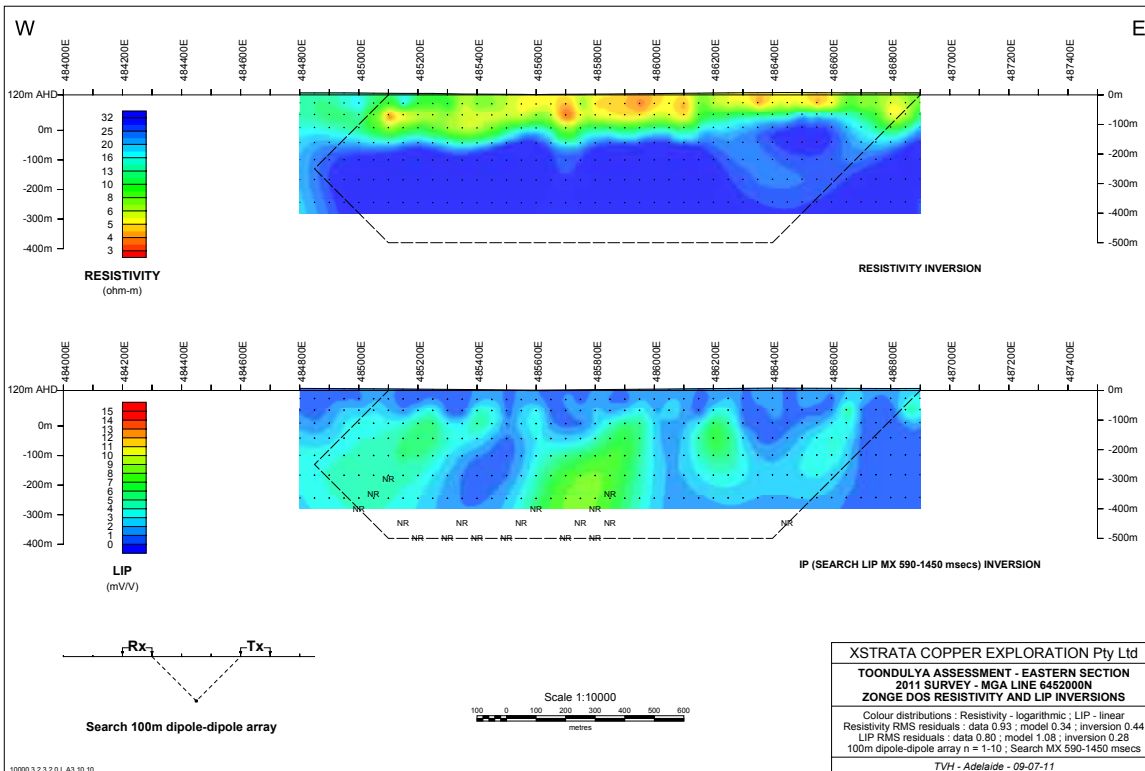
■ Figure 8: Gravity body at various 1000 meter depth slices (Red -1000 m; Yellow -2000 m; Green - 3000 m; Blue -4000 m) overlain on a Reduced to Pole Total Magnetic Intensity image. It is clear that the magnetic signature is elevated on the southern margin (possible skarn alteration) with the north western apophysis corresponding reasonably well with a region of low magnetics.



■ Figure 9: Distribution plan of modeled depth slices through the 3-D gravity feature overlaid by orientation survey lines numbered 1 to 11. Lines 1 (6,452,000mN) and Line 10 (6,450,500mN) have been surveyed.



■ Figure 10: Resistivity and corresponding IP inversions for Line 1 (6,452,000mN). Note the mildly conductive surficial profile overlying generally resistive basement. Note also the gentle westward thickening of the conductive surface material which appears to range in thickness from about 50 to 150 meters. The IP inversion shows a broad low intensity anomaly that correlates with the higher residual gravity response, and shallow pimple, illustrated in Figures 4, 5, 6 and 9. The response is reasonably interpreted as a reflection of low level concentrations of dispersed sulfides.



■ Figure 11: Resistivity and corresponding LIP inversions for Line 1. The filtered LIP inversion provides a much clearer definition of the 'IP' anomaly which possibly represents about 1% to 2% disseminated sulfide.

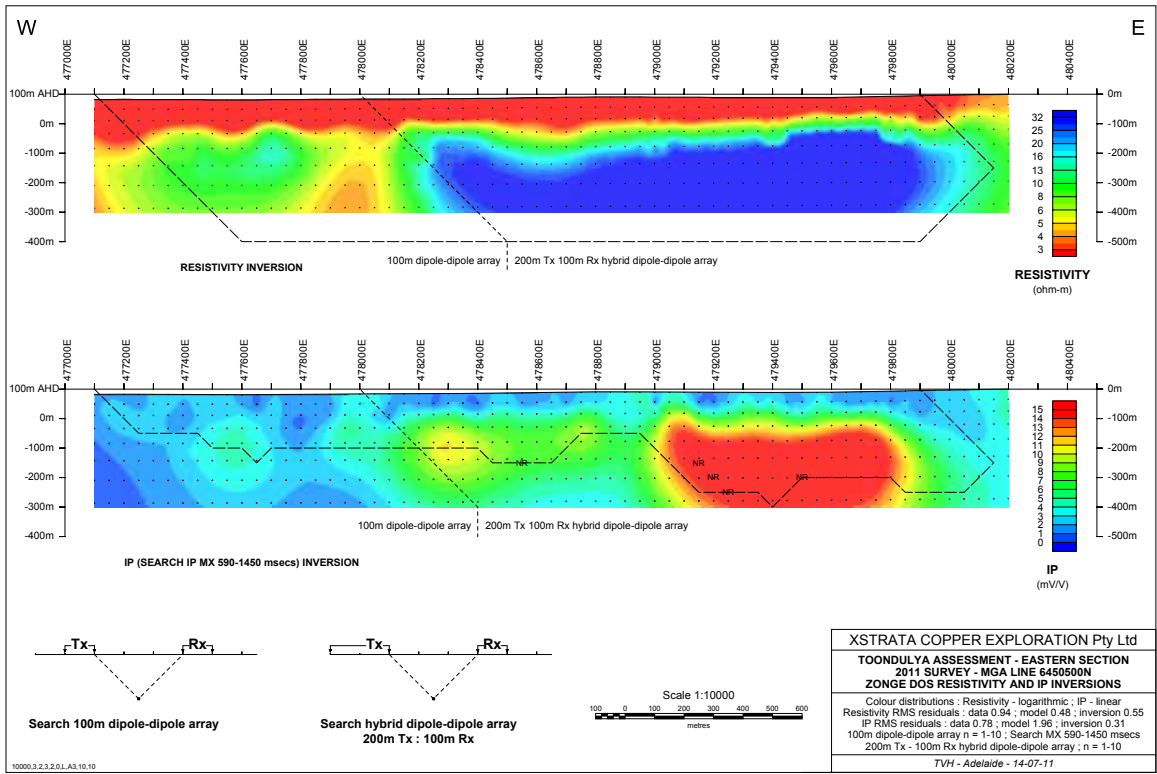


Figure 12: Resistivity and corresponding IP inversions for Line 10 (6,450,500mN). Note the eastwards thinning surficial conductive profile, ranging from about 50 to 100 meters thick, is far more conductive than in Line 1. There is a strong resistivity contrast in basement along the line. Note also the low resistivity structure at ~478000mE, which probably represents an unmineralised fault, and the much higher IP anomaly between ~479000E and 479800E. The survey appears to have established the efficacy of the protocol in the region.

