PANCONTINENTAL OIL & GAS NL – ANNUAL REPORT 2013

PANCONTINENTAL

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Chairman's Review

Pancontinental has advanced its projects significantly this year against a backdrop of slower activity in the resources sector and in equity markets. Your Company has positioned itself for what we expect to be an exciting year ahead in regions where active hydrocarbon systems have only recently been proven and where we expect to commence major drilling programmes in 2014. The Company is financially healthy, with some $33.8 million in cash reserves at year end.

Pancontinental is in a unique position in two of the world's newest oil and gas frontiers, namely offshore East Africa with its Kenyan projects, and offshore southwestern Africa in Namibia. Both regions are potentially game-changers on a global scale. We believe that the industry, including Pancontinental, is making good progress to unlock these regions as major new hydrocarbon provinces. These are vast areas by international standards and historic finds have been made in the last eighteen months, with active hydrocarbon systems being proven in both regions.

The East African margin continues to host major gas discoveries offshore Mozambique and southern Tanzania. Pancontinental is exploring in the northern part of the East African margin and here we have four exploration areas offshore Kenya, covering a total area of some 20,000 square kilometres.

In our Kenya projects L10A and L10B, operated by Britain's BG Group plc ("BG"), using our two 3D seismic surveys we have identified a number of drillable prospects. We expect the first well of a two well drilling programme to commence in these projects early in 2014. The most likely target is one of a number of Miocene Reefs. Around the world such reefs have a notable record of trapping hydrocarbons, and BG is pursuing the L10 reefs as oil, rather than gas, objectives.

In one of our other offshore Kenyan areas, L6, the 3D seismic programme that we carried out in 2012 has now yielded several Prospects for possible drilling. We are seeking a farminee to participate in the drilling that we are currently planning for 2014.

One of the main Prospects in L6 is the large Kifaru Prospect. This is an outstanding stacked Miocene Reef prospect, with potential to contain some 170 million barrels of recoverable oil as a best estimate by the L6 operator FAR Limited. There is excellent follow-up in the similar Kifaru West Prospect, also mapped on 3D seismic, as well as a number of other Miocene Reefs that have yet to be covered by 3D.

An oil discovery in any one of the reefs, either in L6 or elsewhere, would open an entire new and potentially highly productive play off the Kenyan coast. Pancontinental holds interests over roughly three quarters of the reef trend offshore Kenya and currently has more than twenty-five of the reefs mapped as Prospects and Leads in its portfolio.

During the reporting year the Company made the Mbawa 1 gas discovery in L8 offshore Kenya, and I reported on this in the previous Annual Report. This is the first-ever discovery offshore Kenya and the first discovery of any kind in the northern part of the East African offshore margin. The importance of the Mbawa discovery is multi-fold. Well data analysis indicates an opportunity for oil, rather than gas, at deeper levels and the joint venture continues to look to deeper targets for a next well.

The year ahead will be an exciting one for oil and gas exploration in Kenya. The string of world class discoveries further south offshore Mozambique and Tanzania started in a similar way to our first Kenyan discovery, and we have good reason to be extremely enthusiastic about the future for oil discoveries here. As in virtually all frontier areas, the first discoveries pave the way for often more successful future exploration.

Turning from East Africa to the other side of the African continent, one of Pancontinental's key achievements, and a significant milestone in managing its risk profile and conserving funds was the farm-out of our major Namibian project, EL 0037, to Tullow Oil plc ("Tullow") in September 2013.

Pancontinental will have a free carry of 30% through extensive 3D and 2D seismic campaigns, as well as drilling by Tullow should a suitable prospect be defined. Before the Tullow farmin, the Company increased its interest to 95% by the purchase of 10% from our joint venture partner Paragon Oil & Gas (Pty) Ltd in July 2012.

The Tullow farmin has no "caps", meaning that Pancontinental will not have any overhanging financial exposure for the exploration work under the farmout. Pancontinental estimates that Tullow's total farmin expenditure could be as much as $130 million.

The Namibian EL0037 area is very large, at approximately 17,000 square kilometres, and numerous large geological Leads have already been identified.

The farmout came after the first oil recovery ever offshore Namibia during the year just to the south of EL 0037, by HRT in its Wingat-1 well. The proving of an oil generating system in the Central Walvis Basin must not be underestimated. HRT also reported good mature source rocks and, under our interpretation, some of Pancontinental's channel and turbidite sandstone objectives are positioned to be fed directly with oil from these mature source rocks.

Tullow is a highly successful oil finder, particularly in Africa, and it is very pleasing to see that Tullow has recognised Pancontinental's exploration concepts in Namibia and joined the Company's efforts in Block EL 0037.

Looking forward in EL 0037, we expect to see the first 3D seismic acquired by Tullow in early 2014.

In Australia, our projects continue to be advanced as a lower priority in our predominantly African portfolio; however our Canning Basin projects have been given some encouragement by significant discoveries elsewhere in the Basin.

Pancontinental is widely recognised in the industry for its efforts in Africa. It is one of only a few junior oil and gas companies to successfully compete with, as well as participate alongside, some of the world's most notable petroleum companies.

In summary, Pancontinental has been successful in progressing its projects while the regions in which it operates are further de-risked. Your Company continues to be prudently managed from a capital and risk perspective. The outcome of the Mbawa well in Kenya particularly leaves us with a very high degree of optimism for all of our Kenyan projects and we continue to be regarded as one of the most notable junior explorers on the African scene. We look forward to building on this in the coming year.

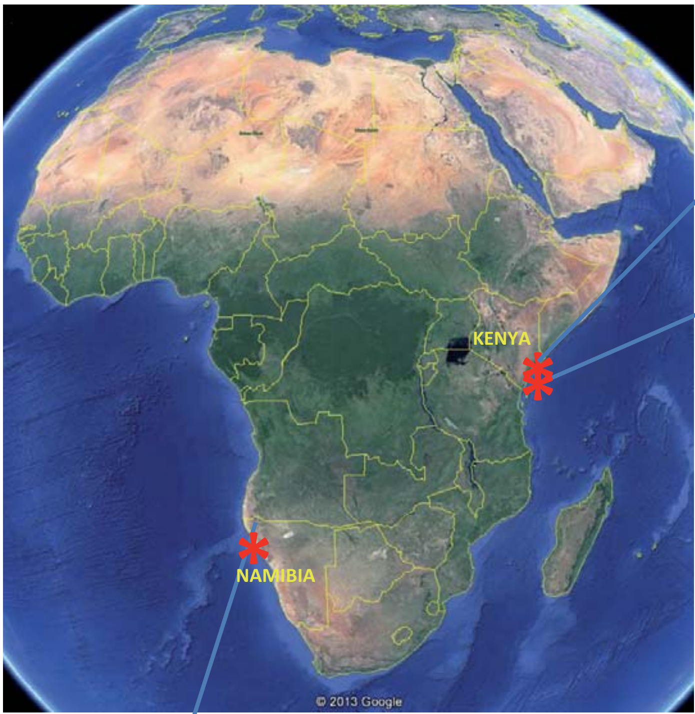
We have an excellent asset portfolio and intend to use our strong funding position, our established relationships with major petroleum companies and our well defined exploration programme to generate a strong outcome for all shareholders.

HD (David) Kennedy,

Chairman

Pancontinental Oil & Gas NL

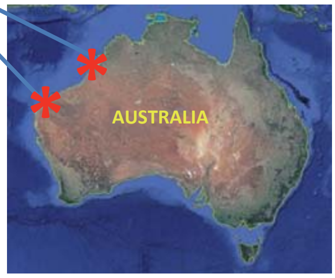
Pancontinental Projects



Asset	PCL%	Sq Km	Partner	Operator
Kenya L6	40%	5,010	FAR 60%	FAR
Kenya L8	15%	5,115	* Apache 50% Origin 20% Tullow 15%	Apache
Kenya L10A	15%	4,962	BG Group 40% PTTEP 25% Premier 20%	BG Group
Kenya L10B	15%	5,585	BG Group 45% PTTEP 15% Premier 25%	BG Group

Asset	PCL%	Sq Km	Operator
Carnarvon Basin EP424 EP 110	38.5% 38.5%	79 750	Strike Energy
Canning Basin EP 104 / R1, L15	11.11% 12.0%	736	Buru Energy

Asset	PCL%	Sq Km	Partner	Operator
Namibia EL 0037	30% post year end	17,295 (3 Blocks)	Tullow 65% Paragon 5%	Tullow Oil



* At an Operating Committee Meeting held on 10th October Apache indicated their intention to withdraw from the block.

Block	Area (km²)	PCL Interest (%)	Operator (%)	Partners (%)
Kenya L6	5,010	40.0%	FAR Limited(60%)	FAR Limited (60%)
Kenya L8	5,115	15.0%	Apache (50%)	* Apache (50%) Origin Energy (20%), Tullow (15%)
Kenya L10A	4,962	15.0%	BG (40%)	BG (40%) PTTEP (25%), Premier (20%)
Kenya L10B	5,585	15.0%	BG (45%)	BG (45%) PTTEP (15%), Premier (25%)
Namibia EL 0037	17,295	30.0%	Tullow Oil (65%)	Tullow Oil (65%) Paragon (Local Partner) (5%)
EP 424 (Australia)	79	38.5%	Strike Energy (61.5%)	Strike Energy (61.5%)
EP 110 (Australia)	750	38.5%	Strike Energy (61.5%)	Strike Energy (61.5%)
EP 104 / R1 (Australia)	736	11.11%	Buru Energy (43.28%)	Buru Energy (43.28%) Emerald Gas (14.17%), Gulliver (16.44%), FAR (8.89%), Indigo Oil (6.11%)
L15 (Australia)	150	12.00%	Buru Energy (15.5%)	Buru Energy (15.5%) Gulliver (49%), FAR (12%), Indigo Oil (11.5%)

* At an Operating Committee Meeting held on 10th October Apache indicated their intention to withdraw from the block.

HIGHLIGHTS

Namibia EL 0037 – Pancontinental Farmed out 65% to Tullow Oil plc for 2D and 3D Seismic and Drilling. Tullow becomes EL 0037 Operator.

Namibia EL 0037 – Pancontinental increased its interest from 85% to 95% by a purchase from Paragon Oil & Gas in July 2012.

Namibia EL 0037 – Independent assessment of potential for 8.7 Billion Barrels Prospective Oil Resources (Pmean).

Kenya L10A & L10B – 3D and 2D seismic surveys identify multiple Prospects including extensive Miocene Reefs. Preparations under way for two wells in 2014.

Kenya L8 – Mbawa-1 gas discovery September 2012; the first hydrocarbon discovery offshore northern East Africa.

Kenya L6 - Kifaru, Kifaru West and Tembo Prospects fully mapped on 3D. Farminee now sought for drilling.

Corporate - Available funds of $33.8 million, 30 June 2013.

Pancontinental continues to assess a number of acquisition and new venture opportunities with a primary African focus.

INTERNATIONAL

KENYA

Pancontinental's Strategy Offshore Kenya
Kenya's stable legal and fiscal regimes and Pancontinental's strong acreage position place the company very favourably in the East African region.

Offshore East Africa has become an industry focus through recent major deepwater gas discoveries offshore Tanzania and Mozambique.

Pancontinental proposes that the prime areas to develop good oil source rocks, and to have these fully mature to generate oil, is the restricted environment where the Tana River delta carried sediments and nutrients into the deep troughs inboard of the Davie Walu Ridge.

Tana River Delta Concept

- *The Tana River delta developed inboard from the Davie - Walu Ridge into the Tembo and Maridadi Troughs*
- *Restricted depositional environments, from the Jurassic to Tertiary*
- *Pancontinental recognised this opportunity early and acquired exploration licences*

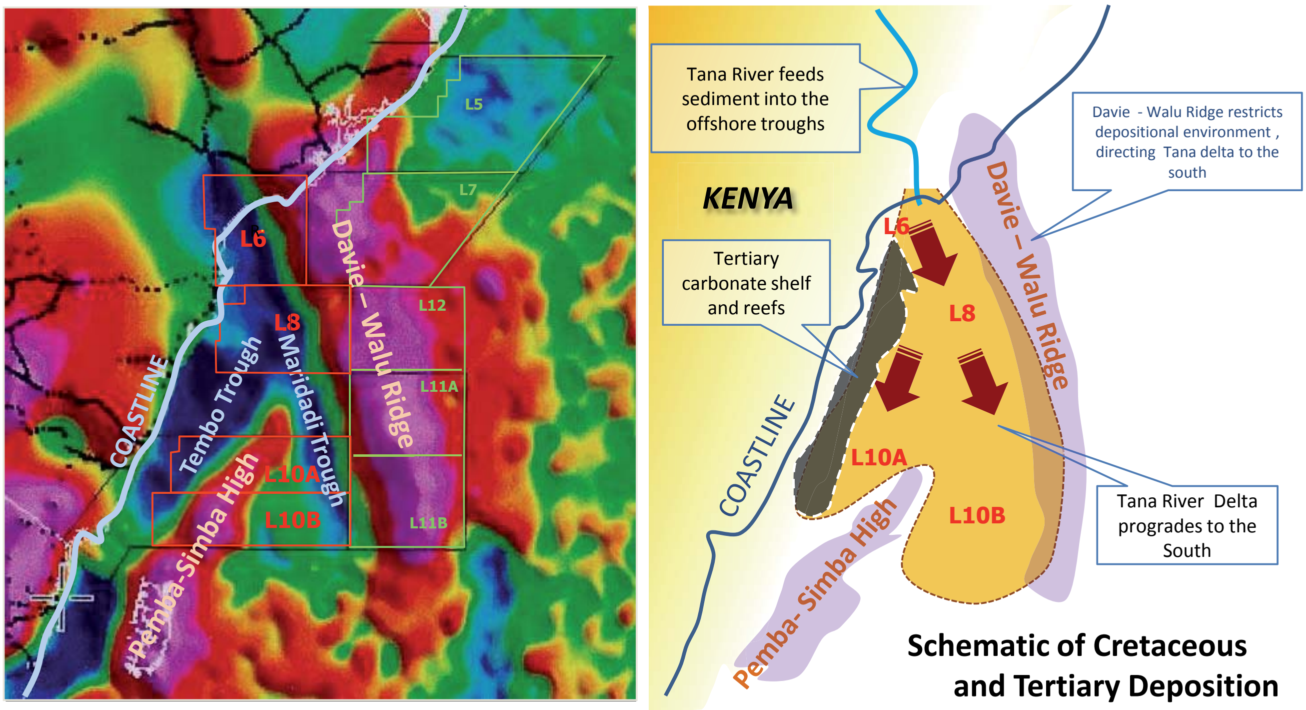


Figure 1 - Tana River Delta Concept

Pancontinental has identified a major oil and gas play offshore Kenya and has acquired four licence areas. Pancontinental participated in the first-ever discovery, the Mbawa gas discovery, in September 2012 (Pancontinental 15%).

