

Company Number 05385506



PANTHEON RESOURCES PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2010

PANTHEON RESOURCES PLC

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DIRECTORS, SECRETARY AND ADVISERS

Directors	Susan Graham (Non-Executive Chairman) John (“Jay”) Cheatham (Chief Executive Officer) Justin Hondris (Executive Director, Finance and Corporate Development) Andrew Waller (Non-Executive Director) John Walmsley (Non-Executive Director)
Company Secretary	John Bottomley
Registered Office	One America Square Crosswall London EC3N 2SG
Company Number	05385506
Auditors	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW
Solicitors	Watson, Farley & Williams LLP 15 Appold Street London EC2A 2HB
Registrars	Computershare Investor Services plc PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH
Principal Bankers	Barclays Bank plc Level 27, 1 Churchill Place London E14 5HP
Nomad & Broker	Oriel Securities Limited 125 Wood Street London EC2V 7AN

PANTHEON RESOURCES PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

For Pantheon the financial year under review commenced on a strong note for its key strategic Tyler County, East Texas project. Confirmation was received that the adjacent Brookeland field in the Austin Chalk extended into Pantheon's acreage with all the encouraging ramifications this had for the rest of the acreage. The Group's optimism for its Tyler County project appeared well founded and shared as Pantheon was able to raise a total of £7.8 million in difficult stock market conditions through two separate share placings completed in August and December 2009 respectively. The December 2009 placing was particularly important for the Group as it secured Pantheon's participation in its crucial Tyler County venture, which remains a high leverage project for the Group.

Pantheon and its shareholders have endured a frustrating twelve months since then. Plans to drill a second well, Kara Farms #1, ("KF#1H"), have been subject to a series of unwelcome but unavoidable delays caused essentially by a shortage of suitable specialised drilling rigs and rising costs. The operator of the Joint Venture ("JV"), Vision Gas Resources LLC ("Vision"), had also been hampered by the requirement to drill only a single well at this stage rather than embark on a large multi-well programme. This left it, and the JV, at a competitive disadvantage and subject to rigs only becoming available when released by other operators. Rather than enter a "bidding war" Vision opted to wait until a rig became available. It is hoped that the current decline in rig utilisation rates continues as this would provide support that availability will occur relatively soon.

Once a rig becomes available then drilling operations should proceed quickly. This reflects the progress made at the selected drilling location for KF#1H. Vision's revised schedule is for the KF#1H well to spud in December 2010 or January 2011. However the timing of rig availability to Vision remains subject to their release by current operators.

The delays to drilling should not distract from the positive developments that have occurred at Tyler County. The operator has not been idle and has undertaken further and extensive geological analyses on both the main Austin Chalk target and at the secondary Woodbine. This work has enhanced the JV's expectations and led to further confidence in the entire Tyler County play. More encouragement may also occur should Krescent Energy Company's ("Krescent") nearby well yield positive results. Located on offset acreage to the east of the JV's proposed well, Krescent's well is in a structurally similar position to Pantheon's Tyler County acreage. Initial results announced recently have provided some encouragement.

Moreover the JV continues to be active in building its acreage portfolio in the region, which remains an on-going process. This has led to the addition of material acreage which Pantheon considers to be of strategic importance.

Pantheon retains an overlooked asset in its Bullseye acreage which has been identified by recent work. The main prospect is now considered to lie in the Camerina formation where potential gross reserve estimates in excess of five million barrels of oil equivalent ("mboe") have been made by the operator.

The main issue at Bullseye has been how to constrain drilling and completion costs for further wells. Two well locations for the Miogyp have been identified, each with potential gross reserves of over 500 thousand barrels of oil ("mbo") according to the operator. At present a well has been scheduled for 2011, although this will not occur without confidence that drilling and completion costs will be reduced substantially. Achieving a reduction in costs is the subject of a study now underway.

PANTHEON RESOURCES PLC

**CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010**

The next few months should witness not only the start of drilling on the long-awaited second well on Pantheon's Tyler County acreage but also the fifth anniversary of the Group's debut on the AIM. In this short period, Pantheon has undergone a series of changes both to its asset base and its management. However the prospect for a potential corporate transformation has never been greater than it is at present. This exciting outlook should not be lost in the understandable frustration and disappointment at the seemingly incessant delays to drilling; sentiments which are shared by all the members of the Board. As drilling of KF#1H gets underway the focus should shift to exploiting the enormous potential that Pantheon has at Tyler County. The Board looks forward to an exciting and busy year ahead when technical success should be converted into commercial achievement.

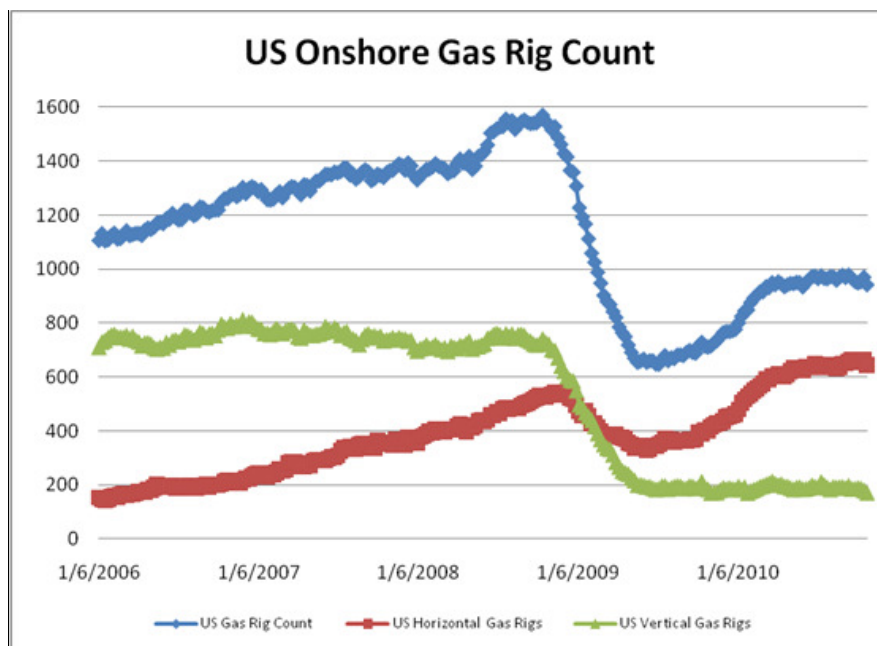
Susan Graham
17 November 2010

**CHIEF EXECUTIVE OFFICER'S STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010**

Pantheon's plans to spud a second well on Tyler County play have been impacted by the shortage of large horizontal rigs and the resulting rising cost. Vision Gas Resources LLC, ("Vision"), the operator, has been reluctant to try and outbid operators with larger drilling programmes than the Joint Venture's ("JV") single well contract. Although the expected economics for the Tyler County project remain positive at current natural gas prices, the leverage from either a modest natural gas price increase or reduction in service prices is high. The JV would expect to produce natural gas to the sales pipeline five or six months after a commitment to drill. A well spudding in December 2010 or January 2011 would result in production during the summer cooling season.

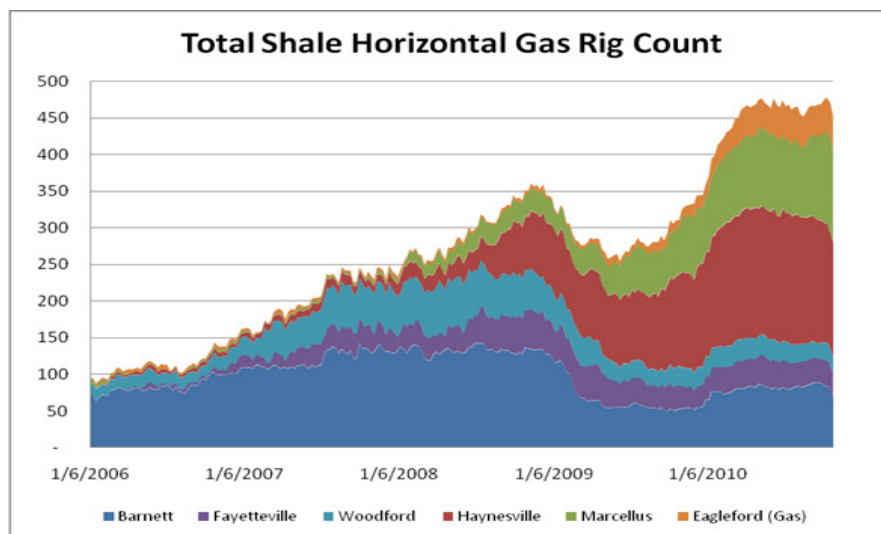
At the time of last year's CEO statement US natural gas prices were about US\$5 per million BTU ("mmBTU") and the number of horizontal gas rigs in service in the US was slightly above 400. Currently natural gas prices have fallen to just above US\$3 per mmBTU while more than 600 horizontal gas rigs are in service. This increase in horizontal gas rig activity (see chart 1) is a direct result of drilling in the unconventional Barnett and Haynesville gas shale plays of Texas and Louisiana and the Marcellus in Pennsylvania. Additionally, many horizontal rigs are drilling in the Eagleford shale in South Texas which is primarily an oil play. These factors have led to drilling rig numbers and service costs being at an all time high (see chart 2). Last year I wrote that many shale gas plays had become uneconomic. While at the current rig rates and natural gas prices this remains the case, many producers continue to drill to hold acreage and generate cash flow. Time and stock prices will be the ultimate arbiters.

