PCL

PANCONTINENTAL Oil & Gas NL
ACN 003 029 543

Business Office
100 Stirling Street, Perth
Western Australia 6000

Postal Address
PO Box 8260
Perth Business Centre, Perth
Western Australia 6849

Tel: (61 8) **9227 7178**
Fax: (61 8) 9227 9079
Email: svalbe@pancon.com.au
Web: www.pancon.com.au

QUARTERLY ACTIVITIES REPORT
June 2003

HIGHLIGHTS

- The Company has agreed farmout terms with Sun Resources NL on the Malta blocks, that provides for them to earn 20% interest by funding the costs of acquisition, processing and interpretation of a 260 km seismic program.
- The Company sold the EP 413 interests containing the Jingemia 1 oil field to Norwest Energy NL for a cash price of $702,900, a price commensurate with recent sales
- Negotiations on the terms of a Farmout Agreement with a major company for the offshore Kenya L6, L8 and L9 blocks are at an advanced stage

PCL ACTIVITY SCHEDULE	**Q3/Q4 20003**
MALTA PROJECT.	**260 km 2-D offshore seismic program.**

Registered Office
129 Edward Street, Perth
Western Australia 6000
PO Box 8475
Perth Business Centre, Perth
Western Australia 6849
Tel: (61 8) 9227 1144
Fax: (61 8) 9227 1231

MALTA PERMITS

Offshore Area 5; Area 4, Block 3

Pancontinental Oil & Gas NL - 40%

Following an exchange of letters agreeing farmout terms with Sun Resources (Sun), the Joint Venture is proceeding with plans to acquire 250 kms of 2-D seismic data to define the extent of the stacked reefal/biohermal trends present within the Area 5 permit. The survey is planned for late third quarter, 2003 when a suitable seismic vessel is available in the area. Under the proposed Farmout Agreement, conditional on the granting of a Production Sharing Contract (PSC), Sun will earn 20% equity in the permit areas by funding the costs of acquisition, processing and interpretation of the seismic data. The Company will retain 32% equity.

This new seismic survey will be acquired within a new Production Sharing Contract (PSC) area within the Area 5 permit. With the granting of this PSC, any risk with respect to uncertainty surrounding maritime boundaries to the South and West of the area covered by the seismic survey will eliminated. The Company believes that the major prospects mapped to date are entirely within Maltese territorial waters and outside areas subject to dispute by Tunisia.

The Joint Venture acquired and interpreted 75 kilometres of new seismic data last year which indicated that the minimum areal extent and size of individual, stacked prospects was more than adequate to contain commercially viable potential reserves. The forthcoming survey will further define the size and extent of these geological features. These features appear on existing data to be very similar in character, age and geological facies to major commercial oil and gas fields in neighbouring offshore Tunisian and Libyan waters.

The largest and closest of these neighbouring fields are the offshore Tunisian 300-400 million barrel Ashtart and Isis oil fields, approximately 20 kilometres west of the permit boundary. The Bouri field, 55 kilometres to the south in Libyan waters, is reported to have reserves in excess of a billion barrels of oil.

The two large offshore permits cover an area of approximately 14,800 square kilometres (3,660,000 acres) and are in water depths which range from 100 to 400 metres. These water depths are easily encompassed by current offshore drilling and production technologies.

KENYA PERMITS

Offshore blocks designated L6, L8 and L9

Pancontinental Oil & Gas NL - 40%

In late July the Company announced that it was at an advanced state of negotiating a Farmout Agreement with a major Company.

As reported last quarter, the Afrex/Pancontinental Joint Venture recently completed the first phase of a comprehensive technical study of the area. The initial study results have exceeded the original expectations for the area and confirmed Pancontinental Oil & Gas NL's initial technical assessments that postulated very strong geological similarities with the North West Shelf areas of Western Australia. These strong similarities are generated through the parallel development of both areas during the beak-up and separation of the Gondwana landmass during the Mesozoic and Tertiary Periods resulting in the deposition of very favourable sequences of reservoir, source and seal sediments in an optimal thermal regime for the generation of oil and gas.

Preliminary mapping of the larger prospects in the permit indicate potential recoverable reserves easily exceeding a billion barrels of oil or several trillion cubic feet of gas. It must be stressed that these are the first preliminary results arising from the study, and although the Board is very pleased with these results, further technical work, the acquisition of infill seismic data to define drilling locations on the mapped prospects, and the drilling of exploration wells is the only means by which these expectations will be confirmed or refuted.

