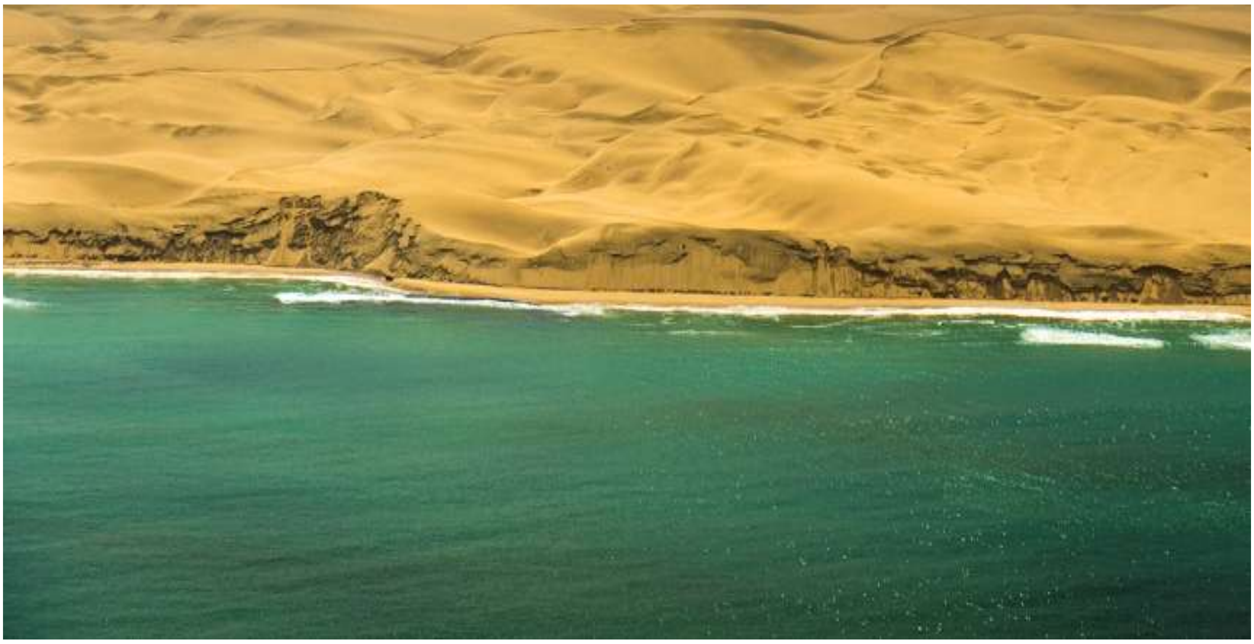
2014

Full Year Statutory Accounts



Corporate Information

ABN 95 003 029 543

Directors
Henry David Kennedy (Non-Executive Chairman)
Roy Barry Rushworth (Executive Director & Chief Executive Officer)
Ernest Anthony Myers (Executive Finance Director)
Anthony Robert Frederick Maslin (Non-Executive Director)

Company Secretary
Vesna Petrovic

Registered Office
288 Stirling Street
Perth WA 6000
Telephone: +61 8 9227 3220
Fax: +61 8 9227 3211

Share Register
Advanced Share Registry Services
PO Box 1156
Nedlands WA 6909
Telephone: +61 8 9389 8033

Auditors
Rothsay Chartered Accountants
Level 1, Lincoln House
4 Ventnor Avenue
West Perth WA 6005

Internet Address & Contact
www.pancon.com.au
info@pancon.com.au

ASX Code
PCL

Contents

Directors' Report

30 June 2014

Your directors submit their report for the year ended 30 June 2014.

DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Henry David Kennedy MA (Geology), SEG (Non-Executive Chairman)

Mr Kennedy is a Geologist with a long history in Australian and New Zealand oil and gas companies. During his time as a technical director he was instrumental in the formation and development of a number of successful listed companies. These companies were involved in numerous discoveries in Western Australia and New Zealand.

Mr Kennedy has been a director of Pancontinental since August 1999. At Pancontinental, Mr Kennedy has used his wide knowledge base to assist with the strategic direction of the company.

Mr Kennedy is currently a non-executive director of Norwest Energy NL (since April 1997) and East Africa Resources Limited (since March 2013).

Roy Barry Rushworth, BSc (Executive Director, Chief Executive Officer)

Mr Rushworth is a Geologist who brings extensive experience in petroleum exploration to the Company.

Commencing with positions in exploration operations, his career then extended to the role of Chief Geologist and Exploration Manager for an Australian listed company. A number of oil and gas discoveries were made by the company during that time.

More recently for Pancontinental, Mr Rushworth has been responsible for identifying, negotiating and acquiring international new venture opportunities in Kenya, Namibia, Morocco and Malta. In addition, he has a track record of working closely with international government bodies and attracting blue chip joint venture partners to Pancontinental's projects. Mr Rushworth has been a director of Pancontinental since August 2005.

Ernest Anthony Myers CPA (Executive Finance Director)

Mr Myers, an Accountant by profession, has held senior management and executive roles within a number of ASX listed companies. During his career he has been instrumental in the capital raisings and financial management of these companies.

With skills and knowledge gained from vast experiences in corporate, exploration and operational areas, Mr Myers has played a key role in maintaining the Company's financial stability. Mr Myers joined Pancontinental in March 2004 as Company Secretary and was appointed Finance Director in January 2009.

Mr Myers has been an alternate director of East Africa Resources Limited since June 2010.

Anthony Robert Frederick Maslin BBus (Independent Non-Executive Director)

Mr Maslin is an ex-Stockbroker with a broad understanding of financial markets. His past experience includes capital raising and promotion of several development companies as well as consulting to a number of ASX listed companies on corporate matters. The responsibility of managing people as well as projects has provided Mr Maslin with an understanding of the exploration industry in addition to his corporate background. Mr Maslin has been a director of Pancontinental since December 2010.

Mr Maslin is also a director of Buxton Resources Ltd (since November 2010).

COMPANY SECRETARY

Vesna Petrovic, BComm, CPA

Mrs Petrovic is an Accountant who holds a Bachelor of Commerce, Major in Accounting and Business Law and has completed the Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia. Roles in accounting and finance of numerous publicly listed entities, particularly those involved in Africa have provided Mrs Petrovic a base from which to contribute to the international and domestic projects of Pancontinental. Mrs Petrovic was appointed Company Secretary in April 2010.

Directors' Report continued

30 June 2014

DIRECTORS' INTERESTS

The relevant interest of each director in the shares and options of the company as at 30 June 2014 is as follows:

	Ordinary Shares	Options over Ordinary Shares
Henry David Kennedy	141,351,602	1,250,000
Roy Barry Rushworth	36,835,610	2,500,000
Ernest Anthony Myers	400,715	750,000
Anthony Robert Frederick Maslin	14,583	500,000

DIRECTORS' MEETINGS

The numbers of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' Meetings
Number of meetings held:	5
Number of meetings attended:	
Henry David Kennedy	5
Roy Barry Rushworth	5
Ernest Anthony Myers	5
Anthony Robert Frederick Maslin	3

Notes

The directors are of the opinion that it is often more efficient to deal with matters by circular resolutions than by board meetings, and 16 matters were dealt with in such a manner during the year.

CORPORATE INFORMATION

Corporate structure

Pancontinental Oil & Gas NL is a no liability company incorporated and domiciled in Australia.

Nature of operations and principal activities

The principal activity during the year of entities within the consolidated entity was exploration for oil and gas.

There have been no significant changes in the nature of those activities during the year.

Objectives

Objectives of the group include:

- Continued exploration on the company's current permits;
- Seek new ventures suitable for inclusion in the group's assets;
- Manage risks involved in the exploration industry; and
- Maintain liquidity.

The group's targets and strategies for meeting the above objectives include:

- Approve work programmes best suited for exploration success;
- Consider strategic alliances through joint ventures to minimise risks to the group;
- Focus on cost cutting in all non-essential areas; and
- Review appropriate fundraising proposals.