Chart 1: Smith Bits US Onshore Gas Rig Count data for week commencing 29 October 2010



**CHIEF EXECUTIVE OFFICER'S STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010**

Chart 2: Baker Hughes Shale Horizontal Rig data for week commencing 29 October 2010



Operational Review

Tyler County

The proposed second well on Pantheon's Tyler County acreage, Kara Farms #1 ("KF#1H"), is located west of the Vision Rice University #1 ("VRU#1") well on a structural nose in the Austin Chalk. This location also offsets Vision's Louisiana Pacific #2 well which produces from the Woodbine. The KF#1H well is scheduled to test both the Austin Chalk and Woodbine formations in a structurally optimum location. It should be remembered that the two targets are independent and totally separate plays.

A new completion method has been developed to ensure there is not a repeat of the rubble problems encountered in VRU#1. It is now planned to complete the KF#1H well using a wire wrapped slotted liner. This allows barite fines to flow but blocks the rubblised formations, which are small formation pebbles that were produced and blocked the well bore in the VRU#1 well.

Although Pantheon has not been active with the drill bit, the JV has optimised its acreage position. The latter is now over 30,000 acres. The JV has continued studying the play geologically. Recent work gives the JV an improved outlook for the Austin Chalk and also for the secondary target in the Woodbine.

Krescent Energy Company ("Krescent") has completed a well to the east, offsetting the JV's acreage. This well is located in a structurally similar position to Pantheon's Tyler County acreage. Any positive outcome would provide further confidence to the JV. Krescent has announced some initial test results recently which are encouraging. However the well remains in a clean-up phase and further information is awaited.

Bullseye

Gross production from Bullseye has declined throughout the year from 800 barrels oil equivalent per day ("boepd") in July 2009 to 280 boepd in July 2010 and 240 boepd currently. Lease operating costs have been lowered significantly due to improvements at the water disposal well. As a result, the economic limit on Bullseye wells is extremely low.

A recent study of the Laurel Ridge Field (Bullseye plus offset acreage) confirms that at least two additional Miogyp locations exist on Pantheon's Bullseye acreage in updip positions north of the existing wells. The

PANTHEON RESOURCES PLC

CHIEF EXECUTIVE OFFICER'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

operator estimates that these two locations should each have potential gross reserves of over 500 thousand barrels of oil. The key to exploiting these potential reserves is the ability to drill and complete efficiently in the Miogyp formation. At current oil prices and drilling a straight hole to control costs, a new Miogyp well is very economic.

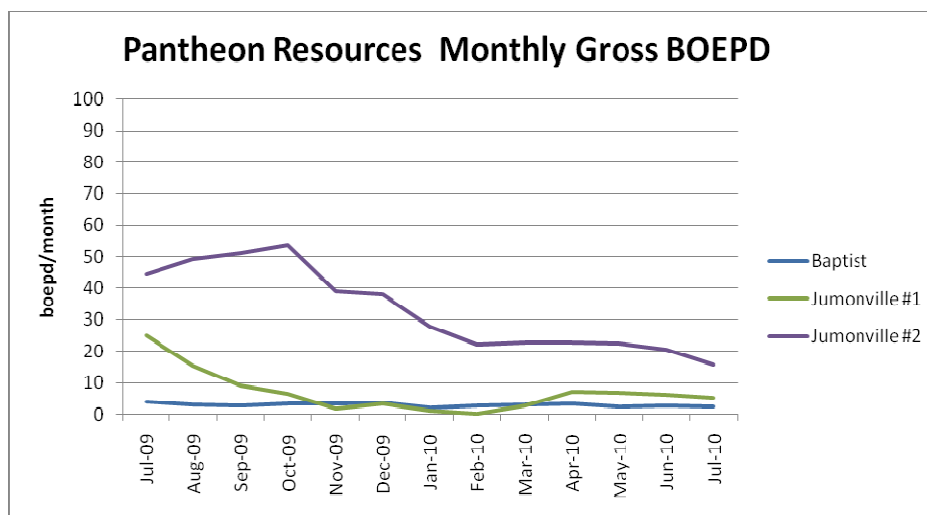
Recent work indicates that the real upside at Bullseye resides in the Camerina formation where the operator estimates potential gross reserves to be in excess of five million barrels oil equivalent (“mmboe”). Offset wells in the area have had initial gross production rates of 500 barrels a day (“bopd”) plus 1,200 thousand cubic feet a day (“mcf”) of natural gas. A study is under way to determine future drilling and completion costs at Bullseye. It is anticipated that a Miogyp well will be drilled in 2011. A drill stem test is also proposed for the Camerina as part of the plan for this well. Plans to drill a well are dependent upon costs being reduced significantly.

Production

During the 2010 financial year Pantheon's net production averaged 45.4 boepd (see chart 3). This is essentially unchanged from the 46.6 boepd achieved in the previous financial year. Flush production from Jumonville #2 (“J#2”), which came on stream in June 2009 and peaked in October, offset the decline from Jumonville #1 (J#1”). J#1 was shut in during February 2010 before resuming in March. The lower water disposal expenses at Bullseye reduced the economic operating threshold for J#1.

Baptiste continued as a small gas producer. For the 2010 financial year Pantheon was predominantly an oil producer in contrast to previous years when most of its output was natural gas. With the oil to gas price ratio at over 20:1 versus a normal 10:1, the Group has benefitted financially from this pricing anomaly.

Chart 3: Pantheon Resources Gross monthly BOEPD July 2009 – July 2010



**CHIEF EXECUTIVE OFFICER'S STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010**

Conclusion

Pantheon did not achieve its operational objectives for Tyler County in the year under review due to factors beyond its control. Three achievements were realised, however. First the JV increased its acreage position in the Tyler County area. Secondly further geological analyses enhanced both the outlook for the Tyler County acreage and the JV's confidence in the project. Finally Pantheon secured funding. The current financial year should witness Pantheon achieving its corporate objective of proving up the exciting Tyler County venture.

Jay Cheatham
17 November 2010

**FINANCE DIRECTOR'S REPORT
FOR THE YEAR ENDED 30 JUNE 2010**

Financial Review

The Group made a loss for the financial year ended 30 June 2010 of £2,540,396 (2009: £3,048,360).

Approximately £1,400,000 of this loss related to the final costs incurred with the drilling of the Vision Rice University #1 ("VRU#1") well and to other impairment charges taken against the group assets as at 30 June 2010.

The decision to plug and abandon the VRU#1 well in September 2009 was solely for mechanical reasons, despite the well being considered a geological success by the operator, Vision Gas Resources LLC, and confirming the extension of the Brookeland field in Tyler County. It was therefore decided to adopt a conservative accounting treatment and write-off all direct costs relating to the well.

This write-off does not have any bearing on the prospectivity of the Tyler County acreage which continues to have the potential to be of significant value to the Group in the Directors' opinion.

Production

The Group's net total sales production for the financial year ended 30 June 2010 amounted to 42.7 (2009: 128.6) mcf natural gas and 36.2 (2009: 25.3) bopd oil. Average realisations for the year for natural gas and oil were US\$3.87 (2009: US\$7.38) per mcf and US\$72.00 (2009: US\$53.57) per barrel respectively.

Revenue

Revenues for the year ended 30 June 2010 were higher than the previous year at £639,372 (2009: £515,639). This reflected a change to the production mix between the two financial years. In the financial year ended 30 June 2010 Pantheon produced more crude oil. Average realised crude oil prices rose 34% year-on-year.

Cost of Sales

Cost of sales for the year ended 30 June 2010 was higher than the previous year at £700,484 (2009: £459,771). The major component of this amount was depreciation of producing assets and facilities which accounted for £492,487 of the total cost of sales.

Impairments

The total impairment charge of £1,398,794 (2009: £2,317,579) comprised the final costs associated with the final write-off of costs associated with the Vision Rice University #1 well ("VRU#1") following the decision to plug and abandon the well in September 2009, and other impairment charges taken against the group assets as at 30 June 2010.

