

Pancontinental Oil & Gas NL

ABN 95 003 029 543

Annual Financial Report

for the year ended 30 June 2008

Corporate Information

ABN 95 003 029 543

Directors

Mr Henry David Kennedy (Chairman)
Mr Peter Lawson Munachen (Finance Director)
Mr Roy Barry Rushworth (Director - New Ventures)
Mr Ian Raymond (Inky) Cornelius (Non-executive Director)

Company Secretary

Mr Ernest Anthony Myers

Registered Office

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Perth WA 6000
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Share Register

Advanced Share Registry Services
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Telephone: 61 8 9389 8033

Auditors

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ASX Code

PCL

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Directors' Report

30 June 2008

Your directors submit their report for the year ended 30 June 2008.

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

Mr Henry David Kennedy MA (Geology), Member CIMMP, SEG, PESA, AIG (Chairman)

Mr Kennedy, 72, 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 and South Pepper, North Herald and Chervil oil fields in Western Australia and the Kupe South and Rua oil/gas condensate fields in New Zealand. As Chairman and Chief Executive of Kiwi International Resources NL and Associated Gold Fields NL, Mr Kennedy was involved in the discovery and development of the Obotan gold project in Ghana prior to the Company being merged with Resolute Samantha Ltd in May/June 1996. Formerly a director of Dragon Mining NL from July 1996 to February 2005, Alkane Exploration Ltd from July 2000 to August 2006 and Sub-Sahara Resources NL from July 1996 to November 2007. He is also a director of Norwest Energy NL (since April 1997) and a listed overseas company,

Mr Peter Lawson Munachen, FCA,FAICD (Finance Director)

Mr Munachen, 62, is a Chartered Accountant and former partner in an international accounting practice. He has had considerable experience in the resources industry and is a director of Norwest Energy NL (since November 2003), Sub-Sahara Resources NL (since April 2004), Currie Rose Resources Inc (since March 2005), Dragon Mining NL (an alternate director since December 2003 and a director since March 2005) and Newland Resources Limited (since August 2001).

Mr Ian Raymond (Inky) Cornelius (Non-executive Director)

Mr Cornelius, 67, worked for many years in the Western Australian Mines Department, then as Mining Titles Officer of a multi national mining corporation before going into business as a tenement consultant. He has had many years experience in the resources industry and has had much success in the exploitation of many mineral deposits. Mr Cornelius is a non-executive director of the Company and is also a director of Austral Africa Resources Ltd (since October 2003) and Montezuma Mining Company Limited (since August 2006). He was Chairman of Alkane Exploration Ltd from June 1986 until 31 July 2006 and has continued as a non-executive director of that company.

Mr Roy Barry Rushworth, BSc (Director - New Ventures)

Mr Rushworth, 56, 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 drilling and seismic operations, his career then extended to a position as Chief Geologist and subsequently Exploration Manager for an Australian-listed company which had a number of oil and gas discoveries during his time with that company.

More recently he has been seeking and negotiating international new ventures for Afrex Limited and its then co-venturer Pancontinental Oil & Gas NL in the position of General Manager and Director of Afrex Limited.

In this position, he identified and negotiated the Malta, Kenya and Morocco offshore projects for Afrex and Pancontinental.

Following the merger of Afrex with Pancontinental in August 2005, he accepted the position of Director, New Ventures with

Pancontinental and is the person with primary responsibility for identifying and acquiring international new ventures for the company'.

Mr Andrejs (Andrew) Karlis Svalbe BSc (Non-executive Director) (retired 28 November, 2007)

Mr Svalbe, 65, holds a B.Sc (Hons) degree in economic geology from the University of Adelaide and has 30 years experience in the petroleum exploration and production industries both in the domestic and international sectors. After an initial 12 years with Exxon affiliated companies working within Australia and overseas he returned to Australia as exploration manager and subsequently Chief Executive Officer of Pancontinental Petroleum. During this period Pancontinental was the Operator and Joint Venturer of oil and gas discoveries in the Cooper-Eromanga, Amadeus, Surat and offshore Carnarvon Basins. More recently Mr Svalbe was Chief Geoscientist - Petroleum for the Geological Survey of WA. He is also a director of Norwest Energy NL (since 2004). Mr Svalbe is a member of the Petroleum Exploration Society of Australia (PESA), American Association of Petroleum Geologists (AAPG), Australian Society of Exploration Geophysicists (ASEG) and the Formation Evaluation Society of Western Australia (FESWA).

Mr Svalbe retired as a director on 28 November, 2007.

Directors' Report continued

30 June 2008

COMPANY SECRETARY

Mr Ernest Anthony Myers, CPA

Mr Myers is an Accountant with over 25 years corporate and company secretarial experience. He also has experience in ASX Compliance and regulatory requirements. He has been company secretary of Pancontinental Oil & Gas NL since March 2004.

	Ordinary Shares	Options over Ordinary Shares
Mr Henry David Kennedy	138,254,724	3,250,000
Mr Peter Lawson Munachen	72,916	6,000,000
Mr Ian Raymond (Inky) Cornelius	-	3,250,000
Mr Roy Barry Rushworth	34,764,181	4,500,000
Mr Andrejs (Andrew) Karlis Svalbe (retired)	437,500	6,750,000
EARNINGS PER SHARE		Cents
Basic earnings (loss) per share		(0.36)
Diluted earnings (loss) per share		(0.36)

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 activities during the year of entities within the consolidated entity were 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 2008 (2007: two employees). The consolidated entity employs the services of specialised consultants where needed.

OPERATING AND FINANCIAL REVIEW

Review of Operations

During the year the consolidated entity was involved in seismic and airborne geophysical operations in Kenya. In Blocks L8 and L9, Origin Energy Kenya Proprietary Limited completed its initial farm-in obligations by acquiring 3,700 km of 2D seismic data, costing over US\$4 million to earn 50%. Origin now has an option to increase its equity to 75% by drilling one well in each block.

