

QUARTERLY REPORT DECEMBER 2017

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Investment in Pantheon Resources Plc ("Pantheon")

Commissioning of gas processing facilities, Polk County

The gas processing facility operated by Kinder Morgan in Polk County was successfully commissioned in November 2017. The VOBM#1 & VOBM#3 wells were put into production immediately, and were brought on stream slowly during the commissioning phase of the new gas plant and the "clean-up" phase of the wells. In early January 2018 it was announced that the production rates had unexpectedly declined to around 3000mcf/d (million cubic feet per day) and the operator had contracted a specialist reservoir engineering consultancy to undertake an analysis in order to better understand the reason for the decline and to recommend any remediation treatment if required. The VOBM#1 well is offset by some 1500 feet from the target location because the well was completed in the vertical pilot hole of what had been designed to be a horizontal well. Possible treatments might include acidization and/or fracture stimulation, however a decision will be made upon completion of the third party analysis. The company does not believe that the total resource potential of the West Double A prospect is affected and is hopeful that remediation will be successful in improving production rates.

VOBM#5 Well, Polk County Increase in working interest from 58% to 75%

Pantheon was pleased to announce the acquisition of an additional 17% working interest in the upcoming VOBM#5 development well, and the surrounding 320 acre unit, in Polk County, East Texas. Upon completion of the acquisition Pantheon's working interest in the VOBM#5 well and unit will increase from 58% to 75%. Purchase consideration for the additional 17% working interest will comprise an additional pro-rata 17% share of drilling and completion costs. No premium is being paid for this increased working interest. VOBM#5 will be the first well of the 2018 campaign and will be a vertical well targeting the Eagle Ford sandstone and is considered by the operator to be a development well offsetting the VOBM#1 well.

VOBM#4, Tyler County –

Pantheon reported that Schlumberger has completed logging operations on the VOBM#4 sidetrack well in Tyler County, which was drilled to a depth of 12,050 feet targeting the Wilcox formation. Electric logs indicated the presence of hydrocarbons in a potentially significant reservoir in the targeted Wilcox formation, confirming natural gas shows encountered during drilling. Whilst results from logging are highly encouraging, the significance of these results cannot be definitively assessed until flow testing operations have been undertaken. The well data is currently being analysed by reference to the Jazz Field, some 6 miles away and has been completed ready for testing.

Based upon comparatives to the Jazz Field, one of more of these zones may require fractures stimulation and the operator will make a decision upon this in due course. An update will be given at the conclusion of testing.

VOBM#2H, Polk County – flow testing operations

Reservoir and fluid dynamic engineers completed their analysis of the compromised wellbore and deviated geometry of the VOBM#2H well. The well documented difficulties in drilling horizontally in the hard and abrasive Eagle Ford sandstone has resulted in a suboptimal wellbore completion which will likely impact future flow rates.

The various bends and curves in the wellbore will most likely cause turbulence and back pressure effects in certain areas, masking the true potential of the location. Given the commissioning of the gas processing facility the well can now flow directly into the facility and pipeline. This will allow the Company to benefit from being able to sell (rather than flare) the tested natural gas, while saving the additional cost of testing equipment. The operator can then accurately test well production volumes directly into the gas processing facility.

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 on a risk/reward basis that compares favorably to the upcoming drilling program of Pantheon.

As at the end of the December 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 December 2017 quarter stood at \$89,000 with no secured debt while the value of the Pantheon Resources Plc investment as at end December 2017 was ~\$8 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