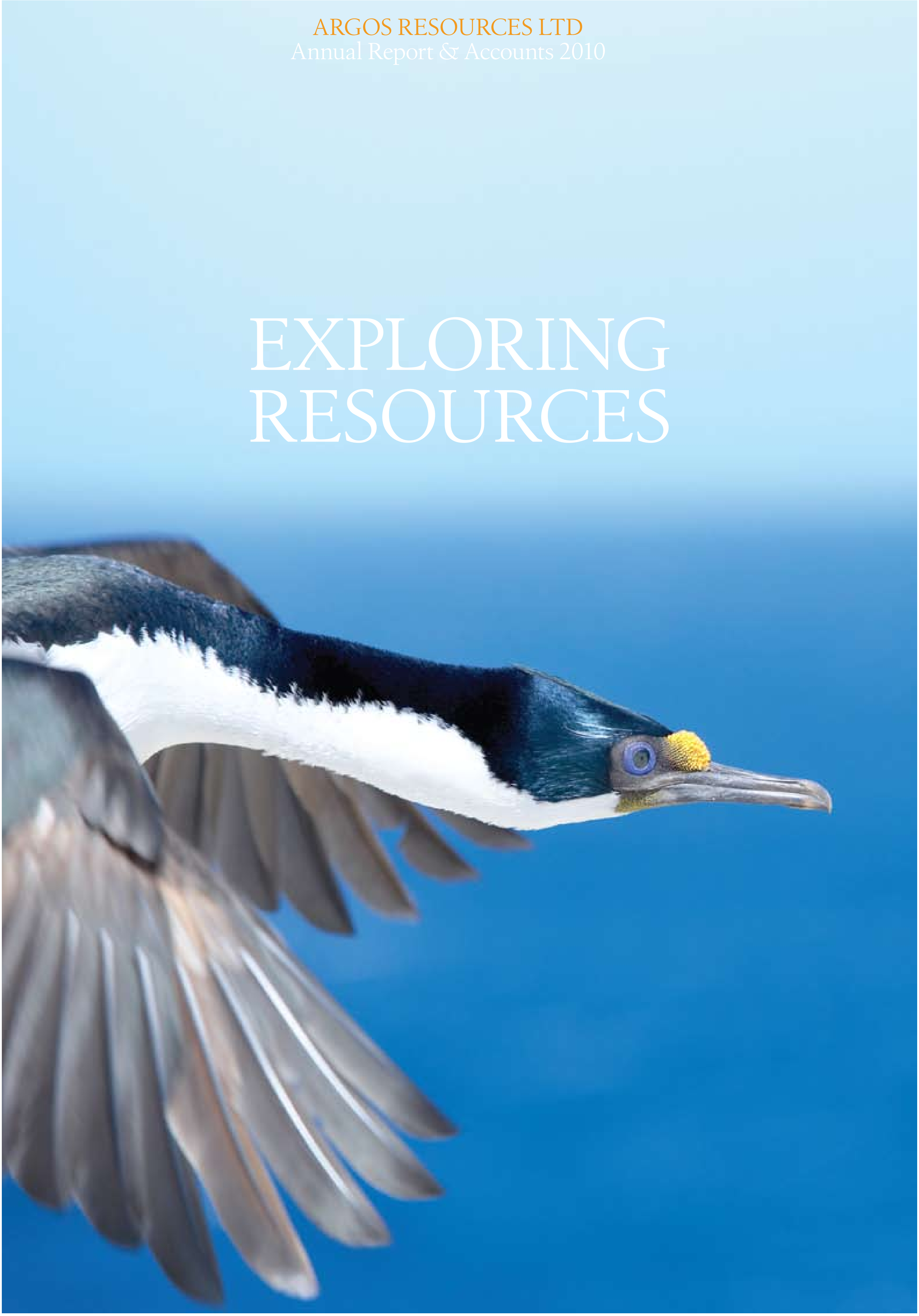
ARGOS RESOURCES LTD Annual Report & Accounts 2010

ARGOS RESOURCES LTD

Annual Report & Accounts 2010

EXPLORING RESOURCES



EXPLORING RESOURCES

King Cormorant: Front page
A King Cormorant in flight – a native of the Falkland Islands.

A King Cormorant checks the availability of a landing spot. They are incredible birds to watch – the way that they cruise in almost to a halt, stall and then drop into a gap amidst a tight knit group of other birds.

Argos Resources is a quoted oil and gas exploration company based in the Falkland Islands. The Company's principal asset is a 100 per cent interest in production licence PL001 covering an area of approximately 1,126 square kilometres in the North Falkland Basin.

Based on 2D seismic, seven prospects and five leads have been identified by Argos in the licence area. The prospects have a total unrisked potential of 747 million barrels of prospective recoverable resource in the most likely case, and up to 1.75 billion barrels in the upside case.

The licence area adjoins licence PL032, where the Sea Lion oil discovery was made in 2010, and where an extensive drilling campaign is now under way.

The Company has a strong and experienced management team with extensive experience in both the oil and gas industry and the Falkland Islands.

Contents

Highlights

- Successfully listed on AIM on 29 July 2010 raising £22 million (gross).
- Sea Lion oil discovery, in adjacent licence PL032, successfully tested in September 2010, producing first oil to flow to surface in Falkland Islands waters, and successfully appraised in March 2011.
- Vintage 2D seismic data, together with seismic from adjacent licences, was reprocessed and reinterpreted during 2010 yielding seven prospects with estimated resource potential of up to 747 mmbo in the Most Likely Case and 1.75 billion barrels in the Upside Case.
- MV Polarcus Asima contracted in late 2010 to undertake a 3D seismic survey over the entire licence plus open acreage to the north to cover possible extension of Johnson structure and to look for new prospects.

Post Year End

- 3D data acquisition commenced in January 2011 and was completed over all of the licence area in mid-April.
- 3D data currently being processed, with a high-priority area being fast-tracked for mid-year completion.

At a glance

North Falkland Basin

Commencing 30km to the north of the Falkland Islands, the North Falkland Basin extends over 250km from north to south.

Geological overview

Geological features of the Falklands are similar to those found in South Africa, with quartzite, sandstone and mudstone the most common types of rock.

The North Falkland Basin was formed in the Jurassic to Early Cretaceous period as a continental rift associated with the break up of the Gondwanaland super-continent and the opening of the South Atlantic.

The basin filled with Cretaceous lacustrine sediments which are the primary targets for exploration.

The North Falkland Basin covers a significant area and is over 250km in length from north to south. Drilling is only now beginning to reveal the potential of the basin, with both oil and gas already discovered.

