PANCONTINENTAL OIL & GAS NL – ANNUAL REPORT 2014

PANCONTINENTAL

Corporate Information

ABN 95 003 029 543

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Henry David Kennedy	(Non-Executive Chairman)
Roy Barry Rushworth	(Executive Director & Chief Executive Officer)
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PANCONTINENTAL LOGO

The Pancontinental logo is in keeping with the Pancontinental name and technical ethic. The logo represents a mapped view of the globe seen from above the polar region. The green sectors represent the continents and the blue sectors represent the oceans

Contents

Pancontinental Oil & Gas NL has had an exciting and eventful 2014 financial year.

Commencing in September 2013, the company announced the successful farmout of the EL 0037 licence in the Walvis Basin offshore northern Namibia to Tullow Kudu Limited ("Tullow") and in March 2014 the company made the historic Sunbird-1 oil discovery, the first ever oil found offshore Kenya. We also farmed out the onshore portion of Kenyan licence L6 during the year and here we expect to be free-carried for seismic and one well.

Namibia

In Namibian licence EL 0037, Pancontinental originally held a strong 95% interest prior to farmout. Once the farmout terms were negotiated and all approvals met, Tullow was assigned a 65% operated interest with Pancontinental retaining a 30% free carried interest. Pancontinental has estimated that Tullow's farmin programme expenditure could be in the vicinity of US $130 million on a 100% basis.

Terms of the Tullow farmin are as follows:

<u>Operatorship</u>
- Tullow to lead the forward programme as operator;

<u>Work Programme</u>
- 3D seismic survey of not less than 3,000 km2 prior to December 2014 – Pancontinental carried 100%;
- 2D seismic survey of not less than 1,000 km2 coincident or later than 3D – Pancontinental carried 100%;
- Exploration well subject to the identification of a suitable drilling prospect – Pancontinental carried 100%;
- Additional costs such as purchasing, interpreting and mapping seismic – Pancontinental carried 100%;

Note – there are no "caps" in place for any of the above expenditure which means that Pancontinental will have no financial exposure for the exploration work under farmout.

<u>Past Costs</u>
- Past costs incurred by Pancontinental in licence EL 0037 – Tullow to reimburse Pancontinental for 65%.

Tullow has now identified a number of geological leads and conducted the extensive 3D and 2D seismic acquisitions which were completed prior to the end of the financial year. The seismic acquisitions covered a number of strong leads and were carried out to prove-up these leads to prospect status for possible drilling.

In July 2014, Pancontinental announced that the 3D and 2D seismic surveys carried out earlier in 2014 were beginning to yield very encouraging results. Initial mapping confirmed at least four main prospects in the 3D area. The prospects appear to be large and robust and are in favourable geological settings. Additional prospects and leads are expected to be mapped within and outside the 3D area in due course.

One of the main prospects is the Albatross Prospect, with potential to contain 422 Million Barrels of Oil (gross unrisked mean) or 1.093 Billion Barrels of Oil (P10). Further prospects and leads have gross mean risked potential resources exceeding 150 Million Barrels of Oil.* It is expected that a number of additional large prospects will be identified and mapped in the course of seismic interpretation.

Current activity includes the ongoing processing of the 3D and 2D seismic data. It is anticipated that results of the complete mapping from the fully processed seismic data will be made available before the end of the 2014 calendar year.

Pancontinental is extremely pleased with the farmout and exploration activities achieved in Namibia over the past year. The company will continue to eagerly await results from each stage of Tullow's aggressive exploration campaign and will look forward to informing our shareholders and stakeholders of the progress.

*Cautionary Statement: The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Kenya

Moving to the Eastern side of Africa in Kenya, the company's projects have seen continued activity throughout the reporting year, including a farmout and the drilling of the highly significant Sunbird-1 oil discovery.

The company holds interests in the L10A and L10B exploration permits. In the June 2014 quarter, the company announced the historic Sunbird-1 first-ever oil discovery well offshore Kenya in area L10A. This is the first oil column ever penetrated offshore Kenya and the first ever oil column discovered offshore East Africa.

The Sunbird Prospect is one of more than 20 buried Miocene Reef and reef-like features in Pancontinental's offshore Kenyan permits. The top of the Sunbird Reef contains an oil and gas bearing limestone reservoir and drilling intersected a gross 29.6m gas column overlying a gross 14m oil column.

The age and type of the oil source rocks, as well as other crucial data was uncovered by detailed oil and gas geochemical data. These data are confidential to Pancontinental and its L10A joint venture partners and may hold the key to unlocking important commercial oil reserves offshore Kenya.

Pancontinental believes the exciting results of the Sunbird-1 well are highly significant as they are the first proof of the presence of a prospective oil system in the Lamu Basin offshore Kenya. The company was pleased with the analyses received with regard to porosity, permeability and seal for the reservoir. In addition to finding significant oil, the presence of a thick and effective seal over the top of the Sunbird Reef is also a particularly good outcome for future exploration in the area.

The Sunbird-1 discovery is considered to be a "play opener", bringing a major opportunity for exploration of larger volumes of oil, as well as gas, over Pancontinental's extensive portfolio of prospects and leads offshore Kenya. This exciting new future work, in the light of the Sunbird oil discovery, is being pursued in all licence areas.

In the June 2014 quarter, the company reported that the Kenyan Government granted the extension of the L10B permit for a further 12 months to the current term. This will provide the joint venture with additional time to further assess the prospectivity and assess the impact of the Sunbird-1 oil discovery in the adjacent L10A area. Further, the company increased its interest in the L10B licence to 25%. This increased percentage places the company in a favourable position for the farmout of a portion of its interest in the permit and funding of future exploration work programmes.

In addition during the financial year, Pancontinental and its joint venture partner FAR Limited ("FAR") signed a farmin agreement for the entry of Milio E&P Limited ("Milio") and Milio International to the onshore portion of permit L6 in Kenya. Prior to the farmin Pancontinental held a 40% interest in both the onshore and the offshore areas of permit L6. After Milio has earned its interest, Pancontinental will hold a 16% interest onshore and will continue with a 40% interest available offshore. The offshore interest is also available for farmin.

Terms of the Milio farmin are as follows:

<u>Operatorship</u>

- Milio to lead the forward programme as operator of the onshore portion of the block; and
- FAR to remain operator of the offshore portion of L6.

<u>Work Programme</u>

- 2D seismic survey of not less than 1,000 km2, possibly late 2014 – Pancontinental carried 100%;
- Drilling and testing of an onshore exploration well post the 2D seismic – Pancontinental carried 100%;
- Additional costs such as processing and interpreting of the 2D seismic – Pancontinental carried 100%;

Note – as with the EL 0037 Namibian farmout, there are no "caps" in place for any of the above expenditure which means that Pancontinental will have no financial exposure for the exploration work under farmout in Kenya permit L6.

Milio's farmin to the L6 joint venture will bring future exploration to the onshore portion of the block while concurrent attention will be paid to farming out the offshore portion for upcoming exploration programmes.

The company's long-held exploration permit Kenya L8 expired in January 2014. Pancontinental has had initial discussions with the Kenyan Ministry of Energy and Petroleum with regard to the grant of a new PSC (Production Sharing Contract) in respect of Block L8 under a new joint venture.

While there is no guarantee that a new L8 PSC will be agreed, Pancontinental is encouraged by the initial work and discussions carried out thus far.

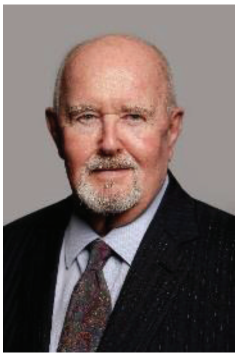
In summary, the 2014 financial year has been a successful year of key achievements for the company. Pancontinental continues to deliver, and as such continues to enhance its worldwide industry recognition as an experienced and well managed junior explorer in Africa.

The company's is focused on creating shareholder value and has achieved these key milestones during the year:

- Effectively maintained the company's financial stability;
- Strategically farmed out interests in permits in exchange for exploration programmes with no "caps". This is a crucial and notable achievement by the company as it leaves no financial exposure should the licence activities experience cost overruns;
- Involvement in extensive 3D and 2D programmes; and
- Participated in the first- ever oil discovery offshore Kenya, with major ramifications for future commercial oil exploration in the company's extensive Kenyan acreage portfolio.

Pancontinental has strong in-house expertise in both technical and financial departments; this together with a long history in Africa and working with local authorities has given the company the foundation to be able to work alongside some of the world's largest and most successful petroleum companies.

The Pancontinental team is very enthusiastic in progressing the company projects further and the team is committed to providing the very best possible results.



HD Kennedy
Chairman
Pancontinental Oil & Gas NL

Permit Schedule

Namibia EL 0037

LOCATION:

Walvis Basin, Offshore Namibia

PROJECT SIZE:

17,295 square kilometres

JOINT VENTURE PARTNERS:

Tullow Kudu Limited (Operator)	65.00%
Pancontinental Oil & Gas Group	30.00%
Paragon Oil & Gas (Pty) Ltd	5.00%

GEOLOGY:

An "Oil Mature Fairway" has been interpreted which extends through EL 0037. Pancontinental believes that EL 0037 is one of the few areas covering an oil generating "sweet spot" where oil prone source rocks are sufficiently buried to generate oil.

A number of ponded turbidite, slope turbidite, basin floor turbidite fans and channels forming major very large "leads" closely associated with, and within the Inner Graben of EL 0037 have been identified and mapped.

Kenya L6

LOCATION:

Lamu Basin, Onshore /Offshore Kenya

PROJECT SIZE:

5,010 square kilometres

JOINT VENTURE PARTNERS:

Offshore	
FAR Limited (Operator)	60.00%
Pancontinental Oil & Gas Group	40.00%
Onshore	
Milio International Group (Operator)*	60.00%
Pancontinental Oil & Gas Group	16.00%
FAR Limited	24.00%

*after earn in

GEOLOGY:

A deep central graben in this area is considered to be an oil and gas "source kitchen" and potential hydrocarbon trapping prospects have been identified adjacent to the area.

The Kifaru Prospect and Kifaru West Prospect are interpreted to be large stacked Miocene reefs, with interpreted good lateral and top seals and close proximity to mature Eocene source rocks.

The Tembo Prospect is a large tilted fault block trap, with interpreted sandstone reservoirs at a number of levels.

Kenya L10A & L10B

LOCATION:

Lamu Basin, Offshore Kenya

PROJECT SIZE:

4,962 & 5,585 square kilometres

JOINT VENTURE PARTNERS:

L10A	
BG Group (Operator)	50.00%
Pancontinental Oil & Gas NL	18.75%
PTTEP	31.25%
L10B	
BG Group (Operator)	75.00%
Pancontinental Oil & Gas NL	25.00%

GEOLOGY:

Oil interpreted from two source kitchen "troughs" Tembo and Maridadi. The offshore trough received sediments and nutrients carried from the Tana River Delta.

The Sunbird Prospect is a large Miocene reef build up. Mature Eocene rocks have been interpreted.

The Crombec Prospect is a very large Cretaceous anticline of 550 square kilometres in the western sector of the areas.

Australia L 15

LOCATION:

Canning Basin, Western Australia

PROJECT SIZE:

736 square kilometres

JOINT VENTURE PARTNERS:

Gulliver Productions (Operator)	61.40%
Pancontinental Oil & Gas NL	12.00%
FAR Limited	12.00%
Indigo Oil Pty Ltd	14.60%

GEOLOGY:

West Kora-1 was drilled in 1984 and produced some 20,000 barrels of oil during an extended production test, commencing at the rate of 350 BOPD.

The L15 joint venture aims to upgrade the production facility and restore oil production from West Kora-1.

Australia EP 104 /R1

LOCATION:

Canning Basin, Western Australia

PROJECT SIZE:

736 square kilometres

JOINT VENTURE PARTNERS:

EP 104	
Gulliver Productions (Operator)	65.23%
Pancontinental Oil & Gas NL	11.11%
FAR Limited	8.89%
Indigo Oil Pty Ltd	14.77%
R1	
Gulliver Productions (Operator)	65.23%
Pancontinental Oil & Gas NL	11.11%
FAR Limited	8.89%
Indigo Oil Pty Ltd	14.77%

GEOLOGY:

The permit area is on the Lennard Shelf of the Canning Basin, known for oil discoveries such as Blina and Sundown.

The basin has rich source rocks and good quality reservoir rocks, however is largely under-explored.

Australia EP 110 & EP 424

LOCATION:

Carnarvon Basin, Western Australia

PROJECT SIZE:

750 & 79 square kilometres

JOINT VENTURE PARTNERS:

EP 110	
Strike Oil Limited (Operator)	61.54%
Pancontinental Oil & Gas Group	38.46%
EP 424	
Strike Oil Limited (Operator)	61.54%
Pancontinental Oil & Gas Group	38.46%

GEOLOGY:

Baniyas lies in an established oil producing trend in the Carnarvon Basin adjacent to the Roller, Saladin and Skate oil fields.

