Company Number 05385506

PANTHEON RESOURCES PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2016

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DIRECTORS, SECRETARY AND ADVISERS

Directors	John Walmsley (Non-Executive Chairman) John ("Jay") Cheatham (Chief Executive Officer) Justin Hondris (Executive Director, Finance and Corporate Development)
Company Secretary	Ben Harber
Registered Office	Shakespeare Martineau 6th Floor 60 Gracechurch Street London EC3V 0HR
Company Number	05385506
Auditors	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW
Solicitors	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA
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
Nominated Adviser & Broker	Stifel Nicolaus Europe Limited 150 Cheapside London EC2V 6ET
Communications & Public Relations	FTI Consulting 200 Aldersgate Aldersgate Street London EC1A 4HD

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

The year to June 2016 was a very significant one for your Company, during which we made considerable progress in growing the value of the company, funding and initiating a successful drilling programme. This has continued into the current financial year and taken us to the brink of first production from the technically challenging, but potentially very low cost, Eagle Ford sandstone formation in East Texas. Although operational issues with two of our recent wells delayed our progress, we look forward with great optimism to the next phase of this very exciting and impactful project.

The first achievement to note is that the transition from an exploration and appraisal play to production company, which we looked forward to a year ago is now close to complete. Rather than produce immediately from the first discovery well in Polk County, we have waited for the results of the next two wells in order to analyse a range of competing commercial options and finalise a single co-ordinated production plan for the whole prospect. Although this has moved the estimated date of first production back to spring 2017, it means we will obtain higher profit margins once production starts, an important and positive trade-off.

The second aspect of note is the continued success of our drilling programme. We have now drilled four wells, two since the period end and a fifth is currently underway. All four, as we hoped, have encountered hydrocarbon resources in the Eagle Ford sandstone target horizon. I said a year ago that we were optimistic, following our extensive geological study with the Bureau of Economic Geology at the University of Texas, that we could validate our model of the Eagle Ford sandstone in East Texas. Our drilling track record to date clearly adds to the strength of that belief, with successes in both Tyler County and Polk County.

The third thing we can now say is that our initial pre-drilling estimates of the resource position on our acreage appear to be well supported by the well results we now have. Everything we have learnt so far validates the estimate of P50 prospective (recoverable) resources attributable to the acreage (301Mmboe, of which Pantheon has a 50% - 58% working interest). Indeed, the results to date have done nothing to dent our optimism that some of the wells we drill will exceed modelled P50 well estimates.

The fourth positive achievement to note is that we completed a successful capital raising in March 2016, which was well oversubscribed and brought a high quality list of institutional investors onto the company's share register. We raised £21.1million before expenses, at a time when both oil and natural gas prices were depressed near this current cycle's lows. It left us as a well-funded company, in a good position to press on with our drilling programme and to take advantage of the current lower cost operating environment. Since the year end we have taken the opportunity to acquire an additional 8% interest in our Polk County acreage at what we believe to be an extremely attractive price.

A final notable feature of the past 12 months, while outside our control, is the improved tone of the oil and gas market. Drilling and service costs have dropped significantly, greatly benefitting our operations. Oil prices have firmed since the start of 2016 and natural gas prices in the United States, our area of operation, have risen too after recent declines. As always, caution is needed when attempting to look forward to future market conditions. Even with those normal caveats however, the fact that current prices are materially higher than the low case assumptions we were using just six months ago is welcome. Any sustained rise in prices will feed through directly to the value of our operations, which we believe will be profitable at much lower prices, given our projected $5/boe combined capital and operating costs for a modelled P50 well.

While our knowledge and understanding of the geology we are targeting has gone from strength to strength, we have also had to face and overcome some challenging operational issues. Two of the four wells we have drilled to date (VOBM#1 and VOBM#3) have been comfortably completed on schedule and within budget, but it is fair to say that the VOS#1 and VOBM#2H wells have not run quite as smoothly. Jay Cheatham, your CEO, expands on some of these issues in his operational report.

Although we have learnt our own valuable lessons, the operational problems we have faced are unfortunately also symptomatic of an industry that has been savaged by the severity of the recent oil and gas price downturn. We have observed a marked decline in the quality of service and equipment provided by third party service providers, something we are working hard to offset. The most important outcome of the setback we encountered drilling VOBM#2H horizontally is that we will revert to drilling future wells vertically, a lower risk and lower cost option. The two most recent wells we have drilled vertically are within time and budget.

Looking forward, as the Company completes its transition to producer status, there will be more to say about well results, future drilling plans and details of the impending first production from our network of Polk County wells. As our Company grows, we also expect to be strengthening the Board and our internal operational capabilities.

As I noted a year ago, you can never entirely eliminate risk from the E&P business, but I am encouraged and enthused that the fundamentals of Pantheon's business – a track record of repeated exploration success, growing capital values, a sound balance sheet and access to some of the lowest cost resources anywhere in the world – are sound and on a clear upward trajectory. The Board is therefore looking forward to 2017 with great confidence.

John Walmsley

22 November 2016

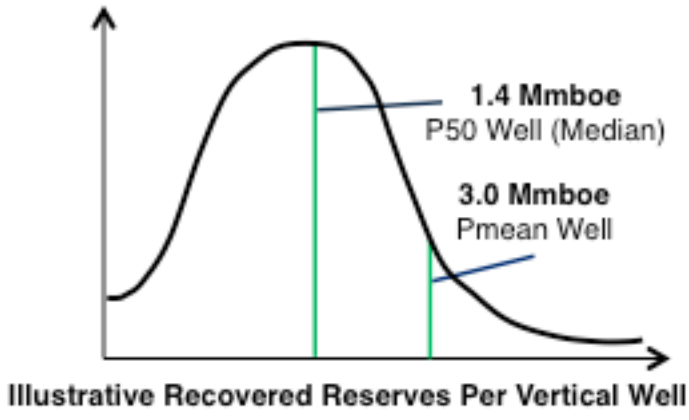
Overview

Your Company's strategy remains unchanged. Management plans to drill enough wells to delineate all our acreage in both Polk and Tyler Counties in East Texas. Once completed, we intend to seek an exit in the most tax-efficient and value-accretive means for our shareholders. We will only exit if the Board is satisfied that we are receiving fair value for our producing acreage, operational infrastructure, intellectual property and proprietary geological and geophysical data. If drilling progresses as planned, we hope to be in this position by late 2018.

