



PANTHEON RESOURCES PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2013

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PANTHEON RESOURCES PLC

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 2013**

As the end of 2013 approaches, Pantheon Resources plc ("Pantheon or "the Group") is able to report that considerable progress has been made on the restructuring of the Tyler County Joint Venture ("JV"), albeit at a slower pace than desired. Vision Gas Resources LLC ("Vision"), the operator, remains in serious and extensive negotiations with one of the parties to which it was introduced by Pantheon. Financial parameters have been agreed which provides an indication of the motivation of both parties to complete the restructuring.

The next stage is to complete the due diligence associated with the legal, land and technical aspects of the transaction. A number of factors are contributing to the current slow advancement of the negotiations. First there is the sheer magnitude of the data involved and provided by the JV which require detailed and time-consuming analysis. This evaluation remains on-going.

The second factor relates to the potential new entrant and its relevant experience. Although already involved in the oil and gas industry, this move would represent this party's first investment in exploration and production in the USA. This translates into a natural desire by the potential new partner to ensure that all details are scrutinised carefully and understood. Combined with the essential analyses that are being undertaken, the impact is to make the overall process more protracted than normal. However the potential new partner's commitment is emphasised by its hiring the relevant consultants to assess and evaluate all the data, technical, land and legal, that the JV has provided. Despite the major progress made so far, it remains important to note that there can be no certainty of any transaction completing.

Once the restructuring is concluded this will satisfy one of the two conditions that Vision made prerequisite prior to commencement of drilling the Kara Farms #1H ("KF#1H") well. The second stated condition was the availability of a suitable rig. Concomitant with this was an experienced, high quality crew to manage the anticipated well conditions and some further reduction in rig rates. Circumstances have continued to move in the JV's favour on rig rates.

Separately I would like to take this opportunity to announce that I am stepping down from the position of Chairman to be succeeded by my Board colleague, John Walmsley. This is effective from the publication of the Annual Report for the year ended 30 June 2013. It has always been my objective to retire from the Chairman's role once Pantheon entered a more active operational phase, a stage that has taken longer than either I or the Board envisaged. With this next period in the Group's development imminent however, this was a clear and straightforward decision for me to make. Moreover the changeover also occurs at an opportune time as it will permit John to state his view of Pantheon's future at the forthcoming AGM. John's skill set and experience are more than admirably suited to the tasks facing Pantheon in the future. I am delighted that I shall continue to benefit from his knowledge and leadership as I shall remain on the Board as a non-executive director.

Susan Graham
14 November 2013

**CHIEF EXECUTIVE OFFICER'S STATEMENT AND OPERATIONAL REVIEW
FOR THE YEAR ENDED 30 JUNE 2013**

At the time of Pantheon's Interim Report in March 2013, it was reported that the restructuring of the JV had moved forward positively. Pantheon had introduced two parties to Vision as potential JV partners. Of these two, one of the parties subsequently entered into extensive negotiations with Vision and financial parameters have been agreed. This company has hired financial, legal and technical consultants to help in evaluating both the geological and land data. Approximately 1.5 gigabytes of geological and geophysical data have been made available to this company, along with extensive land and legal data. Legal, geological and geophysical due diligence is on-going.

This prospective new partner is involved in the oil and gas industry. However, this would be its first investment in the exploration and production end of the business in the USA. As a result the process is moving slower than hoped. All parties are keen to complete the restructuring and I am confident of a positive outcome.

As stated at the time of Pantheon's Interim Report in March 2013, Vision had made the drilling of KF#1H contingent upon two factors. A suitable JV partner was the first factor and negotiations for such are at an advanced stage. Availability of a suitable drilling rig was the second factor in determining when the KF#1H well would spud.

The overall U.S. rig market has remained remarkably steady over the past 12 months. It is now at 1,738 working rigs, down approximately 60 rigs from a year ago. The key for Pantheon is, of course, the deeper rig availability in its geographic area. This market is dominated by drilling in the Barnett, Haynesville and Eagleford formations. The Barnett is down to 28 working rigs from a maximum of 177 and four below the 2013 high. The Haynesville has 39 working rigs down from a maximum of 181 and a 2013 high of 41. The Eagleford has 197 working rigs, down from a maximum of 246 and a 2013 high of 231.

