

7 June 2017

## **Pancontinental to Acquire Bombora Natural Energy**

### **HIGHLIGHTS**

- **Pancontinental Oil & Gas NL has executed a Binding Heads of Agreement to acquire Bombora Natural Energy Pty Ltd, an oil and gas explorer focused on the onshore Sacramento Gas Basin and the Perth Basin**
- **Pancontinental will secure the right to interests in near-term projects that are close to strong gas markets and existing infrastructure and with the potential for rapid development and early production**
- **The Company plans to participate in two high-potential wells later in 2017, targeting a large 3D defined structure with multiple reservoir objectives under an existing gas field, and an appraisal well on a large untested high pressure gas discovery**
- **The acquisition strengthens and complements Pancontinental's high-potential African projects, particularly its significant ongoing 30% free-carried interest in offshore Namibia PEL 37**
- **Pancontinental will strengthen its Board and Management capabilities by adding key Bombora personnel with considerable experience in the petroleum industry and a history of securing valuable opportunities**
- **Further asset expansion is planned in the USA, Africa and Australia**

Pancontinental Oil & Gas NL ("Pancontinental", the "Company") is pleased to announce that it has signed a binding Heads of Agreement ("HOA") with Bombora Natural Energy Pty Ltd ("Bombora") under which Pancontinental will acquire Bombora (the "Transaction", the "Acquisition") subject to the satisfaction of certain conditions.

The Transaction provides balance to the Pancontinental portfolio by adding "bolt-on" projects with imminent drilling and the potential for near-term gas production in the USA, while advancements are made on the very high-potential African projects.

Mr Barry Rushworth, the CEO of Pancontinental commented-

"We are delighted to reinforce the Company's oil and gas asset portfolio with a number of exciting new near-term projects, including drilling, through the acquisition of Bombora Natural Energy.

We look to a new, very positive future for Pancontinental, with an expanded portfolio that we believe to be very attractive to new and existing shareholders.

Bombora adds considerable shorter-term activity for Pancontinental's shareholders, with interests in great opportunities in the Sacramento Gas Basin and the onshore Perth Basin, as well as the potential for a series of additional new projects.

The reformed management team is very well suited to efficiently manage the exciting new USA and Australian assets and to continue to run the existing high-potential African projects.

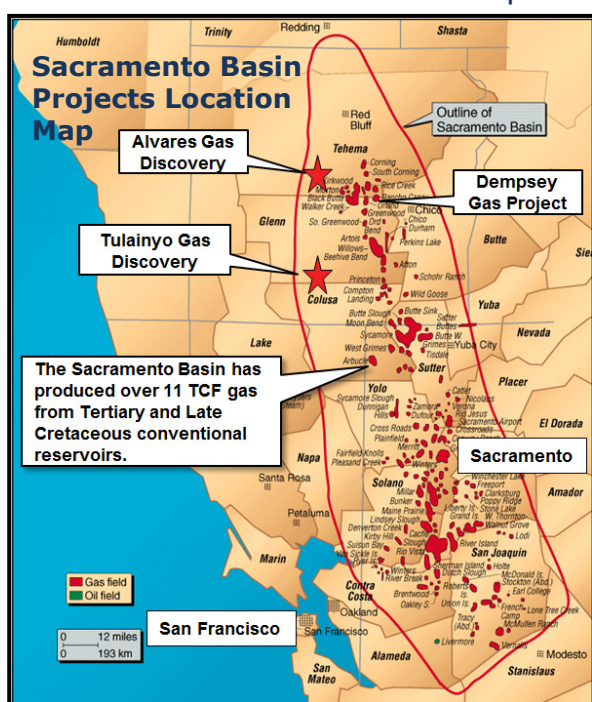
The team is also very well positioned to continue to add new projects to the portfolio.

This is a transformational transaction for Pancontinental's shareholders, with the potential to deliver much early value going forward, while ensuring shareholders continue to benefit from exposure to our significant African position. Notably, our Namibia PEL 37 project has been significantly de-risked and is an asset we believe to be on the cusp of unlocking significant value for our shareholders."

## ABOUT BOMBORA NATURAL ENERGY PTY LTD

Bombora Natural Energy Pty Ltd is a private company established in Western Australia in May 2016.