The MV Polarcus Asima, contracted by the Company to acquire 3D seismic

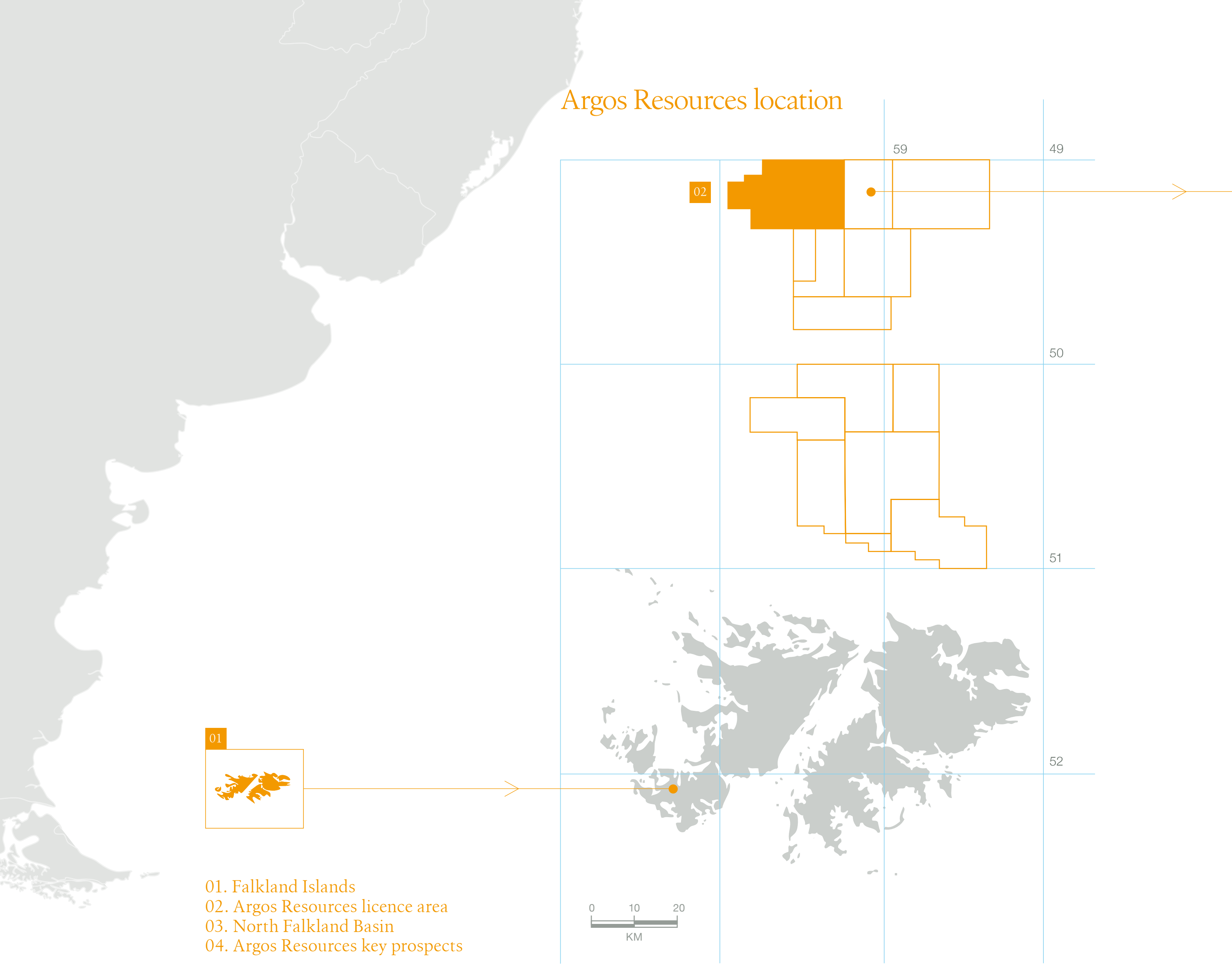
A history of drilling in the areas

The first seven exploration licences were awarded in 1996 and Argos was one of the original licencees. Six wells were drilled in the first drilling campaign in 1998. Four of these wells were drilled on valid structural features and demonstrated the presence of an active hydrocarbon system.

A new drilling programme commenced in February 2010 utilising the Ocean Guardian semi-submersible rig. By mid-April 2011, a further ten wells had been drilled in the North Falkland Basin as part of this new campaign, with a further three committed to be drilled. Other commitments to drill, including possible commitments from Argos, could extend this programme further. The Sea Lion discovery has transformed opinion on the attractiveness of the area in which the Argos licence is situated and has confirmed that a very high quality oil source rock is present, and mature for oil generation.

Seismic reprocessing and reinterpretation undertaken in 2009 and 2010 has identified seven prospects and five leads in the Company's licence area. The acquisition of 3D seismic to better define those prospects and leads commenced in January 2011 and was completed over all of the licence area in mid-April. The interpretation of this data will lead to a decision on further drilling if the 3D seismic results provide confirmation of the prospectivity.

At a glance continued



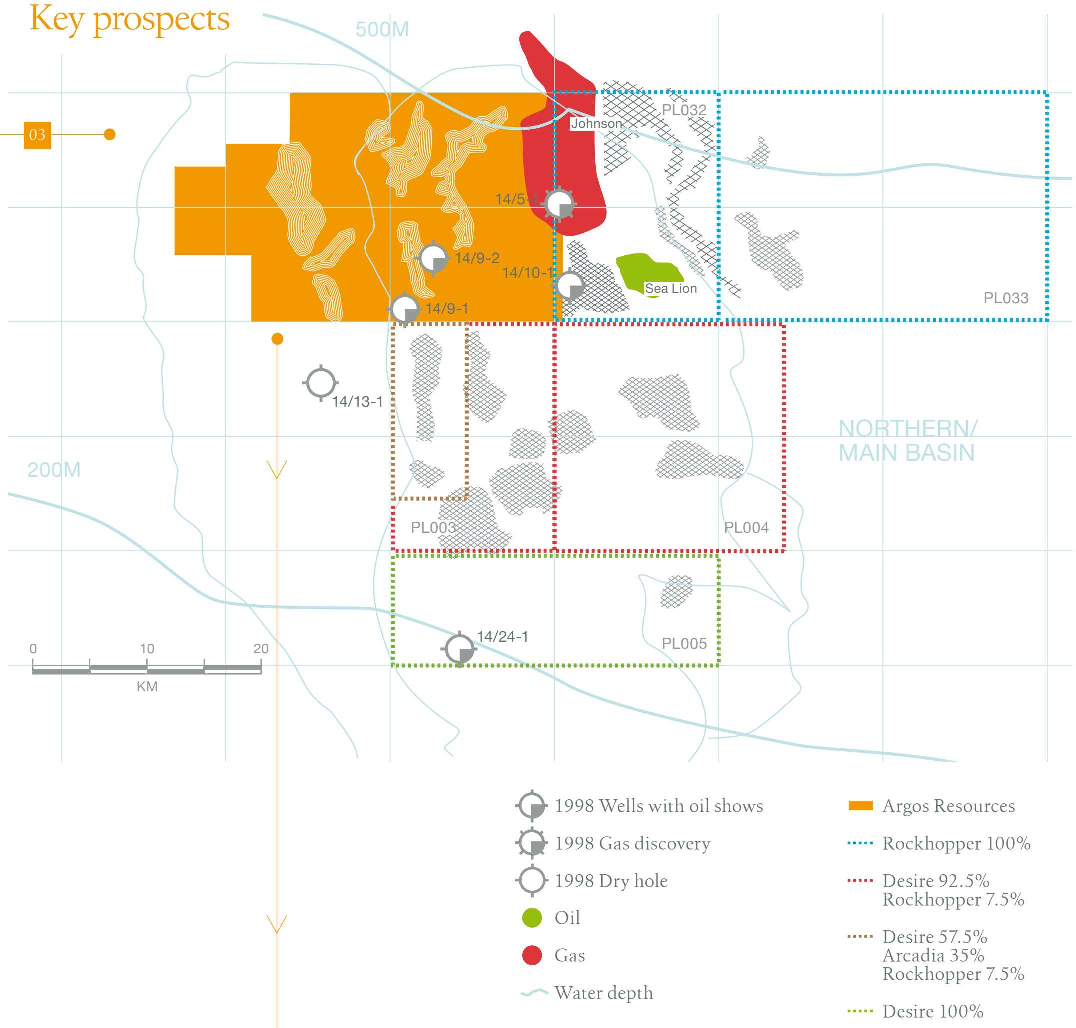
Falkland Islands

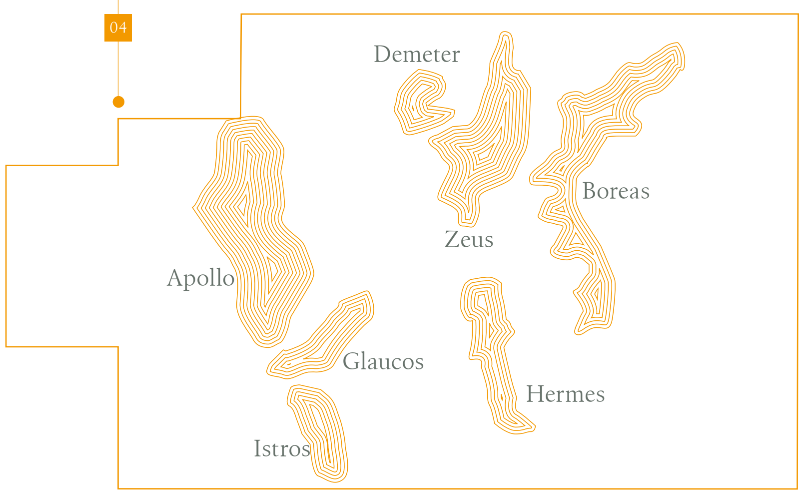
Situated approximately 480km to the east of South America in the South Atlantic Ocean.

Cover approximately 12,000km^2 of land and includes the two main islands of East and West Falkland and about 200 small islands. 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.

