FULL YEAR STATUTORY ACCOUNTS 2017

PANCONTINENTAL

Corporate Information

ABN 95 003 029 543

Directors

Henry David Kennedy	Non-Executive Chairman
John Douglas Begg	Executive Director & Chief Executive Officer
Ernest Anthony Myers	Non-Executive Director
Roy Barry Rushworth	Non-Executive Director
Marie Michele Malaxos	Non-Executive Director

Company Secretary
Vesna Petrovic

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Share Registry
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Nedlands WA 6909
Telephone: +61 8 9389 8033

Auditors
Rothsay Chartered Accountants
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West Perth WA 6005

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ASX Code
PCL

Contents

Your Directors submit their report for the year ended 30 June 2017.

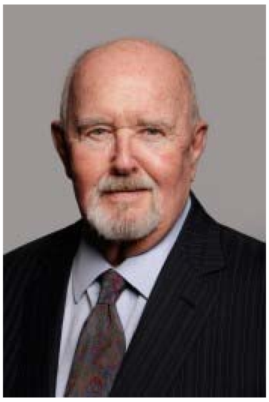
DIRECTORS

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

BOARD CHANGES THROUGHOUT THE FINANCIAL YEAR

Henry David Kennedy	**Non-Executive Chairman as at 29 September 2017**
1 July 2016	Mr Kennedy held the position of Non-Executive Chairman.
30 November 2016	Mr Kennedy retired as Non-Executive Chairman to become a Non-Executive Director.
10 July 2017	Post financial year end, but prior to the release of this report, Mr Kennedy was again appointed Non-Executive Chairman.
John Douglas Begg	**Chief Executive Officer and Executive Director as at 29 September 2017**
10 July 2017	Mr Begg joined the Board as Executive Director and Chief Executive Officer in July 2017. Mr Begg did not hold office at any time during the 2017 financial year.
Ernest Anthony Myers	**Non-Executive Director as at 29 September 2017**
1 July 2016	Mr Myers held the position of Executive Finance Director.
10 July 2017	Post financial year end, but prior to the release of this report, Mr Myers was appointed as a Non-Executive Director.
Roy Barry Rushworth	**Non-Executive Director as at 29 September 2017**
1 July 2016	Mr Rushworth held the positions of Chief Executive Officer and Executive Director.
10 July 2017	Post financial year end, but prior to the release of this report, Mr Rushworth was appointed as a Non-Executive Director.
Marie Michele Malaxos	**Non-Executive Director as at 29 September 2017**
10 July 2017	Mrs Malaxos joined the Board as Non-Executive Director in July 2017. Mrs Malaxos did not hold office at any time during the 2017 financial year.
Vesna Petrovic	**Company Secretary and Alternate Director as at 29 September 2017**
1 July 2016	Mrs Petrovic held the position of Company Secretary.
9 December 2016	Mrs Petrovic was appointed Executive Director.
10 July 2017	Post financial year end, but prior to the release of this report, Mrs Petrovic stepped down as Executive Director but remained Company Secretary.
31 July 2017	Mr Kennedy appointed Mrs Petrovic as his Alternate Director.
John Edward Leach	**No longer a Board Member**
1 July 2016	Mr Leach held the position of Independent Non-Executive Director.
30 November 2016	Mr Leach is appointed Independent Non-Executive Chairman.
10 July 2017	Post financial year end, but prior to the release of this report, Mr Leach stepped down as Independent Non-Executive Chairman.

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. Post financial year end on 10 July 2017, after shareholder approval of the Bombora Natural Energy Pty Ltd acquisition Mr Leach stepped down from the Board.

The Board would like to express their sincere thanks to Mr Leach for his contribution to the company during his tenure.

COMPANY SECRETARY & ALTERNATE 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.

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 Director in July 2017.

IMPORTANT NOTE

THE DISCLOSURES IN THE DIRECTORS' REPORT AND FINANCIAL STATEMENTS WHICH FOLLOW RELATE TO THE DIRECTORS WHO WERE IN OFFICE DURING THE FINANCIAL YEAR ENDED 30 JUNE 2017.

POST FINANCIAL YEAR END, PANCONTINENTAL ACQUIRED BOMBORA NATURAL ENERGY PTY LTD ("BOMBORA") AND AS SUCH TWO EXISTING PANCONTINENTAL BOARD MEMBERS RESIGNED FROM THEIR POSITIONS TO MAKE WAY FOR TWO DIRECTORS FROM BOMBORA.

FOR FURTHER DETAILS, PLEASE SEE THE "BOARD CHANGES THROUGHOUT THE FINANCIAL YEAR" SECTION AT THE BEGINNING OF DIRECTORS' REPORT.

DIRECTORS' INTERESTS

The relevant interest of each Director in the shares and options of the Company as at 30 June 2017 is as follows:

	Ordinary Shares	Options over Ordinary Shares
John Edward Leach	-	-
Henry David Kennedy	336,768,269	-
Roy Barry Rushworth	46,835,610	-
Ernest Anthony Myers	2,900,715	-
Vesna Petrovic	-	-

DIRECTORS' MEETINGS

The numbers of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

	Directors' Meetings
Number of meetings held:	7
Number of meetings attended:	
John Edward Leach	6
Henry David Kennedy	7
Roy Barry Rushworth	6
Ernest Anthony Myers	7
Vesna Petrovic	7

Notes
The Directors discussed and agreed various matters throughout the financial year which were resolved by circular resolution; 11 matters were dealt with in such a manner during the year.

CORPORATE INFORMATION

Corporate structure
Pancontinental Oil & Gas NL is a no liability company incorporated and domiciled in Australia. The Company's ACN is 003 029 543.

Nature of operations and principal activities
The principal activity during the year of entities within the consolidated entity was exploration for oil and gas.

There have been no significant changes in the nature of those activities during the year.

Objectives
Objectives of the group include:
- Continued exploration on the company's current portfolio of permits;
- Extraction of value from the Company's asset base;
- Seek new ventures suitable for inclusion in the group's asset structure;
- Manage risks involved in the exploration industry; and
- Maintain liquidity.

The group's targets and strategies for meeting the above objectives include:
- Approve work programmes best suited for exploration success which are within the Company's financial capacity;
- Consider strategic alliances through joint ventures to minimise risks to the group;
- Focus on cost cutting in all non-essential areas; and
- Review appropriate fundraising proposals.

	Cents
Earnings (loss) per share	
Basic earnings (loss) per share	(0.26)
Diluted earnings (loss) per share	(0.26)

The main contributing factor to the Earnings per Share result this financial year was the write off of exploration carrying balances.

Employees
The consolidated entity had four (4) employees as at 30 June 2017, (2016: four (4)). The consolidated entity employs the services of specialised consultants where and when needed.

OPERATING AND FINANCIAL REVIEW

Review of Operations
Namibia PEL 37 [30% at 30 June 2017, 20% interest at 29 September 2017]

Pancontinental holds an interest in acreage over an offshore area in the Walvis Basin, Namibia, which it acquired as one of the original bidders in 2011. After the completion of initial exploration studies Pancontinental and its local partner sought to bring in a strong joint venture partner to take the lead. In 2013, the Company farmed out to Tullow Namibia Limited, a subsidiary of Tullow Oil plc ("Tullow"), a multinational oil and gas company. In exchange for a 65% operated interest, Tullow would free carry Pancontinental in an exploration programme worth in excess of US $100 million.

To date, the joint venture has acquired 3D and 2D seismic data which it has processed, mapped and interpreted. The total spend to date is circa US $34 million, with all of the exploration costs free carried for Pancontinental.

Post the end of the financial year, in July 2017, operator Tullow entered into a farmout agreement with ONGC Videsh Limited of India for a 30% participating interest. Tullow is to remain as operator of the PEL 37 joint venture. Pancontinental believes this transaction to be a positive step toward testing the oil potential of PEL 37.

Also post year end, Africa Energy Corp, a Canadian oil and gas exploration company listed on the TSX Venture Exchange (Ticker Symbol AFE) invested in Pancontinental's subsidiary Pancontinental Namibia Pty Ltd. Africa Energy subscribed for new shares in the subsidiary, acquiring a 33.33% shareholding in exchange for US $7.7 million; US $2.2 million payable immediately and the balance payable upon spud of the PEL 37 well in Namibia. Africa Energy has a highly regarded team focused on large African oil plays that will add technical capability towards furthering the growth potential of this asset.

Kenya L6 [40% offshore, 16% onshore]
Pancontinental holds an interest in the L6 block onshore/offshore Kenya. The company has been a participant in the block since its award and has completed various work programmes in joint venture over the area.

Due to uncertainties over the security of field operations in this area, activity has been suspended.

In conjunction with joint venture partner and operator of the offshore area, FAR Limited, future activities for Block L6 are in review.

Group Overview
Pancontinental Oil and Gas NL was incorporated in 1985 and listed on the Australian Securities Exchange in 1986. The Pancontinental group is comprised of the parent company along with four subsidiary companies.

Dynamics of the Business
The company continues to look for new opportunities, in Africa and elsewhere compatible with its strengths. Whilst the company is committed to further developing existing projects, emerging opportunities are reviewed on a timely basis.

Performance Indicators
The Board closely monitors and discusses the group's operating plans, financial budget and overall performance as well as the company's share price.

The underlying drivers which contribute to the company's performance and can be managed internally include a disciplined approach to reducing the group's non-essential costs and allocating funds to those areas which will add shareholder value. The company's share price is often influenced by factors outside the control of Management and the Board, such as market conditions; however through effective communication between the company and all of its Stakeholders the company can provide assurance of regular reviews to determine actions to mitigate risk and increase performance.

Operating Results for the Year
Summarised operating results are as follows:

	2017	
	Revenues	**Results**
	$	**$**
Non-segment and unallocated revenues and results	3,207	(4,981,475)
Consolidated entity revenues and results from ordinary activities before income tax expense	3,207	(4,981,475)

The main contributing factor to the Earnings per Share result this financial year was the write off of exploration expenditure.

Shareholder Returns
The group is in the exploration phase and so returns to Shareholders are primarily measured through capital growth.