In Kenya Block L6, Gippsland Offshore Petroleum Limited completed its US\$1.9 million farm-in obligation by acquiring 1,240 km of 2D seismic data and 1,500 sq. km of airborne gravity gradiometer data to a earn 60% interest.

Technical studies continued on previously acquired 2D seismic data across the Baninyas Prospect in EP424, with Strike Oil as Operator.

Stokes Bay 1 well was completed with production tubing and surface completion equipment to enable testing of the Nullara Limestone. During the operation a number of technical difficulties were encountered, as well as adverse weather conditions, and so testing had to be suspended. Testing is expected to resume in the December 2008 quarter.

Directors' Report continued

30 June 2008

Group Overview

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

Performance Indicators

The Board monitor the group's overall performance, from its implementation of the strategic plan through to the performance of the company against operating plans and financial budgets.

Dynamics of the Business

The Board have adopted an aggressive new ventures program to acquire new assets in high value areas. In addition, the Company will continue with its International and Australian acreage utilising the skills and experience of the existing operators.

Risk Management

The group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also 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:

- Board approval of a strategic plan, which encompasses the group's strategy statement, designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and cash flow budgets and Board monitoring of progress against these budgets.
- Reports on specific business risks, including such matters as environmental issues and concerns.
- 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 the Employee Incentive Scheme

Directors' Report continued

30 June 2008

Operating Results for the Year

Summarised operating results are as follows:

	2008	
	Revenues	Results
	\$	\$
Non-segment and unallocated revenues	70,085	(1,591,012)
Consolidated entity sales and profit from ordinary activities before income tax expense	90,292	(1,591,012)

Shareholder Returns

The group is in the exploration phase and so returns to shareholders can only be measured through capital growth.

	2008	2007	2006	2005	2004
Basic earning per share (cents)	(0.36)	(0.6)	(0.5)	(0.9)	(0.05)

Investments for Future Performance

The group will continue to build its exploration portfolio from an international contact base and utilising in-house commercial expertise.

Review of Financial Condition

Capital Structure

The group has a sound capital structure from which to continue its development programmes. Options were issued to directors pursuant to shareholder approval at the 2007 Annual General Meeting.

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 operations to continue operations into the foreseeable future.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets.

Directors' Report continued

30 JUNE 2008

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

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 any significant 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 30,850,000 unissued ordinary shares under options. Refer to note 14 for further details on the options outstanding.

Shares issued as a result of the exercise of options

No options were exercised during the 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:

Mr HD Kennedy, Mr PL Munachen, Mr IR Cornelius, Mr RB Rushworth and Mr EA Myers.

REMUNERATION REPORT

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 Executive Director - Finance and Corporate and the Director – New Ventures receive fixed fees for their respective executive services (with no bonus or other performance-based remuneration), and a separate fixed fee for their services as directors. Executive directors do not receive any termination or retirement benefits.

Directors' Report continued

30 JUNE 2008

Remuneration committee

The remuneration committee comprises Messrs Kennedy and Cornelius. The committee met twice during the Reporting Period, and discussed remuneration-related matters at other times during the year.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

Non-executive director remuneration

Objective

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

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 29 November 2007 when shareholders approved an aggregate remuneration of \$400,000 per year. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Each director receives a fee for being a director of the company. No additional fee is paid for each board committee on which a director sits. Non-executive directors have long been encouraged by the board to hold shares in the company. It is considered good governance for directors to have a stake in the company whose board he or she sits. The non-executive directors of the company can participate in the Employee Option Incentive Plan. The remuneration of non-executive directors for the period ending 30 June 2008 is detailed in Table 1 of this report.

Senior manager and executive director remuneration

Objective

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

Structure

In determining the level and make-up of executive remuneration, the Board takes, when necessary, independent advice from an external consultants.

Fixed Remuneration

Objective

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

Structure

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

Company performance

Company performance is also reflected in the movement in 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 progress the portfolio of projects.

Directors' Report continued

30 JUNE 2008

Table 1: Director remuneration for the year ended 30 June 2008

	Primary benefits		Post	Equity	Total	Value of options as proportion of Revenue
	Salary & Fees	Cash STI	Employment Superannuation	Options (Issued)		
Mr Henry David Kennedy (chairman)						
2008	50,000	-	-	35,925	85,925	42%
2007	50,000	-	-	45,981	95,981	48%
Mr Peter Lawson Munachen						
2008	88,000	-	-	71,850	159,850	45%
2007	83,000	-	-	91,962	174,962	53%
Mr Ian Raymond (Inky) Cornelius						
2008	40,000	-	-	35,925	75,925	47%
2007	35,000	-	-	45,981	80,981	57%
Mr Roy Barry Rushworth						
2008	307,500	-	-	71,850	379,350	19%
2007	198,333	-	-	91,962	290,295	32%
Mr Andrejs (Andrew) Karlis Svalbe (retired)						
2008	28,474	-	146,590	-	175,064	-
2007	89,832	-	163,135	137,943	390,909	35%

Table 2: Remuneration of the named executives or officers who receive the highest remuneration for the year ended 30 June 2008

Mr Matthew Arthur Battrick (retired)						
2008	114,679	-	10,321	-	125,000	-
2007	182,626	-	16,436	61,308	260,370	24%
Mr Ernest Anthony Myers						
2008	-	-	-	-	-	-
2007	-	-	-	61,308	61,308	-

Mr Myers received no direct remuneration or options from the Company, however, during the year the Company paid management and administration fees to Resource Services International (Aust) Pty Limited for the provision of corporate, management, accounting and administration services. Mr Myers is employed by Resource Services International (Aust) Pty Limited.

Table 3: Options granted as part of remuneration for the year ended 30 June 2008 (in accordance with the Employee Incentive Scheme)

	Issued
Mr Henry David Kennedy	750,000
Mr Peter Lawson Munachen	1,500,000
Mr Ian Raymond (Inky) Cornelius	750,000
Mr Roy Barry Rushworth	1,500,000
Mr Andrejs (Andrew) Karlis Svalbe (retired)	-
	4,500,000

From 1 July 2003, options granted as part of director and management remuneration have been valued using a Black Scholes option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. See below for further details.