Accounting Policies

There have been no major changes to accounting policies during the year.

Debt Financing

Short term borrowings as at 30 June 2010 were £nil (2009: £1,072,816) having been repaid in full during the year.

Capital Structure

The Company undertook two separate equity capital raisings during the year. In August 2009 the Company placed 4,554,600 Ordinary shares with investors at an issue price of £0.12. This raised £0.507 million after costs. In December 2009 the Company placed 57,708,040 Ordinary shares with investors at an issue price of £0.1325 to raise £7.3 million after costs.

Additionally the Group implemented an executive long term incentive scheme. This was developed in conjunction with external executive compensation consultants, Deloitte LLP, and involved a change to the Group's options in issue. Full details of this can be found at Note 21.

As at 30 June 2010 there were 102,099,770 shares in issue.

Going Concern

The Group was successful in raising additional equity capital and repaying its debt finance during the year. The Group is satisfied with its ability to operate as a going concern for the next 12 months.

Taxation

The Group incurred a loss for the year and has not incurred a tax charge. The directors have not considered it appropriate to recognise a deferred tax asset to reflect the potential benefit arising from these timing differences.

Risk Assessment

The Group's oil and gas activities are subject to a variety of risks, both financial and operational, including but not limited to those outlined below. These and other risks have the potential to materially affect the financial performance of the Group.

Liquidity and Interest Rate Risk

Liquidity risk has increased for many companies as a result of the recent global economic crisis, in particular for companies with smaller market capitalisations.

Interest Rate risk and the cost and availability of debt and equity finance have been dramatically affected following the global economic crisis. The Group was pleased to have successfully completed two fundraisings within the period in the context of the economic climate.

Oil & Gas Price Risk

Oil and Gas sales revenues were subject to the volatility of the underlying commodity prices throughout the year. At the present time, the US energy sector is exhibiting stronger oil prices and weaker gas prices due to a variety of reasons. Paradoxically, despite a weaker gas price, demand for drilling unconventional gas plays in the US is at or near record high levels resulting in a very high cost environment for rigs and associated drilling services. This has resulted in the Group's activities at Tyler County being delayed, however operations are expected to commence in the near term.

The Group did not engage in any hedging activity during the year.

PANTHEON RESOURCES PLC

**FINANCE DIRECTOR'S REPORT
FOR THE YEAR ENDED 30 JUNE 2010**

Currency Risk

Almost all capital expenditure and operational revenues for the year were denominated in US dollars. The Group keeps the majority of its cash resources denominated in US Dollars throughout the year to minimise volatility and foreign currency risk. The Group did not engage in any hedging activity during the year.

Financial Instruments

As this stage of the Group's activities it has not been considered appropriate or necessary to enter into any derivatives strategies or hedging strategies. Once the Group's production revenues increase substantially, such strategies will be reviewed on a more regular basis.

Justin Hondris
17 November 2010

PANTHEON RESOURCES PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010

The Directors present their report together with the audited accounts of Pantheon Resources plc (“Pantheon” or “the Company”) and its subsidiary undertakings (together “the Group”) for the year ended 30 June 2010.

Principal activity

The Company is registered in England and Wales, having been incorporated under the Companies Act with registered number 05385506 as a public company limited by shares.

The principal activity of the Group is the investment in oil and gas exploration and development. The Group operates in the U.K. through its parent undertaking and in the USA through subsidiary companies, details of which are set out in the note 8 to these accounts.

Results and dividends

The Group results for the period are set out on page 19. The Directors do not propose to recommend any distribution by way of a dividend for the year ended 30 June 2010.

Key operational risks and uncertainties

The Group is in the business of exploration and production of oil and gas. Accordingly, the principal operational risks and uncertainties affecting the Group include, but are not limited to, the time and monetary costs associated with the unsuccessful drilling of prospects; mechanical or other technical problems encountered during the drilling of prospects; mechanical or other technical problems which may from time to time affect existing production; the potential for increased costs for drilling in a tight rig market; the uncertainty surrounding potential recoverability of reserves; deterioration in commodity prices or economic conditions; and the potential for unexpected deterioration or abandonment of existing production. Pursuant to the terms of the respective joint ventures, and typical for the industry, the Group is also potentially exposed to the timing, financial and operational position of those joint ventures, in particular with respect to the timing, and therefore payment for the proposed drilling of wells.

Information to shareholders – website

The Group maintains its own website (www.pantheonresources.com) to facilitate provision of information to external stakeholders and potential investors and to comply with Rule 26 of the AIM rules for companies.

Capital raising

The Company undertook two equity capital raisings during the year. In August 2009 the Company placed with investors 4,554,600 Ordinary shares in the Company at an issue price of £0.12 to raise £0.507m after costs. Additionally, in December 2009 the Company placed with investors 57,708,040 Ordinary shares in the Company at an issue price of £0.1325 to raise £7.3m after costs.

PANTHEON RESOURCES PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010

Group structure and changes in share capital

Details of movements in share capital during the period are set out in note 15 to these accounts.

Directors

The following Directors held office during the period:

Susan Graham (Non-Executive Chairman)
John Cheatham (Chief Executive Officer)
Justin Hondris (Executive Director)
Andrew Waller (Non-Executive Director)
John Walmsley (Non-Executive Director)

Directors' interests

The beneficial and non-beneficial interests in the Company's shares of the Directors and their families were as follows:

Name	30 June 2010	30 June 2009
	Number of Ordinary shares of £0.01	Number of Ordinary shares of £0.01
S Graham	200,000	114,925
J Cheatham	2,609,249	1,140,849
J Hondris	760,000	300,000
A Waller*	698,427	450,000
J Walmsley**	1,059,637	150,000

* 200,000 of these ordinary shares are held by Rosepoint Capital Pty Limited (a company in which A Waller is interested).

** 377,358 of these ordinary shares are held by John Walmsley's spouse.

Share options

Share options over Ordinary shares of £0.01 held by Directors on 30 June 2010 were as follows:

Exercise price	Number of options									Total
	£0.20	£0.30	£0.40	£0.50	£0.60	£1.00	£1.25	£1.50	£2.00	
S Graham	-	-	-	-	-	250,000	250,000	200,000	200,000	900,000
J Cheatham*	201,844	400,000	300,000	300,000	200,000	-	-	-	-	1,401,844
J Hondris*	-	350,000	250,000	200,000	100,000	-	-	-	-	900,000
A Waller	-	-	-	-	-	-	-	150,000	150,000	300,000
J Walmsley	-	-	-	-	-	100,000	-	100,000	100,000	300,000
Total	201,844	750,000	550,000	500,000	300,000	350,000	250,000	450,000	450,000	3,801,844

*On 11 September 2009 under the long term executive incentive scheme, the options with exercise prices ranging from £0.30 to £0.60 were issued to Mr J. Cheatham and Mr J. Hondris. These options vest equally in three tranches on 11 September 2009, 30 June 2010 and 30 June 2011.

PANTHEON RESOURCES PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010

Report on Directors' remuneration and service contracts

The service contracts of all the Directors are subject to a six month termination period.

Pensions

The Group does not operate a pension scheme for Directors or employees.

Directors' remuneration

Remuneration of Directors was as follows:

	Fees/basic salary £	Employers NI/Payroll tax £	Benefits in kind £	2010 Total £
S Graham	62,500	6,537	-	69,037
J Cheatham	189,561	7,266	-	196,827
J Hondris	125,000	14,537	-	139,537
A Waller*	25,000	-	-	25,000
J Walmsley	37,500	4,663	-	42,163
	<u>439,561</u>	<u>33,003</u>	<u>-</u>	<u>472,564</u>

* The Directors' remuneration presented includes an accrual for £12,500 for unpaid Directors' fees as at 30 June 2010

Substantial shareholders

The Company has been notified, in accordance with Chapter 5 of the FSA Disclosure and Transparency Rules, of the under noted interests in its ordinary shares as at 12 November 2010:

	Number of Ordinary Shares	% of Share Capital
Pershing Nominees Limited	16,031,950	15.70
Argo Exploration Limited	7,000,000	6.86
Rock (Nominees) Limited	5,169,973	5.06
Barclayshare Nominees Limited	5,005,889	4.90
Credit Suisse Client Nominees (UK) limited	3,570,000	3.50
Lynchwood Nominees Limited	3,430,238	3.36
HSBC Client Holdings Nominee (UK) Limited	3,232,742	3.17
Nutraco Nominees Limited	3,128,802	3.06

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2010**

Supplier payment policy

The Company's policy is that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, providing that all trading terms and conditions have been complied with.

Political and charitable contributions

There were no political or charitable contributions made by the Company during the year ended 30 June 2010.

