



Argos Resources Ltd
Annual Report
Year ended 31 December 2021

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Highlights

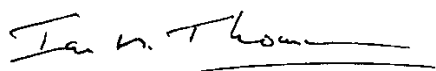
Argos Resources Ltd (AIM: ARG.L), the Falkland Islands based exploration company focused on the North Falkland Basin, announced its financial results for the year ended 31 December 2021 on 25 July 2022.

- US\$356,000 loss (2020 loss of US\$299,000).
- US\$304,000 cash reserves at 31 December 2021 (31 December 2020: US\$438,000).
- In April 2022 the Falkland Islands Government agreed to extend the licence from 1 May 2022 until 31 December 2022, with no additional work commitments.
- A loan provided by the Chairman in June 2022 provides additional working capital and the Company plans to raise additional capital to support a further extension of the Licence beyond its current expiry date of 31 December 2022
- Ownership changes in the adjacent Sea Lion oilfield and surging oil prices enhance outlook for the Company.

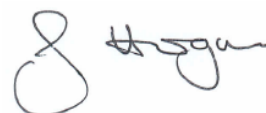
Chairman's statement and Managing Director's review

The Company noted in its 2021 Interim Report the decision announced on 23rd September by Harbour Energy plc, the then 60% owner and operator of the Sea Lion oilfield, to explore the options to exit the project and its other license interests in the Falkland Islands. Since then, Navitas Petroleum LP has committed to acquire Harbour's interest and the operatorship of the field and has already commenced work focussed on streamlining the development and reducing front-end capital costs. This is a positive development for Argos Resources as a commitment by Navitas to develop Sea Lion will attract industry attention to the North Falkland Basin and significantly increase the likelihood of the Company securing a farm-in partner. This positive development, coupled with the surge in oil prices in 2022 and the recognition that energy security has been an overlooked critical issue enhance the future prospects for the Company.

The Company also announced last year that a pilot study had been commissioned to reprocess some of the 3D seismic data on Licence PL001. The results of this work have been positive and sufficiently encouraging that the Company intends to extend that work across the main prospects identified in Licence PL001. The Company believes this additional work should further de-risk those prospects and enhance its farmout potential. The results of the pilot study have been shared with the Falkland Island Government and its technical advisers and the Company has informed them of its intention to seek a further two year licence extension to 31st December 2024 to allow sufficient time for this work to be undertaken and presented to the industry. Additional capital will need to be raised to meet the costs of this technical work and to fund the Company's working capital requirements should a licence extension be offered.



Ian Thomson
Chairman
22 July 2022



John Hogan
Managing Director

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 2021.

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 Licence covers an area of approximately 1,126 square kilometres and was extended by 12 months by the Falkland Islands Government on 20 April 2021. The Licence was further extended in April 2022 and now expires on 31 December 2022.

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 (2020: \$nil).

Business review

The Group has returned a loss for the year ended 31 December 2021 of US\$356,000 (2020: loss of US\$299,000) which equates to a loss per share of 0.15cents (2020: loss per share of 0.14 cents).

Administration expenses were US\$355,000 in 2021 compared to US\$303,000 in 2020.

Shareholders’ equity increased from US\$29.2 million to US\$29.4 million in the year since 31 December 2020, reflecting the fund raise less administration costs and investment in the licence area. Cash in the year decreased from US\$438,000 to US\$304,000.

Outlook for the next financial year

The Group carried out a successful fund raise in April 2021 which funded the Company until mid-2022. In June 2022 the Chairman agreed a drawdown facility of £110,000 to enable the Group to continue beyond that point. The Group intends to seek a licence extension of a further two years to take the licence to December 2024 and funding in support of a work programme which will be required under any licence extension.

See Accounting Policy note 1 on page 37 for comments in relation to going concern.

Statutory information (continued)

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 10.

Substantial shareholders

As at 30 June 2022, the Company has been notified of interests in 3% or more of the Company's voting rights, based on an issued share capital of 235,141,206, as shown below:

Shareholder/Fund manager	Percentage of voting rights
Ian Thomson	14.93
Iain Aylwin	8.56
Orian Partners LP	5.91
JP Morgan Asset Management (UK) Ltd	4.63
Portogon Investments SA	4.25
Robert Smith	4.01

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 2021 Ordinary shares of 2 pence each	At 31 December 2020 Ordinary shares of 2 pence each
I M Thomson	Chairman	35,102,883	28,544,701
J Hogan	Managing Director	3,000,000	3,000,000
A Irvine	Finance Director	2,125,000	2,125,000
D Carlton	Non-executive	3,750,000	3,750,000
C Fleming	Non-executive	2,625,000	2,625,000
J Ragg	Non-executive	200,000	200,000
Total		46,802,883	40,244,701

Following the share subscription which took place in April 2021, Ian Thomson subscribed for a further 6,558,182 new shares bringing the total shares held by him to 35,102,883.

The directors also hold options in the Company's shares which are detailed in the directors' remuneration report on page 22.

Statutory information (continued)

Directors' service agreements

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

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

Related party transactions

See note 14.

Events after the reporting date

See note 17.

Financial instruments

For the year under review the Group held no financial instruments outside of cash, payables 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 (2020: \$nil).

Creditor payment policy

It is the Group's policy to ensure that all of its suppliers are paid promptly and in accordance with contractual obligations. Average creditor days for the year were 1 day (2020: 1 day), on the basis of accounts payable (excluding retention held) as a percentage of purchase ledger turnover which includes amounts capitalised.

Directors' and officers' insurance

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

Employees

The Group employees consisted of three executive and three non-executive directors during the course of the year who are included in the total staff numbers shown in note 5 to these accounts.

Health, safety and the environment

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

Statutory information (continued)

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, in the Falkland Islands requires the directors to prepare group and parent company financial statements for each financial year. Under that law the directors have elected to prepare the Group and parent Company financial statements in accordance with applicable law as it applies in the Falkland Islands and International Financial Reporting Standards as adopted by the European Union (IFRSs).

The financial statements are required to give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. In preparing each of the Group and parent Company financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that 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 1985 as applied in the Falkland Islands by the Companies (Amendment) Ordinance 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Statement as to disclosure of information to the auditor

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

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

Auditor

BDO LLP will be proposed for reappointment as auditors of the Company at the Annual General Meeting of the Company in accordance with section 159 of the Companies Act 1948 as applied in the Falkland Islands by the Companies Act (Amendment) Ordinance 2006.

On behalf of the board

A handwritten signature in black ink, appearing to read 'Ian Thomson', with a horizontal line underneath.

Ian Thomson
Chairman

Date: 22 July 2022

Corporate governance

Chairman's statement on corporate governance

As a company admitted to trading on AIM, Argos Resources Ltd is required to adopt a recognised Corporate Governance Code and the Company has chosen to apply the Quoted Companies Alliance ("QCA") Corporate Governance Code. The Company believes that high standards of corporate governance helps effective and efficient decision-making, reduces risk and adds value, which is important for the long-term benefit of all stakeholders.

Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board.

The board meets 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. Corporate Governance is a standing agenda item for each board meeting where directors confirm their interests and related parties together with any external interests beyond a given threshold. There is also an opportunity to raise any concerns in relation to corporate governance more generally.

The Company has adopted an anti-bribery policy and rules for dealings in the Company's shares, which require any proposed share transaction by a director to be pre-approved by the Chairman. The directors believe that these, the open and transparent process at board meetings and other more informal updates helps to promote and monitor a healthy corporate culture which assists with meeting the Company's objectives.

The Company has followed the QCA recommended location for each of the 10 principles in terms of whether these are published on the Company's website or in the annual report and accounts. The annual report and accounts disclosures are detailed below and the website disclosures can be found at <http://www.argosresources.com/docs/arg-corporate-governance.pdf>.

The following paragraphs describe how the company implements the key governance principles contained within the QCA code in relation to the required disclosure in annual accounts.

Strategy and business model

The principal activity of the Group is exploration for oil and gas in the area licensed to it in the North Falkland Basin. The Licence covers an area of approximately 1,126 square kilometres and the main challenge and focus of the business going forward is to attract funding for a work program in support of a licence extension beyond December 2022 and seeking well-resourced partners to help the Company meet the drilling commitment under the Licence.

Risk management

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

Corporate Governance (continued)

General exploration risk

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

Mitigation: Although Noble and Edison withdrew from the Licence there is no indication that this was due to a lack of prospectivity and the Company is actively seeking new partners to continue exploration in the area covered by the Licence.

Licence risk

The Licence was extended by 12 months by the Falkland Islands Government on 20 April 2021 until 1 May 2022 and beyond that a further extension was granted in April 2022. The licence now expires on 31 December 2022 and requires a well to be drilled by that date. There is a risk that the licence will expire and not be extended.

Mitigation: In April 2022 an extension of the Licence was approved by the Executive Council of the Falkland Islands Government and by the UK Secretary of State for Foreign and Commonwealth Affairs. This approval extended the current Second Phase of the Licence to 1 May 2022 and in that period a further extension to 31 December 2022 was granted. Argos continues to discuss activity with the Falkland Islands Government work programs which would support further licence extensions and the Company is actively seeking new partners to continue exploration in the Licence area.

Commercial risk

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

Mitigation: The Company is actively seeking partners with strong financial backgrounds and track records of expediting the process from commercial discovery to production.

Funding risk

There is a risk that funds run out before a partner for Licence PL001 is found.

Mitigation: The Group raised funds in April 2021 and in June 2022 agreed a drawdown facility with the Chairman, which provides working capital going forward. The Group will need, and is actively working towards raising further funds, to fund a work program in support of a further licence extension.

See Accounting Policy note 1 on page 37 for comments in relation to going concern

Political risk

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

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

Corporate Governance

Risk management (continued)

Climate change risk

There is increasing global pressure to reduce the use of fossil fuels in energy production, in order to lessen the impact this has on climate change.

Mitigation: Substituting oil and gas for greener, renewable forms of energy is complex and will take time. During the transition to renewables, which will take a considerable number of years, oil and gas will remain an important resource.

Corporate Governance (continued)

The Board

The board members have a collective responsibility and legal obligation to promote the interests of the Company and are collectively responsible for defining corporate governance arrangements.

The board (and committees) are provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.

The board has an appropriate balance between executive and non-executive directors, with three non-executive directors which the board consider to be independent. All board appointments are for a maximum of three years, with two directors offering themselves up for re-election, by rotation, at each AGM.

The board's executive chairman, Ian Thomson, is not considered independent as he holds a substantial number of the Company's shares and he has been on the board for more than 10 years. The Company considers, however, that the benefit of his experience and long involvement with business in the Falkland Islands more than outweighs the benefits of an independent chairman.

The policy for managing financial risks is set by the board following recommendations from the Finance Director but the Company has no formal policy on the management of other specific types of risk. The directors are the only employees and as such decisions on risk are not delegated but assessed by the board in relation to all key management decisions.

Whilst the non-executive directors are shareholders in the Company and hold options to acquire shares in the Company, this is not considered a significant threat to their independence and the Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Company on the other, to enable it to discharge its duties and responsibilities effectively.

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

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

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

The Chairman meets on an individual basis with the head of the Audit Committee at least monthly. In addition, individual telephone meetings are held with the Senior non-executive director on a bi-monthly basis. Given the size and nature of the Group's operations and its stage of development the board do not believe that any formal procedures beyond this are necessary. No significant changes took place following discussions which took place during 2021.

Corporate Governance (continued)

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

Audit committee

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

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

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

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

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

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

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

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

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

Corporate Governance (continued)

The audit committee held one meeting during the year and during that meeting the following items were considered:

- the auditors' report to members of the audit committee; and,
- in relation to the annual report:
 - changes in accounting policies and practices;
 - judgement areas and accounting issues which are of a subjective nature;
 - significant adjustments resulting from the audit;
 - the going concern position of the company for a period of 12 months from the date of approval of the accounts;
 - whether there is any indication of impairment to the carrying value of the capitalised exploration expenditure;
 - compliance with accounting standards;
 - compliance with the Quoted Companies Alliance ("QCA") Corporate Governance Code, AIM Rules and regulatory requirements;
 - compliance with corporate governance requirements;
 - narrative elements; and,
 - the draft RNS and annual report.

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.

During the period since the year end one further meeting has been held.

Remuneration committee

Board performance is subject to regular review, as well as that of its committees and the individual directors.

The Chairman meets with the non-executive directors annually, without the other executive directors present, to evaluate executive director performance in terms of contribution and commitment. In addition the Chairman also considers the non-executive director performance in terms of contribution and independence.

The Remuneration Committee meets annually to review the terms, conditions and performance of the 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 and succession planning, are carried out by the board as a whole.

Given the size and nature of the Groups' operations, and its stage of development, the board do not believe that it is necessary to have any formal structure in place to deal with succession planning.

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

Corporate Governance (continued)

Internal controls

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.

The Directors, both executive and non-executive, are expected to devote sufficient time to carry out their duties. Briefings take place where directors are unable to attend a meeting to ensure that all contributions are considered.

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)	6	-	-
J Hogan	6	-	-
A Irvine	6	-	-
D Carlton (chairman, remuneration committee)	6	1	1
C Fleming	3	1	1
J Ragg (chairman, audit committee)	6	1	1
Total meetings during the year	6	1	1

Corporate Governance (continued)

Directors

The board believes that there is an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The Board supports members in their efforts to keep up to date with changing regulations and practices largely through Continuing Professional Development (CPD) as required by relevant professional body memberships. Given the size and nature of the Groups' operations, and its stage of development, the board do not believe that any formal monitoring of the development or mentoring needs of individual directors is necessary, beyond the annual informal assessment carried out by the Chairman. Details of individual board members are listed on the following pages, together with their qualifications, external appointments and any committee positions that they hold.

