



PANCONTINENTAL OIL & GAS NL

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QUARTERLY ACTIVITIES REPORT

June 2013

HIGHLIGHTS

- **Offshore Kenya – *Turning point during the June Quarter***
 - Anadarko Petroleum announced that the Kubwa well in block L7 encountered oil shows (non-commercial) in reservoir-quality sands
 - Anadarko Petroleum has moved onto the Kiboko well in block L11B, east of Pancontinental's L10A & L10B
- **Offshore Namibia – *Turning point during the June Quarter***
 - The recovery of first oil and confirmation of the presence of high quality source rocks within the oil-generating window has been announced by HRT Participações ("HRT") in the Wingat-1 well in Licence PEL-23, immediately adjacent to Pancontinental's EL 0037 area
 - Murombe 1, the second of multiple wells was completed as a dry hole by HRT, but verified the presence of mature source rocks
- **Kenya L8**
 - L8 JV considering second well on deeper oil play
- **Kenya L10A & L10B**
 - Potentially a 2 well drilling programme commencing late 2013
- **Kenya L6**
 - L6 JV seeking a farminee for drilling
- **Namibia EL 0037**
 - Leading independent consulting firm DeGolyer and MacNaughton ("D&M") has provided estimates for 11 oil leads in the EL 0037 licence area of total mean prospective resources of 8.7 billion barrels of oil – **8.2 billion barrels net to Pancontinental's 95% interest** (not adjusted for geologic or economic risk)
 - Pancontinental has commenced discussions with prospective farminees
- **Corporate**
 - Cash balance of \$33.8 million

Pancontinental Oil and Gas NL (“Pancontinental”, the “Company”) is pleased to present the following report on activities for the quarter ending 30 June 2013.

INTERNATIONAL PROJECTS

KENYA

KENYA OFFSHORE REGIONAL ACTIVITIES

On 18 April 2013, Anadarko Petroleum (“Anadarko”) announced oil shows in reservoir quality rocks in Kubwa 1, the first of its two current wells offshore Kenya. The Kubwa well in L7 is east of Pancontinental’s L6 area. The shows are regarded as non-commercial.

For the first time offshore Kenya the Kubwa well has proven an oil generating system, in addition to the gas system proved by the Mbawa 1 gas discovery made by Pancontinental and its L8 partners in 2012.

Reservoir quality sands were penetrated by Kubwa in deeper water, similar to the major gas discoveries offshore Mozambique and Tanzania.

Anadarko has commenced drilling the Kiboko well to the east of Pancontinental’s L10A and L10B licence areas offshore southern Kenya.

Pancontinental has an inventory of more than 40 Prospects and Leads offshore Kenya and is well funded over the coming 12-18 months for up to four wells (one well depends on the completion of a farm-out in Block L6).

