Half Year Report and Accounts

July 2016 to December 2016

PANCONTINENTAL

ABN 95 003 029 543

Directors

John Edward Leach	(Independent Non-Executive Chairman)
Roy Barry Rushworth	(Executive Director & Chief Executive Officer)
Henry David Kennedy	(Non-Executive Director)
Ernest Anthony Myers	(Executive Finance Director)
Vesna Petrovic	(Executive Director)

Company Secretary
Vesna Petrovic

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Auditors
Rothsay Chartered Accountants
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4 Ventnor Avenue
West Perth WA 6005

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ASX Code
PCL

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2016 and any public announcements made by Pancontinental Oil & Gas NL during the Half Year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Contents

Permit Schedule	3
Directors' Report	4
Directors' Declaration	11
Independent Audit Report	12
Statement of Comprehensive Income	13
Statement of Financial Position	14
Statement of Changes in Equity	15
Statement of Cash Flows	16
Notes to the Financial Statements	17

Namibia PEL 0037

LOCATION:

Walvis Basin, Offshore Namibia

PROJECT SIZE:

17,295 square kilometres

JOINT VENTURE PARTNERS:

Tullow Kudu Limited (Operator)
65.00%

Pancontinental Oil & Gas Group
30.00% *

Paragon Oil & Gas (Pty) Ltd
5.00%

*subject to farmout to Africa Energy Corp.

GEOLOGY:

The central part of an oil – mature "Fairway" has been interpreted to extend through PEL 0037. Pancontinental believes that PEL 0037 covers one of the few areas where an oil generating "sweet spot" of oil prone source rocks are sufficiently buried to generate oil.

A number of slope and basin floor turbidite fans, forming very large Prospects and Leads, have been identified and mapped within the Fairway. The Prospects and Leads are closely associated with the interpreted oil-generating source rocks.

Kenya L6

LOCATION:

Lamu Basin, Onshore /Offshore Kenya

PROJECT SIZE:

5,010 square kilometres

JOINT VENTURE PARTNERS:

Offshore

FAR Limited (Operator)
60.00%

Pancontinental Oil & Gas Group
40.00%

Onshore

Milio International Group (Operator)*
60.00%

Pancontinental Oil & Gas Group
16.00%

FAR Limited
24.00%

*after earn in

GEOLOGY:

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.

The Kifaru Prospect and Kifaru West Prospect are interpreted to be large stacked Miocene reefs, with interpreted good lateral and top seals and close proximity to mature Eocene source rocks.

The Tembo Prospect is a large tilted fault block trap, with interpreted sandstone reservoirs at a number of levels.

The Directors present their report on the consolidated entity consisting of Pancontinental Oil & Gas NL ("Pancontinental" or the "Company") and the entities it controlled at the end of or during the half year ended 31 December 2016.

DIRECTORS

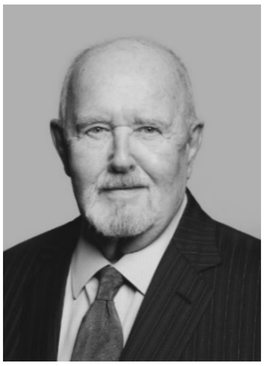
The names and details of the company's Directors in office during the half year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

John Edward Leach BArts (Economics) CA, MBA
(Independent Non-Executive Chairman)

Mr Leach has completed a degree in Economics, is a Chartered Accountant and holds a Master of Business Administration. Experience in the mining industry along with senior management and director positions have provided Mr Leach with extensive experience in financial management, fundraising and strategic planning. Mr Leach joined Pancontinental's board in February 2016 and was appointed Chairman in November 2016.

Mr Leach held the position of Executive Finance Director for Cyprus based Atalaya Mining from 2007 to July 2015 and is currently a Director of Kefi Minerals plc (since 2007). Kefi Minerals plc is an exploration and development company which is also based in Cyprus and has interests in Ethiopia.



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

Mr Kennedy is a Geologist with a background in African, Australian and New Zealand oil and gas businesses. Numerous discoveries in both Western Australia and New Zealand were made by companies established, developed and managed by Mr Kennedy. Since August 1999 Mr Kennedy has been a Director of Pancontinental, with the Company benefiting from Mr Kennedy's broad knowledge base through ongoing support in achieving the Company's strategic goals.

Mr Kennedy is currently a Non-Executive Director of Norwest Energy NL (since April 1997) and was an East Africa Resources Limited Non-Executive Director (since March 2013) but resigned from the position in April 2015.

