



CHAIRMAN'S ADDRESS

ON BEHALF OF THE BOARD OF PANCONTINENTAL OIL & GAS, I WELCOME YOU TO THE COMPANY'S 2009 ANNUAL GENERAL MEETING.

IN VIRTUALLY ALL INDUSTRIAL SECTORS THE LAST YEAR HAS BEEN A VERY DIFFICULT ONE, AND THE OIL AND GAS BUSINESS IS NO EXCEPTION. PANCONTINENTAL HAS HAD A RELATIVELY QUIET TWELVE MONTHS BECAUSE WE SCALED BACK ACTIVITIES DURING THE VERY UNCERTAIN TIMES EARLIER IN THE YEAR. HOWEVER, I AM PLEASED TO REPORT THAT WE ARE FACING THE COMING YEAR WITH A CONSIDERABLY MORE BULLISH OUTLOOK, NOW THAT THE WORST OF THE FINANCIAL CRISIS APPEARS TO BE OVER.

WHILE WE STILL SEE UNCERTAINTIES IN SOME OF THE MAJOR WORLD ECONOMIES SUCH AS THE USA AND THE UNITED KINGDOM, THE AUSTRALIAN ECONOMY HAS BENEFITED FROM A CAUTIOUS FISCAL APPROACH AND A STRONG CHINESE ECONOMY, AND IT NOW FACES A RELATIVELY BRIGHT FUTURE, PARTICULARLY IN THE RESOURCES SECTOR.

THE AUSTRALIAN STOCK MARKET HAS PRODUCED A FAIRLY QUICK RETURN TO POSITIVE SENTIMENT, AND PANCONTINENTAL'S SHARE PRICE IS NOW ABOUT FOUR TIMES THE PRICE DURING THE MARKET LOW OF MARCH, 2009.

PANCONTINENTAL HAS A CONSERVATIVE ATTITUDE TO ITS FINANCES AND PROJECT EXPENDITURES. EARLIER THIS YEAR, WE SAW THE NEED TO RAISE ADDITIONAL WORKING CAPITAL TO SUPPLEMENT CASH RESERVES. THESE EFFORTS WERE SUCCESSFUL, AND I BELIEVE THIS REFLECTS THE UNDERLYING VALUE OF PANCONTINENTAL'S ASSETS.

AS YOU KNOW, THE COMPANY IS PRESENTLY INVOLVED IN A FURTHER FUND RAISING, A RIGHTS ISSUE WHICH WILL RAISE ABOUT 2 MILLION DOLLARS FOR FUTURE EXPLORATION ACTIVITIES AND FOR WORKING CAPITAL. THIS RIGHTS ISSUE IS FULLY UNDERWRITTEN BY PATERSONS SECURITIES.

TURNING TO PROJECT ACTIVITIES, AS I HAVE SAID, PANCONTINENTAL MADE A PRUDENT RESPONSE TO THE INTERNATIONAL FINANACIAL CRISIS AND TEMPORARILY SCALED-BACK EXPLORATION ACTIVITIES DURING THE YEAR.

THERE WILL BE SUBSTANTIALLY MORE EXPLORATION ACTIVITY IN THE YEAR AHEAD, PRIMARILY IN AUSTRALIA AND KENYA.

IN MID-2010 PANCONTINENTAL WILL PARTICIPATE IN DRILLING THE BANIYAS PROSPECT IN THE OFFSHORE CARNARVON BASIN. THIS IS A RELATIVELY LOW-RISK WELL IN A KNOWN HYDROCARBON PROVINCE.

THE POTENTIAL RESERVES IN BANIYAS ARE MORE THAN 30 MILLION BARRELS OF OIL, OR SEVERAL HUNDRED BILLION CUBIC FEET OF GAS. A COMMERCIAL DISCOVERY COULD BE READILY DEVELOPED, AND THIS COULD HAVE A VERY POSITIVE IMPACT ON THE COMPANY. WITH A 25% INTEREST, PANCONTINENTAL'S SHARE OF THE GROSS INDICATED POTENTIAL IS MORE THAN 8 MILLION BARRELS OF OIL.

ALSO IN AUSTRALIA, IN EP104 IN THE CANNING BASIN, WE ARE WAITING ON A JOINT VENTURE DECISION TO RETEST THE POSSIBLE GAS DISCOVERY AT STOKES BAY. FURTHER TESTING IS EXPECTED IN 2010.

IN OUR AFRICAN PROJECTS, IN LICENCE L8 OFFSHORE KENYA, THE JOINT VENTURE IS CURRENTLY SHOOTING 3D SEISMIC OVER THE GIANT MBAWA PROJECT, ONE OF SEVERAL HUGE STRUCTURES WITHIN THE LICENCE. THE SURVEY WILL COVER ABOUT 800 SQUARE KILOMETRES AND COST ABOUT US\$10 MILLION.

PANCONTINENTAL'S 25 PERCENT INTEREST IN L8 IS 'FREE-CARRIED' THROUGH THIS SEISMIC PROGRAM BY JOINT VENTURE PARTNER, ORIGIN ENERGY. THIS PROJECT REMAINS OF ENORMOUS IMPORTANCE FOR

PANCONTINENTAL, WITH THE POTENTIAL FOR MBAWA ALONE TO CONTAIN SEVERAL BILLION BARRELS OF OIL.

AS EARLIER REPORTED, MBAWA HAS 'FLAT SPOTS' ON SEISMIC WHICH ARE CONSISTENT WITH A GAS COLUMN OVER AN OIL COLUMN; AND OIL SLICKS ON THE SEA SURFACE OVER MBAWA ARE INTERPRETED TO COME FROM OIL SEEPING TO THE SEA FLOOR FROM THE STRUCTURE.

DURING THE YEAR WE WERE DISAPPOINTED TO HAVE DIFFICULTIES MAINTAINING OUR RIGHTS OVER THE OFFSHORE MALTA PROJECT, AND THE COMPANY IS CURRENTLY MAKING LEGAL REPRESENTATIONS TO THE GOVERNMENT OF MALTA TO SECURE THE LICENCES FOR THE FUTURE.

REGARDLESS OF THE OUTCOME OF LEGAL PROCEEDINGS IN MALTA, ANY ACTIVITY HERE IS LIKELY TO BE SOME TIME IN THE FUTURE, DUE TO THE ABSENCE OF A BORDER RESOLUTION BETWEEN MALTA AND LIBYA.

IN SUMMARY, I CAN REPORT TO YOU THAT THE COMPANY HAS WEATHERED THE ECONOMIC STORM, AND YOU WILL SEE SOME SIGNIFICANT EXPLORATION ACTIVITY, WITH BOTH SEISMIC AND DRILLING, IN THE COMING YEAR.

WE REMAIN POSITIONED IN AUSTRALIA AND AFRICA FOR A HIGH-IMPACT DISCOVERY WHICH COULD PUT PANCONTINENTAL IN THE FIRST RANK OF AUSTRALIAN OIL AND GAS COMPANIES, AND THIS REMAINS A FUNDAMENTAL COMPANY GOAL.

I THANK OUR SMALL MANAGEMENT TEAM FOR THEIR CONSIDERABLE EFFORTS DURING THE YEAR AND I ALSO HEARTILY THANK YOU, THE COMPANY'S SHAREHOLDERS, FOR YOUR CONTINUING SUPPORT.