Company Number 05385506

PANTHEON RESOURCES PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

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DIRECTORS, SECRETARY AND ADVISERS

Directors	Susan Graham (Non-Executive Chairman) John ("Jay") Cheatham (Chief Executive Officer) Justin Hondris (Executive Director, Finance and Corporate Development) John Walmsley (Non-Executive Director)
Company Secretary	John Bottomley
Registered Office	One America Square Crosswall London EC3N 2SG
Company Number	05385506
Auditors	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW
Solicitors	Watson, Farley & Williams LLP 15 Appold Street London EC2A 2HB
Registrars	Computershare Investor Services plc PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH
Principal Bankers	Barclays Bank plc Level 27, 1 Churchill Place London E14 5HP
Nomad & Broker	Oriel Securities Limited 150 Cheapside London EC2V 6ET

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012

It was, and remains, a source of continuing frustration to Pantheon Resources plc ("Pantheon" or "the Group") and its shareholders that drilling of the Kara Farms well ("KF#1H") on the Tyler County acreage did not materialise during the year under review. Paradoxically this lack of activity has had two beneficial effects. First it has provided the opportunity for the operator of the Joint Venture ("JV"), Vision Gas Resources LLC ("Vision"), to complete and assess meticulously the results of an extensive geological study. Secondly the postponement has created positive economic advantages in terms of costs and potential realisations.

The major regional survey was conducted by Vision in conjunction with the Bureau of Economic Geology at the University of Texas at Austin, an academic institution with no economic interest in the acreage. The significance and scope of this study is underlined by the fact that it represents the largest with which Pantheon's Chief Executive Officer has been associated in his 44 year career. These recent investigations continued and advanced earlier work which focussed on developing the JV's geological understanding of the conventional sandstone plays of the Woodbine/Eagleford known to exist on the JV's acreage as a result of previous drilling and geophysical studies. It is worth noting once more that the Woodbine formation is known as a prolific producer in regional fields, notably the Double A Wells field located some six miles to the west of the JV's acreage.

Analysis of the most recent work has led to further corroboration for the major potential for the Tyler County acreage. One of the results was a substantial upgrade for the overall potential of the Woodbine/Eagleford play combined with a lowering of the risk profile. A further conclusion was that the Woodbine play on the JV's acreage is geologically analogous to the prolific Double A Wells field.

The significance of the recent research is that, in conjunction with the other analyses conducted over the past 30 months, the JV is able now to image and thus identify these higher-quality conventional Woodbine/Eagleford sandstones. This is unlike non-conventional shale plays which are drilled on regional geology. It represents a major differentiating feature for Pantheon's geological prospects.

The Woodbine is principally a gas condensate play. If successful, producing Woodbine wells should generate more than half their revenue from liquids which are linked to the crude oil price and have the capacity to be "company-makers". Should the deeper Woodbine prove successful in the KF#1H well then it would be completed in this formation first. In the event that it is not productive, then the objective would be to complete in the shallower Austin Chalk. Separately the recovery in natural gas prices and reduction in drilling costs have also served to boost Pantheon's estimates of the NPV for the Austin Chalk.

In April 2012 Pantheon hosted an investor conference call with the operator where an indicative date of 2012 was provided for commencing drilling of the KF#1H well. Although the operator continues to advise that 2012 may witness the start of drilling on the KF#1H location, first quarter 2013 appears to be more probable. This further hiatus permitted the completion of further geological and geophysical work designed to high-grade other targets on the acreage which has, in turn, held-up in-depth negotiations with potential farm-in partners. The operator has been assiduous in its selection process for a potential farm-in partner to ensure that any farmee's aims and objectives are aligned with those of the JV.

The lull has, however, occurred during a period when rig rates and service costs are falling and this trend is forecast to continue. In recent quarters total U.S. onshore rig utilisation peaked at 1,900 rigs in first quarter 2012 versus an all-time high of 2,100 in 2008. It is now around 1,750 rigs. This is reflected in drilling costs which are now about 25% lower than this time in 2011.

After the period end in September 2012 the Group announced the divestment of its 11.25% working interest in the Bullseye project in South Louisiana to Luca Operation LLC ("Luca") for a net cash consideration of approximately US$190,000. This decision was logical and prudent as the two producing wells had each reached their economic limits while any further wells would have required additional capital investment and risk. In addition Luca acquired all the future liabilities in relation to abandonment and site restoration. As a result of this deal Pantheon effectively no longer has an on-going relationship with Golden Gate Petroleum.

The Board believes that, in retrospect, 2012 may be remembered as a year of great achievement for Pantheon. The Group judges that it has ascertained a world-class potential project during the period adding material high quality oil and liquid reserves potential to augment the major natural gas reserves potential which the JV believes already exist on the acreage. This makes for the possibility of exceptional value creation potential for the Group and its shareholders.

Susan Graham
14 November 2012

In reviewing Pantheon's operations for the financial year to 30 June 2012, further delays were encountered in drilling the KF#1H well as poor macro conditions continued. While frustrating both to shareholders and the Board, the resulting hiatus has allowed the JV to continue its tireless efforts in reviewing the geological setting of the Tyler County acreage, notably in the Woodbine/Eagleford conventional sandstones. The knowledge that has been gleaned from this exhaustive analysis is set to prove invaluable for the JV with the potential for outstanding value creation. Pantheon has emerged from this substantial and prolonged analysis as a company offering a combination of separate and independent liquids and natural gas plays.

Tyler County

The deferral of drilling activity allowed the JV's operator, Vision, to undertake and complete the most extensive regional study I have ever been associated with in my career in the oil and gas business. The study was undertaken with the Bureau of Economic Geology at the University of Texas at Austin and focussed on the potential for the Woodbine/ Eagleford play. In addition to the major natural gas reserves potential the JV believes already exist on the acreage in the shallower Austin Chalk, material high quality sandstones have been identified in the Woodbine/Eagleford formation with major oil and liquid reserve potential.

The regional study examined extensive cores including those from the East Texas 2,500 well bore logs and reports, 2,600 miles of 2D seismic and several hundred miles of 3D seismic over the nearby Double A Wells field. The East Texas field is the largest oil field discovered in the lower 48 states of the U.S.A. This is an all-consuming and technically challenging analysis for a small company such as the operator, Vision, and would have been very taxing for a large one. This level of technical excellence is a key reason behind Pantheon's confidence in the operator of the JV even though it should be acknowledged that it did come occasionally at the price of speed.