Remuneration and Nomination Committee

The Board of Directors has established the Remuneration and Nomination Committee of the Board. Susan Graham is chairman of the Remuneration and Nomination Committee and John Walmsley is the other member. Both members are Non-Executive Directors of the Company. Other Directors may attend meetings by invitation.

The Remuneration and Nomination Committee meets as required, but at least twice a year. Its role is to assist the Board in determining the remuneration arrangements and contracts of executive Directors and senior employees, and the appointment or re-appointment of Directors. It also has the responsibility for reviewing the performance of the executive Directors and for overseeing administration of the Company's share option schemes. No Director is however involved in deciding his own remuneration.

The decision to appoint, or re-appoint, a Director is made by the Board following recommendation by the Nomination Committee.

Audit Committee

An Audit Committee of the Board has been established. The Audit Committee consists of John Walmsley as chairman and Susan Graham is the other member. This Committee provides a forum through which the Group's finance functions and auditors report to the non-executive Directors. Meetings may be attended, by invitation, by the Director of Finance and Corporate Development, the Company Secretary, other executive Directors and the Company's auditors.

The Audit Committee meets at least twice a year. Its terms of reference include review of the Annual and Interim Accounts, consideration of the Company and Group's accounting policies, the review of internal control, risk management and compliance procedures, and consideration of all issues surrounding the annual audit. The Audit Committee will also meet with the auditors and review their reports relating to accounts and internal control systems.

To follow best practice, and in accordance with International Standard ISA 260, the external auditors have held discussions with the Audit Committee on the subject of auditor independence and have confirmed their independence in writing.

Conflicts Committee

A Conflicts Committee of the Board has been established. This Committee consists of Susan Graham as chairman, John Walmsley and Jay Cheatham.

The role of the Conflicts Committee is to assist the Board in monitoring actual and potential conflicts under the definitions of the Companies Act 2006. Under the Companies Act 2006 Directors are responsible for their individual disclosures of actual or potential conflict. To follow best practice, the Conflicts Committee holds discussions with the Company's UK lawyers.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2010**

Statement of Directors' responsibilities

The Directors are responsible for preparing the financial statements in accordance with applicable laws and International Financial Reporting Standards ("IFRS") as adopted by the European Union. Company Law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the Company and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business; and
- d) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Group and hence for taking steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Statement of disclosure to the auditors

So far as the Directors are aware:

- a) there is no relevant audit information of which the Company's auditors are unaware; and
- b) all the Directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that UHY Hacker Young be reappointed as auditors of the Company and that the Directors be authorised to determine their remuneration will be put to the next Annual General Meeting.

By order of the board

**Justin Hondris
Director**

**17 November 2010
Company Number 05385506**

**DIRECTORS' BIOGRAPHIES
FOR THE YEAR ENDED 30 JUNE 2010**

Susan Graham, Chairman

Susan Graham has many years of experience in the oil and gas sector. She joined Merrill Lynch in 1986 and was Managing Director and Global Head of the Energy Team from 1998 until her retirement in 2003. During her 27 year City career, she gained extensive experience in both primary and secondary equity markets on a global basis. This involved lead roles in the privatisations of British Gas, Britoil, CNOOC, Elf Aquitaine, ENI, MOL, Norsk Hydro, OMV, Petrobras, Repsol, Total and YPF. She assisted in the introduction of Enterprise Oil and LASMO to US markets and was also involved in M&A activity including Total's mergers with PetroFina and Elf. She acts as Chairman of Pantheon's Remuneration and Nomination Committee.

She has an M.A. in Chemistry from Lady Margaret Hall, Oxford and an MSc in Forensic Archaeological Science from University College London. She is a member of the Securities Institute and the National Association of Petroleum Investment Analysts.

John Cheatham, Chief Executive Officer

Jay Cheatham has more than 35 years' experience in all aspects of the petroleum business. He has extensive international experience in both oil and natural gas, primarily for ARCO. At ARCO, Jay held a series of senior appointments. These include Senior Vice President and District Manager (ARCO eastern District) with direct responsibility for Gulf Coast US operations and exploration and President of ARCO International where he had responsibility for all exploration and production outside the U.S. Jay's most recent appointment was as President and CEO of Rolls-Royce Power Ventures, where he had the key responsibility for restructuring the company.

Jay also has considerable financial skills in addition to his corporate and operational expertise. He has acted as Chief Financial Officer for ARCO's US oil and natural gas company (ARCO Oil & Gas). Moreover he has understanding of the capital markets through his past position as CEO to the Petrogen Fund, a private equity fund.

Justin Hondris, Director – Finance and Corporate Development

Justin Hondris brings international experience in Private Equity investment management, corporate finance and investment banking. He previously qualified as a Chartered Accountant (although is no longer an active member), and as an Associate of the Securities Institute of Australia. He spent nearly 5 years at Cazenove & Co, in London, and prior to that at Hartley Poynton, an Australian based investment bank with a strong presence in the junior resources sector.

Andrew Waller, Director

Andrew Waller has extensive public company experience spanning various sectors, although heavily weighted towards the mining sector in areas including oil and gas, uranium, gold and chrome. He also brings relevant skills in capital raising and project management, in Europe, Africa and Australasia.

John Walmsley, Director

John Walmsley has over 30 years' experience in the energy sector as either adviser or principal. This includes periods as Chief Executive of Hardy Oil & Gas (1994 – 1998) and Managing Director, Finance and Business Development, of Enterprise Oil plc (1984 – 1993). He is currently Executive Chairman of Consilience Energy Advisory Group Ltd (CEAG). He has international business and financial experience in Europe, Asia-Pacific and North America at the corporate, institutional and senior government level. He is a fellow of the Institute of Chartered Accountants in England and Wales and was a Tax Partner at Arthur Anderson prior to joining Enterprise Oil. He acts as Chairman of Pantheon's Audit Committee.

PANTHEON RESOURCES PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PANTHEON RESOURCES PLC FOR THE YEAR ENDED 30 JUNE 2010

We have audited the financial statements of Pantheon Resources plc for the year ended 30 June 2010 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities, set out in page 14, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on 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 30 June 2010 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

PANTHEON RESOURCES PLC

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PANTHEON RESOURCES PLC (Continued)
FOR THE YEAR ENDED 30 JUNE 2010**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

**Michael Egan (Senior Statutory Auditor)
For and on behalf of
UHY Hacker Young, Statutory Auditor**

Quadrant House
4 Thomas More Square
London E1W 1YW

17 November 2010

PANTHEON RESOURCES PLC

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010**

	Notes	2010 £	2009 £
Turnover	3	639,372	515,639
Cost of sales		(700,484)	(459,771)
Gross (loss) / profit		(61,112)	55,868
Administrative expenses before share based payments and impairment losses		(779,763)	(801,892)
Share based payments	21	(84,489)	(102,506)
Impairment of intangible assets	13	(312,758)	(2,317,579)
Impairment of tangible assets	14	(1,086,036)	-
Total administration expenses	4	(2,263,046)	(3,221,977)
Operating loss		(2,324,158)	(3,166,109)
Interest payable	6	(222,074)	-
Interest receivable	6	5,836	117,749
Loss before taxation		(2,540,396)	(3,048,360)
Taxation	7	-	-
Loss for the year		(2,540,396)	(3,048,360)
Other comprehensive income for the year			
Foreign currency movement		660,535	673,314
Total comprehensive income for the year		(1,879,861)	(2,375,046)
Loss per ordinary share – basic and diluted	2	(3.34) p	(7.07)p

All of the above amounts are in respect of continuing operations.

PANTHEON RESOURCES PLC

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Share capital £	Share premium £	Retained earnings £	Currency reserve £	Equity reserve £	Total £
Group						
At 1 July 2009	398,372	14,723,365	(13,280,569)	431,664	758,412	3,031,244
Net loss for the year	-	-	(2,540,396)	-	-	(2,540,396)
<i>Other comprehensive income:</i>						
Foreign currency translation	-	-	-	660,535	-	660,535
Total comprehensive income for the period	-	-	(2,540,396)	660,535	-	(1,879,861)
Issue of shares	622,626	7,192,439	-	-	-	7,815,065
Share based payment-issue of options	-	-	-	-	84,489	84,489
Transfer of previously expensed share based payment on cancellation of options	-	-	172,984	-	(172,984)	-
Balance at 30 June 2010	1,020,998	21,915,804	(15,647,981)	1,092,199	669,917	9,050,937
Company						
At 1 July 2009	398,372	14,723,365	(6,416,277)	-	758,412	9,463,872
Net loss for the year	-	-	(815,739)	-	-	(815,739)
Total comprehensive income for the period	-	-	(815,739)	-	-	(815,739)
Issue of shares	622,626	7,192,439	-	-	-	7,815,065
Share based payment-issue of options	-	-	-	-	84,489	84,489
Transfer of previously expensed share based payment on cancellation of options	-	-	172,984	-	(172,984)	-
Balance at 30 June 2010	1,020,998	21,915,804	(7,059,032)	-	669,917	16,547,687

