



**PANCONTINENTAL** Oil & Gas NL  
ACN 003 029 543

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## ***QUARTERLY ACTIVITIES REPORT***

### ***March 2003***

### **HIGHLIGHTS**

- Study of offshore Kenya data confirms prospects with world class potential petroleum reserves.
- The Jingemia 1 oil discovery successfully production tested with constrained oil flows of 2050 barrels per day
- Completion of interpretation of 3-D seismic survey over prospects in WA-312 P offshore Carnarvon Basin defines a number of drilling targets.
- Award of WA-340 P offshore Carnarvon basin.

<b>PCL DRILLING &amp; ACTIVITY SCHEDULE</b>	<b>2003</b>		
	<b>Q2 2003</b>	<b>Q3 2003</b>	<b>Q4 2003</b>
<b><u>AUSTRALIAN PROJECTS</u></b>			
<b>Jingemia 1.</b>		Production Testing	

## ***KENYA PERMITS***

### **Offshore blocks designated L6, L8 and L9**

*Pancontinental Oil & Gas NL - 40%*

The Company announced last year that, in conjunction with Afrex Limited (Afrex), it signed agreements with the Government of Kenya for the award of three large, prospective, shallow water, onshore/offshore blocks designated L6, L8 and L9, 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.

The 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 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. This was augmented by both areas being in a similar climatic zone and both having strong deltaic systems actively depositing the range of rock types that provide the critical elements of reservoir, source and seal.

Analysis of existing geochemical and burial history information has indicated that the major source rock units are in the peak oil generation window and consequently there is a high probability that oil, rather than gas, could be expected in the sandstone reservoirs of the primary plays. The prospectivity of the area is further assisted by the presence of a number of regional, intra-basinal structural high trends (comparable to the highly productive Rankin trend of the North West Shelf) that have the potential to yield numerous large hydrocarbon traps. These very positive conclusions are further assisted by the indicated presence of high quality sandstone reservoirs at various stratigraphic levels, which are required to provide high petroleum production rates.

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 Joint Venture was able to present these preliminary results at the African Oil & Gas Conference held in Nairobi in March. A number of large multi-national Companies have subsequently expressed interest in these permits, and the Company has commenced farm-out discussions with some of these parties.

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 indigenous energy resource development 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 self reliance in another East Africa nation.

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 – 1.78%*

The first phase of production testing the Jingemia-1 oil discovery was completed in December 2002. During the 10 day well flow period, a total of 18,500 barrels of oil was produced at an average rate of 1,850 barrels of oil per day and trucked to the BP Oil Refinery at Kwinana for sale. No water and a small amount of associated gas were produced during the test. The oil production rate was constrained at times to maximise the amount of information obtained from the test, however flow rates of up to 2,050 barrels of oil per day were recorded through a 1 inch choke. Production constraints did not allow for the determination of a maximum oil flow rate (above the 2,050b/d rate).

Pressure measurements and electric wireline log data have confirmed that a single oil column of at least 29 metres, most likely up to 33 metres, is present in the well, and that commencing at 2,414.9 metres, the well intersected 34 metres of Dongara Sandstone of which 32 metres is interpreted as being of good to excellent reservoir quality. This overlies an additional 43 metres of poorer quality Wagina Formation

The down-hole pressure gauge records of the initial production tests were retrieved in March. Analysis of these flow test and build up data indicated very good reservoir characteristics.

After considerable delays, Government approvals have now been obtained to complete the installation and construction of fluid separators, oil storage tanks, load-out facilities, roads and other associated items so as to commence an initial 3 month extended production test program. These tests will further evaluate the field in preparation for commercial production and provide longer term production history that will justify additional appraisal and development drilling on the field later this year.

These extended production tests are scheduled to commence by late April.

Jingemia is located in the onshore Perth Basin 24 kms south of the Dongara township and Dongara gas and oil field. The Jingemia prospect is a fault dependent closure very similar to the Hovea oil discovery 5 kms to the north-east.

