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Company Announcements Office
Australian Stock Exchange Limited

Pancontinental Oil & Gas NL to increase interest in African projects by 150%

The Directors of Pancontinental Oil & Gas NL (“Pancon”) are pleased to announce that the Company has executed heads of agreement to increase its equity in the Pancon/Afrex African joint venture projects by 150% from its current 40% interest to 100% interest by acquiring its joint venture partner – Afrex Limited (“Afrex”).

Under the agreement Pancon will acquire all of the issued capital of Afrex Limited (“Afrex”) by issuing 178,426,000 ordinary fully paid shares to Afrex shareholders as consideration for their shareholdings in Afrex.

Pancon is currently in joint venture with Afrex in a number of African projects (see later) in which the ratios are 40% Pancon and 60% Afrex, of the interests not held by other parties. The acquisition will result in Pancon holding the combined interest of both parties.

The Company has also arranged to place up to 12 million shares to clients of Euroz Securities Limited at 14 cents to raise \$1,680,000 (before costs) to fund its increased project commitments resulting from the transaction.

The placement and transaction will increase the issued capital of the Company by approximately 120% from 155,226,166 shares to 345,652,166 shares, to achieve the 150% increase in the African project equities.

The issue of the shares to acquire Afrex is conditional upon receipt of ASX, regulatory and shareholder approvals. Following the necessary approvals, interests associated with Pancon Chairman Mr HD Kennedy, will receive 131,392,900 shares of the total of 178,426,000 shares to be issued to Afrex shareholders. This will result in Mr Kennedy’s interest in Pancon increasing to 158,158,070 shares, representing approximately 46% of the expanded capital. The new shares to be issued to Mr Kennedy’s interests will be escrowed for a period of twelve months.

The company is currently conducting its due diligence on Afrex and is also in the process of preparing a notice of meeting and explanatory statement detailing all aspects of the acquisition and providing shareholders with the necessary independent experts reports.

Subject to shareholder approval for the acquisition, Mr Barry Rushworth, an executive director of Afrex and the person primarily responsible for the negotiations for the acquisition of the Pancon/Afrex joint venture projects, will join the board of Pancon to take up an executive role. He will be responsible for Business Development and Exploration.

“ The proposed merger of the African interests of both companies brings considerable value to the Company and is of great benefit to shareholders” said Mr Andrew Svalbe, the CEO of Pancon. “Having all the equity in one public listed company will allow for a much stronger negotiating position when dealing with majors on any future farmouts and will still leave the Company with a substantial equity in any project, such as the current agreement with Woodside where we now stand to retain a free carried interest of 25% through to production.”

Summary of project interests held by Pancon in joint ventures with Afrex

Project	Pancon Current equity	Pancon equity post Afrex	Comments
Malta Area 4 and 5,Block 3	40%	100% (reducing to 80%)	Sun Resources earning 20% by funding seismic programme
Kenya Offshore blocks L6, L8 and L9	40%	100% (reducing to 25%)	Woodside has right to earn 75% interest by drilling two wells on each of the three permits.
Eritrea Offshore Massawa	30%	70%	Hardman Resources Limited holds 30%
Morocco (application)	40%	100% (reducing to 80%)	Negotiations in process with third party that when concluded will result in the third party earning 20% by funding seismic programme.

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