

# **Pancontinental Oil & Gas NL**

ACN 003 029 543

## **Financial Report**

**for the**

**Half-Year ended 31 December 2014**

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 2014 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.

# PANCONTINENTAL OIL & GAS NL

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## Directors' Report 31 December 2014

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 2014.

The names and particulars of Directors and Officers of the Company during the whole of the Half-Year and up to the date of this Report are:

Name	Particulars
<b>Henry David Kennedy</b>	Chairman
Geologist and Company Director with extensive commercial and technical experience in resource companies.	
Appointed 31 August 1999	
<b>Roy Barry Rushworth</b>	Chief Executive Officer & Executive Director
Petroleum Geologist with extensive experience and involvement in the oil and gas exploration industry.	
Appointed 10 August 2005 (as Director)	
<b>Ernest Anthony Myers</b>	Finance Director
Certified Practising Accountant with over 30 years management, financial and administration experience in the resources industry.	
Appointed 5 January 2009	
<b>Anthony Robert Frederick Maslin</b>	Non-Executive Director
Stockbroker with corporate experience in both management and promotion, along with an extensive understanding of financial markets.	
Appointed 17 December 2010	
<b>Vesna Petrovic</b>	Company Secretary
Certified Practising Accountant with experience in the resources sector, particularly with companies involved in Africa.	
Appointed 16 April 2010	

# PANCONTINENTAL OIL & GAS NL

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## Directors' Report 31 December 2014

### Review and Results of Operations

The review of the Consolidated Entity's operations during the Half-Year ended 31 December 2014 is as follows.

#### *Financial*

Revenue	\$ 193,480
Expenses	(351,673)
Operating profit/(loss)	<u>(158,193)</u>
Income Tax	-
Operating profit/(loss) for Half-Year	<u><u>(158,193)</u></u>

### Review of Operations

During the Half-Year Pancontinental maintained its focus on oil and gas exploration in Kenya and Namibia.

The activities undertaken during the period are detailed as follows:

#### **KENYA**

##### **Kenya Offshore Block L10A**

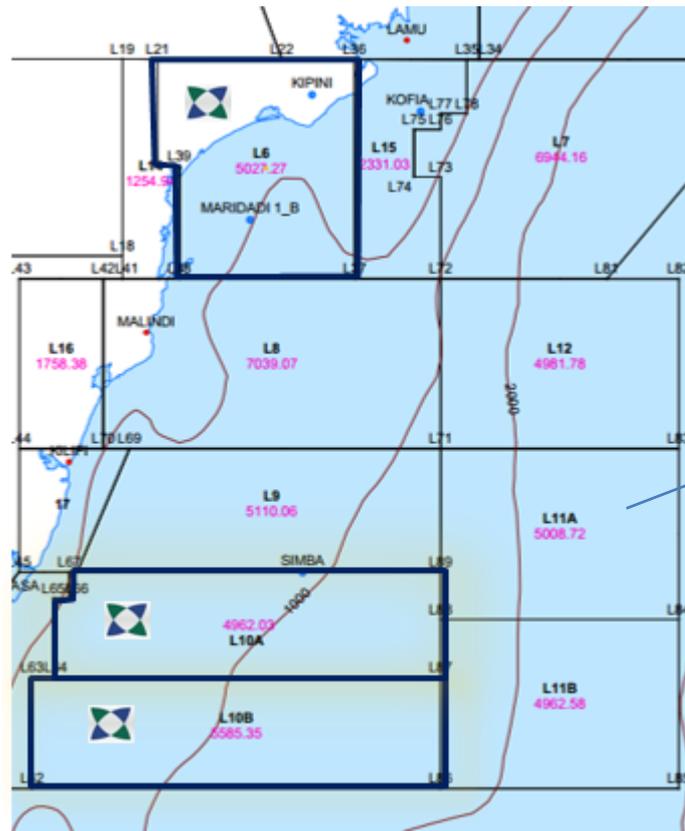
Location:	Lamu Basin	
Project Size:	4,962 square kilometres	
JV Partners:	BG Group (Operator)	50.00%
	Pancontinental	18.75%
	PTTEP	31.25%

### Exploration Activity

During 2014, Pancontinental and its joint venture partners drilled the Sunbird-1 well in permit L10A. The well was a successful discovery, the first for Kenya and in fact the first for the entire East African coast. Pancontinental's long held theories were validated by the discovery and data acquired has enabled a deeper understanding of the geology in the area.