Ian Thomson OBE

Executive Chairman (aged 82)

Skills and experience

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

External appointments

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

Committee membership

None

John Hogan

Managing Director (aged 69)

Skills and experience

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

Committee membership

None

Andrew Irvine FCCA

Finance Director (aged 60)

Skills and experience

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

Corporate Governance (continued)

External appointments

He is a director of Argos Group Limited, a Falkland Islands fishing quota holder, a member of the board of the Falkland Islands Fishing Companies Association and chairman of the Falkland Islands Pensions Scheme.

Committee membership

None

Dennis Carlton

Senior Non-executive Director (aged 71)

Skills and experience

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

External appointments

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

Committee membership

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

Christopher Fleming

Non-executive Director (aged 61)

Skills and experience

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

External appointments

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

Committee membership

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

Corporate Governance (continued)

James Ragg LLB, FCA

Non-executive Director (aged 55)

Skills and experience

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

External appointments

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

Committee membership

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

Going concern

The financial statements have been prepared on the going concern basis as, in the opinion of the directors, there is a reasonable expectation that the Group and Company will continue in operational existence for the foreseeable future.

The Group and Parent Company's ability to continue in operational existence is, however, subject to a number of uncertainties as follows:

The Company's PL001 Licence currently expires on 31 December 2022. The Company has already advised the Falkland Islands Government of its wish to extend the Licence by a further 2 years beyond this date to undertake new technical work and to market the results of that work to potential industry partners. A formal application for this Licence extension cannot be submitted before the Falkland Islands Government completes a review of its relationship with the oil and gas sector which is currently underway and expected to be completed in Q3 2022. Assuming a favourable outcome to that review, the Company intends at that time to submit a formal application for the extension to the Licence.

Any offer of such an extension is likely to be conditional on the Company demonstrating that it has sufficient funding to carry out a work programme and cover administration costs during the Licence term. Grant of an extension is therefore likely to be dependent on the Company raising significant further funds in Q3/Q4 2022.

Failure to secure an offer of a licence extension or to raise sufficient funds to meet the conditions of such an offer will result in the Company being unable to continue as a going concern in the near term.

Corporate Governance

Going concern (continued)

If a licence extension and funding are forthcoming then the Group's ability to achieve its long term strategy of developing its exploration projects remains dependent on finding an exploration partner and the Group continues to seek partners to participate in drilling on its Licence. As at the date of sign off on these financial statements the oil and gas markets continue to be in a state of considerable turmoil with very high prevailing prices. The company does not anticipate making progress on finding a partner until the markets show signs of greater stability but is hopeful that the drivers behind the current situation will improve the chances of success.

If the Group is unable to find an exploration partner, raise funds or obtain further licence extensions then it may be unable to realise its assets and discharge its liabilities in the normal course of business.

All the above factors indicate the existence of material uncertainties which cast significant doubt over the Group and Parent Company's ability to continue as a going concern, some of which may crystallise before the end of 2022. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

See also Accounting Policy note 1 on page 37.

Capital

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

Corporate Governance (continued)

Remuneration report

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

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

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

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

	2021	2021	2021	2020
	Fees	Pension	Total	Fees and
	£'000	contributions	£'000	total
		£'000		£'000
I M Thomson	-	-	-	-
J Hogan	46	-	46	50
A Irvine	18	1	19	21
D Carlton	9	-	9	10
C Fleming	9	-	9	10
J Ragg	9	-	9	20
Total directors' remuneration	91	1	92	101
Remuneration above converted to \$'000	125	2	127	130

On 2 December 2021 the directors agreed to suspend all directors fees and salaries from and including December 2021 until the end of 2022.

Corporate Governance

Remuneration report (continued)

Share options

No changes were made to the share option scheme in the current or comparative years and the share options expire on 11 November 2024.

The share options in place as at 31 December 2021 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	4,805,818	-	4,805,818	2
D Carlton	12/11/2009	875,000	-	875,000	2
J Ragg	12/11/2009	1,025,000	-	1,025,000	2
Total		6,705,818	-	6,705,818	

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

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs adopted by the European Union (EU IFRS);
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 1985 as it applies in the Falkland Islands by virtue of the Companies (Amendment) Ordinance 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 1985 as it applies in the Falkland Islands by virtue of the Companies (Amendment) Ordinance 2006.

We have audited the financial statements of Argos Resources Ltd (the 'Parent Company') and its subsidiary (the 'Group') for the year ended 31 December 2021 which comprise the Consolidated statement of comprehensive income, the Consolidated and Parent Company statements of financial position, the Consolidated and Parent Company statements of cash flows, the Consolidated and Parent Company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

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 and, as regards the Parent Company financial statements, as applied in accordance with the Companies Act 1985 as it applies in the Falkland Islands by virtue of the Companies (Amendment) Ordinance 2006 ("Falkland Islands company law").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which explains that the Group and Parent Company's ability to continue as a going concern is dependent on securing an offer of a licence extension and raising sufficient funds to meet the conditions of such an offer. As stated in note 1, these events or conditions, along with other matters as set out in note 1, indicate that a material uncertainty exists which may cast significant doubt over the Group's and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

We considered going concern to be a key audit matter based on our assessment of the risk and the effect on our audit.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included:

- We have obtained and reviewed the cash flow forecasts which cover the period to December 2023 and compared the forecast overhead expenditure with actual historic expenditure.
- We have performed sensitivity analysis on the cash flow forecasts produced by Directors to determine the level of headroom in the model, and the impact of the sensitivities on when additional funding is raised
- We have verified the current cash position of the Group by agreeing to bank statements.
- We have reviewed the terms of the loan facility provided by the Chairman on 24 June 2022 for up to £110,000 and confirmed that this money is held in a client account at the Group's lawyers.
- We discussed with Directors their plans regarding obtaining a licence extension beyond 31 December 2022. This included reading email correspondence with FIG.
- We have considered the ability of the Group's to raise additional equity funding which included reading correspondence with the Group's nominated advisor, recent fund raises by other companies with interests in the Falkland islands and the Company's ability to raise capital in the past.
- We have reviewed the disclosures throughout the financial statements to determine if these are sufficient and in line with our understanding of the Group and the Parent Company's going concern status.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage¹	<i>100% (2020: 100%) of Group loss before tax</i> <i>100% (2020: 100%) of Group total assets</i>		
Key audit matters		2021	2020
	Going concern	✓	✓
	Valuation of intangible assets	✓	✓
Materiality	<i>Group financial statements as a whole</i> \$440,000 (2020: \$450,000) based on 1.5% (2020: 1.5%) of Total assets.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group audit team performed a full scope audit of both of the Group's components, Argos Resources Ltd and Argos Exploration Ltd, being the Parent Company and wholly owned subsidiary respectively.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. The matters set out below are in addition to the Material Uncertainty related to going concern above

