

QUARTERLY REPORT DECEMBER 2013

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KEY POINTS

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.
- The value of Argo's investment in Pantheon is now valued at \$2,821,146 at an exchange rate of 0.5429 at the end of the December Quarter.

Argo continues to preserve cash to avoid shareholder dilution whilst awaiting Pantheon drilling. The Directors of Argo have agreed to continue to defer payment of director fees.

Argo has effectively removed any forward commitments for its previously owned exploration licences known as Intercept Hill and Toondulya.

SUMMARY OF ACTIVITY

In Q3 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.

As at the end of December 2013 quarter the Company did not hold any interest in exploration licences.

Corporate Strategy

Argo continues to hold a 6.83% interest in Pantheon Resources Plc ("Pantheon"). The value of Argo's investment in Pantheon is \$2,821,146 at an exchange rate of 0.5429 as of 31st December 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.

The Board did consider the option of selling some or all of its shareholding in Pantheon to further fund the cash requirements of the company, but has chosen to conserve cash in 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, and ongoing working capital requirements, 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*)

From 2013 Pantheon Resources Plc AGM Statement

The progress that Pantheon is able to report at this Annual General Meeting is not as substantial as might have been hoped for given last year's comments by the Managing Director of Vision Gas Resources LLC ("Vision" or the "operator"), the operator of the Tyler County Joint Venture ("JV"). At the last AGM, Bobby Gray suggested that drilling might commence with a view to production in summer 2013. This recent delay is not the first to affect the Tyler County programme. Shareholders can be assured that Pantheon shares their disappointment at this further hiatus, but has reason to consider that it may not be extended much longer.

Pantheon's, and its operator's, confidence in the geological potential of the acreage is now stronger than at any previous time in its ownership of the acreage. A recent Eagleford/Woodbine discovery in nearby Jasper County has further enhanced the JV's confidence in the play.

The reasons for the delay, as previously reported, include the operator's determination to ensure that the JV is as prepared as possible, both geologically and commercially. The measures included the desire to take on a suitable JV partner. As previously advised, a potential partner has been found, and negotiations are at an advanced stage. The partner has been meticulous in attaining a thorough understanding of the subsurface, regulatory and legal issues. This due diligence process has necessarily taken a long time given that exploration and production in the USA is a new venture for this potential partner. Financial parameters have been agreed and detailed evaluation of the opportunity is advancing. Both parties appear anxious to conclude the transaction, but at this stage a successful outcome cannot be guaranteed.

The conclusion of the restructuring will satisfy one of the two conditions that Vision made prerequisite prior to drilling the Kara Farms #1H ("KF#1H") well. The second condition was the availability of a suitable rig with an experienced crew to manage anticipated well conditions and some further reduction in rig rates. Circumstances have continued to move in the JV's favour with respect to the rig rates, and the operator is in regular contact with drilling contractors.

Behind the scenes, the Company has been busy throughout this period. The Company's Chief Executive is in frequent consultation with the operator. Moreover it was Pantheon who identified the potential partner for the JV and the Company is playing a full part in facilitating the negotiations.

While disappointed with the delays, the Board of Argo 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. Recent corporate activity in the USA Oil & Gas sector has seen GE Energy Financial Services form a partnership with Vess Oil Corp, spending \$108 million to buy EnerVest Ltd's 13,000 net acres of potential Eagleford and Woodbine formation targets in the neighboring, Madison and Grimes counties.

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.

CORPORATE

Cash reserves at the end of the December 2013 Quarter stood at \$105,033 with no secured debt while the value of the Pantheon Resources Plc investment was \$2,821,146 at an exchange rate of 0.5429. This represents a value gain from Purchase of \$1,130,283.

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. This has become increasing evident in the junior resource sector, where many companies are trading well below tenement valuations.

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