	Cents
Earnings (loss) per share	
Basic earnings (loss) per share	(1.66)
Diluted earnings (loss) per share	(1.66)

The main contributing factor to the Earnings per Share result this financial year was the write off of exploration licence Kenya L8 due to the expiration of the licence in early 2014. The company is in continued discussions with the Kenyan Ministry for the issue of a new licence.

Employees

The consolidated entity had no employees as at 30 June 2014, (2013: no employees). The consolidated entity employs the services of specialised consultants where and when needed.

Directors' Report continued

30 June 2014

OPERATING AND FINANCIAL REVIEW

Review of Operations

Kenya L6 [40% offshore, 16% onshore]
During the year, a farmout with Milio International for the onshore portion of L6 was secured. Pancontinental will be free carried for the drilling of an onshore exploration well. The offshore portion of L6 remains open for drilling under farmin.

Kenya L10A [18.75%]
The Sunbird-1 well was drilled during the year and encountered a historic first-ever oil column offshore East Africa. A significant opportunity now opens for Pancontinental to find commercial oil in its areas offshore Kenya using commercially confidential Sunbird-1 oil data.

Kenya L10B [25%]
Pancontinental increased its stake in this highly prospective licence to 25% during the 2014 financial year. The Kenyan Ministry granted a 12 month extension of the licence to enable further exploration work and assessment of the adjacent Sunbird results.

Namibia EL 0037 [30%]
The joint venture secured Tullow Oil as a farminee and new operator of the permit. Pancontinental estimates the full farmin expenditure to be up to US$130 million. The first phase of Tullow's farmin programme commenced with extensive 3D and 2D acquisitions completed at no cost to Pancontinental. Large prospects from early mapping will be confirmed by the 3D and 2D seismic.

Kenya L8
The L8 licence expired during the year; however Pancontinental continued discussions with the Kenyan Ministry with regard to a new licence for L8 offshore Kenya.

Group Overview

Pancontinental Oil and Gas NL was incorporated in 1985 and listed on the Australian Securities Exchange in 1986.

Dynamics of the Business

The company continues to look for new opportunities, particularly in Africa. Whilst the company is committed to further developing existing projects, emerging opportunities are reviewed on a timely basis.

Performance Indicators

The board closely monitors the group's operating plans, financial budget and overall performance as well as the company's share price.

The underlying drivers which contribute to the company's performance and can be managed internally include a disciplined approach to reducing the group's non-essential costs and allocating funds to those areas which will add shareholder value. The company's share price is often influenced by factors outside the control of management and the board, such as market conditions; however through effective communication between the company and all of its stakeholders the company can provide assurance that there are regular reviews in place to determine actions which should be implemented to increase performance.

Operating Results for the Year

Summarised operating results are as follows:

	2014	
	Revenues	**Results**
	$	**$**
Non-segment and unallocated revenues and results	1,090,608	(19,068,997)
Consolidated entity revenues and results from ordinary activities before income tax expense	1,090,608	(19,068,997)

The main contributing factor to the current year results is the write off of Kenya L8 exploration licence which expired earlier in 2014. The company continues to discuss the possibility of a new licence with the Kenyan Ministry.

Shareholder Returns

The group is in the exploration phase and so returns to shareholders are primarily measured through capital growth.

	2014	**2013**	**2012**	**2011**	**2010**	**2009**
Basic earnings per share (cents)	**(1.66)**	(0.06)	(0.23)	(0.16)	(0.32)	(1.26)

Directors' Report continued

30 June 2014

Risk Management

Risk management is the process by which an organisation identifies, analyses, responds, gathers information about and monitors strategic risks that could actually or potentially impact the organisation's ability to achieve its mission and objectives. The board and management assess risk as part of the ordinary course of business activities such as strategic planning, promotion, budgets, mergers and acquisitions, strategic partnerships, legislative changes and conducting business abroad.

The board is responsible for ensuring that risks and opportunities are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the board.

The group believes that it is crucial for all board members to be a part of this process and as such the board has not established a separate risk management committee. The board has a number of mechanisms in place to ensure that its objectives and activities are aligned with the risks identified. These include the following:

- Implementation of operating plans and cash flow budgets by management and board monitoring of progress against these budgets.
- On going analysis of business risks specific to the exploration industry.
- The group has advised each director, manager and consultant that they must comply with a set of ethical standards maintaining appropriate core company values and objectives. Such standards ensure shareholder value is delivered and maintained. Standards cover legal compliance, conflict resolution, privileged information and fair dealing.
- The board provides shareholders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters which have a material effect on the underlying security price. ASX announcements, the web page of the company and other media resources are used to convey such information. The board encourages full participation by shareholders at the AGM and shareholders are requested to vote on board and executive remuneration aggregates as well as Employee Incentive Schemes.

The risk assessment process takes into account the following steps:

- Condition – What is the particular problem that has been identified?;
- Criteria – What is the standard that was not met? This may be an internal benchmark or industry standard;
- Cause – Why did the problem occur?;
- Consequence – What is the risk, negative outcome or opportunity foregone due to the finding?; and
- Corrective action – What should management and the board do to correct the finding and implement procedures for the continued monitoring of the risk?.

The continued monitoring of risk within the group is directed at evaluating:

- The effectiveness and efficiency of operations;
- The reliability of financial and management internal processes and reporting; and
- Compliance with laws and regulations

to enable that the group to safeguard its assets.

Review of Financial Condition

Capital Structure

The group has a sound capital structure from which to continue its development programmes. During the year, the company maintained sufficient cash reserves and as such there was no requirement for any fundraising activities.

Share Capital	**Number of shares**	**$**
Beginning of the financial year	**1,150,994,096**	**99,411,998**
Issued during the year:	**-**	**-**
End of the financial year	**1,150,994,096**	**99,411,998**

There were no movements in the options of the company during the year:

Option Reserve	**Number of options**	**Weighted average exercise price**
Balance at beginning of year	**5,000,000**	**0.12**
– exercised	**-**	**-**
– issued	**-**	**-**
Balance at end of year	**5,000,000**	**0.12**

Directors' Report continued

30 June 2014

Treasury policy
The board has not considered it necessary to establish a separate treasury function because of the size and scope of the group's activities.

Liquidity and Funding
- The group has sufficient liquidity and funding to continue operations into the foreseeable future.
- All operating plans and budgets are approved and progress is reviewed continuously.

Statement of Compliance
The above report is based on the guidelines in The Group of 100 Incorporated publication Guide to the Review of Operations and Financial Condition.

SHARE OPTIONS

Unissued shares
At the date of this report there were 5,000,000 unissued ordinary shares under options. Refer to the notes for further details on the options outstanding.

During the year, there were no option movements.

Shares issued as a result of the exercise of Options
There were no shares issued as a result of the exercise of options during the financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes in the state of affairs of the company occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Significant events after balance date include:

Namibia EL 0037
In July 2014, Pancontinental announced that the 3D and 2D seismic surveys carried out earlier in 2014 were beginning to yield very encouraging results. Initial mapping confirmed at least four main prospects in the 3D area. The prospects appear to be large and robust and are in favourable geological settings. Additional prospects and leads are expected to be mapped within and outside the 3D area in due course.

The Albatross Prospect has potential to contain 422 Million Barrels of Oil (gross unrisked mean) or 1.093 Billion Barrels of Oil (P10). Further prospects and leads have gross mean risked potential resources exceeding 150 Million Barrels of Oil.

Cautionary Statement: The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Apart from the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The economic entity expects to maintain the present status and level of operations and hence there are no likely developments in the entity's operations.

ENVIRONMENTAL REGULATION AND PERFORMANCE

Pancontinental is committed to complying with any requirement for environmental management in any jurisdiction and country that it operates.