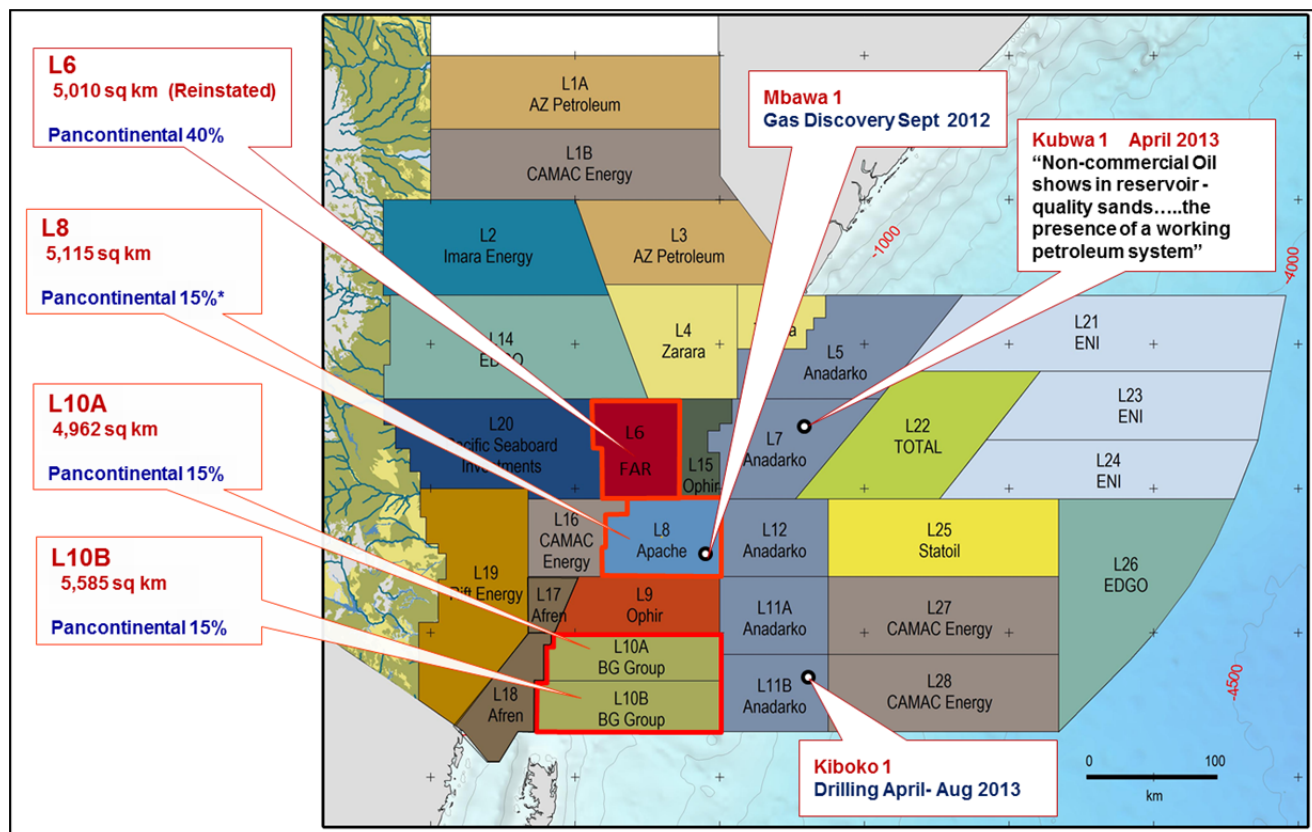


Figure 1: Map of Licence Areas Offshore Kenya

KENYA OFFSHORE BLOCK L8

Pancontinental Oil & Gas NL 15%*

L8 covers 5,114.9 sq km offshore Kenya in water depths from 100m to 1,300m. The licence is operated by Apache Corporation, and other Joint Venture participants are Origin Energy and Tullow Oil.

Mbawa 1 Discovery

The Mbawa Prospect, drilled during August and September 2012, is the first well on the numerous prospects and leads in Pancontinental's four licence areas offshore Kenya.

Mbawa 1 is the first natural gas discovery in the northern part of the East African offshore margin. The three discovery zones have 51.8 net metres (~170 feet) of natural gas pay in channel and turbidite sandstones with favourable reservoir characteristics. The potential of the remainder of the four-way Mbawa dip closed structure of 160 sq km (40,000 acre) remains to be assessed.

L8 - Forward Exploration Programme

Following the Mbawa 1 discovery a major, second, deeper play type has yet to be tested and a second well is being considered. The deeper play is regarded as being oil prone, rather than gas prone. The L8 Joint Venture has yet to make a formal decision on the second well.

The Kipungu Prospect is amongst a number of main prospects under consideration for drilling. Kipungu and similar follow-up prospects are Lower Cretaceous channel and turbidite sandstone plays ("Tai Sands") that are deeper than the gas discovery sands in Mbawa 1 and are considered to potentially be in a separate petroleum system that is more favourable to trap oil (see Figure 2 below).

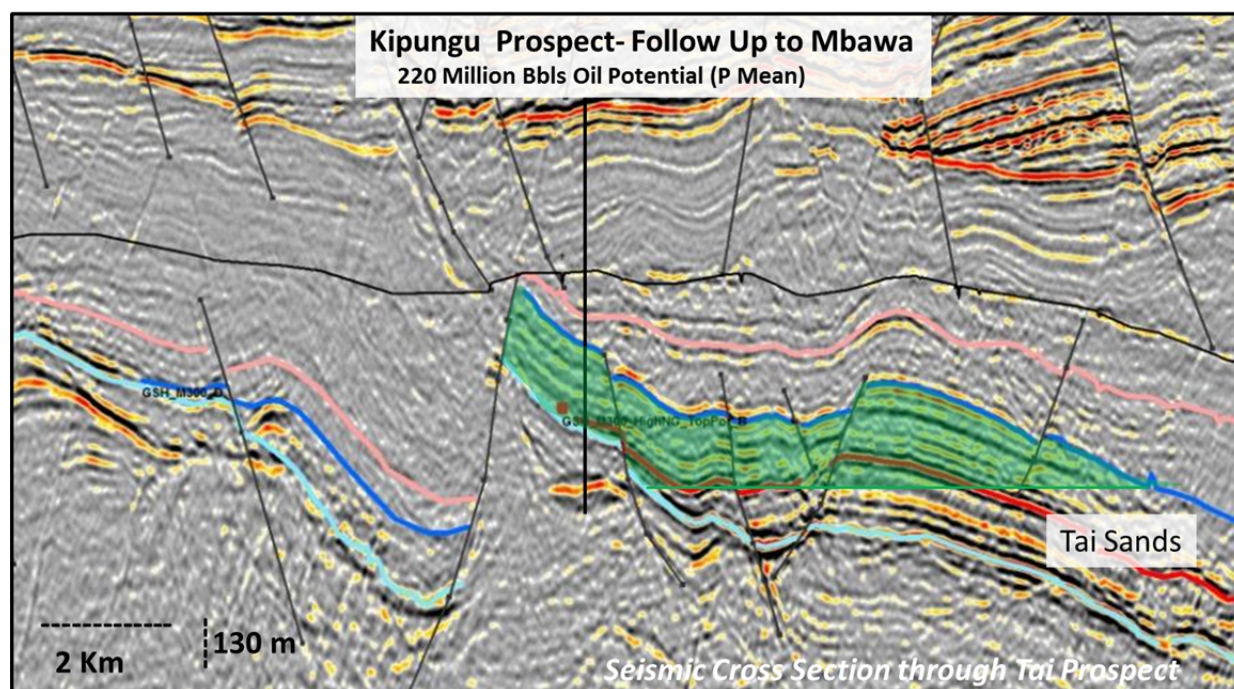


Figure 2: Seismic section through Kipungu Prospect

Mbawa 1 was the first ever discovery offshore Kenya.