A critical outcome from the studies undertaken over the past 30 months is that, unlike non-conventional shale plays, the JV is able to identify these higher quality sandstones using imaging technology, thereby reducing the risk of drilling marginal wells. This is a significant difference between Pantheon's play and the well publicised shale plays which primarily utilise regional geology in selecting well locations.

It is also worth restating that the proposed KF#1H well will offset an existing Woodbine producing well, LP-2. This was drilled by Vision on the JV's acreage prior to Pantheon's farm-in. The identified Woodbine/Eagleford reservoir targets on the JV acreage are concentrated in discrete geological pockets and are suitable for modern horizontal drilling and completion techniques. If successful, these wells should generate more than half their revenue from liquids and have the capacity to be "company-makers".

It may be worth highlighting that, according to analyses performed by Vision, at the Double A Wells field ten wells have produced a cumulative total of 6.6 million barrels of oil ("mmbo") and 112 billion cubic feet of gas from just one 1,375 acre feature. The operator of the JV has modelled that with current horizontal drilling and completion technology a similar 1,375 acre feature might possibly be drained by as few as two horizontal wells.

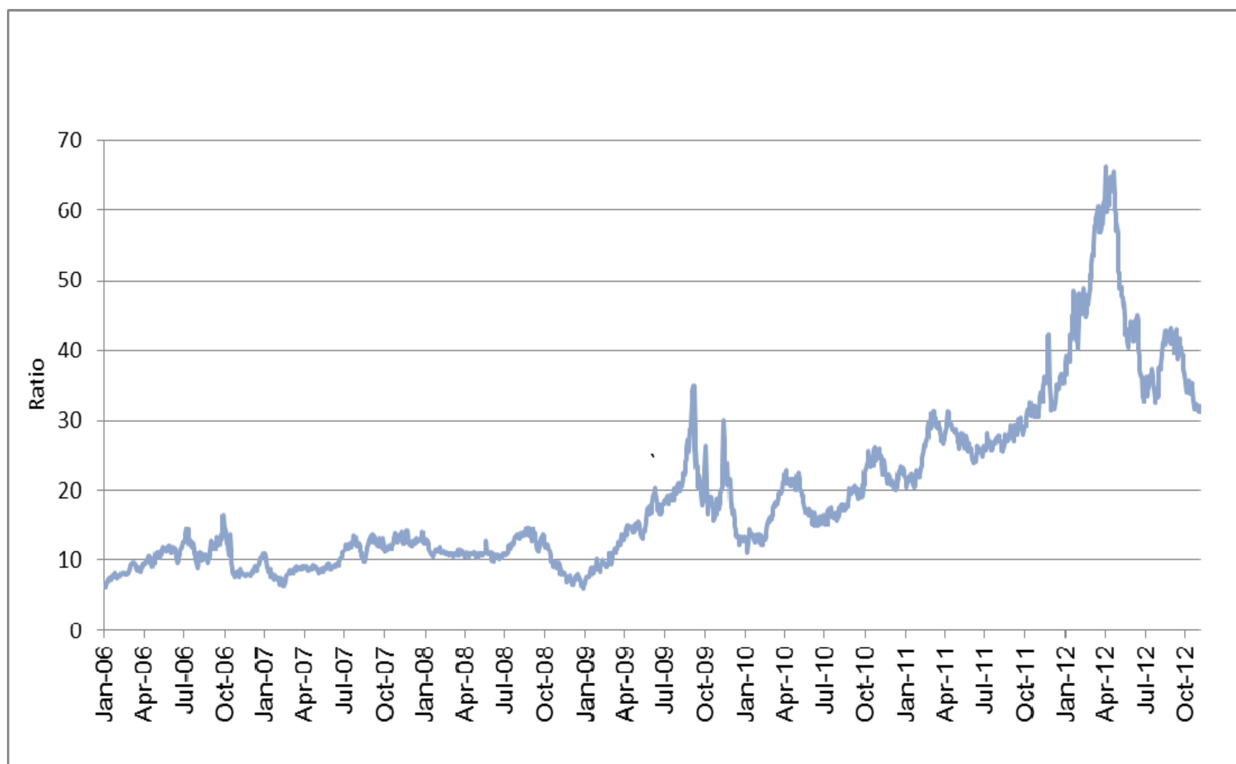
The Austin Chalk remains a target being located above the Woodbine/Eagleford formation. Geologically nothing has changed. Although the lower U.S. natural gas prices have lowered potential returns for this target, it remains economic at current costs and prices with a positive NPV.

At the time of the release of Pantheon's interim results at end March 2012, the Group reported on the serious deterioration in the macroeconomic background, which was a major factor in the delay to drilling. Second quarter 2012 saw Henry Hub natural gas prices in the continental U.S. fall to 10 year lows trading below US$2.00 per million BTU ("mmBTU"). Further, the historic price ratio between oil and natural gas of 10:1 widened, peaking at 60:1 during 2012. This led to an environment of depressed natural

gas prices and high drilling costs. This situation has now improved markedly with the current Henry Hub price at US$3.50 per mmBTU, and lower drilling costs.

