

**Half Year Report and Accounts**  
**July 2018 to December 2018**



**PANCONTINENTAL**



## ABN 95 003 029 543

### Directors

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

### Company Secretary

Vesna Petrovic

### Registered Office

Level One, 10 Ord Street  
West Perth WA 6005  
Telephone: +61 8 6363 7090

### Share Registry

Advanced Share Registry Services  
PO Box 1156  
Nedlands WA 6909  
Telephone: +61 8 9389 8033

### Auditors

Rothsay Chartered Accountants  
Level 1, Lincoln House  
4 Ventnor Avenue  
West Perth WA 6005

### Internet Address & Contact

[www.pancon.com.au](http://www.pancon.com.au)  
[info@pancon.com.au](mailto:info@pancon.com.au)

### ASX Code

PCL

**This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2018 and any public announcements made by Pancontinental Oil & Gas NL during the Half Year in accordance with the continuous disclosure requirements of the Corporations Act 2001.**

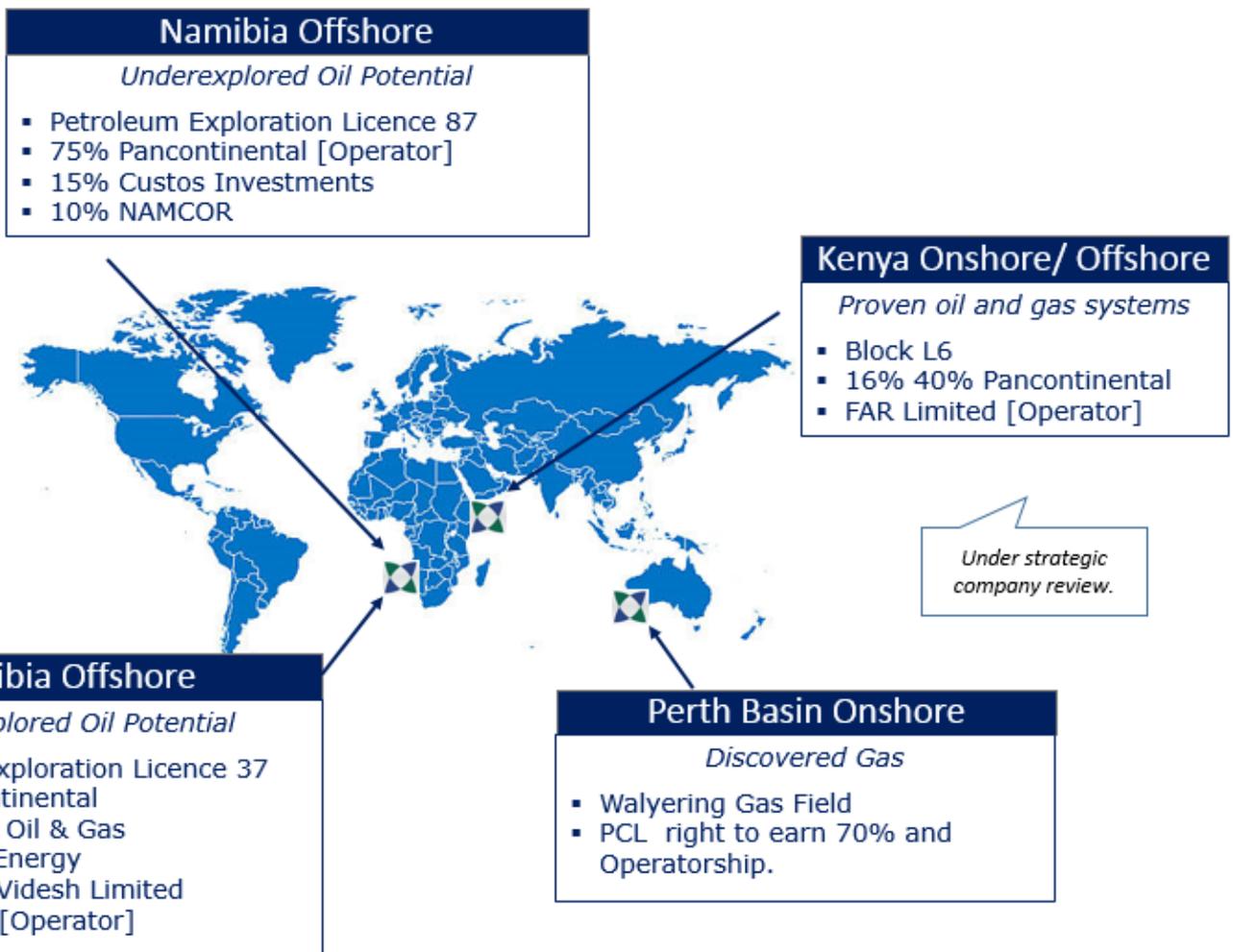
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Licence Location	Licence Reference	PCL Interest
Namibia	PEL 37	20.00%
Namibia	PEL 87	75.00%
Kenya	L6 offshore	40.00%
Kenya	L6 onshore	16.00%
Australia	Walyering	*70.00%

