

## Highlights



### **Namibia PEL 0037 – Exploration activities continue with Prospects Cormorant, Albatross, Seagull and Gannet North and South**

- » The PEL 0037 joint venture has made steady progress in achieving its exploration work programme commitments. To date, 3D and 2D seismic has been acquired, processed, interpreted and mapped. The cost has exceeded US \$34 million, all of which has been free carried for Pancontinental.
- » Going forward, identified Prospects within the exploration licence will continue to be ranked according to suitability for drilling.



### **Kenya L6 – Onshore /Offshore**

- » Future activities for Block L6 will be considered with joint venture partner and operator of the onshore area FAR Limited.



### **Corporate**

- » Cash balance of \$739,000 as at 30 September 2016; and
- » Pancontinental executive Mr Ernie Myers presented at the Africa Oil, Gas and Energy Conference in September.

**ASX Code** – PCL

**Issued shares** – 1,717 million

**Market Capitalisation** - @ 0.04 cps - \$6.8 m

**Cash at End of Quarter** - \$739,000

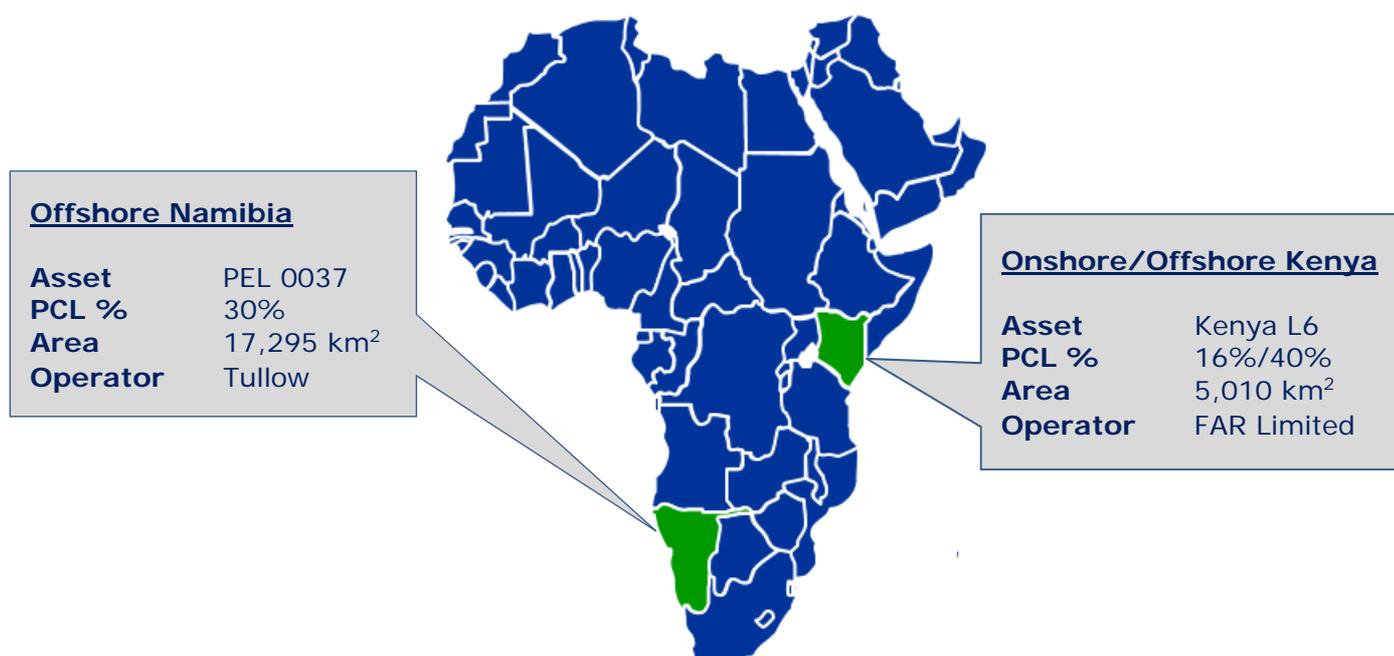
## Overview

Pancontinental is entering a new financial year with no commitments for the current phase of its exploration programmes. This is an ideal position to find itself in at a time of tentative recovery in the industry, based on a slightly improved oil price and murmurs of activity in the sector.