Key prospects





100%

Argos Resources ownership

Some of our prospects

Zeus is a long-lived ridge feature with a primary early post-rift reservoir target plus a secondary, younger target. The primary target at the Late Jurassic level has P(50) prospective resources of 152 mmbbls. Secondary targets include the Late Cretaceous level with P(50) prospective resources of 29 mmbbls, and at the Upper Cretaceous level with P(50) prospective resources of 35 mmbbls.

Apollo is a structural trap at the Late Jurassic horizon. P(50) recoverable prospective resources are 176 mmbbls.

Boreas is a stratigraphic trap at the Lower Cretaceous horizon in the Sea Lion fan-sand setting. Some of the 2D seismic data show good amplitude contrast, which could indicate AVO anomalies, though 3D data is required to confirm this. P(50) recoverable prospective resources are 145 mmbbls.

Demeter is a structural trap with two potential targets – the main being at the Jurassic level with P(50) recoverable prospective resources of 48 mmbbls. The secondary target at the Lower Cretaceous level has P(50) prospective resources of 5 mmbo.

Our licence

100% interest in PL001 (1,126km^2) in the North Falkland Basin, immediately adjacent to and west of the Rockhopper acreage where the Sea Lion oil discovery was made in 2010. Work undertaken on PL001 has shown it to be highly prospective. Existing 2D seismic indicates several potentially large prospects and leads – some of which are similar play types to Sea Lion.

Rockhopper's Sea Lion oil discovery has proved the potential for commercial oil fields in the North Falkland Basin.

Environmental impact

As a Falkland Islands Company, Argos Resources is acutely aware of the special nature of the environment of the Falkland Islands and its global significance for marine and bird life.

Argos is committed to implementing a high level of environmental management offshore and applying environmental procedures to eliminate or mitigate any impact from our operations.

200

Species of birds recorded in the Falkland Islands

As a Falkland Islands Company, Argos Resources is acutely aware of the special nature of the environment of the Falkland Islands and its global significance for marine and bird life.

The Falkland Islands are an area of global importance for bird life, particularly seabird species. The North Falklands Current upwells nutrient rich water from the Antarctic and provides an area of high plankton activity, forming the basis of the marine ecosystem and supporting seabird activity in the region.

Over 200 species of birds have been recorded in the Falkland Islands including eleven species of albatross and nine species of penguin. There are five different species of breeding penguin in the Falkland Islands (rockhopper, magellanic, gentoo, king and macaroni). The Falklands are the most important world site for the endangered rockhopper penguin and are also home to 80% of the world's breeding population of black-browed albatross. Several rare and threatened species of petrel nest on some of the smaller islands.

Understanding the characteristics of the local environment is a key consideration in the planning of all future work within PL001, in order to understand the potential for a drilling programme to interact with the environment so that appropriate controls can be adopted to mitigate any possible negative impacts. The first step in understanding the environment is the preparation of a thorough Environmental Impact Assessment and we commissioned RPS Energy and the Marine Resource Assessment Group to assist us in preparing a baseline study.

The Company's Environmental Impact Statement is likely to be released for consultation in early May 2011 allowing stakeholders to comment on the work, which is part of the Falkland Islands Government's approval process.

The preparation and approval of our Environmental Impact Statement is an important step in our commitment to minimise our environmental impact. Once we have identified firm drilling targets addendums to our Impact Statement will be required specific to these locations later in 2011 prior to the commencement of drilling operations. Approval of the Environmental Impact Statement and associated drilling specific addendums by the Falkland Islands Government is a prerequisite for drilling activities in the Falklands.

Environmental assessment is an important management tool to ensure that environmental hazards and effects are identified and evaluated and that appropriate control measures are implemented. The physical, biological and socio-economic environment in both the immediate vicinity of PL001 and further afield in the North Falkland Basin has been reviewed as part of our study. The assessment process comprises four main stages:

- To characterise the environment and identify the environmental hazards associated with the activity;
- To assess the magnitude and significance of the hazards and effects;
- To implement control techniques to eliminate or lessen the severity of the effects and to manage the hazard;
- To review and, where necessary, develop plans and procedures to manage the consequences of accidental events.

Environmental control measures are an integrated part of planning operations. Our Environmental Impact Assessment has been undertaken to confirm the effectiveness of standard controls and to identify specific circumstances that may warrant additional control measures.

Argos is committed to implementing a high level of environmental management offshore and applying environmental procedures to eliminate or mitigate any impact from our operations.

Chairman's Statement

We received sufficient funds from our successful listing on AIM in July 2010 to conduct a 3D seismic survey over the entire licence area, to map and highgrade prospects from that survey, and to take all the early steps to prepare for drilling in late 2011 or 2012.

Ian H. Thomson

Ian Thomson OBE
Executive Chairman

Company history

1995 Incorporated for the purpose of participating in a consortium, led by Amerada Hess, to apply for a petroleum production licence in the first licensing round by the Falkland Islands Government.

1996 The consortium was awarded production licence PL001, effective October 1996, and immediately acquired a new 2D seismic survey. The consortium drilled two wells on the licence. Amerada Hess and the other group members, except Argos, subsequently withdrew from the licence leaving Argos with 100% equity.

2008 Argos entered the second phase of its exploration licence. This second of three exploration phases continues to November 2015.

2010 The Company listed on AIM, raising £22 million before expenses.

Currently Upon entering the second phase of the licence the Company was required to relinquish 30% of the original licence area. The retained licence area in PL001 covers around 1,126km^2, equivalent to approximately four North Sea blocks.

Key strengths

- Proven petroleum system in the North Falkland Basin
- 100% ownership of licence, adjacent to Rockhopper's recent Sea Lion oil discovery
- Johnson gas discovery which potentially extends into the Licence, with gross mean potential contingent resource of 3.4TCF and upside of 7.9TCF
- Seven prospects already identified from the 2D seismic programme
- Potential for North Falkland Basin to be further de-risked by the ongoing drilling activity
- Strong and experienced management team with extensive experience in both the oil and gas industry and the Falkland Islands

100%

Ownership of Licence

Introduction

I am delighted that the Company is issuing this, its first Annual Report since our successful listing on AIM in July 2010. Argos Resources is a Falkland Islands based exploration company focused exclusively on the North Falkland Basin. The recent Sea Lion oil discovery in the acreage immediately adjacent to the Company's licence demonstrates the potential of this emerging oil and gas basin and we are excited by the prospect of making similar discoveries on our own acreage.

History

The Company is one of the original licencees in the North Falkland Basin, having been incorporated in 1995 with the intention of participating in applications for the first round of exploration licences being offered by the Falkland Islands Government.

In 1995 the Company joined the Amerada Hess consortium which was successful in being awarded licence PL001, its first choice acreage, with effect from 28 October 1996. We subsequently participated in the acquisition of a 2D seismic survey and, in 1998, the drilling of two exploration wells in the licence area. This was part of a larger industry drilling campaign in which a total of six exploration wells were drilled.

Five of those six wells had oil and gas shows, but none resulted in a commercial discovery. Low oil prices that prevailed at the time of drilling drove the majority of licencees to surrender their licence interests once their licence commitments had been fulfilled. Argos believed that the wells drilled had not adequately tested the full potential of the basin and that the oil and gas shows encountered were sufficiently encouraging to merit continuing with the licence and undertaking further work. Therefore as its consortium partners withdrew from the licence, Argos acquired their interests and today has a 100% interest in licence PL001.

The rise in oil prices in the early 2000s sparked renewed interest in exploration around the Falklands and a number of new, small exploration companies acquired licences and commenced a new round of exploration activity. This has led to a new multi-well drilling campaign in the North Falkland Basin, which commenced in February 2010. By mid-April 2011, ten new wells had been drilled in the basin, with a commitment for at least a further three wells.

One of those wells, 14/10-2, resulted in the Sea Lion oil discovery in licence PL032, adjacent to our PL001 licence. This discovery has recently been successfully appraised by well 14/10-4. Following this successful appraisal, the operator has announced a P90 recoverable resource estimate of 155 million barrels, and is expressing confidence that this discovery will prove to be commercial.

Achievements

This potentially significant oil discovery is just a few kilometres from the PL001 licence boundary. The discovery demonstrates that large volumes of oil have been generated in the North Falkland Basin and it has materially enhanced the attractiveness of our licence. The board of Argos considered this discovery sufficiently encouraging in enhancing the potential of our licence that we decided that the Company should prepare for drilling again on its own acreage.