Figure 1

Ratio of Crude Oil (Brent) US$/bbl to Natural Gas (Henry Hub) US$/mmBTU

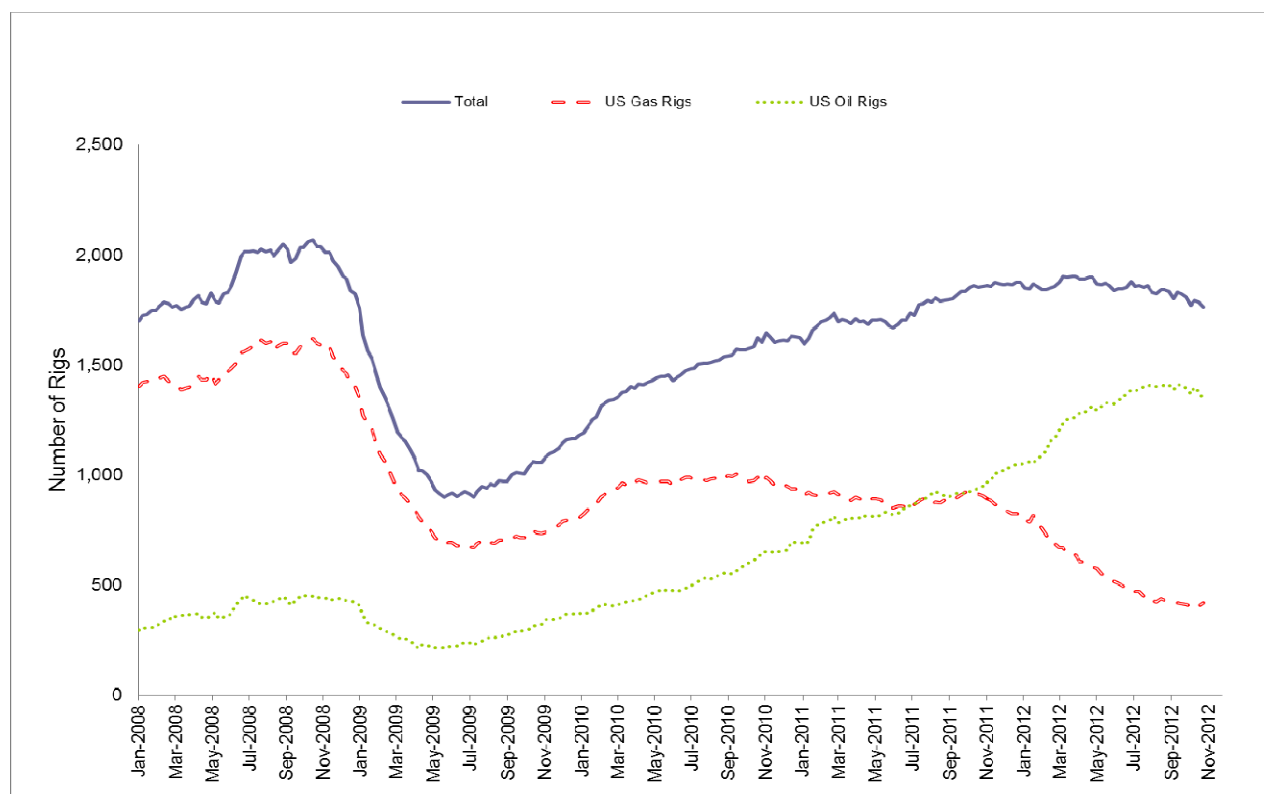


On the rig market, the trends are now in the JV's favour. U.S. Onshore gas rigs have more than halved in the past 12 months and rig rates continue to fall further as evidenced by the reduction of the number of working drilling rigs in the US (see Figure 2).

U.S. onshore rig utilisation has dropped from a recent high of 1,900 rigs in March 2012 to 1,750 rigs on 31 October 2012. This 150 rig drop has occurred primarily in the very large rigs which would be required to drill the deep 15,000 foot tests and possible horizontal section in Tyler County. Rig and services costs have dropped by about 25% and the JV expects this trend to continue.

Figure 2

U.S. Onshore Rig Count (Smith Bits)



An indication of the impact of the macro environment may be shown by an example. Had the KF#1H well been drilled and completed successfully a year ago, flush production would have been sold at natural gas net backs below US$2 per thousand cubic feet. Moreover drilling costs would have been about 25% higher than those based on current prices.

In April 2012 Pantheon held a call for investors at which members of the operator, Vision, were present. The operator reviewed the outlook for drilling of the KF#1H well stating that drilling was planned for 2012. The operator is still planning to commence in 2012 but first quarter 2013 may prove more probable. The main reason again relates to technical factors. Vision had been working on mapping the base of the Woodbine/Eagleford feature which would permit additional upgrading of other seismic features. This was only completed in the first week of October 2012. This, in turn, has hampered in-depth negotiations with potential farm-out partners. I should note that Vision has been assiduous in its selection process for a potential farm-in partner to ensure that any farmee's aims and objectives are aligned with those of the JV. The JV is also intending to benefit from the projected fall in rig and service costs. Pantheon awaits further updates from Vision but, the JV is poised to move quickly to secure a rig and commence drilling the KF#1H well.

Other Operations

Effective June 2012, but completed after Pantheon's financial year end, the Group sold its 11.25% working interest (8.15% net revenue interest) in the Bullseye project, South Louisiana, U.S.A. The acquirer was Luca Operation LLC, an independent and unrelated private company. The other partners in the JV also disposed of their interests on identical terms.

Pantheon has received net cash of approximately US$190,000 from the disposal. The rationale for the divestment was clear to Pantheon. The two Bullseye wells, Jumonville #1 and #2, had reached their economic limits. A critical consideration was that not only was Pantheon exposed to the cost of abandoning these wells, but was also facing the liability to return the drilling and production pad to its original condition. In addition any new wells would require more capital investment and risk. This divestment of the Bullseye asset was thus prudent. Following this disposal Pantheon's relationship with Golden Gate Petroleum is effectively at an end as all joint wells have been either sold successfully or plugged and abandoned.

As mentioned earlier this transaction was concluded post the year-end yet had an effective date of 1 June 2012. This timing means that Pantheon has had to account for its Bullseye assets in accordance with IFRS 5 in the financial year under review. Pursuant to this, a loss on the disposal of approximately £60,000 has been recognised in the financial period under review. This has also led to changes in disclosure presentation of the financial statements which are detailed in the accompanying accounts.

The Baptist well in South Texas continues to produce modest amounts of dry gas. However it is also near its economic limit.

Conclusion

I echo the Chairman's view that 2012 is set to be marked in the future as a year of great achievement for the Group. Pantheon is now able to focus its attention entirely on the Tyler County Venture, where the JV believes that it has established a world class opportunity in the conventional Woodbine/Eagleford sandstone play, in addition to the known Austin Chalk play.

Undeniably the operator's past decision to defer the Kara Farm's well was vexing for Pantheon's shareholders who are awaiting a conclusive demonstration of the prospectivity of the Group's acreage. Although the operator continues to advise that 2012 may yet witness the start of drilling on the KF#1H location, it may prove that first quarter 2013 is more likely as the operator finalises interpretation of key new information and the farm-out. Investor patience should be rewarded in 2013 as I believe we are on the cusp of a major discovery and significant value creation.

Jay Cheatham
14 November 2012

Financial Review

The Group made a total loss from continuing and discontinued operations for the financial year ended 30 June 2012 of £865,898 (2011: £1,900,158).

Production revenues and cost of sales during the period relate to discontinued operations as a result of the sale of the groups 11.25% working interest in the Bullseye project as announced in September 2012. A loss of £60,291 has been recognised in the period in relation to this sale.

Production

The Group's net total sales production for the financial year ended 30 June 2012 amounted to 10.7 (2011: 18.4) mcfd natural gas and 4.0 (2011: 10.0) bopd oil. Average realisations for the year for natural gas and oil were $2.97 (2011: $3.82) per mcf and $108.91 (2011: $87.32) per barrel respectively.