Directors' Report continued

30 June 2014

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Since the end of the previous financial year the company has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors and officers and legal expenses insurance contracts as such disclosure is prohibited under the terms of the contract. The premiums were paid in respect of the following officers of the company and its controlled entities:

HD Kennedy, RB Rushworth, EA Myers, ARF Maslin and V Petrovic.

Directors' Report continued

30 June 2014

REMUNERATION REPORT (Audited)

This report outlines the remuneration arrangements in place for directors and executives of Pancontinental Oil & Gas NL ("the company").

Remuneration philosophy

A description of the remuneration structures in place is as follows: The non-executive directors received a fixed fee for their services. They do not receive performance based remuneration. The chief executive officer received a fixed fee for his respective executive services (with no bonus or other performance-based remuneration). Directors do not receive any termination or retirement benefits.

Remuneration committee

The full board carries out the role of the remuneration committee.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive and executive remuneration is separate and distinct.

Non-executive director remuneration

Objective

The board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 29 November 2007 when shareholders approved an aggregate remuneration of $400,000 per year. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers advice from external sources as well as the fees paid to non-executive directors of comparable companies when undertaking reviews. The non-executive directors of the company can participate in Employee Option Incentive Schemes with shareholder approval. The remuneration of executive and non-executive directors for the period ending 30 June 2014 is detailed in Table 1 of this report.

Senior management and executive director remuneration

Objective

The board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain executives of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

In determining the level and make up of executive remuneration, the board takes independent advice from external sources when necessary. It is the board's policy that employment contracts are only entered into with the chief executive officer and with key executives. Details of the CEO's contract are as follows:

Basic Sum:	$750,000
Capacity:	Chief Executive Officer
Commencement Date:	1 July 2012
Termination Period:	6-12 months

The board regularly reviews compensation levels to take into account market-related factors such as cost of living changes, any change to the scope of the role performed and any other relevant factors of influence.

Fixed remuneration

Objective

The level of fixed directors' fees is set so as to provide a base level which is both appropriate to the position and is competitive in the market.

Structure

Fixed primary remuneration is paid on a cash basis and there are no fringe benefits or other costs incurred by the company.

Directors' Report continued

30 June 2014

Table 1: Director remuneration for the year ended 30 June 2014

	Primary benefits		Post Employment	Equity	Total	Value of options as proportion of Revenue
	Salary & Fees	Cash STI	Superannuation	Options (Issued)		
Henry David Kennedy (Non-Executive Chairman)						
2014	**50,000**	**-**	**-**	**-**	**50,000**	**0.0%**
2013	50,000	-	-	28,000	78,000	2.2%
Roy Barry Rushworth (Executive Director, Chief Executive Officer)						
2014	**750,000**	**-**	**-**	**-**	**750,000**	**0.0%**
2013	650,000	-	-	56,000	706,000	4.3%
Ernest Anthony Myers[1] (Executive Finance Director)						
2014	**48,000**	**-**	**-**	**-**	**48,000**	**0.0%**
2013	48,000	-	-	42,000	90,000	3.2%
Anthony Robert Frederick Maslin (Non-Executive Director)						
2014	**48,000**	**-**	**-**	**-**	**48,000**	**0.0%**
2013	48,000	-	-	28,000	76,000	2.2%
Total Current Year Remuneration	**896,000**	**-**	**-**	**-**	**896,000**	**-**

Note 1.

Mr Myers has a 50% interest in a consulting company which provides staff, accounting and administrative services to listed companies, including Pancontinental. Mr Myers is paid a salary from that company. The same company also pays the staff who provide company secretarial, accounting and administrative services to Pancontinental. The total fees paid for these services and functions was $338,496 (2013: $305,400).

Table 2: Options granted as part of remuneration for the year ended 30 June 2014 (as approved by Shareholders)

There were no options granted as part of remuneration for the year ended 30 June 2014

Options issued during the financial year ended 30 June 2013 are shown below:

	Issued
Henry David Kennedy	500,000
Roy Barry Rushworth	1,000,000
Ernest Anthony Myers	750,000
Anthony Robert Frederick Maslin	500,000
Total Options Issued	**2,750,000**

Options granted as part of director and management remuneration have been valued using an appropriate option pricing model, in which the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying shares, the current market price of the underlying shares and the expected life of the options are taken into account. See following table for further details. 2,750,000 options were granted to directors during the 2013 financial year and none in the 2014 financial year.

Directors' Report continued

30 June 2014

Fair values of options:

The fair value of each option is estimated on the date of grant using an appropriate option pricing model.

	2014	2013	2012	2011	2010	2009
Expected volatility	-	**110%**	120%	-	-	-
Risk-free interest rate	-	**2.74%**	3.57%	-	-	-
Expected life of option	-	**4 years**	3 years	-	-	-

Total number of options:

Number of options	Grant date	Vesting date	Weighted average fair value
2,250,000	29 Nov 11	28 May 12	0.08
2,750,000	30 Nov 12	30 Nov 12	0.06

Company Performance

Company performance can be reflected in the movement of the company's share price over time. As the company is in an exploration phase, returns to shareholders will primarily come through share price appreciation. The board's strategy in achieving this aim is to acquire early stage projects which can attract quality joint venture partners.

The company has developed skills in the acquisition of quality projects and has also built strategic alliances with other companies to further develop its project portfolio.

Consequences of Performance on Shareholder Wealth

Return on Equity	2014	2013	2012	2011	2010
Share price at 30 June	**$0.023**	$0.050	$0.175	$0.110	$0.042
Average equity	**65,037,139**	72,686,103	43,124,939	13,566,697	11,041,234
Net Profit	**(19,068,997)**	(662,822)	(1,805,773)	(967,031)	(1,786,654)
Return on Equity in %	**(29.32)%**	(0.91)%	(4.19)%	(7.13)%	(16.18)%

END OF REMUNERATION REPORT

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor independence declaration is set out on the following page and reviews part of the Directors' Report for the year ended 30 June 2014.

NON-AUDIT SERVICES

Rothsay did not receive any payment for non-audit services during the year.

Signed in accordance with a resolution of the Directors.

E.A. Myers

Ernest Anthony Myers
Director

Perth 30 September 2014

Directors' Report continued

30 June 2014

AUDITOR INDEPENDENCE

The directors received the following declaration from the auditor of Pancontinental Oil & Gas NL:

Auditor's Independence Declaration to the Directors of Pancontinental Oil & Gas NL

In accordance with Section 307C of the Corporations Act 2001 (the “Act”) I hereby declare that to the best of my knowledge and belief there have been:

i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2014 annual financial statements; and
ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Mr Graham Swan

Lead Auditor

30 September 2014

Corporate Governance Statement

30 June 2014

In accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("ASX Principles and Recommendations")[1], Pancontinental Oil & Gas NL ("the company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Principles and Recommendations, the company has followed each recommendation where the board has considered the recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the company and the board, resources available and activities of the company. Where, after due consideration, the company's corporate governance practices depart from the ASX Principles and Recommendations, the board has offered full disclosure of the nature of and reason for the adoption of its own practice.

Further information about the company's corporate governance practices is set out on the company's website at www.pancon.com.au. In accordance with the ASX Principles and Recommendations, information published on the company's website includes charters (for the board and its committees), the company's code of conduct and other policies and procedures relating to the board and its responsibilities.

EXPLANATIONS FOR DEPARTURES FROM BEST PRACTICE RECOMMENDATIONS

During the company's 2013/2014 financial year ("reporting period") the company has followed each of the ASX Principles and Recommendations, other than in relation to the matters specified below.

Principle 2

Recommendation 2.1: A majority of the board should be independent directors

Notification of Departure:

Currently only one of the four directors is considered to be independent – Mr Maslin.

Messrs Rushworth and Myers are executives and Mr Kennedy, a substantial shareholder.

Explanation for Departure:

Given the size and scope of the company's operations the board considers that it is appropriately structured to discharge its duties in a manner that is in the best interests of the company. The board believes its current composition is in line with the long term interests of shareholders. Furthermore, mechanisms are in place so that if a director considers it necessary, they may obtain independent professional advice. The board considers independence, amongst other things, when recommending new directors to the board.

