

ARGO EXPLORATION LIMITED
ABN 38 120 917 535

Financial Report
for the period 26 July 2006 to 31 December 2006

ARGO EXPLORATION LIMITED
ABN 38 120 917 535

CORPORATE DIRECTORY

Board of Directors

H K Herbert
J I Stewart
J G Hondris
M A Bird

Company Secretary

M J Leydin

Registered Office

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St Kilda Victoria 3182
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Facsimile: (03) 9529 8057
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Web: www.argoexploration.com.au

Place of Business

Suite 304, 22 St Kilda Road
St Kilda Victoria 3182

Auditor

William Buck
Level 2, 215 Spring Street
Melbourne Victoria 3000

Share Registry

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067
Telephone: (03) 9415 5000

Stock Exchange Listing

Home Exchange is Melbourne
ASX Code Shares: AXT

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DIRECTORS' REPORT

The Directors of Argo Exploration Limited submit herewith the financial report for the period 26 July 2006 to 31 December 2006. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

The names of the Company's Directors in office during or since the end of the half-year are:

Name		
Dr Hugh K. Herbert	Chairman and Managing Director	(Appointed 26 July, 2006)
Mr James I. Stewart	Technical Director	(Appointed 26 July, 2006)
Mr Justin G. Hondris	Non-executive Director	(Appointed 26 July, 2006)
Ms Meredith A. Bird	Non-executive Director	(Appointed 9 August, 2006)

REVIEW OF OPERATIONS

Argo Exploration Limited was incorporated on 26 July, 2006 as a public company limited by shares.

The Company listed on the ASX on 11th December 2006 and intends to actively explore, in the first instance, its two Exploration Licences in South Australia. A summary of pre-IPO exploration and post listing activities to 31st December follow:

Toondulya Project – EL3156 **(100% owned)**

A detailed airborne magnetic and radiometric survey of the Exploration Licence was completed during the second half of December. The survey involved 9,194 line kilometers of data acquisition at 50 meter elevation on line spacing of 50 meters. The data have been passed to the Company's geophysical consultants for full processing.

Public domain gold, copper and arsenic calcrete geochemical data, together with previous gravity data collected on an 800 meter grid to confirm a regional gravity high in the north-west sector of the EL, were reprocessed by the Company's consultants and integrated with past aircore drill traverses at the Toondulya gold anomaly. The reprocessed data suggest that the potential source of the Toondulya gold anomaly remains essentially untested.

The Company plans to initiate a detailed gravity survey of the entire EL, at 400 meter centers, once mapping clearance has been obtained in accordance with the provisions of the "Gawler Ranges Mineral Exploration Indigenous Land Use Agreement" to which the Company is a signatory. Concurrently, orientation biogeochemical surveys are planned at each of the three defined gold-in-calcrete anomalies occurring within the EL. If successful, the biogeochemical program will be extended over the entire EL to better refine existing calcrete anomalies as a prelude to drill testing.

Intercept Hill Project – EL3084 **(100% owned)**

A detailed gravity survey, on a 400 x 200 meter grid, involving ~7,000 gravity stations, was completed pre-IPO. Preliminary processing of this data has been undertaken by the Company's geophysical consultants.

Aeromagnetic and airborne radiometric surveying of the entire EL, involving 10,093 line kilometers data acquisition on 50 meter line spacing at 50 meters elevation is planned as a continuation of the Toondulya survey. When completed, the data will be passed to the Company's geophysical consultants for full processing and integration with the gravity data, modeling and drill target selection as a prelude to drilling.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration under s.307C of the *Corporation Act 2001* in relation to the review of the half-year is included on page [NUMBER].

Signed in accordance with a resolution of the Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors

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

Dr. Hugh K. Herbert
Chairman

MELBOURNE,

28 February, 2007

Auditor's Independence Declaration

Under Section 307C of the Corporations Act 2001


To the Directors of Argo Exploration Limited:

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2006 there have been:

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



William Buck
Chartered Accountants



Brad Taylor
Partner

Dated this 28th day of February 2007.

Melbourne, Australia.

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF ARGO EXPLORATION LIMITED

Scope

We have reviewed the half year financial report of Argo Exploration Limited for the half year ended 31 December 2006 comprising the balance sheet, income statement, cash flow statement and the statement of changes in equity, notes to and forming part of the financial statements and the Directors' Declaration.

The half year financial report includes the financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half-year or from time to time during the half-year. The disclosing entity's directors are responsible for the half year financial report.

