



**ASX/Media Release**  
**31<sup>st</sup> July 2017**

### **Pantheon Resources Plc**

**Melbourne, 31 July** - Argo Exploration Ltd (“Argo”; ASX Code ‘AXT’) would like to refer to the announcement by Pantheon Resources Plc (“Pantheon”) to the London Stock Exchange (AIM –Quoted) in relation to US\$12.5 million Proposed Placing.

Argo continues to hold 7,000,000 fully paid ordinary shares in Pantheon. The value of Argo’s investment in Pantheon is ~\$A5.3m as at the date of this announcement.

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## **US\$12.5 million Proposed Placing**

**27 July 2017**

Pantheon Resources plc ("Pantheon" or "the Company"), the AIM-quoted oil and gas exploration and development company with a working interest of 50%-58% in several conventional projects in Tyler and Polk Counties, onshore East Texas, is pleased to announce a proposed placing to raise approximately US\$12.5 million.

### **Highlights**

- Proposed placing of new ordinary shares of £0.01 pence each in the Company (the "Placing Shares") in order raise gross proceeds of approximately US\$12.5 million.
- The price per Placing Share will be 43 pence (the "Placing Price").
- Pantheon is in late stage negotiations to acquire an additional 25% working interest ("WI") in the VOBM#4 well, as well as an option to acquire an additional 25% WI in 7,820 mineral acres surrounding the VOBM#4 well in Tyler County. Whilst negotiations are advanced, there is no certainty that the acquisition and/or option will be completed.
- The proposed cost of acquiring an additional 25% interest in VOBM#4 is the payment of 40% of the forward costs of drilling the sidetrack, estimated to be US\$500,000. In the event of success, an additional estimated US\$200,000 will be required to complete the well for production.
- Pantheon's proposed cost to exercise the proposed option over the 7,820 acres is estimated to be c.US\$1.5m, increasing the Company's WI to 75% in this area. Importantly, it is proposed that this option can be exercised after completion of the VOBM#4 sidetrack.
- Bobby Gray, the principal of Vision, Pantheon's working interest partner in the leases and operator, Vision Gas Resources LLC ("Vision"), is also proposing to increase his personal working interest in VOBM#4 from 16.67% to 25%.
- Alongside existing cash of c.US\$3m, the new funds will primarily be used to accelerate the Company's exploration, appraisal and development programme. This is anticipated to include:
  - a second well targeting the Wilcox formation, a well-known and significant regional producing formation;
  - an additional Polk County Eagle Ford sandstone vertical well;
  - a centre basin test well, targeting the Eagle Ford sandstone in Tyler County that was initially the main target for the VOBM #4 well;
  - an exploration well on 'Prospect D', the West West Double A prospect in Polk County; and
  - the installation of a new gas processing facility in Tyler County to monetise discoveries in the first half of 2018, adding to production anticipated from the new 15mmcf/d production facility in Polk County.

Jay Cheatham, CEO of Pantheon Resources, said:

*"This is an opportunity that rarely comes along in the oil and gas business; the ability to increase our working interest from 50% to 75% over 7,820 acres after the unexpected discovery of the potentially commercial Wilcox zone in VOBM#4 was an easy decision. Following the excellent logs we retrieved across the Wilcox zone, we have sought shareholder support to increase our position here and if the sidetrack is successful it will have significant implications across this acreage.*

*"This in no way diminishes the potential of the Eagle Ford sandstone which remains our primary objective and indeed will be providing us with our first production and cashflows from our Polk County acreage. Importantly, the acreage covered by the proposed option offers potential from all four regionally productive zones: the Wilcox, Navarro, Austin Chalk and Eagle Ford Sandstone.*

*"This proposed placing will not only give us the means to acquire an increased WI in some of our key licence areas, but it will allow us to accelerate our drilling programme, to continue to unlock the resource potential in Polk and Tyler Counties. We continue to have real confidence in the outlook for the business, our recent drilling campaign, although hit by operational difficulties has allowed us to learn a lot of valuable lessons about appropriate drilling and completion techniques, which we will apply going forward. We have also strengthened our operational capability with the appointment of Philip Gobe and technical consultants Sierra Hamilton and our estimated operating costs remain best in class, estimated to be below \$5 per barrel of oil equivalent."*

## **Background to and reasons for the Placing**

Pantheon has with its lease co-venturer, Vision, been focused on exploring and developing its acreage and has, since July 2015, drilled five exploration and development wells, all of which have discovered hydrocarbons. These discoveries have helped to prove the Company's study on the Eagle Ford study that it completed in partnership with Vision and the Bureau of Economic Geology at the University of Texas, at Austin.