This has reduced the pressure for higher rig rates in the JV's immediate area and for the larger capacity equipment. Vision is confident that the JV should be able to secure a suitable rig with a seasoned crew. The operator will not compromise on rig and crew quality and will wait if one is not immediately available, as it is an essential ingredient to success.

Jay Cheatham

14 November 2013

**FINANCE DIRECTOR'S REPORT
FOR THE YEAR ENDED 30 JUNE 2013**

Financial Review

The Group made a total loss from continuing and discontinued operations for the financial year ended 30 June 2013 of £700,095 (2012: £865,898).

Production

The Group's net total sales production for the financial year ended 30 June 2013 amounted to 10.5 mcf (2012: 10.7 mcf) natural gas and nil bopd (2012: 4.0 bopd) oil. Average realisations for the year for natural gas and oil were £3.09 (2012: \$2.97) per mcf and nil (2012: \$108.91) per barrel respectively.

Revenue

Revenues for the year ended 30 June 2013 were lower than the previous year at £7,541 (2012: £107,723). This reduction is primarily as a result of the disposal of the Bullseye project with effective from June 2012. Revenue for 2012 is included within discontinued operations (note 5) and revenue for 2013 is included within continuing operations.

Cost of sales

Cost of sales for the year ended 30 June 2013 were lower than the previous year at £7,353 (2012: £209,728). This reduction is primarily as a result of the disposal of the Bullseye project with effective from June 2012. Cost of sales for 2012 is included within discontinued operations (note 5) and cost of sales for 2013 is included within continuing operations.

Impairments

The total impairment charge for the year was £nil (2012: £nil).

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 2013 there were 102,099,770 shares in issue.

Going concern

The Directors are satisfied with the Group's 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. Over the past two years the U.S. energy sector has broadly exhibited strong oil prices and a strengthening in natural gas prices. Activity in unconventional plays in the USA remains buoyant resulting in a high cost environment for rigs and associated services, however these costs have softened from their highs, largely as a result of the pronounced reduction in drilling activity for natural gas prospects regionally.

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 2013

PANTHEON RESOURCES PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

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 2013.

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 16 The Directors do not propose to recommend any distribution by way of a dividend for the year ended 30 June 2013.

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 the group structure and the company’s share capital during the period are set out in Notes 9 and 16 to these accounts.

Directors

The following Directors held office during the year:

Susan Graham (Non-Executive Chairman)
John Cheatham (Chief Executive Officer)
Justin Hondris (Executive Director)
John Walmsley (Non-Executive Director)

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2013**

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 2013 | 30 June 2012 |
|-------------|------------------------------------|------------------------------------|
| | Number of Ordinary shares of £0.01 | Number of Ordinary shares of £0.01 |
| S Graham | 200,000 | 200,000 |
| J Cheatham | 2,679,249 | 2,679,249 |
| J Hondris | 860,000 | 860,000 |
| 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 expiring on 11 September 2014, for Ordinary shares of £0.01, held by Directors on 30 June 2013 were as follows:

| Exercise price | Number of options | | | | Total |
|----------------|-------------------|---------|---------|---------|-----------|
| | £0.30 | £0.40 | £0.50 | £0.60 | |
| 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 | - | - | - | - | - |
| Total | 750,000 | 550,000 | 500,000 | 300,000 | 2,100,000 |

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 | Share-based payments | Benefits in kind | 2013 Total | 2012 Total |
|------------|-------------------|----------------------|------------------|------------|------------|
| | £ | £ | £ | £ | £ |
| S Graham | 62,500 | - | - | 62,500 | 62,500 |
| J Cheatham | 197,239 | - | - | 197,239 | 188,956 |
| J Hondris | 125,000 | - | - | 125,000 | 125,000 |
| J Walmsley | 37,500 | - | - | 37,500 | 37,500 |
| | 422,239 | - | - | 422,239 | 413,956 |

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2013**

Director incentive scheme

In November 2012 the Company implemented a short term executive director incentive scheme developed in conjunction with executive remuneration specialists at 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.

