Company Number 05385506

PANTHEON RESOURCES PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

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DIRECTORS, SECRETARY AND ADVISERS

Directors	Susan Graham (Non-Executive Chairman) John ("Jay") Bishop Cheatham (Chief Executive Officer) Justin George Hondris (Executive Director Finance and Corporate Development) Andrew Granville Waller (Non-Executive Director) John Arthur 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's refocused and refreshed corporate strategy was implemented in the financial year under review under the leadership of the Chief Executive Officer, Jay Cheatham. It yielded major success. The key event was the confirmation of an extension of the adjacent Brookeland field into Pantheon's Tyler County, East Texas acreage, notwithstanding the mechanical difficulties encountered. This confirmation also has significant and positive implications for the rest of the play.

As the Vision Rice University #1 well has been the dominant feature during the past financial year it has been essential for the Joint Venture to assess, analyse and understand the results obtained. The initial results of this process have led to a marked increase in management's confidence as to the project's potential both in terms of reserves and improved economic projections. Four factors may be identified as being behind this change; higher than expected reservoir pressures; the presence of an unconsolidated rubble zone; the expectation of fewer wells being required to develop the play; and the existence of black oil and condensate.

High reservoir pressure is generally regarded as a positive attribute in the Austin Chalk as it usually indicates higher potential reserves and productivity. Pantheon's independent technical consultant has raised estimates of average potential reserves per well by 60% after reviewing the data obtained. Separately the estimated maximum number of wells in the programme has been reduced to 50 from 60, leading to a potential reduction in capital expenditure. This means that there is the prospect of an increased reserve potential for a lower overall capital outlay. These factors obviously should have a beneficial impact on the project's economics.

This is not to ignore the difficulties that were encountered whilst drilling this well. Paradoxically the very problems that led to the inability to test the well and its subsequent plugging were also the same ones that have led to an increased confidence in the project's potential.

The Vision Rice University #1 well had been engineered to cope with expected high pressures but in focussing on managing the even higher reservoir pressures encountered, with the emphasis on safety, testing was interrupted and eventually halted. Initially attributed to the inability of the equipment to cope with the flow rates, it was eventually found to be related to the presence of the rubble zone. The geological advantage of such a zone is that it promotes natural gas flow and extends the reach of the well in terms of reserves accessed.

Vision Resources LLC ("Vision"), the operator, has reviewed carefully the results of the Vision Rice University #1 well. In light of the information gained, the well management programme has been revised. The next well will be drilled using a larger rig and casing programme. Vision is one of the more experienced operators in the region. Moreover apart from its own technical capabilities, Vision also has access to the resources of its major shareholder, Kaiser Francis Oil Company. The latter is one of the world's largest private energy producers according to Forbes Magazine in October 2009.

The current schedule is for the second well to commence in January 2010. The primary target will again be the Austin Chalk. This well will also be utilised to gain further knowledge of the deeper Woodbine play, which formed part of Pantheon's original farm-in of May 2008. The Woodbine will be a secondary target. The Woodbine formation is known as a prolific producer in nearby fields, notably the Double A Wells field located some six miles to the west of Pantheon's acreage. Based on existing information and a nearby successful well drilled into the Woodbine by Vision on the Joint Venture acreage, it has been possible to establish a location where both formations may be tested at a low incremental cost.

Elsewhere Pantheon reported further success at its Bullseye discovery. Jumonville #2 was completed as another producer from the Miogyp formation with production commencing in late June 2009. The Camerina zone was not tested in this well but this zone still provides potential for further upside across the Bullseye prospect. Another delineation well, Acosta #1, did not provide an adequate test. This well has been converted for use as a water disposal well. A further four locations have been identified at Bullseye for potential delineation of the Miogyp.

Success was achieved but unexpected delays, primarily at the Vision Rice University #1 well, led to significant cost overruns. These led to Pantheon accessing capital markets during the year. In April 2009 a bridging finance facility was agreed between Pantheon and its Chief Executive Officer for an amount of up to £0.85 million. This bridging facility was augmented in June 2009 from other unrelated parties and now stands at £1.13 million. This was also a placing of 4.55 million shares after the end of the financial year raising £0.507 million.

The loan by the Chief Executive Officer indicates not only his commitment to the Group but also his strong belief in the Tyler County project. It also reflected the Board's desire to minimise shareholder dilution if possible in line with corporate strategy. It is clear, however, that if the Tyler County project is to fulfil its potential then it will not be funded optimally out of corporate cash flow. The Group has, and continues to review all options available to enhance shareholder returns in an optimal and secure manner consistent with best practice. This includes assessing the appropriate debt to equity mix over the short to medium term.

At the end of the financial year, Pantheon is involved with two successful finds. One of these, Tyler County, has the scale to transform the Group's asset base. This is a very satisfactory transformation from a year ago. Pantheon is now on the cusp of moving from an exploration to development phase. This has been achieved in the face of challenging and changing times both for the Group and markets.

Management is now facing a further period of activity as the second well is awaited at Tyler County. Success at this well should usher in a period of intense activity for the Group as the Joint Venture seeks to implement its ambitious development programme. The Board believes that Pantheon has a future of enormous potential which remains insufficiently understood. One of the challenges facing the Group and its management is communicating the plans to unlock the major value already created.

Susan Graham

10 November 2009

CHIEF EXECUTIVE OFFICER'S STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

This has been a year of great achievement for Pantheon notwithstanding the mechanical problems associated with the Vision Rice University #1 well ("VRU#1"). Pantheon believes a field has been discovered in the Austin Chalk of its Tyler County project which offers material value to shareholders. The asset values and cash flows associated with this project are expected to become evident in first half 2010.

