Farmout agreed for 2015 drilling

ARGOS RESOURCES LTD

Annual Report & Accounts 2014

Argos Resources is an oil and gas exploration company listed on AIM and based in the Falkland Islands. On 13 April 2015, the Company announced that its wholly-owned subsidiary, Argos Exploration Limited, had entered into a farmout agreement with Noble Energy Falklands Limited and Edison International S.p.A in respect of the Company's principal asset, a 100 percent interest in production licence PL001 covering an area of approximately 1,126 square kilometres in the North Falkland Basin.

Commerson's Dolphins

Cephalorhynchus commersonii, inhabit the waters around the Falkland Islands where they are frequently seen in or at the edge of kelp beds. Adults range in size from 1.2–1.7m and can reach up to 86kg in weight.

www.argosresources.com

HIGHLIGHTS
2014

- *US$1.3 million loss from expensed overhead*
- *US$1.4 million cash reserves at 31 December 2014*
- *Farmout of Licence PL001 to Noble and Edison agreed*
- *An exploration well on the Rhea prospect to be drilled in 2015 at no cost to the Company*
- *The farmout agreement includes future cash payments sufficient to meet the Company's ongoing needs until first oil production*

Post Balance Sheet Event

On 13 April 2015, the Company announced that its wholly-owned subsidiary, Argos Exploration Ltd, had entered into a farmout agreement with Noble Energy Falklands Ltd and Edison International S.p.A in respect of the Company's principal asset, a 100 percent interest in production licence PL001 covering an area of approximately 1,126 square kilometres in the North Falkland Basin.

Under the farmout agreement Noble will assume operatorship of Licence PL001 from the Company and Noble and Edison will earn a 75 percent and 25 percent working interest in the Licence respectively. Noble and Edison have committed to drill an exploration well in the Licence Area during the current 2015 drilling campaign at no cost to the Company. The initial exploration well will test the Rhea prospect and will fulfil the remaining work obligation on the Second Exploration Term of the Licence.

The Company will retain an overriding royalty interest of 5 percent of gross revenues from all hydrocarbon discoveries developed within the Licence (the "ORRI") and will have no requirement to contribute to any future capital or operating expenditures incurred over the life of the Licence.

In addition, the Company will receive US$2.75 million in cash upon completion of the transaction and US$800,000 per annum from 1 January 2016 through to receipt of the first royalty payment pursuant to the ORRI as reimbursement for certain historic costs incurred by the Company in relation to the maintenance of the Licence and the acquisition of certain seismic and other data in respect of the Licence Area. The proceeds are expected to be sufficient to meet all anticipated transaction costs and running costs through to receipt of the first such royalty payment pursuant to the terms of the ORRI.

AT A GLANCE

An emerging oil and gas province

Falkland Islands

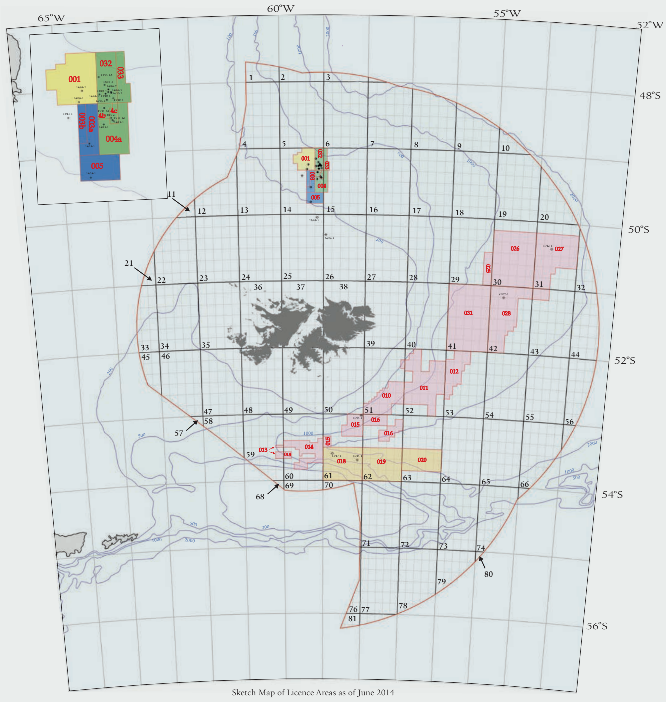
Situated approximately 480 km to the east of South America in the South Atlantic Ocean.

Covers approximately 12,000 sq km of land and includes 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 140m and 500m and the operating environment is similar to that of the UK Central North Sea with the potential for year-round drilling.