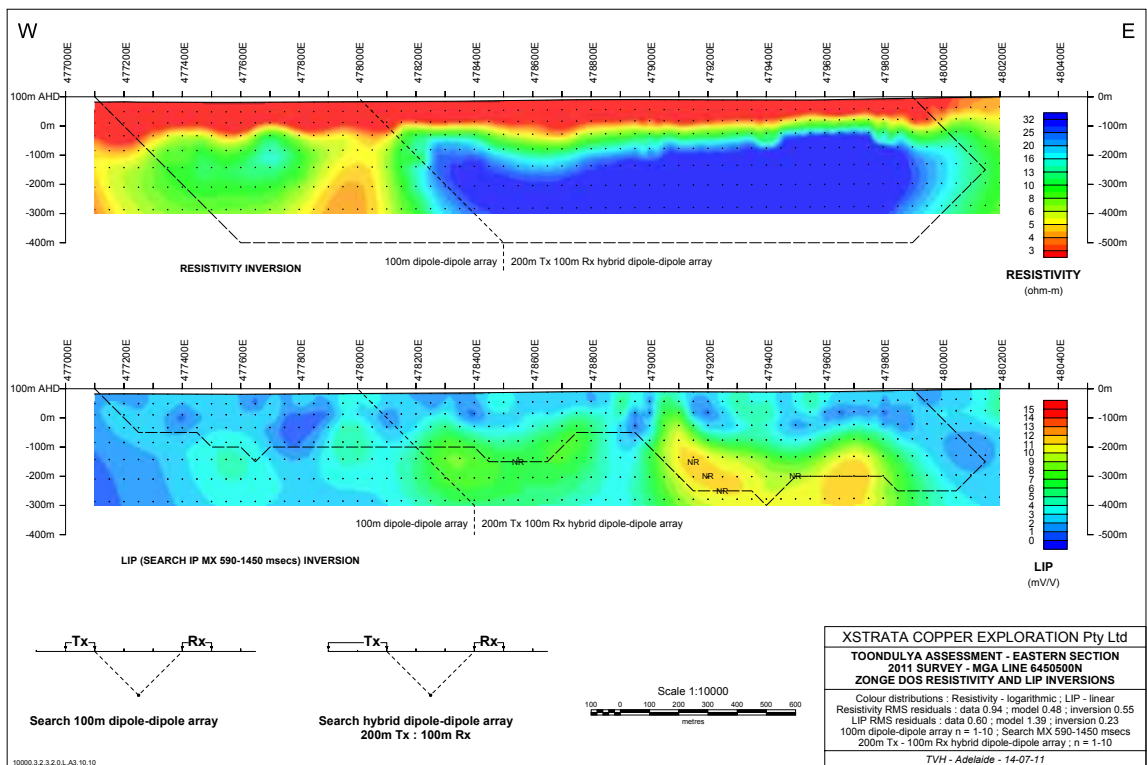


Figure 13: Resistivity and corresponding LIP inversions for Line 10. Note the low resistivity structure at ~478000mE probably representing an unmineralised fault. Note also the well-defined LIP anomaly between ~479000E and 479800E which does not appear to be structurally controlled but dispersed. The survey appears to have established the efficacy of the protocol in the region.

The acquisition of on-shore US domestic gas assets by BHP is acknowledgement of the move towards cleaner energy in a gas hungry domestic market. This is expected to have near-term positive spin-offs for smaller players with a footprint over onshore domestic US oil and gas assets, particularly lower cost, productive conventional plays.

The deal with Petrohawk Energy provides BHP with entry into the prized Eagle Ford Shale in Texas where Petrohawk's Black Hawk project is recognized for delivering the best returns in the onshore oil and gas sector in the United States. Importantly, within Vision's acreage, the primary and secondary target oil/gas reservoirs of the Austin Chalk and Woodbine Sandstone are separated by Eagle Ford Shale. For the time being, Vision is focused on development of its primary and secondary target reservoirs.

Secondly, recent analysis by the US Department of Energy (Energy Information Administration;

EIA) and the Texas state oil and gas regulatory agency – Texas Railroad Commission (TRRC) – of Texas daily natural gas production indicates that EIA Texas daily gas marketed production exceeded TRRC daily total gas production during March 2011 and that by June (mid-summer), the variance was 1.7 billion cubic feet per day (Fig. 14).

Pantheon has advised that every effort is being made to secure a rig in order to deliver gas production into the 2011 North American winter at a time of apparently tightening supply when prices of gas are traditionally higher.

To this end, the operator has advised that site preparations at Kara Farms #1H well site have been completed, requisite pipe purchased and essential permits from The Texas Department of Transportation obtained for a natural gas export pipeline.

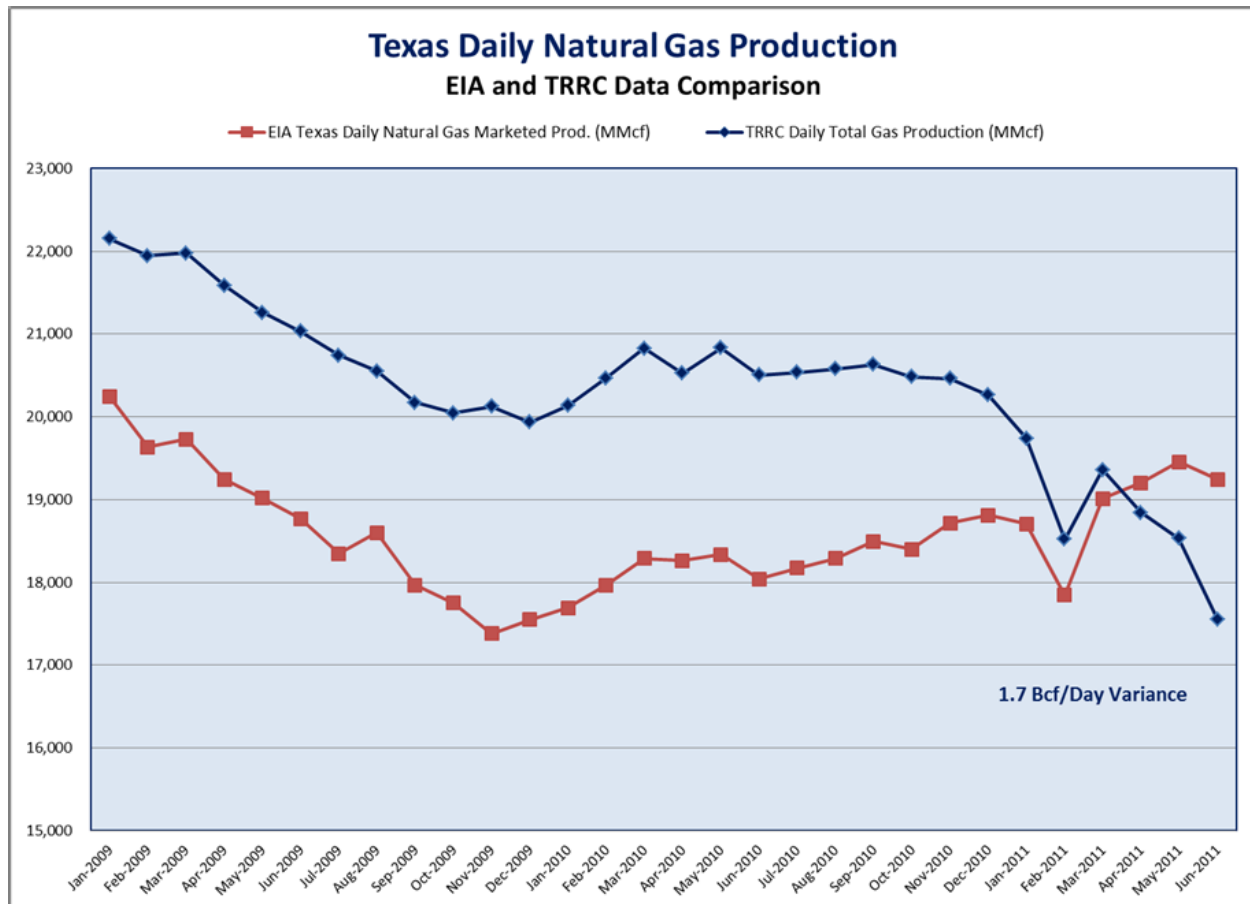


Figure 14: Graph of EIA Texas daily gas marketed production versus TRRC daily total gas production with June variance of 1.7 Bcf/day.



■ Figure 15: Tyler County, Texas USA

30 June 2011

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Argo Exploration Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 30 June 2011.

