PANCONTINENTAL
Oil & Gas NL

QUARTERLY ACTIVITIES REPORT

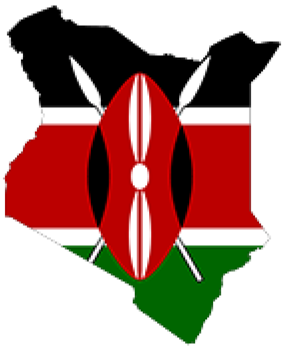
DECEMBER 2016

Highlights

Namibia PEL 0037 – Pancontinental signs farmout agreement with Africa Energy Corp

» A farmout agreement was signed with Africa Energy Corp., subject to the completion of due diligence, for the assignment of a 10% interest in PEL 0037 in exchange for an upfront payment of US $1.7 million (AU $2.2 million) and an additional US $4.8 million (AU $6.3 million) upon the commencement of drilling the first well in PEL 0037;

Pancontinental retains a 20% free carried interest.



Kenya L6 – Onshore /Offshore

» In conjunction with joint venture partner and operator of the offshore area, FAR Limited, future activities for Block L6 will be considered.

Corporate

- » Cash balance of $189,000 as at 31 December 2016 (a post quarter-end fundraising raised an additional $1.0 million);
- » Pancontinental executives conducted an Eastern States Roadshow to update investors;
- » The Company has no options outstanding after the last tranche expired in November;
- » Board changes included David Kennedy stepping down from Chairman to Non-Executive Director, John Leach becoming Non-Executive Chairman and Vesna Petrovic becoming an Executive Director.

ASX Code – PCL

Issued shares – 1,717 million

Market Capitalisation - @ 0.04 cps - $6.8 m

Cash at End of Quarter - $189,000 (post quarter end fundraising raised $1.0 million)

Overview

At a time when there is a downturn in the exploration industry, Pancontinental is pleased to have been able to secure a farmout agreement for PEL 0037 with Africa Energy Corp. (TSX-V: AFE) ("AEC"). The agreement is for a 10% interest in exchange for an initial payment of US $1.7 million (AU $2.2 million) and an additional US $4.8 million (AU $6.3 million) upon the commencement of drilling the first well in PEL 0037.

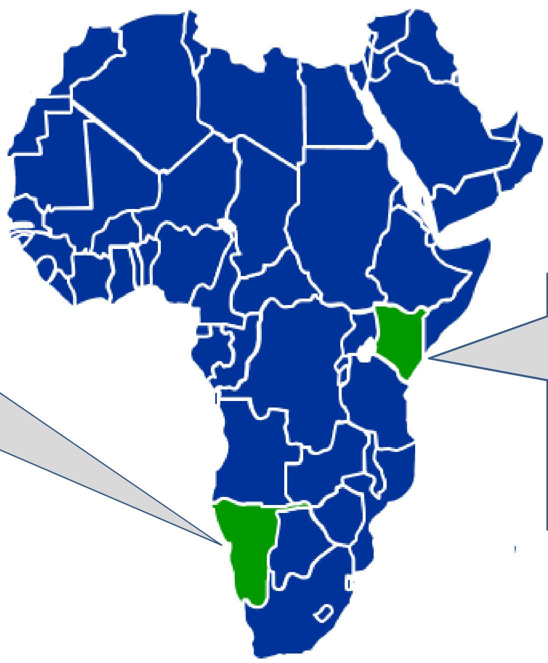
The agreement is subject to certain conditions and consents from its joint venture partners, the Namibian Government and AEC itself during its due diligence process.

Pancontinental's executive team spent some time in Melbourne and Sydney conducting a roadshow which updated current and potential investors with the Company's planned activities.

The Pancontinental board saw some reshuffling in the quarter with the current composition considered to be best suited for progressing the Company's aims.