Revenue

Revenues for the year ended 30 June 2012 (from discontinued operations) were lower than the previous year at £107,723 (2011: £215,493). This primarily reflected a natural decline in production from the Jumonville #1 and #2 wells at the Bullseye project as they approached the end of their respective economic lives.

Cost of sales

Cost of sales for the year ended 30 June 2012 (from discontinued operations) was lower than the previous year at £209,728 (2011: £241,804). Whilst this is a reduction in costs, it relates to reduced production volumes, consistent with wells approaching their economic limits.

Impairments

The total impairment charge for the year was nil (2011: £1,162,168). However, there was a modest abandonment cost of £12,395 incurred during the period.

Accounting policies

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

Capital structure

The Company did not issue any new shares or options during the year.

As at 30 June 2012 there were 102,099,770 shares in issue.

Going concern

The Group is satisfied with its ability to operate as a going concern for the next 12 months as documented further in Note 1.3.

Taxation

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

Risk assessment

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

Liquidity and Interest Rate Risk

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

Interest Rate risk and the cost and availability of debt and equity finance were dramatically affected following the global economic crisis and continue to be challenging for smaller companies.

Oil & Gas Price Risk

Oil and Gas sales revenues were subject to the volatility of the underlying commodity prices throughout the year. At the present time, the US energy sector is exhibiting stronger oil prices and weaker gas prices due to a variety of reasons. Activity in unconventional plays in the USA continues at near record high levels resulting in a very high cost environment for rigs and associated services. These, and other macroeconomic factors have resulted in the Group's activities at Tyler County continuing to be delayed during the period. Over the past 12 months a severe reduction in onshore drilling for natural gas has occurred which has begun to flow through to a reduced cost environment, with further cost savings highly possible.

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

Currency Risk

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

Financial Instruments

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

Justin Hondris
14 November 2012

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2012

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 2012.

Principal activity

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

The principal activity of the Group is the investment in oil and gas exploration and development. The Group operates in the U.K. through its parent undertaking and in the U.S.A. through subsidiary companies, details of which are set out in the Note 9 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 2012.

Key operational risks and uncertainties

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

Information to shareholders – website

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

Group structure and changes in share capital

Details of movements in share capital during the period are set out in Note 16 to these accounts.

Directors

The following Directors held office during the period:
Susan Graham (Non-Executive Chairman)
John Cheatham (Chief Executive Officer)
Justin Hondris (Executive Director)
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 2012 Number of Ordinary shares of £0.01	30 June 2011 Number of Ordinary shares of £0.01
S Graham	200,000	200,000
J Cheatham	2,679,249	2,609,249
J Hondris	860,000	760,000
J Walmsley*	1,059,637	1,059,637

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

Share options

Share options over Ordinary shares of £0.01 held by Directors on 30 June 2012 were as follows:

	Number of options							
Exercise price	£0.30	£0.40	£0.50	£0.60	£1.00	£1.50	£2.00	Total
S Graham	-	-	-	-	-	-	-	-
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
J Walmsley	-	-	-	-	100,000	100,000	100,000	300,000
Total	750,000	550,000	500,000	300,000	100,000	100,000	100,000	2,400,000

Report on Directors' remuneration and service contracts

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

Pensions

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

Directors' remuneration

Remuneration of Directors was as follows:

	Fees/basic salary	Employers NI/Payroll tax	Benefits in kind	2012 Total
	£	£	£	£
S Graham	62,500	7,592	-	70,092
J Cheatham	188,956	7,074	-	196,030
J Hondris	125,000	16,114	-	141,114
J Walmsley	37,500	3,498	-	40,998
	413,956	34,278	-	448,234

In November 2012 the Company implemented an executive director incentive scheme developed in conjunction with executive remuneration specialists at Deloitte LLP. Details of this scheme are disclosed in note 24 "Post balance sheet events".

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 9 November 2012:

	Number of Ordinary Shares	% of Share Capital
Ferlim Nominees Limited	14,054,600	13.77
Argo Exploration Limited	7,000,000	6.86
Barclayshare Nominees Limited	5,434,706	5.32
Rock (Nominees) Limited	5,169,973	5.06
Lynchwood Nominees Limited	4,374,404	4.28
Hanover Nominees Limited	3,905,000	3.82

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 2012.

Remuneration and Nomination Committee

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

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

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

Audit Committee

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

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

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

Conflicts Committee

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

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

Anti Corruption & Bribery Committee

An Anti Corruption & Bribery Committee was established during the year. This committee consists of Justin Hondris (as Chairman) and Jay Cheatham.

The purpose of the Bribery Committee is to ensure the Company's compliance with the Bribery Act 2010.

Statement of Directors' responsibilities

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

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

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

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

Statement of disclosure to the auditors

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

Auditors

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

By order of the board

Justin Hondris
Director
14 November 2012
Company Number 05385506

Susan Graham, Chairman

Sue Graham has over 35 years of experience in the oil and gas sector, both from a financial and industry background. She enjoyed a distinguished career in the City of London as Managing Director and Global Head of the Energy Team at Merrill Lynch. She has extensive international capital markets experience in Europe, Asia-Pacific and the Americas at the corporate, institutional and senior government level. Her expertise ranges through all aspects of the financial markets with extensive experience in both primary and secondary equity markets on a global basis.

Ms Graham joined the City in 1976 with a particular focus on North Sea exploration and production companies. She moved to Merrill Lynch in 1986 where she remained until she left in 2003. At Merrill Lynch she not only initiated that firm's coverage of the European-based oil and gas companies but also created a global approach to energy analysis.

Ms Graham holds an M.A. in Chemistry from Lady Margaret Hall, Oxford and an MSc in Forensic Archaeological Science from University College London. She is also a non-executive director of Rocksource ASA, a Norwegian company. In addition she is a member of the Advisory Board for the JDI Centre of Forensic Sciences at University College London.

John Cheatham, Chief Executive Officer

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

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

Justin Hondris, Director – Finance and Corporate Development

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

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 AUDITOR'S REPORT
TO THE MEMBERS OF PANTHEON RESOURCES PLC
FOR THE YEAR ENDED 30 JUNE 2012

We have audited the financial statements of Pantheon Resources plc for the year ended 30 June 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flow 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, set out in page 17, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2012 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; 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 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.