Bombora has a near-term focus of building a portfolio of gas discovery, appraisal and exploration assets. It also seeks high potential oil-prone assets that could be revalued with a rise in the oil price.



Bombora is gas-focused in the onshore Perth Basin and Sacramento Gas Basin in the USA. The projects are close to strong gas markets and existing infrastructure and in need of appraisal drilling to prove-up commerciality. Successful drilling could lead to rapid development and early production.

### Sacramento Basin, California

The Company is targeting overlooked petroleum systems with the potential for near-term commercial gas production. There is an ongoing opportunity to acquire a range of projects that have the potential to "open up" the basin.

The Company's Sacramento Basin projects include:

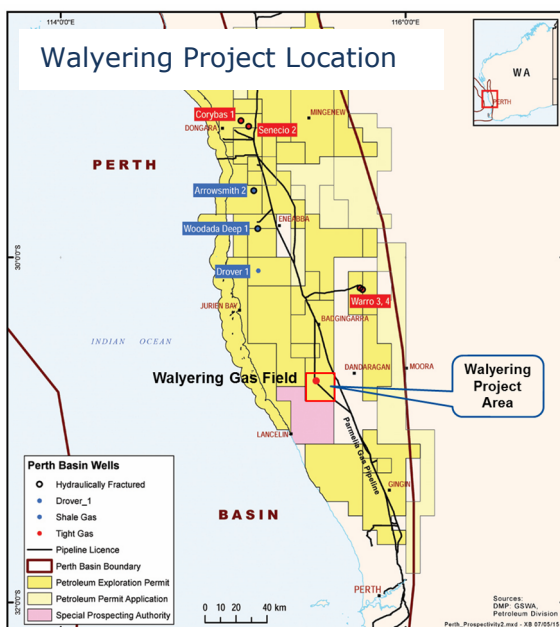
**The Dempsey Gas Project:** Under a farmin agreement with Sacgasco Limited (ASX:SGC) the Company may earn a 10% interest by funding 20% of a planned 3,200m well, up to an agreed cost "cap". The estimated further cost to Bombora is A\$0.8 million. Dempsey-1 is expected to commence drilling in July 2017.

**Dempsey Trend Projects:** Under a farmin agreement with Sacgasco and Xstate Resources Limited ("Xstate" ASX: XST) the Company is in the process of earning a

15% interest in acreage within a large prospective area which includes at least 3 identified prospects near the Dempsey Gas Project.

*The Tulainyo Gas Discovery:* Under a farmin with California Resources Production Corporation and Cirque Resources LP, Bombora subsidiary GasFields LLC ("GasFields") (see below) plans to fully fund up to three wells over 18 months. The farmin agreement includes options for each drilling stage and mechanisms to limit the cost exposure per well. GasFields has the ability to earn up to 33.33% of the project. The first well in this potentially very large gas project is estimated to cost approximately A\$4 million and must commence by 1 September 2017. GasFields has entered into a letter agreement for another company to provide most of the funding for drilling the initial well in the farmin program and reducing Bombora's beneficial interest in GasFields to 40%. Further details will be announced at a later date.

*The Alvares Gas Discovery:* Under a farmin with Sacgasco Limited (ASX: SGC) and Xstate Resources, Bombora has the right to earn a 10% working interest by funding 13.33% of the next well on the 1982 Alvares discovery. Bombora's promoted cost for this well is capped at A\$1.75m. There is currently no commitment to drill at Alvares. Bombora has an option to earn a further 5% in Alvares, by funding Sacgasco's share of a re-entry of the discovery well to assess it for a sidetrack to the gas reservoirs. A sidetrack could significantly reduce the cost of testing the gas zones. The promoted component of Bombora's cost to earn its extra interest would be capped at circa US\$200,000.



### Perth Basin, Australia

*Walyering Gas Field:* Under a farmin with UIL Energy Ltd (ASX: UIL), the Company can earn a 70% operated interest in the southern part of onshore exploration licence EP 447. The Company must carry out permitting for the project (remaining cost c. A\$150,000) thereby earning the right to a 70% operated interest by acquiring a 3D seismic survey before August 2018 at a cost of approximately A\$1.8 million.

## TERMS OF THE ACQUISITION

**Pancontinental will acquire all of the issued capital of Bombora on the basis of up to 26 Pancontinental shares for each Bombora share** under the HOA executed on 6 June, subject to the satisfaction of various conditions precedent (including shareholder approval).

