

Summary

The December quarter was one of the busiest and most remarkable in the Company's history. This required dedicated, hands-on assistance from non-executive Directors and a range of selected, expert consultants to deliver what were uniformly positive outcomes. Highlights included:

Namibia Offshore

- The PEL 37 JV, strengthened by the recent entry of Africa Energy Corp. and giant Indian oil and gas company ONGC Videsh, voted to enter the next licence period. The JV also agreed to drill the +120 MMBBL recoverable oil potential Cormorant Prospect in Sept 2018. PCL will have 20% fully carried through the cost of drilling.
- PCL was awarded, amid competition from major international oil companies, the highly prospective Block 2713 (now PEL 87) with a 75%, operated interest.

USA California- Onshore

- The Company's first gas production from shallow gas wells producing in the Dempsey project area. Currently at very modest levels but due to be boosted by additional well workovers and production from Dempsey-1.
- The Dempsey 1-15 gas discovery well successfully flowed clean, dry gas from the two, lowest depth, high pressure intervals tested so far.
- The well is now connected and has begun producing gas at about 140 MCFD into a pipeline while further testing and production enhancement options are being considered for the well.
- The Tulainyo 2-7 well was drilled and reached total depth of 5,700 feet (1,737m). This was a significant mechanical achievement under difficult drilling conditions.
- Evaluation of the Tulainyo 2-7 well data, including wireline logs, indicated gas is present in all target reservoirs with up to 56 m of potential gas pay.
- Preparations are underway to flow test multiple gas zones in the well.
- Within the Dempsey AMI trend, leasing of follow up prospects continued to advance. More detail of this strategic initiative are likely to be announced in the next quarter.

Corporate

- The AGM was held on November 2017 and all resolutions passed on a poll.
- The Company attended Africa Oil Week in Cape Town and followed that by presenting in London at the 121 Oil & Gas Investment Conference.
- Cash balance of AU \$1.7 million as at 31 December.



Drilling the Tulainyo 2-7 gas appraisal well in California

ASX Code – PCL

Market Capitalisation - @ 0.06cps - \$31.6 m

Issued shares – 5,262 million

Cash at End of Quarter - \$1.7 million

Projects

Namibia Offshore PEL 37

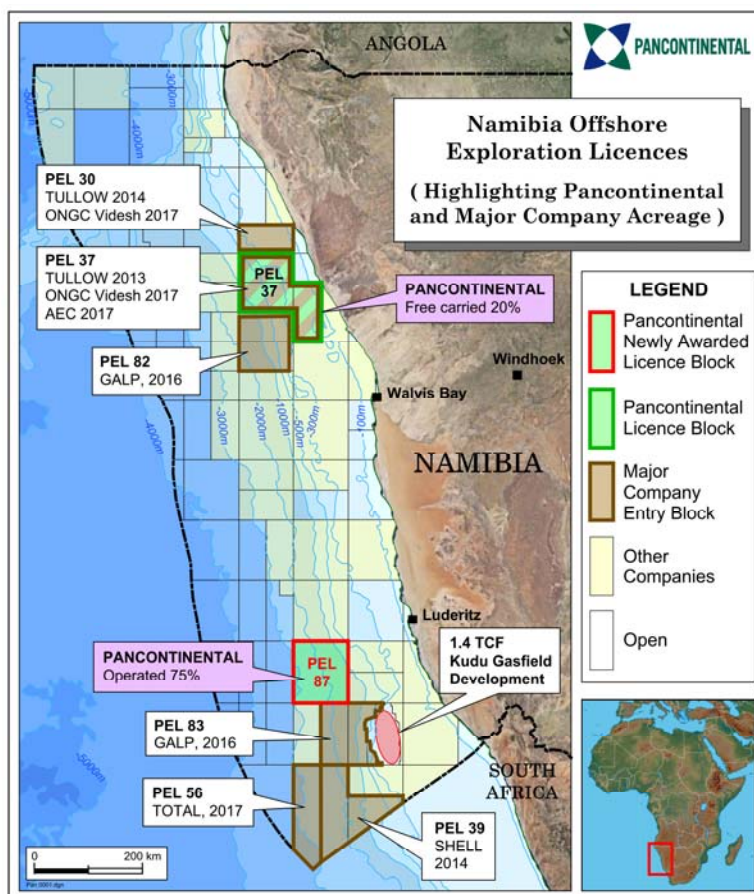
Location:	Walvis Basin	
Project Size:	17,295 square kilometres	
JV Partners:	Tullow Namibia Limited (Operator)	35.00%
	Pancontinental Namibia Pty Ltd	30.00% *
	ONGC Videsh Limited	30.00%
	Paragon Oil & Gas (Pty) Ltd	5.00%