Analysis of the newly proven oil system has been ongoing and due to the large amount of data extracted this analysis will continue until a detailed review is finalised and interpreted. In addition to the permit's own exploration findings via seismic and drilling, the joint venture is eagerly awaiting the drilling of Anadarko's Mlima well in the adjacent permit L11B.

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Anadarko's planned Mlima well will be drilled in this permit



Figure 1 - Pancontinental's Kenyan Permits  
[Source: National Oil Corporation of Kenya]

**Kenya Offshore Block L10B**

Location:	Lamu Basin	
Project Size:	5,585 square kilometres	
JV Partners:	BG Group (Operator)	75.00%
	Pancontinental	25.00%

The L10A and L10B permits are both located in the Lamu Basin, adjacent to each other. The geology of the two permits is believed to be similar due to sediments and nutrients from the Tana River depositing in two troughs which run through both the L10A and L10B permits.

The L10B joint venture recently secured a 12 month extension on the work commitment programme from the Kenyan Ministry of Energy and Petroleum. The extension will provide the joint venture with valuable time to assess the impact of the Sunbird well and regional exploration on the geological theories held for the area.

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## 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%

### **Onshore**

Dubai based Milio International farmed in to the onshore portion of permit L6 and preparations for a seismic survey are underway with a well expected thereafter. Both the seismic and the exploration well will be at no cost to Pancontinental even in the case of unexpected cost overruns.

Milio sought additional acreage to their existing Kenyan permit L20 which is located adjacent to permit L6. With its investment in Kenya and planned forward exploration activities, Pancontinental looks forward to the results that Milio will produce in its quest for exploration success.

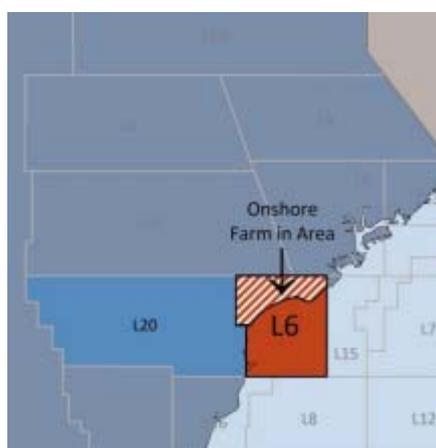


Figure 2 – Milio farmin area  
[Source: Operator FAR Limited]

### **Offshore**

Pancontinental holds a strong interest in the offshore portion of permit L6 alongside joint venture partner FAR Limited. The offshore area of the permit has been worked up and there are a number of prospects and leads which are considered drill ready.

Milio's onshore exploration programme may provide results which will assist with the analysis of the clastics (sandstone) in the area while the recently drilled Sunbird-1 well will also assist with uncovering unknown elements of the reef (carbonate) environments present.

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**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 licence EL 0037 was granted over three permits in the Walvis Basin.