\*Earning



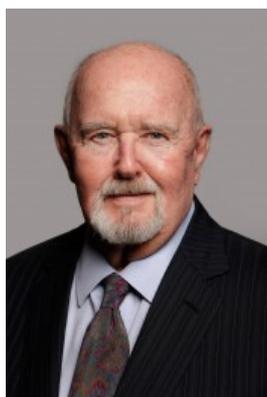


The Directors present their report on the consolidated entity consisting of Pancontinental Oil & Gas NL ("Pancontinental" or the "Company") and the entities it controlled at the end of or during the half year ended 31 December 2018.

## DIRECTORS

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

### Names, qualifications, experience and special responsibilities



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

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

Mr Kennedy is currently a Non-Executive Director of Norwest Energy NL (since April 1997).



**Ernest Anthony Myers** CPA (Chief Executive Officer and 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 is also a Non-Executive Director and Chairman of Norwest Energy NL (since 28 November 2018).



**Roy Barry Rushworth**, BSc (Technical 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.



**John Douglas Begg** BSc (Geology) (Non-Executive Director)

Mr Begg is an 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. A geoscientist who has lived and worked with 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 in July 2017.



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

Ms 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, Ms Malaxos was appointed to the Board as a Non-Executive Director.

## COMPANY SECRETARY & EXECUTIVE DIRECTOR



**Vesna Petrovic** BComm, CPA (Company Secretary & Executive Director)

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, Alternate Director for Mr Kennedy in July 2017 and Executive Director in September 2018.



## REVIEW AND RESULTS OF OPERATIONS

The review of the consolidated entity's operations during the half year ended 31 December 2018 is as follows:

### Financial

Revenue	\$ 7,085,137
Expenses	(7,114,739)
Operating Profit /(Loss)	(29,602)
Income Tax	-
Operating Profit /(Loss) for the half year	(29,602)

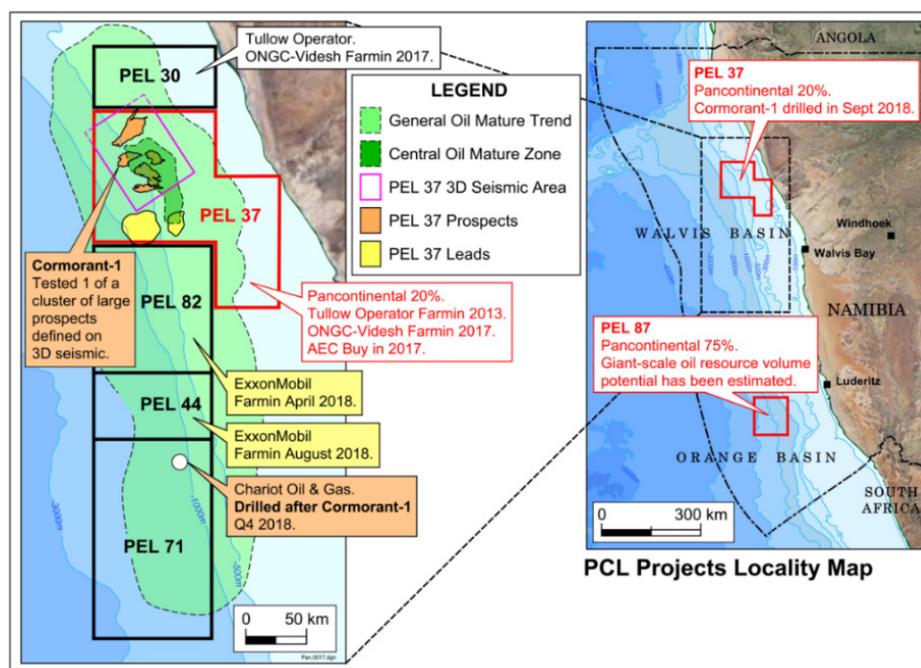
### Review of Operations

#### Namibia Offshore PEL 87

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

In December 2017, Pancontinental was awarded PEL 87, which is a licence that covers a large (10,947km<sup>2</sup>), offshore exploration area in the Orange Basin, Namibia. Pancontinental is the project Operator, with a 75% interest.

