



Gaining confidence with every drill hole

Despite the volatility in the company's share price, reflecting investor nervousness that has in fact affected all junior resource companies, we maintain our positive view on Argo Exploration as one of the sector's best pure exploration plays. After a drilling hiatus over the summer months the company is now back in the field and has recently released more encouraging results that clearly demonstrate the existence of an Iron Oxide Copper Gold (IOCG) province. The key now will be patience to determine how large and commercial this might be.

Fat Prophets initially recommended buying Argo Exploration at \$0.51 in June (Fat Mining 79). Our last review of this stock was in February (Fat Mining 113).



Signs of improvement are starting to appear on the charts as prices emerge from an extended June to January decline. Since establishing a base between 15 cents and the January low of 13 cents, Argo has posted modest gains, lifting briefly to a high of 26 cents last month.

While an expansion in average daily trading volumes reflects growing investor support for the stock, we anticipate further consolidation and base building in the near-term. Over time, we believe that this will provide a platform capable of supporting a sustainable future revival in upward momentum.

Argo Exploration recently returned to the field and is in the process of drilling further holes as it looks for potential IOCG deposits of commercial scale.

As a reminder to Members, Argo has what we regard as a very focused exploration approach, concentrating on just two primary project areas in two key geological terrains of South Australia. The Intercept Hill and Toondulya projects encompass exploration ground comprising 423 sq km and 390 sq km respectively in an area known as the Gawler Craton.

The relatively recent discoveries at Carrapateena and Prominent Hill and, of course, the Olympic Dam deposit upgrades, emphasise the potential of the region.

The first project comprises EL 3084 and is known as Intercept Hill. In our view it is ideally situated within a highly prospective province for IOCG deposits. Indeed, it lies close to a cluster of known IOCG deposits, including Oak Dam and Emmie Bluff. The high-profile Carrapateena discovery lies just 25km to the east-southeast.

IOCG mineralisation has been identified to depths below 800 metres and in fact a previous hole on the EL intersected haematite-rich rocks broadly similar to the upper zones at Olympic Dam.