	2017	**2016**	**2015**	**2014**	**2013**
Profit attributable to owners of the company	**(4,981,475)**	(5,472,381)	(41,878,638)	(19,068,997)	(662,822)
Basic earnings per share (cents)	**(0.26)**	(0.40)	(3.64)	(1.66)	(0.06)
Share price	**$0.002**	$0.003	$0.006	$0.023	$0.050

Risk Management

Risk management is the process by which an organisation identifies, analyses, responds, gathers information about and monitors strategic risks that could actually or potentially impact the organisation's ability to achieve its mission and objectives. The Board and Management assess risk as part of the ordinary course of business activities such as strategic planning, promotion, budgets, mergers and acquisitions, strategic partnerships, legislative changes and conducting business abroad.

The Board is responsible for ensuring that risks and opportunities are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The group believes that it is crucial for all Board members to be a part of this process and as such the Board has not established a separate risk management committee. The Board has a number of mechanisms in place to ensure that its objectives and activities are aligned with the risks identified. These include the following:

- Implementation of operating plans and cash flow budgets by Management and Board monitoring of progress against these budgets.
- Ongoing analysis of business risks specific to the upstream oil and gas industry.
- The group has advised each Director, Manager and Consultant that they must comply with a set of ethical standards maintaining appropriate core company values and objectives. Such standards ensure shareholder value is delivered and maintained. Standards cover legal compliance, conflict resolution, privileged information and fair dealing.
- The Board provides Shareholders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters which have a material effect on the underlying security price. ASX announcements, the web page of the company and other media resources are used to convey such information. The Board encourages full participation by Shareholders at the AGM and Shareholders are requested to vote on Board and Executive remuneration aggregates as well as Employee Incentive Schemes.

The Company's prevents the occurrence of risks by undertaking regular reviews of the Group's business practices to identify potential risks. Techniques used for identifying risks include:

- Evaluating each function of the business and identifying anything that could have a negative impact on the Group's operations;
- Reviewing records to identify previous issues that could have a current impact;
- Considering any external risks that could affect the Group; and
- Brainstorming with employees to identify risks and in turn implementing risk prevention measures.

Once potential risks have been identified, managing risks involves developing cost effective options on how to best to deal with the risks. Risks can be:

- Avoided – by changing business processes or equipment to achieve a similar outcome with less risk;
- Reduced - if a risk can't be avoided the Group can reduce its likelihood and consequence. This could include staff training, documenting procedures and policies, complying with legislation, maintaining equipment, practicing emergency procedures, keeping records safely secured and contingency planning.
- Transferred - transfer some or all of the risk to another party through contracting, insurance, partnerships or joint ventures.
- Accepted – this may be the only option.

The continued monitoring of risk within the group is directed at evaluating:

- The effectiveness and efficiency of operations;
- The reliability of financial and management internal processes and reporting; and
- Compliance with laws and regulations

to enable the group to safeguard its assets.

Review of Financial Condition

Capital Structure

During the year, the Company added to its cash reserves through placements and a share purchase plan.

Share Capital	Number of shares	$
Beginning of the financial year	1,717,494,096	101,545,967
Issued during the year:	732,583,346	1,673,197
Shares awaiting shareholder approval	-	150,000
End of the financial year	2,450,077,442	103,369,164

Option movements during the financial year were as follows:

Option Reserve	Number of options	Weighted average exercise price
Balance at beginning of year	2,750,000	0.12
– expired	(2,750,000)	0.12
– issued	100,000,000	0.005
Balance at end of year	100,000,000	0.005

Since the end of the financial year and up until the date of this report 394,634,149 options were issued.

Treasury policy

The Board has not considered it necessary to establish a separate treasury function because of the size and scope of the group's activities.

Liquidity and Funding

During the current financial year, the company raised funds by way of placements and a share purchase plan.

Statement of Compliance

The above report is based on the guidelines in The Group of 100 Incorporated publication Guide to the Review of Operations and Financial Condition.

SHARE OPTIONS

Unissued shares

As at 30 June 2017 there were 100,000,000 ordinary shares under options. Refer to the notes for further details on the options outstanding.

During the year 2,750,000 options expired.

Shares issued as a result of the exercise of Options

There were no shares issued as a result of the exercise of options during the financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes in the state of affairs of the company occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

4 July 2017

Namibia PEL 37 operator Tullow entered into a farmout agreement with ONGC Videsh Limited of India for a 30% participating interest. Tullow is to remain as operator of the PEL 37 joint venture. Pancontinental believes this transaction to be a positive step toward testing the oil potential of PEL 37.

10 July 2017

General Meeting of shareholders held to seek approval for the acquisition of private company Bombora Natural Energy Pty Ltd and related resolutions. Bombora is a gas-focused company with interests onshore in the

Sacramento Gas Basin, USA and onshore Perth Basin. All resolutions put to the meeting were passed on a poll.

17 July 2017
Placement funds received for Pancontinental's $2 million fundraising.

3 August 2017
Dempsey-1 onshore well in the Sacramento Gas Basin, California commences drilling.

14 August 2017
Magnum Gas and Power Limited ("Magnum") contributed funds in accordance with a Letter of Intent announced on 5 June 2017 to provide the remaining funding on its and Pancontinental's behalf required for the drilling of Tulainyo-2 in the Sacramento Gas Basin, USA to the operator of the Tulainyo project. Following transfer of the funds, Gas Fields LLC, a subsidiary of Pancontinental holding the Tulainyo asset, will be owned 40% Pancontinental and 60% Magnum Gas and Power Limited. The drilling of the Tulainyo-2 well is scheduled to commence late October 2017.

11 September 2017
Africa Energy Corp, a Canadian oil and gas exploration company listed on the TSX Venture Exchange (Ticker Symbol AFE) invested in Pancontinental's subsidiary Pancontinental Namibia Pty Ltd. Africa Energy subscribed for new shares in the subsidiary, acquiring a 33.33% shareholding in exchange for US $7.7 million; US $2.2 million payable immediately and the balance payable upon spud of the PEL 37 well in Namibia. Africa Energy has a highly regarded team focused on large African oil plays that will add technical capability towards furthering the growth potential of this asset

There were no other significant events after balance date.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The economic entity expects to maintain the present status and level of operations and hence currently there are no likely developments in the entity's operations.

Post year end the Company acquired a subsidiary Bombora Natural Energy Pty Ltd which holds interests in the United States of America as well as Western Australia. Exploration and appraisal drilling activity on the newly acquired projects may lead to expansion in the entity's operations, however this is not known as at the date of this report.

ENVIRONMENTAL REGULATION AND PERFORMANCE

Pancontinental is committed to complying with any requirement for environmental management in any jurisdiction and country that it operates.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Since the end of the previous financial year the company has paid insurance premiums in respect of Directors' and officers' liability and legal expenses insurance contracts. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors and officers and legal expenses insurance contracts as such disclosure is prohibited under the terms of the contract. The premiums were paid in respect of the following officers of the company and its controlled entities:

JL Leach, HD Kennedy, RB Rushworth, EA Myers and V Petrovic.

REMUNERATION REPORT (Audited)

This report outlines the remuneration arrangements in place for Directors and Executives of Pancontinental Oil & Gas NL ("the company").

Remuneration philosophy

A description of the remuneration structures in place is as follows: The Non-Executive Directors receive a fixed fee for their services. If they perform additional duties they are remunerated at market rates. The Chief Executive Officer receives a fixed fee for his respective executive services. Executive Directors are paid a salary. Directors do not receive any termination or retirement benefits.

Remuneration committee

The full Board carries out the role of the Remuneration Committee.

Remuneration structure

In accordance with best practice corporate governance, the structure of Non-Executive and Executive remuneration is separate and distinct.

Non-Executive Director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to Shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The latest determination was at the Annual General Meeting held on 29 November 2007 when Shareholders approved an aggregate remuneration of $400,000 per year. The amount of aggregate remuneration sought to be approved by Shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external sources as well as the fees paid to Non-Executive Directors of comparable companies when undertaking reviews. The Non-Executive Directors of the Company can participate in Employee Option Incentive Schemes with Shareholder approval. The remuneration of Executive and Non-Executive Directors for the period ending 30 June 2017 is detailed in Table 1 of this report.

Senior Management and Executive Director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain Executives of the highest calibre, whilst incurring a cost which is acceptable to Shareholders.

Structure

In determining the level and make up of Executive remuneration, the Board may take independent advice from external sources when necessary. Details of the CEO's contract are as follows:

Basic Sum:	$375,000 **(actual payments reduced to $237,500)**
Capacity:	Chief Executive Officer
Commencement	23 December 2014
Termination Period:	6-12 months

The Board regularly reviews compensation levels to take into account market-related factors such as cost of living changes, any change to the scope of the role performed and any other relevant factors of influence. As such, Executive Director remuneration was further reduced during the financial year by $128,125, this is in addition to the $345,000 reduction in the last financial year.

Fixed remuneration

Objective

The level of fixed Directors' fees is set so as to provide a base level which is both appropriate to the position and is competitive in the market.

Structure

Fixed primary remuneration is paid on a cash basis and there are no fringe benefits or other costs incurred by the company.

Table 1: Director remuneration for the year ended 30 June 2017

	Primary benefits		Post Employment	Equity	Total	Value of options as proportion of Revenue
	Salary & Fees	Cash STI	Super-annuation	Options (Issued)		
John Edward Leach						
(Non-Executive Chairman)						
2017	**48,000**	**-**	**-**	**-**	**48,000**	**0.0%**
2016	16,000	-	-	-	16,000	0.0%
Henry David Kennedy						
(Non-Executive Director)						
2017	**50,000**	**-**	**-**	**-**	**50,000**	**0.0%**
2016	50,000	-	-	-	50,000	0.0%
Roy Barry Rushworth						
(Executive Director, Chief Executive Officer)						
2017	**237,500**	**-**	**-**	**-**	**237,500**	**0.0%**
2016	343,750	-	-	-	343,750	0.0%
Ernest Anthony Myers						
(Executive Finance Director)						
2017	**187,500**	**-**	**-**	**-**	**187,500**	**0.0%**
2016	200,000	-	-	-	200,000	0.0%
Vesna Petrovic						
(Executive Director)						
2017	**140,625**	**-**	**-**	**-**	**140,625**	**0.0%**
2016	150,000	-	-	-	150,000	0.0%
Anthony Robert Frederick Maslin						
(Non-Executive Director_to Jan 16)						
2017	**-**	**-**	**-**	**-**	**-**	**0.0%**
2016	26,000	-	-	-	26,000	0.0%
Total Current Year Remuneration	**663,625**	**-**	**-**	**-**	**663,625**	**-**

Table 2: Options granted as part of remuneration for the year ended 30 June 2017 (as approved by Shareholders)

There were no options granted as part of remuneration for the year ended 30 June 2017 (30 June 2016: Nil).