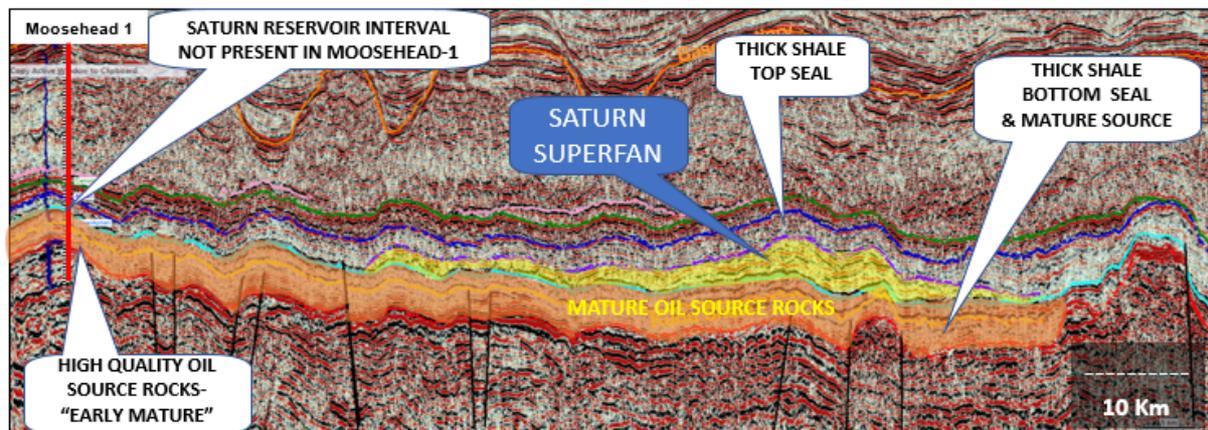
Since the award of the licence, the Company has progressed its technical evaluation of the licence area based on interpretation of over 2,800 line km of mostly reprocessed 2D seismic data. During the evaluation, the Company's technical team documented a number of prospective trends with the current focus centred on a very large submarine fan complex of Aptian Age that the Company has named the "Saturn Superfan".



The "Saturn Superfan" is geologically older than the fan body targeted by the Cormorant-1 exploration well in the Company's other Namibian licence PEL 37 and unlike that prospect, lies immediately on top of rich oil source shales (which are mature for oil generation). While both projects do share some geological characteristics, different oil source kitchens, oil migration and charge mechanisms are accessed in each area with the positioning of the Saturn Superfan deemed more favourable.

This huge and highly prospective play type has never been drilled in Namibia but encouragingly has been successfully tested in analogue basins around the world. The region offshore

Namibia continues to be an industry hotspot and hosts super-major companies as operators, some of who, such as Shell and Total are drilling in the near term.



PEL 87 - Seismic Section through the Saturn Superfan showing a large, closed anticlinal-drape Lead

## **Namibia Offshore PEL 37**

Location:	Walvis Basin		
Project Size:	17,295 square kilometres		
JV Partners:	Tullow Namibia Limited (Operator)	35.00%	
	Pancontinental Namibia Pty Ltd	30.00% *	* Ownership of Pancontinental Namibia Pty Ltd:
	ONGC Videsh Limited	30.00%	Pancontinental Oil & Gas NL 66.67%
	Paragon Oil & Gas (Pty) Ltd	5.00%	Africa Energy Corp. 33.33%

Pancontinental holds a 20% interest in the PEL 37 project through a shareholding (66.67%) in subsidiary Pancontinental Namibia Pty Ltd. During the 2018 financial year, Africa Energy Corp. committed to an investment of US \$7.7 million in Pancontinental Namibia Pty Ltd for a 33.33% shareholding, equating to 10% of PEL 37. US \$2.2 million was received at the close of the transaction with the balance received during the Half Year ended 31 December 2018.

Also during the Half Year ended 31 December 2018, Pancontinental participated in the drilling of the Cormorant-1 well offshore Namibia. The well was part of a farm out deal closed with Tullow Namibia Limited ("Tullow"), a subsidiary of Tullow Oil, in 2013. The terms of the deal included Tullow leading an exploration programme consisting of 3D and 2D seismic as well as processing, interpretation, mapping and an exploration well, essentially free carried for Pancontinental. That equates to over US \$70 million of expenditure to advance the project through the Company's deal with Tullow.

