Press release **9th December 2011**

AGM Statement

At the Annual General Meeting of Pantheon Resources plc ("Pantheon" or the "Company"), to be held at 10:00 a.m. today at the offices of Sprecher Grier Halberstam LLP, One America Square, Crosswall, London EC3N 2SG, Sue Graham, non-executive Chairman of the Company, will make the following statement:

Two years ago Pantheon appeared poised on the brink of an exciting period with drilling impending for the second well on its Tyler County Joint Venture. The lack of apparent activity in the intervening period has obviously resulted in considerable and mounting frustration and dissatisfaction for both investors and Pantheon's board of Directors. Paradoxically the same period has also enabled a major reassessment of the acreage to be undertaken by the operator, Vision Gas Resources LLC ("Vision" or "the Operator"). This analysis has served to highlight and upgrade the geological prospects for Tyler County not only in the main Austin Chalk formation but also unveiled other prospects within the acreage. This resultant dichotomy and apparent disconnect requires further discussion.

It is now three and a half years since Pantheon completely revised its exploration strategy under the leadership of its then new Chief Executive Officer, Jay Cheatham. The core of the Company's activities was repositioned to the predominantly natural gas onshore play in Tyler County from the shallow Gulf of Mexico, both located in Texas. The geological prospectivity of the acreage was considered high with the existence of known productive offset wells. Moreover Pantheon was allied with a Joint Venture ("JV") group that shared the CEO's deep experience of the region and had the combined financial and technical resources to explore the area.

The extensive analysis conducted since the initial farm-in has only served to increase Pantheon's enthusiasm for the geological prospects. These targets are not restricted just to the main Austin Chalk play but also incorporate other multiple targets, particularly in the deeper Woodbine formation. The Company's primary development play, the Austin Chalk, continues to be robust.

As investors should be aware, the one well drilled to date, Vision Rice University #1, provided sufficient geological information to allow the JV to increase the anticipated average reserves per well from five to eight bcf. As previously disclosed, an illustrative gross NPV10 exceeding US$12 million per well has been estimated by the Operator assuming using a US$75 a barrel constant price for crude oil and US$3.60 per million BTU ("mmBTU") for natural gas rising to a constant US$4.50 per mmBTU. It also provided confirmation to the Operator that the adjacent Brookeland field in the Austin Chalk extended into the Joint Venture's acreage

More recently the most exciting development relates to the Woodbine prospect. The Operator conducted a major geological analysis of the entire Tyler County acreage as well as an extensive regional study of existing Woodbine fields. In part, this entailed Vision re-examining data from its nearby Louisiana Pacific #2 well which is producing from the Woodbine formation on the JV's acreage, and acquiring new and reprocessing existing geophysical data. The results were then correlated and compared with existing discoveries in the region. This has enabled the JV to gain further insight into the Woodbine and other formations on a regional basis.

As a result of these studies, the JV believes that the Woodbine represents an exploration play of significant potential which enhances the separate and independent Austin Chalk. The range of potential gross reserves has been assessed by the Operator at between 0.25 to 2.8 million barrels oil equivalent for a single well. For a single well, the Operator estimates a gross NPV10 on the mean reserve case of US$48.5 million using the same assumptions as for the Austin Chalk. This falls to US$17.9 million using a P50 case for reserves. There is the potential for two to ten wells on the prospect to be drilled by the KF#1H well according to the Operator. In the opinion of Vision the prospect is deemed “low risk”.

There remains considerable upside potential. The prospectivity of the Woodbine is augmented by the expected presence of a liquids component which is even higher than is known to exist in the Austin Chalk formation. This has a major positive impact on the economic returns that may be obtained given the current pricing of liquids relative to natural gas.

With this background in mind it is understandable that there is a sense of discontent that the geological promise of the acreage has not been properly tested. In the case of Pantheon and its communications with shareholders there have been the additional constraints of abiding by commercial confidentiality requirements. For shareholders there may be understandable frustration that there is insufficient information and data as to the current view of the prospectivity of the acreage and the likelihood of early drilling.

As reported recently, the Operator is negotiating a farm-in for one of the JV’s partners and subsequent restructuring of the JV. If successful this is expected to lead to the appointment of a new operator with both the capacity and willingness to commit to early drilling. Of course the outcome of these negotiations cannot be predicted in advance. As soon as there is any firm new material information this will be relayed promptly. In view of all the circumstances the Company remains in intensive discussions with the rest of the JV to improve the information flow.

The delays in drilling have been the occasion of shareholders’ concern as to their cause. Dealing with the absence of drilling requires a brief but essential review of historical factors, although these may be categorised into two broad unrelated components, both beyond the Company’s control.

Entering 2011, commencement of the Kara Farms#1H (“KF#1H”) well was expected in the first quarter and moves to prepare the identified drilling site progressed. Drilling stalled as Vision opted to defer the search for a rig as it assessed from its own experience and industry advice that rig demand should weaken leading to lower rig rates and drilling costs. This was based on the combination of falling natural gas prices, a rising trend in costs and reduction in drilling of marginal areas.

In retrospect this was erroneous. Rather than a diminution in drilling a major surge occurred focussed on the unconventional natural gas plays such as the Barnett, Haynesville and Marcellus shales as well as the Eagleford oil shale play. This led to a shortage of suitable rigs in the key markets of Texas, Louisiana and Pennsylvania and a resulting sharp escalation in rates. Between the start of 2010 and end 2011 utilisation rates for horizontal rigs in these states rose from 420 to 670, an increase of close to 60%. Against this unfavourable macro environment, the JV was also hampered by its requirement only to obtain a rig for a single slot at this stage as opposed to competitors facing multi-well programmes.

This delay seemed to be past the JV when it was announced in August this year that site works had been completed and the necessary casing required for drilling had also been acquired. It seemed to Pantheon and the Operator that the long-awaited drilling was set to materialise. It was slightly later that the second unconnected factor emerged.

The major decoupling of crude oil and natural gas prices from historic norms has led many companies in the US to adopt the normal industry practice of managing their portfolios. This has led to a refocusing of drilling strategies towards a preference for exploiting crude oil prospects. One of the major partners in the JV, Kaiser Francis Oil Corporation ("KFOC"), has a separate and very large oil and natural gas portfolio. It adopted a similar reassessment to the rest of the industry which has translated into a temporary moratorium on its overall natural gas exploration activities. This had the corollary that its decision impeded any progress on drilling KF#1H. It reflects a portfolio preference for oil assets and is not specific to the Tyler County project.

KFOC's preferred position was to hold the acreage preferring to wait for macroeconomic conditions to improve before resuming activity and commencing drilling. Continued delay was not desirable for the rest of the JV as it sought to develop the acreage as swiftly as possible. Fortunately the operator has been able to agree with KFOC that the latter would to farm out its direct 25% interest in the Tyler County project, while retaining its majority stake in Vision. KFOC has also indicated that it would not object to the forward drilling programme. It is this agreement that the Company hopes will provide the opportunity to move forward and test the very exciting well that exists on the JV's acreage.

Pantheon possesses the necessary finance to drill the KF#1H well. It will also be providing the JV with every support and encouragement to accelerate drilling of this multi-target, potentially high impact well. The Tyler County project continues to offer the prospect of major value-accretion which has been only been enhanced by the studies undertaken.

In accordance with the AIM Rules, the information in this announcement has been reviewed and signed off by Jay Cheatham, who has over 30 years' relevant experience within the sector.

Further information:

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