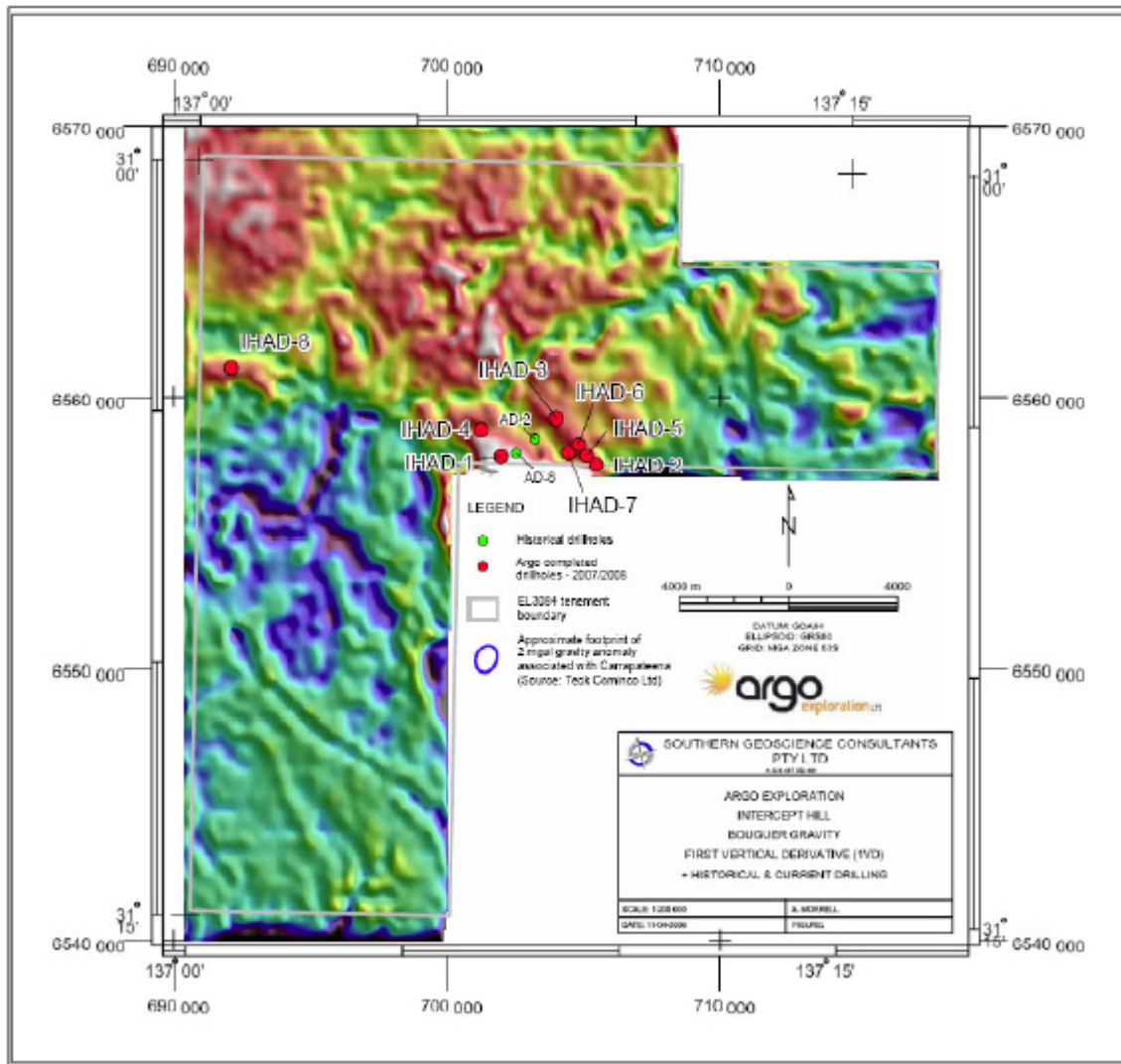
The company has announced the first results following the resumption of its drilling programme, from hole IHAD5. This particular hole was situated 500 metres to the north-northwest of previous hole IHAD2 drilled last year, which intersected copper mineralisation.

The first target in the hole was the shallower Tapley Hill Formation at around 400 metres depth, followed by the much deeper basement from around 900- 1,100 metres depth.

Hole IHAD5 confirmed that the Tapley Hill Formation is 6.6 metres thick at this particular location, with the mineralised interval thickness and grade exceeding expectations. The weighted average of the intercept from 392-399 metres depth was 5.76 metres @ 1.67% copper, 18.5g/t silver, 495g/t cobalt and 2,387g/t zinc.

At current metal prices, the intercept equates to 5.76 metres @ 2.47% copper-equivalent. The results also represent a four-fold increase in the thickness of ore-grade mineralisation at this location, relative to intercepts from two previous holes drilled last year, IHAD2 & IHAD3.

We spoke to Dr Hugh Herbert on Wednesday this week and he confirmed that he believes the latest results are highly significant, as they represent a marked thickening and development of mineralisation within the Tapley Hill Formation in the IHAD5 area.



When combined with the reported 25 million tonne, 2.0% copper-equivalent Inferred Resources at Emmie Bluff to the immediate south, these results do underline the potential for commercial base metal mineralisation within the Tapley Hill Formation.

What is also significant is that intersections of mineralised Tapley Hill Formation commence at around 392 metres depth in three holes – IHAD2, 3 & 5 – suggesting the deposit is flat-lying.

The second interval of copper mineralisation the latest hole IHAD5 came from the basement iron-oxide rocks between 848 metres and 1099 metres depth. Although sub-economic, the hole produced a wide intercept of 180 metres @ 0.27% copper and 0.17g/t gold.

The evidence from both zones within hole IHAD5 confirms the existence of a mineralised IOCG system. The only questions now are how big can it be and where are the higher-grade zones to turn this into a commercially mineable deposit?

With respect to the ongoing drilling programme, Argo has completed two further holes – IHAD6 & 7 – with results still awaited. Argo is currently drilling hole IHAD8, which is aimed at testing a significant geophysical anomaly on one of five new areas that have recently received Aboriginal clearance for exploration.

