

Argo Exploration Limited

ABN 38 120 917 535

Half-year Financial Report - 31 December 2014

Argo Exploration Limited

Contents

31 December 2014

Contents

Corporate directory	2
Directors' report	3
Auditor's independence declaration	4
Statement of profit or loss and other comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	13
Independent auditor's review report to the members of Argo Exploration Limited	14

Argo Exploration Limited
Corporate directory
31 December 2014

Directors	Andrew Van Der Zwan (Executive Director) Justin Hondris (Non-Executive Director) Christopher Martin (Non-Executive Director)
Company secretaries	Melanie J 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
Solicitors	Holman Fenwick Willan Level 39, Bourke Place 600 Bourke 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 2014

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 2014.

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 (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 loss for the consolidated entity after providing for income tax amounted to \$619,699 (31 December 2013: profit of \$440,551).

The net assets of the consolidated entity decreased by \$511,869 to \$1,888,191 as at 31 December 2014 (30 June 2014: \$2,400,060). The consolidated entity's working capital, being current assets less current liabilities, decreased by \$511,869 to \$1,888,191 (30 June 2014: \$2,400,060). The decrease of \$371,593 in the fair value of the financial assets held by the consolidated entity contributed significantly to both movements.

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.

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
Executive Director

5 March 2015
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 2014, 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, 5 March 2015

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Argo Exploration Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2014

	Consolidated	
	31 December	31 December
Note	2014	2013
	\$	\$
Revenue	703	1,569
Gain on revaluation of FVTPL investments	-	702,240
Expenses		
Corporate Expenses	(27,311)	(32,623)
Administrative Expenses	(3,244)	(5,305)
Employee benefits expense	4 (108,500)	(114,000)
Share based payments expense	(107,830)	(103,725)
Depreciation and amortisation expense	-	(267)
Write off of exploration expenditure	(989)	(6,683)
Loss on revaluation of FVTPL investments	(371,593)	-
Finance costs	(935)	(655)
Profit/(loss) before income tax expense	(619,699)	440,551
Income tax expense	-	-
Profit/(loss) after income tax expense for the half-year attributable to the owners of Argo Exploration Limited	(619,699)	440,551
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	<u>(619,699)</u>	<u>440,551</u>
	Cents	Cents
Basic earnings per share	(0.49)	0.35
Diluted earnings per share	(0.49)	0.35

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 2014

		Consolidated	
	Note	31 December 2014 \$	30 June 2014 \$
Assets			
Current assets			
Cash and cash equivalents		32,138	78,751
Trade and other receivables		23,065	14,992
Financial assets at fair value through profit or loss	5	2,191,235	2,562,828
Other		20,005	5,571
Total current assets		<u>2,266,443</u>	<u>2,662,142</u>
Total assets		<u>2,266,443</u>	<u>2,662,142</u>
Liabilities			
Current liabilities			
Trade and other payables		366,338	256,203
Borrowings		11,914	5,879
Total current liabilities		<u>378,252</u>	<u>262,082</u>
Total liabilities		<u>378,252</u>	<u>262,082</u>
Net assets		<u>1,888,191</u>	<u>2,400,060</u>
Equity			
Issued capital		13,423,483	13,423,483
Reserves		317,624	209,794
Accumulated losses	6	<u>(11,852,916)</u>	<u>(11,233,217)</u>
Total equity		<u>1,888,191</u>	<u>2,400,060</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 2014

Consolidated	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2013	13,423,483	(11,155,543)	-	2,267,940
Profit after income tax expense for the half-year	-	440,551	-	440,551
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	440,551	-	440,551
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 11)	-	-	103,725	103,725
Balance at 31 December 2013	<u>13,423,483</u>	<u>(10,714,992)</u>	<u>103,725</u>	<u>2,812,216</u>
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 11)	-	-	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>

