

7<sup>th</sup> June 2007

## FAT PROPHETS COMMENCES RESEARCH ON ARGO



### Argo Exploration

Buy AXT around 43.5 cents

Much anticipated drilling program to commence

[Fat Mining 79, Printer Friendly](#) 06 Jun, 2007

**SYMBOL DEFINITIONS**

 EXPLORER	 HIGH RISK	 MARKET CAP <b>\$17</b>
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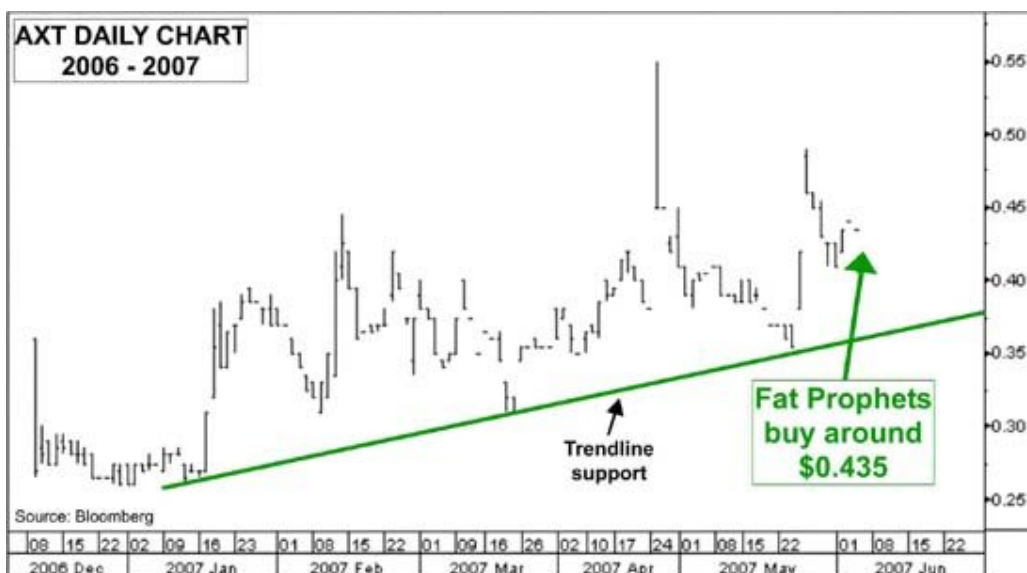
We rate Argo Exploration as one of the sector's best pure exploration plays, based on its acreage position and the strength of its management team. We have closely followed the company's progress since its listing on the ASX late last year, waiting for the right time to recommend it to our Members. With the company's first drilling program set to commence within weeks, we now feel the timing is right.

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*"A highly focused junior explorer with impeccable exploration pedigree."*

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This is our first coverage of Argo Exploration.



Since listing in December, price moves in Argo have been relatively volatile. By April, prices had more than doubled to reach an all-time high of 55 cents.

Despite this volatility, a clear upward trend has emerged since the beginning of the year. As can be seen on the daily chart, the rising trendline currently provides support in the region of 36 cents. We believe this level will underpin prices in the near term.

With upward momentum continuing to grow, we believe the outlook for Argo is positive. In time, we believe prices will break above 49 cents to retest the 55 cent high with additional gains beyond here achievable in time.

There are literally dozens of exploration companies that have listed on the ASX over the past couple of years. Many of these companies lack projects of high quality and upside, with management that lacks exploration pedigree.

Most of these so-called fresh opportunities have targeted the current junior speculative uranium bubble, where risks are exceptionally high in our opinion.

One company that stands out from the pack in our opinion is Argo Exploration. Argo raised \$7 million through a float of 35 million shares @ 20 cents each in late 2006.

We have followed the company closely since its ASX listing late last year, but have waited more than six months to introduce it to our Members. We felt it important that the level of exploration activity was sufficient in order to allow us to recommend it.