The first step was to list the Company in order to raise the funds required to conduct a 3D seismic campaign over the licence. The Company was successfully listed on AIM in July 2010 and £22 million, before expenses, was raised. This is sufficient to acquire 3D seismic over the entire licence area and to undertake the early planning for drilling if the 3D seismic results provide confirmation of the prospectivity of the acreage. Acquisition of 3D data commenced in January 2011 and was completed over all of our licence area in mid-April.

Outlook

It is our ambition to participate in the current drilling campaign in the North Falkland Basin in late 2011 or early 2012, and we are building our team and taking all the steps required to be prepared for this. This is the plan that we described to shareholders at the time of listing and we are proceeding in accordance with this plan. Additional capital will be required to finance the drilling.

With oil prices high, with demand continuing to increase and with current supply restrictions, the outlook is for continued high oil prices. This will stimulate increased exploration activity worldwide, and access to attractive exploration acreage within a competitive tax regime is highly valued. Having good quality acreage so close to a new significant oil discovery, and with state of the art 3D seismic data as an exploration tool, the board believes Argos is well positioned to create value for shareholders from its licence.

Managing Director's Review

Near Term Aims

- Prove up current prospects to drillable status; and
- Identify new stratigraphic prospects

Our strategy and work programme

- Conduct an exploration programme which is complementary to that being implemented in the adjoining licences
- Carry out a 3D seismic programme over the prospects and leads identified from our earlier 2D seismic programme
- On completion of the 3D seismic interpretation, we expect to be in a position to high-grade prospects and identify drilling locations for exploration wells
- Subject to securing further equity funding or a farm-in partner, we plan to commence drilling in the fourth quarter of 2011 or early 2012

The prospects identified from the 2D seismic data have a total unrisked potential of 747 million barrels of prospective recoverable resources in the most likely case and up to 1.75 billion barrels in the upside case.

John Hogan
Managing Director

Operational update

- 3D seismic acquisition progressing well
- 3D coverage over all of licence area completed in mid-April 2011
- Early indications that this is the best quality seismic acquired in the basin to date
- High-graded area carved-out for fast-track processing and early interpretation
- 3D acquisition continues over open acreage to the north of PL001 to identify additional prospectivity
- Building team to prepare for drilling

100%

3D seismic coverage of licence area complete

Introduction

The Company raised £22 million in July 2010 to fund the acquisition and interpretation of a 3D seismic survey in licence PL001, allowing prospects to be mapped in detail, highgraded and readied for drilling. That 3D survey was completed over all of our licence area in mid-April 2011 and the early indications are that the data acquired is of excellent quality.

History

The drilling programme undertaken in 1998 in the North Falkland Basin produced some encouraging results. Of the six exploration wells drilled, five encountered oil and gas shows and one well, 14/5-1, the deepest drilled in the basin to a depth of 4,525m, encountered gas-bearing sands over an extensive interval. No commercial oil discoveries were encountered and in the low oil and gas price climate prevailing at the time, there was no interest in further evaluating the gas discovery.

It was particularly encouraging that all the wells encountered a thick, organic rich shale of early Cretaceous age which blankets the basin and is over 1,000m thick in places. This shale has been described by Shell as one of the richest potential source rocks they have ever analysed worldwide. Geochemical and geothermal studies of this shale undertaken by Argos indicate that this source rock should be mature for oil generation below approximately 2,400m burial depth and that some 70 billion barrels of oil could have been generated from this mature source rock.

However, of the six wells drilled in 1998, five tested targets significantly shallower than the mature shale interval and only 14/5-1 tested a deep target, encountering gas. It was therefore evident that the deep potential of the basin had not been adequately tested by that drilling campaign, and that there was an attractive opportunity to explore for deeper plays in traps which could be charged by oil migration from deep adjacent mature shales. Identifying prospects that could be charged with oil from this deep source rock is the objective of the Company's current exploration campaign.

Current prospects

The prospects currently mapped in our licence are based on the interpretation of 1,513km of 1996 vintage 2D seismic data. This data, together with seismic from adjacent licences was reprocessed and reinterpreted in 2010. From this interpretation, seven prospects and five leads have been mapped. Estimated resource potential for the seven prospects amounts to 747 mmbo in the most likely case and 1.75 billion barrels in the upside case. The prospects comprise a mixture of structural and stratigraphic traps, and the leads are mostly subtle stratigraphic traps requiring further delineation.

The quality of the seismic data in the deep sections of the basin, adjacent to the mature source rock is only fair to poor. While the data quality was improved by reprocessing, new vintage 3D seismic data is expected to provide materially improved data quality at all levels.

3D seismic

3D seismic surveys undertaken in adjacent licences in 2004 and 2007 have proven very successful in improving data quality deep in the section and in identifying stratigraphic prospects that could not be mapped on 2D seismic data. The Sea Lion oil discovery, immediately adjacent and to the east of our licence, is one such example. The Sea Lion oil discovery is a subtle stratigraphic trap with no structural expression and could not be mapped on the 1996 vintage 2D seismic data. Yet Sea Lion is reported to have a P90 recoverable resource estimate of 155 mmbo.

Sea Lion also, of course, proves that a working hydrocarbon system with mature oil source rocks exists in the basin, as postulated by Argos from our earlier work. Mapping of 3D data around the 14/5-1 gas discovery also confirmed the presence of a large, deep structure named Johnson, which, if gas-filled, could contain up to 7.9TCF of gas. Our belief is that this gas is sourced from an older, deeper source rock than the early Cretaceous source of the Sea Lion oil. A meaningful portion of Johnson extends into our licence and may be a target for future appraisal drilling.

We are confident from the above experience that 3D seismic data will improve the definition of existing prospects and should lead to the identification of additional prospects not evident on the existing 2D data.

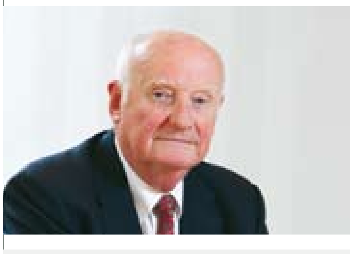
Operations

The MV Polarcus Asima was contracted in late 2010 to undertake a 2,400 square kilometres seismic survey for the company and acquisition commenced in January 2011. 3D data acquisition over the entire licence area was completed in mid-April, while further 3D data acquisition is presently ongoing in open acreage to the north to cover the possible extension of the Johnson structure and to look for new prospects in the continuation of the basin into open acreage.

Processing of the new 3D data has commenced and early indications are that this is the best quality 3D data that has been acquired in the basin to date. We are therefore encouraged that we will have excellent data for prospect mapping.

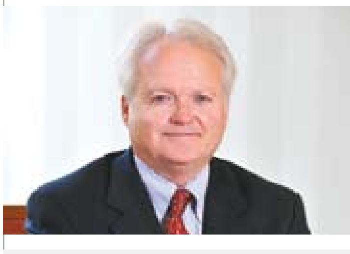
Our aim is to have drillable prospects in the licence identified and ranked ready for drilling in time to have the option to join the multi-well drilling programme currently under way with the Ocean Guardian rig. That rig has sufficient well commitments under contract to remain in the North Falkland Basin until late in 2011, with other operators likely to add further to those commitments. We are also benefiting from the de-risking of the basin that is occurring from this drilling by others in offsetting acreage. A target to be drill ready by late 2011/early 2012 is therefore our goal and we are putting in place all the necessary steps to achieve this.

Directors



Ian Thomson OBE
Executive Chairman (aged 71)
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. He is director of a number of Falkland Islands and overseas companies engaged in fishing and other operations.

Andrew Irvine FCCA
Finance Director (aged 49)
Andrew 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 Islands companies. He is Chairman of the Falkland Islands Pensions Scheme and a member of the board of the Falkland Islands Fishing Companies Association and a director of the Falkland Islands Chamber of Commerce.



Dennis Carlton
Senior Non-executive Director (aged 60)
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. He is currently a director of a number of other private companies operating in the energy and other sectors.

John Hogan
Managing Director (aged 58)
John joined the board in 2005. John is a qualified geologist who has spent over 35 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.

Christopher Fleming
Non-executive Director (aged 51)
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 is currently Global Head of Rate Sales for Nomura International PLC.

