PANTHEON RESOURCES PLC

INTERIM REPORT (UNAUDITED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

STATEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

Pantheon Resources plc (“Pantheon” or “the Company”) is preparing for the drilling of the Kara Farms #1H (“KF#1H”) well. This will be the second well at its Tyler County venture. Negotiations to contract a suitable drilling rig are currently underway. Separately, the Joint Venture (“JV”) is awaiting completion of the site works once the heavy equipment becomes available. The operator, Vision Operating Company LLC, has invoiced the JV partners for the funds required to complete both the site works for KF#1H and for the cost of the drilling pipe.

Pantheon’s net average production for the first half year to 31 December 2010 was 21 barrels of oil equivalent per day (“boepd”), compared with 61 boepd in the equivalent period in 2009. At the Bullseye project in South Louisiana, gross production from Jumonville #1 averaged 65 boepd for the period July 2010 to end December 2010. Gross output from Jumonville #2 averaged 166 boepd for the same period. Additional upside remains in the Camerina zone for each of these wells. It remains the intention to recomplete in the Camerina in the future. There also remain two updip locations on the Bullseye project which are considered prospective. The Baptist well in South Texas continues to produce in excess of 100 mcfpd gross.

Financial Review

The Group made a loss for the period ending 31 December 2010 of £379,218 (unaudited) compared with a loss of £702,559 for the equivalent period last year.

The combined production of Bullseye and Baptist, although modest, generates valuable cash flow for the Company. This has been aided by the dramatic increase in oil prices from around US$75 per barrel in July 2010 to around US$100 per barrel in March 2011.

Cash and cash equivalents as at 31 December 2010 were £3,164,118 and the Company has no debt.

Outlook

The calling of funds to complete the KF#1H well site provides a clear indication that progress continues to be made towards drilling this critical well for Pantheon. The key for Pantheon remains to drill and bring the KF#1H well into production. The Board’s confidence for the forthcoming Tyler County well and project continues to be undiminished.

In accordance with the AIM Rules, the information in this announcement has been reviewed and signed off by Jay Cheatham, who has over 30 years’ relevant experience within the sector.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2010

		6 months ended 31 December 2010 (unaudited) £	6 months ended 31 December 2009 (unaudited) £	Year ended 30 June 2010 (audited) £
Turnover		128,347	419,841	639,372
Cost of sales		(134,144)	(313,899)	(700,484)
Gross (loss)/profit		(5,797)	105,942	(61,112)
Administrative expenses before share based payments and impairment losses		(368,090)	(382,846)	(779,763)
Share based payments		(9,222)	(19,213)	(84,489)
Impairment of intangible assets		-	(272,028)	(312,758)
Impairment of tangible assets		-	-	(1,086,036)
Total administrative expenses		(377,312)	(674,087)	(2,263,046)
Operating loss		(383,109)	(568,145)	(2,324,158)
Interest paid		-	(134,595)	(222,074)
Interest received		3,891	181	5,836
Loss before taxation		(379,218)	(702,559)	(2,540,396)
Taxation		-	-	-
Loss for the period		(379,218)	(702,559)	(2,540,396)
Other comprehensive (loss)/income for the period:				
Foreign currency movement		(354,202)	4,311	660,535
Total comprehensive (loss)/income for period		(733,420)	(698,248)	(1,879,861)
Loss per ordinary share (basic)	(note 2)	(0.37)p	(1.45)p	(3.34)p
Loss per ordinary share (diluted)	(note 2)	(0.37)p	(1.45)p	(3.34)p

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2010

	Share capital £	Share premium £	Retained earnings £	Currency reserve £	Equity reserve £	Total £
Group						
At 30 June 2010	1,020,998	21,915,804	(15,647,981)	1,092,199	669,917	9,050,937
Net loss for the period	-	-	(379,218)	-	-	(379,218)
Other comprehensive Income:						
Foreign currency translation	-	-	-	(354,202)	-	(354,202)
Total comprehensive income for the period	-	-	(379,218)	(354,202)	-	(733,420)
Share based payment - options	-	-	-	-	9,222	9,222
Balance at 31 December 2010	1,020,998	21,915,804	(16,027,199)	737,997	679,139	8,326,739

