

December 27, 2006

PANTHEON RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2006

1. Accounting policies

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

1.1 Basis of preparation

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

The group’s financial statements for the period ended 30 June 2006 were authorised for issue by the board of Directors on 21 December 2006 and the balance sheets were signed on the Board’s behalf by Mr J Hondris.

The group financial statements are presented in UK pound sterling.

In accordance with the provisions of the Section 230 of the Companies Act 1985, the Parent Company has not presented a profit and loss account. A loss for the period ended 30 June 2006 of £301,025 has been included in the income and expenditure account.

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

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

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 mining assets and amortised over the estimated life of the commercial reserves on a unit of production basis. Where a licence is relinquished or project abandoned, the related costs are written off. Where the Group maintains an interest in a project, but the value of the project is considered to be impaired, a provision against the relevant capitalised costs will be raised.

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

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

1.7 Impairment of exploration and development costs

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

1.8 Share based payments

The Group issued share-based payments to certain employees (including directors) by way of issues of share warrants. 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

International Accounting Standard 32 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.

2. Earnings per share

Basic earnings per share of (8.33)p for the Group is calculated by dividing the loss for the period by the weighted average number of ordinary shares in issue of 4,074,045.

Share options issued on 4 April 2006 are anti-dilutive. Full details of the share options issued are set out in note 16.

3. Segmental information

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

Geographical segment (Group)	United Kingdom	United States	Total
	£	£	£
Administration expenses	(400,049)	-	(400,049)
Finance revenue	60,535	-	60,535
Loss before taxation	<u>(339,514)</u>	<u>-</u>	<u>(339,514)</u>
Intangible assets	-	1,818,024	1,818,024
Trade and other receivables	109,907	-	109,907
Cash and cash equivalents	8,409,699	-	8,409,699
Trade and other payables	(44,960)	(616,399)	(661,359)
Net assets	<u>8,474,646</u>	<u>1,201,625</u>	<u>9,676,271</u>

At the end of the financial period, the Group had not commenced commercial production from its exploration sites and therefore had no turnover in the period.

	Group	Company
	2006	2006
	£	£
4. Operating loss		
This is stated after charging:		
Auditors' remuneration	8,000	8,000
- Audit	8,000	8,000
- Non-audit	-	-
Foreign exchange loss	38,489	-

	Group	Company
	2006	2006
	£	£
5. Directors' emoluments		
Wages and salaries	121,875	121,875
Social security costs	9,642	9,642
	<u>131,517</u>	<u>131,517</u>

There are no employees other than the Directors.

	Group 2006 £	Company 2006 £
6. Finance revenue		
Bank interest	60,535	60,535

	Group 2006 £
7. Taxation	
Factors affecting the tax charge for the period	
Loss on ordinary activities before taxation	(339,514)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax of 30.00%	(101,854)
Effects of:	
Non deductible expenses	12,445
Timing differences not recognised	48,454
Tax losses carried forward	40,955
Current tax charge	-

Factors that may affect future tax charges

At the balance sheet date, the Group has unused United Kingdom tax losses available for offset against suitable future profits in the United Kingdom. A deferred tax asset has not been recognised in respect of such losses due to uncertainty of future profit streams. The contingent deferred tax asset is estimated to be £40,900.

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
Hadrian Oil & Gas LLC	United States	100%
Agrippa LLC	United States	100%
Pantheon Oil & Gas LP	United States	100%

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.

	Group 2006 £	Company 2006 £
9. Trade and other receivables		
Other receivables	36,450	36,450
Amount due from subsidiary undertakings	-	1,240,114
Prepayments and accrued income	73,457	73,457
	<hr/>	<hr/>
	109,907	1,350,021

Amounts falling due after more than one year and included in the debtors above are

	Group 2006 £	Company 2006 £
Amount due from subsidiary undertakings	-	1,240,113
	<hr/>	<hr/>

	Group 2006 £	Company 2006 £
10. Cash and cash equivalents		
Cash at bank and in hand	8,033,232	8,033,232
Cash equivalents	376,467	376,467
	<hr/>	<hr/>
	8,409,699	8,409,699
	<hr/> <hr/>	<hr/> <hr/>

	Group 2006 £	Company 2006 £
11. Trade and other payables		
Other payables	36,959	36,959
Accruals	624,400	8,000
	<hr/>	<hr/>
	661,359	44,959
	<hr/> <hr/>	<hr/> <hr/>

12. Intangible assets	Exploration and development costs £
Cost	
Additions	1,818,024
At 30 June 2006	<hr/> 1,818,024
Impairment	
Impairment during the period	-
At 30 June 2006	<hr/> -
Net book value	
At 30 June 2006	<hr/> 1,818,024

In accordance with the accounting policy, the Directors have assessed the value of the exploration

and development costs carried in the accounts as intangible fixed assets. In the opinion of the Directors, no impairment provision is considered necessary.