The crest of the Baniyas feature has anomalous seismic amplitudes, consistent with the presence of gas-over-oil or gas-over-water, although it is possible that other factors may be responsible for the anomaly.

Highlights

Kenya L10A – Sunbird-1 Oil Discovery

- The historic Sunbird-1 first-ever oil discovery well was drilled offshore Kenya in area L10A in the first months of 2014;

- The top of the Sunbird Reef was drilled in an oil and gas bearing limestone reservoir and intersected a gross 29.6m gas column overlying a gross 14m oil column;

- The age and type of the oil source rocks, as well as other crucial data was uncovered by detailed oil and gas geochemical analysis;

- Results received from the Sunbird-1 well are highly significant as they are the first proof of the presence of a prospective oil system in the Lamu Basin offshore Kenya;

- The Sunbird-1 play-opening oil discovery brings a major opportunity for exploration of larger volumes of oil, as well as gas, over Pancontinental's extensive portfolio of prospects and leads offshore Kenya.

Namibia EL 0037 – Farmout to Tullow

- Farmout to Tullow 65%, Pancontinental retains 30%;

- Tullow to lead the forward programme as operator with a work programme of-

- 3D seismic survey of not less than 3,000 km^2 prior to December 2014 – Pancontinental carried 100%;
- 2D seismic survey of not less than 1,000 km coincident or later than 3D – Pancontinental carried 100%;
- Exploration well subject to identification of a suitable drilling prospect – Pancontinental carried 100%;
- Additional costs such as purchasing, interpreting and mapping seismic – Pancontinental carried 100%;

  Note – there are no caps in place for any of the above expenditure which means that Pancontinental will have no financial exposure for the exploration work under farmout.

- Past costs incurred by Pancontinental in licence EL 0037 – Tullow to reimburse Pancontinental 65%;

- Pancontinental values the future work programme in the vicinity of US $130 million;

- 3D and 2D seismic survey data acquired early 2014 are currently yielding encouraging results.

Kenya L6 – Farmout to Milio

- Farmout to Milio 24% onshore, Pancontinental retains 16% onshore, 40% offshore;

- Milio to lead the forward programme as operator of the onshore portion of the block and FAR to remain operator of the offshore portion of L6;

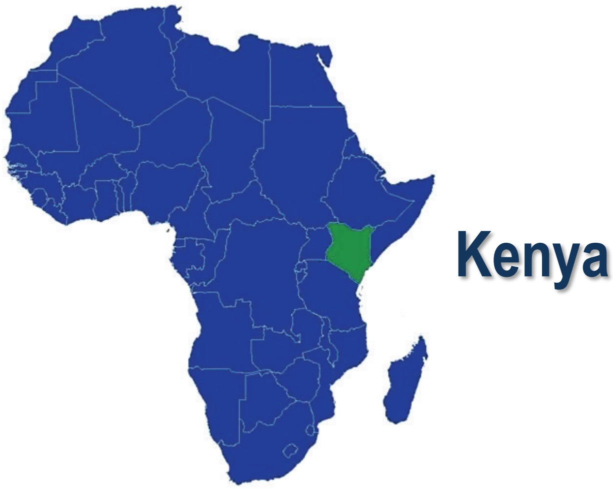
- The farmin work programme consists of –

- 2D seismic survey of not less than 1,000 km, possibly late 2014 – Pancontinental carried 100%;
- Drilling and testing of an onshore exploration well post the 2D seismic – Pancontinental carried 100%;
- Additional costs such as processing and interpreting of the 2D seismic – Pancontinental carried 100%.

  Note – there are no "caps" in place for any of the above expenditure which means that Pancontinental will have no financial exposure for the exploration work under farmout in Kenya permit L6.

- Current activity includes preparations for the onshore 2D seismic campaign;

- Farmout efforts are under way for the offshore portion of the block.



Pancontinental has enjoyed a long business relationship with the country of Kenya.

PSC (Production Sharing Contracts) and licences were granted to the company as early as 2002 and since then, Pancontinental has been actively involved in the exploration, evaluation, seismic and drilling programmes. High quality international joint venture partners have taken advantage of Pancontinental's long association with Kenya by joining the company's joint ventures and leading exploration programmes in country.

Pancontinental's strong acreage position as well as the stable business environment of Kenya combines for a favourable association in the East African region. The region has become an industry favourite with a number of world-class deepwater gas discoveries and further exploration programmes actively pursued by a number of the world's major petroleum companies, some of which are Pancontinental's partners through farmin and in new projects.

The company has been successful in Kenya; in the current year with the historic Sunbird-1 first-ever oil discovery well, offshore Kenya in area L10A, and the L8 Mbawa gas discovery in September 2012. These discoveries have, for the first time, established the existence of offshore oil and gas systems in the Kenyan region.

The Sunbird-1 oil discovery in March 2014 has for the first time established an oil system offshore Kenya. This has long been predicted by Pancontinental and amply justifies the company's continuing presence in this new oil province.

Pancontinental has identified a major oil and gas play offshore Kenya and has acquired interests in three licence areas; L6, L10A and L10B as shown below:

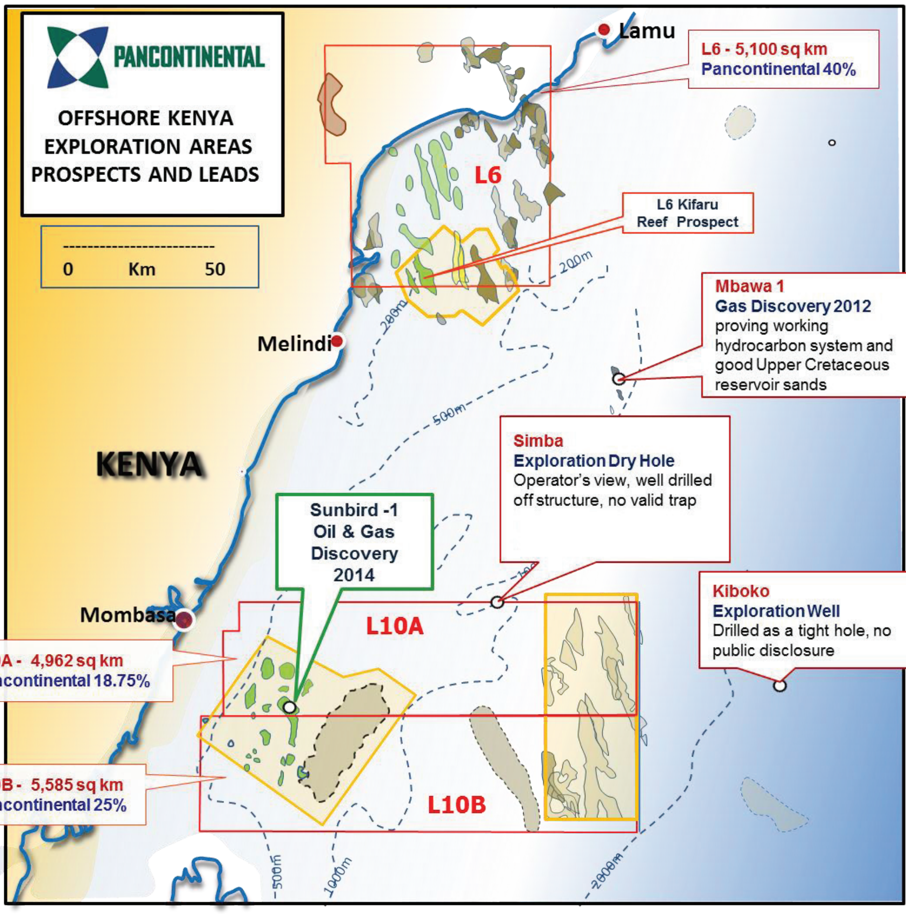


Figure 1 – Pancontinental Licence Areas offshore Kenya

The company entered Kenyan offshore exploration after identifying the oil potential in the restricted depositional environment in the Tana River Delta shown below:

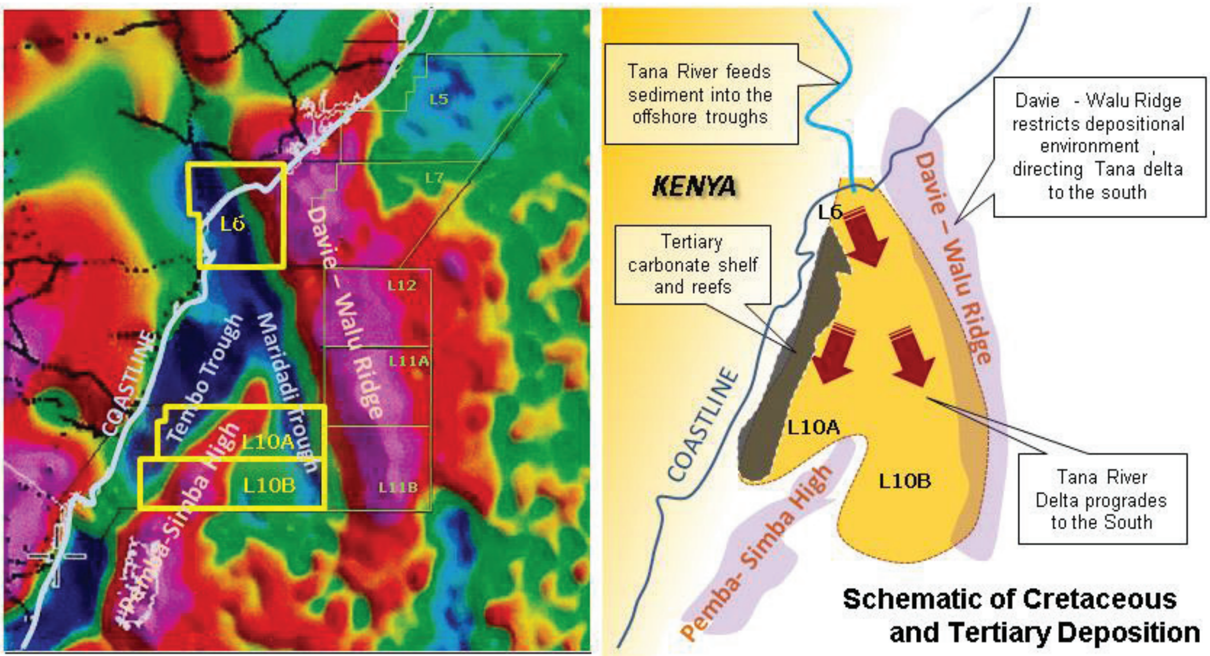


Figure 2 – Tana River Delta, coastal Kenya

Kenya L6

Kenya L6	
LOCATION:	
Lamu Basin, Onshore /Offshore Kenya	
PROJECT SIZE:	
5,010 square kilometres	
JOINT VENTURE PARTNERS:	
Offshore	
FAR Limited (Operator)	60.00%
Pancontinental Oil & Gas Group	40.00%
Onshore	
Milio International Group (Operator)*	60.00%
Pancontinental Oil & Gas Group	16.00%
FAR Limited	24.00%
*after earn in	

GEOLOGY:

A deep central graben in this area is considered to be an oil and gas "source kitchen" and potential hydrocarbon trapping prospects have been identified adjacent to the area.

The Kifaru Prospect and Kifaru West Prospect are interpreted to be large stacked Miocene reefs, with interpreted good lateral and top seals and close proximity to mature Eocene source rocks.

The Tembo Prospect is a large tilted fault block trap, with interpreted sandstone reservoirs at a number of levels.

Kenya L6

Prospectivity

Pancontinental's theory with regard to the geology in L6 is that a deep central trough extends from the onshore into the offshore area. This area is considered to be an oil and gas "source kitchen", and potential hydrocarbon trapping prospects have been identified immediately adjacent to this area.

The most prospective leads onshore Kenya L6 include:

- Kudu;
- Mamba (Updip Kipini); and
- Boundary Anticline

Offshore prospects covered by 3D include:

- Kifaru;
- Kifaru West; and
- Tembo.

The Kifaru and Kifaru West prospects are interpreted to be large stacked Miocene reefs, with interpreted good lateral and top seals and close proximity to mature Eocene source rocks. The Tembo prospect is a large tilted fault block, interpreted to contain a number of sandstone targets.

