



ARGO EXPLORATION LIMITED

ABN 38 120 917 535

**HALF YEAR FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

Argo Exploration Limited

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31 December 2017

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Argo Exploration Limited
Corporate directory
31 December 2017

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 Collins Square, Tower 1 727 Collins Street Melbourne VIC 3008
Stock exchange listing	Argo Exploration Limited shares are listed on the Australian Securities Exchange (ASX code: AXT)
Website	www.argoexploration.com.au

Argo Exploration Limited
Directors' report
31 December 2017

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 2017.

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 profit for the consolidated entity after providing for income tax amounted to \$1,993,925 (31 December 2016: loss of \$7,113,321).

The net assets of the consolidated entity increased by \$1,993,925 to \$7,915,162 as at 31 December 2017 (30 June 2017: \$5,921,237). The main reason for the increase in net assets was due to the increase in the Company's carrying amount of its investment in Pantheon Resources Plc, which increased by \$2,113,223. The consolidated entity's working capital, being current assets less current liabilities, increased by \$1,993,925 to \$7,915,162 (30 June 2017: \$5,921,237).

High level overview of Pantheon

- AIM listed E&P company with interests ranging from 50% to 75% in certain exploration and production assets in Tyler & Polk Counties, onshore East Texas.
- Potential P50 prospective resource (recoverable) of 301mmboe estimated for 100% of the prospects; Pantheon's attributable interest in the project ranges from 50% to 75%.
- Compelling potential economics: low sovereign risk, conventional (not unconventional), easy access to market, abundant nearby infrastructure and potential to be profitable at low commodity prices.
- Per well, capex and opex potentially as low as \$5 - \$10 per boe.
- To date, drilled 5 transformative conventional wells have been drilled; all of which discovered hydrocarbons: VOBM#1, #2H, #3 (Polk County) & VOS#1, VOBM#4 (Tyler County).
- Three main target objectives: Eagle Ford Sandstone (Primary objective), Austin Chalk & recently discovered Wilcox (secondary objectives).
- Geological potential has increased following the Wilcox discovery in the VOBM#4 well. The operator is planning to frack and test 1 or more of the 3 Wilcox zones encountered in VOBM#4 in the coming weeks.
- Kinder Morgan Gas processing facility installed and commissioned, and first oil and gas sales in November 2017. VOBM#1 & 3 wells initially produced into the gas facility at c.5,000mcf/d before declining to c.3,000mcf/d announced in January. Pantheon announced on 9th February that a putty like obstruction was encountered in the wellbore of the VOBM#1 well, believed to be as a result of the well having been shut in for an extended period of time. An acid/Xylene treatment was successfully undertaken which resulted in materially higher flow rates in excess of 6,800mcf/d and 250bopd. The well has now been shut in pending a fracture stimulation operation. Encouragingly, analysis suggests that the production decline was as a result of wellbore specific factors and not does not suggest a downgrade in the potential of the acreage.
- The VOBM#5 well targeting the Eagle Ford sandstone in Polk County was spudded in early January 2018 and should complete drilling mid February 2018.
- The objective remains to achieve a self funding model and to prove up the acreage and sell the assets.
- In July 2017 Pantheon completed a successful fundraising of c.US\$12.5m before costs which leaves the company funded for present operational activities.

The forthcoming 12 months should provide opportunity for regular operational activity and related news flow from Pantheon, and if successful, the potential for further value growth for Argo.

Argo Exploration Limited
Directors' report
31 December 2017

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.

Matters subsequent to the end of the financial half-year

Since 31 December 2017, the fair value of the investment in Pantheon Resources Plc has decreased to \$6,774,991 as at 15 February 2018. This is a decrease of \$1,375,777 since 31 December 2017.

No other matter or circumstance has arisen since 31 December 2017 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.

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.

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



Mr Andrew Van Der Zwan
Non-Executive Director

16 February 2018
Melbourne

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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 2017, 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.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



A C Pitts
Partner - Audit & Assurance

Melbourne, 16 February 2018

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Argo Exploration Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017

		Consolidated	
	Note	31 December 2017	31 December 2016
		\$	\$
Revenue		1,072	3,980
Gain/(loss) on revaluation of FVTPL investments	4	2,113,223	(8,850,246)
Expenses			
Corporate Expenses		(34,899)	(50,304)
Administrative Expenses		(4,364)	(5,667)
Employee benefits expense	5	(81,107)	(81,018)
Finance costs		-	(743)
Profit/(loss) before income tax benefit		1,993,925	(8,983,998)
Income tax benefit		-	1,870,677
Profit/(loss) after income tax benefit for the half-year attributable to the owners of Argo Exploration Limited		1,993,925	(7,113,321)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income/(loss) for the half-year attributable to the owners of Argo Exploration Limited		<u>1,993,925</u>	<u>(7,113,321)</u>
		Cents	Cents
Basic earnings per share	14	1.09	(3.89)
Diluted earnings per share	14	1.09	(3.89)