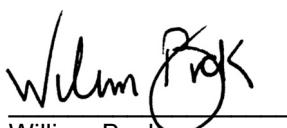
We have performed an independent review of the half year financial report in order to state whether, on the basis of procedures described, anything has come to our attention that would indicate that the half year financial report is not presented fairly in accordance with Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to meet its obligations to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

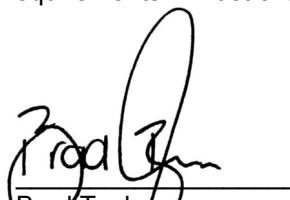
Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report, as defined in the scope section of Argo Exploration Limited is not in accordance with:

- the Corporations Act 2001, including:
 - giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
 - complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- Other mandatory professional reporting requirements in Australia.



William Buck
Chartered Accountants



Brad Taylor
Partner

Dated this 28th day of February 2007.

DIRECTORS DECLARATION

The Directors declare that:

- a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Dr. Hugh K. Herbert
Chairman

MELBOURNE,

28 February, 2007

ARGO EXPLORATION LIMITED
ABN 38 120 917 535

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR PERIOD 26 JULY 2006 TO 31 DECEMBER 2006

	Note	CONSOLIDATED ENTITY Period 26 July 2006 to 31 December 2006
Revenue		-
Other Income		34,615
Corporate expenses		(45,224)
Employment expenses		(265,817)
Administration expenses		(189,452)
Profit/(loss) before tax for the period		<u>(465,878)</u>
Income tax expense		-
Profit/(loss) for the period		<u>(465,878)</u>
		Cents per share
Earnings/(Loss) per Share		
Basic Earnings per share		(1.4612)
Diluted Earnings per share		(1.4612)

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

ARGO EXPLORATION LIMITED
ABN 38 120 917 535

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006

	Note	CONSOLIDATED ENTITY 31 December 2006 \$
Current Assets		
Cash and cash equivalents		6,727,182
Trade and other receivables		<u>64,264</u>
Total Current Assets		<u>6,791,446</u>
Non-Current Assets		
Property, plant and equipment		57,671
Other non-current assets		<u>2,981,218</u>
Total Non-Current Assets		<u>3,038,889</u>
Total Assets		<u>9,830,335</u>
Current Liabilities		
Trade and other payables		168,645
Borrowings		<u>7,622</u>
Total Current Liabilities		<u>176,267</u>
Non-Current Liabilities		
Borrowings		<u>37,478</u>
Total Non-Current Liabilities		<u>37,478</u>
Total Liabilities		<u>213,745</u>
Net Assets		<u>9,616,590</u>
Equity		
Issued Capital		9,750,968
Reserves		331,500
(Accumulated losses)		<u>(465,878)</u>
Total Equity		<u>9,616,590</u>

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

ARGO EXPLORATION LIMITED
ABN 38 120 917 535

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 26 JULY 2006 TO 31 DECEMBER 2006

CONSOLIDATED				
	Issued Capital	Retained Earnings	Option Reserve	Total
Equity as at 26 July 2006	2	-	-	2
Profit/(loss) for the period (a)	-	(465,878)	-	(465,878)
Issue of Shares	10,086,800	-	-	10,086,800
Costs of Capital Raising	(335,834)	-	-	(335,834)
Granting of Options	-	-	331,500	331,500
Equity as at 31 December 2006	9,750,968	(465,878)	331,500	9,616,590

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

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

ARGO EXPLORATION LIMITED
ABN 38 120 917 535

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD 26 JULY 2006 TO 31 DECEMBER 2006

	CONSOLIDATED ENTITY Period 26 July 2006 to 31 December 2006 \$
Cash Flows From Operating Activities	
Receipts from customers	-
Interest received	34,615
Payments to suppliers	<u>(394,008)</u>
Net cash used in operating activities	<u>(359,393)</u>
Cash Flows From Investing Activities	
Payments for exploration costs	(249,818)
Payments for plant and equipment	<u>(14,575)</u>
Net cash (used in)/provided by investing activities	<u>(264,393)</u>
Cash Flows From Financing Activities	
Proceeds from issue of equity securities	7,686,800
Payment for share issue costs	<u>(335,834)</u>
Net cash flows from financing activities	<u>7,350,966</u>
Net Increase (Decrease) in cash and cash equivalents	6,727,180
Cash and cash equivalents at beginning of the period	<u>2</u>
Cash and cash equivalents at the end of the financial year	<u><u>6,727,182</u></u>

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are:

a) Statement of compliance

The financial information complies with the recognition and measurement (but not the disclosure) requirements of AIFRS. This ensures that the financial information complies (except for disclosure) with the requirements of International Financial Reporting Standards ("IFRS").

b) Consolidation

The consolidated financial statements comprise the financial statements of Argo and its subsidiaries ("the Group"). The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group

Transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Argo has control.

c) Revenue recognition

Interest revenue is recognised as it accrues taking into effect the effective yield on the financial asset.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

Basis of preparation

d) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

e) Exploration and evaluation expenditure

Exploration and evaluation costs are accumulated in respect of each separate area of interest.