Offshore Namibia

Asset PEL 0037
PCL % 30%
(Subject to farm-down)
Area 17,295 km^2
Operator Tullow



Onshore/Offshore Kenya

Asset Kenya L6
PCL % 16%/40%
Area 5,010 km^2
Operator FAR Limited

International Projects

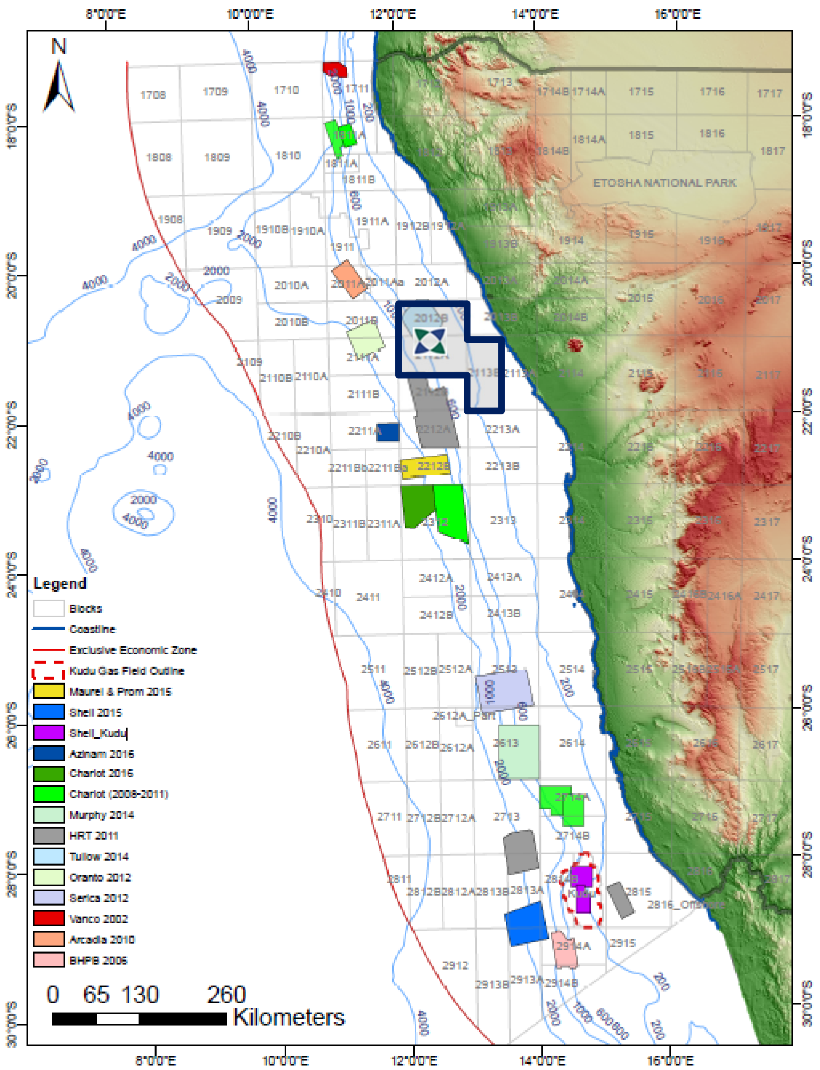
Namibia Offshore

Offshore Namibia is a frontier oil and gas province, which remains largely unexplored. Although the hydrocarbon potential of this vast region has started to unfold with successful seismic and drilling programmes conducted in recent years, a large portion of offshore Namibia remains untested (see image below showing seismic coverage).

Aside from the potential revealed by exploration campaigns to date, Namibia is an attractive destination due to the theory that Namibia and Brazil were once connected, as one land, with similar geological formations. In addition, neighbouring Angola is a major oil producer. Both Brazil and Angola have known oil reserves of a sizable magnitude.

Ephemeral rivers such as Uniab, Koigab, Huab and Ugab flow west-southwest from onshore carrying sediments and nutrients towards the Atlantic Ocean and in the direction of the company's exploration blocks, thus creating a favourable environment for oil and gas generation.

The Company has held blocks 2012B, 2112A and 2113B under Petroleum Exploration Licence 0037 since 2011.



Seismic over offshore Namibia [Source:NAMCOR]

Namibia Offshore PEL 0037

Location:	Walvis Basin	
Project Size:	17,295 square kilometres	
JV Partners:	Tullow Kudu Limited (Operator)	65.00%
	Pancontinental	30.00%*
	Paragon Oil & Gas (Pty) Ltd	5.00%

*Subject to farmout to Africa Energy Corp.

Exploration Activity

In 2011, Pancontinental and its local joint venture partner Paragon Oil & Gas (Pty) Ltd were awarded Petroleum Exploration Licence 0037, which covers three offshore blocks; 2012B, 2112A and 2113B. The blocks cover a vast area of 17,295 square kilometres and are located within the Walvis Basin.