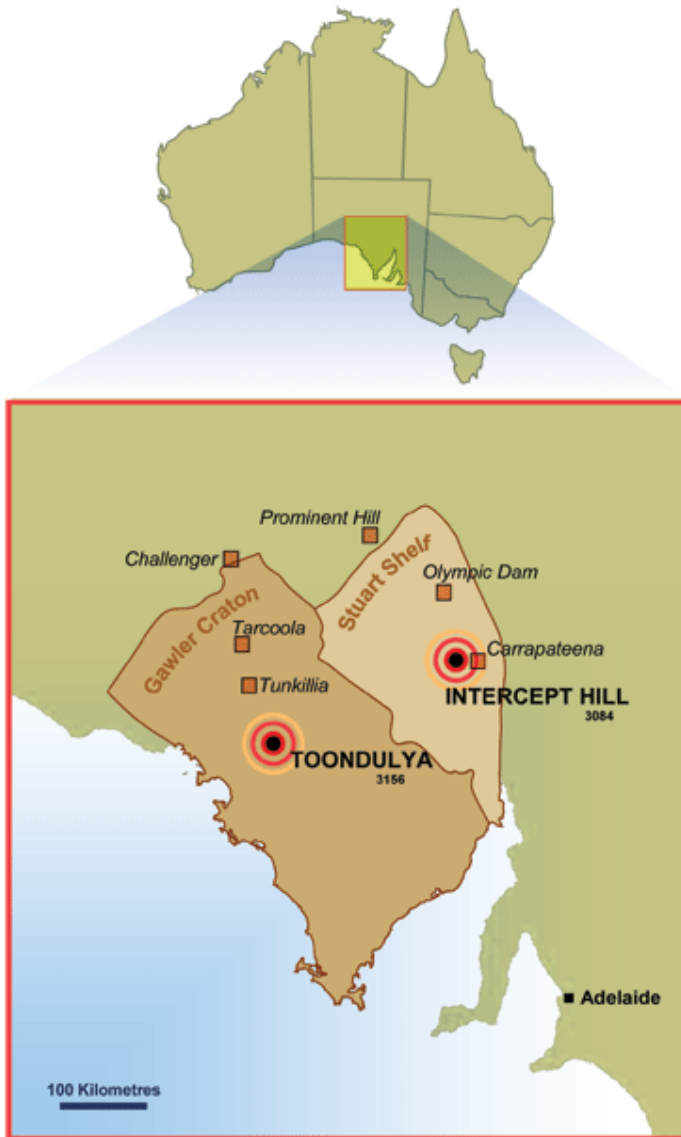
We have had three meetings with Argo's CEO, Dr Hugh Herbert, and have been kept fully informed of the company's emerging exploration activity every step of the way.

The most important development with respect to activity took place during the final week of May, with Argo advising that Work Area Clearance surveys had been conducted at several of its proposed drill sites by two key indigenous groups in South Australia.

This work had effectively cleared a number of Argo's high priority exploration sites for the commencement of drilling work. Furthermore, the South Australian Department of Primary Resources had also granted all work approvals necessary to allow Argo to commence drilling.

This means that Argo should commence its first drilling program in the middle of June. The company has contracted Boart Longyear to conduct the initial program, comprising up to six holes to be drilled to a depth of up to 1200 metres.

The initial program is designed to evaluate specific geophysical targets that have been interpreted to reflect potential Olympic Dam-style iron oxide copper-gold-uranium (IOCG) mineralisation.



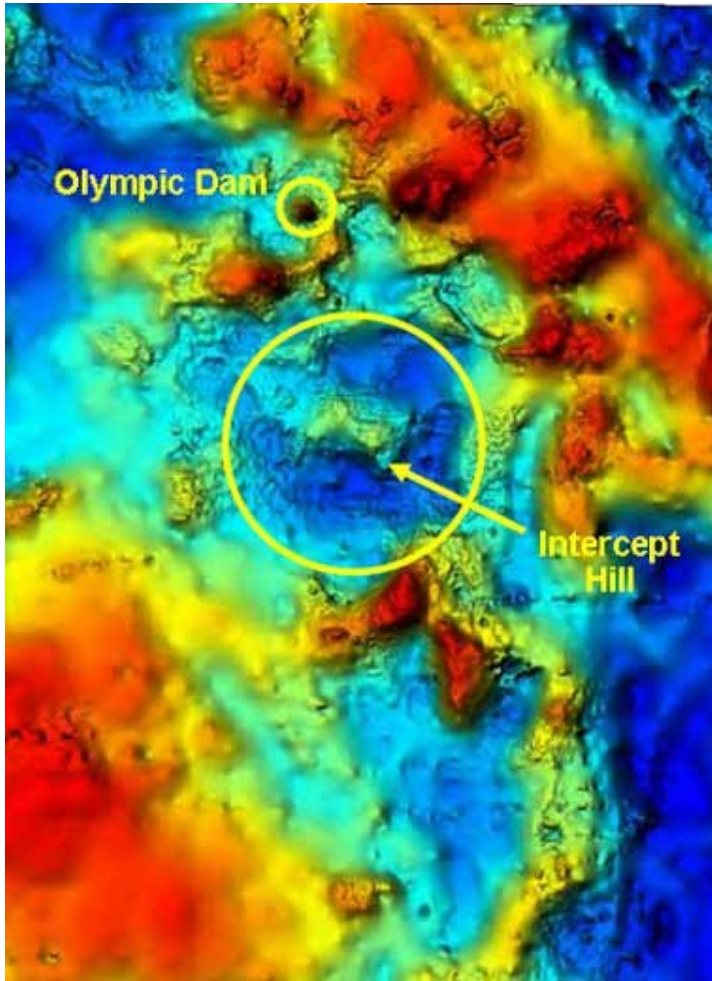
Before we outline Argo's exploration portfolio, let us first examine the quality of the company's exploration expertise. As always, we put management quality at the top of the list essentials list when examining resource companies.

