

Argo Exploration Limited

ABN 38 120 917 535

Half-year Financial Report - 31 December 2015

Argo Exploration Limited
Contents
31 December 2015

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Argo Exploration Limited
Corporate directory
31 December 2015

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
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 The Rialto Level 30, 525 Collins Street MELBOURNE VIC 3000
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 2015

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 2015.

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 \$15,207,889 (31 December 2014: loss of \$619,699).

The net assets of the consolidated entity increased by \$16,309,345 to \$19,207,252 as at 31 December 2015 (30 June 2015: \$2,897,907). 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 \$18,610,582. The consolidated entity's working capital, being current assets less current liabilities, increased by \$19,310,456 to \$22,208,363 (30 June 2015: \$2,897,907).

Significant changes in the state of affairs

On 17 November 2015 the consolidated entity issued 16,400,000 fully paid ordinary shares at a deemed issue price of \$0.06 (6 cents) per share upon satisfaction of Class A and Class B Performance Rights vesting conditions.

On 17 December 2015 the consolidated entity issued 10,750,000 fully paid ordinary shares at \$0.08 (8 cents) each raising \$860,000 (before costs) to sophisticated investors. The funds from the placement will be used for working capital purposes.

On 17 December 2015 the consolidated entity issued 12,300,000 fully paid ordinary shares at a deemed issue price of \$0.09 (9 cents) per share upon satisfaction of Class C Performance Rights vesting conditions.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

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 4.

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

3 March 2016
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 2015, 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 AUDIT PTY LTD
Chartered Accountants



B. A. Mackenzie
Partner - Audit & Assurance

Melbourne, 3 March 2016

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Argo Exploration Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2015

	Consolidated	
	31 December 2015	31 December 2014
Note	\$	\$
Revenue	1,294	703
Gain on revaluation of FVTPL investments	18,610,582	-
Expenses		
Corporate Expenses	(35,564)	(27,311)
Administrative Expenses	(23,153)	(3,244)
Employee benefits expense	(81,000)	(108,500)
Share based payments expense	(262,648)	(107,830)
Write off of exploration expenditure	-	(989)
Loss on revaluation of FVTPL investments	-	(371,593)
Finance costs	(511)	(935)
Profit/(loss) before income tax expense	18,209,000	(619,699)
Income tax expense	(3,001,111)	-
Profit/(loss) after income tax expense for the half-year attributable to the owners of Argo Exploration Limited	15,207,889	(619,699)
Other comprehensive income for the half-year, net of tax	-	-
Total comprehensive income for the half-year attributable to the owners of Argo Exploration Limited	15,207,889	(619,699)
	Cents	Cents
Basic earnings per share	11.11	(0.49)
Diluted earnings per share	8.79	(0.49)

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 2015

		Consolidated	
	Note	31 December	30 June 2015
		2015	2015
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		868,606	54,202
Trade and other receivables		32,616	25,508
Financial assets at fair value through profit or loss	5	21,870,562	3,259,980
Other		19,921	5,318
Total current assets		<u>22,791,705</u>	<u>3,345,008</u>
Non-current assets			
Deferred tax	6	3,052,799	-
Total non-current assets		<u>3,052,799</u>	<u>-</u>
Total assets		<u>25,844,504</u>	<u>3,345,008</u>
Liabilities			
Current liabilities			
Trade and other payables		569,159	443,697
Borrowings		14,183	3,404
Total current liabilities		<u>583,342</u>	<u>447,101</u>
Non-current liabilities			
Deferred tax	7	6,053,910	-
Total non-current liabilities		<u>6,053,910</u>	<u>-</u>
Total liabilities		<u>6,637,252</u>	<u>447,101</u>
Net assets		<u>19,207,252</u>	<u>2,897,907</u>
Equity			
Issued capital	8	14,820,057	13,481,869
Reserves	9	186,961	423,693
Retained profits/(accumulated losses)		4,200,234	(11,007,655)
Total equity		<u>19,207,252</u>	<u>2,897,907</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 2015