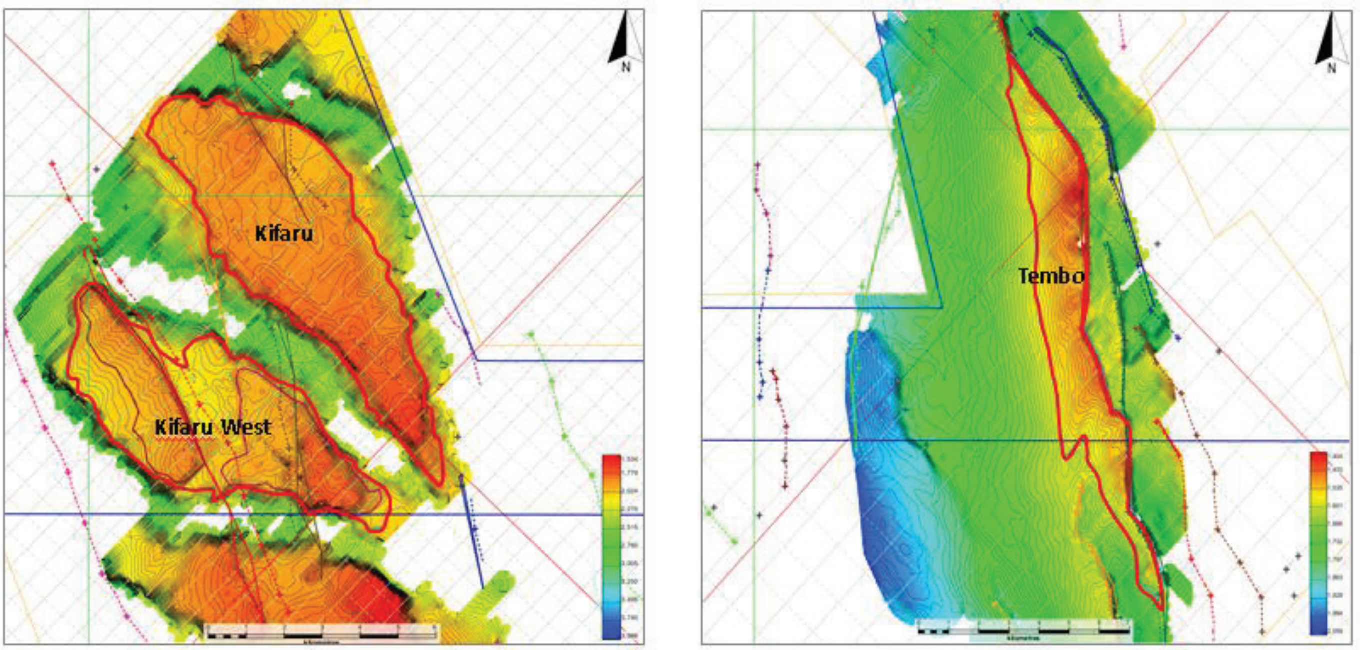


Figure 3 – Kenya L6 Offshore Prospects

The Kifaru and Kifaru West Miocene reef prospects covered by 3D seismic offshore L6 share similar characteristics to the Sunbird-1 oil discovery made by Pancontinental and its joint venture partners in offshore Kenya L10A.

Block L6 is well situated in relation to Kenyan coastal communities and infrastructure. An onshore oil or gas development has the potential to contribute significantly to Kenya's growing near-term energy needs. A gas discovery could supply gas to a major power generation project that is currently under consideration by the Kenyan Government.

The operator of the offshore portion of permit L6, FAR Limited conducted an assessment of prospective resources and has advised that the L6 area has the potential to contain approximately 3.7 billion barrels of oil or 10.2 trillion cubic feet of gas prospective resource on a gross, un-risked, best estimate basis*. Further details are shown below:

		Unrisked Prospective Resources					
		Low Estimate		Best Estimate		High Estimate	
Prospect	Play	Oil (mmbbls)	Gas (bcf)	Oil (mmbbls)	Gas (bcf)	Oil (mmbbls)	Gas (bcf)
Prospects defined on 3D seismic							
Kifaru	Miocene reef	34	104	178	517	849	2,321
Kifaru West	Miocene reef	30	87	130	388	545	1,579
Tembo	Eocene clastics	91	227	327	807	1,212	2,907
Prospects defined on 2D seismic							
11 Prospects	Miocene reef	297	821	1,249	3,461	5,194	14,032
13 Prospects	Eocene clastics	451	1,287	1,743	4,515	6,582	16,132
6 Prospects	Late Cretaceous clastics	21	101	126	547	684	2,808
Total Gross		925	2,627	3,754	10,235	15,066	39,779

Table 1 - L6 Unrisked Prospective Resource Estimates

*Cautionary Statement: The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Kenya L6

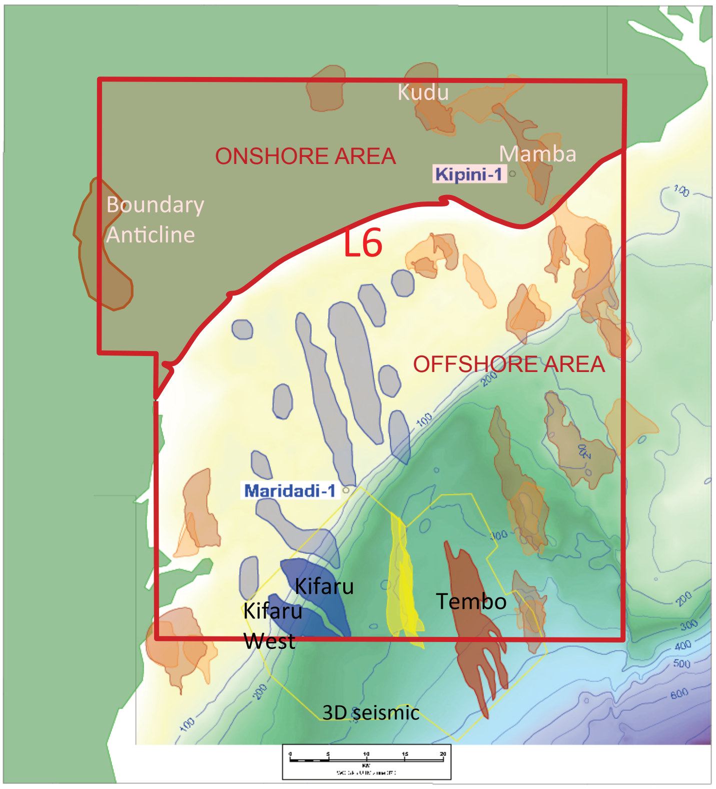


Figure 4 - L6 Prospects and Leads

Kenya L6 Onshore Farmout to Milio

During the reporting year, Milio E&P Limited ("Milio") and Milio International joined Pancontinental and FAR Limited in exploration permit Kenya L6 by signing a farmin agreement whereby Milio will explore the onshore portion of L6. Pancontinental will retain a 16% interest onshore and be fully carried through a regional 2D 1,000km seismic survey and the testing of an onshore exploration well with an expected spud date early 2015. As the company's 40% interest in the offshore portion of the block remains unchanged, it is well positioned for the negotiation of a farmout deal to cover the future exploration work programme.

Milio will earn a 60% interest in the onshore permit by funding the agreed work programme as well as becoming operator for the onshore area. The operator of the offshore portion of the permit will continue to be FAR Limited.

Based in Dubai, Milio is recognised as a prominent international company specialising in petroleum logistics, marketing, trading, exploration and production. East Africa has been a strategic focus for Milio, with the group investing in a number of high-profile projects.

The entry of Milio into the L6 onshore joint venture is a welcome addition as it keeps the exploration momentum on the permit going while allowing Pancontinental to concurrently focus its attention on securing another high quality joint venture partner for the offshore.

Forward Programme

Having secured a farminee for the onshore area, the L6 joint venture believes that it is in a strong position to secure a farminee for the offshore portion of the licence with the farmout also aiming to secure a reimbursement of significant back costs.

The joint venture is working to secure a farminee for drilling in the offshore portion of the L6 area. The location, timing, depth and stratigraphy of the well will be determined after discussions with any farminee.

Onshore, seismic and drilling are planned under farmout for 2015.

Kenya L10A & Kenya L10B

Kenya L10A & L10B	
LOCATION: Lamu Basin, Offshore Kenya	
PROJECT SIZE: 4,962 & 5,585 square kilometres	
JOINT VENTURE PARTNERS:	
L10A	
BG Group (Operator)	50.00%
Pancontinental Oil & Gas NL	18.75%
PTTEP	31.25%
L10B	
BG Group (Operator)	75.00%
Pancontinental Oil & Gas NL	25.00%

GEOLOGY:

Oil interpreted from two source kitchen "troughs" Tembo and Maridadi. The offshore trough received sediments and nutrients carried from the Tana River Delta.

The Sunbird Prospect is a large Miocene reef build up. Mature Eocene rocks have been interpreted.

The Crombec Prospect is a very large Cretaceous anticline of 550 square kilometres in the western sector of the areas.

Kenya L10A and L10B

Prospectivity

The presence of oil in the Lamu Basin has now been proven conclusively by the Sunbird-1 oil discovery earlier in 2014. Sunbird was drilled by Pancontinental and its joint venture partners in a venture operated by BG Group. It is now the aim of the joint venture partners to locate, drill and prove commercially larger volumes of oil.

The joint venture operator of both the L10A and the L10B joint ventures, BG Group plc ("BG"), has mapped more than twenty leads and prospects in the licence areas. Multiple prospects mapped on 3D seismic are in several groups. Of the main prospects mapped to date four are currently high-graded as possible drilling targets:

- Crombec North
- Weaver Stack
- Longclaw Stack
- Chatterer

A number of prospects are "stacked" prospects, such as the Weaver Stack and the Longclaw Stack, and have drilling targets at a number of levels throughout the geological column.

The main prospects are associated with several play types - the inboard carbonate play (limestone reefs, platforms etc), the large Crombec trend associated with channel sands and other clastic (sand and shale) play types, and an outboard trend of structured channel sands and other clastic features.

The zones of prospects are separated by two large depositional troughs that are regarded as oil and gas generating source-kitchen areas.

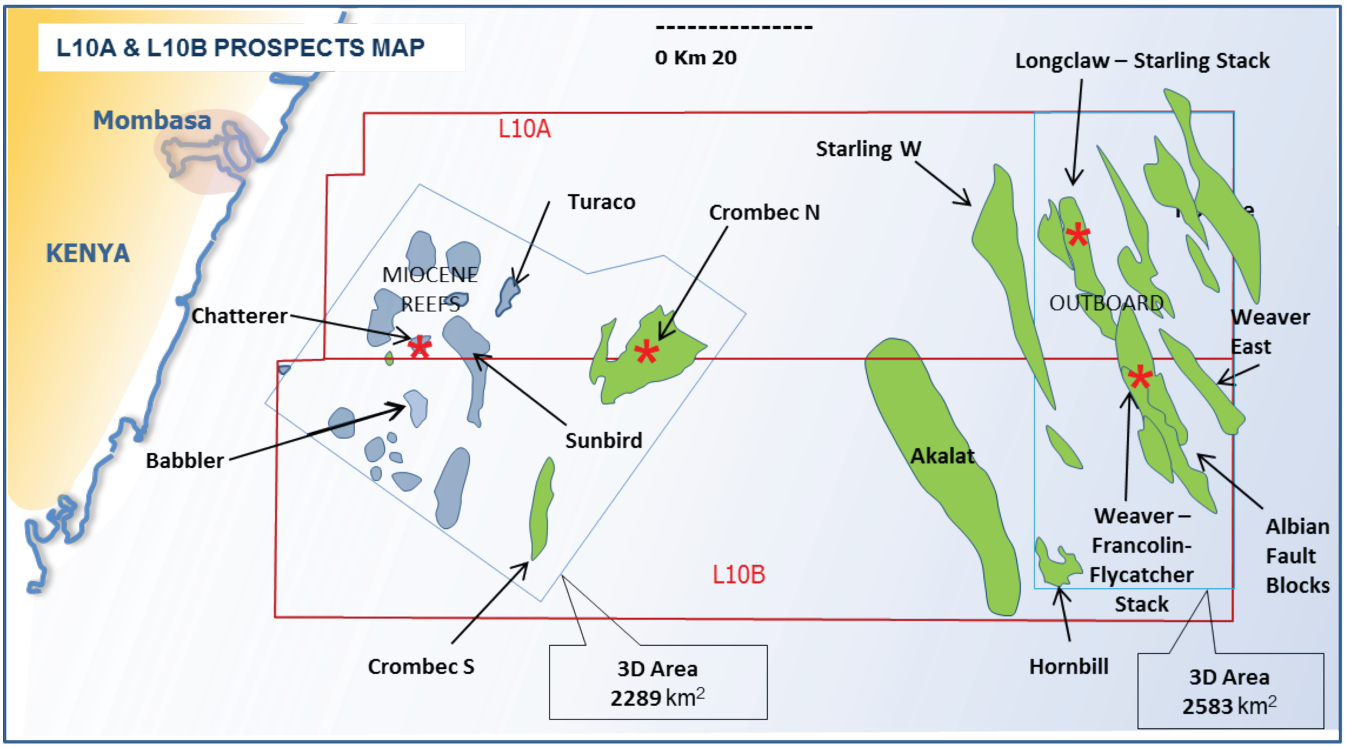


Figure 5 – L10A & L0B Prospects and Leads

Block L10A

Sunbird-1 Oil Discovery

The company experienced a truly historic event with the drilling of the Sunbird-1 well, in the early months of 2014.

After lengthy analysis, the Sunbird-1 oil column was verified in the discovery well – the first-ever such oil discovered off the entire east African coast. A notable achievement for an exploration junior such as Pancontinental to be involved in such a history making well.

