

Half Year Report and Accounts
July 2017 to December 2017



PANCONTINENTAL



ABN 95 003 029 543

Directors

Henry David Kennedy
John Douglas Begg
Ernest Anthony Myers
Roy Barry Rushworth
Marie Michele Malaxos

Non-Executive Chairman
Executive Director & Chief Executive Officer
Non-Executive Director
Non-Executive Director
Non-Executive Director

Company Secretary

Vesna Petrovic

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Auditors

Rothsay Chartered Accountants

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Internet Address & Contact

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info@pancon.com.au

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 2017 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.

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Licence Location	Licence Reference	PCL Interest
Namibia	PEL 37	20.00%
Namibia	PEL 87	75.00%
USA California	Dempsey	10.00%
USA California	Tulainyo	*13.33%
USA California	Alvares	*15.00%
Kenya	L6 offshore	40.00%
Kenya	L6 onshore	16.00%
Australia	Walpyring	*70.00%

*earning



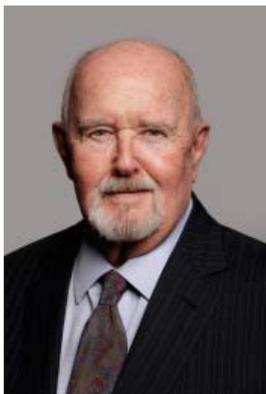


The Directors present their report on the consolidated entity consisting of Pancontinental Oil & Gas NL ("Pancontinental" or the "Company") and the entities it controlled at the end of or during the half year ended 31 December 2017.

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



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

Mr Kennedy is a Geologist with a long history in Australian and New Zealand oil and gas companies. During his time as a technical director he was instrumental in the formation and development of a number of successful listed companies. These companies were involved in numerous discoveries in Western Australia and New Zealand. At Pancontinental, Mr Kennedy has used his wide knowledge base to assist with the strategic direction of the company. Mr Kennedy has been a director of Pancontinental since August 1999.

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.



John Douglas Begg BSc (Geology) (Chief Executive Officer and Executive Director)

Mr Begg is an expert upstream oil and gas project generator and deal closer. Experienced in equity capital raisings, mergers and acquisitions, and negotiations with industry joint ventures, regulators and governments. An industry-leading geoscientist who has lived and worked with consistently high business impact in Australia, Developing South East Asian countries, the UK, Middle East and the USA. Mr Begg has been instrumental in the discovery and development of commercial oil and gas fields on three continents so far.

Mr Begg joined the Board as Executive Director and Chief Executive Officer in July 2017.



Ernest Anthony Myers CPA (Non-Executive Director)

Mr Myers, an Accountant by profession, has held senior management and executive roles within a number of ASX listed companies. During his career he has been instrumental in the capital raisings and financial management of these companies. He has played a key role in managing the Group's African portfolio. Mr Myers joined Pancontinental in March 2004 and has served in a number of executive and non-executive roles.

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



Roy Barry Rushworth, BSc (Non-Executive Director)

Mr Rushworth is a Geologist who brings extensive experience in petroleum exploration to the Company. Commencing with positions in exploration operations, his career then extended to the role of Chief Geologist and Exploration Manager for an Australian listed company. A number of oil and gas discoveries were made by the company during that time. More recently, Mr Rushworth has been responsible for identifying, negotiating and acquiring international new venture opportunities in Malta, Kenya, Morocco and Namibia. In addition, he has a track record of working closely with international government bodies and attracting blue chip joint venture partners to Pancontinental's projects.

Mr Rushworth has been a director of Pancontinental since August 2005.



Marie Michele Malaxos BE, Dip Bus, GAICD (Non-Executive Director)

Mrs Malaxos has been a professional executive in the resources sector for over 25 years, with involvement in all aspects of the development and operation of oil and gas fields including commercial and budget control, technical management and approval, stakeholder liaison, environmental management, health and safety management and assessment of assets for sale and purchase.

In July 2017, Mrs Malaxos was appointed to the Board of Pancontinental Oil & Gas NL as a Non-Executive Director.

FORMER DIRECTOR

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

Mr Leach was a Director of Pancontinental since February 2016, having held both the positions of Independent Non-Executive Director and more recently Independent Non-Executive Chairman. On 10 July 2017, after shareholder approval of the Bombora Natural Energy Pty Ltd acquisition Mr Leach stepped down from the Board.