Bombora has 57,431,201 shares on issue and the right to issue up to a further 10,000,000 new shares by raising up to A\$500,000 at 5 cents per share prior to Completion; raised funds would mainly be used to maintain its project obligations.

If Bombora does not issue any more shares by Completion then Pancontinental will issue 1,493,211,226 shares to Bombora shareholders, representing approximately 37.9% of the then issued capital of Pancontinental pre Capital Raising (see below).

If Bombora raises A\$500,000 prior to Completion by the issue of a further 10 million Bombora shares, then the number of Pancontinental Shares issued will increase to 1,753,211,226 (approximately 41.7%).

If Bombora raises an amount that is less than A\$500,000 then the Pancontinental Shares to be issued will be adjusted pro-rata. If, for whatever reason, the Tulainyo asset acquisition is not completed there is provision in the HOA for a reduction of 15% to the number of Pancontinental Shares issued.

Concerning legal and financial Due Diligence; both companies are well advanced and expect the Due Diligence to be completed shortly.

While full details will be provided in the Notice of Meeting, Completion is (*inter alia*) subject to-

- a) The approval of Pancontinental Shareholders at a General Meeting to a number of matters, including the approval to issue securities in Pancontinental for the acquisition of the Bombora Shares, approval to raise up to A\$4,000,000 ("Capital Raising") and approval to issue options to John Begg (3.0%), Marie Malaxos (1.5%) and Hartleys Ltd (3%) to a combined 7.5% of the issued capital in Pancontinental post the acquisition and capital raising.
- b) The approval at the General Meeting to the issue of Pancontinental Shares to Barry Rushworth or his nominee that equates to A\$175,000 divided by the issue price of the shares in the Capital Raising as a result of Mr Rushworth agreeing to be paid one half of his employment entitlements with shares in lieu of cash;
- c) Pancontinental obtaining all necessary third party approvals.

The outstanding conditions are expected to be satisfied (or waived) by mid July 2017 to allow for the Acquisition completion (see Timetable below). Completion will take place after the conditions precedent have been satisfied or waived.

The proposed Capital Raising plans to raise up to A\$4 million to fund the Company's ongoing activities, including field activities and drilling under the Tulainyo, Dempsey, Alvares and Walpyring farms. The Company will continue to be supported by leading Australian stockbroker Hartleys Limited.

## **BOARD CHANGES**

Upon completion of the Acquisition the new Pancontinental Board will consist of three Directors from the current Pancontinental Board and two Directors nominated by Bombora, reflecting the Company's expanded business model and ensuring continuity of management and the underlying business philosophy.

Pancontinental director (and former Chairman) Mr Dave Kennedy will again take up the role of Chairman from Mr John Leach, who will step down as Chairman.

Mr John Begg and Ms Marie Malaxos, current directors of Bombora, will, subject to shareholder approval, join the Board as executive and non-executive directors respectively. Mr Begg will take over as CEO from Mr Barry Rushworth. Mr Begg has been involved in the discovery and development of oil and gas on three continents and is highly experienced in a variety of technical and corporate roles.

Mr Rushworth (current CEO and Executive Director) will be a non-executive director and will continue to manage Pancontinental's high-potential African ventures.

Mr Ernie Myers (current executive Finance Director) will be a non-executive Director.

Mrs Vesna Petrovic will step down from the Board and will remain Company Secretary and Chief Financial Officer.

## **GENERAL MEETING OF PANCONTINENTAL SHAREHOLDERS & TIMETABLE**

Pancontinental will convene a general meeting of shareholders to approve, amongst other matters, the Acquisition. The anticipated timetable for completion of the Acquisition is set out below:

Event	Indicative Date*
Announcement of Acquisition	7 June 2017
Dispatch of Notice of Meeting seeking approval for the Acquisition	9 June 2017
General Meeting to approve Acquisition	7 July 2017
Settlement of Acquisition	12 July 2017

\*Dates are as planned by the parties but may vary due to circumstances

## **ABOUT PANCONTINENTAL**

Pancontinental is an Australian listed junior oil and gas exploration company (ASX code PCL). Pancontinental's website is [www.pancon.com.au](http://www.pancon.com.au)

Pancontinental has explored for oil and gas in Africa for more than a decade and has partnered, through farmout and direct participation, with companies such as Woodside, Anadarko, Tullow Oil, BG Group, Origin Energy, Apache Oil and FAR.