PANTHEON RESOURCES PLC

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Share capital £	Share premium £	Retained earnings £	Currency reserve £	Equity reserve £	Total £
Group						
At 1 July 2008	397,339	14,723,365	(10,281,176)	(241,650)	704,873	5,302,751
Net loss for the year	-	-	(3,048,360)	-	-	(3,048,360)
<i>Other comprehensive income:</i>						
Foreign currency translation	-	-	-	673,314	-	673,314
Total comprehensive income for the period	-	-	(3,048,360)	673,314	-	(2,375,046)
Share based payment- issue of shares	1,033	-	-	-	48,967	50,000
Share based payment- issue of options	-	-	-	-	53,539	53,539
Excess of share based payment over par value of issued shares	-	-	48,967	-	(48,967)	-
Balance at 30 June 2009	398,372	14,723,365	(13,280,569)	431,664	758,412	3,031,244

	Share capital £	Share premium £	Retained earnings £	Currency reserve £	Equity reserve £	Total £
Company						
At 1 July 2008	397,339	14,723,365	(5,872,494)	-	704,873	9,953,083
Net loss for the year	-	-	(592,750)	-	-	(592,750)
Total comprehensive income for the period	-	-	(592,750)	-	-	(592,750)
Share based payment - issue of shares	1,033	-	-	-	48,967	50,000
Share based payment- issue of options	-	-	-	-	53,539	53,539
Excess of share based payment over par value of issued shares	-	-	48,967	-	(48,967)	-
Balance at 30 June 2009	398,372	14,723,365	(6,416,277)	-	758,412	9,463,872

PANTHEON RESOURCES PLC

**CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2010**

	Notes	2010 £	2009 £
ASSETS			
Fixed assets			
Intangible fixed assets	13	3,539,252	2,202,814
Tangible fixed assets	14	1,597,093	2,238,513
		<u>5,136,345</u>	<u>4,441,327</u>
Current assets			
Trade and other receivables	9	345,572	78,761
Cash and cash equivalents	10	3,848,111	52,682
		<u>4,193,683</u>	<u>131,443</u>
Total assets		<u>9,330,028</u>	<u>4,572,770</u>
LIABILITIES			
Creditors: amounts falling due within one year	11	279,091	468,710
Short term borrowings	12	-	1,072,816
Total liabilities		<u>279,091</u>	<u>1,541,526</u>
Net assets		<u>9,050,937</u>	<u>3,031,244</u>
EQUITY			
Capital and reserves			
Called up share capital	15	1,020,998	398,372
Share premium account	15	21,915,804	14,723,365
Retained losses		(15,647,981)	(13,280,569)
Currency reserve		1,092,199	431,664
Equity reserve		669,917	758,412
		<u>9,050,937</u>	<u>3,031,244</u>
Shareholders' funds		<u>9,050,937</u>	<u>3,031,244</u>

The financial statements were approved by the Board on 17 November 2010

Justin Hondris
Director

PANTHEON RESOURCES PLC

**COMPANY BALANCE SHEET
AS AT 30 JUNE 2010**

	Notes	2010 £	2009 £
ASSETS			
Fixed assets			
Tangible fixed assets	14	1,004	2,363
Debtors: amounts falling due after one year	9	16,073,576	10,693,805
Current assets			
Trade and other receivables	9	59,122	63,859
Cash and cash equivalents	10	479,400	38,643
		538,522	102,502
Total assets		16,613,102	10,798,670
LIABILITIES			
Creditors: amounts falling due within one year	11	65,415	261,982
Short term borrowings	12	-	1,072,816
Total liabilities		65,415	1,334,798
Net assets		16,547,687	9,463,872
EQUITY			
Capital and reserves			
Called up share capital	15	1,020,998	398,372
Share premium account	15	21,915,804	14,723,365
Retained losses		(7,059,032)	(6,416,277)
Equity reserve		669,917	758,412
Shareholders' funds		16,547,687	9,463,872

The financial statements were approved by the Board on 17 November 2010

Justin Hondris
Director

PANTHEON RESOURCES PLC

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010**

	Notes	2010 £	2009 £
Net cash (outflow)/ inflow from operating activities	16	(1,136,567)	(294,693)
Cash flows from investing activities			
Interest received		5,836	117,749
Interest paid		(170,227)	-
Acquisition of tangible fixed assets		(206,047)	(2,223,420)
Funds used for drilling and exploration		(2,048,504)	(2,385,842)
Net cash outflow from investing activities		(2,418,942)	(4,491,513)
Cash flows from financing activities			
Proceeds from issue of shares		7,843,741	1,033
Issue costs		(377,802)	-
Short term loan received		61,000	1,072,816
Short term loan repaid		(836,536)	-
Net cash inflow from financing activities		6,690,403	1,073,849
Net increase/ (decrease) in cash and cash equivalents		3,134,894	(3,712,357)
Effect of foreign currency translation		660,535	673,314
Cash and cash equivalents at the beginning of the year		52,682	3,091,725
Cash and cash equivalents at the end of the year	10	3,848,111	52,682

PANTHEON RESOURCES PLC

**COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010**

	Notes	2010 £	2009 £
Net cash (outflow)/ inflow from operating activities	16	(701,300)	663,773
Cash flows from investing activities			
Interest received		1,651	110,147
Interest paid		(170,225)	-
Loans to group companies		(5,379,771)	(4,575,493)
Net cash outflow from investing activities		(5,548,345)	(4,465,346)
Cash flows from financing activities			
Proceeds from issue of shares		7,843,741	1,033
Issue costs		(377,802)	-
Short term loans received		61,000	1,072,816
Short term loans repaid		(836,537)	-
Net cash inflow from financing activities		6,690,402	1,073,849
Net increase/ (decrease) in cash and cash equivalents		440,757	(2,727,724)
Cash and cash equivalents at the beginning of the year		38,643	2,766,367
Cash and cash equivalents at the end of the year	10	479,400	38,643

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below.

1.1. Basis of preparation

The financial statements have been prepared using the historical cost convention. In addition, the financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) including IFRS 6, Exploration for and Evaluation of Mineral Resources, as adopted by the European Union (“EU”) and in accordance with the provisions of the Companies Act 2006.

The Group’s financial statements for the year ended 30 June 2010 were authorised for issue by the board of Directors on 17 November 2010 and the balance sheets were signed on the Board’s behalf by Mr J Hondris.

The Group financial statements are presented in UK pounds sterling.

In accordance with the provisions of Section 408 of the Companies Act 2006, the Company has not presented a profit and loss account. A loss for the year ended 30 June 2010 of £815,739 (2009: loss of £592,750) has been included in the income statement.

1.2. Basis of consolidation

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. Goodwill arising on acquisitions is capitalised and subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

All the companies over which the Company has control apply, where appropriate, the same accounting policies as the Company.

1.3. New standards and amendments

The following amendments to standards are mandatory for the first time for the financial periods commencing on or after 1 January 2009:

IAS1 (revised) ‘Presentation of financial statements’ includes the requirement to present a Statement of Changes in Equity as a primary statement and introduces the possibility of either a single Statement of Comprehensive Income (combining the Income Statement and a Statement of Comprehensive Income) or to retain the Income Statement with a supplementary Statement of Comprehensive Income. The Directors have chosen the first option. As this standard is concerned with presentation only it does not have any impact on the results or net assets of the Group.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

IFRS8 'Operating segments'. IFRS8 replaces IAS 14 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Following a review of the Group's internal management information, the Group maintains that it only has one class of business, the production, exploration and development of mineral resources and that primary segmental reporting is determined by geography according to the location of assets.

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.

1.4. Going Concern

The Group incurred a loss of £2,540,396 for the year (2009: £3,048,360). Approximately £1,400,000 of this loss related to the costs associated with the write off of the Vision Rice University #1 ("VRU#1") well which was plugged and abandoned in September 2009, and to other impairment charges taken against the Group's assets as at 30 June 2010.

Importantly, the VRU#1 well was a geological success and confirmed the extension of the Brookeland field in Tyler County. The Tyler County project has the potential to be of significant value to the Group in the Directors' opinion. However as the VRU#1 well was a non-producer it was decided to adopt a conservative accounting treatment and write-off all direct drilling costs relating to the well.

The Directors believe the Tyler County Joint Venture to be of material potential value to the Group, based upon the geological success of the VRU#1 well, coupled with the very high success rates enjoyed by the drilling activity adjacent to the JV acreage. Additionally, further potential for material shareholder value arises from the independent and totally separate Woodbine target, which lies below the primary Austin Chalk target, and is anticipated to be tested in the forthcoming well.