¹ These are areas which have been subject to a full scope audit by the group engagement team

which is also a key audit matter. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation of intangible assets (notes 1, 3, 10 and 17)	The Group's exploration and evaluation assets relate to the areas licenced in the North Falkland Basin and represent the key assets on the Group's statement of financial position. As at 31 December 2021, the Group's exploration and evaluation assets totalled \$29.1m (2020: \$28.8m). The Group performed an impairment indicator review to assess whether there were any indicators of impairment for the exploration assets and whether impairment was required, noting that the Group holds title to all licences until December 2022. Given the inherent judgement and estimates related to mineral resources associated with the licence area involved in the assessment of potential triggers of impairment and any subsequently required assessment of the carrying value of the exploration and evaluation	We have reviewed Management's assessment of whether there were any indicators of impairment. Our work in connection with the indicators of impairment included the following: • We assessed and challenged Management's impairment indicator review to establish whether it was performed in accordance with the Group's accounting policy and the relevant accounting standard. • We have obtained and reviewed the correspondence from the Falkland Islands Government approving the extension of the licence from May 2022 to 31 December 2022 and we have reviewed the terms of the licence to check that it had been reassigned to Argos and to check the period that it covers. We discussed with Directors their plans regarding obtaining a licence extension beyond 31 December 2022. This included reading email correspondence with FIG. • We read the most recent independent competent person's report and considered whether it contained any evidence to suggest that there are no commercially viable quantities of mineral resources in the licence areas. • We considered whether there was evidence in the Group cash flow that funding was available to maintain the exploration and evaluation assets in full and considered our conclusions alongside the material uncertainty relating to going concern noted above. Key observations:

	assets, we considered this to be a key audit matter for the audit.	Based on the work undertaken, we found the estimates and judgements made by management in their impairment indicator assessment to be appropriate.
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Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021	2020	2021	2020
Materiality	\$440,000	\$450,000	\$180,000	\$180,000
Basis for determining materiality	1.5% of total assets	1.5% of total assets	1.5% of total assets	1.5% of total assets
Rationale for the benchmark applied	We determined that an asset based measure is appropriate as the Group's principal activity is the exploration and development of oil and gas assets and the Parent's principle activity is a holding company, such that the asset base is considered to be a key financial metric for users of the financial statements.			
Performance materiality	\$330,000	\$340,000	\$135,000	\$135,000
Basis for determining	75% of materiality was considered a reasonable basis, taking into consideration:			

performance materiality	• the expected value of misstatements was likely to be low based on past experience; • there are few accounts which are subject to estimation; • the components are all based within one location and there are no brought forward adjustments from the prior period.
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Specific materiality

We also determined that for the statement of comprehensive income, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items to be \$35,000 (2020: \$30,000) based on 10% of loss after tax. We further applied a performance materiality level of 75% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Component materiality

The Group comprises the ultimate parent Company, Argos Resources Ltd, and its wholly owned subsidiary Argos Exploration Ltd. Materiality for the subsidiary has been set at \$400,000 (2020: \$340,000) based on 1.5% (2020: 1.5%) of Argos Exploration Ltd's total assets. In the audit of Argos Exploration Limited, we further applied performance materiality levels of 75% (2020: 75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of \$22,000 (2020: \$22,500). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Falkland Islands company law reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Falkland Islands company law and ISAs (UK) to report on certain opinions and matters as described below.

Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Falkland Islands company law requires us to report to you if, in our opinion: • proper accounting records have not been kept by the Parent Company, or proper returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.
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Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

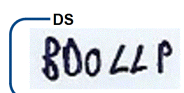
- We obtained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates and considered the significant laws and regulations to be those relating to the industry, financial reporting framework, tax legislation and the listing rules;
- We held discussions with management and the Board to consider any known or suspected instances of non-compliance with laws and regulations or fraud identified by them;
- Reviewing minutes from board meetings of those charged with governance to identify any instances of fraud or non-compliance with laws and regulations;
- Assessing the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, and we believed the areas in which fraud might occur were in the management override of controls and bias in accounting estimates and judgements;
- In response to the risk of management override of control, we identified and tested any large or unusual (those with key risk characteristics) journal entries made in the year;
- We reviewed estimates and judgements applied by Management in the financial statements to assess their appropriateness and the existence of any systematic bias (refer to key audit matter above); and
- Communicating relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with section 235 of the Companies Act 1985 as it applies in the Falkland Islands by virtue of the Companies (Amendment) Ordinance 2006. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



BDO LLP, Statutory Auditor

London, UK

22 July 2022

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 2021

		Year ended 31 December 2021 \$'000	Year ended 31 December 2020 \$'000
Administrative expenses	Note 4	(355)	(303)
Finance income		-	1
Foreign exchange (losses)/gains		(1)	3
Loss for the year attributable to owners of the parent		(356)	(299)
Total comprehensive loss for the period attributable to owners of the parent		(356)	(299)
Basic and diluted loss per share (cents)	9	(0.15)	(0.14)

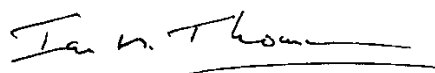
The notes on pages 36 to 51 form part of the financial statements.

Consolidated statement of financial position
As at 31 December 2021

	Note	2021 \$'000	2020 \$'000
Assets			
Non-current assets			
Exploration intangible assets	10	29,135	28,815
		29,135	28,815
Current assets			
Other receivables	11	43	40
Cash and cash equivalents		304	438
Total current assets		347	478
Total assets		29,482	29,293
Liabilities			
Current liabilities			
Trade and other payables	12	54	59
Total liabilities		54	59
Total net assets		29,428	29,234
Capital and reserves attributable to equity holders of the Company			
Share capital	13	7,095	6,696
Share premium		30,222	30,071
Retained losses		(7,889)	(7,533)
Total shareholders' equity		29,428	29,234

The notes on pages 36 to 51 form part of the financial statements.

These financial statements were approved by the directors and authorised for issue on 22 July 2022 and are signed on their behalf by:



I M Thomson
Chairman

Consolidated statement of cash flows

Year ended 31 December 2021

	Note	Year ended 31 December 2021 \$'000	Year ended 31 December 2020 \$'000
Cash flows from operating activities			
Loss for period before taxation		(356)	(299)
Adjustments for:			
Finance income		-	(1)
Foreign exchange losses/(gains)		1	(3)
Net cash outflow from operating activities before changes in working capital		(355)	(303)
(Increase)/decrease in other receivables		(3)	1
(Decrease)/increase in other payables		(5)	1
Net cash outflow from operating activities		(363)	(301)
Investing activities			
Interest received		-	1
Exploration and development expenditure		(320)	(33)
Net cash used in investment activities		(320)	(32)
Financing activities			
Issue of ordinary shares		550	-
Net cash from financing activities		550	-
Net decrease in cash and cash equivalents		(133)	(333)
Cash and cash equivalents at beginning of period		438	768
Exchange (losses)/gains on cash and cash equivalents		(1)	3
Cash and cash equivalents at end of the year		304	438

The notes on pages 36 to 51 form part of the financial statements.