James Ragg LLB, FCA
Non-executive Director (aged 45)
James joined the board in 2008. James qualified as a Chartered Accountant in 1995 and, after eight years with Saffery Champness, joined Haines Watts as an audit and assurance partner in 2004. He is currently a designated Partner in Haines Watts South LLP. Alongside his audit and assurance role, James is an expert on organisational governance and lectures regularly on governance responsibilities.

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 2010.

Principal activity

The principal activity of the Group is exploration for oil and gas in the area licensed to it in the North Falkland Basin. The directors have no plans to change this in the foreseeable future.

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 (2009: $nil).

Business review

The Group has incurred a loss for the year ended 31 December 2010 of $455K (2009: $175K) which equates to a loss per share of 0.26 cents (2009: 0.12 cents) The loss has increased over that incurred in the comparative period due to an increase in administration expenses.

Administration expenses including the share based remuneration expense were $888K as compared to $175K for the comparative period due to the increased level of activity following fund raising. A foreign exchange gain of $685K was created as a result of a timing difference on the receipt of the placing funds. Overall foreign exchange gains for the year were $535K.

The share based remuneration expensed was $184K compared to $33K for the comparative period. The increase is a reflection of the fact that share options were granted towards the end of the comparative period whilst the year under review bears a full annual charge.

Shareholders' equity has increased by $32.0 million since 31 December 2009 representing mainly the share placing of $32.3 million.

Outlook for the next financial year

The net proceeds from the placing in July 2010 mean that the Group is fully funded for its 3D seismic programme, related processing and interpretation and its administrative expenditure for the next twelve months and beyond. Further fund raising will be required before the Group can embark upon a drilling programme.

At 31 December 2010 cash resources available for exploration stood at $32 million (2009: $447K).

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 19.

Substantial shareholders

As at 5 April 2011, the Company has been notified of interests in 3% or more of the Company's voting rights, based on an issued share capital of 216,113,205, as shown below:

Shareholder/Fund manager	Percentage of voting right
Argos Georgia Ltd	12.1
Ian Thomson*	10.3
Orian Partners LP	6.9
Iain Aylwin**	6.2
Portogon Investments SA	4.6
Robert Smith	4.4

* Ian Thomson has a 46.46 per cent interest in the issued share capital of Argos Georgia Ltd.

** Iain Aylwin has a 23.23 per cent interest in the issued share capital of Argos Georgia Ltd.
Argos Georgia Ltd held 26,078,850 ordinary shares of 2 pence each at 31 December 2010 (2009: 10,431,540 ordinary shares of 5 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 2010 ordinary shares of 2 pence* each	At 31 December 2009 equivalent ordinary shares of 2 pence* each	At 31 December 2009 ordinary shares of 5 pence* each
I M Thomson**	Chairman	22,211,613	22,211,613	8,884,645
J Hogan	Managing director	2,000,000	2,000,000	800,000
A Irvine	Finance director	750,000	750,000	300,000
D Carlton	Non-executive	3,250,000	3,250,000	1,300,000
C Fleming	Non-executive	1,250,000	1,250,000	500,000
J Ragg	Non-executive	–	–	–
Total		29,461,613	29,461,613	11,784,645

* At an EGM held on 9 July 2010 approval was given to subdivide the ordinary shares of 5 pence each into ordinary shares of 2 pence each. The differences in the numbers of shares held by directors noted in the above table were as a result of this change. The above table also shows the equivalent number of 2 pence shares held at 31 December 2009 demonstrating that no additional changes to the shares held by the directors took place during 2010. The directors also hold options in the Company's shares which are detailed in the directors' remuneration report on page 17.

** 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 contracts
The terms of the directors' service agreements or letters of engagement are summarised below.

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 to the other not less than twelve months' notice at any time. 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 or charitable donations in the year under review or the preceding year.

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 five days (2009: 23 days), on the basis of accounts payable as a percentage of purchase ledger turnover and 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 at all onshore and offshore sites with which it is involved.

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 ("IFRSs") as adopted by the European Union. 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 AIM. 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 financial statements have been prepared in accordance with IFRSs; 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.

We confirm to the best of our knowledge:
- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the financial position of the group and company and loss of the group; and the undertakings included in the consolidation taken as a whole; and

- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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 re-appointment of BDO LLP as auditor of the Company.

On behalf of the board

Ian Thomson
Chairman

Date: 21 April 2011

Corporate governance statement

As an AIM company, Argos Resources Ltd is not required to comply with the Combined Code June 2008 (which applies to the year under review) or its successor, the UK Corporate Governance Code (which applies to accounting periods beginning on or after 29 June 2010). The board does, however, seek to comply with the Code where it is practical to do so.

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/or hold options to acquire shares in the Company, this is not considered a significant threat to their independence and apart from their directors' fees they have no other financial interests in the Company or business relationships that would interfere with their independent judgement.

Dennis Carlton has been appointed senior non-executive director and the Company's website contains an email contact for him should shareholders have concerns which have not been adequately addressed by the chairman or managing director. The website also contains an email contact for 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. 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 however 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;
- 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 Company's website includes contact details which may be used for this purpose.

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 board 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 formal meetings in the year during the period following admission to AIM. During the period since the year end one further formal 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 once during the year under review and held a number of informal discussions. The committee considered the salaries paid to executives and recommended that increases taking full time equivalent salaries to the levels set out in the AIM Admission Document should be implemented with effect from 1 August 2010.

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

	2010 Fees £'000	2010 Pension contributions £'000	2010 Total £'000	2009 Fees and total £'000
I M Thomson	–	–	–	–
J Hogan	89	3	92	50
A Irvine	12	1	13	–
D Carlton	8	–	8	–
C Fleming	8	–	8	–
J Ragg	8	–	8	–
Total directors' remuneration	125	4	129	50
Remuneration above converted to $'000	198	6	204	75

The directors believe that performance related pay is an important element in retaining key staff and other personnel and also benefits the shareholders by linking reward to performance.

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 road shows and presentations, analyst briefings and media interviews. 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 twelve months from that date. The board has therefore continued to adopt the going concern basis in preparation of the financial statements.

Corporate governance statement continued

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

Share options

The share options in place as at 31 December 2010 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	1,375,000	–	1,375,000	2
D Carlton	12/11/2009	1,375,000	–	1,375,000	2
C Fleming	12/11/2009	1,375,000	–	1,375,000	2
J Ragg	12/11/2009	1,375,000	–	1,375,000	2
Total		11,305,818	–	11,305,818	

Risk management

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

General exploration risk

A gas discovery, Johnson, has been announced in the adjacent acreage to the east of licence PL001 on a structure that extends into the licence area, but drilling on the licence will be required to confirm the presence of gas on the Company's acreage. An oil discovery, Sea Lion, has also been made on the same acreage to the east of the licence and an active appraisal drilling programme is under way with the aim of confirming commerciality. If successful, this would be the first commercial field in the North Falkland Basin. Whilst these results are encouraging with respect to the oil and gas potential of the area, no commercial volumes of oil or gas have yet been discovered in the licence area. There is no certainty that such discoveries will ever be made.

Commercial risk

Even if the Group recovers quantities of oil or gas, there is a risk the Group will not achieve a commercial return. Historically, oil prices have fluctuated significantly and are affected by numerous factors over which the Group has no control.

Future funding requirements

In the longer term, the Group will need to raise additional funding to undertake work beyond that funded by the Placing. There is no certainty that this will be possible.

Environmental factors and insurance risk

Although the Group intends to be in compliance with all applicable environmental laws and regulations, and to insure its operations in accordance with industry practice, there are certain risks inherent to its activities that could subject the Group to extensive liability. Insurance cover will not be available for every risk faced by the Group.

Title and payment obligations

The licence will be subject to applications for renewal and any renewal is usually at the discretion of the relevant government authority.

Political risk

The Argentine Government has not relinquished its claims to sovereignty over the Falkland Islands and the surrounding maritime areas. The UK has however stated that it has no doubt about its sovereignty and remains fully committed to the offshore prospecting policy pursued by the Falkland Islands Government.

Retention of business relationships

It is likely that the Group will rely significantly on strategic relationships with other entities in the oil and gas industry such as service providers. The loss of these services could have an adverse effect on the business, financial position and results of operations of the Group.