The three, large, prospective, shallow water, onshore/offshore blocks designated L6, L8 and L9, are situated immediately north of the main port of Mombasa. The total area of these 3 blocks is 21,400 square kilometres (5,288,000 acres) and represents a significant part of Kenya's offshore territorial waters. The Production Sharing Contracts, which are held by Pancontinental (40%) and Afrex (60%), grant an exclusive right to the companies to explore the three permit areas.

In May this year, Woodside Petroleum Ltd announced that it had farmed into 4 permits to the north, east and west of the Company's L6, L8 and L9 Kenyan blocks. Woodside have stated that they will commence a major 2-D seismic program in these neighbouring permits in August this year. Based on the recent technical study, the Company believes that the prospectivity of the L-6, L-8 and L-9 blocks is equal, if not superior to the adjoining permits.

In neighbouring Tanzania, a commercial gas discovery has already been made in a comparable geological setting to the Company's Kenyan permits. The near-shore Songa-Songa gas field, with reserves of one to two trillion cubic feet (TCF), is now under development, including the building of a 300km gas pipeline to the capital Dar-Es-Salaam and the city's power generation station.

The Songa-Songa project will be the first major indigenous energy resource development project in East Africa. The area is otherwise totally dependent on imports for power generation, industrial, transport and domestic petroleum requirements. Any exploration success in the Company's Kenyan permits will add to this East African energy self reliance.

Within Kenya, the existing oil pipeline from the petroleum storage facilities at the port of Mombassa to the inland capital Nairobi is being extended into Uganda and central Africa. This will expand that element of infrastructure and providing access to additional consumer markets for petroleum products.

AUSTRALIAN PERMITS

EP 413 ONSHORE PERTH BASIN

Pancontinental Oil & Gas NL – 1.278%

The Company recently announced that it had sold its 1.278% interest in this permit and the Jingemia oil field to Norwest Energy NL for a cash consideration of $ 702,000, a price commensurate with similar sales in the permit over recent months. This consideration will be paid to the Company with an initial payment of $100,000 and a payment of $462,320 on completion of transfer documentation, and the balance at the lesser of $25,000/mth or net revenue of production.

These funds will be used to accelerate and support the various overseas projects in which the Company has a significant interest. The directors consider these prime assets have the potential to add substantial value to the asset base of the company and contribute to its long term future.

WA-312-P OFFSHORE BARROW DAMPIER SUB-BASIN, NORTHWEST SHELF

Pancontinental Oil & Gas NL – 33.3%

An inventory of attractive drillable prospects has been defined and the Joint Venture has commenced farmout proceedings to attract parties willing to earn equity in the permit by funding exploration well drilling costs.

The permit has an area of 1850 square kilometres, and is situated approximately 50 kilometres to the north of Karratha. WA 312P is less than 1 kilometre south of the 75 million barrels recoverable Wandoo Oil Field, currently producing 24,000 barrels of oil per day, and the Hampton-1 gas discovery, and 11 kilometres to the east of the 55 million barrels recoverable Stag Oil Field, currently producing 17,000 barrels of oil per day.

WA-340-P OFFSHORE BARROW DAMPIER SUB-BASIN, NORTHWEST SHELF

Pancontinental Oil & Gas NL – 20.0%

As previously announced , the Joint Venture was advised by the Federal Government that it has been awarded a new 325sq km exploration permit in the offshore Carnarvon Basin. The permit has been granted for a period of six years and is adjacent to WA-312P to the north, where Pancontinental has a 33.3% working interest.

Pancontinental Oil & Gas NL has a 20% working interest in the WA-340-P permit.

Other members of the joint venture are Strike Oil NL (40%) operator, Sun Resources NL (20%) and Victoria Petroleum (WA-209P) Pty Ltd (20%).

Application for the WA-340P permit was motivated by the recognition of a number of leads, having significant hydrocarbon potential, that were trending south-westwards across the WA-312 P permit boundary into WA-340 P. In addition, a number of other interesting leads were also recognised within the WA-340 P area.

Work has now commenced to further evaluate these attractive and interesting leads in order to mature them for farmout and early drilling.

The permit is located on the southern boundary of the Dampier Sub-Basin and 35 km northwest of the Burrup Peninsula.

EP 414 ONSHORE PERTH BASIN

Pancontinental Oil & Gas NL – 2.56%

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No exploration work was carried out in EP 414 during the period.

EP 104 ONSHORE CANNING BASIN

Pancontinental Oil & Gas NL – 8.0%

A technical review of the exploration prospects inventory, which includes the 1996 Point Torment gas discovery, has been concluded. In addition to Point Torment, the largest undrilled target is the Valentine prospect, at present assessed to contain potential recoverable reserves of 200 million barrels oil.

