Pantheon Resources plc – Final Results for the Year Ended 30 June 2008

Pantheon Resources plc ("Pantheon", the "Company" or the "Group"), the AIM-quoted oil and gas exploration company active in the Gulf of Mexico, today announces its final results for the period ended 30 June 2008. The Company has published its annual report and accounts for the year ended 30 June 2008, copies of which are today being posted to shareholders and will be available on the Company's website at www.pantheonresources.com

KEY POINTS

- Two major events occurred during the year; the appointment of a Chief Executive Officer and the subsequent entry into the Austin Chalk Tyler County Venture located in East Texas.
- New CEO, Jay Cheatham, has re-focused Pantheon and implemented new strategic plan.
- Pantheon now re-positioned away from single-well prospects into plays with major development potential.
- Pantheon has an exciting programme of development and exploration activity ahead and a strengthened management structure and focus.
- Two successful capital raisings to raise a total of £5.44 million before costs.
- Operating loss for financial 2008 £4.87 million compares with £5.33 million for financial 2007.
- Results dominated by exceptional items relating to material impairments, notably Wilson but also Point Clair and Nottoway Dome in South Louisiana and Manzano.
- Post balance date success of the Jumonville #1 well on the Bullseye prospect. This has the potential to be one of the largest onshore discoveries in South Louisiana in recent years.
- First appraisal well on Bullseye, Acosta#1, spudded in November 2008.
- First well on Tyler County Austin Chalk venture spudded in November 2008.

Further information:

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or see the Company's website at www.pantheonresources.com

CHAIRMAN'S STATEMENT

Pantheon ended its financial year in a robust position, generating cash flow and facing an exciting and active future. Two major events occurred during the year; the appointment of a Chief Executive Officer and the subsequent entry into the Tyler County Venture. Although announced after the year-end, the success of the Jumonville #1 well on the Bullseye prospect should be emphasised. Its overall significance may be underscored as it has the potential to be one of the largest onshore discoveries in South Louisiana in recent years. The impact on Pantheon may be considered to have potentially a similar portent.

Returning to the year under review, the most significant event was the announcement in January 2008 that Jay Cheatham had been appointed Chief Executive Officer. Jay's remit was to determine and implement a new strategic plan for Pantheon. Already his experience, knowledge and enthusiasm have revitalised the Company and positioned it ready to capitalise on all the opportunities ahead.

Jay's appointment coincided with a period of encouraging development for the Group. At the end of the first six months of the year, positive cash flow was being generated from six wells. In addition there was a number of low to moderate risk prospects in the exploration inventory. Finally, drilling was progressing on the high-impact Nottoway Dome prospect located in South Louisiana.

Within a short period, this changed and Pantheon faced a series of disappointments. The Nottoway Dome well was abandoned for mechanical reasons, although natural gas shows had been encountered. A well on the Point Clair prospect was unsuccessful. At Padre Island, increased risk factors and changed commercial terms led to the reluctant decision not to participate in drilling the deep Manzano prospect. Later, production on the Wilson well commenced to decline more rapidly than expected. In September 2008 it was announced that the well had been shut-in. The Board has written off all the capitalised costs incurred in relation to this well in the Group's accounts.

These setbacks augmented the general industry malaise of rising costs, a tight rig market and an inexperienced industry workforce leading to delays, hold-ups and setbacks. All these industry and Pantheon-specific factors only served to highlight and reinforce the precarious nature of the oil and gas exploration business, especially if focussed on single-well prospects.

It was Jay's remit to re-focus the Group. His decision was to re-position Pantheon away from single-well prospects into plays with major development potential with each one still retaining the capability of being a "company maker". This led to the Group's second key step in 2008; in May it entered into the Tyler County venture, located in East Texas.

This venture epitomises the Group's refreshed corporate strategy. Targeted at the well-known Austin Chalk play, the initial stage is for three wells to be drilled. This modest start belies a potentially very large play with major value-creation potential to Pantheon and its shareholders. In the event of success, a further 30 to 60 wells might be drilled; essentially a development scheme for a new field. Pantheon continues to analyse similar opportunities in conjunction with established operators. The aim, as always, is to enhance shareholder value and returns.

