

Pancontinental Oil & Gas NL

ACN 003 029 543

FINANCIAL REPORT

FOR THE

HALF-YEAR ENDED 31 DECEMBER 2007

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2007 and any public announcements made by Pancontinental Oil & Gas NL during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

PANCONTINENTAL OIL & GAS NL

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DIRECTORS' REPORT

The Directors present their Report on the consolidated entity consisting of Pancontinental Oil & Gas NL and the entities it controlled at the end of or during the Half-Year ended 31 December 2007.

The names and particulars of Directors of the Company during the whole of the half-year and up to the date of this Report are:

Name	Particulars
Henry David Kennedy	Chairman. Geologist and Company Director with extensive commercial experience in resource companies. Appointed 31 August 1999
Peter Lawson Munachen	Finance Director Chartered Accountant with extensive experience, mainly in the minerals and oil industry. Director of a number of listed public companies. Appointed 27 February 1991
Roy Barry Rushworth	New Ventures Director Extensive involvement in the oil and gas exploration industry. Appointed 10 August 2005
Ian Raymond Cornelius	Non-Executive Director Has had many years experience in the exploration and resources industry and success in the exploitation and development of deposits. Appointed 15 October 1992
Andrejs (Andrew) Karlis Svalbe	Chief Executive Officer and Director Appointed 4 December 1998 - Resigned 28 November 2007

Review and Results of Operations

The review of the Company's operations during the Half-Year ended 31 December 2007 is as follows.

Financial

	Segment Revenue \$	Segment result \$
Oil and gas exploration		
Interest	50,544	50,544
Other revenue	71,180	71,180
Unallocated expenses		(944,012)
Operating profit (loss)		(822,288)
Income Tax		-
Operating profit (loss) for Half-Year		(822,288)

Exploration activities

The economic entity continues to be actively involved in oil and gas exploration in the Australasian-Pacific region, North Africa, East Africa and in the Mediterranean.

Changes In State Of Affairs

During the Half-Year ended 31 December 2007 there was no significant change in the entity's state of affairs other than that referred to in the Half-Year Financial Statements or Notes thereto.

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DIRECTORS' REPORT (continued)

The Directors
Pancontinental Oil & Gas NL
288 Stirling St
Perth WA 6000

Dear Sirs,

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

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit review of the 31 December 2007 half yearly financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Frank Vrachas (Lead auditor)

Rothsay Chartered Accountants
11 March 2008

This Report is made in accordance with a Resolution of the Directors.

HD Kennedy
Director
PERTH, 11th day of March 2008

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PANCONTINENTAL OIL & GAS NL

The financial report and directors' responsibility

The interim financial report comprises the balance sheet, income statement, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for the consolidated entity Pancontinental Oil & Gas NL for the half-year ended 31 December 2007.

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

Review approach

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the consolidated half yearly financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Pancontinental Oil & Gas NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- giving a true and fair view of the financial position of the consolidated entity as at 31 December 2007 and of its performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Rothsay

Frank Vrachas

Partner

Dated this 11th day of March 2008

PANCONTINENTAL OIL & GAS NL

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DIRECTORS' DECLARATION FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

The Directors declare that:

