



**ARGO EXPLORATION LIMITED**

**ABN 38 120 917 535**

**HALF YEAR FINANCIAL REPORT  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

**Argo Exploration Limited**

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**31 December 2016**

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**Argo Exploration Limited**  
**Corporate directory**  
**31 December 2016**

Directors	Andrew Van Der Zwan (Non-Executive Director) Justin Hondris (Non-Executive Director) Christopher Martin (Non-Executive Director)
Company secretaries	Melanie Leydin Justin Mouchacca
Registered office	Level 4 100 Albert Road South Melbourne VIC 3205 Telephone: +61 3 9692 7222 Fax: +61 3 9077 9233
Principal place of business	Level 4 100 Albert Road South Melbourne VIC 3205
Share register	Advanced Share Registry Ltd 150 Stirling Highway Nedlands WA 6009 (+61 8) 9389 8033
Auditor	Grant Thornton Audit Pty Ltd Chartered Accountants The Rialto Level 30, 525 Collins Street MELBOURNE VIC 3000
Stock exchange listing	Argo Exploration Limited shares are listed on the Australian Securities Exchange (ASX code: AXT)
Website	<a href="http://www.argoexploration.com.au">www.argoexploration.com.au</a>

**Argo Exploration Limited**  
**Directors' report**  
**31 December 2016**

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 at the end of, or during, the half-year ended 31 December 2016.

**Directors**

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

Mr Andrew Van Der Zwan (Non-Executive Director)  
Mr Justin Hondris (Non-Executive Director)  
Mr Christopher Martin (Non-Executive Director)

**Principal activities**

During the financial half-year the principal activities of the consolidated entity consisted of reviewing potential exploration and development of resource acquisitions and management of the Company's investments.

**Review of operations**

The loss for the consolidated entity after providing for income tax amounted to \$7,113,321 (31 December 2015: profit of \$15,207,889).

The net assets of the consolidated entity decreased by \$7,113,321 to \$9,569,962 as at 31 December 2016 (30 June 2016: \$16,683,283). The main reason for the decrease in net assets was due to the decrease in the Company's carrying amount of its investment in Pantheon Resources Plc, which decreased by \$8,850,246. The consolidated entity's working capital, being current assets less current liabilities, decreased by \$8,983,999 to \$9,569,962 (30 June 2016: \$18,553,961).

The reduction in the carrying value of the investment in Pantheon Resources plc occurred following the decision to suspend drilling operations on the VOBM#2H well during the period because it was concluded that horizontal drilling techniques were unsuitable to the particularly hard and abrasive rock strata encountered, and a decision was made to recomplete the well using vertical drilling techniques at a future date. Remediation techniques in the VOS#1 well also did not improve flow rates as significantly as had been hoped. Additionally, following the BREXIT decision in Great Britain, the value of the British pound devalued significantly, which materially reduced the Australian dollar valuation of the Pantheon Resources plc investment.

Encouragingly, in late December it was announced that the VOBM#4 well had encountered two additional potentially productive shallower zones en route to the deeper primary target. We await flow test results for the shallower of these zones, the Wilcox formation in the near term. Additionally, the VOBM#2H well has been re-entered vertically and we also await a flow test result for that well in the near term. Pantheon has also announced that commercial negotiations for gas processing arrangements are well advanced, and it is anticipated that following flow test results, a contract will be executed which is significant because it could result in first production being generated within months, moving the company from an exploration company to a production company.

The board of Argo continues to seek and review further opportunities in the natural resources sector. In reviewing such acquisitions the Board needs to evaluate the potential upside of any acquisition, against the relative potential of its existing Pantheon shareholding. This evaluation requires the Board to recognise that any acquisition of a new project may require some form of dilution, most likely by way of an equity issue in some form, or the divestment of some of its Pantheon shareholding. Whilst the board of Argo gives no guarantee of continued success from Pantheon, it has yet to review a new project with comparable relative risk/reward, and remains committed to its Pantheon investment.

**Significant changes in the state of affairs**

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

**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 5.

**Argo Exploration Limited**  
**Directors' report**  
**31 December 2016**

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'A.V. Zwan', with a long horizontal stroke extending to the right.

---

Mr Andrew Van Der Zwan  
Non-Executive Director

15 March 2017  
Melbourne

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525 Collins St  
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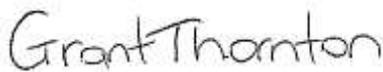
### **Auditor's Independence Declaration To The Directors of Argo Exploration Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Argo Exploration Limited for the half-year ended 31 December 2016, 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

I also declare that during the current half year review period, Grant Thornton's quality control systems identified a prior period contravention of the auditor's rotation requirements, which had already been rectified. The previous review auditor for Argo Exploration Limited had participated in the review for the half year ended 31 December 2015 and the full year ended 30 June 2016, and was not eligible to do so.