The initial licence granted was for a period of four years. The joint venture is now in the First Renewal Period, which expires in March 2018. Activities to date are detailed below:

<u>Initial Exploration Period of 4 years - March 2011 to March 2015</u>

- Ministry of Mines and Energy Approved Work Programme:
  - Purchase seismic data; and acquire 3,000km^2 3D seismic;
- The PEL 0037 joint venture completed the above work programme within the required timeframe;
- During this period, Pancontinental farmed out a 65% interest to Tullow Kudu Limited, a subsidiary of Tullow Oil for an exploration work programme worth in excess of US $100 million;
- 3D seismic analysis defined four Main Oil Prospects with significant Prospective Resources.

<u>First Renewal Period of 2+1 years - March 2015 to March 2018</u>

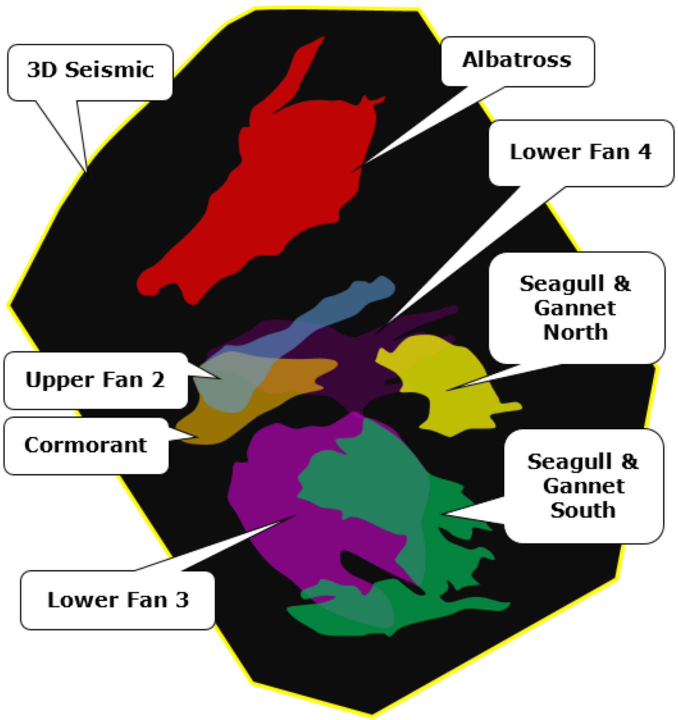
- Ministry of Mines and Energy Approved Work Programme:
  - Drill one well to 3,500m or acquire 1,000km of 2D seismic;
- The PEL 0037 joint venture has already completed the above work programme within the required timeframe;
- The farmout agreement with Tullow stated that they would be required to notify the joint venture of their intention to either withdraw or continue into the drilling phase of the farmout agreement. Tullow chose to enter the drilling phase of the agreement, which requires the drilling of one exploration well by March 2017 provided a drillable prospect is identified.

During the current quarter, Pancontinental signed an agreement with Africa Energy Corp. (TSX-V: AFE) ("AEC") for the assignment of a 10% interest in PEL 0037 in exchange for an upfront payment of US $1.7 million (AU $2.2 million) and an additional US $4.8 million (AU $6.3 million) upon the commencement of drilling the first well in PEL 0037.

The agreement with AEC is subject to certain conditions as well as consents from its joint venture partners, Government of Namibia and AEC itself during its due diligence process.

AEC is building an asset base of prospective projects and has identified the area within PEL 0037 as having significant oil potential. AEC is backed by one of the most successful and respected players in oil exploration – Lundin Group, and Pancontinental welcomes their entry into the joint venture.

Pancontinental will retain a strong 20% free carried interest in the project.