* Ownership of Pancontinental Namibia Pty Ltd:
 Pancontinental Oil & Gas NL 66.67%
 Africa Energy Corp. 33.33%

During the December quarter, the Company confirmed that the long awaited drilling of PEL 37 in Namibia is scheduled to commence in September of this year. The Cormorant Prospect was chosen by the Joint Venture as having the lowest geological risk amongst the identified prospects in the licence and is similar to many successful, oil-charged turbidites plays along the West African coast. In addition to the Cormorant prospect, there are a range of other mapped prospects and leads that offer large scale upside if the well is successful.

The PEL 37 Joint Venture has applied to the Ministry of Mines and Energy in Namibia to enter into the next period of the licence in March 2018 so that the exploration well can proceed as planned.

Pancontinental has a 20% interest in the project and will be carried for the drilling costs of the well by Operator Tullow as per the farmout agreement negotiated in 2013. In addition, the second payment of US \$5.5 million from the Africa Energy Corp. deal will be due at the commencement of drilling.



The recent entry to the joint venture by ONGC Videsh Limited and Africa Energy Corp. has added technical and financial strength to the joint venture.

Namibia Offshore PEL 87

Location:	Orange Basin		
Project Size:	10,947 square kilometres		
JV Partners:	Pancontinental (Operator)		75.00%
	Custos Investments (Pty) Ltd		15.00%
	NAMCOR*		10.00%

*National Petroleum Corporation of Namibia

Also in Namibia, the Company successfully secured the award of a Petroleum Agreement over PEL 87 (Block 2713) in the Orange Basin, south of Pancontinental's PEL 37 licence. The joint venture consists of local partners NAMCOR and Custos Investments (Pty) Ltd holding 25% and Pancontinental a strategic, majority and operated 75% interest.

The new area is in a region where high capacity oil prospects have previously been identified. Initial exploration studies by Pancontinental have been encouraging with a number of leads mapped that have the potential for very large volumes.

As competition for acreage is heating up again in Namibia, Pancontinental is pleased to have secured such a large interest in a very promising block.

USA California – Dempsey Gas Project

Location:	Sacramento Gas Basin		
Project Size:	18 square kilometres		
JV Partners:	Sacgasco Limited (Operator)	(ASX:SGC)	50%
	Pancontinental Oil & Gas NL	(ASX:PCL)	10%
	Empyrean Energy PLC	(AIM:EME)	30%
	Xstate Resources Limited	(ASX:XST)	10%

Dempsey 1-15 was drilled during the previous quarter and flow tested this quarter. Testing was carried out within two high pressure intervals in the lower part of the well bore that both successfully flowed clean, dry gas. Additional gas zones shallower in the well remain to be tested.

The joint venture is considering the best options to improve production from the tested sands, which may include fracture stimulation operations. Currently the well is connected into a nearby pipeline and is producing at approximately 140 MCFD.

