



PANCONTINENTAL Oil & Gas NL
ACN 003 029 543

Ground Floor
288 Stirling Street, Perth
Western Australia 6000
P O Box 8260
Perth Business Centre
Western Australia 6849

Tel: (61 8) 9227 3220
Fax: (61 8) 9227 3211
Email: info@pancon.com.au
Web: www.pancon.com.au

ASX Companies Announcement Office

QUARTERLY ACTIVITIES REPORT
September 2008

HIGHLIGHTS

- **EP 104 onshore Canning Basin – Stokes Bay 1 Testing set to resume October / November 2008.**
- **Namibia offshore RL1 / 2007- Pancontinental seeking to convert part of RL to a Petroleum Agreement.**
- **Kenya L8 & L9 - six months extension granted to complete current Exploration Period.**

INTERNATIONAL PROJECTS

KENYA

OFFSHORE BLOCKS L8 AND L9

Pancontinental Oil & Gas NL – 50%

During the quarter the Kenyan Ministry of Energy granted a six months' extension to the First Additional Exploration Period of the licences for Blocks L8 and L9, subject to the completion of specialist seismic work.

The date by which the joint venture now has to commit to enter the Second Additional Period is 21 January 2009 for each block.

The Second Additional Period requires the drilling of an exploration well in Block L8 and the acquisition of 3D seismic in Block L9 in the first year. Under an existing farm-in agreement, operator Origin Energy Ltd must fully fund the costs associated with this work.

The Joint Venture has matured the large Mbawa prospect to drillable status in Block L8. This prospect has a trap capacity in Tertiary/Cretaceous reservoirs in excess of 1 billion barrels. Seismic over the prospect is associated with a prominent Direct Hydrocarbon Indicator (DHI), and with hydrocarbon slicks on the sea surface. Potential Jurassic aged reservoir objectives are mapped in a larger structural closure below the Tertiary/Cretaceous trap.

The Mbawa structure remains an exploration prospect and will need to be drilled to establish the presence of hydrocarbons or otherwise.

Origin is actively seeking other companies prepared to participate in the drilling of an exploration well on the Mbawa Prospect in Block L8, and in the acquisition of 3D seismic across a structural trend where Jurassic aged sediments provide a potential reservoir objective in Block L9.

Under the agreement between Pancontinental and Origin, Pancontinental will retain a 25% interest in an exploration well and any hydrocarbons discovered in L8 or L9, with Origin responsible for 100% of drilling costs.

OFFSHORE BLOCK L6

Pancontinental Oil & Gas NL – 40%

The joint venture is continuing with planning for future activities and firming-up a target for drilling.

Economic studies have been carried out to determine the comparable economic benefits of any discovery on the prospects and leads mapped from seismic, aerogravity and aeromagnetic surveys.

MALTA

OFFSHORE AREA 5; AREA 4, BLOCK 3.

Pancontinental Oil & Gas NL - 80% (reducing to 28.0% after seismic and one well)
Activity over the area is currently suspended, pending discussions between Malta and neighbours Libya and Tunisia.

The company remains confident that the main prospects and leads identified and mapped by Pancontinental have very significant potential. These are in the same geological province as the very large oil and gas fields offshore Libya and Tunisia.

NAMIBIA

RECONNAISSANCE LICENSE RL 1 / 2007, OFFSHORE WALVIS BASIN

Pancontinental Oil & Gas NL – 100%

Pancontinental and Key Petroleum Limited have signed a Consortium Agreement and have been conducting studies of existing data from the area and believe that the area holds a significant exploration opportunity.

Pancontinental has applied for a Petroleum Agreement and Exploration Licence (“PA and EL”) over part of the area of the existing Reconnaissance Licence. Any PA and EL is subject to negotiations with the Ministry.

Communications continued with the Ministry of Mines and Energy of Namibia.

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 Licence by the Minister. There has been no progress since the last report.