Directors' Report continued

30 JUNE 2008

Fair values of options:

The fair value of each option is estimated on the date of grant using a Black Scholes option-pricing model.

	2008	2007	2006	2005	2004	2003
Expected volatility	113%	112%	77.9%	76.0%	50.0%	50.0%
Risk-free interest rate	6.42%	5.75%	5.32%	5.1%	5.8%	4.0%
Expected life of option	5 years	5 years	5 years	5 years	5 years	5 years

Number of options	Grant date	Vesting date	Weighted average fair value
1,100,000	22 Nov 04	22 Nov 04	0.06
2,875,000	29 Nov 04	29 Nov 04	0.06
250,000	2 Feb 05	2 Feb 05	0.04
250,000	2 Feb 05	2 Feb 05	0.03
9,500,000	29 Nov 05	28 May 06	0.05
9,250,000	29 Nov 06	28 May 07	0.06
4,500,000	29 Nov 07	28 May 08	0.05

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	Remuneration Committee
Number of meetings held:	2	2
Number of meetings attended:		
Mr Henry David Kennedy	2	2
Mr Peter Lawson Munachen		
Mr Ian Raymond (Inky) Cornelius	2	2
Mr Roy Barry Rushworth	2	N/A
Mr Andrejs (Andrew) Karlis Svalbe (retired)	1	N/A

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 4 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 INDEPENDENCE AND NON-AUDIT SERVICES

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

Directors' Report continued

30 JUNE 2008

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

In relation to our audit of the financial report of Pancontinental Oil & Gas NL for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Mr Frank Vrachas

Lead Auditor

24 September 2008

NON-AUDIT SERVICES

Rothsay did not receive any amounts for the provision of non-audit services during the year:

Signed in accordance with a resolution of the directors.

Mr Peter Lawson Munachen

Director

Perth 24 September 2008

Corporate Governance Statement continued

30 JUNE 2008

In accordance with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Principles and Recommendations")¹, Pancontinental Oil & Gas NL ("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.

The Company has undertaken a review of its governance documentation as a consequence of the revision to the ASX Principles and Recommendations. The Company will be reporting against the revised ASX Principles and Recommendations in its next annual report.

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 2007 / 2008 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

Only one of the four directors is considered to be independent.

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.

Principle 2

Recommendation 2.2: The chairperson should be an independent director

Notification of Departure

The chairperson 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 chairperson.

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

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

Corporate Governance Statement continued

30 JUNE 2008

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 a nomination committee.

Principle 4

Recommendation 4.2: The Board should establish an Audit Committee

Recommendation 4.3: 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.

NOMINATION COMMITTEE

The full Board, in its capacity as the Nomination Committee, held one meeting during the Reporting Period. All directors appointed at the time of the meeting attended the meeting.

AUDIT COMMITTEE

The full Board, in its capacity as the Audit Committee, held two meetings during the Reporting Period. All directors appointed at the time of the meeting attended the meeting.

Details of each of the director's qualifications are set out in the Director's Report. All of the directors have substantial industry experience and consider themselves to be financially literate. Mr Munachen is a Chartered Accountant and former partner in an international accounting practice and therefore meets the tests of financial expertise.

REMUNERATION COMMITTEE

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report.

The Remuneration Committee held two meetings during the Reporting Period. The members of the Remuneration Committee are Ian Cornelius (chairperson) and Henry Kennedy. Both members attended the meetings.

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 is Ian Cornelius.

Corporate Governance Statement continued

30 JUNE 2008

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 chairperson, the Company will pay the reasonable expenses associated with obtaining such advice.

Confirmation whether performance Evaluation of the Board and its members have taken place and how 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 during regular meetings of the Board and any adjustments made accordingly.

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

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

Name	Term in office
Henry David Kennedy	9 years
Peter Lawson Munachen	17 years
Ian Raymond Cornelius	16 years
Roy Barry Rushworth	3 years
Andrejs Karlis Svalbe (retired)	10 years

For additional details regarding Board appointments, please refer to our website.

Income Statements

YEAR ENDED 30 JUNE 2008	Notes	CONSOLIDATED		CHIEF ENTITY	
		2008	2007	2008	2007
		\$	\$	\$	\$
Revenue from Ordinary Activities					
Interest received – other corporations		70,085	34,456	70,085	34,456
Other		20,208	-	20,208	-
Total revenues from ordinary activities		90,292	34,456	90,292	34,456
Depreciation and amortisation expenses	2	(6,661)	(10,083)	(6,661)	(10,083)
Salaries and employee benefits expense		(980,782)	(1,360,843)	(980,782)	(1,360,843)
Audit fees		(48,300)	(21,200)	(48,300)	(21,200)
Generative exploration expenditure and write off	2, 7	(64,109)	(324,682)	(64,109)	(322,667)
Annual report costs		(24,032)	(45,441)	(24,032)	(45,441)
ASX fees		(23,786)	(20,075)	(23,786)	(20,075)
Administration, accounting and secretarial fees		(248,700)	(206,514)	(248,700)	(206,514)
Insurance		(21,950)	(24,872)	(21,950)	(24,872)
Legal fees		(13,336)	(14,125)	(13,336)	(14,125)
Share registry costs		(23,172)	(9,939)	(23,172)	(9,939)
Rent and outgoings		(47,183)	(45,937)	(47,183)	(45,937)
Travel		(64,030)	(56,166)	(64,030)	(56,166)
Other expenses from ordinary activities		(115,264)	(105,159)	(108,985)	(104,947)
LOSS BEFORE INCOME TAX EXPENSE		(1,591,012)	(2,210,580)	(1,584,733)	(2,208,353)
Income Tax Expense	3	-	-	-	-
NET LOSS	11	(1,591,012)	(2,210,580)	(1,584,733)	(2,208,353)
Basic earnings per share (cents per share)	16	(0.36)	(0.6)		
Diluted earnings per share (cents per share)		(0.36)	(0.6)		

The Income Statements are to be read in conjunction with the Notes to the Financial Statements.