All the drilling we have done to date confirms our belief that our acreage may contain up to five Double A Wells lookalike prospects. These five prospects were deemed in 2014 to have the potential for up to 209 wells, including up to 167 vertical wells in the Eagle Ford sandstone, and 301Mmboe of P50 prospective recoverable resource on a 100% basis (Pantheon has a 50% - 58% working interest in the Polk and Tyler County prospects). Nothing has changed our view of that potential. Drilling to date has fully confirmed the accuracy of our geological model, as is evidenced by the fact that we have so far drilled four wells on our acreage and found hydrocarbons at our primary target horizon within all four of them.

Each of the well results we have obtained display similar characteristics to the analogue Double A Wells field, just as our studies and seismic suggested they would. They encourage us to believe that the P50 assumption has the potential to be conservative. Our drilling in Tyler County, in particular, indicates that there may be significant upside in the LP2 offset area, where we drilled our first Tyler County well, and in Prospects B and C, which we call the core offset area. If so, in a success case we could achieve higher recovery rates than those associated with a P50 well. We cannot know for sure however until we have completed the drilling programme and analysed actual production experience.

What we do know is that our modelled economics already stack up exceptionally well against some of the best reservoirs in North America. Given a modelled P50 well, with an assumed 1.4Mmboe of recoverable resource, and our current estimated drilling and completion costs in Polk County, capital expenditure per well (capex) is below $4 per boe and operating expenditure (opex) could be as low as $1 per boe. In Tyler County, the per well costs are slightly higher, but the higher reservoir pressures encountered there have the potential to produce higher per well recoveries than in Polk County, meaning that the overall per well economics are broadly similar.



There is a significant difference in potential recoverable reserves between a modelled P50 and a modelled Pmean well, according to our modelling.

Operations

The two wells we drilled in 2015, one in Polk County (VOBM#1) and the second in Tyler County (VOS#1), both found commercial quantities of hydrocarbons in the Eagle Ford sandstone. Both 2015 discoveries have the potential to be P50 or better wells, with VOBM#1 tested at over 1,500 boepd and VOS#1, despite a partial well blockage, tested initially at 750 boepd through a 12/64" choke and at 920 boepd through a 14/64" choke after fracture stimulation.

Those results clearly validate our thesis that we could successfully locate and access mini-basins in the Eagle Ford sandstone. The three-year study of this complex geological formation we carried out with the Bureau of Economic Geology at the University of Texas at Austin may have taxed shareholders' patience at the time, but the investment of time and money has been fully justified by the results. The success of the first two well results enabled us to raise an additional £21.1million before costs in a placing in March 2016 to continue the exploration and appraisal of our acreage position.

Since the period end, Pantheon has since spudded three follow-up wells, two (VOBM#2H and VOBM#3) in Polk County and the third (VOBM#4), still drilling at the time of writing, in Tyler County. Despite encountering technical problems with VOBM#2H, which we will be re-drilling shortly as a vertical completion, all the wells to date have encountered significant hydrocarbons in the target horizon, consistent with our expectations. We are flow testing VOBM#3 as I write this. A fifth well, VOBM#4, has been spudded in Tyler County. It is drilling ahead and is expected to complete around the turn of the year.

VOBM#2H is the only well that we have attempted to drill horizontally. The well has been suspended and will be re-entered and completed vertically once the Nabors F-12 rig has reached target depth at VOBM#4 in Tyler County. The idea behind drilling a well horizontally was that, if successful, an individual well could have increased ultimate recovery and well flow rates by two or three times those of a vertical well, justifying the 50-60% increase in per well costs. What we have now learnt is that the Eagle Ford sandstone is too hard and abrasive to drill horizontally. By the time we suspended the well for future completion as a vertical well, we had already experienced multiple MWD (measurement while drilling) tool, mud motor, drill bit and other downhole assembly failures, each one of which required us to come out of the hole to change the assembly, adding to the cost and prolonging the over-run against schedule.

The well successfully located the Eagle Ford sandstone formation and flared gas for several days. When we re-drill we will be able to test and announce the flow rates. All the modelling and planning we do has always been predicated on 100% vertical drilling, so the outcome, while disappointing, is more of a lost opportunity than a significant direct cost. When we re-drill VOBM#2H, it will be in a similar fashion to VOBM#3, which was successfully drilled on time and within its $3.75million budget, but the re-drill will be at a significantly lower cost given we can utilize much of the existing wellbore. The most encouraging feature of our drilling programme is that our vertical well costs are declining as we and the rig crews accumulate experience and become more efficient. By the time that VOBM#4 has also been completed, we will have accumulated an even deeper body of knowledge and operational experience across both the Polk County and Tyler County prospects.

In Tyler County the original VOS#1 well, a step-out from Vison Resources' LP-2 well, was drilled to a total depth of 15,150 feet and again successfully found hydrocarbons in the Eagle Ford sandstone. During drilling we encountered a productive formation at a shallower depth that required us to plug back and sidetrack the well. This knowledge has been applied to the VOBM#4 well design, which contemplates this feature. VOS#1 also encountered significant natural gas shows in the Austin Chalk, which we expected given the highly successful Austin Chalk wells drilled by Anadarko and Ergon to the north of our acreage.

We initially completed VOS#1 as an Eagle Ford sandstone well only. Having reviewed the well results, we subsequently decided to perform a fracture stimulation ("frack") on the top 25' of the 270' sand section, as our diagnostics had indicated possible skin damage near the wellbore from heavy drilling mud, as well as some permeability variations across the formation. During the fracture treatment we also perforated and fracked a 20 foot section of the Austin Chalk, as this will be our only chance to test this formation in Tyler County for some time, given our other drilling priorities. Because of its slightly lower reservoir pressures, the Austin Chalk is likely to contribute production later in the well's productive life than the Eagle Ford sandstone.

We had hoped that the fracture stimulation would produce a 2x to 3x improvement in flow rates from VOS#1 compared to the original testing. In the event, we saw only a modest improvement. However we did also observe an excellent flowing tubing pressure response to changes in choke size, which is a potentially positive indicator that once we move into production initial flow rates can be sustained for longer. VOS#1 still has the possibility of being a great well whose characteristics are similar to some very long life Double A Wells field wells which are still producing after more than 30 years, however it will take a period of sustained production history before a definitive assessment can be made. At the tested flow rates, and at current oil and gas prices, this well has the potential to recover its costs in a little more than a year – a result which would please most companies in today's environment.