Drilling has recently commenced on the Tyler County venture with the spudding of the Vision Rice University #1 well. Delays had been incurred due to an active hurricane season which caused a general hiatus in onshore drilling in the Gulf Coast region. Events since then have led to a reassessment of timing and costs within the industry. Falls in both crude oil and natural gas markets combined with the financial turmoil of recent months, have led to a softening rig market and a decline in costs. Pantheon has taken advantage of these factors to lower its drilling costs.

Pantheon's pre-Tyler County assets have yielded a major result. In September 2008 it was announced that the Jumonville #1 well on the Bullseye prospect had confirmed a very significant discovery for the Group. Drilling of the first delineation well, Acosta #1, is now underway. This is a re-entry of a previous well which was abandoned due to mechanical problems. It provides a low cost and low risk opportunity to add potentially new production from the same reservoirs as at Jumonville #1. Success with the Acosta # 1 well would represent a material event for Pantheon.

A second delineation well is also planned, Jumonville #2. This will not only act as a delineation/production well but will also be the initial test of the deeper, structurally larger Cib Haz formation.

Pantheon has been active in the capital markets during 2008. To fund its new venture in Tyler County, the Company raised £4.54 million by way of a placing of 22.68 million shares in May 2008. This followed a separate funding exercise in November 2007 when £900,000 was raised through a placing of 1.5 million shares.

During 2008, the changing and increasing asset base led to a re-consideration of corporate resources within the Board's policy of maintaining low overheads. In addition to Jay's appointment as CEO, the Board had already been strengthened by the appointment of John Walmsley as a non-executive director in August 2007. His extensive experience in the oil and gas industry has proven invaluable over the past year. Jay has also added to the Company's resources in the geological and financial areas through selective consultancy arrangements.

On a personal note, I would like to wish Justin Hondris well in his new executive position as Director, Finance and Corporate Development. Justin was a key figure in founding Pantheon and it was at his invitation that I became Chairman. We have worked together closely since the initial public offering. As I have witnessed, his commitment to the Company and its shareholders is undoubted.

These remain exceptionally difficult times for equity markets. However, I remain confident in the substantial value that has been created at Bullseye and that may still be generated from the Group's exploration and appraisal programme.

Looking forward, Pantheon is on an assured and reinvigorated footing. It is generating cash flow. It has an exciting programme of development and exploration activity ahead and a strengthened management structure and focus. All of these should contribute materially to value creation for the Group. I look forward to reporting on Pantheon's progress through the coming year.

Susan Graham
18 November 2008

CHIEF EXECUTIVE OFFICER'S STATEMENT

When I took over as Pantheon's Chief Executive in January 2008 I was excited to be back in the industry I grew up in and love. No amount of bad news is able to dim the enthusiasm with which I approach each day. The Pantheon cupboard was full in January 2008. The Company had already achieved a successful start with both the Wilson (2.5 mmcfd) and Dunn Deep (3.1 mmcfd) test wells coming onstream within 18 months of the Company's float on AIM. By the time I arrived Pantheon was generating cash flow from these and a further four discovery wells in which it had participated. Petro Hunt LLC was making good progress on the Nottoway Dome well in South Louisiana, the first in a series of high-impact wells, and Pantheon had a number of low to moderate risk prospects in its inventory. Life looked pretty good as I surveyed the Group's position.

The reality of the next four months was a reminder that this is a risky business, especially for a small exploration-oriented company. First, the Company decided not to participate in the Manzano prospect due to increased risk factors and changed terms of participation. In February 2008, after the drill string stuck for a second time, Petro Hunt recommended plugging and abandoning the Nottoway Dome well. This was a huge disappointment, especially after experiencing natural gas shows. Six weeks later on 1 April, Petro Hunt recommended that Point Clair, a sister well to Nottoway, was also plugged and abandoned. Many people predicted the demise of Pantheon. It was not as much fun coming to work each day with shareholders wanting to know what the plan was now.