Principle 2

Recommendation 2.2: The chair should be an independent director

Notification of Departure

The chair is not considered to be independent.

Explanation for Departure

Mr Kennedy is not independent by virtue of his substantial shareholding in the company. However, the board considers that Mr Kennedy's interests are aligned with the long term interests of shareholders. Given Mr Kennedy's extensive experience and qualifications, the board believes Mr Kennedy is the most appropriate director to carry out the role of chair.

[1] A copy of the ASX Principles and Recommendations is set out on the company's website under the Section entitled "Corporate Governance".

Corporate Governance Statement

30 June 2014

Principle 2

Recommendation 2.4: The board should establish a nomination committee

Notification of Departure:

The full board fulfils the role of a nomination committee.

Explanation for Departure:

The full board considers those matters that would usually be the responsibility of a nomination committee. The board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee. The board has adopted a nomination committee charter, which it applies when convening as the nomination committee.

Principle 4

Recommendation 4.1: The board should establish an audit committee

Recommendation 4.2: Structure of the audit committee

Notification of Departure:

The full board fulfils the role of an audit committee.

Explanation for Departure:

The composition of the board is not suitable for the formation of a separate audit committee in accordance with the recommendation. Further, the independent director does not possess the requisite financial expertise recommended in an audit committee. The board has adopted an audit committee charter to assist with its function as an audit committee. The audit committee charter provides that independent directors may meet with the external auditor.

Principle 7

Recommendation 7.2: Implement, manage and report on risk management system

Notification of Departure:

The board has not received a formal documented report from management on the effectiveness of their management of the company's material business risks other than verbal updates.

Explanation for Departure:

Although a formal risk management system has not been implemented, the board has continued focus on risk management during the year. The board and management assess risk as part of the ordinary course of business activities such as strategic planning, promotion, budgets, mergers and acquisitions, strategic partnerships, legislative changes and conducting business abroad. The company is as always committed to further developing and strengthening the company's risk management policies.

Principle 8

Recommendation 8.1: The board should establish a remuneration committee

Recommendation 8.2: Structure of the remuneration committee

Notification of Departure:

The board fulfils the function of a remuneration committee.

Explanation for Departure:

Given the size and composition of the board, it is not practicable that a separate committee be formed. To assist it to carry out its function in relation to remuneration matters, the board has adopted a remuneration committee charter.

Corporate Governance Statement

30 June 2014

COMMITTEE MEETINGS

Due to the size of the current board, the functions of the Nomination, Audit and Remuneration Committees were carried out by the full board during the financial year. As such, no separate meetings were held for the Nomination and Remuneration Committees. The board agenda may incorporate these items and appropriate discussions held at the board meetings.

Details of each of the director's qualifications are set out in the Directors' Report. All of the directors have substantial industry experience and consider themselves to be financially literate. Mr Myers is a Certified Practising Accountant and therefore meets the tests of financial expertise.

OTHER

Skills, Experience, Expertise and term of office of each Director

A profile of each director containing the skills, experience, expertise and term of office of each director is set out in the Directors' Report.

Identification of Independent Directors

In considering the independence of directors, the board refers to the criteria for independence as set out in Box 2.1 of the ASX Principles and Recommendations ("Independence Criteria"). To the extent that it is necessary for the board to consider issues of materiality, the board refers to the thresholds for qualitative and quantitative materiality as adopted by the board and contained in the board charter, which is disclosed in full on the company's website.

Applying the Independence Criteria, the independent director of the company for the current financial year was Mr Maslin.

Corporate Reporting

ASX Principle 7.3 requires the board to disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The board confirms that such assurance has been received.

Statement concerning availability of Independent Professional Advice

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director, then, provided the director first obtains approval for incurring such expense from the chair, the company will pay the reasonable expenses associated with obtaining such advice.

Confirmation of whether performance Evaluation of the Board and its members has taken place and how it was conducted

During the reporting period a formal evaluation of the board and its members was not carried out as it was not considered to be a beneficial procedure given the size and composition of the board and the nature of the company's operations. However, the composition of the board and its suitability to carry out the company's objectives is discussed on an as-required basis.

Existence and Terms of any Schemes for Retirement Benefits for Executive and Non-Executive Directors

There are no termination or retirement benefits for non-executive directors.

Directors' Terms in Office

Name	Term in office
Henry David Kennedy	15 years
Roy Barry Rushworth	9 years
Ernest Anthony Myers	5 years
Anthony Robert Frederick Maslin	3 years

For additional details regarding board appointments, please refer to the Pancontinental website.

Corporate Governance Statement

30 June 2014

Diversity – Board Composition

The mix of skills and diversity for which the company is looking to achieve in membership of the board is one that is as diverse as practicable given the size and scope of the company's operations. The company has adopted a Diversity Policy which is available on the company's website under the Corporate Governance section.

Diversity – Measurable Objectives

The company's primary objectives with regard to diversity are as follows:

- the company's composition of board, executive, management and employees to be as diverse as practicable; and
- to provide equal opportunities for all positions within the company and continue the company's commitment to employment based on merit.

Primary objectives set by the company with regard to diversity have been met, as described below:

- blend of skills – wide range of backgrounds; geology, petroleum exploration, finance and corporate experience;
- cultural backgrounds – Australian, European and American;
- gender – both male and female members; and
- age – the age range spans over 40 years.

The above points relate to the composition of the board, as the company does not have any employees.

Diversity – Annual Reporting

The company's annual reporting on the percentage of females in the organisation is as follows:

	% Female	
	2014	**2013**
Employees	**N/A [no employees]**	N/A [no employees]
Executives & Board Members	**20%**	20%

Statement of Comprehensive Income

YEAR ENDED 30 JUNE 2014	Notes	CONSOLIDATED	
		2014	**2013**
		$	**$**
OPERATING ACTIVITIES			
Depreciation and amortisation expenses	2, 6	**(1,416)**	(1,587)
Salaries, fees and benefits		**(385,872)**	(559,094)
Audit fees		**(23,582)**	(31,500)
Generative exploration expenditure and write off	2	**(17,846,392)**	(82,210)
Annual report costs		**(7,770)**	(16,591)
ASX fees		**(43,751)**	(58,242)
Administration, accounting and secretarial fees		**(340,928)**	(307,686)
Insurance		**(40,885)**	(20,842)
Legal fees		**(49,073)**	(18,142)
Share registry costs		**(29,067)**	(66,319)
Rent and outgoings		**(119,661)**	(85,675)
Travel		**(91,182)**	(100,555)
Other revenues and expenses		**(267,367)**	(340,980)
TOTAL OPERATING ACTIVITIES		**(19,246,946)**	(1,689,423)
FINANCING ACTIVITIES			
Financing income		**1,090,608**	1,295,429
Financing expense		**(912,659)**	(268,828)
TOTAL FINANCING ACTIVITIES		**177,949**	1,026,601
PROFIT/(LOSS) BEFORE INCOME TAX		**(19,068,997)**	(662,822)
Income tax expense	3	**-**	-
PROFIT/(LOSS) FOR THE PERIOD		**(19,068,997)**	(662,822)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income		**-**	-
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		**-**	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	10	**(19,068,997)**	(662,822)
Basic earnings per share (cents per share)	15	**(1.66)**	(0.06)
Diluted earnings per share (cents per share)		**(1.66)**	(0.06)

The Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements.