Substantial shareholders

The Company has been notified, in accordance with Chapter 5 of the FCA Disclosure and Transparency Rules, of the under noted interests in its ordinary shares as at 11 November 2013:

| | Number of Ordinary Shares | % of Share Capital |
|-------------------------------|----------------------------------|---------------------------|
| Ferlim Nominees Limited | 23,640,400 | 23.15 |
| Roy Nominees Limited | 7,250,000 | 7.10 |
| Rock (Nominees) Limited | 6,240,473 | 6.11 |
| Barclayshare Nominees Limited | 4,707,718 | 4.61 |
| Lynchwood Nominees Limited | 3,805,000 | 3.73 |
| Chase Nominees Limited | 3,450,000 | 3.38 |

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 2013.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2013**

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.

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 has been established. 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.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2013**

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 2013

Company Number 05385506

**DIRECTORS' BIOGRAPHIES
FOR THE YEAR ENDED 30 JUNE 2013**

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) and non-executive Chairman of TSX and AIM listed Orosur Mining Inc. He has international business and financial experience in Europe, Asia-Pacific and North America at the corporate, institutional and senior government level. He is a fellow of the Institute of Chartered Accountants in England and Wales and was a Tax Partner at Arthur Anderson prior to joining Enterprise Oil. He acts as Chairman of Pantheon's Audit Committee.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PANTHEON RESOURCES PLC
FOR THE YEAR ENDED 30 JUNE 2013**

We have audited the financial statements of Pantheon Resources plc for the year ended 30 June 2013 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 Flows 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 12 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 2013 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.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PANTHEON RESOURCES PLC (continued)
FOR THE YEAR ENDED 30 JUNE 2013**

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.

Colin Wright

Senior Statutory Auditor

For and on behalf of

UHY Hacker Young

Chartered Accountants and Statutory Auditor

UHY Hacker Young
Quadrant House
4 Thomas More Square
London E1W 1YW

14 November 2013

PANTHEON RESOURCES PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

| | Notes | 2013 £ | 2012 £ |
|---|-------|-----------|-----------|
| Continuing operations | | | |
| Revenue | 3 | 7,541 | - |
| Cost of sales | | (7,353) | - |
| | | <hr/> | |
| Gross profit | | 188 | - |
| Administration expenses | | (702,020) | (707,364) |
| | | <hr/> | |
| Operating loss | 4 | (701,832) | (707,364) |
| Interest receivable | 7 | 1,737 | 3,762 |
| | | <hr/> | |
| Loss before taxation | | (700,095) | (703,602) |
| Taxation | 8 | - | - |
| | | <hr/> | |
| Loss for the year from continuing operations | | (700,095) | (703,602) |
| Discontinued operations | | | |
| Loss from discontinued operations | 5 | - | (102,005) |
| Loss from re-measurement of assets-held-for-sale | | - | (60,291) |
| | | <hr/> | |
| Total loss from discontinued operations | | - | (162,296) |
| | | <hr/> | |
| Loss for the year | | (700,095) | (865,898) |
| | | <hr/> | |

PANTHEON RESOURCES PLC

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)
FOR THE YEAR ENDED 30 JUNE 2013**

| | Notes | 2013 £ | 2012 £ |
|---|-------|------------------|------------------|
| Loss for the year | | (700,095) | (865,898) |
| Other comprehensive income for the year | | | |
| Exchange differences from translating foreign operations | | 169,829 | 140,969 |
| Total comprehensive income for the year | | <u>(530,266)</u> | <u>(724,929)</u> |
| Attributable to: | | | |
| Equity holders of the Company | | <u>(530,266)</u> | <u>(724,929)</u> |
| Loss per share | 2 | | |
| Loss per ordinary share – basic and diluted from continuing operations | | (0.69)p | (0.69)p |
| Loss per ordinary share – basic and diluted from discontinued operations | | - | (0.16)p |
| Loss per ordinary share – basic and diluted from continuing and discontinued operations | | (0.69)p | (0.85)p |