Attraction and retention of key employees

The success of the Group is, and will continue to be, dependent on the expertise and experience of the directors and senior management and the loss of one or more could have a materially adverse effect on the Group. There can be no guarantee that the Group will be able to continue to attract and retain employees.

Taxation

The Group's operations are located and resident in the Falkland Islands. The Group has no control over future changes to tax law including royalties charged 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 2010 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 UK accounting standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with applicable law. 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

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2010 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 prepared in accordance with the requirements of the Companies Act 1948 as amended by the Companies (Amendment) Ordinance 2006 (Falkland Islands Companies Act) as it applies in the Falkland Islands.

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.

BDO LLP
Chartered Accountants
Reading
United Kingdom

Date: 21 April 2011

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 2010

	Note	Year ended 31 December 2010 $'000	Year ended 31 December 2009 $'000
Administrative expenses	4	(888)	(175)
Finance income	8	44	–
Foreign exchange gains		535	–
Loss before tax		(309)	(175)
Tax expense	9	(146)	–
Loss for the year attributable to owners of the Parent	10	(455)	(175)
Total comprehensive income for the period attributable to owners of the Parent		(455)	(175)
Basic and diluted loss per share (cents)	11	(0.26)	(0.12)

The notes on pages 25 to 33 form part of the financial statements.

Consolidated statement of financial position

As at 31 December 2010

	Note	2010 $'000	2009 $'000	2008 $'000
Assets				
Non-current assets				
Capitalised exploration expenditure	12	4,238	3,754	3,633
Current assets				
Other receivables	13	213	56	387
Cash and cash equivalents		32,151	447	28
Total current assets		32,364	503	415
Total assets		36,602	4,257	4,048
Liabilities				
Current liabilities				
Other payables	14	223	57	117
Corporation tax		146	–	–
Total net assets		36,233	4,200	3,931
Capital and reserves attributable to equity holders of the Company				
Share capital	15	6,556	4,343	3,932
Share premium	16	30,071	–	–
Retained losses	16	(394)	(143)	(1)
Total shareholders' equity		36,233	4,200	3,931

The notes on pages 25 to 33 form part of the financial statements.

These financial statements were approved by the directors and authorised for issue on 21 April 2011 and are signed on their behalf by:

Ian Thomson
Chairman

Consolidated statement of cash flows

Year ended 31 December 2010

	Note	Year ended 31 December 2010 $'000	Year ended 31 December 2009 $'000
Cash flows from operating activities			
Loss for period before taxation		(309)	(175)
Adjustments for:			
Finance income	8	(44)	–
Foreign exchange gain on share issue proceeds		(685)	–
Share based remuneration expense	7	184	33
Net cash outflow from operating activities before changes in working capital		(854)	(142)
(Increase)/decrease in other receivables		(149)	5
Increase/(decrease) in other payables		264	(60)
Net cash outflow from operating activities		(739)	(197)
Investing activities			
Interest received		38	–
Exploration and development expenditure		(389)	(121)
Net cash used in investment activities		(351)	(121)
Financing activities			
Issue of ordinary shares (net of issue costs)		32,969	737
Net cash from financing activities		32,969	737
Net increase in cash and cash equivalents		31,879	419
Cash and cash equivalents at beginning of period		447	28
Exchange losses on cash and cash equivalents		(175)	–
Cash and cash equivalents at end of the year		32,151	447

The notes on pages 25 to 33 form part of the financial statements.

Consolidated statement of changes in equity

Year ended 31 December 2010

	Share capital $'000	Share premium $'000	Retained earnings/deficit $'000	Total equity $'000
At 1 January 2008	3,143	–	289	3,432
Total comprehensive income for year to 31 December 2008	–	–	(290)	(290)
Shares issued (net of issue costs)	789	–	–	789
At 31 December 2008	3,932	–	(1)	3,931
Total comprehensive income for year to 31 December 2009	–	–	(175)	(175)
Shares issued (net of issue costs)	411	–	–	411
Share based payment expense	–	–	33	33
At 31 December 2009	4,343	–	(143)	4,200
Total comprehensive income for year to 31 December 2010	–	–	(455)	(455)
Shares issued (net of issue costs)	2,213	30,071	–	32,284
Share based payment expense	–	–	204	204
At 31 December 2010	6,556	30,071	(394)	36,233

The notes on pages 25 to 33 form part of the financial statements.

Notes to the Group financial statements
Year ended 31 December 2010

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 Group holds exploration licence PL001 for the exploration and exploitation of oil and gas in the North Falkland Basin. The address of its registered office is Argos House, H Jones Road, Stanley, Falkland Islands.

Statement of compliance
The consolidated financial statements are prepared in compliance with International Financial Reporting Standards ("IFRS") 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 21 April 2011 and are subject to adoption at the Annual General Meeting of shareholders on 28 October 2011.

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 policy
These are the first full year financial statements prepared in accordance with IFRS as adopted by the European Union ("Adopted IFRS").

The change from UK GAAP to IFRS as a basis for preparation resulted in presentational differences arising from the differing requirements of IFRS. The Group made no transitional elections and there were no material adjustments which require a reconciliation of equity, comprehensive income or cash flows as previously reported under UK GAAP.

The bulk of future Group expenditure is expected to be in US$ and the majority of the cash is held in US$ to meet that expenditure. The board concluded that US$ is now the primary operating environment and as such that the functional currency is now US$. The change to the functional and presentational currency in the relevant Group companies is concurrent and effective from 30 June 2010 and the financial information for the year ended 31 December 2009 has been re-presented in US$ using the rate of exchange on 30 June 2010. The rate used was £1=$1.4961. The rate used at 31 December 2010 for the translation of Sterling balances was £1=$1.561.

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 2010 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
Amendment to IAS 32, "Financial instruments: Presentation – Classification of rights issues"	1 Feb 2010
IFRIC 19, "Extinguishing financial liabilities with equity instruments"	1 Jul 2010
Amendment to IFRS 1, "First-time adoption of International Financial Reporting Standards – Limited exemption from comparative IFRS 7 disclosures for first-time adopters"	1 Jul 2010
IAS 24, "Related party disclosures" (revised 2009)	1 Jan 2011
Amendment to IFRIC 14, "IAS 19 – The limit on a defined benefit assets, minimum funding requirements and their interaction"	1 Jan 2011
IFRS 9, "Financial instruments"	1 Jan 2013
Improvements to IFRSs 2010	
IFRS 1, "First-time adoption of International Financial Reporting Standards"	1 Jan 2011
IFRS 3, "Business combinations"	1 Jul 2010
IFRS 7, "Financial instruments"	1 Jan 2011
IAS 1, "Presentation of financial statements"	1 Jan 2011
IAS 27, "Consolidated and separate financial statements"	1 Jul 2010
IFRIC 13, "Customer loyalty programmes"	1 Jan 2011

Notes to the Group financial statements continued
Year ended 31 December 2010

1 Accounting policies continued

Going concern

As at the date of this report, the 3D seismic programme within the licence area has been completed and processing of the data is ongoing. The directors consider that the Group's available financial resources are more than adequate to allow completion of this work programme and provide working capital for the foreseeable future, being at least twelve 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 2010 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 consist 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. No further information is therefore deemed necessary.

Intangible assets – capitalised exploration expenditure and impairment

As permitted under IFRS 6, the Group has accounted for evaluation and exploration expenditure using "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

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include the point at which a determination is made as to whether or not commercial reserves exist. Where the exploration and evaluation ("E&E") assets concerned fall within the scope of an established full cost pool, the E&E assets are tested for impairment together with all development and production assets associated with that cost pool, as a single cash generating unit. The aggregate carrying value is compared against the expected recoverable amount of the pool, generally by reference to the present value of future net cash flows expected to be derived from production of commercial reserves. Where the E&E assets to be tested fall outside the scope of any established cost pool, there will generally be no commercial reserves and the E&E assets concerned will generally be written off in full.

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

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. Any interest earned is accrued and classified as interest receivable.

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

1 Accounting policies continued

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 three 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.

Income taxes and deferred taxation

Deferred tax assets and liabilities shall be measured 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.

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 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 deemed to be 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 financial assets position, should there be a devaluation of US$ against Sterling.