Guy Swarbreck (Senior Statutory Auditor)
For and on behalf of
UHY Hacker Young, Statutory Auditor

Quadrant House
4 Thomas More Square
London E1W 1YW

14 November 2012

PANTHEON RESOURCES PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 £	2011 £
Revenue	3	-	-
Cost of sales		-	-
Gross loss		-	-
Administrative expenses before share based payments		(707,364)	(699,757)
Share based payments	22	-	(18,445)
Total administration expenses		(707,364)	(718,202)
Operating loss	4	(707,364)	(718,202)
Interest receivable	7	3,762	6,523
Loss before taxation		(703,602)	(711,679)
Taxation	8	-	-
Loss for the year from continuing operations		(703,602)	(711,679)
Discontinued operations			
Loss for the year from discontinued operations		(102,005)	(1,188,479)
Loss from re-measurement of assets held for sale		(60,291)	-
Total loss from discontinued operations	5	(162,296)	(1,188,479)
Loss for the year from continued and discontinued operations		(865,898)	(1,900,158)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 £	2011 £
Other comprehensive income for the year			
Foreign currency movement		140,969	(583,919)
Total comprehensive income for the year from continuing and discontinuing operations in the year		(724,929)	(2,484,077)
Loss per ordinary share – basic and diluted from continuing operations	2	(0.69)p	(0.70)p
Loss per ordinary share – basic and diluted from discontinued operations		(0.16)p	(1.16)p
Loss per ordinary share – basic and diluted from continuing and discontinued operations		(0.85)p	(1.86)p

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Share capital £	Share premium £	Retained earnings £	Currency reserve £	Equity reserve £	Total £
Group						
At 1 July 2011	1,020,998	21,915,804	(16,981,469)	508,280	121,692	6,585,305
Net loss for the year	-	-	(865,898)	-	-	(865,898)
Other comprehensive income:						
Foreign currency translation	-	-	-	140,969	-	140,969
Total comprehensive income for the year	-	-	(865,898)	140,969	-	(724,929)
Transfer of previously expensed share based payment on expiration of options	-	-	15,657	-	(15,657)	-
Balance at 30 June 2012	1,020,998	21,915,804	(17,831,710)	649,249	106,035	5,860,376

	Share capital £	Share premium £	Retained earnings £	Currency reserve £	Equity reserve £	Total £
Company						
At 1 July 2011	1,020,998	21,915,804	(6,973,146)	-	121,692	16,085,348
Net loss for the year	-	-	(463,582)	-	-	(463,582)
Total comprehensive income for the year	-	-	(463,582)	-	-	(463,582)
Transfer of previously expensed share based payment on expiration of options	-	-	15,657	-	(15,657)	-
Balance at 30 June 2012	1,020,998	21,915,804	(7,421,071)	-	106,035	15,621,766

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Share capital £	Share premium £	Retained earnings £	Currency reserve £	Equity reserve £	Total £
Group						
At 1 July 2010	1,020,998	21,915,804	(15,647,981)	1,092,199	669,917	9,050,937
Net loss for the year	-	-	(1,900,158)	-	-	(1,900,158)
Other comprehensive income:						
Foreign currency translation	-	-	-	(583,919)	-	(583,919)
Total comprehensive income for the year	-	-	(1,900,158)	(583,919)	-	(2,484,077)
Issue of shares						
Share based payment-issue of options	-	-	-	-	18,445	18,445
Transfer of previously expensed share based payment on expiration of options	-	-	566,670	-	(566,670)	-
Balance at 30 June 2011	1,020,998	21,915,804	(16,981,469)	508,280	121,692	6,585,305

	Share capital £	Share premium £	Retained earnings £	Currency reserve £	Equity reserve £	Total £
Company						
At 1 July 2010	1,020,998	21,915,804	(7,059,032)	-	669,917	16,547,687
Net loss for the year	-	-	(480,784)	-	-	(480,784)
Total comprehensive income for the year	-	-	(480,784)	-	-	(480,784)
Issue of shares						
Share based payment-issue of options	-	-	-	-	18,445	18,445
Transfer of previously expensed share based payment on expiration of options	-	-	566,670	-	(566,670)	-
Balance at 30 June 2011	1,020,998	21,915,804	(6,973,146)	-	121,692	16,085,348

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Notes	2012 £	2011 £
ASSETS			
Fixed assets			
Intangible fixed assets	14	3,661,831	3,719,578
Tangible fixed assets	15	256	185,593
		3,662,087	3,905,171
Current assets			
Assets held for sale	10	121,060	-
Trade and other receivables	11	284,104	324,465
Cash and cash equivalents	12	1,946,496	2,574,997
		2,351,660	2,899,462
Total assets		6,013,747	6,804,633
LIABILITIES			
Creditors: amounts falling due within one year	13	153,371	219,328
Total liabilities		153,371	219,328
Net assets		5,860,376	6,585,305
EQUITY			
Capital and reserves			
Called up share capital	16	1,020,998	1,020,998
Share premium account	16	21,915,804	21,915,804
Retained losses		(17,831,710)	(16,981,469)
Currency reserve		649,249	508,280
Equity reserve		106,035	121,692
Shareholders' funds		5,860,376	6,585,305

The financial statements were approved by the Board on 14 November 2012

Justin Hondris
Director
Company Number 05385506

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Notes	2012 £	2011 £
ASSETS			
Fixed assets			
Tangible fixed assets	15	256	-
Debtors: amounts falling due after one year	11	15,523,576	15,823,576
Current assets			
Trade and other receivables	11	46,038	49,712
Cash and cash equivalents	12	76,243	236,587
		122,281	286,299
Total assets		15,646,113	16,109,875
LIABILITIES			
Creditors: amounts falling due within one year	13	24,347	24,527
Total liabilities		24,347	24,527
Net assets		15,621,766	16,085,348
EQUITY			
Capital and reserves			
Called up share capital	16	1,020,998	1,020,998
Share premium account	16	21,915,804	21,915,804
Retained losses		(7,421,071)	(6,973,146)
Equity reserve		106,035	121,692
Shareholders' funds		15,621,766	16,085,348

The financial statements were approved by the Board on 14 November 2012

Justin Hondris
Director
Company Number 05385506

PANTHEON RESOURCES PLC

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 £	2011 £
Net cash outflow from operating activities	17	(768,291)	(271,581)
Cash flows from investing activities			
Interest received		3,762	6,523
(Acquisition)/disposal of tangible fixed assets		(4,941)	674
Funds used for drilling and exploration		-	(424,811)
Net cash outflow from investing activities		(1,179)	(417,614)
Net decrease in cash and cash equivalents		(769,470)	(689,195)
Effect of foreign currency translation		140,969	(583,919)
Net (decrease)/increase in cash and cash equivalents		(628,501)	(1,273,114)
Cash and cash equivalents at the beginning of the year		2,574,997	3,848,111
Cash and cash equivalents at the end of the year	12	1,946,496	2,574,997

COMPANY STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 £	2011 £
Net cash outflow from operating activities	17	(460,149)	(492,950)
Cash flows from investing activities			
Purchase fixed assets		(264)	-
Interest received		69	137
Receipts from group companies		300,000	250,000
Net cash inflow from investing activities		299,805	250,137
Net decrease in cash and cash equivalents		(160,344)	(242,813)
Cash and cash equivalents at the beginning of the year		236,587	479,400
Cash and cash equivalents at the end of the year	12	76,243	236,587

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 ("IFRSs") 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 2012 were authorised for issue by the board of Directors on 14 November 2012 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 2012 of £463,582 (2011: loss of £480,784) 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 total loss of £865,898 for the year (2011: £1,900,158).