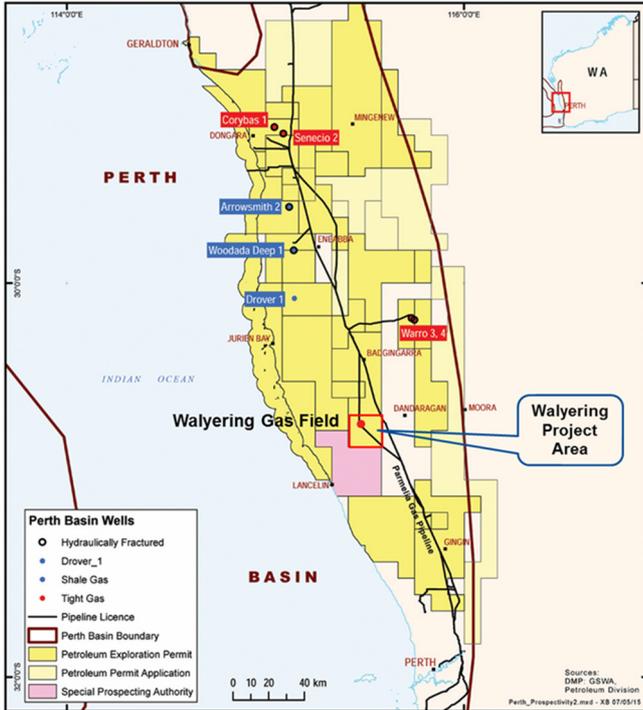
The Cormorant-1 well spudded on schedule as planned and reached a total measured depth of 3,855m. The Early Cretaceous age Cormorant Submarine Fan target was encountered close to the predicted depth but unfortunately the well did not encounter accumulated hydrocarbons. The Fan contained wet gas signatures indicative of oil which suggests that there had been significant hydrocarbon generation in the area.

Important geological data has been gained from the Cormorant-1 well, providing valuable insights into the prospectivity of the Aptian-Cenomanian turbidite fans that are still valid exploration plays in both PEL 37 and, further south, in PEL 87 (Pancontinental 75%).



## Western Australia – Perth Basin Walyering Conventional Gas Field

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

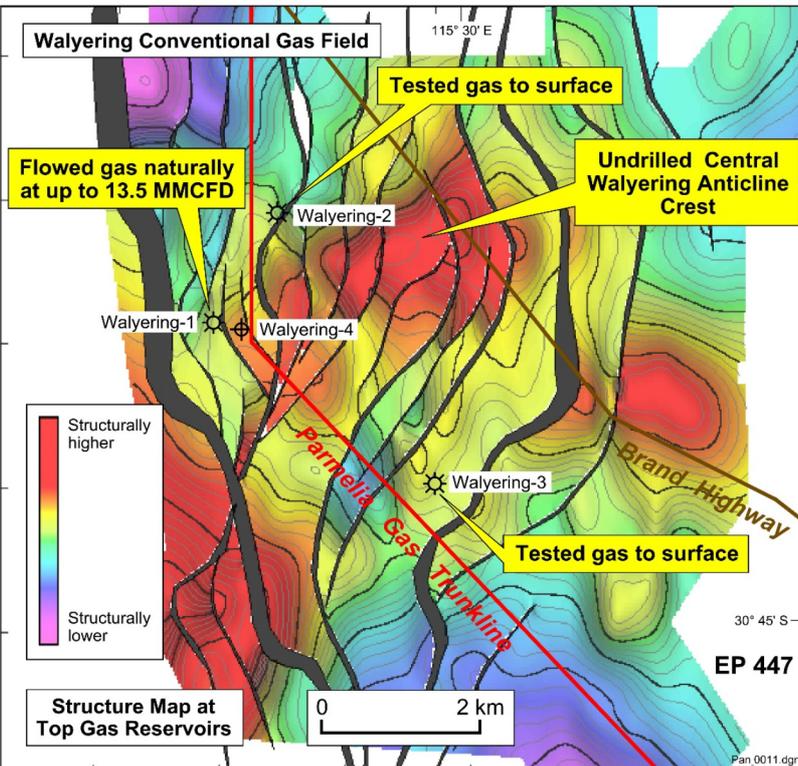


Pancontinental in agreement with UIL Energy Ltd (who have recently been taken over by Strike Energy Limited) has the right to earn a 70% operated interest in the Walyering Conventional Gas Field by acquiring 3D seismic.