Directors

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

Dr Hugh Herbert

(Executive Chairman and Managing Director)

Mr Justin Hondris

(Non-Executive Director)

Ms Meredith Bird

(Non-Executive Director)

Principal activities

During the financial year the principal activities of the consolidated entity consisted of exploration and development of mineral resources emphasising copper, gold and uranium.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,248,115 (30 June 2010: profit of \$762,753).

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

Financial Position

The net assets of the consolidated entity decreased by \$1,248,115 to \$11,683,163 as at 30 June 2011 (2010: \$12,931,278). The major movements were due

to the decreased value of the Company's investment in an AIM listed Oil & Gas exploration and production company, Pantheon Resources Plc ("Pantheon"; AIM Code: PANR).

The consolidated entity's working capital, being current assets less current liabilities decreased by \$1,438,185 to \$3,312,849 (2010: \$4,751,034).

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity holds participating interests in a number of mining and explorations 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 2011.

Information on directors

Dr Hugh Herbert

Executive Chairman and Managing Director

BSc, MSc, PhD, MAusIMM

Experience and expertise Dr Herbert is an economic geologist/geochemist with in-depth experience in mineral exploration, academia, Government service and mineral science consultancy spanning 46 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.

Other current directorships: Nil

**Former directorships
(in the last 3 years):** Nil

Special responsibilities: Nil

Interests in shares: 7,000,000 ordinary shares

Interests in options: None

Mr Justin Hondris

Non-Executive Director

BBus, ASIA

Experience and expertise Justin Hondris brings 20 years business experience in international capital markets, venture capital investment and analysis, institutional stockbroking and corporate advisory both in Australia and Europe. He is a partner in a Private Equity Fund management company and is a director of Pantheon Resources PLC (AIM listed). 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.

Other current directorships: Pantheon Resources Plc, Executive Director

**Former directorships
(in the last 3 years):** Nil

Special responsibilities: Member of Audit Committee

Interests in shares: 3,400,000 ordinary shares

Interests in options: None

Ms Meredith Bird

Non-Executive Director

BA, Grad Dip ED, MComm, CEF, ZMP

Experience and expertise: Meredith Bird has cross-industry experience and accomplishments with high-growth public and private companies. Her key area of expertise lies in corporate communications within the resources and energy sector. She currently heads corporate communications for ASX listed geothermal energy developer, Geodynamics Limited. Meredith has extensive knowledge in investor relations, 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.

Other current directorships: Nil

**Former directorships
(in the last 3 years):** Nil

Special responsibilities: Member of Audit Committee

Interests in shares: 100,000 ordinary shares

Interests in options: None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company Secretary

Ms Melanie Leydin

Melanie Leydin is a Chartered Accountant and is a Registered Company Auditor.

She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer.

In the course of her practice she audits listed and unlisted public companies involved in the resources industry. Her practice also involves outsourced company secretarial and accounting services to public companies in the resources sector. This involves preparation of statutory financial statements, annual reports, half year reports, stock exchange announcements, and quarterly ASX reporting and other statutory requirements. Melanie has 19 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.

Meetings of directors

The number of meetings of the company's Board of Directors and of each board committee held during the year ended 30 June 2011, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Dr Hugh Herbert	6	6	-	-
Mr Justin Hondris	5	6	2	2
Ms Meredith Bird	6	6	2	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

- A** Principles used to determine the nature and amount of remuneration
- B** Details of remuneration
- C** Service agreements
- D** Share-based compensation
- E** Additional information

A: Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ("the Board") ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- alignment of executive compensation
- transparency

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors.

ASX listing rules requires that the aggregate non-executive directors remuneration shall be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 16 May 2009, where the shareholders approved an aggregate remuneration of \$300,000.

Executive remuneration

The consolidated entity and company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- other remuneration such as superannuation

The combination of these comprises the executive's total remuneration.

Consolidated entity performance and link to 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.

B: Details of remuneration**Amounts of remuneration**

Details of the remuneration of the directors, other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity) and specified executives of Argo Exploration Limited are set out in the following tables:

2011	Short-term benefits			Post employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Non-monetary	Super-annuation		Equity settled	
Name	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Mr J Hondris	36,000	-	-	-	-	-	36,000
Ms M Bird	36,000	-	-	-	-	-	36,000
<i>Executive Directors:</i>							
Dr H Herbert*	273,850	-	-	-	-	-	273,850
<i>Other Key Management Personnel:</i>							
Ms M Leydin**	78,000	-	-	-	-	-	78,000
	423,850	-	-	-	-	-	423,850

* During the financial Dr Herbert received a back payment of consumer price index increases for the 2008, 2009 and 2010 financial years amounting to \$40,821.

** This amount consists of fees paid to Leydin Freyer Corporate Pty Ltd in respect of Company Secretarial and accounting services.

2010	Short-term benefits			Post employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Non-monetary	Super-annuation		Equity settled	
Name	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Mr J Hondris	36,000	-	-	-	-	-	36,000
Ms M Bird	36,000	-	-	-	-	-	36,000
<i>Executive Directors:</i>							
Dr H Herbert	209,519	-	-	-	-	-	209,519
<i>Other Key Management Personnel:</i>							
Ms M Leydin *	60,000	-	-	-	-	-	60,000
	341,519	-	-	-	-	-	341,519

*This amount consists of fees paid to Leydin Freyer Corporate Pty Ltd in respect of Company Secretarial and accounting services.

C: Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements.

Details of these agreements are as follows:

Name: D H Herbert
 Title: Managing Director
 Agreement commenced: 1 January 2009 (renewed 17 February 2010)
 Details: (i) Dr Herbert may resign from his positions and thus terminate this contract by giving 6 months written notice.
 (ii) The Company may terminate this employment agreement by providing 6 months written notice.
 (iii) The Company may terminate the contract 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.
 (iv) On termination of the agreement Dr Herbert will be entitled to be paid those outstanding amounts owing to him up until the termination date.

Name: Ms M Leydin
 Title: Company Secretary and Chief Financial Officer
 Agreement commenced: 1 January 2009 (renewed 17 February 2010)
 Details: (i) Ms Leydin may resign from her position and thus terminate this contract by giving 6 months written notice.
 (ii) The Company may terminate this employment agreement by providing 6 months written notice.
 (iii) The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs Ms Leydin is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.
 (iv) On termination of the agreement Ms Leydin will be entitled to be paid those outstanding amounts owing to her up until the termination date.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

D: Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2011.

Options

There were no options issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2011.

There were no options granted to or exercised by directors and other key management personnel as part of compensation during the year ended 30 June 2011.

E: Additional information

The earnings of the consolidated entity for the five years to 30 June 2011 are summarised below:

	2007	2008	2009	2010	2011
	\$	\$	\$	\$	\$
Revenue	234,325	443,051	256,271	128,595	79,915
Net profit/(loss) before tax	(416,129)	(194,132)	(346,128)	762,753	(1,248,112)
Net profit/(loss) after tax	(416,129)	(194,132)	(346,128)	762,753	(1,248,112)

The factors that are considered to affect total shareholders return (TSR) are summarised below:

	2007	2008	2009	2010	2011
	\$	\$	\$	\$	\$
Share price at start of year*	0.36	0.42	0.24	0.03	0.03
Share price at end of year*	0.42	0.24	0.03	0.03	0.09
Basic earnings per share (cents per share)	(0.78)	(0.42)	(0.42)	0.92	(1.51)
Diluted earnings per share (cents per share)	(0.78)	(0.42)	(0.42)	0.92	(1.51)

* Argo Exploration Limited listed on the Australian Stock Exchange on 11 December 2006.

This concludes the remuneration report, which has been audited.

Shares under option

There were no options outstanding as at 30 June 2011.

Shares issued on the exercise of options

There were no shares of Argo Exploration Limited issued on the exercise of options during the year ended 30 June 2011.

Indemnity and insurance of officers

The company has indemnified the directors of the company for costs incurred, in their capacity as a director, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former audit partners of Grant Thornton Audit Pty Ltd

There are no officers of the company who are former audit partners of Grant Thornton Audit Pty Ltd.

