Argos Resources Ltd

Annual Report

Year ended 31 December 2017

Contents

Highlights

Argos Resources Ltd (AIM: ARG.L), the Falkland Islands based exploration company focused on the North Falkland Basin, announced its financial results for the year ended 31 December 2017 on 15 March 2018.

- US$118,000 profit
- US$758,000 cash reserves at 31 December 2017
- The Company retains an Overriding Royalty Interest (the "**ORRI**") of 5% of all oil and gas produced over the life of Licence PL001 in the North Falkland Basin (the "**Licence**") from all hydrocarbon discoveries developed within the Licence area
- All future expenditures incurred on the Licence will be at no cost to the Company
- The Company will receive future cash payments of $405,000 per annum from Noble Energy Falklands Limited ("**Noble**") and Edison International S.p.A ("**Edison**") which will be sufficient to meet its ongoing running costs until first oil production
- A three year extension of the Licence was approved in 2016 which extends the current Second Phase of the Licence to November 2019

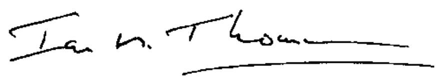
Combined Chairman's statement and Managing Director's review

Oil prices rose steadily during the second half of 2017, supported by sustained production curtailments from a number of leading OPEC and non-OPEC producers. The Brent oil price at year end 2017 approached $67 per barrel, an increase of over $10 per barrel from the beginning of the year. The industry response to this has so far been muted, with concerns about the sustainability of these price levels continuing for the long term.

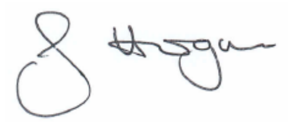
A Participation Agreement between Noble, Edison and the Company continues to be in effect. The Participation Agreement confirms the Company's entitlement to a 5 percent Overriding Royalty Interest in Licence PL001 in the North Falkland Basin. This royalty interest entitles the Company to 5 percent of all oil and gas produced over the life of the Licence, free and clear of all costs. Also, under the terms of the Participation Agreement, the Company has been receiving quarterly cash payments totalling £300,000 per annum during 2017, which is sufficient to meet its ongoing running costs.

The Company announced in August 2016 that a three-year extension to the Licence had been approved by the Executive Council of the Falkland Islands Government and by the UK Secretary of State for Foreign and Commonwealth Affairs. This approval extends the current Second Phase of the Licence to November 2019, after which a Third Licence Phase of 10 years is available to the Licensees.

With world-wide exploration drilling activities still suppressed, the Company cannot yet forecast when drilling operations might commence on the Licence. However, the Overriding Royalty Interest in the Licence continues through the Second Phase of the Licence and any further phases beyond, and the Company's future running costs are covered, so we remain well positioned. The Company continues to be positive about the exploration potential of the Licence Area.



Ian Thomson
Chairman
15 March 2018



John Hogan
Managing Director

Directors

Ian Thomson OBE
Executive Chairman (aged 78)

Skills and experience

Ian, a Chartered Engineer, founded Argos in 1995. After an early career in the mining and energy equipment industry, he became the Managing Director of Evergreen Resources Inc.'s exploration and production interests in the UK and Europe.

External appointments

He is a director of a number of Falkland Islands and overseas companies engaged in fishing and other operations.

Committee membership

None

John Hogan
Managing Director (aged 64)

Skills and experience

John joined the board in 2005. John is a qualified geologist who has spent over 40 years in the oil industry. He was Chief Operating Officer of LASMO PLC and Managing Director of LASMO North Sea between 1989 and 2000. Since 2000, he has been active at board level in a number of privately held and quoted energy businesses internationally.

External appointments

He is Chairman of Celtique Energie Holdings Ltd and a non-executive director of Chrysaor Holdings Ltd.

Committee membership

None

Andrew Irvine FCCA
Finance Director (aged 56)

Skills and experience

Drew joined the board in 2005. After qualifying as a Chartered Certified Accountant in Scotland, Drew managed the Pannell Kerr Foster related accounting practice in the Falkland Islands. Drew is now a Falkland Islands resident and is a director of a number of Falkland Island companies.

External appointments

He is Chairman of the Falkland Islands Pensions Scheme and a member of the board of the Falkland Islands Fishing Companies Association.

Committee membership

None

Directors (continued)

Dennis Carlton

Senior Non-executive Director (aged 67)

Skills and experience

Dennis joined the board in 2005, having served on the board of Argos Exploration since 1995. Dennis is a qualified petroleum geologist and has been involved with the North Falkland Basin since 1995. He was Chief Operating Officer of Evergreen Resources Inc. between 1981 and 2004, and following its merger, Vice President of Exploration, Western Division for Pioneer Natural Resources USA Inc. until 2008.

External appointments

He is currently consulting for a number of other private companies operating in the energy and other sectors.

Committee membership

Dennis is a member of the Audit Committee and Chairman of the Remuneration Committee.

Christopher Fleming

Non-executive Director (aged 58)

Skills and experience

Christopher joined the board in 2008. Christopher graduated from Aberdeen University with an M.A. in Economics and Law and joined Morgan Grenfell in 1985. Between 1987 and 2005 he was involved in the development of the Gilt Sales operations of Bankers Trust, Deutsche Bank and SBC Warburg as Head of Government Bond Sales of each of the banks. From 2005 to 2009 he was Head of EMEA Flow Rates, Credit and Currency Sales for RBS Global Markets and retired as Head of Global Markets EMEA Sales for Nomura International PLC in August 2016. In June 2017 Chris returned to Nomura as Vice Chairman of EMEA Wholesale

External appointments

Christopher is Chairman and co-founder of “mentorxchange", a company set up in 2016.

Committee membership

Christopher is a member of the Audit Committee and a member of Remuneration Committee.

James Ragg LLB, FCA

Non-executive Director (aged 52)

Skills and experience

James joined the board in 2008. James qualified as a Chartered Accountant in 1995, and after eight years with Saffery Champness, joined a Haines Watts accountancy practice as an audit and assurance partner in 2004. He subsequently managed the de-merger of his firm from Haines Watts and its renaming as Blue Spire South LLP where he was a Management Partner until September 2012, and a non-executive partner until September 2013.

External appointments

He is currently heading up the finance and development operations for a group of private companies.

Committee membership

James is Chairman of the Audit Committee and a member of the Remuneration Committee.

Statutory information

The directors submit their report and the consolidated financial statements of Argos Resources Ltd and its subsidiary (the “Group”), for the year ended 31 December 2017.

Principal activity
The Company’s wholly-owned subsidiary, Argos Exploration Ltd, holds an Overriding Royalty Interest (ORRI) in production licence PL001 which entitles it to 5% of all oil and gas produced from all hydrocarbon discoveries developed within the Licence. The Licence is held by Noble Energy Falklands Ltd and Edison International S.p.A and it covers an area of approximately 1,126 square kilometres in the North Falkland Basin.

The current Second Phase of the Licence expires in November 2019, after which a Third Licence Phase of 10 years is available to the Licensees.

Results and dividend
The results for the year and the Group’s financial position as at the year-end are shown in the attached financial statements. The directors have not recommended a dividend for the year (2016: $nil).

Business review
The Group has returned a profit for the year ended 31 December 2017 of $118,000 (2016: loss of $16,000) which equates to a profit per share of 0.05 cents (2016: loss per share of 0.007 cents). The profit reflects the full effects of management efforts to cut costs in 2016, positive foreign exchange differences and the receipt of income under the Participation Agreement.