The acquisition of 3D seismic will better define the area and may provide the information required to recommence development drilling and gas and condensate production from the Walyering Gas Field.

The process to obtain a licence to conduct the 3D seismic survey of approximately 90 km<sup>2</sup> is quite a complex one that involves a number of Government Departments signing off prior to the issue of a permit by the DMIRS. The Company is currently working its way through the approval process with a number of important objectives having already been met.

Historically, Walyering-1 flowed conventional gas on natural flow at up to 13.5 MMCFD and was produced for a time into the Parmelia Gas Pipeline supplying domestic customers in Perth.



## USA California

The Company had anticipated that through the acquisition of Bombora Natural Energy Pty Ltd ("Bombora") it would have added producing Californian assets to its portfolio. However, after participating in the drilling of two wells which did not produce adequate results, the Company resolved to exit from California completely.

The last step in this process occurred during the Half Year with Pancontinental signing a binding sale and purchase agreement with Gasfields Limited to acquire 100% of Bombora.

## New Ventures

The Company continues to evaluate suitable new venture opportunities that could add value and activity during 2019.



## **Management Changes**

Important changes to the Board and management of the Company occurred during the Half Year. These changes will best position the Company for its strategic objectives going forward.

Ernie Myers now leads the Company as CEO and Executive Director after Mr Begg stepped down from the position during the Half Year. Mr Myers joined Pancontinental in March 2004 and has served in a number of executive and non-executive roles over his 14 year tenure.

He is supported by Technical Executive Director; Barry Rushworth, and Non-Executive Directors John Begg and Marie Malaxos, as well as Executive Director Vesna Petrovic on the financial side.

## **Appointment of Executive Director**

On 5 September 2018, Pancontinental announced that Company Secretary and CFO Vesna Petrovic was appointed back to the Board as Executive Director. Mrs Petrovic joined Pancontinental in 2008, has been Company Secretary since 2010 and is also Alternate Director for Pancontinental Chairman Mr Kennedy (since 2017).

## **Funds Received on Conversion of Options**

During the Half Year, the Company received AU \$579,707 from the conversion of 144,926,830 (at \$0.004) of the Company's options.

## **Annual Report and General Meeting**

The Company's annual report was lodged during the quarter. A copy of the report can be found following the below link:

<https://pancon.com.au/wp-content/uploads/2018/11/2018-10-30-PCL-ASX-Annual-Report.pdf>

The Company also held its Annual General Meeting during the quarter where all resolutions put to the meeting were passed on a poll.

Results can be found following the below link:

[http://clients2.weblink.com.au/news/pdf\\_2%5C02055156.pdf](http://clients2.weblink.com.au/news/pdf_2%5C02055156.pdf)



## CHANGES IN STATE OF AFFAIRS

During the half year ended 31 December 2018, there were no significant change in the entity's state of affairs other than that referred to in the Half Year Financial Statements of Notes thereto.

This report is made in accordance with a resolution of the Directors.

EA Myers  
CEO and Executive Director  
PERTH, 13 March 2019

## AUDITOR INDEPENDENCE

The Directors received the following declaration from the auditor of Pancontinental Oil & Gas NL:

### **Auditor's Independence Declaration to the Directors of Pancontinental Oil & Gas NL**

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit review of the 31 December 2018 half year financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Mr Graham Swan

Lead Auditor

Rothsay Chartered Accountants

13 March 2019

## DIRECTORS' DECLARATION FOR THE HALF YEAR ENDED 31 DECEMBER 2018

The Directors declare that:

- (a) The attached Financial Statements and Notes thereto comply with Accounting Standards;
- (b) The attached Financial Statements and Notes thereto give a true and fair view of the financial position and performance of the consolidated entity;
- (c) In the Directors' opinion, the attached Financial Statements and Notes thereto are in accordance with the Corporations Act, 2001; and
- (d) In the Directors' opinion, there are reasonable grounds to believe that Pancontinental Oil & Gas NL will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a Resolution of the Directors pursuant to section 303(5) of the Corporations Act, 2001.

On behalf of the Directors

EA Myers  
CEO and Executive Director  
PERTH, 13 March 2019



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Phone (08) 9486 7094 www.rothsayresources.com.au

### **Independent Review Report to the Members of Pancontinental Oil & Gas NL**

#### **The financial report and directors' responsibility**

The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Pancontinental Oil & Gas NL for the half-year ended 31 December 2018.