I had decided early on that I wanted, if possible, to move the Group away from single-well prospects to more programme-type prospects. This revised strategy was accompanied with a requirement for additional funding for any new drilling venture. I hired Dr. Ed Duncan as a consultant in February. Ed had been looking at the Tyler County Austin Chalk play in East Texas, part of a much larger and well-known play that stretches from Louisiana through to the Texas-Mexico border. He mentioned it to me. As many of you know I have a 50 year family history in the Austin Chalk together with a 20 year history with Arco in the chalk; I was excited. We began working together to secure a portion of this play for Pantheon.

Tyler County, Austin Chalk

Pantheon secured a 25% interest in this 30,000 acre play and successfully raised £4.54 million before costs for Tyler County drilling in June 2008. Enough funding was raised for the drilling of the first two Tyler County wells plus the Company's share of back costs on these wells. As I write this, drilling is underway on the first Tyler County well, Vision Rice University #1. This spudded on November 12 2008. Vision was able to negotiate a rig rate that was lower than the rate available only a few weeks ago thereby substantially reducing drilling costs.

The area of the Austin Chalk in which Pantheon has an interest in is the "down-dip" chalk in the Brookeland Field of East Texas. Oil is prevalent in the "up-dip" portion of the field. The down-dip natural gas has only been discovered recently. The chalk is a self-sourcing, fine grained limestone with limited matrix permeability and porosity. Natural gas is more fluid than oil and produces at a higher equivalent rate in the chalk than oil. The down-dip portion, with higher pressures and potentially more fractures in the formation, allows for these higher equivalent production rates.

Success in this venture would prove up an extension to the Brookeland Field and may lead to a 30 to 60 well programme for Pantheon.

Bullseye

Although discovered after the end of the financial year, Bullseye should be highlighted as it is an exceptional success for Pantheon. The Jumonville #1 well was the third and final well in the Company's series of South Louisiana high impact wells. This discovery cements the Group's position and should generate significant cash flow for many years. As I write the permanent production facilities are in place. These are capable of handling up to 5,000 barrels per day. Construction of the natural gas sales line is proceeding. Pantheon has an 11.25% working interest in the Bullseye prospect.

Gross production rose to 747 barrels per day on October 31 from an initial 500 barrels per day rate with only a 200 psi (3%) drop in flowing pressure. I am pleased to see such a small pressure drop which usually indicates a high quality reservoir. No water production and a modest GOR (gas to oil ratio) are also positives. After completion of the natural gas sales line, oil production may be increased as natural gas sales commence and flaring ceases.

Plans are underway for the drilling of Jumonville #2 to test the deeper Cib Haz formation. This has potential reserves of 20 million barrels. It will also penetrate the Miogyp, the zone currently producing at Jumonville #1, and the Camerina. The latter was not flow tested but the presence of hydrocarbons was indicated in the Jumonville #1 well.

The operator has recently re-entered the Acosta well to test the Camerina and Miogyp formations. This well is located to the east of the Jumonville #1 well. The original Acosta well penetrated the Miogyp, but was abandoned for mechanical reasons. This re-entry has the possibility to be an inexpensive producing well, if successful, as it costs approximately 50% of a new well.

Padre Island and Wharton

Pantheon's six producing wells prior to Bullseye (Jumonville #1) have yielded a mixture of good and poor results. These were all onstream at some stage during the year under review. Dunn Deep (Padre Island) was declared commercial in September 2007 and put on production almost immediately. It is now declining normally, as are Zebu and Baptist in the Wharton venture. Wilson (Padre Island) was declared commercial in June 2007 and commenced production in September 2007. This proved a significant disappointment as the Company has its largest net revenue interest (22%) in that project. We are awaiting a decision from the operator on how to proceed on Wilson. The Board has taken the decision to write off the carrying value of Wilson.

Production

Financial 2008 has been a mixture of promise and disappointment for Pantheon Resources as outlined earlier. During financial 2008 net production averaged 505 thousand cubic feet of gas per day ("mcfed") peaking at 800 mcfed in October, 2007. Of the six wells where production was recorded during the year, four, Dunn Deep at Padre Island and Zebu, Mohawk and Baptist in the Wharton venture, were still producing in November 2008.

Net production in July 2007 was 270 mcfed, peaking at 800 mcfed in October, thereafter declining to 505 mcfed in June 2008. Pantheon's average quarterly production is shown in Table 1.

