

PANTHEON RESOURCES PLC

INTERIM REPORT (UNAUDITED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

Overview

Pantheon's strategy, to complete the delineation of hydrocarbons across our acreage in Polk and Tyler Counties and seek a full value exit for shareholders, remains unchanged. The six month period to the end of December 2016 maintained our progress towards this objective. Importantly, the Board's belief and confidence in the geological model has progressed substantially and nothing we have seen to date diminishes the geological potential of the play. Indeed, the discovery of two new hydrocarbon bearing zones within the VOBM#4 well, the Wilcox and the Navarro, neither of which has previously been productive in the immediate area, adds potential to the resource base.

A coordinated production scheme, for the three wells drilled in our West AA Eagle Ford sandstone discovery in Polk County, is firmly in sight, with the signing of a definitive agreement for a dedicated gas processing plant awaiting only the final test results from the sidetracked VOBM#2H well.

In Tyler County, pre flow testing operations of the potentially commercial Wilcox discovery at VOBM#4 have recently commenced. Although testing was delayed by a series of safety and mechanical issues, a successful well could add substantially to the existing production and resource potential within our Tyler county acreage, following the successful discovery at VOS#1. The drilling programme has confirmed that the Eagle Ford sandstone and potentially the Wilcox (subject to results from flow testing) reservoirs both promise highly attractive, low cost, quick payback production. Should the Wilcox prove successful, we have identified significant scope for additional Wilcox wells on our acreage.

First production will be a hugely significant moment in the Company's history. As an indication of the exceptional potential profitability of the Polk County operations, at today's commodity prices (WTI at \$49/barrel and Henry Hub natural gas at \$3.20/mmbtu), if the VOBM#1 well produces at 1,500/boepd, the constrained rate at which it was tested, and taking account of the terms of the accelerated payback arrangement concluded last year, will generate over \$700,000 a month of free cash flow to Pantheon (after royalties and production taxes). The well should pay back the cost of drilling a modelled Polk County vertical well within three and half months, consistent with management's objective of working towards a self-financing drilling programme, minimizing equity dilution. Critically, these flow rates are based upon the 12/64th choke aperture used in flow testing. During production it is not uncommon to use significantly larger choke sizes which would be expected to produce materially greater flow rates.

Financial and Corporate

The interim results show a loss for the period of £0.68m (2015: £0.44m). At 31 December 2016, the balance sheet had cash and cash equivalents of \$8.5m (£6.9m) with an additional credit of \$0.7m (£0.5m) lodged with the operator Vision Resources to set off against future invoices. The Company continues to run a low cost operation and as of 28 March 2017 the Company had cash and cash equivalents of US\$5.8m (£4.7m).

Pantheon has also already spent more than \$0.6m (£0.5m) to cover transmission arrangements (pipeline, surface equipment and rights of way) that will shortly link the fully dedicated production facility for our Polk County wells to the nearby trunkline less than two miles away; a measure of our and Vision's confidence in first production.

Drilling costs have dropped considerably with a vertical Polk County well targeting the Eagle Ford sandstone now forecast to cost as little as US\$4m (100% basis) to drill and complete. The cost of a shallower Wilcox well is estimated to be significantly lower at circa US\$2m (100% basis).

During the six month period, Pantheon completed the acquisition of an additional 8% interest in the West Double A and West West Double A prospects in Polk County. Pantheon's working interest in these two prospects has increased from 50% to 58%. The consideration was an up-front cash payment of US\$6.5m, plus an additional 20% of the drilling and completion costs of the VOBM#2H and VOBM#3 wells. In return Pantheon benefits from an accelerated payback mechanism whereby it will receive 70% of production

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revenues until such time as the acquisition and the additional drilling costs of the VOBM#2H and VOBM#3 wells have been recouped, at which point revenues will revert back to Pantheon's net 58% revenue interest.