Next steps

With the results that we already have in confirming the commerciality of our Eagle Ford sandstone discoveries, we are well advanced with planning the company's first production, another important milestone in the company's transformation from pure exploration play to proven oil and gas development company. We have three options for processing the gas from Polk County; (1) tie into one of the nearby existing facilities; (2) build our own smaller skid mounted facility; or (3) contract a third party to build a fully dedicated production facility on our land. All three options are open and a decision will be made soon after VOBM#3 testing is complete. The results of all three wells, taken together, will enable us to implement an integrated production plan for the entire Polk County operation. We are aiming to achieve first production in spring 2017. Putting back the start date from our initial target in 2016 was a deliberate choice that has proved its worth, enabling us to engineer an outcome that will produce higher netbacks when production begins and take advantage of stronger commodity prices.

On the drilling front, we spudded VOBM#4, a large step out extension from the VOS#1, in Tyler County. This well is riskier than previous wells, as it is in a new basin, one for which we have only 2-D rather than 3-D seismic. It is about the same distance from VOS#1 as VOS#1 was from the LP-2 discovery. It will help better determine the real extent of the reservoir that lies under our acreage in Tyler County. A success could add materially to the value of our Tyler County holding. The Nabors F-12 rig will then go back to complete drilling VOBM#2. The remainder of 2017 will be taken up with further drilling to prove up our acreage, possibly with two rigs operating simultaneously. The details will be announced as our plans are finalised.

Well #	**Location**	**Spudded**	**TD**	**Status**	**Well type**	**Eagle Ford**
VOBM#1	Polk	28-July-2015	14,200	Flow tested	Vertical	Confirmed
VOS#1	Tyler	9-Sept-2015	15,150	Flow tested and fracked	Vertical	Confirmed
VOBM#2H	Polk	17-May-2016	16,450	Will re-drill vertically	Horizontal	Confirmed
VOBM#3	Polk	1-Sept-2016	14,500	Being tested	Vertical	Confirmed
VOBM#4	Tyler	01-Nov-2016		Drilling now	Vertical	

Summary of drilling programme to date, Tyler & Polk Counties

Financial

As noted in the Chairman's statement we raised £21.1 million before expenses in March 2016. The placing price was £1.15 pence per share. As well as funding our drilling programme, this subsequently allowed us to opportunistically increase our stake in the two defined Eagle Ford sandstone plays in Polk County by 8%. We acquired this 8% working interest for an upfront payment of $6.5 million, plus 20% of the costs associated with the VOBM#2H and VOBM#3 wells. In respect of the 8% working interest acquired, Pantheon will benefit from an accelerated payback mechanism whereby it will receive 20% of production revenues until such time as the purchase consideration has been recouped, at which point revenues will revert back to an 8% revenue interest. On the basis of the 2014 resource assessment, the additional 8% interest has increased our resource potential by approximately 9Mmboe. As at 30 June 2016, the end date for this set of results, the group had cash of c.£18 million.

It may be worth emphasising that the carrying value of our assets in the accounts is based on the historic cost of drilling and related operations, not on their current value. By way of illustration, an individual modelled P50 well (1.4Mmboe) is estimated to have a net present value (on a 100% basis), discounted at 10% per annum, of $14 million at current market prices of $45/barrel oil and $2.90/mcf natural gas, assuming drilling and completion costs of $4 million. On the same basis a modelled PMean well (3Mmboe) would have a net present value of over $32 million. In a low case pricing scenario of $30/barrel oil and $2.00/natural gas, a modelled P50 well is calculated to have a net present value of $8.7m and $21m for a PMean well. These are illustrative examples based upon modelled well types, however demonstrate the compelling economics achievable in a success case.

Because it is impossible to know how prices will move in future, and future drilling results are subject to uncertainties, all such estimates are by their nature subject to change. Nevertheless it is evident that the capital value of the resource attributable to shareholders, given the possibility of more than 150 wells across four Eagle Ford prospects, is potentially many multiples higher than the group's carrying values.

Conclusion

Despite the technical challenges thrown at us, I find it difficult to look back on the year just gone with anything other than growing confidence. The company is 4 for 4 with its drilling programme finding significant hydrocarbons with each one and is poised for production and cash flow in Spring 2017 in Polk County. Crude and natural gas prices have improved and the modelled per well economics at current prices are very profitable. We have further important drilling results to look forward to over the coming year. Our balance sheet is strong and we continue to improve our understanding and overcome the challenges of developing the complex but high reward geology we are targeting. Pantheon is a results-driven company and I believe we are poised for an outstanding 2017.

Jay Cheatham

22 November 2016

Financial Review

The Group made a total loss from operations for the financial year ended 30 June 2016 of £924,313 (2015: £1,148,900). The decrease over the prior year is primarily due to a reduction in the non cash accounting charges made in relation to the amortization of previously issued share options.

Impairments

The total impairment charge for the year was £nil (2015: £nil).

Accounting policies

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

Capital structure

The Company issued 18,601,062 new fully paid ordinary shares at an issue price £1.15 per share during the year, raising cash proceeds of c.£21.1m before expenses.

As at 30 June 2016 there were 214,957,458 shares in issue (2015: 196,356,396).

The Company has 10,000,000 options outstanding to acquire ordinary shares (2015: 10,000,000) at an exercise price of £0.30 per share. As at 30 June 2016 all share options were fully vested.

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 1.4.

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 remains elevated for many companies in the natural resources sector for a number of reasons including but not limited to the slowdown in the Global economy, the volatility in commodity prices, recent political and other influences, which have negatively impacted energy prices and created economic uncertainty.

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 year the energy sector has been impacted by, but not limited to, volatility in commodity prices which has resulted in very difficult market conditions for the sector. The Group did not engage in any commodity price 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 foreign currency 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

22 November 2016

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 8 to these accounts.

Review of the Business and Key Performance Indicators

Please refer to the Finance Director's Report on page 10 for the review of the business and analysis of the Key Performance Indicators of the business.

Financial Position and Future Prospects

Please refer to the Chief Executive Officer's statement and operation review on page 6 for an overview of the Company position and prospects.

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; the potential for incorrect geological interpretation or evaluation; mechanical or other technical problems encountered during the drilling of prospects; lease issues; lease costs; environmental or permitting issues; costs and contractual obligations relating to gas processing and distribution; mechanical or other technical problems which may from time to time affect existing production; the potential for increased costs for drilling or operating in a tight rig market; the uncertainty surrounding potential recoverability of reserves; deterioration in commodity prices, political risk or economic conditions; and the potential for unexpected deterioration or abandonment of existing production. Pursuant to the terms of the respective operational agreements, and typical for the industry, the Group is also potentially exposed to the timing, financial and operational position of counterparties, in particular with respect to the timing, and therefore payment for the proposed drilling of wells.