Offshore Kenya – Pancontinental Licence Areas

- *Pancontinental has four licence areas offshore Kenya covering 20,672 sq km (5,108,162 acres)*
- *Mbawa Gas discovery (2012) and Kubwa oil shows (2013) prove working oil and gas systems offshore Kenya*

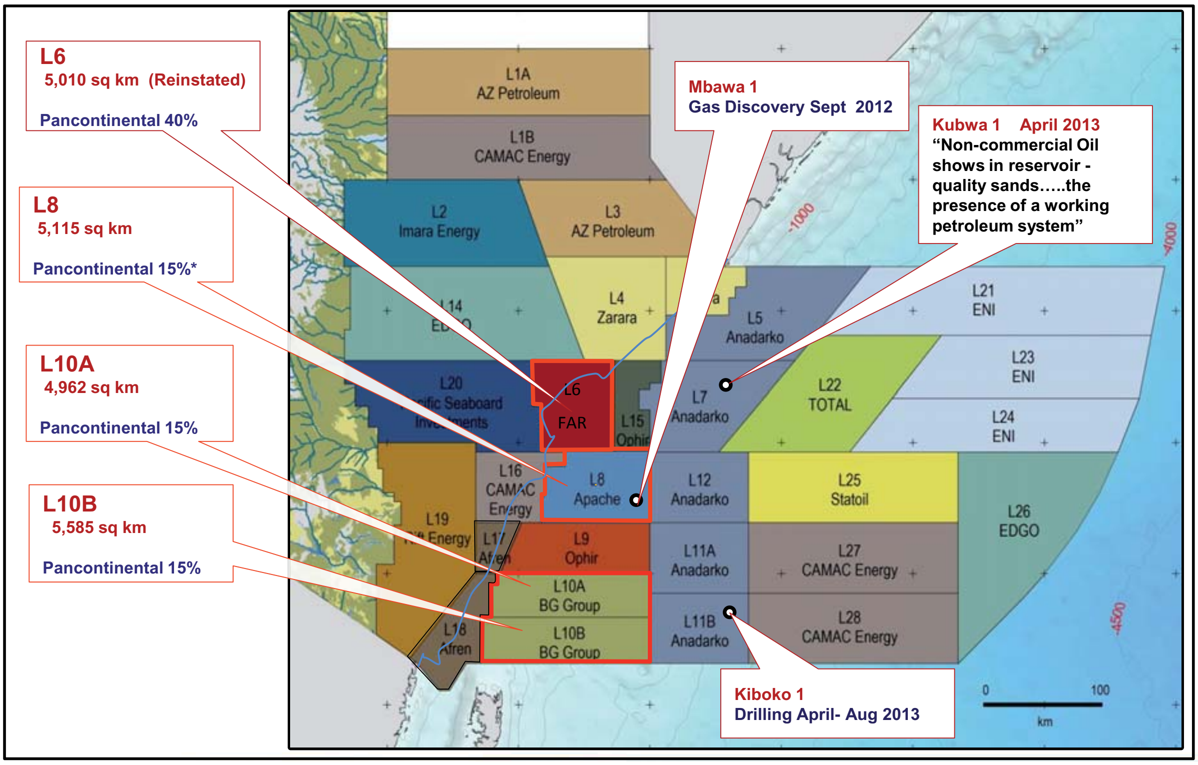


Figure 2 - Pancontinental's Licence Areas offshore Kenya

Pancontinental has extended its strategy of exploring for oil to the south of the L8 and L6 blocks by acquiring the L10 blocks in 2011. The new blocks cover the same deep Tertiary troughs that the company interprets to be oil-generating in L8 and L6.

Pancontinental has participated in five 3D surveys offshore Kenya and these have generated numerous prospects and leads.

The Mbawa gas discovery is only the first to be drilled out of numerous prospects and leads in Pancontinental's four licence areas offshore Kenya. The Mbawa discovery establishes the existence of a working hydrocarbon system offshore Kenya. The source material of the gas is interpreted to be a thermally mature mixed gas and oil-prone source and this means that oil may also have been generated.

Pancontinental is well funded for exposure to up to four offshore Kenyan wells directly (one well depends on the completion of farmout in Block L6) over the coming 12-18 months.

Prospects and Leads Offshore Kenya

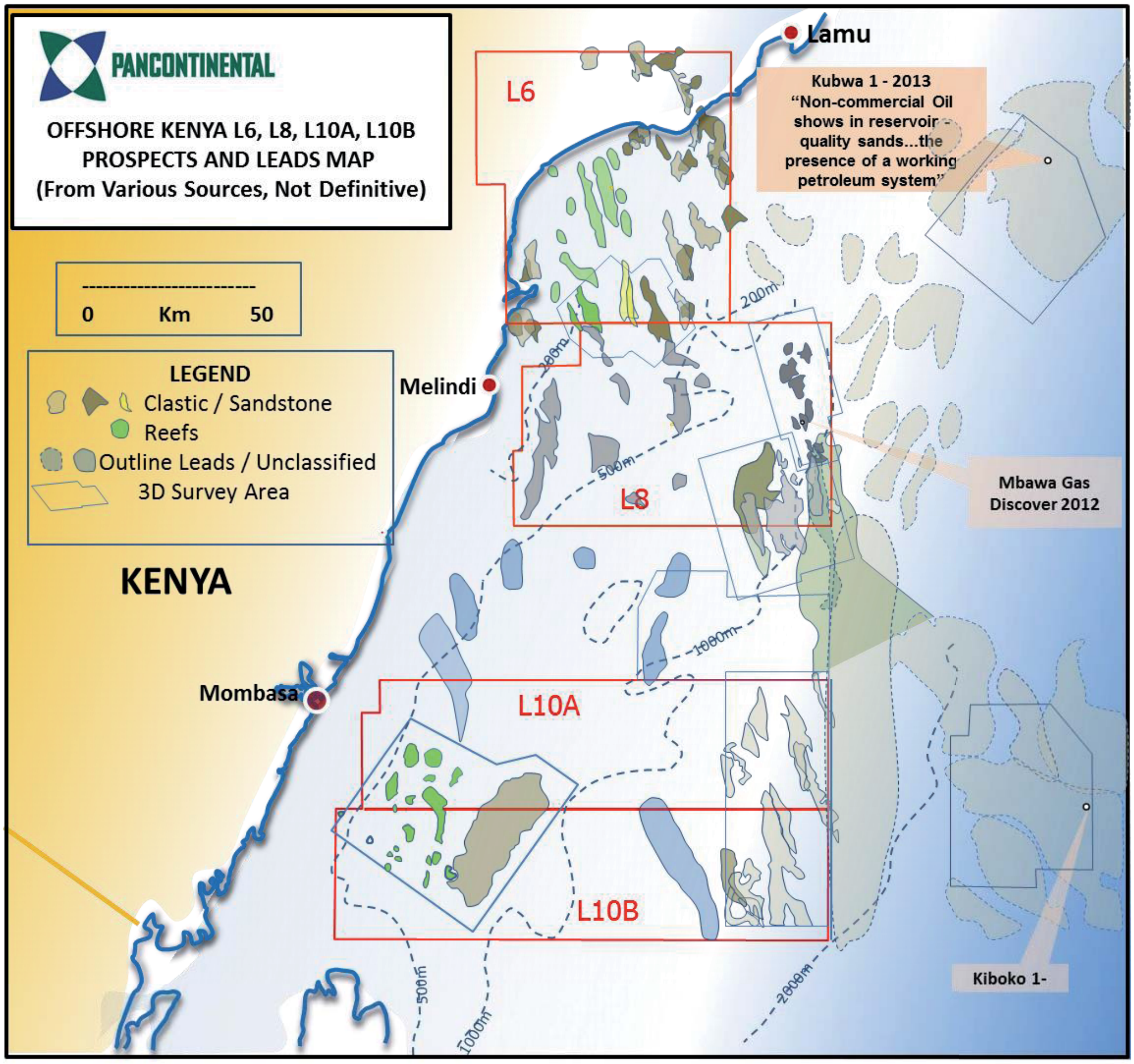


Figure 3 - Schematic of Prospects and Leads offshore Kenya (Not definitive)

KENYA
BLOCK L8 OFFSHORE LAMU BASIN
Pancontinental 15%

Licence area L8 covers 5,114.9 sq km offshore Kenya in water depths from 100m to 1,300m. L8 holds the Mbawa gas discovery made in September 2012.

Mbawa 1 Discovery

The Mbawa Prospect, drilled during August and September 2012, is the first well on the numerous prospects and leads in Pancontinental's four licence areas offshore Kenya. The interpreted extensive deep oil and gas generating "kitchen" near the Prospect extends to the north into area L6 and south into L10A and L10B.

Mbawa 1 is the first ever Natural Gas discovery and the first ever hydrocarbon (oil or gas) discovery offshore Kenya. The three discovery zones have 51.8 net metres (~170 feet) of natural gas pay with favourable reservoir characteristics (porosity approximately 24%).

The discovery was on a single culmination on the southern extremity of the Mbawa structure and the potential of the remainder of the structure remains to be assessed.

The Mbawa 1 exploration well was spudded in August 2012 and drilled to a TD of 3,151m MD. The well was plugged and abandoned according to the drilling programme and has been left in a state that allows re-entry.

The well proves the existence of a working hydrocarbon system that, in the case of the Mbawa gas, is interpreted to be derived from a mature Type II (gas / oil) source.

L8 Prospects and Leads

The extensive 3D seismic surveys in L8 have generated a large number of prospects and leads. These are shown in Figure 4 below.

Kenya L8 Prospects and Leads

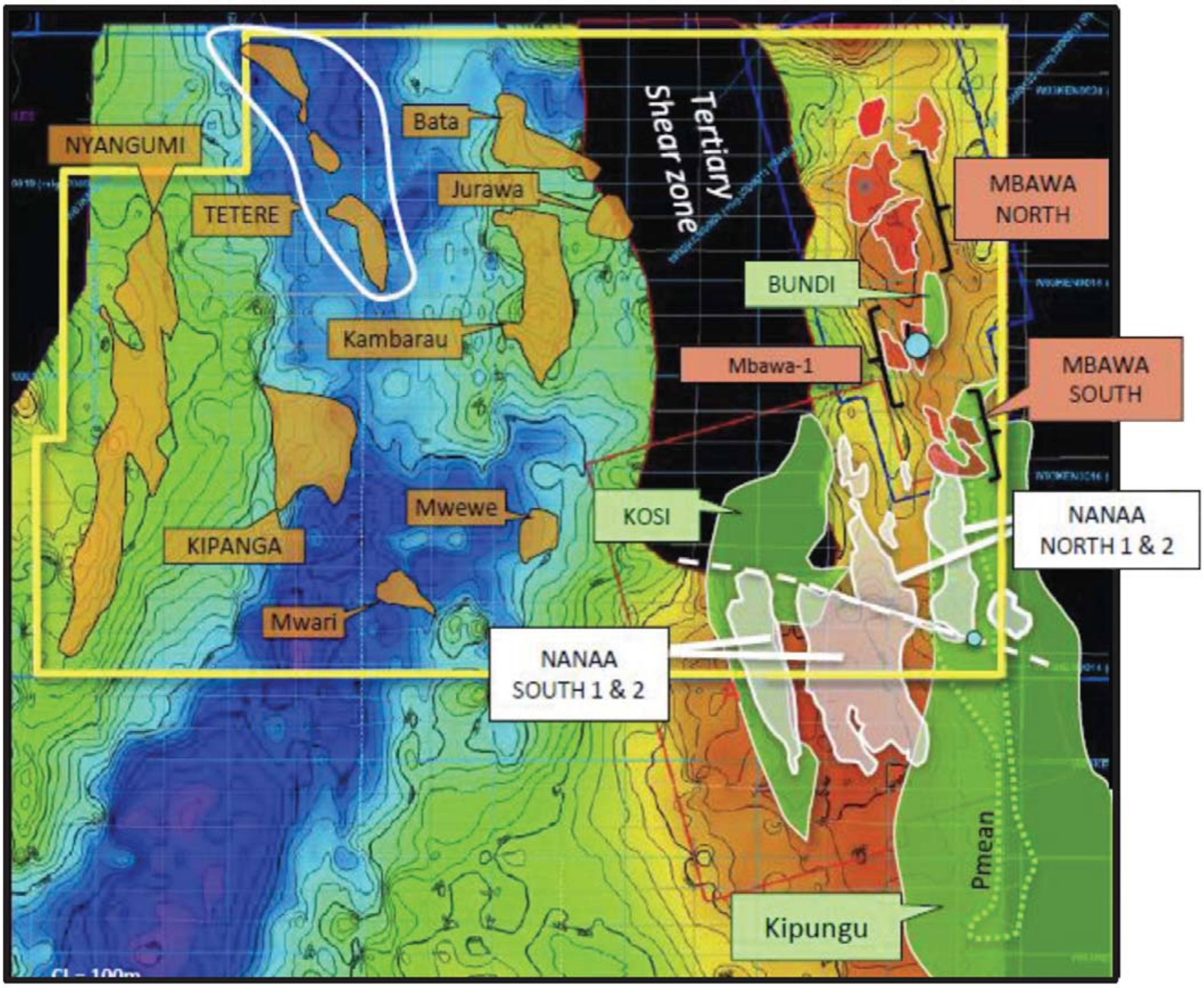


Figure 4 - Kenya L8 Prospects and Leads

L8 - Forward Exploration Programme

Following the Mbawa 1 discovery a major, second, deeper play type has yet to be tested. The deeper play is regarded as being oil prone, rather than gas prone. The L8 Joint Venture has yet to make a formal decision on the second well.

