

*A Licence  
Rich in  
Prospects*

---

Argos Resources Ltd  
*Interim Report 2014*

Argos Resources is an oil and gas exploration company listed on AIM and based in the Falkland Islands. The Company's principal asset is a 100% interest in production licence PL001 covering an area of approximately 1,126 sq kms in the North Falkland Basin.

*Sperm Whale* >

Sperm whales sighted in Falkland Islands' waters are most likely to be males – as most females and their calves remain in the warmer waters at more northerly latitudes.

*Contents*

---

1	Highlights	9	Consolidated statement of changes in equity – unaudited
2	At a Glance	10	Notes to the interim report – unaudited
4	Chairman's Statement	12	Independent review report to Argos Resources Limited
6	Consolidated statement of comprehensive income	14	Investor information and advisors
7	Consolidated statement of financial position		
8	Consolidated statement of cash flows		

# Highlights 2014 1H

- ▷ \$0.7 million loss from expensed overhead (H1 2013: \$1.2 million)
- ▷ \$2.1 million cash reserves at 30 June 2014 (YE 2013: \$2.9 million)
- ▷ The updated Competent Person's Report, describing 52 prospects, 40 leads and a Best Estimate of unrisks recoverable prospective resources of 3.1 billion barrels of oil, has underpinned Argos's 2014 farmout campaign
- ▷ The recent contracting of the Erik Raude deep-water rig by Noble Energy and Premier Oil, and clarity over a 2015 drilling programme, has further increased confidence in a successful Argos farmout
- ▷ Negotiations with potential partners are currently under way

# At a Glance

An emerging oil and gas province

## Falkland Islands

Situated approximately 480 kms to the east of South America in the South Atlantic Ocean.

The Falkland Islands cover approximately 12,000 sq kms of land and include the two main islands of East and West Falkland and about 200 small islands. The Islands have their own legislation relating to oil and gas, which is administered by the Director of Mineral Resources, an official of the Falkland Islands Government based in Stanley.

Water depth in the North Falkland Basin is between 140 metres and 500 metres and the operating environment is similar to that of the UK Central North Sea with the potential for year-round drilling.

*Oil prospects in latest CPR,  
dated 26 July 2013*

# 52

*Additional leads*

# 40

## Some of our Prospects

### *Rhea Stack, 443 mmbo*

The Rhea Stack includes a sequence of overlapping lacustrine basin floor fans and delta, toe-of-slope, sandstones encased in organic-rich mudstones which provide both source and seal.

### *Helios Stack, 666 mmbo*

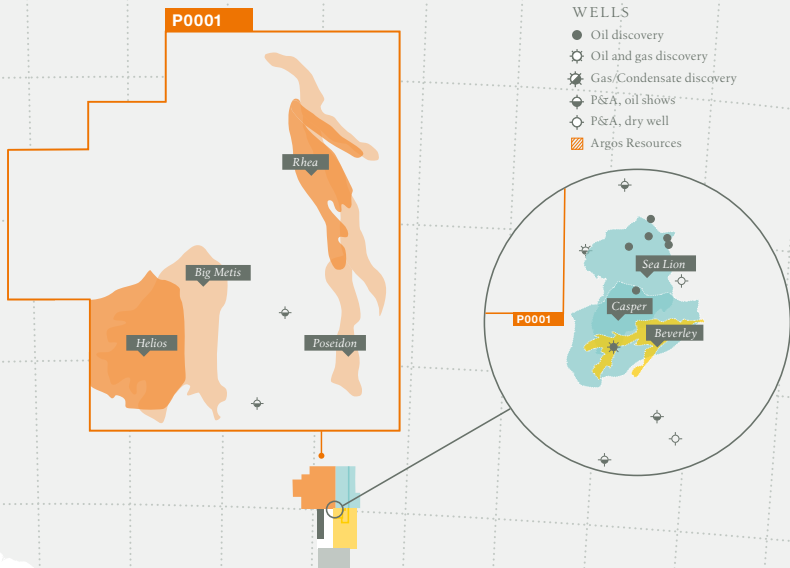
The Helios Stack is a sequence of thick lacustrine fan sandstones which have built up above a deep seated structural closure, and have scoured into the underlying organic-rich mudstones.

### *Big Metis, 216 mmbo*

Big Metis is a very large lacustrine basin floor fan in the Western Graben in which sands have ponded against the Orca Ridge. Big Metis underlies Helios and is encased in high quality, mature Lower Cretaceous source rocks, providing both source and seal.