Consolidated statement of changes in equity

Year ended 31 December 2021

	Share capital \$'000	Share premium \$'000	Retained losses \$'000	Total equity \$'000
At 1 January 2020	6,696	30,071	(7,234)	29,533
Total comprehensive loss for the year	-	-	(299)	(299)
At 31 December 2020 and 1 January 2021	6,696	30,071	(7,533)	29,234
Total comprehensive loss for the year	-	-	(356)	(356)
Shares issued during year	399	151	-	550
At 31 December 2021	7,095	30,222	(7,889)	29,428

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

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

The notes on pages 36 to 51 form part of the financial statements.

Notes to the consolidated financial statements

Year ended 31 December 2021

1 Accounting policies

The Group and its operations

Argos Resources Ltd is an AIM quoted, limited liability company. The Group comprises the ultimate parent Company, Argos Resources Ltd, and its wholly owned subsidiary Argos Exploration Ltd. Argos Resources Ltd is incorporated and domiciled in the Falkland Islands under registration number 10605. The address of its registered office is Argos House, H Jones Road, Stanley, Falkland Islands, FIQQ 1ZZ.

The principal activity of the Group is exploration for oil and gas in the area licensed to it in the North Falkland Basin. The Licence covers an area of approximately 1,126 square kilometres and was extended by 12 months by the Falkland Islands Government on 20 April 2021. A further extension of 8 months was granted in April 2022 and the Licence now expires on 31 December 2022.

Statement of compliance

The consolidated financial statements are prepared in compliance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and interpretations of those standards as issued by the International Accounting Standards Board, and applicable legislation. The consolidated financial statements were approved for issue by the board of directors on 22 July 2022 and are subject to adoption at the Annual General Meeting of shareholders which is expected to be held in Stanley, Falkland Islands, in October 2022.

Basis of preparation

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

Changes in accounting standards

Standards which have been implemented in the year

The following new standards, amendments and interpretations are effective for the first time for periods beginning on or after 1 January 2021 but have not had a material effect on the Group and so have not been discussed in detail in the notes to the financial statements:

- Covid-19-Related Rent Concessions – Amendment to IFRS 16;
- IBOR Reform and its Effects on Financial Reporting – Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16;
- IAS 8- effect of initial application of IFRS;

Notes to the consolidated financial statements

Year ended 31 December 2021

Accounting policies (continued)

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The most significant of these is as follows:

- IAS 8 – impact disclosures with regard to a new IFRS which has been issued but not yet effective and not applied early;

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The directors do not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

The following is a list of other new and amended standards which, at the time of writing, had been issued by the IASB but which are effective in future periods.

- IFRS 17 Insurance Contracts;

Going concern

The financial statements have been prepared on the going concern basis as, in the opinion of the directors, there is a reasonable expectation that the Group and Company will continue in operational existence for the foreseeable future.

The Group and Parent Company's ability to continue in operational existence is, however, subject to a number of uncertainties as follows:

The Company's PL001 Licence currently expires on 31 December 2022. The Company has already advised the Falkland Islands Government of its wish to extend the Licence by a further 2 years beyond this date to undertake new technical work and to market the results of that work to potential industry partners. A formal application for this Licence extension cannot be submitted before the Falkland Islands Government completes a review of its relationship with the oil and gas sector which is currently underway and expected to be completed in Q3 2022. Assuming a favourable outcome to that review, the Company intends at that time to submit a formal application for the extension to the Licence.

Notes to the consolidated financial statements

Year ended 31 December 2021

Accounting policies (continued)

Any offer of such an extension is likely to be conditional on the Company demonstrating that it has sufficient funding to carry out a work programme and cover administration costs during the Licence term. Grant of an extension is therefore likely to be dependent on the Company raising significant further funds in Q3/Q4 2022.

Failure to secure an offer of a licence extension or to raise sufficient funds to meet the conditions of such an offer will result in the Company being unable to continue as a going concern in the near term.

If a licence extension and funding are forthcoming then the Group's ability to achieve its long term strategy of developing its exploration projects remains dependent on finding an exploration partner and the Group continues to seek partners to participate in drilling on its Licence. As at the date of sign off on these financial statements the oil and gas markets continue to be in a state of considerable turmoil with very high prevailing prices. The company does not anticipate making progress on finding a partner until the markets show signs of greater stability but is hopeful that the drivers behind the current situation will improve the chances of success.

If the Group is unable to find an exploration partner, raise funds or obtain further licence extensions then it may be unable to realise its assets and discharge its liabilities in the normal course of business.

All the above factors indicate the existence of material uncertainties which cast significant doubt over the Group and Parent Company's ability to continue as a going concern, some of which may crystallise before the end of 2022. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

The financial statements have been prepared on the going concern basis as, in the opinion of the directors, there is a reasonable expectation that the Group and the Company will continue in operational existence for the foreseeable future.

Notes to the consolidated financial statements

Year ended 31 December 2021

Accounting policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the results of Argos Resources Ltd and its wholly owned subsidiary undertaking as at 31 December 2021 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 and in the opinion of the directors there is only one business segment and the information contained in the financial statements reflects the operations within that segment.

Intangible assets – capitalised exploration expenditure, impairment and royalty interests

Evaluation and exploration (E&E) expenditure

As part of the 2015 farmout transaction the Group retained an ORRI of 5% of gross revenues from all hydrocarbon discoveries developed within the Licence area and the accumulated historical E&E cost was reclassified as "royalty interests". The Group therefore believed that the most appropriate method of accounting for the Noble and Edison withdrawal in 2018 was to reclassify the ORRI to E&E asset accounting for it using the method, as permitted under IFRS 6 whereby all historic costs associated with oil exploration are capitalised as intangible assets, pending determination of feasibility of the project.

As an initial fair value could not be reliably determined the E&E asset was measured at cost, which was the carrying amount of the ORRI, with no gain or loss. The E&E asset is therefore presented as an intangible asset and carried at cost less accumulated amortisation and any impairment provision.

Costs incurred include appropriate technical and administrative expenses but not general overheads. If an exploration project is successful, the related expenditures are 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.

Notes to the consolidated financial statements

Year ended 31 December 2021

Accounting policies (continued)

Impairment

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

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

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

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

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

Revenue and income

The Group has no income other than investment income which consists of interest receivable for the period. Interest income is recognised as it accrues.

Financial instruments

Financial assets

The Group classifies its financial assets depending on the purpose for which the asset was acquired. The Group has classified its financial assets as amortised cost.