COMPANY SECRETARY & DIRECTOR (alt)



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.

Roles in accounting and finance of numerous publicly listed entities, particularly those involved in Africa have provided Mrs Petrovic a base from which to contribute to the accounting and governance functions at Pancontinental.

Mrs Petrovic was appointed Company Secretary in April 2010 and alternate for Mr Kennedy in July 2017.



REVIEW AND RESULTS OF OPERATIONS

The review of the consolidated entity's operations during the half year ended 31 December 2017 is as follows:

Financial

	\$
Revenue	20,247
Expenses	(2,717,371)
Operating Profit /(Loss)	(2,697,124)
Income Tax	-
Operating Profit /(Loss) for the half year	(2,697,124)

Review of Operations

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%

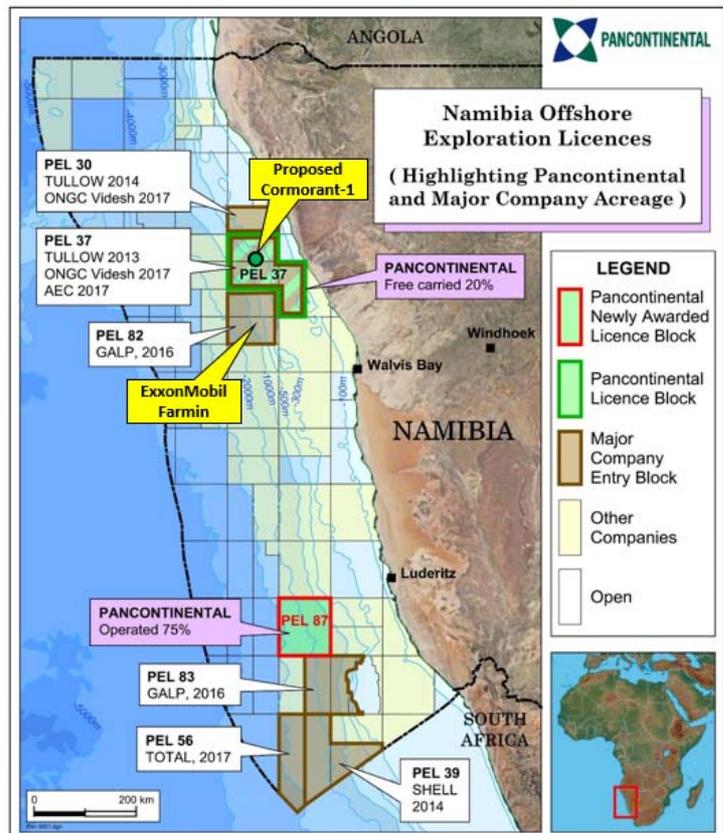
* Ownership of Pancontinental Namibia Pty Ltd:
 Pancontinental Oil & Gas NL 66.67%
 Africa Energy Corp. 33.33%

Pancontinental holds a 20% interest in the PEL 37 project through an interest (66.67%) in subsidiary Pancontinental Namibia Pty Ltd. During the half year, Africa Energy Corp. committed to an investment of US \$7.7 million in Pancontinental Namibia Pty Ltd for a 33.33% shareholding, equating to 10% of PEL 37. US \$2.2 million was received at the close of the transaction with the balance due at the commencement of drilling in PEL 37.

The PEL 37 joint venture has confirmed that drilling of the Cormorant Prospect is scheduled to commence in September 2018. As negotiated in 2013, Pancontinental will be free carried through the drilling of the well.

Also during the half year, giant Indian corporation ONGC Videsh Limited farmed into the PEL 37 joint venture for a 30% non-operated interest.

