

Major Points

- ▶ PCL have entered in to an agreement to acquire UK JV partner Afrex Limited. PCL is currently in JV with Afrex in a number of African exploration permits in which ratios are 40% PCL and 60% Afrex. The transaction provides PCL with increased leverage to a potential company making project in Kenya at an acceptable discount.
- ▶ Under the agreement PCL will acquire all of the issued capital of Afrex by issuing 178,426,000 FPO shares - effectively a 23% discount to PCL scrip, given Afrex is essentially an analogue of PCL, just 150% larger. The issue is subject to shareholder approval.
- ▶ The transaction will give PCL a 25% free-carried interest in up to 6 high impact offshore Kenyan exploration wells commencing mid 2005 if Woodside elect to drill. We believe it is likely Woodside will elect to drill, given the projects high geological prospectivity. Huge prospects potentially exceeding billions of barrels of oil or trillions of cubic feet of gas have been identified from preliminary mapping of 2D seismic data.
- ▶ The terms of the farm out deal to WPL are:
 - WPL has shot 2,000km of 2D seismic to earn 50% in L6, L8 & L9
 - WPL has the right to conduct additional 2D or 3D seismic at its own cost
 - WPL has the option to drill 2 wells in each permit to increase its interest to 75% in each permit
 - PCL will retain 25% in each permit
 - If WPL do not exercise its option PCL will retain the remaining 50%.
- ▶ If WPL elect to drill 2 exploration wells in each permit - indicative expenditure (for drilling only) on behalf of PCL would total +A\$50m or 15cps.
- ▶ PCL hold 100% (reducing to 80%) in 3 permits offshore Malta. The JV will shortly commence a second 2D seismic survey following an encouraging interpretation of an initial 2D seismic survey that indicated the potential viability of large prospects. PCL are free-carried through 2D seismic before a potential farmout to major. PCL anticipate 1 exploration well in CY'05.
- ▶ PCL's Australian (6 permits) and NZ (2 permits) projects are in various stages of interpretation. Point Torment-2 (PCL 8%) located onshore Canning Basin is the only well planned at this stage for CY'04. The well is targeting 35 bcf gas and expected to spud in the Sept Q'04.
- ▶ We view PCL as a good quality long term speculative exploration play, where value should be added as milestones are achieved along the path to an extensive exploration program commencing in mid 2005. Important milestones over the next 12 months are 3D seismic acquisition and WPL committing to drilling wells.

COMPANY ACTIVITIES

Pancontinental Oil & Gas is a Perth based oil & gas exploration company with a portfolio of assets in Australia, NZ and offshore Africa.

Activities are currently focused offshore Kenya and Malta and onshore Canning Basin, Australia.

In Aug'03 PCL reached a farmout agreement with Woodside Petroleum on its 3 offshore Kenya blocks. This was a milestone for the company potentially leading to the drilling of up to 6 wells - with PCL receiving a 25% free-carried interest. This agreement with Woodside highlights PCL's strategy of acquiring prospective acreage "ground floor" at high equity levels, working up prospects, before farming out to major companies on attractive terms.

TOP 20 SHAREHOLDERS

AS AT 20 MAY 2004

Shareholder	shares (m)	(%)
1 Nefco Nominees Pty Ltd	22.50	13.45
2 Mr BL & Mrs VRD Williams	6.64	3.70
3 Westpac Custodian Nominees Ltd	4.20	2.51
4 Alwyn Resources Ltd	4.04	2.41
5 Ms J Jolob	1.55	0.93
6 Commodity Traders Ltd	1.50	0.90
7 Berenes Nominees Pty Ltd	1.30	0.78
8 National Nominees Ltd	1.25	0.75
9 Elko Interiors Pty Ltd	1.02	0.61
10 Quatri Pty Ltd	1.00	0.60
11 Mr S L Shaw	1.00	0.60
12 Mrs M Kopcheff	1.00	0.60
13 Mr A Yianni	1.00	0.60
14 Mulroy Holdings Pty Ltd	0.97	0.58
15 Mr A G & Mrs W M Gammell	0.90	0.54
16 D J & C Nominees Pty Ltd	0.80	0.48
17 Mr BL & Mrs VRD Williams	0.71	0.42
18 Earlsbay Pty Ltd	0.70	0.42
19 Commodore Pty Ltd	0.65	0.39
20 Mr D J Keegan	0.63	0.38
TOTAL	53.36	31.65