Financial assets held at amortised cost

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

Notes to the consolidated financial statements

Year ended 31 December 2021

Accounting policies (continued)

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

Financial liabilities

The Group classifies its financial liabilities depending on the purpose for which the liability was incurred. All are non-derivative liabilities and are measured at amortised cost.

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

Cash and cash equivalents

This includes cash in hand and deposits held with banks.

Foreign currencies

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

The year-end rates of exchanges used were:

	2021	2020
£:US\$	1.35	1.37

Income taxes and deferred taxation

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

Share based remuneration

The Company issued share options to directors and key personnel on 12 November 2009 which were due to expire on 11 November 2019. On 5 November 2019 the Board resolved to amend the terms of any options (the "Options"), held by the directors, which had not been exercised prior to the original expiry date of 11 November 2019. These options were extended by 5 years and now expire on 11 November 2024.

The Group accounts for the costs of the issue of these options and the related extension of the expiry date 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 or extension and is charged to the consolidated statement of comprehensive income or, if appropriate, capitalised over the expected vesting period of the options and credited to retained losses.

Notes to the consolidated financial statements

Year ended 31 December 2021

2 Financial instruments

The Group's financial assets comprise of cash and cash equivalents and other receivables, which are categorised as "financial assets held at amortised cost". These were referred to as 'loans and receivables' in the prior period. Financial liabilities comprise other payables which are categorised as financial liabilities held at amortised cost and these are all current financial liabilities.

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

The policy for managing financial risks is set by the board following recommendations from the Finance Director. The policy for each of the above risks is described in more detail below.

Foreign exchange

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

As of 31 December 2021 the Group's financial assets and financial liabilities were denominated in a mixture of US\$ and Sterling which consisted of:

	Financial assets held at amortised cost		
	Sterling	US\$	
	denominated	denominated	Total
	\$'000	\$'000	\$'000
Financial assets			
Other receivables	17	26	43
Less: prepayments	(13)	(26)	(39)
Cash and cash equivalents	216	88	304
	220	88	308
	Financial liabilities held at amortised cost		
Financial Liabilities			
Other payables	(54)	-	(54)
Net financial assets	166	88	254

Notes to the consolidated financial statements

Year ended 31 December 2021

Financial instruments (continued)

At 31 December 2020 the comparative balances were:

	Financial assets held at amortised cost		Total \$'000
	Sterling denominated \$'000	US\$ denominated \$'000	
Financial assets			
Other receivables	14	26	40
Less: prepayments	(10)	(26)	(36)
Cash and cash equivalents	434	4	438
	438	4	442
	Financial liabilities held at amortised cost		
Financial liabilities			
Other payables	(59)	-	(59)
Net financial assets	379	-	383

If the US\$ had strengthened against Sterling by 10%, the loss for the year would increase and equity would reduce by \$17K (2020: increase in loss and decrease in equity of \$38K). Conversely if the US\$ weakens against Sterling by 10% the loss for the year would decrease and equity would increase by \$17K (2020: decrease in loss and increase in equity of \$38K).

Counter-parties

This is the risk that a third party failure results in loss to the Group such as a bank collapse resulting in the loss of deposits. To mitigate against this risk cash deposits are spread between two high quality institutions, Lloyds Bank PLC, which is part owned by the British government, and Standard Chartered Bank. The following was the split of funds between the various institutions at 31 December 2021:

Institution	2021 \$'000	2020 \$'000
Lloyds Bank PLC	259	382
Standard Chartered Bank	45	56
	304	438

Notes to the consolidated financial statements

Year ended 31 December 2021

Financial instruments (continued)

Liquidity

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

Credit risk

The Group is not exposed to credit risk as it does not trade, and the cash balances held by the Group are spread between two 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 (significant judgement)

When making an assessment of whether or not there are facts and circumstances which may indicate that an impairment review is required, the directors are required to exercise judgement. These judgements include, assessing whether or not it is expected that future renewal of the licence will be granted and assessing whether or not any of the geological data obtained to date indicates an impairment review is required.

Should the Directors be unable to raise sufficient funds, find an exploration partner, or negotiate further Licence extensions the Group may be unable to realise its assets.

Notes to the consolidated financial statements
Year ended 31 December 2021

4 Administrative expenses	2021	2020
	\$'000	\$'000
Directors' remuneration (see note 5)	127	130
Professional fees	197	146
Other expenses	31	27
Total	355	303

5 Directors' remuneration	2021	2020
	\$'000	\$'000
Remuneration and fees	125	128
Pensions*	2	2
Share based payment expense (see note 7)	-	-
Total	127	130

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

Directors' remuneration, by director, is disclosed in the directors' remuneration report on page 21. The average monthly number of employees, including directors, during this and the preceding year was 6.

Notes to the consolidated financial statements

Year ended 31 December 2021

6 Auditor's remuneration	2021 \$'000	2020 \$'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	29	29
Fees payable to the Company's auditor for the audit of the subsidiary's annual financial statements	5	5
Review of interim accounts	-	-
Total payable for audit related services	34	34
Fees payable to the Company's auditor for other services:		
Taxation	3	3
Fees payable to the Company's auditor for the Taxation services for the subsidiary company	2	3
	39	40

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 5 November 2019 the Board resolved to amend the terms of any options (the "Options"), held by the current directors, which had not been exercised prior to the original expiry date of 11 November 2019. The option expiry date was extended by 5 years to 11 November 2024, which is accounted for on an incremental value basis. No other amendments were made to the terms of the Options.

	Average share price on date exercised (pence)	Exercise price (pence)	Number
At 1 January 2020 and 31 December 2021		2	6,705,818

All options outstanding at the end of the year had vested and were exercisable.

Notes to the consolidated financial statements

Year ended 31 December 2021

8 Taxation	2021	2020
	\$'000	\$'000
Total tax:		
Corporation tax on losses for the year	-	-
Reconciliation of total tax:		
(Loss)/profit before tax	(356)	(299)
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax of 26%	(93)	(78)
Effects of:		
Unrelieved tax losses and other deductions arising in the period	40	78
Expenses not deductible for tax purposes	53	-
Total tax for the year	-	-

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

The group has the following temporary differences:

	2021	2020
	\$'000	\$'000
Trading Losses Carried forward	9,200	9,000
Capital losses carried forward	22,900	22,900
Net Deferred Tax Asset	2,400	2,600

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

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

Notes to the consolidated financial statements
Year ended 31 December 2021

9 Earnings per share

	2021	2020
	Number	Number
Shares in issue brought forward (2 pence shares)	220,713,205	220,713,205
Share issued during year	14,428,001	-
Shares in issue carried forward	235,141,206	220,713,205
Weighted average number of ordinary shares	230,279,167	220,713,205
	2021	2020
	\$'000	\$'000
(Loss) for the year	(356)	(299)
Weighted average number of ordinary shares in issue during the year	230,279,167	220,713,205
Basic (loss) per ordinary share (cents)	(0.15)	(0.14)

Basic earnings per share has been computed by dividing the earnings by the weighted average number of shares in issue during the period.