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





Namibia Offshore PEL 87

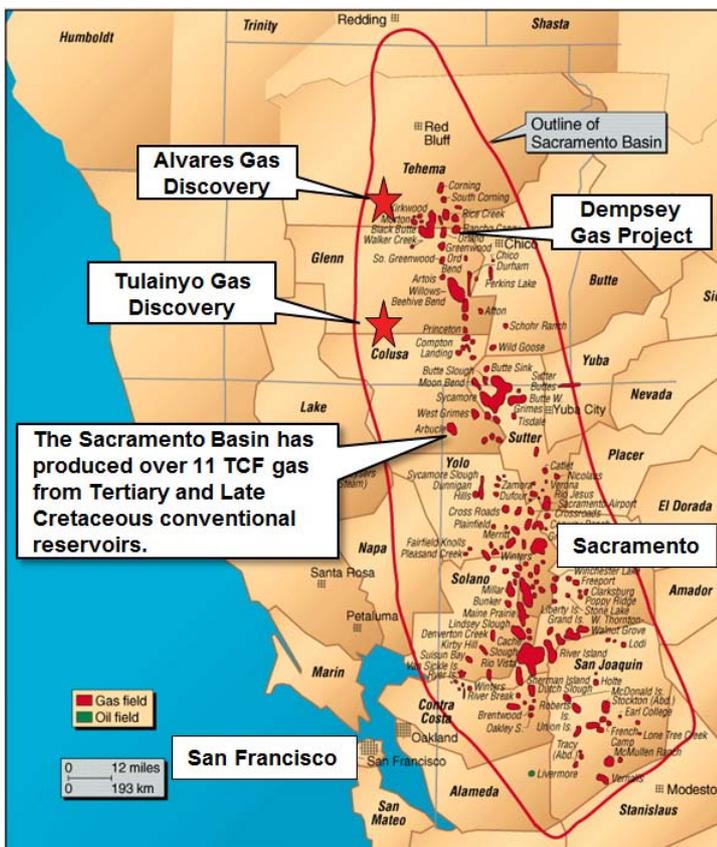
Location:	Orange Basin		
Project Size:	10,947 square kilometres		
JV Partners:	Pancontinental (Operator)	75.00%	
	Custos Investments (Pty) Ltd	15.00%	
	NAMCOR*	10.00%	
	*National Petroleum Corporation of Namibia		

Also in Namibia, Pancontinental signed a Petroleum Agreement over a large, offshore exploration area in the Orange Basin. A new Petroleum Exploration Licence (PEL 87) was issued for this area. Pancontinental is the project Operator, with a 75% interest. PEL 87 covers 10,947 km² in an area that is on trend to where industry giants Shell, GALP (Portugal) and Total (in 2017) have acquired interests.

The new Pancontinental project area is in a region where high-capacity oil prospects, such as large turbidites sand bodies, have been identified. Initial exploration studies by Pancontinental have been encouraging with a number of leads mapped that have the potential for very large volumes of oil.

USA California – Dempsey Gas Project

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



California Project Map

Pancontinental has earned a 10% interest in the Dempsey Gas Project located in the northern part of the Sacramento Gas Basin by part funding the drilling of Dempsey 1-15.

Dempsey 1-15 was drilled and natural flow testing commenced during the half year. The well reached the planned total depth of 2,970m or 9,750 feet, encountering gas in all targeted intervals.

Testing has so far been carried out within two high pressure intervals in the lower part of the well bore. These both successfully flowed clean, dry gas of pipeline quality naturally to surface at moderate rates. Additional testing of these zones



Dempsey 1-15 Gas Flare



is under consideration compared with the decision to move up hole to test additional gas zones. The Company hopes to prove that the Dempsey gas discovery contains conventional sandstone gas reservoirs capable of flowing at commercial rates without stimulation.

USA California – Tulainyo Gas Discovery

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

Pancontinental participated in the drilling of the Tulainyo 2-7 appraisal well on the untested Tulainyo gas discovery during the half year. Most of the funding for the well was provided by investment partner Raven Energy Limited. The well, which was the second in Pancontinental's 2017 drilling programme, reached a planned total depth of 1,737m or 5,700 feet encountering gas at all predicted levels. Tulainyo is a large, anticline with expensive surface expression located in the frontal folds of the Coastal ranges of California on the west side of the Sacramento Gas Basin. As such, geological and drilling conditions are challenging and the Tulainyo 2-7 has firstly been a mechanical success not matched by historic drilling attempts in the area.

Testing of the well will be progressed in at least two stages commencing with a selection of sandstone reservoirs with conventional gas production potential lower in the well. Once sufficient data has been captured from the first test, a removable bridge plug will be set to isolate the lower test zone and a second test will be conducted over a shallower, thicker package of sands. Overall the flow testing program is expected to take approximately two months to complete.