There are literally hundreds of exploration companies that have listed on the ASX over the past several years, most of which lack quality projects, focus, management expertise and proper cash reserves to fund their programmes.

It is worth reminding Members of the company's exploration expertise. Dr Hugh Herbert, Argo's Chairman and Managing

Director, is a geologist/geochemist with an enormous 43 years experience; whilst the company's Technical Director, James Stewart, has held positions as Independent Technical Consultant and Principal/Chief geologist for three of the world's largest gold producers.

The company retained substantial cash of just over \$6.5 million as at the end of the March 2008 quarter.

Patience and persistence are the name of the game in exploration and we are prepared to be patient with this high-quality exploration company. There are enough sniffs in our view to suggest that the company could be on to something substantial.

We recommend Argo Exploration as a Buy to all Members around 20 cents.

Snapshot AXT

Argo Exploration Ltd

Market Capitalisation	A\$17m
-----------------------	--------

DISCLAIMER

Fat Prophets has made every effort to ensure the reliability of the views and recommendations expressed in the reports published on its websites. Fat Prophets research is based upon information known to us or which was obtained from sources which we believed to be reliable and accurate at time of publication. However, like the markets, we are not perfect. This report is prepared for general information only, and as such, the specific needs, investment objectives or financial situation of any particular user have not been taken into consideration. Individuals should therefore discuss, with their financial planner or advisor, the merits of each recommendation for their own specific circumstances and realise that not all investments will be appropriate for all subscribers. To the extent permitted by law, Fat Prophets and its employees, agents and authorised representatives exclude all liability for any loss or damage (including indirect, special or consequential loss or damage) arising from the use of, or reliance on, any information within the report whether or not caused by any negligent act or omission. If the law prohibits the exclusion of such liability, Fat Prophets hereby limits its liability, to the extent permitted by law, to the resupply of the said information or the cost of the said resupply. As at the date at the top of this page, Directors and/or associates of the Fat Prophets Group of Companies currently hold positions in Austal Ltd (ASB), Artist & Entertainment Group (AEM), ARGO Exploration (AXT), Australian Wealth Management (AUW), Avoca Resources (AVO), Avexa (AVX), Australian Worldwide Exploration (AWE), Biota (BTA), BHP Billiton (BHP), Babcock & Brown Japan Property Trust (BJT), Boart Longyear (BLY), Babcock & Brown Ltd (BNB), Bolnisi Gold (BSG), Clime Investment Management (CIW), Cockatoo Coal (COK), Elkedra (EDN), Excalibur Mining Corp (EXM), Fat Prophets (FAT), Fat Prophets Options (FATO), Fosters Group (FGL), FoneZone (FZN), Global Mining Investments (GMI), Gold Bullion (GOLD), Harvey Norman (HVN), Infomedia (IFM), Intec (INL), Indophil Resources (IRN), Invocare (IVC), Lihir Gold (LHG), Lion Selection Ltd (LST), News Corporation (NWS), Macarthur Coal Ltd (MCC), Mantra Resources Option (MRUO), Merrill Lynch Gold Fund, Mineral Securities (MSX), Mundo Minerals (MUN), Newmont (NEM), Oceana Gold (OGC), Oil Search (OSH), Newmont (NEM), Oxiana (OXR), Paladio Group (PDO), Platinum Japan Fund (Unlisted), Progen Pharmaceuticals (PGL), Platinum Australia (PLA), Platinum Asset

Management (PTM), Rio Tinto (RIO), Rubicon Japan Property Trust (RJT), Rams Home Loans (RHG), Roc Oil (ROC), SP Telemedia (SOT), Sirtex Med (SRX), St Barbara (SBM), Territory Resources (TTY), Telstra (TLS), Tox Free (TOX), View Resources (VRE), View Resources Options (VREO), Walter Diversified (WDS), Westonia Mining (WEZ), Woodside Petroleum (WPL), Zamia Gold (ZGM). These may change without notice and should not be taken as recommendations. The above disclaimer does not apply to investments held by the Fat Prophets Australia Fund Limited ACN 111 772 359 (FPAFL).

>