Statement of Financial Position

AT 30 JUNE 2014	Notes	CONSOLIDATED 2014 $	2013 $
CURRENT ASSETS			
Cash assets		**9,665,484**	33,821,848
Trade and other receivables	4	**45,055**	1,930,056
TOTAL CURRENT ASSETS		**9,710,539**	35,751,904
NON-CURRENT ASSETS			
Property, plant and equipment	6	**1,388**	2,804
Deferred exploration, evaluation and development costs	7	**45,950,928**	38,938,195
TOTAL NON-CURRENT ASSETS		**45,952,316**	38,940,999
TOTAL ASSETS		**55,662,855**	74,692,903
CURRENT LIABILITIES			
Trade and other payables	8	**160,215**	121,266
TOTAL CURRENT LIABILITIES		**160,215**	121,266
TOTAL LIABILITIES		**160,215**	121,266
NET ASSETS		**55,502,640**	74,571,637
EQUITY			
Parent entity interest			
Contributed equity	9a	**99,411,998**	99,411,998
Reserves	10	**345,179**	345,179
Accumulated losses	10	**(44,254,537)**	(25,185,540)
Total parent entity interest in equity		**55,502,640**	74,571,637
TOTAL EQUITY		**55,502,640**	74,571,637

The Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements.

Statement of Changes in Equity

AT 30 JUNE 2014

Consolidated	Share Capital $	Retained Earnings $	Option Reserve $	Total Equity $
Balance at 1 July 2013	**99,411,998**	**(25,185,540)**	**345,179**	**74,571,637**
Profit or loss	**-**	**(19,068,997)**	**-**	**(19,068,997)**
Other comprehensive income/(loss)	**-**	**-**	**-**	**-**
Shares issued (net of costs)	**-**	**-**	**-**	**-**
Share options	**-**	**-**	**-**	**-**
Balance at 30 June 2014	**99,411,998**	**(44,254,537)**	**345,179**	**55,502,640**
Balance at 1 July 2012	95,132,106	(24,630,494)	298,956	70,800,568
Profit or loss	-	(662,822)	-	(662,822)
Other comprehensive income/(loss)	-	-	-	-
Shares issued (net of costs)	4,279,892	-	-	4,279,892
Share options		107,776	46,223	153,999
Balance at 30 June 2013	99,411,998	(25,185,540)	345,179	74,571,637

The above Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements.

Statement of Cash Flows

YEAR ENDED 30 JUNE 2014	Notes	CONSOLIDATED 2014 $	2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(1,583,303)**	(1,874,229)
Recharges & refunds of exploration expenditure		**2,266,032**	2,268,613
Expenditure on exploration interests		**(25,090,575)**	(19,859,452)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	11(a)	**(24,407,846)**	(19,465,068)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**-**	(794)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		**-**	(794)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest received		**1,089,388**	1,295,429
Proceeds from issues of ordinary shares		**-**	4,560,250
Share issue costs		**-**	(292,906)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**1,089,388**	5,562,773
NET INCREASE/(DECREASE) IN CASH HELD		**(23,318,458)**	(13,903,089)
Add opening cash brought forward		**33,821,848**	47,722,233
Effects of exchange rate changes		**(837,906)**	2,704
CLOSING CASH CARRIED FORWARD	11(b)	**9,665,484**	33,821,848

The above Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
This financial report was authorised for issue by the directors on 30 September 2014.

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs"), including Australian interpretations adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial report of the consolidated entity and company also complies with IFRSs and interpretations adopted by the International Accounting Standards Board.

Basis of preparation

The report has been prepared on the basis of historical costs and except where stated does not take into account changing money values or current valuation of non-current assets. The accounting policies adopted are consistent with those of the previous year. The following specific accounting policies have been consistently applied, unless otherwise stated.

(a) Income Tax
Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, and any adjustment to tax payable in respect of prior years.

Deferred tax is provided using the balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(b) Exploration Expenses
Exploration, evaluation and development costs are accumulated in respect of each separate area of interest. Such costs are carried forward where they are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale, or where activities in the area of interest have not yet reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

(c) Principles of consolidation
The consolidated financial statements are those of the consolidated entity, comprising Pancontinental Oil & Gas NL (the parent entity) and all entities which Pancontinental Oil & Gas NL controlled from time to time during the year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

(d) Foreign currencies
Translation of foreign currency transactions

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

A monetary item arising under a foreign currency contract outstanding at the reporting date where the exchange rate for the monetary item is fixed in the contract is translated at the exchange rate fixed in the contract.

All resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year. Any gains or costs on entering a hedge are deferred and amortised over the life of the contract.

Notes to the Financial Statements

30 June 2014

(e) Cash and cash equivalents
For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

Interest expense is charged as an expense as it accrues.

(f) Receivables
Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Bills of exchange and promissory notes are measured at the lower of cost and net realisable value.

(g) Investments
Investments in controlled entities are carried in the company's financial statements at the lower of cost and recoverable amount.

(h) Recoverable Amount
The carrying amounts of non-current assets valued on the cost basis, other than exploration and evaluation expenditure carried forward are reviewed to determine whether they are in excess of their recoverable amount at reporting date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write down is expensed in the reporting period in which it occurs.

(i) Property, plant and equipment
Cost and valuation
Property, plant and equipment is measured at cost.

Depreciation
Depreciation is provided on a diminishing value basis on all property, plant and equipment.

Major depreciation rates are:

	2014	**2013**
Plant and equipment:	**30%**	**30%**

(j) Joint ventures
Interests in the joint venture operations are brought to account by including in the respective classifications, the share of individual assets employed and share of liabilities and expenses incurred.

In the company's financial statements, investments in joint venture operations were carried at the lower of cost and recoverable amount.

(k) Going concern
The directors consider that the going concern basis for the consolidated entity is appropriate and recognise that additional funding is required to ensure the consolidated entity can continue its operations for the twelve month period from the date of this financial report and to fund the continued development of the consolidated entity's exploration assets. This basis has been determined after consideration of the following factors:

- The ability to issue additional share capital under the Corporations Act 2001, if required, by a share purchase plan, share placement or rights issue;
- The option of farming out all or part of the consolidated entity's exploration projects; and
- The ability, if required to dispose of interests in exploration and development assets.

Accordingly, the directors believe that the consolidated entity will obtain sufficient cash inflows to enable it to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial statements.

(l) Payables
Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount.

Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

Notes to the Financial Statements

30 June 2014

(m) Provisions
Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

(n) Contributed equity
Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(o) Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of Services
Where the contract outcome can be reliably measured, control of the right to be compensated for the services and the stage of completion can be reliably measured. Stage of completion is measured by reference to the labour hours incurred to date as a percentage of total estimated labour hours for each contract.
Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.

Interest Revenue
Control of the right to receive the interest payment. Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(p) Taxes
Tax-effect accounting is applied using the income statement liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Where assets are revalued no provision for potential capital gains tax has been made.
Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(q) Employee benefits
Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

Employee benefit expenses and revenues arising in respect of the following categories:
- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- other types of employee benefits

are charged against profits on a net basis in their respective categories.

Notes to the Financial Statements

30 June 2014

(r) Earnings per share
Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(s) Comparatives
Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(t) Financial Instruments
See financial instruments note for compliance notes with *AASB 7*, financial instruments: disclosures.

(u) New accounting standards and interpretations
The financial report is presented in Australian dollars which is the company's functional currency. A number of new standards, amendments to standards and interpretations are effective for the current annual report period; however, none have been applied in preparing these consolidated financial statements. The standards are not expected to have a material impact on the accounting policies or consolidated financial statements of the group.

Notes to the Financial Statements

30 June 2014

2. DEPRECIATION AND WRITE OFF	**Notes**	**CONSOLIDATED 2014 $**	**2013 $**
Expenses			
Depreciation of non-current assets:			
Office furniture and equipment		**1,416**	1,587
Generative exploration and write off:			
Exploration, evaluation and development costs		**17,846,392**	82,210

3. INCOME TAX	**CONSOLIDATED 2014 $**	**2013 $**
(a) Income Tax (Benefit)/Expense		
The prima facie tax, using tax rates applicable in the country of operation, on profit and extraordinary items differs from the income tax provided in the financial statements as follows:		
Prima facie tax on profit from ordinary activities	**(5,721,273)**	(198,104)
Tax effect of permanent differences:		
Other items (net)	**-**	46,200
Amount not brought to account as a carried forward future income tax benefit	**5,721,273**	151,904
Income tax expense attributable to ordinary activities	**-**	-

(b) Future Income Tax Benefit not taken into account

The potential future income tax benefit calculated at 30% in respect of :

Adjustments to carry forward tax losses	-	-
Tax Losses not brought to account	**6,245,263**	**6,122,404**
Total	**6,245,263**	**6,122,404**

This future income tax benefit will only be obtained if:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and

(c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

The recognition and utilisation of losses is subject to the loss recoupment rules being satisfied.