Funding of the well and associated testing will now provide Pancontinental's partly owned subsidiary with a 10% interest in the southern half of a very large lease position covering the extent of the anticline structure. The staged funding and drilling of a second and third well in the programme can increase the earned interest to 33.33% across the entire project.



Drilling the Tulainyo 2-7 gas appraisal well in California



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

Under a farmin with UIL Energy Ltd, Pancontinental can earn a 70% operated interest in the southern part of onshore exploration licence EP 447, covering the 1971-discovered Walyering Gas Field, by acquiring a 3D seismic survey. The Walyering Gas Field is characterised by conventional gas reservoirs that are capable of flowing naturally at high rates. The discovery well Walyering-1 flowed at rates up to 13.5 MMcfd. The Company is currently processing an application to conduct an approximately 90km² 3D seismic survey. This is a challenging process requiring environmental, heritage and land holder approvals before the regulatory authority can issue a permit.

Acquisition of Bombora Natural Energy Pty Ltd

Pancontinental shareholders approved the acquisition of subsidiary Bombora Natural Energy Pty Ltd in July 2017. With the acquisition, the Company obtained rights to interests in gas projects located in the Sacramento Basin, California, USA and the Perth Basin, Western Australia.

The Company held a General Meeting of shareholders in July 2017 to approve the Bombora transaction and related resolutions. All resolutions put to the meeting were passed on a poll.

Fundraising

In addition to the funds received from the divestment of a 33.33% interest in Pancontinental Namibia Pty Ltd of US \$2.2 million, the Company raised AU \$2.0 million via placement to sophisticated and professional investors.

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 half year 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 half year, the Company was represented at the following events:

- RIU Good Oil Conference in Perth. The Conference is an opportunity to connect with professionals from the Australian Oil and Gas sector to discuss potential projects and investment opportunities.
- Africa Oil Week in South Africa. Africa Oil Week is Africa's premier international oil and gas event dedicated to the upstream industry.
- 121 Oil and Gas Investment Conference in London. This is where oil and gas company representatives meet with leading energy funds and oil and gas financiers.

In addition a roadshow was conducted in London to update investors on Pancontinental's planned activities going forward.



CEO John Begg presenting at the 2017 RIU Good Oil Conference in Perth.

CHANGES IN STATE OF AFFAIRS

During the half year ended 31 December 2017, 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
Director
PERTH, 15 March 2018

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 2017 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 2018



DIRECTORS' DECLARATION FOR THE HALF YEAR ENDED 31 DECEMBER 2017

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 2018



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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 2017.

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 2017 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 2017 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 Auditing

Dated 15th March 2018

Graham Swan FCA
Partner



Chartered Accountants

Statement of Comprehensive Income



HALF YEAR ENDED 31 DECEMBER 2017

Notes **CONSOLIDATED**
Half Year to Half Year to
Dec 2017 Dec 2016

		\$	\$
OPERATING ACTIVITIES			
Gas sales		2,319	-
Depreciation		(12,728)	(9,369)
Salaries, fees & benefits (inc leave accruals & recoveries)		(544,671)	(661,413)
Options		(892,324)	-
Audit fees		(11,477)	(7,000)
Exploration – generative & write offs	7	(590,369)	(2,318,316)
Annual report costs		(8,836)	(8,531)
ASX fees		(12,940)	(12,759)
Filing fees		(2,298)	(1,975)
Insurance		(26,256)	(20,329)
Legal fees		(105,146)	(49,322)
Share registry costs		(15,736)	(11,076)
Rent, outgoings and office		(113,879)	(81,632)
Travel		(101,504)	(29,002)
Merger costs		(100,000)	-
Other revenues and expenses		(179,207)	(98,125)
TOTAL OPERATING ACTIVITIES		(2,715,052)	(3,308,849)
FINANCING ACTIVITIES			
Financing income		17,928	5,661
Financing expense		-	-
TOTAL FINANCING ACTIVITIES		17,928	5,661
PROFIT/(LOSS) BEFORE INCOME TAX		(2,697,124)	(3,303,188)
Income tax expense		-	-
PROFIT/(LOSS) FOR THE PERIOD		(2,697,124)	(3,303,188)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income		-	-
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(2,697,124)	(3,303,188)
Comprehensive income / (loss) attributable to:			
Owners of the Company		(2,682,140)	(3,303,188)
Non-controlling interest		(14,984)	-
		(2,697,124)	(3,303,188)
Basic earnings per share (cents per share)	5	(0.07)	(0.20)
Diluted earnings per share (cents per share)		(0.07)	(0.20)