Pancontinental believes that it is now in an excellent position to explore for larger, commercial volumes of oil and gas over its extensive portfolio of prospects and leads offshore Kenya.

The Sunbird Prospect straddles the western sector boundary of the L10A / L10B areas and is one of more than 20 buried Miocene Reef and reef-like features in Pancontinental's licence areas offshore Kenya.

The Sunbird oil discovery is considered to be a "play opener". The discovery has major implications for regional exploration – proprietary geochemical data puts Pancontinental and its L10A Joint Venture partners in a leading position.

Sunbird is located about 50km from the port of Mombasa. The well was managed by Joint Venture operator BG Group, using the drillship Deepsea Metro 1.

In March 2014, Sunbird-1 drilled into an oil and gas-bearing limestone reservoir in the top of the Sunbird Reef.

The gross oil column is assessed to be **14m thick beneath a gross gas column of 29.6m** in a reefal limestone reservoir in the Sunbird Miocene Pinnacle Reef.

The corresponding net values are 9.2m for the oil zone and 28.3 m for the gas zone. The net values are calculated for the reservoir using cut-offs of 10% porosity (Phi) and 50% shale volume (Vsh). Zones with porosity lower than 10% are not included in the net pay assessment. Oil and gas samples were recovered and analysed using sophisticated geochemical techniques.

The detailed oil and gas geochemical data, which are confidential to the L10A Joint Venture partners, give the age and type of the oil source rocks, as well as other crucial data that Pancontinental believes places the L10A Joint Venture in a leading position to find commercial oil offshore Kenya.

A thick and effective seal was encountered over the top of the Sunbird Reef, and the regional follow-on implications of the presence of the seal are also very significant.

Porosity, permeability and seal for the Sunbird reservoir were all better than Pancontinental expected.

Pancontinental believes the results are highly significant because they are the first proof of the presence a prospective oil system in the Lamu Basin offshore Kenya.

Sunbird-1 was "plugged and abandoned" in accordance with the planned drilling program, meaning that the well has been made safe in such a way that it can be left permanently without further intervention. These measures are designed to ensure that there is no danger of leakage of oil or gas within the well or to the sea floor.

Forward Programme - Block L10A

Pancontinental believes that the implications of the Sunbird-1 well results for regional oil exploration are truly outstanding.

The Operator of the Block L10A Petroleum Sharing Contract, BG Group, is continuing to analyse the well data and also re-examining the inventory of known Prospects and Leads using the Sunbird results.

The Sunbird discovery has yielded important details of the oil system in the Lamu Basin including the age and depositional environment of the source rock and the timing of the generation of the oil phase.

The Sunbird Prospect is one of an inboard cluster of Miocene reefs. Outboard prospects include Tertiary and Cretaceous channels, large anticlinal complexes and series of Cretaceous and Tertiary fault bounded prospects.

L10A covers a variety of play types, prospects and leads. The L10A and L10B Operator, BG Group, is continuing to map Prospects using the 4,800km^2 of high-quality 3D seismic data acquired over the last two years in areas L10A and L10B.

In the western sector of L10A, the very large Crombec Lead continues to be mapped. Crombec is a large faulted anticline covering 550km^2, with vertical relief of about 400m.

The L10A consortium is now considering the location for one or more additional wells. A drilling decision will be made after further technical and joint venture consideration. At the present time, Pancontinental considers that two wells may be drilled commencing in 2015, one in each of L10A and L10B, and the company awaits the drilling recommendations of operator BG Group before any firm joint venture drilling decisions will be made.

Block L10B

Exploration Activity

Mapping of the extensive 3D seismic data sets acquired over both L10A and L10B is continuing. A number of Prospects are receiving close attention, including the Crombec Prospect that extends across the L10A and L10B boundary. Crombec is a large faulted anticline with vertical relief of about 400m.

The L10B Operator, BG Group, is mapping Prospects and Leads using the 4,800km^2 of high-quality 3D seismic data acquired over the last two years.

Following the Sunbird-1 oil discovery, the Joint Venture is considering a second well on either another Miocene Reef or a Clastic prospect in both L10A and L10B. The L10B joint venture will make a firm decision on drilling once all of the revised data has been made in the light of the Sunbird-1 oil discovery.

At the present time, Pancontinental considers that two wells may be drilled commencing in 2015, one in each of L10A and L10B. The company awaits the drilling recommendations of operator BG Group before any firm joint venture decisions will be made regarding drilling.

Block L10B Extension and Increase in Interest

During the year Pancontinental was advised that the Government of Kenya had granted an extension of 12 months to the current term of the L10B licence. This will enable the L10B joint venture more time in which to assess the impact of the Sunbird oil discovery in the adjacent L10A area, and how this will direct any drilling in L10B in the next succeeding licence term.

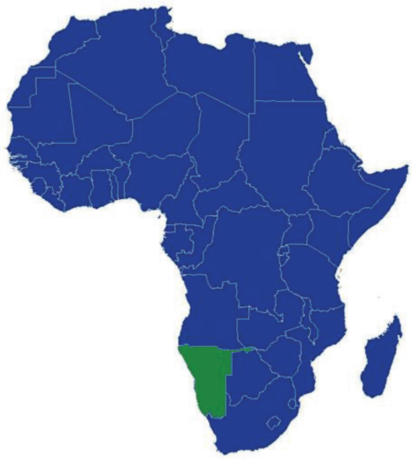
During the year, Pancontinental increased its interest in licence L10B to 25%.

BG Group, the London-listed FTSE-100 company which operates the licence, also increased its interest, taking it to 75%. The companies have increased their stakes in L10B by taking up a pro-rata share of the interests held by Premier Oil and PTTEP.

Pancontinental believes that the very significant prospectivity of L10B, as well as the adjacent area L10A, means it is well-placed to farm-out a portion of its interest in both licences on attractive terms. The company would aim to achieve terms that included securing the reimbursement of significant back costs as well as securing substantial funding for forward exploration programs.

Forward Programme - Block L10B

The Operator of the Block L10A and Block L10B Petroleum Sharing Contracts, BG Group, is continuing to analyse the well data and also re-examining the inventory of known Prospects and Leads in both L10A and L10B using the Sunbird results. It is anticipated that the operator may recommend one or more exploration wells in L10B in 2015, however such a recommendation has not yet been received and Pancontinental, as joint venture participant, will consider and report on such recommendation when it has been received.



Namibia

Namibia is seeing increasing activity both offshore and onshore, with the offshore entry of major international companies such as Shell, Tullow, Repsol, OMV and Murphy.

Namibia provides a stable and favourable investment climate for oil exploration.

An oil recovery and verification of mature oil-prone source rocks in the Walvis Basin has given considerable encouragement to oil explorers. 3D seismic surveys by various operators have identified large structural and stratigraphic features as potential oil traps.

Pancontinental identified a potential oil-generating trend in the Walvis Basin offshore northern Namibia and acquired licence EL 0037 in 2011. Since then, oil has been recovered immediately to the south in the Wingat-1 well and mature oil source rocks have also been drilled.

The prospectivity of EL 0037 attracted farminee Tullow Oil in 2013 and since undertaking its initial work, Tullow has also farmed-in to the block immediately north, and on-trend to EL 0037.

Namibia EL 0037

Namibia EL 0037	
LOCATION:	
Walvis Basin, Offshore Namibia	
PROJECT SIZE:	
17,295 square kilometres	
JOINT VENTURE PARTNERS:	
Tullow Kudu Limited (Operator)	65.00%
Pancontinental Oil & Gas Group	30.00%
Paragon Oil & Gas (Pty) Ltd	5.00%

GEOLOGY:

An "Oil Mature Fairway" has been interpreted which extends through EL 0037.

Pancontinental believes that EL 0037 is one of the few areas covering an oil generating "sweet spot" where oil prone source rocks are sufficiently buried to generate oil.

A number of ponded turbidite, slope turbidite, basin floor turbidite fans and channels forming major very large "leads" closely associated with, and within the Inner Graben of EL 0037 have been identified and mapped.

Namibia EL 0037

Prospectivity

Offshore Namibia is considered highly prospective for oil and gas, lying south of the prolific producing areas offshore Angola, with which it shares some geological characteristics.

Offshore Namibia and Angola form the tectonic conjugate of offshore Brazil, which contains some highly oil-productive basins.

Drilling results in the Walvis Basin have proved encouraging for the presence of mature source rocks, and regional wells show good evidence of reservoir quality sands in the Cretaceous interval.

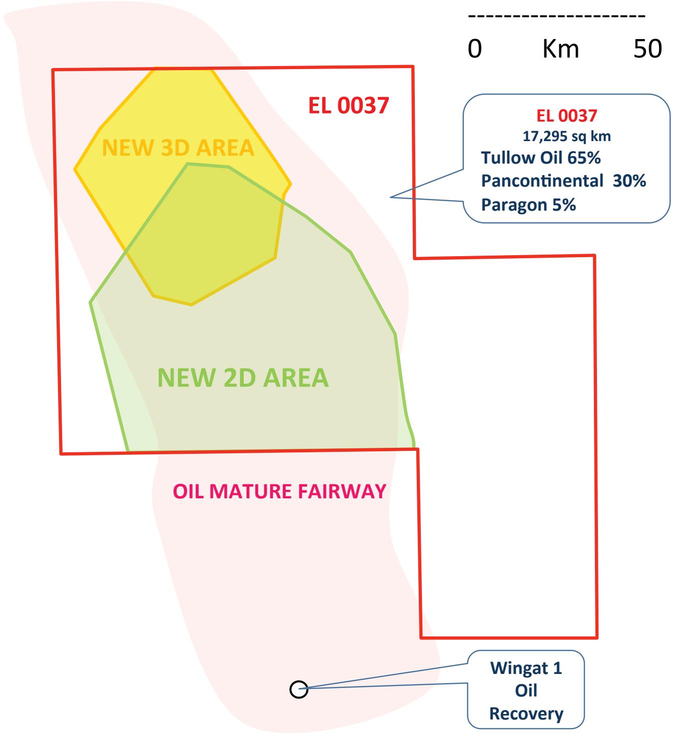


Figure 6 - EL 0037 Location Map of Oil Mature Fairway

An oil recovery and reports of high-quality oil-mature source rocks in the Wingat-1 well, drilled in 2013, have given considerable encouragement for exploration in the Walvis Basin.

Wingat-1 is directly on-trend in an “Oil Mature Fairway” interpreted by Pancontinental in EL 0037.

Pancontinental believes that a critical factor for oil exploration offshore Namibia is oil maturity- where source rocks are sufficiently buried and heated to generate oil - within the “Oil Window”.

Pancontinental has interpreted an “Oil Mature Fairway” that extends through EL 0037.

HRT announced on 20 May 2013 that oil had been found in the Wingat-1 well, although not in commercial volumes; 4 samples of oil of 450cc each were recovered. Two well-developed source rocks, rich in organic carbon, were reported within the oil-generating window. Pancontinental regards Wingat-1 as within the Oil Mature Fairway.

EL 0037 is immediately on-trend and is geologically continuous to the Wingat area.

The Prospects identified on 3D in EL 0037 are interpreted to be at approximately the same stratigraphic level as the oil found in Wingat-1, as well as close vertically to the interpreted oil source rocks.

The Oil Mature Fairway and Inner Graben are asymmetric, with considerably larger “fetch” for oil generation and migration on the Eastern side of the Graben, in EL 0037.

Crucially, the Oil Mature Fairway lies to the Eastern side of the axis of the Basin Floor and within the Eastern part of the Basin Floor and the Eastern Slope area. Oil migration is therefore interpreted to be predominantly to the East.

Pancontinental therefore believes that the Eastern Flank is the environment that is most likely to contain volumes of trapped oil, and this is where EL 0037 is situated.

Tullow Farmin

Tullow Oil farmed-in to EL 0037 in September 2013 and identified a number of geological Leads for further work including 3D and 2D seismic surveys (now completed).

Pancontinental retains a 30% free-carried interest through the surveys and one optional well to be drilled by Tullow; Tullow must drill the well in order to retain its 65% interest. Pancontinental estimates that Tullow’s farm-in expenditure may be up to US$130 million (100% basis) for the full work programme.

As part of Tullow Oil’s commitment under the late-2013 farmin agreement with Pancontinental, Tullow has carried out the 3,000 sq km 3D seismic survey and a 1,000 line km 2D survey at its sole cost. Pancontinental has retained a 30% free-carried interest through the surveys, at no cost to Pancontinental.

To maintain its 65% farmin interest, Tullow must fully free-carry Pancontinental’s 30% interest through one exploration well (with no expenditure ‘cap’). Pancontinental estimates farmin expenditure up to US$130 million (100% basis) for the full work programme.

Completion of Extensive 3D and 2D Seismic Data Acquisition

An extensive 3,000km^2 3D seismic survey was completed in early April 2014 under the farmout agreement by Pancontinental to Tullow Oil.

The survey covered a number of strong “leads” mapped on existing 2D seismic data and was designed to prove-up these leads to “prospect” status for possible drilling.