Table 1: Pantheon Average Quarterly Production (Net Interest basis)

	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
Period	06	06	07	07	07	07	08	08
mcfe/day	25	50	100	350	260	800	660	505

Fortunately over this period natural gas prices rose from US$6-US$7 per mcf in the first quarter (July to September 2007) to US$7-$8 per mcf in the second (October to December). Prices then started to accelerate from US$8 per mcf in January 2008 to US$13.50 per mcf by the end of June 2008. This is shown in Table 2.

This increasing price ensured the Company's revenues stayed fairly constant despite declining production over the January to June 2008 period. Since then world affairs have overtaken the oil and gas sector. Oil prices have declined to the US$55 to US$60 per barrel range for WTI and gas prices to around the US$6.25 per mcf level.

Table 2: Indicative US Natural Gas Prices

Period	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08
US$/Mmbtu*	8.5	7	8.2	7.8	9.8	11.2	11.8	13.5

*US$/million British thermal units

Financial Performance

The Group Operating loss for the year of £4,869,048 has been dominated by the decision to write off the full carrying value of Wilson. This amounted to approximately £3,443,000. When added to the write-offs of the Nottoway Dome and Point Clair prospects, these impairments combined represent the vast majority of the Group's loss for the year. It should be emphasised that they are all non-cash items and exceptional in nature.

On a positive note the Group generated in excess of £784,000 of production revenues during financial 2008. Encouragingly, revenue is expected to increase in financial 2009 following the commercial discovery at the Jumonville #1 well on the Bullseye prospect in September 2008, Should the appraisal/development drilling at Bullseye prove successful then production volumes and revenues should increase significantly.

The Directors do not propose to recommend any distribution by way of a dividend for the year ended 30 June 2008.

Conclusion

Over the coming year with the Acosta re-entry, the Vision Rice #1 and Jumonville #2 wells, Pantheon will be more active than at any time in its short history. Pantheon's net daily production should substantially increase from its 11.25% stake in Bullseye and from the Tyler County Austin Chalk, if successful. If all three are successful, then Pantheon would have significant net daily production and cash flow in 2009.

Looking back on the past 10 months of being CEO, and the past financial year, Pantheon has accomplished a great deal. Unlike many of our competitors, Pantheon has current production and cash flow. It also has a position in two exciting, very large fields/plays. The market capitalisation is £8 million and, on 30 October 2008, the share price is 18p. I will continue to search for plays with a strong development leg to position Pantheon for continued major value accretion.

Overall I am exceptionally pleased with Pantheon's current position. The Company has underpinned its future with Bullseye. This should be built upon once the Tyler County programme begins. Work is underway reviewing further programmes with large long term "company maker" prospects

Jay Cheatham

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PANTHEON RESOURCES PLC FOR THE YEAR ENDED 30 JUNE 2008

We have audited the Group and Parent Company financial statements (the "financial statements") of Pantheon Resources plc for the year ended 30 June 2008 which comprise the Group income statement, the Group and Parent Company statements of changes in equity, the Group and Parent Company balance sheets, the Group and Parent Company cash flow statements and the related notes. These financial statements have been prepared in accordance with the basis and the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors Report is consistent with the financial statements

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman Statement, the Chief Executive Officer's Statement and Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 30 June 2008 and of the Group's loss for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 30 June 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

UHY Hacker Young LLP

Chartered Accountants
Registered Auditors

Quadrant House
17 Thomas More Street
Thomas More Square
London E1W 1YW

18 November 2008

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 £	2007 £
Turnover	3	784,240	23,693
Cost of sales		(156,713)	(877)
Gross profit		627,527	22,816
Administrative expenses before share based payments and impairment losses		(582,196)	(427,679)
Share based payments	19	(55,820)	(487,540)
Impairment of intangible assets	12	(4,858,558)	(4,438,420)
Total administration expenses	4	(5,496,574)	(5,353,639)
Operating loss	4	(4,869,047)	(5,330,823)
Finance revenue	6	22,419	235,789
Loss before taxation		(4,846,628)	(5,095,034)
Taxation	7	-	-
Loss for the year		(4,846,628)	(5,095,034)
Loss per ordinary share – basic and diluted	2	(26.01)p	(32.76)p