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

Statement of Financial Position



AT 31 DECEMBER 2017	Notes	CONSOLIDATED	
		Dec 2017	Jun 2017
		\$	\$
CURRENT ASSETS			
Cash assets	3	1,728,715	740,160
Trade and other receivables		501,768	77,571
TOTAL CURRENT ASSETS		2,230,483	817,731
NON-CURRENT ASSETS			
Property, plant and equipment		81,696	45,423
Deferred exploration, evaluation and development costs	7	9,854,565	6,874,976
TOTAL NON-CURRENT ASSETS		9,936,261	6,920,399
TOTAL ASSETS		12,166,744	7,738,130
CURRENT LIABILITIES			
Trade and other payables		484,751	499,946
TOTAL CURRENT LIABILITIES		484,751	499,946
NON-CURRENT LIABILITIES			
Provision for employee entitlements		42,722	10,871
Other payables		134,373	-
TOTAL NON-CURRENT LIABILITIES		177,095	10,871
TOTAL LIABILITIES		661,846	510,817
NET ASSETS		11,504,898	7,227,313
EQUITY			
Contributed equity	2	108,558,381	103,369,164
Reserves	2	2,517,939	100,000
Accumulated losses	2	(99,571,422)	(96,241,851)
Total Equity		11,504,898	7,227,313
TOTAL EQUITY		11,504,898	7,227,313
Capital and reserves attributable to owners of PCL		10,614,480	7,227,313
Non-controlling interest		890,418	-
		11,504,898	7,227,313

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

Statement of Changes in Equity



AT 31 DECEMBER 2017

Consolidated	Share Capital	Retained Earnings	Reserves	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2017	103,369,164	(96,241,851)	100,000	7,227,313
Profit or loss	-	(2,697,124)	-	(2,697,124)
Acquisition of subsidiary	-	(632,447)	-	(632,447)
Non-controlling interest	-	-	-	10
Shares issued (net of costs) *	5,189,207	-	-	5,189,207
Share option & reserve movements	-	-	2,417,939	2,417,939
Balance at 31 December 2017	108,558,371	(99,571,422)	2,517,939	11,504,898
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

* Includes shares issued for the acquisition of subsidiary Bombora Natural Energy Pty Ltd.

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

Statement of Cashflows



HALF YEAR ENDED 31 DECEMBER 2017

CONSOLIDATED
 Half Year to Half Year to
 Dec 2017 Dec 2016
 \$ \$

CASH FLOWS FROM OPERATING ACTIVITIES

Payments to suppliers and employees	(1,718,540)	(728,000)
Expenditure on exploration interests	(1,791,111)	(253,438)

NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES

	(3,509,651)	(981,438)
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CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment	-	-
Sale of 33.33% interest in subsidiary	2,739,240	-

NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES

	2,739,240	-
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CASH FLOWS FROM FINANCING ACTIVITIES

Interest received	1,885	1,233
Proceeds from issues of ordinary shares	2,000,000	-
Share issue costs	(354,620)	-

NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES

	1,647,265	1,233
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NET INCREASE/(DECREASE) IN CASH HELD

Add opening cash brought forward	760,160	1,157,927
Effects of exchange rate changes	91,701	11,248

CLOSING CASH CARRIED FORWARD

	1,728,715	188,970
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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 2017

1. Basis of Preparation of Half Year Financial Statements

This general purpose financial report for the Half Year ended 31 December 2017 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 2017 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 2017.



Notes to the Financial Statements

For the Half Year ended 31 December 2017

1. Basis of Preparation of Half Year Financial Statements Continued

In the half year ended 31 December 2017, 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 2017.

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 2017. 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.