The accelerated payback mechanism, as already noted, is forecast to generate material additional early cash flow for the Company as soon as Polk County is on production. Having analysed three different options for the development, the Board has determined that the optimal solution is to use a third party supplied, dedicated gas processing plant, that will transport the gas by pipeline, wholly owned (and already paid for) by the operator and Pantheon, to the nearest trunk line. The tap in point and rights of way agreements are already in place. This solution has been chosen to maximize the netbacks from production while also giving the partners complete control over the rate and duration of all production over the life of operations. Strategically and financially, it is the most valuable option. Terms and conditions with the contractor have been agreed and the contract signing is planned once testing and analysis of the sidetracked VOBM#2H well has been completed, to allow for any possible changes to the sizing and specification of the plant.

It was announced in December that the Company has appointed Phillip Gobe as Senior Independent Director of the Company. Mr Gobe is a Non-Executive Director of a prominent listed oil and gas company, Pioneer Natural Resources and a privately owned service company in the United States, Scientific International Drilling Inc and has more than 40 years of experience in the oil and gas industry, which included running the giant Prudhoe Bay oil field operations (USA's largest oil field) for Atlantic Richfield Company. His expertise and experience in operations is already proving of invaluable assistance as the Company moves towards the new production phase. Phillip bought 50,000 shares at a price of 89p per share shortly after his appointment.

Operational

In the six months to 31 December 2016 Vision, as operator, (the "Operator") spudded three new wells, two at new locations (VOBM#3 in Polk County and VOBM#4 in Tyler County), and the third being a deviated sidetrack of the VOBM#2H in Polk County, which was originally drilled horizontally. It also completed and tested a fracture stimulation of its first well in Tyler County (VOS#1). Since the period end Vision has completed the deviated sidetrack of VOBM#2H and is due to test the Eagle Ford discovery in this well. Pre flow testing operations on the newly discovered Wilcox formation at VOBM#4 have recently commenced. The results and latest status of these various operations can be summarized as follows:

VOS#1 (Tyler County)

In September 2016, the Operator completed a fracture stimulation of the top 25ft of the 270ft Eagle Ford sand section of the original discovery. During the fracture treatment the Operator also perforated and fracked a 20ft section of the Austin Chalk, as this was seen as a unique opportunity to gain valuable data from this formation. Because of its slightly lower reservoir pressures, the Austin Chalk is likely to contribute production later in the well's productive life than the Eagle Ford sandstone. Although the fracture stimulation produced only a modest improvement in flow rates (c.920 boepd), an excellent flowing tubing pressure response to changes in choke size was also observed, a potentially positive indicator that initial flow rates can be sustained for longer once we move into production. The well has been shut in pending further Tyler County drilling and hookup to a pipeline. At the tested flow rates, and at current oil and gas prices, the well has the potential to recover its costs in little more than a year.

VOBM#2H (Polk County)

VOBM#2H is the only well that we have attempted to drill horizontally, but this procedure will not be repeated. The idea was that, if successful, horizontal drilling could have increased ultimate recovery and well flow rates from the Eagle Ford sandstone by two or three times those of a vertical well, justifying the 50-60% expected increase in costs per well. What we have learnt is that the Eagle Ford sandstone at this location is too hard and abrasive to drill horizontally. The well was suspended in September 2016 for cost benefit reasons after experiencing a series of equipment failures and over-running against schedule. It did however successfully locate the Eagle Ford sandstone and flared gas for several days, validating the geological prognosis. The VOBM#2H well was subsequently sidetracked to a total measured depth of c.16,450 feet, with data from electronic logs indicating the presence of hydrocarbons in a potentially significant reservoir in the Eagle Ford sandstone. The commencement of flow testing has been delayed for some weeks and was impacted by the knock on effect of the delays in the VOBM#4 well. The well is

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presently awaiting the arrival of the tools and equipment required for completion of a vertical to horizontal to vertical wellbore (in high temperature/high pressure environment), following which flow testing operations will commence. On success, production from the sidetracked VOBM#2H well will be connected into the planned Polk County production facility at the earliest opportunity.