As of 31 December 2010 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	213	–	213
Less: prepayments	(162)	–	(162)
Cash and cash equivalents	5,944	26,207	32,151
	5,995	26,207	32,202
Liabilities			
Other payables	218	–	218
Net financial assets	5,777	26,207	31,984

Notes to the Group financial statements continued

Year ended 31 December 2010

2 Financial instruments continued

At 31 December 2009 the comparative balances were:

	Sterling denominated $'000	US$ denominated $'000	Total $'000
Current assets			
Other receivables	56	–	56
Less: prepayments	(56)	–	(56)
Cash and cash equivalents	375	72	447
	375	72	447
Liabilities			
Other payables	57	–	57
Net financial assets	318	72	390

If the US$ had strengthened against Sterling by 10% equity would reduce by $577.7K (2009: $31.8K). Conversely if the US$ weakens against Sterling the equity would increase by $577.7K (2009: $31.8K).

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 2010:

Institution	2010 $'000	2009 $'000
Lloyds TSB	12,389	447
Standard Chartered Bank	12,447	–
HSBC	7,315	–
	32,151	447

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, the proceeds of the issue are being kept in interest bearing term deposits with periods of no longer than three months. This will reduce the income from interest deposits but with historically low interest rates, the impact is likely to be relatively low.

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

The Group makes certain estimates and assumptions regarding the future in relation to intangible assets and impairment of these assets. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The valuation of intangible assets requires judgements to be made in respect of discount rates, growth rates and future cash flows and the cost of capital. Actual outcomes may vary.

4 Administrative expenses

	2010 $'000	2009 $'000
Directors' remuneration (see note 5)	388	105
Share based payment to non-employees (see note 7)	–	3
Professional fees	247	51
Other expenses	253	16
Total	888	175

5 Directors' remuneration

	2010 $'000	2009 $'000
Remuneration and fees	198	75
Pensions*	6	–
	204	75
Equity-settled share based payment charge (see note 7)	184	30
	388	105

* A Irvine is accruing retirement benefits under a defined contribution pension scheme and an amount has been accrued for J Hogan to cover his entitlement to enter into a defined contribution arrangement in relation to amounts earned since 1 August 2010.

Directors' remuneration, by director, is disclosed in the directors' remuneration report on page 17.

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

6 Auditor's remuneration

	2010 $'000	2009 $'000
Fees payable to the auditor for the audit of the annual financial statements	27	13
Fees payable to the auditor and its associates for other services:		
Taxation	6	2
Review of interim accounts	10	–
Corporate finance	91	1
	134	16

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. On 9 July 2010 the Company's share capital of 5 pence ordinary shares was sub-divided into 1 pence ordinary shares and then immediately consolidated into 2 pence ordinary shares. Share options granted prior to that date were similarly sub-divided and consolidated.

	Exercise price (pence)	Number
Brought forward at 1 January 2010	5	5,072,327
Brought forward at 1 January 2010 as revised following sub-division of share capital	2	12,680,818
Granted during the year	–	–
Exercised during the year	–	–
Outstanding at 31 December 2010	2	12,680,818

Of the total number of options outstanding at the end of the year, 11,305,818 had vested and remain exercisable and 1,375,000 had not vested. None of the options had vested at the end of the comparative period.

The following information is relevant in the determination of the fair value of options granted in 2009 under the equity-settled share based remuneration scheme operated by Argos Resources Ltd:

Option pricing model used	Black-Scholes
Weighted average exercise price at grant date	2 pence
Exercise price	2 pence
Weighted average contractual life	8.87 years
Expected volatility	76.3%
Risk-free interest rate	2.76%
Expected dividend growth rate	N/A%
Fair value of options granted	1.9 cents

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years of comparable publicly quoted companies.

Notes to the Group financial statements continued

Year ended 31 December 2010

7 Share based remuneration continued

Charge for share based payment

	2010 $'000	2009 $'000
Expensed through the income statement	184	33
Capitalised as part of exploration expenditure	20	–
Equity-settled	204	33

8 Finance income

	2010 $'000	2009 $'000
Interest on bank deposits	44	–

9 Taxation expense

	2010 $'000	2009 $'000
Total tax:		
Corporation tax on losses for the year	146	–
Reconciliation of total tax charge:		
Loss before tax	309	175
Loss on ordinary activities multiplied by the standard rate of corporation tax of 26%	(80)	(45)
Effects of:		
Tax losses brought forward and available for offset	–	–
Share based payment charge	48	8
Interest receivable not taxable	(5)	–
Expenses not deductible for tax purposes	7	–
Losses carried forward	176	37
Total tax charge for the year on net foreign exchange gains and finance income disallowed against current losses	146	–

	2010 $'000	2009 $'000
Unrelieved tax losses, on which no deferred tax asset has been recognised, which are available for offset against future profits	1,817	1,186

10 Loss for the financial year

The Company has taken advantage of the exemption allowed under section 230 of the United Kingdom Companies Act 1985, as it applies in the Falkland Islands, by virtue of section 2(1)(c) of the Companies (Amendment) Ordinance 2006 and has not presented its own profit and loss account in these financial statements. The Group loss for the year includes a loss after taxation of $445K (2009: loss of $163K) for the Parent Company.

11 Loss per share

	2010 Number	2009 Number
Shares in issue brought forward (5 pence shares)	58,058,185	52,558,180
Sub-division of share capital into 2 pence shares	145,145,463	
Shares issued:		
Issued in the preceding year	–	5,500,005
Issued on 29 July 2010	70,967,742	–
Shares in issue carried forward	216,113,205	58,058,185
Weighted average shares in issue	175,476,881	54,685,777

11 Loss per share continued

	2010 $'000	2009 $'000
Loss for the year	(455)	(175)
Weighted average number of ordinary shares in issue during the year	175,476,881	*136,714,442
Basic and diluted loss per ordinary share (cents)	(0.26)	(0.12)

* The ordinary shares of 5 pence each were split into shares of 2 pence each on 9 July 2010. To give a comparative value the loss per share for 2009 is stated based on the equivalent number of 2 pence shares in issue. The loss per share in 2009, based on 54,685,777 5 pence shares, was (0.32) cents per share.

In accordance with IAS33 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.

12 Capitalised exploration expenditure

	2010 $'000	2009 $'000	2008 $'000
Cost and net book value:			
At 1 January 2010	3,754	3,633	3,543
Additions	484	121	90
At 31 December 2010	4,238	3,754	3,633

13 Other receivables

	2010 $'000	2009 $'000	2008 $'000
Prepayments	162	56	61
Accrued interest	6	–	–
Other	45	–	–
Unpaid share capital	–	–	326
	213	56	387

14 Trade and other payables

	2010 $'000	2009 $'000	2008 $'000
Trade payables	49	–	–
Other payables	1	22	–
Accruals	173	35	117
	223	57	117

15 Share capital

	2010 $'000	2009 $'000	2008 $'000
Authorised:			
250,000,000 ordinary shares of 2 pence each	7,480	–	–
(2009/2008: 100,000,000 ordinary shares of 5 pence each)	–	7,480	7,480

Notes to the Group financial statements continued

Year ended 31 December 2010

15 Share capital continued

	Number	2010 $'000	2009 $'000	2008 $'000
Allotted, issued and fully paid:				
Ordinary shares of £1 each				
At 1 January 2008	2,100,909			3,143
Converted to ordinary shares of 5 pence	42,018,180			
Shares of 5 pence issued during 2008	9,926,300			743
Shares issued to settle amounts owed to related parties during 2008	613,700			46
Ordinary shares of 5 pence each at 31 December 2008	52,558,180		3,932	3,932
Shares of 5 pence issued during 2009	5,500,005		411	
Ordinary shares of 5 pence each at 31 December 2009	58,058,185	4,343	4,343	
Converted to ordinary shares of 2 pence	145,145,463			
Shares of 2 pence issued during year	70,967,742	2,213		
Ordinary shares of 2 pence each at 31 December 2010	216,113,205	6,556		

On 29 July 2010 the Company commenced trading on AIM, having raised £22.0 million (£20.6 million net of issue costs) by way of a placing of 70,967,742 of new ordinary shares in the capital of the Company at a placing price of 31 pence. The funding is being used to carry out a 3D seismic programme during the 2010/11 austral summer and for subsequent processing and interpretation.

