

ASX Companies Announcement Office

Kenya L6 Clarification

Pancontinental Oil & Gas NL ("Pancontinental") refers to the statement made by FAR Limited ("FAR") in its quarterly report ("FAR's Quarterly") for the quarter ending 31 December 2015 that it has issued a default notice to Pancontinental on the asserted basis of the non-payment by Pancontinental of 2 cash calls issued during 2015 ("the 2015 Cash Calls"). Unfortunately that statement did not report the fact that those cash calls and the default notice were disputed by Pancontinental on 9 September 2015.

Since about mid-2014, the only work planned to be undertaken on block L6 was in respect of the "onshore" portion of the block in which both Pancontinental and FAR claim that Pancontinental has a 16% paying interest, based on farminee Milio International ("Milio") having a 60% paying interest.

However, as reported at page 10 of FAR's 2014 annual report, during 2014 there were civil upheaval and security incidents that prevented any appropriate access ("Access Issue") for petroleum operations to be conducted within the "onshore" portion of block L6. There is still no access to that portion and therefore no work is capable of being carried out on that portion of block L6.

Notwithstanding this, FAR's subsidiary Flow Energy Pty Ltd ("Flow") purported to issue the 2015 Cash Calls during 2015 for a total of US\$377,801, the overwhelming majority of which was said by Flow to be for "staff and consultants". The 2015 Cash Calls issued to Pancontinental were on the basis that Pancontinental's paying interest was 40%; not 16% without an explanation concerning the status of Milio. No work has been authorised by the joint venture to be carried out on the so called "offshore" portion of block L6 in which Pancontinental does have a 40% paying interest.

The purported default notice referred to in FAR's Quarterly was issued on 7 September 2015 and was issued on the basis of the asserted non-payment by Pancontinental of the 2015 Cash Calls. Based on a 16% share of the "onshore" portion of block L6 and assuming the validity of the 2015 Cash Calls (which Pancontinental disputes), Pancontinental's share of the 2015 Cash Calls should be US\$60,448; not US\$113,060 (based on a claimed 40% interest) as claimed by Flow. Of this sum Pancontinental has paid US\$38,060 (representing a share of fees payable to the Kenyan Ministry which Pancontinental was prepared to pay), thus leaving an amount purportedly owing of US\$22,388 (which Pancontinental also disputes).

By letters dated 9 September 2015 Pancontinental wrote to Flow disputing the 2015 Cash Calls as well as the validity of the default notice and calling on Flow to provide it with relevant information. Although Pancontinental has not yet received a written

response to those letters, it continues to discuss the situation concerning block L6 with FAR to try to satisfactorily resolve the issues.

Pancontinental will issue a further statement when these matters have been resolved with FAR or alternatively if they cannot be resolved.

For and on behalf of
Pancontinental Oil & Gas NL



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