Pancontinental's activities led to the first historic oil and gas discoveries offshore Kenya and its exploration concepts in Namibia have led to farmin by Tullow Oil.

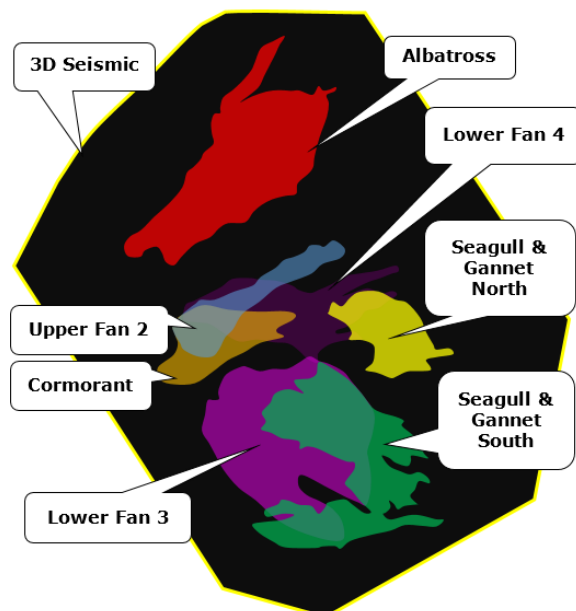
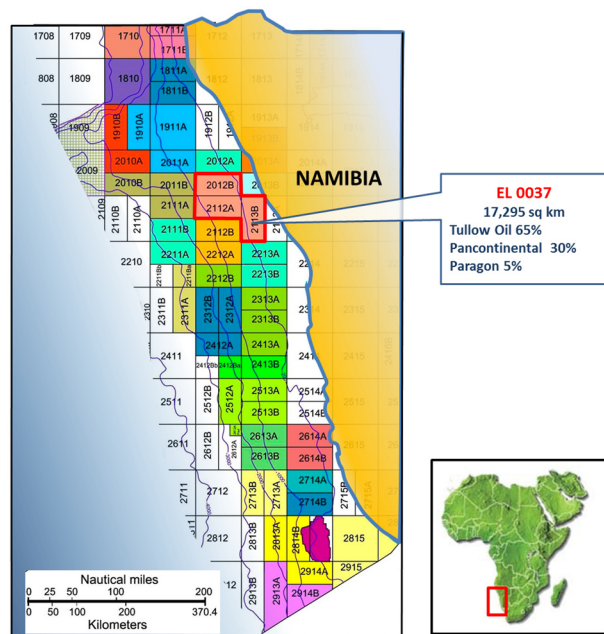
Pancontinental has been executing a strategy of identifying and securing high quality frontier acreage with high equity positions in African frontier exploration basins. With the Bombora acquisition, a similar strategy is now being applied to USA and Australian opportunities, with a near-term focus.



The Company's main African focus is on its offshore Namibia block PEL 37. Pancontinental executed a farmout for PEL 37 to Tullow in 2013. To date the Company has been financially carried through a circa US\$34mm work programme under this farmout agreement.

## Namibia Offshore PEL 37

Namibia PEL 37 Location Map



Namibia PEL 37 Prospects & Leads Map

Pancontinental considers offshore Namibia to be one of the prime unexplored frontier oil and gas provinces worldwide, with technical, fiscal and regulatory regimes that are very favourable by international standards. The potential of this vast region is unfolding through successful seismic and drilling, with a large part of offshore Namibia remaining, as yet, undrilled and demonstrating significant exploration potential.

The Company holds a free-carried 30% interest in PEL 37, over a very large oil-prospective area in shallow through to deep water offshore zones.

The PEL 37 Joint Venture is exploring the central part of an extensive oil "fairway", having the interpreted presence of high quality and mature oil source rocks. The oil source rocks and potential reservoir rocks are similar to other oil producing zones in West Africa, for example offshore Angola and offshore Senegal. Seismic work to date has yielded four main Prospects. Also similarly to West African discoveries, the main prospects in PEL 37 are basin-floor and slope turbidite "fans".

For and on behalf of  
**Pancontinental Oil & Gas NL**

**Barry Rushworth**  
CEO and Executive Director

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