PANTHEON RESOURCES PLC

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

| | Share capital £ | Share premium £ | Retained losses £ | Currency reserve £ | Equity reserve £ | Total equity £ |
|--|-----------------------|-----------------------|-------------------------|--------------------------|------------------------|----------------------|
| Year ended 30 June 2013 | | | | | | |
| Group | | | | | | |
| At 1 July 2012 | 1,020,998 | 21,915,804 | (17,831,710) | 649,249 | 106,035 | 5,860,376 |
| Net loss for the year | - | - | (700,095) | - | - | (700,095) |
| <i>Other comprehensive income:</i> | | | | | | |
| Foreign currency translation | - | - | - | 169,829 | - | 169,829 |
| Total comprehensive income for the year | - | - | (700,095) | 169,829 | - | (530,266) |
| Transfer of previously expensed share-based payment on expiration of options | - | - | 50,700 | - | (50,700) | - |
| Balance at 30 June 2013 | 1,020,998 | 21,915,804 | (18,481,105) | 819,078 | 55,335 | 5,330,110 |

| | Share capital £ | Share premium £ | Retained losses £ | Currency reserve £ | Equity reserve £ | Total equity £ |
|--|-----------------------|-----------------------|-------------------------|--------------------------|------------------------|----------------------|
| Company | | | | | | |
| At 1 July 2012 | 1,020,998 | 21,915,804 | (7,421,071) | - | 106,035 | 15,621,766 |
| Net loss for the year | - | - | (470,584) | - | - | (470,584) |
| Total comprehensive income for the year | - | - | (470,584) | - | - | (470,584) |
| Transfer of previously expensed share-based payment on expiration of options | - | - | 50,700 | - | (50,700) | - |
| Balance at 30 June 2013 | 1,020,998 | 21,915,804 | (7,840,955) | - | 55,335 | 15,151,182 |

PANTHEON RESOURCES PLC

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

| | Share capital £ | Share premium £ | Retained losses £ | Currency reserve £ | Equity reserve £ | Total equity £ |
|--|-----------------------|-----------------------|-------------------------|--------------------------|------------------------|----------------------|
| Year ended 30 June 2012 | | | | | | |
| 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) |
| <i>Other comprehensive income:</i> | | | | | | |
| 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 |
| 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 |

PANTHEON RESOURCES PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

| | Notes | 2013 £ | 2012 £ |
|-----------------------------------|-------|------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Exploration and evaluation assets | 14 | 3,804,692 | 3,661,831 |
| Property, plant and equipment | 15 | - | 256 |
| | | <u>3,804,692</u> | <u>3,662,087</u> |
| Current assets | | | |
| Assets held-for-sale | 10 | - | 121,060 |
| Trade and other receivables | 11 | 210,422 | 284,104 |
| Cash and cash equivalents | 12 | 1,406,476 | 1,946,496 |
| | | <u>1,616,898</u> | <u>2,351,660</u> |
| Total assets | | <u>5,421,590</u> | <u>6,013,747</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 13 | 91,480 | 153,371 |
| Total liabilities | | <u>91,480</u> | <u>153,371</u> |
| Net assets | | <u>5,330,110</u> | <u>5,860,376</u> |
| EQUITY | | | |
| Capital and reserves | | | |
| Share capital | 16 | 1,020,998 | 1,020,998 |
| Share premium | 16 | 21,915,804 | 21,915,804 |
| Retained losses | | (18,481,105) | (17,831,710) |
| Currency reserve | | 819,078 | 649,249 |
| Equity reserve | | 55,335 | 106,035 |
| Shareholders' equity | | <u>5,330,110</u> | <u>5,860,376</u> |

The financial statements were approved by the Board of Directors on 14 November 2013 and signed on its behalf by:

Justin Hondris
Director
Company Number 05385506

PANTHEON RESOURCES PLC

**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013**

| | Notes | 2013 £ | 2012 £ |
|-------------------------------|-------|-------------------|-------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and machinery | 15 | - | 256 |
| Loans to subsidiaries | 11 | 15,073,576 | 15,523,576 |
| | | <u>15,073,576</u> | <u>15,523,832</u> |
| Current assets | | | |
| Trade and other receivables | 11 | 49,473 | 46,038 |
| Cash and cash equivalents | 12 | 81,596 | 76,243 |
| | | <u>131,069</u> | <u>122,281</u> |
| Total assets | | <u>15,204,645</u> | <u>15,646,113</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 13 | 53,463 | 24,347 |
| Total liabilities | | <u>53,463</u> | <u>24,347</u> |
| Net assets | | <u>15,151,182</u> | <u>15,621,766</u> |
| EQUITY | | | |
| Capital and reserves | | | |
| Share capital | 16 | 1,020,998 | 1,020,998 |
| Share premium | 16 | 21,915,804 | 21,915,804 |
| Retained losses | | (7,840,955) | (7,421,071) |
| Equity reserve | | 55,335 | 106,035 |
| Shareholders' equity | | <u>15,151,182</u> | <u>15,621,766</u> |