Administration expenses were $329,000 in 2017 compared to $427,000 in 2016.

Shareholders’ equity has increased marginally from $29.32 million to $29.46 million in the year since 31 December 2016, as receipts under the Participation Agreement offset the administration costs leaving a small surplus. Cash in the year increased from $701,000 to $758,000.

Outlook for the next financial year
The Participation Agreement with Noble and Edison means that the Group will continue to receive quarterly cash payments totalling £300,000 per annum, in Sterling which equates to $405,000 at the year-end exchange rate and covers the Group’s ongoing costs. There is a risk that Noble and Edison withdraw from the agreement. In such circumstances the Licence would revert back to Argos, subject to Government approval. Given that Noble and Edison have been granted an extension to the Licence, which now runs until November 2019, withdrawal is considered unlikely. The Group is therefore fully funded for the foreseeable future.

Key performance indicators
At this stage in its development, the directors do not consider that standard industry key performance indicators are relevant.

Statutory information (continued)

Principal risks and uncertainties
Risks in relation to financial instruments are explained within note 2 to the Group financial statements. A discussion of other potential risks can be found in the risk management report on page 16.

Substantial shareholders
As at 5 March 2018, the Company has been notified of interests in 3% or more of the Company's voting rights, based on an issued share capital of 220,713,205, as shown below:

Shareholder/Fund manager	Percentage of voting rights
Ian Thomson*	12.67
Iain Aylwin**	9.16
Orian Partners LP	6.83
Salida Capital International	6.36
JP Morgan Asset Management (UK) Ltd	4.95
Portogon Investments SA	4.55
Robert Smith	4.29

*Ian Thomson also has a 51.68% interest in the issued share capital of Argos Georgia Ltd.
**Iain Aylwin also has a 25.84% interest in the issued share capital of Argos Georgia Ltd.

Argos Georgia Ltd held 700,000 ordinary shares of 2 pence at 31 December 2017 and there has been no change in the shareholding in the period to 15 March 2018.

Directors and their interests
The interests of the directors and their immediate families and of persons connected with the directors, within the meaning of the Acts, in the share capital of the Company are as follows:

Name		At 31 December 2017 Ordinary shares of 2 pence each	At 31 December 2016 Ordinary shares of 2 pence each
I M Thomson*	Chairman	27,844,701	27,844,701
J Hogan	Managing Director	3,000,000	2,000,000
A Irvine	Finance Director	2,125,000	2,125,000
D Carlton	Non-executive	3,750,000	3,750,000
C Fleming	Non-executive	2,625,000	2,625,000
J Ragg	Non-executive	200,000	200,000
Total		39,544,701	38,544,701

The directors also hold options in the Company's shares which are detailed in the directors' remuneration report on page 15.

*See preceding note on substantial shareholders for information on shares held by Ian Thomson in Argos Georgia Ltd. The number of shares held by Ian Thomson in the table above does not include those held by virtue of his position as a shareholder in Argos Georgia Ltd.

Statutory information (continued)

Directors' service agreements
The terms of the directors' service agreements or letters of engagement are summarised as follows. The Company entered into a service agreement with the executive directors Ian Thomson, John Hogan and Andrew Irvine on 8 July 2010 setting out the terms of their employment following the admission to AIM, which took place on 29 July 2010. The terms of the service contracts permit termination by either party giving notice to the other of not less than 12 months in the case of John Hogan and 6 months for Andrew Irvine. There are no specific entitlements on termination of any of the employments concerned.

Dennis Carlton, Christopher Fleming and James Ragg are engaged as non-executive directors upon the terms of various letters of appointment, the principal terms of which are that each of them is appointed for an initial term of up to three years commencing at the time of admission, subject to early termination rights of not less than three months' notice by either party.

Related party transactions
See note 18.

Events after the reporting date
See note 21.

Financial instruments
For the year under review the Group held no financial instruments outside of cash and receivables. The policies for financial risk management are disclosed in note 2.

Political and charitable contributions
The Group made no political or charitable donations in the year under review (2016: $nil).

Creditor payment policy
It is the Group's policy to ensure that all of its suppliers are paid promptly and in accordance with contractual obligations. Average creditor days for the year were 3 days (2016: 1 days), on the basis of accounts payable (excluding retention held) as a percentage of purchase ledger turnover which includes amounts capitalised.

Directors' and officers' insurance
The Group purchased directors' and officers' liability insurance. The directors may also, in their capacity as directors, obtain independent legal advice at the Group's expense if they consider it necessary to do so.

Employees
The Group employees consisted of three executive and three non-executive directors during the course of the year who are included in the total staff numbers shown in note 6 to these accounts.

Health, safety and the environment
It is the Company's objective to maintain the highest standards for health and safety and the protection of the environment which adhere to all applicable laws and represent best practice.

Statutory information (continued)

Social and community

As a holder of an ORRI in the North Falkland Basin the Company's activities have a limited impact on the community but the directors remain aware that the Falkland Islands is a small community and continue to believe that working closely with the Falkland Islands Government and seeking views through consultation with stakeholder groups should help to ensure a positive impact from any of the Company's operations on the Falkland Islands and its population.

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law, the Companies Act 1948 as amended by the Companies (Amendment) Ordinance 2006 (Falkland Islands Companies Act) requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law the directors have elected to prepare the Group and Parent Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Group and parent Company financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent Company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1948 as amended by the Companies (Amendment) Ordinance 2006 (Falkland Islands Companies Act) as it applies in the Falkland Islands. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the Falkland Islands governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Statement as to disclosure of information to the auditor

Each director in office at the date of this report has confirmed, as far as he is aware, that there is no relevant information of which the auditor is unaware. Each such director has confirmed that he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Statement of directors' responsibilities in respect of the annual report and the financial statements (continued)

Auditor

In accordance with the provisions of the Companies Act 1948 as amended by the Companies (Amendment) Ordinance 2006 (Falkland Islands Companies Act) as it applies in the Falkland Islands, a resolution is to be proposed at the Annual General Meeting of the Company for the reappointment of BDO LLP as auditor of the Company.

On behalf of the board

Ian Thomson
Chairman

Date: 15 March 2018

Corporate governance statement

As an AIM company, Argos Resources Ltd is not required to comply with the UK Corporate Governance Code. Although the Company does not comply with the Code, the board has sought to comply with a number of the provisions of the Code in so far as it considers them to be appropriate to a company of this size and nature.

An outline of how it does this is as follows:

The board
The Argos Resources Ltd board is currently comprised of three executive and three non-executive directors. It is therefore compliant with the Code's recommendation for smaller companies that at least two of the board members are independent non-executive directors.

Whilst the non-executive directors are shareholders in the Company and hold options to acquire shares in the Company, this is not considered a significant threat to their independence. One of the non-executive directors, James Ragg, is a senior employee within the Argos Georgia group. Argos Georgia Ltd owns 0.32% of the Company's shares. The board has considered, in conjunction with its advisors, whether this has any impact on Mr Ragg's independence and has concluded that it does not. Apart from these matters and their directors' fees the non-executive directors have no other financial interests in the Company or business relationships that would interfere with their independent judgement.