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

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY FOR THE YEAR ENDED 30 JUNE 2008

	Share capital £	Share premium £	Retained earnings £	Currency reserve £	Equity reserve £	Total £
Group						
At 1 July 2006	155,524	9,698,748	(339,514)	-	161,513	9,676,271
Net loss for the year	-	-	(5,095,034)	-	-	(5,095,034)

Foreign currency	-	-	-	(234,275)	-	(234,275)
Share based payment	-	-	-	-	487,540	487,540
Balance at 30 June 2007	155,524	9,698,748	(5,434,548)	(234,275)	649,053	4,834,502

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

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2008

	Notes	**2008**	**2007**
		£	**£**
ASSETS			
Fixed assets			
Intangible fixed assets	12	2,134,551	3,792,161
Tangible fixed assets	13	167,755	249,566
		2,302,306	4,041,727
Current assets			
Trade and other receivables	9	1,379,722	69,049
Cash and cash equivalents	10	3,091,725	1,447,432
		4,471,447	1,516,481
LIABILITIES			
Creditors: amounts falling due within one year	11	1,471,002	723,706
Net current assets		3,000,445	792,775
Total assets less liabilities		5,302,751	4,834,502
EQUITY			
Capital and reserves			
Called up share capital	14	397,339	155,524
Share premium account		14,723,365	9,698,748
Retained losses		(10,281,176)	(5,434,548)
Currency reserve		(241,650)	(234,275)
Equity reserve		704,873	649,053
Shareholders' funds		5,302,751	4,834,502

The financial statements were approved by the Board on 18 November 2008

Justin Hondris
Director

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008	2007
		£	£
Net cash (outflow)/ inflow from operating activities	15	(68,906)	(424,943)
Cash flows from investing activities			
Interest received		22,419	235,789
Acquisition of tangible fixed assets		(2,655)	(2,769)
Funds used for capital expenditure		(2,478,605)	(6,536,068)
Net cash outflow from investing activities		(2,458,841)	(6,303,048)
Cash flows from financing activities			
Proceeds from issue of shares		4,349,274	-
Issue costs		(169,859)	-
Net cash inflow from financing activities		4,179,415	-
Net (decrease)/increase in cash and cash equivalents		1,651,668	(6,727,991)
Effect of foreign currency translation reserve		(7,375)	(234,276)
Cash and cash equivalents at the beginning of the year		1,447,432	8,409,699
Cash and cash equivalents at the end of the period	10	3,091,725	1,447,432

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below.

1.1 Basis of preparation

The financial statements have been prepared using the historical cost convention. In addition, the financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") including IFRS 6, Exploration for and Evaluation of Mineral Resources, as adopted by the European Union ("EU") and in accordance with the provisions of the Companies Act 1985.

The group's financial statements for the year ended 30 June 2008 were authorised for issue by the board of Directors on 18 November 2008 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 230 of the Companies Act 1985, the Company has not presented a profit and loss account. A loss for the year ended 30 June 2008 of £602,234 (2007: loss of £5,095,034) 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 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.

1.4 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.

1.5 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.

1.6 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.

1.7 Exploration and development costs

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

The recoverability of all exploration and development costs is dependent upon the discovery of economically recoverable reserves, the ability of the group to obtain necessary financing to complete the development of the reserves and future profitable production or proceeds from the disposition thereof.

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

1.8 Impairment of exploration and development costs and depreciation of fixed assets

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

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

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

Office equipment – two years.

1.9 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 19 to the accounts.

1.10 Share based payments

On occasion the Company made share-based payments to certain directors and advisers by way of issue of share options. The fair value of these payments is calculated by the Company using the Black-Scholes option pricing model. The expense is recognised on a straight line basis over the period from the date of award to the date of vesting, based on the Company’s best estimate of the number of shares that will eventually vest.

1.11 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. During 2008 no borrowings were undertaken.

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. IFRS also require management to exercise its judgement in the process of applying the Group’s accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

Impairment of intangible assets
Determining whether an intangible asset is impaired requires an estimation of whether there are any indications that its carrying value is not recoverable.

