



PANCONTINENTAL Oil & Gas NL  
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**ASX Companies Announcement Office**

***QUARTERLY ACTIVITIES REPORT***  
***December 2008***

**HIGHLIGHTS**

- **EP 104 onshore Canning Basin – Stokes Bay 1 Testing resumed November 2008, but no definitive formation fluids yet recovered**
- **Kenya L8 & L9 – planning for future exploration, including 3D seismic over Mbawa Prospect**

## **INTERNATIONAL PROJECTS**

### **KENYA**

#### **OFFSHORE BLOCKS L8 AND L9**

***Pancontinental Oil & Gas NL – 50%, reducing to 25%***

Planning continued for activities in the Second Additional Period, commencing 22 January 2009, including a 3D seismic survey designed to 'firm up' existing prospects prior to drilling.

The Joint Venture has matured the large Mbawa Prospect in the L8 licence area and this will be the principal focus of the future programme. This Prospect has a trap capacity in Tertiary/Cretaceous reservoirs in excess of 5 Billion Barrels of recoverable oil or 4 Trillion Cubic Feet of gas. Seismic over the prospect shows an interpreted "Direct Hydrocarbon Indicator" (DHI), and recent studies have interpreted hydrocarbon slicks on the sea surface over the crestal and flanking locations of the Prospect. Potential Jurassic aged reservoir objectives are also mapped in a larger structural closure below the Tertiary/Cretaceous trap.

The Mbawa structure remains an exploration prospect and will need to be drilled to establish the presence of hydrocarbons or otherwise.

Origin is actively seeking other companies to 'farmin' for 3D seismic and drilling.

Under the farmin agreement between Pancontinental and Origin, Pancontinental is free carried through the next phase of exploration. During the quarter Pancontinental and Origin discussed variations to the Origin farmin, with the aim of enhancing and carrying forward the next phase of the exploration programme.

#### **OFFSHORE BLOCK L6**

***Pancontinental Oil & Gas NL – 40%***

The joint venture continued with studies and planning for future activities.

It is anticipated that onshore 2D seismic will be acquired during the next permit year over prospects identified from existing seismic data.

### **MALTA**

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

***Pancontinental Oil & Gas NL - 80%***

Activity over the area is currently suspended, pending discussions between Malta and neighbouring countries.

The company remains confident that the main prospects and leads identified and mapped by Pancontinental have very significant potential. These are in the same geological province as the very large oil and gas fields offshore Libya and Tunisia.

## **NAMIBIA**

### **RECONNAISSANCE LICENSE RL 1 / 2007, OFFSHORE WALVIS BASIN**

*Pancontinental Oil & Gas NL – 100%*

Pancontinental has applied for a Petroleum Agreement and Exploration Licence (“PA and EL”) over part of the area of the existing Reconnaissance Licence. Any PA and EL is subject to negotiations with the Ministry.

During the quarter, Pancontinental was notified of the withdrawal of Key Petroleum from the project. Pancontinental now plans to move forward with 100% of the project.

## **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 progress since the last report.

## **AUSTRALIAN PROJECTS**

### **EP 104 / R1 ONSHORE CANNING BASIN**

*Pancontinental Oil & Gas NL – 10.0%*

During the quarter another round of testing was completed on Stokes Bay 1. The testing programme included circulation of freshwater and injection of nitrogen into the wellbore in an attempt to lift sufficient lost drilling fluid (mud) to induce the flow of formation fluid from the cavernous Nullara Limestone.

Testing recovered an additional 190 Barrels of mud, leaving about 7,000 Barrels not yet recovered. Some gas was seen at the wellhead, but definitive formation fluids have still not been recovered from the well.

Previous testing of Stokes Bay 1 has produced small amounts of gas, however the large volume of mud lost into the well during drilling has been only partly recovered.

Stokes Bay 1 was drilled in late 2007. While trying to control the lost circulation in cavernous and vugular porosity in the Nullara Limestone, the well intermittently flowed into the well bore and a gas peak of 3,816 units was recorded (being mud gas peaks of up to 10%).

Interpretation of well pressure data indicates a Nullara reservoir pressure up to 140 psi above the regional water gradient. This could be indicative of a hydrocarbon column, although other interpretations are possible. The anomalous pressure is from a zone over 80m higher than a zone which flowed 0.134 Mmcf/d gas with some minor oil shows in Point Torment 1, 4.5 Km to the southeast.