Dennis Carlton is the senior non-executive director. Dennis is considered a valuable member of the Board and his experience in the oil industry more than outweighs any perceived loss of independence due to the time he has served as non-executive.

Should shareholders have concerns which have not been adequately addressed by the chairman or managing director, he can be contacted by sending an email to info@argosresources.com. The same address can also be used to contact James Ragg, chairman of the audit committee.

The board has agreed to meet four times per year or more frequently if it needs to do so. There is a schedule of matters reserved for board approval and this ensures that the board exercises control over all key areas.

The board's executive chairman, Ian Thomson, is not considered independent as he holds a substantial number of the Company's shares and he has been on the board for more than 10 years. The Company considers, however, that the benefit of his experience and long involvement with business in the Falkland Islands more than outweighs the benefits of an independent chairman. He meets with the non-executive directors, without the other executive directors present, at least once per year.

The Company complies with Rule 21 of the AIM Rules for Companies regarding dealings in the Company's shares and has adopted a code on dealing in securities to ensure compliance by directors.

Audit committee
The audit committee comprises James Ragg (committee chairman), Dennis Carlton and Chris Fleming. The board considers all three members of the committee to be independent and is satisfied that at least one, James Ragg, has recent and relevant financial experience.

Corporate governance statement (continued)

The committee invites the remainder of the board and the external auditor to attend its meetings as observers. It meets the external auditor, in the absence of the remainder of the board, at least once per year.

The role and responsibilities of the audit committee have been set out in written terms of reference which include:

- risk assessment, particularly, but not exclusively, in respect of financial reporting risks;
- assessment of processes relating to the Company's control environment;
- oversight of financial reporting;
- evaluation of internal and external audit processes; and
- development and implementation of policy on the provision of non-audit services by the external auditor.

The full terms of reference for the audit committee are available on the Company's website.

The audit committee has established procedures by which concerns regarding accounting or audit matters may be brought to the committee chairman's attention and the chairman can be contacted by sending an email to info@argosresources.com.

The audit committee has considered the need for an internal audit function and regards this as unnecessary given the Company's current size and lack of complexity.

The audit committee makes recommendations to the board regarding the appointment, reappointment and removal of external auditors. At the Annual General Meeting the shareholders are requested to authorise the audit committee to fix the remuneration of the external auditors.

The audit committee recognises that, for smaller companies, it is cost-effective to procure certain non-audit services from the external auditor but there is a need to ensure that provision of such services does not impair, or appear to impair, the auditor's independence or objectivity. The committee has therefore put in place a written policy on the use of external auditors which includes clear limits on the level of non-audit work beyond which the chairman of the audit committee must be consulted before the assignment can be awarded to the external auditor.

The audit committee was satisfied throughout the year that the external auditor's objectivity and independence were in no way impaired by the nature of the non-audit work undertaken or any other factors including the level of non-audit fees charged.

The audit committee held one meeting during the year. During the period since the year end one further meeting has been held.

The chairman of the audit committee reports to the board on the committee's discussions and minutes of the committee's meetings are circulated to all directors.

Nominations committee
The board considers that, at its current stage of development, the Company does not require a separate nominations committee. The functions of that committee, namely consideration of any new appointments of directors to the board, are therefore carried out by the board as a whole.

Corporate governance statement (continued)

No appointments to the board were made in the year under review.

Internal controls and risk management
The board of directors is responsible for implementing and reviewing the effectiveness of the Group's system of internal control.

The system of internal control is designed to mitigate rather than eliminate risk and therefore provides reasonable rather than total assurance against material misstatement or loss.

As noted above, the board does not consider it necessary, at the Company's current stage of development, to implement an internal audit capability.

Going concern
As at the date of approval of the financial statements the board is of the opinion that the Group and Company have adequate resources to continue in existence for at least 12 months from that date. The board has therefore continued to adopt the going concern basis in preparation of the financial statements. See also Accounting Policy note 1 on page 29.

Capital
Capital is managed to ensure that the Group is able to continue as a going concern. The Group is not subject to any externally imposed capital requirements.

Directors' attendance
Directors' attendance at board and committee meetings for the year is as set out below:

	Board meetings	**Audit committee meetings**	**Remuneration committee meetings**
I M Thomson (Chairman)	5	-	-
J Hogan	5	-	-
A Irvine	5	-	-
D Carlton (chairman, remuneration committee)	5	1	1
C Fleming	2	1	1
J Ragg (chairman, audit committee)	4	1	1
Total meetings during the year	**5**	**1**	**1**

Remuneration report

The remuneration committee comprises Dennis Carlton (committee chairman), Chris Fleming and James Ragg. The board considers that all members of the remuneration committee are independent.

The committee's role is to establish the Company's policy for the remuneration of the executive directors in order to ensure that all members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance.

The committee met formally once during the year under review and held a number of informal discussions. The committee did not recommend any changes to remuneration for executive members of the Board.

Directors' remuneration for the year is as set out below:

	2017 Fees £'000	2017 Pension contributions £'000	2017 Total £'000	2016 Fees and total £'000
I M Thomson	-	-	-	-
J Hogan	50	-	50	58
A Irvine	20	1	21	23
D Carlton	10	-	10	12
C Fleming	10	-	10	12
J Ragg	10	-	10	12
Total directors' remuneration	**100**	**1**	**101**	**117**
Remuneration above converted to $'000	**129**	**2**	**131**	**158**

Share options
The share options in place as at 31 December 2017 and held by directors are as follows:

	Date of grant	Number of options brought forward	Exercised during the year	Number of options carried forward	Exercise price (pence)
J Hogan	12/11/2009	5,805,818	(1,000,000)	4,805,818	2
A Irvine	12/11/2009	-	-	-	2
D Carlton	12/11/2009	875,000	-	875,000	2
C Fleming	12/11/2009	-	-	-	2
J Ragg	12/11/2009	1,025,000	-	1,025,000	2
Total		**7,705,818**	**(1,000,000)**	**6,705,818**	

The share options were exercisable from 30 October 2010 and expire on 11 November 2019.

Risk management report

The Group's business, financial condition and results could be materially adversely affected by a number of factors.

General exploration risk

Whilst results in the surrounding area are encouraging with respect to the oil and gas potential of the area and interpretation of the seismic data has indicated extensive prospectivity within the licence area in which the Group retains an overriding royalty interest, no commercial volumes of oil or gas have yet been discovered and there is no certainty that such discoveries will ever be made.

Mitigation: On 13 April 2015, the Company announced that its wholly-owned subsidiary, Argos Exploration Ltd, had entered into a Farmout Agreement, which was replaced by a Participation Agreement in February 2016, with Noble Energy Falklands Ltd and Edison International S.p.A, providing evidence that other industry participants see potential in the licence area.

Licence risk

The licence on which the ORRI is based requires a well to be drilled by 25 November 2019. There is a risk that the licence will expire and not be extended.

Mitigation: In August 2016 an extension of 3 years was approved by the Executive Council of the Falkland Islands Government and by the UK Secretary of State for Foreign and Commonwealth Affairs. This approval extended the current Second Phase of the Licence to November 2019, after which a Third Licence Phase of 10 years is available to the Licensees.

Commercial risk

Even if quantities of oil or gas are discovered, there is a risk that these will not be developed.

Mitigation: The Group have entered into a Farmout Agreement, since replaced by a Participation Agreement, with partners with strong financial backgrounds and track records of expediting the process from commercial discovery to production.