The Joint Venture has negotiated an agreement for the sale of Point Torment gas reserves with a potential local gas consumer. These agreements are subject to, and conditional on, the drilling of an appraisal well on the Point Torment gas discovery by a farminee and the award of gas sales contracts for power generation purposes.

The Joint Venture has also endeavoured to accelerate the award of the Production Licence over the West Kora Oil Field (Pancon 12%).

EP 110 ONSHORE CARNARVON BASIN

Pancontinental Oil & Gas NL – 10%

No exploration work was carried out in EP110 during the period, but the Joint venture was successful in an application for an adjacent graticular block. This block is interpreted to contain the crestal location of the Jasper prospect, on which Jasper 1 was drilled in the late1980’s with strong hydrocarbon shows within the well developed and thick Birdrong sandstone reservoir. If the forthcoming seismic remapping and studies confirm the crestal location; given the strong oil and gas shows in the down-dip Jasper 1 well, the prospect has the potential to contain reserves in excess of 10 million barrels.

EP 406 OFFSHORE SHARK BAY

Pancontinental Oil & Gas NL – 5%

The Company has farmed out a 95% interest in the permit to the Victoria Petroleum group to be carried for all costs up to the drilling of a well in the permit. Following the drilling of the exploration well., the Company retains the option to purchase an additional 5% equity in the permit by paying for 5% of past costs.

No exploration work was carried out in the permit during the quarter as it is still subject to the Shark Bay Marine Park Heritage Study and forthcoming environmental operational guidelines that are expected to flow from that study.

NEW ZEALAND PERMITS

PEP 38716 ONSHORE TARANAKI BASIN

Pancontinental Oil & Gas NL – 7.0%

The reprocessing of existing seismic data in the area of Huinga and Huinga South prospects was commenced during the quarter with the objective of producing better images at the level of the main zones of interest. If successful, this reprocessing will provide a better understanding of the trapping geometries within the overthrust structural trend in the PEP 38716 permit and along the eastern margin of the Taranaki Basin. An agreement to exchange data between the Huinga and neighbouring Makino Joint Venture will assist these studies.

PEP 38716 hosts all or part of three structures related to the eastern bounding fault system of the Taranaki Basin, all being similar to that of the major Rimu/Kauri oil and gas discovery 18 kilometres south which is currently under development. In addition to the drilled Huinga prospect, there is the Huinga South prospect, entirely within the Permit, and the Makino prospect, which is partly within the Permit but mostly within PEP38728, which adjoins to the south.

The Makino well intersected a reported sub-commercial 30 meter gross hydrocarbon column in Kapuni sandstones, the significance of which, together with the up-dip Tariki sandstone target, is yet to be fully evaluated. Announcements from that Joint Venture indicate that a Makino sidetrack well may be drilled during the latter half of 2003.

PEP 38330 ONSHORE EASTCOAST BASIN

Pancontinental Oil & Gas NL – 33.22%

After the drilling of Waingaromia 2 last year, the Joint venture has reviewed the range of existing prospects in the light of the new well information and defined an ongoing exploration program for the permit.

The reprocessing of existing seismic data over two attractive prospects in the north of the permit has commenced to improve data quality. These data will then be remapped and integrated with geological information to assess their viability for drilling.

NEW VENTURES

The Company is reviewing and/or negotiating a number of Australasian and North African opportunities and Government open acreage applications.

Enquiries:
Andrew Svalbe
Director, CEO
Tel: 08 9227 7178
Fax: 08 9227 9079
Email: svalbe@pancon.com.au

It is advised that in accordance with the Australian Stock Exchange Limited Listing Rule 5.10, 5.11, 5.12 and 5.13 that the summary report on the oil and gas projects is based on information compiled by Mr A K Svalbe, BSc (Hons), AAPG, ASEG, FESWA, PESA, Chief Executive Officer of Pancontinental Oil & Gas NL and accurately reflects the information compiled by Mr Svalbe.

