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ASX Companies Announcement Office

QUARTERLY ACTIVITIES REPORT
December 2007

HIGHLIGHTS

- **EP 104 onshore Canning Basin - Stokes Bay-1 was flow tested and swabbed from the bottom of the well. The reservoir fluid and the source of the pressure have not yet been determined. Testing was suspended and will resume after the wet season.**
- **L6 offshore Kenya - Falcon AGG Airborne gravity data was integrated with seismic data by operator Gippsland Offshore Petroleum. In Blocks L8 & L9 work by operator Origin Energy continued during the Quarter.**
- **EP 424 offshore Carnarvon Basin - Amplitude Versus Offset (AVO) analysis shows an anomaly over the Banyas Prospect. The operator is assessing rig availability for drilling.**
- **The company has been invited to negotiate two new exploration licences onshore Africa.**

INTERNATIONAL PROJECTS

KENYA

OFFSHORE BLOCKS L-8 AND L-9

Pancontinental Oil & Gas NL – 50%

Operator Origin Energy Ltd, in joint venture with Pancontinental, has confirmed a number of very large prospective features for possible drilling. The Joint Venture will plan its future activities during the forthcoming quarter.

Pancontinental (retaining 25%) will be carried through two wells in these areas, with expenditures estimated to be in excess of A\$60.0 million, if Origin exercises the option to drill in each area under the Joint Venture Agreement.

OFFSHORE BLOCK L-6

Pancontinental Oil & Gas NL – 40%

The 1,500 square kilometres of Falcon AGG Airborne gravity data acquired under farmin by Gippsland Offshore Petroleum (GOP) was integrated with seismic data, (also acquired by GOP) during the Quarter.

Results verify a number of significant prospects from earlier work, as well as identifying new opportunities for further exploration. The prospects are estimated to have significant speculative oil and gas reserves potential.

During the forthcoming quarter, planning for future activities will proceed once full managerial assessment of the most recent work has been made.

MALTA

OFFSHORE AREA 5; AREA 4, BLOCK 3.

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

Farminee Anadarko has pursued resolution of the current suspension of activities while the Government of Malta discusses joint boundaries with neighbouring Tunisia and Libya.

There has been no exploration work carried out during the quarter.

The main prospect and leads identified and mapped by Pancontinental have very significant potential similar to the very large oil and gas fields offshore Libya and Tunisia and in the same geological province as the company's Malta areas.

NAMIBIA

RECONNAISSANCE LICENSE, OFFSHORE WALVIS BASIN

Pancontinental Oil & Gas NL – 100%

Pancontinental has a two year Reconnaissance Licence (RL) over 30,000 km² of the offshore Walvis Basin, granted in February 2007.

The company has purchased and made an initial evaluation of seismic and well data over the area. Work will continue in the forthcoming Quarter.

Offshore Namibia is an under-explored region between the prolific basins of Angola and Nigeria to the north and the oil & gas discoveries of the Orange Basin to the south.

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 – 10.0%

The Stokes Bay-1 well was spudded on October 3rd and had reached a depth of 2755 mMD (metres measured depth) by November 1st ,2007 .

The well was cased with 7 inch (178 mm) casing to 2,575 mMD and then deepened by 22 metres to 2777 mMD. During the deepening operations there were no drilling fluid returns (lost circulation) and no cuttings were returned to the surface.

While trying to control the lost circulation, the well intermittently flowed into the well bore during flow checks and a gas peak of 3,816 units was recorded (being mud gas peaks of up to 10%). This gas is interpreted to be very dry (97% methane) and coming from the Nullara Limestone. A drilling mud flow into the well bore of up to 4 barrels of fluid per minute (5760 Barrels per day) demonstrates very good reservoir characteristics, at least adjacent to the well bore.

The Joint Venture elected to complete the well by running production tubing and a surface completion to enable testing of the Nullara Limestone. The well was subsequently flow tested and swabbed from the bottom of the hole, recovering some 29% of the estimated 12,400Bbls of drilling mud lost during drilling. Testing was suspended around 23 November due to heavy rain and is planned to resume when the site becomes accessible again, estimated to be April 2008.

The nature of the reservoir fluid and the source of the pressure within the reservoir has not yet been determined. The Nullara Limestone was also penetrated at Point Torment 1 4.5km away, 80 m downdip, flowing gas on test at 134,000 cubic feet per day. The vugular and cavernous nature of the porosity interpreted from drilling results in the Nullara in Stokes Bay 1 and the amount of drilling fluid and lost circulation material lost to the formation means that the well may take some time to 'clean up' before a definitive flow test can be obtained and definitive reservoir fluids recovered.

If testing of the Nullara in Stokes Bay 1 is successful in producing hydrocarbons, then the Nullara trend of hydrocarbons could extend 4.5 Km to the southeast to Point Torment 1 (where the Nullara flowed 134,000 cubic feet of

gas per day with a trace of oil) and up to 7Km to the west where the Pinnacle Fault curves to the west.

A 40 to 45 meter section of the upper part of the Nullara Limestone has been drilled so far in Stokes Bay 1. Co-venturer Empire interprets an areal closure which could be up to 45 sq km. The presence of hydrocarbons and the reservoir parameters will be determined by further testing of the well and the extent of any hydrocarbon accumulation can only be determined by further work once the well testing result are available.

The two shallower Anderson Formation sands with hydrocarbon shows in Stokes Bay 1 can also be tested as a separate operation.

Pancontinental contributed 10.67% to the well costs of Valentine-1 to increase its participating interest from 8% to 10% and is now paying 10% contribution to the Stokes Bay-1 well.

EP 424 OFFSHORE CARNARVON BASIN

Pancontinental Oil & Gas NL – 25%

A seismic anomaly of a type sometimes associated with multiple fluid types has been seen in “Amplitude Versus Offset” (AVO) seismic analysis at the interpreted reservoir target level over the Baniyas Prospect. This anomaly could be interpreted to indicate the presence of gas over oil or water in the prospect, although other interpretations (including rock property changes) cannot be ruled out.

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 permit areas. Baniyas is currently estimated to have potential (P_{mean}) recoverable reserves of 34 million barrels oil equivalent. These potential reserves are of a speculative nature until the prospect has been evaluated by drilling.

The operator is assessing rig availability for drilling, however due to a worldwide shortage of available and suitable rigs, a drilling date has not yet been determined.

A variation to the permit terms has been given by the DOIR under which the drilling of one well is now required by 13th April 2009.

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%

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

CORPORATE

Mr Andrew Svalbe retired as Director on 28th November.^h

Mr Matthew Battrick resigned from the role of General Manager, effective December 21st 2007.

Mr Barry Rushworth, the Director with principal responsibility for New Ventures with company, Mr Peter Munachen, finance and corporate director together with Mr Ernie Myers the Company Secretary are managing the affairs of the Company pending the appointment of a Chief Executive Officer.

NEW VENTURES

The Company continues to review Australasian onshore and offshore opportunities as well as international opportunities, especially in the Mediterranean and Africa.

The company lodged two onshore applications for exploration licences in Africa during the Quarter and has subsequently been invited to negotiate the terms of these projects.

The company is also considering specific new projects elsewhere in the Mediterranean and West Africa and offshore Australia.

Enquiries:

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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, a director 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 has consented in writing to the inclusion of the information stated in the form and context in which it appears.