Over the past five years options granted as part of Director and Management remuneration have been valued using an appropriate option pricing model, in which the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying shares, the current market price of the underlying shares and the expected life of the options are taken into account. See following table for further details.

Fair values of options:
The fair value of each option is estimated on the date of grant using an appropriate option pricing model.

	2017	2016	2015	2014	2013
Expected volatility	120%	-	-	-	110%
Risk-free interest rate	1.79%	-	-	-	2.74%
Expected life of option	3 years	-	-	-	4 years

Total number of options:

Number of options	Grant date	Vesting date	Weighted average fair value

100,000,000	21 Apr 17	21 Apr 20	0.001

Company Performance

Company performance can be reflected in the movement of the company's share price over time. As the company is in an exploration phase, returns to Shareholders will primarily come through share price appreciation. The Board's strategy in achieving this aim is to acquire early stage projects which can attract quality joint venture partners.

The company has developed skills in the acquisition of quality projects and has also built strategic alliances with other companies to further develop its project portfolio.

Consequences of Performance on Shareholder Wealth

Return on Equity	2017	2016	2015	2014	2013
Share price at 30 June	**$0.002**	$0.003	$0.006	$0.023	$0.050
Average equity	**8,756,452**	11,954,797	34,563,322	65,037,139	72,686,103
Net Profit /(Loss)	**(4,981,475)**	(5,472,381)	(41,878,638)	(19,068,997)	(662,822)
Return on Equity in %	**(56.89)%**	(45.78)%	(121.16)%	(29.32)%	(0.91)%

END OF REMUNERATION REPORT

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1 (where rounding is applicable) under the option available to the company under ASIC Class Order 2016/191. The company is an entity to which the Class Order applies.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor independence declaration is set out on the following page and reviews part of the Directors' Report for the year ended 30 June 2017.

NON-AUDIT SERVICES

Rothsay did not receive any payment for non-audit services during the year.

Signed in accordance with a resolution of the Directors.

Ernest Anthony Myers
Director

Perth 29 September 2017

ROTHSAY
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

The Directors
Pancontinental Oil & Gas NL
PO Box 1154
West Perth WA 6872

Dear Directors

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 30 June 2017 financial statements; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham Swan FCA (Lead auditor)

Rothsay Auditing

Dated 29th September 2017

The Company's 2017 Corporate Governance Statement is presented below and can also be accessed at http://pancon.com.au/about-us/corporate-governance/. The Statement has been approved by the Board of Pancontinental Oil & Gas NL and is current as at 30 June 2017.

Pancontinental's Corporate Governance Statement outlines the Company's governance practices throughout the financial year and the extent of the Company's compliance, as at 30 June 2017 with the ASX Corporate Governance Council's third edition of Corporate Governance Principles and Recommendations.

The Company will regularly review its current practices to ensure they evolve with good practice methods recommended by regulatory bodies while taking into account factors such as the size, nature and activities of the Company.

Corporate Governance Council Recommendation followed by Pancontinental Oil & Gas NL Corporate Governance Comments	
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT	
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.
	Adopted - Pancontinental has adopted a Board Charter which can be found on the Company's website at http://pancon.com.au/about-us/corporate-governance/ The Charter outlines the roles and responsibilities of Board and Management including the responsibilities for not only the Board as a whole but also the Chairman, Chief Executive Officer and Non-Executive / Independent Directors. The Charter contains a list of responsibilities for the Board which cannot be directly delegated to Senior Management, however day-to-day activities required to fulfil those responsibilities may be assigned to Senior Management.
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.
	Adopted – The Company's Nomination Committee Charter which has been disclosed on the Pancontinental website http://pancon.com.au/about-us/corporate-governance/ outlines the role of the Nomination Committee including the oversight of the Company's selection and appointment practices for Directors. As part of its Corporate Governance Manual the Company has also adopted a Policy and Procedure for Selection and (Re)Appointment of Directors which can be found at http://pancon.com.au/about-us/corporate-governance/ The Policy and Procedure outlines the process for the evaluation and appointment of new Board members, as well as listing information that is required to be provided to Shareholders so that they may make an informed decision regarding the election of a proposed candidate. The Nomination Committee Charter empowers the Directors to engage external consultants such as Employment Screening Australia who are a CrimTrac accredited information agent that adheres to the Australian Standard AS 4811-2006 Employment Screening.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.
	Adopted – Each Director is in possession of a written agreement setting out the terms of their appointment including their right to independent professional advice if required to fulfil their capacity as Director. Material terms of any employment, service or consultancy agreement are disclosed.
1.4	The Company Secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.
	Adopted – The Company Secretary is accountable to the Board through the Chairman on matters relating to the proper functioning of the Board.

	The Company Secretary completes and circulates board papers, records minutes of the business discussed at Board Meetings and communicates with the Board on: governance matters, application of the Company's Constitution, the ASX Listing Rules and other relevant laws. They are a point of reference between the Board and Management.
1.5	A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either: 1. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or 2. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

Adopted – Pancontinental has formally adopted a Diversity Policy which can be found at http://pancon.com.au/about-us/corporate-governance/

Diversity – Board Composition

The mix of skills and diversity for which the Company is looking to achieve in membership of the Board is one that is as diverse as practical given the size and scope of the Company's operations. In considering new member appointments, the Board evaluates the candidate's ability to actively participate in Board matters by exercising sensible business judgement and committing the time required to fulfil the role effectively so that the Company can move towards achieving its strategic goals.

Diversity – Measurable Objectives

The main objectives with regard to diversity include:

- The Company's composition of Board, Executive, Management and Employees to be as diverse as practicable;
- To provide equal opportunities for all positions within the Group and continue the Group's commitment to employment based on merit;
- Periodic review of the Group's workforce structure and assessment of where and how improvements can be implemented incorporating greater diversity.

The above objectives set by the Company with regard to diversity have been met, as described below:

- Blend of skills – wide range of backgrounds; geology, petroleum exploration, finance and corporate experience;
- Cultural backgrounds – Australian and European;
- Gender – both male and female; and
- Age – the age range spans over 40 years.

Diversity – Annual Reporting

	2017	**2016**
Board & Company Secretary	20%	20%
Employees	100%	100%
Total Workforce	**43%**	**43%**

The Australian Government's Workplace Gender Equality Agency periodically releases statistics with regard to the gender composition of the Australian workforce by industry. With reference to its latest data, Pancontinental far exceeds the industry average of 12.6% of women.

1.6	A listed entity should: a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.
	Adopted – The Company's website includes a policy with regard to the Process for Performance Evaluation which can be found at http://pancon.com.au/about-us/corporate-governance/ During the reporting period a formal evaluation of the Board and its members was not carried out however the composition of the Board, its suitability to carry out the Company's objectives and remuneration levels are reviewed on an as required basis. For example, in recent years market conditions have dictated the oil and gas environment prompting companies to review expenditures in order to preserve cash balances. As such, Pancontinental reduced Executive Director salaries by $345,000 per annum in the 2016 financial year to adapt to market circumstances. In addition, this 2017 financial year Executive Director salaries were further reduced by $128,125. Although the instability in the oil and gas industry is not attributable to the Directors it does show the willingness of the Board to put requisite measures in place when industry settings change.
1.7	A listed entity should: a) have and disclose a process for periodically evaluating the performance of its senior executives; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.
	Adopted – The Company's website includes a policy with regard to the process for performance evaluation which can be found at http://pancon.com.au/about-us/corporate-governance/ With regard to the current financial reporting period, a formal evaluation of the performance of Senior Executives was not carried out as the suitability and size of the Company's workforce is reviewed by the Board on an as required basis.

PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE	
2.1	The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.
	Not Adopted – The full Board fulfils the role of the Nomination Committee. The Board considers those matters that would ordinarily be the responsibility of a Nomination Committee and no separate meetings were held as the Nomination Committee during the year. The Board has adopted a Nomination Committee Charter which is disclosed on the Company's website at http://pancon.com.au/about-us/corporate-governance/ The Charter as well as the Company's Policy and Procedure for Selection and (Re) Appointment of Directors http://pancon.com.au/about-us/corporate-governance/ and Succession Plan Policy are applied when convening to discuss Nomination Committee matters. In assessing the Company's diversity objectives, the composition of the Board is considered with regard to blend of skills, experience, independence and diversity. The Directors consider that the current Board has the appropriate balance to successfully carry out the duties required of them as Officers of the Company.
2.2	A listed entity should have and disclose a Board Skills Matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.
	Adopted – The Board is seeking Directors who collectively have the skills, knowledge and experience to govern and direct the Company effectively. The below table shows the key skills and experience the Board as a whole possess.

Board Expertise		Board Experience	
Commercial	•	Capital Raisings	•
Compliance	•	Company Promotion	•
Corporate	•	Financial Management	•
Ethics	•	Former Board Experience	•
Exploration	•	International Business	•
Finance	•	Listed Company Management	•
Geology	•	Mergers & Acquisitions	•
Governance	•	Mineral Exploration	•
Risk	•	Mineral Production	•
Strategy	•	Oil & Gas Exploration	•

Details of each of the Director's qualifications are set out in the Directors' Report. All of the Directors have substantial industry experience and consider themselves to be financially literate. Mr Leach, Mr Myers and Mrs Petrovic are qualified accountants and therefore meets the tests of financial expertise.

	Pancontinental acknowledges that the skills, knowledge and experience required on the Board will change as the Organisation evolves however under the current circumstances, the mix of expertise and experience identified above is beneficial in meeting the current challenges faced by the Group.
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.
	Adopted – see table below.