VOBM#3 (Polk County)

Pantheon announced in November 2016 that preliminary flow testing results from the VOBM#3 well in Polk County had produced variable flow rates, indicating a well that was continuing to clean up. On a 10/64ths choke, smaller than the one used to flow test the VOBM#1 well, flowing tubing pressure (“FTP”) ranged from 4,000 to 5,900 psi. Natural gas flow rates ranged from 1,500 to 3,000 mcfpd and the oil (51 degree API) flow rate ranged from 24 to 240 bopd, a combined equivalent of 274 to 740 boepd. Unrecovered fracture stimulation fluid may have contributed to the variability in flow results. Given the variability in flow data, it is too early to predict the well’s ultimate potential. Based on the data received to date, management believes that the well will be a commercial producer. Reinterpretation and analysis of 3D seismic information following logging data from this well suggests that VOBM#3 is located near the edge of the reservoir, accounting for the differences with the excellent flow test data from the VOBM#1 well, which is located circa one mile away, but appears to be more centrally located within the mini basin. The VOBM#3 well is currently shut in. Further testing will be completed directly into the Polk County production facility as soon as it has been completed, allowing the Company to benefit from the sale of the tested hydrocarbons rather than flaring them.

VOBM#4 (Tyler County)

The VOBM#4 well, spudded in November 2016, was designed as a large, five mile step out exploration/appraisal from VOS#1 in Tyler County, targeting the Eagle Ford sandstone. It was initially deemed to be riskier than previous wells, as the target sand is in a new mini- basin, which management believed to be a possible extension of the Eagle Ford sandstone reservoirs encountered in the VOS#1 well. Drilling relied on 2-D rather than 3-D seismic, and is located a geologically significant distance from the VOS#1 well. Having encountered a discovery in two other hydrocarbon bearing zones, the Wilcox and Navarro formations at shallower depths, the well did not reach the targeted Eagle Ford sandstone formation. The operator concluded that setting a third string of small diameter casing in an attempt to reach the Eagle Ford posed unnecessary risk and would necessitate the use of smaller, suboptimal tools which could compromise deeper drilling operations as well as uphole completions of the shallower formations. These zones have the potential to be significant producers in their own right.

Operations were delayed for seven weeks on safety grounds following the discovery that the integrity of the pipework within the wellbore was compromised requiring multiple cement squeezes which were successful in resolving the issue. The financial impact of these delays has not been material. Despite not reaching the Eagle Ford sandstone, the Company continues to believe the formation is present in this area and intends to target the Eagle Ford in future wells.

Pre flow testing operations were scheduled for commencement on 16 March 2017, however were set back by over a week and a half due to a third party contractor arriving on location with incorrect equipment. This equipment has recently arrived and pre flow testing operations in the Wilcox formation have now commenced. Results of flow testing will be reported once complete.

The Board is mindful of the effects of operational delays on the timing of the Company’s drilling results and newsflow. The operator has been forced to change its third party suppliers on numerous occasions in the last nine months after experiencing avoidable errors including suppliers delivering the wrong equipment, unjustifiably long lead times, repeated equipment failures, supply of incorrectly specified drilling materials such as cement and mud, and other poorly executed service operations. While there is scope to recover some portion of the additional costs incurred as a result of these lapses, there is unfortunately no way to recover the time that has been lost. The Operator has been working closely with its service company partners, Haliburton and Schlumberger, to improve operational performance and this should bear fruit during the next phase of drilling. These delays have tested the patience of management and shareholders alike. They have not however impacted the size or extent of the resource we are targeting which remains undiminished. Every well the Company has so far drilled has found hydrocarbons in what we believe to be commercial quantities.

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The Board reminds shareholders of its absolute focus on maximizing shareholder value in the long term. By definition, it necessitates that there are times when for strategic or operational reasons it is considered in the best interests of all shareholders to not provide as much granularity on operational activities as may be desired (whilst always being fully cognizant of Pantheon's obligations under the Market Abuse Regulations and the AIM Rules). A great deal of proprietary intellectual property exists in relation to our ever increasing understanding of this play, in what we believe could be one of the lowest cost producing basins in North America. It is important that this competitive advantage can be exploited exclusively by ourselves and our working interest partners.