Consolidated	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2014	13,423,483	(11,233,217)	209,794	2,400,060
Loss after income tax expense for the half-year	-	(619,699)	-	(619,699)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	(619,699)	-	(619,699)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 14)	-	-	107,830	107,830
Balance at 31 December 2014	<u>13,423,483</u>	<u>(11,852,916)</u>	<u>317,624</u>	<u>1,888,191</u>
Consolidated	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2015	13,481,869	(11,007,655)	423,693	2,897,907
Profit after income tax expense for the half-year	-	15,207,889	-	15,207,889
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	15,207,889	-	15,207,889
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 8)	838,808	-	-	838,808
Share-based payments (note 14)	-	-	262,648	262,648
Conversion of performance rights	499,380	-	(499,380)	-
Balance at 31 December 2015	<u>14,820,057</u>	<u>4,200,234</u>	<u>186,961</u>	<u>19,207,252</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 2015

	Consolidated	
	31 December	31 December
Note	2015	2014
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of GST)	(25,701)	(47,316)
Interest received	1,294	703
	<u>(24,407)</u>	<u>(46,613)</u>
Cash flows from investing activities		
Net cash from investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from issue of shares	860,000	-
Payments for capital raising costs	(21,189)	-
	<u>838,811</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	814,404	(46,613)
Cash and cash equivalents at the beginning of the financial half-year	54,202	78,751
	<u>868,606</u>	<u>32,138</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 2015

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 3 March 2016. 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 2015 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 2015 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, except for the policies stated below.

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, sale of assets or joint ventures 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.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Significant accounting policies (continued)

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 is insufficient funds being generated through capital raising. As at 31 December 2015 the Company's investment in Pantheon Resources Plc was carried at the market rate \$21,870,562 (30 June 2015: \$3,259,980). Since 31 December 2015, the fair value of the investment in Pantheon Resources Plc has decreased to approximately \$14,864,865 as at 2 March 2016. This is a decrease of \$7,005,697 since 31 December 2015.

During the half-year, the Company raised \$860,000 through the issue of 10,750,000 fully paid ordinary shares - at an issue price of \$0.08 (8 cents) per share.

During the period ended 31 December 2015 the Company generated net operating cash outflows of \$24,407 and had a closing cash balance of \$868,606.

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. Expenses

	Consolidated	
	31 December 2015	31 December 2014
	\$	\$
Profit/(loss) before income tax includes the following specific expenses:		
<i>Employee benefits expense</i>		
Directors' fees *	18,000	48,500
Consulting fees *	<u>63,000</u>	<u>60,000</u>
Total Employee benefits expense	<u>81,000</u>	<u>108,500</u>

* As at 31 December 2015, accrued Directors fees yet to be paid amounted to \$336,000.

Argo Exploration Limited
Notes to the financial statements
31 December 2015

Note 5. Current assets - financial assets at fair value through profit or loss

	Consolidated	
	31 December	
	2015	30 June 2015
	\$	\$
Shares in listed entity	<u>21,870,562</u>	<u>3,259,980</u>

Reconciliation

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	3,259,980	2,562,828
Revaluation increments	<u>18,610,582</u>	<u>697,152</u>
Closing fair value	<u>21,870,562</u>	<u>3,259,980</u>

Note 6. Non-current assets - deferred tax

	Consolidated	
	31 December	
	2015	30 June 2015
	\$	\$
Deferred tax asset	<u>3,052,799</u>	<u>-</u>

Deferred tax balances have been recognised for the first time in the half-year ended 31 December 2015 due to the likely capital gains tax payable in relation to the consolidated entity's investment in Pantheon Resources Plc.

During the half-year a gain of \$18,610,582 has been recognised through the Fair value through profit and loss (FVTPL) following an increase in the share price of Pantheon.

The potential capital gains payable on this amounted to \$6,053,910 and a deferred tax liability has been recognised (refer to Note 7). A deferred tax asset of \$3,052,799 has also been recognised.

The tax effect of the revaluation increment has been taken through FVTPL. For this reason an income tax expense of \$3,001,110 has been recognised in the half-year to 31 December 2015.