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 2014

	Consolidated	
	31 December	31 December
	2014	2013
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of GST)	(46,327)	(100,857)
Interest received	703	1,569
	<u>(45,624)</u>	<u>(99,288)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Payments for exploration and evaluation	(989)	(6,683)
	<u>(989)</u>	<u>(6,683)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Net cash from financing activities	-	-
Net decrease in cash and cash equivalents	(46,613)	(105,971)
Cash and cash equivalents at the beginning of the financial half-year	78,751	211,766
Cash and cash equivalents at the end of the financial half-year	<u><u>32,138</u></u>	<u><u>105,795</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 2014

Note 1. General information

The financial statements cover Argo Exploration Limited as a consolidated entity consisting of Argo Exploration Limited and its subsidiaries. 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 5 March 2015. 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 2014 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 2014 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, 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 raisings. As at 31 December 2014 the Company's investment in Pantheon Resources Plc was carried at the market rate \$2,191,235 (30 June 2014: \$2,562,828). As at 4 March 2015, the Company's investment in Pantheon Resources Plc has not moved materially since 31 December 2014.

The Company also notes that Directors and management continue to accrue their fees as at 31 December 2014, and that these fees wont be called upon until the Company is in a position to do so.

On 25 November 2014, the Company received shareholder approval at its Annual General Meeting ('AGM') to issue shares to Directors in lieu of payment of their Directors fees owing up to October 2014. In accordance with ASX Listing Rules, the Company had up to one month after the date of the AGM to issue these shares. Subsequent to the AGM the Directors decided not to issue these shares in lieu of their fees owing up to October 2014.

Also on 25 November 2014, the Company received shareholder approval at its Annual General Meeting ('AGM') to issue shares to Directors in lieu of payment of their Directors fees on a month-by-month basis for the period November 2014 to October 2015. The Company sought an ASX Waiver in relation to these resolutions which would allow them to issue these shares not later than 10 business days of the end of each relevant month. The ASX Waiver was granted on 31 October 2014. Up until the date of signing this report the Directors have not issued any shares under these resolutions.

During the period ended 31 December 2014 the Company generated net operating cash outflows of \$45,624, and had a closing cash balance of \$32,138.

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 2014	31 December 2013
	\$	\$
Profit/(loss) before income tax includes the following specific expenses:		
<i>Employee benefits expense</i>		
Directors' fees *	48,500	51,000
Consulting fees *	60,000	63,000
	<hr/>	<hr/>
Total Employee benefits expense	108,500	114,000

* As at the date of this report, accrued Directors fees yet to be paid amounted to \$222,450.

Argo Exploration Limited
Notes to the financial statements
31 December 2014

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

	Consolidated	
	31 December	30 June
	2014	2014
	\$	\$
Shares in listed entity	<u>2,191,235</u>	<u>2,562,828</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	2,562,828	2,118,906
Revaluation increments	-	443,922
Revaluation decrements	<u>(371,593)</u>	<u>-</u>
Closing fair value	<u>2,191,235</u>	<u>2,562,828</u>

Note 6. Equity - reserves

	Consolidated	
	31 December	30 June
	2014	2014
	\$	\$
Share-based payments reserve	<u>317,624</u>	<u>209,794</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 2014	209,794	209,794
Share based payments	<u>107,830</u>	<u>107,830</u>
Balance at 31 December 2014	<u>317,624</u>	<u>317,624</u>

Note 7. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 8. Contingent liabilities

The consolidated entity does not have any contingent liabilities at reporting date.

Note 9. Commitments

The consolidated entity had no commitments at the reporting date.

Argo Exploration Limited
Notes to the financial statements
31 December 2014

Note 10. Events after the reporting period

No matter or circumstance has arisen since 31 December 2014 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 11. 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
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
			<u>41,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,000,000</u>

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 2014

In the directors' opinion:

- the attached financial statements and notes thereto 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 thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2014 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
Executive Director

5 March 2015
Melbourne

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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 2014, 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 2014 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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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 2014 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.

Material uncertainty regarding going concern

Without modification to the conclusion expressed above, we draw attention to Note 2 to the financial statements, which details net operating cash outflows of \$45,624 for the half-year ended 31 December 2014 and a closing cash balance of \$32,138. This condition, along with other matters set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B. A. Mackenzie
Partner - Audit & Assurance

Melbourne, 5 March 2015