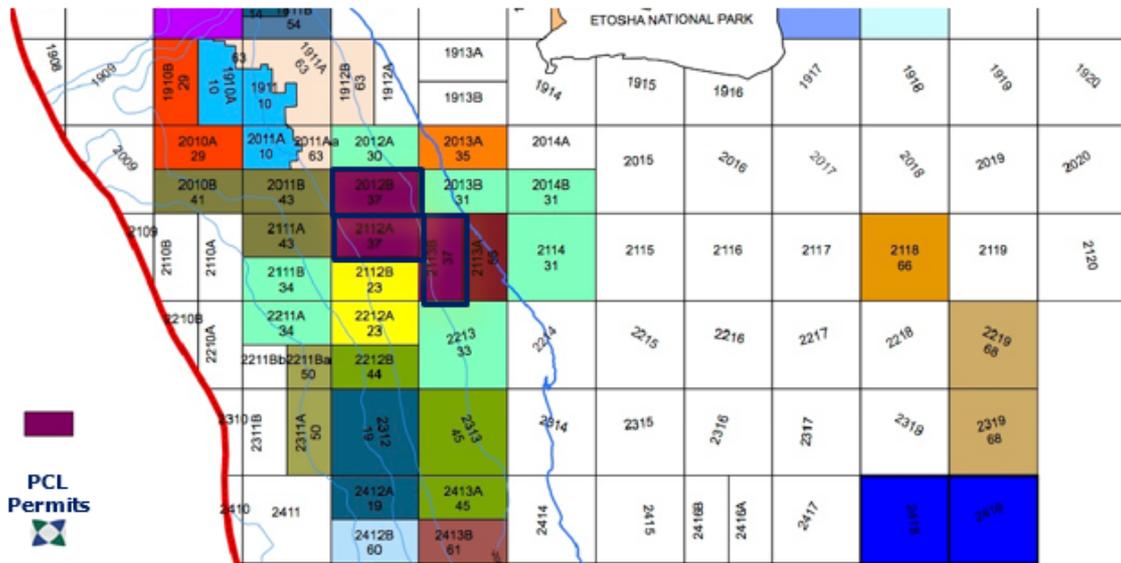


Figure 3 - Pancontinental's Namibian Permits

Highly respected Tullow Oil has commenced the agreed farm in exploration programme by completing extensive 3D and 2D seismic as well as initial interpretation. This programme has been fully funded by Tullow with no costs reverting back to Pancontinental.

With ongoing interpretation and mapping, should the joint venture agree on a site and date for drilling, this phase of the exploration programme will also be fully funded by Tullow with no expenditure “caps”.

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### CORPORATE

Due to the current state of the market, Pancontinental has undergone both a technical and financial assessment of the Company with the following matters addressed in a bid to keep non-essential costs down and provide continuing capital to the Company's core assets:

- Pancontinental has made arrangements for the relinquishment of all of its Western Australian permits due to the lower reward profile of the projects;
- Cost-effective accommodation was sourced for the Company and as such the head office relocated to West Perth where the rents are significantly less than the current rental paid; and
- Analysis of overheads in order to streamline processes and make effective use of in house expertise.

### Changes In State of Affairs

During the Half-Year ended 31 December 2014, there was no significant change in the entity's state of affairs other than that referred to in the Half-Year Financial Statements or Notes thereto.

This Report is made in accordance with a Resolution of the Directors.



E A Myers  
Director  
PERTH, 16th day of March 2015

# *R*OTHSAY

Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005  
P.O. Box 8716, Perth Business Centre WA 6849  
Phone (08) 9486 7094 [www.rothsayresources.com.au](http://www.rothsayresources.com.au)

The Directors  
Pancontinental Oil & Gas NL  
PO Box 8260  
Perth Business Centre  
Perth WA 6849

Dear Sirs

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 of the 31 December 2014 interim financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

  
Rolf Garda (Lead auditor)

Rothsay Chartered Accountants

Dated 16/3/15



Chartered Accountants



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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 2014.

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 2014 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 2014 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

Rolf Garda  
Partner

Dated 16/3/15



Chartered Accountants

**PANCONTINENTAL OIL & GAS NL**  
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**Directors' Declaration**  
**For The Half-Year Ended 31 December 2014**

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



E A Myers  
Director  
PERTH, 16<sup>th</sup> day of March 2015

**PANCONTINENTAL OIL & GAS NL**

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**Condensed Consolidated Statement of Comprehensive Income  
For the Half-Year Ended 31 December 2014**