Future funding requirements

There is a risk that Noble and Edison withdraw from the agreement. In such circumstances the licence would revert back to Argos, subject to government approval, but funding would need to be found to cover overheads.

Mitigation: Under the Participation Agreement the Group will not need to raise additional funding in relation to future exploration and development in the Licence area and given that Noble and Edison have recently applied for and been granted an extension to the Licence, which now runs until November 2019, withdrawal is considered unlikely.

In the event that funding ceased the cash balance held by the Company is sufficient to meet the ongoing overhead for a period of more than one year, during which time the Company would seek to raise further finance.

Risk management report (continued)

Political risk

The Argentine Government has not relinquished its claims to sovereignty over the Falkland Islands and the surrounding maritime areas.

Mitigation: In a referendum, conducted in 2013, the Falkland Islanders voted unequivocally to remain as a British Overseas Territory and the UK Government has stated that it has no doubt about its sovereignty and remains fully committed to the offshore prospecting policy pursued by the Falkland Islands Government.

Independent auditor's report to the members of Argos Resources Ltd

Opinion

We have audited the financial statements of Argos Resources Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the consolidated statements of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with company law in the Falkland Islands.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with company law in the Falkland Islands; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 1985 as it applies in the Falkland Islands by virtue of the Companies (Amendment) Ordinance 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 as it applies in the Falkland Islands by virtue of the Companies (Amendment) Ordinance 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Independent auditor’s report to the members of Argos Resources Ltd (continued)

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group’s or the parent company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report to the members of Argos Resources Ltd (continued)

Key audit matter	**Impairment of Intangible Assets** As detailed in notes 1 and 12 to the financial statements, at the year end the Group's principal asset was a 5% overriding royalty interest (ORRI) in Licence PL001. Management is required to assess the Royalty Interest Asset, at least annually, for indicators of impairment. The underlying asset over which the Group has a royalty interest is an exploration asset, and is therefore subject to the risks facing exploration businesses. Reviewing indicators of impairment often requires significant estimates and judgements and therefore we have identified this as an area in which there is significant risk of material misstatement and a key audit matter.
Our response	We reviewed Management's consideration of whether there were any indicators of impairment. The royalty interest is similar in economic terms to holding a direct interest in the underlying licence as there is only a right to receive benefit from the ORRI on production and therefore many of the risks faced by the Group are the same as those faced by the owner of the licence. We have considered the indicators of impairment applicable to exploration businesses, including the following indicators identified in IFRS 6 'Exploration for and Evaluation of Mineral Resources': The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and was not expected to be renewed. Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned. Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area. Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale. We considered Management's assessment of the indicators of impairment and we confirmed there is an ongoing expectation that exploration in the licence areas will continue. We have also reviewed the licence agreement and the Participation . Agreement between the Group and the operator of Licence PL001. We noted that the licence and the Participation Agreement remains valid. We concur with management's view that there were no indicators of impairment.

Independent auditor's report to the members of Argos Resources Ltd (continued)

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality for the financial statements as a whole was set at $500,000 for 2016 and 2017 being 1.5% of total assets which we consider to be the most significant determinant of the group's financial performance used by shareholders.

In performing the audit, we apply a lower performance materiality at the individual account or balance level which is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. Performance materiality was set at 75 per cent of the above materiality levels.

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of $25,000. We also agreed to report differences below these thresholds that, in our view warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including the group's system of internal control, and assessing the risks of material misstatement in the financial statements at the group level.

The group audit team performed an audit of Argos Resources Limited and Argos Exploration Limited, being the parent company and wholly owned subsidiary respectively, along with the consolidation.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of Argos Resources Ltd (continued)

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where company law in the Falkland Islands requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

J. I. Dingwall

BDO LLP
Statutory auditor
London
United Kingdom
Date: 15 March 2018

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

Consolidated statement of comprehensive income
Year ended 31 December 2017

	Note	Year ended 31 December 2017 $'000	Year ended 31 December 2016 $'000
Other income	4	380	505
Administrative expenses	5	(329)	(427)
Finance income	9	1	1
Foreign exchange gains/(losses)		66	(95)
Profit/(loss) for the year attributable to owners of the parent	17	**118**	**(16)**
Total comprehensive income for the period attributable to owners of the parent		**118**	**(16)**
Basic and diluted earnings/(loss) per share (cents)	11	0.05	(0.007)

The notes on pages 27 to 41 form part of the financial statements.

Consolidated statement of financial position
As at 31 December 2017

	Note	2017 $'000	2016 $'000
Assets			
Non-current assets			
Royalty interests	12	28,749	28,749
		28,749	28,749
Current assets			
Other receivables	14	14	15
Cash and cash equivalents		758	701
Total current assets		**772**	**716**
Total assets		**29,521**	**29,465**
Liabilities			
Current liabilities			
Trade and other payables	15	59	148
Total liabilities		**59**	**148**
Total net assets		**29,462**	**29,317**
Capital and reserves attributable to equity holders of the Company			
Share capital	16	6,696	6,669
Share premium	17	30,071	30,071
Retained losses	17	(7,305)	(7,423)
Total shareholders' equity		**29,462**	**29,317**

The notes on pages 27 to 41 form part of the financial statements.

These financial statements were approved by the directors and authorised for issue on 15 March 2018 and are signed on their behalf by:

I M Thomson
Chairman

Consolidated statement of cash flows
Year ended 31 December 2017

	Note	Year ended 31 December 2017 $’000	Year ended 31 December 2016 $’000
Cash flows from operating activities			
Profit/(loss) for period before taxation		118	(16)
Adjustments for:			
Finance income	9	(1)	(1)
Foreign exchange		(67)	92
Depreciation	13	-	3
Net cash inflow from operating activities before changes in working capital		**50**	**78**
Decrease in other receivables		1	37
(Decrease)/increase in other payables		(89)	54
Net cash (outflow)/inflow from operating activities		**(38)**	**169**
Investing activities			
Interest received		1	1
Proceeds on the sale of assets	12	-	172
Net cash received from investment activities		**1**	**173**
Financing activities			
Issue of ordinary shares (share options exercised)		27	-
Net cash from financing activities		**-**	**-**
Net (decrease)/ increase in cash and cash equivalents		(10)	342
Cash and cash equivalents at beginning of period		701	451
Exchange gains/(losses) on cash and cash equivalents		67	(92)
Cash and cash equivalents at end of the year		**758**	**701**

The notes on pages 27 to 41 form part of the financial statements.

Consolidated statement of changes in equity
Year ended 31 December 2017

	Share capital $'000	Share premium $'000	Retained losses $'000	Total equity $'000
At 1 January 2016	6,669	30,071	(7,407)	29,333
Total comprehensive income for the year	-	-	(16)	(16)
At 31 December 2016 And 1 January 2017	6,669	30,071	(7,423)	29,317
Total comprehensive income for the year	-	-	118	118
Shares issued (share options exercised)	27	-	-	27
At 31 December 2017	**6,696**	**30,071**	**(7,305)**	**29,462**

The share premium reserve comprises the amount subscribed for share capital in excess of its nominal value.

Retained losses represent the accumulated gains and losses recognised in the financial statements and the share payment reserve.

The notes on pages 27 to 41 form part of the financial statements.