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

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

On behalf of the Directors

HD Kennedy
Director
PERTH, 11th day of March 2008

PANCONTINENTAL OIL & GAS NL

CONDENSED CONSOLIDATED INCOME STATEMENT For The Half-Year Ended 31 December 2007

	Note	Half-Year ended 31 Dec 2007	Half-Year ended 31 Dec 2006
Revenue from Ordinary Activities		\$	\$
Interest received – other corporations		50,544	29,382
Other income		71,180	59,408
Total revenues from ordinary activities		121,724	88,790
Depreciation		(5,042)	(4,306)
Salaries and employee benefits expense		(141,851)	(279,004)
Director remuneration and benefits expense		(531,912)	(890,341)
Audit fees		(17,500)	(2,000)
Exploration costs written off		-	(180,188)
Generative exploration expenditure		(4,737)	(26,049)
Annual report costs		(22,242)	(46,445)
ASX fees		(21,425)	(2,136)
Administration, accounting and secretarial fees		(144,728)	(163,415)
Insurance		(1,591)	(56,268)
Legal fees		(6,595)	(6,729)
Share registry costs		(19,432)	(4,739)
Rent and outgoings		(23,117)	(28,130)
Travel		(3,840)	(19,186)
LOSS BEFORE INCOME TAX EXPENSE		(822,288)	(1,620,149)
Income Tax Expense		-	-
Loss attributable to members of Pancontinental Oil & Gas NL		(822,288)	(1,620,149)
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company	5	\$(0.0019)	(\$0.004)

The above Consolidated Income Statement should be read in conjunction with the accompanying Notes.

PANCONTINENTAL OIL & GAS NL

CONDENSED CONSOLIDATED BALANCE SHEET As at 31 December 2007

	Note	Half-Year ended 31 Dec 2007 \$	Annual Report 30 Jun 2007 \$
Current Assets			
Cash and cash equivalents	3	2,288,668	1,810,960
Trade and other receivables		44,100	160,109
Total Current Assets		2,332,768	1,971,069
Non-Current Assets			
Plant and equipment		5,520	10,562
Deferred exploration and evaluation expenditure		13,911,327	11,718,442
Total Non-Current Assets		13,916,847	11,729,004
Total Assets		16,249,615	13,700,073
Current Liabilities			
Trade and other payables		322,649	127,738
Provisions		-	38,748
Share application monies in advance		-	763,852
Total Current Liabilities		322,649	930,338
Total Liabilities		322,649	930,338
Net Assets		15,926,966	12,769,735
Equity			
Contributed equity	4	29,555,992	25,820,893
Reserves		1,178,972	1,012,313
Accumulated losses	2	(14,807,998)	(14,063,471)
Total Equity		15,926,966	12,769,735

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2007

	Half-year ended 31 Dec 2007	Half-year ended 31 Dec 2006
Total equity at the beginning of the half-year	12,769,735	12,201,359
Total recognised income and expense for the half-year attributable to members of Pancontinental Oil & Gas NL	(822,288)	(1,620,149)
Transactions with equity holders in their capacity as equity holders	244,419	738,217
Contributions of equity	3,657,339	2,026,820
Adjustments to retained earnings – options expired	77,761	-
Total equity at the end of the half-year	15,926,966	13,346,247

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

PANCONTINENTAL OIL & GAS NL

CONSOLIDATED STATEMENTS OF CASH FLOWS For The Half-Year Ended 31 December 2007

	Half-Year ended 31 Dec 2007 \$	Half-Year ended 31 Dec 2006 \$
Cash Flows from Operating Activities		
Cash receipts from operations	-	-
Payments to suppliers and employees	(380,034)	(694,776)
Interest received	50,544	17,583
Net cash from operating activities	(329,490)	(677,193)
Cash Flows from Investing Activities		
Acquisition of plant & equipment		(8,922)
Exploration expenditure	(2,196,615)	(200,029)
Net cash from investing activities	(2,196,615)	(208,951)
Cash Flows from Financing Activities		
Issue of shares	2,988,595	2,026,819
Net cash from investing activities	2,988,595	2,026,819
Net Increase (Decrease) In Cash and Cash Equivalents	462,490	1,140,675
Cash and Cash Equivalents at beginning of Half-Year	1,810,960	595,183
Effect of exchange rate fluctuations on cash held	15,218	-
Cash and Cash Equivalents et end Of Half-Year	2,288,668	1,735,858

The above Consolidated Statements of Cash Flows should be read in conjunction with the accompanying notes.