The financial statements were approved by the Board of Directors on 14 November 2013 and signed on its behalf by:

Justin Hondris
Director
Company Number 05385506

PANTHEON RESOURCES PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

| | Notes | 2013 £ | 2012 £ |
|--|-------|------------------|------------------|
| Net cash outflow from operating activities | 17 | <u>(637,960)</u> | <u>(627,322)</u> |
| Cash flows from investing activities | | | |
| Interest received | | 1,737 | 3,762 |
| Purchase of plant and equipment | | (1,649) | (4,941) |
| Funds used for drilling and exploration | | (23,208) | - |
| Proceeds received from assets held-for-sale | 10 | <u>121,060</u> | <u>-</u> |
| Net cash inflow/(outflow) from investing activities | | <u>97,940</u> | <u>(1,179)</u> |
| Decrease in cash and cash equivalents | | (540,020) | (628,501) |
| Cash and cash equivalents at the beginning of the year | | 1,946,496 | 2,574,997 |
| Cash and cash equivalents at the end of the year | 12 | <u>1,406,476</u> | <u>1,946,496</u> |

PANTHEON RESOURCES PLC

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

| | Notes | 2013 £ | 2012 £ |
|---|-------|------------------|------------------|
| Net cash outflow from operating activities | 17 | <u>(443,048)</u> | <u>(460,149)</u> |
| Cash flows from investing activities | | | |
| Purchase of plant and equipment | | (1,649) | (264) |
| Interest received | | 50 | 69 |
| Receipts from group companies | | <u>450,000</u> | <u>300,000</u> |
| Net cash inflow from investing activities | | <u>448,401</u> | <u>299,805</u> |
| Increase/(decrease) in cash and cash equivalents | | 5,353 | (160,344) |
| Cash and cash equivalents at the beginning of the year | | 76,243 | 236,587 |
| Cash and cash equivalents at the end of the year | 12 | <u>81,596</u> | <u>76,243</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

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 on a going concern basis using the historical cost convention and 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 2013 were authorised for issue by the board of Directors on 14 November 2013 were signed on the Board’s behalf by Mr J Hondris.

The Group and Company 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 an income statement. A loss for the year ended 30 June 2013 of £470,584 (2012: loss of £463,582) has been included in the consolidated 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

1.3. Going concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. The Group incurred a total loss of £700,095 for the year (2012: £865,898) and had cash resources of £1.4 million at 30 June 2013. It has also prepaid US\$2.5m and approximately US\$0.5m in back costs towards the KF#1H well. In the event of success in KF#1H, up to \$2.5m will be refunded to the Group.

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 three years the JV has conducted an extremely comprehensive study of the Woodbine/Eagleford (“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. Presently the Group has adequate cash resources to fund the remaining unpaid estimated expenditure planned for the forthcoming KF#1H well. Should commencement of this well continue to be delayed for an extended period then the Company may or may not need to raise additional capital for that well. The Company believes it has the ability to raise additional capital should it be required.

The Directors have reviewed the Group’s overall position and outlook and are of the opinion that the Group will be able to operate as a going concern for at least the next twelve months from the date of approval of these financial statements. If required the Directors may also reduce or delay certain expenditure. The Directors therefore believe that the use of the going concern basis is appropriate. 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

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 evaluation 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 evaluation 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 property, plant and equipment 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

1.9. Impairment of exploration and development costs and depreciation of 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 evaluation costs

In relation to the Tyler County project, the carrying value as at 30 June 2013 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 30 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 2013 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 property, plant and equipment

Other property, plant and equipment 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

1.13. Assets held-for-sale

Non-current assets are classified separately as held-for-sale in the statement of financial position 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. These new Standards, Amendments and Interpretations are effective for accounting periods beginning on or after the dates shown below. Of these, only the following are expected to be relevant to the Group:

| Standard | Subject | Effective from |
|-----------------|---|-----------------------|
| IFRS 9 | Financial Instruments | 1 January 2013 |
| IFRS 10 | Consolidated Financial Statements | 1 January 2013 |
| IFRS 11 | Joint Arrangements | 1 January 2013 |
| IFRS 12 | Disclosure of interests in other entities | 1 January 2013 |
| IAS 19 | Employee Benefits | 1 January 2013 |

2. Loss per share

The basic loss per share from continuing operations of 0.69p (2012: 0.69p) 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 (2012: 102,099,770).