A second, 2D, acquisition phase was also completed in the first part of April 2014. The 2D survey, to the south of the 3D survey area, is designed to outline a number of additional leads.

The survey was managed by the EL 0037 Joint Venture operator Tullow Oil, using the seismic acquisition vessel Polarcus Asima.

Early Seismic Mapping Yields Major Prospects

- Initial mapping has confirmed at least four major turbidite fan prospects up to 300 sq km in area, and now covered by 3D - the Albatross, Gannett, Petrel and Seagull Prospects;
- The Prospects will be further confirmed using the new 3D and 2D data;
- The Albatross Prospect is estimated by Tullow to have potential to contain 422 Million Barrels of Oil (gross unrisked mean) or 1.093 Billion Barrels of Oil (P10), from initial mapping* (See Cautionary Statement below);
- Further prospects and leads in addition to Albatross have gross mean risked potential resources exceeding 150 Million Barrels of Oil * (See Cautionary Statement below);
- The early-mapped Prospects are considered to be in the oil system “fairway” verified by Wingat-1, on-trend to EL 0037;
- Final 3D mapping in September-October 2014 is expected to present a number of potential drilling targets, including Albatross;
- Additional prospects and leads are expected to be mapped within and outside the 3D area in due course.

The Albatross Prospect

The Albatross Prospect, in the newly acquired 3D area, is currently mapped over an area of approximately 300 sq km and is assessed by Tullow to have the potential to contain 422 Million Barrels of oil (gross unrisked mean), or 1.093 Billion Barrels of oil (P10 basis)* (See Cautionary Statement below).

Albatross is a large base-of-slope turbidite fan of mid to early Cretaceous age. The chance of success for the Albatross Prospect is currently estimated by Tullow at 17%*(See Cautionary Statement below).

The Albatross Prospect is interpreted to be horizontally and vertically close to the “fairway” of mature oil source rocks identified by Pancontinental and subsequently verified in the Wingat-1 well drilled in the adjacent exploration licence area. Good oil-prone and oil-mature source rocks were seen, and live oil was recovered, from Wingat-1 in 2013.

*Cautionary Statement: The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially movable hydrocarbons.

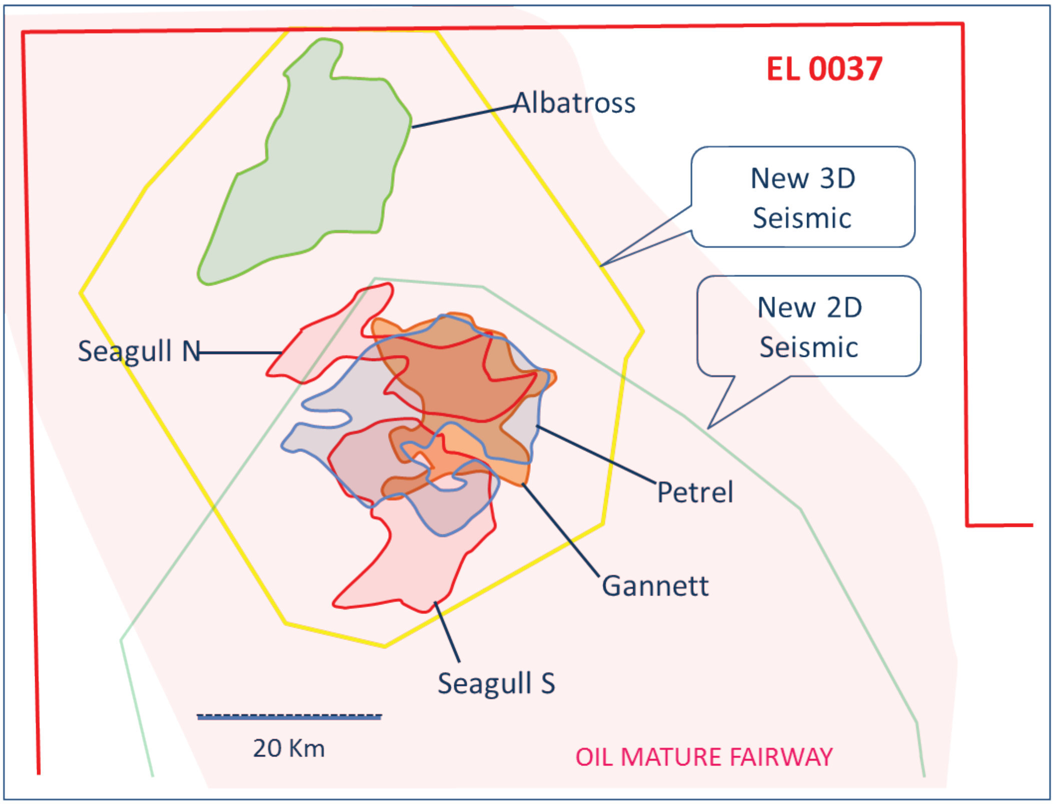


Figure 7 – EL 0037 (North) Location Map of Main Prospects, New 3D and 2D Seismic Surveys

Potential of Additional Prospects

A number of other Prospects and Leads have been identified in addition to Albatross in the very large EL 0037 area of some 17,000 sq km.

Other prospects and leads are currently assessed by Tullow to have potential to hold gross mean risked resources exceeding 150 Million Barrels of Oil* (See Cautionary Statement below).

Pancontinental emphasises that the early prospective resource estimates above are made using existing data, and will be subject to change when fully processed 3D and 2D data become available and these have been interpreted and mapped.

Further, it is expected that a number of additional large prospects will be identified and mapped as possible drilling targets in the course of seismic data interpretation.

*Cautionary Statement: The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially movable hydrocarbons.

3D and 2D Seismic Mapping Schedule

Processing is ongoing on the 2D and 3D seismic survey data acquired early in 2014.

It is anticipated that fully processed data will be available late October 2014. The results of complete mapping from the fully processed data are expected in November-December 2014.

Forward Exploration Programme

The 3D and 2D data are now being processed, with final results expected around end-October 2014.

Fast-track processed 3D data are expected earlier in October, and mapping of the Prospects has already commenced using existing data versions. Following full mapping, Albatross and other Prospects will be examined for drilling potential. The EL 0037 joint venture will then be in a position to determine drilling sites and dates.

Depending on the outcome of the seismic programmes, one exploration well will be drilled by Tullow to retain its 65% interest in EL 0037. Pancontinental will retain a 30% free-carried interest in the well.

Pancontinental considers that drilling may be possible in 2015, although no joint venture recommendation to that effect has yet been made and the company awaits the operator’s recommendations.

Australia

EP-104 / R1 Onshore Canning Basin

The R1 area has been excised from the EP-104 exploration area to allow retention of the Point Torment gas discovery and the Stokes Bay 1 area. RL1 was renewed by the Minister of Mines and Petroleum of Western Australia for a period of five years from 8 November 2010.

No activity has been undertaken for some time and Pancontinental is now reviewing its position in the licences.

L15 Onshore Canning Basin

Pancontinental and its co-venturers have been granted petroleum production licence L15 over the West Kora-1 oil discovery well in the Canning Basin of Western Australia. The licence is for 21 years commencing 1 April 2010.

The company is examining the future potential and value of this project.

EP 424 Offshore Carnarvon Basin

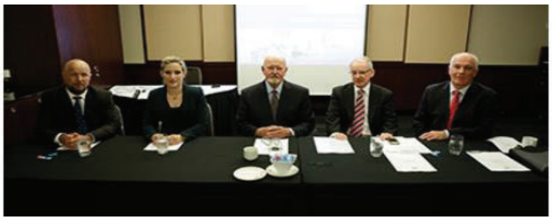
EP-110 is operated in conjunction with EP-424. The parties in EP-110 have identical equities to those in permit EP-424.

Following a technical review of the Baniyas potential and due to the absence of success in extending joint venture access over all of the Baniyas prospect, it was decided to consider selling or farming out the licences.

EP 110 Onshore Carnarvon Basin

This permit is operated in conjunction with EP-424. The parties in EP-110 have identical equities to those in permit EP-424.

The joint venture is continuing to consider a further review aimed at outlining possible onshore leads and prospects in EP- 110.


Your directors submit their report for the year ended 30 June 2014.

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.

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. Mr Kennedy has been a director of Pancontinental since August 1999. At Pancontinental, Mr Kennedy has used his wide knowledge base to assist with the strategic direction of the company.

Mr Kennedy is currently a non-executive director of Norwest Energy NL (since April 1997) and East Africa Resources Limited (since March 2013).

Roy Barry Rushworth, BSc (Executive Director, Chief Executive Officer)

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 for Pancontinental, Mr Rushworth has been responsible for identifying, negotiating and acquiring international new venture opportunities in Kenya, Namibia and elsewhere. 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 and Chief Executive Officer since November 2008.

Ernest Anthony Myers CPA (Executive Finance 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. With skills and knowledge gained from vast experiences in corporate, exploration and operational areas, Mr Myers has played a key role in maintaining the company's financial stability. Mr Myers joined Pancontinental in March 2004 as Company Secretary and was appointed Finance Director in January 2009.

Mr Myers has been an alternate director of East Africa Resources Limited since June 2010.

Anthony Robert Frederick Maslin BBus (Independent Non-Executive Director)

Mr Maslin is an ex-Stockbroker with a broad understanding of financial markets. His past experience includes capital raising and promotion of several development companies as well as consulting to a number of ASX listed companies on corporate matters. The responsibility of managing people as well as projects has provided Mr Maslin with an understanding of the exploration industry in addition to his corporate background. Mr Maslin has been a director of Pancontinental since December 2010.

Mr Maslin is also a director of Buxton Resources Ltd (since November 2010).

COMPANY SECRETARY

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 international and domestic projects of Pancontinental. Mrs Petrovic was appointed Company Secretary in April 2010.

30 June 2014

DIRECTORS' INTERESTS

The relevant interest of each director in the shares and options of the company as at 30 June 2014 is as follows:

	Ordinary Shares	Options over Ordinary Shares
Henry David Kennedy	141,351,602	1,250,000
Roy Barry Rushworth	36,835,610	2,500,000
Ernest Anthony Myers	400,715	750,000
Anthony Robert Frederick Maslin	14,583	500,000

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:	5
Number of meetings attended:	
Henry David Kennedy	5
Roy Barry Rushworth	5
Ernest Anthony Myers	5
Anthony Robert Frederick Maslin	3

Notes
The directors are of the opinion that it is often more efficient to deal with matters by circular resolutions than by board meetings, and 16 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.

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 permits;
- Seek new ventures suitable for inclusion in the group's assets;
- 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;
- 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	(1.66)
Diluted earnings (loss) per share	(1.66)

The main contributing factor to the Earnings per Share result this financial year was the write off of exploration licence Kenya L8 due to the expiration of the licence in early 2014. The company is in continued discussions with the Kenyan Ministry for the issue of a new licence.

Employees
The consolidated entity had no employees as at 30 June 2014, (2013: no employees). The consolidated entity employs the services of specialised consultants where and when needed.

30 June 2014

OPERATING AND FINANCIAL REVIEW

Review of Operations

Kenya L6 [40% offshore, 16% onshore]
During the year, a farmout with Milio International for the onshore portion of L6 was secured. Pancontinental will be free carried for the drilling of an onshore exploration well. The offshore portion of L6 remains open for drilling under farmin.

Kenya L10A [18.75%]
The Sunbird-1 well was drilled during the year and encountered a historic first-ever oil column offshore East Africa. A significant opportunity now opens for Pancontinental to find commercial oil in its areas offshore Kenya using commercially confidential Sunbird-1 oil data.

Kenya L10B [25%]
Pancontinental increased its stake in this highly prospective licence to 25% during the 2014 financial year. The Kenyan Ministry granted a 12 month extension of the licence to enable further exploration work and assessment of the adjacent Sunbird results.

Namibia EL 0037 [30%]
The joint venture secured Tullow Oil as a farminee and new operator of the permit. Pancontinental estimates the full farmin expenditure to be up to US$130 million. The first phase of Tullow's farmin programme commenced with extensive 3D and 2D acquisitions completed at no cost to Pancontinental. Large prospects from early mapping will be confirmed by the 3D and 2D seismic.

Kenya L8
The L8 licence expired during the year; however Pancontinental continued discussions with the Kenyan Ministry with regard to a new licence for L8 offshore Kenya.

Group Overview
Pancontinental Oil and Gas NL was incorporated in 1985 and listed on the Australian Securities Exchange in 1986.

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

Performance Indicators
The board closely monitors 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 that there are regular reviews in place to determine actions which should be implemented to increase performance.

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

	2014	
	Revenues	**Results**
	$	**$**
Non-segment and unallocated revenues and results	1,090,608	(19,068,997)
Consolidated entity revenues and results from ordinary activities before income tax expense	1,090,608	(19,068,997)

The main contributing factor to the current year results is the write off of Kenya L8 exploration licence which expired earlier in 2014. The company continues to discuss the possibility of a new licence with the Kenyan Ministry.