At each reporting date, the Company reviews the carrying value of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset’s fair value less costs to sell and value in use, is compared to the asset’s carrying value. Any excess of the asset’s carrying value over its recoverable amount is expensed to the income statement.

Developed Oil & Gas Properties
Developed Oil & Gas Properties are amortised over the life of the area according to the estimated rate of depletion of the economically recoverable reserves. If the amount of economically recoverable reserves varies, this will impact on the amount of the asset which should be carried on the balance sheet.

Share based payments
The Group records charges for share based payments.

For option based share based payments to determine the value of the options management estimate certain factors used in the option pricing model, including volatility, vesting date, exercise date of options and the number of options likely to vest.

At each reporting date during the vesting period management estimate the number of shares that will vest after considering the vesting criteria.

If these estimates vary from actual occurrence, this will impact on the value of the equity carried in the reserves.

1.13 New standards and interpretations not applied

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

IFRS 8	Operating segments	1 January 2009
IFRS 2	Share Based Payments – amendments to vesting conditions and cancellations	1 January 2009
IAS27	Consolidated and separate financial statements	1 July 2009

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

2. Loss per share

The basic loss per share of 26.01p (2007: 32.76p) for the Group is calculated by dividing the loss for the year by the weighted average number of ordinary shares in issue of 18,635,255 (2007: 15,552,329).

3. Segmental information

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

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

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

Geographical segment (Group)	**United Kingdom**	**United States**	**Total**
	£	**£**	**£**
Turnover	-	784,240	784,240
Cost of sales	-	(156,713)	(156,713)
Interest receivable	22,419	-	22,419
Impairment of investment	-	(4,858,558)	(4,858,558)
Share-based payments	(55,820)	-	(55,820)
Administration expenses	(568,833)	(13,363)	(582,196)
Loss before taxation	(602,234)	(4,244,394)	(4,846,628)

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

Geographical segment (Group)	**United Kingdom**	**United States**	**Total**
	£	**£**	**£**
Developed oil & gas properties	-	164,044	164,044
Exploration and development costs	-	2,134,551	2,134,551
Fixed assets	3,711	-	3,711
Trade and other receivables	1,154,485	225,237	1,379,722
Cash and cash equivalents	2,766,367	325,358	3,091,725
Trade and other payables	(89,792)	(1,381,210)	(1,471,002)
Net assets	3,834,771	1,467,980	5,302,751

4. Operating loss

	2008	**2007**
This is stated after charging:	**£**	**£**
Auditors' remuneration		
- group and parent company audit services	15,000	12,000
Auditors' remuneration for non audit services		
- taxation services	3,610	4,962
	18,610	16,962

5. Directors' emoluments

	2008	**2007**
	£	**£**
Wages and salaries	254,441	150,540
Social security costs	26,627	16,127
	281,068	166,667

There are no employees other than the Directors.

6. Finance revenue

	2008 £	2007 £
Bank interest	22,419	235,789

7. Taxation

	2008 £	2007 £
Factors affecting the tax charge for the period		
Loss on ordinary activities before taxation	(4,846,628)	(5,095,034)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax of 29.5% (2007 30.00%)	(1,429,726)	(1,528,510)
Effects of:		
Non deductible expenses	16,951	153,762
Timing differences not recognised	-	-
Losses in the period not used	1,412,775	1,374,748
Current tax charge	-	-

Factors that may affect future tax charges

The directors do not consider it appropriate to recognise any deferred tax asset to reflect the potential benefit arising from timing differences at 30 June 2008. At 30 June 2008 there were unrecognised deferred tax assets in respect of estimated tax losses carried forward of approximately £2,700,000 (2007: £1,100,000). The unrecognised deferred tax assets relate primarily to the United States.

8. Subsidiary entities

The Company currently has the following wholly owned subsidiaries all of which were incorporated on 3 February 2006:

Name	Country of Incorporation	Percentage ownership	Activity
Hadrian Oil & Gas LLC	United States	100%	Holding company
Agrippa LLC	United States	100%	Holding company
Pantheon Oil & Gas LP	United States	100%	Oil & gas exploration

Pantheon Oil & Gas LP is 99% owned by Agrippa LLC as its limited partner and 1% by Hadrian Oil & Gas LLC as its general partner.