Outlook

A total of three wells are planned in the next phase of the 2017 drilling programme which the Board is planning to fund from operating cashflow and existing resources. The precise location of those wells will be determined by the flow test results from VOBM#2H and VOBM#4 when they are completed. The current expectation is to drill one well in Polk County, targeting the Eagle Ford sandstone in the West AA or West West AA prospects, a second well in Tyler County (targeting the newly discovered Wilcox formation) and the third being the step-out centre basin test of the Eagle Ford sandstone reservoir that was the original target of VOBM#4. The centre basin test will be now drilled from a separate nearby location, taking advantage of the additional information and experience that has been obtained to date. It is important to emphasise that in order to optimize the delineation of complex high pressure, high temperature formations such as the Eagle Ford sandstone, every well result provides a wealth of new information that needs to be carefully analysed and interpreted before the next step is determined.

The Board looks forward to announcing the results from VOBM#2H and VOBM#4 as soon as available and entering into an agreement in relation to gas processing facilities soon after.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2016**

	6 months ended 31 December 2016 (unaudited) £	6 months ended 31 December 2015 (unaudited) £	Year ended 30 June 2016 (audited) £
Continuing operations			
Revenue	-	381	385
Cost of sales	-	(476)	(515)
Gross loss	-	(95)	(130)
Administrative expenses	(688,951)	(386,896)	(874,675)
Share-based payments	-	(53,812)	(53,813)
Operating loss	(688,951)	(440,803)	(928,618)
Interest receivable	3,682	1,190	4,305
Loss before taxation	(685,269)	(439,613)	(924,313)
Taxation	-	-	-
Loss for the period	(685,269)	(439,613)	(924,313)
Other comprehensive income for the period:			
Exchange differences from translating foreign currency	3,122,704	1,321,191	5,128,926
Total comprehensive income for the period	2,437,435	881,578	4,204,613
Attributable to:			
Equity holders of the company	2,437,435	881,578	4,204,613
Loss per ordinary share			
- continuing operations: (note 2)			
- Basic and diluted	(0.32)p	(0.22)p	(0.46)p

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2016**

	Share capital £	Share premium £	Retained losses £	Currency reserve £	Equity reserve £	Total Equity £
Group						
At 30 June 2016	2,149,574	59,127,560	(21,237,454)	6,049,395	430,501	46,519,576
Net loss for the period	-	-	(685,269)	-	-	(685,269)
<i>Other comprehensive income:</i>						
Foreign currency translation	-	-	-	3,122,704	-	3,122,704
Total comprehensive income for the period	-	-	(685,269)	3,122,704	-	2,437,435
Share-based payments						
Issue of share options	-	-	-	-	-	-
Balance at 31 December 2016	<u>2,149,574</u>	<u>59,127,560</u>	<u>(21,922,723)</u>	<u>9,172,099</u>	<u>430,501</u>	<u>48,957,011</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2015**

	Share capital £	Share premium £	Retained losses £	Currency reserve £	Equity reserve £	Total Equity £
Group						
At 30 June 2015	1,963,564	38,822,059	(20,313,141)	920,469	376,688	21,769,639
Net loss for the period	-	-	(439,613)	-	-	(439,613)
<i>Other comprehensive income:</i>						
Foreign currency translation	-	-	-	1,321,191	-	1,321,191
Total comprehensive income for the period	-	-	(439,613)	1,321,191	-	881,578
Share-based payments						
Issue of share options	-	-	-	-	53,812	53,812
Balance at 31 December 2015	<u>1,963,564</u>	<u>38,822,059</u>	<u>(20,752,754)</u>	<u>2,241,660</u>	<u>430,500</u>	<u>22,705,029</u>