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2009

	Share capital £	Share premium £	Retained earnings £	Currency reserve £	Equity reserve £	Total £
Group						
At 30 June 2009	398,372	14,723,365	(13,280,569)	431,664	758,412	3,031,244
Net loss for the period	-	-	(702,559)	-	-	(702,559)
Other comprehensive Income:						
Foreign currency translation	-	-	-	4,311	-	4,311
Total comprehensive income for the period	-	-	(702,559)	4,311	-	(698,248)
Share based payment	-	-	-	-	19,213	19,213
Transfer of previously expensed share based payment on cancellation of options	-	-	126,153	-	(126,153)	-
Issue of shares	622,626	7,189,628	-	-	-	7,812,254
Balance at 31 December 2009	1,020,998	21,912,993	(13,856,975)	435,975	651,472	10,164,463

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	Share capital £	Share premium £	Retained earnings £	Currency reserve £	Equity reserve £	Total £
Group						
At 30 June 2009	398,372	14,723,365	(13,280,569)	431,664	758,412	3,031,244
Net loss for the year	-	-	(2,540,396)	-	-	(2,540,396)
Other comprehensive Income:						
Foreign currency translation	-	-	-	660,535	-	660,535
Total comprehensive income for the period	-	-	(2,540,396)	660,535	-	(1,879,861)
Share based payment	-	-	-	-	84,489	84,489
Transfer of previously expensed share based payment on cancellation of options	-	-	172,984	-	(172,984)	-
Issue of shares	622,626	7,192,439	-	-	-	7,815,065
Balance at 30 June 2010	1,020,998	21,915,804	(15,647,981)	1,092,199	669,917	9,050,937

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2010

	31 December 2010 (unaudited)	31 December 2009 (unaudited)	30 June 2010 (audited)
ASSETS	£	£	£
Fixed assets			
Intangible fixed assets (note 3)	3,619,268	2,262,064	3,539,252
Tangible fixed assets (note 4)	1,444,324	2,149,822	1,597,093
	5,063,592	4,411,886	5,136,345
Current assets			
Trade and other receivables	346,586	282,179	345,572
Cash and cash equivalents	3,164,118	6,699,339	3,848,111
	3,510,704	6,981,518	4,193,683
Total assets	8,574,296	11,393,404	9,330,028
LIABILITIES			
Creditors: amounts falling due within one year	247,557	257,843	279,091
Short term borrowings	-	971,098	-
Total liabilities	247,557	1,228,941	279,091
Net assets	8,326,739	10,164,463	9,050,937
EQUITY			
Capital and reserves			
Called up share capital	1,020,998	1,020,998	1,020,998
Share premium account	21,915,804	21,912,993	21,915,804
Retained losses	(16,027,199)	(13,856,975)	(15,647,981)
Currency reserve	737,997	435,975	1,092,199
Equity reserve	679,139	651,472	669,917
Shareholders' funds	8,326,739	10,164,463	9,050,937

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2010

	6 months ended 31December 2010 (unaudited)	6 months ended 31December 2009 (unaudited)	Year ended 30 June 2010 (audited)
	£	£	£
Net cash (outflow)/ inflow from operating activities	(108,254)	(291,542)	(1,136,567)
Cash flows from investing activities			
Interest paid	-	-	(170,227)
Interest received	3,891	181	5,836
Expenditure on tangible fixed assets	696	(99,240)	(206,047)
Funds used for drilling and exploration	(226,124)	(331,278)	(2,048,504)
Net cash inflow from investing activities	(221,537)	(430,337)	(2,418,942)
Cash flows from financing activities			
Proceeds from issue of shares	-	7,843,741	7,843,741
Issue costs	-	(377,802)	(377,802)
Short term loans received	-	61,000	61,000
Short term loan repaid	-	(162,714)	(836,536)
Net cash inflow from financing activities	-	7,364,225	6,690,403
Net increase/(decrease) in cash and cash equivalents	(329,791)	6,642,346	3,134,894
Effect of foreign currency translation reserve	(354,202)	4,311	660,535
Cash and cash equivalents at the beginning of the period	3,848,111	52,682	52,682
Cash and cash equivalents at the end of the period	3,164,118	6,699,339	3,848,111

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	6 months ended 31 December 2010 (unaudited)	6 months ended 31 December 2009 (unaudited)	Year ended 30 June 2010 (audited)
	£	£	£
Operating loss	(383,109)	(568,145)	(2,324,158)
Impairment	-	272,028	1,398,794
Depreciation	86,092	187,929	493,846
Loss on retirement of assets	-	-	9,336
Cost of issuing shares and options	9,222	19,213	84,489
Decrease/(increase) in trade and other receivables	(1,014)	(122,765)	(266,811)
Increase/(decrease) in trade and other payables	(31,536)	(210,867)	(189,620)
Effect of translation differences	212,091	131,065	(342,443)
Net cash (outflow)/inflow from operating activities	(108,254)	(291,542)	(1,136,567)

1. Accounting policies

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

1.1. Basis of preparation

This financial information has been prepared using the historical cost convention. In addition, the financial information has been prepared in accordance with the International Financial Reporting Standards ("IFRS") including IFRS 6, Exploration for and Evaluation of Mineral Resources, as adopted by the European Union ("EU") and in accordance with the provisions of the Companies Act 2006.