Dr Hugh Herbert, Argo's Chairman and Managing Director, is a geologist/geochemist with an enormous 42 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.

Let us now turn our attention to the company's exploration properties, all of which are located in South Australia. Whilst the company has awaited ground access approvals from the local indigenous groups, it has been busy with interpretation of fresh aeromagnetic surveys completed over its two key project areas.

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 recent discovery at Carrapateena lies just 25km to the east-southeast.

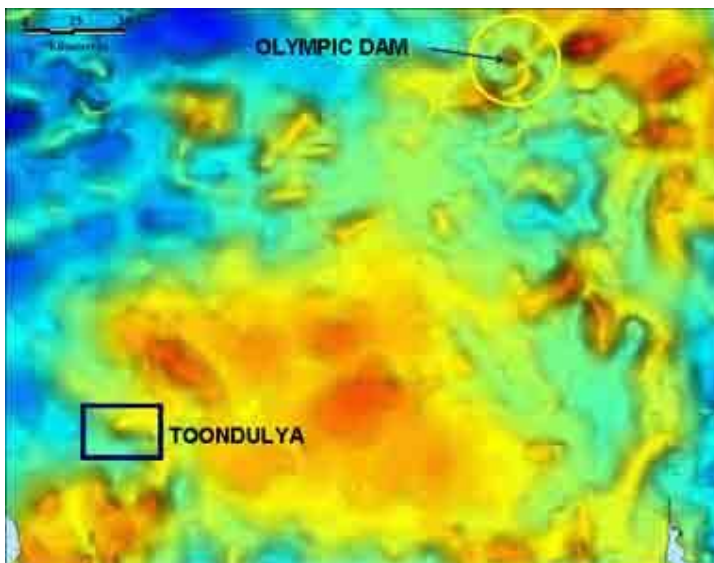


IOCG mineralisation has been identified to depths below 800 metres and in fact a previous hole on the EL intersected haematite-rich rocks broadly similar to the upper zones at Olympic Dam.

During the March 2007 quarter, processing of detailed gravity and magnetic surveying commenced, with drilling targets likely to be available within the next few weeks.

The second project comprises EL 3156 and is known as Toondulya. It lies within the Central Gawler Craton gold province, which hosts a number of significant, structurally-controlled gold deposits.

Past exploration has outlined calcrete gold anomalies of similar magnitude and size to those that hosted the Tunkillia and Nuckulla Hill deposits. Toondulya hosts three well defined gold-in-calcrete anomalies, along with copper anomalies, that are essentially untested.



During the March 2007 quarter, processing of aeromagnetic and radiometric survey data has generated high quality images that support Argo's conceptual exploration models.

Indeed, the Toondulya anomaly that measures 5km x 2km is now shown to be associated with prominent northwest-trending demagnetised zones that are believe to be splays to the Yarlbrianda Shear Zone.

Without getting technical, the significance of all this is that the Tunkillia and Nuckulla Hill gold deposits are hosted within similar demagnetised zones along the Yarlbrianda Shear. Therefore, the Toondulya anomaly displays all of the 'right' characteristics to be a priority drilling target.

In all, 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.

This compares with numerous exploration floats that have what we regard as totally unmanageable exploration portfolios, encompassing tenements spread across several thousand square kilometres and perhaps in several different states.

The current success of Monax Mining (MOX) at its Punt Hill tenement, coupled with the relatively recent discoveries at Carrapateena and Prominent Hill and, of course, the Olympic Dam deposit upgrades, emphasise the potential of the region.

With \$6.3 million in its exploration coffers as at the end of the March quarter, the company is cashed up and ready to begin drill testing its numerous exploration targets. We envisage talking to CEO Hugh Herbert ahead of the commencement of drilling, so we should have more news for our Members in the days and weeks ahead.

**We recommend Argo Exploration as a Buy to all Members around 43.5 cents.**

**Disclosure:** Interests associated with Fat Prophets declare an interest in Argo Exploration

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