As previously detailed, the Company is currently planning to start frac operations on the VOBM#2H in early August 2017 and will commence drilling of the side track and subsequent testing of the VOBM#4 well at the end of August 2017. The Company is also continuing to progress to first production with the construction of the Kinder Morgan gas processing facility in Polk County estimated to be complete by September 2017.

The Company is keen to progress its exploration and development activities across its Polk and Tyler county acreage, and intends to use the proceeds to accelerate its drilling programme across its acreage.

## **Proposed Accelerated Drilling Programme**

### *Wilcox#2 Well*

With the discovery of the Wilcox formation at the VOBM#4, Pantheon and the operator Vision have matured additional drilling targets to further delineate the Wilcox formation across the acreage position.

#### *VOBM#5 Well*

The operator intends to drill a development step out well from the Company's existing Polk County wells. This well will, if successful contribute to the Company's planned production Polk County.

#### *Centre Basin Test Well*

With new funding in place, the Company can also move forward to drill the centre basin test in Tyler County, which would be designed to appraise the lateral extent of the significant Eagle Ford sandstone basin.

#### *Prospect D Well*

The Company will drill a well on Prospect D in the West West Double A Prospect in Polk County. This well will target a significant exploration prospect to the west of the Company's existing Polk county discoveries.

#### *Tyler County Gas Plant*

Following the successful testing of the VOS#1 well and depending on results of the VOBM#4 well and the subsequent proposed Wilcox#2 well, the Company intends to order and install a gas processing plant in Tyler County, as already done in Polk County.

### **Use of Proceeds**

The gross proceeds receivable by the Company pursuant to the Fundraising are expected to be US\$12.5m. The Company intends to use the proceeds together with its existing cash resources, which as at 27 July were c.US\$3 million and potential future cash flow from production to fund its forward capital programme:

<b>Fixed Capex</b>	<b>US\$m</b>
Balance of Polk County Gas Plant	0.6
Completion of VOBM#2H Frac	0.3
Completion of VOBM#4 Sidetrack	0.3
Lease Renewals (1)	1.4
G&A(1)	0.7
<b>Total</b>	<b>3.3</b>

  

<b>VOBM#4 and Tyler County Acreage</b>	<b>US\$m</b>
Exercise VOBM#4 Well Option	0.7
Exercise Tyler County Acreage Option	1.5
<b>Total</b>	<b>2.2</b>

  

<b>Optional Capex</b>	<b>US\$m</b>
Wilcox#2 Well (75% WI)	1.9
VOBM#5 Well (58% WI)	2.0
Centre Basin Test Well (50% - 75% WI)	3.0 - 4.5
Tyler County Gas Plant	1.3
Prospect D Wells	2.5
<b>Total</b>	<b>10.6 - 12.6</b>

  

<b>Total</b>	<b>16.1 - 17.6</b>
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In addition to the above funding requirements, the Company will incur financing costs in relation to the Placing, which will be funded out of the gross proceeds of the Placing.

## **Operational Update**

### *Lease Renewals*

The Company currently holds interests in several thousand leases across its Polk and Tyler county acreage. These leases require periodic renewal, where they are not held by production or activity. This is in the normal course of business for companies operating in the US oil and gas industry.

The Company recently renewed a number of leases and is pleased to report that it has been able to renew on improved lease terms, a reflection of the declining level of activity in the region and from the lower oil price environment.

### *Current Lease Dispute*

Pantheon and Vision have a dispute with two third parties regarding interests in certain acreage in Polk County covering the VOBM#1 and VOBM#2H well units. Pantheon and Vision believe it commercially sensible to reach a contractual settlement. Subject to contract, anticipated settlement terms will result in Pantheons WI in the units associated with these two wells being reduced from 58% to 55.1%, after well payout. Should any future well units include acreage from this dispute, Pantheon's WI in those units will be reduced by a maximum of 2.9%, subject to the third party paying its share of costs of that well. The third party will also be obliged to pay processing and marketing charges related to production.

### *Gulf South Pipeline Maintenance*

The Company has been informed by Gulf South Pipeline Company that maintenance will be undertaken on the main trunkline, through which the Company will transport its gas production, during the period September through mid-November 2017. This will result in some disruption to production from our Polk County wells during the period. The likely impact on Pantheon will be a deferral of production volumes until late November.