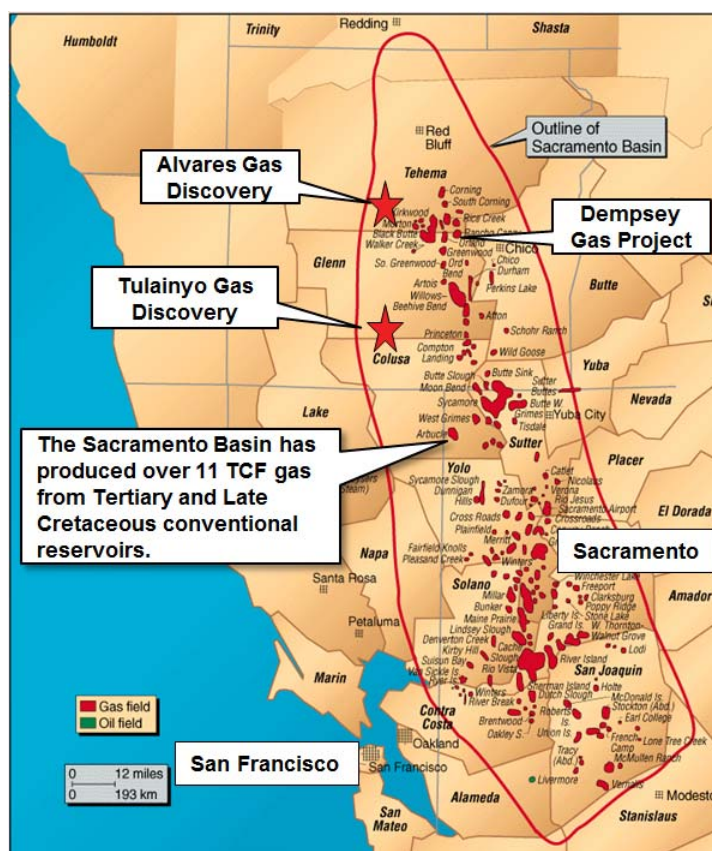


Dempsey 1-15 Gas Flare

USA California – Tulainyo Gas Discovery

Location:	Sacramento Gas Basin		*PCL earning 33.33%.
Project Size:	152 square kilometres		**Raven Energy Limited earning 60% through investment in PCL subsidiary.
JV Partners:	CRPC (Operator)	(NYSE)	41.67%
	Pancontinental Oil & Gas NL	** (ASX:PCL)	33.33%*
	Cirque Resources LP	(Private)	25.00%

The second well in Pancontinental’s 2017 drilling programme, Tulainyo 2-7, commenced and was completed during the quarter. The well reached a planned total depth of 5,700 feet (1,737m) with the key target zones protected behind casing for future flow testing. This was a significant mechanical achievement. Past drilling attempts, mostly attempted decades ago, were not able to evaluate this large structure adequately due to mechanical difficulties associated with an over-pressured geological setting.



California Project Map showing Dempsey, Tulainyo & Alvares

Progress has been made evaluating the well, in particular the wireline logs. As more information has become available, Pancontinental has grown more confident that the entire section of interest is gas saturated and there are sandstone reservoirs of sufficient quality to support commercial scale flows of natural gas. The intended testing programme, which is expected to commence within February will assess these theories and may find Tulainyo 2-7 to be the play opening well the joint ventures believes it to be.

Pancontinental was mostly funded for the drilling of Tulainyo 2-7 by investment partner Raven Energy Limited (formerly Magnum Gas and Power Limited) who in return for funding the drilling will earn a 60% interest in the Pancontinental 40%- owned and managed subsidiary which holds the Tulainyo Gas Discovery Project.

Western Australia – Perth Basin Walyering

Location:	Perth Basin		
Project Size:	120 square kilometres		
JV Partners:	UIL Energy Ltd (Operator)	(ASX:UIL)	30.00%
	Pancontinental Oil & Gas NL	(ASX:PCL)	70.00%*

*earning

Permitting activity for the farmin 3D seismic survey is continuing.

Recent corporate and drilling activity has drawn attention to the commercial potential of the Perth Basin and Pancontinental has commissioned an independent review of the recoverable gas resource in the Walyering Field.

Annual General Meeting & Annual Report

The Company held its Annual General Meeting of shareholders in November 2017. All directors were in attendance including CEO John Begg who participated via live video link from California where his attendance was required for the drilling of the Tulainyo 2-7 well. All resolutions put to the meeting were passed on a poll.