The Directors believe the Tyler County Joint Venture to be of material potential value to the Group, based upon a number of factors. Over the past two years the JV has conducted an extremely comprehensive study of the Woodbine potential for the JV acreage. This study has concluded that the acreage appears analogous to the nearby and prolific "Double A Wells" field and has materially upgraded the JV's confidence in the potential for Woodbine on the acreage, and has also increased the estimated potential size of Woodbine on the JV acreage.

Separately and independent of the Woodbine, the shallower Austin Chalk formation on the acreage is unchanged in its geological potential. The geological success of the VRU#1 well confirmed the presence of hydrocarbons on the acreage, which coupled with the high success rates enjoyed by drilling actively adjacent to the acreage causes the Directors to have very high confidence in the project.

The Directors believe the inherent value in the Group's projects are sufficient to ensure the going concern of the Group. However, in the event that the forthcoming KF#1H well was unsuccessful then the Group would need to raise additional capital in order to fund continuing operations and to drill the third well in the Tyler County programme. In the event however that the forthcoming KF#1H well was commercially successful then the Company may or may not need to raise additional capital for the drilling of the third well in the Tyler County programme, dependent upon a number of factors including the magnitude of the success of KF#1H well, the timing of drilling the subsequent well, the cost of drilling the KF#1H well and the subsequent well, and prevailing commodity prices.

Accordingly, the Directors 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

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

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

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

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

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

Exploration and development costs
In relation to the Tyler County project, the carrying value as at 30 June 2012 solely represents back costs paid in relation to the project and prepaid costs towards the forthcoming KF#1H well.

Based on estimates by a third party technical consultant, the Group estimates potential for up to or exceeding 40 wells at an average gross reserve of 8 bcfe natural gas per well from the Austin Chalk zone alone. Additionally, great potential lies in the separate and independent deeper Woodbine structure for which the JV has increased its confidence levels, and estimate of potential size, over the past year. Based upon those estimates the directors believe the carrying values at 30 June 2012 are supported.

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

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

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

- Office equipment is depreciated by equal annual instalments over their expected useful lives, being four years.

1.10. 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 21 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.

There were no share based payments during the year.

1.12. 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. IFRSs 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 tangible and intangible assets
Determining whether an 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.

1.13. Assets held for sale

Non-current assets are classified separately as held for sale in the balance sheet when their carrying amount will be recovered through a sale rather than continuing use. This condition is only met when the sale is highly probable, assets are available for immediate sale in current condition, and the management is committed to the sale which should be completed within one year of the classification. Liabilities directly associated with the assets classified as held for sale and expected to be included as part of the sale transactions are correspondingly also classified separately. Property, plant and equipment once classified as held for sale are not subject to depreciation or amortisation. The net assets and liabilities of a disposal group classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

1.14. New standards and interpretations not applied

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

Standard	Subject	Effective from
IFRS 9	Financial Instruments – Classification and Measurement	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1	Presentation of Items of Other Comprehensive Income (Amendments to IAS1)	1 July 2012
IAS 19	Employee Benefits (2012)	1 January 2013

2. Loss per share

The basic loss per share from continuing operations of 0.69p (2011: 0.70p) for the Group is calculated by dividing the Loss for the year from continuing operations by the weighted average number of ordinary shares in issue of 102,099,770 (2011: 102,099,770).

The basic loss per share from discontinued operations of 0.16p (2011: 1.16p) for the Group is calculated by dividing the Total loss from discontinued operations by the weighted average number of ordinary shares in issue of 102,099,770 (2011: 102,099,770).

The total loss per share of 0.85p (2011: 1.86p) for the Group is calculated by dividing the Loss for the year from continued and discontinued operations by the weighted average number of ordinary shares in issue of 102,099,770 (2011: 102,099,770).

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

3. Segmental information

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

Each reportable segment adopts the same accounting policies.

In compliance with IFRS 8 the following tables reconcile the operational loss and the assets and liabilities of each reportable segment with the consolidated figures presented in these Financial Statements, together with comparative figures for the year ended 30 June 2011.

Year ended 30 June 2012

Geographical segment (Group)	**Head Office**	**USA**	**Consolidated**
	£	**£**	**£**
Revenue	-	-	-
Cost of sales	-	-	-
Interest payable	-	-	-
Interest receivable	69	3,693	3,762
Plug and abandon costs	-	(12,395)	(12,395)
Share-based payments	-	-	-
Administration expenses	(463,651)	(231,318)	(694,969)
Loss from discontinued operations	-	(162,296)	(162,296)
Loss by reportable segment	(463,582)	(402,316)	(865,898)
Developed oil & gas properties	-	-	-
Exploration and development costs	-	3,661,831	3,661,831
Tangible fixed assets	256	-	256
Assets held for sale	-	121,060	121,060
Trade and other receivables	46,038	238,066	284,104
Cash and cash equivalents	76,243	1,870,253	1,946,496
Intercompany balances	15,523,576	(15,523,576)	-
Total assets by reportable segment	15,646,113	(9,632,366)	6,013,747
Total liabilities by reportable segment	(24,347)	(129,024)	(153,371)
Net assets by reportable segment	15,621,766	(9,761,390)	5,860,376

3. Segmental information (continued)

Year ended 30 June 2011

Geographical segment (Group)	**Head Office**	**USA**	**Consolidated**
	£	**£**	**£**
Revenue	-	-	-
Cost of sales	-	-	-
Interest payable	-	-	-
Interest receivable	137	6,386	6,523
Impairment of assets	-	-	-
Share-based payments	(18,445)	-	(18,445)
Administration expenses	(462,476)	(237,281)	(699,757)
Loss from discontinued operations	-	(1,188,479)	(1,188,479)
Loss by reportable segment	(480,784)	(1,419,374)	(1,900,158)
Developed oil & gas properties	-	26,890	26,890
Exploration and development costs	-	3,719,578	3,719,578
Tangible fixed assets	-	158,703	158,703
Trade and other receivables	49,712	274,753	324,465
Cash and cash equivalents	236,587	2,338,410	2,574,997
Intercompany balances	15,823,576	(15,823,576)	-
Total assets by reportable segment	16,109,875	(9,305,242)	6,804,633
Total liabilities by reportable segment	(24,527)	(194,801)	(219,328)
Net assets by reportable segment	16,085,348	(9,500,043)	6,585,305

4. Operating loss

	2012 £	2011 £
This is stated after charging:		
Auditor's remuneration		
- group and parent company audit services	16,500	16,500
Auditor's remuneration for non audit services		
- taxation services and compliance services	5,194	6,392
	21,694	22,892

5. Discontinued operations

In September 2012 the Group announced the sale of its 11.25% working interest in the Bullseye Joint Venture in South Louisiana. The post-tax loss from discontinued operations is classified as a single line on the face of the consolidated statement of comprehensive income.