Notes to the consolidated financial statements
Year ended 31 December 2017

1 Accounting policies

The Group and its operations
Argos Resources Ltd is an AIM quoted, limited liability company. The Group comprises the ultimate parent Company, Argos Resources Ltd, and its wholly owned subsidiary Argos Exploration Ltd. Argos Resources Ltd is 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, FIQQ 1ZZ.

The Company's wholly-owned subsidiary, Argos Exploration Ltd, holds an Overriding Royalty Interest (ORRI) in production licence PL001 which entitles it to 5% of all oil and gas produced from all hydrocarbon discoveries developed within the Licence. The Licence is held by Noble Energy Falklands Ltd and Edison International S.p.A and it covers an area of approximately 1,126 square kilometres in the North Falkland Basin.

The current Second Phase of the Licence expires in November 2019, after which a Third Licence Phase of 10 years is available to the Licensees.

Statement of compliance
The consolidated financial statements are prepared in compliance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and interpretations of those standards as issued by the International Accounting Standards Board, and applicable legislation. The consolidated financial statements were approved for issue by the board of directors on 15 March 2018 and are subject to adoption at the Annual General Meeting of shareholders which is expected to be held in Stanley, Falkland Islands, in October 2018.

Basis of preparation
These financial statements have been prepared under the historical cost convention, using the accounting policies set out below, which have been consistently applied unless stated otherwise. The functional and presentational currency of the parent and subsidiary companies is considered to be US Dollars (US$). All values are rounded to the nearest thousand Dollars ($'000) except where otherwise indicated.

Changes in accounting standards
The standards which applied for the first time this year have been adopted and have not had a material impact.

The International Accounting Standards Board (IASB) has issued the following new and revised standards, amendments and interpretations to existing standards that are not effective for the financial year ending 31 December 2017 and have not been adopted early. The Group is currently assessing the impact of these standards and based on the Group's current operations do not expect them to have a material impact on the financial statements.

Accounting policies (continued)

New Standards	**Effective date**
IFRS 15 Revenue from Contracts with Customers	01-Jan-18
IFRS 9 Financial Instruments	01-Jan-18
IFRS 16 Leases	01-Jan-19
IFRS 17 Insurance contracts	01 Jan-21
Amendments to Existing Standards	
Clarifications to IFRS 15 revenue from Contracts with Customers	01 Jan-18
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)*	01-Jan-18
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)	01-Jan-18
IFRIC 22 Foreign Currency Transactions and Advance Consideration*	01-Jan-18
Annual Improvements to IFRSs (2014–2016 Cycle)*	01-Jan-18
IFRIC 23 Uncertainty over Income Tax Treatments*	01-Jan-19
Amendments to IFRS 9: Prepayment Features with Negative Compensation*	01-Jan-19
Annual Improvements to IFRSs (2015-2017 Cycle)*	01-Jan-19

* Not yet adopted by European Union

Argos Resources Limited has progressed further its projects dealing with the implementation of these key new accounting standards and is able to provide the following information regarding their likely impact:

IFRS 9 'Financial Instruments'
The standard replaces all phases of the financial instruments project and IAS 39 'Financial Instruments: Recognition and Measurement'. The standard is effective from periods beginning on or after l .January 2018 and introduces:

- new requirements for the classification and measurement of financial assets and financial Liabilities;
- a new model for recognising provisions based on expected credit Losses; and,
- simplified hedge accounting by aligning hedge accounting more closely with an entities risk management methodology.

The adoption of IFRS 9 is unlikely to have a material impact on the consolidated results of the Group. Any impact of IFRS 9 will be quantified in the Annual Report and Financial Statements for the year ending 31 December 2018.

Accounting policies (continued)

IFRS 15 'Revenue from Contracts with Customers'
The standard is effective for periods commencing on or after 1 January 2018. This standard introduces a new revenue recognition model and replaces IAS 18 'Revenue', IAS 11 'Construction Contracts', IFRIC 13 'Customer Loyalty Programmes', IFRIC 15 'Agreements for the Construction of Real Estate', IFRIC 18 'Transfer of Assets from Customers' and SIC-31 'Revenue – Barter Transactions Involving Advertising Services'. While the introduction of IFRS 15 is expected to have a significant impact for many companies, the directors have carefully considered the potential effects in the context of the group's revenues and have concluded that on adoption there will be no significant changes to the way in which the group's performance obligations to customers are identified or deemed to be satisfied and, therefore, no material impact on the revenues recognised in the financial statements.

IFRS 16 'Leases'
The standard is effective for periods commencing on or after 1 January 2019 but has not yet been endorsed by the EU. Under the provisions of the standard most leases, including the majority of those previously classified as operating leases, will be brought onto the statement of financial position, as both a right-of-use asset and a largely offsetting lease liability. The right-of-use asset and lease liability are both based on the present value of lease payments due over the term of the lease, with the asset being depreciated in accordance with IAS 16 'Property, Plant and Equipment' and the liability increased for the accretion of interest and reduced by lease payments. The directors have carefully considered the potential effects in the context of the Group's financial statements and have concluded that on adoption that there will not be a material impact on the consolidated results of the Group.

Going concern
There is a risk that Noble and Edison withdraw from the Participation Agreement, which was signed in 2016. In such circumstances the licence would revert back to Argos, subject to government approval. Given that Noble and Edison have been granted an extension to the Licence, which now runs until November 2019 withdrawal is considered unlikely. In the event that funding ceased the cash balance held by the Company is sufficient to meet the ongoing overhead for a period of more than one year, during which time the Company would seek to raise further finance.

The directors consider that the Group is therefore fully funded for the foreseeable future and that the Group's available financial resources are adequate to provide working capital for the foreseeable future, being at least 12 months from the date on which the financial statements were signed. The financial statements have therefore been prepared on a going concern basis.

Basis of consolidation
The consolidated financial statements incorporate the results of Argos Resources Ltd and its wholly owned subsidiary undertaking as at 31 December 2017 using the acquisition method of accounting. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition.

All inter-company accounts and transactions have been eliminated on consolidation.

Accounting policies (continued)

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the board of directors.

The Group's operations consisted entirely of oil and gas exploration around the Falkland Islands until the Farmout Agreement and subsequent Participation Agreement with Noble Energy Falklands Ltd and Edison International S.p.A. Under these Agreements the Group has disposed of Licence PL001 but retains an overriding royalty interest (ORRI) in the Licence area. In the opinion of the directors there is only one business segment and the information contained in the financial statements reflects the operations within that segment.

Intangible assets – royalty interests and impairment
Overriding royalty interest (ORRI)
As part of a Participation Agreement the Group retains an ORRI of 5% of all oil and gas produced from all hydrocarbon discoveries developed within Licence PL001.

The Group considers that the ORRI is similar in economic terms to holding a direct interest in the underlying licence as there is only a right to receive benefit from the ORRI on production and many of the risks faced by the Group are the same as those faced by the owner of the licence. These risks are seen as:

Existence risk - whether oil is found in commercially extractable quantities;
Production risk – whether the operator is able to get any discovery to commercial production;
Timing risk – commencement and quantity as determined by the operator; and,
Price risk – determined by future commodity supply and demand.

The Group believes therefore that the most appropriate method of accounting for the retained ORRI is to classify it as an intangible asset in accordance with IAS 38. As an initial fair value could not be reliably determined the ORRI intangible has been measured at cost, which was the carrying amount of the E&E asset given up, with no gain or loss. The ORRI is therefore presented as an intangible asset and will be carried at cost less accumulated amortisation and any impairment provision.