Balance Sheets

AT 30 JUNE 2008	Notes	CONSOLIDATED		CHIEF ENTITY	
		2008	2007	2008	2007
		\$	\$	\$	\$
CURRENT ASSETS					
Cash assets		1,247,879	1,810,960	1,274,879	1,810,960
Trade and other receivables	4	38,439	160,109	38,439	160,109
TOTAL CURRENT ASSETS		1,286,318	1,971,069	1,286,318	1,971,069
NON-CURRENT ASSETS					
Property, plant and equipment	6	3,901	10,562	3,901	10,562
Deferred exploration, evaluation and development costs	7	14,102,254	11,718,442	3,963,212	1,559,893
Interests in subsidiaries	5	-	-	9,961,371	9,861,838
TOTAL NON-CURRENT ASSETS		14,106,155	11,729,004	13,928,484	11,432,293
TOTAL ASSETS		15,392,473	13,700,073	15,214,802	13,403,362
CURRENT LIABILITIES					
Trade and other payables	8	113,999	127,738	113,999	127,738
Provisions	9	-	38,748	-	38,748
Share application monies in advance	15	-	763,852	-	763,852
TOTAL CURRENT LIABILITIES		113,999	930,338	113,999	930,338
TOTAL LIABILITIES		113,999	930,338	113,999	930,338
NET ASSETS		15,278,474	12,769,735	15,100,803	12,473,024
EQUITY					
Parent entity interest					
Contributed equity	10b	29,556,746	25,820,893	29,556,746	25,820,893
Reserves	11	1,281,103	1,012,313	1,281,103	1,012,313
Accumulated losses	11	(15,559,374)	(14,063,471)	(15,737,046)	(14,360,182)
Total parent entity interest in equity		15,278,474	12,769,735	15,100,803	12,473,024
TOTAL EQUITY		15,278,474	12,769,735	15,100,803	12,473,024

The Balance Sheets are to be read in conjunction with the Notes to the Financial Statements.

Statements of Changes in Equity

AT 30 JUNE 2008

	Notes	CONSOLIDATED		CHIEF ENTITY	
		2008	2007	2008	2007
		\$	\$	\$	\$
TOTAL EQUITY AT BEGINNING OF THE FINANCIAL YEAR		12,769,735	12,201,359	12,473,024	11,902,421
LOSS FOR THE YEAR		(1,591,012)	(2,210,580)	(1,584,733)	(2,208,353)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF PANCONTINENTAL OIL & GAS NL		(1,591,012)	(2,210,580)	(1,584,733)	(2,208,353)
Transactions with equity holders in their capacity as equity holders:					
Share issues net costs	10	3,735,853	1,993,025	3,735,853	1,993,025
Directors and employee options	11	268,790	785,931	268,790	785,931
Options expired	11	77,760	-	77,760	-
Adjustments	11	17,348	-	130,109	-
TOTAL EQUITY AT THE END OF THE FINANCIAL YEAR		15,278,474	12,769,735	15,100,803	12,473,024

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

Statement of Cash Flows

YEAR ENDED 30 JUNE 2008	Notes	CONSOLIDATED		CHIEF ENTITY	
		2008	2007	2008	2007
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		(877,757)	(1,115,495)	(875,993)	(1,115,282)
Interest received		70,085	34,456	70,085	34,456
Sundry income		20,207	-	20,207	-
Expenditure on exploration interests	7	(2,749,710)	(451,139)	(2,715,743)	(394,250)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	12(a)	(3,537,175)	(1,532,178)	(3,501,444)	(1,475,076)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		-	(8,922)	-	(8,922)
Advances to controlled entities		-	-	(35,731)	-
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		-	(8,922)	(35,731)	(8,922)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of ordinary shares		2,989,349	1,993,025	2,989,349	1,993,025
Proceeds of share application monies in advance		-	763,852	-	763,852
Repayments of borrowings - other		-	-	-	(57,102)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		2,989,349	2,756,877	2,989,349	2,699,775
NET INCREASE/(DECREASE) IN CASH HELD		(547,826)	1,215,777	(547,826)	1,215,777
Add opening cash brought forward		1,810,960	595,183	1,810,960	595,183
Effects of exchange rate changes		(15,255)	-	(15,255)	-
CLOSING CASH CARRIED FORWARD	12(b)	1,247,879	1,810,960	1,247,879	1,810,960

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

Notes to the Financial Statements

30 JUNE 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report was authorised for issue by the Directors on 24 September 2008.

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 IFRS (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

It 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.

Notes to the Financial Statements

30 JUNE 2008

(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 2 working days, net of outstanding bank overdrafts.

Interest 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.

Notes continued

30 JUNE 2008

(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 (see Note 1(k)), are reviewed to determine whether they are in excess of their recoverable amount at reporting date. Of 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 straight line basis on all property, plant and equipment.

Major depreciation rates are:	2008	2007
Plant and equipment:	13% - 27%	13% - 27%

(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.

Notes continued

30 JUNE 2008

(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

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.

Notes continued

30 JUNE 2008

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 20 for compliance notes with AASB 7, financial instruments : disclosures.

(u) New accounting standards and interpretations

(i) *AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]*

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Company has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Company's financial instruments.

(ii) *AASB-I 10 Interim Financial Reporting and Impairment*

AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006. The Company has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual report. Application of the interpretation will therefore have no impact on the Company's financial statements.

