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Company Announcements Office
Australian Stock Exchange Limited

Pancontinental Oil & Gas NL offshore Kenya status.

At a joint venture meeting with Woodside Energy (Kenya) Pty Ltd (Woodside) held on 3 June 2004, the Company and Afrex were advised that following the interpretation of their 2,270km offshore Kenya 2-D seismic survey and other geological data, they will withdraw from the project. Pancontinental and Afrex will retain their respective 40% and 60% equities.

As a consequence of Woodside's decision to withdraw, the Company and Afrex are now considering the options with respect to three Kenya PSCs (in Kenya offshore Blocks L6,L8 and L9) and will conduct an independent review of the survey data and associated data, but believe that the area still has considerable technical merit based on the presence of all geological parameters required for petroleum accumulations.

The Company and Afrex will meet with the Kenyan government shortly to discuss the future of the project and to review exploration commitments. The project anniversary is November 2004, and the project is in good standing.

The Board continues its strong belief that the growing portfolio of projects it has developed both internationally in Eritrea, Malta, and Morocco and within Australasia all have the potential to be of significant value to shareholders and all these projects will be aggressively progressed to achieve that goal.

In this regard, the Afrex/Pancon JV is finalizing its formal arrangements with the Eritrean Government for the offshore Massawa PSC and with the Moroccan Government for a Reconnaissance License for offshore Moroccan permits. Afrex, the operator for the Malta project continues to negotiate with seismic survey contractors for a 2-D survey to be conducted in the next two months.

Pancontinental is now reviewing the proposed acquisition of Afrex Limited. The withdrawal of Woodside has an impact on the value of the Kenya project that forms part of the assets being acquired in the Afrex transaction. An independent valuation commissioned by the Company for the Afrex transaction for inclusion in the Explanatory Memorandum had ascribed a value of A\$10.7m to Pancontinental's Kenya interest and

A\$16.1m to Afrex's Kenya interest. As a consequence of Woodside's withdrawal, this asset will now be revalued. The valuer had placed a total value of \$29.1m on the assets to be acquired from Afrex and valued Pancontinental's Australasian interests at A\$2.6m with its African interests at \$20.4m. The preparation of the Explanatory Memorandum and matters ancillary to the lodgment of the relevant documents with ASIC/ASX are well advanced with the view to mailing all information to shareholders by the end of June.

Pancontinental is in discussion with the vendors of Afrex regarding the change in project values and its effect on the transaction.

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It is advised in accordance with Australian Stock Exchange Limited Listing Rule 5.11 that the report on the above project has been prepared by Mr. Andrew Svalbe, AAPG, PESA, ASEG, FESWA who has had more than the required five years experience and is a competent person as defined in the Listing Rules of Australian Stock Exchange Limited and has consented in writing to the inclusion of this report as it appears here