In order to comply with the requirements of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, results applicable to the Bullseye Joint Venture in the comparative period have been represented as discontinued operations.

	Notes	2012 £	2011 £
Revenue	3	107,723	215,493
Cost of sales		(209,728)	(241,804)
Impairment costs of tangible assets	15	-	(1,162,168)
Loss from re-measurement of assets held for sale	10	(60,291)	-
Total loss from discontinued operations		(162,296)	(1,188,479)

6. Employment costs

	2012 £	2011 £
Wages and salaries	460,840	445,402
Social security costs	39,757	40,682
	500,597	486,084

There is one employee in addition to the Directors.

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

7. Interest payable and receivable

Interest receivable	2012 £	2011 £
Bank interest	3,762	6,523

8. Taxation

	2012 £	2011 £
Factors affecting the tax charge for the period		
Loss on ordinary activities before taxation	(865,898)	(1,900,158)
Loss on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 25.5% (2011: 27.5%)	(220,804)	(522,543)
Effects of:		
Non deductible expenses	4,905	325,890
Timing differences not recognised	-	149
Losses in the period not used	215,899	196,504
Total tax charge	-	-

Factors that may affect future tax charges
At the balance sheet date the Group has unused losses carried forward of approximately £18,300,000 (2011: £17,800,000) for offset against future suitable profits. Approximately £15,300,000 (2011: £15,200,000) of the losses were sustained in the USA. Unused US tax losses expire within 20 years of the year in which they were sustained.

The Directors do not consider it appropriate to recognise a deferred tax asset in respect of such losses or in respect of accelerated tax depreciation allowances, due to the uncertainty of future profit streams. The contingent deferred tax assets are estimated to be £5.9m (2011: £5.8m) in respect of losses carried forward and £Nil (2011: £15,000) in respect of accelerated depreciation allowances.

9. 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.

10. Assets held for sale

The Group announced on 5 September, 2012 that it had agreed the sale of its 11.25% working interest in the Bullseye project in South Louisiana, USA. The sale was successfully completed in September 2012 with an effective date of 1 June 2012.

Accordingly, as at 30 June, 2012 the group reclassified both non-current and current assets as "Assets held for sale".

	2012 £
Production facilities & equipment	125,240
Trade and other receivables	56,111
Loss on re-measurement to fair value	(60,291)
Fair value of assets held for sale	121,060

11. Trade and other receivables

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Amounts falling due within one year:				
Trade receivables	141,422	274,753	-	-
Prepayments and accrued income	31,156	36,621	31,156	36,621
Other receivables	14,882	13,091	14,882	13,091
Receivable from Padre Island Authority	96,644	-	-	-
	284,104	324,465	46,038	49,712

The receivable from Padre Island Authority comprises a security deposit provided to the Padre Island Environmental Authority. The directors expect this balance to be received before 30 June 2013.

11. Trade and other receivables (continued)

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Amounts falling due after more than one year:				
Amount due from subsidiary undertakings	-	-	15,523,576	15,823,576

An annual impairment review of the amount due from subsidiary undertakings (loan to subsidiary) is performed by comparing the expected recoverable amount of the subsidiary's underlying tangible and intangible assets to the carrying value of the loan in the Company's balance sheet.

The recoverable amount of the amount due from subsidiary undertakings is based upon value in use calculations. The use of this method requires the estimation of future cash flows from the underlying assets, discounted using a suitable pre tax discount rate. For the purposes of these calculations the company's Austin Chalk project was modelled using a discount rate of 10%. The key assumptions upon which the cash flow projections were based include recoverable reserves, number of wells drilled, cost of drilling and the future prices of both oil and natural gas. For the purpose of the calculations the following assumptions were used:

Number of wells drilled	40
Average reserves per well	8 bcfe
Oil price ($/bbl)	$100
Natural gas price ($/mcf)	$4.00
Cost of drilling typical Austin Chalk well	$8m

These key assumptions have been determined by reference to a number of sources including an independent external geological consultant, information provided by the operator of the project, external market information, published futures pricing for oil and natural gas and management's expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Management has performed sensitivity analysis on each of the key assumptions including increasing the drilling cost to as high as $11.5m, reducing commodity prices by 20% and reducing average reserves per well by 37.5%. None of these factors lead to an indication of impairment, hence the Company concluded that no impairment was required as of 30 June 2012.

12. Cash and cash equivalents

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Cash at bank and in hand	1,946,496	2,574,997	76,243	236,587

13. Trade and other payables

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Trade creditors	13,804	2,760	1,097	612
Accruals	139,567	216,568	23,250	23,915
	153,371	219,328	24,347	24,527

14. Intangible fixed assets

Group	**Exploration and development costs 2012 £**	**Exploration and development costs 2011 £**
Cost		
At 1 July	3,719,578	3,539,252
Additions	-	424,811
Retirements of previously abandoned wells	-	(368)
Transfer to assets held for sale	(45,644)	-
Transfer to receivables	(96,644)	-
Effects of foreign exchange	84,541	(244,117)
At 30 June	3,661,831	3,719,578
Amortisation		
As at 1 July	-	-
Charge for period	45,156	-
Effects of foreign exchange	488	-
Transfer to assets held for sale	(45,644)	-
As at 30 June	-	-
Net book value		
At 30 June 2012 and 30 June 2011	3,661,831	3,719,578
At 30 June 2011 and 30 June 2010	3,719,578	3,539,252

The Company had no intangible assets at either 30 June 2012 or 30 June 2011.

