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ASX Companies Announcement Office

QUARTERLY ACTIVITIES REPORT ***September 2010***

HIGHLIGHTS

- Kenya L8 – new 3D seismic interpretation and mapping continues over the Mbawa Prospect
- Kenya L6- focus shifting to offshore prospects and leads
- EP 104 Canning Basin- Stokes Bay 1 retesting planned for October / November 2010
- L15 Canning Basin- initial consideration given to reviving West Kora oil production

INTERNATIONAL PROJECTS

KENYA

OFFSHORE BLOCK L8

Pancontinental Oil & Gas NL - 25%

L8 covers 5,114.9 sq km offshore Kenya in the Lamu Basin in water depths from 100m to 1,300m.

During the quarter, interpretation and mapping continued on the Mbawa 3D seismic data set acquired late 2009. Final interpreted results are anticipated October- November. The final 3D mapping should provide a drilling location. Amplitude-versus-offset (AVO) analysis and special PSDM seismic processing are ongoing.

The first ever oil discovery offshore East Africa, in Mozambique, was announced in August 2010. The geological circumstances are similar to L8 offshore Kenya. Considerable international attention is now focused on the oil potential offshore East Africa, including Kenya.

Preliminary evaluation of the 3D data indicates that the giant Mbawa structure is intact,

remains very large, and is separated into a number of large “compartments”. The “flat spots” or “DHI’s” over the Prospect have been verified. Pancontinental’s interpretation is consistent with a gas column of about 100m overlying an oil column of about 120m but these can only be validated by further seismic analysis and drilling.

There is an interpreted extensive deep oil and gas generating “kitchen” near the Mbawa Prospect, extending to the north into area L6. Sea surface “slicks” interpreted from satellite data support the concept of oil generation, expulsion and migration from the kitchen area and Mbawa itself. As well as Mbawa, other prospects in L8 also have high volumetric potential and are also associated with interpreted slicks.

The Mbawa Prospect has world-class potential for oil and gas, with modelled P10 potential in the Lower Tertiary / Upper Cretaceous at about 2,000m drill depth and 800m water depth for-

- (i) 3.6 Billion Barrels of oil recoverable or
- (ii) 1.5 Billion Barrels oil recoverable plus a gas cap of 400 Billion Cubic feet or
- (iii) 11 Trillion Cubic Feet gas recoverable

New volumetric estimates are expected to be revised up or down to some extent.

After Mbawa, the next largest prospect is Nanaa Central with approximately 40% of Mbawa’s volumetric potential.

The high quality 3D results also open up new “play” types and new structures for trapping oil and gas. Conceptually, several play types could be tested by one well to about 4,000m depth.

The Kenyan Ministry of Energy agreed to grant an extension of four months to the current licence year to allow the joint venture to finalise the 3D interpretation and has signed a variation to the work programme for the current period.

Pancontinental has a 25% interest in L8 and the Mbawa Prospect and a 40% interest in adjacent licence area L6.

The L8 joint venture participants are talking to a number of large international companies regarding their possible farm-in for drilling Mbawa in 2011.

ONSHORE / OFFSHORE BLOCK L6

Pancontinental Oil & Gas NL – 40%

The L6 licence area is adjacent and geologically continuous to L8.

Following encouraging new hydrocarbon generation and migration studies, the joint venture has shifted its attention to the offshore portion of the licence area. A deep central graben in this area is considered to be an oil and gas “source kitchen” and potential hydrocarbon trapping prospects have been identified immediately adjacent to this area.

The most prospective offshore areas contain a number of known prospects and leads adjacent to the interpreted “source-kitchen”. The largest of these is the Kifaru Prospect in water depths of 80m to 100m the southwest of the licence area.

A 3D seismic survey area has been laid out over Kifaru and one other prospect.

With the recognition of the potential offshore, the joint venture is seeking a farminee with the aim of acquiring 3D seismic data over the Kifaru Prospect in 2011 and drilling in 2011 / 2012.

MALTA

OFFSHORE AREA 5; AREA 4, BLOCK 3.

Pancontinental Oil & Gas NL - 80%

The Company continued to communicate with the Ministry of Resources and Rural Affairs in Malta with the aim of reaching a new agreement with the Ministry under which the joint venture could resume exploration work.

Activities on the company's Malta areas remain suspended since September 2005 under force majeure provisions of the ESA due to border issues between Malta, Libya and Tunisia. The Joint Venture continues to seek to re-commence exploration as soon as possible.