The company's Namibian asset has passed initial stages of data collection and is now at the stage of selecting a drillable prospect from its inventory of Prospects confirmed by the extensive 3D and 2D seismic acquisitions covering the licence.

The farmout agreement under which Pancontinental is fully carried for this exploration period states that a well is to be drilled by March 2017, one year earlier than that required under the terms of the Petroleum Agreement signed in 2011.

The exploration team at Pancontinental is keen to see the area drilled so that their theories can be tested and hopefully prove correct.



# International Projects



## Namibia Offshore

Offshore Namibia holds great exploration potential; the frontier territory is mostly unexplored, yet it holds all the elements necessary for a hydrocarbon accumulation. Namibia's offshore waters are home to basins which have been de-risked to the extent that there is evidence of working oil and gas systems.

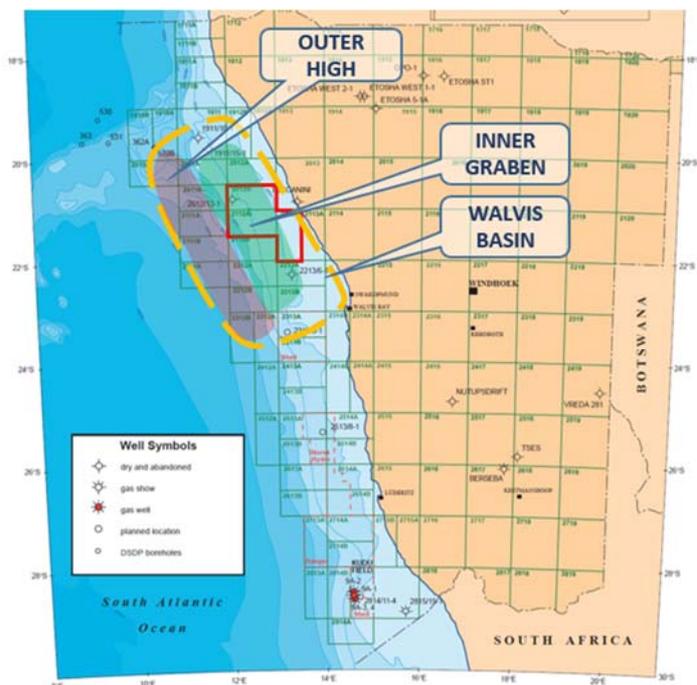
Brazil's PetroRio (formerly HRT) made a significant discovery in 2013 by drilling the Wingat-1 well in the licence adjacent to Pancontinental's acreage. The well encountered oil and although the find was not commercial, two well-developed source rocks were found, as well as several small reservoirs saturated with oil.

The discovery opened up a new play in the area as it was the first confirmation of oil offshore Namibia.

The "Inner Graben" (a graben is a valley of land bordered by parallel faults) in the Walvis Basin is interpreted by Pancontinental to be a main regional oil generating zone and one of the most critical factors to finding commercial oil offshore Namibia. Pancontinental's PEL 0037 and PetroRio's former PEL 0023 are contiguous over the inner graben.



Oil recovered from Wingat-1  
[Source: PetroRio]



The Company's current exploration blocks are 2012B, 2112A and 2113B, which are shown in red outline to the left.

The blocks are in water depths extending to 1,800m offshore Walvis Basin.

Exploration interest in Namibia is likely to grow, as it is an emerging oil and gas province. Oil and gas companies that arrived too late to East Africa will not want to be left behind in Namibia.