The Kipungu Prospect (formerly the "Tai Prospect") is amongst a number of main prospects under consideration for drilling. The Kipungu Prospect is the updip extremity of an interpreted large channel and "fan" system that extends to the south.

Kipungu and similar follow-up prospects are Lower Cretaceous channel and turbidite sandstone plays ("Tai Sands") that are deeper than the gas discovery sands in Mbawa 1 and are considered to be in a separate petroleum system that is more favourable to trap oil (see Figure 5 below).

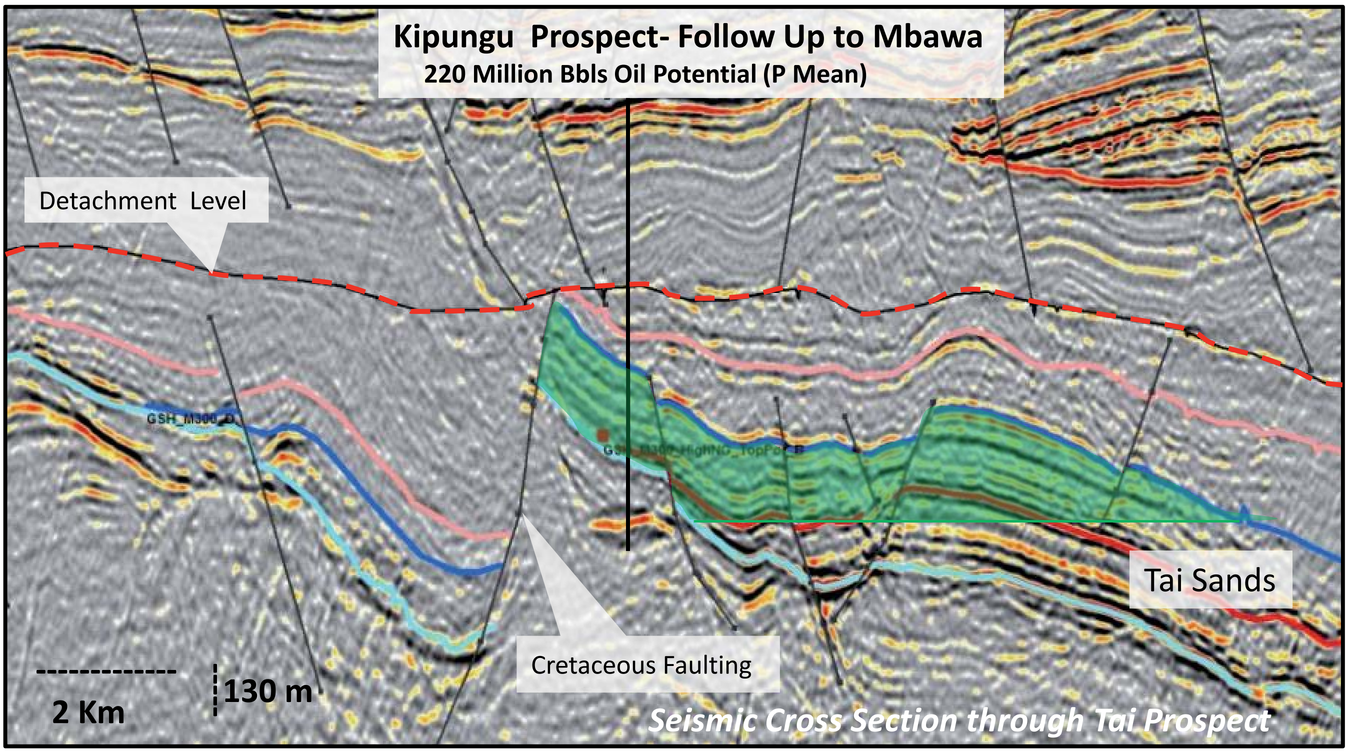


Figure 5 - Seismic Cross Section through Kipungu (Tai) Prospect

Oil remains Pancontinental's prime focus offshore Kenya and the deeper levels and numerous other prospects at various levels remain untested and are the subject of current exploration work.

KENYA
BLOCKS L10A & L10B OFFSHORE LAMU BASIN
Pancontinental 15%

The L10A and L10B Blocks have respective areas of 4,962.03 sq km and 5,585.35 sq km and water depths of 200 to 1,900m, which is easily within the reach of modern drilling and development technology. Pancontinental joined the UK major BG Group plc ("BG"), Premier Oil plc and PT Exploration and Production Public Company Limited (following its takeover of Cove Energy plc) in the award of the two Production Sharing Contracts L10A and L10B in 2011.

With BG as operator, the Joint Venture has undertaken an aggressive exploration programme leading to future drilling in this highly promising exploration province.

The L10A and L10B joint venture completed a second 3D survey in the western portion of the licence areas in January 2013. The joint venture now has excellent 3D coverage totalling 4,872 square kilometres over a large number of leads and prospects.

The two 3D surveys cover the areas shown below in Figure 6. The latest survey covers a cluster of Miocene reefs and the large Crombec Lead. These leads are possible drilling targets.

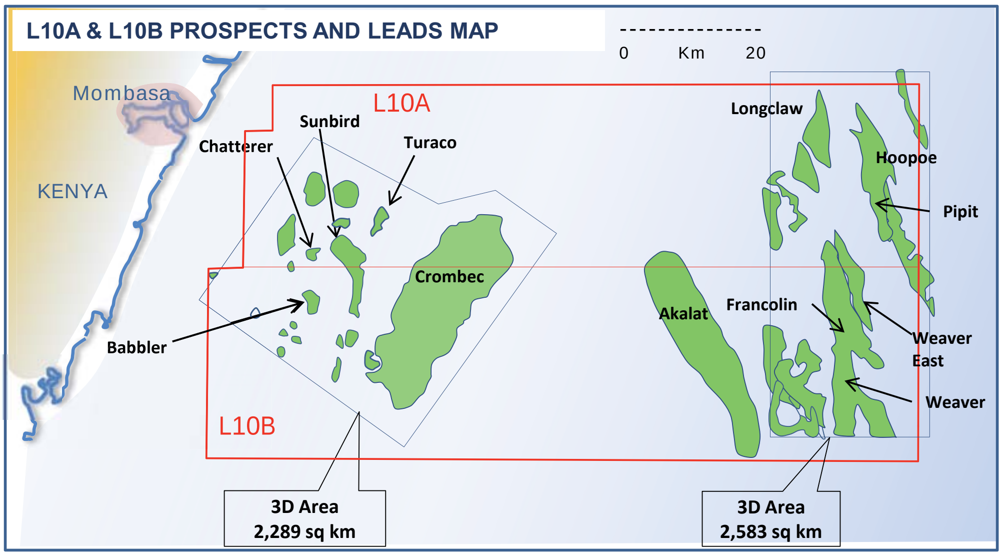
Prospects and Leads

In the western sector of the L10A and L10B areas, the joint venture operator BG has mapped a number of very large leads for further work and possible drilling.

Kenya L10A & L10B Prospects & Leads

L10A & L10B EXPLORATION

- *Numerous Prospects and Leads*
- *Multiple Play Types*
- *Opportunity for multiple follow-ups over large area*
- *Extensive 3D coverage*
- *Aggressive Exploration Programme led by BG Group*



Prospects and Leads
- *>20 Main closures*
- *Miocene reefs - Sunbird, Chatterer, Turaco, Babbler etc*
- *Crombec 550 sq km*
- *Numerous other Outboard clastic prospects*

Multiple Play Types
- *Miocene Reefs*
- *Tertiary & Cretaceous Channels*
- *Cretaceous anticlines*

Extensive 3D Coverage
- *3D surveys totalling ~ 4,800 sq km*
- *Plus extensive 2D data*

Figure 6 - Kenya L10A and L10B Prospects and Leads Map

The largest Leads targeted by the new 3D survey in the western sector are-

(i) A cluster of more than 10 interpreted Miocene Reefs. Miocene reefs are known globally to have very high per-well production potential. The L10 reefs are in water depths of approximately 500m and within 50km of the major Kenyan port of Mombasa.

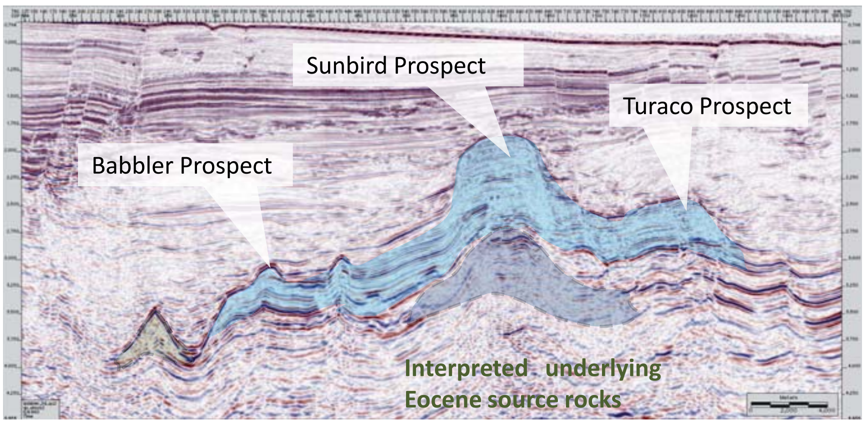
(ii) The Crombec Prospect is a large anticline in the western sector of the areas. Crombec has four-way dip closure from the Tertiary to the Lower Jurassic. It has sands onlapping the crest, indicating a likely growth structure.

In the eastern sector of the areas, mapping continues on a number of Prospects. Two of the diverse play types are-

(i) An extensive system of Tertiary channels. The Tertiary section holds most of the gas discovered to date offshore Mozambique and Tanzania. The channels in L10A and L10B may be gas charged, possibly representing a very large resource.

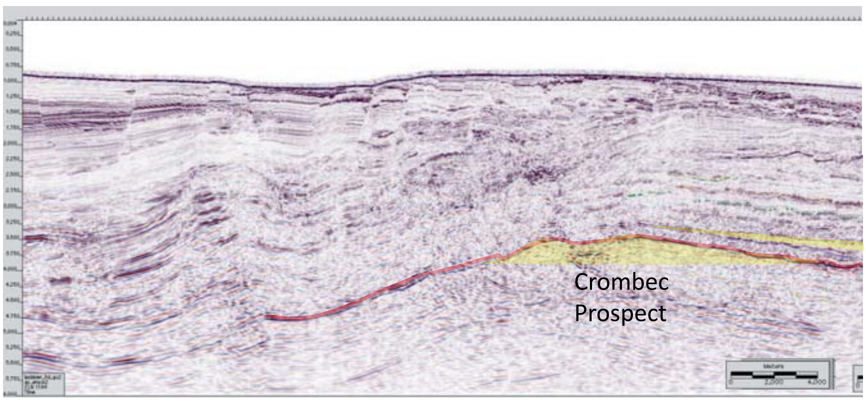
(ii) Structural Leads in the Tertiary to Cretaceous section. Some of the Leads are dip reversals associated with faults. These have stacked potential within Tertiary stacked channels and Cretaceous thrust and sub-thrust plays.

Kenya L10A & L10B Prospects & Leads



Miocene Reef Prospects

- Stacked reefs developed over carbonate platform
- Multiple follow –ups
- Highly productive global analogues
- Various drill depths & sizes
- Full 3D coverage



Crombec Prospect

- Very large Cretaceous anticline --- 550 sq km
- Multiple potential shoreface and deepwater sandstone reservoirs
- Onlap / pinchouts at various levels
- Fully covered by 3D

Figure 7 - Seismic Cross-Sections through Miocene Reefs and Crombec Prospects

Drilling Plans

A number of Prospects and play types have been mapped and the two major series of prospects are Miocene reefs and clastic (sandstone) plays. Three main Miocene reefs have been fully mapped using 3D seismic data - Turaco, Sunbird and Babbler.

The L10A and L10B joint ventures are planning a two well drilling programme commencing early 2014.

Subject to Joint Venture approval it is expected that one of three fully mapped Miocene reef prospects will be the first well in the drilling campaign in 2014.

The location of further drilling will be determined by additional 3D mapping and the outcome of the first well.

KENYA
BLOCK L6 OFFSHORE / ONSHORE LAMU BASIN
Pancontinental 40%

The L6 area is the northernmost of Pancontinental's four areas offshore Kenya.

L6 covers 5,010 sq km (following a reinstatement of relinquished acreage) with about one quarter onshore and the rest offshore to 400 meters water depth.

L6 is areally and geologically continuous to L8 with a deep sedimentary section extending from the Tertiary to at least the Jurassic. L6 lies in the Lamu Basin and within the Tana River delta, north of recent world-scale natural gas discoveries off the coasts of Mozambique and Tanzania.

Following encouraging hydrocarbon generation and migration studies, the joint venture is exploring the offshore portion of the licence area. 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 immediately adjacent to this area.

The largest prospect is the Kifaru Prospect in water depths of 80m to 100m in the southwest of the L6 area. This prospect and several others have been covered by a 3D seismic survey.

The L6 joint venture is operated by FAR Limited (ASX: FAR). The L6 joint venture group intends to secure a farminee for drilling.

Completion of Kifaru 3D Offshore Seismic Survey

The Kifaru 3D seismic survey acquisition was completed in offshore Kenya during July 2012. The survey covered 778 sq km over several prospects, including the primary Kifaru Prospect, in a southern portion of the L6 area.