Auditor's independence declaration

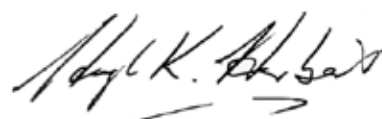
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 31.

Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Dr. Hugh K. Herbert

Chairman

27 September 2011

Melbourne

Grant Thornton Audit Pty Ltd
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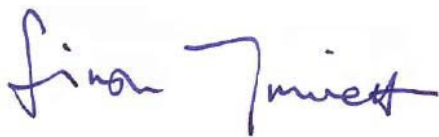
**Auditor's Independence Declaration
To the Directors of Argo Exploration Limited**

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 2011, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



S.C. Trivett
Director - Audit & Assurance

Melbourne, 27 September 2011

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ('the Board') of Argo Exploration Limited (the 'company') is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of the company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the company's compliance with the ASX Corporate Governance Council's Revised Principles and Recommendations.

Principles and Recommendations	Compliance	Comply
Principle 1 – Lay solid foundations for management and oversight		
1.1	<p>Establish the functions reserved to the Board and those delegated to manage and disclose those functions.</p> <p>The Board is responsible for the overall corporate governance of the company.</p> <p>The Board has adopted a Board charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management.</p> <p>The Board has adopted a Delegations of Authority that sets limits of authority for senior executives.</p> <p>On appointment of a director, the company issues a letter of appointment setting out the terms and conditions of appointment to the Board.</p>	Complies.
1.2	<p>Disclose the process for evaluating the performance of senior executives.</p> <p>The Board meets annually to review the performance of executives. The senior executives' performance is assessed against performance of the Company as a whole.</p>	Complies.
1.3	<p>Provide the information indicated in <i>Guide to reporting on Principle 1</i>.</p> <p>A Board charter has been disclosed on the company's website and is summarised in this Corporate Governance Statement.</p> <p>A performance evaluation process is included in the Board Charter, which has been disclosed on the company's website and is summarised in this Corporate Governance Statement.</p>	Complies. Complies. Complies.
Principle 2 – Structure the Board to add value		
2.1	<p>A majority of the Board should be independent directors.</p> <p>The majority of the Board's directors are not independent directors of the company.</p> <p>Dr Hugh Herbert is the Managing Director and Chairman.</p> <p>Mr Justin Hondris is an not an independent Non-Executive Director.</p> <p>Ms Meredith Bird is an independent Non-executive Director.</p>	Whilst the Board recognises that it is desirable for the majority of the Board to be an Independent Directors, 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 further Independent Directors should the Company's size and growth warrant this.
2.2	<p>The chair should be an independent director.</p> <p>Dr Hugh Herbert is the Chairman and is not an independent Non-Executive Director.</p>	Whilst the Board recognises that it is desirable for the Chairman to be an

Principles and Recommendations	Compliance	Comply	
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.	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. 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.
2.4	The Board should establish a nomination committee.	The company has not established a Nomination and 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 .
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	The company conducts the process for evaluating the performance of the Board, its committees and individual directors as outlined in the Board Charter which is available on the company's website. The Board's induction program provides incoming directors with information that will enable them to carry out their duties in the best interests of the company. This includes supporting ongoing education of directors for the benefit of the company.	Complies.
2.6	Provide the information indicated in the <i>Guide to reporting on Principle 2</i> .	This information has been disclosed (where applicable) in the directors' report attached to this Corporate Governance Statement. Ms Meredith Bird is an independent director of the company. A director is considered independent when he substantially satisfies the test for independence as set out in the ASX	Complies.

Principles and Recommendations	Compliance	Comply	
	<p>Corporate Governance Recommendations.</p> <p>Members of the Board are able to take independent professional advice at the expense of the company.</p> <p>Mr Hugh Herbert, Executive Chairman, was appointed to the Board at incorporation of the Company in July 2006.</p> <p>Mr Justin Hondris, Non-Executive Director, was appointed to the Board in July 2006.</p> <p>Ms Meredith Bird, Non-Executive Director, was appointed to the Board in August 2006.</p> <p>The Board has undertaken a review of the mix of skills and experience on the Board in light of the company's principal activities and direction, and has considered diversity in succession planning. The Board considers the current mix of skills and experience of members of the Board and its senior management is sufficient to meet the requirements of the company.</p> <p>In accordance with the information suggested in <i>Guide to Reporting on Principle 2</i>, the company has disclosed full details of its directors in the director's report attached to this Corporate Governance Statement. Other disclosure material on the Structure of the Board has been made available on the company's website.</p>		
Principle 3 – Promote ethical and responsible decision making			
3.1	<p>Establish a code of conduct and disclose the code or a summary of the code.</p>	<p>The Board has adopted a code of conduct. The code establishes a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct.</p> <p>The code is available on the company's website.</p>	Complies.
3.2	<p>Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.</p>	<p>The Board has undertaken a review of the mix of skills and experience on the Board in light of the company's principal activities and direction.</p> <p>The Board will prepare a Diversity Policy that considers the benefits of diversity, ways to promote a culture of diversity, factors to be taken into account in the selection process of candidates for Board and senior management positions in the company, education programs to develop skills and experience in preparation for Board and senior management positions, processes to include review and appointment of directors, and identify key measurable diversity performance objectives for the Board, CEO and senior management.</p>	Does not comply however the Board has committed the company to review and prepare a Diversity Policy that considers all aspects of diversity in accordance with corporate governance guidelines.

Principles and Recommendations	Compliance	Comply
3.3 Provide the information indicated in <i>Guide to reporting on Principle 3</i> .	<p>On completion and acceptance of a Diversity Policy, the company will report in each annual report the measurable objectives for achieving gender diversity set by the Board.</p> <p>The company will include in the directors' report the proportion of women employees and their positions held within the company.</p>	<p>Does not comply however the Board has committed the company to review and prepare a Diversity Policy that considers all aspects of diversity in accordance with corporate governance guidelines.</p> <p>Does not comply.</p>

Principle 4 – Safeguard integrity in financial reporting

4.1 The Board should establish an audit committee.	The Board has established an audit and risk committee which operates under an audit and risk committee charter to focus on issues relevant to the integrity of the company's financial reporting.	Complies.
4.2 The audit committee should be structured so that it consists of only non-executive directors, a majority of independent directors, is chaired by an independent chair who is not chair of the Board and have at least 3 members.	Members of the audit and risk committee are Mr Justin Hondris (Chair) and Ms Meredith Bird. Mr Justin Hondris is a Non-Executive Director and is not chair of the Board. Ms Meredith Bird is an independent non-executive Director. The committee consists of two non-executive directors.	The Committee only has 2 members due to the size of the Board. To maintain independence the Board decided it wasn't appropriate to include an Executive Director on the Audit Committee in order to have the 3 members.
The audit committee should have a formal charter.	<p>The Board has adopted an audit and risk charter.</p> <p>This charter is available on the company's website.</p>	Complies.
4.4 Provide the information indicated in <i>Guide to reporting on Principle 4</i> .	<p>In accordance with the information suggested in <i>Guide to Reporting on Principle 2</i>, this has been disclosed in the directors' report attached to this Corporate Governance Statement and is summarised in this Corporate Governance Statement.</p> <p>The members of the audit and risk committee are appointed by the Board and recommendations from the committee are presented to the Board for further discussion and resolution.</p> <p>The audit and risk committee held two meetings during the period to the date of the directors' report and meets at least twice per annum.</p> <p>The audit and risk charter, and information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners (which is determined by the audit committee), is available on the company's website.</p>	Complies.

Principle 5 – Make timely and balanced disclosure

5.1	Establish written policies designed to ensure compliance with ASX Listing Rules 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 continuous disclosure policy, to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001. This policy is available on the company's website.	Complies.
5.2	Provide the information indicated in the <i>Guide to reporting on Principle 5</i> .	The company's continuous disclosure policy is available on the company's website.	Complies.

Principle 6 – Respect the rights of shareholders

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. The company uses its website (www.argoexploration.com.au), annual report, market announcements, media disclosures and webcasting to communicate with its shareholders, as well as encourages participation at general meetings. This policy is available on the company's website.	Complies.
6.2	Provide the information indicated in the <i>Guide to reporting on Principle 6</i> .	The company's shareholder communications policy is available on the company's website.	Complies.