AUSTRALIAN PROJECTS

EP 104 / R1 ONSHORE CANNING BASIN

Pancontinental Oil & Gas NL – 10.0%

During the quarter, Stokes Bay 1 was inspected and opened to assist in the design of a definitive testing programme. Upon installation of the well head, the well head pressure was 1,200psi. On opening, the well flowed gas for approximately six minutes before slugging mud and gas with flow ceasing after some 30 minutes. After an overnight shut-in the wellhead pressure was 250 psi with no significant flow. These results are very encouraging with the gas flowing either from the Laurel gas sands below the 7 inch casing shoe or from the Nullara reef section.

Stokes Bay 1 was drilled in late 2007. While trying to control the lost circulation in cavernous and vugular porosity in the Nullara Limestone near TD of 2,777mMD, the well intermittently flowed into the well bore and a gas peak of 3,816 units was recorded (being mud gas peaks of up to 10%). This gas is interpreted to be very dry (97% methane) and coming from the Nullara Limestone. After recovering some 29% of the estimated 12,400Bbls of lost drilling mud, testing was suspended due to heavy rain.

Interpretation of pressure data from the well indicates a reservoir pressure up to 140 psi above the regional water gradient which could be indicative of a hydrocarbon column, although other interpretations are possible. This anomalous pressure is from a zone over 80m higher than a zone which flowed 0.134 mmcf/d gas with some minor oil shows in Point Torment 1, 4.5 Km to the southeast. If there is closure of the cavernous trend around Stokes Bay 1 it could be in the order of some 7 sq km based on current mapping, but could extend over a much larger area. Operator Buru interprets the areal closure has the potential to be up to 17 sq km. Stokes Bay 1 drilled a vertical 40 to 45 m intersection of the Nullara limestone without reaching its base. The areal and vertical extent of a hydrocarbon accumulation (if any) can only be determined by further work, including testing.

Renewed testing planned for October/November 2008 will attempt to recover reservoir fluid and determine flow capacity of the cavernous Nullara Formation reef system. The testing will commence with the circulation of fresh water with surfactant (foaming agent) to remove the heavy mud in the tubing, reducing the pressure on the formation and attempting to induce flow. Once the results of the first operation have been obtained and reviewed, the next steps will be determined.

Studies carried out by the operator Arc on behalf of the joint venture have identified geological trends which could be followed in the event of testing success in Stokes Bay 1.

EP 424 OFFSHORE CARNARVON BASIN

Pancontinental Oil & Gas NL – 25%

A variation to the permit terms has been sought from the DOIR under which the drilling of one well is required by 13th April 2009.

“Amplitude Versus Offset” (AVO) seismic analysis over the Baniyas Prospect shows a seismic anomaly which could indicate the presence of gas-over-oil or gas-over-water in the prospect, although other interpretations (including rock property changes) cannot be ruled out.

The Baniyas prospect is on-trend and has strong similarities to the Roller, Saladin and Skate oil fields in the neighbouring permit areas. Baniyas is estimated to have potential for recoverable reserves of 34 million barrels (P mean) oil equivalent. These potential reserves are of a speculative nature until the prospect has been evaluated by drilling.

EP 110 ONSHORE CARNARVON BASIN

Pancontinental Oil & Gas NL -25%

This permit is operated in conjunction with EP-424. The parties in EP-110 have identical equities to those in permit EP-424. There were no developments this quarter.

EP 406 OFFSHORE SHARK BAY, CARNARVON BASIN

Pancontinental Oil & Gas NL – 5%

Progress is awaited regarding permission to explore this area, which is subject to a Marine Park and World Heritage Listing.

CORPORATE

The Company's Annual Report is now available on the website: www.pancon.com.au

NEW VENTURES

- The company is seeking conversion of part of the RL area offshore Namibia to a full exploration and production licence. (See Namibia section above).
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- The company participated in bids for new acreage in the Browse Basin, offshore northwest Australia, but was not successful in acquiring any areas.

Enquiries:

Barry Rushworth

Director

Tel: 08 9227 3220

Fax: 08 9227 3211

Email: info@pancon.com.au

The summary report on the oil and gas projects is based on information compiled by Mr R B Rushworth, BSc, MAAPG, MPESGB, General Manager of Pancontinental Oil & Gas NL. Mr Rushworth has the relevant degree in geology and has been practising petroleum geology for more than 25 years.

Mr Rushworth is a Director 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.