## Namibia Offshore EL 0037

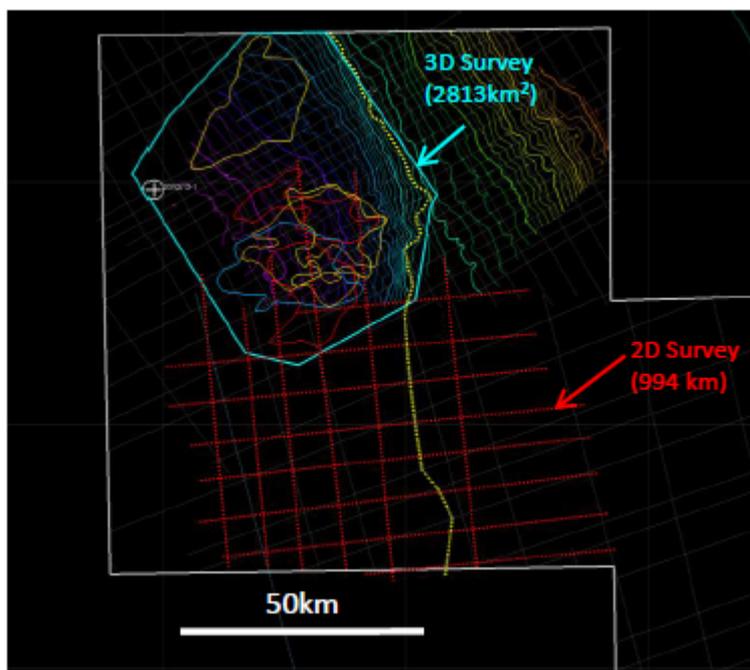
Location:	Walvis Basin		
Project Size:	17,295 square kilometres		
JV Partners:	Tullow Kudu Limited (Operator)	65.00%	
	Pancontinental	30.00%	
	Paragon Oil & Gas (Pty) Ltd	5.00%	

### Exploration Activity

Pancontinental holds a 17,295 square kilometre area that sits within the Walvis Basin. A Petroleum Agreement was signed in 2011 with local partner Paragon Oil & Gas (Pty) Ltd over three blocks; 2012B, 2112A and 2113B. The country's Open Bidding System allowed Pancontinental to negotiate a favourable area after becoming familiar with the region due to its work under a former Reconnaissance Licence where prospectivity of the offshore area was uncovered.

By 2013, the joint venture had concluded its initial work programme objectives and was in a position to leverage upon its substantial holding of 95% in the project. The new venture team at Tullow Kudu Limited (a subsidiary of Tullow Oil) ("Tullow") were given the opportunity to view and analyse Pancontinental's workings to date. Based on the team's assessment, Tullow went on to farm into the project for 65% and operatorship in exchange for a proposed programme including:

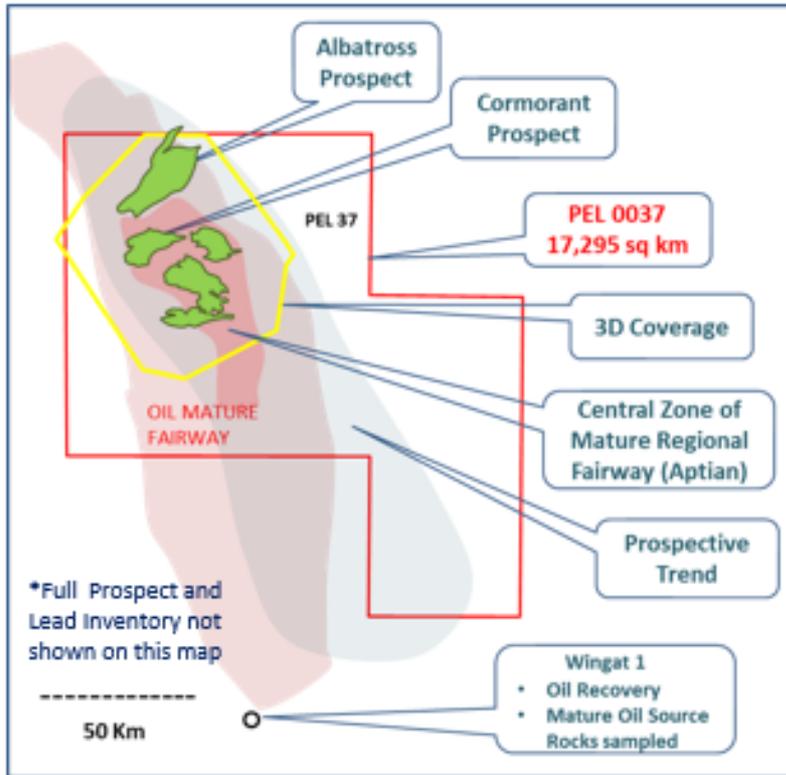
- 3,000 km<sup>2</sup> of 3D seismic;
- 1,000 km of 2D seismic;
- Processing of the seismic acquisition data;
- Interpretation and mapping; and
- One exploration well.



