

QUARTERLY REPORT SEPTEMBER 2013

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KEY POINTS

Intercept Hill (EL4164) **Argo – 100%**

- No expenditure during the quarter.
- Tenement Relinquished in July.

Toondulya (EL4284) **Argo 100%**

- No expenditure during the quarter.
- Tenement Relinquished in July.

Investment in Pantheon Resources Plc (“Pantheon”) **Argo 6.83%**

- As previously announced, the Pantheon JV has conducted an extensive geological study on the acreage, greatly enhancing the understanding of the play and resulting in a reduced risk profile and an increase in the potential for reserves.
- Pantheon has advised that discussions between the operator and interested parties in respect of the restructuring of the Tyler County Joint Venture ("JV") are at an advanced stage. A further announcement will be made when the restructuring has been successfully concluded, following which the operator intends to commit to a suitable rig and then drill the Kara Farms #1H well.

Pantheon's 25% working interest in the Tyler County JV is not expected to be affected by the restructuring.

- The value of Argo's investment in Pantheon is now valued at \$2,676,505 at an exchange rate of 0.575 at the end of the September Quarter.

SUMMARY OF ACTIVITY

In July, 2013 Argo Exploration Ltd ('Argo') advised that the exploration licence areas; Intercept Hill EL4164, and Toondulya EL4284 were relinquished by the company. This decision to relinquish the exploration licences was made in the context of the present volatility in equity markets and commodity prices, scarcity and cost of capital, and the diminished appetite for greenfields exploration risk. Additionally, these exploration licences carried minimum capital expenditure requirements, which would have impacted the company in the short to medium term. Continued evaluation and exploration on these exploration licences would have required material additional capital, which in the present environment could be highly dilutionary to existing shareholders.

Corporate Strategy

Argo continues to hold a 6.83% interest in Pantheon Resources Plc ("Pantheon"). The value of Argo's investment in Pantheon is \$2,676,505 at an exchange rate of 0.575 as of 30th September 2013. Pantheon has announced that JV discussions with new parties are underway and upon the conclusion of these it is intended that drilling of the prospect should occur soon thereafter. It is not unreasonable to expect this to occur in late 2013. As previously announced, the Pantheon JV has conducted an extensive geological study on the acreage, greatly enhancing the understanding of the play and resulting in a reduced risk profile and an increase in the potential for reserves. Argo has carefully assessed the public information and believes there to be potential for material value accretion in the short to medium term. The Board did consider the option of selling some or all of its shareholding in Pantheon to further fund EL4164 and EL4284, however took the view that selling out of a later stage project with a lower assessed risk profile and potential for near term value growth, to apply those funds to higher risk green fields exploration was not the most prudent use of shareholder funds at that time. Should the Pantheon JV commence drilling and enjoy some success, then this should provide material capital appreciation for Argo shareholders, and provide the company with more options to raise capital to deploy to new opportunities.

PANTHEON RESOURCES PLC (*Argo 6.83% shareholder*)

At Pantheon's AGM held in December 2012, the Managing Director of Vision Gas Resources LLC ("Vision"), Mr Bobby Gray, made a presentation on the Tyler County Project for which Vision is the operator with a 75% interest. During this talk and the ensuing discussion, he expressed his belief that the extensive geological study recently undertaken had substantially increased reserve potential as well as lowered the geological risk of the Joint Venture ("JV") acreage in which Pantheon holds a 25% working interest. He advised that he hoped that the Kara Farms #1H ("KF#1H") well would commence drilling during first quarter 2013. He also stated that this intention was dependent upon two key factors; completion of the restructuring of the JV and availability of a suitable rig. Over recent months the restructuring has moved forward positively with Pantheon taking a prominent and active part. Pantheon has been in the forefront of introducing potential new partners to Vision for entry into the JV although this restructuring is not expected to impact upon its 25% interest in the Tyler County Project. Discussions with parties are now at an advanced stage. These negotiations are by nature complex, with extensive geological and geophysical due diligence requirements, and there can be no guarantee as to the timing or outcome of any decision, it is possible that they should be concluded in the last quarter of 2013. It is the current plan to commit to a rig and then drill the KF#1 well following finalisation of the restructuring of the JV.

The second stated condition for the commencement of drilling was the availability of a suitable rig. Concomitant with this were an experienced, high quality crew to manage the anticipated well conditions and some further reduction in rig rates. Circumstances have moved in the JV's favour on both rig rates and commodity prices and it is believed that suitable rigs are readily available without material delays.

KF#1H is considered by the operator of the Pantheon joint venture (Pantheon 25% working interest), to be a development/appraisal well targeting, in the first instance, a liquids-rich Woodbine Sandstone reservoir underlying the extensive gas-rich Austin Chalk formation.

While disappointed with the delays, the Board believes that this has in no way diminished the overall positive outlook for the Pantheon investment. The joint venture acreage offers tremendous exposure to the burgeoning US domestic oil/gas resources sector, with potential to deliver substantial shareholder value once the drilling program commences.

The Board believes that the investment has the potential to deliver material value to shareholders in the near and long term, particularly given the operator's increased confidence in the liquids-rich Woodbine zone underlying Joint Venture acreage in Tyler County, East Texas and possibility for 4Q 2013 commencement of drilling.

CORPORATE

Cash reserves at the end of the September Quarter stood at \$122,231 with no secured debt while the value of the Pantheon Resources Plc investment was \$2,676,505 at an exchange rate of 0.575. This represents a value gain from Purchase of \$739,807.

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. The recent board changes bring a new and exciting vision for the Company's future.

CORPORATE DIRECTORY

Board of Directors

Andrew Van Der Zwan
Christopher Martin
Justin Hondris

Joint Company Secretaries

Melanie Leydin
Justin Mouchacca

Issued Share Capital

Argo Exploration Ltd has 125,220,000 ordinary shares currently on issue.

Registered Office

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Please direct shareholding enquiries to the share registry