4. RECEIVABLES (CURRENT)	**CONSOLIDATED 2014 $**	**2013 $**
Sundry receivables	**45,055**	1,930,056
Total	**45,055**	1,930,056

(a) Terms and conditions

(i) Trade debtors are non-interest bearing and generally on 30 day terms.

(ii) Sundry debtors and other receivables are non-interest bearing and have repayment terms between 30 and 90 days.

Notes to the Financial Statements

30 June 2014

5. INTERESTS IN SUBSIDIARIES

Name	Country of incorporation	Percentage of equity interest held by the consolidated entity		Investment	
		2014	2013	2014	2013
		%	%	$	$
Euro Pacific Energy Pty Ltd	Australia	**100**	100	**2**	2
Provision for diminution in value of investment				**(2)**	(2)
Loan to Euro Pacific Energy Pty Ltd				**(161,423)**	(162,659)
Provision for loss on loan to Euro Pacific Energy Pty Ltd				**-**	-
Pancontinental Namibia Pty Ltd	Australia	**100**	100	**1**	1
Provision for diminution in value of investment				**(1)**	(1)
Loan to Pancontinental Namibia Pty Ltd				**5,009,288**	4,839,699
Provision for loss on loan to Pancontinental Namibia P/L				**(12,479)**	(4,328)
Afrex Ltd *	Saint Lucia	**100**	100	**10,584,107**	10,584,107
Provision for diminution in value of investment				**(10,584,107)**	(4,541,703)
Loan to Afrex Ltd				**7,263,753**	7,561,202
Provision for loss on loan to Afrex Ltd				**(2,927,448)**	-
Starstrike Resources Ltd *	British Virgin Islands	**100**	100	**380,000**	380,000
Provision for diminution in value of investment				**(380,000)**	(380,000)
Loan to Starstrike Resources Ltd				**66,535**	60,315
Provision for loss on loan to Starstrike Resources Ltd				**-**	-
Total				**9,238,226**	18,336,633

*Indicates companies not audited by Rothsay Chartered Accountants.

6. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED	
	2014	2013
	$	$
Office equipment		
At cost	**29,559**	54,375
Less: Accumulated depreciation	**(28,171)**	(51,571)
Total written down amount	**1,388**	2,804

Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment

Office equipment		
Carrying amount opening balance	**2,804**	3,598
Additions	**-**	793
Depreciation expense	**(1,416)**	(1,587)
Total written down amount	**1,388**	2,804

Notes to the Financial Statements

30 June 2014

7. DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

	CONSOLIDATED	
	2014	**2013**
	$	**$**
Exploration, evaluation and development costs carried forward		
Pre-production:		
exploration and evaluation phases:		
Carrying amount at 1 July	**38,938,195**	23,211,960
Expenditure & acquisitions during the year	**25,080,520**	19,723,183
Exploration expenditure written off	**(17,752,562)**	(18,250)
Recovery and refunds of exploration expenditure *	**(315,225)**	(3,978,698)
Carrying amount at 30 June	**45,950,928**	38,938,195

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

* For the year ended 30 June 2013 the recoveries relate to refunds of exploration expenditure previously cash called, for the year ended 30 June 2014, the recovery relates to refunds of past expenditure.

8. TRADE and OTHER PAYABLES (CURRENT)

	CONSOLIDATED	
	2014	**2013**
	$	**$**
Trade creditors	**160,215**	121,266
Total	**160,215**	121,266

9. CONTRIBUTED EQUITY

	CONSOLIDATED	
	2014	**2013**
	$	**$**
(a) Issued and paid up capital		
Ordinary shares fully paid	**99,411,998**	99,411,998
Total	**99,411,998**	99,411,998

(b) Movements in shares on issue

	2014		2013	
	Number of shares	**$**	**Number of shares**	**$**
Beginning of the financial year	**1,150,994,096**	**99,411,998**	1,123,444,094	95,132,106
Issued during the year:				
– Placement (net of costs)	**-**	**-**	-	-
– Shortfall from Share Purchase Plan (net of costs)	**-**	**-**	25,300,002	4,148,781
– Exercise of Options (net of costs)	**-**	**-**	2,250,000	131,111
End of the financial year	**1,150,994,096**	**99,411,998**	1,150,994,096	99,411,998

Notes to the Financial Statements

30 June 2014

10. RESERVES AND ACCUMULATED LOSSES

	CONSOLIDATED 2014 $	2013 $
Reserves		
Beginning of the financial year	**345,179**	298,956
Directors and employee options issued	**-**	153,999
Options exercised	**-**	(107,776)
End of the financial year	**345,179**	345,179
Accumulated losses		
Beginning of the financial year	**(25,185,540)**	(24,630,494)
Net loss attributable to members of Pancontinental Oil & Gas NL	**(19,068,997)**	(662,822)
Share options exercised	**-**	107,776
Total available for appropriation	**(44,254,537)**	(25,185,540)
End of the financial year	**(44,254,537)**	(25,185,540)

11. STATEMENT OF CASH FLOWS

	CONSOLIDATED 2014 $	2013 $
(a) Reconciliation of the net loss after tax to the net cash flows from operations		
Net loss	**(19,068,997)**	(662,822)
Non-Cash Items, Non-Operating Items		
Depreciation of non-current assets	**1,416**	1,587
Financing expense	**912,659**	153,999
Financing income	**(1,090,608)**	(1,295,429)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	**1,885,001**	(1,831,474)
(Increase)/decrease in property, plant & equipment	**1,416**	794
(Increase)/decrease in exploration, evaluation & development	**(7,012,733)**	(15,726,235)
(Increase)/decrease in interests in subsidiaries	**-**	-
(Decrease)/increase in trade and other payables	**38,949**	(114,539)
(Decrease)/increase in employee entitlements	**-**	-
Other non-cash	**(74,949)**	9,051
Net cash flow from operating activities	**(24,407,846)**	(19,465,068)
(b) Reconciliation of cash		
Cash balance comprises:		
– cash assets	**9,665,484**	33,821,848
Closing cash balance	**9,665,484**	33,821,848

Notes to the Financial Statements

30 June 2014

12. EXPENDITURE COMMITMENTS

	CONSOLIDATED 2014 $	2013 $
Capital expenditure commitments		
Estimated capital expenditure contracted for at reporting date, but not provided for, payable:		
not later than one year		
– other	**342,718**	21,607,950
later than one year and not later than five years		
– other	**14,892,810**	31,584,412
later than five years		
Total	**15,235,528**	53,192,362

13. EMPLOYEE BENEFITS

Employee Share Scheme
Information with respect to the number of options under the employee share incentive scheme is as follows:

	2014		2013	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Balance at beginning of year	**5,000,000**	**0.12**	4,500,000	0.09
– expired	**-**	**-**	-	-
– exercised	**-**	**-**	(2,250,000)	0.59
– issued	**-**	**-**	2,750,000	0.12
Balance at end of year	**5,000,000**	**0.12**	5,000,000	0.12

Options held at the end of the reporting period
The following table summarises information about options held by directors and employees as at 30 June 2014:

Number of options	Grant date	Expiry date	Weighted average exercise price
2,250,000	29 Nov 11	28 Nov 14	0.1275
2,750,000	30 Nov 12	29 Nov 16	0.1230

14. SUBSEQUENT EVENTS

Significant events after balance date include:

In July 2014, Pancontinental announced that the 3D and 2D seismic surveys carried out earlier in 2014 were beginning to yield very encouraging results. Initial mapping confirmed at least four main prospects in the 3D area. The prospects appear to be large and robust and are in favourable geological settings. Additional prospects and leads are expected to be mapped within and outside the 3D area in due course.