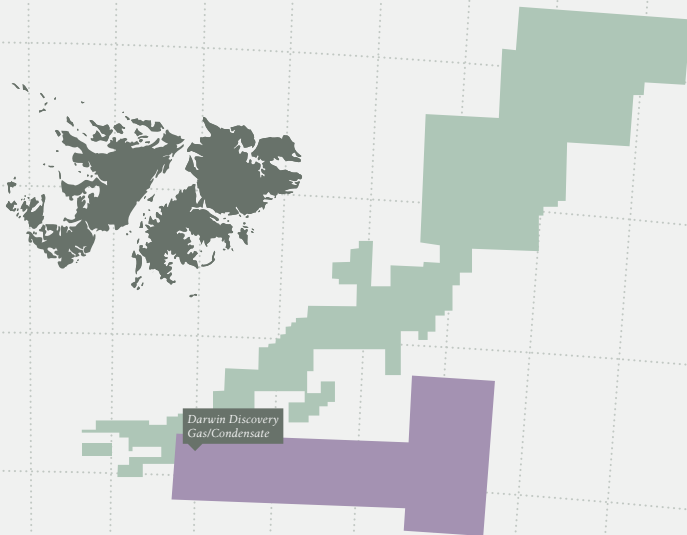
### *Poseidon Channel Sequence, 204 mmbo*

The Poseidon A-E prospects are an echelon series of channel sandstones deposited as a "string of pearls" along the axis of the Eastern Graben. The sands are encased in organic-rich mudstones which provide both source and seal.



## Falkland Islands Licence areas

- Argos Resources
- Premier (Rockhopper/  
Falkland Oil and Gas)
- Falkland Oil and Gas  
(Premier/Rockhopper)
- Premier (Rockhopper)
- Borders and Southern
- Noble (Falkland Oil and  
Gas/Edison)
- Falkland Oil and Gas
- Falkland Oil and Gas  
(Premier/Rockhopper/  
Denholm)



# Chairman's Statement

Ian Thomson OBE



The Company's focus has been to attract partners into the licence to help fund the next stage of exploration drilling.

Prospect identification and detailed mapping within licence PL001 was effectively completed in 2013, resulting in the identification of 52 prospects with a Best Estimate of unrisked recoverable prospective resources on the Argos acreage of 3,083 mmbo, with a High Estimate of 10,412 mmbo. The Company's focus since then has been to attract partners into the licence to help fund the next stage of exploration drilling.

A number of companies have expressed interest in our licence and we have been particularly encouraged by those companies' views on the sub-surface interpretation and prospect ranking, which align closely with our own interpretation.

I said in my Statement in the 2013 Annual Report that the farmout effort has been an extended process affected, in part, by uncertainties over the timing of rig availability and drilling. Since then, it was announced in June 2014 that the deep-water rig, the Erik Raude, has been contracted by Noble Energy and Premier Oil to commence drilling in the Falklands in early 2015. The drilling contract is for six firm wells and numerous additional optional wells which can be exercised in the future. Four of the six firm wells will be drilled on acreage adjacent to our licence; one will be an additional appraisal well on Sea Lion, immediately to the east of PL001, which will also be deepened to test the Chatham prospect; three further exploration wells will test new prospects immediately to the south of our licence. We believe this drilling programme will further de-risk the prospectivity of licence PL001.

I am hopeful that this recent clarity on a drilling timetable for the basin will now allow us to conclude a farmout under satisfactory terms, and negotiations with potential partners are currently under way. While we are unable to commit to participate in the rig contract until funding for drilling is secured, we are confident that once this is achieved, we will be able to join in this forthcoming drilling campaign.

#### **Financial overview**

Losses for the Group for the six months to 30 June 2014 were \$0.7 million (2013: \$1.2 million) giving a loss per share of 0.30 cents (2013: 0.54 cents).

Administrative expenses were \$0.7 million compared to \$0.9 million for the same period in 2013.

The \$0.1 million (2013: \$0.6 million) expended on exploration and development expenditure was spent on continued interpretation of the seismic data.

Net assets have decreased from \$31.7 million to \$31.1 million as a result of the losses incurred.

#### **Financial outlook**

The Group is fully funded to carry out its current activities and has funds to cover administration costs beyond 2015.