This interim report has been prepared on a basis consistent with the Group's expected accounting policies for the year ending 30 June 2011. These accounting policies are the same as those set out in the Group's Annual Report and Financial Statements for the year ended 30 June 2010, which are available from the registered office or the website (www.pantheonresources.com).

The group financial information and statements are presented in UK pounds sterling and is unaudited. This interim financial information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparative figures for the year ended 30 June 2010 have been taken from the Group's statutory accounts for that financial year, which have been reported on by the Group's auditors and delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not contain references to any matters to which the auditors drew attention without qualifying their report and did not contain any statement under section 498 (2) or 498 (3) of the Companies Act 2006.

1.2. Basis of consolidation

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

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

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

1.3. Foreign currency translation

(i) Functional and presentational currency

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

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

(ii) Transactions and balances

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

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

1.4. Cash and cash equivalents

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

1.5. Deferred taxation

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

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

1.6. Exploration and development costs

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

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

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

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

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

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

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

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

1.8. Share based payments

On occasion the Company made share-based payments to certain employees (including directors) by way of issues of share options. The fair value of these payments is calculated by the Group 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 Group's best estimate of shares that will eventually vest.

1.9. Financial instruments

Information 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, is required to be disclosed.

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

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

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

Market risk

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

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

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

Cash flow interest rate risk

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

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

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 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.

2. Loss per share

	6 months ended 31 December 2010 basic & diluted (unaudited)	6 months ended 31 December 2009 basic & diluted (unaudited)	Year ended 30 June 2010 basic & diluted (audited)
	£	£	£
Loss attributable to equity shareholders	(379,218)	(702,599)	(2,540,396)
Weighted average of ordinary shares at period end	102,439,914	48,097,898	74,876,908
Loss per share	(0.37)p	(1.45)p	(3.34)p

3. Intangible fixed assets

	Exploration & development costs £
Group	
Cost:	
At 30 June 2010	3,539,252
Additions	226,124
Effects of foreign exchange	(146,108)
At 31 December 2010	3,619,268
Impairment:	
At 30 June 2010	-
Impairment during the period	-
At 31 December 2010	-
Net book value:	
At 31 December 2010	3,619,268
At 30 June 2010	3,539,252

4. Tangible fixed assets

	Developed Oil and Gas Properties £	Production Facilities & Equipment £	Office equipment £	Total £
Group				
Cost:				
At 30 June 2010	2,654,871	639,441	5,424	3,299,736
Additions	-	(694)	-	(694)
Effects of foreign exchange	(108,611)	(27,385)	-	(135,996)
At 31 December 2010	2,546,260	611,362	5,424	3,163,046
Depreciation:				
At 30 June 2010	1,599,969	98,254	4,420	1,702,643
Charge for period	41,787	43,621	684	86,092
Effects of foreign exchange	(66,003)	(4,010)	-	(70,013)
At 31 December 2010	1,575,753	137,865	5,104	1,718,722
Net book value:				
At 31 December 2010	970,507	473,497	320	1,444,324
At 30 June 2010	1,054,907	541,187	1,004	1,597,093

5. Share based payments

The share options charge during the year for £9,222 relates to options issued in a previous accounting period. The charge reflects the apportioned charge for this period, valued by reference to the Black-Scholes option pricing model taking into account the following input assumptions as outlined below:

Dates issued	11 September 2009
Share price	£0.1225
Exercise Price	ranging £0.30 - £0.60
Expected volatility	69.2%
Vesting period	ranging 11 September 2009 to 30 June 2011
Expected dividends	Nil
Risk free interest rate	0.50%
Discount for illiquidity of unlisted options	30%

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

All other options in existence during the year were fully expensed in prior years.

6. Approval by Directors

The interim report for the six months ended 31 December 2010 was approved by the Directors on 30 March 2011.

7. Availability of Interim Report

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

8. Events after the Reporting Period

There were no events of any materiality which occurred after 31 December 2010.