PEL 0037 – Prospects and Leads

Seismic work to date has uncovered four main Prospects:

- Cormorant
- Albatross
- Seagull & Gannet North
- Seagull & Gannet South

As well as three Leads:

- Upper Fan 2
- Lower Fan 3
- Lower Fan 4

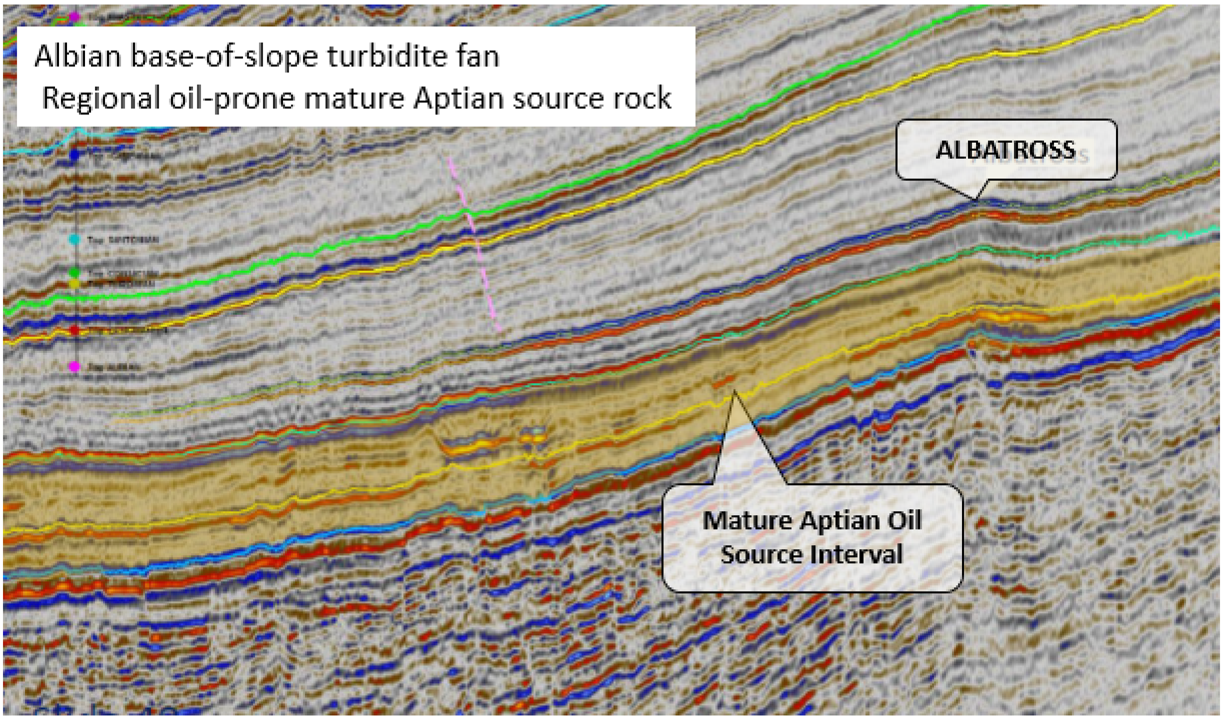
The Prospects are of a similar geological type to those found in other West African oil discoveries. They vary in size and are all interpreted to be base-of-slope fan turbidites.

Interpretation and mapping have continued with a number of prospects under evaluation. The joint venture has acquired wireline logs from Wingat-1 and Murombe-1 wells which have been included in the modelling of the rock physics. Wireline logging is used to obtain a continuous record of a formation's rock properties. While the modelling is encouraging, the risks still remain and further work needs to be carried out before assessing a prospect suitable for drilling.

The four main Prospects have been mapped on 3D seismic, with potential for combined Prospective Resources of 915 Million Barrels of oil (recoverable). This potential does not include additional potential which may be present in the three leads which have also been mapped and extensive areas not yet covered by 3D seismic (see Cautionary Statement below).

Pancontinental has estimated the prospective resource potential of the Prospects on a deterministic basis, and no probabilistic estimates of chances of drilling success have therefore been made in this case.

PROSPECT / LEAD	STATUS	AREA (Sq Km)	PROSPECTIVE RESOURCE 100% (MmBbls)*	NET PANCONTINENTAL SHARE (MmBbls)
Albatross	Prospect	293	349	99.5
Seagull & Gannet S	Prospect	273	338	96.3
Seagull & Gannet N	Prospect	90	104	29.6
Cormorant	Prospect	120	124	35.3
TOTAL (Prospects Only)			915*	260.7



PEL 0037 – The largest Prospect Albatross

While the geological and geophysical work indicates significant prospectivity there is no certainty before drilling that there will be a discovery of hydrocarbons. If there is a discovery, there is no certainty that it will be commercial or in such quantities to justify development.