Map Coverage



Argos (Op.) 100%

Oil discoveries

Gas discoveries

Wells

Oil

Oil & gas

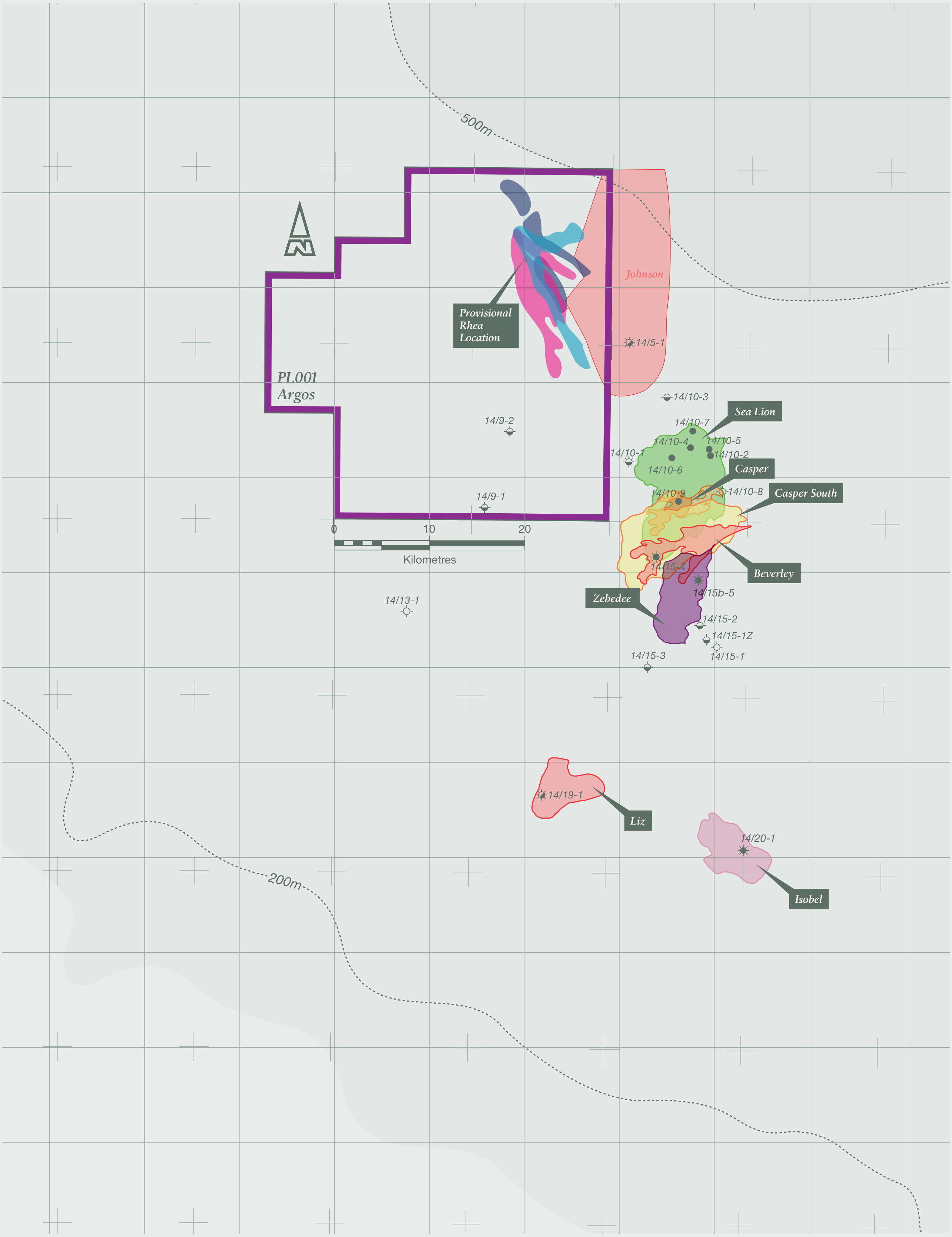
Gas/Condensate

P&A, oil and gas shows

P&A, oil shows

P&A, dry

Location


500m
PL001
Argos
Provisional
Rhea
Location
Johnson
14/5-1
14/10-3
Sea Lion
14/10-7
14/10-4
14/10-5
14/10-2
14/10-1
14/10-6
Casper
14/10-9
14/10-8
Casper South
14/9-2
14/9-1
0
10
20
Kilometres
Beverley
14/15-4
14/15b-5
Zebedee
14/13-1
14/15-2
14/15-1Z
14/15-3
14/15-1
14/19-1
Liz
14/20-1
Isobel
200m

RHEA PROSPECT

Rhea is a lacustrine fan and composite channel sand sequence in a combination structural/ stratigraphic trap at 2,500m subsea.

The objective is Early Cretaceous sandstones derived from a major delta system to the north. Seal and source are provided by highly organic-rich lacustrine mudstones which encase the sands.

The prospect exhibits a pronounced fan morphology highlighted by an amplitude anomaly with coincident isopach thickening. A well to a total depth of 2,660m subsea is planned to test the prospect.

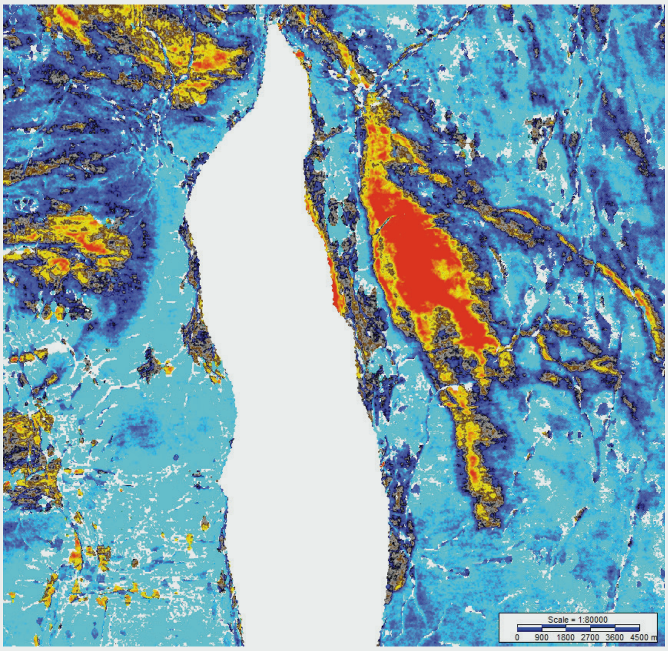
In addition to the Rhea sandstone target, the well will test a series of stacked sands (the "Rhea Stack") above and below Rhea itself. Combined, the multiple objectives within the Rhea Stack have a total Best Estimate prospective resource potential of 443 million barrels of recoverable oil. The High Case Estimate is 1,467 million barrels. Several of these sands can be tested with a single vertical well, although not all sands can be tested at their optimal locations. The sandstone targets are mapped in two principal depositional intervals. The deeper syn-rift interval contains a resource potential of 62 million barrels in two sandstone targets and the shallower, post-rift interval comprises four stacked prospects, including Rhea, with a combined resource potential of 381 million barrels of recoverable oil. The post-rift sandstones are the objective of the first well to be drilled.