Director	**Position**	**Tenure**	**Independent**
JE Leach	Independent Non-Executive Chairman	1 year	Yes
RB Rushworth	Executive Director, Chief Executive Officer	12 years	No - Executive Director
HD Kennedy	Non-Executive Director	18 years	No - Substantial Shareholder
EA Myers	Executive Finance Director	8 years	No - Executive Director
V Petrovic	Company Secretary and Executive Director	< 1 year	No - Executive Director

In considering the independence of Directors, the Board refers to the criteria for independence as set out in Box 2.3 of the ASX Corporate Governance Council's third edition of Corporate Governance Principles and Recommendations. To the extent that it is necessary for the Board to consider issues of materiality, the Board refers to the thresholds for qualitative and quantitative materiality as adopted by the Board and contained in the Board Charter, which is disclosed on the Company's website.

Box 2.3's independence criteria has been applied in the above table and although the only Director considered to be independent is Mr Leach, the Board believes its current composition is in line with the long term interests of Shareholders. The Board also acknowledges the need for independent judgement on all Board decisions, irrespective of each individual Director's independence and as such has implemented a Policy on Independent Professional Advice.

2.4	A majority of the board of a listed entity should be independent directors.
	Not Adopted – Currently the only Director considered independent is Mr Leach. The Board acknowledges Recommendation 2.4 in that the majority of the Board of a listed entity should be independent Directors, however the Board is of the belief that each area of expertise required for a Company of Pancontinental's size is well represented and that there are long term benefits to be gained from the current combination of Directors' skills, experience and expertise. Although the Board of Directors are able to exercise objective business judgement, a Policy on Independent Professional Advice has been implemented to assist if required. If a Director considers it necessary to obtain professional advice to properly discharge the responsibility for their office as a Director, then the Company will pay reasonable expenses associated with obtaining such advice.
2.5	The Chair of the Board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.
	Adopted – As recommended, the Chairman is an independent director. Also as recommended, the Chairman and the CEO are not the same person.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

	Adopted – The Company has devised an Induction Programme for new Directors, Executives and Employees. The goal of the Induction Programme is to assist new Directors in participating fully and actively in Board decision making at the earliest opportunity by providing them with the necessary Company knowledge as well as information pertaining to the industry within which it operates. A Directors' Pack is made available which includes key information on Board Members, Board Charters, Duties Imposed on Directors of Public Companies, Directors' Disclosure Obligations, Declaration of Interest Forms and Overall Responsibility amongst other Policies and Procedures implemented by the Company. New Directors are given the opportunity to review the Company's operations and meet with key Executives in the Exploration, Geology, Finance and Corporate areas. Professional development opportunities arise when there are new corporate, legal, tax, accounting or geological developments within Australia or in overseas countries where the Company operates. The Board is briefed by Management on any new standards or matters of interest that are relevant in the Company continuing its business effectively. In addition, a number of professional bodies with which the Company is associated run regular seminars or conferences at which attendance is encouraged.
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY	
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.
	Adopted – A summary of the Company's Code of Conduct can be found at http://pancon.com.au/about-us/corporate-governance/ The Company's Code of Conduct sets out the principles and standards which the Board, Management and employees of the Company are encouraged to strive towards when dealing with each other, Shareholders, Stakeholders and the broader community. The Code of Conduct covers the Company's core values and beliefs including the following: • Integrity and Honesty • Responsibility to Shareholders • Respect for the Law • Conflicts of Interest • Protection of Assets • Confidential Information • Employment Practices • Responsibility to the Community • Responsibility to the Individual • Obligations Relative to Fair Trading and Dealing • Financial and other Inducements • Compliance with the Code of Conduct In addition, a Whistleblower Policy forms part of the Company's Corporate Governance Manual. The Policy covers the following: • Reporting and Investigating Officers • Reporting Responsibility • No Retaliation • Reporting Violations • Accounting and Auditing Matters • Acting in Good Faith • Confidentiality • Handling of Reported Violations The Policy was adopted so that any concerns regarding contraventions of the Code of Conduct could be addressed in a safe and formal manner without fear of reprisal.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING	
4.1	The board of a listed entity should: (a) have an Audit Committee which: (1) has at least three members, all of whom are Non-Executive Directors and a majority of whom are Independent Directors; and (2) is chaired by an Independent Director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.
	Not Adopted – The full Board fulfils the role of the Audit Committee. The Board considers those matters that would ordinarily be the responsibility of an Audit Committee and no separate meetings were held as the Audit Committee during the year. The Board has adopted an Audit Committee Charter which is disclosed on the Company's website at http://pancon.com.au/about-us/corporate-governance/ The Charter as well as the Company's Procedure for the Selection, Appointment and Rotation of External Auditor http://pancon.com.au/about-us/corporate-governance/ is applied when convening to discuss Audit Committee matters. An External Auditor is appointed to independently verify and safeguard the integrity of the Company' corporate reporting, in addition when discussing Audit Committee matters, the Board reviews annual action points such as: • Review of financial statements • Assess Management's selection of accounting policies and principles • Consider the external audit report and whether it is consistent with the Board's information and knowledge • Consider the Company's internal controls • Assess if the external audit report is adequate for Shareholder needs • Discuss any significant findings with the External Auditor • Confirm the independence of the External Auditor • Ensure that the External Auditor is requested to attend the Annual General Meeting The Board in conjunction Management's input, review the suitability of existing audit arrangements and the scope of the audit on a periodic basis. The Board is responsible for the appointment of a new external auditor should a vacancy arise, however the appointment must be ratified by Shareholders at the next Annual General Meeting. The Board of Directors also review the current circumstances in light of Section 324D (1) and (2) of the Corporations Act 2001 which stipulates that an individual may not play a significant role in the audit of a listed entity for more than five out of seven successive financial years.
4.2	The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
	Adopted – A Directors' Declaration under Subsection 295(4) of the Corporations Act 2001 is only made after each person who performs: a) A Chief Executive Officer function; or b) A Chief Financial Officer function in relation to the Company, has given the Directors a declaration whether, in their opinion: a) The financial records of the Company for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001;

	b) The financial statements and notes for the financial year comply with the accounting standards; c) The financial statements and notes for the financial year give a true and fair view; d) Any other matters that are prescribed by the regulations in relation to the financial statements and notes for the financial year are satisfied. In addition, that the opinion has been formed on the basis of a sound system of risk management and internal controls which is operating effectively. The declaration is made: a) In writing; b) Specifying the date the declaration is made; c) Specifying the capacity in which the person is making the declaration; and d) Signed by the person making the declaration.
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.
	Adopted – During Annual General Meeting planning, the External Auditors are consulted to ensure that they are available to attend the meeting and answer questions from Shareholders with regard to the conduct of the audit and the Auditor's Report.
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE	
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.
	Adopted – A summary of the Company's Policy on ASX Listing Rule Compliance can be found at http://pancon.com.au/about-us/corporate-governance/ As a Company listed on the Australian Securities Exchange, Pancontinental is obliged to disclose certain information under a continuous disclosure regime to keep the market informed of events and developments as they occur. The Company promotes timely and balanced disclosure of all material matters concerning the Company. All Investors should have equal and timely access to material information. The Company has adopted certain procedures to ensure that it complies with its continuous disclosure obligations and has appointed a Responsible Officer for ensuring the procedures are complied with. The Policy sets out details with regards to: • The Responsible Officer • Types of information that needs to be disclosed • The concept of timely announcements • Board Notification – informing the Board and ongoing monitoring • Avoiding a false market • Safeguarding confidentiality of corporate information to avoid premature disclosure • Media contact and comment • External communications such as analyst briefings and responses to Shareholder questions • Reporting • Required actions in the case of non-compliance • Updating compliance procedures • Guide to drafting company announcements
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS	
6.1	A listed entity should provide information about itself and its governance to investors via its website.
	Adopted – The Company's website includes a Corporate Governance landing page which can be found at http://pancon.com.au/about-us/corporate-governance/ The Corporate Governance page shows an introduction to the Corporate Governance of the Company by referring to the Corporate Governance Manual adopted, in addition, Investors can find Board Charters as well as an extract of Policies and Procedures included in the manual.

	Links to the Investor Centre can also be opened from the Corporate Governance page where ASX releases, the Company's share price, financial reports, broker reports, media coverage and company presentations can be accessed. Subscriptions to the Company's mailing list can also be submitted from this page. Furthermore, general and detailed project information is available for the Investor's perusal from the Corporate Governance page.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.
	Adopted – The Company has adopted a Shareholder Communication Policy which can be found on the Company's website at http://pancon.com.au/about-us/corporate-governance/ The Policy aims to ensure that Shareholders are informed of all major developments affecting the Company and that there are means available to facilitate two-way communication. If Investors have a greater understanding of the business they are able to make informed investment decisions. Information is communicated to Investors by: • Company announcements • Information briefings to media and analysts • Notices of Meeting and explanatory material • Financial information including annual reports • Website updates • Board and Management addresses and presentations at meetings Investors can express their views or present queries to the Company by: • Utilising the Contact Us section of the website http://pancon.com.au/contact-us to send direct communications to the Company • The Contact Us section http://pancon.com.au/contact-us as well as any ASX or media updates include the contact details of the Company such as address and telephone number. These details can be used to initiate written or verbal contact with the Company • The Company provides Shareholders with a Notice of Meeting detailing matters such as the agenda, location and time of the meeting so that Shareholders can make arrangements to attend and speak to Company representatives. Notices of Meeting are available on the ASX platform under the code PCL or the Company website so that Investors who are not currently Shareholders can also attend the meeting
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.
	Adopted – The Company has adopted a Shareholder Communication Policy which can be found on the Company's website at http://pancon.com.au/about-us/corporate-governance/ The Policy covers the Company's belief that general meetings are an effective means of communicating with Shareholders. The Company provides information in the Notice of Meeting that is presented in a clear, concise and effective manner. Meetings are held during business hours, at a central location convenient for the largest number of Investors to attend. Shareholders are encouraged to attend and take note of the Chairman's address as well as vote on the resolutions presented to the meeting. Upon completion of formal matters, the Chief Executive Officer provides attendees with an update of activities via a company presentation. This provides Investors with an opportunity to ask questions, express their views or just meet the Company representatives.
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.
	Adopted – Security holders have the option of receiving communications from the Company and its Share Registry electronically. The Contact Us section of the Company's website http://pancon.com.au/contact-us provides an opportunity for security holders to send communications to the Company electronically. The website has been specifically designed so that it is user friendly on all devices from laptops to phones. Electronic communication is not only cost effective, it provides Investors with real time updates on the activities of the Company. The Company's website provides a tab where Stakeholders can join the Company's mailing list which will enable them to receive electronic communication each time the Company lodges an announcement on the ASX or provides a media update.