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. **The resources referred to above were announced 28 September 2015.** The company confirms that it is not aware of any new information or data that, in its opinion, materially affects the information included in the relevant market announcement and that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

* Prospective Resources – Best Estimate, 100% Basis – See Disclaimers for further information

International Projects

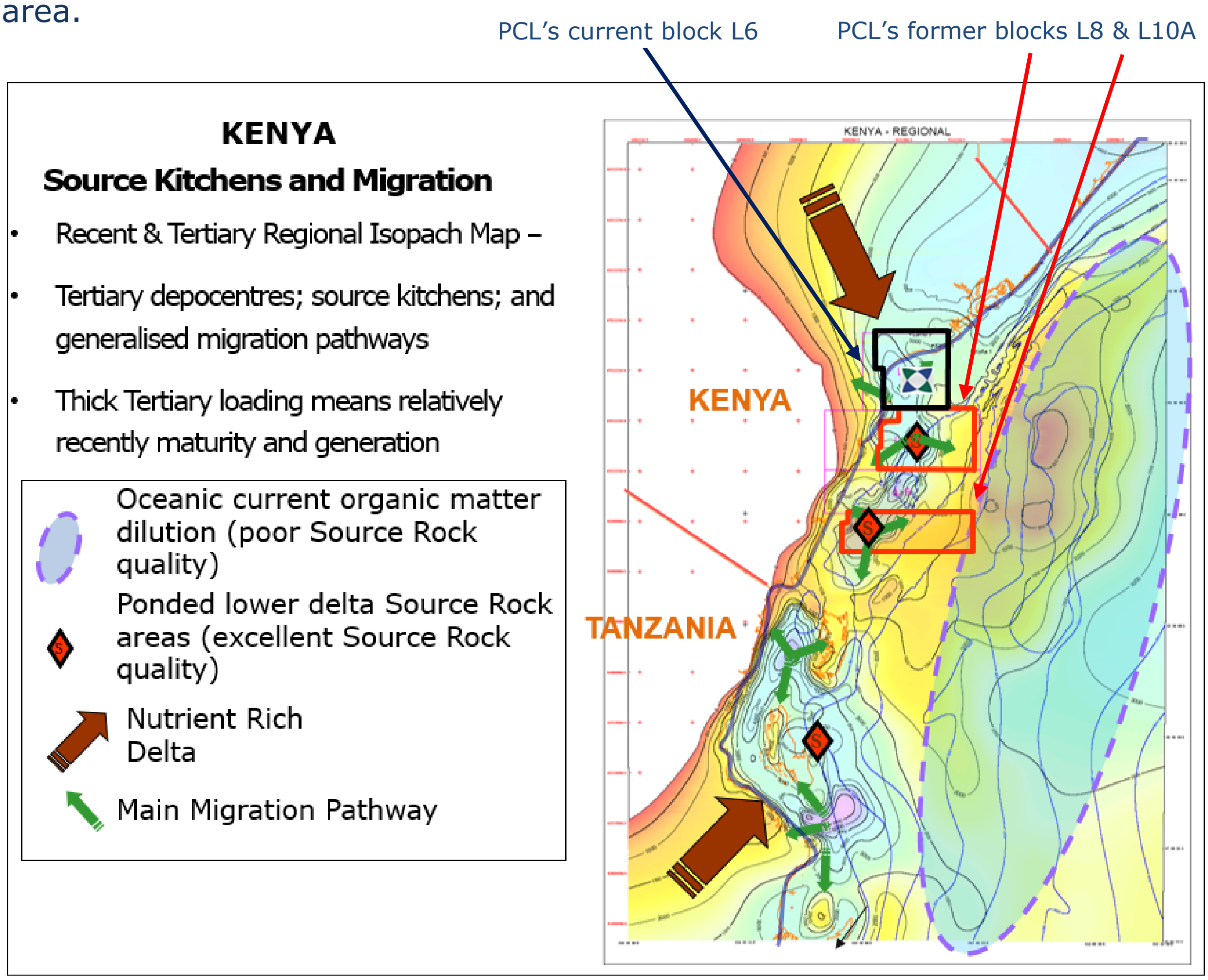
Kenya Offshore & Onshore

Pancontinental has conducted business operations in Kenya since 2002. The Company has had success with two of its former exploration licences:

2012 Mbawa-1, Kenya L8
- The first ever gas discovery offshore Kenya; and

2014 Sunbird-1, Kenya L10A
- The first ever oil discovery offshore Kenya.

The Company now holds onshore /offshore licence L6, which is a 5,010 km^2 area within the Lamu Basin located close to its former licences. A deep central graben in this area is considered to be an oil and gas "source kitchen" and potential hydrocarbon trapping prospects have been identified adjacent to the area.