By order of the board.

Justin Hondris
Director

22 November 2016

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 2016.

Results and dividends

The Group results for the period are set out on page 21. The Directors do not propose to recommend any distribution by way of a dividend for the year ended 30 June 2016.

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 8 and 14 to these accounts.

Directors

The following Directors held office during the year:
John Walmsley (Non-Executive Chairman)
John Cheatham (Chief Executive Officer)
Justin Hondris (Director, Finance & Corporate Development)

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 2016 Number of Ordinary shares of £0.01
J Cheatham	3,554,249
J Hondris*	1,135,000
J Walmsley*	1,859,938

*Some of these ordinary shares are beneficially owned by the respective spouses of Messrs J Walmsley and J Hondris.

Share options

Share options for Ordinary shares of £0.01, held by Directors on 30 June 2016 were as follows:

Exercise price	Number of options £0.30
J Walmsley	1,000,000
J Cheatham	4,385,000
J Hondris	3,865,000
Total	9,250,000

These are 100% vested as at 30 June 2016.

Report on Directors' remuneration and service contracts

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

Pensions

Following implementation of the mandatory work place pension scheme the company is now fully compliant.

Directors' remuneration

	Fees/basic salary	Share-based payments	Benefits in kind	2016 Total	2015 Total
	£	£	£	£	£
J Cheatham	203,609	23,569	-	227,178	354,783
J Hondris	127,500	20,774	-	148,274	283,996
J Walmsley	62,500	5,375	-	67,875	100,125
	393,609	49,718	-	443,327	738,904

Director incentive scheme

In 2012 the Company implemented a short term executive director incentive scheme ("the 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, where relevant, 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 resulting from the scheme 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 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 the scheme, together with the granting of share options provides an appropriate and reasonable structure to reward and motivate the executive Directors for performance that is aligned to the interests of shareholders and provides a balance of long term and short term performance measurement. Any potential benefit from the scheme is linked to the booking of net-booked reserves which is considered to be a key milestone reflecting potential "value add" for the benefit of shareholders. The value of share options is directly linked to the longer term share price performance and is therefore also considered to be a suitable metric as a basis for executive remuneration.

No benefit has been paid from the scheme since inception.

Subsequent Events

On 19 July, 2016 the Company announced the acquisition of an additional 8% working interest in the "West West Double A"* and "West Double A"** prospects (previously referred to respectively as "New Prospect D" and "New Prospect A"), located in Polk County, East Texas. Upon completion of the acquisition, Pantheon's working interest in these two prospects, including the VOBM#1 discovery well, increased from 50% to 58%. The Company's working interest in its Tyler County prospects remain unchanged at 50% and its working interest in

"New Prospect E" remains unchanged at 25%. Further detail on the acquisition of this additional working interest can be found at Note 23.

A detailed update on operational activities subsequent to 30 June 2016 can be found at Note 23, and has also been discussed in the CEO and Chairman's statements at the beginning of this annual report.

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 18 November 2016

	Number of Ordinary Shares	% of Share Capital
Ferlim Nominees Limited	26,265,327	12.22
Jim Nominees Limited	13,732,199	6.39
Vidacos Nominees Limited	10,717,665	4.99
The Bank of New York (Nominees) Limited	8,475,662	3.94
Barclayshare Nominees Limited	7,398,665	3.44
Lynchwood Nominees Limited	7,068,297	3.29

Political and charitable contributions

There were no political or charitable contributions made by the Company during the year ended 30 June 2016 (2015: £Nil).

Remuneration and Nomination Committee

The Board of Directors has established the Remuneration and Nomination Committee of the Board. John Walmsley is the chairman of the committee and Justin Hondris is the other member. Other Directors may attend meetings by invitation.

The Remuneration and Nomination Committee meets as required, but aims to meet at least twice a year. Its role is to determine 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. During the year, the Audit Committee consisted of John Walmsley as chairman and Jay Cheatham as 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 Company Secretary, other 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 the external auditors have held discussions with the Audit Committee on the subject of auditor independence and have confirmed their independence in writ

Conflicts Committee

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

The role of the Conflicts Committee is to assist the Board in monitoring actual and potential conflicts of interest 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 Anti-Corruption & Bribery Committee is to ensure the Company's compliance with the Bribery Act 2010.

Corporate Governance

The Directors acknowledge their responsibility for, and recognise the importance of implementing and maintaining, high standards of corporate governance. Given its current size, personnel limitations and operational status the Company has not adopted a formal corporate governance code, however it does liaise closely with the Nomad and company. However the Company does, where practical, comply with relevant aspects from the UK Corporate Governance Code as appropriate for a company of its size, nature and stage of development.

EU Market Abuse Regulations

The EU Market Abuse Regulation came into effect in the UK on 3 July 2016 and the company has implemented relevant policies and procedures to ensure compliance with the requirements of the regime.

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

22 November 2016

John Walmsley, Non Executive Chairman

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, Remuneration and Nomination and Conflicts Committees.

Jay Cheatham, Chief Executive Officer

Jay Cheatham has more than 40 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 has over 10 years experience in public company management in the upstream oil and gas sector and has wide ranging experience in corporate finance, private equity and capital markets in the UK and abroad. Prior to Pantheon, Justin held a senior position in the private equity sector where he gained valuable experience in both investment and exit strategies for growth companies.

He is responsible for the financial, legal, administrative and corporate development functions of the company.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PANTHEON RESOURCES PLC
FOR THE YEAR ENDED 30 JUNE 2016

We have audited the financial statements of Pantheon Resources plc for the year ended 30 June 2016 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 16-17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

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 2016 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

22 November 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 £	2015 £
Continuing operations			
Revenue	3	385	3,389
Cost of sales		(515)	(230)
Gross (loss)/profit		(130)	3,159
Administration expenses		(874,675)	(778,779)
Share-based payments	20	(53,813)	(376,688)
Operating loss	4	(928,618)	(1,152,308)
Interest receivable	6	4,305	3,408
Loss before taxation		(924,313)	(1,148,900)
Taxation	7	-	-
Loss for the year		(924,313)	(1,148,900)
Other comprehensive income for the year			
Exchange differences from translating foreign operations		5,128,926	645,921
Total comprehensive income for the year		4,204,613	(502,979)
Loss per share			
Loss per ordinary share – basic from continuing operations	2	(0.46)p	(0.67)p
Loss per ordinary share – diluted from continuing operations		(0.46)p	(0.67)p

The loss for the current and prior years and the total comprehensive loss for the current year and prior years are wholly attributable to the equity holders of the parent company, Pantheon Resources Plc.