16 Reserves

Movements on the various reserves are detailed in the consolidated statement of changes in equity on page 24. 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:

	2010 $'000	2009 $'000
Due from/(to) at 1 January	–	103
Expenses paid on behalf of the Group	(18)	(4)
Loans repaid/creditor balances paid	174	4
Proceeds of shares issued	–	(103)
Office running costs*	(157)	–
Due from/(to) at 31 December	(1)	–

* There is a services and agency agreement dated 26 July 2010 between the Company and Argos Georgia Ltd in which Argos Georgia Ltd provides certain agency, accounting, secretarial and operational services to the Company for an annual basic fee of $312K with effect from 1 August 2010. This agreement is terminable on six months' notice after 1 August 2011. Key management personnel are the directors only.

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 17 and in note 5.

18 Commitments

(a) Capital commitments

On the 20 October 2010 the Group entered into a contract with Polarcus Ltd to carry out a substantial 3D seismic survey covering all of the Company's acreage in licence PL001, as well as adjacent areas. The survey is to be carried out jointly with Rockhopper Exploration PLC which allows both companies to share mobilisation and demobilisation costs and to capture the technical and cost efficiencies resulting from a larger programme. As a result of these savings, the Group should be able to acquire more 3D coverage, over the whole of PL001 and adjacent areas, than originally envisaged at the time of listing.

There is a termination clause within the seismic contract. If the Group had elected to cancel the contract without cause prior to commencement in January 2011 a termination fee of $6 million would be payable by the Group to the contractor, Polarcus Ltd. No termination occurred and the seismic project went ahead and was completed with respect to the licence area in mid-April 2011.

There were no capital commitments at 31 December 2009.

(b) Operating commitments

There is a services and agency agreement dated 26 July 2010 between the Company and Argos Georgia Ltd in which Argos Georgia Ltd provides certain agency, accounting, secretarial and operational services to the Company for an annual basic fee of $312K with effect from 1 August 2010. This agreement is terminable on six months' notice after 1 August 2011. The ongoing commitment at 31 December 2010 was $339K.

	2010 $'000	2009 $'000
Total committed within one year	312	–
Total committed between one and five years	27	–
	339	–

There were no operating commitments at 31 December 2009.

19 Contingent liabilities

The Group has no anticipated material contingent liabilities.

20 Events after the reporting date

The seismic vessel arrived in the licence area on 6 January 2011 to commence the seismic survey. The survey continued throughout February and March and was completed in relation to the licence area in mid-April.

The Group entered into a contract with Geotrace Technologies Ltd for processing of the 3D seismic data on 23 February 2011.

Parent Company balance sheet

As at 31 December 2010

	Note	2010 $'000	2009 $'000
Fixed assets			
Investments	2	2,120	2,120
Current assets			
Debtors	3	1,006	423
Cash at bank		32,151	446
		33,157	869
Creditors: amounts falling due within one year	4	292	47
Net current assets		32,865	822
Total assets less current liabilities		34,985	2,942
Capital and reserves			
Called up share capital	5	6,556	4,343
Share premium	6	30,071	–
Profit and loss account	6	(1,642)	(1,401)
Shareholders' funds	6	34,985	2,942

The notes on pages 35 to 37 form part of the financial statements.

These financial statements were approved by the directors and authorised for issue on 21 April 2011 and are signed on their behalf by:

Ian H. Thomson

Ian Thomson
Chairman

Notes to the Parent Company financial statements

Year ended 31 December 2010

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and are in accordance with UK accounting standards.

Going concern

The directors consider that the Group's available financial resources are more than adequate to allow completion of this work programme and 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 section 230 of the United Kingdom Companies Act 1985, as it applies in the Falkland Islands, by virtue of section 2(1)(c) of the Companies (Amendment) Ordinance 2006. The loss for the year was $445K (2009: loss of $163K).

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 FRS 1.

Investments

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

Financial instruments

The Company has taken advantage of FRS 13 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 bulk of future Group expenditure is expected to be in US dollars (US$) and the majority of the cash is held in US$ to meet that expenditure. The board concluded that US$ is now the primary operating environment and as such that the functional currency is now US$. The functional and presentational currency was changed to US$ with effect from 30 June 2010. 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 financial information for the year ended 31 December 2009 has been re-presented in US$ using the rate of exchange on 30 June 2010. The rate used was £1=$1.4961. The rate used at 31 December 2010 for the translation of Sterling balances was £1=$1.561.

Share based payments

FRS 20, "Share Based Payments", requires the recognition of share based payments at fair value at the date of grant.

Where share options are awarded to employees or key personnel, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest the increase in fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees the profit and loss account, or if appropriate the fixed asset class, is debited with the fair value of goods and services received.

Notes to the Parent Company financial statements continued
Year ended 31 December 2010

2 Investments
Investment in subsidiary

	2010 $'000	2009 $'000
Cost at 1 January and 31 December 2010	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

3 Debtors

	2010 $'000	2009 $'000
Amounts due from related undertakings	855	423
Accrued interest	6	–
Prepayments	101	–
Other	44	–
	1,006	423

4 Creditors: amounts falling due within one year

	2010 $'000	2009 $'000
Trade creditors	50	22
Accruals and deferred income	91	25
Taxation	151	–
	292	47

5 Share capital
The information on share capital is given in note 15 on page 31 of the Group financial statements.

6 Reconciliation of movements in shareholders' funds

	Share capital $'000	Share premium $'000	Retained earnings/(deficit) $'000	Total equity $'000
At 1 January 2009	3,932	–	(1,271)	2,661
Total comprehensive income for year to 31 December 2009	–	–	(163)	(163)
Shares issued (net of issue costs)	411	–	–	411
Share based payment expense	–	–	33	33
At 31 December 2009	4,343	–	(1,401)	2,942
Total comprehensive income for year to 31 December 2010	–	–	(445)	(445)
Shares issued (net of issue costs)	2,213	30,071	–	32,284
Share based payment expense	–	–	204	204
At 31 December 2010	6,556	30,071	(1,642)	34,985

7 Other statutory disclosures

Directors' remuneration

This information given in note 5 of the Group 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 Group financial statements.

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. On 9 July 2010 the Company's share capital of 5 pence ordinary shares was sub-divided into 1 pence ordinary shares and then immediately consolidated into 2 pence ordinary shares. Share options granted prior to that date were similarly sub-divided and consolidated.

	Exercise price (pence)	Number
Brought forward at 1 January 2010	5	5,072,327
Brought forward at 1 January 2010 as revised following sub-division of share capital	2	12,680,818
Granted during the year	–	–
Exercised during the year	–	–
Outstanding at 31 December 2010	2	12,680,818

Of the total number of options outstanding at the end of the year, 11,305,818 had vested and remain exercisable and 1,375,000 had not vested. None of the options had vested at the end of the comparative period.

The following information is relevant in the determination of the fair value of options granted in 2009 under the equity-settled share based remuneration scheme operated by Argos Resources Ltd:

Option pricing model used	Black-Scholes
Weighted average exercise price at grant date	2 pence
Exercise price	2 pence
Weighted average contractual life	8.87 years
Expected volatility	76.3%
Risk-free interest rate	2.76%
Expected dividend growth rate	N/A%
Fair value of options granted	1.9 cents

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years of comparable publicly quoted companies.

Charge for share based payment

	2010 $'000	2009 $'000
Expensed through the income statement	184	33

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.

Event after the balance sheet date

The information given in note 20 of the consolidated financial statements relates wholly to the Company.

Advisors

Registered Office
Argos House
H Jones Road
Stanley
Falkland Islands

Business address
Argos House
H Jones Road
Stanley
Falkland Islands

Company Secretary
Kevin Kilmartin
Argos House
H Jones Road
Stanley
Falkland Islands

Nominated adviser and broker
Evolution Securities Ltd
100 Wood Street
London EC2V 7AN

Solicitors (Falkland Islands law)
Kevin Kilmartin
Argos House
H Jones Road
Stanley
Falkland Islands

Solicitors (English law)
Peachey & Co
95 Aldwych
London WC2B 4JP

Auditors
BDO LLP
Kings Wharf
20–30 Kings Road
Reading, RG1 3EX

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

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

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

Bankers
Standard Chartered Bank
Ross Road
Stanley
Falkland Islands

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

Public relations
Citigate Dewe Rogerson
3 London Wall Buildings
London EC2M 5SY

Web site
www.argosresources.com

Notes

Notes

www.argosresources.com

Argos Resources Ltd
Argos House
H Jones Road
Stanley
Falkland Islands
FIQQ 1ZZ

Tel: +500 22685
Fax: +500 22687
info@argosresources.com