**Ian Thomson OBE**  
Chairman

28 August 2014

## Consolidated statement of comprehensive income

Period ended 30 June 2014

	Note	6 months ended 30 June 2014 unaudited \$'000	6 months ended 30 June 2013 unaudited \$'000	Year ended 31 December 2013 audited \$'000
Administrative expenses		(722)	(916)	(1,846)
Finance income		4	11	17
Foreign exchange gains/(losses)		65	(262)	(15)
Loss before tax		(653)	(1,167)	(1,844)
<b>Loss from operations attributable to owners of the parent</b>		<b>(653)</b>	<b>(1,167)</b>	<b>(1,844)</b>
<b>Total comprehensive income for the period attributable to owners of the parent</b>		<b>(653)</b>	<b>(1,167)</b>	<b>(1,844)</b>
Basic and diluted loss per share (cents)	2	(0.30)	(0.54)	(0.85)



## Consolidated statement of financial position

As at 30 June 2014

	As at 30 June 2014 unaudited \$'000	As at 30 June 2013 unaudited \$'000	As at 31 December 2013 audited \$'000
Note			
<b>Assets</b>			
<b>Non-current assets</b>			
Capitalised exploration expenditure	29,010	28,873	28,956
Plant and equipment	26	45	36
	29,036	28,918	28,992
<b>Current assets</b>			
Other receivables	93	121	140
Cash and cash equivalents	2,102	4,263	2,892
<b>Total current assets</b>	<b>2,195</b>	<b>4,384</b>	<b>3,032</b>
<b>Total assets</b>	<b>31,231</b>	<b>33,302</b>	<b>32,024</b>
<b>Liabilities</b>			
<b>Total and current liabilities</b>			
Other payables	174	915	314
<b>Total net assets</b>	<b>31,057</b>	<b>32,387</b>	<b>31,710</b>
<b>Capital and reserves attributable to equity holders of the company</b>			
Share capital	6,595	6,595	6,595
Share premium	30,071	30,071	30,071
Retained losses	(5,609)	(4,279)	(4,956)
<b>Total shareholders' equity</b>	<b>31,057</b>	<b>32,387</b>	<b>31,710</b>

# Consolidated statement of cash flows

Period ended 30 June 2014

	6 months ended 30 June 2014 unaudited \$'000	6 months ended 30 June 2013 unaudited \$'000	Year ended 31 December 2013 audited \$'000
<b>Cash flows from operating activities</b>			
Loss for period	(653)	(1,167)	(1,844)
Adjustments for:			
Finance income	(4)	(11)	(17)
Depreciation	10	10	20
<b>Net cash outflow from operating activities before changes in working capital</b>	<b>(647)</b>	<b>(1,168)</b>	<b>(1,841)</b>
Decrease in other receivables	13	13	28
(Decrease)/increase in other payables	(198)	362	174
<b>Net cash (outflow) from operating activities</b>	<b>(832)</b>	<b>(793)</b>	<b>(1,639)</b>
<b>Investing activities</b>			
Interest received	4	12	18
Exploration and development expenditure	(28)	(368)	(1,154)
Purchase of plant and equipment	–	–	(2)
<b>Net cash used in investment activities</b>	<b>(24)</b>	<b>(356)</b>	<b>(1,138)</b>
Net (decrease) in cash and cash equivalents	(856)	(1,149)	(2,777)
Cash and cash equivalents at beginning of period	2,892	5,688	5,688
Exchange gains/(losses) on cash and cash equivalents	66	(276)	(19)
<b>Cash and cash equivalents at end of period</b>	<b>2,102</b>	<b>4,263</b>	<b>2,892</b>

## Consolidated statement of changes in equity – unaudited

Period ended 30 June 2014

	Share capital \$'000	Share premium \$'000	Retained earnings/ (deficit) \$'000	Total equity \$'000
<b>At 1 January 2013</b>	6,595	30,071	(3,112)	33,554
Total comprehensive income for period to 30 June 2013	–	–	(1,167)	(1,167)
<b>At 30 June 2013</b>	6,595	30,071	(4,279)	32,387
Total comprehensive income for period to 31 December 2013	–	–	(677)	(677)
<b>At 31 December 2013</b>	6,595	30,071	(4,956)	31,710
Total comprehensive income for period to 30 June 2014	–	–	(653)	(653)
<b>At 30 June 2014</b>	6,595	30,071	(5,609)	31,057

# Notes to the interim report – unaudited

Period ended 30 June 2014

## 1 Accounting policies

### General information

Argos Resources Limited is a limited liability company incorporated and domiciled in the Falkland Islands under registration number 10605. The address of its registered office is Argos House, H Jones Road, Stanley, Falkland Islands.

This consolidated interim report was approved for issue by the directors on 28 August 2014.

### Basis of preparation

The financial information included within this interim report is reviewed but unaudited and is based on the consolidated financial statements of Argos Resources Limited and its subsidiary Argos Exploration Limited (“the Group”). The consolidated financial statements are prepared in compliance with the recognition and measurement requirements of International Financial Reporting Standards as adopted by the European Union (IFRSs) and interpretations of those standards as issued by the International Accounting Standards Board. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2013 Annual Report. These accounts have been prepared in accordance with the accounting policies that are expected to be applied in the Report and Accounts of Argos Resources Limited for the year ending 31 December 2014.