Continuing Operations	Note	Half-Year Ended 31-Dec-14 \$	Half-Year Ended 31-Dec-13 \$
<b>Operating Activities</b>			
Depreciation		(631)	(744)
Director remuneration and benefits expense		(433,251)	(230,117)
Audit fees		(37,698)	(4,500)
Generative exploration & refund of joint venture cont		509,924	(8,855,174)
Annual report costs		(7,454)	(7,770)
ASX fees		(34,482)	(39,433)
Administration, accounting and secretarial fees		(2,082)	(159,685)
Insurance		(19,217)	(22,784)
Legal fees		(3,762)	(27,576)
Share registry costs		(20,083)	(13,584)
Rent and outgoings		(76,500)	(48,610)
Travel		(48,047)	(87,871)
Salaries		(85,738)	-
Other		(135,703)	(169,915)
<b>Total Operating Activities</b>		<b>(394,724)</b>	<b>(9,667,763)</b>
<b>Financing Activities</b>			
Financing income		193,480	907,704
Financing expenses		43,051	(6,621)
<b>Total Financing Activities</b>		<b>236,531</b>	<b>901,083</b>
<b>Profit/(Loss) before Income Tax Expense</b>		<b>(158,193)</b>	<b>(8,766,680)</b>
Income Tax Expense		-	-
<b>Profit/(Loss) for the Period</b>		<b>(158,193)</b>	<b>(8,766,680)</b>
<b>Other Comprehensive Income /(Loss)</b>			
Other comprehensive income		-	-
<b>Other Comprehensive Income/(Loss) for the Period, Net of Income Tax</b>		<b>-</b>	<b>-</b>
<b>Total Comprehensive Income/(Loss) for the Period</b>		<b>(158,193)</b>	<b>(8,766,680)</b>
Basic Loss per share (cents per share)	<b>5</b>	(0.01)	(0.76)
Diluted loss per share (cents per share)		(0.01)	(0.76)

The above Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying Notes.

**PANCONTINENTAL OIL & GAS NL**

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**Condensed Consolidated Statement of Financial Position  
As at 31 December 2014**

	Note	Half-Year Ended 31-Dec-14 \$	Annual Report 30-Jun-14 \$
<b>Current Assets</b>			
Cash and cash equivalents	3	8,778,964	9,665,484
Trade and other receivables		42,759	45,055
<b>Total Current Assets</b>		<b>8,821,723</b>	<b>9,710,539</b>
<b>Non-Current Assets</b>			
Plant and equipment		756	1,388
Deferred exploration and evaluation expenditure		52,056,160	45,950,928
<b>Total Non-Current Assets</b>		<b>52,056,916</b>	<b>45,952,316</b>
<b>Total Assets</b>		<b>60,878,639</b>	<b>55,662,855</b>
<b>Current Liabilities</b>			
Trade and other payables		5,534,191	160,215
<b>Total Current Liabilities</b>		<b>5,534,191</b>	<b>160,215</b>
<b>Total Liabilities</b>		<b>5,534,191</b>	<b>160,215</b>
<b>Net Assets</b>		<b>55,344,448</b>	<b>55,502,640</b>
<b>Equity</b>			
Contributed equity	4	99,411,998	99,411,998
Reserves		154,000	345,179
Accumulated losses	2	(44,221,550)	(44,254,537)
<b>Total Equity</b>		<b>55,344,448</b>	<b>55,502,640</b>

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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**Consolidated Statement of Changes in Equity  
For the Half-Year ended 31 December 2014**

<b>Consolidated</b>	<b>Share Capital \$</b>	<b>Retained Earnings \$</b>	<b>Option Reserve \$</b>	<b>Total Equity \$</b>
Balance at 1 July 2013	99,411,998	(25,185,540)	345,179	74,571,637
Profit or loss	-	(8,766,680)	-	(8,766,680)
Other comprehensive income/(loss)	-	-	-	-
Shares issued (net of costs)	-	-	-	-
Share options	-	-	-	-
<b>Balance at 31 December 2013</b>	<b>99,411,998</b>	<b>(33,952,220)</b>	<b>345,179</b>	<b>65,804,957</b>
Balance at 1 July 2014	99,411,998	(44,254,537)	345,179	55,502,640
Profit or loss	-	(158,193)	-	(158,193)
Other comprehensive income/(loss)	-	-	-	-
Shares issued (net of costs)	-	-	-	-
Share options	-	191,180	(191,179)	1
<b>Balance at 31 December 2014</b>	<b>99,411,998</b>	<b>(44,221,550)</b>	<b>154,000</b>	<b>55,344,448</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**PANCONTINENTAL OIL & GAS NL**

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**Consolidated Statement of Cash Flows  
For The Half-Year Ended 31 December 2014**

