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Manager Announcements  
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## **ASX ANNOUNCEMENT**

### **KENYA OIL PLAY SIGNED BY PANCONTINENTAL**

#### **Award of petroleum exploration licences L6, L8, and L9 Offshore Kenya to Pancontinental Oil & Gas NL and Afrex Limited**

Pancontinental Oil & Gas (Pancontinental) advises that on 23 August Directors and representatives of Pancontinental, Afrex Limited (Afrex), and the Kenyan Minister for Energy, the Honourable Raila A. Odinga, executed Agreements giving Pancontinental and Afrex exclusive rights to explore for and produce petroleum from 3 offshore areas designated L6, L8 and L9.

Under the joint venture Pancontinental holds a 40% contributing interest, and Afrex, the operator, 60%. Afrex is an overseas company of which Mr H D Kennedy, Chairman of Pancontinental, is a director.

The total areas of the 3 blocks is 21,400 square kilometres (5,288,000 acres) and span a large part of Kenya's coastline and near-shore to offshore territorial waters, immediately north of the main port of Mombassa. The majority of the permits are in shallow water depths, with some most easterly areas reaching 1000 meters.

Under the agreements during the first exploration period of two years (L6 and L8) and one year (L9) Pancontinental and Afrex plan to carry out extensive re-interpretation and re-mapping of existing data and carry out a new seismic survey of a minimum of 600 line kilometres.

During the second exploration phase of 3 years (L6 and L8) and 4 years (L9), Pancontinental and Afrex have conditionally agreed to drill up to 2 exploration wells and carry out a further seismic survey of 300 km.

During the third exploration phase of 4 years the companies have conditionally agreed to drill up to 12 exploration wells.

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The principal geological plays include large Tertiary delta complex, similar to the North West Shelf, and other continental margins sedimentary basins that host extensive petroleum reserves. Other potentially productive geological plays include large Tertiary age limestone reef complexes, and an older Jurassic age sequence. Mapping of existing seismic data has already shown the existence of a number of very large structures in the 3 areas capable of containing commercial reserves. Shows of oil and gas have been reported in some of the (few) existing wells in the basin.

These strata appear to have all the components necessary to host significant hydrocarbon discoveries, similar to the major offshore Songa-Songa gas field discovery in neighbouring Tanzania. Songa-Songa is now under development, including the building of pipelines and power generation infrastructure. This project will be the first to provide an indigenous energy source for East Africa's otherwise totally import dependent power generation, industrial, transport and domestic petroleum requirements.

Pancontinental and Afrex directors believe that this is an exciting step into a large part of a prospective and yet poorly explored region.

The Boards of Pancontinental and Afrex are very pleased that the Kenyan project can now be added to the offshore Malta project which was awarded in mid 2001, and is the first African project announced by the joint venture. Within the Malta permits, reefal features are similar to those in adjoining Tunisian and Libyan permits where they host major oil and gas accumulations. These include the Tunisian Ashtart oilfield, which has reported reserves of 350 million barrels of oil, and the Libyan Bouri oil and gas field, which is reported to contain reserves in excess of a billion barrels of oil and a trillion cubic feet of gas.

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*It is advised in accordance with Australian Stock Exchange Limited Listing Rule 5.11 that the report on the above project has been prepared by Mr Andrew Svalbe, AAPG, PESA, ASEG, FESWA who has had more than the required five years experience and is a competent person as defined in the Listing Rules of Australian Stock Exchange Limited and has consented in writing to the inclusion of this report as it appears here.*