Accordingly, the Directors believe the inherent value in the Group's projects, coupled with the revenues from the Bullseye project are sufficient to ensure the going concern of the Group, and have prepared the financial statements on a going concern basis.

1.5. Revenue

Oil and Gas revenue represents amounts invoiced (exclusive of sales related taxes) for the Group's share of oil and gas sales in the year.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

1.6. Foreign currency translation

(i) Functional and presentational currency

The financial statements are presented in Pounds Sterling ("£"), which is the functional currency of the Company and is the Group's presentation currency.

Items included in the Company's subsidiary entities are measured using United States Dollars ("US\$"), which is the currency of the primary economic environment in which they operate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

(ii) Transactions and balances

Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. The resulting exchange gain or loss is dealt with in the income statement.

The assets, liabilities and the results of the foreign subsidiary undertakings are translated into Sterling at the rates of exchange ruling at the year end. Exchange differences resulting from the retranslation of net investments in subsidiary undertakings are treated as movements on reserves.

1.7. Cash and cash equivalents

The Company considers all highly liquid investments, with a maturity of 90 days or less to be cash equivalents, carried at the lower of cost or market value.

1.8. Deferred taxation

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and expected to apply when the related deferred tax is realised or the deferred liability is settled.

Deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilized.

1.9. Exploration and development costs

The Group follows the 'successful efforts' method of accounting for exploration and evaluation costs. All costs associated with oil, gas and mineral exploration and investments are capitalised on a project by project basis, pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general corporate overheads. If an exploration project is successful, the related expenditures will be transferred to Developed Oil and Gas Properties and amortised over the estimated life of the commercial reserves on a unit of production basis. Where a licence is relinquished or project abandoned, the related costs are written off. Where the Group maintains an interest in a project, but the value of the project is considered to be impaired, a provision against the relevant capitalised costs will be raised.

The recoverability of all exploration and development costs is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain necessary financing to complete the development of the reserves and future profitable production or proceeds from the disposition thereof. When production commences the accumulated costs for the relevant area are transferred from intangible fixed assets to tangible fixed assets as 'Developed Oil & Gas Assets' or 'Production Facilities and Equipment', as appropriate.

Amounts recorded for these assets represent costs and are not intended to reflect present or future values.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

1.10. Impairment of exploration and development costs and depreciation of fixed assets

Impairment reviews on development and producing assets are carried out regularly. When events or changes in circumstances indicate that the carrying amount of expenditure attributable to a successful well may not be recoverable from future net revenues from oil and gas reserves attributable to that well, a comparison between the net book value of the cost attributable to that well and the discounted future cash flows from that well is undertaken. To the extent that the carrying amount exceeds the recoverable amount, the cost attributable to that well is written down to its recoverable amount and charged as an impairment.

Discounted cash flow calculations were conducted on all developed oil and gas assets in the portfolio as at 30 June 2010. Estimates of future net cash flows are based on various factors including but not limited to estimated remaining oil and gas reserves, future prices for sales of oil and natural gas and future operating and development costs. Such amounts are estimates based upon available knowledge and can therefore be subject to error or change. All discounted future cash flow estimates were performed using an appropriate discount rate of 10% and commodity prices assumptions of \$75.00 per barrel of oil and \$4.50 per mcf natural gas.

In relation to the Bullseye project, estimates of recoverable oil and gas reserves have been developed by the Group after consultations with the operator and an outside geological consultant. The Group has used an estimation of 3.5 million BOE of gross reserves for the basis of depreciation charges. Future operating and development costs were based upon current cost levels. For impairment purposes, the Group further discounted the Camerina reserves by 40% to reflect the risk of entering this new formation.

In relation to the Tyler County project, pursuant to the successful efforts method of accounting, all direct costs relating to the VRU#1 well have been written off. Accordingly, the carrying value as at 30 June 2010 solely represents back costs paid in relation to the project and prepaid costs towards the forthcoming well. Based on estimates by a third party technical consultant, the Group estimates potential for up to or exceeding 40 wells at an average gross reserve of 8 bcfe natural gas per well. Based upon those estimates the directors believe the carrying values at 30 June 2010 are supported.

Developed Oil and Gas Properties are amortised over the estimated life of the commercial reserves on a unit of production basis.

Other tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the costs less estimated residual value of each asset over its estimated useful life as follows:

- Production Facilities and Equipment are depreciated by equal instalments over their expected useful lives, being seven years.
- Office equipment is depreciated by equal annual instalments over their expected useful lives, being four years.

1.11. Financial instruments

IFRS7 requires information to be disclosed about the impact of financial instruments on the Group's risk profile, how the risks arising from financial instruments might affect the entity's performance, and how these risks are being managed.

The Group's policies include that no trading in derivative financial instruments shall be undertaken. These disclosures have been made in Note 20 to the accounts.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

1.12. Share based payments

On occasion the Company made share-based payments to certain Directors and advisers by way of issue of share options. The fair value of these payments is calculated by the Company using the Black-Scholes option pricing model. The expense is recognised on a straight line basis over the period from the date of award to the date of vesting, based on the Company's best estimate of the number of shares that will eventually vest.

1.13. Critical accounting estimates and judgements

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. IFRS also require management to exercise its judgement in the process of applying the Group's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

Impairment of intangible assets

Determining whether an intangible asset is impaired requires an estimation of whether there are any indications that its carrying value is not recoverable.

At each reporting date, the Company reviews the carrying value of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Developed Oil & Gas Properties

Developed Oil & Gas Properties are amortised over the life of the area according to the estimated rate of depletion of the economically recoverable reserves. If the amount of economically recoverable reserves varies, this will impact on the amount of the asset which should be carried on the balance sheet.

Share based payments

The Group records charges for share based payments.

For option based share based payments, to determine the value of the options management estimate certain factors used in the option pricing model, including volatility, vesting date, exercise date of options and the number of options likely to vest.

At each reporting date during the vesting period management estimate the number of shares that will vest after considering the vesting criteria.

If these estimates vary from actual occurrence, this will impact on the value of the equity carried in the reserves.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

1.14. New standards and interpretations not applied

During the year, the IASB and IFRIC have issued a number of new standards, amendments and interpretations with an effective date after the date of these financial statements. Of these, only the following are expected to be relevant to the Group:

Standard	Subject	Effective from
IFRS 2	Share Based Payment – Amendment relating to group cash-settled share-based payment transactions	1 January 2010
IFRS5	Non-current assets held for sale and discontinued operations – Amendments resulting from May 2008 Annual Improvements to IFRSs	1 January 2010
IFRS 8	Operating Segments – Amendments resulting from 2009 Annual Improvements to IFRSs	1 January 2010
IFRS 9	Financial Instruments – Classification and Measurement	1 January 2013
IAS 1	Presentation of Financial Statements – Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010
IAS 7	Statement of Cash Flows – Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010
IAS 17	Leases – Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010
IAS 24	Related Party Disclosures – Revised definition of related parties	1 January 2011
IAS 32	Financial Instruments: Presentation – Amendments relating to classification of rights issues	1 February 2010
IAS 36	Impairment of Assets – Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010
IAS 38	Intangible Assets – Amendments resulting from April 2009 Annual Improvements to IFRSs	1 July 2010
IAS 39	Financial Instruments: Recognition and Measurement – Amendments	1 January 2010
IFRIC19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

2. Loss per share

The basic loss per share of 3.34p (2009: 7.07p) for the Group is calculated by dividing the loss for the year by the weighted average number of ordinary shares in issue of 74,876,908 (2009: 39,826,654).

The diluted loss per share has been kept the same as the basic loss per share as the conversion of share options decreases the basic loss per share, thus being anti-dilutive.

3. Segmental information

The Group's activities involve production of and exploration for oil and gas. There are two reportable operating segments: USA and Head Office. Fixed Assets, income and operating liabilities are attributable to the USA, whilst most of the corporate administration is conducted through Head Office.

Each reportable segment adopts the same accounting policies.

In compliance with IFRS 8 the following tables reconcile the operational loss and the assets and liabilities of each reportable segment with the consolidated figures presented in these Financial Statements, together with comparative figures for the year ended 30 June 2009.

