



PANCONTINENTAL Oil & Gas NL
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ASX Companies Announcement Office
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QUARTERLY ACTIVITIES REPORT ***September 2006***

Highlights for Quarter

- Farm-out of Kenya L-6 Block to Gippsland Offshore Petroleum.
- Origin to commence US\$4.0 million seismic acquisition in Kenya L-8 & L-9 blocks by year end.
- Gippsland to commence US\$1.9 million seismic acquisition in Kenya L-6 block by year end.
- Fundraising of \$1.3 million.

INTERNATIONAL PROJECTS

KENYA

OFFSHORE BLOCKS DESIGNATED L-8 AND L-9

Pancontinental Oil & Gas NL – 100%

The endorsement of the Farm-out Agreement with Origin Energy Kenya Pty Limited for the Kenyan L-8 and L-9 offshore PSC areas by the Kenyan Government was received in September 2006.

The Joint Venture is now completing contract negotiations for the acquisition of the extensive detailed 2D seismic program over prospects already delineated in the two PSC areas. The total program could exceed 3,500 km and is due to commence acquisition before year end.

Origin advises that it is in advanced negotiations to secure the seismic vessel Northern Explorer to conduct its 2D seismic farmin program in L-8 and L-9 subject to completion of all

environmental and regulatory approvals. Acquisition is scheduled to commence in December 2006.

Under the Farm-out Agreement Origin has a right to earn up to 75% in each of the 2 areas by:-

- Conducting a minimum US\$4.0 million 2-D detail seismic survey over existing mapped prospects to earn 50%.
- Optionally drilling and testing an exploration well in each PSC area to earn an additional 25% in that area.
- Origin will pay for all other Government and permit costs during the earning period.
- Under this Agreement Pancontinental (retaining 25%) will be carried for expenditures estimated to be in excess of AUD\$60.0 million if Origin exercises the options to drill in each of the 2 areas.

OFFSHORE BLOCKS DESIGNATED L-6

Pancontinental Oil & Gas NL – 100%

A Farm-out Agreement was signed with Gippsland Offshore Petroleum Limited (GOP, Gippsland) in August, where GOP has a right to earn 60% in Kenyan Block L-6 offshore PSC area by acquiring a minimum US\$1.9 million seismic and other geophysical data before October 2007. This Agreement is subject to approval by the Ministry of Energy in Kenya.

Under the Agreement GOP will:-

- Earn 60% in the L-6 block by conducting 2-D seismic, high resolution airborne gravity and possible geochemical acquisition programs costing a minimum of US\$ 1.9 million by 23 February 2007.
- Pay all permit fees and other associated costs during the earning period.
- Pancontinental will retain 40% after a free carry through the earning program.

The acquisition of the new offshore 2-D seismic, high resolution airborne gravity and sea bottom geochemical data will commence within the 4,918 square kilometre L-6 area on ratification of the Agreement by the Kenyan Government. All parties recognise the expediency of ratifying the Farmout documents so that the Gippsland and Origin seismic acquisition operations, planned to start December 2006, can be integrated. An aircraft to conduct the airborne gravity operations over the onshore/nearshore/offshore areas is available in early 2007.

The US\$1.9 million minimum program in L6 will determine the viability of a number of significant prospects delineated by the 2003 and earlier seismic surveys. These prospects, based on current mapping and representative reservoir parameters using industry analogues, are estimated to have significant, speculative oil and gas reserves potential.

The drilling in November of the deepwater Pomboo and Sokwe South exploration wells by Woodside in the adjoining PSC L-5 and L-7 areas on prospects similar, but in much shallower waters in L-8 & L-9 areas, will be of great interest to our Joint Ventures.

MALTA.

OFFSHORE AREA 5; AREA 4, BLOCK 3.

Pancontinental Oil & Gas NL - 80% (reducing to 28.0% after one well)

The Joint Venture continues to await approval from the Maltese Government to recommence the planned seismic survey to be carried out by Anadarko as part of its farm-in earning obligations. Negotiations on the final, detailed terms of any future PSC areas have recommenced in anticipation of a resolution of those issues.

The seismic program to be carried out by Anadarko under the Participation Agreement (Farm-out Agreement) will determine the viability of a number of prospects including the very large Chianti and Limoncello Prospects delineated in 2004 by the Joint Venture. These prospects have a large speculative reserve potential, with the Chianti and the Limoncello prospects having world class, multi hundred-million barrel recoverable oil potential, based on current mapping and representative reservoir parameters from neighbouring commercial fields. The prospects are in uncontested Maltese waters and in the same geological province as world class oil and gas fields offshore Libya and Tunisia.

MOROCCO

MEDITERRANEE EST. BLOCK (Application), OFFSHORE MOROCCO, MEDITERRANEAN SEA.

Pancontinental Oil & Gas NL – 100% (diluting to 80%)

The Joint Venture is awaiting the formal issue of the Reconnaissance License by the Minister.

AUSTRALIAN PROJECTS

EP 110 and EP 424 OFFSHORE CARNARVON BASIN

Pancontinental Oil & Gas NL – 25%

The processing and interpretation of the new 2-D seismic data over the Baniyas prospect has been completed and these new data are now being integrated with reprocessed historical seismic data to complete the assessment of the prospect and commence planning for the possible exploration well.

The Baniyas prospect is adjacent to, and has strong similarities with the Roller, Saladin and Skate oil fields to the immediate north and west in the neighbouring permits. Baniyas is currently estimated to have potential (Pmean) recoverable reserves of 34mmboe (million barrels oil equivalent).