As the Group is reporting a loss for both 2020 and 2021 the share options are considered anti-dilutive because the exercise of share options would have the effect of reducing the loss per share and are therefore excluded from the calculation for that year.

Notes to the consolidated financial statements
Year ended 31 December 2021

**10 Exploration and
evaluation (E&E)
intangible assets**

	Exploration & evaluation (E&E) assets \$'000	Total \$'000
1 January 2020	28,737	28,737
Additions	78	78
At 31 December 2020 and 1 January 2021	28,815	28,815
Additions	320	320
At 31 December 2021	29,135	29,135

Details of the accounting policies adopted by the Group for these types of assets and the consideration of impairment is detailed in note 1 on page 39.

The Licence was due to expire on 1 May 2021 and prior to expiry the Falkland Islands Government extended the second term of the Licence by 12 months, to 1 May 2022, with no additional work commitments, although the original licence requirement to drill one well remains.

The Company has a commitment to drill one exploration well within the licence area by the end of the second term of the licence and is actively seeking new partners to continue exploration in the Licence area.

11 Other receivables

	2021 \$'000	2020 \$'000
Prepayments	39	36
Other	4	4
	43	40

12 Trade and other payables

	2021 \$'000	2020 \$'000
Trade payables	1	1
Accruals	53	58
	54	59

Notes to the consolidated financial statements

Year ended 31 December 2021

13 Share capital	2021 \$'000	2020 \$'000
Authorised:		
500,000,000 ordinary shares of 2 pence each	14,960	14,960
Allotted, issued and fully paid:	Number	\$'000
Ordinary shares of 2 pence each		
At 1 January 2020 and and 1 January 2021	220,713,205	6,696
Shares issued during year	14,428,001	399
At 31 December	235,141,206	7,095

14 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:

	2021 \$'000	2020 \$'000
Due to Argos Georgia Ltd at 1 January	-	-
Expenses paid on behalf of the Group	0.3	0.3
Creditor balances paid	(0.2)	(0.3)
Office running costs*	-	-
Due to Argos Georgia Ltd at 31 December	0.1	-

* The services and agency agreement between the Company and Argos Georgia Ltd in which Argos Georgia Ltd provided certain agency, accounting, secretarial and operational services to the Company was terminated with effect from 31 March 2016. The cost of continued provision of these services, which has not been charged for, is \$16,000. The key management personnel are the directors only.

There have been no transactions with directors during the year other than remuneration paid to each director which is disclosed in the directors' remuneration report on page 21 and in note 5.

15 Commitments

(a) Capital commitments

The Second Phase of the PL001 licence requires an Oil Well to be drilled.

(b) Operating commitments

There were no ongoing commitments at 31 December 2021 nor for the comparative period.

Notes to the consolidated financial statements

Year ended 31 December 2021

16 Contingent liabilities

The Group has no anticipated material contingent liabilities.

17 Events after the reporting date

The Licence

Argos announced on 11 April 2022 that the Falkland Islands Government ("FIG") had extended the second term of the Company's PL001 Licence from 1 May 2022 to 31 December 2022, with no additional work commitments.

The Company is currently in discussions with FIG regarding the terms on which a further extension of the PL001 Licence may be granted, to enable Argos to undertake the necessary technical work to progress the project. The Board expects that any extension beyond 31 December 2022 would be subject to certain technical commitments from the Company, which would require Argos to raise additional capital.

Loan Facility

Mr Ian Thomson, OBE, Chairman of Argos, has agreed to provide a loan facility of up to £110,000 to the Company (the "Loan Facility"). Drawdown from the Loan Facility can be made at the Company's request. The Loan Facility is available until 31 January 2023 with no interest accruing on borrowed amounts. If the Company carries out a share issue by way of fund-raising, the lender shall be entitled to convert the loan then outstanding into new shares issued on the same terms as those available to other participants in the issue.

The Loan Facility, along with the Company's existing resources of approximately £100,000 as of 24 June 2022, will provide the Company with sufficient working capital until July 2023.

The provision of the Loan Facility is deemed to be a related party transaction for the purposes of the AIM Rules for Companies. The Independent Directors consider, having consulted with the Company's nominated adviser, Cenkos Securities plc, that the terms of the Loan Facility are fair and reasonable insofar as the Shareholders are concerned.

Publication of Results

As a result of the Company's extended discussions regarding its funding position, and the associated impact on the timing for the FY21 Accounts, the Company was not in a position to publish its 2021 Financial Statements by the deadline of 30 June 2022. Consequently, the Company's shares were temporarily suspended from trading on AIM as of 7.30 a.m. on 1 July 2022, pending publication of the FY21 Accounts.

Parent Company financial statements

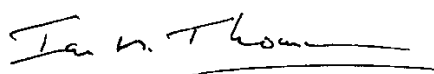
Statement of financial position As at 31 December 2021

	Note	2021 \$'000	2020 \$'000
Assets			
Non-current assets			
Investments	6	2,120	2,120
		2,120	2,120
Current assets			
Other receivables	7	7,382	9,703
Cash and cash equivalents		304	438
Total current assets		7,686	10,141
Total assets		9,806	12,261
Liabilities			
Current liabilities			
Trade and other payables	8	37	39
Total liabilities		37	39
Total net assets		9,769	12,222
Capital and reserves attributable to equity holders of the company			
Share capital	9	7,095	6,696
Share premium		30,222	30,071
Retained losses		(27,548)	(24,545)
Total shareholders' equity		9,769	12,222

The Company has elected to take the exemption under section 230 of the Companies Act 1985, to not present the parent company income statement. The net loss for the parent company was \$3,003 thousand (2020: \$310 thousand loss).

The notes on pages 55 to 60 form part of the financial statements.

These financial statements were approved by the directors and authorised for issue on 22 July 2022 and are signed on their behalf by:



Ian Thomson
Chairman

Parent Company financial statements

Statement of cash flows

Year ended 31 December 2021

	Year ended 31 December 2021 \$'000	Year ended 31 December 2020 \$'000
Cash flows from operating activities		
(Loss) for period before taxation	(3,003)	(310)
Adjustments for:		
Finance income	-	(1)
Foreign exchange	1	(3)
IFRS 9 provision/(credit)	2,667	31
Net cash (outflow) from operating activities before changes in working capital	(335)	(283)
(Increase)/decrease in other receivables	(346)	(50)
(Decrease) in other payables	(2)	(1)
Net cash (outflow) from operating activities	(683)	(334)
Investing activities		
Interest received	-	1
Net cash generated from investment activities	-	1
Financing activities		
Issue of ordinary shares	550	-
Net (decrease) in cash and cash equivalents	(133)	(333)
Cash and cash equivalents at beginning of period	438	768
Exchange gains on cash and cash equivalents	(1)	3
Cash and cash equivalents at end of the year	304	438

The notes on pages 55 to 60 form part of the financial statements.