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

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

	Share capital £	Share premium £	Retained losses £	Currency reserve £	Equity reserve £	Total Equity £
Company						
At 1 July 2015	1,963,564	38,822,059	(9,174,453)	-	376,688	31,987,858
Net loss for the year	-	-	(636,186)	-	-	(636,186)
Total comprehensive income for the year	-	-	(636,186)	-	-	(636,186)
Capital raising						
Issue of shares	183,543	20,923,894	-	-	-	21,107,437
Issue of shares in lieu of fees	2,467	281,317	-	-	-	283,784
Issue costs		(899,710)	-	-	-	(899,710)
Share-based payments						
Issue of share options	-	-	-	-	53,813	53,813
Balance at 30 June 2016	2,149,574	59,127,560	(9,810,639)	-	430,501	51,896,997

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Share capital £	Share premium £	Retained losses £	Currency reserve £	Equity reserve £	Total Equity £
Group						
At 1 July 2014	1,020,998	21,915,804	(19,219,576)	274,548	55,335	4,047,109
Net loss for the year	-	-	(1,148,900)	-	-	(1,148,900)
Other comprehensive income:						
Foreign currency translation	-	-	-	645,921	-	645,921
Total comprehensive income for the year	-	-	(1,148,900)	645,921	-	(502,979)
Capital raising						
Issue of shares	926,097	17,595,875	-	-	-	18,521,972
Issue of shares in lieu of fees	16,469	312,882	-	-	-	329,351
Issue costs	-	(1,002,502)	-	-	-	(1,002,502)
Share-based payments						
Issue of share options	-	-	-	-	376,688	376,688
Transfer of previously expensed share-based payment on cancellation of options	-	-	55,335	-	(55,335)	-
Balance at 30 June 2015	1,963,564	38,822,059	(20,313,141)	920,469	376,688	21,769,639

	Share capital £	Share premium £	Retained losses £	Currency reserve £	Equity reserve £	Total Equity £
Company						
At 1 July 2014	1,020,998	21,915,804	(8,332,984)	-	55,335	14,659,153
Net loss for the year	-	-	(896,804)	-	-	(896,804)
Total comprehensive income for the year	-	-	(896,804)	-	-	(896,804)
Capital raising						
Issue of shares	926,097	17,595,875	-	-	-	18,521,972
Issue of shares in lieu of fees	16,469	312,882	-	-	-	329,351
Issue costs	-	(1,002,502)	-	-	-	(1,002,502)
Share-based payments						
Issue of share options	-	-	-	-	376,688	376,688
Transfer of previously expensed share-based payment on cancellation of options	-	-	55,335	-	(55,335)	-
Balance at 30 June 2015	1,963,564	38,822,059	(9,174,453)	-	376,688	31,987,858

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Notes	2016 £	2015 £
ASSETS			
Non-current assets			
Exploration and evaluation assets	12	28,510,585	16,406,313
Property, plant and equipment	13	2,243	3,589
		28,512,828	16,409,902
Current assets			
Trade and other receivables	9	263,753	182,263
Cash and cash equivalents	10	17,903,257	5,265,985
		18,167,010	5,448,248
Total assets		46,679,838	21,858,150
LIABILITIES			
Current liabilities			
Trade and other payables	11	160,262	88,511
Total liabilities		160,262	88,511
Net assets		46,519,576	21,769,639
EQUITY			
Capital and reserves			
Share capital	14	2,149,574	1,963,564
Share premium	14	59,127,560	38,822,059
Retained losses		(21,237,454)	(20,313,141)
Currency reserve		6,049,395	920,469
Equity reserve	20	430,501	376,688
Shareholders' equity		46,519,576	21,769,639

The financial statements were approved by the Board of Directors on 22 November 2016 and signed on its behalf by:

Justin Hondris
Director
Company Number 05385506

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Notes	2016 £	2015 £
ASSETS			
Non-current assets			
Property, plant and machinery	13	2,243	3,589
Loans to subsidiaries	9	47,304,772	29,341,087
		47,307,015	29,344,676
Current assets			
Trade and other receivables	9	94,975	53,459
Cash and cash equivalents	10	4,558,850	2,647,807
		4,653,825	2,701,266
Total assets		51,960,840	32,045,942
LIABILITIES			
Current liabilities			
Trade and other payables	11	63,843	58,084
Total liabilities		63,843	58,084
Net assets		51,896,997	31,987,858
EQUITY			
Capital and reserves			
Share capital	14	2,149,574	1,963,564
Share premium	14	59,127,561	38,822,059
Retained losses		(9,810,638)	(9,174,453)
Equity reserve	20	430,500	376,688
Shareholders' equity		51,896,997	31,987,858

The financial statements were approved by the Board of Directors on 22 November 2016 and signed on its behalf by:

Justin Hondris
Director
Company Number 05385506

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 £	2015 £
Net cash inflow/(outflow) from operating activities	15	1,200,559	(497,522)
Cash flows from investing activities			
Interest received		4,305	3,408
Purchase of plant and equipment		-	(4,037)
Interest paid		(15,000)	-
Funds used for drilling and exploration	12	(9,044,104)	(12,719,946)
Net cash outflow from investing activities		(9,054,799)	(12,720,575)
Cash flows from financing activities			
Proceeds from share issues	14	21,107,437	18,521,972
Issue costs paid in cash		(615,925)	(673,151)
Net cash inflow from financing activities		20,491,512	17,848,821
Increase in cash and cash equivalents		12,637,272	4,630,724
Cash and cash equivalents at the beginning of the year		5,265,985	635,261
Cash and cash equivalents at the end of the year	10	17,903,257	5,265,985

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 £	2015 £
Net cash outflow from operating activities	15	(605,610)	(570,237)
Purchase of plant and equipment		-	(4,037)
Interest received		3,825	2,539
Interest Paid		(15,000)	-
Loans to subsidiary companies		(17,963,685)	(14,767,511)
Net cash outflow from investing activities		(17,974,860)	(14,769,009)
Cash flows from financing activities			
Proceeds from share issues	14	21,107,437	18,521,972
Issue costs paid in cash		(615,925)	(673,151)
Net cash inflow from financing activities		20,491,512	17,848,821
Increase in cash and cash equivalents		1,911,042	2,509,575
Cash and cash equivalents at the beginning of the year		2,647,808	138,232
Cash and cash equivalents at the end of the year	10	4,558,850	2,647,807

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, 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 2016 were authorised for issue by the board of Directors on 22 November 2016 and 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 2016 of £636,186 (2015: loss of £896,804) 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.