Oil remains Pancontinental's prime focus offshore Kenya and the deeper levels and numerous other prospects at various levels remain untested and are the subject of current exploration work.

KENYA OFFSHORE BLOCKS L10A & L10B

Pancontinental Oil & Gas NL – 15%

L10A and L10B have respective areas of 4,962.03 sq km and 5,585.35 sq km in water depths of 200 to 1,900m.

The L10 projects are operated by BG Group in a joint venture including Premier Oil and PTTEP (following the takeover of Cove Energy plc).

Following extensive 2D and 3D seismic the joint venture now has excellent 3D coverage totalling 4,872 square kilometres over a large number of leads and prospects.

The latest 3D survey covers the area shown below in Figure 3.

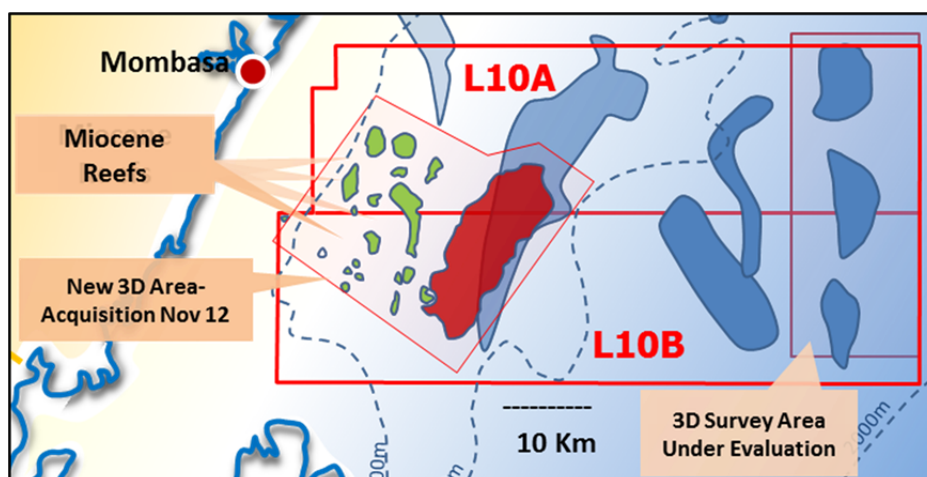


Figure 3: Blocks L10A and L10B- New 3D Seismic Survey

Drilling Plans

The L10A and L10B joint ventures are considering a two well drilling programme commencing late 2013.

A number of prospects and play types have been mapped and the two major series of prospects are Miocene reefs and clastic (sandstone) plays.

A formal Joint Venture decision will be made later in the current year concerning the actual drilling sites and schedule.

KENYA ONSHORE / OFFSHORE BLOCK L6

Pancontinental Oil & Gas NL – 40%

The L6 area is the northernmost of Pancontinental's four areas offshore Kenya.

L6 covers approximately 5,010 sq km (following a recent reinstatement of relinquished acreage) with about one quarter onshore and the rest offshore to 400 meters water depth.

L6 is areally and geologically continuous to L8 (see Figure 4 below). L6 lies in the Lamu Basin and within the Tana River delta, north of recent world-scale natural gas discoveries off the coasts of Mozambique and Tanzania.

The L6 joint venture is operated by FAR Limited (ASX: FAR). The L6 joint venture group intends to seek a farminee for drilling.