The Albatross Prospect has potential to contain 422 Million Barrels of Oil (gross unrisked mean) or 1.093 Billion Barrels of Oil (P10). Further prospects and leads have gross mean risked potential resources exceeding 150 Million Barrels of Oil.

Cautionary Statement: The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Notes to the Financial Statements

30 June 2014

15. EARNINGS PER SHARE

	CONSOLIDATED 2014 $	2013 $
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net profit	**(19,068,997)**	(662,822)
Adjustments:		
Earnings used in calculating basic and diluted earnings per share	**(19,068,997)**	(662,822)
	Number of shares	**Number of shares**
Weighted average number of ordinary shares used in calculating basic earnings per share	**1,150,994,096**	1,147,339,986
Effect of dilutive securities:		
Share options	**-**	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**1,150,994,096**	1,147,339,986

16. AUDITORS' REMUNERATION

	CONSOLIDATED 2014 $	2013 $
Amounts received or due and receivable by Rothsay for:		
– an audit or review of the financial report of the entity and any other entity in the consolidated entity	**23,582**	31,500
– other services in relation to the entity and any other entity in the consolidated entity	**-**	-
	23,582	31,500

Notes to the Financial Statements

30 June 2014

17. DIRECTOR AND EXECUTIVE DISCLOSURES
(a) Details of Specified Directors and Specified Executives
(i) Specified Directors

Henry David Kennedy	Non-Executive Chairman
Roy Barry Rushworth	Executive Director, Chief Executive Officer
Ernest Anthony Myers	Executive Finance Director
Anthony Robert Frederick Maslin	Non-Executive Director
(ii) Specified Executives	
Vesna Petrovic	Company Secretary

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2007 AGM, is not to exceed $400,000 per annum and is set with reference to fees paid to other non-executive directors of comparable companies.

Non-executive and executive directors do not receive performance related remuneration but they are eligible to participate in Employee Option Schemes approved by shareholders.

Directors do not receive any termination or retirement benefits.

(b) Remuneration of Specified Directors /Officers

	Primary			Post Employment				
	Salary & Fees	**Cash Bonus**	**Non Monetary benefits**	**Super-annuation**	**Retirement benefits**	**Equity Options**	**Other Bonuses**	**Total**
Specified Directors/Officers								
Henry David Kennedy								
2014	**50,000**	**-**	**-**	**-**	**-**	**-**	**-**	**50,000**
2013	50,000	-	-	-	-	28,000	-	78,000
Roy Barry Rushworth								
2014	**750,000**	**-**	**-**	**-**	**-**	**-**	**-**	**750,000**
2013	650,000	-	-	-	-	56,000	-	706,000
Ernest Anthony Myers								
2014	**48,000**	**-**	**-**	-	**-**	**-**	**-**	**48,000**
2013	48,000	-	-	-	-	42,000	-	90,000
Anthony Robert Frederick Maslin								
2014	**48,000**	**-**	**-**	-	**-**	**-**	**-**	**48,000**
2013	48,000	-	-	-	-	28,000	-	76,000
Vesna Petrovic								
2014	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2013	-	-	-	-	-	-	-	-
Total Remuneration: Specified Directors /Officers								
2014	**896,000**	**-**	**-**	**-**	**-**	**-**	**-**	**896,000**
2013	796,000	-	-	-	-	154,000	-	950,000

Mr Myers has a 50% interest in a consulting company which provides staff, accounting and administrative services to listed companies, including Pancontinental. Mr Myers is paid a salary from that company. The same company also pays the staff who provide company secretarial, accounting and administrative services to Pancontinental. The total fees paid for these services and functions was $338,496 (2013: $305,400).

Mrs Petrovic received no direct remuneration from the company for her services as company secretary however during the year the company paid fees to Resource Services International (Aust) Pty Limited totalling $338,496 (2013: $305,400) for the provision of corporate, accounting and administration services. Mrs Petrovic is employed by Resource Services International (Aust) Pty Limited. See Note 20 for further information.

Notes to the Financial Statements

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(c) Remuneration options: Granted and vested during the year

There were no grants of remuneration options during the year.

Options granted for the financial year ended 30 June 2013 are shown below:

			Terms & Conditions for Each Grant			
	Granted Number	**Grant Date**	**Value per option at grant date ($)**	**Exercise Price per share ($)**	**First Exercise Date**	**Last Exercise Date**
Specified Directors						
Henry David Kennedy	500,000	30 Nov 12	0.06	0.123	30 Nov 12	29 Nov 16
Roy Barry Rushworth	1,000,000	30 Nov 12	0.06	0.123	30 Nov 12	29 Nov 16
Ernest Anthony Myers	750,000	30 Nov 12	0.06	0.123	30 Nov 12	29 Nov 16
Anthony Robert Frederick Maslin	500,000	30 Nov 12	0.06	0.123	30 Nov 12	29 Nov 16
Total	**2,750,000**					

(d) Option holdings of specified directors and specified executives

2014

	Balance at beginning of period	**Granted as Remuneration**	**Options Exercised/ (Expired)**	**Net Change Other**	**Balance at end of period**
	1 July 2013				**30 June 2013**
Specified Directors					
Henry David Kennedy	1,250,000	-	-	-	**1,250,000**
Roy Barry Rushworth	2,500,000	-	-	-	**2,500,000**
Ernest Anthony Myers	750,000	-	-	-	**750,000**
Anthony Robert Frederick Maslin	500,000	-	-	-	**500,000**
Total	**5,000,000**	**-**	**-**	**-**	**5,000,000**

2013

	Balance at beginning of period	**Granted as Remuneration**	**Options Exercised/ (Expired)**	**Net Change Other**	**Balance at end of period**
	1 July 2012				**30 June 2013**
Specified Directors					
Henry David Kennedy	1,500,000	500,000	(750,000)	-	**1,250,000**
Roy Barry Rushworth	3,000,000	1,000,000	(1,500,000)	-	**2,500,000**
Ernest Anthony Myers	-	750,000	-	-	**750,000**
Anthony Robert Frederick Maslin	-	500,000	-	-	**500,000**
Total	**4,500,000**	**2,750,000**	**(2,250,000)**	**-**	**5,000,000**

(e) Shareholdings of Specified Directors and Specified Executives

2014

Ordinary Shares held in Pancontinental Oil & Gas NL	**Balance 1 July 2013**	**Acquisitions (Disposals)**	**Balance 30 June 2014**
Specified Directors			
Henry David Kennedy	134,051,602	7,300,000	141,351,602
Roy Barry Rushworth	36,835,610	-	36,835,610
Ernest Anthony Myers	400,715	-	400,715
Anthony Robert Frederick Maslin	14,583	-	14,583
Total	**171,302,510**	**7,300,000**	**178,602,510**

2013

Ordinary Shares held in Pancontinental Oil & Gas NL	**Balance 1 July 2012**	**Acquisitions (Disposals)**	**Balance 30 June 2013**
Specified Directors			
Henry David Kennedy	133,301,602	750,000	134,051,602
Roy Barry Rushworth	35,335,610	1,500,000	36,835,610
Ernest Anthony Myers	285,715	115,000	400,715
Anthony Robert Frederick Maslin	14,583	-	14,583
Total	**168,937,510**	**2,365,000**	**171,302,510**

18. SEGMENT INFORMATION

Segment accounting policies

The group has adopted AASB 8 *Operating Segments* which requires operating segments to be identified on the basis of internal reports about components of the group that are reviewed by the chief operating decision-maker in order to allocate resources to the segment and to assess its performance.

The board of Pancontinental reviews internal reports prepared as consolidated financial statements and strategic decisions of the group are determined upon analysis of these internal reports. During the period the group operated predominately in one business segment, being the oil and gas sector. Accordingly, under the management approach outlined only one operating sector has been identified and no further disclosures are required in the notes to the consolidated financial statements.