Principle 7 – Recognise and manage risk

7.1	Establish policies for the oversight and management of material business risks and disclose a summary of these policies.	The company has adopted a risk management statement within the audit and risk committee charter. The audit and risk committee is responsible for managing risk; however, ultimate responsibility for risk oversight and risk management rests with the Board. The audit and risk charter is available on the company's website and is summarised in this Corporate Governance Statement.	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	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 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

Principles and Recommendations	Compliance	Comply
<p>management has reported to it as to the effectiveness of the company's management of its material business risks.</p> <p>7.3 The Board should disclose whether it has received assurance from the chief executive officer and chief financial officer 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 efficiently and effectively in all material respects in relation to the financial reporting risks.</p>	<p>The Board has received a statement from the chief executive officer and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.</p>	<p>Company intends to develop the risk reporting framework into a detailed policy as its operations continue to grow.</p> <p>Complies.</p>
<p>7.4 Provide the information indicated in <i>Guide to reporting on Principle 7</i>.</p>	<p>The Board has adopted an audit and risk charter which includes a statement of the company's risk policies.</p> <p>This charter is available on the company's website and is summarised in this Corporate Governance Statement.</p> <p>The company has identified key risks within the business and has received a statement of assurance from the chief executive officer and chief financial officer.</p>	<p>Complies.</p>

Principle 8 – Remunerate fairly and responsibly

<p>8.1 The Board should establish a remuneration committee.</p>	<p>The Board has not established a Nomination and Remuneration Committee and has not adopted a remuneration charter.</p>	<p>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.</p>
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Principles and Recommendations		Compliance	Comply
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The company complies with the guidelines for executive remuneration packages and non-executive director remuneration. No senior executive is involved directly in deciding their own remuneration.	Complies.
8.3	Provide the information indicated in <i>the Guide to reporting on Principle 8</i> .	The information has been disclosed in the Annual Report.	Complies.

Argo Exploration Limited's corporate governance practices were in place for the financial year ended 30 June 2011 and to the date of signing the directors' report.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by Argo Exploration Limited, refer to our website: www.argoexploration.com.au

FINANCIAL REPORT

General information

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

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

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

Suite 304
22 St Kilda Road
ST KILDA VIC 3182

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

The financial report was authorised for issue, in accordance with a resolution of directors, on 27 September 2011. The directors have the power to amend and reissue the financial report.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 \$	2010 \$
Revenue	4	79,915	128,595
Expenses			
Corporate Expenses		(135,711)	(151,384)
Administration Expenses		(55,073)	(86,697)
Employee benefits expense		(378,170)	(357,898)
Depreciation and amortisation expense	5	(14,029)	(21,498)
Loss on sale of assets		-	(702)
Gain/(loss) on fair value through profit and loss investments		(741,633)	1,255,661
Finance costs	5	<u>(3,414)</u>	<u>(3,324)</u>
Profit/(loss) before income tax expense		(1,248,115)	762,753
Income tax expense	6	<u>-</u>	<u>-</u>
Profit/(loss) after income tax expense for the year attributable to the owners of Argo Exploration Limited		(1,248,115)	762,753
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year attributable to the owners of Argo Exploration Limited		<u>(1,248,115)</u>	<u>762,753</u>
		Cents	Cents
Basic earnings per share	31	(1.51)	0.92
Diluted earnings per share	31	(1.51)	0.92

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

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 \$	2010 \$
Assets			
Current assets			
Cash and cash equivalents	7	1,141,941	1,813,529
Trade and other receivables	8	27,329	26,192
Financial assets at fair value through profit or loss	9	2,204,890	2,946,523
Other	10	7,507	-
Total current assets		<u>3,381,667</u>	<u>4,786,244</u>
Non-current assets			
Property, plant and equipment	11	30,773	42,167
Intangibles	12	358	2,993
Exploration and evaluation	13	8,371,089	8,176,384
Total non-current assets		<u>8,402,220</u>	<u>8,221,544</u>
Total assets		<u>11,783,887</u>	<u>13,007,788</u>
Liabilities			
Current liabilities			
Trade and other payables	14	59,249	26,444
Borrowings	15	9,569	8,766
Total current liabilities		<u>68,818</u>	<u>35,210</u>
Non-current liabilities			
Borrowings	16	31,906	41,300
Total non-current liabilities		<u>31,906</u>	<u>41,300</u>
Total liabilities		<u>100,724</u>	<u>76,510</u>
Net assets		<u>11,683,163</u>	<u>12,931,278</u>
Equity			
Contributed equity	17	12,793,414	12,793,414
Reserves	18	-	331,500
Accumulated losses		<u>(1,110,251)</u>	<u>(193,636)</u>
Total equity		<u>11,683,163</u>	<u>12,931,278</u>

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Contributed equity \$	Reserves \$	Retained profits \$	Total equity \$
Consolidated				
Balance at 1 July 2009	12,793,414	331,500	(956,389)	12,168,525
Other comprehensive income for the year, net of tax	-	-	-	-
Profit after income tax expense for the year	-	-	762,753	762,753
Total comprehensive income for the year	-	-	762,753	762,753
Balance at 30 June 2010	<u>12,793,414</u>	<u>331,500</u>	<u>(193,636)</u>	<u>12,931,278</u>
	Contributed equity \$	Reserves \$	Retained profits \$	Total equity \$
Consolidated				
Balance at 1 July 2010	12,793,414	331,500	(193,636)	12,931,278
Other comprehensive income for the year, net of tax	-	-	-	-
Loss after income tax expense for the year	-	-	(1,248,115)	(1,248,115)
Total comprehensive income for the year	-	-	(1,248,115)	(1,248,115)
<i>Transactions with owners in their capacity as owners:</i>				
Expiry of options during the year	-	(331,500)	331,500	-
Balance at 30 June 2011	<u>12,793,414</u>	<u>-</u>	<u>(1,110,251)</u>	<u>11,683,163</u>

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 \$	2010 \$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(549,649)	(627,803)
Interest received		84,771	171,928
Interest and other finance costs paid		<u>(3,414)</u>	<u>(3,324)</u>
Net cash used in operating activities	30	<u>(468,292)</u>	<u>(459,199)</u>
Cash flows from investing activities			
Payments for investments		-	(1,690,862)
Payments for exploration and evaluation	13	(194,705)	(174,768)
Proceeds from sale of property, plant and equipment		<u>-</u>	<u>14,590</u>
Net cash used in investing activities		<u>(194,705)</u>	<u>(1,851,040)</u>
Cash flows from financing activities			
Repayment of borrowings		<u>(8,591)</u>	<u>(23,476)</u>
Net cash used in financing activities		<u>(8,591)</u>	<u>(23,476)</u>
Net decrease in cash and cash equivalents		(671,588)	(2,333,715)
Cash and cash equivalents at the beginning of the financial year		<u>1,813,529</u>	<u>4,147,244</u>
Cash and cash equivalents at the end of the financial year	7	<u><u>1,141,941</u></u>	<u><u>1,813,529</u></u>

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

30 JUNE 2011

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

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

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Going Concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The going concern of the consolidated entity is dependent upon it maintaining sufficient funds for its operations and commitments. The Directors continue to monitor the ongoing funding requirements of the consolidated entity. The Directors are confident that sufficient funds can be secured if required by a combination of capital raising, sale of assets or joint ventures to enable the consolidated entity to continue as a going concern and as such are of the opinion that the financial report has been appropriately prepared on a going concern basis.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 26.

Note 1. Significant accounting policies (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Argo Exploration Limited ('company' or 'parent entity') as at 30 June 2011 and the results of all subsidiaries and special purpose entities for the year then ended. Argo Exploration Limited, its subsidiaries and special purpose entities together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Special purpose entities ('SPEs') are those entities where the consolidated entity, in substance, controls the SPE so as to obtain the majority of benefits without having any ownership interest.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries and special purpose entities have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

30 JUNE 2011

Note 1. Significant accounting policies (continued)**Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and under and over provision in prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

Investments and other financial assets

Investments and other financial assets are measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Note 1. Significant accounting policies (continued)

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	2-4 years
Plant and equipment under lease	3-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

30 JUNE 2011

Note 1. Significant accounting policies (continued)**Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangibles are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Farm outs

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm out arrangements but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the farmee is credited against costs previously capitalised.