Prospective Resource Estimates

According to an assessment by operator FAR Limited, the L6 area has potential to contain approximately 3.7 billion barrels of oil or 10.2 trillion cubic feet of gas prospective resources on a gross, un-risked, best-estimate basis.

The three prospects covered by new 3D seismic (Kifaru, Kifaru West and Tembo) have combined potential for approximately 630 million barrels of oil on an un-risked, best estimate, undivided 100% basis.

Pancontinental's 40% share of the total Gross Prospective Resources is 1.5 billion barrels of oil or 4.09 trillion cubic feet of gas on the same basis.

The details of the prospective resource estimates are shown in Table 1 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: Table of L6 Unrisked Prospective Resource Estimates

From the new 3D data three prospects have been mapped, Tembo, Kifaru and Kifaru West, with prospective oil equivalent resources of 327, 178 and 130 million barrels respectively (un-risked best estimate, 100% basis).

In a gas-only case the respective volumes are 807, 517 and 388 billion cubic feet. The chance of a discovery has been assessed at 21%, 19% and 18% respectively.

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

L6 Prospect Inventory

A number of oil and gas play types and prospects have been mapped and it is on this basis that the location of the first exploration well will be selected (See Figure 8 below).

Following the reinstatement of a previously relinquished area, re-examination of 2D seismic data has revealed a cluster of interpreted Miocene Reefs that will be subject to further mapping. These reefs are on trend and north of the Kifaru Prospect.

The L6 Joint Venture is in a strong position to secure a farminee partner for drilling.

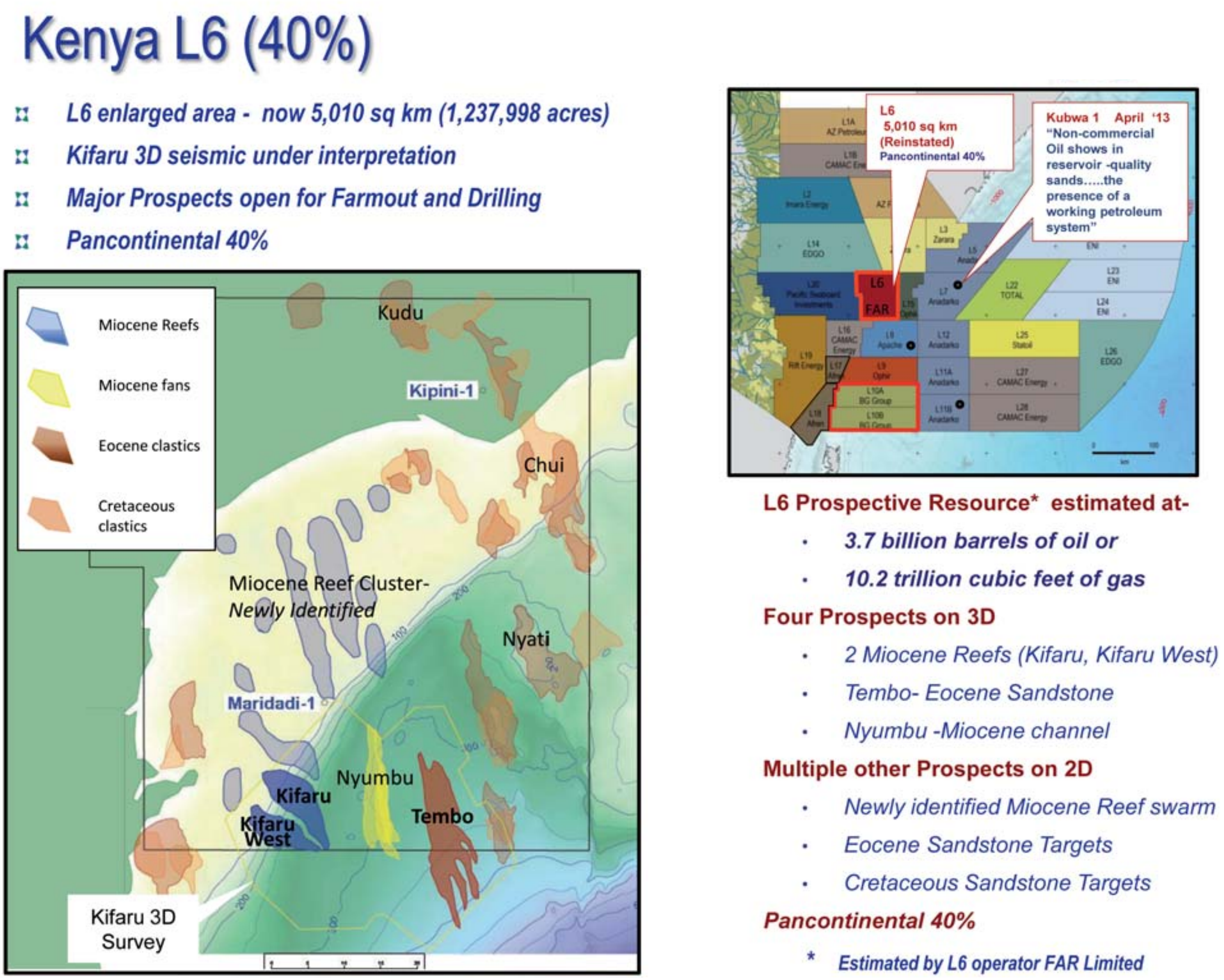


Figure 8 - L6 Prospects and Leads Map

Several major prospects have potential in excess of 100 million barrels recoverable oil or 0.5 trillion cubic feet of gas. Eight prospects have been mapped in five clusters:

- The Kifaru Prospects in the southwest of the block in water depths of 60 metres (Kifaru West) and 100 metres (Kifaru East). These Prospects are now one of the main focuses of exploration work;
- The Kiboko and Nyati clusters are large and well situated in water depths from 100 metres to 350 metres;
- The Chui Prospects are large features in near-shore water depths up to 120 metres; and
- The Kudu Prospect, being onshore, is located where a smaller gas or oil discovery could be readily commercialised.

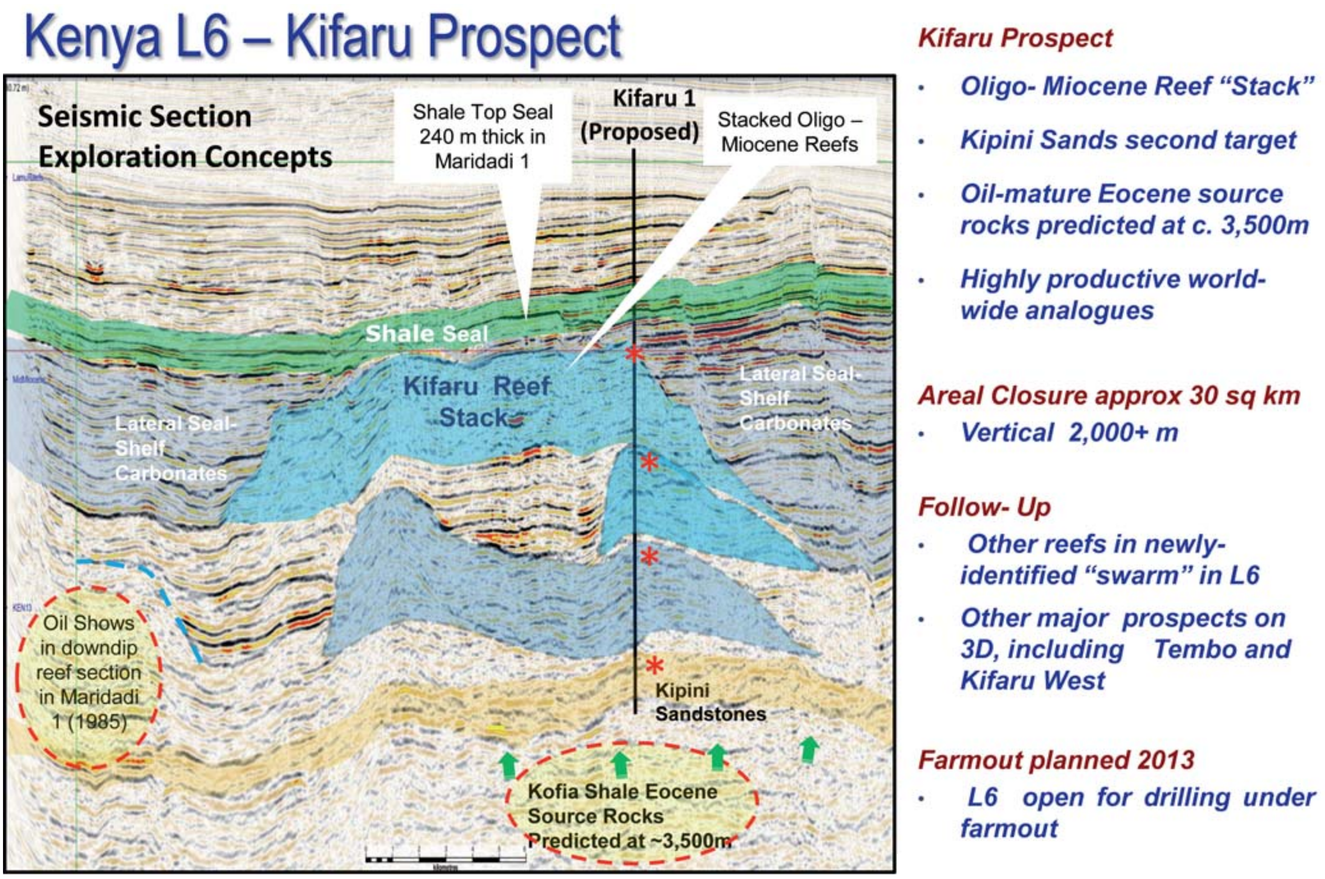


Figure 9 - Seismic Cross Section through Kifaru Prospect

The Kifaru Prospect, a Miocene reef accumulation, has been assessed by L6 operator FAR to have potential to contain approximately 178 Million Barrels of recoverable oil (Best Estimate Unrisked Prospective Resource).

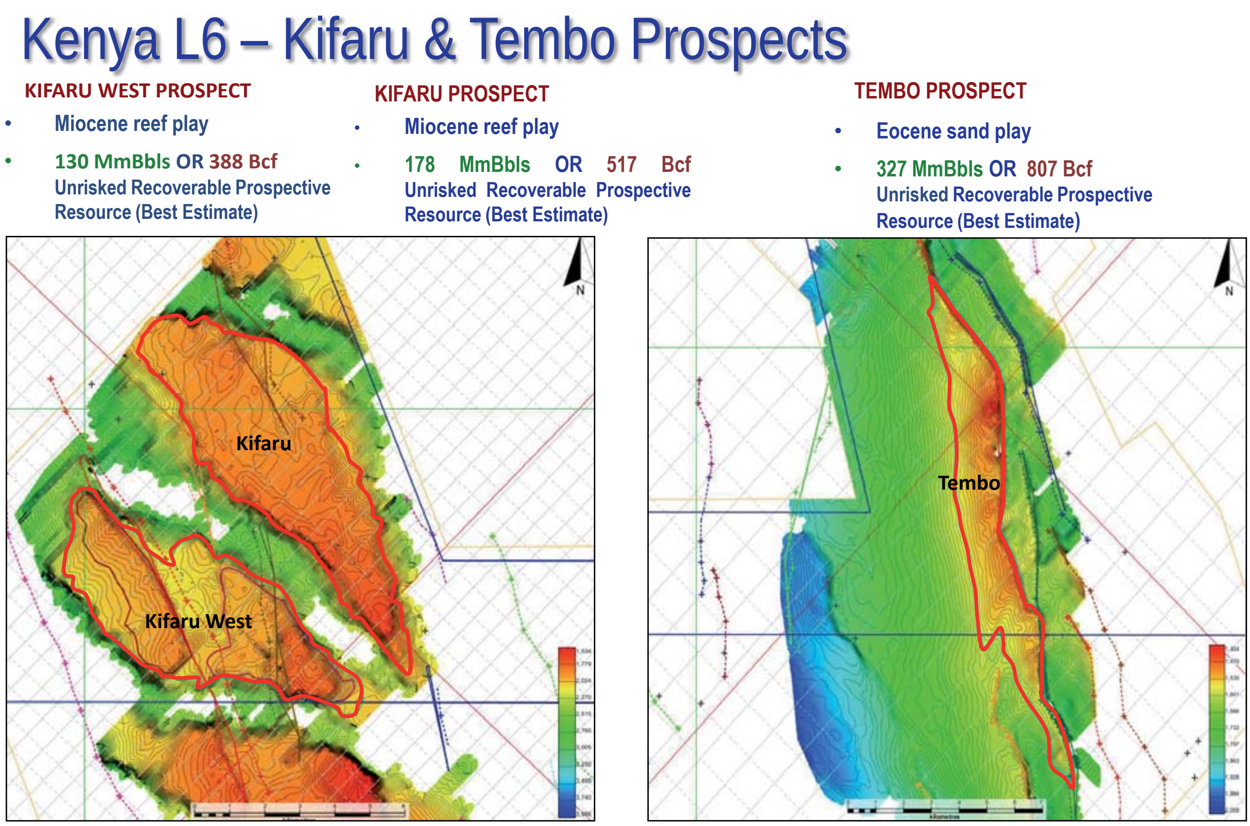


Figure 10 - Kenya L6 -Maps of Kifaru, Kifaru West and Tembo Prospects

The similar Kifaru West Prospect has potential for 130 Million Barrels. A number of other possible Miocene Reefs have been identified to the north of the Kifaru area.

L6 Forward Programme
With the increasing recognition of the hydrocarbon potential offshore Kenya, the L6 joint venture is seeking a farminee for drilling.

Planning has commenced for drilling in 2014. The location, timing, depth and stratigraphy of the well will be determined after final interpretation of the 3D seismic data and discussions with any farminee.