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

Mr Rushworth is a Geologist with international petroleum exploration experience. With roles such as Chief Geologist and Exploration Manager, Mr Rushworth helped guide an Australian listed company to a number of oil and gas finds during his tenure. Since his appointment with Pancontinental, Mr Rushworth has been responsible for identifying, negotiating and acquiring international new venture opportunities particularly in Kenya and Namibia. In addition, he has a trusted contact base which has assisted him to attract international major companies as joint venture partners to Pancontinental's projects.

Mr Rushworth has been a Director of Pancontinental since August 2005 and Chief Executive Officer since November 2008.

Ernest Anthony Myers CPA (Executive Finance Director)

Mr Myers is an Accountant who has held senior management, executive and board participation roles in ASX listed companies. During his career he has had considerable experience in all corporate matters from capital raisings to financial management of these companies. He has had relevant African experience through involvement in exploration projects in Eritrea, Kenya, Namibia and Tanzania. Mr Myers joined Pancontinental in March 2004 as Company Secretary and was appointed Finance Director in January 2009.

Mr Myers was an alternate Director of East Africa Resources Limited from June 2010, to April 2015.

COMPANY SECRETARY & DIRECTOR

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.

During her professional life she has had public listed company experience in numerous companies, particularly with those who hold interests in Africa. Mrs Petrovic fulfils both the accounting and governance functions at Pancontinental.

Mrs Petrovic was appointed Company Secretary in April 2010 and Executive Director in November 2016.

REVIEW AND RESULTS OF OPERATIONS

The review of the consolidated entity's operations during the half year ended 31 December 2016 is as follows:

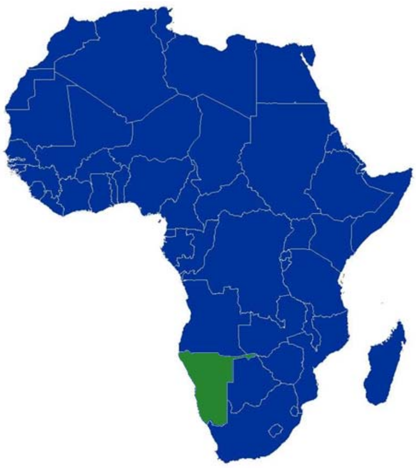
Financial

	$
Revenue	5,661
Expenses	(3,308,849)
Operating Profit /(Loss)	(3,303,188)
Income Tax	-
Operating Profit /(Loss) for the half year *	(3,303,188)

* The operating loss includes a non-cash write off of previously incurred exploration expenditure of $2,224,651. The write down in the carrying value of exploration expenditure reflects the current level of prices and general industry conditions.

Review of Operations

During the half year Pancontinental maintained its focus on oil and gas exploration in Namibia and Kenya.



Namibia

Pancontinental's Namibian acreage is located offshore in the Walvis Basin. The PEL 0037 joint venture has completed seismic programmes and data analysis to ascertain the location most prospective for future drilling.

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%

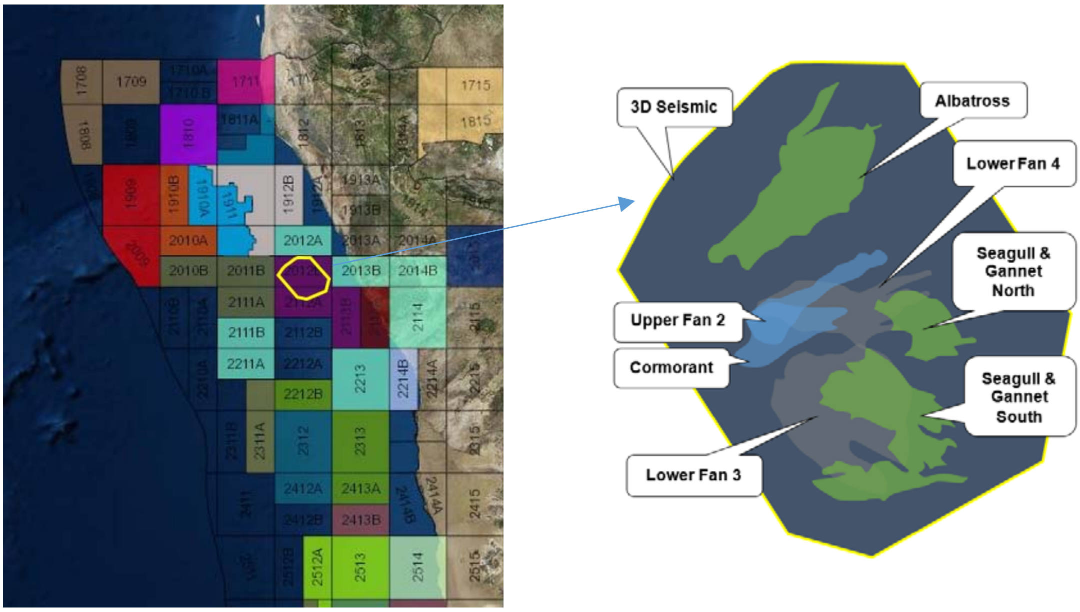
*subject to farmout to Africa Energy Corp.