Over the last 12 months Pantheon participated in the drilling of three new wells and re-entered a fourth. The Group's main achievement arose from the first well into the Austin Chalk in its Tyler County acreage. The VRU#1 well was a geological success confirming the extension of the Brookeland field into the Joint Venture acreage. The well encountered greater than 13,000 psi, well above pre-drill expectations. Significant flows of natural gas, condensate and oil flowed during intermittent periods, although subsequent operations were unable to complete successfully the well.

For Pantheon the two Jumonville wells at Bullseye were both successful completions in the Miogyp formation and provide cash flow for the Group. The Acosta re-entry proved unsuccessful in the Miogyp and was completed as a water disposal well.

The plan is to spud the second well on Pantheon's Tyler County acreage in January 2010. The operator, Vision Resources ("Vision") has recommended drilling the next well at a location that may both penetrate the Austin Chalk, the primary target, at a structurally advantageous location and also test the deeper Woodbine formation. The Woodbine formation only lies some 500 feet below the Austin Chalk. This should permit drilling of both targets to be achieved at a low incremental cost to Pantheon.

The Woodbine is a very prolific producer in East Texas at such fields as 'East Texas' and 'Double A Wells'. Vision has identified a feature on seismic that is similar to the 'Double A Wells' field which lies six miles west of Pantheon's acreage block. Vision also has a completion in the Woodbine on the margin of this identified feature which provides further valuable information. Vision's completed well is estimated to have ultimate gross production of five billion cubic feet of gas equivalent ("bcfe"). This feature covers between 5,000 and 9,000 acres and is considered to be a moderate risk prospect.

It should be emphasised that the Austin Chalk remains the primary target. However success in the Woodbine has the potential to add substantially to the economic value of Pantheon's Tyler County acreage.
The past 12 months have proven just how fickle the oil and gas industry can be. Globally oil and natural gas prices went from record highs to recent year lows as the world economy struggled with the aftershocks of the effects from sub-prime mortgages and an economic slowdown. The US rig count plunged from 2031 to 889 and shale gas plays that had been successful became uneconomic.

Against this backdrop Pantheon has made major strides in its corporate development. With the geological success at Tyler County, I am more excited than ever about the Group's prospects and the potential of the Joint Venture acreage. Pantheon's partners at Tyler County remain as committed as ever.

Management believes the underlying potential of Pantheon's drilling programme is material. The next well is scheduled to spud in January 2010. This will be a step out from VRU#1 and should prove up significant reserves for the Joint Venture. I look forward to sharing an exciting first half 2010 and beyond with you.

Operational Review

Tyler County, Austin Chalk

The VRU#1 well encountered reservoir pressure of greater than 13,000 psi and also an unconsolidated rubble zone. The combination of those two factors, coupled with a packer failure compromised the completion, led to extensive delays and overruns and eventually to the plugging of this well. The Tyler County Venture is operated by Vision, a private U.S. oil and gas company. The major shareholder in Vision is Kaiser Francis Oil Company (KFOC), "among the world's biggest private energy producers" (Forbes

Magazine Special Issue Oct 2009). KFOC has a direct working interest in the Tyler County play and, together with Vision, controls 61% working interest.

The first well on this project, VRU#1, commenced drilling on 12 November 2008. In February 2009 the completion assembly was run. Reservoir pressure was materially higher both than that seen in the Anadarko/Ergon wells located to the north and also to pre-drill estimates. This higher pressure caused the operator to complete the well with a shorter lateral (horizontal) section than originally planned. However fractures were cut which were accompanied by higher-than-expected natural gas pressure.

After setting a slotted liner in the horizontal segment of the wellbore, service company personnel were unable to set a production packer, on two separate occasions. On the third attempt, a packer and production tubing were successfully installed. During subsequent clean-up operations the well bore became blocked. This caused further delays.

The operator utilised a coiled tubing unit in an attempt to remove the blockages. During these procedures, small pieces of formation flowed through the slotted liner into the well bore resulting in a new obstruction This occurred each time the well was cleaned out. Such experiences are consistent with the presence of an unconsolidated rubble formation. Eventually the blockages prevented the extraction of the coiled tubing from the hole.

Remedial operations by the operator to remove the stuck coiled tubing utilising a high pressure snubbing unit were unsuccessful. Consequently, it was announced on 8 September 2009 that Vision had recommended that the VRU#1 well be plugged and abandoned solely for mechanical reasons.

Despite this decision, the overall prospectivity of the project was proven and confirmed an extension of the adjacent Anadarko/Ergon field. During the limited testing operations conducted, the VRU#1 well flowed natural gas, condensate and black oil.

The difficulties encountered during drilling of this well were solely of a mechanical nature resulting from much higher than expected reservoir pressures and the unexpected presence of an unconsolidated rubble zone. The presence of both of these features is considered positive for the overall project and should enhance the project's economics as follows:

In Austin Chalk wells, higher pressure is generally regarded as indicating higher potential reserves and productivity. The reservoir pressures encountered in the VRU#1 well may lead to flow rates in the upper tier of regional Austin Chalk producers if repeated in future wells. Although this well was engineered for higher reservoir pressures than the offsetting wells, the actual pressures encountered exceeded even these planned levels.

Unconsolidated rubble zones typically exhibit higher porosity and permeability. Together these factors should lead to enhanced recovery and flow rate per well if confirmed in future wells. It is also possible that this rubble zone may extend across a significant portion of the acreage. If confirmed, this should deliver a large area of targets with projected productive rates exceeding previous estimates.