	Advanced Share Registry and the Company review and monitor opportunities to increase the use of electronic communication with its Shareholders.
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK	
7.1	The Board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.
	Not Adopted - The full Board fulfils the role of the Risk Committee. The Board considers those matters that would ordinarily be the responsibility of a Risk Committee and no separate meetings were held as the Risk Committee during the year. The Company's Risk Management Policy (a summary of which can be found at http://pancon.com.au/about-us/corporate-governance/) is applied when reviewing and discussing risk management matters. In managing risk, it is the Company's practice to take advantage of potential opportunities while managing potential adverse effects. The Company's Risk Management Policy sets out the Company's risk management system and processes as well as the Company's Risk Profile. The Policy covers the following risk related points and is used as a means to assess the Company's risk management structure: • The role of the Board and delegated responsibility – ultimate responsibility rests with the Board, however day to day management of risk is the responsibility of the CEO with the assistance of Senior Management • The role of the CEO and accountabilities • Authority of the CEO • Risk Profile • Audit Committee Charter • Regular budgeting and financial reporting • Clear limits and authorities for expenditure levels • Procedures for compliance with continuous disclosure obligations under the Listing Rules • Procedures to assist with establishing and administering corporate governance systems and disclosure requirements • Responsibility to Stakeholders • Continuous improvement
7.2	The Board or a committee of the Board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.
	Adopted – The Board and Management assess risk as part of the ordinary course of business activities such as strategic planning, promotion, budgets, mergers and acquisitions, strategic partnerships, legislative changes and conducting business abroad. Each Board Meeting is used as a platform for the review and assessment of the Company's risk profile.
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

	Adopted – The Company discloses that it does not have an internal audit function. The Company's risk management system is overseen by Management who ensure that the identification, monitoring and response of business risks. The Board reviews Management's assessment of the efficiency of the system and according to the Risk Management Policy is required to satisfy itself that Management has developed and implemented a sound system of risk management and internal control.
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.
	Adopted – The Company values economic, environmental and social sustainability in areas within which it operates. The Company has adopted a Corporate Governance Manual which sets outs the policies and procedures in place which apply to the Board, Management, Employees and the entire business. The policies and procedures are designed to assist in identifying relevant risks and having processes in place to mitigate if not eliminate the risk. • Economic sustainability refers to the ability of a listed entity to continue operating at a particular level of economic production over the long term. • Environmental sustainability refers to the ability of a listed entity to continue operating in a manner that does not compromise the health of the ecosystems in which it operates over the long term. • Social sustainability is the ability of a listed entity to continue operating in a manner that meets accepted social norms and needs over the long term. Risks identified that may have a material effect on the Company include: • Oil price volatility as well as currency fluctuations in the Australian and United States dollars. The state of the oil and gas industry has been affected by the uncertainty in the oil price. Although the Company is not in production and there is not a material business risk in that regard, the Company's operations are affected due to reduced exploration budgets and reduced overall activity in the exploration sector; • Currently all of Pancontinental's assets are managed by Joint Venture Operators who are responsible for the day to day operations of the permits. As such, regular review of the Joint Venture activities is crucial in safeguarding the assets of the Company. Technical and financial Executives review the work programmes and budgets in place to ensure compliance with approved documents. Updates on operational activities are provided by the Joint Venture partners on a regular basis and will include any environmental operational issues if applicable; • Conducting business in foreign jurisdictions carries with it a risk of change in business, legal, tax, accounting, political, environmental and technical practices for example, which may have a material effect on the Company. Pancontinental monitors joint venture partners working in those jurisdictions as well as local news developments to ensure that if a risk presents itself the Company is well equipped with sufficient time to decide on a course of action; • The Company is committed to providing all Employees, Executives and Directors with a safe and productive work environment. There are environmental and location risks that the Company may face, however the Corporate Governance Manual and the procedures and policies within it should assist in assessing the best course of action to mitigate or eliminate the risk; • For expenditure that the Company has control of, it will endeavour to use sustainable and ethically sourced products that have little or no impact on the environment.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY	
8.1	The Board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.
	Not Adopted – The full Board fulfils the role of the Remuneration Committee. The Board considers those matters that would ordinarily be the responsibility of a Remuneration Committee and no separate meetings were held as the Remuneration Committee during the year. The Board has adopted a Remuneration Committee Charter which is disclosed on the Company's website at http://pancon.com.au/about-us/corporate-governance/ The Charter as well as the Company's Remuneration Policy is applied when convening to discuss Remuneration Committee matters. Emoluments of Directors and Senior Executives are set by reference to payments made by other companies of a similar size and industry, and by reference to the skills and experience of the Directors and Executives. Details of the nature and amount of emoluments of each Director of the Company are disclosed annually in the Company's annual report. Should circumstances arise where the Board needs assistance on a remuneration matter, the Board after requisite approval may engage a remuneration consultant to ensure the level of remuneration in the Company is appropriate for its size, level of activity and industry.
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.
	Adopted - The Company has adopted a Remuneration Committee Charter which can be found on the Company's website at http://pancon.com.au/about-us/corporate-governance/ The Charter separately discloses the processes regarding the remuneration of Non-Executive Directors and the remuneration of Executive Directors and other Senior Executives. Executive Remuneration In considering the level of remuneration for Executives, the matters that are taken into account include: • Remuneration which motivates Executives to pursue the long term growth and success of the Company within an appropriate control framework; • A clear correlation between performance and remuneration; • Align the interests of key leadership with the long term interests of the Company's Shareholder; and • Prohibit Executives from entering into transactions which limit the economic risk of participating in unvested entitlement. Non-Executive Remuneration Matters of consideration include: • Fees paid to Non-Executive Directors are within the aggregate amount approved by Shareholders; • Non-Executive Directors to be remunerated by way of fees; • Non-Executive Directors are not provided with retirement benefits other than statutory superannuation; and • Non-Executive Directors are not entitled to participate in equity-based remuneration schemes designed for Executives without due consideration and appropriate disclosure to the Company Shareholders.

8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.
	Adopted - The Company has adopted a Policy for Trading in Company Securities which can be found on the Company's website at http://pancon.com.au/about-us/corporate-governance/ Directors, Officers and Employees who wish to trade in Company securities must first have regard to the statutory provisions of the Corporations Act 2001 dealing with insider trading, in conjunction with the Company's Policy for Trading in Company Securities. The policy has been developed so that all Company employees and representatives are clear as to their obligations with regard to trading while in possession of insider information.

Statement of Comprehensive Income

YEAR ENDED 30 JUNE 2017	Notes	CONSOLIDATED 2017 $	2016 $
OPERATING ACTIVITIES			
Depreciation expenses	2, 6	**(16,869)**	(23,565)
Salaries, fees and benefits		**(781,136)**	(888,438)
Audit fees		**(35,975)**	(43,924)
Generative exploration expenditure and write off	2	**(3,473,130)**	(4,044,840)
Annual report costs		**(8,531)**	(13,249)
ASX fees		**(23,941)**	(30,231)
Administration, accounting and secretarial fees		**(3,717)**	(3,304)
Insurance		**(43,513)**	(46,589)
Legal fees		**(112,842)**	(15,812)
Share registry costs		**(23,750)**	(23,750)
Rent and outgoings		**(101,706)**	(101,082)
Office expenses		**(52,361)**	(42,204)
Travel		**(44,336)**	(25,718)
Other expenses		**(162,147)**	(183,399)
TOTAL OPERATING ACTIVITIES		**(4,883,954)**	(5,486,105)
FINANCING ACTIVITIES			
Financing income		**3,207**	16,893
Financing expense		**(100,728)**	(3,169)
TOTAL FINANCING ACTIVITIES		**(97,521)**	13,724
PROFIT / (LOSS) BEFORE INCOME TAX		**(4,981,475)**	(5,472,381)
Income tax expense	3	**-**	-
PROFIT / (LOSS) FOR THE PERIOD		**(4,981,475)**	(5,472,381)
OTHER COMPREHENSIVE INCOME / (LOSS)			
Other comprehensive income		**-**	-
TOTAL OTHER COMPREHENSIVE INCOME / (LOSS)		**-**	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	10	**(4,981,475)**	(5,472,381)
Basic earnings per share (cents per share)	15	**(0.26)**	(0.40)
Diluted earnings per share (cents per share)		**(0.26)**	(0.40)

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

AT 30 JUNE 2017	Notes	CONSOLIDATED 2017 $	2016 $
CURRENT ASSETS			
Cash assets		**740,160**	1,157,927
Trade and other receivables	4	**77,571**	63,113
TOTAL CURRENT ASSETS		**817,731**	1,221,040
NON-CURRENT ASSETS			
Property, plant and equipment	6	**45,423**	62,292
Deferred exploration, evaluation and development costs	7	**6,874,976**	9,293,818
TOTAL NON-CURRENT ASSETS		**6,920,399**	9,356,110
TOTAL ASSETS		**7,738,130**	10,577,150
CURRENT LIABILITIES			
Trade and other payables	8	**499,946**	274,658
TOTAL CURRENT LIABILITIES		**499,946**	274,658
NON-CURRENT LIABILITIES			
Provision for employee entitlements		**10,871**	16,901
TOTAL CURRENT LIABILITIES		**10,871**	16,901
TOTAL LIABILITIES		**510,817**	291,559
NET ASSETS		**7,227,313**	10,285,591
EQUITY			
Parent entity interest			
Contributed equity	9a	**103,369,164**	101,545,967
Reserves	10	**100,000**	154,000
Accumulated losses	10	**(96,241,851)**	(91,414,376)
Total parent entity interest in equity		**7,227,313**	10,285,591
TOTAL EQUITY		**7,227,313**	10,285,591