The basic loss per share from discontinued operations of 0.00p (2012: 0.16p) for the Group is calculated by dividing the loss from discontinued operations by the weighted average number of ordinary shares in issue of 102,099,770 (2012: 102,099,770).

The total loss per share of 0.69p (2012: 0.85p) 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 (2012: 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

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. Non-current 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 'Operating Segments', 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 2012.

Year ended 30 June 2013

| Geographical segment (Group) | Head Office | USA | Consolidated |
|--|--------------------|--------------------|---------------------|
| | £ | £ | £ |
| Revenue | - | 7,541 | 7,541 |
| Cost of sales | - | (7,353) | (7,353) |
| Interest receivable | 50 | 1,687 | 1,737 |
| Administration expenses | (470,635) | (231,385) | (702,020) |
| Loss from discontinued operations | | | |
| Loss by reportable segment | (470,585) | (229,510) | (700,095) |
| Exploration and evaluation assets | - | 3,804,692 | 3,804,692 |
| Trade and other receivables | 49,473 | 160,949 | 210,422 |
| Cash and cash equivalents | 81,596 | 1,324,880 | 1,406,476 |
| Intercompany balances | 15,073,576 | (15,073,576) | - |
| Total assets by reportable segment | 15,204,645 | (9,783,055) | 5,421,590 |
| Total liabilities by reportable segment | (53,463) | (38,017) | (91,480) |
| Net assets by reportable segment | 15,151,182 | (9,821,072) | 5,330,110 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

3. Segmental information (continued)

Year ended 30 June 2012

| Geographical segment (Group) | Head Office £ | USA £ | Consolidated £ |
|--|-------------------|--------------------|-------------------|
| Interest receivable | 69 | 3,693 | 3,762 |
| Plug and abandon costs | - | (12,395) | (12,395) |
| 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) |
| Exploration and evaluation assets | - | 3,661,831 | 3,661,831 |
| Property, plant & equipment | 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 |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

4. Operating loss

| | 2013 | 2012 |
|---|--------------|--------------|
| | £ | £ |
| Operating loss is stated after charging: | | |
| Depreciation | 1,905 | 68,516 |
| Auditor's remuneration | | |
| - group and parent company audit services | 13,500 | 16,500 |
| Auditor's remuneration for non-audit services | | |
| - taxation services and compliance services | 2,650 | 5,194 |
| | <u>2,650</u> | <u>5,194</u> |

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 was classified as a single line on the face of the consolidated statement of comprehensive income, for the year ended 30 June 2012.

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 |
|--|--------------|-------------------------|
| | | £ |
| Revenue | | 107,723 |
| Cost of sales | | <u>(209,728)</u> |
| | | (102,005) |
| Loss from re-measurement of assets held-for-sale | 10 | <u>(60,291)</u> |
| Total loss from discontinued operations | | <u><u>(162,296)</u></u> |

6. Employment costs

The employee costs of the Group, including directors' remuneration, are as follows:

| | 2013 | 2012 |
|-----------------------|----------------|----------------|
| | £ | £ |
| Wages and salaries | 469,245 | 460,840 |
| Social security costs | 41,506 | 39,757 |
| | <u>469,245</u> | <u>460,840</u> |
| | <u>510,751</u> | <u>500,597</u> |

There is one employee in addition to the Directors. Further details on Directors' emoluments are shown in the Directors' report.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

7. Interest receivable

| | 2013 | 2012 |
|------------------------|-------------|-------------|
| | £ | £ |
| Bank interest received | 1,737 | 3,762 |

8. Taxation

| | 2013 | 2012 |
|---|-------------|-------------|
| | £ | £ |
| Current tax | | |
| UK corporation tax | - | - |
| Factors affecting the tax charge for the period | | |
| Loss on ordinary activities before taxation | (700,095) | (865,898) |
| Loss on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 23.75% (2012: 25.5%) | (166,273) | (220,804) |
| <i>Effects of:</i> | | |
| Non deductible expenses | 1,402 | 4,905 |
| Tax losses carried forward not recognised as deferred tax asset | 164,871 | 215,899 |
| Total tax charge | - | - |

Factors that may affect future tax charges

At the year end date the Group has unused losses carried forward of approximately £21,300,000 (2012: £18,300,000) for offset against future suitable profits. Approximately £17,804,000 (2012: £15,300,000) 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 £7.0m (2012: £5.9m) in respect of losses carried forward and £Nil (2012: £Nil) in respect of accelerated depreciation allowances.