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

Pancontinental Oil & Gas NL – 20.0%

The processing and interpretation of the 100kms of 2-D seismic survey data acquired in December 2005 was completed and an additional 200kms of historical seismic data are currently being reprocessed for integration into the interpretation. This work is aimed to mature the Sherlock prospect and a number of other strong leads to a drillable status.

EP 406 OFFSHORE SHARK BAY, CARNARVON BASIN

Pancontinental Oil & Gas NL – 5%

Pancontinental has an agreement with Victoria Petroleum NL (Victoria), whereby Victoria will earn a 95% interest in the permit by meeting all costs with the drilling of a well in the permit.

An initial stratigraphic well to test the prospectivity of the Birdrong Sandstone and underlying Devonian Formations, prospective onshore at Rough Range, is planned following renewal of the permit and receipt of the necessary EPA Government approvals.

EP 104 ONSHORE CANNING BASIN.

Pancontinental Oil & Gas NL – 8.0 %.(increasing to 10 %)

The Joint Venture has entered into a number of agreements in order to proceed with the planning and drilling of the Stokes Bay No.1 appraisal well on the Point Torment gas discovery.

Drilling of the Stokes Bay No. 1 well is now planned for the second quarter of 2007 as a consequence of Arc Energy obtaining an interest in the well through its acquisition of Kimberley Oil's Canning Basin assets. The Joint Venture is also considering drilling a second well from the same surface location, to test the oil potential of the Valentine Prospect, targeting a deeper horizon and a different subsurface location to that of the (Point Torment) gas sands.

Arc intends to mobilise a suitable rig from its onshore Perth basin operations for the Stokes Bay, Valentine and its other Canning Basin drilling obligations.

Pancontinental will be contributing 10.6% to the well costs to increase its participating interest from 8% to 10%.

NEW VENTURES

The Company continues to review all Australasian onshore and offshore opportunities. In addition, the Company is strongly focused on overseas opportunities, especially the Eastern Mediterranean, East, South and North Africa where it continues to review and appraise projects in those areas. Applications for two offshore Namibian areas have been submitted.

CAPITAL RAISING

In early August, the Company placed 25,000,000 ordinary fully paid shares at an issue price of 5.25 cents per share as an excluded offer. The placement raised \$1,312,500 before brokerage and costs, and was managed by Carmichael Capital Markets Pty Ltd.

The funds raised will be used in funding the Company's continuing exploration activities as well as its ongoing corporate overheads.

Enquiries:

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Director, CEO

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The summary report on the oil and gas projects is based on information compiled by Mr A K Svalbe, BSc (Hons), MAAPG, MASEG, MFESWA, MPESA, Chief Executive Officer of Pancontinental Oil & Gas NL. Mr Svalbe has the relevant degree in geology and has been practising petroleum geology for 38 years.

Mr Svalbe is a full-time employee of Pancontinental Oil & Gas NL and has consented in writing to the inclusion of the information stated in the form and context in which it appears.

Mining exploration entity quarterly report

Name of entity

Pancontinental Oil & Gas NL

ABN

95 003 029 543

Quarter ended ("current quarter")

30 September 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (...3.. months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(126) (279)	(126) (279)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	7	7
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	(398)	(398)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	 (5)	 (5)
1.9 Proceeds from sale of: (a)prospects (b)equity investments (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	(5)	(5)
1.13 Total operating and investing cash flows (carried forward)	(403)	(403)
1.13 Total operating and investing cash flows (brought forward)	(403)	(403)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc.	1,229	1,229
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 (provide details if material)	-	-
Net financing cash flows	1,229	(1,229)
Net increase (decrease) in cash held	826	826

Mining exploration entity quarterly report

1.20	Cash at beginning of quarter/year to date	595	595
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1,421	1,421

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	162
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Payments to companies associated with directors (in 1.23 above) for:

Corporate consulting fees	21
Technical consulting fees	23
Technical & management salary	73
Administration, Directors & secretarial fees	45

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	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	50
4.2	Development	
Total		50

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,184	595
5.2 Deposits at call	237	
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,421	595

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

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 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	356,748,330	356,748,330		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	25,000,000	25,000,000	\$0.0525	\$0.0525
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	1,600,000 4,025,000 3,625,000 1,625,000 1,100,000 2,875,000 250,000 250,000 9,500,000		<i>Exercise price</i> \$0.20 \$0.08 \$0.10 \$0.20 \$0.15 \$0.15 \$0.10 \$0.15 \$0.0925	<i>Expiry date</i> 6 December 2006 27 December 2007 31 December 2008 31 December 2007 21 November 2009 28 November 2009 30 June 2008 30 June 2008 28 November 2010
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

7.12	Unsecured notes (<i>totals only</i>)		
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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 give a true and fair view of the matters disclosed.

Sign here:  Date: 30 October 2006
(Director/Company secretary)

Print name: E.A Myers

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 a topic, the Australian standard on that topic (if any) must be complied with.

PANCONTINENTAL OIL & GAS NL – PETROLEUM PERMIT SCHEDULE

as at 30 September 2006

Project	Permit reference	Interest
Petroleum prospects		
Western Australia	EP 104 (R4)	8.0 % (increasing to 10% after 1 well)
	EP 406	5%
	WA-312-P	33.3%
	WA-340-P	20%
	EP 110	25%
	EP 424	25%
Malta	Area 5	80% (reducing to 28% after one well)
	Block 3 of Area 4	80% (reducing to 28% after one well)
Kenya	L6	100% - diluting to 40%
	L8	100% - diluting to 50%
	L9	100% - diluting to 50%
Morocco	Mediterranee Est. Block**	100% - diluting to 80%

** Awaiting award of R/L.