Notes continued

30 JUNE 2008	Notes	CONSOLIDATED		CHIEF ENTITY	
		2008	2007	2008	2007
		\$	\$	\$	\$

2. EXPENSES AND LOSSES/(GAINS)

(a) Expenses

Depreciation of non-current assets					
Office furniture and equipment		6,661	10,083	6,661	10,083
Exploration, evaluation and development costs		64,109	324,682	64,109	322,667

3. INCOME TAX

(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	(477,304)	(663,174)	(475,420)	(662,506)
Tax effect of permanent differences				
Other items (net)	36,244	240,942	35,074	240,942
Amount not brought to account as a carried forward future income tax benefit	(441,060)	(422,232)	(440,346)	(421,564)
Income tax expense attributable to ordinary activities	-	-	-	-

(b) Future Income Tax Benefit not taken into account

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

Adjustments to carry forward tax losses	-	-	-	-
Tax Losses not brought to account	4,154,035	3,712,975	3,930,502	3,490,156
	4,154,035	3,712,975	3,930,502	3,490,156

This future income tax benefit will only be obtained if:

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

Notes continued

30 JUNE 2008

	Notes	CONSOLIDATED		CHIEF ENTITY	
		2008	2007	2008	2007
		\$	\$	\$	\$
4. RECEIVABLES (CURRENT)					
Sundry receivables		28,170	154,234	28,170	154,234
Short-term deposits		10,269	5,875	10,269	5,875
		38,439	160,109	38,439	160,109

(a) Terms and conditions

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

5. INTERESTS IN SUBSIDIARIES

Name	Country of incorporation	Percentage of equity interest held by the consolidated entity		Investment	
		2008	2007	2008	2007
		%	%	\$	\$
Starstrike Resources Limited	British Virgin Islands	100	100	380,000	380,000
Provision for diminution in value		-	-	(380,000)	(380,000)
Loan to Starstrike				37,402	37,402
Provision for loss on loan to Starstrike				(37,402)	(37,402)
Euro Pacific Energy Pty Ltd	Australia	100	100	2	2
Provision for diminution in value		-	-	(2)	(2)
Loan to Euro Pacific Energy Pty Ltd				28,711	7,020
Provision for loss on loan to Euro Pacific Energy Pty Ltd				(9,074)	(5,131)
Afrex Limited	Saint Lucia	100	100	9,750,693	9,750,693
Loan to Afrex Limited				191,041	109,256
				9,961,371	9,861,838

Notes continued

30 JUNE 2008

	Notes	CONSOLIDATED		CHIEF ENTITY	
		2008	2007	2008	2007
		\$	\$	\$	\$
6. PROPERTY, PLANT AND EQUIPMENT					
Office equipment					
At cost		45,856	45,856	45,856	45,856
Less: Accumulated depreciation		(41,955)	(35,294)	(41,955)	(35,294)
Total written down amount		3,901	10,562	3,901	10,562
Reconciliations					
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.					
<i>Office equipment</i>					
Carrying amount at beginning		10,562	11,723	10,562	11,723
Additions		-	8,922	-	8,922
Depreciation expense		(6,661)	(10,083)	(6,661)	(10,083)
		3,901	10,562	3,901	10,562

7. DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

Exploration, evaluation and development costs carried forward in respect of mining areas of interest

Pre-production:

exploration and evaluation phases:

Carrying amount at beginning	11,718,442	11,591,984	1,559,893	1,488,311
Expenditure during the year	2,749,710	451,140	2,715,743	394,249
Expenditure during the year not capitalised	(301,789)	(82,288)	(248,315)	(82,288)
Generative exploration expenditure and write off	(64,109)	(242,394)	(64,109)	(240,379)
	14,102,254	11,718,442	3,963,212	1,559,893

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. Amortisation of the costs carried forward for the development phase is not being charged pending the commencement of production.

Notes continued

30 JUNE 2008	Notes	CONSOLIDATED		CHIEF ENTITY	
		2008	2007	2008	2007
		\$	\$	\$	\$
8. PAYABLES (CURRENT)					
Trade creditors		113,999	127,738	113,999	127,738
		113,999	127,738	113,999	127,738
9. PROVISIONS (CURRENT)					
Employee benefits	14	-	38,748	-	38,748
		-	38,748	-	38,748
10. CONTRIBUTED EQUITY					
(a) Issued and paid up capital					
Ordinary shares fully paid		29,556,746	25,820,893	29,556,746	25,820,893
		29,556,746	25,820,893	29,556,746	25,820,893
(b) Movements in shares on issue					
		2008		2007	
		Number of shares	\$	Number of shares	\$
Beginning of the financial year		381,231,526	25,820,893	331,748,330	23,827,868
Issued during the year		-	-	10,483,196	833,414
- issued for acquisition		-	-	10,483,196	833,414
- public equity raising		63,538,587	3,735,853	39,000,000	1,159,611
End of the financial year		444,770,113	29,556,746	381,231,526	25,820,893
11. RESERVES AND ACCUMULATED LOSSES					
		2008	2007	2008	2007
Reserves		\$	\$	\$	\$
Beginning of the financial year		1,012,313	226,382	1,012,313	226,382
Directors and employee options issued		346,550	785,931	346,550	785,931
Options expired		(77,760)	-	(77,760)	-
End of the financial year		1,281,103	1,012,313	1,281,103	1,012,313
Accumulated losses					
Beginning of the financial year		(14,063,471)	(11,852,891)	(14,360,182)	(12,151,829)
Net loss attributable to members of Pancontinental Oil & Gas NL		(1,591,012)	(2,210,580)	(1,584,733)	(2,208,353)
Adjustment options expired, prior year		95,109	-	207,869	-
Total available for appropriation		(14,063,471)	(14,063,471)	(15,737,046)	(14,360,182)
End of the financial year		(14,063,471)	(14,063,471)	(15,737,046)	(14,360,182)

Notes continued

30 JUNE 2008

	Notes	CONSOLIDATED		CHIEF ENTITY	
		2008	2007	2008	2007
		\$	\$	\$	\$
12. STATEMENT OF CASH FLOWS					
(a) Reconciliation of the net loss after tax to the net cash flows from operations					
Net loss		(1,591,012)	(2,210,580)	(1,584,733)	(2,208,253)
Non-Cash Items, Non-Operating Items					
Depreciation of non-current assets		6,662	10,083	6,662	10,083
Exploration expenditure written off		50,083	324,682	50,083	322,667
Options		346,550	785,931	346,550	785,931
Changes in assets and liabilities					
(Increase)/decrease in trade and other receivables		121,670	(3,789)	121,670	(3,789)
(Increase) in exploration, evaluation & development costs		(2,433,896)	(451,139)	(2,469,567)	(394,351)
(Decrease)/increase in trade and other payables		(13,739)	18,161	18,163	18,163
(Decrease)/increase in employee entitlements		(38,748)	(5,527)	(5,527)	(5,527)
Effect of exchange rate changes		15,255	-	15,255	-
Net cash flow from operating activities		<u>(3,537,175)</u>	<u>(1,532,178)</u>	<u>(3,501,444)</u>	<u>(1,475,076)</u>
(b) Reconciliation of cash					
Cash balance comprises:					
- cash assets		1,247,879	1,810,960	1,247,879	1,810,960
Closing cash balance		<u>1,247,879</u>	<u>1,810,960</u>	<u>1,247,879</u>	<u>1,810,960</u>