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

	2014	**2013**	**2012**	**2011**	**2010**	**2009**
Basic earnings per share (cents)	**(1.66)**	(0.06)	(0.23)	(0.16)	(0.32)	(1.26)

30 June 2014

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.
- On going analysis of business risks specific to the exploration 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 risk assessment process takes into account the following steps:

- Condition – What is the particular problem that has been identified?;
- Criteria – What is the standard that was not met? This may be an internal benchmark or industry standard;
- Cause – Why did the problem occur?;
- Consequence – What is the risk, negative outcome or opportunity foregone due to the finding?; and
- Corrective action – What should management and the board do to correct the finding and implement procedures for the continued monitoring of the risk?.

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 that the group to safeguard its assets.

Review of Financial Condition

Capital Structure

The group has a sound capital structure from which to continue its development programmes. During the year, the company maintained sufficient cash reserves and as such there was no requirement for any fundraising activities.

Share Capital	Number of shares	$
Beginning of the financial year	**1,150,994,096**	**99,411,998**
Issued during the year:	**-**	**-**
End of the financial year	**1,150,994,096**	**99,411,998**

There were no movements in the options of the company during the year:

Option Reserve	Number of options	Weighted average exercise price
Balance at beginning of year	**5,000,000**	**0.12**
– exercised	**-**	**-**
– issued	**-**	**-**
Balance at end of year	**5,000,000**	**0.12**

30 June 2014

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
- The group has sufficient liquidity and funding to continue operations into the foreseeable future.
- All operating plans and budgets are approved and progress is reviewed continuously.

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
At the date of this report there were 5,000,000 unissued ordinary shares under options. Refer to the notes for further details on the options outstanding.

During the year, there were no option movements.

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

Significant events after balance date include:

Namibia EL 0037
In July 2014, Pancontinental announced that the 3D and 2D seismic surveys carried out earlier in 2014 were beginning to yield very encouraging results. Initial mapping confirmed at least four main prospects in the 3D area. The prospects appear to be large and robust and are in favourable geological settings. Additional prospects and leads are expected to be mapped within and outside the 3D area in due course.

The Albatross Prospect has potential to contain 422 Million Barrels of Oil (gross unrisked mean) or 1.093 Billion Barrels of Oil (P10). Further prospects and leads have gross mean risked potential resources exceeding 150 Million Barrels of Oil.

Cautionary Statement: The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Apart from the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

30 June 2014

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:

HD Kennedy, RB Rushworth, EA Myers, ARF Maslin and V Petrovic.

30 June 2014

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 received a fixed fee for their services. They do not receive performance based remuneration. The chief executive officer received a fixed fee for his respective executive services (with no bonus or other performance-based remuneration). 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 2014 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 takes independent advice from external sources when necessary. It is the board's policy that employment contracts are only entered into with the chief executive officer and with key executives. Details of the CEO's contract are as follows:

Basic Sum:	$750,000
Capacity:	Chief Executive Officer
Commencement Date:	1 July 2012
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.

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.

30 June 2014

Table 1: Director remuneration for the year ended 30 June 2014

	Primary benefits		Post Employment	Equity	Total	Value of options as proportion of Revenue
	Salary & Fees	Cash STI	Superannuation	Options (Issued)		
Henry David Kennedy (Non-Executive Chairman)						
2014	**50,000**	**-**	**-**	**-**	**50,000**	**0.0%**
2013	50,000	-	-	28,000	78,000	2.2%
Roy Barry Rushworth (Executive Director, Chief Executive Officer)						
2014	**750,000**	**-**	**-**	**-**	**750,000**	**0.0%**
2013	650,000	-	-	56,000	706,000	4.3%
Ernest Anthony Myers[1] (Executive Finance Director)						
2014	**48,000**	**-**	**-**	**-**	**48,000**	**0.0%**
2013	48,000	-	-	42,000	90,000	3.2%
Anthony Robert Frederick Maslin (Non-Executive Director)						
2014	**48,000**	**-**	**-**	**-**	**48,000**	**0.0%**
2013	48,000	-	-	28,000	76,000	2.2%
Total Current Year Remuneration	**896,000**	**-**	**-**	**-**	**896,000**	**-**

Note 1.
Mr Myers has a 50% interest in a consulting company which provides staff, accounting and administrative services to listed companies, including Pancontinental. Mr Myers is paid a salary from that company. The same company also pays the staff who provide company secretarial, accounting and administrative services to Pancontinental. The total fees paid for these services and functions was $338,496 (2013: $305,400).

Table 2: Options granted as part of remuneration for the year ended 30 June 2014 (as approved by Shareholders)

There were no options granted as part of remuneration for the year ended 30 June 2014

Options issued during the financial year ended 30 June 2013 are shown below:

	Issued
Henry David Kennedy	500,000
Roy Barry Rushworth	1,000,000
Ernest Anthony Myers	750,000
Anthony Robert Frederick Maslin	500,000
Total Options Issued	**2,750,000**

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. 2,750,000 options were granted to directors during the 2013 financial year and none in the 2014 financial year.

30 June 2014

Fair values of options:

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

	2014	2013	2012	2011	2010	2009
Expected volatility	-	**110%**	120%	-	-	-
Risk-free interest rate	-	**2.74%**	3.57%	-	-	-
Expected life of option	-	**4 years**	3 years	-	-	-

Total number of options:

Number of options	Grant date	Vesting date	Weighted average fair value
2,250,000	29 Nov 11	28 May 12	0.08
2,750,000	30 Nov 12	30 Nov 12	0.06

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	2014	2013	2012	2011	2010
Share price at 30 June	**$0.023**	$0.050	$0.175	$0.110	$0.042
Average equity	**65,037,139**	72,686,103	43,124,939	13,566,697	11,041,234
Net Profit	**(19,068,997)**	(662,822)	(1,805,773)	(967,031)	(1,786,654)
Return on Equity in %	**(29.32)%**	(0.91)%	(4.19)%	(7.13)%	(16.18)%

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 98/0100. 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 2014.

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.

E.A. Myers

Ernest Anthony Myers
Director

Perth 30 September 2014

30 June 2014

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 of the 30 June 2014 annual financial statements; and
ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Mr Graham Swan

Lead Auditor

30 September 2014

30 June 2014

In accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("ASX Principles and Recommendations")[1], Pancontinental Oil & Gas NL ("the company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Principles and Recommendations, the company has followed each recommendation where the board has considered the recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the company and the board, resources available and activities of the company. Where, after due consideration, the company's corporate governance practices depart from the ASX Principles and Recommendations, the board has offered full disclosure of the nature of and reason for the adoption of its own practice.

Further information about the company's corporate governance practices is set out on the company's website at www.pancon.com.au. In accordance with the ASX Principles and Recommendations, information published on the company's website includes charters (for the board and its committees), the company's code of conduct and other policies and procedures relating to the board and its responsibilities.

EXPLANATIONS FOR DEPARTURES FROM BEST PRACTICE RECOMMENDATIONS

During the company's 2013/2014 financial year ("reporting period") the company has followed each of the ASX Principles and Recommendations, other than in relation to the matters specified below.

Principle 2

Recommendation 2.1: A majority of the board should be independent directors

Notification of Departure:

Currently only one of the four directors is considered to be independent – Mr Maslin.

Messrs Rushworth and Myers are executives and Mr Kennedy, a substantial shareholder.

Explanation for Departure:

Given the size and scope of the company's operations the board considers that it is appropriately structured to discharge its duties in a manner that is in the best interests of the company. The board believes its current composition is in line with the long term interests of shareholders. Furthermore, mechanisms are in place so that if a director considers it necessary, they may obtain independent professional advice. The board considers independence, amongst other things, when recommending new directors to the board.

Principle 2

Recommendation 2.2: The chair should be an independent director

Notification of Departure

The chair is not considered to be independent.

Explanation for Departure

Mr Kennedy is not independent by virtue of his substantial shareholding in the company. However, the board considers that Mr Kennedy's interests are aligned with the long term interests of shareholders. Given Mr Kennedy's extensive experience and qualifications, the board believes Mr Kennedy is the most appropriate director to carry out the role of chair.

[1] A copy of the ASX Principles and Recommendations is set out on the company's website under the Section entitled "Corporate Governance".

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Principle 2

Recommendation 2.4: The board should establish a nomination committee

Notification of Departure:

The full board fulfils the role of a nomination committee.

Explanation for Departure:

The full board considers those matters that would usually be the responsibility of a nomination committee. The board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee. The board has adopted a nomination committee charter, which it applies when convening as the nomination committee.

Principle 4

Recommendation 4.1: The board should establish an audit committee

Recommendation 4.2: Structure of the audit committee

Notification of Departure:

The full board fulfils the role of an audit committee.

Explanation for Departure:

The composition of the board is not suitable for the formation of a separate audit committee in accordance with the recommendation. Further, the independent director does not possess the requisite financial expertise recommended in an audit committee. The board has adopted an audit committee charter to assist with its function as an audit committee. The audit committee charter provides that independent directors may meet with the external auditor.

Principle 7

Recommendation 7.2: Implement, manage and report on risk management system

Notification of Departure:

The board has not received a formal documented report from management on the effectiveness of their management of the company's material business risks other than verbal updates.

Explanation for Departure:

Although a formal risk management system has not been implemented, the board has continued focus on risk management during the year. 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 company is as always committed to further developing and strengthening the company's risk management policies.

Principle 8

Recommendation 8.1: The board should establish a remuneration committee

Recommendation 8.2: Structure of the remuneration committee

Notification of Departure:

The board fulfils the function of a remuneration committee.

Explanation for Departure:

Given the size and composition of the board, it is not practicable that a separate committee be formed. To assist it to carry out its function in relation to remuneration matters, the board has adopted a remuneration committee charter.

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COMMITTEE MEETINGS

Due to the size of the current board, the functions of the Nomination, Audit and Remuneration Committees were carried out by the full board during the financial year. As such, no separate meetings were held for the Nomination and Remuneration Committees. The board agenda may incorporate these items and appropriate discussions held at the board meetings.

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 Myers is a Certified Practising Accountant and therefore meets the tests of financial expertise.

OTHER

Skills, Experience, Expertise and term of office of each Director

A profile of each director containing the skills, experience, expertise and term of office of each director is set out in the Directors' Report.

Identification of Independent Directors

In considering the independence of directors, the board refers to the criteria for independence as set out in Box 2.1 of the ASX Principles and Recommendations ("Independence Criteria"). 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 in full on the company's website.

Applying the Independence Criteria, the independent director of the company for the current financial year was Mr Maslin.

Corporate Reporting

ASX Principle 7.3 requires the board to disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The board confirms that such assurance has been received.

Statement concerning availability of Independent Professional Advice

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director, then, provided the director first obtains approval for incurring such expense from the chair, the company will pay the reasonable expenses associated with obtaining such advice.

Confirmation of whether performance Evaluation of the Board and its members has taken place and how it was conducted

During the reporting period a formal evaluation of the board and its members was not carried out as it was not considered to be a beneficial procedure given the size and composition of the board and the nature of the company's operations. However, the composition of the board and its suitability to carry out the company's objectives is discussed on an as-required basis.

Existence and Terms of any Schemes for Retirement Benefits for Executive and Non-Executive Directors

There are no termination or retirement benefits for non-executive directors.

Directors' Terms in Office

Name	Term in office
Henry David Kennedy	15 years
Roy Barry Rushworth	9 years
Ernest Anthony Myers	5 years
Anthony Robert Frederick Maslin	3 years

For additional details regarding board appointments, please refer to the Pancontinental website.

30 June 2014

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 practicable given the size and scope of the company's operations. The company has adopted a Diversity Policy which is available on the company's website under the Corporate Governance section.

Diversity – Measurable Objectives

The company's primary objectives with regard to diversity are as follows:

- the company's composition of board, executive, management and employees to be as diverse as practicable; and
- to provide equal opportunities for all positions within the company and continue the company's commitment to employment based on merit.

Primary 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, European and American;
- gender – both male and female members; and
- age – the age range spans over 40 years.

The above points relate to the composition of the board, as the company does not have any employees.