Prospective Recoverable Resources (MMBO)

Prospect: Reservoir	*P90*	*P50*	*P10*
Post Rift			
Selene	33	127	456
Maia	11	40	116
Rhea	46	133	374
Poseidon A, B & C	20	81	294
Post Rift Total	110	381	1,240
Syn Rift			
Attis	8	31	114
Antheia	8	31	113
Syn Rift Total	16	62	227
Total Stack	**126**	**443**	**1,467**

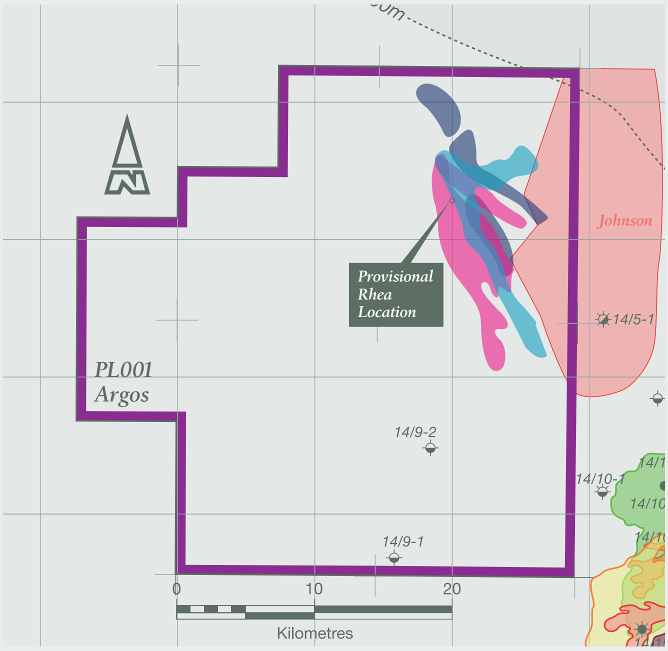
Prospective recoverable resource of 443mmbo

Rhea Prospect



Amplitude map of Rhea prospect derived from 3D seismic data

Rhea Stack Location



Rhea Stack

CHAIRMAN'S STATEMENT

Ian Thomson OBE

2014 was a challenging year for the oil industry with falling oil prices being the dominant event affecting the entire industry. Brent crude oil prices fell from a peak of US$115 per barrel in mid-2014 to US$53 per barrel at the end of the year, before recovering somewhat into the early part of 2015. This dramatic fall in prices has caused all companies in the sector to reassess capital expenditure plans, resulting in lower activity levels both in exploration and development, and to focus on cost reductions.

The lower oil price and the uncertain outlook for price recovery have adversely impacted sentiment towards the industry, with smaller listed companies affected the most. It was against this backdrop that the Company continued to seek farm-in partners to finance exploration drilling in Licence PL001. Attracting financially strong companies into the Licence and achieving a transaction which maintained shareholder value were key goals set by the Board.

Despite the difficult economic climate for the sector, a number of companies continued to express interest in our Licence during the year. We announced in April 2015 that the Company had entered into a farmout agreement with Noble Energy Falklands Ltd and Edison International S.p.A in which Noble and Edison will drill an exploration well during the 2015 drilling campaign to test the Rhea prospect at no cost to the Company. We expect the transaction to be completed later in 2015.

Upon completion, Noble will assume the operatorship of Licence PL001. Noble is an experienced international operator with a successful track record in exploration, development and production operations and we are delighted to have an operator of their calibre join the Licence. Both Noble and Edison are large and well financed companies with the capabilities of taking any commercial discoveries rapidly into production.

The Company has assigned its entire 100 percent working interest to Noble and Edison (75 percent and 25 percent respectively) in return for an assignment from them of a 5 percent overriding royalty interest in the Licence. This royalty interest entitles the Company to 5 percent of gross revenues from all oil and gas produced over the life of the Licence, free and clear of all costs. In addition, Noble and Edison will make a cash payment of US$2.75 million on completion and ongoing annual payments of US$0.8 million until first production to the Company, which should be sufficient to meet our ongoing running costs. Should Noble and Edison withdraw from the Licence the farmout agreement provides for the reassignment of the Licence to the Company, subject to government approval.

This innovative deal has removed any uncertainty over how the Company would finance its share of appraisal and development costs in the case of success. Future capital calls on shareholders or material shareholder dilution is now unlikely to occur. The Board believes this transaction places the Company and its shareholders in a strong financial position to deal with the current economic conditions.

I would like to take this opportunity to thank our employees, consultants and advisors for their hard work in securing a successful farmout in a challenging commercial environment.

Ian Thomson
Chairman
12 June 2015

MANAGING DIRECTOR'S REVIEW
John Hogan

The principal effort during 2014 was engaging with the industry to attract good quality, strong farm-in partners to finance exploration drilling in the Company's Licence PL001.

3D seismic acquisition in 2011 and detailed interpretation of that data has identified a licence area rich in prospects. An independent Competent Persons Report prepared by Senergy and published in July 2013 describes 52 prospects with a Best Estimate prospective recoverable resource of 3.1 billion barrels of oil with an upside of 10.4 billion barrels. A further 40 leads have been identified which are not included in the resource figures as well as a possible extension of the Johnson gas discovery from the adjacent licence to the east. Having completed this work, the Company required significant additional capital for exploration drilling and so industry partners were sought.

In April 2015 the Company announced that it had entered into a farmout agreement with Noble Energy Falklands Ltd and Edison International S.p.A. Under the terms of the agreement Noble and Edison will drill an exploration well to test the Rhea prospect at no cost to the Company. The Rhea well is presently scheduled to be the sixth well in a drilling programme that is currently under way using the Eirik Raude drilling vessel. Drilling of the well on Rhea is expected to commence in the second half of 2015. Drilling this well will fulfil the work obligation on the Second Exploration Term of the Licence, which requires a well to be drilled by 25 November 2016. Fulfilling this obligation paves the way for the negotiation of a Third Exploration Term of ten years.

