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27 May 2008

Dear Shareholder,

The directors of Pantheon Resources Plc (“Pantheon” or the “Company”) announced today that the Company has received commitments to raise up to £4.54 million by way of a placing of up to 22,681,452 ordinary fully paid up shares (the “Placing Shares”) in the Company at a price of 20p per Placing Share (the “Placing”).

The proceeds of the Placing will provide Pantheon with additional funding. This will be used, *inter alia*, towards financing the anticipated drilling programme in Tyler County, East Texas, as well as for the provision of general working capital.

The Company only has existing authority under Section 80 and Section 95 of the Companies Act 1985 (“Share Authority”) to issue and allot 17,052,329 Placing Shares (the “Firm Placed Placing Shares”). As a result, the Company is convening an Extraordinary General Meeting (“EGM”) in order to increase the Share Authority to allow for, *inter alia*, the issue and allotment of the remaining 5,629,123 Placing Shares (the “Conditionally Placed Placing Shares”).

The Firm Placed Placing Shares will be issued and allotted forthwith, conditional on, *inter alia*, the admission of the Firm Placed Placing Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules for Companies (the “AIM Rules”). The issue and allotment of the Conditionally Placed Placing Shares will take place after the EGM and is conditional, *inter alia*, on:

- the passing of the resolutions to increase the Share Authority as set out in the attached notice of EGM (the “Resolutions”); and
- the admission of the Firm Placed Placing Shares and the Conditionally Placed Placing Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules.

**The main purpose of this letter is to give you the reasons for, and details of, the Placing and to explain why your Board considers that it is in the best interests of the Company and its shareholders as a whole and to recommend that you vote in favour of the Resolutions**

#### **Tyler County Austin Chalk, East Texas**

The forthcoming drilling programme is associated with a new venture for Pantheon in Tyler County, East Texas (“the Tyler County Venture”); a farm-in signed on 23 May 2008 (the “Farm-in”). This venture is a 25% participation in a 25,000 acre Austin Chalk and Woodbine formation play located in the Brookeland Field. Pantheon’s partners will be Vision Resources LLC (“Vision”), Kaiser-Francis Oil Company and Noram Resources Inc. Vision will act as operator. Drilling on the Tyler County Venture is currently scheduled to commence in June 2008. It is expected that wells should take 75 days to drill on average.

Under the terms of the farm-in Pantheon will pay its share of Vision's back costs over the first three wells and receive 150% equivalent Net Revenue Interest until payout. After three wells Pantheon will have been deemed to have earned its full 25% interest in the 25,000 acre block. Thereafter the Company will pay only its pro-rata share of any future development and drilling costs. This venture has been reviewed and signed off by Jay Cheatham, who has over 30 years relevant experience within the sector.

### **Current Drilling Programme**

In South Louisiana, Pantheon is presently participating in the drilling of the Jumonville #1 well (Bullseye prospect) in Iberville Parish, Louisiana. At the end of 23 May (London time) the following information was available. Whilst preparing to run an intermediate casing string to 10,929 feet ("ft") measured depth ("MD"), natural gas flows were encountered. As a result, the drill pipe became stuck.

After working to free the drill pipe, Golden Gate Petroleum, the operator, decided to sidetrack the well. This is expected to entail a withdrawal to approximately 5,500 ft before commencing the sidetrack. It is anticipated it will take approximately eight days to reach the depth to set the intermediate casing string again.

This well was spudded on 28 April 2008 and was initially expected to take approximately 60 days from spud to reach its target depth of 14,200 ft (MD) on a trouble free basis. This sidetrack is estimated to add approximately five days to that total and add modestly to the cost. Total gross best estimate potential reserves (previously described as "P50 potential reserves") for Bullseye are estimated to be 12.5 million barrels of oil and 33 billion cubic feet of natural gas.

### **Principal terms of the Placing**

The Company will issue up to 22,681,452 Placing Shares at a price of 20p per Placing Share (the "Issue Price"), which will raise, in aggregate, up to £4.54 million for the Company (excluding expenses). The net proceeds of the Placing will be used for:

- additional financing for the anticipated drilling programmes in the Tyler County Venture, East Texas; and
- the on-going working capital requirements of the Company.