In 2011, the Company, alongside its local partner Paragon Oil & Gas (Pty) Ltd was awarded Petroleum Exploration Licence 0037. The joint venture then commenced exploration studies to uncover the potential of the area under the permit. Initial studies showed positive results and as such, Pancontinental approached its joint venture partner for an additional 10% interest.

At that stage, the Company held a solid 95% interest and began looking to the larger companies who could come into the joint venture and take it to the next level. In 2013, Tullow Kudu Limited, a subsidiary of Tullow Oil farmed into the exploration licence for 65% in exchange for a carry through the following exploration programme:

- 3,000 km2 of 3D seismic;
- 1,000 km of 2D seismic;
- Processing of the seismic acquisition data;
- Interpretation and mapping; and
- Drilling one exploration well.

To date, the above seismic components of the farmout have been fulfilled by Tullow, at a cost in excess of US $34 million. The seismic data has provided the joint venture with a greater understanding of the geological formations within the permit and now the focus is toward identifying prospects suitable for drilling.



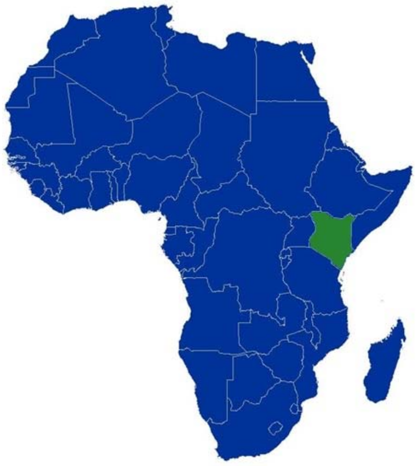
Location of PEL 0037 offshore Namibia
[Blocks in dark purple, seismic in yellow]

In March 2016, Tullow was required to notify Pancontinental whether the company would continue in the joint venture, as such Tullow notified Pancontinental of its intention to stay in the joint venture and work toward drilling in the exploration permit.

During the December 2016 quarter, Pancontinental signed an agreement with Canadian listed Africa Energy Corp. ("AEC") for the assignment of a 10% interest in the PEL 0037 joint venture 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 agreement is subject to certain conditions as well as consents from its joint venture partners, the Government of Namibia and AEC itself after satisfaction of a due diligence process.



Kenya

Over the past decade, Pancontinental has been participating in exploration programmes in Kenya. The Company is now reviewing its position in the permit.

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%

The Company holds onshore/offshore licence L6, which is a 5,010 km^2 area close to where Pancontinental has had its previous two historic discoveries:

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.

Within block L6, exploration programmes have been carried out on both the onshore and the offshore areas with promising results. Of particular interest is that L6 is on-trend to the play opening Sunbird-1 oil discovery.

Onshore, three main prospects have been identified: Kudu, Mamba and Boundary Anticline. These prospects are a combination of Eocene and Cretaceous clastics (sandstones). The onshore area has been farmed into by Milio International in recent years, however unavoidable factors have prevented the work programme from commencing as planned.

Offshore, 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. It is thought that prospects within L6 have access to the same source kitchen as those in Pancontinental's former block L10A which was the location of the Sunbird-1 well.

In conjunction with both operators, future activities for Block L6 will be considered going forward.

Corporate

During the half year:

- Pancontinental executives presented at the Africa Oil, Gas and Energy Conference;
- An Eastern States roadshow was conducted to update investors;
- The Company no longer has any options on issue after the last tranche expired in November;
- Board changes included;
    - David Kennedy stepping down as Chairman;
    - John Leach appointed as Independent Non-Executive Chairman; and
    - Vesna Petrovic appointed Executive Director.
- Post half-year end, the Company raised AU $1.0 million by way of placement.