	Group 2006 £	Company 2006 £
13. Called up share capital		
Authorised: 1,000,000,000 ordinary shares of £0.01 each	10,000,000	10,000,000
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Allotted, issued and fully paid: 15,552,329 ordinary shares of £0.01 each	155,524	155,524
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The following shares in the Company were issued during the period:

The Company was incorporated on 8 March 2005 with an authorised share capital of £10,000,000 divided into 10,000,000,000 ordinary shares of £0.001 each, of which 2 shares were issued fully paid, on incorporation.

On 15 December 2005 a further 18 shares were issued at £0.001.

On the same date all issued and unissued ordinary shares were consolidated on the basis of 10 ordinary shares of £0.001 each converting to 1 new ordinary share of £0.01 each.

On 15 December 2005 a further 4,999,998 new ordinary shares were issued at £0.01 each.

On 3 March 2006 a further 552,329 shares were issued at £0.67 each.

On admission to AIM, 5 April 2006, 10,000,000 ordinary shares were issued at £1.00 each.

The movements in the share capital are summarised below:

	Number of shares	
Issue for cash – founder members	5,555,329	
Issue for cash - placement	10,000,000	
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As at 30 June 2006	15,552,329	
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The share premiums arising as a result of above transactions were as follows:

	2006
	£
Issue for cash – 3 March 2006	364,537
Issue for cash - 5 April 2006	9,900,000
Costs	(565,789)
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As at 30 June 2006	<u>9,698,748</u>

14. Shareholders' funds and changes in shareholders' equity

	Share capital £	Share premium £	Retained earnings £	Other reserve £	Total £
Company					
Issue of shares	155,524	10,264,537	-	-	10,420,061
Issue costs	-	(565,789)	-	-	(565,789)
Share option charge	-	-	-	161,513	161,513
Net loss for the period	-	-	(301,025)	-	(301,025)
Balance at 30 June 2006	<hr/> 155,524	<hr/> 9,698,748	<hr/> (301,025)	<hr/> 161,513	<hr/> 9,714,760
Group					
Issue of shares	155,524	10,264,537	-	-	10,420,061
Issue costs	-	(565,789)	-	-	(565,789)
Share option charge	-	-	-	161,513	161,513
Net loss for the period	-	-	(339,514)	-	(339,514)
Balance at 30 June 2006	<hr/> 155,524	<hr/> 9,698,748	<hr/> (339,514)	<hr/> 161,513	<hr/> 9,676,271

15. Net cash inflow (outflow) from operating activities

	Group 2006 £	Company 2006 £
Operating loss	(400,049)	(361,560)
Cost of issuing share options	161,513	161,513
Increase in trade and other receivables	(109,907)	(1,350,021)
Increase in trade and other payables	661,359	44,960
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Net cash inflow/(outflow) from operating activities	312,916	(1,505,108)
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16. Cost of issuing share options

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

	Group 2006 £	Company 2006 £
Cost of issuing share options	<u>161,513</u>	<u>161,513</u>

	Value	Number of Options granted and held at 30 June 2006
Exercise price		
Pounds	Pence	
1.00	42.474	483,284
1.25	35.116	250,000
1.50	31.116	650,000
2.00	23.806	650,000

The share options, detailed above, were granted on 4 April 2006 and will be exercisable between the first and fifth anniversary of Admission to AIM and are non-transferable.

No options were exercised, forfeited or expired during the period.

The option values were calculated with reference to the Black-Scholes option pricing model taking into account the following input assumptions:

Share price	£1.00
Exercise Price	As stated above

Expected volatility	50%
Option life	1 year
Expected dividends	Nil
Risk free interest rate	5.42%

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.

17. Control

No one party is identified as controlling the Company.

18. 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.

19. Financial instruments

Interest Rate Risk

At 30 June 2006, the Group had cash on one month term deposits of £7,000,000. The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, was as follows:

	Weighted Average Interest Rate 2006 %	Fixed interest rate 2006 £	Non - Interest Bearing 2006 £
<i>Financial assets:</i>			
Cash on Deposit	4.34	7,000,000	-

Net Fair Value

The net fair value of financial assets and financial liabilities approximates to their carrying amount as disclosed in the balance sheet and in the related notes.

Currency Risk

The functional currency for the Group's operating activities is the Pound Sterling and for exploration activities the United States of America dollar. The Group has not hedged against currency depreciation but continues to keep the matter under review.

Financial risk management

The Directors recognise that this is an area in which they may need to develop specific policies should the Group become exposed to wider financial risks as the business develops.