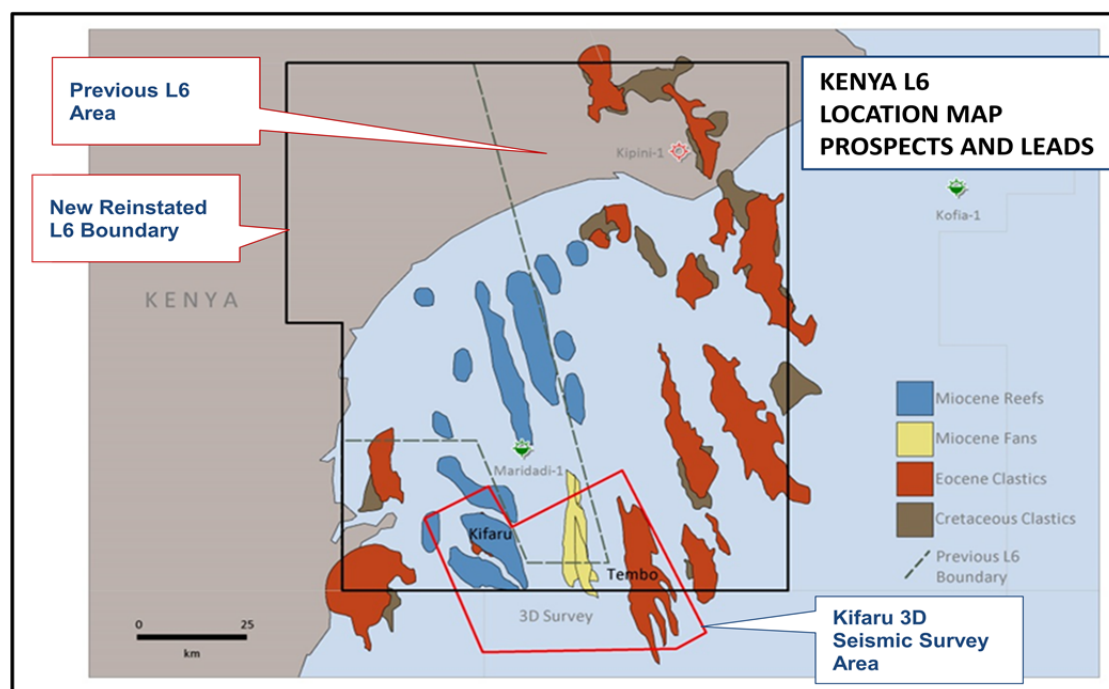


Figure 4: L6 Licence Area

Prospective Resource Estimates

According to an assessment by operator FAR Limited, the L6 area has potential to contain approximately 3.7 billion barrels of oil or 10.2 trillion cubic feet of gas prospective resources on a Gross, un-risked, best-estimate basis.

The three prospects covered by new 3D seismic (Kifaru, Kifaru West and Tembo) have combined potential for approximately 630 million barrels of oil on an un-risked, best estimate, undivided 100% basis.

The prospective resource estimations are derived from new 3D and older 2D seismic data.

Pancontinental's 40% share of the Gross prospective resources is 1.48 billion barrels of oil or 4.08 trillion cubic feet of gas (subject to the matters described in the footnotes below).

The details of the prospective resource estimates are shown in Table 1 below.

		Unrisked Prospective Resources					
		Low Estimate		Best Estimate		High Estimate	
Prospect	Play	Oil (mmbbls)	Gas (bcf)	Oil (mmbbls)	Gas (bcf)	Oil (mmbbls)	Gas (bcf)
Prospects defined on 3D seismic							
Kifaru	Miocene reef	34	104	178	517	849	2,321
Kifaru West	Miocene reef	30	87	130	388	545	1,579
Tembo	Eocene clastics	91	227	327	807	1,212	2,907
Prospects defined on 2D seismic							
11 Prospects	Miocene reef	297	821	1,249	3,461	5,194	14,032
13 Prospects	Eocene clastics	451	1,287	1,743	4,515	6,582	16,132
6 Prospects	Late Cretaceous clastics	21	101	126	547	684	2,808
Total Gross		925	2,627	3,754	10,235	15,066	39,779

Table 1: Table of L6 Unrisked Prospective Resources**

From the new 3D data three prospects have been mapped, Tembo, Kifaru and Kifaru West, with prospective oil equivalent resources of 327, 178 and 130 million barrels respectively (un-risked best estimate, 100% basis).

In a gas only success case the respective volumes are 807, 517 and 388 billion cubic feet of gas. The chances of a discovery have been assessed at respectively 21%, 19% and 18%.

The Kifaru Prospect and Kifaru West Prospects are interpreted to be large stacked Miocene reefs, with interpreted good lateral and top seals and close proximity to mature Eocene source rocks.

Tembo is a large tilted fault block trap, with interpreted sandstone reservoirs at a number of levels.

In respect of the Competent Persons Statement*** regarding the prospective resource estimates, please read the final page of this Report.

L6 Prospect Inventory and Forward Programme

A number of oil and gas play types and prospects have been mapped and on this basis the location of the first exploration well will be selected (See Figure 5 below).

Following the reinstatement of a previously relinquished area, re-examination of 2D seismic data has revealed a cluster of interpreted Miocene Reefs that will be subject to further mapping. These reefs are on trend and north of the Kifaru Prospect, also a stacked Miocene reef.

The L6 Joint Venture is in a strong position to secure a farminee partner for drilling.