Tullow has completed the agreed components of the work programme to date including 3D and 2D seismic, processing, interpretation and mapping.

The joint venture is now looking at determining which prospects will be high graded for the drilling campaign committed under farmout.

Image to the left: 3D and 2D seismic in the northern blocks within PEL 0037



PEL 0037 - Prospects, 3D coverage, fairway and regional well

The key Prospects within PEL 0037 include Cormorant, Albatross, Seagull and Gannet North and South. The Prospects are positioned in the northern blocks of the licence and are on trend to the first oil discovery offshore Namibia.

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.

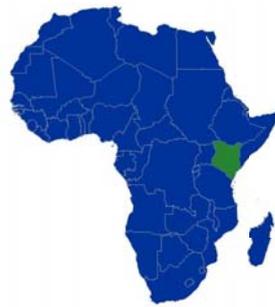
PROSPECT / LEAD	STATUS	AREA (Sq Km)	PROSPECTIVE RESOURCE 100% (MmBbls)*	NET PANCONTINENTAL SHARE (MmBbls)
Albatross	Prospect	293	349	99.5
Seagull & Gannet S	Prospect	273	338	96.3
Seagull & Gannet N	Prospect	90	104	29.6
Cormorant	Prospect	120	124	35.3
<b>TOTAL (Prospects Only)</b>			<b>915*</b>	<b>260.7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

While the geological and geophysical work indicates prospectivity there are no guarantees before drilling that there will be a discovery of hydrocarbons. If there is a discovery, there is no guarantee 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

## Kenya Offshore & Onshore

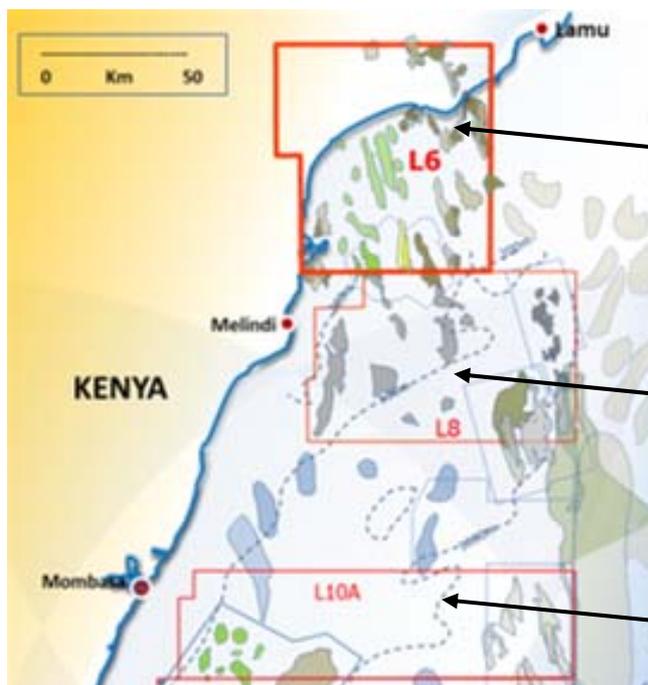
Pancontinental's Production Sharing Contract ("PSC") for Block L6 in Kenya was signed with the Government of Kenya in 2002. The PSC governs the relationship between joint venture partners and Kenya's Government in respect to exploration and production. The PSC details such items as work commitments, timing and production sharing.

The total area covered by the contract is 5,010 km<sup>2</sup>, which includes both an onshore and offshore portion in the Lamu Basin.