13. EXPENDITURE COMMITMENTS**Capital expenditure commitments**

Estimated capital expenditure contracted for at reporting date, but not provided for, payable: not later than one year

- other 2,850,000 2,520,000 2,850,000 2,520,000

later than one year and not later than five years

- other 100,000 55,000 100,000 55,000

later than five years

2,950,000 2,575,000 2,950,000 2,575,000

14. EMPLOYEE BENEFITS**Employee Benefits**

The aggregate employee benefit liability is comprised of:

Provisions (current) - 38,748 - 38,748

- 38,748 - 38,748

Notes continued

30 JUNE 2008

14. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (cont'd)

Employee Share Scheme

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

	2008		2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	32,500,000	0.11	24,850,000	0.12
– granted	4,500,000	0.0479	9,250,000	0.096
– expired	(6,150,000)	-	-	-
Balance at end of year	<u>30,850,000</u>	<u>0.10</u>	<u>32,500,000</u>	<u>0.11</u>

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 2008:

Number of options	Grant date	Expiry date	Weighted average exercise price
3,625,000	21 Nov 03	31 Dec 08	0.10
1,100,000	22 Nov 04	21 Nov 09	0.15
2,875,000	29 Nov 04	28 Nov 09	0.15
500,000	2 Feb 05	30 Jun 08	0.125
9,500,000	29 Nov 05	28 Nov 10	0.0925
9,250,000	29 Nov 06	28 Nov 11	0.096
4,500,000	29 Nov 07	28 Nov 12	0.059

15. SUBSEQUENT EVENTS

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.

Notes continued

30 JUNE 2008	Notes	CONSOLIDATED		CHIEF ENTITY	
		2008	2007	2008	2007
		\$	\$	\$	\$

16. EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

Net profit	(1,591,012)	(2,210,580)		
Adjustments:				
Earnings used in calculating basic and diluted earnings per share	<u>(1,591,012)</u>	<u>(2,210,580)</u>		
	Number of shares	Number of shares		
Weighted average number of ordinary shares used in calculating basic earnings per share	443,203,408	364,201,283		
Effect of dilutive securities:				
Share options	-	-		
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	<u>443,203,408</u>	<u>364,201,283</u>		

17. AUDITORS' REMUNERATION

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	48,300	21,200	48,300	21,200
- other services in relation to the entity and any other entity in the consolidated entity	-	-	-	-
	<u>48,300</u>	<u>21,200</u>	<u>48,300</u>	<u>21,200</u>

18. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executives

(i) Specified directors

Mr Henry David Kennedy	Chairman
Mr Peter Lawson Munachen	Finance Director
Mr Ian Raymond (Inky) Cornelius	Non-executive Director
Mr Roy Barry Rushworth	Director - New Ventures
Mr Andrejs (Andrew) Karlis Svalbe	Chief Executive Officer (retired 28 November, 2007)

(ii) Specified executives

Mr Matthew Arthur Battrick (retired)	General Manager
Mr Ernest Anthony Myers	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 are set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. Directors' base fees are presently \$45,000 per annum. The Chairman receives \$55,000 per annum.

Non-executive and executive directors do not receive performance related remuneration but they are eligible to participate in the Employee Option Scheme approved by shareholders.

Non-executive directors do not receive any termination or retirement benefits.

Notes continued

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18. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

(b) Remuneration of Specified Directors and Specified Executives

	Salary & Fees	Primary Cash Bonus	Non Monetary benefits	Post Employment Superannuation	Retirement benefits	Equity Options	Other Bonuses	Total
Specified directors								
Mr Henry David Kennedy								
2008	50,000	-	-	-	-	35,925	-	85,925
2007	50,000	-	-	-	-	45,981	-	95,981
Mr Peter Lawson Munachen								
2008	88,000	-	-	-	-	91,850	-	159,850
2007	83,000	-	-	-	-	91,962	-	174,962
Mr Ian Raymond (Inky) Cornelius								
2008	40,000	-	-	-	-	35,925	-	75,925
2007	35,000	-	-	-	-	45,981	-	80,981
Mr Roy Barry Rushworth								
2008	307,500	-	-	-	-	71,850	-	379,350
2007	198,333	-	-	-	-	91,962	-	290,295
Mr Andrejs (Andrew) Karlis Svalbe (retired)								
2008	28,474	-	-	146,590	-	-	-	175,064
2007	89,832	-	-	163,135	-	137,943	-	390,909
Total Remuneration: Specified Directors								
2008	513,974	-	-	146,590	-	235,550	-	876,114
2007	422,564	-	-	163,135	-	391,204	-	976,902
Specified Executives & Officers								
Mr Matthew Arthur Battrick (retired)								
2008	114,679	-	-	10,321	-	-	-	125,000
2007	182,626	-	-	16,436	-	61,308	-	260,370
Mr Ernest Anthony Myers								
2008	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	61,308	-	61,308
Mr Myers received no direct remuneration from the Company but during the year the Company paid fees to Resource Services International (Aust) Pty Limited for the provision of corporate, accounting and administration services. Mr Myers is employed by Resource Services International (Aust) Pty Limited.								
Total Remuneration: Specified Executives								
2008	114,679	-	-	10,321	-	-	-	125,000
2007	182,626	-	-	16,436	-	122,616	-	321,678