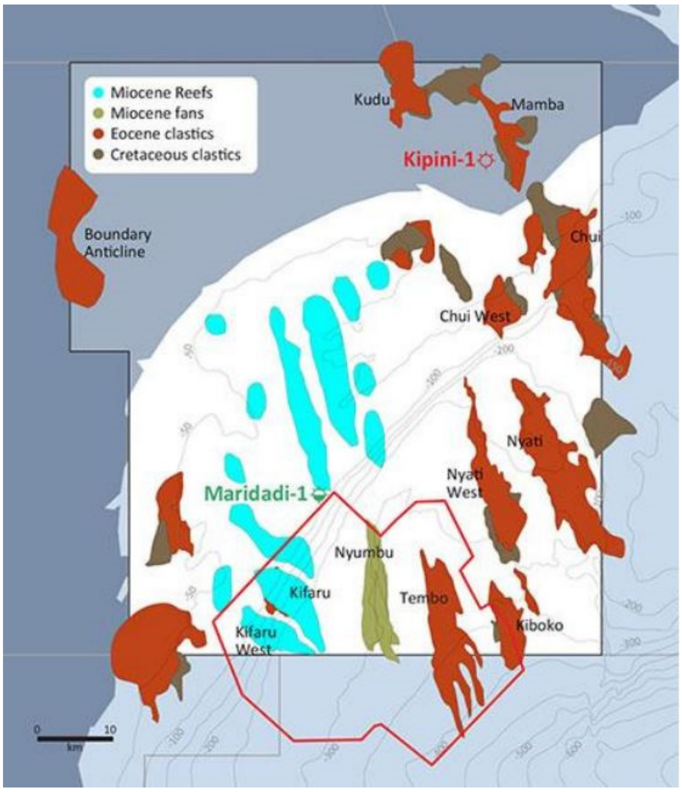
Kenya Onshore/Offshore Block L6

Location:	Lamu Basin	
Project Size:	5,010 square kilometres	
JV Partners Offshore:	FAR Limited (Operator)	60.00%
	Pancontinental	40.00%
JV Partners Onshore:	Milio International (Operator)	60.00%
	Pancontinental	16.00%
	FAR Limited	24.00%

Exploration Activity

Onshore

Kenya Block L6 onshore is operated by Milio International ("Milio"). Milio are a successful Dubai based group who run a number of business ventures in Kenya. Australian explorer FAR Limited is also a joint venture partner in onshore block L6.



Kenya L6 Prospects Onshore & Offshore

Earlier exploration programmes identified three main Prospects onshore Kenya; Kudu, Mamba and Boundary Anticline. The prospects are a combination of Eocene and Cretaceous clastics (sandstones).

Milio discovered the prospectivity of onshore block L6 while conducting exploration studies of its neighbouring block L20 and as such, farmed into the block for 60% in exchange for a programme of 2D seismic, interpretation, mapping and one exploration well, all free carried for Pancontinental.

Unfortunately unavoidable factors have prevented the work programme from commencing as planned, however Pancontinental hopes to see progress in the near future.

Offshore

In 2006, FAR Limited ("FAR") farmed into the L6 block and began steering the joint venture as operator. Numerous work programmes have been carried out on the block since its award in 2002:

- 308km of 2D seismic;
- 1,235km of 2D seismic; and
- 778 km^2 of 3D seismic.

Due to these exploration work programmes and Pancontinental's earlier theories, a number of drill ready prospects were uncovered in the central south offshore portion of the block. Reef prospects such as Kifaru and Kifaru West are placed closer onshore, while Tembo is outboard and can be described as a large Eocene sand play.

The location of the prospects is along the Tembo and Maridadi troughs which received nutrients and sediments from the Tana River, as such providing an ideal environment for oil generation. Results from Pancontinental's former block L10A discovery well Sunbird-1 indicate that the current prospects in L6 have access to the same source kitchen as those in L10A. This is encouraging and Pancontinental is of the view that the block is prospective and the Company will continue discussions with operator FAR on how to extract value from the licence area and proceed forward.