The presence of such a rubble zone may also lead to reduced future drilling costs. With more reserves estimated to be drained per well, a lower overall number of wells may be required. Additionally, a shorter lateral section per well is anticipated. This should lead to reduced future capital expectations for the project.
The data received from the VRU#1 well provided the Group with greater confidence in the project's potential. Reviewing the technical data obtained so far, Pantheon's technical consultant has upgraded reserve estimates per well by some 60%.

The operator does not expect similar difficulties for the remainder of the programme. The main difficulties previously encountered have been identified, i.e. the high reservoir pressures and presence of the rubble zone. These may be managed using standard drilling practices which have already been incorporated into the planned well management programme for the next and subsequent wells.

The plan is to spud the second well in January 2010 with the primary target being the Austin Chalk. It is also planned to test a deeper feature in the Woodbine formation. The Woodbine is a very prolific producer in the nearby 'Double A' Wells field in Polk County, six miles west of Pantheon's acreage. It should be emphasised that the Austin Chalk remains the primary target. However the higher risk target in the Woodbine has the potential to increase significantly the value of Pantheon's acreage without compromising the safe and effective appraisal of the Austin Chalk.

Bullseye

The Jumonville #1 well was confirmed as a discovery in July 2008. After permanent facilities were constructed, Jumonville #1 flowed at a sustained gross rate of 500 barrels per day ("bopd"). This was followed by re-entry of an old well bore, Noble Acosta, on the property. A window was opened in the casing and a new wellbore was sidetracked. The new wellbore apparently was not far enough away from the old one and the well initially had no flow and produced only water after a remedial treatment.

The Jumonville #2 well was spudded on Christmas Day 2008. This was a very significant well as it was intended not only to penetrate the Camerina and Miogyp sands but also test the deeper Cib Haz formation. The latter was estimated to have a gross reserve potential of 20 million barrels of oil. After considerable drilling delays total depth was reached in April 2009 at 14,000 feet measured depth. The well had significant shows in the Camerina and Miogyp formations on the way to the Cib Haz. After running logs it was thought that a discovery had been made in the Cib Haz. The Cib Haz 6 zone had 130 feet of a thinly bedded hydrocarbon bearing sandstone with the Cib Haz 7 zone showing 60 feet.

Enthusiasm was short lived as the tests had no flow from either zone. The well was then completed in the Miogyp with an initial gross flow of 750 bopd and 250 thousand cubic feet of gas a day ("mcfd"). The sustained gross production rate was 600 bopd and 350 mcfd. Permanent facilities at Bullseye are capable of handling 3,000 bopd, 5,000 mcfd of natural gas and also water disposal.

At Bullseye there are four additional Miogyp locations. There is also the recompletion potential in the Camerina zone above the Miogyp in both Jumonville #1 and #2. Currently gross Bullseye production is averaging 700 barrels of oil equivalent per day ("boepd"). This is restricted due to inadequate water disposal pumping capacity. A higher capacity pump is on order.

Belle Grove

In December 2008 Pantheon acquired a two-thirds interest in 600 acres immediately west of the Bullseye acreage. Seismic indicated the Camerina sand was in an up-dip location to Pantheon's Bullseye acreage with further Miogyp potential. When lease rentals came due this autumn, it was decided that Pantheon's efforts were best directed to the Tyler County project. The decision was thus made to relinquish the Belle Grove acreage.

Padre Island and Wharton

Production at Dunn Deep on Padre Island ceased in March 2009 after averaging at a gross rate of 900 mcfd and 2 bopd. Cessation of production was solely due to the involuntary bankruptcy of the operator, BNP Petroleum. It is unlikely that this well will produce again. As a result, Pantheon no longer has any production from Padre Island.

Pantheon's two wells in Wharton County averaged at a gross rate of 480 mcfd in third quarter 2009. The Group's net production averaged about 40 mcfd from these wells.

CHIEF EXECUTIVE OFFICER'S STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

Production

During financial 2009 net production averaged 280 mcfed. This compares with the net 556 mcfed achieved in financial 2008. The decline in output may be attributed to the loss of Padre Island production with Dunn Deep ceasing production in March 2009. Significant changes to the mix of production occurred during the year. The mix has changed from almost 100% gas to over 80% oil production with the commissioning of Jumonville #1 well. Production was augmented from the Jumonville #2 well almost on the last day of financial 2009.

Conclusion

This is the year when I believe Pantheon broke through to add material asset value for shareholders, which should become evident in first half 2010. Irrespective of the mechanical problems associated with VRU#1, Pantheon, and its operator, Vision, now consider the Tyler County project proven as a development play. The next well is expected to be drilled at some distance from the Group's first well at VRU#1 at an advantageous location for the Austin Chalk and deeper Woodbine plays. I assure you the Company's glass is half full not half empty. Pantheon has a solid cash flow generator at Bullseye and has proven the presence of hydrocarbons at Tyler County. I cannot wait for the results from our 2010 Tyler County drilling.

Jay Cheatham

10 November 2009

Financial Review

The Group made a loss for the year of £3,048,360 (2008: £4,846,628). This result was dominated by post balance date events which occurred after the Group's financial year end of 30 June 2009. Specifically, some £2,205,175 of this loss related to post balance date impairment charges relating to the Tyler County and Belle Grove projects.

The main components of the results have been set out below.

Production

Net total production for the financial year ending 30 June 2009 attributable to Pantheon amounted to 128 .6 mcfd and 25.3 bopd. Average realisations for the year for natural gas and oil were US$7.38 per mcf and US$53.57 per barrel respectively.

Revenue

Revenues for the year ended 30 June 2009 were lower than the previous year at £515,639 (2008: £784,240). This was due principally to the cessation of production from the Wilson and Dunn Deep wells during the year. Falling oil and US natural gas prices throughout the year contributed further to this decline. The Jumonville #2 well came onto production in the last few days of the financial year, although these revenues will not be recognised until next year's results.