Parent Company financial statements

Statement of changes in equity Year ended 31 December 2021

	Share capital \$'000	Share premium \$'000	Retained deficit \$'000	Total equity \$'000
At 1 January 2020	6,696	30,071	(24,235)	12,532
Loss for year	-	-	(310)	(310)
At 31 December 2020 and 1 January 2021	6,696	30,071	(24,545)	12,222
Loss for year	-	-	(3,003)	(3,003)
Shares issued	399	151	-	550
At 31 December 2021	7,095	30,222	(27,548)	9,769

The notes on pages 55 to 60 form part of the financial statements.

Notes to the parent Company financial statements

Year ended 31 December 2021

1 Accounting policies

Basis of preparation

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

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

Investments

Investments are measured at cost at acquisition and are then subsequently measured at cost less impairment

The Group's financial assets comprise of cash and cash equivalents and other receivables, which are categorised as "financial assets held at amortised cost" These financial assets were referred to as 'loans and receivables' in the prior period. Financial liabilities comprise other payables which are categorised as financial liabilities held at amortised cost and these are all current financial liabilities.

Intercompany loan to the subsidiary company

The loan to the subsidiary company, Argos Exploration Limited, is classified as repayable on demand. IFRS 9 requires consideration of the expected credit risk associated with the loan. As the subsidiary company does not have any liquid assets to sell to repay the loan, should it be recalled, the conclusion reached was that the loan should be categorised as stage 3 and the impairment assessment of the loan has been performed using a lifetime expected credit loss model under IFRS 9.

As part of the assessment of expected credit losses of the intercompany loan receivable, the Directors have considered the expected future oil prices; the value of the reserves reflected in the independent economic assessment of the Licence area; the ability to sell the project, the ability to find a new farm-out partner and the exploration project risk provided in the Competent Persons Report. The Directors have also assessed the cash flow scenarios of the above considerations.

The credit risk of the intercompany loan is assessed at the end of each accounting period. There was no change in the significant credit risk at year-end.

Changes in accounting standards

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

Going concern

Please refer to going concern, Note 1, in the group financial statements.

Notes to the parent Company financial statements

Year ended 31 December 2021

2 Significant accounting judgements, estimates and assumptions

Application of the expected credit loss model prescribed by IFRS 9

IFRS 9 requires the Parent company to make assumptions when implementing the forward-looking expected credit loss model. This model is required to be used to assess the intercompany loan receivable from Argos Exploration Limited for impairment.

Please refer to accounting policies, Note 1, in the parent Company financial statements for more information.

3 Financial instruments

The policy for managing financial risks is set by the board following recommendations from the Finance Director.

Foreign exchange

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

As of 31 December 2021 the Company's financial assets and financial liabilities were denominated in a mixture of US\$ and Sterling which consisted of:

	Amortised cost		
	Sterling	US\$	
	denominated	denominated	Total
	\$'000	\$'000	\$'000
Financial assets			
Other receivables	17	7,365	7,382
Less: prepayments	(14)	-	(14)
Cash and cash equivalents	216	88	304
	219	7,453	7,672
	Amortised cost		
Financial liabilities			
Other payables	(37)	-	(37)
Net financial assets	182	7,453	7,635

Notes to the parent Company financial statements

Year ended 31 December 2021

Financial instruments (continued)

At 31 December 2020 the comparative balances were:

	Amortised cost		
	Sterling	US\$	
	denominated	denominated	Total
	\$'000	\$'000	\$'000
Current assets			
Other receivables	14	9,689	9,703
Less: prepayments	(10)	-	(10)
Cash and cash equivalents	434	4	438
	438	9,693	10,131
	Amortised cost		
Financial liabilities			
Other payables	(39)	-	(39)
Net financial assets	399	9,693	10,092

If the US\$ had strengthened against Sterling by 10%, the loss for the year would increase and equity would reduce by \$18K (2020: increase in loss and reduction in equity of \$40K). Conversely if the US\$ weakens against Sterling the loss for the year would decrease and equity would increase by \$18K (2020: decrease in loss and increase in equity of \$40K).

Counter-parties

This is the risk that a third party failure results in loss to the Group such as a bank collapse resulting in the loss of deposits. To mitigate against this risk cash deposits are spread between two high quality institutions, Lloyds Bank PLC, which is part owned by the British government, and Standard Chartered Bank. The following was the split of funds between the various institutions at 31 December 2021.

	2021	2020
Institution	\$'000	\$'000
Lloyds Bank PLC	259	382
Standard Chartered Bank	45	56
	304	438

Interest rates

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

Liquidity

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

Notes to the parent Company financial statements

Year ended 31 December 2021

Financial instruments (continued)

Credit

The Company is not exposed to credit risk, other than amounts due from the subsidiary company, as it does not trade and the cash balances held by the Company are spread between two reputable institutions. Please refer to note 7 for the details of the expected credit loss on the intercompany receivable due from the subsidiary company.

Fair values

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

4 Loss attributable to the members of the parent Company

The loss for the year was \$3,003 thousand (2020: loss of \$310 thousand). A separate income statement for the Company has not been presented as permitted by the Companies Act 1985 as applied in the Falkland Islands by the Companies (Amendment) Ordinance 2006.

Notes to the parent Company financial statements

Year ended 31 December 2021

5 Staff costs

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

6 Investments	2021 \$'000	2020 \$'000
Investment in subsidiary		
Cost:		
At 1 January and		
31 December	2,120	2,120

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

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

7 Other receivables	2021 \$'000	2020 \$'000
Amounts due from subsidiary company	25,840	25,498
Less: provision for impairment (see below)	(18,476)	(15,809)
Amounts due from subsidiary – net	7,364	9,689
Prepayments	14	10
Other	4	4
	7,382	9,703

Movement in impairment provision on amounts due from subsidiary company	2021 \$'000	2020 \$'000
As at 1 January	15,809	15,778
Increase/(decrease) in impairment	2,667	31
As at 31 December	18,476	15,809

Please refer to note 1 and 2 for the detail of how the provision for impairment has been calculated.

Notes to the parent Company financial statements

Year ended 31 December 2021

8 Trade and other payables	2021 \$'000	2020 \$'000
Trade payables	2	1
Accruals	35	38
	37	39

9 Share capital

Share capital movements are set out note 13 on page 50 of the consolidated financial statements.

10 Other statutory disclosures

Audit services

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

Share based remuneration

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

Related party transactions

The information given in note 14 of the consolidated financial statements relates wholly to the Company.

Commitments

The information given in note 15 of the consolidated financial statements relates wholly to the Company.

Events after the balance sheet date

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

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