2. Equity

Contributed Equity

	\$
Balance as at 30 June	103,369,164
Acquisition of subsidiary	3,298,422
NCI issued capital	10
Placement	2,000,000
Issue of shares to Directors	175,000
Share issue costs	(284,215)
Balance as at 31 December	<u><u>108,558,381</u></u>

Reserves

	\$
Balance as at 30 June	100,000
Option Reserve	892,324
Acquisition of subsidiary	(1,284,081)
NCI Reserve	1,919,278
NCI	890,418
Balance as at 31 December	<u><u>2,517,939</u></u>

Accumulated Losses

	\$
Loss from ordinary activities after related income tax expense	(2,697,124)
Accumulated profits (losses) brought forward	(96,241,851)
Acquisition of subsidiary	(632,447)
Adjustment from options (options vesting and expiring)	-
Accumulated profits (losses) at end of Half Year	<u><u>(99,571,422)</u></u>



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-17	30-Jun-17
	\$	\$
Deposits – at call	20,000	555,041
Cash on hand and at bank	1,708,715	185,119
Cash and Equivalents at 31 December	<u>1,728,715</u>	<u>740,160</u>

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

Category of Securities	Number Issued	Number Quoted		
Ordinary Shares at 30 June 2017	2,450,077,442	2,450,077,442		
Issued during Half Year ended 31 December 2017	2,811,711,226	2,811,711,226		
Balance at 31 December 2017	<u>5,261,788,668</u>	<u>5,261,788,668</u>		
			Exercise	Expiry
Options at beginning of the Half Year	100,000,000	-	\$0.005	21 Apr 20
	<u>100,000,000</u>	<u>-</u>		
Issued during the Half Year	197,317,074	-	\$0.005	24 Jul 20
	197,317,075	-	\$0.004	24 Jul 22
	72,500,000	-	\$0.006	11 Dec 21
	<u>467,134,149</u>	<u>-</u>		
Expired during the Half Year	-	-		
	<u>-</u>	<u>-</u>		
Options at end of the Half Year	<u>567,134,149</u>	<u>-</u>		

5. Earnings per Share

	Half Year Ended 31-Dec-17	Half Year Ended 31-Dec-16
Basic earnings per share - cents	(0.07)	(0.20)
Diluted earnings per share is not materially different from Basic earnings per share	(0.07)	(0.20)
The weighted average number of ordinary shares outstanding during the Half Year used in the calculation of basic earnings per share	3,869,802,453	1,717,494,096

6. Segmental Information

The Company operates in Australia, America and Africa, however internal reporting is conducted on an entity wide basis.



7. Exploration

	\$
Opening Balance 30 June	6,874,976
Additions	3,569,958
Exploration write offs	(561,187)
Generative exploration expenditure	(29,182)
Closing Balance 31 December	<u>9,854,565</u>

8. Subsidiaries

Acquisition of Subsidiary

In July 2017, the Group acquired a 100% interest in Bombora Natural Energy Pty Ltd and its US subsidiaries Gas Fields LLC and Bombora Natural Gas, LLC. The Bombora group was acquired by the issue of 1,649,211,226 Pancontinental Oil & Gas NL shares valued at \$3,298,422.

Part Disposal of Subsidiary

In September 2017, the Group disposed of 33.33% of the ownership interest in Pancontinental Namibia Pty Ltd to Africa Energy Corp. Following the disposal, the Group still controls the subsidiary and retains 66.67% of the ownership interest. The transaction has been accounted for as an equity transaction with a non-controlling interest ("NCI") resulting in the following:

	\$
Proceeds from the sale of a 33.33% interest	2,809,696
Net assets attributable to NCI	(890,418)
Increase in Equity attributable to parent	1,919,278
Represented by increase in NCI reserve	1,919,278

Pancontinental Namibia Pty Ltd

Non-controlling interest percentage	<u>33.33%</u>
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Summarised Statement of Financial Position

Current assets	116,909
Non-current assets	5,824,584
Current liabilities	(113,489)
Non-current liabilities	(3,156,482)
Net assets	2,671,522
Net assets attributable to NCI	890,418

Summarised Statement of Comprehensive Income

Loss for the period	(44,958)
Loss attributable to NCI	(14,984)

9. 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 2017.

10. 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 \$513,000 (AU \$657,692) expenditure in the next year with respect to permit lease rentals and exploration expenditures to meet these minimum expenditure requirements.