



PANCONTINENTAL Oil & Gas NL
ACN 003 029 543

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ASX Companies Announcement Office
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QUARTERLY ACTIVITIES REPORT
DECEMBER 2004

HIGHLIGHTS

- Offshore Malta 2D seismic survey confirms a number of drill targets with potential world class oil reserves.
- Onshore Taranaki Basin New Zealand, PEP 38716 JV committed to drill one, possibly two exploration wells in first half of 2005.

INTERNATIONAL PROJECTS.

MALTA PERMITS

OFFSHORE AREA 5; AREA 4, BLOCK 3

Pancontinental Oil & Gas NL - 40 % (reducing to 32%).

The Joint Venture recently completed the first phase of interpreting the 260 kms of 2-D seismic data acquired during August 2004. The survey was designed to define the extent of the stacked reefal/biohermal trends present within Area 5.

This interpretation and mapping has now provided a quantitative understanding of the prospect and leads present in the area and confirmed the presence of several leads with potential world class oil reserves.

These features appear to be very similar in age and geological character to major commercial oil and gas fields in neighbouring offshore Tunisian and Libyan waters. Included amongst the largest and closest of these neighbouring fields are the offshore Tunisian 300-400 million barrel Ashtart and Isis oil fields, approximately 20 kms west of the permit boundary. The Bouri field, 55 kms to the south in Libyan waters, is reported to have reserves in excess of one billion barrels of oil.

The two large Malta offshore permits cover an area of approximately 14,800 sq kms (3.7 million acres) and are in water depths which range from 100 to 400 metres. These water depths are considered to be shallow water by current offshore drilling and production technologies.

ERITREA PSC APPLICATION PERMIT
MASSAWA BLOCK OFFSHORE ERITREA, RED SEA
Pancontinental Oil & Gas NL – 0.0%

Pancontinental, together with its joint venture partners, Afrex Limited and Hardman Resources Limited, negotiated a Memorandum of Understanding (MOU) with the Eritrean Ministry of Energy and Mines for the offshore Massawa Block.

The MOU was initially for a six month period commencing on 24 December 2003. A number of extensions have been granted since that date to enable negotiations with the Ministry for a Petroleum Sharing Contract (PSC). The final draft of the PSC was submitted to Cabinet for ratification in July 2004..

Notification has now been received from the Eritrean Department of Energy that the MOU and any other documents relating to the Massawa Block have been declared null and void.

Afrex Limited, as operator of the joint venture, is now seeking discussions with the Eritrean authorities to clarify discuss the situation.

MOROCCO PERMIT
MEDITERRANEE EST. BLOCK, OFFSHORE MOROCCO, MEDITERRANEAN SEA.
Pancontinental Oil & Gas NL – 40.0%

The Company announced on 29th July 2004 that it had signed all documents required for the granting a 7,000 km² (1.73 million acres) Reconnaissance License (RL) with the Government of Morocco. The Joint Venture is awaiting the formal issue of the RL by the Minister.

KENYA PERMITS

OFFSHORE BLOCKS DESIGNATED L6, L8 AND L9

Pancontinental Oil & Gas NL – 40%

The major regional grid of new seismic data acquired during 2003/4 confirmed and added to the inventory of highly attractive prospects and leads in the permit areas. The larger of these prospects still have potential recoverable reserves exceeding a billion barrels of oil or several trillion cubic feet of gas. It must be stressed that these expectations will only be confirmed or refuted by the drilling of exploration wells on those prospects.

The company has received approaches from a number of multinational and large independent petroleum exploration companies expressing interest in the offshore Kenyan areas. Utilising the upgraded technical package, the Joint Venture has commenced farmout discussions with a number these interested parties.

NEW ZEALAND PROJECTS

PEP 38716 ONSHORE TARANAKI BASIN

Pancontinental Oil & Gas NL – 9.42%

The Joint Venture has agreed to drill either or both the Atarangi and Rawhitiroa prospects, targeting the productive Mt Messenger formation, during the second quarter 2005. Additional detailed technical work on the two prospects will determine whether one or both prospects will be drilled

As reported last quarter, interpretation of the 14 kms of 2-D seismic data acquired over the Atarangi and Rawhitiroa prospects has revealed these prospects to be drillable. Both of these prospects are culminations adjacent to the producing Waihapa oil and gas field. The Waihapa gas and oil field and associated petroleum processing plant lies immediately west of the PEP 38716 permit. This field produces from the prolific Tikorangi limestone reservoir and the underlying Tariki sandstone unit. Further to the north of the Waihapa field, on the same trend, are the Tariki and Ahuroa gas and oil fields of the “TAWN” trend.