1.3. Interests in joint arrangements

IFRS defines a joint arrangement as an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

Joint operations
A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. In relation to its interests in joint operations, the Group recognises its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

1.4. 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 Directors have reviewed the Group's overall position and outlook and are of the opinion that the Group is sufficiently well funded to be able to operate as a going concern for at least the next twelve months from the date of approval of these financial statements. The Directors believe that the use of the going concern basis is appropriate. Accordingly, the Directors have prepared the financial statements on a going concern basis.

1.5. Revenue

Oil and Gas revenue represents amounts invoiced (exclusive of sales related taxes) for the Group's share of oil and gas sales in the year.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

1.6. Foreign currency translation

(i) Functional and presentational currency
The financial statements are presented in Pounds Sterling ("£"), which is the functional currency of the Company and is the Group's presentation currency. The company estimates that they will commence generating production revenues from its Polk County Operations in Q1 or Q2 2017, following which the functional currency will change to the United States Dollar (USD).

Items included in the Company's subsidiary entities are measured using United States Dollars ("US$"), which is the currency of the primary economic environment in which they operate.

(ii) Transactions and balances
Transactions in foreign currencies are translated into Sterling at the average exchange rate for the year. 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.

1.7. 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.

1.8. 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.

1.9. 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.

1.10 Impairment of exploration and development costs and depreciation of assets

Impairment reviews on development and producing assets are carried out at the end of the respective accounting period. 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 and Polk County projects, the carrying value as at 30 June 2016 represents back costs and direct costs paid in relation to the project, seismic, land and drilling costs relating to the prospects as well as prepaid costs towards future drilling.

Based on estimates by a third party technical consultant, the Group estimates potential for up 167 wells at an average P50 prospective resource (recoverable) of 1.4Mmboe per well from the Eagle Ford sandstone formation alone. Additionally, potential lies in the separate and independent Austin Chalk structure which is known to exist on the JV's Tyler Country acreage. Pantheon has working interest ranging from 50% to 58% in these prospects. Based upon those estimates and results achieved to date, the Directors believe the carrying values at 30 June 2016 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 three years.

1.11. Financial instruments

IFRS7 requires information to be disclosed about the impact of financial instruments on the Group's risk profile, how the risks arising from financial instruments might affect the entity's performance, and how these risks are being managed.

The Group's policies include that no trading in derivative financial instruments shall be undertaken. These disclosures have been made in Note 19 to the accounts.

1.12. Share based payments

On occasion the Company has 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.

During the year £53,813 was charged to share based payments in relation to previously granted share options to Directors and employees.

1.13. Critical accounting estimates and judgements

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. IFRSs also require management to exercise its judgement in the process of applying the Group's accounting policies.

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

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

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

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

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

For option based share-based payments, to determine the value of the options management estimate certain factors used in the option pricing model, including volatility, vesting date, exercise date of options and the number of options likely to vest. At each reporting date during the vesting period management estimate the number of shares that will vest after considering the vesting criteria. If these estimates vary from actual occurrence, this will impact on the value of the equity carried in the reserves.

1.14. 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	*Impact on initial application*	*Effective date*
IAS 1*	Presentation of Financial Statements: Disclosure Initiative	1 January 2016
IAS 7*	Statement of cash flow	1 January 2017
IAS 12*	Income taxes	1 January 2017
IAS 16*	Clarification of Acceptable Methods of Depreciation	1 January 2016
IAS 27*	Separate Financial Statements	1 January 2016
IAS 28*	Investments in Associates and Joint Ventures	1 January 2016
IAS 28*	Investment Entities: Applying the Consolidation Exception	1 January 2016
IAS 38*	Clarification of Acceptable Methods of Amortisation	1 January 2016
IFRS 9*	Financial Instruments	1 January 2018
IFRS 10*	Consolidated Financial Statements	1 January 2016
IFRS 10*	Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 11	Joint Arrangements: Accounting for Acquisitions of Interest in Joint Operations	1 January 2016
IFRS 12*	Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

* Amendments

The Group does not anticipate that the adoption of these standards will have a material effect on its financial statements in the period of initial adoption.

2. Loss per share

The total loss per share for the group of 0.46p (2015: 0.67p) is calculated by dividing the loss for the year from continuing operations by the weighted average number of ordinary shares in issue of 202,115,081 (2015: 171,311,303).

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

3. Segmental information

The Group's activities involve production of and exploration for oil and gas. There are two reportable operating segments: USA and Head Office. 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 2016.

Year ended 30 June 2016

Geographical segment (Group)	**Head Office**	**USA**	**Consolidated**
	£	**£**	**£**
Revenue	-	385	385
Cost of sales	-	(515)	(515)
Interest receivable	3,825	480	4,305
Administration expenses	(586,198)	(288,477)	(874,675)
Share-based payments	(53,813)	-	(53,813)
Loss by reportable segment	(636,186)	(288,127)	(924,313)
Plant and equipment	2,243	-	2,243
Exploration and evaluation assets	-	28,510,585	28,510,585
Trade and other receivables	94,975	168,778	263,753
Cash and cash equivalents	4,558,850	13,344,407	17,903,257
Intercompany balances	47,304,772	(47,304,772)	-
Total assets by reportable segment	51,960,840	(5,281,002)	46,679,838
Total liabilities by reportable segment	(63,843)	(96,419)	(160,262)
Net assets by reportable segment	51,896,997	(5,377,421)	46,519,576

3. Segmental information (continued)

Year ended 30 June 2015

Geographical segment (Group)	**Head Office**	**USA**	**Consolidated**
	£	**£**	**£**
Revenue	-	3,389	3,389
Cost of sales	-	(230)	(230)
Interest receivable	2,539	869	3,408
Administration expenses	(522,655)	(256,124)	(778,779)
Share-based payments	(376,688)	-	(376,688)
Loss by reportable segment	(896,804)	(252,096)	(1,148,900)
Plant and equipment	3,589	-	3,589
Exploration and evaluation assets	-	16,406,313	16,406,313
Trade and other receivables	53,459	128,804	182,263
Cash and cash equivalents	2,647,807	2,618,178	5,265,985
Intercompany balances	29,341,087	(29,341,087)	-
Total assets by reportable segment	32,045,941	(10,187,791)	21,858,150
Total liabilities by reportable segment	(58,084)	(30,427)	(88,511)
Net assets by reportable segment	31,987,858	(10,218,219)	21,769,639