Notes continued

30 JUNE 2008

18. 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	750,000	29 Nov 07	0.0479	0.059	28 May 2008	28 Nov 2012
Peter Lawson Munachen	1,500,000	29 Nov 07	0.0479	0.059	28 May 2008	28 Nov 2012
Ian Raymond (Inky) Cornelius	750,000	29 Nov 07	0.0479	0.059	28 May 2008	28 Nov 2012
Roy Barry Rushworth	1,500,000	29 Nov 07	0.0479	0.059	28 May 2008	28 Nov 2012
Andrejs (Andrew) Karlis Svalbe (retired)	-	-	-	-	-	-
Specified Executives						
Matthew Arthur Battrick (retired)	-	-	-	-	-	-
Ernest Anthony Myers	-	-	-	-	-	-
Total	4,500,000					

(d) Option holdings of specified directors and specified executives

	Balance at beginning of period 1 July 2007	Granted as Remuneration	Options Exercised/ (Expired)	Net Change Other	Balance at end of period 30 June 2008
Specified Directors					
Henry David Kennedy	3,000,000	750,000	(500,000)	-	3,250,000
Peter Lawson Munachen	5,250,000	1,500,000	(750,000)	-	6,000,000
Ian Raymond (Inky) Cornelius	3,000,000	750,000	(500,000)	-	3,250,000
Roy Barry Rushworth	3,000,000	1,500,000	-	-	4,500,000
Andrejs (Andrew) Karlis Svalbe (retired)	7,875,000	-	(1,125,000)	-	6,750,000
Specified Executives					
Mr Matthew Arthur Battrick (retired)	2,500,000	-	(500,000)	-	2,000,000
Mr Ernest Anthony Myers	3,000,000	-	(500,000)	-	2,500,000
Total	27,625,000	4,500,000	(3,875,000)	-	28,250,000

Notes continued

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(e) Shareholdings of Specified Directors and Specified Executives

Shares held in Pancontinental Oil & Gas NL	Balance 1 July 2007 Ord	Acquisitions (Disposals)	Balance 30 June 2008 Ord
Specified Directors			
Henry David Kennedy	137,582,222	672,502	138,254,724
Peter Lawson Munachen	62,500	10,416	72,916
Roy Barry Rushworth	30,080,687	4,683,494	34,764,181
Andrejs (Andrew) Karlis Svalbe (retired)	375,000	62,500	437,500
Total	168,100,409	5,428,912	173,529,321
Specified Executives			
Matthew Arthur Battrick	-	-	-
Ernest Anthony Myers	-	-	-
Total	-	-	-

19. SEGMENT INFORMATION

Segment accounting policies

The economic entity operates predominately in the petroleum exploration industry and in the Australasian-Pacific and North and West African geographic region.

Notes continued

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20. 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
- (a) 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, and arises principally from the Group's receivables from joint venture re-charges and recuperations of cost. For the Company 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 have trade receivables and is therefore not 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.

The Company has established an allowance for impairment that represents their estimate of incurred losses in respect of intra-group loans. The management does not expect any counterparty to fail to meet its obligations.

Geographically, there is no concentration of credit risk.

Notes continued

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20. 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	Note	Carrying amount	
		2008	2007
Trade and other receivables	4	38,439	160,109
Cash and cash equivalents		1,247,879	1,810,960
Total exposure		1,286,318	1,971,069

Company	Note	Carrying amount	
		2008	2007
Trade and other receivables	4	38,439	160,109
Cash and cash equivalents		1,247,879	1,810,960
Total exposure		1,286,318	1,971,069

Impairment losses:

None of the Company's or Group's receivables are past due at 30 June 2008, (2007 : nil).

No impairment loss/gain in respect of inter-group loans was recognised during the current year from an analysis of the subsidiaries respective financial positions.

Whilst the loans were not payable at 30 June 2008 a provision for impairment based/reversed on the subsidiaries financial position was carried forward from a previous period. The balance of this provision may vary due to performance of a subsidiary in a given year.

Notes continued

30 JUNE 2008

20. FINANCIAL INSTRUMENTS (cont'd)

(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.

Notes continued

30 JUNE 2008

20. FINANCIAL INSTRUMENTS (cont'd)

(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 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). Other currencies which these transactions are denominated in are (USD).

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

Exposure to currency risk:

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

	30 June 2008			30 June 2007		
	AUD	USD	Total	AUD	USD	Total
AUD						
Trade and other receivables	28,170	10,269	38,439	40,189	119,920	160,109
Trade and other payables	(113,999)	-	(113,999)	(127,738)	-	(127,738)
Net balance sheet exposure	(85,829)	10,269	(75,560)	(87,549)	119,920	32,371

The Company's exposure to foreign currency risk was as follows, based on notional amounts:

	30 June 2008			30 June 2007		
	AUD	USD	Total AUD	AUD	USD	Total AUD
AUD						
Trade and other receivables	28,170	10,269	38,439	40,189	119,920	160,109
Trade and other payables	(113,999)	-	(113,999)	(127,738)	-	(127,738)
Net balance sheet exposure	(85,829)	10,269	(75,560)	(87,549)	119,920	32,371

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2008	2007	2008	2007
AUD : USD	0.896	0.786	0.962	0.849

Notes continued

30 JUNE 2008

20. FINANCIAL INSTRUMENTS (cont'd)

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 2007.

<i>Effect in AUD</i>	Consolidated		Company	
	Equity	Profit or loss	Equity	Profit or loss
30 June 2008				
10% strengthening	10,971	9,944	10,971	9,944
30 June 2007				
10% strengthening	15,624	3,632	15,624	3,632

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.

Interest rate risk:

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

	Consolidated Carrying Amount		Company Carrying Amount	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
Variable rate instruments				
Cash and cash equivalents	1,247,879	1,810,960	1,247,879	1,810,960

Fair value sensitivity analysis for fixed rate instruments:

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

Fair value sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2007.

