

QUARTERLY REPORT JUNE 2017

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KEY POINTS

Investment in Pantheon Resources Plc ("Pantheon")

Gas processing agreement

- Definitive terms agreed with Kinder Morgan, the US's largest energy infrastructure company, to build and operate a 15mmcf/d dedicated gas processing facility for Polk County operations.
- All permits, rights of way, pipeline and the tap in point works have been completed and paid for. Based upon modelled well data, Pantheon believes it should be able to achieve operating and transportation costs in the lower quartile of North American producers, below \$5 per boe.
- A modelled 15mmcf/d gas processing facility running at maximum throughput at today's pricing(1) after taking account of the terms of the accelerated payback arrangement concluded last year, could generate over \$1,500,000 a month of free cash flow net to Pantheon (after royalties and production taxes).

VOBM#2H well, Polk County, onshore East Texas (Pantheon 58% working interest)

- Operations to complete and flow test VOBM#2H had been complicated because of the requirement to re-enter the suspended horizontal wellbore and to drill a deviated well path from within the original lateral section, causing a number of technical challenges.
- Third party reservoir and completion consultants were contracted to advise on the optimum completion and testing methodologies given the wellbore constraints. Analysis suggests that the wellbore has suffered skin damage, most likely caused by the low drilling penetration rates pulverizing the hard sandstone into very fine particles during the drilling of the deviated section in the target horizon. Skin damage is not an uncommon consequence in horizontal drilling and Pantheon and Vision are presently working with the consultants to determine the optimal completion technique.
- The third party consultants have assessed well logs, seismic and other well data as part of their analysis and have concluded that the VOBM#2H well has the potential to be an upper tier well, subject to successful completion and flow testing. Well logs and seismic signatures compare favorably with those of the VOBM#1 and nearby Double A Wells field wells.

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- The VOBM#2H well is located between VOBM#1 and VOBM#3 wells, both of which are commercial discoveries. The well exhibits excellent log and seismic responses. Pantheon believes the potential for this well to be significant.
- Final analysis is presently being concluded and the Company anticipates that the likely treatment will most likely be either an aggressive acid job or a small fracture stimulation. Work will commence as soon as the equipment is available.

VOBM#4 well, Tyler County, onshore East Texas (Pantheon 50% working interest) Wilcox formation

- The VOBM#4 well was designed as a large step out well to test the extent of the Eagle Ford sandstone in Tyler County. After encountering flowing hydrocarbons in the shallower Wilcox formation the Company attempted to complete the well as a Wilcox producer.
- Operations within the VOBM#4 well were significantly delayed due to the integrity of pipework within the wellbore being compromised by the failure of a liner hanger to seal correctly. Multiple cement squeeze jobs were undertaken and were ultimately successful in restoring wellbore integrity.
- An independent reservoir engineering consultancy was contracted by the operator to undertake an analysis of the wellbore conditions following the multiple cement squeeze jobs and to advise on the optimum procedures for successful flow testing. Analysis suggests that cement from the multiple squeeze jobs may have compromised the formation in the immediate area surrounding the wellbore. This is believed to be a localised issue directly as a result of the intervention of the cement and does not in any way impact the prospectivity of the reservoir. Accordingly it has been concluded that the most effective remediation technique is to retrace partially back up the hole and to drill sidetrack to present a clean wellbore for production testing. Planning for the proposed sidetrack is presently underway and operations will commence as soon as equipment and services are available.
- The third party consultants also concluded that based upon analysis of well logs and drilling data that the Wilcox in this location has outstanding potential.

SUMMARY OF ACTIVITY

The Board of Argo continues to review a number of new projects to augment its investment in Pantheon, but has yet to find a project that has the potential similar to the upcoming drilling program of Pantheon.

As at the end of the June 2017 quarter Argo did not hold any interest in exploration licences.

More details on Pantheon can be found on the Pantheon website www.pantheonresources.com

CORPORATE

Cash reserves at the end of the June 2017 Quarter stood at \$179,000 with no secured debt while the value of the Pantheon Resources Plc investment as at end June 2017 was ~\$6.0m.

The Board continues to review and evaluate potential corporate opportunities in the natural resource sector and is of the view that present market conditions will provide increased opportunities going forward at more sensible valuations than seen in recent years. This has become increasingly evident in the junior resource sector, where many companies are trading well below tenement valuations.

CORPORATE DIRECTORY

Board of Directors

Christopher Martin
Justin Hondris
Andrew Van Der Zwan

Joint Company Secretaries

Melanie Leydin
Justin Mouchacca

Issued Share Capital

Argo Exploration Ltd has 182,970,000 ordinary shares currently on issue.

Registered Office

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Please direct shareholding enquiries to the share registry