



Chairman's Address to 2017 Annual General Meeting of Pancontinental Oil & Gas NL

Ladies and Gentlemen, thank you for your presence today.

The year since we last met has been both traumatic and triumphant for Pancontinental Oil and Gas, and I am pleased to advise that Directors can now see a clear path forward towards success for your company.

The company's year began in disturbing fashion, with a persistent depressed oil price and with continuing delays in the planned joint venture drilling of its main project, PEL 37, offshore Namibia. This coincided with depletion of corporate funds, and the necessity of operating within a market that seems only willing to reward very near term drilling activities. Directors determined that an urgent reorientation was required.

A significant opportunity arose in mid-2017 and, with support from our corporate advisors, Hartleys, negotiations commenced for the acquisition of a private company, Bombora Natural Energy Pty Ltd, which had interests in two near term drilling projects in northern California, and a quality management team. Negotiations proceeded quickly, together with raising of the funds necessary to pursue Bombora's projects, and the deal was approved by shareholders in July, 2017.

To date, Bombora's Dempsey project has been drilled, yielding intersections of gas at several target levels. Flow testing is in progress, with the expectation of early commercial success. Drilling of the second project has also begun. This is an appraisal well of a high pressure gas discovery called Tulainyo, that could not be tested when drilled in early 2015 due to mechanical difficulties. Our Tulainyo partner is California's largest gas production company, California Resources Production Corporation. A high proportion of the costs of this well is being paid by a third party on a promoted basis, minimising our costs, while we retain exposure to what could prove to be a very large onshore gas resource. The Tulainyo 2-7 well is presently drilling ahead at 1,245 feet depth.

The Bombora acquisition inevitably brought some management and board changes. Then Chairman, John Leach resigned as a Director, having played a strong role in the negotiation. I sincerely thank John for his service to the company. Vesna Petrovic also resigned as a Director, but she remains Company Secretary and Chief Financial Officer, and also has agreed to act as Alternate Director for me going forward. Marie Malaxos, who has considerable experience in development and production of resource projects, joined the board as a Non-Executive, and John Begg, the Managing Director of Bombora, who is a very experienced explorationist and negotiator, has become CEO and Executive Director of Pancontinental. Barry Rushworth continues with the company as a Non-Executive, with responsibility for African activities, and Ernie Myers continues as a Non-Executive Director, providing valuable corporate and financial support to John and Vesna. I believe Pancontinental now has the appropriate team for management of its increased, and more varied assets portfolio.

Whilst the Bombora negotiation was in progress, the Company continued its attempts to "monetise" an additional portion of its Namibian PEL 37 equity. Success was finally achieved in dealing an effective 10% joint venture interest to Africa Energy Corp. ("AEC") for cash payments totalling US \$7.7 million, of which \$2.2 million has been received, and \$5.5 million will be paid on commencement of drilling. These payments equate to approximately 10 million Australian dollars.

Although a small company, AEC provides increased strength to the joint venture. It has a management very experienced in Africa, as well as the backing of its major shareholder, the Lundin group, one of the most successful international independent oil and gas organizations of recent years.

Joint venture operator, Tullow, also continued its attempts to farm out for drilling of PEL 37, and has announced success in dealing to ONGC Videsh Limited, a subsidiary of one of the world's largest resource companies, and one of India's top 10 companies.

On completion of the ONGC Videsh negotiation, the PEL 37 joint venture has met, and has committed to drilling the Cormorant prospect, with a spud date in September, 2018. Finally, PEL 37 will be drilled!

Directors believe an expanded presence in Namibia is warranted, because of its stability and transparency, and because industry interest is clearly increasing, as witnessed by the recent entries of French oil giant, Total, ONGC Videsh of India, and AEC, adding to the major companies already active, such as Shell, Galp of Portugal and, of course, Tullow.

The search continues for additional opportunities in California, Namibia, and elsewhere in Africa, and I'm confident we will develop high potential projects in all favoured regions.

During the year, the company raised AUD \$1.8 million by way of placements and a share purchase plan. Placement funds were raised from both local and UK markets, and the SPP was well supported by shareholders. Subsequent to year end, a further AUD \$2.0 million was raised as part of the Bombora transaction, with some \$2.4 million seed capital having already been raised within Bombora. In September, approximately AUD \$3 million was received as first payment of the AEC transaction, with another \$7 million to come.

Shareholders may be interested to learn that, of some \$20 million raised and committed in the last 18 months for the company and its drilling projects, only \$6.2 million comprises equity capital, with the balance having been generated from the respective projects.

Following from the year's activities, Pancontinental now has a broadened spectrum of opportunities, a significant possibility of near term cash flow from gas production in California, and certainty of drilling cormorant in Namibia in 2018.

Although we perceive signs of improvement in oil prices, and in activity levels of some of the major players, operating conditions remain difficult, and I thank our dedicated staff and board for excellent progress during what continues to be a challenging time for our industry.

I recognise that difficult times also continue for investors, and we sincerely thank you, our shareholders, for your continued support.

Yours sincerely for and on behalf of
Pancontinental Oil & Gas NL

**HD Kennedy,
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