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Pancontinental Oil & Gas NL increases North African Interests Morocco Reconnaissance Licence to be Granted

Pancontinental Oil & Gas NL (“Pancontinental”) has increased its North African petroleum exploration interests by entering into contract with ONAREP, the Moroccan Government petroleum entity paving the way for the granting of a Reconnaissance Licence (RL) over the area known as Meditteranee Est. in the Moroccan waters of the Mediterranean Sea. It is anticipated that the RL will be formally granted within the next few days.

Pancontinental has been joined in the venture by Afrex Limited (Afrex) and Cooper Energy (BVI) Limited (“Cooper”).

Pancontinental will have a 32% interest, Afrex a 48% interest, whilst Cooper will earn a 20% interest. Cooper will earn its 20% in the Reconnaissance License by contributing US\$175,000 towards the first year minimum work program. The first year minimum work program is the acquisition, processing and interpretation of 500 kilometres 2D offshore seismic and the study of existing data. Costs in excess of US\$175,000 will be shared amongst the participants in accordance with their respective equities

Under the terms of the joint venture, Cooper may elect to acquire a further 10% interest in the Reconnaissance Licence from Pancontinental and Afrex by contributing US\$175,000 to the costs of the second year of the Reconnaissance Licence. The second year of the Reconnaissance Licence has a minimum work commitment of US\$300,000.

Pancontinental regards the permit as an outstanding low cost opportunity with the potential for billion barrel oil discoveries and multi TCF gas discoveries.

Two major play types have been defined in the area. The first is the Tertiary (Messinian) mass flow deposits (‘turbidites’) onlapping onto the basement ridges. The turbidites are blanketed by an extensive and more than 1,000 metres thick interpreted regional seal of Pliocene shale and marls. The largest of the turbidite related leads that have been mapped to date, has the potential for world class oil or gas accumulations.

The second play type is interpreted as shale-cored diapiric structures, which also have the potential for world class hydrocarbon accumulations. Similar shale and salt ‘diapir’ related traps, are the central controls for hydrocarbon accumulations in the highly prospective Gulf of Mexico, offshore Nigerian, and more recently offshore Mauritania productive areas.

Within the entire Western Mediterranean offshore Moroccan area only three exploration wells have been drilled, none of which are considered to be valid tests.

While there is a broad regional grid of existing seismic lines in the southern areas of the permit, the northern area requires a comparable regional grid of modern seismic to fully define the full inventory of possible leads and prospects. During the first year of the Reconnaissance Licence the Joint Venture will shoot 500 km of high quality 2D seismic to achieve this objective.

While oil is the principal thrust of the exploration project, if gas is found the main gas pipeline from Algeria to Spain and the European grid runs south of the block onshore Morocco. Gas consumption in Europe is extremely high and a gas discovery in the Mediterranean would be very close to this market.

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It is advised that in accordance with the Australian Stock Exchange Limited Listing Rule 5.10, 5.11, 5.12 and 5.13 that the summary report on the oil and gas projects is based on information compiled by Mr A K Svalbe, BSc (Hons), AAPG, ASEG, FESWA, PESA, Chief Executive Officer of Pancontinental Oil & Gas NL and accurately reflects the information compiled by Mr Svalbe.