CHANGES IN STATE OF AFFAIRS

During the half year ended 31 December 2016, there were no significant change in the entity's state of affairs other than that referred to in the Half Year Financial Statements of Notes thereto.

This report is made in accordance with a resolution of the Directors.

EA Myers
Finance Director
PERTH, 15 March 2017

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 review of the 31 December 2016 half year financial statements; and
ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Mr Graham Swan

Lead Auditor

Rothsay Chartered Accountants

15 March 2017

DIRECTORS' DECLARATION FOR THE HALF YEAR ENDED 31 DECEMBER 2016

The Directors declare that:

(a) The attached Financial Statements and Notes thereto comply with Accounting Standards;

(b) The attached Financial Statements and Notes thereto give a true and fair view of the financial position and performance of the consolidated entity;

(c) In the Directors' opinion, the attached Financial Statements and Notes thereto are in accordance with the Corporations Act, 2001; and

(d) In the Directors' opinion, there are reasonable grounds to believe that Pancontinental Oil & Gas NL will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a Resolution of the Directors pursuant to section 303(5) of the Corporations Act, 2001.

On behalf of the Directors

EA Myers
Director
PERTH, 15 March 2017

ROTHSAY
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P.O. Box 8716, Perth Business Centre WA 6849
Phone 9486 7094 www.rothsayresources.com.au

Independent Review Report to the Members of Pancontinental Oil & Gas NL

The financial report and directors' responsibility
The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Pancontinental Oil & Gas NL for the half-year ended 31 December 2016.

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* 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.

Review approach
We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 31 December 2016 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Pancontinental Oil & Gas NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Independence
In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim consolidated financial report of Pancontinental Oil & Gas NL is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the consolidated financial position as at 31 December 2016 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Rothsay

Rothsay Auditing

Dated 15th March 2017

Graham R Swan FCA
Partner

HALF YEAR ENDED 31 DECEMBER 2016	Notes	CONSOLIDATED Half Year to Dec 2016 $	Half Year to Dec 2015 $
OPERATING ACTIVITIES			
Depreciation		**(9,369)**	(12,679)
Salaries, fees & benefits (including leave accrual)		**(661,413)**	(458,811)
Audit fees		**(7,000)**	(10,481)
Exploration – generative & write offs	7	**(2,318,316)**	(4,031,710)
Annual report costs		**(8,531)**	(13,249)
ASX fees		**(12,759)**	(28,532)
Filing fees		**(1,975)**	(1,957)
Insurance		**(20,329)**	(26,683)
Legal fees		**(49,322)**	(15,812)
Share registry costs		**(11,076)**	(11,707)
Rent, outgoings and office		**(81,632)**	(60,803)
Travel		**(29,002)**	(12,832)
Other revenues and expenses		**(98,125)**	(98,126)
TOTAL OPERATING ACTIVITIES		**(3,308,849)**	(4,783,382)
FINANCING ACTIVITIES			
Financing income		**5,661**	25,460
Financing expense		**-**	-
TOTAL FINANCING ACTIVITIES		**5,661**	25,460
PROFIT / (LOSS) BEFORE INCOME TAX		**(3,303,188)**	(4,757,922)
Income tax expense		**-**	-
PROFIT / (LOSS) FOR THE PERIOD		**(3,303,188)**	(4,757,922)
OTHER COMPREHENSIVE INCOME / (LOSS)			
Other comprehensive income		**-**	-
TOTAL OTHER COMPREHENSIVE INCOME / (LOSS)		**-**	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		**(3,303,188)**	(4,757,922)
Basic earnings per share (cents per share)		**(0.20)**	(0.41)
Diluted earnings per share (cents per share)		**(0.20)**	(0.41)

