



PANCONTINENTAL Oil & Gas NL  
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ASX Companies Announcement Office

## ***QUARTERLY ACTIVITIES REPORT*** ***December 2006***

### **Highlights for Quarter**

- Origin commences US\$4.0 million seismic acquisition in Kenya L-8&9 blocks.
- Farmout documents of Kenya L-6 Block to Gippsland Offshore Petroleum have been approved and endorsed by the Kenyan Government.

### **INTERNATIONAL PROJECTS**

#### **KENYA**

##### **OFFSHORE BLOCKS DESIGNATED L-8 AND L-9**

*Pancontinental Oil & Gas NL – 100%*

Origin commenced the acquisition of approximately 3,600 km of its regional infill and detail 2-D seismic farmin program within Blocks L8 and L9 using the contracted Northern Explorer seismic vessel. This followed the completion and granting of all environmental and regulatory approvals. The acquisition of the new seismic commenced on 19th December 2006 and is scheduled to be completed in late January 2007 on a trouble free basis.

Under the Farm-out Agreement Origin has a right to earn up to 75% in each of the 2 areas by:-

- Conducting a minimum US\$4.0 million 2-D detail seismic survey over existing mapped prospects to earn 50%.
- Optionally drilling and testing an exploration well in each PSC area to earn an additional 25% in that area.

- Origin will pay for all other Government and permit costs during the earning period.
- Under this 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 each of the 2 areas.

#### **OFFSHORE BLOCK DESIGNATED L-6**

*Pancontinental Oil & Gas NL – 100%*

The Kenyan Government has approved the Farm-out Agreement with Gippsland Offshore Petroleum Limited (GOP, Gippsland).

Under the Agreement GOP will:-

- Earn 60% in the L-6 block by conducting 2-D seismic, high resolution airborne gravity and possible geochemical acquisition programs costing a minimum of US\$ 1.9 million.
- Pay all permit fees and other associated costs during the earning period.
- Pancontinental will retain 40% after a free carry through the earning program.

The acquisition of the new offshore 2-D seismic will commence within the 4,918 square kilometre L-6 area in February 2007 using the same seismic contractor as used by Origin in the L-8 and L-9 Blocks. Prior to the commencement of the L-6 seismic survey, a detailed bathymetric survey will be conducted to determine the accessibility of nearshore shallow water areas. An aircraft to conduct the high resolution airborne gravity survey over the onshore/nearshore/offshore areas of L-6 is also scheduled to commence operations in late February 2007.

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.

In November 2006 Woodside commenced the drilling of Pomboo-1, the first of two deepwater exploration wells in the adjoining PSC L-5 and L-7 areas. Both Pomboo, and the second well, Sokwe South-1, will drill prospects structurally similar to those in the eastern areas of L-8 and L-9. However, the L-8 and L-9 prospects are in much shallower waters and are adjacent to two major inboard “kitchen” trough areas. These kitchen areas are not available to the Pomboo and Sokwe South locations as they are separated by a major geological ridge.

#### **MALTA.**

#### **OFFSHORE AREA 5; AREA 4, BLOCK 3.**

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

Negotiations on the detailed terms of the Production Sharing Contract (PSC), which will govern the revenue distribution, work obligations and administrative matters within PSC areas, are continuing in anticipation of the Joint Venture being given approval by the Maltese Government for Anadarko to recommence the planned seismic survey as part of its farm-in earning obligations. The principal terms and elements of the PSC were agreed on granting of

the Exploration Study Agreement (ESA) in 2001. Under this ESA title all the previous and forthcoming seismic surveys and other exploration work has and will be carried out.

The Anadarko seismic program will determine the viability of a number of prospects including the very large Chianti and Limoncello Prospects delineated in 2004 by the Joint Venture. These prospects have a large speculative reserve potential, with the Chianti and the Limoncello prospects having world class, multi hundred-million barrel recoverable oil potential, based on current mapping and representative reservoir parameters from neighbouring commercial fields. The prospects are in uncontested Maltese waters and in the same geological province as world class oil and gas fields offshore Libya and Tunisia.

## **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 License by the Minister.

## **AUSTRALIAN PROJECTS**

### **EP 424 OFFSHORE CARNARVON BASIN**

*Pancontinental Oil & Gas NL – 25%*

The structural interpretation of both the new 2-D seismic and reprocessed historical seismic data over the Baniyas prospect has been completed. This interpretation is now being augmented with more sophisticated seismic “amplitude with offset” analytical techniques aimed at the assessment of fluid types within the target zones of the prospect.

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 34mmboe (million barrels oil equivalent).

### **EP 110 ONSHORE CARNARVON BASIN**

*Pancontinental Oil & Gas NL -25%*

A technical review of the permit was commenced and is in progress.

