

PANTHEON RESOURCES PLC

INTERIM REPORT (UNAUDITED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

Pantheon Resources plc (“Pantheon” or “the Company”) presents its interim results for the six months ended 31 December 2012.

At Pantheon’s AGM held in December 2012, the Managing Director of Vision Gas Resources LLC (“Vision”), Mr Bobby Gray, made a presentation on the Tyler County Project for which Vision is the operator with a 75% interest. During this talk and the ensuing discussion, he expressed his confidence in the substantially increased reserve potential of the Joint Venture (“JV”) acreage in which Pantheon holds a 25% working interest. He advised that he hoped that the Kara Farms #1H (“KF#1H”) well would commence drilling during first quarter 2013. He also stated that this intention was contingent on two key factors; completion of the restructuring of the JV and availability of a suitable rig.

Over recent weeks the restructuring has moved forward positively with Pantheon taking a prominent and active part. The Group has been in the forefront of introducing potential new partners to Vision for entry into the JV although this restructuring will not impact upon Pantheon’s 25% interest in the Tyler County Project. Discussions with two parties are now at an advanced stage. While these negotiations are by nature complex, with extensive geological and geophysical due diligence requirements, the prognosis is that they should be concluded satisfactorily in the second quarter. It is the current plan to commit to a rig and then drill the KF#1 well immediately on finalisation of the restructuring of the JV.

The second stated condition for the commencement of drilling was the availability of a suitable rig. Concomitant with this were an experienced, high quality crew to manage the anticipated well conditions and some further reduction in rig rates. Circumstances have been moving in the JV’s favour on both rig rates and commodity prices. As part of the restructuring negotiations, Vision has indicated that currently a rig may be on location possibly within 40 days of a request for mobilisation. The strengthening of the US natural gas price over recent months further underpins Pantheon’s confidence in the Tyler County Project’s economics.

Financial Review

For the period ended 31 December 2012 the Group made a loss from continuing and discontinued operations of £339,471 (unaudited) compared with a loss of £359,910 (unaudited) for the equivalent period of last year.

Cash and cash equivalents as at 31 December 2012 were £1,696,804. Additionally, the Group has prepaid USD2.975 million in back costs and direct costs towards the KF#1H well and is funded to complete this well. In the event of success, up to USD2.5 million of this may be repaid to the Group. The Group has no debt.

PANTHEON RESOURCES PLC

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2012**

	6 months ended 31 December 2012 (unaudited) £	6 months ended 31 December 2011 (unaudited) £	Year ended 30 June 2012 (audited) £
Revenue	-	-	-
Cost of sales	-	-	-
Gross (loss)/profit	-	-	-
Administrative expenses	(341,674)	(330,226)	(707,364)
Total administrative expenses	(341,674)	(330,226)	(707,364)
Operating loss	(341,674)	(330,226)	(707,364)
Interest receivable	1,212	2,232	3,762
Loss before taxation	(340,462)	(327,994)	(703,602)
Taxation	-	-	-
Loss for the period from continuing operations	(340,462)	(327,994)	(703,602)
Discontinued operations			
Profit/(loss) for the period from discontinued operations (note 3)	991	(31,916)	(102,005)
Loss from re-measurement of assets held for sale	-	-	(60,291)
Total profit/(loss) from discontinued operations	991	(31,916)	(162,296)
Loss for the period from continued and discontinued operations	(339,471)	(359,910)	(865,898)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2012**

	6 months ended 31 December 2012 (unaudited) £	6 months ended 31 December 2011 (unaudited) £	Year ended 30 June 2012 (audited) £
Loss for the period from continued and discontinued operations	<u>(339,471)</u>	<u>(359,910)</u>	<u>(865,898)</u>
Other comprehensive (loss)/income for the period:			
Foreign currency movement	(188,948)	217,142	140,969
Total comprehensive (loss)/income for the year from continuing and discontinuing operations	<u>(528,419)</u>	<u>(142,768)</u>	<u>(724,929)</u>
Loss per ordinary share – basic and diluted from continuing operations (note 2)	(0.33)p	(0.32)p	(0.69)p
Loss per ordinary share - basic and diluted from discontinued operations (note 2)	(0.00)p	(0.03)p	(0.16)p
Loss per ordinary share - basic and diluted from continuing and discontinued operations (note 2)	(0.33)p	(0.35)p	(0.85)p

PANTHEON RESOURCES PLC

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2012**

	Share capital £	Share premium £	Retained losses £	Currency reserve £	Equity reserve £	Total £
Group						
At 30 June 2012	1,020,998	21,915,804	(17,831,710)	649,249	106,035	5,860,376
Net loss for the period	-	-	(339,471)	-	-	(339,471)
<i>Other comprehensive income:</i>						
Foreign currency translation	-	-	-	(188,948)	-	(188,948)
Total comprehensive income for the period	-	-	(339,471)	(188,948)	-	(528,419)
Transfer of previously expensed share based payment on cancellation of options	-	-	-	-	-	-
Balance at 31 December 2012	<u>1,020,998</u>	<u>21,915,804</u>	<u>(18,171,181)</u>	<u>460,301</u>	<u>106,035</u>	<u>5,331,957</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2011**