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 2017

		Consolidated	
	Note	31 December	30 June 2017
		2017	2017
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		88,522	178,502
Trade and other receivables		17,306	11,480
Financial assets at fair value through profit or loss	6	8,150,768	6,037,545
Other		22,728	5,586
Total current assets		<u>8,279,324</u>	<u>6,233,113</u>
Non-current assets			
Deferred tax	7	1,937,936	1,304,071
Total non-current assets		<u>1,937,936</u>	<u>1,304,071</u>
Total assets		<u>10,217,260</u>	<u>7,537,184</u>
Liabilities			
Current liabilities			
Trade and other payables		364,162	311,876
Total current liabilities		<u>364,162</u>	<u>311,876</u>
Non-current liabilities			
Deferred tax	8	1,937,936	1,304,071
Total non-current liabilities		<u>1,937,936</u>	<u>1,304,071</u>
Total liabilities		<u>2,302,098</u>	<u>1,615,947</u>
Net assets		<u>7,915,162</u>	<u>5,921,237</u>
Equity			
Issued capital	9	15,001,479	15,001,479
Accumulated losses		<u>(7,086,317)</u>	<u>(9,080,242)</u>
Total equity		<u>7,915,162</u>	<u>5,921,237</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 2017

Consolidated	Contributed equity \$	Retained profits \$	Total equity \$
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>9,569,962</u>
	Contributed equity \$	Retained profits \$	Total equity \$
Balance at 1 July 2017	15,001,479	(9,080,242)	5,921,237
Profit after income tax expense for the half-year	-	1,993,925	1,993,925
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	1,993,925	1,993,925
Balance at 31 December 2017	<u>15,001,479</u>	<u>(7,086,317)</u>	<u>7,915,162</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 2017

	Consolidated	
	31 December 2017	31 December 2016
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(91,052)	(110,549)
Interest received	1,072	3,980
	<u>(89,980)</u>	<u>(106,569)</u>
Cash flows from investing activities		
Net cash from investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Net cash from financing activities	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	(89,980)	(106,569)
Cash and cash equivalents at the beginning of the financial half-year	<u>178,502</u>	<u>386,596</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>88,522</u></u>	<u><u>280,027</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 2017

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 16 February 2018. 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 2017 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 2017 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 2017 the Company's investment in Pantheon Resources Plc was carried at the market rate \$8,150,768 (30 June 2017: \$6,037,545).

Argo Exploration Limited
Notes to the financial statements
31 December 2017

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

	Consolidated	
	31 December	31 December
	2017	2016
	\$	\$
Gain/(loss) on financial assets at fair value through profit and loss	<u>2,113,223</u>	<u>(8,850,246)</u>

Note 5. Expenses

	Consolidated	
	31 December	31 December
	2017	2016
	\$	\$
Profit/(loss) before income tax includes the following specific expenses:		
<i>Employee benefits expense</i>		
Directors' fees *	18,000	18,000
Consulting fees *	<u>63,107</u>	<u>63,018</u>
Total Employee benefits expense	<u>81,107</u>	<u>81,018</u>

* As at 31 December 2017, accrued directors fees yet to be paid amounted to \$332,100 (31 December 2016: \$224,100).

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

	Consolidated	
	31 December	30 June 2017
	2017	2017
	\$	\$
Shares in listed entity	<u>8,150,768</u>	<u>6,037,545</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	6,037,445	18,354,559
Revaluation increments / (decrements)	<u>2,113,323</u>	<u>(12,317,114)</u>
Closing fair value	<u>8,150,768</u>	<u>6,037,445</u>

Note 7. Non-current assets - deferred tax

	Consolidated	
	31 December	30 June 2017
	2017	2017
	\$	\$
Deferred tax asset	<u>1,937,936</u>	<u>1,304,071</u>

Note 8. Non-current liabilities - deferred tax

	Consolidated	
	31 December	30 June 2017
	2017	2017
	\$	\$
Deferred tax liability	<u>1,937,936</u>	<u>1,304,071</u>

Note 9. Equity - issued capital

	Consolidated			
	31 December	30 June 2017	31 December	30 June 2017
	2017	2017	2017	2017
	Shares	Shares	\$	\$
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 2017

Note 13. Events after the reporting period

Since 31 December 2017, the fair value of the investment in Pantheon Resources Plc has decreased to \$6,774,991 as at 15 February 2018. This is a decrease of \$1,375,777 since 31 December 2017.

No other matter or circumstance has arisen since 31 December 2017 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

	Consolidated	
	31 December 2017	31 December 2016
	\$	\$
Profit/(loss) after income tax attributable to the owners of Argo Exploration Limited	<u>1,993,925</u>	<u>(7,113,321)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>182,970,000</u>	<u>182,970,000</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>182,970,000</u>	<u>182,970,000</u>
	Cents	Cents
Basic earnings per share	1.09	(3.89)
Diluted earnings per share	1.09	(3.89)

Argo Exploration Limited
Directors' declaration
31 December 2017

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 2017 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



Mr Andrew Van Der Zwan
Non-Executive Director

16 February 2018
Melbourne

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Independent Auditor's 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 2017, 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 2017 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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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 2017 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



A C Pitts
Partner - Audit & Assurance

Melbourne, 16 February 2018