Accordingly I consider this matter has not compromised my or Grant Thornton's objectivity with respect to the review of the financial statements of Argo Exploration Limited for the half year ended 31 December 2016.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



Adam Pitts  
Partner - Audit & Assurance

Melbourne, 15 March 2017

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**Argo Exploration Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2016**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>		3,980	1,294
Gain/(loss) on revaluation of FVTPL investments	4	(8,850,246)	18,610,582
<b>Expenses</b>			
Corporate Expenses		(50,304)	(35,564)
Administrative Expenses		(5,667)	(23,153)
Employee benefits expense	5	(81,018)	(81,000)
Share based payments expense		-	(262,648)
Finance costs		(743)	(511)
<b>Profit/(loss) before income tax (expense)/benefit</b>		(8,983,998)	18,209,000
Income tax (expense)/benefit		1,870,677	(3,001,111)
<b>Profit/(loss) after income tax (expense)/benefit for the half-year attributable to the owners of Argo Exploration Limited</b>		(7,113,321)	15,207,889
Other comprehensive income for the half-year, net of tax		-	-
<b>Total comprehensive income/(loss) for the half-year attributable to the owners of Argo Exploration Limited</b>		<u>(7,113,321)</u>	<u>15,207,889</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	14	(3.89)	11.11
Diluted earnings per share	14	(3.89)	8.79

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Argo Exploration Limited**  
**Statement of financial position**  
**As at 31 December 2016**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December</b>	<b>30 June 2016</b>
		<b>2016</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		280,027	386,596
Trade and other receivables		11,235	9,518
Financial assets at fair value through profit or loss	6	9,504,413	18,354,559
Other		27,144	5,318
<b>Total current assets</b>		<u>9,822,819</u>	<u>18,755,991</u>
<b>Non-current assets</b>			
Deferred tax	7	<u>2,344,065</u>	<u>3,129,159</u>
<b>Total non-current assets</b>		<u>2,344,065</u>	<u>3,129,159</u>
<b>Total assets</b>		<u>12,166,884</u>	<u>21,885,150</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		237,961	202,030
Borrowings		14,896	-
<b>Total current liabilities</b>		<u>252,857</u>	<u>202,030</u>
<b>Non-current liabilities</b>			
Deferred tax	8	<u>2,344,065</u>	<u>4,999,837</u>
<b>Total non-current liabilities</b>		<u>2,344,065</u>	<u>4,999,837</u>
<b>Total liabilities</b>		<u>2,596,922</u>	<u>5,201,867</u>
<b>Net assets</b>		<u>9,569,962</u>	<u>16,683,283</u>
<b>Equity</b>			
Issued capital	9	15,001,479	15,001,479
Retained profits/(accumulated losses)		<u>(5,431,517)</u>	<u>1,681,804</u>
<b>Total equity</b>		<u>9,569,962</u>	<u>16,683,283</u>

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

**Argo Exploration Limited**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2016**

<b>Consolidated</b>	<b>Contributed equity \$</b>	<b>Retained profits \$</b>	<b>Reserves \$</b>	<b>Total equity \$</b>
Balance at 1 July 2015	13,481,869	(11,007,655)	423,693	2,897,907
Profit after income tax expense for the half-year	-	15,207,889	-	15,207,889
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	15,207,889	-	15,207,889
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	838,808	-	-	838,808
Share-based payments	-	-	262,648	262,648
Conversion of performance rights	499,380	-	(499,380)	-
Balance at 31 December 2015	<u>14,820,057</u>	<u>4,200,234</u>	<u>186,961</u>	<u>19,207,252</u>
<b>Consolidated</b>	<b>Contributed equity \$</b>	<b>Retained profits \$</b>	<b>Reserves \$</b>	<b>Total equity \$</b>
Balance at 1 July 2016	15,001,479	1,681,804	-	16,683,283
Loss after income tax benefit for the half-year	-	(7,113,321)	-	(7,113,321)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	(7,113,321)	-	(7,113,321)
Balance at 31 December 2016	<u>15,001,479</u>	<u>(5,431,517)</u>	<u>-</u>	<u>9,569,962</u>

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

**Argo Exploration Limited**  
**Statement of cash flows**  
**For the half-year ended 31 December 2016**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(110,549)	(25,701)
Interest received	3,980	1,294
	<u>(106,569)</u>	<u>(24,407)</u>
<b>Cash flows from investing activities</b>		
Net cash from investing activities	<u>-</u>	<u>-</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	860,000
Payments for capital raising costs	-	(21,189)
	<u>-</u>	<u>838,811</u>
Net increase/(decrease) in cash and cash equivalents	(106,569)	814,404
Cash and cash equivalents at the beginning of the financial half-year	386,596	54,202
Cash and cash equivalents at the end of the financial half-year	<u><u>280,027</u></u>	<u><u>868,606</u></u>

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

**Argo Exploration Limited**  
**Notes to the financial statements**  
**31 December 2016**

**Note 1. General information**

The financial statements cover Argo Exploration Limited as a consolidated entity consisting of Argo Exploration Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Argo Exploration Limited's functional and presentation currency.

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:

Level 4  
100 Albert Road  
South Melbourne VIC 3205

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 statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 15 March 2017. The directors have the power to amend and reissue the financial statements.