On 3 July 2012, Finance Bill 2012 received its third reading in the House of Commons and so the previously announced reduced rate of corporation tax of 23% (2012: 24%) from 1 April 2013 was substantively enacted. The Chancellor further stated his intention in the March 2013 Budget to reduce the main rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015.

These further rate changes had not been substantively enacted as at the balance sheet date, and as a result, the Company has not re-measured its deferred tax assets and liabilities as at 30 June 2013.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

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 and was therefore accounted as an asset held-for-sale as at 30 June 2012. Accordingly, in the prior year's financial statements the Group reclassified both non-current and current assets relating to the Bullseye project as "Assets held-for-sale". The Group received the proceeds of £121,060 during the financial year ended 30 June 2013.

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

11. Trade and other receivables

| | Group 2013 | Group 2012 | Company 2013 | Company 2012 |
|--|-----------------------|-----------------------|-------------------------|-------------------------|
| | £ | £ | £ | £ |
| Amounts falling due within one year: | | | | |
| Trade receivables | 61,147 | 141,422 | - | - |
| Prepayments and accrued income | 30,665 | 31,156 | 30,665 | 31,156 |
| Other receivables | 18,808 | 14,882 | 18,808 | 14,882 |
| Receivable from Padre Island Authority | 99,802 | 96,644 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | <u>210,422</u> | <u>284,104</u> | <u>49,473</u> | <u>46,038</u> |

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 2014.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

11. Trade and other receivables (continued)

| | Group 2013 £ | Group 2012 £ | Company 2013 £ | Company 2012 £ |
|--|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Amounts falling due after more than one year: | | | | |
| Amount due from subsidiary undertakings | - | - | 15,073,576 | 15,523,576 |

During the year Pantheon Oil & Gas LP repaid £450,000 of the above loan to Pantheon Resources plc.

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 Tyler County Austin Chalk project was modelled on a P50 basis 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. Management also recognised that material value is believed to exist in the separate and independent Woodbine prospect. For the purpose of the calculations the following assumptions were used:

| | |
|--|--------|
| Potential Number of vertical wells drilled | <30 |
| Average reserves per well | 8 Bcfe |
| Oil price (\$/bbl) | \$100 |
| Natural gas price (\$/mcf) | \$3.65 |
| Cost of drilling typical Tyler County well | \$8m |

These key assumptions have been determined by reference to a number of sources including 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 \$10mm, reducing commodity prices by 20% and reducing average reserves per well by a number of scenarios. None of these factors lead to an indication of impairment, hence the Company concluded that no impairment was required as of 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

12. Cash and cash equivalents

| | Group 2013 £ | Group 2012 £ | Company 2013 £ | Company 2012 £ |
|--------------------------|--------------------|--------------------|----------------------|----------------------|
| Cash at bank and in hand | 1,406,476 | 1,946,496 | 81,596 | 76,243 |

13. Trade and other payables

| | Group 2013 £ | Group 2012 £ | Company 2013 £ | Company 2012 £ |
|-----------------|--------------------|--------------------|----------------------|----------------------|
| Trade creditors | 34,579 | 13,804 | 34,579 | 1,097 |
| Accruals | 56,901 | 139,567 | 18,884 | 23,250 |
| | <u>91,480</u> | <u>153,371</u> | <u>53,463</u> | <u>24,347</u> |

14. Exploration and evaluation assets

| Group | 2013 £ | 2012 £ |
|----------------------------------|------------------|------------------|
| Cost | | |
| At 1 July | 3,661,831 | 3,719,578 |
| Additions | 23,208 | - |
| Transfer to assets held-for-sale | - | (45,644) |
| Transfer to receivables | - | (96,644) |
| Effects of foreign exchange | 119,653 | 84,541 |
| At 30 June | <u>3,804,692</u> | <u>3,661,831</u> |
| 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 | <u>-</u> | <u>-</u> |
| Net book value | | |
| At 30 June 2013 and 30 June 2012 | <u>3,804,692</u> | <u>3,661,831</u> |
| At 30 June 2012 and 30 June 2011 | <u>3,661,831</u> | <u>3,719,578</u> |