Year ended 30 June 2010

Geographical segment (Group)	Head Office	USA	Consolidated
	£	£	£
Turnover	-	639,372	639,372
Cost of sales	-	(700,484)	(700,484)
Interest payable	(222,074)	-	(222,074)
Interest receivable	1,651	4,185	5,836
Impairment of assets	-	(1,398,794)	(1,398,794)
Share-based payments	(84,489)	-	(84,489)
Administration expenses	(510,828)	(268,935)	(779,763)
Loss by reportable segment	(815,740)	(1,724,656)	(2,540,396)
Developed oil & gas properties	-	1,055,932	1,055,932
Exploration and development costs	-	3,539,252	3,539,252
Tangible fixed assets	1,004	540,157	541,161
Trade and other receivables	59,122	286,450	345,572
Cash and cash equivalents	479,400	3,368,711	3,848,111
Intercompany balances	16,073,576	(16,073,576)	-
Total assets by reportable segment	16,613,102	(7,283,074)	9,330,028
Total liabilities by reportable segment	(65,415)	(213,676)	(279,091)

PANTHEON RESOURCES PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

3. Segmental information (continued)

Year ended 30 June 2009

Geographical segment (Group)	Head Office	USA	Consolidated
	£	£	£
Turnover	-	515,639	515,639
Cost of sales	-	(459,771)	(459,771)
Interest received	110,147	7,602	117,749
Impairment of investment	-	(2,317,579)	(2,317,579)
Share-based payments	(102,506)	-	(102,506)
Administration expenses	(600,391)	(201,501)	(801,892)
Loss by reportable segment	(592,750)	(2,455,610)	(3,048,360)
Exploration and development costs	-	2,202,814	2,202,814
Developed oil & gas properties	-	2,236,150	2,236,150
Fixed assets	2,362	-	2,362
Trade and other receivables	63,858	14,903	78,761
Cash and cash equivalents	38,643	14,039	52,682
Intercompany balances	10,693,805	(10,693,805)	-
Total assets by reportable segment	10,798,668	(6,225,899)	4,572,769
Total liabilities by reportable segment	(1,334,797)	(206,728)	(1,541,525)

4. Operating loss

	2010	2009
	£	£
This is stated after charging:		
Auditor's remuneration		
- group and parent company audit services	13,000	15,000
Auditor's remuneration for non audit services		
- taxation services	4,490	2,784
	17,490	17,784

5. Directors' emoluments

	2010	2009
	£	£
Wages and salaries	439,561	443,199
Social security costs	33,003	43,457
	472,564	486,656

There are no employees other than the Directors.

Further details on Directors' emoluments are recorded in the Directors' Report.

PANTHEON RESOURCES PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

6. Interest payable and receivable

Interest payable	2010	2009
	£	£
Interest on short term borrowings	222,074	-
	<hr/>	<hr/>
Interest receivable	2010	2009
	£	£
Bank interest	5,836	117,749
	<hr/> <hr/>	<hr/> <hr/>

7. Taxation

	2010	2009
	£	£
Factors affecting the tax charge for the period		
Loss on ordinary activities before taxation	(2,540,396)	(3,048,360)
	<hr/>	<hr/>
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax of 28.0% (2009 28.0%)	(711,311)	(853,541)
	<hr/>	<hr/>
Effects of:		
Non deductible expenses	415,319	21,467
Timing differences not recognised	11,711	26,063
Losses in the period not used	284,281	806,011
	<hr/>	<hr/>
Total tax charge	<hr/> <hr/>	<hr/> <hr/>

Factors that may affect future tax charges

At the balance sheet date the Group has unused losses carried forward of approximately £17,000,000 (2009: £12,100,000) for offset against future suitable profits. Approximately £15,000,000 (2009: £12,000,000) of the losses were sustained in the USA. Unrecognised US tax losses expire within 20 years of the year in which they were sustained.

The Directors do not consider it appropriate to recognise a deferred tax asset in respect of such losses or in respect of accelerated tax depreciation allowances, due to the uncertainty of future profit streams. The contingent deferred tax assets are estimated to be £5.6m (2009: £4.2m) in respect of losses carried forward and £15,000 (2009: £38,000) in respect of accelerated depreciation allowances.

PANTHEON RESOURCES PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

8. Subsidiary entities

The Company currently has the following wholly owned subsidiaries all of which were incorporated on 3 February 2006:

Name	Country of Incorporation	Percentage ownership	Activity
Hadrian Oil & Gas LLC	United States	100%	Holding company
Agrippa LLC	United States	100%	Holding company
Pantheon Oil & Gas LP	United States	100%	Oil & gas exploration

Pantheon Oil & Gas LP is 99% owned by Agrippa LLC as its limited partner and 1% by Hadrian Oil & Gas LLC as its general partner.

9. Trade and other receivables

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Amounts falling due within one year:				
Trade receivables	286,450	14,903	-	-
Prepayments and accrued income	46,464	51,909	46,464	51,909
Other receivables	12,658	11,949	12,658	11,950
	<u>345,572</u>	<u>78,761</u>	<u>59,122</u>	<u>63,859</u>
Amounts falling due after more than one year :				
Amount due from subsidiary undertakings	-	-	16,073,576	10,693,805

10. Cash and cash equivalents

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Cash at bank and in hand	<u>3,848,111</u>	<u>52,682</u>	<u>479,400</u>	<u>38,643</u>

11. Trade and other payables

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Trade creditors	38,501	61,633	36,281	55,554
Accruals	240,590	407,077	29,134	206,428
	<u>279,091</u>	<u>468,710</u>	<u>65,415</u>	<u>261,982</u>

PANTHEON RESOURCES PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

12. Short term borrowings

	Group 2010	Group 2009 £	Company 2010 £	Company 2009 £
Amounts falling due within one year:				
Bridging finance facility	-	1,072,816	-	1,072,816
As at 30 June 2010	-	1,072,816	-	1,072,816

The Bridging finance facilities were issued for a period of one year and bear interest at 24% per annum. The Bridging finance facility is secured on the future revenues of the Bullseye Project, Louisiana and Tyler County, East Texas.

13. Intangible fixed assets

Group	Exploration and development costs	
	2010 £	2009 £
Cost		
At 1 July	13,672,059	11,286,217
Additions	2,048,504	2,385,842
Retirements of previously abandoned wells	(11,775,592)	-
Transfer to fixed assets	(552,873)	-
Effects of foreign exchange	147,154	-
At 30 June	3,539,252	13,672,059
Impairment		
At 1 July	11,469,245	9,151,666
Impairment during the period	312,758	2,317,579
Transfer to fixed assets	(6,411)	-
Retirements of previously abandoned wells	(11,775,592)	-
At 30 June	-	11,469,245
Net book value		
At 30 June 2010 and 30 June 2009	3,539,252	2,202,814
At 30 June 2009 and 30 June 2008	2,202,814	2,134,551

The Company had no intangible assets at either 30 June 2010 or 30 June 2009.

PANTHEON RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

14. Tangible fixed assets

Group	Developed Oil & Gas Properties £	Production Facilities and Equipment £	Office Equipment £	Total £
Cost				
At 30 June 2009	2,492,243	-	5,424	2,497,667
Transferred from intangible assets	-	552,873	-	552,873
Additions	175,700	30,347	-	206,047
Retirement of assets	(246,495)	-	-	(246,495)
Effects of foreign exchange	233,423	56,221	-	289,644
At 30 June 2010	2,654,871	639,441	5,424	3,299,736
Depreciation				
At 30 June 2009	256,093	-	3,061	259,154
Transferred from intangible assets	-	6,411	-	6,411
Depreciation for the year	406,300	86,188	1,359	493,847
Impairments for the year	1,086,036	-	-	1,086,036
Depreciation on retired assets	(237,159)	-	-	(237,159)
Effects of foreign exchange	88,699	5,655	-	94,354
At 30 June 2010	1,599,969	98,254	4,420	1,702,643
Net book value				
At 30 June 2010	1,054,907	541,187	1,004	1,597,093
At 30 June 2009	1,790,069	-	2,363	2,238,513
Group				
		Developed Oil & Gas Properties £	Office Equipment £	Total £
Cost				
At 30 June 2008		268,823	5,424	274,247
Additions		2,223,420	-	2,223,420
At 30 June 2009		2,492,243	5,424	2,497,667
Depreciation				
At 30 June 2008		104,779	1,713	106,492
Depreciation for the year		151,314	1,348	152,662
At 30 June 2009		256,093	3,061	259,154
Net book value				
At 30 June 2009		2,236,150	2,363	2,238,513
At 30 June 2008		164,044	3,711	167,755

PANTHEON RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

14. Tangible fixed assets (continued)

Company	Office Equipment	
	2010 £	2009 £
Cost		
At 1 July	5,424	5,424
Additions	-	-
At 30 June	5,424	5,424
Depreciation		
At 1 July	3,061	1,713
Depreciation for the year	1,359	1,348
At 30 June	4,420	3,061
Net book value		
At 30 June 2010 and 30 June 2009	1,004	2,363
At 30 June 2009 and 30 June 2008	2,363	3,711

15. Called up share capital

	2010 £	2009 £
Allotted, issued and fully paid: 102,099,770 ordinary shares of £0.01 each	1,020,998	398,372

Following the implementation of the Companies Act 2006 the company's authorised share capital was abolished.