Rule 5.3

Appendix 5B
Mining exploration entity quarterly report

Name of entity

PANCONTINENTAL OIL & GAS NL

ABN	Quarter ended ("current quarter")
95 003 029 543	30 June 2003

Consolidated statement of cash flows

				Current Quarter $A'000	Year to date (12 Months) $A'000
	Cash flows related to operating activities				
1.1	Receipts from product sales (petroleum) and related debtors			22	73
1.2	Payments for	(a)	exploration and evaluation	(70)	(882)
		(b)	development	-	-
		(c)	production	-	-
		(d)	administration	(85)	(473)
1.3	Dividends received			-	-
1.4	Interest and other items of a similar nature received			1	4
1.5	Interest and other costs of finance paid			-	-
1.6	Income taxes paid			-	-
1.7	Other (provide details if material)			-	-
	Net operating cash flows			(132)	(1278)
	Cash flows related to investing activities				
1.8	Payment for purchases of	(a)	prospects	-	-
		(b)	equity investments	-	(5)
		(c)	other fixed assets	-	(7)
1.9	Proceeds from sale of	(a)	prospects – Deposit WA413	100	100
		(b)	equity investments	20	158
		(c)	other fixed assets	-	-
1.10	Loans to other entities			-	-
1.11	Loans repaid by other entities			-	-
1.12	Other (provide details if material)			-	-
	Net investing cash flows			120,	246

1.13	Total operating and investing cash flows (carried forward)	(12)	(1032)
1.13	Total operating and investing cash flows (brought forward)	(12)	(1032)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	630
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other –costs of issue		(52)
		-	578
	Net increase (decrease) in cash held	**(12)**	**(454)**
1.20	Cash at beginning of quarter/year to date	86	528
1.21	Exchange rate adjustments to Item 1.20	-	-
1.22	**Cash at end of quarter**	**74**	**74**

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	**69**
1.24	Aggregate amount of loans to the parties included in item 1.10	-

Explanation necessary for an understanding of the transactions

Payments to companies associated with directors for:	$000s
Corporate consulting fees	5
Administration/secretarial fees	23
Technical & management salary (incl. PAYG & superannuation)	41
Overheads reimbursed	
	69

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

add notes as necessary for an understanding of the position

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

	Estimated cash outlays for next quarter	$A'000
4.1	Exploration and evaluation	115
4.2	Development	-
	TOTAL	**115**

Reconciliation of cash

	Reconciliation of cash at the end of the quarter (as shown in the statement of cash flows) to the related items in the accounts is follows.	Current Quarter $A'000	Previous Quarter $A'000
5.1	Cash on hand and at bank	74	86
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other		
	Total: cash at end of quarter (item1.22)	**74**	**86**

Changes in interests in petroleum permits

		Permit Reference	Nature of Interest [note (2)]	Interest at Beginning of Quarter	Interest at End of Quarter
6.1	Interests in petroleum permits relinquished, reduced or lapsed - Sale of interest in Jingemia project for $702,900 payable $100,000 prior to end of June 03, $462,320 on registration of transfers and the balance from the proceeds of oil sales.	WA 413	Joint venture	1.278%	1.278% (Nil when full sale consideration received)

6.2 Interests in petroleum permits acquired or increased	PEP 38716	Joint venture	6.6%	7.0%

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 **Preferences securities** *(description)*				
7.2 Changes during quarter (a) increases through issues (b) decreases through returns of capital, buybacks, redemptions				
7.3 **Ordinary securities**	145,795,117	145,795,117		
7.4 Changes during quarter (a) increases through issues (b) decreases through returns of capital, buybacks				
7.5 **Convertible debt securities** *(description)*				
7.6 Changes during quarter (a) increases through issues (b) decreases through securities matured, converted				
7.7 **Options**			*Exercise price*	*Expiry date*
Public options PCLOA	24,021,208	24,021,208	7.5 / 15 / 20cents	31/03/2005
Directors options	1,400,000		20cents	02/02/2005
Directors options	1,600,000		20cents	06/12/2006
Directors and staff options	4,025,000		8cents	27/11/2007
7.8 Issued during quarter *Directors and staff options*				
7.9 Exercised during quarter				

	Public options PCLOA	Nil	Nil		
7.10	Expired during quarter	-	-	-	-
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does/~~does not~~* *(delete one)* give a true and fair view of the matters disclosed.

Sign here: .... Date: 31 July 2003
(Director/Company Secretary)

Print name: Peter Munachen ....

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address the topic, the Australian standard on that topic (if any) must be complied with.

PANCONTINENTAL OIL & GAS NL – PETROLEUM PERMIT SCHEDULE

as at 30 June 2003

Project	**Permit reference**	**Interest**
Petroleum prospects		
Western Australia	EP 104 (R4)	8.0 %
	EP 110	10.0%
	EP 413	1.278% - subject to sale agreement
	EP 414	2.78%
	EP 406	5%
	WA-312-P	33.3%
	WA-340-P	20%
New Zealand	PEP 38330	33.22%
	PEP 38716	7.0%
Malta	Area 5 Block 3 of Area 4	40% 40%
Kenya	L6 L8 L9	40% 40% 40%