4. Operating loss

	2016	2015
	£	£
Operating loss is stated after charging:		
Depreciation	1,346	448
Auditor's remuneration		
- group and parent company audit services	17,500	14,000
Auditor's remuneration for non-audit services		
- taxation services and compliance services	12,213	4,495

5. Employment costs

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

	2016	2015
	£	£
Wages and salaries	437,609	440,976
Social security costs	35,575	38,809
	473,184	479,785

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

6. Interest receivable

	2016 £	2015 £
Bank interest received	4,305	3,408

7. Taxation

	2016 £	2015 £
Current tax		
UK corporation tax	-	-
Factors affecting the tax charge for the period		
Loss on ordinary activities before taxation	(924,313)	(1,148,900)
Loss on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 20% (2015: 20.5%)	184,863	(238,398)
Effects of:		
Non deductible expenses	11,657	78,917
Capital allowances	38	(198)
Tax losses carried forward not recognised as deferred tax asset	173,168	159,679
Total tax charge	-	-

Factors that may affect future tax charges

The Finance Act 2013 reduced the rate of corporate tax to 21% from 1 April 2014 and to 20% from 1 April 2015. Finance (No.2) Bill 2015, which was substantively enacted on 26 October 2015, announced that the corporation tax rate applying from 1 April 2017 would fall to 19% and 18% from 1 April 2020.

The Group's deferred tax assets and liabilities as at 30 June 2016 have been measured at 20%, although no deferred tax has been recognised as such in these accounts.

At the balance sheet date, the Group has unused losses carried forward of £23.0m (2015: £22.2m) available for offset against suitable future profits. Of these losses approximately £18.0m (2015: £17.7m) were sustained in the USA. Unused US tax losses expire in general within 20 years of the year in which they are sustained.

The directors do not consider it appropriate to recognise a deferred tax asset in respect of such losses, due to the uncertain nature of future revenue streams. The contingent deferred tax asset is estimated to be £4.614m (2015: £4.441m).

8. Subsidiary entities

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

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

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

9. Trade and other receivables

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Amounts falling due within one year:				
Trade receivables	-	52,460	-	-
Prepayments and accrued income	109,043	30,578	70,725	34,378
Other receivables	40,171	1,692	24,250	19,081
Receivable from Padre Island Authority	114,539	97,533	-	-
	263,753	182,263	94,975	53,459

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 2017.

9. Trade and other receivables (continued)

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Amounts falling due after more than one year:				
Amount due from subsidiary undertakings	-	-	47,304,772	29,341,087

An annual impairment review of the amount due from subsidiary undertakings (loans to subsidiaries) 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 statement of financial position.

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 & Polk County Eagle Ford sandstone 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 resource, 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 Austin Chalk prospect. For the purpose of the calculations the following assumptions were used:

Potential Number of vertical wells drilled	<160
Average reserves per well	1.4Mmboe
Oil price ($/bbl)	$44
Natural gas price ($/mcf)	$2.85
Cost of drilling typical vertical well	$3.75m

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 costs, reducing commodity prices 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 2016.

10. Cash and cash equivalents

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Cash at bank and in hand	17,903,257	5,265,985	4,558,850	2,647,807

11. Trade and other payables

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade creditors	81,654	30,801	21,290	30,801
Accruals	78,608	57,710	42,553	27,283
	160,262	88,511	63,843	58,084

12. Exploration and evaluation assets

Group	2016 £	2015 £
Cost		
At 1 July	16,406,313	3,389,552
Additions	9,044,104	12,719,946
Effects of foreign exchange	3,060,168	296,815
At 30 June	28,510,585	16,406,313
Amortisation and impairment		
As at 1 July	-	-
Charge for period	-	-
As at 30 June	-	-
Net book value		
At 30 June 2016 and 30 June 2015	28,510,585	16,406,313

The Group additions for the year comprise the direct costs associated with the preparation and drilling of oil and gas wells, together with costs associated with leases and seismic acquisition and processing.

The Group has performed value in use calculations on its exploration and evaluation assets. These involved NPV calculations with a variety of sensitivity assumptions for both commodity prices and well recoverabilities using the geological estimates provided by an independent geological consultant. The directors have assessed the exploration and evaluation assets for impairment indicators, and based upon the fact that leases are of good standing and drilling results to-date have supported the geological model, no impairment is considered necessary.

The Directors are satisfied that the NPV of the Group's exploration and evaluation assets exceeds the carrying values and believes that no impairment is required at 30 June 2016.

13. Property, plant and equipment

Group & Company	Developed Oil & Gas Properties £	Production Facilities and Equipment £	Office Equipment £	Total £
Cost				
At 1 July 2015	-	-	11,374	11,374
Additions	-	-	-	-
At 30 June 2016	-	-	11,374	11,374
Depreciation				
At 1 July 2015	-	-	7,785	7,785
Depreciation for the year	-	-	1,346	1,346
At 30 June 2016	-	-	9,131	9,131
Net book value				
At 30 June 2016	-	-	2,243	2,243
At 30 June 2015	-	-	3,589	3,589

Group & Company	Developed Oil & Gas Properties £	Production Facilities and Equipment £	Office Equipment £	Total £
Cost				
At 1 July 2014	-	-	7,337	7,337
Additions	-	-	4,037	4,037
At 30 June 2015	-	-	11,374	11,374
Depreciation				
At 1 July 2014	-	-	7,337	7,337
Depreciation for the year	-	-	448	448
At 30 June 2015	-	-	7,785	7,785
Net book value				
At 30 June 2015	-	-	3,589	3,589
At 30 June 2014	-	-	-	-

14. Share capital

	2016 £	2015 £
Allotted, issued and fully paid:		
214,957,458 ordinary shares of £0.01 each	2,149,574	1,963,564

	Number	Issued and fully paid capital £	Share premium £
Issued share capital:			
As at 30 June 2016	214,957,458	2,149,574	59,127,561

In March 2016 the company completed a placing of 18,601,062 shares with a nominal value of £0.01, raising cash proceeds of c.£21.1m before expenses and c.£20.3m after expenses of the share issue.