	Share capital £	Share premium £	Retained losses £	Currency reserve £	Equity reserve £	Total £
Group						
At 30 June 2011	1,020,998	21,915,804	(16,981,469)	508,280	121,692	6,585,305
Net loss for the period	-	-	(359,910)	-	-	(359,910)
<i>Other comprehensive income:</i>						
Foreign currency translation	-	-	-	217,142	-	217,142
Total comprehensive income for the period	-	-	(359,910)	217,142	-	(142,768)
Transfer of previously expensed share based payment on cancellation of options	-	-	15,657	-	(15,657)	-
Balance at 31 December 2011	<u>1,020,998</u>	<u>21,915,804</u>	<u>(17,325,722)</u>	<u>725,422</u>	<u>106,035</u>	<u>6,442,537</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012**

Group	Share capital £	Share premium £	Retained losses £	Currency reserve £	Equity reserve £	Total £
At 30 June 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

PANTHEON RESOURCES PLC

**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012**

	31 December 2012 (unaudited) £	31 December 2011 (unaudited) £	30 June 2012 (audited) £
ASSETS			
Fixed assets			
Intangible fixed assets (note 4)	3,537,510	3,849,211	3,661,831
Property, plant & equipment (note 5)	211	136,861	256
	<u>3,537,721</u>	<u>3,986,072</u>	<u>3,662,087</u>
Current assets			
Assets held for sale	-	-	121,060
Trade and other receivables	200,979	329,942	284,104
Cash and cash equivalents	1,696,804	2,386,851	1,946,496
	<u>1,897,783</u>	<u>2,716,793</u>	<u>2,351,660</u>
Total assets	<u>5,435,504</u>	<u>6,702,865</u>	<u>6,013,747</u>
LIABILITIES			
Creditors: amounts falling due within one year	103,547	260,328	153,371
Total liabilities	<u>103,547</u>	<u>260,328</u>	<u>153,371</u>
Net assets	<u>5,331,957</u>	<u>6,442,537</u>	<u>5,860,376</u>
EQUITY			
Capital and reserves			
Called up share capital	1,020,998	1,020,998	1,020,998
Share premium account	21,915,804	21,915,804	21,915,804
Retained losses	(18,171,181)	(17,325,722)	(17,831,710)
Currency reserve	460,301	725,422	649,249
Equity reserve	106,035	106,035	106,035
Shareholders' funds	<u>5,331,957</u>	<u>6,442,537</u>	<u>5,860,376</u>

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2012**

	6 months ended 31 December 2012 (unaudited) £	6 months ended 31 December 2011 (unaudited) £	Year ended 30 June 2012 (audited) £
Net cash outflow from operating activities	(60,307)	(407,520)	(768,291)
Cash flows from investing activities			
Interest paid	-	-	3,762
Interest received	1,212	2,232	(4,941)
Expenditure on equipment	(1,649)	-	-
Net cash (outflow)/inflow from investing activities	(437)	2,232	(1,179)
Net decrease in cash and cash equivalents	(60,744)	(405,288)	(769,470)
Effect of foreign currency translation reserve	(188,948)	217,142	140,969
Net decrease in cash and cash equivalents	(249,692)	(188,146)	(628,501)
Cash and cash equivalents at the beginning of the period	1,946,496	2,574,997	2,574,997
Cash and cash equivalents at the end of the period	1,696,804	2,386,851	1,946,496

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	6 months ended 31 December 2012 (unaudited) £	6 months ended 31 December 2011 (unaudited) £	Year ended 30 June 2012 (audited) £
Operating loss from continuing operations	(341,674)	(330,226)	(707,364)
Operating profit/(loss) from discontinued operations	991	(31,916)	(162,296)
Loss from re-measurement of assets held for sale	-	-	60,291
Depreciation	1,694	53,909	113,672
Decrease/ (increase) in trade and other receivables	204,185	(5,477)	80,894
Decrease/ (increase) in trade and other payables	(49,824)	41,000	(65,957)
Effect of translation differences	124,321	(134,810)	(87,531)
Net cash outflow from operating activities	(60,307)	(407,520)	(768,291)

**NOTES TO THE FINANCIAL INFORMATION
FOR THE PERIOD ENDED 31 DECEMBER 2012**

1. Accounting policies

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

1.1. Basis of preparation

This financial information has been prepared using the historical cost convention. In addition, the financial information has been prepared 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”).

This interim report has been prepared on a basis consistent with the Group’s expected accounting policies for the year ending 30 June 2013. These accounting policies are the same as those set out in the Group’s Annual Report and Financial Statements for the year ended 30 June 2012, which are available from the registered office or the website (www.pantheonresources.com).

The group financial information and statements are presented in UK pounds sterling and is unaudited. This interim financial information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparative figures for the year ended 30 June 2012 have been taken from the Group’s statutory accounts for that financial year, which have been reported on by the Group’s auditors and delivered to the Registrar of Companies. The auditors’ report on those accounts was unqualified, did not contain references to any matters to which the auditors drew attention without qualifying their report and did not contain any statement under section 498 (2) or 498 (3) of the Companies Act 2006.