The Rhea prospect is amongst the Company's top ranked prospects. In addition to the Rhea sandstones, the drilling target comprises a series of stacked sands (the Rhea Stack) above and below Rhea itself, with a total Best Estimate prospective resource potential of 443 million barrels of recoverable oil. The High Case Estimate is 1,467 million barrels. Several of these sands can be tested with a single vertical well, although not all sands can be tested at their optimal locations. The sandstone targets are mapped in two principal depositional intervals. The deeper syn-rift interval contains a resource potential of 62 million barrels in two sandstone targets and the shallower, post-rift interval comprises four stacked prospects, including Rhea, with a combined resource potential of 381 million barrels of recoverable oil. The post-rift sandstones are the objective of the first well to be drilled.

The Company believes that success at Rhea will de-risk other prospects in the Licence.

John Hogan
Managing Director
12 June 2015

BOARD OF DIRECTORS

Ian Thomson OBE
Executive Chairman (aged 75)

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.

Andrew Irvine FCCA
Finance Director (aged 53)

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, a member of the board of the Falkland Islands Fishing Companies Association, and a director of the Falkland Islands Chamber of Commerce.

Committee membership
None.

Christopher Fleming
Non-executive Director (aged 55)

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.

External appointments
He is currently Head of Global Markets EMEA Sales for Nomura International PLC.

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

John Hogan
Managing Director (aged 62)

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 Hurricane Energy plc, Chairman of Celtique Energie Holdings Ltd and a non-executive director of Chrysaor Holdings Ltd.

Committee membership
None.

Dennis Carlton
Senior Non-executive Director (aged 64)

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.

James Ragg LLB, FCA
Non-executive Director (aged 49)

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 2014.

Principal activity

On 13 April 2015, the Company announced that its wholly-owned subsidiary, Argos Exploration Ltd, had entered into a farmout agreement with Noble Energy Falklands Ltd and Edison International S.p.A in respect of the Company's principal asset, a 100% interest in production licence PL001 covering an area of approximately 1,126 square kilometres in the North Falkland Basin. The Group retains an overriding royalty interest in any oil discovered in the licence area and information on the transaction is summarised in note 20.

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 (2013: $nil).

Business review

The Group has incurred a loss for the year ended 31 December 2014 of $1.30 million (2013: $1.84 million) which equates to a loss per share of 0.60 cents (2013: 0.85 cents). The decreased loss over the comparative period was due principally to savings made.

Administration expenses decreased from $1.85 million to $1.22 million.

Shareholders' equity has decreased from $31.7 million to $30.5 million in the year since 31 December 2013, due to the administration expenses. Cash in the year reduced from $2.9 million to $1.4 million which mainly reflects the overhead spend.

Outlook for the next financial year

Following the farmout agreement with Noble Energy Falklands Ltd and Edison International S.p.A the Group's administrative expenditure is 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.

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 14.

Substantial shareholders

As at 18 May 2015, the Company has been notified of interests in 3% or more of the Company's voting rights, based on an issued share capital of 218,863,205, as shown below:

Shareholder/Fund manager	*Percentage of voting rights*
Ian Thomson*	10.15
Argos Georgia Ltd	7.89
Orian Partners LP	6.85
Salida Capital International	6.39
Iain Aylwin**	6.15
JP Morgan Asset Management (UK) Ltd	4.97
Portogon Investments SA	4.57
Robert Smith	4.31

* Ian Thomson also has a 46.46% interest in the issued share capital of Argos Georgia Ltd.
** Iain Aylwin also has a 23.23% interest in the issued share capital of Argos Georgia Ltd.

Argos Georgia Ltd held 17,278,850 ordinary shares of 2 pence each at 31 December 2014 and 18 May 2015 (2013: 17,278,850 ordinary shares of 2 pence each).

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 2014 Ordinary shares of 2 pence each***	*At 31 December 2013 Ordinary shares of 2 pence each*
I M Thomson*	Chairman	**22,211,613**	22,211,613
J Hogan	Managing Director	**2,000,000**	2,000,000
A Irvine	Finance Director	**1,750,000**	1,250,000
D Carlton	Non-executive	**3,750,000**	3,250,000
C Fleming	Non-executive	**2,350,000**	1,850,000
J Ragg	Non-executive	**150,000**	150,000
Total		**32,211,613**	30,711,613

The directors also hold options in the Company's shares which are detailed in the directors' remuneration report on page 13.

* See preceding note on substantial shareholders for information on shares held by Ian Thomson in Argos Georgia Ltd, which itself is a substantial shareholder of Argos Resources Ltd shares. 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 17.

Events after the reporting date
See note 20.

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 donations in the year under review (2013: $nil). The Group made charitable donations during 2014 totalling $nil (2013: $8K).

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 9 days (2013: 10 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 5 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 industry best practice.

Social and community
The Falkland Islands is a small community and the Company is conscious that the impact of its activities on the country could be significant. The Company believes that working closely with the Falkland Islands Government and seeking views through consultation with stakeholder groups should help to ensure a positive impact from its 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 financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The Group have elected to prepare the parent Company financial statements in accordance with UK Accounting Standards and applicable law.

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 financial statements have been prepared in accordance with IFRSs;
> state whether the parent Company's financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

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
12 June 2015

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, became a senior employee of Argos Georgia Ltd, a substantial shareholder in the Company, with effect from 1 January 2013. 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. 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.

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 two meetings 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.

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

Remuneration committee

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 twice during the year under review and held a number of informal discussions. John Hogan agreed to a reduction in his annual fee to £100,000 per annum, with effect from 1 July 2014. No recommendations for increases in remuneration for other members of the Board have been made.

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

	2014 Fees £'000	2014 Pension contributions £'000	2014 Total £'000	2013 Fees and total £'000
I M Thomson	–	–	–	–
J Hogan	150	–	150	200
A Irvine	39	2	41	41
D Carlton	20	–	20	20
C Fleming	20	–	20	20
J Ragg	20	–	20	20
Total directors' remuneration	**249**	2	251	301
Remuneration above converted to $'000	**413**	3	416	471

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.

Shareholder relationships

During the year the executive directors held a number of meetings with shareholders and potential shareholders. These meetings included formal roadshows and presentations. All directors are kept informed regarding these meetings.

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.