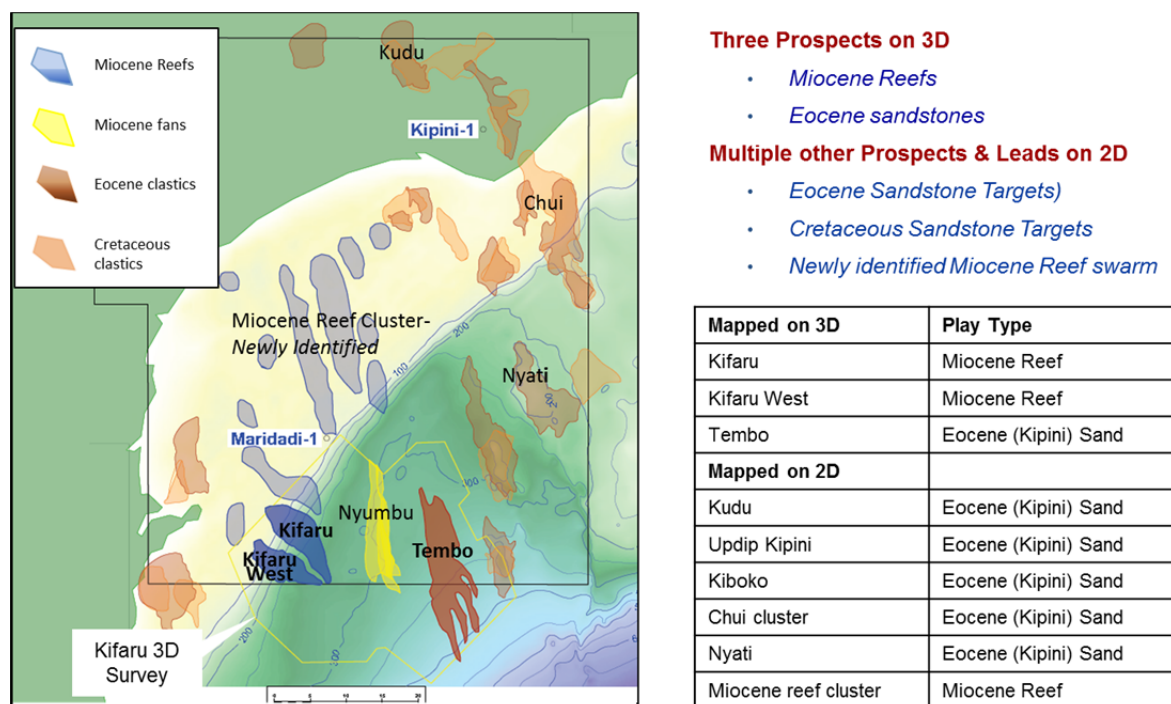


Figure 5: L6 Inventory of Main Prospects

NAMIBIA

NAMIBIA OFFSHORE REGIONAL ACTIVITIES

HRT's Activity in Adjacent Licence Area

HRT has recently completed its first exploration well, Wingat-1, in a multi-well programme offshore Namibia. Wingat-1 is located in Petroleum Exploration Licence 23 ("PEL-23"), in the Walvis Basin, immediately south of Pancontinental's EL 0037 area.

In an announcement on 20 May 2013, HRT stated –

- The Wingat-1 well, spudded on March 25, was drilled in a water depth of approximately 1,005 meters and reached a final depth of 5,000 meters;
- Oil was found, although not in commercial volumes; 4 samples of oil of 450cc each were recovered
- The recovered oil is Light Oil (38^o to 42^o API), with minimal contamination;
- Two well-developed source rocks, rich in organic carbon, have been penetrated and both are within the oil-generating window;
- Several thin-bedded sandy reservoirs that are saturated by oil were encountered and no water saturated zones were encountered in the drilled section; and
- The well commenced encountering increasing concentrations of hydrocarbon shows below 1,500m.

A second well, Murombe-1, has recently been completed in PEL – 23 approximately 15km from Wingat-1 (see Figure 6 below). While detailed results are pending, the well is reported to be dry although good mature marine Aptian source rocks were again encountered.

Pancontinental's interpretation of the limited results announced to date is that both wells give considerable encouragement to further exploration. With reported high quality thick mature source rocks, the exploration challenge is now "plumbing" - connecting the source rocks to reservoirs with characteristics that will enable the entrapment of commercial quantities of hydrocarbons.

Pancontinental's EL 0037 area is immediately on-trend and is geologically continuous to the PEL- 23 area. Pancontinental has mapped a number of large "leads" of which some are interpreted to be at approximately the same stratigraphic level as the oil found in Wingat-1, as well as close vertically to the interpreted oil source rocks.

In addition, in July 2013, Tower Resources plc ("Tower") announced that the drilling of the Welwitschia-1 well in its EL 0010 (Blocks 1910A, 1911, 2011A) by the operator, Repsol, is planned to commence in mid-February 2014 and a rig has been fully secured.

Pancontinental's EL 0037 is adjacent to EL 0010 (see figure 6 below).