**Note 2. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

**New or amended Accounting Standards and Interpretations adopted**

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

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

**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 and sale of assets 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.

The Company also has the option to liquidate its position in Pantheon Resources Plc if there are insufficient funds being generated through capital raisings. As at 31 December 2016 the Company's investment in Pantheon Resources Plc was carried at the market rate \$9,504,413 (30 June 2016: \$18,354,559). Since 31 December 2016, the fair value of the investment in Pantheon Resources Plc has decreased to approximately \$9,467,075 as at 13 March 2017.

During the period ended 31 December 2016 the Company generated net operating cash outflows of \$106,569 and had a closing cash balance of \$280,027.

**Argo Exploration Limited**  
**Notes to the financial statements**  
**31 December 2016**

**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.

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 operating 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 and managing its investment in Pantheon Resources Plc.

**Note 4. Gain/(loss) on revaluation of FVTPL investments**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Gain/(loss) on financial assets at fair value through profit and loss	<u>(8,850,246)</u>	<u>18,610,582</u>

**Note 5. Expenses**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Profit/(loss) before income tax includes the following specific expenses:		
<i>Employee benefits expense</i>		
Directors' fees *	18,000	18,000
Consulting fees *	<u>63,018</u>	<u>63,000</u>
Total Employee benefits expense	<u>81,018</u>	<u>81,000</u>

\* As at 31 December 2016, accrued directors fees yet to be paid amounted to \$224,100 (31 December 2015: \$336,000).

**Note 6. Current assets - financial assets at fair value through profit or loss**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 December</b>	<b>30 June 2016</b>
	<b>2016</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Shares in listed entity	<u>9,504,413</u>	<u>18,354,559</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial half-year are set out below:		
Opening fair value	18,354,559	3,259,980
Revaluation increments	-	15,094,579
Revaluation decrements	<u>(8,850,146)</u>	<u>-</u>
Closing fair value	<u>9,504,413</u>	<u>18,354,559</u>

**Argo Exploration Limited**  
**Notes to the financial statements**  
**31 December 2016**

**Note 7. Non-current assets - deferred tax**

	<b>Consolidated</b>	
	<b>31 December</b>	
	<b>2016</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
Deferred tax asset	<u>2,344,065</u>	<u>3,129,159</u>

During the half-year a loss of \$8,850,246 has been recognised through the Fair Value Through Profit and Loss (FVTPL) following a decrease in the share price of Pantheon.

The potential capital gains payable on this amounted to \$2,344,065, and a deferred tax liability has been recognised (refer to Note 8). A deferred tax asset of \$2,344,065 has also been recognised in relation to carried forward losses.

**Note 8. Non-current liabilities - deferred tax**

	<b>Consolidated</b>	
	<b>31 December</b>	
	<b>2016</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
Deferred tax liability	<u>2,344,065</u>	<u>4,999,837</u>

**Note 9. Equity - issued capital**

	<b>Consolidated</b>			
	<b>31 December</b>		<b>31 December</b>	
	<b>2016</b>	<b>30 June 2016</b>	<b>2016</b>	<b>30 June 2016</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	<u>182,970,000</u>	<u>182,970,000</u>	<u>15,001,479</u>	<u>15,001,479</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 and the company does not have a limited amount of authorised capital.

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.

*Share buy-back*

There is no current on-market share buy-back.

**Note 10. Equity - dividends**

There were no dividends paid, recommended or declared during the current or previous financial half-year.

**Note 11. Contingent liabilities**

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

**Note 12. Commitments**

The consolidated entity had no commitments at the reporting date.

**Argo Exploration Limited**  
**Notes to the financial statements**  
**31 December 2016**

**Note 13. Events after the reporting period**

No matter or circumstance has arisen since 31 December 2016 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.

**Note 14. Earnings per share**

	<b>Consolidated</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>\$</b>	<b>\$</b>
Profit/(loss) after income tax attributable to the owners of Argo Exploration Limited	<u>(7,113,321)</u>	<u>15,207,889</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	182,970,000	136,942,192
Adjustments for calculation of diluted earnings per share:		
Performance rights	<u>-</u>	<u>36,115,847</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>182,970,000</u>	<u>173,058,039</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(3.89)	11.11
Diluted earnings per share	(3.89)	8.79

**Argo Exploration Limited**  
**Directors' declaration**  
**31 December 2016**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Mr Andrew Van Der Zwan  
Non-Executive Director

15 March 2017  
Melbourne

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## **Independent Auditor's Review Report To the Members of Argo Exploration Limited**

We have reviewed the accompanying half-year financial report of Argo Exploration Limited (“Company”), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors’ declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year’s end or from time to time during the half-year.

### **Directors’ responsibility for the half-year financial report**

The directors of Argo Exploration Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor’s responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Argo Exploration Limited consolidated entity’s financial position as at 31 December 2016 and 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. As the auditor of Argo Exploration Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Independence**

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

### **Conclusion**

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 of Argo Exploration Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



Adam Pitts  
Partner - Audit & Assurance

Melbourne, 15 March 2017