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)	4	2	2
C Fleming	–	1	1
J Ragg (chairman, audit committee)	4	2	2
Total meetings during the year	5	2	2

Share options

The share options in place as at 31 December 2014 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	–	5,805,818	2
A Irvine	12/11/2009	875,000	500,000	375,000	2
D Carlton	12/11/2009	1,375,000	500,000	875,000	2
C Fleming	12/11/2009	775,000	500,000	275,000	2
J Ragg	12/11/2009	1,225,000	–	1,225,000	2
Total		**10,055,818**	**1,500,000**	**8,555,818**	

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

RISK MANAGEMENT REPORT

The Group's business, financial condition, results and future operations 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 with Noble Energy Falklands Ltd and Edison International S.p.A, providing evidence that other industry participants see potential in the Licence area.

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 with partners with strong financial backgrounds and track records of expediting the process from commercial discovery to production.

Future funding requirements

As part of the farmout agreement the Group will not need to raise additional funding in relation to future exploration and development in the Licence area.

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

We have audited the financial statements of Argos Resources Ltd for the year ended 31 December 2014 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, the Company balance sheet and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with section 235 (1) of the Companies Act 1948 (amended by the Companies (Amendment) Ordinance 2006) as it applies in the Falkland Islands by virtue of the Companies and Private Partnership Ordinance 1922 (as amended), and the Companies Act 1985 as applicable in the Falkland Islands in limited form 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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

> the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2014 and of the Group's loss 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 United Kingdom Generally Accepted Accounting Practice; and
> the financial statements have been properly prepared in accordance with the requirements of the Companies Act 1948 as applicable in the Falkland Islands by virtue of the Companies and Private Partnership Ordinance 1922 (as amended), and the Companies Act 1985 as applicable in the Falkland Islands in limited form by virtue of the Companies (Amendment) Ordinance 2006.

Opinion on other matters

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 1948 (amended by the Companies (Amendment) Ordinance 2006) as it applies in the Falkland Islands by virtue of the Companies and Private Partnership Ordinance 1922 (as amended), and the Companies Act 1985 as applicable in the Falkland Islands in limited form by virtue of the Companies (Amendment) Ordinance 2006 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.

BDO LLP
Registered auditor
London
United Kingdom

12 June 2015:

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 2014

	Note	*Year ended 31 December 2014 $'000*	*Year ended 31 December 2013 $'000*
Administrative expenses	4	**(1,218)**	(1,846)
Finance income	8	**6**	17
Foreign exchange (losses)/gains		**(85)**	(15)
Loss for the year attributable to owners of the parent	16	**(1,297)**	(1,844)
Total comprehensive income for the period attributable to owners of the parent		**(1,297)**	(1,844)
Basic and diluted loss per share (cents)	10	**(0.60)**	(0.85)

The notes on pages 20 to 29 form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014 $'000	2013 $'000
Assets			
Non-current assets			
Capitalised exploration expenditure	11	**29,044**	28,956
Plant and equipment	12	**16**	36
		29,060	28,992
Current assets			
Other receivables	13	**130**	140
Cash and cash equivalents		**1,363**	2,892
Total current assets		**1,493**	3,032
Total assets		**30,553**	32,024
Liabilities			
Current liabilities			
Trade and other payables	14	**92**	314
Total liabilities		**92**	314
Total net assets		**30,461**	31,710
Capital and reserves attributable to equity holders of the Company			
Share capital	15	**6,643**	6,595
Share premium	16	**30,071**	30,071
Retained losses	16	**(6,253)**	(4,956)
Total shareholders' equity		**30,461**	31,710

The notes on pages 20 to 29 form part of the financial statements.

These financial statements were approved by the directors and authorised for issue on 12 June 2015 and are signed on their behalf by:

Ian Thomson
Chairman

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2014

	Note	Year ended 31 December 2014 $'000	Year ended 31 December 2013 $'000
Cash flows from operating activities			
Loss for period before taxation		**(1,297)**	(1,844)
Adjustments for:			
Finance income	8	**(6)**	(17)
Depreciation		**20**	20
Net cash outflow from operating activities before changes in working capital		**(1,283)**	(1,841)
Decrease in other receivables		**10**	28
(Decrease)/increase in other payables		**(127)**	174
Net cash outflow from operating activities		**(1,400)**	(1,639)
Investing activities			
Interest received		**6**	18
Exploration and development expenditure		**(96)**	(1,154)
Purchase of plant and equipment		**–**	(2)
Net cash used in investment activities		**(90)**	(1,138)
Financing activities			
Issue of ordinary shares (share options exercised)		**48**	–
Net cash from financing activities		**48**	–
Net decrease in cash and cash equivalents		**(1,442)**	(2,777)
Cash and cash equivalents at beginning of period		**2,892**	5,688
Exchange losses on cash and cash equivalents		**(87)**	(19)
Cash and cash equivalents at end of the year		**1,363**	2,892

The notes on pages 20 to 29 form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2014

	Share capital $'000	Share premium $'000	Retained losses $'000	Total equity $'000
At 1 January 2013	6,595	30,071	(3,112)	33,554
Total comprehensive income for the year	–	–	(1,844)	(1,844)
At 31 December 2013	6,595	30,071	(4,956)	31,710
At 1 January 2014	**6,595**	**30,071**	**(4,956)**	**31,710**
Total comprehensive income for the year	**–**	**–**	**(1,297)**	**(1,297)**
Shares issued (share options exercised)	**48**	**–**	**–**	**48**
At 31 December 2014	**6,643**	**30,071**	**(6,253)**	**30,461**

The notes on pages 20 to 29 form part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

1 Accounting policies

The Group and its operations

Argos Resources Ltd is an AIM quoted, limited liability company. The Group comprises of 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.

On 13 April 2015, the Company announced that its wholly-owned subsidiary, Argos Exploration Ltd, had entered into a farmout agreement with Noble Energy Falklands Ltd and Edison International S.p.A in respect of the Company's principal asset, a 100% interest in production licence PL001 covering an area of approximately 1,126 square kilometres in the North Falkland Basin. Information on the transaction is summarised in note 20.