PANCONTINENTAL OIL & GAS NL

NOTES TO THE FINANCIAL STATEMENTS For the Half-Year ended 31 December 2007

1. Basis of Preparation of Half-Year Financial Statements

This general purpose financial report for the Half-Year ended 31 December 2007 has been prepared in accordance with the Corporations Act 2001, Accounting Standard AASB 134: Interim Financial Reporting. This Half-Year Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Report for the year ended 30 June 2007 and public announcements made by Pancontinental Oil & Gas NL during the Half-Year in accordance with any continuous disclosure obligations arising under the Corporations Act, 2001.

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

Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising Pancontinental Oil & Gas NL 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 company has control.

All intercompany balances and transactions, including unrealised profits arising from intra group transactions, have been eliminated in full.

Cash

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

Taxation

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

Impairment of Assets

The recoverable amount of an asset is determined as the higher of net selling price and value in use. Plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses (the cost method). The fair value of plant and equipment, as determined by reference to observable prices, is not materially different to the carrying amount.

Capitalisation of Exploration and Evaluation Costs

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

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

PANCONTINENTAL OIL & GAS NL

NOTES TO THE FINANCIAL STATEMENTS For the Half-Year ended 31 December 2007

2. Accumulated Losses

	Half-year ended 31 Dec 2007 \$	Annual Report 30 Jun 2007 \$
Loss from ordinary activities after related income tax expense	(822,288)	(2,210,580)
Accumulated profits (losses) brought forward	(14,063,471)	(11,852,891)
Adjustment from options expired	77,761	-
	(14,807,998)	(14,063,471)
Accumulated profits (losses) at end of half-year	(14,807,998)	(14,063,471)

3. Reconciliation of cash

	Half-Year ended 31 Dec 2007 \$	Annual Report 30 Jun 2007 \$
Cash at the end of the Half-Year as shown in the Statements of Cash Flows is reconciled to the related items in the Financial Statements as follows:		
Cash on hand and at bank	2,288,668	1,810,960
	2,288,668	1,810,960

4. Issued and quoted securities at end of current Half-Year

Category of Securities	Number Issued	Number Quoted	Exercise Price	Expiry Date
Ordinary Shares:	381,231,526	381,231,526		
Issued during Half-Year ended 31 December 2007				
Issue at 6 cents each	63,538,587	63,538,587		
	444,770,113	444,770,113		
Options:				
<i>Unlisted</i>	3,625,000	-	\$0.10	31/12/08
	1,100,000	-	\$0.15	21/11/09
	2,875,000	-	\$0.15	28/11/09
	250,000	-	\$0.10	30/06/08
	250,000	-	\$0.15	30/06/08
	9,500,000		\$0.0925	28/11/10
	9,250,000	-	\$0.096	28/11/11
Issued during Half-Year ended 31 December 2007	4,500,000	-	\$0.059	28/11/12
	31,350,000	-		

PANCONTINENTAL OIL & GAS NL

NOTES TO THE FINANCIAL STATEMENTS For the Half-Year ended 31 December 2007

5. Earnings per share

	Half-Year ended 31 Dec 2007	Half-Year ended 31 Dec 2006
Basic earnings per share - dollars	\$(0.0019)	\$(0.004)
Diluted earnings per shares is not materially different from Basic earnings per share		
The weighted average number of ordinary shares outstanding during the Half-Year used in the calculation of basic earnings per share	440,421,636	355,482,026

6. Segmental information

The Company operates only in Australasian-Pacific region, North Africa, West Africa and the Mediterranean and solely in the area of oil and gas exploration.

7. Subsequent Events

No matters or circumstances have arisen since the end of the Half-Year which significantly affected or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company as reported to the Half-Year ended 31 December 2007.

8. Commitments for Expenditure (Contingent Liability)

Oil Leases and Permits

In order to maintain current rights of tenure to permits, the Company is required to perform minimum expenditure requirements of various authorities and pay fees. The Company will be required to outlay amounts of approximately \$725,649 in the first half of 2008 with respect to permit lease rentals and exploration expenditures to meet these minimum expenditure requirements. The balance of these obligations will be fulfilled in the normal course of operations, which may include farm-out, joint venture and direct exploration expenditure.