15. Tangible fixed assets

Group	Developed Oil & Gas Properties £	Production Facilities and Equipment £	Office Equipment £	Total £
Cost				
At 30 June 2011	1,579,172	334,994	5,424	1,919,590
Additions	-	4,677	264	4,941
Transfer to assets held for sale	(1,615,064)	(347,284)	-	(1,962,348)
Effects of foreign exchange	35,892	7,613	-	43,505
At 30 June 2012	-	-	5,688	5,688
Depreciation				
At 30 June 2011	1,552,281	176,292	5,424	1,733,997
Depreciation for the year	27,208	41,300	8	68,516
Transfer to assets held for sale	(1,615,064)	(222,044)	-	(1,837,108)
Effects of foreign exchange	35,575	4,452	-	40,027
At 30 June 2012	-	-	5,432	5,432
Net book value				
At 30 June 2012	-	-	256	256
At 30 June 2011	26,891	158,702	-	185,593

15. Tangible fixed assets (continued)

Group	Developed Oil & Gas Properties £	Production Facilities and Equipment £	Office Equipment £	Total £
Cost				
At 30 June 2010	2,654,871	639,441	5,424	3,299,736
Disposals	-	(674)	-	(674)
Retirement/impairments of assets	(901,232)	(260,936)	-	(1,162,168)
Effects of foreign exchange	(174,467)	(42,837)	-	(217,304)
At 30 June 2011	1,579,172	334,994	5,424	1,919,590
Depreciation				
At 30 June 2010	1,599,969	98,254	4,420	1,702,643
Depreciation for the year	63,206	85,545	1,004	149,755
Effects of foreign exchange	(110,894)	(7,507)	-	(118,401)
At 30 June 2011	1,552,281	176,292	5,424	1,733,997
Net book value				
At 30 June 2011	26,891	158,702	-	185,593
At 30 June 2010	1,054,902	541,187	1,004	1,597,093

Company	Office Equipment	
	2012 £	2011 £
Cost		
At 1 July	5,424	5,424
Additions	264	-
At 30 June	5,688	5,424
Depreciation		
At 1 July	5,424	4,420
Depreciation for the year	8	1,004
At 30 June	5,432	5,424
Net book value		
At 30 June 2012 and 30 June 2011	256	-
At 30 June 2011 and 30 June 2010	-	1,004

16. Called up share capital

	2012 £	2011 £
Allotted, issued and fully paid:		
102,099,770 ordinary shares of £0.01 each	1,020,998	1,020,998

	Number	Issued and fully paid capital £	Share premium reserve £
Issued share capital:			
As at 1 July 2011 and 30 June 2012	102,099,770	1,020,998	21,915,804

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

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

	Group 2012 £	Group 2011 £
Operating loss from continuing operations	(707,364)	(718,202)
Operating loss from discontinued operations	(162,296)	(1,188,479)
Impairment	-	1,162,168
Loss from re-measurement of assets held for sale	60,291	-
Depreciation	113,672	149,755
Loss on retirement of assets	-	368
Cost of issuing share options	-	18,445
Decrease in trade and other receivables	80,894	21,107
Decrease in trade and other payables	(65,957)	(59,763)
Effect of translation differences	(87,531)	343,020
Net cash outflow from operating activities	(768,291)	(271,581)

	Company 2012 £	Company 2011 £
Operating loss	(463,651)	(480,921)
Depreciation	8	1,004
Cost of issuing share options	-	18,445
Decrease in trade and other receivables	3,674	9,410
Increase in trade and other payables	(180)	(40,888)
Net cash outflow from operating activities	(460,149)	(492,950)

18. Control

No one party is identified as controlling the Company.

19. 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.

20. 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 2012, the Group has no fixed financial commitments in respect of any other programmes other than maintaining its interest in its existing joint ventures. Before any new wells are commenced in relation to these joint ventures, the Group must first elect to participate in any proposed well thereby allowing the Group to decline participation if it deems appropriate.

21. Financial instruments

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

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

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

Market risk

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

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

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

21. Financial instruments (continued)

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 2012	Fixed interest rate 2012	Non - interest bearing 2012
Financial assets:	%	£	£
Cash on Deposit	0.15	1,946,496	-
Trade and other receivables	-	-	284,104

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.

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).

21. Financial instruments (continued)

Credit risk management

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

Trade receivables at 30 June 2012 consist primarily of revenues owed for production. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Capital management

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

22. Share based payments

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

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Cost of issuing share options	-	18,445	-	18,445

Movements in share options in issue

Exercise price	Number of options issued as of 30 June 2011	Issued during year	Expired during year	Number of options issued as of 30 June 2012
£0.20	340,144	-	(340,144)	-
£0.30	750,000	-	-	750,000
£0.40	550,000	-	-	550,000
£0.50	500,000	-	-	500,000
£0.60	300,000	-	-	300,000
£1.00	100,000	-	-	100,000
£1.50	100,000	-	-	100,000
£2.00	100,000	-	-	100,000
Total	2,740,144	-	(340,144)	2,400,000

All shares options in existence at the year end have vested and are thus exercisable.

The weighted average exercise price of share options outstanding and exercisable at the end of the period was £0.55 (2011: £0.51).

22. Share based payments (continued)

The weighted average remaining contractual life for the share options outstanding as at 30 June 2012 was 1.94 years (2011: 2.63 years)

23. Related party transactions

There were no related party transactions during the period other than the payment of remuneration to directors.

24. Post balance sheet events

The Company has introduced an annual incentive scheme for the executive directors commencing for the financial year to 30 June 2013. The scheme has been developed in conjunction with external executive compensation consultants, Deloitte LLP. Any incentive bonus resulting from the scheme will be shared by executive directors and will be calculated as 2.25% of the value of "net-booked reserves" for a period (deducting any net-booked reserves recognised in earlier periods for this purpose). For the purposes of the scheme, net-booked reserves will include 100% of Proved reserves and 25% of Probable reserves booked to the group, as determined by an independent third party in accordance with the classification definitions as mandated by the Society of Petroleum Engineers. The Remuneration Committee will determine the extent to which any annual bonus will be settled in cash or share options with a discounted exercise price. The cash component will be at least one third of the total and there is no obligation to pay any of the annual bonus by way of share options. In the event of a sale of the Company or other change of control, the calculation will be undertaken for that period by reference to the equity value of the Company (less the value of net booked reserves recognised in earlier periods). The Remuneration Committee believes that this new annual incentive, together with the existing out of the money share options, presently granted over approximately 2% of the Company's share capital, provide an appropriate and reasonable structure to reward the executive directors for performance that is aligned to the interests of shareholders as any potential benefit from this scheme is conditional upon the booking of net-booked reserves.