Pancontinental's Annual Report was released during the quarter and can be found on the Company's website at:

<http://pancon.com.au/wp-content/uploads/2018/01/2017-Annual-Report.pdf>

Conferences & Roadshow

During the quarter, CEO and Executive Director John Begg along with fellow Director Barry Rushworth attended Africa Oil Week in South Africa. Africa Oil Week is Africa's premier international oil and gas event dedicated to the upstream industry.

The Company was also represented at 121 Oil and Gas Investment Conference in London where oil and gas company representatives meet with leading energy funds and oil and gas financiers.

A roadshow was conducted in London by John Begg and Hartleys representative John Featherby to update investors on Pancontinental's planned activities going forward.

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
Namibia	PEL 37	20.00%	0.00%	20.00%
USA California	Dempsey	10.00%	0.00%	10.00%
USA California	Tulainyo	*13.33%	0.00%	*13.33%
USA California	Alvares	*15.00%	0.00%	15.00%
Kenya	L6 offshore	40.00%	0.00%	40.00%
Kenya	L6 onshore	16.00%	0.00%	16.00%
Australia	Walyering	*70.00%	0.00%	*70.00%

*earning

Pancontinental Interests

Location	About	PCL Interest	Others
Namibia Offshore	Petroleum Exploration Licence 37 Large Underexplored Oil Potential	Free Carried 20%	35% Tullow [Operator]
California Onshore	Sacramento Gas Basin - 11 Tcf Discovered Gas and follow up exploration	4 farmin projects PCL earning 10% to 15%	Operators include CRC (California's largest)
Perth Basin Offshore	Walyering Gas Field Discovered Gas	PCL right to earn 70% and become Operator	
Kenya On/Offshore	Block L6 Proven Oil and Gas Systems	16% & 40%	FAR Limited [Operator]



Pancontinental Drill Program High Impact Resource Exposure

Pancontinental has the potential to discover and prove up significant oil and gas resources in the projects where it is drilling.

Region	Project	Type	Net PCL Prospective Resource	Method of Estimation
California	Dempsey	Gas field appraisal & exploration	77 Bcf ¹	Deterministic (Best Estimate)
California	Tulainyo	Gas discovery appraisal	233 Bcf ²	Probabalistic (P50)
Namibia ³ PEL 37	Albatross	Oil exploration	65 MMbbl	Deterministic (Best Estimate) A/A
	Seagull & Gannet Sth	A/A	63 MMbbl	A/A
	Seagull & Gannet Nth	A/A	19 MMbbl	A/A
	Cormorant	A/A	23 MMbbl	A/A

NOTES to the TABLE

- 1- Assumes 10% earned interest and unrisks resources *as published in press release of 5 July 2017.*
- 2- Assumes net beneficial position at completion of farmin earning wells and unrisks resources *per press release 23 June 2017.*
- 3- Assumes 30% interest and unrisks resources *per press release 28 September 2015.*

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 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.

DISCLAIMERS & NOTES

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 with regard to Namibian operations are prepared as of 28 September 2015. The estimates for California date from 23 June 2017. 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 for the Namibian project using deterministic methods and for California using probabilistic methods. Unless otherwise stated the estimates provided in this report are Best Estimates. The estimates are unrisks 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 Pancontinental's percentage entitlement under Joint Venture contracts and adjusted for applicable royalties.

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 compiled by Mr John Begg the Chief Executive Officer and Executive Director of Pancontinental Oil & Gas NL. Mr Begg has more than 30 years' experience in practising petroleum geology and exploration management.

Mr Begg 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 programme 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.

www.pancon.com.au

Head Office – Level 1, 10 Ord Street, West Perth, Western Australia 6005

Postal Address - PO Box 1154, West Perth, Western Australia 6872

Telephone +61 8 6363 7090

Facsimile +61 8 6363 7099

ACN 003 029 543