New Ventures

Pancontinental is constantly reviewing various resources and meeting with contacts in order to find new and exciting projects which would complement the Company's current collection of exploration blocks. The Company's model is to enter frontier areas where there has been little exploration and work up its geological theories. The main focus at the moment is looking at projects which would add value as well as preserve the Company's cash.

Licence Schedule

Licence Location	Licence Reference	PCL (consolidated) interest at the beginning of the quarter	Movements for the current quarter	PCL (consolidated) interest at the end of the quarter
Kenya	L6 offshore	40.00%	0.00%	40.00%
	L6 onshore	16.00%	0.00%	16.00%
Namibia	PEL 0037	30.00%	0.00%	30.00%*

*Subject to farmout to Africa Energy Corp.

Corporate

Cash Position

» As at 31 December 2016, Pancontinental's cash position was $189,000 with a cash injection received post quarter end by way of a $1.0 million placement;

» The major items of expenditure during the December 2016 Quarter were:
  - Exploration and Evaluation $167,000;
  - Staff Costs $217,000; and
  - Administration $187,000.

Roadshow

In November 2016, CEO and Executive Director Mr Barry Rushworth along with Executive Finance Director Mr Ernie Myers conducted an Eastern States roadshow to update investors on Pancontinental's planned activities going forward. The roadshow was well received as is evidenced by the show of support in the Company's post quarter end fundraising effort.

Barry Rushworth & Ernie Myers

Options

During the quarter, 2,750,000 unlisted options exercisable at $0.123 (PCLAK) expired. Pancontinental has no further options outstanding.

Board Changes

At the Company's Annual General Meeting, Chairman David Kennedy announced that he would step down as Chairman but remain on the board as a Non-Executive Director. Mr Kennedy has been a Director since the Company's inception and the board was pleased Mr Kennedy could stay on and offer his extensive expertise and wealth of knowledge.

Fellow director John Leach stepped into the Chairman's role after his initial appointment as Independent Non-Executive Director during the year. Mr Leach's international experience will assist Pancontinental in achieving its objectives going forward and drive the growth of the company.

In December 2016, Mrs Vesna Petrovic added an additional role to her company secretarial duties and become an Executive Director. Mrs Petrovic joined Pancontinental in 2008 and has been Company Secretary since 2010.

The current Pancontinental Board has a good mix of technical, operations, commercial, strategic and governance skills, which place the Company in a strong position to deliver on its strategic plan.

The Board of Pancontinental

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DISCLAIMERS

Prospective Resource Estimates Cautionary Statement

The estimated quantities of petroleum in this report 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.

Prospective Resources

All Prospective Resource estimates in this report are prepared as of 28 September 2015. The estimates have been prepared in accordance with the definitions and guidelines set forth in the Petroleum Resource Management System 2007 approved by the Society of Petroleum Engineers and have been prepared using deterministic methods. Unless otherwise stated the estimates provided in this report are Best Estimates. The estimates are unrisked and have not been adjusted for an associated risk of discovery and risk of development. The 100% basis refers to the total resource while the Net to Pancontinental basis is adjusted for the Government Royalty of 5% under Production Sharing Contracts and Pancontinental Oil & Gas NL's percentage entitlement under Joint Venture contracts.
Prospective Resources estimates in this report have been made by Pancontinental Oil & Gas NL and may be subject to revision if amendments to mapping or other factors necessitate such revision.

Prospects and Leads

The meanings of "Prospects" and "Leads" in this report are in accordance with the Petroleum Resource Management System 2007 approved by the Society of Petroleum Engineers. A Prospect is a project that is sufficiently well defined to represent a viable drilling target. A Lead is a project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and / or evaluation to be classified as a Prospect.

Competent Person Statement Information

The hydrocarbon resource estimates in this report have been prepared by Mr Roy Barry Rushworth the Chief Executive Officer and Executive Director of Pancontinental Oil & Gas NL. Mr Rushworth has more than 30 years' experience in practising petroleum geology and exploration management.
Mr Rushworth consents to the inclusion in this report of information relating to the hydrocarbon Prospective Resources in the form and context in which it appears.

Forward Looking Statements

This document may include forward looking statements. Forward looking statements include, are not necessarily limited to, statements concerning Pancontinental Oil & Gas NL's planned operation program and other statements that are not historic facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward looking statements. Although Pancontinental believes its expectations reflected in these are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward looking statements.