



PANCONTINENTAL Oil & Gas NL
ABN 95 003 029 543



Ground Floor
288 Stirling Street, Perth
Western Australia 6000
P O Box 8260
Perth Business Centre
Western Australia 6849
Telephone: 09 9227 3220

ASX Announcement

14 March 2005

Letter to Shareholders

Attached is a letter which is being sent to shareholders in respect of the Pro-Rata Non Renounceable Rights Issue announced on 11 March 2005.

For and on behalf of
Pancontinental Oil & Gas NL

E A Myers
Company Secretary

Dear Shareholder

INFORMATION FOR SHAREHOLDERS PRO-RATA NON RENOUNCEABLE RIGHTS ISSUE

As you may be aware, the Company will shortly be offering to you an opportunity to acquire more shares in the Company pursuant to a pro-rata non renounceable rights issue to shareholders of approximately 41,816,542 ordinary fully paid shares ("**Shares**") on the basis of one Share for every four Shares held by you at 5.00pm WST on 23 March 2005, at an issue price of 7 cents per Share, to raise approximately \$2,927,158 ("**Rights Issue**"). This offer will be made pursuant to a Prospectus and if you wish to participate in the Rights Issue, you will need to complete the Entitlement and Acceptance Form that will accompany that Prospectus.

A copy of the Prospectus has been lodged with ASX and is available on the ASX website and the Company's website and will be despatched to persons holding shares as at the Record Date of 23 March 2005.

Pursuant to the Listing Rules of the Australian Stock Exchange Limited ("**Listing Rules**"), the Company is required to provide to you certain information before proceeding with the Rights Issue. This letter contains all the information required by Appendix 3B of the Listing Rules.

1. Up to a maximum of 41,816,542 Shares will be issued pursuant to the Rights Issue (assuming no existing options are exercised).
2. The Shares rank equally in all respects from the date of allotment with the existing class of quoted Shares.
3. The issue price of the Shares will be 7 cents each.
4. The Company will apply for quotation of the Shares issued pursuant to the Rights Issue on the official list of the ASX.
5. The funds raised by the Rights Issue will be used to fund ongoing petroleum exploration activities and supplement working capital. Full details of the intended use of funds are set out in the Prospectus.
6. The securities will be entered into uncertificated holdings or dispatch of certificates on 22 April 2005.
7. The total number and class of all securities quoted on ASX (including the maximum number of Shares to be issued in the Rights Issue on an undiluted basis – ie. assuming none of the Company's options are exercised) is as follows:

Number	Class
209,082,708	Ordinary shares

Options

Number	Class	Exercise Price	\$ Contribution on Exercise
23,550,159	Options over ordinary shares expiring 31 March 2005	20 cents	4,710,032

8. The following are the securities of the Company not quoted on ASX:

Options			
Number	Class	Exercise Price	\$ Contribution on Exercise
1,600,000	Options over ordinary shares expiring 6 December 2006.	20 cents	320,000
4,025,000	Options over ordinary shares expiring 27 December 2007.	8 cents	322,000
3,625,000	Options over ordinary shares expiring 31 December 2008.	10 cents	362,500
1,625,000	Options over ordinary shares expiring 31 December 2007.	20 cents	325,000
1,100,000	Options over ordinary shares expiring 21 November 2009.	15 cents	165,000
2,875,000	Options over ordinary shares expiring 28 November 2009.	15 cents	431,250
250,000	Options over ordinary shares expiring 30 June 2008.	10 cents	25,000
250,000	Options over ordinary shares expiring 30 June 2008.	15 cents	25,000

9. The Company currently has no dividend policy.
10. No shareholder approval for the Rights Issue is required.
11. The Rights Issue is *non-renounceable*.
12. The Shares in the Rights Issue will be offered on the basis of one Share for every four Shares held by the shareholder on 5.00pm WST on 23 March 2005.
13. The offer under the Rights Issue relates to ordinary fully paid shares in the capital of the Company.
14. The *record date* to determine entitlements is 23 March 2005.
15. Holdings on different registers (or subregisters) will be aggregated for calculating entitlements.
16. In determining the entitlement of shareholders, any fractional entitlement will be rounded down to the nearest whole number.
17. The Company will not be sending an offer under the Rights Issue to any security holders in the United States or Canada.

In compliance with Listing Rule 7.7.1 of the ASX Listing Rules, the Company has decided that it is unreasonable to make the offer to security holders in the United States and Canada having regard to each of the following:

- the number of security holders in the United States and Canada;
- the number and value of the securities to be offered to security holders in the United States and Canada; and
- the cost of complying with the legal requirements and requirements of regulatory authorities in the United States and Canada.

The Company will send to each of the security holders in the United States and Canada details of the offer and advise them that the Company will not be making the offer to them.

18. The closing date for receipt of acceptances is 5.00pm WST 14 April 2005.
19. The Rights Issue is not underwritten.
20. There is no broker to the Rights Issue.
21. Brokers will receive no handling fee for acceptances lodged by them on behalf of security holders.
22. The Prospectus for the Rights Issue and the accompanying Entitlement and Acceptance Form will be sent to you on 31 March 2005.
23. Existing option holders may participate in the Rights Issue upon exercise of their options. The Company will send a notice to option holders by no later than 15 March to notify option holders of their right to participate in the Rights Issue upon exercise of their options.
24. The latest date for despatch of certificates or entry of the securities into your security holdings is 22 April 2005.

The above information was provided to the ASX on 11 March 2005.

If you have any queries regarding your entitlement or participation in the upcoming Rights Issue, please do not hesitate to contact Andy Svalbe or Ernie Myers on 08 9227 3220.

Yours sincerely

E A Myers
Company Secretary