NAMIBIA

RECONNAISSANCE LICENCE RL 1 / 2007, OFFSHORE WALVIS BASIN

Pancontinental Oil & Gas NL – 85%

Pancontinental has negotiated the details of a Petroleum Agreement and Exploration Licence with the Ministry of Mines and Energy of Namibia for a large offshore exploration area.

Documentation of the Petroleum Agreement continued during the quarter, along with the Joint Venture Agreement with Namibian participant Paragon Investment Holdings (Pty) Ltd (15%). Paragon is a leading Namibian private equity and business management company.

Signing of both documents is anticipated in the coming months.

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%

Renewed testing of the Stokes Bay 1 well is planned for October – November, before the end of the current dry season.

The joint venture has determined that optimal re-testing could be done using a coiled tubing unit, with nitrogen lift. A suitable set of equipment has been identified and is planned to be on-site late October following repairs to the access road.

Previous Stokes Bay 1 testing produced small amounts of gas. A large volume of drilling mud lost during drilling into the cavernous Nullara Limestone has been only partly

recovered. The new testing will aim to recover more of this mud and produce a definitive sample of natural reservoir fluid (gas, oil or water).

Well pressure data indicate a Nullara reservoir pressure up to 140 psi above the regional water gradient. This could indicate a gas or oil column, although other interpretations are possible.

If there is geological closure of the cavernous trend around Stokes Bay 1 it may 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 potential areal closure to be up to 17 sq km. The actual areal and vertical extent of a hydrocarbon accumulation (if any) can only be determined by further work, including the planned testing.

L15 ONSHORE CANNING BASIN

Pancontinental Oil & Gas NL – 12%

Pancontinental and its co-venturers have been granted Petroleum Production Licence L15 over the West Kora-1 oil discovery well in the Canning Basin of Western Australia. The licence is for 21 years commencing 1 April 2010. The final percentage interests of the joint venture participants are yet to be resolved.

L15 covers two graticular blocks 6054 and 6126 adjacent to the R1 licence area over the Stokes Bay-1 well and the Point Torment-1 gas discovery in which Pancontinental has a 10% interest.

West Kora-1 was drilled in 1984 and produced some 20,000 Barrels of oil during an extended production test, commencing at a rate of 350 BOPD.

The L15 Joint Venture aims to upgrade the existing production facility and restore oil production from West Kora -1.

With improvements in technology and significantly higher oil prices, revived production from West Kora-1 could be feasible now that the Production Licence has been secured.

Consideration is currently being given to the L15 work programme.

EP 424 OFFSHORE CARNARVON BASIN

Pancontinental Oil & Gas NL – 38.462%

During the quarter, the Joint Venture continued to negotiate an extension of its interest in the Baniyas Prospect into neighbouring acreage.

Baniyas lies in an established oil producing trend adjacent to the Roller, Saladin and Skate oil fields. The crest of the Baniyas feature has anomalous seismic amplitudes, consistent with the presence of gas-over-oil or gas-over-water, although it is possible that other factors may be responsible for the anomaly.

Baniyas has estimated potential for recoverable reserves of 34 million barrels (P mean) oil equivalent. These potential reserves remain speculative until the prospect has been evaluated by drilling.

Pancontinental increased its working interest from 25% to 38.462% in March 2010.

Baniyas drilling is planned under farmout in 2011.

EP 110 ONSHORE CARNARVON BASIN

Pancontinental Oil & Gas NL - 38.462%

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.

Pancontinental increased its working interest from 25% to 38.462% in March 2010.

ATP 587P ONSHORE COOPER-EROMANGA BASIN

On May 20 Pancontinental announced that it had agreed to farm in to drill Irriculla 2 in the Cooper-Eromanga Basin later this year.

Following remapping and further consideration of the exploration potential, Pancontinental decided not to proceed with the farm in.

EP 406 OFFSHORE SHARK BAY, CARNARVON BASIN

Pancontinental Oil & Gas NL – 5%

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

NEW VENTURES

- The Company is acquiring a full exploration and production licence offshore Namibia -see 'Namibia' above.
- The Company awaits advice concerning applications for new exploration areas in East Africa.

CORPORATE

The Company sadly announced the death of director Mr Ian Raymond "Inky" Cornelius on 14 July 2010. As an independent non-executive director Mr Cornelius served a valued role in Pancontinental since 1992.

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The summary report on the oil and gas projects is based on information compiled by Mr R B Rushworth, BSc, MAAPG, MPESGB, Chief Executive Officer 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.