Impairment
The ORRI will be assessed for indicators of impairment at each period end under IAS 36. If such an indication is identified, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate. If the recoverable amount of the asset is estimated to be less than its carrying value, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is also recognised in the income statement.

Should an impairment loss subsequently reverse, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment loss is also recognised in the income statement.

Accounting policies (continued)

On production the income generated by the ORRI will be recognised as revenue in the income statement and the intangible asset will be amortised on a systematic basis.

Financial instruments

Financial assets

The Group classifies its financial assets depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity, available for sale or fair value through profit and loss.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost less any provision for impairment. The Group's loans and receivables comprise cash and cash equivalents and other receivables in the statement of financial position. Cash and cash equivalents comprise current account balances or short term deposits at variable interest rates that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Any interest earned is accrued and classified as interest receivable.

The effect of discounting on these financial instruments is not considered to be material.

Financial liabilities

The Group classifies its financial liabilities depending on the purpose for which the liability was incurred. All are non-derivative liabilities and are measured at amortised cost. There are no financial liabilities which are measured at fair value through profit and loss.

Financial liabilities held at amortised cost are initially recognised at fair value and subsequently at amortised cost.

The effect of discounting on these financial instruments is not considered to be material.

Cash and cash equivalents

This includes cash in hand and deposits held with banks.

Foreign currencies

The functional and presentational currency is US Dollars (US$). Transactions denominated in currencies other than US$ are translated at the rate of exchange ruling at the date of the transaction. Monetary amounts held in currencies other than US$ are converted at the rate ruling at the year end. Any translation differences are dealt with in the consolidated statement of comprehensive income.

The year-end rates of exchanges used were:

	2017	**2016**
£:US$	1.35	1.23

Accounting policies (continued)

Income taxes and deferred taxation
Deferred tax assets and liabilities are not discounted and shall be measured using the liability method at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Share based remuneration
The Company has issued share options to directors and key personnel. The Group accounts for the costs of the issue of these options in line with IFRS 2 "Share based payments". Under this standard, the cost of providing for such options is based on the fair value of the options at the date of grant and is charged to the consolidated statement of comprehensive income or, if appropriate, capitalised over the expected vesting period of the options and credited to retained losses.

Revenue and income
Income from the Participation Agreement is recognised in the period to which it relates.

Investment income consists of interest receivable for the period. Interest income is recognised as it accrues.

2 Financial instruments

The Group's financial assets comprise of cash and cash equivalents and other receivables, which are categorised as "Loans and other receivables". Financial liabilities comprise other payables which are categorised as financial liabilities held at amortised cost and these are all current financial liabilities.

It is, and has been throughout the period of the financial statements, the Group's policy that no trading in financial instruments shall be undertaken.

The policy for managing financial risks is set by the board following recommendations from the Finance Director. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the centre. The policy for each of the above risks is described in more detail below.

Foreign exchange
As the functional currency is US$ and some of the current monetary assets and liabilities are in Sterling there is a risk of loss in relation to the net Sterling financial assets position, should there be a devaluation of Sterling against US$. The risk of any loss, in terms of meeting future liabilities, is however eliminated by matching the currencies of cash balances with the currencies of projected liabilities.

Financial instruments (continued)

As of 31 December 2017 the Group's financial assets and financial liabilities were denominated in a mixture of US$ and Sterling which consisted of:

	Sterling denominated $'000	US$ denominated $'000	Total $'000
Current assets			
Other receivables	14	-	14
Less: prepayments	(10)	-	(10)
Cash and cash equivalents	756	2	758
	760	2	762
Liabilities			
Other payables	(59)	-	(59)
Add: amounts received in advance	-		-
Net financial assets	701	2	703

At 31 December 2016 the comparative balances were:

	Sterling denominated $'000	US$ denominated $'000	Total $'000
Current assets			
Other receivables	15	-	15
Less: prepayments	(11)	-	(11)
Cash and cash equivalents	699	2	701
	703	2	705
Liabilities			
Other payables	(148)	-	(148)
Add: amounts received in advance	92		92
Net financial assets	647	2	649

If the US$ had strengthened against Sterling by 10%, the profit for the year would decrease and equity would reduce by $70K (2016: increase in loss and decrease in equity of $65K). Conversely if the US$ weakens against Sterling by 10% the profit for the year and equity would increase by $70K (2016: decrease in loss and increase in equity of $65K).

Financial instruments (continued)

Counter-parties

This is the risk that a third party failure results in loss to the Group such as a bank collapse resulting in the loss of deposits. To mitigate against this risk cash deposits are spread between two high quality institutions, Lloyds Bank PLC, which is part owned by the British government, and Standard Chartered Bank. The following was the split of funds between the various institutions at 31 December 2017:

Institution	2017 $'000	2016 $'000
Lloyds Bank PLC	665	566
Standard Chartered Bank	93	129
HSBC	-	6
	758	701

Interest rates

The Group is not exposed to interest rate risk as there are no interest bearing loans or balances outstanding to providers of finance.

Liquidity

This is the risk that the Group cannot meet its liabilities as these fall due. As the timing of significant payments carries a degree of uncertainty cash balances are being kept in interest bearing term deposits with periods of no longer than 6 months.

Credit risk

The Group is not exposed to credit risk as it does not trade, and the cash balances held by the Group are spread between three reputable institutions. The comments made above in relation to counter-party risk are relevant.

Fair values

The fair values of the Group's financial assets and liabilities are not materially different from the carrying values in the consolidated statement of financial position and notes to the financial information.

3 Significant accounting judgements, estimates and assumptions

Impairment of intangible assets

When conducting an impairment review of its assets, the Group exercises judgement in making assumptions about future oil and gas prices, oil and gas reserves/resources and future development and production costs. By their nature, impairment reviews include significant estimates regarding future financial resources and commercial and technical feasibility to enable the successful realisation of the exploration and evaluation expenditure or capitalised value of the royalty interest. Changes in the estimates used can result in significant charges to the statement of comprehensive income as any impairment loss arising from the review is charged to the statement of comprehensive income whenever the carrying amount of the asset exceeds its recoverable amount.

4 Other income

	2017 $'000	2016 $'000
Income from the Participation Agreement	380	505
Total	380	505

Other income represents amounts received as part of the Participation Agreement following the replacement of the Farmout Agreement in February 2016.

5 Administrative expenses

	2017 $'000	2016 $'000
Directors' remuneration (see note 6)	131	158
Professional fees	139	174
Depreciation	-	3
Other expenses	59	92
Total	329	427

6 Directors' remuneration

	2017 $'000	2016 $'000
Remuneration and fees	129	156
Pensions*	2	2
Total	131	158

*A Irvine is accruing retirement benefits under a defined contribution pension arrangement.

Directors' remuneration, by director, is disclosed in the directors' remuneration report on page 15. The average monthly number of employees, including directors, during this and the preceding year was 6.