	<b>Half-Year Ended 31-Dec-14 \$</b>	<b>Half-Year Ended 31-Dec-13 \$</b>
<b>Cash Flows from Operating</b>		
Payments to suppliers and employees	(965,304)	(911,447)
Interest received	193,480	907,704
Other ( <i>Refund of Joint Venture Contributions</i> )	658,580	2,266,032
<b>Net Cash from Operating Activities</b>	<b>(113,244)</b>	<b>2,262,289</b>
<b>Cash Flows from Investing</b>		
Acquisition of plant & equipment	-	-
Exploration expenditure	(826,474)	(1,598,734)
<b>Net Cash from Investing Activities</b>	<b>(826,474)</b>	<b>(1,598,734)</b>
<b>Cash Flows from Financing</b>		
Issue of shares	-	-
<b>Net Cash from Financing Activities</b>	<b>-</b>	<b>-</b>
Net Increase (Decrease) In Cash and Cash Equivalents	(939,718)	663,555
Cash and Cash Equivalents at beginning of Half-Year 1 July	9,665,484	33,821,848
Exchange rate adjustments	53,198	(4,027)
<b>Cash and Cash Equivalents at end of Half-Year</b>	<b>8,778,964</b>	<b>34,481,376</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

# PANCONTINENTAL OIL & GAS NL

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## Notes to the Financial Statements For the Half-Year ended 31 December 2014

### 1. Basis of Preparation of Half-Year Financial Statements

This general purpose financial report for the Half-Year ended 31 December 2014 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 2014 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 cost method). 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.

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## Notes to the Financial Statements For the Half-Year ended 31 December 2014

### 1. Basis of Preparation of Half-Year Financial Statements Continued

#### *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 2014.

In the half-year ended 31 December 2014, 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 2014.

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 2014. 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. Accumulated Losses

	<b>Half-Year Ended 31-Dec-14 \$</b>	<b>Half-Year Ended 31-Dec-13 \$</b>
Loss from ordinary activities after related income tax expense	(158,193)	(8,766,680)
Accumulated profits (losses) brought forward	(44,254,537)	(25,185,540)
Adjustment from options (options vesting and expiring)	191,180	-
Accumulated profits (losses) at end of Half-Year	<b><u>(44,221,550)</u></b>	<b><u>(33,952,220)</u></b>

### 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:

	<b>31-Dec-14 \$</b>	<b>30-Jun -14 \$</b>
Deposits – at call	7,683,468	8,555,016
Deposits – security	882,200	882,200
Cash on hand and at bank	213,296	228,268
<b>Cash and Equivalents at 31 December</b>	<b><u>8,778,964</u></b>	<b><u>9,665,484</u></b>

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**Notes to the Financial Statements**  
**For the Half-Year ended 31 December 2014**

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

Category of Securities	Number Issued	Number Quoted		
Ordinary Shares at 30 June 2014:	1,150,994,096	1,150,994,096		
Issued during Half-Year ended 31 December 2014:	-	-		
	<b>1,150,994,096</b>	<b>1,150,994,096</b>		
			<b>Exercise</b>	<b>Expiry</b>
Options at beginning of the Half- Year				
	2,250,000	-	\$0.13	28 Nov 14
	2,750,000	-	\$0.12	29 Nov 16
	<b>5,000,000</b>	<b>-</b>		
Issued during the Half-Year	-	-		
	-	-		
Expired during the Half-Year	(2,250,000)		\$0.13	28 Nov 14
	-	-		
	-	-		
Options at end of the Half-Year	2,750,000	-	\$0.12	29 Nov 16
	<b>2,750,000</b>	<b>-</b>		

**5. Earnings per Share**

	<b>Half-Year Ended 31-Dec-14</b>	<b>Half-Year Ended 31-Dec-13</b>
Basic earnings per share - cents	(0.01)	(0.76)
Diluted earnings per share is not materially different from Basic earnings per share	(0.01)	(0.76)
The weighted average number of ordinary shares outstanding during the Half-Year used in the calculation of basic earnings per share	1,150,994,096	1,150,994,096

**6. Segmental Information**

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

## **PANCONTINENTAL OIL & GAS NL**

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### **Notes to the Financial Statements**

#### **For the Half-Year ended 31 December 2014**

##### **7. 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 2014.

##### **8. 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 may be required to outlay an amount of approximately \$250,000 in the next year with respect to permit lease rentals and exploration expenditures to meet these minimum expenditure requirements. The balance of these obligations will be fulfilled in the normal course of operations, which may include farmout, joint venture and direct exploration expenditure.