NAMIBIA

EL 0037 OFFSHORE WALVIS BASIN
Pancontinental 30% (post year end)

Petroleum Exploration Licence No. 0037 (“EL 0037”) covers 17,295 sq km (4.2 million acres) in water depths extending to 1,800m in the Walvis Basin offshore northern Namibia. Before farmout to Tullow in September 2013 the licence was held by Pancontinental (95%) and Paragon Oil & Gas (Pty) Ltd (“Paragon”) (5%).

Pancontinental and co-venturer Paragon were awarded the 0037 Exploration Licence on 28 June 2011 and a corresponding Production Agreement was signed on 4 July 2011 (also effective 28 June 2011).

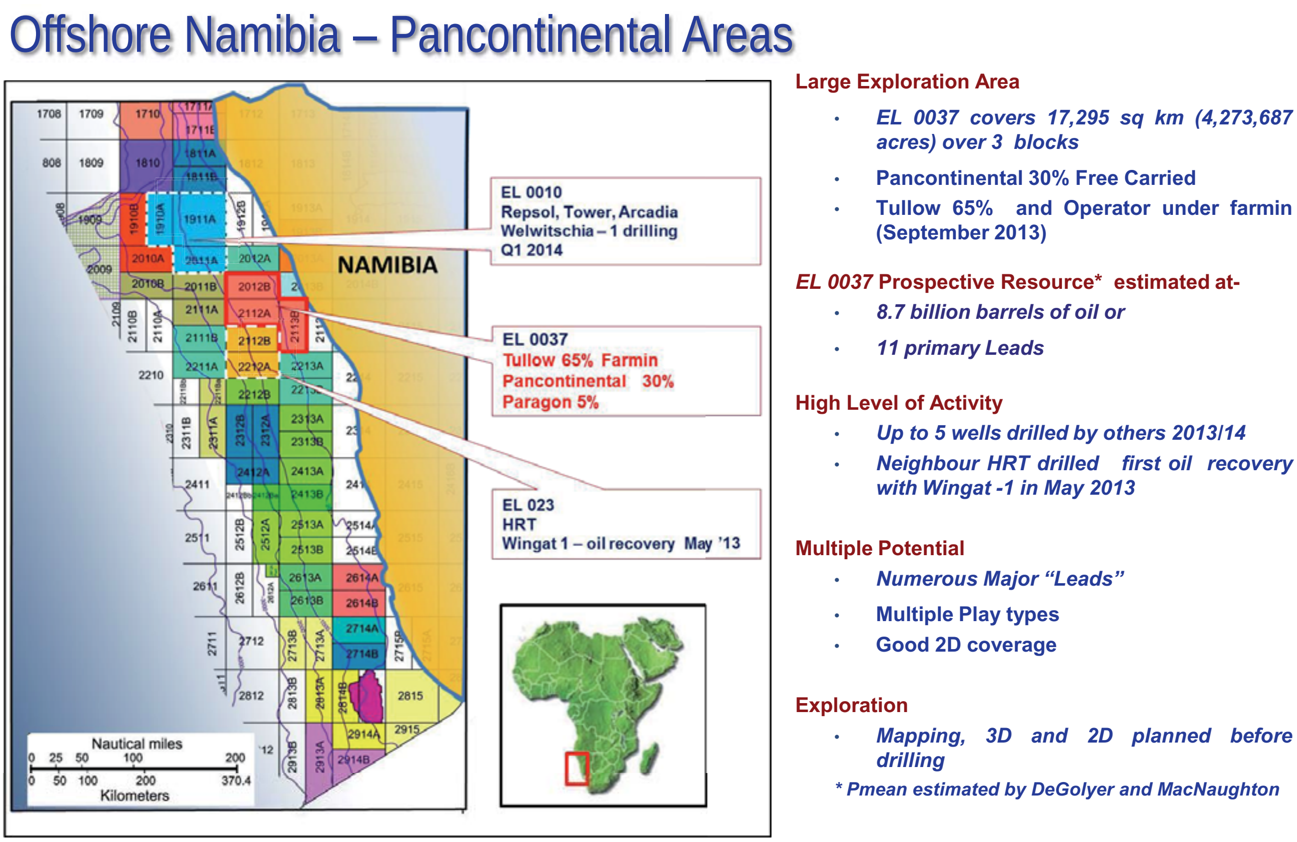


Figure 11 – Offshore Namibia Licence Map

Pancontinental increased its interest from 85% to 95% through a purchase of 10% from co-venturer Paragon in July 2012.

Pancontinental farmed out to Tullow in September 2013, thereby reducing its interest to 30% and under conditions that will see it free carried through extensive 3D and 2D seismic programmes and a possible exploration well.

Regional Activities

Offshore Namibia is part of the plate tectonic “conjugate” of offshore Brazil, where world-scale oil and gas discoveries have been made in recent years and it lies on the West African continental margin adjacent to Angola, where there have also been many major oil discoveries.

Offshore Namibia is an extension of the West African continental margin and in Pancontinental’s opinion offshore Namibia has the potential to hold very large oil and gas reserves and it is significantly under-explored.

On 20 May 2013 it was announced that the Wingat-1 well adjacent to EL 0037 proved well-developed mature marine source rocks and a recovery of 1.8 litres of light oil from poorly-developed reservoir rocks. For the first time, the reported oil recovery and source rocks verified a working oil system in the Walvis Basin.

Pancontinental’s EL 0037 licence area and HRT’s PEL 23 area are contiguous over the “Inner Graben” that is interpreted by Pancontinental to be a main regional oil generating zone and one of the most critical factors to finding commercial oil offshore Namibia.

The Wingat-1 is located in Petroleum Exploration Licence 23 (“PEL-23”), in the Walvis Basin, immediately south of Pancontinental’s EL 0037 area.

On 20 May 2013, HRT announced –

- The Wingat-1 well, spudded on March 25, was drilled in a water depth of approximately 1,005 meters and reached a final depth of 5,000 meters;
- Oil was found, although not in commercial volumes; 4 samples of oil of 450cc each were recovered;
- The recovered oil is Light Oil (38^o to 42^o API), with minimal contamination;
- Two well-developed source rocks, rich in organic carbon, have been penetrated and both are within the oil-generating window;
- Several thin-bedded sandy reservoirs that are saturated by oil were encountered and no water saturated zones were encountered in the drilled section; and
- The well commenced encountering increasing concentrations of hydrocarbon shows below 1,500m.

Two other wells, Murombe-1 and Moosehaed-1, were later completed by HRT. Both wells were reported to have hydrocarbon shows and to have verified mature marine source rocks, however they are not classified as discoveries.

Pancontinental has mapped a number of large “leads” of which some 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.

In addition Tower Resources plc (“Tower”) announced that the drilling of the Welwitschia-1 well in its EL 0010 by the operator, Repsol, is planned to commence in mid-February 2014 and a rig has been fully secured.

Farmout to Tullow Oil

On 6 September 2013 Pancontinental announce a farmout agreement (the “Farmout Agreement”) with Tullow Kudu Limited (“Tullow”), a wholly owned subsidiary of Tullow Oil plc, regarding licence EL 0037 offshore Namibia.

Subject to certain conditions, including Ministerial approval, which Pancontinental and Tullow anticipate to be satisfied, Tullow will be assigned a 65% interest in EL 0037 and Pancontinental will retain a free-carried 30% interest out of its current 95% interest. Pursuant to the Farmout Agreement Tullow will become operator and earn and maintain its 65% by fully carrying Pancontinental through extensive programmes of 2D seismic and 3D seismic and, subject to identifying a drillable prospect, fully carry Pancontinental through an exploration well. Pancontinental estimates that Tullow’s total farmin expenditure may be in the range of US$110 million to US$130 million (100% basis).

Paragon Oil & Gas (Pty) Ltd’s 5% free-carried interest will be included in the Tullow farmin expenditure.

The Farmout Agreement provides for Tullow-

- Taking over as Operator of Licence EL 0037 from Pancontinental;
- Funding 100% of the costs of a 3D seismic survey of not less than 3,000 km^2 commencing before 31 December 2014;
- Funding 100% of the costs of a 2D seismic survey of not less than 1,000 km (either coincident or possibly later than the 3D seismic survey);
- Subject to identifying a drillable prospect, fully funding 100% of the costs of one exploration well (with no expenditure ‘cap’) to not less than 3,500 metres below the sea surface;
- Reimbursing Pancontinental for 65% of past expenditures incurred;
- Purchasing, interpreting and mapping existing seismic data; and
- Paying 100% of any other costs and expenses during the farmin period.

The farmin programme is not subject to expenditure “caps”.

Under the terms of the Farmout Agreement, Tullow will pay 65% of back costs and 100% of forward costs during the farmin period and complete the 2D and 3D seismic surveys outlined above. Should the 2D and 3D seismic not deliver a suitable drilling target, Tullow shall be entitled to withdraw from its commitment to drill the well outlined above by giving written notice to Pancontinental not later than 16 months after the date of the completion of the acquisition of the 3D seismic or 13 months prior to the expiry of the First Renewal Exploration Period, whichever is the earlier. Commencement of the acquisition phase of the 3D seismic is required by 31 December 2014, and may possibly occur as soon as early-2014 depending on seismic vessel availability and other factors. If Tullow withdraws after fulfilling its 2D and 3D seismic commitments it must re-assign its 65% interest back to Pancontinental, at no cost to Pancontinental.

This EL 0037 farmout agreement brings a highly successful operator for exploration and drilling, and an extensive high-tech 3D seismic programme. In addition it covers the free-carried 5% interest held by Paragon, the third partner in the licence.

While Tullow has a commitment to commence the extensive 3D seismic programme before 31 December 2014 it is expected that the 3D acquisition will commence as soon as the required EIA's are approved and a selected seismic contractor can commence acquisition.

Following completion of the farmout the Namibia EL 0037 consortium will consist of -

Tullow Kudu Limited [1] (Operator)	65%
Pancontinental Namibia (Pty) Ltd [2]	30%
Paragon Oil & Gas (Pty) Ltd [3]	5%

1 Tullow Kudu Limited is a wholly owned subsidiary of Tullow Oil plc
2 Pancontinental Namibia (Pty) Ltd is a wholly owned subsidiary of Pancontinental Oil & Gas NL
3 Paragon Oil & Gas (Pty) Ltd is a wholly owned subsidiary of Paragon Investment Holding's (Pty) Ltd

Independent Resource Estimate Overview

On 24 May 2013 Pancontinental announced that leading independent consulting firm DeGolyer and MacNaughton ("D&M") had carried out an assessment of the oil and gas potential of the EL 0037 area.

D&M provided estimates for 11 oil leads in the EL 0037 licence area of total mean prospective resources of 8.7 billion barrels of oil – 8.2 billion barrels net to Pancontinental's 95% interest (these volumes are not adjusted for geologic and/or economic risk). D&M are recognised as the leader in resource estimation for the petroleum industry and have extensive international experience with a diverse range of clients in a diverse range of regions, including onshore and offshore East and West Africa.

D&M's resource estimates recognise large stratigraphic leads in potential clastic turbidite targets. These targets appear to be in the oil window. These potential accumulations are categorised as "leads" based on the available seismic and geologic data. The potential accumulations are not yet classified as "prospects" that are available for drilling.

The summary potential volumetric findings of the report are reproduced in Table 2 below; the details of each lead are given in Table 3.

D&M has prepared the assessment of licence area EL 0037 offshore Namibia in accordance with the Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers.

D&M's Mean Estimate for the total 11 Leads is 8.7 Billion Barrels of Gross Prospective (recoverable) Oil Resources.

Table 2-Estimate of Gross Prospective Oil Resources

	Low Estimate (103bbl)	Best Estimate (103bbl)	High Estimate (103bbl)	Mean Estimate (103bbl)	Probability Of Geological Success (Pg)	P_g-Adjusted Mean Estimate (103bbl)
Statistical Aggregate	4,591,213	7,817,133	13,913,089	8,706,734	0.050	435,337

1. Low, best, high, and mean estimates follow the PRMS guidelines for prospective resources.
2. Low, best, high, and mean estimates in this table are P_{90}, P_{50}, P_{10}, and mean respectively.
3. P_g is defined as the probability of discovering reservoirs which flow petroleum at a measurable rate.
4. Application of any geological and economic chance factor does not equate prospective resources to contingent resources or reserves.
5. Recovery efficiency is applied to prospective resources in this table.
6. There is no certainty that any portion of the prospective resources estimated herein will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.
7. Leads are features that are not sufficiently well defined to be drillable, and need further work and/or data. In general, Leads are significantly more risky than Prospects and therefore volumetrics estimates for Leads are only indicative of relative size.

Table 3 –Details of leads assessed by DeGolyer & MacNaughton in Namibia EL 0037 (Prospective Gross Ultimate Recovery, Million Barrels, Rounded to two decimal places)

LEAD	Potential Target	P90	P50	P10	Mean
A/B	Barremian	100.75	471.46	1,767.86	782.83
C	Cretaceous Slope Channel	77.92	364.15	1,398.65	610.19
D	Cretaceous Basin Floor Fan	49.37	231.20	900.07	388.19
E	Cretaceous Basin Floor Fan	221.14	1,057.91	4,171.05	1,770.03
F	Barremian	36.40	167.86	653.54	280.45
G	Turonian Turbidite	8.87	38.36	146.14	63.78
H	Synrift Pinchout	5.63	26.07	99.83	43.07
K	Cretaceous Basin Floor Fan	22.68	102.99	408.14	174.24
M	Cretaceous Slope Channel	143.60	702.89	2,700.27	1,165.19
N	Santonian Channel	239.96	1,097.33	4,345.22	1,875.90
O	Cretaceous Channel	200.23	942.68	3,560.95	1,552.85

Namibia EL 0037 Exploration

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.

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; similar to its four projects offshore Kenya.

Pancontinental is exploring ponded basin floor turbidites, slope fans and channels seen under the company’s earlier Reconnaissance Licence. These targets are associated with a restricted graben trough interpreted to hold the rich and mature oil source rocks identified in regional wells.

Pancontinental has identified and mapped 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 in EL 0037.