1.2. Basis of consolidation

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. Goodwill arising on acquisitions is capitalised and subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

All the companies over which the Company has control apply, where appropriate, the same accounting policies as the Company.

1.3. Foreign currency translation

(i) Functional and presentational currency

The financial statements are presented in Pounds Sterling (“£”), which is the functional currency of the Company and is the Group’s presentation currency.

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.

**NOTES TO THE FINANCIAL INFORMATION
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(ii) Transactions and balances

Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. The resulting exchange gain or loss is dealt with in the income statement.

The assets, liabilities and the results of the foreign subsidiary undertakings are translated into Sterling at the rates of exchange ruling at the year end. Exchange differences resulting from the retranslation of net investments in subsidiary undertakings are treated as movements on reserves.

1.4. Cash and cash equivalents

The company considers all highly liquid investments, with a maturity of 90 days or less to be cash equivalents, carried at the lower of cost or market value.

1.5. Deferred taxation

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and expected to apply when the related deferred tax is realised or the deferred liability is settled.

Deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilized.

1.6. Exploration and development costs

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

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

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

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

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

**NOTES TO THE FINANCIAL INFORMATION
FOR THE PERIOD ENDED 31 DECEMBER 2012**

undertaken. To the extent that the carrying amount exceeds the recoverable amount, the cost attributable to that well is written down to its recoverable amount and charged as an impairment.

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

Exploration and Development costs in relation to the Tyler County Project are accounted for pursuant to the Successful Efforts method of accounting. All direct costs relating to the plugged and abandoned Vision Rice University#1 well have been written off. Accordingly the Intangible Fixed Asset carrying value solely represents back costs and other direct costs paid in relation to the groups projects and prepayments towards the forthcoming KF#1H well.

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

- Production Facilities and Equipment are depreciated by equal instalments over their expected useful lives, in most cases being seven years.
- Office equipment is depreciated by equal annual instalments over their expected useful lives, being four years.

2. Loss per share

	6 months ended 31 December 2012 (unaudited)	6 months ended 31 December 2011 (unaudited)	Year ended 30 June 2012 (audited)
Loss per ordinary share – basic and diluted from continuing operations	(0.33)p	(0.32)p	(0.69)p
Loss per ordinary share - basic and diluted from discontinued operations	(0.00)p	(0.03)p	(0.16)p
Loss per ordinary share - basic and diluted from continuing and discontinued operations	(0.33)p	(0.35)p	(0.85)p

The calculations above have been calculated by dividing the relevant loss classification by the weighted average number of ordinary shares in issue of 102,099,770. The diluted loss per share has been kept the same as the conversion of share options decreases the basic loss per share, thus being anti-dilutive.

**NOTES TO THE FINANCIAL INFORMATION
FOR THE PERIOD ENDED 31 DECEMBER 2012**

3. Discontinued operations note

	6 months ended 31 December 2012 (unaudited)	6 months ended 31 December 2011 (unaudited)	Year ended 30 June 2012 (audited)
Revenue	4,877	65,073	107,723
Cost of Sales	(3,886)	(96,989)	(209,728)
Loss from re-measurement of assets held for sale	-	-	(60,291)
Total profit/(loss) from discontinued operations	<u>991</u>	<u>(31,916)</u>	<u>(162,296)</u>

NOTES TO THE FINANCIAL INFORMATION
FOR THE PERIOD ENDED 31 DECEMBER 2012

4. Intangible fixed assets

	Exploration & development costs £
Group	
<i>Cost:</i>	
At 30 June 2012	3,661,831
Effects of foreign exchange	(124,321)
At 31 December 2012	<u>3,537,510</u>
<i>Net book value:</i>	
At 31 December 2012	<u>3,537,510</u>
At 30 June 2012	<u>3,661,831</u>

5. Property, plant and equipment

	Developed Oil and Gas Properties £	Production Facilities & Equipment £	Office Equipment £	Total £
Group				
<i>Cost:</i>				
At 30 June 2012	-	-	5,688	5,688
Additions	-	-	1,649	1,649
At 31 December 2012	<u>-</u>	<u>-</u>	<u>7,337</u>	<u>7,337</u>
<i>Depreciation:</i>				
At 30 June 2012	-	-	5,432	5,432
Charge for period	-	-	1,694	1,694
At 31 December 2012	<u>-</u>	<u>-</u>	<u>7,126</u>	<u>7,126</u>
<i>Net book value:</i>				
At 31 December 2012	<u>-</u>	<u>-</u>	<u>211</u>	<u>211</u>
At 30 June 2012	<u>-</u>	<u>-</u>	<u>256</u>	<u>256</u>

**NOTES TO THE FINANCIAL INFORMATION
FOR THE PERIOD ENDED 31 DECEMBER 2012**

6. Approval by Directors

The interim report for the six months ended 31 December 2012 was approved by the Directors on 26 March 2013.

7. Availability of Interim Report

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

8. Events after the Reporting Period

There were no material events which occurred after 31 December 2012.