A review of seismic data in the area has indicated a number of leads similar to the Jingemia, Hovea and Cliff Head oil and gas discoveries are present and warrant further investigation. These leads are already the subject of exploration activities with a pilot airborne gravity survey being flown to assist in defining the extent of these and other leads in the areas of new seismic acquisition.

The Jingemia discovery, in spite of the Company's relatively small equity, is of considerable value given the high expected cash flows and reserves. These cash flows are expected to exceed the Company's annual office overheads and expenses.

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

*Pancontinental Oil & Gas NL – 33.3%*

A significant number of prospects had been mapped by the Joint venture within the Permit, with several of those prospects at the stratigraphic level of the neighboring Wandoo and Stag producing oil fields. In order to further evaluate and rank these prospects for drilling, the Joint Venture contributed to the Panaeus seismic survey which acquired 25 square kilometres of 3-D data over these prospects. The mapping of these seismic data has now been completed.

An inventory of drillable prospects has been defined by this work and the Joint Venture has commenced farmout proceedings to attract parties willing to earn equity in the permit by funding the 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%*

In early March, 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 will be known as WA-340P and has been granted for a period of six years.

Pancontinental Oil & Gas NL has a 20% working interest in the new 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%).

These same companies are already in the adjacent WA-312P joint venture to the north, where Pancontinental has a 33.3% working interest.

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 over the next three years will utilize remote sensing and seismic techniques to further evaluate these attractive and interesting leads in order to mature them for 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%*

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

**EP 104 ONSHORE CANNING BASIN**

*Pancontinental Oil & Gas NL – 8.0%*

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.

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 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.

**EP 406 OFFSHORE SHARK BAY**

*Pancontinental Oil & Gas NL – 5%*

The Company has farmed out a 95% interest in the permit to a subsidiary of Victoria Petroleum NL to be carried for all costs up to the drilling of a well in the permit. The Company retains the option to purchase for 5% of past cost, and an additional 5% equity in the permit following the drilling of the exploration well.

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%*

Plans for the ongoing exploration of the permit have commenced with the reprocessing of existing seismic data in the area of Huinga and Huinga South prospects. These studies are aimed at better understanding the trapping geometries within the overthrust structural trend along the eastern margin of the Taranaki Basin and the PEP 38716 permit. An agreement to exchange data between the Huinga and 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.

Existing seismic data over two attractive prospects in the north of the permit will now be reprocessed to improve data quality. These data will then be remapped and integrated with geological information to assess their viability for drilling.

### ***MALTA PERMITS***

#### **Offshore Area 5; Area 4, Block 3**

*Pancontinental Oil & Gas NL - 40%*

The Joint Venture is planning to acquire 250 kms of 2-D seismic data to define the extent of the stacked reefal/biohermal trends present within Area 5 permit. This survey will be conducted during the second quarter of 2003 when a suitable seismic acquisition vessel is available in the area and at the end of adverse winter weather.

The Joint Venture has interpreted 75 kilometres of new seismic data acquired last year which indicated that the minimum areal extent and size of individual, stacked prospects was more than large enough to contain commercially viable potential reserves. The forthcoming survey will further define the size and extent of these geological features which are of similar age and characteristics to major commercial oil and gas fields in neighbouring offshore Tunisia and onshore/offshore Libya.

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.

The Company believes that the major prospects mapped to date are entirely within offshore areas claimed exclusively by Malta and not in a disputed area with Tunisia.

## ***NEW VENTURES***

The Company is reviewing and/or negotiating a number of Australasian and North African opportunities and Government open acreage applications, a large offshore Mediterranean waters Moroccan area, and a Red Sea Eritrean area. These reviews are proceeding, and cover producing and exploration properties.

## ***CORPORATE***

During the quarter the Company issued 10,000,000 ordinary fully paid shares at an issue price of \$0.019 (1.9 cents) per share to raise \$190,000 to supplement working capital.