7 Auditor's remuneration

	2017 $'000	2016 $'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	25	24
Fees payable to the Company's auditor for the audit of the subsidiary's annual financial statements	5	5
Review of interim accounts	-	-
Total payable for audit related services	**30**	**29**
Fees payable to the Company's auditor for other services:		
Taxation	4	6
Fees payable to the Company's auditor for the Taxation services for the subsidiary company	4	9
	38	44

8 Share based remuneration

In 2009 Argos Resources Ltd introduced an equity-settled share based remuneration scheme for employees and key personnel, the only vesting condition being that the individual remains a director or employee of the Group or, where not an employee, serves out the full contract term over the vesting period.

	Average share price on date exercised (pence)	**Exercise price (pence)**	**Number**
At 1 January 2016 and 31 December 2016		2	9,080,818
Exercised – 4 September 2017	3.125	2	1,000,000
At 31 December 2017		2	8,080,818

All options outstanding at the end of the year and at the end of the comparative period had vested and remained exercisable. The weighted average contractual life of the options is 8.87 years.

9 Finance income

	2017 $'000	**2016 $'000**
Interest on bank deposits	1	1

10 Taxation

	2017 $'000	2016 $'000
Total tax:		
Corporation tax on losses for the year	-	-
Reconciliation of total tax:		
Profit/(loss) before tax	118	(16)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax of 26%	31	(4)
Effects of:		
Unrelieved tax losses and other deductions arising in the period	68	125
Receipts not taxable	(99)	(131)
Interest receivable not taxable	-	-
Expenses not deductible for tax purposes	-	10
Total tax for the year	-	-

The Group has capital tax losses carried forward of $23m. The resulting deferred tax assets and liabilities have been offset and the Group and Company intend to manage the assets in the future so as to utilise all of the carried forward capital and trading losses.

The group has the following temporary differences:

	2017 $'000	2016 $'000
Trading Losses Carried forward	7,900	7,100
Capital losses carried forward	23,200	24,200
Accelerated tax depreciation	(28,900)	(28,900)
Net Deferred Tax Asset	2,200	2,400

The resulting deferred tax assets and liabilities have been offset and the Group and Company intend to manage the assets in the future so as to utilise all of the carried forward losses.

In respect of the net deferred tax asset, no deferred tax asset has been recognised due to the uncertain timing of the utilisation of losses.

11 Loss per share

	2017 Number	2016 Number
Shares in issue brought forward (2 pence shares)	219,713,205	219,713,205
Options exercised	1,000,000	-
Shares in issue carried forward	220,713,205	219,713,205
Weighted average shares in issue	220,036,493	219,713,205

	2017 $'000	2016 $'000
Profit/(loss) for the year	118	(16)
Weighted average number of ordinary shares in issue during the year	220,036,493	219,713,205
Basic and diluted earnings/(loss) per ordinary share (cents)	0.05	(0.007)

Basic earnings/(loss) per share has been computed by dividing the earnings/(loss) by the weighted average number of shares in issue during the period. Diluted earnings/(loss) per share is calculated by dividing the earnings/(loss) by the weighted average number of shares, plus the weighted average number of dilutive securities in issue during the period but not converted.

12 Royalty interest (ORRI)

	2017 $'000	2016 $'000
Cost:		
At 1 January	28,749	28,921
Disposal of assets	-	(172)
At 31 December	28,749	28,749

The Group's capitalised E&E expenditure was re- classified as "royalty interests" on completion of the farmout in September 2015. Details of the accounting policies adopted by the Group for these types of assets and the consideration of impairment is detailed in note 1 on page 30.

13 Plant and equipment

	2017 $’000	2016 $’000
Cost:		
At 1 January	81	81
Additions	-	-
At 31 December	81	81
Depreciation:		
At 1 January	81	78
Charge for year	-	3
At 31 December	81	81
Net book value:		
At 31 December	-	-

14 Other receivables

	2017 $’000	2016 $’000
Prepayments	10	11
Other	4	4
	14	15

15 Trade and other payables

	2017 $’000	2016 $’000
Trade payables	1	1
Other creditors	-	92
Accruals	58	55
	59	148

16 Share capital

	2017 $’000	2016 $’000
Authorised:		
500,000,000 ordinary shares of 2 pence each	14,960	14,960

Allotted, issued and fully paid:	**Number**	**$’000**
Ordinary shares of 2 pence each		
At 1 January 2016 and 31 December 2016	219,713,205	6,669
Shares issued (share options exercised) during 2017	1,000,000	27
At 31 December 2017	220,713,205	6,696

17 Reserves

Movements on the various reserves are detailed in the consolidated statement of changes in equity on page 26. The nature and purpose of each reserve is set out below the statement of changes in equity.

18 Related party transactions

Argos Georgia Ltd is a related party of the Group due to one of the Group's directors, Ian Thomson, having a significant shareholding in Argos Georgia Ltd. Transactions with Argos Georgia Ltd during the year are as follows:

	2017 **$'000**	**2016** **$'000**
Due to Argos Georgia Ltd at 1 January	-	(12)
Expenses paid on behalf of the Group	-	(1)
Loans repaid/creditor balances paid	-	24
Office running costs*	-	(11)
Due to Argos Georgia Ltd at 31 December	-	-

* The services and agency agreement between the Company and Argos Georgia Ltd in which Argos Georgia Ltd provided certain agency, accounting, secretarial and operational services to the Company was terminated with effect from 31 March 2016. The cost of continued provision of these services, which has not been charged for, is $15,000. Key management personnel are the directors only.

There have been no transactions with directors during the year other than remuneration paid to each director which is disclosed in the directors' remuneration report on page 15 and in note 6.

19 Commitments

(a) Capital commitments
There were no capital commitments at 31 December 2017 nor for the comparative period.

(b) Operating commitments
The services and agency agreement between the Company and Argos Georgia Ltd in which Argos Georgia Ltd provides certain agency, accounting, secretarial and operational services to the Company was terminated with effect from 31 March 2016. There are therefore no ongoing commitments at 31 December 2016 and 31 December 2017.

20 Contingent liabilities

The Group has no anticipated material contingent liabilities.

21 Events after the reporting date

There were no reportable events occurring after the balance sheet date.

Parent Company financial statements

Statement of financial position
As at 31 December 2017

	Note	2017 $'000	2016 $'000
Assets			
Non-current assets			
Investments	6	2,120	2,120
		2,120	**2,120**
Current assets			
Other receivables	7	25,752	25,661
Cash and cash equivalents		758	701
		26,510	**26,362**
Total assets		**28,630**	**28,482**
Liabilities			
Current liabilities			
Trade and other payables	8	41	38
Total liabilities		**41**	**38**
Total net assets		**28,589**	**28,444**
Capital and reserves attributable to equity holders of the company			
Share capital	9	6,696	6,669
Share premium		30,071	30,071
Retained losses		(8,178)	(8,296)
Total shareholders' equity		**28,589**	**28,444**

The notes on pages 45 to 49 form part of the financial statements.

These financial statements were approved by the directors and authorised for issue on 15 March 2018 and are signed on their behalf by:

Ian Thomson
Chairman

Statement of cash flows
Year ended 31 December 2017

	Year ended 31 December 2017 $'000	Year ended 31 December 2016 $'000
Cash flows from operating activities		
Profit/(loss) for period before taxation	118	(4)
Adjustments for:		
Finance income	(1)	(1)
Foreign exchange	(67)	92
Depreciation	-	3
Net cash inflow from operating activities before changes in working capital	**50**	**90**
(Increase)/decrease in other receivables	(91)	287
Increase/(decrease) in other payables	3	(36)
Net cash (outflow)/inflow from operating activities	**(38)**	**341**
Investing activities		
Interest received	1	1
Net cash used in investment activities	**1**	**1**
Financing activities		
Issue of ordinary shares (share options exercised)	27	-
Net cash from financing activities	**27**	**-**
Net (decrease)/increase in cash and cash equivalents	(10)	342
Cash and cash equivalents at beginning of period	701	451
Exchange gains/(losses) on cash and cash equivalents	67	(92)
Cash and cash equivalents at end of the year	**758**	**701**

The notes on pages 45 to 49 form part of the financial statements.

