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ASX Companies Announcement Office

QUARTERLY ACTIVITIES REPORT ***September 2007***

Highlights for Quarter

- The Valentine-1 exploration well was drilled to a total depth of 3,430mMD and was plugged and abandoned with gas shows on September 30th, Plans were underway to spud the Stokes Bay appraisal well bore and the end of the Quarter.
- Interpretation of newly acquired seismic and gravity data in Block L6 Kenya and newly acquired seismic in Block L8 & L9 were continuing at the end of the Quarter..
- Non-renounceable 1 for 6 rights issue raised A\$3.8 million through the issue of 63.54 million new shares.
- Andrew Svalbe retired as Chief Executive Officer of the Company on July 6th.
- Geologist Matthew Battrick assumed the position of General Manager of the Company, effective July 1st 2007.

INTERNATIONAL PROJECTS

KENYA

OFFSHORE BLOCKS DESIGNATED L-8 AND L-9

Pancontinental Oil & Gas NL – 50%

Origin Energy Ltd, in joint venture with Pancontinental, continued its interpretation of the new seismic data set during the quarter and initial results supported the interpretations previously presented by Pancontinental

Under the Joint Venture Agreement Pancontinental (retaining 25%) will be carried for expenditures estimated to be in excess of Aus\$60.0 million if Origin exercises the options to drill in both of the 2 areas.

OFFSHORE BLOCK DESIGNATED L-6

Pancontinental Oil & Gas NL – 40%

During the Quarter, Gippsland Offshore Petroleum (GOP) completed processing of 1,500 square kilometres of Falcon AGG data over both offshore and onshore areas of Kenyan Block L6. The newly acquired seismic data processing was nearing completion at the end of the Quarter and initial products were being integrated with the AGG data.

The seismic and airborne gravity programs 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 using representative reservoir parameters and industry analogues, are estimated to have significant, speculative oil and gas reserves potential.

MALTA.

OFFSHORE AREA 5; AREA 4, BLOCK 3.

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

Anadarko continues to wait for approval from the Government of Malta to recommence activities in the permit area. Activities are currently stalled while the Governments of Malta, Libya and Tunisia discuss the remaining, unresolved maritime borders between the countries. There have been no further developments since the last report.

NAMIBIA

RECONNAISSANCE LICENSE, OFFSHORE WALVIS BASIN

Pancontinental Oil & Gas NL – 100%

Pancontinental was granted a 30,000 km² Reconnaissance Licence (RL) in February 2007. Pancontinental will evaluate available non-exclusive seismic data with a view to progressing to an exclusive petroleum agreement over part or all of the RL within two years. Data reports have been purchased and negotiations were continuing in respect of licensing certain speculative, non-exclusive seismic data across the block.

Offshore Namibia is an under-explored region of West Africa yet it lies between the prolific basins of Angola to the north and the oil & gas discoveries of the Orange Basin to the south. Pancontinental believes there is a strong chance that there exists an active petroleum system with both oil and gas potential.

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 further progress since the last report.

AUSTRALIAN PROJECTS

EP 104 ONSHORE CANNING BASIN

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

Drilling of the back to back Valentine No 1 exploration well and the gas appraisal Stokes Bay No 1 well commenced on 12th August 2007 by the newly appointed operator Arc Energy.

The Valentine-1 well reached a total depth of 3,400mRT, measured depth on September 25th 2007. The well was subsequently plugged and abandoned after logging on 30th September 2007. The well encountered a number of gas shows and some minor oil shows above the primary target. Unfortunately the primary target sandstones of the Virgin Hills Formation were poorly developed and impermeable.

Pancontinental contributed 10.67% to the well costs of Valentine-1 to increase its participating interest from 8% to 10% and is now paying its 10% contribution of the Stokes Bay-1 well. The Stokes Bay-1 well was subsequently spudded on October 3rd and was operating below 1,840mMD at the time of reporting.

EP 424 OFFSHORE CARNARVON BASIN

Pancontinental Oil & Gas NL – 25%

The sophisticated seismic “amplitude versus offset” (AVO) analytical techniques aimed at the assessment of fluid types within the target zones of the prospect were continuing at the end of the quarter, with results expected very soon

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 34 million barrels oil equivalent. Rig availability issues currently preclude the possibility of a drilling slot becoming available before late 2008

EP 110 ONSHORE CARNARVON BASIN

Pancontinental Oil & Gas NL -25%

Nothing to report.

EP 406 OFFSHORE SHARK BAY, CARNARVON BASIN

Pancontinental Oil & Gas NL – 5%

Nothing to report.

CORPORATE

The Company offered shareholders an opportunity to acquire more shares in the Company pursuant to a pro-rata non renounceable entitlement issue to shareholders of up to 63,538,587 ordinary fully paid shares ("Shares"). The offer was on the basis of one Share for every six Shares held by shareholders at 5.00pm WST on 12 June 2007, at an issue price of 6 cents per Share, to raise approximately \$3,812,315 ("Issue"). This offer was made pursuant to a Prospectus that was lodged with ASX and despatched to persons holding shares as at the Record Date of 12 June 2007. The issue closed on 2 July 2007, and the shortfall of 22,827,248 shares was subsequently placed with institutions and other investors.

Mr Andrew Svable retired as CEO on July 6th and Mr Matthew Battrick assumed the role of General Manager, effective July 1st. Mr Svalbe will continue as a non-executive director until the AGM on November 29th 2007.

NEW VENTURES

The Company continues to review 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.

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The summary report on the oil and gas projects is based on information compiled by Mr M A Battrick, BSc, MAAPG, MPESA, MAICD, MPESGB, General Manager of Pancontinental Oil & Gas NL. Mr Battrick has the relevant degree in geology and has been practising petroleum geology for 26 years.

Mr Battrick 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.