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 12 June 2015 and are subject to adoption at the Annual General Meeting of shareholders which is expected to be held in Stanley, Falkland Islands, in October 2015.

Basis of preparation

These financial statements have been prepared using the accounting policies set out below which have been consistently applied unless stated otherwise.

The financial statements have been prepared under the historical cost convention. 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 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 2014 and have not been adopted early. The directors do not expect these standards and interpretations to have material impact on the financial statements except for the requirement of additional disclosures.

Standard/interpretation	*Effective date*
Annual Improvements to IFRSs 2011-2013 Cycle	1 Jan 2015
Annual Improvements to IFRSs 2010-2012 Cycle	1 Feb 2015
IAS 19, Defined benefit plans: employee contributions	
Clarify the accounting requirements for contributions to defined benefit plans	1 Feb 2015
IFRS 11, Interests in Joint Operations	
Accounting for Acquisition of Interests in Joint Operations	1 Jan 2016
IAS 16 and IAS 38, Depreciations and Amortisation	
Clarification of Acceptable Methods of Depreciation and Amortisation	1 Jan 2016
IAS 27, Equity Method in Separate Financial Statements	
Option for an entity to account for its investments in subsidiaries, joint ventures, and associates using the equity method in its separate financial statements.	1 Jan 2016
IAS 1, Presentation of Financial Statements	
Amendments to improve presentation and disclosure in financial reports	1 Jan 2016
Annual Improvements to IFRSs 2012-2014 Cycle	1 Jan 2016
IFRS 15, Revenue from Contracts with Customers	
Clarify the principles of revenue recognition and establish a single framework for revenue recognition	1 Jan 2017
IFRS 9, 'Financial instruments'	
Phased replacement of IAS 39	1 Jan 2018

Going concern

The directors consider 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.

1 Accounting policies continued

Basis of consolidation

The consolidated financial statements incorporate the results of Argos Resources Ltd and its wholly owned subsidiary undertaking as at 31 December 2014 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.

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. 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. Following the farmout agreement with Noble Energy Falklands Ltd and Edison International S.p.A, announced in April 2015, the Group has disposed of Licence PL001 but retains an overriding royalty interest in the Licence area.

Intangible assets – capitalised exploration expenditure and impairment

As permitted under IFRS 6, the Group has accounted for evaluation and exploration (E&E) expenditure using the "full cost" method, whereby all costs associated with oil exploration are capitalised as intangible assets, pending determination of feasibility of the project.

Costs incurred include appropriate technical and administrative expenses but not general overheads. If an exploration project is successful, the related expenditures will be transferred to tangible assets and amortised over the estimated life of the commercial reserves. Where a licence is relinquished, a project is abandoned, or is considered to be of no further value to the Group, the related costs are written off. All capitalised costs are reviewed annually against the underlying value of oil and gas reserves, unless the expenditure relates to an area where it is too early to make a decision about the value of the assets.

Impairment

E&E assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed the recoverable amount.

In accordance with IFRS 6 the Group firstly considers the following facts and circumstances in their assessment of whether the Group's exploration and evaluation assets may be impaired:

- whether the period for which the Group has the right to explore in a specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- whether substantive expenditure on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned;
- whether exploration for and evaluation of hydrocarbons in a specific area have not led to the discovery of commercially viable quantities of hydrocarbons and the Group has decided to discontinue such activities in the specific area; and
- whether sufficient data exists to indicate that although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from successful development or by sale.

If any such facts or circumstances are noted the Group must perform an impairment test in accordance with the provisions of IAS 36, assessing the recoverable amount of the E&E assets together with all development and production assets, as a single cash generating unit (CGU). The aggregate carrying value is compared against the expected recoverable amount of the CGU. The recoverable amount is the higher of value in use and the fair value less costs to sell.

Any impairment loss would be recognised in the income statement and separately disclosed.

1 Accounting policies continued

Plant and equipment

Plant and equipment consists mainly of computer equipment and software. Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost less residual values of plant and equipment over its estimated useful life of 4 years.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Capital commitments

Capital commitments include expenditure in relation to all projects which have received specific board approval up to the reporting date. Projects without approval at the reporting date are excluded.

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, maturing within three months, 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. Deposits range from instant access to fixed term deposits. No fixed term deposit exceeds 3 months.

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. Balances 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:

	2014	2013
£:US$	**1.56**	1.66

1 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.

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 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 lessened by matching the currencies of cash balances with the currencies of projected liabilities.

As of 31 December 2014 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	**69**	**61**	**130**
Less: prepayments	**(64)**	**(61)**	**(125)**
Cash and cash equivalents	**1,353**	**10**	**1,363**
	1,358	**10**	**1,368**
Liabilities			
Other payables	**(92)**	**–**	**(92)**
Net financial assets	**1,266**	**10**	**1,276**

At 31 December 2013 the comparative balances were:

	Sterling denominated $'000	*US$ denominated $'000*	*Total $'000*
Current assets			
Other receivables	79	61	140
Less: prepayments	(75)	(61)	(136)
Cash and cash equivalents	2,734	158	2,892
	2,738	158	2,896
Liabilities			
Other payables	(164)	(150)	(314)
Net financial assets	2,574	8	2,582

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Year ended 31 December 2014

2 Financial instruments continued

If the US$ had strengthened against Sterling by 10%, equity would reduce by $127K (2013: $257K). Conversely if the US$ weakens against Sterling the equity would increase by $127K (2013: $257K).

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 three high quality institutions, Lloyds TSB, Standard Chartered Bank and HSBC. The following was the split of funds between the various institutions at 31 December 2014:

Institution	*2014 $'000*	*2013 $'000*
Lloyds TSB	**220**	1,034
Standard Chartered Bank	**659**	1,359
HSBC	**484**	499
	1,363	2,892

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 3 months.

Credit

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. 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 Administrative expenses

	2014 $'000	*2013 $'000*
Directors' remuneration (see note 5)	**416**	471
Professional fees	**197**	445
Depreciation	**20**	20
Other expenses	**585**	910
Total	**1,218**	1,846

5 Directors' remuneration

	2014 $'000	2013 $'000
Remuneration and fees	413	468
Pensions*	3	3
Total	416	471

* 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 13.