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities are continuing in the area of interest and activities have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Where an area of interest is abandoned, any accumulated costs in respect of that area are written off in the financial period the decision is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward cost in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the cost of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

Basis of preparation

f) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

g) Payables

Trade and other payables are stated at cost.

h) Receivables

Receivables are stated at their costs less impairment losses. Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred.

i) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO, are classified as operating cash flows.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

Basis of preparation

j) Impairment

The carrying amounts of the group's assets, other than deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated as follows.

The recoverable amount is the greater of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

k) Acquisition of assets

All assets acquired, including property, plant and equipment, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value, except where the notional price at which they could be placed in the market is a better indication of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

l) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful life in the current period for plant and equipment is 5 years.

The residual value, if not insignificant, is reassessed annually.

m) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle this obligation.

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability most closely matching the expected future payments.

n) Share Capital Transaction Costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

o) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

Basis of preparation

p) Equity Based Compensation

The Company expenses equity based compensation such as share and option issues after ascribing a fair value to the shares and/or options issued. If options vest at date of grant, the expense is taken up at date of grant and a corresponding Option Reserve or Share Capital is credited.

2. SEGMENT INFORMATION

Argo Exploration Limited operates in the mining exploration industry within Australia.

3. ISSUE OF EQUITY SECURITIES

During the reporting period, Argo Exploration Limited issued 25,000,000 ordinary shares as seed capital, which raised \$686,800 before costs.

The entity issued 12,000,000 ordinary shares to a Director, J. Stewart, at an issue price of \$0.20 in accordance with the Share Purchase Agreement for the acquisition of 100% of the share capital of Athena Mining Pty Ltd.

The entity issued 35,000,000 ordinary shares through an initial public offering at an issue price of \$0.20, raising \$7,000,000 before costs.

During the reporting period, Argo Exploration Limited issued 5,000,000 unlisted options to a Director, J. Stewart, expiring 10 December 2011 exercisable at \$0.20 in accordance with the Share Purchase Agreement for the acquisition of 100% of the share capital of Athena Mining Pty Ltd. These share options had a fair value at grant date of \$0.0663 per share option.

4. BUSINESS COMBINATIONS

The ownership interest in subsidiaries at the end of the reporting period are listed below:

Name of Entity	Country of Incorporation	Ownership Interest
		31 December 2006 %
Parent Entity	Australia	
Subsidiaries		
Olympic Resources Limited (1)	Australia	100%
Athena Mines Pty Ltd (2)	Australia	100%

During the reporting period the entity acquired 100% of the share capital of Athena Mines Pty Ltd from a Director, J. Stewart. Consideration given in accordance with the Share Purchase Agreement was the issue of 12,000,000 ordinary shares at an issue price of \$0.20 in Argo Exploration Limited and the issue of 5,000,000 options exercisable at 20 cents on or before 10 December, 2011. These share options had a fair value at grant date of \$0.0663 per share option.

ARGO EXPLORATION LIMITED
ABN 38 120 917 535

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. BUSINESS COMBINATIONS continued

During the reporting period the entity acquired 100% of the share capital of Olympic Resources Limited. This acquisition was undertaken by a way of a Deed of Acquisition. In consideration for this acquisition Argo Exploration Limited entered into a Share Swap Agreement with each of the shareholder of Olympic Resources Limited on a 1 for 1 basis. As a result of this Share Swap Agreement Argo Exploration Limited issues shares to the value of \$521,800 in consideration for 10% of the shares in Olympic Resources Limited.

The net assets acquired in this business combination, and the goodwill arising, are as follows:

Net assets acquired:	
- Receivable	392,235
Goodwill arising on acquisition	131,045
Total consideration	<u>521,800</u>

5. CONTINGENCIES AND COMMITMENTS

**CONSOLIDATED
ENTITY
31 DECEMBER 2006**

Exploration license commitments

- not later than 1 year	34,423
- between 1 year and 5 years	-
- greater than 5 years	-
	<u>34,423</u>

Contracted commitments

- not later than 1 year	584,463
- between 1 year and 5 years	330,333
- greater than 5 years	-
	<u>914,796</u>

Contracted commitments include service agreements with directors and senior management and a contract for airborne geophysical survey work.

6. EVENTS AFTER THE BALANCE SHEET DATE

Other than as disclosed above, no matter or circumstance has arisen since the date of this report which has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.