Diversity – Annual Reporting

The company's annual reporting on the percentage of females in the organisation is as follows:

	% Female	
	2014	**2013**
Employees	**N/A [no employees]**	N/A [no employees]
Executives & Board Members	**20%**	20%

YEAR ENDED 30 JUNE 2014	Notes	CONSOLIDATED 2014 $	2013 $
OPERATING ACTIVITIES			
Depreciation and amortisation expenses	2, 6	**(1,416)**	(1,587)
Salaries, fees and benefits		**(385,872)**	(559,094)
Audit fees		**(23,582)**	(31,500)
Generative exploration expenditure and write off	2	**(17,846,392)**	(82,210)
Annual report costs		**(7,770)**	(16,591)
ASX fees		**(43,751)**	(58,242)
Administration, accounting and secretarial fees		**(340,928)**	(307,686)
Insurance		**(40,885)**	(20,842)
Legal fees		**(49,073)**	(18,142)
Share registry costs		**(29,067)**	(66,319)
Rent and outgoings		**(119,661)**	(85,675)
Travel		**(91,182)**	(100,555)
Other revenues and expenses		**(267,367)**	(340,980)
TOTAL OPERATING ACTIVITIES		**(19,246,946)**	(1,689,423)
FINANCING ACTIVITIES			
Financing income		**1,090,608**	1,295,429
Financing expense		**(912,659)**	(268,828)
TOTAL FINANCING ACTIVITIES		**177,949**	1,026,601
PROFIT/(LOSS) BEFORE INCOME TAX		**(19,068,997)**	(662,822)
Income tax expense	3	**-**	-
PROFIT/(LOSS) FOR THE PERIOD		**(19,068,997)**	(662,822)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income		**-**	-
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		**-**	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	10	**(19,068,997)**	(662,822)
Basic earnings per share (cents per share)	15	**(1.66)**	(0.06)
Diluted earnings per share (cents per share)		**(1.66)**	(0.06)

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

AT 30 JUNE 2014	Notes	CONSOLIDATED 2014 $	2013 $
CURRENT ASSETS			
Cash assets		**9,665,484**	33,821,848
Trade and other receivables	4	**45,055**	1,930,056
TOTAL CURRENT ASSETS		**9,710,539**	35,751,904
NON-CURRENT ASSETS			
Property, plant and equipment	6	**1,388**	2,804
Deferred exploration, evaluation and development costs	7	**45,950,928**	38,938,195
TOTAL NON-CURRENT ASSETS		**45,952,316**	38,940,999
TOTAL ASSETS		**55,662,855**	74,692,903
CURRENT LIABILITIES			
Trade and other payables	8	**160,215**	121,266
TOTAL CURRENT LIABILITIES		**160,215**	121,266
TOTAL LIABILITIES		**160,215**	121,266
NET ASSETS		**55,502,640**	74,571,637
EQUITY			
Parent entity interest			
Contributed equity	9a	**99,411,998**	99,411,998
Reserves	10	**345,179**	345,179
Accumulated losses	10	**(44,254,537)**	(25,185,540)
Total parent entity interest in equity		**55,502,640**	74,571,637
TOTAL EQUITY		**55,502,640**	74,571,637

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

AT 30 JUNE 2014

Consolidated	Share Capital $	Retained Earnings $	Option Reserve $	Total Equity $
Balance at 1 July 2013	**99,411,998**	**(25,185,540)**	**345,179**	**74,571,637**
Profit or loss	**-**	**(19,068,997)**	**-**	**(19,068,997)**
Other comprehensive income/(loss)	**-**	**-**	**-**	**-**
Shares issued (net of costs)	**-**	**-**	**-**	**-**
Share options	**-**	**-**	**-**	**-**
Balance at 30 June 2014	**99,411,998**	**(44,254,537)**	**345,179**	**55,502,640**
Balance at 1 July 2012	95,132,106	(24,630,494)	298,956	70,800,568
Profit or loss	-	(662,822)	-	(662,822)
Other comprehensive income/(loss)	-	-	-	-
Shares issued (net of costs)	4,279,892	-	-	4,279,892
Share options		107,776	46,223	153,999
Balance at 30 June 2013	99,411,998	(25,185,540)	345,179	74,571,637

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

Statement of Cash Flows

YEAR ENDED 30 JUNE 2014	Notes	CONSOLIDATED 2014 $	2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(1,583,303)**	(1,874,229)
Recharges & refunds of exploration expenditure		**2,266,032**	2,268,613
Expenditure on exploration interests		**(25,090,575)**	(19,859,452)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	11(a)	**(24,407,846)**	(19,465,068)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**-**	(794)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		**-**	(794)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest received		**1,089,388**	1,295,429
Proceeds from issues of ordinary shares		**-**	4,560,250
Share issue costs		**-**	(292,906)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**1,089,388**	5,562,773
NET INCREASE/(DECREASE) IN CASH HELD		**(23,318,458)**	(13,903,089)
Add opening cash brought forward		**33,821,848**	47,722,233
Effects of exchange rate changes		**(837,906)**	2,704
CLOSING CASH CARRIED FORWARD	11(b)	**9,665,484**	33,821,848

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

30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
This financial report was authorised for issue by the directors on 30 September 2014.

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, evaluation and development costs are accumulated in respect of each separate area of interest. Such costs are carried forward where they are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale, or where activities in the area of interest have not yet reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

(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.

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(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:

	2014	**2013**
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.

30 June 2014

(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.

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(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.

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2. DEPRECIATION AND WRITE OFF	Notes	CONSOLIDATED 2014 $	2013 $
Expenses			
Depreciation of non-current assets:			
Office furniture and equipment		**1,416**	1,587
Generative exploration and write off:			
Exploration, evaluation and development costs		**17,846,392**	82,210

3. INCOME TAX	CONSOLIDATED 2014 $	2013 $
(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	**(5,721,273)**	(198,104)
Tax effect of permanent differences:		
Other items (net)	**-**	46,200
Amount not brought to account as a carried forward future income tax benefit	**5,721,273**	151,904
Income tax expense attributable to ordinary activities	**-**	-

(b) Future Income Tax Benefit not taken into account

The potential future income tax benefit calculated at 30% in respect of :

Adjustments to carry forward tax losses	-	-
Tax Losses not brought to account	**6,245,263**	**6,122,404**
Total	**6,245,263**	**6,122,404**

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.

4. RECEIVABLES (CURRENT)	CONSOLIDATED 2014 $	2013 $
Sundry receivables	**45,055**	1,930,056
Total	**45,055**	1,930,056

(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.

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5. INTERESTS IN SUBSIDIARIES

Name	Country of incorporation	Percentage of equity interest held by the consolidated entity 2014 %	Percentage of equity interest held by the consolidated entity 2013 %	Investment 2014 $	Investment 2013 $
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				**(161,423)**	(162,659)
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				**5,009,288**	4,839,699
Provision for loss on loan to Pancontinental Namibia P/L				**(12,479)**	(4,328)
Afrex Ltd *	Saint Lucia	**100**	100	**10,584,107**	10,584,107
Provision for diminution in value of investment				**(10,584,107)**	(4,541,703)
Loan to Afrex Ltd				**7,263,753**	7,561,202
Provision for loss on loan to Afrex Ltd				**(2,927,448)**	-
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				**66,535**	60,315
Provision for loss on loan to Starstrike Resources Ltd				**-**	-
Total				**9,238,226**	18,336,633

*Indicates companies not audited by Rothsay Chartered Accountants.

6. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED 2014 $	CONSOLIDATED 2013 $
Office equipment		
At cost	**29,559**	54,375
Less: Accumulated depreciation	**(28,171)**	(51,571)
Total written down amount	**1,388**	2,804

Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment

	2014 $	2013 $
Office equipment		
Carrying amount opening balance	**2,804**	3,598
Additions	**-**	793
Depreciation expense	**(1,416)**	(1,587)
Total written down amount	**1,388**	2,804

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7. DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

	CONSOLIDATED 2014 $	CONSOLIDATED 2013 $
Exploration, evaluation and development costs carried forward		
Pre-production:		
exploration and evaluation phases:		
Carrying amount at 1 July	**38,938,195**	23,211,960
Expenditure & acquisitions during the year	**25,080,520**	19,723,183
Exploration expenditure written off	**(17,752,562)**	(18,250)
Recovery and refunds of exploration expenditure *	**(315,225)**	(3,978,698)
Carrying amount at 30 June	**45,950,928**	38,938,195

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 mining areas.

* For the year ended 30 June 2013 the recoveries relate to refunds of exploration expenditure previously cash called, for the year ended 30 June 2014, the recovery relates to refunds of past expenditure.

8. TRADE and OTHER PAYABLES (CURRENT)

	CONSOLIDATED 2014 $	CONSOLIDATED 2013 $
Trade creditors	**160,215**	121,266
Total	**160,215**	121,266

9. CONTRIBUTED EQUITY

	CONSOLIDATED 2014 $	CONSOLIDATED 2013 $
(a) Issued and paid up capital		
Ordinary shares fully paid	**99,411,998**	99,411,998
Total	**99,411,998**	99,411,998

(b) Movements in shares on issue

	2014 Number of shares	2014 $	2013 Number of shares	2013 $
Beginning of the financial year	**1,150,994,096**	**99,411,998**	1,123,444,094	95,132,106
Issued during the year:				
– Placement (net of costs)	**-**	**-**	-	-
– Shortfall from Share Purchase Plan (net of costs)	**-**	**-**	25,300,002	4,148,781
– Exercise of Options (net of costs)	**-**	**-**	2,250,000	131,111
End of the financial year	**1,150,994,096**	**99,411,998**	1,150,994,096	99,411,998

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10. RESERVES AND ACCUMULATED LOSSES

	CONSOLIDATED 2014 $	2013 $
Reserves		
Beginning of the financial year	**345,179**	298,956
Directors and employee options issued	**-**	153,999
Options exercised	**-**	(107,776)
End of the financial year	**345,179**	345,179
Accumulated losses		
Beginning of the financial year	**(25,185,540)**	(24,630,494)
Net loss attributable to members of Pancontinental Oil & Gas NL	**(19,068,997)**	(662,822)
Share options exercised	**-**	107,776
Total available for appropriation	**(44,254,537)**	(25,185,540)
End of the financial year	**(44,254,537)**	(25,185,540)

11. STATEMENT OF CASH FLOWS

	CONSOLIDATED 2014 $	2013 $
(a) Reconciliation of the net loss after tax to the net cash flows from operations		
Net loss	**(19,068,997)**	(662,822)
Non-Cash Items, Non-Operating Items		
Depreciation of non-current assets	**1,416**	1,587
Financing expense	**912,659**	153,999
Financing income	**(1,090,608)**	(1,295,429)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	**1,885,001**	(1,831,474)
(Increase)/decrease in property, plant & equipment	**1,416**	794
(Increase)/decrease in exploration, evaluation & development	**(7,012,733)**	(15,726,235)
(Increase)/decrease in interests in subsidiaries	**-**	-
(Decrease)/increase in trade and other payables	**38,949**	(114,539)
(Decrease)/increase in employee entitlements	**-**	-
Other non-cash	**(74,949)**	9,051
Net cash flow from operating activities	**(24,407,846)**	(19,465,068)
(b) Reconciliation of cash		
Cash balance comprises:		
– cash assets	**9,665,484**	33,821,848
Closing cash balance	**9,665,484**	33,821,848

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12. EXPENDITURE COMMITMENTS

	CONSOLIDATED 2014 $	2013 $
Capital expenditure commitments		
Estimated capital expenditure contracted for at reporting date, but not provided for, payable:		
not later than one year		
– other	**342,718**	21,607,950
later than one year and not later than five years		
– other	**14,892,810**	31,584,412
later than five years		
Total	**15,235,528**	53,192,362

13. EMPLOYEE BENEFITS

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

	2014		2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	**5,000,000**	**0.12**	4,500,000	0.09
– expired	**-**	**-**	-	-
– exercised	**-**	**-**	(2,250,000)	0.59
– issued	**-**	**-**	2,750,000	0.12
Balance at end of year	**5,000,000**	**0.12**	5,000,000	0.12

Options held at the end of the reporting period
The following table summarises information about options held by directors and employees as at 30 June 2014:

Number of options	Grant date	Expiry date	Weighted average exercise price
2,250,000	29 Nov 11	28 Nov 14	0.1275
2,750,000	30 Nov 12	29 Nov 16	0.1230

14. SUBSEQUENT EVENTS

Significant events after balance date include:

In July 2014, Pancontinental announced that the 3D and 2D seismic surveys carried out earlier in 2014 were beginning to yield very encouraging results. Initial mapping confirmed at least four main prospects in the 3D area. The prospects appear to be large and robust and are in favourable geological settings. Additional prospects and leads are expected to be mapped within and outside the 3D area in due course.

The Albatross Prospect has potential to contain 422 Million Barrels of Oil (gross unrisked mean) or 1.093 Billion Barrels of Oil (P10). Further prospects and leads have gross mean risked potential resources exceeding 150 Million Barrels of Oil.