Note 1. Significant accounting policies (continued)

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on finance leases

Employee benefits

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

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Note 1. Significant accounting policies (continued)

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 1. Significant accounting policies (continued)

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Argo Exploration Limited, 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 elements in ordinary shares issued during the financial 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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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Note 1. Significant accounting policies (continued)**Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2011. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and definite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 3. Operating segments

Identification of reportable operating segments

The Company operated predominately as an explorer for base precious metals, with the emphasis on copper, gold and uranium mineralisation within Australia.

The Group has adopted AASB 8 Operating Segments with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief decision maker in order to allocate resources to the segment and to assess its performance. The board reviews the Company as a whole in the business segment of mineral exploration within Australia.

Upon the adoption of AASB 8, there has been no change to the reportable segments. The Group has therefore not changed any reporting for the previous corresponding period.

Note 4. Revenue

	Consolidated	
	2011	2010
	\$	\$
<i>Other revenue</i>		
Interest revenue	79,915	128,595
Revenue	<u>79,915</u>	<u>128,595</u>

Note 5. Expenses

	Consolidated	
	2011	2010
	\$	\$
Profit/(loss) before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	588	5,157
Motor vehicles under lease	10,806	10,119
Total depreciation	<u>11,394</u>	<u>15,276</u>
<i>Amortisation</i>		
Software	2,635	6,222
Total depreciation and amortisation	<u>14,029</u>	<u>21,498</u>
<i>Adjustment of fair value through profit and loss</i>		
Gain/(loss) on fair value through profit and loss investments	<u>(741,633)</u>	<u>1,255,661</u>
<i>Finance costs</i>		
Interest on obligations under finance leases	<u>3,414</u>	<u>3,324</u>

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Note 5. Expenses (continued)

	Consolidated	
	2011	2010
	\$	\$
<i>Net loss on disposal</i>		
Net loss on disposal of property, plant and equipment	-	702

Note 6. Income tax expense

	Consolidated	
	2011	2010
	\$	\$
<i>Numerical reconciliation of income tax expense to prima facie tax payable</i>		
Profit/(loss) before income tax expense	(1,248,115)	762,753
Tax at the Australian tax rate of 30%	(374,435)	228,826
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Lease amortisation and interest	4,266	4,033
Fair value adjustments	222,490	(376,698)
	(147,679)	(143,839)
Deductible capitalised exploration expenditure	(58,411)	(52,430)
Deductible share issue costs	(32,003)	(33,004)
Accrued expenses	(450)	(900)
Accrued income	1,458	13,000
Disposal of leased vehicle	-	(227)
Other timing differences (Lease payments)	(3,602)	(3,225)
Income tax losses not taken up as benefit	240,687	220,625
Income tax expense	-	-

	Consolidated	
	2011	2010
	\$	\$
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses	2,422,473	2,181,784
Temporary differences	(1,838,102)	(1,749,360)
Total deferred tax assets not recognised	584,371	432,424

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 realising the benefits from deducting the losses.

Note 7. Current assets - cash and cash equivalents

	Consolidated	
	2011	2010
	\$	\$
Cash at bank	<u>1,141,941</u>	<u>1,813,529</u>

Note 8. Current assets - trade and other receivables

	Consolidated	
	2011	2010
	\$	\$
Interest receivable	2,582	7,438
GST receivable	<u>24,747</u>	<u>18,754</u>
	<u>27,329</u>	<u>26,192</u>

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.

Note 9. Current assets - financial assets at fair value through profit or loss

	Consolidated	
	2011	2010
	\$	\$
Shares in listed entity	<u>2,204,890</u>	<u>2,946,523</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out

Opening fair value	2,946,523	1,690,862
Revaluation increments	-	1,255,661
Revaluation decrements	<u>(741,633)</u>	<u>-</u>
Closing fair value	<u>2,204,890</u>	<u>2,946,523</u>

Refer to note 20 for detailed information on financial instruments.

Note 10. Current assets - other

	Consolidated	
	2011	2010
	\$	\$
Prepayments	<u>7,507</u>	<u>-</u>

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Note 14. Current liabilities - trade and other payables

	Consolidated	
	2011	2010
	\$	\$
Trade payables	45,749	11,444
Sundry payables and accrued expenses	13,500	15,000
	<u>59,249</u>	<u>26,444</u>

Refer to note 20 for detailed information on financial instruments.

The average credit period on purchases is 30 days. Due to the short term nature of the payables their carrying value is assumed to approximate their fair value. 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.

Note 15. Current liabilities - borrowings

	Consolidated	
	2011	2010
	\$	\$
Lease liability	<u>9,569</u>	<u>8,766</u>

Note 16. Non-current liabilities - borrowings

	Consolidated	
	2011	2010
	\$	\$
Lease liability	<u>31,906</u>	<u>41,300</u>

Refer to note 20 for detailed information on financial instruments.

Finance leases are secured at amortised cost against the asset.

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2011	2010
	\$	\$
Lease liability	<u>41,475</u>	<u>50,066</u>

Assets pledged as security

The lease liabilities are effectively secured as the rights to the leased assets recognised in the statement of financial position revert to the lessor in the event of default.

Note 12. Non-current assets - intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Software \$	Total \$
Consolidated		
Balance at 1 July 2009	9,215	9,215
Amortisation expense	<u>(6,222)</u>	<u>(6,222)</u>
Balance at 30 June 2010	2,993	2,993
Amortisation expense	<u>(2,635)</u>	<u>(2,635)</u>
Balance at 30 June 2011	<u>358</u>	<u>358</u>

Note 13. Non-current assets - exploration and evaluation

	Consolidated	
	2011 \$	2010 \$
Costs carried forward - exploration and evaluation	8,371,089	8,176,384
	<u>8,371,089</u>	<u>8,176,384</u>
	<u>8,371,089</u>	<u>8,176,384</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Exploration & Evaluation \$	Total \$
Consolidated		
Balance at 1 July 2009	8,001,616	8,001,616
Expenditure during the year	<u>174,768</u>	<u>174,768</u>
Balance at 30 June 2010	8,176,384	8,176,384
Additions	<u>194,705</u>	<u>194,705</u>
Balance at 30 June 2011	<u>8,371,089</u>	<u>8,371,089</u>

The exploration expenditure relates to expenditure incurred on Intercept Hill (EL 4164) and Toondulya (EL 4284). Intercept Hill is part of a joint venture agreement with Xstrata Copper Limited whereby Xstrata has the right to sole fund \$16,000,000 exploration expenditure to earn a 75% interest in EL 4164. Initially, Xstrata can earn a 51% interest by spending \$4,000,000 within 3.5 years and must spend a minimum of \$600,000 in the first year.

On 15 July 2011 Exploration Licence 4284 expired and was an application for renewal with the Department of Primary Industries and Resources South Australia (PIRSA). As at the date of this report, the Company has not received confirmation from PIRSA in regard to the renewal of this exploration licence.

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Note 14. Current liabilities - trade and other payables

	Consolidated	
	2011	2010
	\$	\$
Trade payables	45,749	11,444
Sundry payables and accrued expenses	13,500	15,000
	<u>59,249</u>	<u>26,444</u>

Refer to note 20 for detailed information on financial instruments.

The average credit period on purchases is 30 days. Due to the short term nature of the payables their carrying value is assumed to approximate their fair value. 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.

Note 15. Current liabilities - borrowings

	Consolidated	
	2011	2010
	\$	\$
Lease liability	<u>9,569</u>	<u>8,766</u>

Note 16. Non-current liabilities - borrowings

	Consolidated	
	2011	2010
	\$	\$
Lease liability	<u>31,906</u>	<u>41,300</u>

Refer to note 20 for detailed information on financial instruments.

Finance leases are secured at amortised cost against the asset.