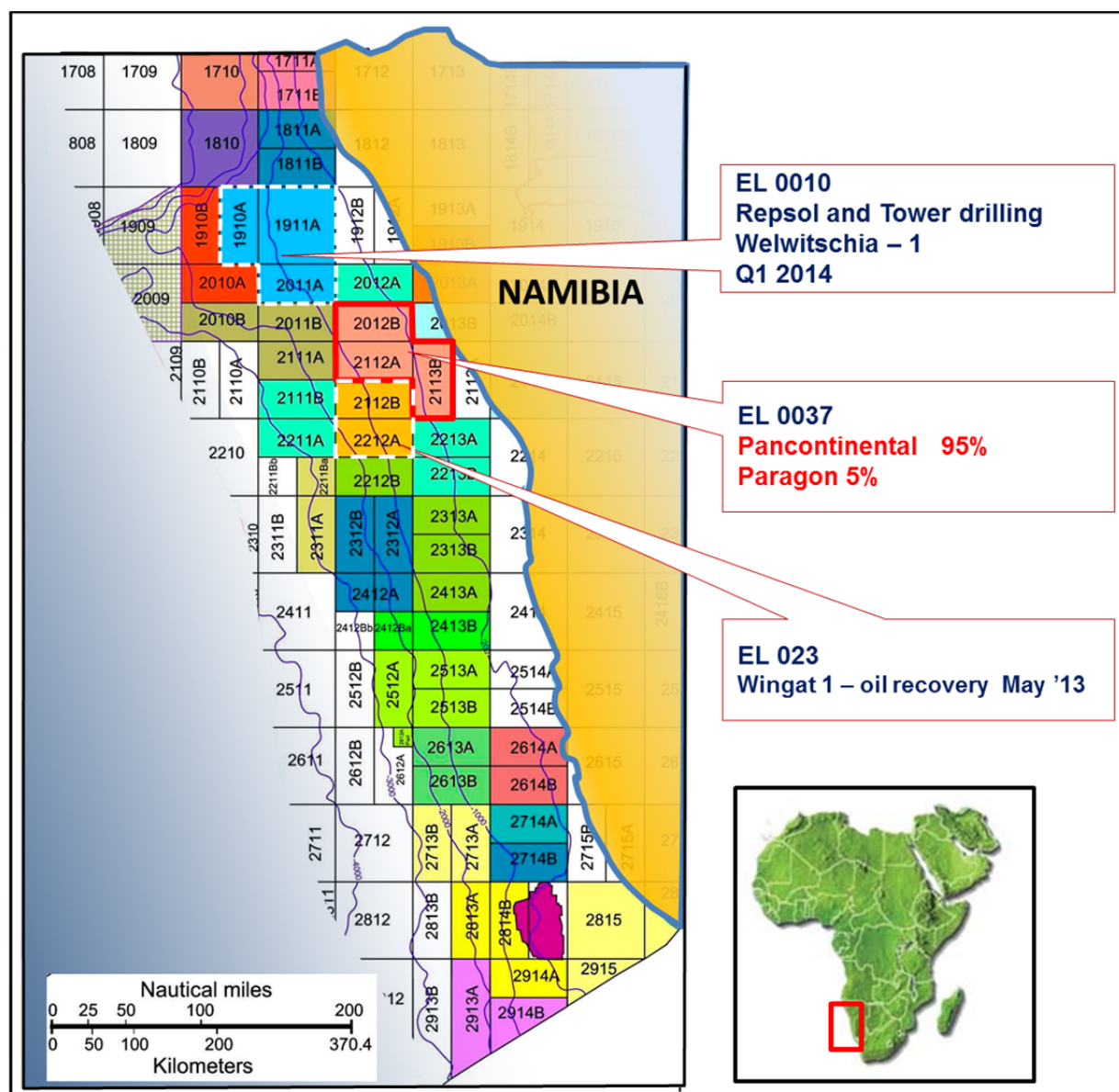


Figure 6: Map of Pancontinental EL 0037 Licence Area

NAMIBIA OFFSHORE EL 0037

Pancontinental Oil & Gas NL – 95%, Operator

Petroleum Exploration Licence No. 0037 (“EL 0037”) covers approximately 17,295 sq km in the Walvis Basin offshore northern Namibia. Pancontinental operates the Licence and holds a 95% interest.

Prospectivity offshore Namibia

Offshore Namibia is attracting significant international interest as an emerging prospective oil and gas province in southwest Africa with the potential to hold very large oil and gas reserves, and it is significantly under-explored.

The Kudu Gas Field offshore Namibia is under development by Tullow Oil plc, and other companies are actively exploring the margin for oil. Offshore Namibia is the plate tectonic conjugate of offshore Brazil, where world-scale oil and gas discoveries have been made and it lies on the West African continental margin adjacent to Angola, where there have also been major oil discoveries.

During the June Quarter, D&M has provided estimates for 11 oil leads in the EL 0037 licence area of total mean prospective resources of 8.7 billion barrels of oil – 8.2 billion barrels net to Pancontinental's 95% interest (see Independent Resource Estimate Overview). These volumes are not adjusted for geologic and/or economic risk). D&M are recognised as the leader in resource estimation for the petroleum industry and have extensive international experience with a diverse range of clients in a diverse range of regions, including onshore and offshore East and West Africa.

Independent Resource Estimate Overview

D&M has prepared the assessment in accordance with the Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers.

D&M's resource estimates recognize large stratigraphic leads in potential clastic turbidite targets. These targets appear to be in the oil window. These potential accumulations are categorized as “leads” based on the available seismic and geologic data. The potential accumulations are not yet classified as “prospects” that are available for drilling.

The summary potential volumetric findings of the report are reproduced in the table below; the details of each lead are given in Appendix 1.

Estimate of Gross Prospective Oil Resources

	Low Estimate (10³bbl)	Best Estimate (10³bbl)	High Estimate (10³bbl)	Mean Estimate (10³bbl)	Probability Of Geological Success (P_g)	P_g-Adjusted Mean Estimate (10³bbl)
Statistical Aggregate	4,591,213	7,817,133	13,913,089	8,706,734	0.050	435,337

1. Low, best, high, and mean estimates follow the PRMS guidelines for prospective resources.
2. Low, best, high, and mean estimates in this table are P₉₀, P₅₀, P₁₀, and mean respectively.
3. P_g is defined as the probability of discovering reservoirs which flow petroleum at a measurable rate.

4. Application of any geological and economic chance factor does not equate prospective resources to contingent resources or reserves.
5. Recovery efficiency is applied to prospective resources in this table.
6. There is no certainty that any portion of the prospective resources estimated herein will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.
7. Leads are features that are not sufficiently well defined to be drillable, and need further work and/or data. In general, Leads are significantly more risky than Prospects and therefore volumetrics estimates for Leads are only indicative of relative size.