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

15. Net cash outflow from operating activities

	Group 2016 £	Group 2015 £
Loss for the year	(924,313)	(1,148,900)
Net interest paid (received)	10,695	(3,408)
Unrealised losses on assets held for sale	3,731	-
Depreciation	1,346	448
Decrease in trade and other receivables	(85,221)	9,824
Increase/(decrease) in trade and other payables	71,751	(81,280)
Share-based payments	53,813	376,688
Effect of translation differences	2,068,757	349,106
Net cash inflow/(outflow) from operating activities	1,200,559	(497,522)

	Company 2016 £	Company 2015 £
Loss for the year	(636,186)	(896,803)
Net interest paid/(received)	11,175	(2,539)
Unrealised losses on assets held for sale	-	-
Depreciation	1,346	448
Increase in trade and other receivables	(41,517)	(4,344)
Increase/(decrease) in trade and other payables	5,759	(43,687)
Share-based payments	53,813	376,688
Net cash outflow from operating activities	(605,610)	(570,237)

16. Control

No one party controls the Company.

17. Decommissioning expenditure

The Directors have considered the environmental issues and the need for any necessary provision for the cost of rectifying any environmental damage, as might be required under local legislation. In their view, no provision is necessary for any future costs of decommissioning or any environmental damage.

18. Exploration and evaluation commitments

The Group has no obligation to drill any further wells beyond the current drilling programme, or make any further payments in respect of any new wells in any of its operations. Should the Group elect to not participate in any wells beyond the first well in the Polk and Tyler County joint venture then it would forfeit an area of acreage surrounding the particular well that the Group had elected not to participate in.

As at 30 June 2016, the Group has no fixed financial commitments in respect of any other programmes other than maintaining its interest in its existing operations. Before any new wells are commenced in relation to these operations, the Group must first elect to participate in any proposed well thereby allowing the Group to decline participation if it deems appropriate.

19. Financial instruments

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

The main purpose of 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.

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.

19. Financial instruments (continued)

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 2016	Fixed interest rate 2016	Non - interest bearing 2016
Financial assets:	%	£	£
Cash on deposit	0.15%	17,903,257	
Trade and other receivables	-	-	263,753

Net fair value
The net fair value of financial assets and financial liabilities approximates to their carrying amount as disclosed in the statement of financial position 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).

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 2016 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.

19. Financial instruments (continued)

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.

20. Share-based payments

No share options were issued in the year. A charge of £53,813 (2015: £376,688) relates to share options issued in prior years.

Movements in share options in issue

Exercise price	Number of options issued as of 30 June 2015	Issued during year	Expired during year	Number of options issued as of 30 June 2016
£0.30	10,000,000	-	-	10,000,000
Total	10,000,000	-	-	10,000,000

The weighted average exercise price of share options outstanding and exercisable at the end of the period was £0.30 (2015: £0.30). The cost of all share options issued is calculated at the time of issue using the Black & Scholes valuation model. All share options have been fully expensed as at 30 June 2016.

21. Related party transactions

There were no related party transactions during the year other than the payment of remuneration to Directors.

22. Contingent liability

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

23. Subsequent events

On 19 July, 2016 the Company announced the acquisition of an additional 8% working interest in the "West West Double A"* and "West Double A"** prospects (previously referred to respectively as "New Prospect D" and "New Prospect A"), located in Polk County, East Texas. Upon completion of the acquisition, Pantheon's working interest in these two prospects, including the VOBM#1 discovery well, increased from 50% to 58%. The Company's working interest in its Tyler County prospects remain unchanged at 50% and its working interest in "New Prospect E" remains unchanged at 25%.

Purchase consideration for the 8% working interest comprised an up front cash payment of US$6.5m, plus an additional 20% of the drilling and completion costs of the VOBM#2H and VOBM#3 wells. In relation to the 8% working interest acquired, Pantheon will benefit from an accelerated payback mechanism whereby it will receive 20% of production revenues until such time as the purchase consideration has been recouped, at which point revenues will revert back to an 8% revenue interest. The opportunity to acquire this additional working interest arose as a result of an internal reorganisation within the privately-owned Vision Group. By mutual agreement no third parties were involved. The transaction maintained the confidentiality of intellectual property within the group, minimised mid-drilling disruption and reinforces the excellent established relationship between Pantheon and Vision.

* In respect of the West West Double A prospect, on which no wells have yet been drilled, Black Stone Minerals Company ("BSMC"), which granted the leases, holds an option to participate in future wells drilled on the underlying land, or lands pooled with that land for up to a 25% working interest (proportionately reduced to the mineral interest of BSMC in the relevant well or unit). If exercised in full, this could potentially reduce Pantheon's working interest by up to 25% (of Pantheon's 58% working interest) in that prospect.

** In respect of the West Double A prospect, BSMC also has an option to participate in future wells drilled on the underlying land, or lands pooled with that land for up to a 25% working interest (proportionately reduced to the mineral interest of BSMC in the relevant well or unit). In this case the option applies only to Pantheon's newly acquired 8% working interest, not to its existing 50% working interest. In order to exercise its option in either case, BSMC must give notice within a prescribed notice period before drilling commences and will be liable to its pro rata proportion of all costs in relation to that well. BSMC has not exercised its option in any well to date.

In September 2016 the Company announced that it had temporarily suspended drilling operations at the VOBM#2H Polk County well after reaching a measured depth of 16,450 feet. The well encountered significant hydrocarbons in the objective horizon before drilling was temporarily suspended due to low rates of penetration being achieved when drilling the abrasive sandstone horizontally. It is planned to re-enter the well and to drill it vertically subsequent to completion of the VOBM#4 Tyler County well. The Company also completed a fracture stimulation treatment of the VOS#1 well in Tyler County. The well has now been shut-in pending results of the VOBM#4 stepout well to determine the optimal pipeline and gas processing options for the Tyler County prospects. In October 2016 the Company announced that it had drilled the VOBM#3 well to target depth, and logs indicated the presence of hydrocarbons in a potentially significant reservoir in the primary target. Importantly, the vertical well was drilled on time and on budget. Flow testing operations are presently underway.

In November 2016 the Company spudded the VOBM#4 well, which is a large step exploration/appraisal well from the VOS#1 well in Tyler County. Drilling operations are currently underway.

GLOSSARY

bbl	barrel of oil	mcfd	thousand cubic feet per day
bopd	barrels of oil per day	Mmboe	million barrels of oil equivalent
boepd	barrels of oil equivalent per day	NPV	net present value
mcf	thousand cubic feet	$	United States dollar