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

AT 30 JUNE 2017

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	**-**	**(4,881,475)**	**-**	**(4,881,475)**
Other comprehensive income / (loss)	**-**	**-**	**-**	**-**
Shares issued (net of costs)	**1,673,197**	**-**	**-**	**1,673,197**
Shares awaiting shareholder approval	**150,000**	**-**	**-**	**150,000**
Share options	**-**	**54,000**	**(54,000)**	**-**
Balance at 30 June 2017	**103,369,164**	**(96,241,851)**	**100,000**	**7,227,313**
Balance at 1 July 2015	99,411,998	(85,941,995)	154,000	13,624,003
Profit or loss	-	(5,472,381)	-	(5,472,381)
Other comprehensive income/(loss)	-	-	-	-
Shares issued (net of costs)	2,133,969	-	-	2,133,969
Shares awaiting shareholder approval	-	-	-	-
Share options	-	-	-	-
Balance at 30 June 2016	101,545,967	(91,414,376)	154,000	10,285,591

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

YEAR ENDED 30 JUNE 2017	Notes	CONSOLIDATED 2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(1,315,144)**	(1,457,727)
Recharges & refunds of exploration expenditure		**-**	-
Expenditure on exploration interests		**(933,171)**	(885,452)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES	11(a)	**(2,248,315)**	(2,343,179)
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		**3,207**	17,093
Proceeds from issues of ordinary shares		**1,948,500**	2,224,000
Share issue costs		**(118,272)**	(82,289)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		**1,833,435**	2,158,804
NET INCREASE / (DECREASE) IN CASH HELD		**(414,880)**	(186,975)
Add opening cash brought forward		**1,157,927**	1,345,837
Effects of exchange rate changes		**(2,887)**	(935)
CLOSING CASH CARRIED FORWARD	11(b)	**740,160**	1,157,927

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report was authorised for issue by the Directors on 29 September 2017.

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs"), including Australian interpretations adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial report of the consolidated entity and company also complies with IFRSs and interpretations adopted by the International Accounting Standards Board.

Basis of preparation

The report has been prepared on the basis of historical costs and except where stated does not take into account changing money values or current valuation of non-current assets. The accounting policies adopted are consistent with those of the previous year. The following specific accounting policies have been consistently applied, unless otherwise stated.

(a) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, and any adjustment to tax payable in respect of prior years.

Deferred tax is provided using the balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(b) Exploration Expenses

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the costs are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against operating results in the year in which the decision to abandon the area is made. When production commences the accumulated costs for the relevant area of interest are classified as development costs and amortised over the life of the project area according to the rate of depletion of the economically recoverable reserves.

Where independent valuations of areas of interest have been obtained, the valuations are brought to account. Subsequent expenditure on re-valued areas of interest is accounted for in accordance with the above principles. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

At 30 June 2017 the Directors considered that the carrying value of the oil and gas exploration interests of the consolidated entity was as shown in the Statement of Financial Position and no further impairments arises other than that already recognised.

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Pancontinental Oil & Gas NL (the parent entity) and all entities which Pancontinental Oil & Gas NL controlled from time to time during the 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 the part of the reporting period during which the parent company has control.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

(d) Foreign currencies
Translation of foreign currency transactions

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

A monetary item arising under a foreign currency contract outstanding at the reporting date where the exchange rate for the monetary item is fixed in the contract is translated at the exchange rate fixed in the contract.

All resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year. Any gains or costs on entering a hedge are deferred and amortised over the life of the contract.

(e) Cash and cash equivalents
For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

Interest expense is charged as an expense as it accrues.

(f) Receivables
Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Bills of exchange and promissory notes are measured at the lower of cost and net realisable value.

(g) Investments
Investments in controlled entities are carried in the company's financial statements at the lower of cost and recoverable amount.

(h) Recoverable Amount
The carrying amounts of non-current assets valued on the cost basis, other than exploration and evaluation expenditure carried forward are reviewed to determine whether they are in excess of their recoverable amount at reporting date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write down is expensed in the reporting period in which it occurs.

(i) Property, plant and equipment
Cost and valuation
Property, plant and equipment is measured at cost.

Depreciation
Depreciation is provided on a diminishing value basis on all property, plant and equipment.

Major depreciation rates are:

	2017	2016
Plant and equipment:	**30%**	**30%**

(j) Joint ventures
Interests in the joint venture operations are brought to account by including in the respective classifications, the share of individual assets employed and share of liabilities and expenses incurred.

In the company's financial statements, investments in joint venture operations were carried at the lower of cost and recoverable amount.

(k) Going concern
The Directors consider that the going concern basis for the consolidated entity is appropriate and recognise that additional funding is required to ensure the consolidated entity can continue its operations for the twelve month period from the date of this financial report and to fund the continued development of the consolidated

entity's exploration assets. This basis has been determined after consideration of the following factors:

- The ability to issue additional share capital under the Corporations Act 2001, if required, by a share purchase plan, share placement or rights issue;
- The option of farming out all or part of the consolidated entity's exploration projects; and
- The ability, if required to dispose of interests in exploration and development assets.

Accordingly, the Directors believe that the consolidated entity will obtain sufficient cash inflows to enable it to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial statements.

(l) Payables
Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount.

Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

(m) Provisions
Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

(n) Contributed equity
Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(o) Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of Services
Where the contract outcome can be reliably measured, control of the right to be compensated for the services and the stage of completion can be reliably measured. Stage of completion is measured by reference to the labour hours incurred to date as a percentage of total estimated labour hours for each contract.
Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.

Interest Revenue
Control of the right to receive the interest payment. Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(p) Taxes
Tax-effect accounting is applied using the income statement liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Where assets are revalued no provision for potential capital gains tax has been made.
Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(q) Employee benefits
Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

Employee benefit expenses and revenues arising in respect of the following categories:
- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- other types of employee benefits

are charged against profits on a net basis in their respective categories.

(r) Earnings per share
Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:
- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(s) Comparatives
Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(t) Financial Instruments
See financial instruments note for compliance notes with *AASB 7*, financial instruments: disclosures.

(u) New accounting standards and interpretations
The financial report is presented in Australian dollars which is the company's functional currency. A number of new standards, amendments to standards and interpretations are effective for the current annual report period; however, none have been applied in preparing these consolidated financial statements. The standards are not expected to have a material impact on the accounting policies or consolidated financial statements of the group.

2. DEPRECIATION AND WRITE OFF	Notes	CONSOLIDATED 2017 $	2016 $
Expenses			
Depreciation of non-current assets:			
Office furniture and equipment		**16,869**	23,565
Generative exploration and write off:			
Exploration, evaluation and development costs		**3,473,130**	4,044,840

3. INCOME TAX	CONSOLIDATED 2017 $	2016 $
(a) Income Tax (Benefit) / Expense		
The prima facie tax, using tax rates applicable in the country of operation, on profit and extraordinary items differs from the income tax provided in the financial statements as follows:		
Prima facie tax on profit from ordinary activities	**(1,369,906)**	(1,559,629)
Tax effect of permanent differences:		
Other items (net)	**-**	-
Amount not brought to account as a carried forward future income tax benefit	**1,369,906**	1,559,629
Income tax expense attributable to ordinary activities	**-**	-

(b) Future Income Tax Benefit not taken into account

The potential future income tax benefit calculated at 27.5% in respect of:			
Adjustments to carry forward tax losses		-	-
Tax Losses not brought to account		**6,750,443**	6,920,304
Total	*	**6,750,443**	6,920,304

This future income tax benefit will only be obtained if:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
(c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

The recognition and utilisation of losses is subject to the loss recoupment rules being satisfied.

*The potential future income tax benefit was calculated by multiplying the current tax rate of 27.5% by the Group's carry forward losses at 30 June 2017 of $24,547,065.

4. RECEIVABLES (CURRENT)	CONSOLIDATED 2017 $	2016 $
Sundry receivables	**77,571**	63,113
Total	**77,571**	63,113

(a) Terms and conditions

(i) Trade debtors are non-interest bearing and generally on 30 day terms.

(ii) Sundry debtors and other receivables are non-interest bearing and have repayment terms between 30 and 90 days.

5. INTERESTS IN SUBSIDIARIES

Name	Country of incorporation	Percentage of equity interest held by the consolidated entity		Investment	
		2017	2016	2017	2016
		%	%	$	$
Euro Pacific Energy Pty Ltd	Australia	**100**	100	**2**	2
Provision for diminution in value of investment				**(2)**	(2)
Loan to Euro Pacific Energy Pty Ltd				**(149,935)**	(150,184)
Provision for loss on loan to Euro Pacific Energy Pty Ltd				**-**	-
Pancontinental Namibia Pty Ltd**	Australia	**100**	100	**1**	1
Provision for diminution in value of investment				**(1)**	(1)
Loan to Pancontinental Namibia Pty Ltd				**5,677,968**	4,786,523
Provision for loss on loan to Pancontinental Namibia P/L				**(83,271)**	(65,161)
Afrex Ltd *	Saint Lucia	**100**	100	**10,584,107**	10,584,107
Provision for diminution in value of investment				**(10,584,107)**	(10,584,107)
Loan to Afrex Ltd				**6,770,414**	6,741,096
Provision for loss on loan to Afrex Ltd				**(6,299,703)**	(4,861,512)
Starstrike Resources Ltd *	British Virgin Islands	**100**	100	**380,000**	380,000
Provision for diminution in value of investment				**(380,000)**	(380,000)
Loan to Starstrike Resources Ltd				**89,147**	81,580
Provision for loss on loan to Starstrike Resources Ltd				**-**	-
Total				**6,004,620**	6,532,342

*Indicates companies not audited by Rothsay Chartered Accountants.

**Australian entity audited by Rothsay, branch operation by Ernst & Young Namibia.

Note, the Group is in the process of evaluating its subsidiary companies to assess how the Group's operations can be streamlined.

6. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED	
	2017	2016
	$	$
Office equipment		
At cost	**93,964**	93,964
Less: Accumulated depreciation	**(48,541)**	(31,672)
Total written down amount	**45,423**	62,292

Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment

Office equipment

Carrying amount opening balance	**62,292**	83,257
Additions	**-**	2,600
Write offs	**-**	-
Depreciation expense	**(16,869)**	(23,565)
Total written down amount	**45,423**	62,292

7. DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

	CONSOLIDATED	
	2017	**2016**
	$	**$**
Exploration, evaluation and development costs carried forward		
Pre-production:		
exploration and evaluation phases:		
Carrying amount at 1 July	**9,293,818**	13,399,620
Expenditure & acquisitions during the year	**918,135**	327,704
Exploration expenditure written off	**(3,473,130)**	(4,044,840)
Exploration expenditure written off – direct to P&L	**136,153**	588,847
Recovery and refunds of exploration expenditure *	**-**	(977,513)
Carrying amount at 30 June	**6,874,976**	9,293,818

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective petroleum areas.

* For the year ended 30 June 2016, the $977,513 relates to cash call credits.

8. TRADE and OTHER PAYABLES (CURRENT)

	CONSOLIDATED	
	2017	**2016**
	$	**$**
Trade creditors, accruals and provisions	**499,946**	274,658
Total	**499,946**	274,658

9. CONTRIBUTED EQUITY

	CONSOLIDATED	
	2017	**2016**
	$	**$**
(a) Issued and paid up capital		
Ordinary shares fully paid	**103,369,164**	101,545,967
Total	**103,369,164**	101,545,967

(b) Movements in shares on issue

	2017		2016	
	Number of shares	**$**	**Number of shares**	**$**
Beginning of the financial year	**1,717,494,096**	**101,545,967**	1,150,994,096	99,411,998
Issued during the year:				
– Placements & SPP (net of costs)	**732,583,346**	**1,673,197**	566,500,000	2,133,969
– Exercise of Options (net of costs)	**-**	**-**	-	-
– Shares awaiting shareholder approval	**-**	**150,000**	-	-
End of the financial year	**2,450,077,442**	**103,369,164**	1,717,494,096	101,545,967

10. RESERVES AND ACCUMULATED LOSSES

	CONSOLIDATED 2017 $	2016 $
Reserves		
Beginning of the financial year	**154,000**	154,000
Options expired	**(154,000)**	-
Options issued	**100,000**	-
End of the financial year	**100,000**	154,000
Accumulated losses		
Beginning of the financial year	**(91,414,376)**	(85,941,995)
Net loss attributable to members of Pancontinental Oil & Gas NL	**(4,981,475)**	(5,472,381)
Share options expired	**154,000**	-
Total available for appropriation	**(96,241,851)**	(91,414,376)
End of the financial year	**(96,241,851)**	(91,414,376)

11. STATEMENT OF CASH FLOWS

	CONSOLIDATED 2017 $	2016 $
(a) Reconciliation of the net loss after tax to the net cash flows from operations		
Net loss	**(4,981,475)**	(5,472,381)
Non-Cash Items, Non-Operating Items		
Depreciation of non-current assets	**16,869**	23,565
Financing expense	**100,728**	3,169
Financing income	**(3,207)**	(16,893)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	**(14,458)**	(11,274)
(Increase)/decrease in property, plant & equipment	**16,869**	20,965
(Increase)/decrease in exploration, evaluation & development	**2,418,842**	4,105,802
(Increase)/decrease in interests in subsidiaries	**-**	-
(Decrease)/increase in trade and other payables	**219,258**	(964,991)
Other non-cash	**(21,741)**	(31,141)
Net cash flow from operating activities	**(2,248,315)**	(2,343,179)
(b) Reconciliation of cash		
Cash balance comprises:		
– cash assets	**740,160**	1,157,927
Closing cash balance	**740,160**	1,157,927

12. EXPENDITURE COMMITMENTS

	CONSOLIDATED 2017 $	CONSOLIDATED 2016 $
Capital expenditure commitments		
Estimated capital expenditure contracted for at reporting date, but not provided for, payable:		
not later than one year	-	-
later than one year and not later than five years	-	-
later than five years	-	-
Total	-	-

13. EMPLOYEE BENEFITS

Employee Share Scheme

Information with respect to the number of options under the employee share incentive scheme is as follows:

	2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	**2,750,000**	**0.12**	2,750,000	0.12
– expired	**(2,750,000)**	**0.12**	-	-
Balance at end of year	-	-	2,750,000	0.12

Options held at the end of the reporting period

There were 100,000,000 options held by the Company as at 30 June 2017, these options were not issued under the Employee Share Scheme

14. SUBSEQUENT EVENTS

4 July 2017

Namibia PEL 37 operator Tullow entered into a farmout agreement with ONGC Videsh Limited of India for a 30% participating interest. Tullow is to remain as operator of the PEL 37 joint venture. Pancontinental believes this transaction to be a positive step toward testing the oil potential of PEL 37.

10 July 2017

General Meeting of shareholders held at the Park Business Centre to seek shareholder approval for the acquisition of private company Bombora Natural Energy Pty Ltd and related resolutions. Bombora is a gas-focused company with interests onshore in the Sacramento Gas Basin, USA and onshore Perth Basin. All resolutions put to the meeting were passed on a poll.

17 July 2017

Placement funds received for Pancontinental’s $2 million fundraising.

3 August 2017

Dempsey-1 onshore well in the Sacramento Gas Basin, California commences drilling.

14 August 2017

Magnum Gas and Power Limited (“Magnum”) contributed funds in accordance with a Letter of Intent announced on 5 June 2017 to provide the remaining funding on its and Pancontinental’s behalf required for the drilling of Tulainyo-2 in the Sacramento Gas Basin, USA to the operator of the Tulainyo project. Following transfer of the funds, Gas Fields LLC, a subsidiary of Pancontinental holding the Tulainyo asset, will be owned 40% Pancontinental and 60% Magnum Gas and Power Limited. The drilling of the Tulainyo-2 well is scheduled to commence late October 2017.

11September 2017

Africa Energy Corp, a Canadian oil and gas exploration company listed on the TSX Venture Exchange (Ticker Symbol AFE) invested in Pancontinental’s subsidiary Pancontinental Namibia Pty Ltd. Africa Energy subscribed for new shares in the subsidiary, acquiring a 33.33% shareholding in exchange for US $7.7 million; US $2.2 million payable immediately and the balance payable upon spud of the PEL 37 well in Namibia. Africa Energy has a highly regarded team focused on large African oil plays that will add technical capability towards furthering the growth potential of this asset.

15. EARNINGS PER SHARE

	CONSOLIDATED	
	2017	**2016**
	$	**$**
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net profit	**(4,981,475)**	(5,472,381)
Adjustments:		
Earnings used in calculating basic and diluted earnings per share	**(4,981,475)**	(5,472,381)
	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	**1,942,921,042**	1,372,776,288
Effect of dilutive securities:		
Share options	**-**	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**1,942,921,042**	1,372,776,288

16. AUDITORS' REMUNERATION

	CONSOLIDATED	
	2017	**2016**
	$	**$**
Amounts received or due and receivable by Rothsay for:		
– an audit or review of the financial report of the entity and any other entity in the consolidated entity	**26,000**	35,000
– other services in relation to the entity and any other entity in the consolidated entity	**-**	-
Amounts received or due and receivable by Ernst and Young Namibia for:		
– an audit or review of the financial report of Pancontinental Namibia Pty Ltd	**9,975**	8,924
– other services in relation to the entity	**-**	-
	35,975	43,924

17. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executives

(i) Specified Directors ***for the current financial year***

John Edward Leach	Non-Executive Chairman
Henry David Kennedy	Non-Executive Director
Roy Barry Rushworth	Executive Director, Chief Executive Officer
Ernest Anthony Myers	Executive Finance Director
Vesna Petrovic	Executive Director & Company Secretary

(ii) Specified Executives ***for the current financial year***

N/A

Total remuneration for all Non-Executive Directors, last voted upon by Shareholders at the 2007 AGM, is not to exceed $400,000 per annum and is set with reference to fees paid to other Non-Executive Directors of comparable companies.

Non-Executive and Executive Directors do not receive performance related remuneration but they are eligible to participate in Employee Option Schemes approved by Shareholders.

Directors do not receive any termination or retirement benefits.

(b) Remuneration of Specified Directors / Officers

	Primary			Post Employment		Equity	Other	Total
	Salary & Fees	Cash Bonus	Non Monetary benefits	Super-annuation	Retirement benefits	Options	Bonus	
Specified Directors / Officers								
John Edward Leach								
2017	**48,000**	**-**	**-**	**-**	**-**	**-**	**-**	**48,000**
2016	16,000	-	-	-	-	-	-	16,000
Henry David Kennedy								
2017	**50,000**	**-**	**-**	**-**	**-**	**-**	**-**	**50,000**
2016	50,000	-	-	-	-	-	-	50,000
Roy Barry Rushworth								
2017	**237,500**	**-**	**-**	**-**	**-**	**-**	**-**	**237,500**
2016	343,750	-	-	-	-	-	-	343,750
Ernest Anthony Myers								
2016	**187,500**	**-**	**-**	**-**	**-**	**-**	**-**	**187,500**
2016	200,000	-	-	-	-	-	-	200,000
Vesna Petrovic								
2017	**140,625**	**-**	**-**	**-**	**-**	**-**	**-**	**140,625**
2016	150,000	-	-	-	-	-	-	150,000
Anthony Robert Frederick Maslin								
2017	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2016	26,000	-	-	-	-	-	-	26,000
Total Remuneration: Specified Directors / Officers								
2017	**663,625**	**-**	**-**	**-**	**-**	**-**	**-**	**663,625**
2016	785,750	-	-	-	-	-	-	785,750

(c) Remuneration options: Granted and vested during the year

There were no grants of remuneration options during the year.