9. Trade and other receivables

	Group 2008 £	Group 2007 £
Amounts falling due within one year:		
Trade receivables	225,237	8,951
Unpaid share capital	1,087,017	-
Prepayments and accrued income	54,459	54,286
Other receivables	13,009	5,812

	1,379,722	69,049

Amounts falling due after more than one year :

Amount due from subsidiary undertakings	-	-

Unpaid share capital is monies due for the 27 May 2008 share issue for which cash was received post year end.

10. Cash and cash equivalents

	Group 2008 £	Group 2007 £
Cash at bank and in hand	3,091,725	1,447,432

11. Trade and other payables

	Group 2008 £	Group 2007 £
Trade creditors	1,269,680	1,005
Accruals	201,322	722,701
	1,471,002	723,706

12. Intangible fixed assets

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

13. Tangible fixed assets

	Developed Oil & Gas Properties	Office Equipment	Total

Group	£	£	£
Cost			
At 30 June 2006	-	-	-
Reclassified from Intangible assets	268,823	-	268,823
Additions	-	2,769	2,769
At 30 June 2007	268,823	2,769	271,592
Depreciation			
At 30 June 2006	-	-	-
Depreciation for the year	21,334	692	22,026
At 30 June 2007	21,334	692	22,026
Net book value			
At 30 June 2007	247,489	2,077	249,566
At 30 June 2006	-	-	-

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

14. Called up share capital

	2008 £	2007 £
Authorised:		
1,000,000,000 ordinary shares of £0.01 each	10,000,000	10,000,000
Allotted, issued and fully paid:		
39,733,781 ordinary shares of £0.01 each	397,339	155,524

Number	Issued and fully paid Capital £	Share Premium Reserve £

Movement in issued Capital:			
As at 1 July 2007	15,552,329	155,524	9,698,748
Issue of 1,500,000 shares on 21 November 2007	1,500,000	15,000	885,000
Issue of 22,681,452 shares on 27 May 2008	22,681,452	226,815	4,309,476
Share issue costs	-	-	(169,859)
As at 30 June 2008	39,733,781	397,339	14,723,365

(a) On 21 November 2007 the Company had a placement of 1,500,000 shares at £0.60 per share raising £900,000 before costs.

(b) On 27 May 2008 the Company had a placement of 22,681,452 shares at £0.20 per share raising £4,309,474 before costs.

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

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

	Group 2008 £	**Group 2007 £**
Operating loss	(4,869,047)	(5,330,823)
Impairment	4,858,558	4,438,420
Depreciation	84,466	22,027
Cost of issuing share options	55,820	487,540
Decrease/(increase) in trade and other receivables	(223,656)	(104,454)
Increase in trade and other payables	24,953	62,347
Net cash (outflow)/ inflow from operating activities	(68,906)	(424,943)

16. Control

No one party is identified as controlling the Company.

17. 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.

18. Capital commitments

As at 30 June 2008 the group had accrued USD$2,500,000 (£1,256,000), payable to the operator of the Tyler County, Austin Chalk venture in East Texas. This amount represents the first of three instalments, payable over the first three wells of the programme, which total USD$7,000,000 (£3,516,881), and represent Pantheon's share of back costs in the project.

The group has no obligation to drill any further wells or make any further payments beyond the first well in the programme. Should the group elect to not participate in any wells beyond the first well it would forfeit its interest over the remainder of the programme.

As at 30 June 2008, the group has no fixed financial commitments in respect of any other programmes other than maintaining its interest in its existing joint ventures. Before any new wells are commenced in relation to these joint ventures, the Company must first elect to participate in any proposed well thereby allowing the Company to decline participation if it deems appropriate.

19. Financial instruments

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

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

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

Market risk

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

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

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

Cash flow interest rate risk

The Group's exposure to the risks of changes in market interest rates relates primarily to the Group's cash and cash equivalents with a floating interest rate. These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Group does not engage in any hedging or derivative transactions to manage interest rate risk.

In regard to its interest rate risk, the Group continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates. The Group has no policy as to maximum or minimum level of fixed or floating instruments.