The average monthly number of employees, including directors, during this and the preceding year was 6.

6 Auditor's remuneration

	2014 $'000	2013 $'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	32	27
Fees payable to the Company's auditor for the audit of the subsidiary's annual financial statements	6	5
Review of interim accounts	8	8
Total payable for audit related services	46	40
Fees payable to the Company's auditor for other services:		
Taxation	4	10
	50	50

7 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.

	Exercise price (pence)	Number
Brought forward at 1 January 2013 and 1 January 2014	2	11,430,818
Exercised – 8 September 2014	2	(1,500,000)
Outstanding 31 December 2014	2	9,930,818

All options outstanding at the end of the year and at the end of the comparative period had vested and remained exercisable. The average share price on the date that the options were exercised in 2014 was 12.8 pence per share. The weighted average contractual life of the options is 8.87 years.

8 Finance income

	2014 $'000	2013 $'000
Interest on bank deposits	6	17

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Year ended 31 December 2014

9 Taxation credit

	2014 $'000	2013 $'000
Total tax:		
Corporation tax on losses for the year	–	–
Reconciliation of total tax credit:		
Loss before tax	1,297	1,844
Loss on ordinary activities multiplied by the standard rate of corporation tax of 26%	(337)	(479)
Effects of:		
Unrelieved tax losses and other deductions arising in the period	340	479
Interest receivable not taxable	(5)	(4)
Expenses not deductible for tax purposes	2	4
Total tax credit for the year	–	–

	2014 $'000	2013 $'000
Unrelieved tax losses, on which no deferred tax asset has been recognised, which are available for offset against future profits	7,111	5,926

10 Loss per share

	2014 Number	2013 Number
Shares in issue brought forward (2 pence shares)	217,363,205	217,363,205
Options exercised	1,500,000	–
Shares in issue carried forward	218,863,205	217,363,205
Weighted average shares in issue	217,835,808	217,363,205

	2014 $'000	2013 $'000
Loss for the year	(1,297)	(1,844)
Weighted average number of ordinary shares in issue during the year	217,835,808	217,363,205
Basic and diluted loss per ordinary share (cents)	(0.60)	(0.85)

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

11 Capitalised exploration expenditure

	2014 $'000	2013 $'000
Cost and net book value:		
At 1 January	28,956	28,280
Additions	88	676
At 31 December	29,044	28,956

12 Plant and equipment

	2014 $'000	2013 $'000
Cost:		
At 1 January	**81**	79
Additions	**–**	2
At 31 December	**81**	81
Depreciation:		
At 1 January	**45**	25
Charge for year	**20**	20
At 31 December	**65**	45
Net book value:		
At 31 December	**16**	36

13 Other receivables

	2014 $'000	2013 $'000
Prepayments	**125**	136
Accrued interest	**1**	1
Other	**4**	3
	130	140

14 Trade and other payables

	2014 $'000	2013 $'000
Trade payables	**26**	54
Accruals	**66**	260
	92	314

15 Share capital

	2014 $'000	2013 $'000
Authorised:		
500,000,000 ordinary shares of 2 pence each	**14,960**	14,960

	Number	$'000
Allotted, issued and fully paid:		
Ordinary shares of 2 pence each		
At 1 January 2013 and 1 January 2014	217,363,205	6,595
Shares issued (share options exercised)	1,500,000	48
Ordinary shares of 2 pence each		
At 31 December 2014	218,863,205	6,643

16 Reserves

Movements on the various reserves are detailed in the consolidated statement of changes in equity on page 19. The nature and purpose of each is set out below.

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.

17 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:

	2014 $'000	2013 $'000
Due to Argos Georgia Ltd at 1 January	–	(3)
Expenses paid on behalf of the Group	**(17)**	(23)
Loans repaid/creditor balances paid	**356**	366
Office running costs*	**(340)**	(340)
Due to Argos Georgia Ltd at 31 December	**(1)**	–

* There is a 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. The annual basic fee for 2014 was £205k ($340k). This agreement is terminable on 6 months, notice. Key management personnel are the directors only.

In 2012 J Hogan relinquished the right to any future pension entitlement, which was accruing at a rate of 5% of salary. The total amount which had accrued was transferred to a newly set up scholarship fund and amounts will continue to accrue to the scholarship fund at the same rate. Payments of $18,000 were awarded during each of 2012 and 2013 to J Hogan's son, who is studying towards a Master of Science degree in petroleum geology. No payments were made in 2014.

The directors are considered to be the key management of the Group. 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 13 and in note 5.

18 Commitments

(a) Capital commitments

There were no capital commitments at 31 December 2014 nor for the comparative period.

(b) Operating commitments

There is a 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. The annual basic fee for 2014 was £205k ($340k). This agreement is terminable on 6 months, notice. The ongoing commitment at 31 December 2014 was as follows:

	2014 $'000	2013 $'000
Total committed within 1 year	**148**	182

19 Contingent liabilities

The Group has no anticipated material contingent liabilities.

20 Events after the reporting date

On 13 April 2015, the Company announced that its wholly-owned subsidiary, Argos Exploration Ltd, had entered into the farmout agreement with Noble Energy Falklands Ltd and Edison International S.p.A in respect of the Company's principal asset, a 100% interest in production Licence PL001 covering an area of approximately 1,126 square kilometres in the North Falkland Basin.

The value of the Transaction relative to the Company's current market capitalisation meant that the transaction was deemed to be a disposal resulting in a fundamental change of business of the Company under Rule 15 of the AIM Rules and completion of the transaction required shareholder approval which was obtained at a general meeting on 4 May 2015.