The company's exploration licence is located nearby to its former exploration areas, which both encountered hydrocarbons:

- |      |  |
|------|--|
| 2012 | Mbawa-1, Kenya L8  |
|      | <ul style="list-style-type: none"><li>• The first ever gas discovery offshore Kenya; and</li></ul> |
| 2014 | Sunbird-1, Kenya L10A  |
|      | <ul style="list-style-type: none"><li>• The first ever oil discovery offshore Kenya.</li></ul>     |

These discoveries have made Kenya a hydrocarbon exploration destination bringing investment opportunities.



Pancontinental's current onshore/offshore licence.

Pancontinental's former L8 licence drilled in 2012 – Offshore Kenya's first gas

Pancontinental's former L10A licence drilled in 2014 – Offshore Kenya's first oil

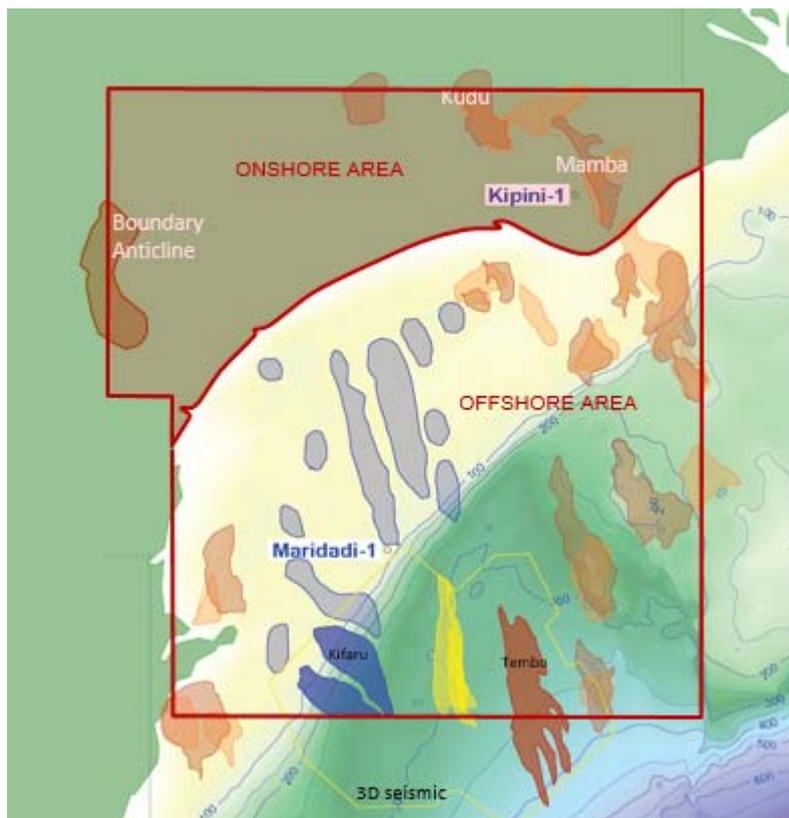
## Kenya Onshore/Offshore Block L6

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

### Exploration Activity

#### Onshore

The onshore part of Block L6 is operated by Milio International (“Milio”), a Dubai based group who have operated in Kenya for many years. Australia’ FAR Limited are also joint venture partners in the project. Prospects within the onshore area include Kudu, Mamba and Boundary Anticline.



Block L6 – Prospects onshore and offshore

Milio are also joint venture partners in neighbouring licence L20. Whilst conducting exploration activities on L20, Milio uncovered the potential in Block L6 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. Although the work programme has not yet progressed as planned, there is ongoing dialogue with the joint venture and Kenyan Ministry to make arrangement for work to commence.

#### Offshore

FAR Limited (“FAR”) are operators of the offshore area of Block L6. Since the grant of the PSC numerous exploration activities have taken place within the licence area from 2D and 3D seismic programmes, desktop studies, Falcon airborne gravity and magnetics surveys.

Large prospects such as Tembo and Maridadi were uncovered and are located in the southern portion of the offshore area, on trend to the play opening Sunbird-1 discovery drilled in 2014 by Pancontinental and its co-venturers.

The theory for oil generation in the area stems from the belief that there is an oil and gas “source kitchen” with hydrocarbon trapping prospects identified close by.

Future activities for Block L6 will be decided after agreement with operator FAR as to the direction the joint venture will take.