Cost of Sales

For the year ended 30 June 2009 the cost of sales of £459,771 was materially higher than for the previous year (2008: £156,713). The main component of this charge is depreciation. In the financial year to end June 2008 it was decided to write-off the full carrying value of the Wilson well. This amounted to approximately £3,443,000. As this was categorised as an impairment charge there was no depreciation associated with the production from this well. This had the impact of reducing overall depreciation in financial 2008.

Water disposal charges relating to Jumonville #1 well were included in cost of sales in financial 2009. The conversion of the Acosta well to a salt water disposal well is expected to reduce these charges in the next financial year.

Impairments

The total Impairment charge of £2,317,579 (2008: £4,858,558) was dominated by the post balance date decisions to write off the carrying values of both the Vision Rice University #1 well and the Belle Grove project. These accounted collectively for approximately 95% of the impairment charge.

In September 2009 the decision was made to plug and abandon Vision Rice University #1 well ("VRU#1") located in Tyler County, East Texas. This was purely for mechanical reasons. The well was a geological success and confirmed the extension of the Brookeland field. However as the VRU#1 well was a non-producer it was decided to adopt a pragmatic accounting treatment and write-off all direct drilling costs relating to the well.

The Group has also elected to write off its entire carrying costs relating to the Belle Grove prospect, located in South Louisiana. This prospect was expected to incur material expenditure commitments in the medium term. Following the operator's inability either to test the Camerina zone, or obtain conclusive data on the Cib Haz zone at the Jumonville 2 well on the adjacent Bullseye acreage, the Group made the decision to focus its future efforts and capital on the lower risk Tyler County project.

Accounting Policies

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

Debt Financing

During the year the Company also raised £1,072,815 of bridging finance debt to cover the cost overruns and planned remedial operations in the drilling of the Tyler County and Bullseye prospects. A debt facility was utilised as it was considered to represent a lower cost of capital than equity at that time.

Capital Structure

The capital structure of the Group did not change materially during the year. A total of 103,349 shares were issued during the year in accordance with the incentive scheme for the Company's CEO, Mr J. Cheatham. At year end there were 39,837,130 shares in issue.

On 21 August 2009 the Company announced the placement of 4,554,600 ordinary shares at a price of £0.12 per share to raise £0.507m after expenses. These funds were used to fund the remedial operations in the Vision Rice University #1 well following extensive drilling and testing delays, and to provide general working capital.

Going Concern

The Company recognises the requirement for additional capital in order to fund the drilling of future wells. The Company is presently exploring its alternatives and expects to complete discussions before the close of the calendar year. The results of the Vision Rice University #1 well are very promising from a geological perspective and give the board great confidence to successfully raise additional capital

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, as detailed below. These 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 scale of the continued economic crisis. During the year Pantheon issued some short term "bridging finance" debt, in preference to issuing dilutive equity, in order to raise sufficient capital to meet its drilling obligations which had run over time and over budget. Subsequent to the year end the Company completed a small equity placement which raised approximately £500,000 for working capital and final operations at the Vision Rice University #1 well. The Company closely monitors its cash position and forecasts are reviewed monthly by the board. The Company is currently planning to raise sufficient capital to enable the ongoing operations of the Group.

Oil and Gas Price Risk

Oil and Gas sales revenues were subject to the wild swings in the underlying commodity prices throughout the year. Fortunately, Oil and Gas prices have recovered from their lows which is very positive for the Group's assets.

Currency Risk

Almost all capital expenditure and operational revenues for the year were denominated in US dollars. Due to the volatility affecting both US Dollar and the Great British Pound as a result of the global economic crisis, the Group aligned foreign exchange transactions with the timing of capital requirements as closely as possible to smooth the volatility over the year. The Company did not engage in any hedging activity during the year.

Financial Instruments

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

Justin Hondris
10 November 2009

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2009

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 2009.

Principal activity

The Company is registered in England and Wales, having been incorporated under the Companies Act with registered number 5385506 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 21. The Directors do not propose to recommend any distribution by way of a dividend for the year ended 30 June 2009.

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 Company 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; 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 did not undertake any equity capital raisings during the year.

After the year end, in August 2009, the Company issued 4,554,600 ordinary shares of 1p each at an issue price of £0.12 per share to raise £0.507m after expenses.

Bridging finance

On 29 April 2009 the Company announced that its Chief Executive Officer, Mr J. Cheatham, had offered the Company a bridging finance facility of up to £850,000 on a draw down basis. This drawdown facility was at commercial interest rates and is secured by the future cash flows of the Company. Additionally, bridging finance loans of an additional £400,000 were agreed with various unrelated third parties on the identical terms as Mr Cheatham. Under the terms of the facility an issue of options to subscribe for ordinary shares in the Company at an issue price of £0.20 per share were granted to the lenders on a pro-rata basis dependent upon the amount drawn down by the Company.

As at 30 June 2009 a total of £672,814 was provided to the Company by Mr Cheatham who has been granted options to acquire 201,844 ordinary shares at £0.20 pursuant to the terms of the facility. Additionally, £400,000 was provided to the Company by unrelated third parties on identical term to Mr Cheatham. These lenders were granted options to acquire 110,000 shares at £0.20 pursuant to the terms of the facility.

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.

Changes to Directors

On 3 October 2008, Justin Hondris was appointed to the executive position of Director, Finance and Corporate Development.