MARKET STATISTICS

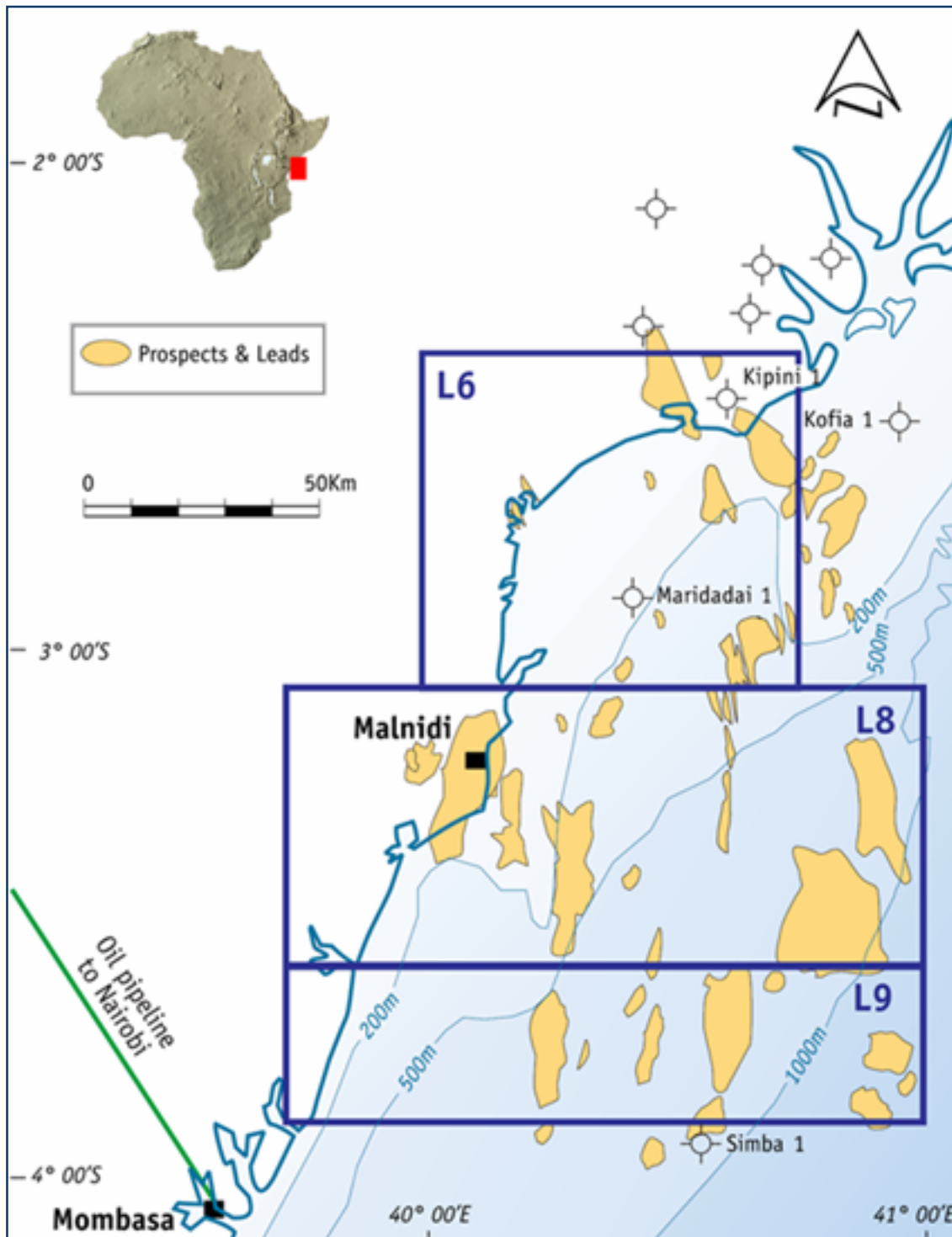
Share Price	\$0.15A\$/sh	Directors	
Issued Capital		D Kennedy	Chairman
FP Ord	345.7m	A Svalbe	CEO
(opt @ var prices)	34.7m	P Munachen	Director
Total Dil FPOrd	380.4m	I Cornelius	Director
Market Capitalisation	\$57m		
Enterprise Value	\$55m		
Debt	nil		
Cash	\$2m		

SHARE PRICE PERFORMANCE



Disclosure: Euroz Securities declares that it has acted as underwriter to, and/or arranged an equity issue in, and/or provided corporate advice to Pancontinental Oil & Gas during the last year. Euroz Securities has received a fee for these services.

Offshore Kenya Permit Map Prospects & Leads L-6, L-8, L-9



Source: Pancontinental Oil & Gas