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2011	2010
	\$	\$
Lease liability	<u>41,475</u>	<u>50,066</u>

Assets pledged as security

The lease liabilities are effectively secured as the rights to the leased assets recognised in the statement of financial position revert to the lessor in the event of default.

Note 17. Equity - contributed

	Consolidated		Consolidated	
	2011	2010	2011	2010
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>82,800,000</u>	<u>82,800,000</u>	<u>12,793,414</u>	<u>12,793,414</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these are given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2010 Annual Report.

Note 18. Equity - reserves

	Consolidated	
	2011	2010
	\$	\$
Options reserve	<u>-</u>	<u>331,500</u>
	Share based	Total
	payments	
	\$	\$
Consolidated		
Balance at 1 July 2009	<u>331,500</u>	<u>331,500</u>
Balance at 30 June 2010	331,500	331,500
Expiry of options	<u>(331,500)</u>	<u>(331,500)</u>
Balance at 30 June 2011	<u>-</u>	<u>-</u>

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Note 19. Equity - dividends

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

Note 20. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

As at the reporting date, the consolidated entity had the following variable rate borrowings and interest rate swap contracts outstanding:

	2011		2010	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Consolidated				
Cash at bank	4.75	<u>1,141,941</u>	3.66	<u>1,813,529</u>
Net exposure to cash flow interest rate risk		<u>1,141,941</u>		<u>1,813,529</u>

An increase in interest rates of 30% or 1.43 percentage points would have a favourable/advers effect on profit before tax of \$16,330 per annum. The percentage change is based on the expected volatility of interest rates using market data and analysis forecasts.

Note 20. Financial instruments (continued)

Credit risk

Credit risk is managed on a consolidated entity basis. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Fair value of financial instruments

The following tables detail the consolidated entity's fair values of financial instruments categorised by the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Consolidated - 2011	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<i>Assets</i>				
Shares in listed entities	2,204,890	-	-	2,204,890
Total assets	<u>2,204,890</u>	<u>-</u>	<u>-</u>	<u>2,204,890</u>
Consolidated - 2010	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<i>Assets</i>				
Shares in listed entities	2,946,523	-	-	2,946,523
Total assets	<u>2,946,523</u>	<u>-</u>	<u>-</u>	<u>2,946,523</u>

There were no transfers between levels during the financial year.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

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Note 21. Key management personnel disclosures

Directors

The following persons were directors of Argo Exploration Limited during the financial year:

Dr H Herbert (Managing Director and Chairman)
 Mr J Hondris (Non-Executive Director)
 Ms M Bird (Non-Executive Director)

Other key management personnel

The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Ms M Leydin (Company Secretary)

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2011	2010
	\$	\$
Short-term employee benefits	<u>423,850</u>	<u>341,519</u>

Shareholding

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
2011					
<i>Ordinary shares</i>					
Dr H Herbert	7,000,000	-	-	-	7,000,000
Mr J Hondris	3,400,000	-	-	-	3,400,000
Ms M Bird	100,000	-	-	-	100,000
Ms M Leydin	750,000	-	-	(750,000)	-
	<u>11,250,000</u>	<u>-</u>	<u>-</u>	<u>(750,000)</u>	<u>10,500,000</u>
2010					
<i>Ordinary shares</i>					
Dr H Herbert	7,000,000	-	-	-	7,000,000
Mr J Stewart *	11,851,172	-	-	(11,851,172)	-
Mr J Hondris	3,400,000	-	-	-	3,400,000
Ms M Bird	100,000	-	-	-	100,000
Ms M Leydin	750,000	-	-	-	750,000
	<u>23,101,172</u>	<u>-</u>	<u>-</u>	<u>(11,851,172)</u>	<u>11,250,000</u>

* Mr J Stewart resigned as a Director on 1 July 2009.

Note 21. Key management personnel disclosures (continued)

Option holding

The number of options over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
2011					
<i>Options over ordinary shares</i>					
Dr H Herbert*	7,000,000	-	-	(7,000,000)	-
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)	-
	<u>12,100,000</u>	<u>-</u>	<u>-</u>	<u>(12,100,000)</u>	<u>-</u>

* These options expired on 10 December 2010.

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
2010					
<i>Options over ordinary shares</i>					
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
	<u>17,100,000</u>	<u>-</u>	<u>-</u>	<u>(5,000,000)</u>	<u>12,100,000</u>

* Mr J Stewart resigned as a Director on 1 July 2009.

Related party transactions

Related party transactions are set out in note 25.

Note 22. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company, and its related practices:

	Consolidated	
	2011	2010
	\$	\$
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit or review of the financial report	<u>33,500</u>	<u>35,500</u>

Note 23. Contingent liabilities

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

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Note 24. Commitments for expenditure

	Consolidated	
	2011	2010
	\$	\$
<i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	12,802	12,802
One to five years	33,001	45,803
	<u>45,803</u>	<u>58,605</u>
Total commitment	45,803	58,605
Less: Future finance charges	(4,328)	(8,539)
	<u>41,475</u>	<u>50,066</u>
Net commitment recognised as liabilities		
Representing:		
Lease liability - current (note 15)	9,569	8,766
Lease liability - non-current (note 16)	31,906	41,300
	<u>41,475</u>	<u>50,066</u>
<i>Exploration Tenements - Commitments for Expenditure</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	231,266	-
One to five years	152,550	-
	<u>383,816</u>	<u>-</u>

Finance Lease Commitments

Finance leases relate to motor vehicles with a term of 3 years. The Group has the option purchase the motor vehicle for the residual value at the conclusion of the lease agreement.

Exploration Tenements - Commitments for expenditure

In order to maintain current rights of tenure to exploration tenements, the Company and consolidated entity are 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 recorded in the financial statements.

On 15 July 2011 Exploration Licence 4284 expired and was an application for renewal with the Department of Primary Industries and Resources South Australia (PIRSA). As at the date of this report, the Company has not received confirmation from PIRSA in regard to the renewal of this exploration licence.

Note 25. Related party transactions

Parent entity

Argo Exploration Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 27.

Key management personnel

Disclosures relating to key management personnel are set out in note 21 and the remuneration report in the directors' report.

Transactions with related parties

Transactions with Director Related Entities

There were no transactions with Director related entities during the financial year, other than:

A Director of the Company, Mr Justin Hondris, is also an Executive Director of AIM-listed Pantheon Resources PLC ("Pantheon" AIM Code: PANR). The Company acquired a strategic shareholding in Pantheon and became the largest shareholder during the reporting period. Mr Hondris has been excluded from all decisions, analysis and voting on the acquisition of the investment in Pantheon and will continue to be excluded from decisions in the future. The investment comprised 7 million shares at £0.1325 per share for a total of £927,500.

Mr Justin Hondris currently holds 760,000 ordinary shares in Pantheon Resources Plc, representing a 0.7% holding of Company's issued capital.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the reporting date.

Loans to/from related parties

There were no loans to or from related parties at the reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 26. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of comprehensive income

	Parent	
	2011	2010
	\$	\$
Profit/(loss) after income tax	<u>(1,248,112)</u>	<u>762,753</u>
Total comprehensive income	<u>(1,248,112)</u>	<u>762,753</u>

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Note 26. Parent entity information (continued)*Statement of financial position*

	Parent	
	2011	2010
	\$	\$
Total current assets	<u>3,381,565</u>	<u>4,786,143</u>
Total assets	<u>12,305,685</u>	<u>13,529,587</u>
Total current liabilities	<u>461,053</u>	<u>427,445</u>
Total liabilities	<u>492,959</u>	<u>468,745</u>
Equity		
Contributed equity	12,793,414	12,793,414
Reserves	-	331,500
Accumulated losses	<u>(980,688)</u>	<u>(64,072)</u>
Total equity	<u><u>11,812,726</u></u>	<u><u>13,060,842</u></u>

Contingent liabilities

The parent entity had no contingent liabilities at 30 June 2011 and 30 June 2010.

Argo Exploration Limited has provided a deed of cross guarantee under Class Order 98/1418 made by ASIC to Olympic Resources Limited as per the signed deed between the two entities dated 1 June 2009.