The comparative financial information for the year ended 31 December 2013 has been derived from the full statutory financial statements for that period which were prepared in compliance with International Financial Reporting Standards as adopted by the European Union. The Independent Auditors’ Report on the Annual Report and Financial Statements for 2013 was unqualified and did not draw attention to any matters by way of emphasis.

The IASB has issued various new and revised standards, amendments and interpretations to existing standards that are not effective for the financial year ending 31 December 2014 and have not been adopted early. The directors do not expect these standards and interpretations to have material impact on the financial statements.

### Significant accounting judgements, estimates and assumptions

The Group makes certain estimates and assumptions regarding the future in relation to intangible assets and impairment of these assets. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

### Exploration and evaluation expenditure

As permitted under IFRS 6 the Group has accounted for evaluation and exploration expenditure using the “full cost” method. All expenses associated with oil exploration are capitalised as intangible assets, pending determination of feasibility of the project.

## 1 Accounting policies continued

### *Impairment of intangible assets*

If there are circumstances which suggest that the carrying value of intangible assets may be impaired, the Group is required to test whether the intangible assets have suffered any impairment. The valuation of intangible assets requires judgements to be made in respect of discount rates, growth rates and future cash flows and the cost of capital. Actual outcomes may vary.

## 2 Loss per share

	6 months ended 30 June 2014 unaudited \$'000	6 months ended 30 June 2013 unaudited \$'000	Year ended 31 December 2013 audited \$'000
Loss for the period	(653)	(1,167)	(1,844)
Weighted average number of ordinary shares in issue during the period	217,363,205	217,363,205	217,363,205
Basic and diluted loss per ordinary share (cents)	(0.30)	(0.54)	(0.85)

In accordance with IAS 33 as the Group is reporting a loss for this, the preceding interim period and the year to 31 December 2013 the share options are not considered dilutive because the exercise of share options would have the effect of reducing the loss per share.

## 3 Events after the reporting date

There are no events after the balance sheet date which are required to be reported.

# *Independent review report to Argos Resources Limited*

## **Introduction**

We have been engaged by the Company to review the set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 which comprises of the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the interim report.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the set of financial statements.

## **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

## **Our responsibility**

Our responsibility is to express to the Company a conclusion on the set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

## **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information 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 International Standards on Auditing (UK and Ireland) 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.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

**BDO LLP**  
**Chartered Accountants**  
London  
United Kingdom

28 August 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## *Investor information and advisors*

### **Registered Office**

Argos House  
H Jones Road  
Stanley  
Falkland Islands

### **Business address**

Argos House  
H Jones Road  
Stanley  
Falkland Islands

### **Company Secretary**

Kevin Kilmartin  
Argos House  
H Jones Road  
Stanley  
Falkland Islands

### **Nominated advisor and broker**

Cenkos Securities PLC  
6.7.8 Tokenhouse Yard  
London, EC2R 7AS

### **Solicitors (Falkland Islands law)**

Kevin Kilmartin  
Argos House  
H Jones Road  
Stanley  
Falkland Islands

### **Solicitors (English law)**

Peachey & Co LLP  
95 Aldwych  
London, WC2B 4JF

### **Auditors**

BDO LLP  
55 Baker Street  
London, W1U 7EU

### **Registrars**

Computershare Investor Services (Jersey) Ltd  
Queensway House  
Hilgrove Street  
St Helier  
Jersey, JE1 1ES

### **Bankers**

Lloyds TSB  
3–5 Bridge Street  
Newbury, RG14 5HB

### **Bankers**

Lloyds TSB Offshore Ltd  
Corporate Banking  
9 Broad Street  
St Helier  
Jersey, JE4 8RS

### **Bankers**

Standard Chartered Bank  
Ross Road  
Stanley  
Falkland Islands

### **Bankers**

HSBC Bank Bermuda Ltd  
Harbourview Centre  
87 Front Street  
Hamilton, HM 11  
Bermuda

### **Public relations**

Citigate Dewe Rogerson  
3 London Wall Buildings  
London, EC2M 5SY

### **Website**

[www.argosresources.com](http://www.argosresources.com)





[www.argosresources.com](http://www.argosresources.com)

**Argos Resources**

Argos House  
H Jones Road  
Stanley  
Falkland Islands  
FIQQ 1ZZ

Tel: +500 22685

Fax: +500 22687

[info@argosresources.com](mailto:info@argosresources.com)