PEP 38330 ONSHORE EASTCOAST BASIN

Pancontinental Oil & Gas NL – 42.87 %

No exploration work was carried out in PEP 38330 during the period, but the Joint Venture is preparing to acquire new seismic data over three semi-mature prospects by mid year in order to firm-up a number of drilling locations.

AUSTRALIAN PROJECTS

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

Pancontinental Oil & Gas NL – 33.3%

No exploration work was carried out in WA -312-P during the period.

An inventory of attractive drillable prospects has been defined and the Joint Venture has commenced proceedings to attract parties willing to earn equity in the permit by funding exploration well drilling costs.

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

Pancontinental Oil & Gas NL – 20.0%

No exploration work was carried out in WA-340-P during the period.

An inventory of attractive drillable prospects has been defined and the Joint Venture has commenced proceedings to attract parties willing to earn equity in the permit by funding exploration well drilling costs.

EP 104 ONSHORE CANNING BASIN.

Pancontinental Oil & Gas NL – 8.0%.

No exploration work was carried out in EP 104 during the period.

EP 110 and EP 424 ONSHORE CARNARVON BASIN.

Pancontinental Oil & Gas NL – 25%

No exploration work was carried out in EP 110 and EP 424 during the period.

EP 406 OFFSHORE SHARK BAY

Pancontinental Oil & Gas NL – 5%

No exploration work was carried out in the permit during the year. The permit is still subject to the Shark Bay Marine Park Heritage Study and the forthcoming environmental operational guidelines that are expected to flow from that study.

NEW VENTURES

The Company continues to review all Australasian onshore and offshore acreage gazettals, both at Federal and State Government levels. In addition, the Company is strongly focused on overseas opportunities, especially East and North Africa.

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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.

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Pancontinental Oil & Gas NL

ABN

95 003 029 543

Quarter ended ("current quarter")

31 December 2004

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (...6.. months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(93)	(136)
(b) development		
(c) production		
(d) administration	(217)	(417)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	13	29
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)	-	2
Net Operating Cash Flows	(297)	(522)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects		
(b)equity investments		
(c) other fixed assets	(7)	(12)
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	(7)	(12)
1.13 Total operating and investing cash flows (carried forward)	(304)	(534)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(304)	(534)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
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	-	-
	Net increase (decrease) in cash held	(304)	(534)
1.20	Cash at beginning of quarter/year to date	1,503	1,733
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1,199	1,199

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	93
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	17
Technical & management salary	39
Administration & secretarial fees	37

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

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	307
4.2 Development	
Total	307

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	172	486
5.2 Deposits at call	1,027	1,017
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,199	1,503

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	Massawa Block		30%	0%

Appendix 5B
Mining exploration entity quarterly report

6.2 Interests in mining
tenements acquired or
increased

PEP 38716		7.54%	9.42%
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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	167,266,166	167,266,166		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
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>	23,550,159	23,550,159	<i>Exercise price</i> \$0.20	<i>Expiry date</i> 31 March 2005
	1,400,000		\$0.20	2 February 2005
	1,600,000		\$0.20	6 December 2006
	4,025,000		\$0.08	27 December 2007
	3,625,000		\$0.10	31 December 2008
	1,625,000		\$0.20	31 December 2007
	1,100,000		\$0.15	21 November 2009
	2,875,000		\$0.15	28 November 2009
7.8 Issued during quarter	1,100,000		\$0.15	21 November 2009
	2,875,000		\$0.15	28 November 2009
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>			

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: 24 January 2005
(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 31 December 2004

Project	Permit reference	Interest
Petroleum prospects		
Western Australia	EP 104 (R4)	8.0 %
	EP 110	25%
	EP 406	5%
	WA-312-P	33.3%
	WA-340-P	20%
New Zealand	PEP 38330	42.87%
	PEP 38716	9.42%
Malta	Area 5	40% diluting to 32%
	Block 3 of Area 4	40% “ “
Kenya	L6	40%
	L8	40%
	L9	40%
Morocco	Mediterranee Est. Block**	40% - diluting to 32%

** Awaiting award of R/L.