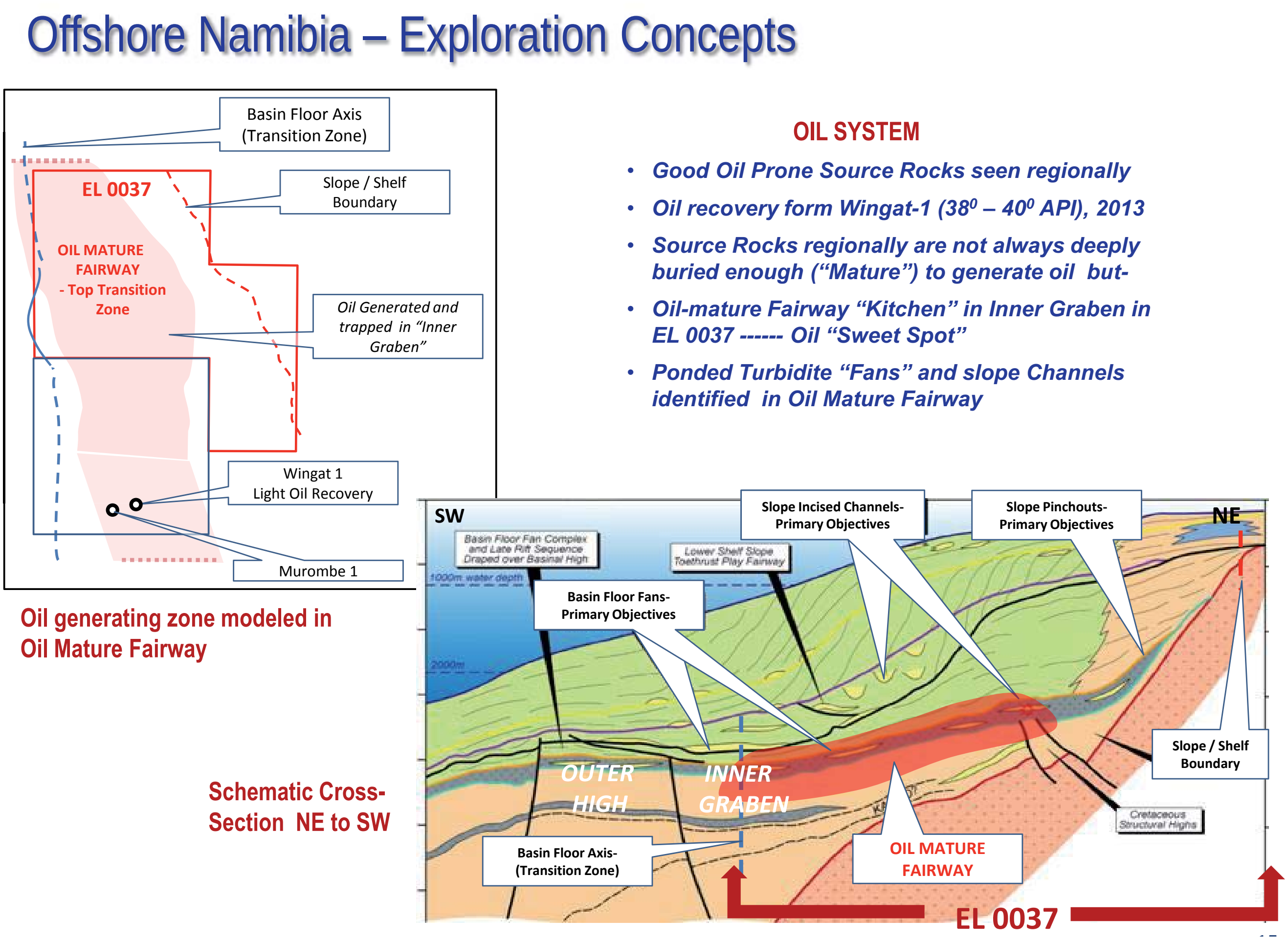


Figure 12 – EL 0037 Interpreted Oil Mature Fairway

A number of the leads exceed several hundred square kilometers in area based on current mapping, and detailed mapping will be undertaken to define the full extent of the structural and stratigraphic closures and potential oil-bearing traps.

Offshore Namibia is continuing to attract significant international interest as an emerging oil and gas province in southwest Africa.

The reservoirs interpreted by Tullow and Pancontinental in EL 0037; while they are interpreted to be closely associated with the interpreted source rocks, are also interpreted to be different and better developed than those drilled by HRT.

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, covered by 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 (See Figure 13 below). Oil migration is therefore interpreted to be predominantly to the East.

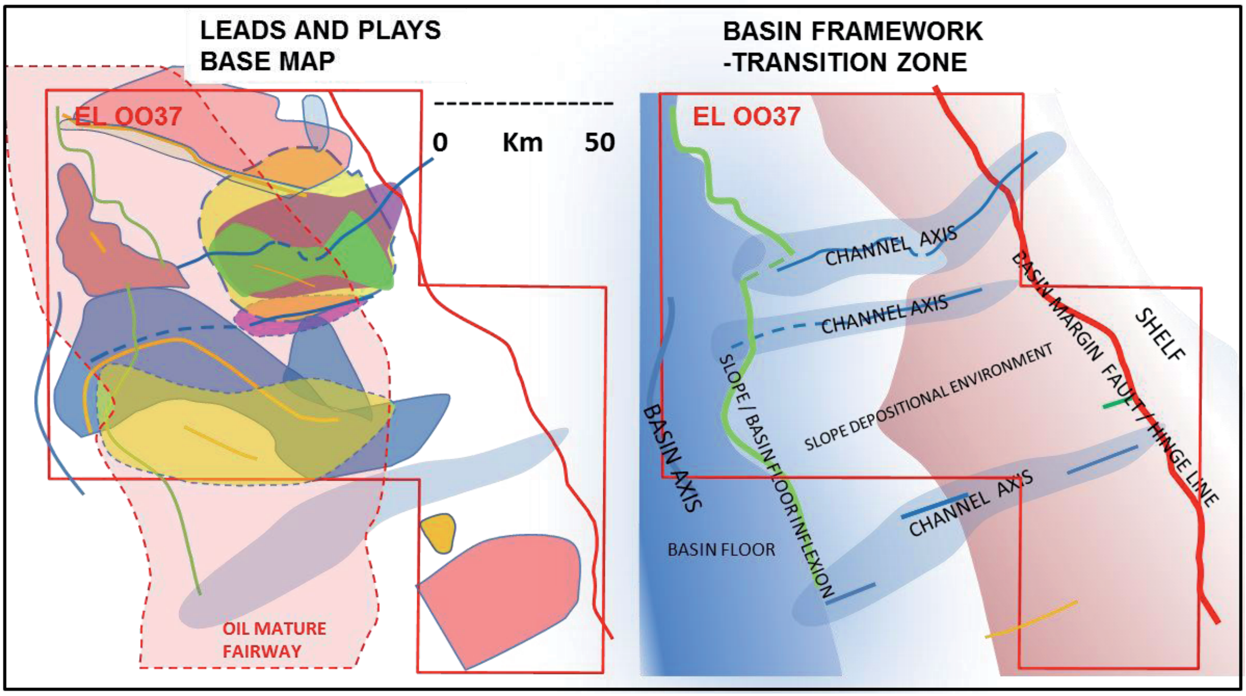


Figure 13 – Interpreted Leads and Plays and Depositional Environments Maps

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.

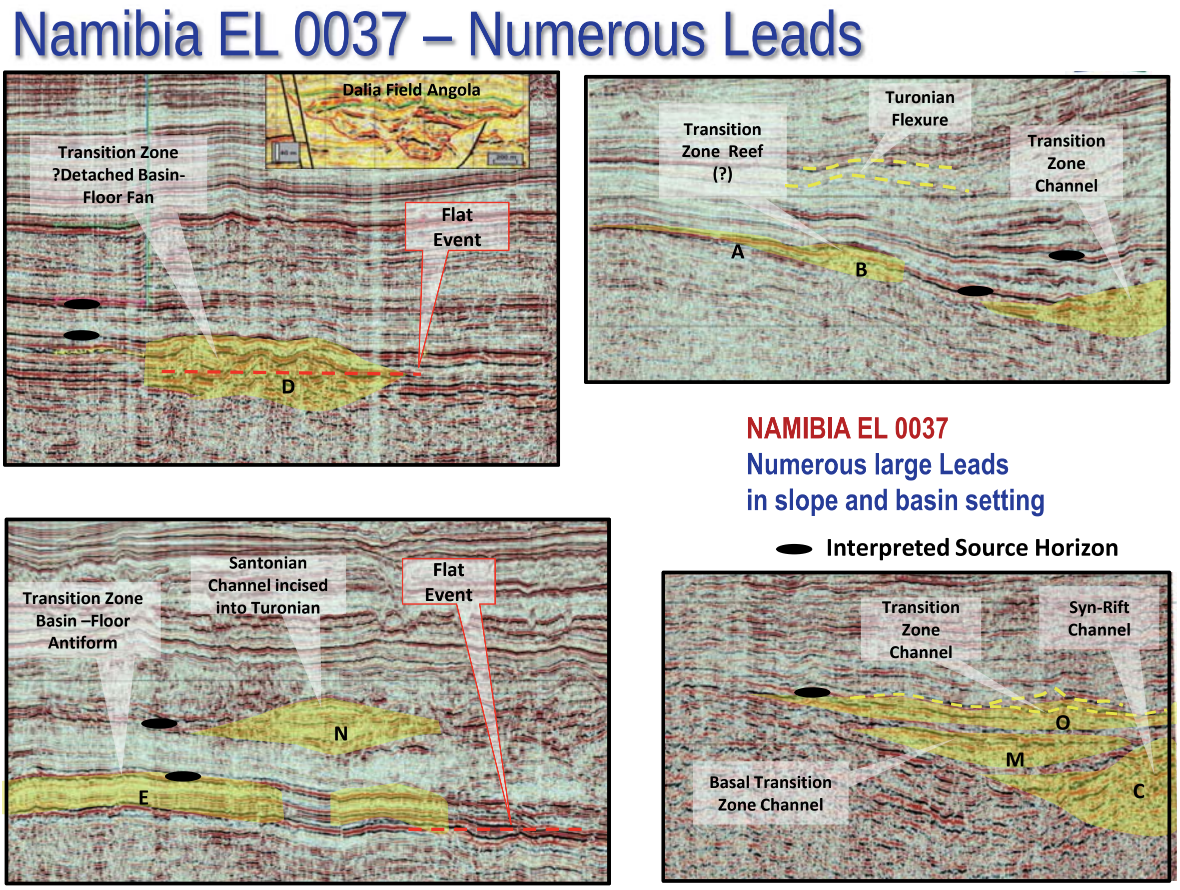


Figure 14 – Seismic Cross Sections through selected Leads

Forward Work Programme

The EL 0037 Joint Venture now led by operator Tullow is planning an exploration programme consisting of-

- 3,000 sq km of 3D Seismic acquisition, processing and interpretation
- 2,000 linear km of 2D Seismic
- Depending on the outcome of the seismic programmes, one exploration well.

While Tullow has a commitment to commence the extensive 3D seismic programme before 31 December 2014 it is expected that the 3D acquisition will commence as soon as the required EIA's are approved and a selected seismic contractor can commence acquisition.

AUSTRALIA

EP 104 / R1 ONSHORE CANNING BASIN
Pancontinental 11.11%

The RL1 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.

The joint venture is undertaking an examination of the prospectivity of the licence areas to plan a revised forward programme.

L15 ONSHORE CANNING BASIN
Pancontinental 12%

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 L15 Joint Venture is considering upgrading the existing production facility and restore oil production from West Kora -1.

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

EP 424 OFFSHORE CARNARVON BASIN
Pancontinental 38.462%

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
Pancontinental 38.462%

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 considering a further review aimed at outlining possible onshore leads and prospects in EP 110.

NEW VENTURES

Pancontinental continuously reviews new opportunities in Australia and internationally. During the year a number of new opportunities were assessed and one was completed, being the acquisition of an additional 10% interest in Namibian EL 0037.

PANCONTINENTAL TEAM

Pancontinental is fortunate to have a small and dedicated team who have contributed immensely to the Company's success.

The accounting and administration team, led by Company Secretary Vesna Petrovic, and comprising Linda Underwood, Margaret Johnson and Roberta Gowans have been invaluable in their contribution to the Company.

In Namibia, Pancontinental has been fortunate to gain the services of experienced oil & gas veteran, Mr Ger Kegge. Ger has had a long and successful career, firstly with Shell, and latterly with Tullow and he is Pancontinental's Namibia in-country manager.

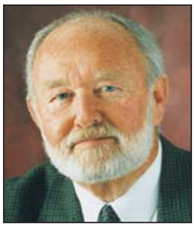
Pancontinental employs, on a part time basis, a number. of experienced and highly respected consultants for activities including prospective resource assessments and new venture opportunities.

Your directors submit their report for the year ended 30 June 2013.

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 has had a long association with Australian and New Zealand resource companies and as a technical director has been instrumental in the formation and/or development of a number of successful listed companies. During his term as executive director, these companies were involved in discovery of the Tubridgi gas field, South Pepper, North Herald and Chervil oil fields in Western Australia and the Kupe South and Rua oil/gas condensate fields in New Zealand. 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 has more than twenty five years experience in petroleum exploration. He is a graduate of Sydney University, with a Bachelor of Science Degree in Geology and Marine Sciences. Commencing with positions in exploration operations, his career then extended to a period as Chief Geologist and subsequently Exploration Manager for an Australian listed company. A number of oil and gas discoveries were made by the company during that time. More recently, as the General Manager and Director of Afrex Limited, he was responsible for acquiring international new venture opportunities for Afrex Limited and its then co-venturer Pancontinental Oil & Gas NL. In this position he identified and negotiated projects in Malta, Kenya and Morocco. Following the merger of Afrex Limited with Pancontinental in August 2005, he accepted the position of Director - New Ventures for Pancontinental and is now the Chief Executive Officer of the company.