	Number	Issued and fully paid Capital £	Share Premium Reserve £
<i>Movement in issued Capital:</i>			
As at 1 July 2009	39,837,130	398,372	14,723,365
Issue of 4,554,600 shares on 23 August 2009	4,554,600	45,546	501,006
Share issue costs	-	-	(38,952)
Issue of 57,708,040 shares on 16 December 2009	57,708,040	577,080	7,069,235
Share issue costs	-	-	(338,850)
As at 30 June 2010	102,099,770	1,020,998	21,915,804

The ordinary shares rank *pari passu* in all respects including the right to receive dividends and other distributions declared, made or paid.

PANTHEON RESOURCES PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

16. Net cash (outflow)/ inflow from operating activities

	Group 2010 £	Group 2009 £
Operating loss	(2,324,158)	(3,166,109)
Impairment	1,398,794	2,317,579
Depreciation	493,846	152,662
Loss on retirement of assets	9,336	-
Cost of issuing share options	84,489	102,506
Decrease/(increase) in trade and other receivables	(266,811)	1,300,961
(Decrease)/increase in trade and other payables	(189,620)	(1,002,292)
Effect of translation differences	(342,443)	-
	<hr/>	<hr/>
Net cash (outflow)/ inflow from operating activities	(1,136,567)	(294,693)
	<hr/> <hr/>	<hr/> <hr/>
	Company 2010 £	Company 2009 £
Operating loss	(595,317)	(702,897)
Depreciation	1,358	1,348
Cost of issuing share options	84,488	102,506
Decrease/(increase) in trade and other receivables	4,737	1,090,626
Increase in trade and other payables	(196,567)	172,190
	<hr/>	<hr/>
Net cash (outflow)/ inflow from operating activities	(701,300)	663,773
	<hr/> <hr/>	<hr/> <hr/>

17. Control

No one party is identified as controlling the Company.

18. Decommissioning expenditure

The Directors have considered the environmental issues and the need for any necessary provision for the cost of rectifying any environmental damage, as might be required under local legislation. In their view, no provision is necessary for any future costs of decommissioning or any environmental damage.

19. Capital commitments

The Group has no obligation to drill any further wells or make any further payments in respect of any new wells in any of its joint ventures. Should the Group elect to not participate in any wells beyond the first well in the Tyler County joint venture then it would forfeit its interest over the remainder of the programme.

As at 30 June 2010, the Group has no fixed financial commitments in respect of any other programmes other than maintaining its interest in its existing joint ventures. Before any new wells are commenced in relation to these joint ventures, the Group must first elect to participate in any proposed well thereby allowing the Group to decline participation if it deems appropriate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

20. Financial instruments

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables.

The main purpose of cash and cash equivalents financial instruments is to finance the Group's operations. The Group's other financial assets and liabilities such as receivables and trade payables, arise directly from its operations. It is, and has been throughout the entire period, the Group's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the Group's financial instruments is market risk. Other minor risks are summarised below. The Board reviews and agrees policies for managing each of these risks.

Market risk

Market risk is the risk that changes in market prices, and market factors such as foreign exchange rates and interest rates will affect the entity's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

The Company does not use derivative products to hedge foreign exchange risk and has exposure to foreign exchange rates prevailing at the dates when funds are transferred into different currencies.

Cash flow interest rate risk

The Group's exposure to the risks of changes in market interest rates relates primarily to the Group's cash and cash equivalents with a floating interest rate. These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Group does not engage in any hedging or derivative transactions to manage interest rate risk.

In regard to its interest rate risk, the Group continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates. The Group has no policy as to maximum or minimum level of fixed or floating instruments.

Interest rate risk is measured as the value of assets and liabilities at fixed rate compared to those at variable rate.

	Weighted average interest rate 2010 %	Fixed interest rate 2010 £	Non - interest bearing 2010 £
<i>Financial assets:</i>			
Cash on Deposit	0.025	3,848,111	-
Trade and other receivables	-	-	345,572

Net fair value

The net fair value of financial assets and financial liabilities approximates to their carrying amount as disclosed in the balance sheet and in the related notes.

Currency risk

The functional currency for the Group's operating activities is the Pound Sterling and for exploration activities the United States of America dollar. The Group has not hedged against currency depreciation but continues to keep the matter under review.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

20. Financial instruments (continued)

Financial risk management

The Directors recognise that this is an area in which they may need to develop specific policies should the Group become exposed to wider financial risks as the business develops.

Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due.

The objective of managing liquidity risk is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions.

The entity has established a number of policies and processes for managing liquidity risk. These include:

- Continuously monitoring actual and budgeted cash flows and longer term forecasting cash flows;
- Monitoring the maturity profiles of financial assets and liabilities in order to match inflows and outflows; and
- Monitoring liquidity ratios (working capital).

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's main counterparties are the operators of the respective projects. Funds are normally only remitted on a prepayment basis a short period before the expected commencement of drilling. The Group has adopted a policy of only dealing with what it believes to be creditworthy counterparties and would consider obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables at 30 June 2010 consist primarily of revenues owed for production. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Capital management

The Group's objective when managing capital is to ensure that adequate funding and resources are obtained to enable it to develop its projects through to profitable production, while in the meantime safeguarding the Group's ability to continue as a going concern. This is aimed at enabling it, once the projects come to fruition, to provide appropriate returns for shareholders and benefits for other stakeholders. Capital will continue to be sourced from equity and from borrowings as appropriate.

21. Share based payments

Included within administration expenses is a charge for issuing shares and share options.

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Cost of issuing share options	84,489	53,539	84,489	53,539
Cost of issuing shares	-	48,967	-	48,967
	<u>84,489</u>	<u>102,506</u>	<u>84,489</u>	<u>102,506</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

21. Share based payments (continued)

Movements in share options in issue

Exercise price	Number of options issued as of 30 June 2009	Issued during year	Cancelled or exercised during year	Number of options issued as of 30 June 2010
£0.20	321,844	18,300	-	340,144
£0.30	-	750,000	-	750,000
£0.40	-	550,000	-	550,000
£0.50	-	500,000	-	500,000
£0.60	-	300,000	-	300,000
£1.00	833,284	-	(250,000)	583,284
£1.25	500,000	-	(250,000)	250,000
£1.50	950,000	-	(350,000)	600,000
£2.00	1,050,000	-	(450,000)	600,000
Total	3,655,128	2,118,300	(1,300,000)	4,473,428

During the period 18,300 options to acquire fully paid shares in the Company were issued in conjunction with the Bridging loan facility. These options vested on issue, have an exercise price of £0.20 per share and expire in December 2011.

On 11 September 2009 the Company implemented a long term executive incentive scheme which was developed in conjunction with external executive compensation consultants, Deloitte LLP. As part of this scheme, Jay Cheatham and Justin Hondris have been granted options to acquire fully paid shares in the company as outlined in Table 1 below. These options expire five years from date of grant and vest in three equal tranches on 11 September 2009, 30 June 2010 and 30 June 2011. Each tranche comprises one third of the number of options at each exercise price.

Table 1

Exercise price	£0.30	£0.40	£0.50	£0.60	Total number of options issued
J Cheatham	400,000	300,000	300,000	200,000	1,200,000
J Hondris	350,000	250,000	200,000	100,000	900,000

Upon vesting of the first tranche of these options, Mr Cheatham's existing options (one million in total with exercise prices ranging between £1.00 to £2.00) and Mr Hondris's existing options (300,000 in total with prices ranging between £1.50 and £2.00) were cancelled.

No other options were exercised, forfeited or expired during the year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

21. Share based payments (continued)

The share options issued during the year were valued at £37,659 with reference to the Black-Scholes option pricing model taking into account the following input assumptions as outlined below:

Dates issued	ranging 20 July 2009 to 11 September 2009
Share price	ranging £0.1225 to £0.1475
Exercise Price	ranging £0.20 - £0.60
Expected volatility	ranging 69.2% to 83.4%
Vesting period	ranging 20 July 2009 to 30 June 2011
Expected dividends	Nil
Risk free interest rate	0.50%
Discount for illiquidity of unlisted options	30%

The volatility percentage is an estimation of the expected volatility in the share price for a junior exploration Company which is listed on AIM having regard to comparative companies, quantum of cash raised, targeted (institutional) investment group and risk profile.

Additionally, as required under relevant accounting standards an expense of £46,830 was taken during the year which comprised the unexpensed element of Jay Cheatham's cancelled options which would have been expensed in future periods had the options not been cancelled.

All other options in existence during the year were fully expensed in prior years.

22. Post balance sheet events

There were no material post balance sheet events.

23. Related party transactions

The Company's related party transactions, comprising loans extended to the Company by Mr J. Cheatham were repaid in full during the year. The maximum value of the loan during the year amounted to £672,815 (2009: £672,815).