



**ASX/Media Release
12th February 2018**

Pantheon Resources Plc

Melbourne, 12th February - 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 an Operational Update.

Argo continues to hold 7,000,000 fully paid ordinary shares in Pantheon. The value of Argo’s investment in Pantheon is ~\$A5.8m as at the date of this announcement.

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Operational update

Pantheon Resources plc ("Pantheon" or "the Company"), the AIM-quoted oil and gas exploration company with a working interest in several conventional project areas in Tyler and Polk Counties, onshore East Texas, is pleased to provide the following operational update:

VOBM#4, Tyler County, 75% working interest

Throughout January 2018 extensive analytical work has been undertaken correlating the Wilcox in VOBM#4 to the analogous Jazz Field in southern Tyler County. In that field, operated by Unit Petroleum Company, wells were initially drilled vertically but over recent times the drilling method has very successfully evolved into a horizontal approach with multiple stage fracture stimulations ("fracs"). The Jazz field is some 2,000 feet deeper and in a higher pressure and temperature setting than in VOBM#4 so correlation and analysis has been an involved process. The operator plans to perforate, test and if warranted, frac the Uppermost Wilcox zone in VOBM#4 which is viewed to be the highest profile target. The VOBM#4 well is scheduled to commence testing operations this coming weekend. If tested results merit a frac, for logistical reasons operations will ideally be synchronised with the contemplated frac of VOBM#1. Pantheon will report results at the conclusion of testing operations.

VOBM#1, Polk County, 55.1% working interest

As reported in early January 2018, production volumes from our Polk County gas processing facility had unexpectedly declined to c.3,000 mcfpd, which was below our anticipated rates for the VOBM#1 and VOBM#3 wells. An independent expert reservoir consultant was contracted to undertake a comprehensive review in order to diagnose the underlying cause of the production decline and to recommend appropriate remedial action where relevant. This review has included numerous diagnostic wellbore operations, mainly focused on the VOBM#1 well, as well as detailed analysis of relevant wells in the Double A Wells field. During this time, there has been minimal production into the gas plant while diagnostic operations were in progress.

During the diagnostic procedures, obstructions were encountered at the top of the perforations in VOBM#1, which is believed to be as a result of the long time period the well was shut in, along with movable formation sand. A xylene/acid treatment was performed and, after further remedial treatment, a wire line bailer was used which recovered considerable amounts of formation sand. The well was again tested into the sales line at rates in excess of 6,800 mcfpd and c.250 bopd on a 22/64(th) choke; a material improvement. The VOBM#1 well has now been shut in to avoid additional blockage and has scheduled a fracture stimulation procedure similar to those successfully performed in the adjacent Double A Wells Field to bypass reservoir skin damage and preclude further sanding issues.

Implications of the blockage in VOBM#1

It is clear that the VOBM#1 wellbore has been impacted by blockages/skin damage, most likely compounded by the long period that the well has been shut in. Our limited actions to

remove the blockage to date have significantly improved flow rates and experience in the Double A Wells field suggests that fracture stimulation treatment offers the potential for material improvement. In fact, as a result of this analysis, there is a strong case to suggest that all future wells would benefit from proactive fracking. The Company believes that the same issue may have affected the VOBM#2H and VOBM#3 wells, given they were drilled with the same combination of drill bit, oil based drilling mud, and have been shut in for extended periods.

VOBM#2H, Polk County, 55.1% working interest

The VOBM#2H well was turned to the sales line for only a few hours before line freezing occurred. The rates observed were c.300 mcfpd with modest oil production. A line heater was ordered and will be installed to permit full production into the sales line. Prior to freezeoff, the wells shut-in pressure was anomalously low compared to the VOBM#1 and #3 wells; however, over the past 10 days the shut-in tubing pressure has increased by over 1,200 psi indicating that "skin damage" has also affected this well's tested performance. The increased pressure buildup may suggest a down hole bypass of that condition. This is both significant and welcome news.

VOBM#5, Polk County, 75% working interest

Operations on VOBM#5 are ongoing and on schedule. Results are expected to be announced by the end of February 2018 or at the conclusion of testing operations should they be warranted.

Tyler County Gas Processing Update

Pantheon and the operator are in present negotiations with the operators of two regional gas processing plants in Tyler County for the transportation and processing of natural gas from the presently shut-in VOS#1 discovery well, and potentially future Tyler County production wells. There can be no guarantee that an agreement on acceptable terms will be reached.

Jay Cheatham, CEO, said:

"It has been a very busy period for Pantheon and the operator Vision. Operations are progressing well on VOBM#5 and preparations to begin testing VOBM#4 are underway and we look forward to announcing the results of these once complete. As well as the in-depth analysis on VOBM#1 and the design for remedial action to get the well back on stream, we have also been busy with ongoing lease renewals and dealing with the operators of two regional gas processing plants in Tyler County. I am also encouraged by the increase in shut-in tubing pressure at our problematic VOBM#2H well. We have always believed the VOBM#2H location to offer tremendous potential even though flow rates will be limited by the compromised wellbore. Nevertheless, this is a positive sign for future production from this well which we believe has the potential to flow at lower rates, but for a very long period of time.

"The decline in production in Polk County in January warranted a concerted scientific approach to analyse, understand and diagnose the appropriate remediation technique. Analysis to date suggests that the cause appears to be wellbore specific factors, most likely as a result of the wells having been shut in for extended periods, and does not suggest a downgrade in the potential of our acreage."

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