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### **Review approach**

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 31 December 2018 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Pancontinental Oil & Gas NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

#### **Independence**

In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*.

#### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim consolidated financial report of Pancontinental Oil & Gas NL is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the consolidated financial position as at 31 December 2018 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

**Rothsay Auditing**

Dated 13 March 2019

**Graham Swan FCA  
Partner**



CHARTERED ACCOUNTANTS™  
AUSTRALIA + NEW ZEALAND

# Statement of Comprehensive Income



HALF YEAR ENDED 31 DECEMBER 2018

Notes **CONSOLIDATED**  
Half Year to Half Year to  
Dec 2018 Dec 2017

		\$	\$
<b>OPERATING ACTIVITIES</b>			
Gas sales		-	2,319
Depreciation		(7,833)	(12,728)
Salaries, fees & benefits (inc leave accruals & recoveries)		(413,077)	(544,671)
Options		-	(892,324)
Audit fees		(9,308)	(11,477)
Exploration – generative & write offs	7	(4,622,372)	(590,369)
Annual report costs		(21,125)	(8,836)
ASX fees		(23,542)	(12,940)
Filing fees		(2,004)	(2,298)
Insurance		(31,536)	(26,256)
Legal fees		(61,380)	(105,146)
Share registry costs		(15,516)	(15,736)
Rent, outgoing and office		(87,728)	(113,879)
Travel		(24,496)	(101,504)
Other revenues and expenses		(152,770)	(179,207)
<b>TOTAL OPERATING ACTIVITIES</b>		<b>(5,472,687)</b>	<b>(2,615,052)</b>
<b>FINANCING ACTIVITIES</b>			
Financing income		58,332	17,928
<b>TOTAL FINANCING ACTIVITIES</b>		<b>58,332</b>	<b>17,928</b>
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>		<b>(5,414,355)</b>	<b>(2,597,124)</b>
Income tax expense		-	-
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>(5,414,355)</b>	<b>(2,597,124)</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
Sale of investments		7,026,805	-
Provision for loss on investment		(1,642,052)	-
Merger costs		-	(100,000)
<b>TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)</b>	9	<b>5,384,753</b>	<b>(100,000)</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>(29,602)</b>	<b>(2,697,124)</b>
Comprehensive income / (loss) attributable to:			
Owners of the Company		1,311,081	(2,682,140)
Non-controlling interest		(1,340,683)	(14,984)
		<b>(29,602)</b>	<b>(2,697,124)</b>
Basic earnings per share (cents per share)	5	0.00	(0.07)
Diluted earnings per share (cents per share)		0.00	(0.07)

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

# Statement of Financial Position



AT 31 DECEMBER 2018	Notes	CONSOLIDATED	
		Dec 2018	Jun 2018
		\$	\$
<b>CURRENT ASSETS</b>			
Cash assets	3	4,843,720	755,661
Trade and other receivables		53,403	113,322
<b>TOTAL CURRENT ASSETS</b>		<b>4,897,123</b>	<b>868,983</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		44,243	90,043
Deferred exploration, evaluation and development costs	7	6,589,835	8,799,541
<b>TOTAL NON-CURRENT ASSETS</b>		<b>6,634,078</b>	<b>8,889,584</b>
<b>TOTAL ASSETS</b>		<b>11,531,201</b>	<b>9,758,567</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		235,326	353,236
Financial liabilities	10	1,600,000	1,600,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,835,326</b>	<b>1,953,236</b>
<b>NON-CURRENT LIABILITIES</b>			
Provision for employee entitlements		62,454	17,935
Africa Energy loan in PCL Namibia		656,948	159,688
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>719,402</b>	<b>177,623</b>
<b>TOTAL LIABILITIES</b>		<b>2,554,728</b>	<b>2,130,859</b>
<b>NET ASSETS</b>		<b>8,976,473</b>	<b>7,627,708</b>
<b>EQUITY</b>			
Contributed equity	2	110,534,109	109,806,650
Reserves	2	776,227	992,324
Accumulated losses	2	(102,333,863)	(103,168,266)
Total Equity		<b>8,976,473</b>	<b>7,627,708</b>
<b>TOTAL EQUITY</b>		<b>8,976,473</b>	<b>7,627,708</b>
Capital and reserves attributable to owners of PCL		9,459,248	6,769,885
Non-controlling interest		(482,775)	857,823
		<b>8,976,473</b>	<b>7,627,708</b>