Ernest Anthony Myers CPA (Executive Finance Director)
Mr Myers has over 30 years experience in the resources industry. Mr Myers is an accountant (CPA) who has held senior management and executive roles within a number of ASX listed companies. Mr Myers joined Pancontinental in March 2004 as Company Secretary and was appointed Finance Director in January 2009. He brings corporate and operational experience in a variety of fields including project development, feasibility studies and both equity and debt financing. Mr Myers has extensive experience in exploration and operational issues, particularly in Africa. 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 corporate experience in both management and promotion, along with an extensive understanding of financial markets. Mr Maslin has been instrumental in the capital raisings and promotion of several resource development companies. Mr Maslin is also a director of Buxton Resources Ltd (since November 2010).

COMPANY SECRETARY

Vesna Petrovic, BComm, CPA

Mrs Petrovic is a Certified Practicing Accountant with over 10 years experience in the resources sector and has previously held positions with numerous publicly listed entities. In particular, Mrs Petrovic has significant experience with companies involved in Africa. Mrs Petrovic holds a Bachelor of Commerce, Major in Accounting and Business Law and has completed the Graduate Diploma in Applied Corporate Governance from Chartered Secretaries Australia Ltd.

The relevant interest of each director in the shares and options of the company as at 30 June 2013 is as follows:

Directors' Interests	Ordinary Shares	Options over Ordinary Shares
Henry David Kennedy	134,051,602	1,250,000
Roy Barry Rushworth	36,335,609	2,500,000
Ernest Anthony Myers	400,714	750,000
Anthony Robert Frederick Maslin	14,583	500,000

	Cents
EARNINGS PER SHARE	
Basic earnings (loss) per share	(0.06)
Diluted earnings (loss) per share	(0.06)

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.

Employees

The consolidated entity had no employees as at 30 June 2013, (2012: no employees). The consolidated entity employs the services of specialised consultants where and when needed.

OPERATING AND FINANCIAL REVIEW

Review of Operations

Kenya L8 [15%]
The Mbawa 1 exploration well in block L8 was drilled during the year. Mbawa 1 is the first natural gas discovery and the first ever hydrocarbon discovery offshore Kenya. The joint venture is considering a second well on deeper oil play.

Kenya L6 [40%]
During the year, a 3D seismic survey was completed over the Kifaru and Tembo prospects. The joint venture also secured additional acreage by regaining a previously relinquished area. Going forward, the joint venture is seeking a farminee for drilling.

Kenya L10A & L10B [15%]
In blocks L10A and L10B new 3D seismic surveys were completed with major prospects mapped. The joint ventures are considering a two well drilling programme commencing late 2013.

Namibia EL 0037 [95%, post year end 30%]
Activity in Namibia EL 0037 continued with multiple leads identified on the exploration permits as well as farmout efforts during the year. Post year end, the joint venture secured Tullow Oil as a farminee and new operator of the permit.

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

Performance Indicators
The board closely monitors the group's operating plans, financial budget and overall performance.

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.

Risk Management
The group takes a proactive approach to risk management. 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.
- Analysis of specific business risks, including such matters as exchange rate movements, environmental issues and security matters.
- 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.

Operating Results for the Year

Summarised operating results are as follows:

	2013	
	Revenues	Results
	$	$
Non-segment and unallocated revenues and results	1,295,429	(662,822)
Consolidated entity revenues and results from ordinary activities before income tax expense	1,295,429	(662,822)

Shareholder Returns

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

	2013	2012	2011	2010	2009	2008
Basic earning per share (cents)	**(0.06)**	(0.23)	(0.16)	(0.32)	(1.26)	(0.36)

Investments for Future Performance

The group continues to evaluate opportunities utilising in-house commercial expertise as well as corporate advice.

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 successfully raised approximately $4.3 million dollars (net of costs) by way of a shortfall placement from the previous years' share purchase plan and exercise of options as detailed below:

Share Capital	Number of shares	$
Beginning of the financial year	**1,123,444,094**	**95,132,106**
Issued during the year:		
– 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**

Movements in the options of the company during the year are as per below:

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

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.

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:

Tullow Oil farm-in to Namibia EL 0037
In September 2013, Pancontinental announced that Tullow Oil had farmed in to licence EL 0037. Tullow were assigned a 65% interest as well as operatorship, with Pancontinental retaining a 30% free carried interest.

Kenya L8
At an Operating Committee Meeting held on 10th October, Apache indicated their intention to withdraw from the block.

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

The company's operations are not regulated by a particular environmental regulation under a law of the Commonwealth or of a State or Territory.

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, 2,250,000 options were exercised (as per below) and 2,750,000 new options issued.

Shares issued as a result of the exercise of Options
2,250,000 options were exercised with shares issued as a result, during the financial year.

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.

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

<u>Objective</u>

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.

<u>Structure</u>

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 2013 is detailed in Table 1 of this report.

Senior management and executive director remuneration

<u>Objective</u>

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.

<u>Structure</u>

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:	$650,000
Capacity:	Chief Executive Officer
Commencement Date:	1 July 2012
Termination Period:	6-12 months

Fixed remuneration

<u>Objective</u>

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.

<u>Structure</u>

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

Company performance

Company performance is 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 projects and also built strategic alliances with other companies to further develop its project portfolio.

Table 1: Director remuneration for the year ended 30 June 2013

	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)						
2013	**50,000**	**-**	**-**	**28,000**	**78,000**	**2.2%**
2012	50,000	-	-	63,726	113,726	14.6%
Roy Barry Rushworth (Executive Director, Chief Executive Officer)						
2013	**650,000**	**-**	**-**	**56,000**	**706,000**	**4.3%**
2012	550,000	-	-	127,453	677,453	29.2%
Ernest Anthony Myers[1] (Executive Finance Director)						
2013	**48,000**	**-**	**-**	**42,000**	**90,000**	**3.2%**
2012	48,000	-	-	-	48,000	-
Anthony Robert Frederick Maslin (Non-Executive Director)						
2013	**48,000**	**-**	**-**	**28,000**	**76,000**	**2.2%**
2012	48,000	-	-	-	48,000	-
Total Current Year Remuneration	**796,000**	**-**	**-**	**154,000**	**950,000**	**-**

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 $305,400 (2012: $289,500).

Table 2: Options granted as part of remuneration for the year ended 30 June 2013 (as approved by Shareholders)

	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 year.

Fair values of options:

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

	2013	**2012**	**2011**	**2010**	**2009**	**2008**
Expected volatility	**110%**	120%	**-**	**-**	-	113%
Risk-free interest rate	**2.74%**	3.57%	**-**	**-**	-	6.42%
Expected life of option	**4 years**	3 years	**-**	**-**	-	5 years

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

END OF REMUNERATION REPORT

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:	2
Number of meetings attended:	
Henry David Kennedy	2
Roy Barry Rushworth	2
Ernest Anthony Myers	2
Anthony Robert Frederick Maslin	1

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 7 matters were dealt with in such a manner during the year.

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 2013.

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 26 September 2013

Auditor’s Independence Declaration

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 2013 annual financial statements; and

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

Mr Graham Swan

Lead Auditor

26 September 2013

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 2012/2013 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".

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. Frequent discussions and reviews of the various risks that the Pancontinental group may be exposed to are regularly carried out. The company is 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.

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	14 years
Roy Barry Rushworth	8 years
Ernest Anthony Myers	4 years
Anthony Robert Frederick Maslin	2 years

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

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	
	2013	**2012**
Employees	**N/A [no employees]**	N/A [no employees]
Executives & Board Members	**20%**	20%

Statement of Comprehensive Income

YEAR ENDED 30 JUNE 2013	Notes	CONSOLIDATED 2013 $	2012 $
OPERATING ACTIVITIES			
Other revenue		**-**	5,500
Depreciation and amortisation expenses	2, 6	**(1,587)**	(1,651)
Salaries, fees and benefits		**(559,094)**	(461,773)
Audit fees		**(31,500)**	(40,500)
Generative exploration expenditure and write off	2	**(82,210)**	(42,035)
Annual report costs		**(16,591)**	(6,828)
ASX fees		**(58,242)**	(40,944)
Administration, accounting and secretarial fees		**(307,686)**	(291,764)
Insurance		**(20,842)**	(21,561)
Legal fees		**(18,142)**	(11,699)
Share registry costs		**(66,319)**	(42,878)
Rent and outgoings		**(85,675)**	(96,937)
Travel		**(100,555)**	(132,841)
Other revenues and expenses		**(340,980)**	(557,246)
TOTAL OPERATING ACTIVITIES		**(1,689,423)**	(1,743,157)
FINANCING ACTIVITIES			
Financing income		**1,295,429**	430,403
Financing expense		**(268,828)**	(493,019)
TOTAL FINANCING ACTIVITIES		**1,026,601**	(62,616)
PROFIT/(LOSS) BEFORE INCOME TAX		**(662,822)**	(1,805,773)
Income tax expense	3	**-**	-
PROFIT/(LOSS) FOR THE PERIOD		**(662,822)**	(1,805,773)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income		**-**	-
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		**-**	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	10	**(662,822)**	(1,805,773)
Basic earnings per share (cents per share)	15	**(0.06)**	(0.23)
Diluted earnings per share (cents per share)		**(0.06)**	(0.23)

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

Statement of Financial Position

AT 30 JUNE 2013	Notes	CONSOLIDATED 2013 $	CONSOLIDATED 2012 $
CURRENT ASSETS			
Cash assets		**33,821,848**	47,722,233
Trade and other receivables	4	**1,930,056**	98,582
TOTAL CURRENT ASSETS		**35,751,904**	47,820,815
NON-CURRENT ASSETS			
Property, plant and equipment	6	**2,804**	3,598
Deferred exploration, evaluation and development costs	7	**38,938,195**	23,211,960
TOTAL NON-CURRENT ASSETS		**38,940,999**	23,215,558
TOTAL ASSETS		**74,692,903**	71,036,373
CURRENT LIABILITIES			
Trade and other payables	8	**121,266**	235,805
TOTAL CURRENT LIABILITIES		**121,266**	235,805
TOTAL LIABILITIES		**121,266**	235,805
NET ASSETS		**74,571,637**	70,800,568
EQUITY			
Parent entity interest			
Contributed equity	9a	**99,411,998**	95,132,106
Reserves	10	**345,179**	298,956
Accumulated losses	10	**(25,185,540)**	(24,630,494)
Total parent entity interest in equity		**74,571,637**	70,800,568
TOTAL EQUITY		**74,571,637**	70,800,568

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

AT 30 JUNE 2013

Consolidated	Share Capital $	Retained Earnings $	Option Reserve $	Total Equity $
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**
Balance at 1 July 2011	38,166,253	(23,481,202)	764,258	15,449,309
Profit or loss	-	(1,805,773)	-	(1,805,773)
Other comprehensive income/(loss)	-	-	-	-
Shares issued (net of costs)	56,965,853	-	-	56,965,853
Share options		656,481	(465,302)	191,179
Balance at 30 June 2012	95,132,106	(24,630,494)	298,956	70,800,568

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 2013	Notes	CONSOLIDATED 2013 $	2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(1,874,229)**	(1,686,512)
Sundry income		**-**	5,500
Recharges & refunds of exploration expenditure		**2,268,613**	-
Expenditure on exploration interests		**(19,859,452)**	(13,713,309)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	11(a)	**(19,465,068)**	(15,394,321)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(794)**	(3,803)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		**(794)**	(3,803)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest received		**1,295,429**	430,256
Proceeds from issues of ordinary shares		**4,560,250**	60,705,250
Share issue costs		**(292,906)**	(3,725,804)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**5,562,773**	57,409,702
NET INCREASE/(DECREASE) IN CASH HELD		**(13,903,089)**	42,011,578
Add opening cash brought forward		**47,722,233**	5,710,905
Effects of exchange rate changes		**2,704**	(250)
CLOSING CASH CARRIED FORWARD	11(b)	**33,821,848**	47,722,233

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report was authorised for issue by the directors on 26 September 2013.

Statement of Compliance

This financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (AASBs), adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. International Financial Reporting Standards (IFRSs) form the basis of AASBs adopted by the AASB, and for the purpose of this report are called Australian equivalents to IRFS (AIFRS) to distinguish from previous Australian GAAP. The financial report 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.

(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:

	2013	2012
Plant and equipment:	**30%**	**30%**

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

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

(k) Going concern
The directors consider that the going concern basis for the consolidated entity is appropriate and recognise that additional funding is required to ensure the consolidated entity can continue its operations for the twelve month period from the date of this financial report and to fund the continued development of the consolidated entity's exploration assets. This basis has been determined after consideration of the following factors:

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

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

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

Payables to related parties are carried at the principal amount.

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

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

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

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

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

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

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

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

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

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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

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

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

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

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

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

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

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

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

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

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

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

2. DEPRECIATION AND WRITE OFF

	CONSOLIDATED 2013 $	CONSOLIDATED 2012 $
Expenses		
Depreciation of non-current assets:		
Office furniture and equipment	**1,587**	1,651
Generative exploration and write off:		
Exploration, evaluation and development costs	**82,210**	42,035

3. INCOME TAX

	CONSOLIDATED 2013 $	CONSOLIDATED 2012 $
(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	**(198,104)**	(541,732)
Tax effect of permanent differences:		
Other items (net)	**46,200**	-
Amount not brought to account as a carried forward future income tax benefit	**151,904**	541,732
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 :

	2013	2012
Adjustments to carry forward tax losses	-	-
Tax Losses not brought to account	**6,122,404**	**5,965,816**
Total	**6,122,404**	**5,965,816**

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.

