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ASX Announcement

### **KENYAN L-6 PROJECT FARMOUT TO GIPPSLAND PETROLEUM LTD.**

**Pancontinental Oil and Gas NL (“Pancon”) has concluded a Farmin Agreement (Agreement) with Gippsland Offshore Petroleum Limited (“Gippsland”), on the Kenyan Production Sharing Contracts (PSC) L-6 offshore Lamu Basin. This Agreement is subject to approval by the Kenyan Government.**

**Under the Agreement Gippsland will:-**

- **Earn 60% in the L-6 block by conducting 2-D seismic, airborne gravity and possible geochemical acquisition programs costing US\$ 1.9 million by 23 February 2007.**
- **Pay all permit fees and other associated costs during the earning period.**
- **Pancontinental will retain 40% after a free carry through the earning program.**

The acquisition of the new offshore 2-D seismic, airborne gravity gradiometry and geochemical data will commence within the 4,918 square kilometre L-6 area on ratification of the Agreement by the Kenyan Government, the contracting of a seismic vessel and suitable weather conditions. Gippsland will also cover all other costs associated with the L-6 PSC area during the earning stages of the Agreement.

The US\$1.9 million programs will determine the viability of a number of significant prospects delineated by the 2003 and earlier seismic surveys. These prospects, based on current mapping and representative reservoir parameters using industry analogues, are estimated to have significant, speculative oil and gas reserves potential.

Pancontinental’s CEO Andrew Svalbe said “Pancontinental is very pleased to have negotiated an Agreement with Gippsland which also has proprietary access to the BHP Billiton FALCON® airborne gravity gradiometer system. The combination of the FALCON® gradiometer data in the onshore and shallow water near shore areas, which are 27% of the block, together with the 2-D seismic data in the deeper water offshore areas will accelerate the evaluation and definition of

prospects within the L-6 block. This work will be in parallel with the Origin operated, December 2005 farmin earning obligation detail and infill 2-D seismic surveys in the adjoining Pancontinental L-8 and L-9 blocks, and the drilling of two exploration wells by Woodside in the adjacent L-5 and L-7 blocks in the last quarter of 2006.

The Agreement with Gippsland further supports the view that the Kenya asset, with its high petroleum prospectivity, attractive Government commercial terms, proximity to the Kenyan and growing East African energy markets, is a high quality component of our exploration portfolio.”

Enquiries:

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*The summary report on the oil and gas projects is based on information compiled by Mr A K Svalbe, BSc (Hons), MAAPG, MASEG, MFESWA, MPESA, Chief Executive Officer of Pancontinental Oil & Gas NL. Mr Svalbe has the relevant degree in geology and has been practising petroleum geology for 38 years.*

*Mr Svalbe is a full-time employee of Pancontinental Oil & Gas NL and has consented in writing to the inclusion of the information stated in the form and context in which it appears.*