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 2009 Number of Ordinary shares of £0.01	30 June 2008 Number of Ordinary shares of £0.01
S Graham	114,925	114,925
J Cheatham	1,140,849	737,500
J Hondris	300,000	300,000
A Waller*	450,000	450,000
J A Walmsley	150,000	150,000

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

Share options

Share options over ordinary shares of £0.01 held by Directors on 30 June 2009 were as follows:

	Number of options					
Exercise price	**£0.20**	**£1.00**	**£1.25**	**£1.50**	**£2.00**	**Total**
S Graham	-	250,000	250,000	200,000	200,000	900,000
J Cheatham*	201,844	250,000	250,000	200,000	300,000	1,201,844
J Hondris*	-	-	-	150,000	150,000	300,000
A Waller	-	-	-	150,000	150,000	300,000
J A Walmsley	-	100,000	-	100,000	100,000	300,000

*On 11 September 2009 under the long term executive incentive scheme, the options with exercise prices ranging from £1.00 to £2.00 for Mr J. Cheatham and Mr J. Hondris were cancelled, and a new series of options was issued as detailed in the table below:

	Number of options				
Exercise price	**£0.30**	**£0.40**	**£0.50**	**£0.60**	**Total**
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

** These options were issued on 11 September 2009 and represent the total options holding position of the recipient at the date of this report. Additionally, J Cheatham holds options over 201,844 shares with an exercise price of £0.20 per share as detailed in 30 June 2009 table above.

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 (US)**	**Benefits in kind**	**2009 Total**
	£	**£**	**£**	**£**
S Graham*	59,375	7,600	-	66,975
J Cheatham*	178,299	13,434	-	191,733
J Hondris*	146,250	18,720	-	164,970
A Waller*	25,000	-	-	25,000
J Walmsley*	34,275	3,703	-	37,978
	443,199	43,457	-	486,656

* The Directors' remuneration as presented includes an accrual for the period 1 January 2009 to 30 June 2009 because the Directors did not receive their salary during this period.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2009

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 06 November 2009:

	Number of Ordinary Shares	% of Share Capital
BARCLAYSHARE NOMINEES LIMITED	2,939,834	6.62
JAMES E DRASDO	2,520,161	5.68
MIKE KERR	2,520,161	5.68
HSBC CLIENT HOLDINGS NOMINEE (UK) LIMITED	2,515,173	5.67
SAPS OVERSEAS LIMITED	1,900,000	4.28
TD WATERHOUSE NOMINEES (EUROPE) LIMITED	1,835,723	4.14
L R NOMINEES LIMITED	1,669,285	3.76
NUTRACO NOMINEES LIMITED	1,504,167	3.39
ROCK (NOMINEES) LIMITED	1,490,000	3.36
ROCK (NOMINEES) LIMITED	1,465,000	3.3
UNION PENSION TRUSTEES LTD	1,363,636	3.07

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 2009.

Remuneration and Nomination Committee

The Board of Directors has established the Remuneration and Nomination Committee of the Board. Sue Graham is chairman of the Remuneration and Nomination Committee and John Walmsley is the other member. 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 Sue 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 S. Graham as chairman, J. Walmsley and J. Cheatham.

The Conflicts Committee meets at least twice a year. Its role 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.

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 LLP 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

10 November 2009
Company Number 05385506

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 Bishop 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.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PANTHEON RESOURCES PLC
FOR THE YEAR ENDED 30 JUNE 2009**

We have audited the financial statements of Pantheon Resources plc for the year ended 30 June 2009 which comprise the Consolidated income statement, the Consolidated and Parent Company statements of changes in net 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 sections 495 and 496 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 relevant legal and regulatory requirements 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 2009 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 the Chairman's statement, Chief Executive Officer's statement, Finance Director's report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 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

10 November 2009

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 £	2008 £
Turnover	3	515,639	784,240
Cost of sales		(459,771)	(156,713)
Gross profit		55,868	627,527
Administrative expenses before share based payments and impairment losses		(801,892)	(582,196)
Share based payments	21	(102,506)	(55,820)
Impairment of intangible assets	13	(2,317,579)	(4,858,558)
Total administration expenses	4	(3,221,977)	(5,496,574)
Operating loss		(3,166,109)	(4,869,047)
Finance revenue	6	117,749	22,419
Loss before taxation		(3,048,360)	(4,846,628)
Taxation	7	-	-
Loss for the year		(3,048,360)	(4,846,628)
Loss per ordinary share – basic and diluted	2	(7.07)p	(26.01)p

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

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN NET EQUITY FOR THE YEAR ENDED 30 JUNE 2009

	Share capital £	Share premium £	Retained earnings £	Currency reserve £	Equity reserve £	Total £
Group						
At 1 July 2007	155,524	9,698,748	(5,434,548)	(234,275)	649,053	4,834,502
Net loss for the year	-	-	(4,846,628)	-	-	(4,846,628)
Foreign currency	-	-	-	(7,375)	-	(7,375)
Issue of shares	241,815	5,024,617	-	-	-	5,266,432
Share based payment	-	-	-	-	55,820	55,820
Balance at 30 June 2008	397,339	14,723,365	(10,281,176)	(241,650)	704,873	5,302,751
Company						
At 1 July 2007	155,524	9,698,748	(5,270,260)	-	649,053	5,233,065
Net loss for the year	-	-	(602,234)	-	-	(602,234)
Issue of shares	241,815	5,024,617	-	-	-	5,266,432
Share based payment	-	-	-	-	55,820	55,820
Balance at 30 June 2008	397,339	14,723,365	(5,872,494)	-	704,873	9,953,083