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016**

Group	Share capital £	Share premium £	Retained losses £	Currency reserve £	Equity reserve £	Total Equity £
At 1 July 2015	1,963,564	38,822,059	(20,313,141)	920,469	376,688	21,769,639
Net loss for the year	-	-	(924,313)	-	-	(924,313)
Other comprehensive income:						
Foreign currency translation	-	-	-	5,128,926	-	5,128,926
Total comprehensive income for the year	-	-	(924,313)	5,128,926	-	4,204,613
Capital Raising						
Issue of shares	183,543	20,923,894	-	-	-	21,107,437
Issue of shares in lieu of fees	2,467	281,317	-	-	-	283,784
Issue costs	-	(899,710)	-	-	-	(899,710)
Share-based payments						
Issue of share options	-	-	-	-	53,813	53,813
Balance at 30 June 2016	2,149,574	59,127,560	(21,237,454)	6,049,395	430,501	46,519,576

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	31 December 2016 (unaudited) £	31 December 2015 (unaudited) £	30 June 2016 (audited) £
ASSETS			
Non-Current Assets			
Exploration and evaluation assets (note 3)	42,036,582	22,480,230	28,510,585
Property, plant & equipment	1,869	2,243	2,243
	<u>42,038,451</u>	<u>22,482,473</u>	<u>28,512,828</u>
Current Assets			
Trade and other receivables	230,787	215,308	263,753
Cash and cash equivalents	6,886,445	124,916	17,903,257
	<u>7,117,232</u>	<u>340,224</u>	<u>18,167,010</u>
Total assets	<u>49,155,683</u>	<u>22,822,697</u>	<u>46,679,838</u>
LIABILITIES			
Current liabilities			
Trade and other payables	198,672	117,668	160,262
Total liabilities	<u>198,672</u>	<u>117,668</u>	<u>160,262</u>
Net assets	<u>48,957,011</u>	<u>22,705,029</u>	<u>46,519,576</u>
EQUITY			
Capital and reserves			
Share capital	2,149,574	1,963,564	2,149,574
Share premium	59,127,560	38,822,059	59,127,560
Retained losses	(21,922,723)	(20,752,754)	(21,237,454)
Currency reserve	9,172,099	2,241,660	6,049,395
Equity reserve	430,501	430,500	430,501
Shareholders' funds	<u>48,957,011</u>	<u>22,705,029</u>	<u>46,519,576</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

	6 months ended 31 December 2016 (unaudited) £	6 months ended 31 December 2015 (unaudited) £	Year ended 30 June 2016 (audited) £
Net cash outflow from operating activities	376,225	(137,425)	1,200,559
Cash flows from investing activities			
Funds used for drilling and exploration	(11,396,720)	(5,004,834)	(9,044,104)
Interest received	3,682	1,190	4,305
Interest paid	-	-	(15,000)
Purchase of plant and equipment	-	-	-
Net cash outflow from investing activities	(11,393,038)	(5,003,644)	(9,054,799)
Cash flows from financing activities			
Proceeds from issue of shares	-	-	21,107,437
Issue costs	-	-	(615,925)
Net cash inflow from financing activities	-	-	20,491,512
Net (decrease)/increase in cash and cash equivalents	(11,016,813)	(5,141,069)	12,637,272
Cash and cash equivalents at the beginning of the period	17,903,257	5,265,985	5,265,985
Cash and cash equivalents at the end of the period	6,886,445	124,916	17,903,257

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	6 months ended 31 December 2016 (unaudited) £	6 months ended 31 December 2015 (unaudited) £	Year ended 30 June 2016 (audited) £
Operating loss from continuing operations	(685,269)	(440,803)	(924,313)
Net Interest (received)/paid	(3,682)	-	10,695
Unrealised (gains) /losses on assets held for sale	(10,034)	-	3,731
Depreciation	374	1,346	1,346
Decrease/(Increase) in trade and other receivables	43,000	(33,045)	(85,221)
Increase in trade and other payables	38,411	29,157	71,751
Share-based payment charges	-	53,813	53,813
Effect of translation differences	993,425	252,107	2,068,757
Net cash inflow/(outflow) from operating activities	376,225	(137,425)	1,200,559

**NOTES TO THE FINANCIAL INFORMATION
FOR THE PERIOD ENDED 31 DECEMBER 2016**

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

This financial information has been prepared using the historical cost convention. In addition, the financial information has been prepared based on International Financial Reporting Standards, as adopted by the European Union (“IFRS”), including IFRS 6 “Exploration for and Evaluation of Mineral Resources”.