There are 3,468,147 Placing Shares (2,607,416 Firm Placed Placing Shares and 860,731 Conditionally Placed Placing Shares) being placed at the Issue Price with investors by the Company's broker, Oriel Securities Limited ("Oriel"), pursuant to a placing agreement dated 23 May 2008 between the Company and Oriel and 19,213,305 Placing Shares (14,444,913 Firm Placed Placing Shares and 4,768,392 Conditionally Placed Placing Shares) are being placed at the Issue Price with investors directly by the Company (in each case, subject to certain conditions, including, in relation to the Conditionally Placed Placing Shares, the passing of the Resolutions). The Placing Shares will, when issued and fully paid, rank *pari passu* in all respects with the existing ordinary shares in the Company and will, once allotted, rank in full for all dividends and other distributions declared, made or paid on the share capital of the Company in respect of the period after such allotment.

The Company is extremely encouraged by the confidence and of the calibre of the new investors in the Company.

### **Extraordinary General Meeting**

You will find set out at the end of this document a notice convening the EGM to be held at 4.00 p.m. on 23 June 2008 at the offices of Sprecher Grier Halberstam LLP, 5<sup>th</sup> Floor, One America Square, Crosswall, London, EC3N 2SG, at which the Resolutions will be proposed.

At the EGM:

- an ordinary resolution will be proposed to authorise the directors to allot relevant securities up to an aggregate nominal amount of £226,814.52 pursuant to Section 80 of the Companies Act 1985; and
- a special resolution will be proposed to disapply statutory pre-emption rights of shareholders in relation to any such allotment in accordance with section 95 of the Companies Act 1985,

in each case, to provide the Company with sufficient authority to allot further ordinary shares over the relevant period (including, without limitation, the Conditionally Placed Placing Shares) to, *inter alia*, raise further finances for the Company (if the directors consider this appropriate and in the best interests of the Company at the relevant time).

In the event that the Resolutions are not passed, the Company will be limited to the issuance of 17,052,329 Placing Shares in the Placing to raise a total of £3,410,466 before expenses. The directors believe that this amount would be insufficient to provide adequate funding for the early stage of the Company's drilling programme. This would subsequently increase the risk profile of the Company. In this event, the directors would evaluate other funding sources or be caused to reduce its 25% interest in the joint venture or a combination of both.

### **Admission, settlement and dealings**

Application has been or will be made to the London Stock Exchange for all of the Firm Placed Placing Shares to be admitted to trading on AIM. It is expected that admission will become effective in accordance with Rule 6 of the AIM Rules and that dealings will commence on 2 June 2008. If the Resolutions are passed at the Extraordinary General Meeting, then an additional application will be made to the London Stock Exchange for the Conditionally Placed Placing Shares to be admitted to trading on AIM. In these circumstances, it is expected that admission of these shares will become effective in accordance with Rule 6 of the AIM Rules and that dealings will commence on 24 June 2008.

The ordinary shares in the Company are eligible for CREST settlement. Accordingly, settlement of transactions in existing ordinary shares in the Company and the Placing Shares (following their admission to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules) may take place within the CREST system if the relevant shareholder so wishes.

CREST is a voluntary system and shareholders who wish to receive and retain share certificates will be able to do so.

### ***Action to be taken***

#### *Form of Proxy*

A Form of Proxy is enclosed for use by shareholders at the EGM. Whether or not shareholders intend to be present at the EGM, they are asked to complete, sign and return the Form of Proxy to the offices of Sprecher Grier Halberstam LLP, 5<sup>th</sup> Floor, One America Square, Crosswall, London, EC3N 2SG, as soon as possible so as to arrive no later than 4.00 p.m. on 21 June 2008.

The completion and return of the Form of Proxy will not preclude shareholders from attending the EGM and voting in person should they wish to do so. Accordingly, whether or not shareholders intend to attend the EGM in person or they are asked to complete and return the Form of Proxy as soon as possible.

***Recommendation***

**The directors are confident that the Placing is in the best interests of shareholders and four of the directors have agreed to invest alongside the places.**

**Accordingly, the directors recommend that shareholders vote in favour of the Resolutions to be proposed at the EGM as they intend to do in respect of their own beneficial holdings which amount to 814,925 ordinary shares, representing 4.8 per cent. of the voting rights currently exercisable at a general meeting of the Company.**

Yours faithfully,

Sue Graham  
Chairman