	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)
Foreign currency	-	-	-	673,314	-	673,314
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
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)
Share based payment - issue of shares	1,033	-	-	-	48,967	50,000
Share based payment- issue of options	-	-	-	-	53,539	-
Excess of share based payment over par value of issued shares	-	-	48,967	-	(48,967)	53,539
Balance at 30 June 2009	398,372	14,723,365	(6,416,277)	-	758,412	9,463,872

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2009

	Notes	2009 £	2008 £
ASSETS			
Fixed assets			
Intangible fixed assets	13	2,202,814	2,134,551
Tangible fixed assets	14	2,238,513	167,755
		4,441,327	2,302,306
Current assets			
Trade and other receivables	9	78,761	1,379,722
Cash and cash equivalents	10	52,682	3,091,725
		131,443	4,471,447
Total assets		4,572,770	6,773,753
LIABILITIES			
Creditors: amounts falling due within one year	11	468,710	1,471,002
Short term borrowings	12	1,072,816	-
Total liabilities		1,541,526	1,471,002
Net assets		3,031,244	5,302,751
EQUITY			
Capital and reserves			
Called up share capital	15	398,372	397,339
Share premium account	15	14,723,365	14,723,365
Retained losses		(13,280,569)	(10,281,176)
Currency reserve		431,664	(241,650)
Equity reserve		758,412	704,873
Shareholders' funds		3,031,244	5,302,751

The financial statements were approved by the Board on 10 November 2009

Justin Hondris
Director

COMPANY BALANCE SHEET
AS AT 30 JUNE 2009

	Notes	2009	2008 £
ASSETS			
Fixed assets			
Tangible fixed assets	14	2,363	3,711
Debtors: amounts falling due after one year	9	10,693,805	6,118,312
Current assets			
Trade and other receivables	9	63,859	1,154,485
Cash and cash equivalents	10	38,643	2,766,367
		102,502	3,920,852
Total assets		10,798,670	10,042,875
LIABILITIES			
Creditors: amounts falling due within one year	11	261,982	89,792
Short term borrowings	12	1,072,816	-
Total liabilities		1,334,798	89,792
Net assets		9,463,872	9,953,083
EQUITY			
Capital and reserves			
Called up share capital	15	398,372	397,339
Share premium account	15	14,723,365	14,723,365
Retained losses		(6,416,277)	(5,872,494)
Equity reserve		758,412	704,873
Shareholders' funds		9,463,872	9,953,083

The financial statements were approved by the Board on 10 November 2009

Justin Hondris
Director

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009	2008 £
Net cash (outflow)/ inflow from operating activities	16	(294,693)	(68,906)
Cash flows from investing activities			
Interest received		117,749	22,419
Acquisition of tangible fixed assets		(2,223,420)	(2,655)
Funds used for capital expenditure		(2,385,842)	(2,478,605)
Net cash outflow from investing activities		(4,491,513)	(2,458,841)
Cash flows from financing activities			
Proceeds from issue of shares		1,033	4,349,274
Issue costs		-	(169,859)
Short term loan received		1,072,816	-
Net cash inflow from financing activities		1,073,849	4,179,415
Net (decrease)/increase in cash and cash equivalents		(3,712,357)	1,651,668
Effect of foreign currency translation reserve		673,314	(7,375)
Cash and cash equivalents at the beginning of the year		3,091,725	1,447,432
Cash and cash equivalents at the end of the period	10	52,682	3,091,725

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009	2008
			£
Net cash (outflow)/ inflow from operating activities	16	663,773	(550,230)
Cash flows from investing activities			
Interest received		110,147	22,419
Acquisition of tangible fixed assets		-	(2,654)
Loans to group companies		(4,575,493)	(2,316,973)
Net cash outflow from investing activities		(4,465,346)	(2,297,208)
Cash flows from financing activities			
Proceeds from issue of shares		1,033	4,349,274
Issue costs		-	(169,859)
Short term loans received		1,072,816	-
Net cash inflow from financing activities		1,073,849	4,179,415
Net (decrease)/increase in cash and cash equivalents		(2,727,724)	1,331,977
Cash and cash equivalents at the beginning of the year		2,766,367	1,434,390
Cash and cash equivalents at the end of the period	10	38,643	2,766,367

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 2009 were authorised for issue by the board of Directors on 10 November 2009 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 2009 of £592,750 (2008: loss of £602,234) 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. Going Concern

The Group incurred a loss of £3,048,360 for the year. Approximately £2,205,000 of this loss related to events which occurred subsequent to the year end. These related specifically to the decisions to write off the direct costs in relation to the Vision Rice University #1 well which was recommended to be plugged and abandoned in September 2009 for mechanical reasons, and the decision to relinquish the Belle Grove prospect.

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 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.

In the final days of the year ended 30 June 2009 the Jumonville #2 well came onstream. When coupled with the revenues from the Jumonville #1 well the Directors believe these revenues are sufficient to cover the Group's ongoing operating costs, excluding drilling. Further, the Directors believe the Tyler County Joint Venture to be of material value to the Group and have confidence that this could be sold, or farmed down if required.

The Group is currently working towards raising sufficient capital to fund the continued drilling operations of the Group as participation in the next two wells in the Tyler County programme is required in order to maintain its interest in that joint venture. Following the geological success of the Vision Rice University #1 well the Directors are confident that they should be successful in raising such funds.

The Group has received confirmation from the CEO, Jay Cheatham that he would be prepared to extend the period of his loan to the Company should circumstances demand. Further the Directors' salaries will continue to be accrued if required.

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.

1.4. 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.

1.5. 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.

(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.

1.6. 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.

1.7. 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.

1.8. Exploration and development 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.

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

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

The carrying value of unevaluated areas is assessed on at least an annual basis or when there has been an indication that impairment in value may have occurred. The impairment of unevaluated prospects is assessed based on the Directors' intention with regard to future exploration and development of individual significant areas and the ability to obtain funds to finance such exploration and development.