This interim report has been prepared on a basis consistent with the Group’s expected accounting policies for the year ending 30 June 2017. These accounting policies are the same as those set out in the Group’s Annual Report and Financial Statements for the year ended 30 June 2016, which are available from the registered office or the company’s website (www.pantheonresources.com). Per note 1.3 the Group intends to change its functional currency to US Dollars after production revenues commence.

The Group financial information is presented in UK pounds sterling and is unaudited. The interim financial information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparative figures for the year ended 30 June 2016 have been taken from the Group’s statutory accounts for that financial year, which have been reported on by the Group’s auditors and delivered to the Registrar of Companies. The auditors’ report on those accounts was unqualified, did not contain references to any matters to which the auditors drew attention without qualifying their report and did not contain any statement under section 498 (2) or 498 (3) of the Companies Act 2006.

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. 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. The company estimates that they will commence

**NOTES TO THE FINANCIAL INFORMATION
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generating production revenues from its Polk County Operations in Q2 2017, following which it intends to change the functional currency to the United States Dollar (USD).

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.

1.4. 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.

1.5. 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.

1.6. 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.

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

Exploration and Development costs in relation to the Tyler & Polk County projects are accounted for pursuant to the Successful Efforts method of accounting. Accordingly, the exploration and evaluation asset's carrying value solely represents back costs, land and other direct acquisition costs paid in relation to the Group's Tyler & Polk County projects, and prepayments towards the drilling of future wells.

1.7. Impairment of exploration and development costs and depreciation of plant & equipment

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.

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

Other property, plant & equipment 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, in most cases being seven years.
- Office equipment is depreciated by equal annual instalments over their expected useful lives, being four years.

2. Loss per share

	6 months ended 31 December 2016 (unaudited)	6 months ended 31 December 2015 (unaudited)	Year ended 30 June 2016 (audited)
Loss per ordinary share from continuing operations:			
Basic	(0.32)p	(0.22)p	(0.46)p

The calculation above for the basis loss per share has been calculated by dividing the relevant loss for the period by the weighted average number of ordinary shares in issue of 214,957,458 (December 2015: 196,356,396; June 2016: 202,115,081). The diluted loss per share is calculated by dividing the relevant loss for the period by the weighted average number of dilutive shares in issue of 214,957,458, however the conversion of share options is anti-dilutive, therefore the diluted loss per share has been kept the same as the basic loss per share.

**NOTES TO THE FINANCIAL INFORMATION
FOR THE PERIOD ENDED 31 DECEMBER 2016**

3. Exploration and evaluation assets

	Exploration & evaluation assets £
Group	
<i>Cost:</i>	
At 30 June 2016	28,510,585
Additions	11,396,720
Effects of foreign exchange	2,129,277
At 31 December 2016	<u>42,036,582</u>
<i>Net book value:</i>	
At 31 December 2016	<u>42,036,582</u>
At 30 June 2016	<u>28,510,585</u>

4. Approval by Directors

The interim report for the six months ended 31 December 2016 was approved by the Directors on 30 March 2017.

5. Availability of Interim Report

The interim report will be made available shortly on the Company's website (www.pantheonresources.com), with further copies available on request from the Company's registered office.

6. Contingent liability

Pantheon is in dispute with an independent third party consultant who provided geological consultancy services to Pantheon during the period 2008 to 2010. The consultant is seeking a payment of \$25,000 per successfully completed well and a 1% overriding royalty interest on future revenues attributable to Pantheon from Pantheon's Polk and Tyler County interests. Pantheon has filed a lawsuit against the consultant, seeking a declaration that the claims are without merit and that the consultant has no entitlement to any such overriding royalty or cash payment. Regardless of the outcome, the financial impact upon Pantheon is not considered material

7. Subsequent events

Pre flow testing operations on the VOBM#4 well have recently commenced and results from these operations will be reported at the completion of the flow test. VOBM#2 well flow testing is expected to commence shortly.