Consolidated	Profit or loss		Equity	
	100 bp increase	100bp decrease	100 bp increase	100 bp decrease
30 June 2008				
Cash and cash equivalents	70	(70)	70	(70)
30 June 2007				
Cash and cash equivalents	52	(52)	52	(52)

Notes continued

30 JUNE 2008

20. 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 2008		30 June 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	38,439	38,439	160,109	160,109
Cash and cash equivalents	1,247,879	1,247,879	1,810,960	1,810,960
Trade and other payables	(113,999)	(113,999)	(127,738)	(127,738)
	1,172,319	1,172,319	1,843,331	1,843,331

Company	30 June 2008		30 June 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	38,439	38,439	160,109	160,109
Cash and cash equivalents	1,247,879	1,247,879	1,810,960	1,810,960
Trade and other payables	(113,999)	(113,999)	(127,738)	(127,738)
	1,172,319	1,172,319	1,843,331	1,843,331

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.

	2008	2007
Equity attributable to shareholders of the Company		
Minorities	-	-
Equity	15,278,474	12,769,735
Total assets	15,392,473	13,700,073
Equity ratio in %	99.3%	93.2%
Average equity	15,714,581	13,238,866
Net Profit	(1,591,012)	(2,210,580)
Return on Equity in %	(10.1)%	(16.7)%

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.

Notes continued

30 JUNE 2008

21. RELATED PARTY

- (a) During the year the Company paid corporate and administration fees of \$88,000 (2007 : \$83,000) to Corraline Pty Ltd, a company of which Mr Munachen is a director. Refer note 18.
- (b) During the year the Company paid fees to Resource Services International (Aust) Pty Limited, a company of which Messrs Munachen and Myers are directors, to cover the provision of corporate, accounting and administration services. The amount paid to Resource Services International (Aust) Pty Limited was \$248,700 (2007 : \$206,514). Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms. The fees are not related to the management of the company, therefore no amounts are attributable to directors, and have not been included in directors' remuneration.
- (c) During the year the company paid a consulting fee to Goldtrek Pty Ltd, trustee for the Lewis Trust, of which Mr Cornelius is a beneficiary, for consulting services. The amount paid to Goldtrek Pty Ltd was \$40,000 (2007 : \$35,000). Refer note 18.
- (d) During the year the company paid fees to Rockfield Investments Ltd a company in which Mr Kennedy has a financial interest, for consulting services. The amount paid to Rockfield Investments Ltd was \$50,000 (2007 : \$50,000). Refer note 18.
- (e) The Company has effected Directors and Officers Liability Insurance.

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 2008 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 2008.

On behalf of the Board

Mr Peter Lawson Munachen
Director

Perth 24 September 2008

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

We have audited the accompanying financial report of Pancontinental Oil & Gas NL (the Company”) which comprises the balance sheet as at 30 June 2008 and the income statement, statement of changes in equity and cash flow statement 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.

The Company has disclosed information as required by Australian Accounting Standard AASB 124 *Related Party Disclosures* (“remuneration disclosures”) under the heading “Remuneration Report” in the directors’ report as permitted by the Corporations Regulations 2001.

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.

Auditor’s 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 and the remuneration disclosures in the Directors’ report comply with AASB 124.

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 in and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors’ report.

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

Independence

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

Audit opinion

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

- a) (i) giving a true and fair view of the Company’s and the group’s financial position as at 30 June 2008 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b) the consolidated financial report also complies with International Financial Reporting Standards.
- c) the remuneration disclosures in the Directors’ report comply with AASB 124

Rothsay

Frank Vrachas
Partner

Dated 24 September 2008

ASX Additional Information

Additional information required by the ASX Ltd and not shown elsewhere in this report is as follows. The information is current as at 19 September 2008.

(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	300	85,581
1,001	- 5,000	136	418,427
5,001	- 10,000	198	1,704,393
10,001	- 100,000	932	41,779,943
100,001	and over	496	400,783,769
		2,058	444,770,113
The number of shareholders holding less than a marketable parcel of shares are:		774	4,053,708

(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	Sundowner International Limited	115,649,724	26.002
2	Merrill Lynch (Australia) Nominees Pty Ltd	28,219,381	6.345
3	Skye Grantees Limited	25,706,511	5.780
4	Mr Robert Albert Boas	7,525,000	1.692
5	ANZ Nominees Limited <Cash Income A/C>	7,436,078	1.672
6	Mr Roy Barry Rushworth	6,402,748	1.440
7	Reynolds (Nominees) Pty Ltd	5,966,474	1.341
8	Victoria House Finance Limited	5,300,000	1.192
9	CIMB-GK Securities Pte Ltd <Client A/C>	5,116,666	1.150
10	Mr Martinoi Minniti	4,008,958	0.901
11	Citicorp Nominees Pty Ltd	3,848,710	0.865
12	Alvar Distributors Pty Ltd	2,862,501	0.644
13	Mr Roy Barry Rushworth	2,654,922	0.597
14	Avanteos Investments Ltd	2,466,250	0.554
15	Gerard Walsh	2,362,664	0.531
16	Tao Yuan Limited <No 3 A/C>	2,266,666	0.510
17	Forty Traders Limited	2,187,500	0.492
18	Mr Trevor Walter Heazlewood	2,038,000	0.458
19	Mr John Haddon Mitchell	2,000,000	0.450
20	Aquatic Resources Ltd	2,000,000	0.450
		236,018,753	53.065

(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: Rockfield Investments Limited and its subsidiaries Sundowner International Limited, Alwyn Resources Limited, Troy Resources Limited, Henry David Kennedy and Graeme McKinnon Menzies	138,254,724
Roy Barry Rushworth and Skye Grantees Limited as trustee for the Mulberry Trust	34,764,181

(e) Permit Schedule

Permits and Licence Interests	Permit reference	Interest
Petroleum prospects		
Western Australia	EP 104 (R1)	10 %
	EP 406	5%
	EP 110	25%
	EP 424	25%
Malta	Area 5	80% (reducing to 28% after one well)
	Block 3 of Area 4	80% (reducing to 28% after one well)
Kenya	L6	40%
	L8	50%
	L9	50%
Namibia	RL 1 of 2007	100%
Morocco	Mediterranee Est. Block**	100% - diluting to 80%

** Awaiting award of R/L.