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

# Statement of Changes in Equity



## AT 31 DECEMBER 2018

Consolidated	Share Capital	Retained Earnings	Reserves	Total Equity
	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	<b>109,803,650</b>	<b>(103,168,266)</b>	<b>992,324</b>	<b>7,627,708</b>
<b>Profit or loss</b>	-	<b>(29,602)</b>	-	<b>(29,602)</b>
<b>Disposal of subsidiaries</b>	<b>155,036</b>	<b>647,908</b>	-	<b>802,944</b>
<b>Non-controlling interest</b>	-	-	-	-
<b>Shares issued (net of costs)</b>	<b>575,423</b>	-	-	<b>575,423</b>
<b>Share option &amp; reserve movements</b>	-	<b>216,097</b>	<b>(216,097)</b>	-
<b>Balance at 31 December 2018</b>	<b>110,534,109</b>	<b>(102,333,863)</b>	<b>776,227</b>	<b>8,976,473</b>
Balance at 1 July 2017	103,369,164	(96,241,851)	100,000	7,227,313
Profit or loss	-	(2,697,124)	-	(2,697,124)
Acquisition of subsidiary	-	(632,447)	-	(632,447)
Non-controlling interest	-	-	-	10
Shares issued (net of costs) *	5,189,207	-	-	5,189,207
Share option & reserve movements	-	-	2,417,939	2,417,939
Balance at 31 December 2017	108,558,371	(99,571,422)	2,517,939	11,504,898

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

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

# Statement of Cashflows



HALF YEAR ENDED 31 DECEMBER 2018

**CONSOLIDATED**  
 Half Year to      Half Year to  
 Dec 2018          Dec 2017  
 \$                      \$

**CASH FLOWS FROM OPERATING ACTIVITIES**

Payments to suppliers and employees	(884,045)	(1,718,540)
Expenditure on exploration interests	(3,174,117)	(1,791,111)

**NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES**

	(4,058,162)	(3,509,651)
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Sale of 33.33% interest in subsidiary – second tranche	7,650,477	2,739,240
Investment in Gasfields Limited	(160,000)	-

**NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES**

	7,490,477	2,739,240
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**CASH FLOWS FROM FINANCING ACTIVITIES**

Interest received	4,033	1,885
Proceeds from issues of ordinary shares	579,707	2,000,000
Share issue costs	(4,284)	(354,620)

**NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES**

	579,456	1,647,265
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**NET INCREASE/(DECREASE) IN CASH HELD**

Add opening cash brought forward	755,661	760,160
Effects of exchange rate changes	76,288	91,701

**CLOSING CASH CARRIED FORWARD**

	4,843,720	1,728,715
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The above Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements.



## Notes to the Financial Statements

### For the Half Year ended 31 December 2018

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

This general purpose financial report for the Half Year ended 31 December 2018 has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 134: Interim Financial Reporting. This Half Year Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Report for the year ended 30 June 2018 and public announcements made by Pancontinental Oil & Gas NL during the Half Year in accordance with any continuous disclosure obligations arising under the Corporations Act, 2001.

The accounting policies have been consistently applied to all the periods presented, unless otherwise stated.

##### *Principles of Consolidation*

The consolidated financial statements are those of the consolidated entity, comprising Pancontinental Oil & Gas NL and the companies it controlled from time to time during the half year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for that part of the reporting period during which the company had control. All intercompany balances and transactions, including unrealised profits arising from intra group transactions, have been eliminated in full.

##### *Cash*

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

##### *Taxation*

The Company has not brought to account the estimated future income tax benefits attributable to tax losses and temporary differences as a deferred tax asset, as it is not yet considered probable that future taxable profit will be available for utilisation.

##### *Impairment of Assets*

The recoverable amount of an asset is determined as the higher of net selling price and value in use.

Plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses. The fair value of plant and equipment, as determined by reference to observable prices, is not materially different to the carrying amount.

##### *Capitalisation of Exploration and Evaluation Costs*

The Company complies with AASB 6 *Exploration for and Evaluation of Mineral Resources*. Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at reporting date, reached a stage to allow reasonable assessment regarding the existence of economically recoverable reserves.

Costs carried forward in respect of an area that is abandoned are written off in the year which the decision to abandon is made.

##### *Significant Accounting Policies & Changes in Accounting Policies*

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2018.



