

## QUARTERLY REPORT SEPTEMBER 2017

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### ***Investment in Pantheon Resources Plc ("Pantheon")***

#### **Gas processing agreement contract signed**

- Contracts have been formally executed, on improved terms, with Kinder Morgan, the USA's largest energy infrastructure company, to install and operate a 15mmcf/d capacity gas processing facility in Polk County.
- Instillation of the facility is expected to commence in early October 2017 with targeted first production by mid- November 2017 from VOBM#1 well and VOBM#3. If successful, VOBM#2H will also be hooked up for production following testing. 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, possibly as low as \$5 per boe.
- The pad, tap in point, permits, and pipeline procurement have already been completed, and rights of way have been agreed and paid for.
- The VOBM#1 well alone, at tested flow rates on a 12/64ths choke could generate an initial c.\$635,000 free cashflow per month to Pantheon, at today's pricing and after taking into account the accelerated payback arrangement concluded last year, after royalties and production taxes. This would generate sufficient cashflow to fund the projected cost of a Polk County vertical well within 4 months. Larger choke apertures would be expected to produce disproportionately greater flow rates.
- At full capacity and on the same terms, the 15mmcf/d gas processing facility running at maximum throughput at today's pricing is modelled to generate over \$1,500,000 per calendar month of free cash flow net to Pantheon.

#### **Placing**

- Placing of new ordinary shares of 1 pence each in the Company (the "Placing Shares") in order raise gross proceeds of approximately US\$12.5 million.
- The price per Placing Share was 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 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 \$500,000. In the event of success, an additional estimated \$200,000 will be required to complete the well for production.
- Pantheon's cost to exercise the option over the 7,820 acres is estimated to be c.US\$1.5 million, increasing the Company's WI to 75% in this area. Importantly, 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\$3 million, the new funds will primarily be used to accelerate the Company's exploration, appraisal and development programme.

#### **VOBM#4, Tyler County – wellbore sidetrack**

The operator has been notified by the drilling rig company that due to a force majeure event resulting from tropical storm Harvey, the rig is now expected to arrive on location on or about 24 October 2017. Once underway, operations are expected to take around 30 to 40 days on a trouble free basis with testing to occur thereafter. Results will be reported at the conclusion of testing.

#### **VOBM#2H, Polk County – flow testing operations**

The Company is pleased to announce that access roads to the VOBM#2H well site have been repaired and are now accessible to the equipment required for testing. A workover rig is now expected to arrive at location in October ahead of flow testing operations. Results will be reported at the conclusion of testing.

#### **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 September 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](http://www.pantheonresources.com)

#### **CORPORATE**

Cash reserves at the end of the September 2017 quarter stood at \$135,000 with no secured debt while the value of the Pantheon Resources Plc investment as at end June 2017 was ~\$6 million.

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.

## 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