Namibia EL 0037 Exploration

Pancontinental believes that a critical factor for oil exploration offshore Namibia is oil maturity- where source rocks are sufficiently buried and heated to generate oil - within the “Oil Window”.

Pancontinental has interpreted an “Oil Mature Fairway” that extends through EL 0037 and into HRT’s PEL 23 area and Repsol’s EL 0010 Area (Figure 7a and 7b).

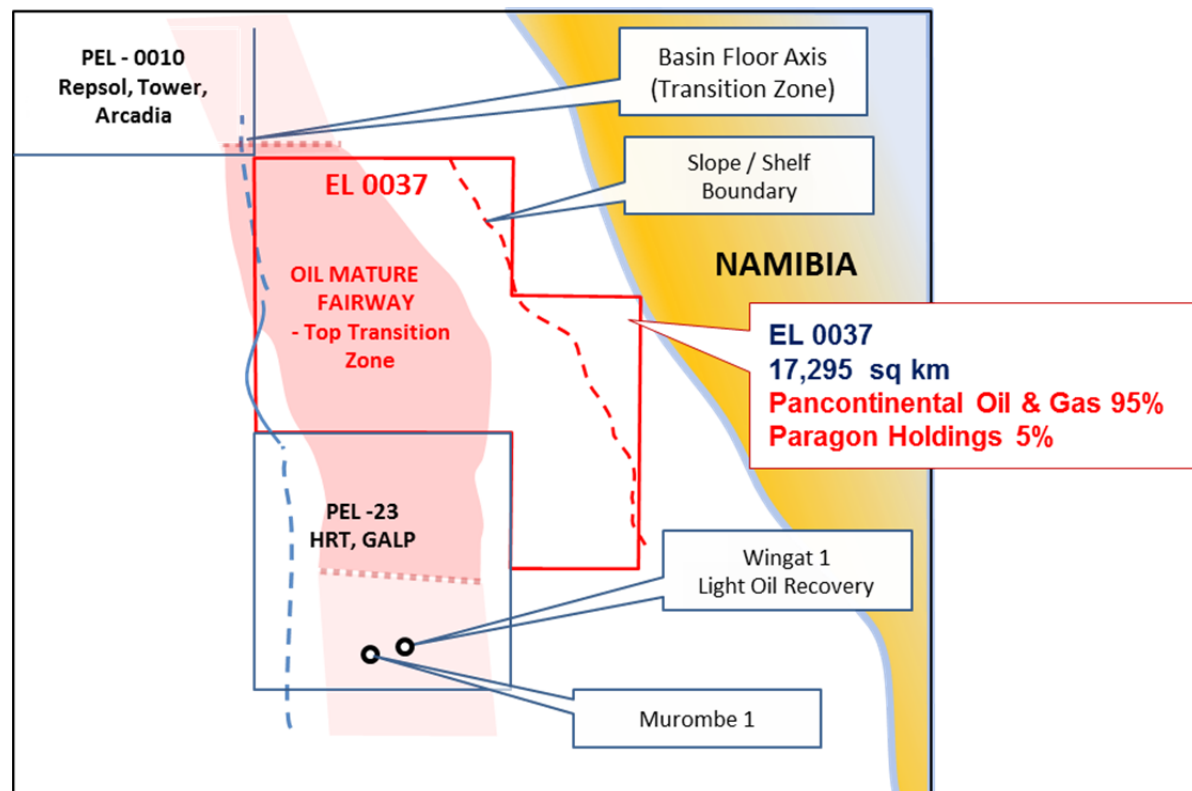


Fig. 7 – Interpreted Oil Mature Fairway

Farmout Activity

Offshore Namibia is continuing to attract significant international interest as an emerging oil and gas province in southwest Africa.

The EL0037 JV is seeking a farminee for drilling.

Pancontinental’s 95% interest in EL 0037 sees it well placed amongst some major players offshore Namibia.

Forward Work Programme

Pancontinental intends to introduce a farminee to the EL 0037 project and has opened discussions with prospective farminees. The company aims to have an extensive 3D seismic survey and drilling covered by any farmin.

AUSTRALIA

EP 104 / R1 ONSHORE CANNING BASIN

Pancontinental Oil & Gas NL – 11.11%

Petroleum Retention Lease R1 was renewed by the Minister of Mines and Petroleum of Western Australia for a period of five years from 8 November 2010.

The joint venture will now undertake an examination of the prospectivity of the licence areas and plan a new forward exploration programme.

L15 ONSHORE CANNING BASIN

Pancontinental Oil & Gas NL – 12%

Pancontinental and its co-venturers have been granted Petroleum Production Licence L15 over the West Kora-1 oil discovery well in the Canning Basin of Western Australia. The licence is for 21 years commencing 1 April 2010.

West Kora-1 was drilled in 1984 and produced some 20,000 Barrels of oil during an extended production test, commencing at a rate of 350 BOPD.

The L15 Joint Venture aims to upgrade the existing production facility and restore oil production from West Kora -1.

With improvements in technology and significantly higher oil prices, revived production from West Kora-1 could be feasible now that the Production Licence has been secured.