## Notes to the Financial Statements

For the Half Year ended 31 December 2018

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

In the half year ended 31 December 2018, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2018.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half year ended 31 December 2018. As a result of this review the Group has determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

### 2. Equity

#### Contributed Equity

	\$
Balance as at 30 June	109,803,650
Disposal of subsidiaries	155,036
Exercise of options	575,423
Balance as at 31 December	<u><b>110,534,109</b></u>

#### Reserves

	\$
Balance as at 30 June	992,324
Options exercised	(216,097)
Balance as at 31 December	<u><b>776,227</b></u>

#### Accumulated Losses

	\$
Loss from ordinary activities after related income tax expense	(29,602)
Accumulated profits (losses) brought forward	(103,168,266)
Disposal of subsidiaries	647,908
Exercise of options	216,097
Accumulated profits (losses) at end of Half Year	<u><b>(102,333,863)</b></u>



### 3. Reconciliation of Cash

Cash at the end of the Half Year as shown in the Statement of Cash Flows is reconciled to the related items in the Financial Statements as follows:

	<b>31-Dec-18</b>	<b>30-Jun-18</b>
	\$	\$
Deposits – at call	20,000	20,000
Cash on hand and at bank	4,823,720	735,661
<b>Cash and Equivalents at 31 December</b>	<b>4,843,720</b>	<b>755,661</b>

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

<b>Category of Securities</b>	<b>Number Issued</b>	<b>Number Quoted</b>		
Ordinary Shares at 30 June 2018	5,261,788,668	5,261,788,668		
Issued during Half Year ended 31 December 2018	144,926,830	144,926,830		
Balance at 31 December 2018	<b>5,406,715,498</b>	<b>5,406,715,498</b>		
<hr/>				
Options at beginning of the Half Year	567,134,149	-		
	<b>567,134,149</b>	-		
Exercised during the Half Year	(66,000,000)	-	<b>Exercise</b>	<b>Expiry</b>
	(78,926,830)	-	\$0.004	24 Jul 20
	<b>144,926,830</b>	-	\$0.004	24 Jul 20
Options at end of the Half Year	<b>422,207,319</b>	-		

### 5. Earnings per Share

	<b>Half Year Ended 31-Dec-18</b>	<b>Half Year Ended 31-Dec-17</b>
Basic earnings per share - cents	0.00	(0.07)
Diluted earnings per share is not materially different from Basic earnings per share	0.00	(0.07)
The weighted average number of ordinary shares outstanding during the Half Year used in the calculation of basic earnings per share	5,303,082,888	3,869,802,453

### 6. Segmental Information

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



## 7. Exploration

	\$
Opening Balance 30 June	8,799,541
Additions	3,672,978
Disposal of subsidiaries	(1,260,312)
Exploration write offs	(4,588,198)
Generative exploration expenditure	(34,174)
Closing Balance 31 December	<u><b>6,589,835</b></u>

## 8. Subsidiaries

### Part Disposal of Subsidiary

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

## 9. Other Comprehensive Income /(Loss)

	\$
Africa Energy investment in Pancontinental Namibia Pty Ltd	7,650,477
Disposal of subsidiaries – Bombora group	(623,672)
Provision for loss on investment in Gasfields Limited	(1,642,052)
<b>Balance as at 31 December</b>	<u><b>5,384,753</b></u>

## 10. Financial Liabilities

	<b>31-Dec-18</b>	<b>30-Jun-18</b>
	\$	\$
Convertible Notes	<u><b>1,600,000</b></u>	1,600,000
<b>Balance as at 31 December</b>	<u><b>1,600,000</b></u>	<u>1,600,000</u>

During 2018, the Company raised \$1.6 million through the issue of Convertible Notes. The issue has a conversion price of A\$0.008 per share which represents a 33% premium to the 30-day VWAP (volume weighted average price) of A\$0.006, an interest rate of 10% and a maturity date 12 months from the date of issue, ie 27 March 2019.

## 11. Subsequent Events

No matters or circumstances have arisen since the end of the Half Year which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of the Consolidated Entity, or the state of affairs of the Consolidated Entity as reported to the Half Year ended 31 December 2018.

## 12. Commitments for Expenditure (Contingent Liability) Oil Leases and Permits

In order to maintain current rights of tenure to permits, the Consolidated Entity is required to perform minimum expenditure requirements of various authorities and pay fees. The Consolidated Entity will be required to outlay US \$1,250,000 expenditure in the next year with respect to permit lease rentals and exploration expenditures to meet these minimum expenditure requirements.