Perth, WA  
22 April 2003

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*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.*

# Appendix 5B

## Mining exploration entity quarterly report

Name of entity

**PANCONTINENTAL OIL & GAS NL**

ABN

95 003 029 543

Quarter ended ("current quarter")

31 March 2003

### Consolidated statement of cash flows

	Current Quarter \$A'000	Year to date (9 Months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales (petroleum) and related debtors	51	51
1.2 Payments for		
(a) exploration and evaluation	(154)	(812)
(b) development	-	-
(c) production	-	-
(d) administration	(130)	(388)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net operating cash flows</b>	<b>(233)</b>	<b>(1146)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of		
(a) prospects	-	-
(b) equity investments	(5)	(5)
(c) other fixed assets	-	(7)
1.9 Proceeds from sale of		
(a) prospects	-	-
(b) equity investments	24	138
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-

<b>Net investing cash flows</b>	19	126
1.13 Total operating and investing cash flows (carried forward)	(214)	(1020)
1.13 Total operating and investing cash flows (brought forward)	(214)	(1020)
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from issues of shares, options, etc.	190	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	(3)	(52)
	187	578
<b>Net increase (decrease) in cash held</b>	<b>(27)</b>	<b>(442)</b>
1.20 Cash at beginning of quarter/year to date	113	528
1.21 Exchange rate adjustments to Item 1.20	-	-
1.22 <b>Cash at end of quarter</b>	<b>86</b>	<b>86</b>

**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	94
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	42
Technical & management salary (incl. PAYG & superannuation)	41
Overheads reimbursed	6
	<b>94</b>

**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
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- 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
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**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	95
4.2 Development	-
<b>TOTAL</b>	<b>95</b>

**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	86	113
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other		
<b>Total: cash at end of quarter (item1.22)</b>	<b>86</b>	<b>113</b>

**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	EP 369,405 and 410	Joint venture	13%	Nil
	EP 414(2) and EP 414(3)	Joint venture	2.56%	Nil
	PEP 38335	Joint venture	20%	Nil
6.2 Interests in petroleum permits acquired or increased	WA-340-P	Join venture	Nil	20%

**Issued and quoted securities at end of current quarter**

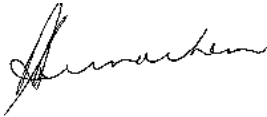
*Description includes rate of interest and any redemption or conversion rights together with prices and dates*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preferences securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) increases through issues (b) decreases through returns of capital, buybacks, redemptions				
7.3 <b>Ordinary securities</b>	145,795,117	145,795,117		
7.4 Changes during quarter (a) increases through issues (b) decreases through returns of capital, buybacks	10,000,000	10,000,000	\$0.019	\$0.019
7.5 <b>Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) increases through issues (b) decreases through securities matured, converted				
7.7 <b>Options</b> <i>Public options PCLOA</i> <i>Directors options</i> <i>Directors options</i> <i>Directors and staff options</i>	24,021,208 1,400,000 1,600,000 4,025,000	24,021,208	<i>Exercise price</i> 7.5 / 15 / 20cents 20cents 20cents 8cents	<i>Expiry date</i> 31/03/2005 02/02/2005 06/12/2006 27/11/2007
7.8 Issued during quarter <i>Directors and staff options</i>	4,025,000		8cents	27/11/2007
7.9 Exercised during quarter <i>Public options PCLOA</i>	Nil	Nil		
7.10 Expired during quarter	-	-	-	-

7.11 <b>Debtentures</b> <i>(totals only)</i>		
7.12 <b>Unsecured notes</b> <i>(totals only)</i>		

**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 not~~\* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: ..... Date: 22 April 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 31 March 2003

<b>Project</b>	<b>Permit reference</b>	<b>Interest</b>
<b>Petroleum prospects</b>		
Western Australia	EP 104 (R4)	8.0 %
	EP 110	10.0%
	EP 413	1.78%
	EP 414	2.78%
	EP 406	5%
	WA-312-P	33.3%
New Zealand	PEP 38330	33.22%
	PEP 38716	6.6%
Malta	Area 5	40%
	Block 3 of Area 4	40%
Kenya	L6	40%
	L8	40%
	L9	40%