Note 7. Non-current liabilities - deferred tax

	Consolidated	
	31 December	
	2015	30 June 2015
	\$	\$
Deferred tax liability	<u>6,053,910</u>	<u>-</u>

Note 8. Equity - issued capital

	Consolidated			
	31 December		31 December	
	2015	30 June 2015	2015	30 June 2015
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>170,670,000</u>	<u>131,220,000</u>	<u>14,820,057</u>	<u>13,481,869</u>

Argo Exploration Limited
Notes to the financial statements
31 December 2015

Note 8. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2015	131,220,000		13,481,869
Conversion of Class A and B Performance Rights	17 November 2015	16,400,000	\$0.060	305,040
Placement	17 December 2015	10,750,000	\$0.080	860,000
Conversion of Class C Performance Rights	17 December 2015	12,300,000	\$0.090	194,340
Capital raising costs		-	-	(21,192)
Balance	31 December 2015	<u>170,670,000</u>		<u>14,820,057</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 9. Equity - reserves

	Consolidated	
	31 December	30 June 2015
	2015	2015
	\$	\$
Share-based payments reserve	<u>186,961</u>	<u>423,693</u>

Option reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	Share based payments	Total
	\$	\$
Balance at 1 July 2015	423,693	423,693
Share based payments	262,648	262,648
Conversion of performance rights	(499,380)	(499,380)
Balance at 31 December 2015	<u>186,961</u>	<u>186,961</u>

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.

Note 13. Events after the reporting period

Since 31 December 2015, the fair value of the investment in Pantheon Resources Plc has decreased to approximately \$14,864,865 as at 2 March 2016. This is a decrease of \$7,005,697 since 31 December 2015.

On 6 January 2016 the consolidated entity issued 12,300,000 fully paid ordinary shares at a deemed issue price of \$0.10 (10 cents) per share upon satisfaction of Class D Performance Rights vesting conditions.

No other matter or circumstance has arisen since 31 December 2015 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. Share-based payments

On 3 July 2013 the Company issued Performance Rights to Directors and consultants in order to provide a cost effective method of remunerating officers of the Company. The performance rights granted contained conditions relating to the significant improvement in the market capitalisation of the Company, aligning the interests of the holders to those of the shareholders. Each of the recipients received 4 classes of Performance Right, each with different market conditions attached.

Class A Rights vest where the Company's share price is equal to or greater than a 5 day VWAP of \$0.035 (3.5 cents) per share.

Class B Rights vest where the Company's share price is equal to or greater than a 5 day VWAP of \$0.05 (5 cents) per share.

Class C Rights vest where the Company's share price is equal to or greater than a 5 day VWAP of \$0.075 (7.5 cents) per share.

Class D Rights vest where the Company's share price is equal to or greater than a 5 day VWAP of \$0.10 (10 cents) per share.

Set out below are summaries of Performance Rights granted under the plan:

31 December
2015

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
03/07/2013	03/07/2018	\$0.000	8,200,000	-	(8,200,000)	-	-
03/07/2013	03/07/2018	\$0.000	8,200,000	-	(8,200,000)	-	-
03/07/2013	03/07/2018	\$0.000	12,300,000	-	(12,300,000)	-	-
03/07/2013	03/07/2018	\$0.000	12,300,000	-	-	-	12,300,000
			41,000,000	-	(28,700,000)	-	12,300,000

31 December
2014

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
03/07/2013	03/07/2018	\$0.000	8,200,000	-	-	-	8,200,000
03/07/2013	03/07/2018	\$0.000	8,200,000	-	-	-	8,200,000
03/07/2013	03/07/2018	\$0.000	12,300,000	-	-	-	12,300,000
03/07/2013	03/07/2018	\$0.000	12,300,000	-	-	-	12,300,000
			41,000,000	-	-	-	41,000,000

Argo Exploration Limited
Notes to the financial statements
31 December 2015

Note 14. Share-based payments (continued)

For the Performance Rights currently on issue, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
03/07/2013	03/07/2018	\$0.016	\$0.000	117.79%	-	3.47%	\$0.019
03/07/2013	03/07/2018	\$0.016	\$0.000	117.79%	-	3.47%	\$0.018
03/07/2013	03/07/2018	\$0.016	\$0.000	117.79%	-	3.47%	\$0.016
03/07/2013	03/07/2018	\$0.016	\$0.000	117.79%	-	3.47%	\$0.015

Argo Exploration Limited
Directors' declaration
31 December 2015

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 2015 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

3 March 2016
Melbourne

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525 Collins St
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Independent Auditor's Review 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 2015, 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 2015 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.

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

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 2015 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 AUDIT PTY LTD
Chartered Accountants



B. A. Mackenzie
Partner - Audit & Assurance

Melbourne, 3 March 2016