



PANCONTINENTAL Oil & Gas NL
ACN 003 029 543

Ground Floor
288 Stirling Street, Perth
Western Australia 6000
P O Box 8260
Perth Business Centre
Western Australia 6849

Tel: (61 8) 9227 3220
Fax: (61 8) 9227 3211
Email: info@pancon.com.au
Web: www.pancon.com.au

Dear Shareholder

Pancontinental Oil & Gas NL Share Purchase Plan

The Directors of Pancontinental Oil & Gas NL are pleased to invite Shareholders to subscribe for shares pursuant to the Company's Share Purchase Plan ("SPP").

The SPP offers an opportunity to eligible Shareholders, irrespective of the size of their shareholding, to purchase up to a maximum of \$5,000 worth of shares in the Company, at an issue price of 1.9 cents each without having to pay brokerage fees and other charges. This is approximately a 19% discount to the current market price of the Company's Shares.

The SPP will also enable Shareholders who do not hold a marketable parcel of \$500 worth of Shares, (based on the current share price of 2.5 cents this is 20,000 shares) to increase their holding of Shares to greater than a marketable parcel without brokerage and other charges.

The Directors have determined that the Record Date for the initial offer of shares under the SPP is 5.00 pm (WST) on 16 January 2009. Accordingly, as you were registered as a shareholder on the Record Date and are otherwise an Eligible Shareholder you are eligible to participate in the offer. Shareholders whose address is in a jurisdiction where such action is contrary to law will not be eligible to participate in the SPP.

Eligible Shareholders are entitled to subscribe for a minimum of \$1,000 worth of SPP Shares (52,632 Shares) to a maximum of \$5,000 worth of SPP Shares (263,158 Shares) or any other amount you may choose between the minimum and maximum.

This offer under the SPP will raise up to a maximum of \$2,535,190. The issue will close on 12 February 2009. In the event that the value of applications at closing exceeds \$2,535,190 then each application will be reduced proportionately and the resultant refund will be sent to the shareholder within 5 business days of closing. Shares to be issued under the SPP will be allotted within three Business Days after closing.

Funds raised by Pancontinental from the SPP will supplement working capital and fund the following exploration activities on operations in both Africa and Australia:

- **Western Australia EP 104 - Stokes Bay** testing is planned to continue after the wet season in 2009. Pressure data in the well indicate the potential for a gas column in excess of 100m, or alternatively the potential for an oil column in the well;
- **Western Australia EP 424 - Baniyas** farmout is planned and drilling planned for 2009 or 2010. The operator is seeking to acquire the extension of the Baniyas Prospect into the neighbouring acreage;

- **Kenya L8** - Origin plans to spend a minimum of US\$ 10 million on 3D seismic over the Mbawa and other prospects in 2009. This is designed to locate one or more drilling locations. No expenditure will be required from PCL. Mbawa has the potential to hold more than 5 Million barrels of recoverable oil or 2 Trillion Cubic feet of gas.
- **Kenya L6**. 2D seismic is planned for the next permit year. The seismic is designed to locate an onshore drilling target in the next succeeding permit year. The joint venture is looking for a farminee to participate in the project.

PCL also has two outstanding applications for new areas in Africa. These will be progressed during the year.

IMPORTANT

Please note that the Closing Date for applying for SPP Shares is 12 February 2009. If you wish to participate in the SPP you should return the completed application form and your cheque, made payable to " Pancontinental Oil & Gas NL ", to the address on the form as a matter of priority. The directors reserve the right to close the issue earlier than 12 February 2009.

If you do not want to participate in the SPP, you are not required to take any further action.

Shareholders should be aware that the Company's endeavours are speculative in nature. The market price of its Shares may rise or fall at any time including between the date of this letter and the date when SPP Shares are issued to you. This means that the price you pay per SPP Share may vary from the market price of Shares.

Please note that the Company is not required to issue a prospectus in relation to this Offer. Accordingly, you should rely on your own knowledge of the Company and disclosures already made by it to the ASX in determining whether to apply for SPP Shares. If in doubt, you should contact your stockbroker, solicitor, accountant or other professional adviser immediately. PCL website: www.pancon.com.au

A copy of the terms and conditions of the SPP are attached.

Please read this letter and the enclosed Terms and Conditions of the SPP carefully.

If you have any queries about the SPP, please contact the undersigned on 08 9227 3220.

For and on behalf of
Pancontinental Oil & Gas NL

Ernie Myers
Director & Company Secretary