4. RECEIVABLES (CURRENT)

	CONSOLIDATED 2013 $	CONSOLIDATED 2012 $
Sundry receivables	**1,930,056**	98,582
Total	**1,930,056**	98,582

(a) Terms and conditions

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

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

5. INTERESTS IN SUBSIDIARIES

Name	Country of incorporation	Percentage of equity interest held by the consolidated entity 2013 %	2012 %	Investment 2013 $	2012 $
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				**(162,659)**	(162,889)
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				**4,839,699**	6,351
Provision for loss on loan to Pancontinental Namibia P/L				**(4,328)**	(1,207)
Afrex Ltd *	Saint Lucia	**100**	100	**10,584,107**	10,584,107
Provision for diminution in value of investment				**(4,541,703)**	(4,514,920)
Loan to Afrex Ltd				**7,561,202**	4,682,033
Provision for loss on loan to Afrex Ltd				**-**	-
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				**60,315**	54,760
Provision for loss on loan to Starstrike Resources Ltd				**-**	-
Total				**18,336,633**	10,648,235

*Indicates companies not audited by Rothsay Chartered Accountants.

6. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED 2013 $	2012 $
Office equipment		
At cost	**54,375**	53,582
Less: Accumulated depreciation	**(51,571)**	(49,984)
Total written down amount	**2,804**	3,598

Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment

	2013 $	2012 $
Office equipment		
Carrying amount opening balance	**3,598**	2,404
Additions	**793**	2,845
Depreciation expense	**(1,587)**	(1,651)
Total written down amount	**2,804**	3,598

7. DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

	CONSOLIDATED 2013 $	CONSOLIDATED 2012 $
Exploration, evaluation and development costs carried forward		
Pre-production:		
exploration and evaluation phases:		
Carrying amount at 1 July	**23,211,960**	9,879,712
Expenditure & acquisitions during the year	**19,723,183**	13,410,027
Exploration expenditure written off	**(18,250)**	(21,187)
Recovery and refunds of exploration expenditure *	**(3,978,698)**	(56,592)
Carrying amount at 30 June	**38,938,195**	23,211,960

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 2012, the recoveries relate to ordinary joint venture recharges; for the 30 June 2013 financial year the recoveries relate to refunds of exploration expenditure previously cash called.

8. TRADE and OTHER PAYABLES (CURRENT)

	CONSOLIDATED 2013 $	CONSOLIDATED 2012 $
Trade creditors	**121,266**	235,805
Total	**121,266**	235,805

9. CONTRIBUTED EQUITY

	CONSOLIDATED 2013 $	CONSOLIDATED 2012 $
(a) Issued and paid up capital		
Ordinary shares fully paid	**99,411,998**	95,132,106
Total	**99,411,998**	95,132,106

(b) Movements in shares on issue

	2013		2012	
	Number of shares	$	Number of shares	$
Beginning of the financial year	**1,123,444,094**	**95,132,106**	660,779,809	38,166,253
Issued during the year:				
– Placement (net of costs)	**-**	**-**	457,142,858	56,323,935
– Shortfall from Share Purchase Plan (net of costs)	**25,300,002**	**4,148,781**	3,271,427	512,168
– Exercise of Options (net of costs)	**2,250,000**	**131,111**	2,250,000	129,750
End of the financial year	**1,150,994,096**	**99,411,998**	1,123,444,094	95,132,106

10. RESERVES AND ACCUMULATED LOSSES

	CONSOLIDATED 2013 $	CONSOLIDATED 2012 $
Reserves		
Beginning of the financial year	**298,956**	764,258
Directors and employee options issued	**153,999**	191,179
Options exercised	**(107,776)**	(656,481)
End of the financial year	**345,179**	298,956
Accumulated losses		
Beginning of the financial year	**(24,630,494)**	(23,481,202)
Net loss attributable to members of Pancontinental Oil & Gas NL	**(662,822)**	(1,805,773)
Share options exercised	**107,776**	656,481
Total available for appropriation	**(25,185,540)**	(24,630,494)
End of the financial year	**(25,185,540)**	(24,630,494)

11. STATEMENT OF CASH FLOWS

	CONSOLIDATED 2013 $	CONSOLIDATED 2012 $
(a) Reconciliation of the net loss after tax to the net cash flows from operations		
Net loss	**(662,822)**	(1,805,773)
Non-Cash Items, Non-Operating Items		
Depreciation of non-current assets	**1,587**	1,651
Options	**153,999**	191,179
Financing income	**(1,295,429)**	(430,256)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	**(1,831,474)**	(54,554)
(Increase)/decrease in property, plant & equipment	**794**	(1,194)
(Increase)/decrease in exploration, evaluation & development	**(15,726,235)**	(13,332,248)
(Increase)/decrease in interests in subsidiaries	**-**	-
(Decrease)/increase in trade and other payables	**(114,539)**	48,065
(Decrease)/increase in employee entitlements	**-**	-
Other non-cash	**9,051**	(11,191)
Effect of exchange rate changes	**-**	-
Net cash flow from operating activities	**(19,465,068)**	(15,394,321)
(b) Reconciliation of cash		
Cash balance comprises:		
– cash assets	**33,821,848**	47,722,233
Closing cash balance	**33,821,848**	47,722,233

12. EXPENDITURE COMMITMENTS

	CONSOLIDATED 2013 $	2012 $
Capital expenditure commitments		
Estimated capital expenditure contracted for at reporting date, but not provided for, payable:		
not later than one year		
– other	**21,607,950**	**1,432,795**
later than one year and not later than five years		
– other	**31,584,412**	**2,874,288**
later than five years		
Total	**53,192,362**	**4,307,083**

13. EMPLOYEE BENEFITS

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

	2013 Number of options	2013 Weighted average exercise price	2012 Number of options	2012 Weighted average exercise price
Balance at beginning of year	**4,500,000**	**0.09**	13,750,000	0.08
– expired	**-**	**-**	(9,250,000)	0.10
– exercised	**(2,250,000)**	**0.59**	(2,250,000)	0.59
– issued	**2,750,000**	**0.12**	2,250,000	0.13
Balance at end of year	**5,000,000**	**0.12**	4,500,000	0.09

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 2013:

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:

Tullow Oil farm-in to Namibia EL 0037
In September 2013, Pancontinental announced that Tullow Oil had farmed in to licence EL 0037. Tullow were assigned a 65% interest as well as operatorship, with Pancontinental retaining a 30% free carried interest.

Kenya L8
At an Operating Committee Meeting held on 10th October, Apache indicated their intention to withdraw from the block.

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.

15. EARNINGS PER SHARE

	CONSOLIDATED 2013 $	2012 $
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net profit	**(662,822)**	(1,805,773)
Adjustments:		
Earnings used in calculating basic and diluted earnings per share	**(662,822)**	(1,805,773)
	Number of shares	**Number of shares**
Weighted average number of ordinary shares used in calculating basic earnings per share	**1,147,339,986**	795,045,367
Effect of dilutive securities:		
Share options	**-**	4,500,000
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**1,147,339,986**	799,545,367

16. AUDITORS' REMUNERATION

	CONSOLIDATED 2013 $	2012 $
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	**31,500**	40,500
– other services in relation to the entity and any other entity in the consolidated entity	**-**	4,000
	31,500	44,500

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

	Primary			Post Employment		Equity	Other	Total
	Salary & Fees	Cash Bonus	Non Monetary benefits	Super-annuation	Retirement benefits	Options	Bonuses	
Specified Directors/Officers								
Henry David Kennedy								
2013	**50,000**	**-**	**-**	**-**	**-**	**28,000**	**-**	**78,000**
2012	50,000	-	-	-	-	63,726	-	113,726
Roy Barry Rushworth								
2013	**650,000**	**-**	**-**	**-**	**-**	**56,000**	**-**	**706,000**
2012	550,000	-	-	-	-	127,453	-	677,453
Ernest Anthony Myers								
2013	**48,000**	**-**	**-**	-	**-**	**42,000**	**-**	**90,000**
2012	48,000	-	-	-	-	-	-	48,000
Anthony Robert Frederick Maslin								
2013	**48,000**	**-**	**-**	-	**-**	**28,000**	**-**	**76,000**
2012	48,000	-	-	-	-	-	-	48,000
Vesna Petrovic								
2013	**-**	**-**	**-**	**-**	**-**	-	**-**	**-**
2012	-	-	-	-	-	-	-	-
Total Remuneration: Specified Directors /Officers								
2013	**796,000**	**-**	**-**	**-**	**-**	**154,000**	**-**	**950,000**
2012	696,000	-	-	-	-	191,179	-	887,179

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 $305,400 (2012: $289,500).

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 $305,400 (2012: $289,500) 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.

17. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

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

	Granted Number	Grant Date	Terms & Conditions for Each Grant 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

	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

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	999,999	36,335,609
Ernest Anthony Myers	285,715	114,999	400,714
Anthony Robert Frederick Maslin	14,583	-	14,583
Total	**168,937,510**	**1,864,998**	**170,802,508**

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.

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.

19. FINANCIAL INSTRUMENTS (cont'd)

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	2013	2012
		$	$
Trade and other receivables	4	**1,930,056**	98,582
Cash and cash equivalents		**33,821,848**	47,722,233
Total		**35,751,904**	47,820,815

*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 2013, (2012: 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 $29,904 (2012: $27,114).

Whilst the loans were not payable at 30 June 2013 a provision for impairment based/reversed 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).

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.

19. FINANCIAL INSTRUMENTS (cont'd)

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

	30 June 2013			30 June 2012		
AUD	**AUD**	**USD**	**Total**	**AUD**	**USD**	**Total**
Cash & cash equivalents	**31,766,074**	**2,055,774**	**33,821,848**	45,675,133	2,047,100	47,722,233
Trade & other receivables	**69,180**	**1,860,876**	**1,930,056**	98,582	-	98,582
Trade and other payables	**(121,266)**	**-**	**(121,266)**	(235,805)	-	(235,805)
Net balance sheet exposure	**31,713,988**	**3,916,650**	**35,630,638**	45,537,910	2,047,100	45,537,910

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2013	**2012**	**2013**	**2012**
AUD : USD	**1.027**	1.032	**0.913**	1.016

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 2012.

Effect in AUD	Consolidated	
	Equity	**Profit or loss**
30 June 2013		
10% strengthening	**206,764**	**206,764**
30 June 2012		
10% strengthening	**-**	**-**

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 trade receivables 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 2013	**30 June 2012**
Variable rate instruments		
Cash and cash equivalents	**33,821,848**	47,722,233

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.

19. FINANCIAL INSTRUMENTS (cont'd)

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 2013		30 June 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	**1,930,056**	**1,930,056**	98,582	98,582
Cash and cash equivalents	**33,821,848**	**33,821,848**	47,722,233	47,722,233
Trade and other payables	**(121,266)**	**(121,266)**	(235,805)	(235,805)
	35,630,638	**35,630,638**	47,585,010	47,585,010

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.

	2013	2012
Equity attributable to shareholders of the Company		
Minorities	**-**	-
Equity	**74,571,637**	70,800,568
Total assets	**74,692,903**	71,036,373
Equity ratio in %	**99.84%**	99.67%
Average equity	**72,686,103**	43,124,939
Net Profit	**(662,822)**	(1,805,773)
Return on Equity in %	**(0.91)%**	(4.19)%

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 (2012: $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 $305,400 (2012: $289,500). 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.

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 2013

	2013 $	2012 $
STATEMENT OF COMPREHENSIVE INCOME		
Profit/(Loss) for the period	**(653,500)**	**(1,799,775)**
TOTAL COMPREHENSIVE INCOME/(LOSS)	**(653,500)**	**(1,799,775)**

	2013 $	2012 $
STATEMENT OF FINANCIAL POSITION		
Assets		
Current assets	**34,315,253**	47,017,877
TOTAL ASSETS	**74,590,496**	70,923,805
Liabilities		
Current liabilities	**118,341**	232,041
TOTAL LIABILITIES	**118,341**	232,041
Equity		
Contributed equity	**99,411,998**	95,132,106
Reserves	**345,179**	298,956
Accumulated losses	**(25,285,022)**	(24,739,298)
TOTAL EQUITY	**74,472,155**	70,691,764

Directors' Declaration

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 2013 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 2013.

On behalf of the Board

Ernest Anthony Myers
Director

Perth 26 September 2013

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 2013 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*

Chartered Accountants

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

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 2013 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 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Rothsay

Graham R Swan
Partner

Dated 26th September 2013

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 2013.

(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	90,775
1,001	-	5,000	365	1,302,053
5,001	-	10,000	504	4,268,423
10,001	-	100,000	2,007	88,090,277
100,001		and over	923	1,057,242,568
			4,220	**1,150,994,096**
The number of shareholders holding less than a marketable parcel of shares are:			925	2,235,039

(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	146,632,990	12.74
2	SUNDOWNER INTERNATIONAL LTD	132,256,827	11.49
3	CITICORP NOMINEES PTY LIMITED	88,151,252	7.66
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	86,229,690	7.49
5	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	28,818,705	2.5
6	CM SKYE TRUSTEES LIMITED	26,277,940	2.28
7	DESERTFOX PTY LTD	17,210,485	1.5
8	NATIONAL NOMINEES LIMITED	17,107,626	1.49
9	BLUE CAPITAL LIMITED	14,553,334	1.26
10	ROY BARRY RUSHWORTH	9,057,670	0.79
11	BLUE CAPITAL LIMITED	9,000,000	0.78
12	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE NO 1 A/C>	7,834,921	0.68
13	MR PETER JOHN BRUNTON	7,816,825	0.68
14	MR ROBERT ALBERT BOAS	7,525,000	0.65
15	NATIONS NATURAL GAS PTY LTD	7,500,000	0.65
16	P & L CAPITAL INVESTMENTS PTY LTD	6,751,094	0.59
17	MR TIMOTHY ARTHUR KESTELL	6,711,104	0.58
18	OLD BLOOD AND GUTS PTY LTD	6,600,000	0.57
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	6,333,222	0.55
20	QUICKSILVER ASSET PTY LTD	6,107,523	0.53
		638,476,208	**55.47**

(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, Indago Resources 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)	10 %
	EP 110	38.462%
	EP 424	38.462%
Kenya	L6	40%
	L8	15%
	L10A	15%
	L10B	15%
Namibia	EL 0037	95% *

* 30% post year end

PANCONTINENTAL

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