Cautionary Statement: The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

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15. EARNINGS PER SHARE

	CONSOLIDATED	
	2014	2013
	$	$
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net profit	**(19,068,997)**	(662,822)
Adjustments:		
Earnings used in calculating basic and diluted earnings per share	**(19,068,997)**	(662,822)
	Number of shares	**Number of shares**
Weighted average number of ordinary shares used in calculating basic earnings per share	**1,150,994,096**	1,147,339,986
Effect of dilutive securities:		
Share options	**-**	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**1,150,994,096**	1,147,339,986

16. AUDITORS' REMUNERATION

	CONSOLIDATED	
	2014	2013
	$	$
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	**23,582**	31,500
– other services in relation to the entity and any other entity in the consolidated entity	**-**	-
	23,582	31,500

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17. DIRECTOR AND EXECUTIVE DISCLOSURES
(a) Details of Specified Directors and Specified Executives
(i) Specified Directors

Henry David Kennedy	Non-Executive Chairman
Roy Barry Rushworth	Executive Director, Chief Executive Officer
Ernest Anthony Myers	Executive Finance Director
Anthony Robert Frederick Maslin	Non-Executive Director
(ii) Specified Executives	
Vesna Petrovic	Company Secretary

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

	Salary & Fees	Primary Cash Bonus	Non Monetary benefits	Post Employment Super-annuation	Retirement benefits	Equity Options	Other Bonuses	Total
Specified Directors/Officers								
Henry David Kennedy								
2014	**50,000**	**-**	**-**	**-**	**-**	**-**	**-**	**50,000**
2013	50,000	-	-	-	-	28,000	-	78,000
Roy Barry Rushworth								
2014	**750,000**	**-**	**-**	**-**	**-**	**-**	**-**	**750,000**
2013	650,000	-	-	-	-	56,000	-	706,000
Ernest Anthony Myers								
2014	**48,000**	**-**	**-**	-	**-**	**-**	**-**	**48,000**
2013	48,000	-	-	-	-	42,000	-	90,000
Anthony Robert Frederick Maslin								
2014	**48,000**	**-**	**-**	-	**-**	**-**	**-**	**48,000**
2013	48,000	-	-	-	-	28,000	-	76,000
Vesna Petrovic								
2014	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2013	-	-	-	-	-	-	-	-
Total Remuneration: Specified Directors /Officers								
2014	**896,000**	**-**	**-**	**-**	**-**	**-**	**-**	**896,000**
2013	796,000	-	-	-	-	154,000	-	950,000

Mr Myers has a 50% interest in a consulting company which provides staff, accounting and administrative services to listed companies, including Pancontinental. Mr Myers is paid a salary from that company. The same company also pays the staff who provide company secretarial, accounting and administrative services to Pancontinental. The total fees paid for these services and functions was $338,496 (2013: $305,400).

Mrs Petrovic received no direct remuneration from the company for her services as company secretary however during the year the company paid fees to Resource Services International (Aust) Pty Limited totalling $338,496 (2013: $305,400) for the provision of corporate, accounting and administration services. Mrs Petrovic is employed by Resource Services International (Aust) Pty Limited. See Note 20 for further information.

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

There were no grants of remuneration options during the year.

Options granted for the financial year ended 30 June 2013 are shown below:

			Terms & Conditions for Each Grant			
	Granted Number	Grant Date	Value per option at grant date ($)	Exercise Price per share ($)	First Exercise Date	Last Exercise Date
Specified Directors						
Henry David Kennedy	500,000	30 Nov 12	0.06	0.123	30 Nov 12	29 Nov 16
Roy Barry Rushworth	1,000,000	30 Nov 12	0.06	0.123	30 Nov 12	29 Nov 16
Ernest Anthony Myers	750,000	30 Nov 12	0.06	0.123	30 Nov 12	29 Nov 16
Anthony Robert Frederick Maslin	500,000	30 Nov 12	0.06	0.123	30 Nov 12	29 Nov 16
Total	**2,750,000**					

(d) Option holdings of specified directors and specified executives

2014

	Balance at beginning of period	Granted as Remuneration	Options Exercised/ (Expired)	Net Change Other	Balance at end of period
	1 July 2013				**30 June 2013**
Specified Directors					
Henry David Kennedy	1,250,000	-	-	-	**1,250,000**
Roy Barry Rushworth	2,500,000	-	-	-	**2,500,000**
Ernest Anthony Myers	750,000	-	-	-	**750,000**
Anthony Robert Frederick Maslin	500,000	-	-	-	**500,000**
Total	**5,000,000**	**-**	**-**	**-**	**5,000,000**

2013

	Balance at beginning of period	Granted as Remuneration	Options Exercised/ (Expired)	Net Change Other	Balance at end of period
	1 July 2012				**30 June 2013**
Specified Directors					
Henry David Kennedy	1,500,000	500,000	(750,000)	-	**1,250,000**
Roy Barry Rushworth	3,000,000	1,000,000	(1,500,000)	-	**2,500,000**
Ernest Anthony Myers	-	750,000	-	-	**750,000**
Anthony Robert Frederick Maslin	-	500,000	-	-	**500,000**
Total	**4,500,000**	**2,750,000**	**(2,250,000)**	**-**	**5,000,000**

(e) Shareholdings of Specified Directors and Specified Executives

2014

Ordinary Shares held in Pancontinental Oil & Gas NL	Balance 1 July 2013	Acquisitions (Disposals)	Balance 30 June 2014
Specified Directors			
Henry David Kennedy	134,051,602	7,300,000	141,351,602
Roy Barry Rushworth	36,835,610	-	36,835,610
Ernest Anthony Myers	400,715	-	400,715
Anthony Robert Frederick Maslin	14,583	-	14,583
Total	**171,302,510**	**7,300,000**	**178,602,510**

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2013

Ordinary Shares held in Pancontinental Oil & Gas NL	Balance 1 July 2012	Acquisitions (Disposals)	Balance 30 June 2013
Specified Directors			
Henry David Kennedy	133,301,602	750,000	134,051,602
Roy Barry Rushworth	35,335,610	1,500,000	36,835,610
Ernest Anthony Myers	285,715	115,000	400,715
Anthony Robert Frederick Maslin	14,583	-	14,583
Total	**168,937,510**	**2,365,000**	**171,302,510**

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, it arises from receivables due from subsidiaries and re-charges to joint venture partners.

(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.

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The company's and group's exposure to credit risk is influenced directly and indirectly by the individual characteristics of each joint venture. The balance of any outstanding amounts is monitored and payments are received promptly from joint venture partners.

(ii) Loans to subsidiaries:

The company has provided funding to its subsidiaries by way of loans. Based on management's review of the subsidiaries net tangible asset position and cash flow projections, the current carrying value of the loans have been assessed to be fully recoverable. 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		**Carrying amount**	
	Note	**2014**	**2013**
		$	**$**
Trade and other receivables	4	**45,055**	1,930,056
Cash and cash equivalents		**9,665,484**	33,821,848
Total		**9,710,539**	35,751,904

*Note, the above trade receivable for 2013 mostly relates to the expected refund of joint venture contributions.

Impairment losses:

None of the company's or group's receivables are past due at 30 June 2014, (2013: 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 $8,978,003 (2013: $29,904).

Whilst the loans were not payable at 30 June 2014 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.

(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).

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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 2014			30 June 2013		
AUD	AUD	USD	Total	AUD	USD	Total
Cash & cash equivalents	**7,036,895**	**2,628,589**	**9,665,484**	31,766,074	2,055,774	33,821,848
Trade & other receivables	**45,055**	**-**	**45,055**	69,180	1,860,876	1,930,056
Trade and other payables	**(160,215)**	**-**	**(160,215)**	(121,266)	-	(121,266)
Net balance sheet exposure	**6,921,735**	**2,628,589**	**9,550,324**	31,713,988	3,916,650	35,630,638

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2014	2013	2014	2013
AUD : USD	**0.918**	1.027	**0.942**	0.913

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 2013.

Effect in AUD	Consolidated	
	Equity	Profit or loss
30 June 2014		
10% strengthening	**64,610**	**64,610**
30 June 2013		
10% strengthening	206,764	206,764

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 as the other bank transactions in foreign currencies are predominately guarantees for exploration expenditure and would not have an effect on the financial position of the company until their maturity date and only then, if the guarantee is to be extended and that extension is at a different AUD to USD rate.

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 2014	30 June 2013
Variable rate instruments		
Cash and cash equivalents	**9,665,484**	33,821,848

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.

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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 2014		30 June 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	**45,055**	**45,055**	1,930,056	1,930,056
Cash and cash equivalents	**9,665,484**	**9,665,484**	33,821,848	33,821,848
Trade and other payables	**(160,215)**	**(160,215)**	(121,266)	(121,266)
	9,550,324	**9,550,324**	35,630,638	35,630,638

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.

	2014	2013
Equity attributable to shareholders of the Company		
Minorities	**-**	-
Equity	**55,502,640**	74,571,637
Total assets	**55,662,855**	74,692,903
Equity ratio in %	**99.71%**	99.84%
Average equity	**65,037,139**	72,686,103
Net Profit	**(19,068,997)**	(662,822)
Return on Equity in %	**(29.32)%**	(0.91)%

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 to was $50,000 (2013: $50,000). Refer note 17.

(b) During the year the company paid fees to Resource Services International (Aust) Pty Limited, a company of which Mr Myers is a director, to cover the provision of corporate, accounting and administration services. The amount paid to Resource Services International (Aust) Pty Limited was $338,496 (2013: $305,400). Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

(c) The company has effected Directors and Officers Liability Insurance.

30 June 2014

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 2014

	2014 $	2013 $
STATEMENT OF COMPREHENSIVE INCOME		
Profit/(Loss) for the period	**(19,062,522)**	(653,500)
TOTAL COMPREHENSIVE INCOME/(LOSS)	**(19,062,522)**	(653,500)

	2014 $	2013 $
STATEMENT OF FINANCIAL POSITION		
Assets		
Current assets	**8,884,363**	34,315,253
TOTAL ASSETS	**55,567,964**	74,590,496
Liabilities		
Current liabilities	**158,330**	118,341
TOTAL LIABILITIES	**158,330**	118,341
Equity		
Contributed equity	**99,411,998**	99,411,998
Reserves	**345,179**	345,179
Accumulated losses	**(44,347,543)**	(25,285,022)
TOTAL EQUITY	**55,409,634**	74,472,155

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 2014 and of their performance for the year ended on that date; and

(ii) complying with Accounting 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 2014.

On behalf of the Board

E.A. Myers

Ernest Anthony Myers
Director

Perth 30 September 2014

ROTHSAY

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

Report on the financial report

We have audited the accompanying financial report of Pancontinental Oil & Gas NL "(the Company") which comprises the balance sheet as at 30 June 2014 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) 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. The Directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report.

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

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the *Corporations Act 2001*.

Audit opinion

In our opinion the financial report of Pancontinental Oil & Gas NL is in accordance with the *Corporations Act 2001*, including:

a) (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

b) the consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. 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.

Audit opinion

In our opinion the remuneration report of Pancontinental Oil & Gas NL for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Rothsay

Graham R Swan
Partner

Dated 30th September 2014

Chartered Accountants

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

Additional information required by the ASX Ltd and not shown elsewhere in this report is as follows.
The information is current as at 30 September 2014.

(a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:

			Ordinary shares	
			Number of holders	**Number of shares**
1	-	1,000	421	90,656
1,001	-	5,000	324	1,131,773
5,001	-	10,000	441	3,745,236
10,001	-	100,000	1,860	82,216,463
100,001		and over	1,040	1,063,809,968
			4,086	**1,150,994,096**
The number of shareholders holding less than a marketable parcel of shares are:			1,342	6,836,573

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

		Listed ordinary shares	
		Number of shares	**Percentage of ordinary shares**
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	158,119,100	13.74
2	SUNDOWNER INTERNATIONAL LTD	132,256,827	11.49
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	82,793,017	7.19
4	CITICORP NOMINEES PTY LIMITED	73,541,608	6.39
5	CM SKYE TRUSTEES LIMITED	26,277,940	2.28
6	NATIONAL NOMINEES LIMITED	13,682,924	1.19
7	BNP PARIBAS NOMS PTY LTD <DRP>	9,704,127	0.84
8	ROY BARRY RUSHWORTH	9,057,670	0.79
9	FLOTECK CONSULTANTS LIMITED	8,162,925	0.71
10	CRESCENT NOMINEES LIMITED	8,000,000	0.7
11	MR ROBERT ALBERT BOAS	7,525,000	0.65
12	NATIONS NATURAL GAS PTY LTD	7,500,000	0.65
13	CS FOURTH NOMINEES PTY LTD	7,150,000	0.62
14	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	7,135,886	0.62
15	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE NO 1 A/C>	6,837,851	0.59
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	6,333,222	0.55
17	TATTERSFIELD SECURITIES LIMITED	6,268,388	0.54
18	QUICKSILVER ASSET PTY LTD	6,107,523	0.53
19	MR MALCOLM CLARK ANDERSON	6,075,000	0.53
20	M & M FAMILY PTY LTD	6,000,000	0.52
		588,529,008	**51.13**

(c) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(d) Substantial Shareholders

	Number of Shares
The details of substantial shareholders as disclosed in substantial shareholder notices received by the Company are set out below:	
Sundowner International Limited and HSBC Custody Nominees	118,499,351
Roy Barry Rushworth and CM Skye Trustees Limited as trustee for the Mulberry Trust	34,764,181

(e) Permit Schedule

Permits and Licence Interests	Permit reference	Interest
Petroleum prospects		
Western Australia	L15	12 %
	EP 104 (R1)	11.11 %
	EP 110	38.462%
	EP 424	38.462%
Kenya	L6	40% offshore, 16% onshore
	L10A	18.75%
	L10B	25%
Namibia	EL 0037	30%

PANCONTINENTAL

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