The Company is examining the future potential and value of this project.

EP 424 OFFSHORE CARNARVON BASIN

Pancontinental Oil & Gas NL – 38.462%

EP 110 is operated in conjunction with EP- 424. The parties in EP-110 have identical equities to those in permit EP-424.

Commercial negotiations to gain access to the entire Baniyas prospect have reached a point where the Operator is of the view that there is little likelihood that the adjoining acreage can be secured.

Following a technical review of the Baniyas potential and due to the absence of success in extending Joint Venture access over all of the Baniyas Prospect, it was decided to consider selling or farming out the licences.

EP 110 ONSHORE CARNARVON BASIN

Pancontinental Oil & Gas NL - 38.462%

This permit is operated in conjunction with EP- 424. The parties in EP-110 have identical equities to those in permit EP-424.

During the quarter the Joint Venture considered a further review aimed at outlining possible onshore leads and prospects in EP 110.

Corporate

Cash Position

As at 30 June 2013, Pancontinental's cash position was \$33.8 million, which is expected to enable the Company to fund the currently planned drilling and other programmes for the next 12-18 months.

The major items of expenditure during the quarter were Exploration and Evaluation (\$1.2 million) and Administration (\$0.47 million)

New Ventures

Pancontinental maintains a policy of prudently conserving its exploration funds for ongoing activities in its current acreage assets.

From time to time potential worthwhile new opportunities arise and Pancontinental continues to examine other exploration and acquisition opportunities in Africa and elsewhere.

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Notes to Announcement

***L8 Section**

Pancontinental's 15% interest through Mbawa drilling was "free-carried" under farmout to Tullow Oil plc up to a "cap" of US\$ 9 million (as reduced by other exploration expenditure). After the first earning phase Tullow has an option to earn a further 5% (thereby reducing Pancontinental to 10%) by providing funding on Pancontinental's behalf to a cap of US\$ 6 million in any second well.

****Table 1**

1. The recoverable hydrocarbon volume estimates prepared by FAR Limited and stated in the table above have been prepared in accordance with the definitions and guidelines set forth in the Petroleum Resources Management System, 2007 approved by the Society of Petroleum Engineers.
2. The prospective resource estimates have been estimated using probabilistic methods and are dependent upon a hydrocarbon discovery being made.
3. The Low Estimates, Best Estimates and High Estimates represent respectively that there is a 90%, 50% and 10% probability that the actual resource volume will be in excess of these amounts.
4. The estimates for unrisks prospective resources have not been adjusted for both an associated chance of discovery and a chance of development.
5. The Gross (100% working interest) prospective resource estimates include Government share of production applicable under the Production Sharing Contract.
6. The estimates for unrisks Prospective Resources for Kenya Block L6 are reported in oil or gas. There is insufficient geological and engineering data to make an assessment as to the likely ratio

of oil or gas in a given discovery in Kenya Block L6, hence the estimates provided are for either all oil or all gas. The oil and gas estimates reported should not be added together.

7. Prospective resources means those quantities of petroleum which are estimated, as of a given date to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development.
8. bcf means Billion Cubic Feet of gas at standard temperature and pressure conditions.
9. mmbbls means Million Standard barrels of oil or condensate.

***Disclaimers

The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

This document may include forward looking statements. Forward looking statements include, are not necessarily limited to, statements concerning PCL's planned operation program and other statements that are not historic facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward looking statements. Although Pancontinental Oil & Gas NL believes its expectations reflected in these are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward looking statements.

Competent Person Statement (in relation to Block L6 Prospective Resource Estimates only)

Information in this report relating to hydrocarbon resource estimates has been compiled by Peter Nicholls, the FAR Ltd exploration manager. Mr Nicholls has over 30 years of experience in petroleum geophysics and geology and is a member of the American Association of Petroleum Geology, and the Petroleum Exploration Society of Australia. Mr Nicholls consents to the inclusion of the information in this report relating to hydrocarbon prospective resources in the form and context in which it appears. The prospective resource estimates contained in this report are in accordance with the standard definitions set out by the Society of Petroleum Engineers, Petroleum Resource Management System

Appendix 1 –Details of leads assessed by DeGolyer & MacNaughton in Namibia EL 0037 (Prospective Gross Ultimate Recovery, Million Barrels, Rounded to two decimal places)

LEAD	Potential Target	P90	P50	P10	Mean
A/B	Barremian	100.75	471.46	1,767.86	782.83
C	Cretaceous Slope Channel	77.92	364.15	1,398.65	610.19
D	Cretaceous Basin Floor Fan	49.37	231.20	900.07	388.19
E	Cretaceous Basin Floor Fan	221.14	1,057.91	4,171.05	1,770.03
F	Barremian	36.40	167.86	653.54	280.45
G	Turonian Turbidite	8.87	38.36	146.14	63.78
H	Synrift Pinchout	5.63	26.07	99.83	43.07
K	Cretaceous Basin Floor Fan	22.68	102.99	408.14	174.24
M	Cretaceous Slope Channel	143.60	702.89	2,700.27	1,165.19
N	Santonian Channel	239.96	1,097.33	4,345.22	1,875.90
O	Cretaceous Channel	200.23	942.68	3,560.95	1,552.85