The consolidated disclosures made in relation to guarantees, contingent liabilities and capital commitments all relate to the parent, and therefore it is not necessary to disclose them separately.

Capital commitments - Property, plant and equipment

Refer to Note 24 for details of capital commitments. All disclosed commitments relate to the parent entity.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment.
- Investments in associates are accounted for at cost, less any impairment.

Note 27. Subsidiaries

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

Name of entity	Country of incorporation	Equity holding	
		2011 %	2010 %
Olympic Resources Limited *	Australia	100.00	100.00
Athena Mines Pty Ltd	Australia	100.00	100.00

* The wholly-owned subsidiary has entered into a deed of cross guarantee with Argo Exploration Limited pursuant to ASIC Class Order 98/1418 and is relieved from the requirements to prepare and lodge an audited financial report. The deed of cross guarantee was signed on 1 June 2009.

Note 28. Deed of cross guarantee

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

Argo Exploration Limited
Olympic Resources Limited

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

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

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Note 28. Deed of cross guarantee (continued)

Set out below is a consolidated statement of comprehensive income and statement of financial position of the 'Closed Group'.

	2011	2010
	\$	\$
Statement of comprehensive income		
Revenue	79,915	128,595
Corporate Expenses	(135,712)	(151,384)
Administration Expenses	(55,073)	(86,698)
Employee benefits expense	(378,170)	(357,897)
Depreciation and amortisation expense	(14,028)	(21,498)
Loss on sale of assets	-	(702)
Gain/(loss) on fair value through profit and loss investments	(741,633)	1,255,661
Other expenses	(3,414)	(3,324)
	<u>(1,248,115)</u>	<u>762,753</u>
Profit/(loss) before income tax expense	(1,248,115)	762,753
Income tax expense	-	-
	<u>(1,248,115)</u>	<u>762,753</u>
Profit/(loss) after income tax expense	(1,248,115)	762,753
Other comprehensive income for the year, net of tax	-	-
	<u>(1,248,115)</u>	<u>762,753</u>
Total comprehensive income for the year	<u>(1,248,115)</u>	<u>762,753</u>

Note 28. Deed of cross guarantee (continued)

Statement of financial position	2011	2010
	\$	\$
Current assets		
Cash and cash equivalents	1,141,941	1,813,529
Trade and other receivables	27,329	26,192
Financial assets at fair value through profit or loss	2,204,890	2,946,523
Other	7,507	-
	<u>3,381,667</u>	<u>4,786,244</u>
Non-current assets		
Property, plant and equipment	30,773	42,167
Intangibles	358	2,993
Exploration and evaluation	8,371,089	8,176,384
	<u>8,402,220</u>	<u>8,221,544</u>
Total assets	<u>11,783,887</u>	<u>13,007,788</u>
Current liabilities		
Trade and other payables	59,249	26,444
Borrowings	9,569	8,766
	<u>68,818</u>	<u>35,210</u>
Non-current liabilities		
Borrowings	31,906	41,300
	<u>31,906</u>	<u>41,300</u>
Total liabilities	<u>100,724</u>	<u>76,510</u>
Net assets	<u>11,683,163</u>	<u>12,931,278</u>
Equity		
Contributed equity	12,793,414	12,793,414
Reserves	-	331,500
Accumulated losses	(1,110,251)	(193,636)
Total equity	<u>11,683,163</u>	<u>12,931,278</u>

Note 29. Events occurring after the reporting date

No matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

30 JUNE 2011

Note 30. Reconciliation of profit/(loss) after income tax to net cash used in operating activities

	Consolidated	
	2011	2010
	\$	\$
Profit/(loss) after income tax expense for the year	(1,248,115)	762,753
Adjustments for:		
Depreciation and amortisation	14,029	21,498
Loss on sale of equipment	-	702
Fair value adjustment for fair value investments through profit and loss	741,633	(1,255,661)
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(1,137)	39,826
Increase in prepayments	(7,507)	-
Increase/(decrease) in trade and other payables	<u>32,805</u>	<u>(28,317)</u>
Net cash used in operating activities	<u>(468,292)</u>	<u>(459,199)</u>

Note 31. Earnings per share

	Consolidated	
	2011	2010
	\$	\$
Profit/(loss) after income tax attributable to the owners of Argo Exploration Limited	<u>(1,248,115)</u>	<u>762,753</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>82,800,000</u>	<u>82,800,000</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>82,800,000</u>	<u>82,800,000</u>
	Cents	Cents
Basic earnings per share	(1.51)	0.92
Diluted earnings per share	(1.51)	0.92

Note 32. Share-based payments

Set out below are summaries of options granted under the plan:

2011

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
26/07/2006	10/12/2010	\$0.20	<u>30,000,000</u>	-	-	<u>(30,000,000)</u>	-
			<u>30,000,000</u>	-	-	<u>(30,000,000)</u>	-

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 28 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors



Dr. Hugh K. Herbert

Chairman

27 September 2011

Melbourne

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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 consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information 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 of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, 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 which require us to 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 Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Electronic presentation of audited financial report

This auditor's report relates to the financial report of Argo Exploration Limited and controlled entities for the year ended 30 June 2011 included on Argo Exploration Limited's web site. The Company's Directors are responsible for the integrity of Argo Exploration Limited's web site. We have not been engaged to report on the integrity of 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 have complied with the 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 consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

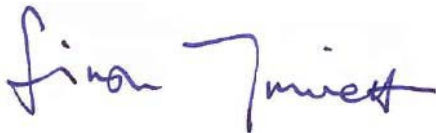
We have audited the remuneration report included in pages 21 to 24 of the directors' report for the year ended 30 June 2011. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Argo Exploration Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



S.C. Trivett
Director - Audit & Assurance

Melbourne, 27 September 2011

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 13/09/2011

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	14
1,001 to 5,000	103
5,001 to 10,000	151
10,001 to 100,000	468
100,001 and over	<u>132</u>
	<u>868</u>
Holding less than a marketable parcel	<u>281</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares % of total shares issued	
	Number held	
Mr Hugh Herbert	7,000,000	8.45
HSBC Custody Nominees (Australia) Limited	4,651,520	5.62
Citicorp Nominees Pty Limited	4,233,643	5.11
Cornwall Development Corporation	3,400,000	4.11
CIMB Securities (Singapore) Pte Ltd	3,265,765	3.94
Saturn Investments Sarl	2,630,000	3.18
Eiroz Investment Corporation Pty Ltd	1,634,426	1.97
Robert Julian Hafner Pty Ltd <Hafner Super Fund A/C>	1,300,000	1.57
Australian Global Capital Pty Ltd	1,040,000	1.26
Mr Steven B Hutton & Mrs Guliana Hutton <Hutton Super Fund A/C>	1,000,000	1.21
Mr Francesco Cusmano	1,000,000	1.21
Select Yachts Pty Ltd	1,000,000	1.21
Daanch Pty Ltd <Spencer Holdings A/C>	850,000	1.03
Allua Holdings Pty Ltd <The G A/C>	821,888	0.99
Relief Nominees Pty Ltd <Julian Valmorbida S/Fund A/C>	810,000	0.98
Farcrest Investments Pty Ltd <The G & RL D'Aprile A/C>	777,777	0.94
Mrs Rosilyn M Watson & Mr Dennis T Costin <Rosilyn Watson S/F A/C>	645,000	0.78
Julval Pty Ltd <Share Trading A/C>	600,000	0.72
Mrs Cynthia A Lewis	595,000	0.72
Ray Willis Pty Ltd <Ray Willis S/F No 2 A/C>	<u>561,000</u>	<u>0.68</u>
	<u>37,816,019</u>	<u>45.68</u>

Argo Exploration Limited
Shareholder information
30 June 2011

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Mr Hugh Herbert	7,000,000	8.45
HSBC Custody Nominees (Australia) Limited	4,651,520	5.62
Citicorp Nominees Pty Limited	4,233,643	5.11

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Tenements

Description	Tenement number	Interest owned
Intercept Hill (SA)	EL 4164	100.00%
Toondulya (SA)	EL 4284	100.00%



ABN 38 120 917 535

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