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

*Pancontinental Oil & Gas NL – 20.0%*

The integration and interpretation of the 100 kms of 2-D seismic survey data acquired in December 2005 and an additional 200kms of historical reprocessed seismic data was completed. This work was aimed at evaluating the Sherlock prospect and a number of other strong leads to determine their viability as drilling targets and candidates to justify the drilling obligations of the next permit year. This work will be concluded in the coming quarter.

## **EP 406 OFFSHORE SHARK BAY, CARNARVON BASIN**

*Pancontinental Oil & Gas NL – 5%*

Nothing to report.

## **EP 104 ONSHORE CANNING BASIN.**

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

Drilling of the Stokes Bay No 1 well is now planned for the second quarter of 2007 by the newly appointed operator, Arc Energy. The Joint Venture is also considering drilling a second well from the same surface location, to test the oil potential of the Valentine Prospect, targeting a deeper horizon and a different subsurface location to that of the (Point Torment) gas sands.

Arc intends to mobilise a suitable rig from its onshore Perth basin operations for the Stokes Bay, Valentine and its other Canning Basin drilling obligations.

Pancontinental will be contributing 10.6% to the well costs to increase its participating interest from 8% to 10%.

## **NEW VENTURES**

The Company continues to review all 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.

## **CORPORATE**

During the quarter the Company raised a total of \$840,000 through a placement of 14 million shares at \$0.06 each.

### **Enquiries:**

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Director, CEO

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*The summary report on the oil and gas projects is based on information compiled by Mr A K Svalbe, BSc (Hons), MAAPG, MASEG, MFESWA, MPESA, Chief Executive Officer of Pancontinental Oil & Gas NL. Mr Svalbe has the relevant degree in geology and has been practising petroleum geology for 38 years.*

*Mr Svalbe 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.*

*Mining exploration entity quarterly report*

Name of entity

**Pancontinental Oil & Gas NL**

ABN

95 003 029 543

Quarter ended ("current quarter")

31 December 2006

**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 (b) development (c) production (d) administration	(76)	(202)
1.3 Dividends received	(440)	(719)
1.4 Interest and other items of a similar nature received	11	18
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>(505)</b>	<b>(903)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(3)	(8)
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)		
<b>Net investing cash flows</b>	<b>(3)</b>	<b>(8)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(508)</b>	<b>(911)</b>

## Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(508)	(911)
1.14	Proceeds from issues of shares, options, etc.	798	2,027
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)	-	-
	<b>Net financing cash flows</b>	798	2,027
	<b>Net increase (decrease) in cash held</b>	290	1,116
1.20	Cash at beginning of quarter/year to date	1,421	595
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	1,711	1,711

### 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	221
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	21
Technical consulting fees	50
Technical & management salary	59
Administration, Directors & secretarial fees	91

### 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

N/A

**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	77
4.2 Development	
<b>Total</b>	<b>77</b>

***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	1,474	1,184
5.2 Deposits at call	237	237
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	<b>1,711</b>	<b>1,421</b>

**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			
6.2	Interests in mining tenements acquired or increased			

**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>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	370,748,330	370,748,330		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	14,000,000	14,000,000	\$0.06	\$0.06
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>(description and conversion factor)</i>	1,600,000 4,025,000 3,625,000 1,625,000 1,100,000 2,875,000 250,000 250,000 9,500,000 9,250,000		<i>Exercise price</i> \$0.20 \$0.08 \$0.10 \$0.20 \$0.15 \$0.15 \$0.10 \$0.15 \$0.0925 \$0.096	<i>Expiry date</i> 6 December 2006 27 December 2007 31 December 2008 31 December 2007 21 November 2009 28 November 2009 30 June 2008 30 June 2008 28 November 2010 28 November 2011
7.8 Issued during quarter	9,250,000		\$0.096	28 November 2011
7.9 Exercised during quarter				
7.10 Expired during quarter				

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

### ***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: 30 January 2007  
(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 2006

<b>Project</b>	<b>Permit reference</b>	<b>Interest</b>
<b>Petroleum prospects</b>		
Western Australia	EP 104 (R4)	8.0 % (increasing to 10% after 1 well)
	EP 406	5%
	WA-340-P	20%
	EP 110	25%
	EP 424	25%
Malta	Area 5	80% (reducing to 28% after one well)
	Block 3 of Area 4	80% (reducing to 28% after one well)
Kenya	L6	100% - diluting to 40%
	L8	100% - diluting to 50%
	L9	100% - diluting to 50%
Morocco	Mediterranee Est. Block**	100% - diluting to 80%

\*\* Awaiting award of R/L.