If there is closure of the cavernous trend around Stokes Bay 1 it could be in the order of some 7 sq km based on current mapping, but could extend over a much larger area. Operator Buru interprets the areal closure has the potential to be up to 17 sq km.

The actual areal and vertical extent of a hydrocarbon accumulation (if any) can only be determined by further work, including further testing.

Other methods will now be evaluated to successfully test the well, determine whether hydrocarbons are present and determine the extent of the reservoir. It is anticipated that testing will resume in 2009, after the end of current wet season.

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

*Pancontinental Oil & Gas NL – 25%*

The EP424 Operator continues to await a formal response from the regulatory authority to requested variations to the permit conditions.

The Operator is seeking to extend the joint venture's interest in the Baniyas Prospect to include the neighbouring acreage and is planning to seek a farminee for drilling an exploration well on Baniyas.

The Baniyas prospect is on-trend to the Roller, Saladin and Skate oil fields in the neighbouring permit areas. Baniyas is estimated to have potential for recoverable reserves of 34 million barrels (P mean) oil equivalent. These potential reserves are of a speculative nature until the prospect has been evaluated by drilling. The crest of the Baniyas feature has anomalous seismic amplitudes, consistent with the presence of gas-over-oil or gas-over-water, although it is possible that other factors may be responsible for the anomaly.

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

*Pancontinental Oil & Gas NL -25%*

This permit is operated in conjunction with EP- 424. The parties in EP-110 have identical equities to those in permit EP-424. There were no developments this quarter.

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

*Pancontinental Oil & Gas NL – 5%*

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

### **CORPORATE**

On 15 January 2009 the Company announced a share purchase plan giving shareholders the opportunity to acquire up to \$5,000 of additional shares at an issue price of \$0.019 per share. The offer remains open until 12 February 2009.

## **NEW VENTURES**

- The Company is seeking conversion of part of the RL area offshore Namibia to a full exploration and production licence.
- The Company awaits word from the Kenyan Ministry of Energy regarding its application for an onshore exploration licence.

### **Enquiries:**

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**Director**

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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, General Manager 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 is a Director 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 2008

**Consolidated statement of cash flows**

	Current quarter \$A'000	Year to date (...6... months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(168)	(257)
(b) development		
(c) production		
(d) administration	(359)	(494)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	6	9
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>(521)</b>	<b>(742)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects		
(b)equity investments		
(c) other fixed assets		
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>-</b>	<b>-</b>
1.13 Total operating and investing cash flows (carried forward)	(521)	(742)

## Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(521)	(742)
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)		
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(521)	(742)
1.20	Cash at beginning of quarter/year to date	1,027	1,248
1.21	Exchange rate adjustments to item 1.20	68	68
1.22	<b>Cash at end of quarter</b>	574	574

### 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	234
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	22
Technical consulting fees	96
Directors fees	47
Administration, accounting & secretarial fees	69

### 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	135
4.2	Development	-
<b>Total</b>		<b>135</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	574	599
5.2 Deposits at call		428
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	<b>574</b>	<b>1,027</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>	444,770,113	444,770,113		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
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>	<i>Number outstanding</i>		<i>Exercise price</i>	<i>Expiry date</i>
	1,100,000		\$0.15	21 November 2009
	2,875,000		\$0.15	28 November 2009
	9,500,000		\$0.0925	28 November 2010
	9,250,000		\$0.096	28 November 2011
	4,500,000		\$0.059	28 November 2012
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	3,625,000		\$0.10	31 December 2008
7.11 <b>Debentures</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 give a true and fair view of the matters disclosed.

Sign here:

  
.....

(Director/Company secretary)

Date: 21 January 2009

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 2008

<b>Project</b>	<b>Permit reference</b>	<b>Interest</b>
<b>Petroleum prospects</b>		
Western Australia	EP 104 (R1)	10%
	EP 406	5%
	EP 110	25%
	EP 424	25%
Malta	Area 5	80%
	Block 3 of Area 4	80%
Kenya	L6	40%
	L8	50%
	L9	50%
Namibia	RL – 1/2007	100%
Morocco	Mediterranee Est. Block*	100% - diluting to 80%

\* Awaiting award of R/L.