The Company had no intangible assets at either 30 June 2013 or 30 June 2012.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

15. Property, plant and equipment

| Group | Developed Oil & Gas Properties £ | Production Facilities and Equipment £ | Office Equipment £ | Total £ |
|---------------------------|---|--|-----------------------------------|--------------------|
| Cost | | | | |
| At 1 July 2012 | - | - | 5,688 | 5,688 |
| Additions | - | - | 1,649 | 1,649 |
| At 30 June 2013 | | | 7,337 | 7,337 |
| Depreciation | | | | |
| At 1 July 2012 | - | - | 5,432 | 5,432 |
| Depreciation for the year | - | - | 1,905 | 1,905 |
| At 30 June 2013 | | | 7,337 | 7,337 |
| Net book value | | | | |
| At 30 June 2013 | - | - | - | - |
| At 30 June 2012 | - | - | 256 | 256 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

15. Property, plant and equipment (continued)

| Group | Developed Oil & Gas Properties £ | Production Facilities and Equipment £ | Office Equipment £ | Total £ |
|----------------------------------|---|--|--------------------------|-------------|
| Cost | | | | |
| At 1 July 2012 | 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 1 July 2012 | 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 |

Office Equipment

| Company | 2013 £ | 2012 £ |
|----------------------------------|-----------|-----------|
| Cost | | |
| At 1 July | 5,688 | 5,424 |
| Additions | 1,649 | 264 |
| At 30 June | 7,337 | 5,688 |
| Depreciation | | |
| At 1 July | 5,432 | 5,424 |
| Depreciation for the year | 1,905 | 8 |
| At 30 June | 7,337 | 5,432 |
| Net book value | | |
| At 30 June 2013 and 30 June 2012 | - | 256 |
| At 30 June 2012 and 30 June 2011 | 256 | - |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

| | | |
|---|-------------|-------------|
| 16. Share capital | 2013 | 2012 |
| | £ | £ |
| 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 £ |
|--|-------------|---------------------------------------|-----------------------|
| Issued share capital: As at 1 July 2012 and 30 June 2013 | 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 2013 £ | Group 2012 £ |
|--|--------------------|--------------------|
| Operating loss from continuing operations | (701,832) | (707,364) |
| Operating loss from discontinued operations | - | (162,296) |
| Loss from re-measurement of assets held-for-sale | - | 60,291 |
| Depreciation | 1,905 | 113,672 |
| Decrease in trade and other receivables | 73,682 | 80,894 |
| Decrease in trade and other payables | (61,891) | (65,957) |
| Effect of translation differences | 50,176 | 53,438 |
| Net cash outflow from operating activities | (637,960) | (627,322) |

| | Company 2013 £ | Company 2012 £ |
|--|----------------------|----------------------|
| Operating loss | (470,634) | (463,651) |
| Depreciation | 1,905 | 8 |
| (Increase)/decrease in trade and other receivables | (3,435) | 3,674 |
| Increase/(decrease) in trade and other payables | 29,116 | (180) |
| Net cash outflow from operating activities | (443,048) | (460,149) |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

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 2013, 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

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 2013 | Fixed interest rate 2013 | Non - interest bearing 2013 |
|-----------------------------|--|---|--|
| | % | £ | £ |
| <i>Financial assets:</i> | | | |
| Cash on Deposit | 0.15 | 1,406,476 | - |
| Trade and other receivables | - | - | 210,422 |

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).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

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 2013 consist primarily of deposits and bonds relating to the Company's previous Padre Island Joint Venture. 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

No share options were issued in the year and there are no share-based payment charges in the income statement for the current and prior financial years.

Movements in share options in issue

| Exercise price | Number of options issued as of 30 June 2012 | Issued during year | Expired during year | Number of options issued as of 30 June 2013 |
|-----------------------|--|---------------------------|----------------------------|--|
| £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 | 2,400,000 | - | (300,000) | 2,100,000 |

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 £0.42 (2012: £0.55). The weighted average remaining contractual life for the share options outstanding as at 30 June 2013 was 1.2 years (2012: 1.94 years).

23. Related party transactions

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