### **New Ventures**

During the quarter, the Company evaluated opportunities to add to its current portfolio of assets. Pancontinental is looking at projects that would create wealth without reducing balance sheet strength and preserve the company’s cash reserves.

## **Licence Schedule**

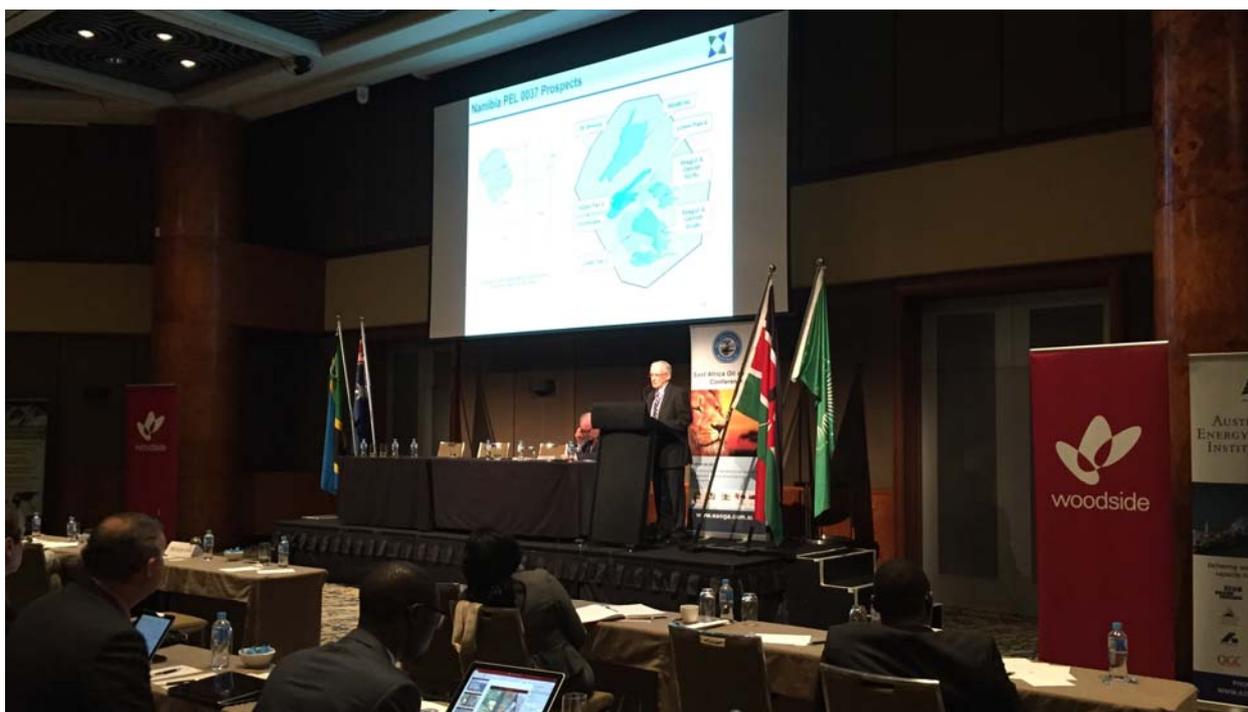
<b>Licence Location</b>	<b>Licence Reference</b>	<b>PCL (consolidated) interest at the beginning of the quarter</b>	<b>Movements for the current quarter</b>	<b>PCL (consolidated) interest at the end of the quarter</b>
Kenya	L6 offshore	40.00%	0.00%	40.00%
	L6 onshore	16.00%	0.00%	16.00%
Namibia	PEL 0037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

## **Corporate**

### **Cash Position**

- » As at 30 September 2016, Pancontinental’s cash position was \$739,000;
- » The major items of expenditure during the September 2016 Quarter were:
  - Exploration and Evaluation \$86,000; and
  - Administration \$149,000.

## Conference



In September, Finance Director Ernie Myers had the pleasure of being invited to present at the Africa Oil, Gas and Energy Conference 2016, an event connecting professionals from the Australian oil and gas sector with African local knowledge experts, government officials, potential projects and investment opportunities.



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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.

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