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ASX Announcements

### **Acquisition of Afrex Limited**

Following the notification by the Eritrean Ministry of Mines in December 2004 that the Memorandum of Understanding for the offshore Massawa block was null and void the Afrex/Pancon/Hardman joint venture has sought an explanation from the Eritrean government. The joint venture is awaiting a response from the Minister for Mines and Energy.

On 9 November 2004 Pancon announced that it had reached agreement to acquire all of the issued capital of Afrex Ltd by issuing up to 165,000,000 shares in Pancon to the shareholders of Afrex Ltd as consideration. The interest of Afrex Ltd in the Eritrean project represented a significant part of the value of Afrex Ltd and its withdrawal from the Afrex asset base has considerable impact on the proposed transaction ( 81,180,000 shares). Likewise since November 2004 when the Afrex transaction was agreed, the seismic data for the Malta joint venture that was acquired in August 2004 has now been processed and interpreted. Also during that time the joint venture had reviewed a number of other North African opportunities, some of which are advancing to application.

As these factors occurred subsequent to the preparation of the independent valuation upon which the transaction was based the parties have agreed that the transaction should be reviewed. The valuation was based on events that were current in September 2004 and as considerable time has elapsed since then, and as a consequence of subsequent events the independent valuer has been requested to review his valuation.

Once the revised valuation is received the parties will consider the valuation and other matters, and re- negotiate the consideration.

For and on behalf of  
Pancontinental Oil & Gas NL

E A Myers  
Company Secretary