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

AT 31 DECEMBER 2016	Notes	CONSOLIDATED Dec 2016	Jun 2016
		$	$
CURRENT ASSETS			
Cash assets	3	***188,970**	1,157,927
Trade and other receivables		**36,347**	63,113
TOTAL CURRENT ASSETS		**225,317**	1,221,040
NON-CURRENT ASSETS			
Property, plant and equipment		**52,922**	62,292
Deferred exploration, evaluation and development costs		**7,882,804**	9,293,818
TOTAL NON-CURRENT ASSETS		**7,935,726**	9,356,110
TOTAL ASSETS		**8,161,043**	10,577,150
CURRENT LIABILITIES			
Trade and other payables		****1,086,031**	274,658
TOTAL CURRENT LIABILITIES		**1,086,031**	274,658
NON-CURRENT LIABILITIES			
Provision for employee entitlements		**92,609**	16,901
TOTAL CURRENT LIABILITIES		**92,609**	16,901
TOTAL LIABILITIES		**1,178,640**	291,559
NET ASSETS		**6,982,403**	10,285,591
EQUITY			
Parent entity interest			
Contributed equity		**101,545,967**	101,545,967
Reserves		**-**	154,000
Accumulated losses		**(94,563,564)**	(91,414,376)
Total parent entity interest in equity		**6,982,403**	10,285,591
TOTAL EQUITY		**6,982,403**	10,285,591

* A post half-year end fundraising raised an additional $1.0 million.

** $602,865.91 of this total relates to the Tullow cash call (as explained in the 19 December 2016 announcement) which has since been paid but is in dispute.

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

AT 31 DECEMBER 2016

Consolidated	Share Capital	Retained Earnings	Option Reserve	Total Equity
	$	$	$	$
Balance at 1 July 2016	**101,545,967**	**(91,414,376)**	**154,000**	**10,285,591**
Profit or loss	**-**	**(3,303,188)**	**-**	**(3,303,188)**
Other comprehensive income / (loss)	**-**	**-**	**-**	**-**
Shares issued (net of costs)	**-**	**-**	**-**	**-**
Share options	**-**	**154,000**	**(154,000)**	**-**
Balance at 31 December 2016	**101,545,967**	**(94,563,564)**	**-**	**6,982,403**
Balance at 1 July 2015	99,411,998	(85,941,995)	154,000	13,624,003
Profit or loss	-	(4,757,922)	-	(4,757,922)
Other comprehensive income/(loss)	-	-	-	-
Shares issued (net of costs)	661,584	-	-	661,584
Share options	-	-	-	-
Balance at 31 December 2015	100,073,582	(90,699,917)	154,000	9,527,665

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

HALF YEAR ENDED 31 DECEMBER 2016	CONSOLIDATED	
	Half Year to Dec 2016 $	Half Year to Dec 2015 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	**(728,000)**	(679,282)
Expenditure on exploration interests	**(253,438)**	(315,053)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES	**(981,438)**	(994,335)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**-**	(2,600)
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES	**-**	(2,600)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest received	**1,233**	11,771
Proceeds from issues of ordinary shares	**-**	738,000
Share issue costs	**-**	(50,034)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES	**1,233**	699,737
NET INCREASE / (DECREASE) IN CASH HELD	**(980,205)**	(297,198)
Add opening cash brought forward	**1,157,927**	1,345,837
Effects of exchange rate changes	**11,248**	15,305
CLOSING CASH CARRIED FORWARD	***188,970**	1,063,944

* A post half-year end fundraising raised an additional $1.0 million.

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

Notes to the Financial Statements

For the Half Year ended 31 December 2016

1. Basis of Preparation of Half Year Financial Statements

This general purpose financial report for the Half Year ended 31 December 2016 has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 134: Interim Financial Reporting. This Half Year Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Report for the year ended 30 June 2016 and public announcements made by Pancontinental Oil & Gas NL during the Half Year in accordance with any continuous disclosure obligations arising under the Corporations Act, 2001.

The accounting policies have been consistently applied to all the periods presented, unless otherwise stated.

Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising Pancontinental Oil & Gas NL and the companies it controlled from time to time during the half 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 that part of the reporting period during which the company had control. All intercompany balances and transactions, including unrealised profits arising from intra group transactions, have been eliminated in full.

Cash

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Taxation

The Company has not brought to account the estimated future income tax benefits attributable to tax losses and temporary differences as a deferred tax asset, as it is not yet considered probable that future taxable profit will be available for utilisation.

Impairment of Assets

The recoverable amount of an asset is determined as the higher of net selling price and value in use.

Plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses. The fair value of plant and equipment, as determined by reference to observable prices, is not materially different to the carrying amount.

Capitalisation of Exploration and Evaluation Costs

The Company complies with AASB 6 *Exploration for and Evaluation of Mineral Resources*. Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at reporting date, reached a stage to allow reasonable assessment regarding the existence of economically recoverable reserves.