The principal terms of the Transaction are summarised below:

- Noble will assume operatorship of Licence PL001 from Argos;
- Noble and Edison will earn a 75% and 25% working interest in the Licence respectively;
- Noble and Edison have committed to drill an exploration well in the Licence area during the current drilling campaign at no cost to Argos;
- Argos will retain an overriding royalty interest (ORRI) of 5% of gross revenues from all hydrocarbon discoveries developed within the Licence;
- Argos will have no requirement to contribute to any future capital or operating expenditures incurred over the life of the Licence;
- Argos will receive $2.75 million in cash upon completion of the Transaction and $800,000 per annum from 1 January 2016 through to receipt of the first royalty payment pursuant to the ORRI (if any) as reimbursement for certain historic costs incurred by Argos in relation to the maintenance of the Licence and the acquisition of certain seismic and other data in respect of the Licence Area;
- The proceeds are expected to be sufficient to meet all anticipated transaction costs and running costs through to receipt of the first such royalty payment pursuant to the terms of the ORRI;
- The initial exploration well will test the Rhea prospect and will fulfil the remaining work obligation on the Second Exploration Term of the Licence; and
- Should Noble and Edison elect to withdraw from the Licence following the drilling of the initial exploration well, Argos has retained the right to have 100% of the working interest reassigned to it, subject to appropriate Falkland Islands Government approvals.

PARENT COMPANY BALANCE SHEET
As at 31 December 2014

	Note	2014 $'000	2013 $'000
Fixed assets			
Plant and equipment	2	**9**	19
Investments	3	**2,120**	2,120
		2,129	2,139
Current assets			
Debtors	4	**26,059**	25,953
Cash at bank		**1,363**	2,892
		27,422	28,845
Creditors: amounts falling due within one year	5	**70**	292
Net current assets		**27,352**	28,553
Total assets less current liabilities		**29,481**	30,692
Capital and reserves			
Called up share capital	6	**6,643**	6,595
Share premium	7	**30,071**	30,071
Profit and loss account	7	**(7,233)**	(5,974)
Shareholders' funds	7	**29,481**	30,692

The notes on pages 31 to 33 form part of the financial statements.

These financial statements were approved by the directors and authorised for issue on 12 June 2015 and are signed on their behalf by:

Ian Thomson
Chairman

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
Year ended 31 December 2014

1 Accounting policies

Basis of preparation
The financial statements have been prepared under the historical cost convention and are in accordance with United Kingdom accounting standards.

Going concern
The directors consider that the Group and Company's available financial resources are more than adequate to provide working capital for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

Profit and loss account
As a Group income statement has been published as part of the financial statements, a separate profit and loss account 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. The loss for the year was $1.26 million (2013: loss of $1.65 million).

Cash flow statement
The Company has not presented a cash flow statement as part of the financial statements as the Company is part of a group which prepares consolidated financial information, including a Group cash flow statement. This is an exemption which is permitted under FRS1.

Investments
Investments held as fixed assets are stated at cost less provision for any impairment.

Plant and equipment
Plant and equipment consists mainly of computer equipment and software. Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost less residual values of plant and equipment over its estimated useful life of 4 years.

Financial instruments
The Company has taken advantage of FRS13 which permits non-presentation of Company only information where the disclosures provided in the Group accounts comply with the requirements.

Deferred taxation
Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Foreign currencies
The functional and presentational currency is US$. Transactions denominated in currencies other than US$ are translated at the rate of exchange ruling at the date of the transaction. Balances held in currencies other than US$ are converted at the rate ruling at the year end. Any translation differences are dealt with in the profit and loss account.

The year end rates of exchanges used were:

	2014	*2013*
£:US$	**1.56**	1.66

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

Year ended 31 December 2014

1 Accounting policies continued

Share based payments

The Company has issued share options to directors and key personnel and accounts for the costs of the issue of these options in line with FRS20 "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 profit and loss account or, if appropriate, capitalised, over the expected vesting period of the options and credited to retained losses.

2 Plant and equipment

	2014 $'000	2013 $'000
Cost:		
At 1 January	**39**	37
Additions	**–**	2
At 31 December	**39**	39
Depreciation:		
At 1 January	**20**	10
Charge for year	**10**	10
At 31 December	**30**	20
Net book value:		
At 31 December	**9**	19

3 Investments

	2014 $'000	2013 $'000
Investment in subsidiary		
Cost at 1 January and 31 December 2014	**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

4 Debtors

	2014 $'000	2013 $'000
Due after one year		
Amounts due from subsidiary company	**25,993**	–
Due within one year		
Accrued interest	**1**	1
Prepayments	**61**	71
Amounts due from subsidiary company	**–**	25,878
Other	**4**	3
	26,059	25,953

Amounts due from the subsidiary company have been reclassified as amounts falling due for payment after more than one year.

5 Creditors: – amounts falling due within 1 year

	2014 $'000	2013 $'000
Trade creditors	**26**	54
Accruals and deferred income	**44**	238
	70	292

6 Share capital

The information on share capital is given in note 15 on page 27 of the Group financial statements.

7 Reconciliation of movements in shareholders' funds

	Share capital $'000	Share premium $'000	Retained earnings/ (deficit) $'000	Total equity $'000
At 1 January 2013	6,595	30,071	(4,320)	32,346
Loss for year	–	–	(1,654)	(1,654)
At 1 January 2014	6,595	30,071	(5,974)	30,692
Loss for year	–	–	(1,259)	(1,259)
Shares issued (share options exercised)	48	–	–	48
At 31 December 2014	6,643	30,071	(7,233)	29,481

8 Other statutory disclosures

Directors' remuneration

The information given in note 5 of the consolidated financial statements relates wholly to the Company. There is no difference between the directors' remuneration of the parent and the Group.

Audit services

Costs incurred on audit and other services provided by the auditor are provided on a consolidated basis in note 6 of the consolidated financial statements.

Share based remuneration

The information given in note 7 of the consolidated financial statements relates wholly to the Company.

Related party transactions

The information given in note 17 of the consolidated financial statements relates wholly to the Company.

Commitments

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

Events after the balance sheet date

The information given in note 20 of the consolidated financial statements relates to the Subsidiary company, Argos Exploration Ltd. There were no other reportable events occurring after the balance sheet date.

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