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

The cost of other fixed assets is written off by equal annual instalments over their expected useful lives, as follows:

Office equipment – two years.

1.10. 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.

1.11. 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.

1.12. 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.

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.

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:

IAS 1	Presentation of financial statements	y.b. 1 January 2009
IFRS 2	Share Based Payments – amendments to vesting conditions and cancellations	1 January 2009
IFRS 3	Business combinations	y.b. 1 July 2009
IAS27	Consolidated and separate financial statements	1 July 2009

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

2. Loss per share

The basic loss per share of 7.07p (2008: 26.01p) for the Group is calculated by dividing the loss for the year by the weighted average number of ordinary shares in issue of 39,826,654 (2008: 18,635,255).

3. Segmental information

The primary segmental reporting is determined to be geographical segment according to the location of the assets. The Directors do not believe that there is a secondary segment that could be reported.

All turnover relates to income from the Group's oil and gas assets and is derived from the United States.

The loss for the year is analysed by geographical area as follows:

Geographical segment (Group)	**United Kingdom**	**United States**	**Total**
	£	**£**	**£**
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 before taxation	(592,750)	(2,455,610)	(3,048,360)

The net operating assets are analysed by geographical area as follows:

Geographical segment (Group)	**United Kingdom**	**United States**	**Total**
	£	**£**	**£**
Developed oil & gas properties	-	2,236,150	2,236,150
Exploration and development costs	-	2,202,814	2,202,814
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
Trade and other payables	(261,982)	(206,728)	(468,710)
Loans payable	(1,072,815)	-	(1,072,815)
Net assets	(1,229,934)	4,261,178	3,031,244

4. Operating loss

	2009	**2008**
This is stated after charging:	**£**	**£**
Auditors' remuneration		
- group and parent company audit services	15,000	15,000
Auditors' remuneration for non audit services		
- taxation services	2,784	3,610
	17,784	18,610

5. Directors' emoluments

	2009 £	2008 £
Wages and salaries	443,199	254,441
Social security costs	43,457	26,627
	486,656	281,068

There are no employees other than the Directors.

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

6. Finance revenue

	2009 £	2008 £
Bank interest	117,749	22,419

7. Taxation

	2009 £	2008 £
Factors affecting the tax charge for the period		
Loss on ordinary activities before taxation	(3,048,360)	(4,846,628)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax of 28.0% (2008 29.5%)	(853,541)	(1,429,726)
Effects of:		
Non deductible expenses	21,467	16,951
Timing differences not recognised	26,063	-
Losses in the period not used	806,011	1,412,775
Total tax charge	-	-

Factors that may affect future tax charges

At the balance sheet date the Group has unused losses carried forward of approximately £12,100,000 (2008: £7,900,000) for offset against future suitable profits. Most of the losses were sustained in the USA.

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 £4.2m (2008:£2.7m) in respect of losses carried forward and £38,000 (2008: £4,000) in respect of accelerated depreciation allowances.

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 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Amounts falling due within one year:				
Trade receivables	14,903	225,237	-	-
Unpaid share capital	-	1,087,017	-	1,087,017
Prepayments and accrued income	51,909	54,459	51,909	54,459
Other receivables	11,949	13,009	11,950	13,009
	78,761	1,379,722	63,859	1,154,485
Amounts falling due after more than one year :				
Amount due from subsidiary undertakings	-	-	10,693,805	6,118,312

10. Cash and cash equivalents

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Cash at bank and in hand	52,682	3,091,725	38,643	2,766,367

11. Trade and other payables

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Trade creditors	61,633	1,269,680	55,554	10,037
Accruals	407,077	201,322	206,428	79,755
	468,710	1,471,002	261,982	89,792

12. Short term borrowings

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Amounts falling due within one year:				
Bridging finance facility	1,072,816	-	1,072,816	-
As at 30 June 2009	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

	Exploration and development costs £
Group	
Cost	
At 30 June 2007	8,085,269
Additions	3,200,948
Reclassified to Tangible assets	-
At 30 June 2008	11,286,217
Impairment	
At 30 June 2007	4,293,108
Impairment during the period	4,858,558
At 30 June 2008	9,151,666
Net book value	
At 30 June 2008	2,134,551
At 30 June 2007	3,792,161

The Company had no intangible assets at either 30 June 2008 or 30 June 2007.

13. Intangible fixed assets (continued)

	Exploration and development costs
Group	**£**
Cost	
At 30 June 2008	11,286,217
Additions	2,385,842
Reclassified to Tangible assets	-
At 30 June 2009	13,672,059
Impairment	
At 30 June 2008	9,151,666
Impairment during the period	2,317,579
At 30 June 2009	11,469,245
Net book value	
At 30 June 2009	2,202,814
At 30 June 2008	2,134,551

The Company had no intangible assets at either 30 June 2009 or 30 June 2008.