Statement of changes in equity
Year ended 31 December 2017

	Share capital $'000	Share premium $'000	Retained earnings/ (deficit) $'000	Total equity $'000
At 1 January 2016	6,669	30,071	(8,292)	28,448
Loss for year	-	-	(4)	(4)
At 31 December 2016 and 1 January 2017	6,669	30,071	(8,296)	28,444
Profit for year	-	-	118	118
Shares issued (share options exercised)	27	-	-	27
At 31 December 2017	6,696	30,071	(8,178)	28,589

The notes on pages 45 to 49 form part of the financial statements.

Notes to the parent Company financial statements
Year ended 31 December 2017

1 Accounting policies

Basis of preparation
The financial statements have been prepared under the historical cost convention. All accounting policies are consistent with those adopted in the Group financial statements except as otherwise noted below.

The amount due from the subsidiary company is repayable on demand.

Investments
Investments are stated at fair value at acquisition date.

The Group's financial assets comprise of cash and cash equivalents and other receivables, which are categorised as "loans and other receivables". Financial liabilities comprise other payables which are categorised as financial liabilities held at amortised cost and these are all current financial liabilities.

Changes in accounting standards
Please refer to Changes in accounting standards, Note 1 in the group financial statements.

There is not expected to be any significant changes in relation to IFRS 15 or 16.

IFRS 9 'Financial Instruments'
The adoption of IFRS 9 is unlikely to have a material impact on the results of the Company, Management's initial assessment of the potential impact of IFRS 9 has focused on the changes in IFRS 9 around expected credit losses on trading and intercompany balances. The impact of the new Standard on these areas is not assessed to be material. Any impact of IFRS 9 will be quantified in the Annual Report and Financial Statements for the year ending 31 December 2018.

2 Financial instruments

It is, and has been throughout the period of the financial statements, the Company's policy that no trading in financial instruments shall be undertaken.

The policy for managing financial risks is set by the board following recommendations from the Finance Director. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the centre. The policy for each of the above risks is described in more detail below.

Financial instruments (continued)

Foreign exchange

As the functional currency is US$ and some of the current monetary assets and liabilities are in Sterling there is a risk of loss in relation to the net Sterling financial assets position, should there be a devaluation of Sterling against US$. The risk of any loss, in terms of meeting future liabilities, is however eliminated by matching the currencies of cash balances with the currencies of projected liabilities.

As of 31 December 2017 the Company's financial assets and financial liabilities were denominated in a mixture of US$ and Sterling which consisted of:

Current assets	Sterling denominated $'000	US$ denominated $'000	Total $'000
Other receivables	14	25,738	25,752
Less: prepayments	(10)	-	(10)
Cash and cash equivalents	756	2	758
	760	25,740	26,500
Other payables	(41)	-	(41)
	719	25,740	26,459

At 31 December 2016 the comparative balances were:

Current assets	Sterling denominated $'000	US$ denominated $'000	Total $'000
Other receivables	15	25,646	25,661
Less: prepayments	(11)	-	(11)
Cash and cash equivalents	699	2	701
	703	25,648	26,351
Liabilities			
Other payables	(38)	-	(38)
Net financial assets	665	25,648	26,313

If the US$ had strengthened against Sterling by 10%, the profit for the year would decrease and equity would reduce by $72K (2016: increase in loss and decrease in equity of $67K). Conversely if the US$ weakens against Sterling the profit for the year and equity would increase by $72K (2016: decrease in loss and increase in equity of $67K).

Financial instruments (continued)

Counter-parties
This is the risk that a third party failure results in loss to the Group such as a bank collapse resulting in the loss of deposits. To mitigate against this risk cash deposits are spread between two high quality institutions, Lloyds Bank PLC, which is part owned by the British government, and Standard Chartered Bank. The following was the split of funds between the various institutions at 31 December 2017.

Institution	2017 $'000	2016 $'000
Lloyds Bank PLC	665	566
Standard Chartered Bank	93	129
HSBC	-	6
	758	701

Interest rates
The Company is not exposed to interest rate risk as there are no interest bearing loans or balances outstanding to providers of finance.

Liquidity
This is the risk that the Company cannot meet its liabilities as these fall due. As the timing of significant payments carries a degree of uncertainty cash balances are being kept in interest bearing term deposits with periods of no longer than 6 months.

Credit
The Company is not exposed to credit risk, other than amounts due from the subsidiary company, as it does not trade and the cash balances held by the Company are spread between three reputable institutions. Although there is uncertainty the recovery of the intercompany debt is supported by the potential value of the ORRI. The comments made above in relation to counter-party risk are also relevant.

Fair values
The fair values of the Company's financial assets and liabilities are not materially different from the carrying values in the statement of financial position and notes to the financial information.

3 Loss attributable to the members of the parent Company

The profit for the year was $118 thousand (2016: loss of $4 thousand). A separate income statement for the Company has not been presented as permitted by the Companies Act 1948 as amended by the Companies (Amendment) Ordinance 2006 (Falkland Islands Companies Act) as it applies in the Falkland Islands.

4 Staff costs

The information given in note 6 of the consolidated financial statements relates wholly to the Company. There is no difference between the directors' remuneration of the parent Company and the Group.

5 Plant and equipment

	2017 $'000	2016 $'000
Cost:		
At 1 January	39	39
Additions	-	-
At 31 December	39	39
Depreciation:		
At 1 January	39	36
Charge for year	-	3
At 31 December	39	39
Net book value:		
At 31 December	-	-

6 Investments

	2017 $'000	2016 $'000
Investment in subsidiary		
Cost:		
At 1 January and 31 December	2,120	2,120

The principal undertaking in which the Company's interest at the year-end was 20% or more is as follows:

Investment in subsidiary	**Country of incorporation**	**Percentage of voting rights and ordinary share capital held**	**Nature of business**
Argos Exploration Ltd	Falkland Islands	100	Oil and gas exploration

7 Other receivables

	2017 $'000	2016 $'000
Amounts due from subsidiary company	25,738	25,646
Prepayments	10	11
Other	4	4
	25,752	25,661

8 Trade and other payables

	2017 $'000	2016 $'000
Trade payables	1	1
Accruals	40	37
	41	38

9 Share capital

Share capital movements are set out note 16 on page 39 of the consolidated financial statements.

10 Other statutory disclosures

Audit services
Costs incurred on audit and other services provided by the auditor are provided on a consolidated basis in note 7 of the consolidated financial statements.

Share based remuneration
The information given in note 8 of the consolidated financial statements relates wholly to the Company.

Related party transactions
The information given in note 18 of the consolidated financial statements relates wholly to the Company.

Commitments
The information given in note 19 of the consolidated financial statements relates wholly to the Company.

Events after the balance sheet date
There were no reportable events occurring after the balance sheet date.

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