19. FINANCIAL INSTRUMENTS

Financial risk management

Overview:

The company and group have exposure to the following risks from their use of financial instruments:

(a) credit risk

(b) liquidity risk

(c) market risk

This note presents information about the company's and group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The board of directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

(a) Credit risk:

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. In this industry, it arises principally from the receivables of joint venture re-charges and recuperations of cost. For the group, it arises from receivables due from subsidiaries and re-charges to joint venture partners.

(i) Trade and other receivables:

The group operates predominantly in the oil and gas exploration sector; it does not ordinarily have material trade receivables and is therefore not ordinarily exposed to credit risk in relation to trade receivables.

The company's and group's exposure to credit risk is influenced directly and indirectly by the individual characteristics of each joint venture. The balance of any outstanding amounts is monitored and payments are received promptly from joint venture partners.

(ii) Loans to subsidiaries:

The company has provided funding to its subsidiaries by way of loans. Based on management's review of the subsidiaries net tangible asset position and cash flow projections, the current carrying value of the loans have been assessed to be fully recoverable. Repayment of these loans will occur through future business activities of each respective entity.

Exposure to credit risk

The carrying amount of the company's and group's financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Consolidated		**Carrying amount**	
	Note	**2014**	**2013**
		$	**$**
Trade and other receivables	4	**45,055**	1,930,056
Cash and cash equivalents		**9,665,484**	33,821,848
Total		**9,710,539**	35,751,904

*Note, the above trade receivable for 2013 mostly relates to the expected refund of joint venture contributions.

Impairment losses:

None of the company's or group's receivables are past due at 30 June 2014, (2013: nil).

An impairment write down in respect of inter-group loans and shares was recognised during the current year from an analysis of the subsidiaries respective financial positions. The total impairment write down recognised through impairment of loans to subsidiaries and shares held in subsidiaries during the current period was $8,978,003 (2013: $29,904).

Whilst the loans were not payable at 30 June 2014 a provision for impairment based on the subsidiaries financial position was carried forward from previous periods. The balance of this provision may vary due to performance of a subsidiary in a given year.

(b) Liquidity risk:

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group manages liquidity risk by maintaining adequate cash reserves through continuously monitoring forecast and actual cash flows.

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group'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.

(i) Currency risk:

The group is from time to time exposed to currency risk on investments, and foreign currency denominated purchases in a currency other than the respective functional currencies of group entities, primarily the Australian dollar (AUD). The other material currency that these transactions are denominated in is the (USD).

Notes to the Financial Statements

30 June 2014

The group has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency.

Exposure to currency risk:
The group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

		30 June 2014			30 June 2013	
AUD	**AUD**	**USD**	**Total**	**AUD**	**USD**	**Total**
Cash & cash equivalents	**7,036,895**	**2,628,589**	**9,665,484**	31,766,074	2,055,774	33,821,848
Trade & other receivables	**45,055**	**-**	**45,055**	69,180	1,860,876	1,930,056
Trade and other payables	**(160,215)**	**-**	**(160,215)**	(121,266)	-	(121,266)
Net balance sheet exposure	**6,921,735**	**2,628,589**	**9,550,324**	31,713,988	3,916,650	35,630,638

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2014	2013	**2014**	2013
AUD : USD	**0.918**	1.027	**0.942**	0.913

Sensitivity analysis:

A 10 percent strengthening of the Australian dollar against the USD at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

Effect in AUD	Consolidated	
	Equity	**Profit or loss**
30 June 2014		
10% strengthening	**64,610**	**64,610**
30 June 2013		
10% strengthening	206,764	206,764

A 10 percent weakening of the Australian dollar against the USD at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The sensitivity analysis only had an effect on the equity or profit and loss of the company in relation to the USD bank account as the other bank transactions in foreign currencies are predominately guarantees for exploration expenditure and would not have an effect on the financial position of the company until their maturity date and only then, if the guarantee is to be extended and that extension is at a different AUD to USD rate.

Interest rate risk:
At balance date the group had exposure to interest rate risk, through its cash and equivalents held within financial institution.

	Consolidated Carrying Amount	
	30 June 2014	**30 June 2013**
Variable rate instruments		
Cash and cash equivalents	**9,665,484**	33,821,848

Fair value sensitivity analysis for fixed rate instruments:

The company and group do not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at reporting date would not affect profit or loss or equity.

Notes to the Financial Statements

30 June 2014

Fair values:

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Consolidated	30 June 2014		30 June 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	**45,055**	**45,055**	1,930,056	1,930,056
Cash and cash equivalents	**9,665,484**	**9,665,484**	33,821,848	33,821,848
Trade and other payables	**(160,215)**	**(160,215)**	(121,266)	(121,266)
	9,550,324	**9,550,324**	35,630,638	35,630,638

The basis for determining fair values is disclosed in note [1].

Capital Management:

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the return on capital, which the group defines as net operating income divided by total shareholders' equity, excluding non-redeemable preference shares and minority interests.

	2014	2013
Equity attributable to shareholders of the Company		
Minorities	**-**	-
Equity	**55,502,640**	74,571,637
Total assets	**55,662,855**	74,692,903
Equity ratio in %	**99.71%**	99.84%
Average equity	**65,037,139**	72,686,103
Net Profit	**(19,068,997)**	(662,822)
Return on Equity in %	**(29.32)%**	(0.91)%

There were no changes in the group's approach to capital management during the year.

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

20. RELATED PARTY

(a) During the year the company paid fees to Resource Services International Limited, a company in which Mr Kennedy has a financial interest, for consulting services. The amount paid to was $50,000 (2013: $50,000). Refer note 17.

(b) During the year the company paid fees to Resource Services International (Aust) Pty Limited, a company of which Mr Myers is a director, to cover the provision of corporate, accounting and administration services. The amount paid to Resource Services International (Aust) Pty Limited was $338,496 (2013: $305,400). Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

(c) The company has effected Directors and Officers Liability Insurance.

Notes to the Financial Statements

30 June 2014

21. PARENT INFORMATION

The Group has applied amendments to the Corporations Act (2001) which remove the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures below.

AT 30 JUNE 2014

	2014 $	2013 $
STATEMENT OF COMPREHENSIVE INCOME		
Profit/(Loss) for the period	**(19,062,522)**	(653,500)
TOTAL COMPREHENSIVE INCOME/(LOSS)	**(19,062,522)**	(653,500)

	2014 $	2013 $
STATEMENT OF FINANCIAL POSITION		
Assets		
Current assets	**8,884,363**	34,315,253
TOTAL ASSETS	**55,567,964**	74,590,496
Liabilities		
Current liabilities	**158,330**	118,341
TOTAL LIABILITIES	**158,330**	118,341
Equity		
Contributed equity	**99,411,998**	99,411,998
Reserves	**345,179**	345,179
Accumulated losses	**(44,347,543)**	(25,285,022)
TOTAL EQUITY	**55,409,634**	74,472,155

Directors' Declaration

In accordance with a resolution of the directors of Pancontinental Oil & Gas NL, I state that:

(1) In the opinion of the directors:

(a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2014.

On behalf of the Board

E.A. Myers

Ernest Anthony Myers
Director

Perth 30 September 2014

ROTHSAY

Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF PANCONTINENTAL OIL & GAS NL

Report on the financial report

We have audited the accompanying financial report of Pancontinental Oil & Gas NL "(the Company") which comprises the balance sheet as at 30 June 2014 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The Directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the *Corporations Act 2001*.

Audit opinion

In our opinion the financial report of Pancontinental Oil & Gas NL is in accordance with the *Corporations Act 2001*, including:

a) (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

b) the consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Audit opinion

In our opinion the remuneration report of Pancontinental Oil & Gas NL for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Rothsay

Graham R Swan
Partner

Dated 30th September 2014

Chartered Accountants