14. Tangible fixed assets

	Developed Oil & Gas Properties	Office Equipment	Total
Group	**£**	**£**	**£**
Cost			
At 30 June 2007	268,823	2,769	271,592
Reclassified from Intangible assets	-	-	-
Additions	-	2,655	2,655
At 30 June 2008	268,823	5,424	274,247
Depreciation			
At 30 June 2007	21,334	692	22,026
Depreciation for the year	83,445	1,021	84,466
At 30 June 2008	104,779	1,713	106,492
Net book value			
At 30 June 2008	164,044	3,711	167,755
At 30 June 2007	247,489	2,077	249,566

14. Tangible fixed assets (continued)

Group	Developed Oil & Gas Properties £	Office Equipment £	Total £
Cost			
At 30 June 2008	268,823	5,424	274,247
Reclassified from Intangible assets	-		
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

Company	Office Equipment 2008 £
Cost	
At 30 June 2007	2,769
Additions	2,655
At 30 June 2008	5,424
Depreciation	
At 30 June 2007	692
Depreciation for the year	1,021
At 30 June 2008	1,713
Net book value	
At 30 June 2008	3,711
At 30 June 2007	2,077

14. Tangible fixed assets (continued)

	Office Equipment
Company	**2009**
	£
Cost	
At 30 June 2008	5,424
Additions	-
At 30 June 2009	5,424
Depreciation	
At 30 June 2008	1,713
Depreciation for the year	1,348
At 30 June 2009	3,061
Net book value	
At 30 June 2009	2,363
At 30 June 2008	3,711

15. Called up share capital

	2009 £	2008 £
Authorised:		
1,000,000,000 ordinary shares of £0.01 each	10,000,000	10,000,000
Allotted, issued and fully paid:		
39,837,130 ordinary shares of £0.01 each	398,372	397,339

	Number	Issued and fully paid Capital £	Share Premium Reserve £
Movement in issued Capital:			
As at 1 July 2008	39,733,781	397,339	14,723,365
Issue of 103,349 shares on 6 August 2008	103,349	1,033	-
Share issue costs	-	-	-
As at 30 June 2009	39,837,130	398,372	14,723,365

(a) On 06 August 2008 the Company issued 103,349 shares at £0.01 per share to Mr J. Cheatham pursuant to his executive incentive scheme, raising £1,033 before costs.

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

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

	Group 2009 £	Group 2008 £
Operating loss	(3,166,109)	(4,869,047)
Impairment	2,317,579	4,858,558
Depreciation	152,662	84,466
Cost of issuing share options	102,506	55,820
Decrease/(increase) in trade and other receivables	1,300,961	(223,656)
(Decrease)/increase in trade and other payables	(1,002,292)	24,953
Net cash (outflow)/ inflow from operating activities	(294,693)	(68,906)

	Company 2009 £	Company 2008 £
Operating loss	(702,897)	(624,653)
Impairment	-	-
Depreciation	1,348	1,020
Cost of issuing share options	102,506	55,820
Decrease/(increase) in trade and other receivables	1,090,626	(7,370)
Increase in trade and other payables	172,190	24,953
Net cash (outflow)/ inflow from operating activities	663,773	(550,230)

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 2009, 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 Company must first elect to participate in any proposed well thereby allowing the Company to decline participation if it deems appropriate.

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 these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as receivables and trade payables, which 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 2009	Fixed interest rate 2009	Non - Interest Bearing 2009
Financial assets:	%	£	£
Cash on Deposit	0.05	38,643	-
Trade and other receivables	-	-	63,859
Financial liabilities			
Bridging loans	24	1,072,816	-

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.

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 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 2009 consist primarily of revenues owed for production. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

21. Share based payments

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

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Cost of issuing share options	53,539	55,820	53,539	55,820
Cost of issuing shares	48,967	-	48,967	-
	102,506	55,820	102,506	55,820

21. Share based payments (continued)

Movements in share options in issue

Exercise Price	Number of Options issued as of 30 June 2008	Issued during year	Cancelled or Exercised during year	Number of Options issued as of 30 June 2009
£0.20	-	321,844	-	321,844
£1.00	833,284	-	-	833,284
£1.25	500,000	-	-	500,000
£1.50	950,000	-	-	950,000
£2.00	1,050,000	-	-	1,050,000
Total	3,333,284	321,844	-	3,655,128

The 3,333,284 options already issued as at 1 July 2008 have already vested. Of these, 2,033,284 options are all exercisable on or before 5 April 2011, 300,000 options are all exercisable on or before 31 August 2012 and 1,000,000 options are exercisable on or before 10 January 2013. No options were exercised, forfeited or expired during the year.

During the year 321,844 options were issued in conjunction with draw downs on the bridging loan facilities between the period 12 March 2009 and 24 June 2009. All options are exercisable at £1.00 on or before 1 December 2011

These options were valued at £14,889 with reference to the Black-Scholes option pricing model taking into account the following input assumptions:

Dates issued	ranging12 March 2009 and 24 June 2009
Share price	ranging £0.093 to £0.19
Exercise Price	£0.20
Expected volatility	ranging 72.1% to 102.5%
Vesting period	immediate
Expected dividends	Nil
Risk free interest rate	0.50%
Discount for illiquidity of unlisted options	30%

These options were issued in conjunction with draw downs on the bridging loan facilities during the period 12 March 2009 and 24 June 2009. Because share prices can change on a daily basis the volatility assumptions will also change. The ranges for share price and volatility are presented above.

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.

22. Post balance sheet events

In September 2009, it was announced that the Vision Rice University #1 well on the Tyler County, East Texas prospect was to be plugged and abandoned for mechanical reasons, principally because of equipment stuck in the well. All direct costs relating to the well have been charged to the income statement as an impairment.

The board has elected to write off all costs relating to the Belle Grove joint venture as the board considered it a better use of shareholders funds to commit future capital to the Tyler County and Bullseye projects. The Belle Grove prospect was expected to occur material drilling commitments in the medium term had the Group maintained its interest in the joint venture.

In August 2009 the Company placed with investors 4,554,600 new ordinary shares in the Company at an issue price of £0.12 per share to raise £0.507m after costs.

23. Related party transactions

The Company's related party transactions, comprising loans extended to the Company by Mr J. Cheatham, are disclosed in the Directors' Report.