(d) Option holdings of specified Directors and specified Executives

2017

	Balance at beginning of period	Granted as Remuneration	Options Exercised / (Expired)	Net Change Other	Balance at end of period
	1 July 2016				30 June 2017
Specified Directors					
John Edward Leach	-	-	-	-	-
Henry David Kennedy	500,000	-	(500,000)	-	-
Roy Barry Rushworth	1,000,000	-	(1,000,000)	-	-
Ernest Anthony Myers	750,000	-	(750,000)	-	-
Vesna Petrovic	-	-	-	-	-
Total	**2,250,000**	**-**	**(2,250,000)**	**-**	**-**

2016

	Balance at beginning of period	Granted as Remuneration	Options Exercised / (Expired)	Net Change Other	Balance at end of period
	1 July 2015				30 June 2016
Specified Directors					
John Edward Leach	-	-	-	-	-
Henry David Kennedy	500,000	-	-	-	**500,000**
Roy Barry Rushworth	1,000,000	-	-	-	**1,000,000**
Ernest Anthony Myers	750,000	-	-	-	**750,000**
Anthony Robert Frederick Maslin (to 15/1/16)	500,000	-	-	-	**500,000**
Total	**2,750,000**	**-**	**-**	**-**	**2,750,000**

(e) Shareholdings of Specified Directors and Specified Executives

2017

Ordinary Shares held in Pancontinental Oil & Gas NL	Balance 1 July 2016	Acquisitions (Disposals)	Balance 30 June 2017
Specified Directors			
John Edward Leach	-	-	-
Henry David Kennedy	270,101,602	66,666,667	336,768,269
Roy Barry Rushworth	36,835,610	10,000,000	46,835,610
Ernest Anthony Myers	1,650,715	1,250,000	2,900,715
Vesna Petrovic	-	-	-
Total	**308,587,927**	**77,916,667**	**386,504,594**

2016

Ordinary Shares held in Pancontinental Oil & Gas NL	Balance 1 July 2015	Acquisitions (Disposals)	Balance 30 June 2016
Specified Directors			
John Edward Leach	-	-	-
Henry David Kennedy	141,351,602	128,750,000	270,101,602
Roy Barry Rushworth	36,835,610	-	36,835,610
Ernest Anthony Myers	400,715	1,250,000	1,650,715
Anthony Robert Frederick Maslin (to 15/1/16)	14,583	-	14,583
Total	**178,602,510**	**130,000,000**	**308,602,510**

18. SEGMENT INFORMATION

Segment accounting policies
The group has adopted AASB 8 *Operating Segments* which requires operating segments to be identified on the basis of internal reports about components of the group that are reviewed by the chief operating decision-maker in order to allocate resources to the segment and to assess its performance.

The Board of Pancontinental reviews internal reports prepared as consolidated financial statements and strategic decisions of the group are determined upon analysis of these internal reports. During the period the group operated predominately in one business segment, being the oil and gas sector. Accordingly, under the management approach outlined only one operating sector has been identified and no further disclosures are required in the notes to the consolidated financial statements.

19. FINANCIAL INSTRUMENTS

Financial risk management

Overview:

The Company and Group have exposure to the following risks from their use of financial instruments:

(a) credit risk

(b) liquidity risk

(c) market risk

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

(a) Credit risk:

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. In this industry, it arises principally from the receivables of joint venture re-charges and recuperations of cost. For the group in this financial year, it arises primarily from receivables due from subsidiaries, GST and VAT refunds, prepayments and bonds.

(i) Trade and other receivables:

The Group operates predominantly in the oil and gas exploration sector; it does not ordinarily have material trade receivables and is therefore not ordinarily exposed to credit risk in relation to trade receivables.

The Company's and Group's exposure to credit risk is influenced directly and indirectly by the individual characteristics of each joint venture.

(ii) Loans to subsidiaries:

The Company has provided funding to its subsidiaries by way of loans. Repayment of these loans will occur through future business activities of each respective entity.

Exposure to credit risk

The carrying amount of the Company's and Group's financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Consolidated	Note	Carrying amount 2017	2016
		$	$
Trade and other receivables	4	**77,571**	63,113
Cash and cash equivalents		**740,160**	1,157,927
Total		**817,731**	1,221,040

Impairment losses:

None of the Company's or Group's receivables are past due at 30 June 2017, (2016: nil).

An impairment write down in respect of inter-Group loans and shares was recognised during the current year from an analysis of the subsidiaries respective financial positions. The total impairment write down recognised through impairment of loans to subsidiaries and shares held in subsidiaries during the current period was $1,456,301 (2016: $1,924,379).

Whilst the loans were not payable at 30 June 2017 a provision for impairment based on the subsidiaries financial position was carried forward from previous periods. The balance of this provision may vary due to performance of a subsidiary in a given year.

(b) Liquidity risk:

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group manages liquidity risk by maintaining adequate cash reserves through continuously monitoring forecast and actual cash flows.

Consolidated	Contractual cashflows < 1 year	1-5 years	> 5 years
	$	$	$
Trade and other payables - Current	**(499,946)**	-	-
Trade and other payables - Non Current	-	-	**(10,871)**
Total	**(499,946)**	-	**(10,871)**

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk:

The Group is from time to time exposed to currency risk on investments, and foreign currency denominated purchases in a currency other than the respective functional currencies of group entities, primarily the Australian dollar (AUD). The other material currency that these transactions are denominated in is the (USD).

The group has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency.

Exposure to currency risk:
The group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	30 June 2017			30 June 2016		
AUD	**AUD**	**USD**	**Total**	**AUD**	**USD**	**Total**
Cash & cash equivalents	**185,119**	**555,041**	**740,160**	750,247	407,680	1,157,927
Trade & other receivables	**77,571**	**-**	**77,571**	63,113	-	63,113
Trade and other payables	**(510,817)**	**-**	**(510,817)**	(291,559)	-	(291,559)
Net balance sheet exposure	**(248,127)**	**555,041**	**306,914**	521,801	407,680	929,481

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2017	2016	**2017**	2016
AUD : USD	**0.754**	0.728	**0.769**	0.744

Sensitivity analysis:
A 10 percent strengthening of the Australian dollar against the USD at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016.

Effect in AUD	**Consolidated**	
	Equity	**Profit or loss**
30 June 2017		
10% strengthening	**61,671**	**61,671**
30 June 2016		
10% strengthening	45,298	45,298

A 10 percent weakening of the Australian dollar against the USD at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The sensitivity analysis only had an effect on the equity or profit and loss of the Company in relation to the USD bank account.

Interest rate risk:
At balance date the Group had exposure to interest rate risk, through its cash and equivalents held within financial institution.

	Consolidated Carrying Amount	
	30 June 2017	**30 June 2016**
Variable rate instruments		
Cash and cash equivalents	**740,160**	1,157,927

Fair value sensitivity analysis for fixed rate instruments:

The company and group do not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at reporting date would not affect profit or loss or equity.

Fair values:

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Consolidated	30 June 2017		30 June 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	**77,571**	**77,571**	63,113	63,113
Cash and cash equivalents	**740,160**	**740,160**	1,157,927	1,157,927
Trade and other payables	**(510,817)**	**(510,817)**	(291,559)	(291,559)
	306,914	**306,914**	929,481	929,481

The basis for determining fair values is disclosed in note [1].

Capital Management:

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the group defines as net operating income divided by total Shareholders' equity, excluding non-redeemable preference shares and minority interests.

	2017	2016
Equity attributable to Shareholders of the Company		
Minorities	**-**	-
Equity	**7,227,313**	10,285,591
Total assets	**7,738,130**	10,577,150
Equity ratio in %	**93.40%**	97.24%
Average equity	**8,756,452**	11,954,797
Net Profit	**(4,981,475)**	(5,472,381)
Return on Equity in %	**(56.89)%**	(45.78)%

There were no changes in the group's approach to capital management during the year.

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

20. RELATED PARTY

(a) During the year the company paid fees to Resource Services International Limited, a company in which Mr Kennedy has a financial interest, for consulting services. The amount paid was $50,000 (2016: $50,000). Refer note 17.

(b) The Company has effected Directors and Officers Liability Insurance.

21. PARENT INFORMATION

The Group has applied amendments to the Corporations Act (2001) which remove the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures below.

AT 30 JUNE 2017

	2017 $	2016 $
STATEMENT OF COMPREHENSIVE INCOME		
Profit/(Loss) for the period	**(4,964,349)**	(3,533,398)
TOTAL COMPREHENSIVE INCOME / (LOSS)	**(4,964,349)**	(3,533,398)

	2017 $	2016 $
STATEMENT OF FINANCIAL POSITION		
Assets		
Current assets	**814,409**	1,221,040
TOTAL ASSETS	**7,637,155**	10,577,150
Liabilities		
Current liabilities	**447,340**	274,658
TOTAL LIABILITIES	**458,211**	291,559
Equity		
Contributed equity	**103,369,164**	101,545,967
Reserves	**100,000**	154,000
Accumulated losses	**(96,290,220)**	(91,414,376)
TOTAL EQUITY	**7,178,944**	10,285,591

In accordance with a resolution of the Directors of Pancontinental Oil & Gas NL, I state that:

(1) In the opinion of the Directors:

(a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2017 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards including International Financial Reporting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2017.

On behalf of the Board

Ernest Anthony Myers
Director

Perth 29 September 2017

ROTHSAY

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF PANCONTINENTAL OIL & GAS NL

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pancontinental Oil & Gas NL ("the Company") and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended on that date and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration of the Company.

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Exploration and evaluation expenditure

The group has incurred significant exploration and evaluation expenditure which has been capitalised. As the carrying value of exploration and evaluation expenditure represents a significant asset of the Group we considered it necessary to assess whether facts and circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount.

In doing so we carried out the following work in accordance with the guidelines set out in AASB 6 *Exploration for and Evaluation of Mineral Resources*. Our procedures included but were not limited to the following:

- We obtained evidence that the Group has valid rights to explore in the licence areas represented by the capitalised exploration and evaluation expenditure;

- We enquired of management and reviewed work programs to ensure that further expenditure on the licence areas in the Group's areas of interest was planned and cross referenced these discussions to ASX announcements and minutes of directors' meetings;

- We tested a sample of current year expenditure to source documents on the exploration licence areas;

- We obtained an understanding of the key processes associated with management's review of the carrying values of capitalised exploration and evaluation expenditure and challenged management's assertion that the carrying amount of the capitalised expenditure after the impairment charge was likely to be recovered in full from successful development or sale.

We have also assessed the appropriateness of the disclosures included in Notes 1 and 7 to the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/Home.aspx

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2017.

In our opinion the remuneration report of Pancontinental Oil & Gas NL for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Rothsay

Rothsay Auditing

Dated 29th September 2017

Graham Swan FCA
Partner

Chartered Accountants