Costs carried forward in respect of an area that is abandoned are written off in the year which the decision to abandon is made.

Significant Accounting Policies & Changes in Accounting Policies

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2016.

Notes to the Financial Statements

For the Half Year ended 31 December 2016

1. Basis of Preparation of Half Year Financial Statements Continued

In the half year ended 31 December 2016, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2016.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half year ended 31 December 2016. As a result of this review the Group has determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

Going Concern

As described in the Directors' Report, the current economic environment is challenging and the group has reported an operating loss for the half-year. The directors consider that the outlook presents significant challenges in terms of cut backs in exploration budgets by potential farminees and the uncertainty with the oil price. While the directors have instituted measures to reduce costs and secure additional finance these circumstances create material uncertainties over future trading results and cash flows. As explained in the ASX Announcement on 30 November 2016, the directors are seeking to conclude a transaction to farmout an interest in Namibia PEL 37. The Company is in negotiations with a potential farminee, but there can be no certainty until the due diligence period has concluded and the transaction is finalised. Based on negotiations conducted to date the directors have a reasonable expectation that it will proceed successfully, but if not the Company will need to secure additional funding.

2. Accumulated Losses

	Half Year Ended 31-Dec-16 $	**Half Year Ended 31-Dec-15 $**
Loss from ordinary activities after related income tax expense	(3,303,188)	(4,757,922)
Accumulated profits (losses) brought forward	(91,414,376)	(85,941,995)
Adjustment from options (options vesting and expiring)	154,000	-
Accumulated profits (losses) at end of Half Year	**(94,563,564)**	**(90,699,917)**

3. Reconciliation of Cash

Cash at the end of the Half Year as shown in the Statement of Cash Flows is reconciled to the related items in the Financial Statements as follows:	**31-Dec-16 $**	**30-Jun -16 $**
Deposits – at call	8,964	1,093,383
Cash on hand and at bank	180,006	64,544
Cash and Equivalents at 31 December	***188,970**	**1,157,927**

* A post half-year end fundraising raised an additional $1.0 million.

Notes to the Financial Statements

For the Half Year ended 31 December 2016

4. Issued and Quoted Securities at end of current Half Year

Category of Securities	Number Issued	Number Quoted	Exercise	Expiry
Ordinary Shares at 30 June 2016:	1,717,494,096	1,717,494,096		
Issued during Half Year ended 31 December 2016:	-	-		
	1,717,494,096	**1,717,494,096**		
Options at beginning of the Half Year	2,750,000	-	$0.12	29 Nov 16
	2,750,000	**-**		
Issued during the Half Year	-	-		
	-	**-**		
Expired during the Half Year	(2,750,000)	-		
	(2,750,000)	**-**		
Options at end of the Half Year	-	-		
	-	**-**		

5. Earnings per Share

	Half Year Ended 31-Dec-16	Half Year Ended 31-Dec-15
Basic earnings per share - cents	(0.20)	(0.41)
Diluted earnings per share is not materially different from Basic earnings per share	(0.20)	(0.41)
The weighted average number of ordinary shares outstanding during the Half Year used in the calculation of basic earnings per share	1,717,494,096	1,335,494,096

6. Segmental Information

The Company operates in Australian and African regions, however internal reporting is conducted on an entity wide basis.

Notes to the Financial Statements

For the Half Year ended 31 December 2016

7. Exploration

	Half Year Ended 31-Dec-16 $	Half Year Ended 31-Dec-15 $
Exploration write offs	(2,224,651)	(3,867,251)
Generative exploration expenditure	(93,665)	(164,459)
	(2,318,316)	**(4,031,710)**

Note December 2015 & 2016 – exploration expenditure previously incurred above was written off to reflect the current low oil price, slowdown in exploration activity globally and risks associated with funding by joint venture partners.

8. Subsequent Events

No matters or circumstances have arisen since the end of the Half Year which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of the Consolidated Entity, or the state of affairs of the Consolidated Entity as reported to the Half Year ended 31 December 2016 other than:

- Pancontinental raised AU $1.0 million in January 2017 by way of placement.

9. Commitments for Expenditure (Contingent Liability) Oil Leases and Permits

In order to maintain current rights of tenure to permits, the Consolidated Entity is required to perform minimum expenditure requirements of various authorities and pay fees. The Consolidated Entity will be required to outlay US $12,000 expenditure in the next year with respect to permit lease rentals and exploration expenditures to meet these minimum expenditure requirements.