Interest rate risk is measured as the value of assets and liabilities at fixed rate compared to those at variable rate.

	Weighted Average Interest Rate 2008	**Fixed interest rate 2008**	**Non - Interest Bearing 2008**
Financial assets:	**%**	**£**	**£**
Cash on Deposit	4.1	3,091,725	-
Trade and other receivables	-	-	1,379,722

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 budget cash flows and longer term forecasting cash flows;
- Monitoring the maturity profiles of financial assets and liabilities in order to match inflows and outflows; and
- Monitoring liquidity ratios (working capital).

Credit Risk Management

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

Trade receivables at 30 June 2008 consist primarily of revenues owed for production, and monies due from the proceeds of the share issue for which the final tranche was due for settlement on 30 June 2008. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

As of 30 June 2008, the Group was due to make a prepayment of $2,500,000 towards the first well of the Tyler County programme to the operator of the Tyler County venture. This comprises the most material credit risk exposure to any single counterparty or any group of counterparties.

20. Share based payments

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

	Group 2008 £	Group 2007 £
Cost of issuing share options	55,820	487,540

Movements in share options in issue

Exercise Price	Number of Options issued as of 1 July 2007	Issued during year	Cancelled or Exercised during year	Number of Options issued as of 30 June 2008
£1.00	483,284	350,000	-	833,284
£1.25	250,000	250,000	-	500,000
£1.50	650,000	300,000	-	950,000
£2.00	650,000	400,000	-	1,050,000
Total	2,033,284	1,300,000	-	3,333,284

The 2,033,284 options issued as at 1 July 2007 vested in the prior period and are all exercisable before 5 April 2011. During the year the following 1,300,000 options were issued (as detailed below) and no options were exercised, forfeited or expired.

(a) During the year 1,000,000 options were issued as follows:

250,000 exercisable at £1.00 on or before 10 January 2013
250,000 exercisable at £1.25 on or before 10 January 2013
200,000 exercisable at £1.50 on or before 10 January 2013

300,000 exercisable at £2.00 on or before 10 January 2013

These options were valued at £90,600 with reference to the Black-Scholes option pricing model taking into account the following input assumptions:

Share price	£0.435
Exercise Price	As stated above
Expected volatility	61.8%
Vesting period	3 years
Expected dividends	Nil
Risk free interest rate	5.50%

The volatility percentage is an estimation of the expected volatility in the share price for a junior exploration Company which is listed on AIM having regard to comparative companies, quantum of cash raised, targeted (institutional) investment group and risk profile.

(b) During the year 300,000 options were issued as follows:

100,000 exercisable at £1.00 on or before 31 August 2012
100,000 exercisable at £1.50 on or before 31 August 2012
100,000 exercisable at £2.00 on or before 31 August 2012

These options were valued at £50,700 with reference to the Black-Scholes option pricing model taking into account the following input assumptions:

Share price	£0.655
Exercise Price	As stated above
Expected volatility	68.2%
Vesting period	1 year
Expected dividends	Nil
Risk free interest rate	5.75%

The volatility percentage is an estimation of the expected volatility in the share price for a junior exploration Company which is listed on AIM having regard to comparative companies, quantum of cash raised, targeted (institutional) investment group and risk profile.

21. Post balance sheet events

On 6 August 2008, upon the satisfactory completion of Mr Cheatham's probation period and achievement of the short term targets outlined in his incentive plan, the Company issued 103,349 ordinary shares of £0.01 each to Mr Jay Cheatham as a bonus.

In September 2008, it was announced that the Jumonville #1 well on the Bullseye prospect had confirmed a significant discovery for the Company, with potential for further reserve potential in zones untested by the present well.

In September 2008, it was also announced that the Wilson (ST 949#1) well was shut in pending a workover to assess possible problems.

On 30 October 2008 it was announced that the first appraisal well (Acosta #1) on the Bullseye prospect was preparing to commence. It is expected that the drilling operations will take approximately two to three weeks.

On 13 November 2008 it was announced that the Vision Rice University #1 well had commenced drilling. This is the first well on the Company's Tyler County Austin Chalk venture located in East Texas. Pantheon has a 25% working interest in this venture and well and the operator is Vision Resources LLC ("Vision").