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TULLOW OIL FARMS-IN TO NAMIBIA EL 0037

- **Tullow Oil to become partner and operator after farmin to Pancontinental's EL 0037**
- **Tullow Oil is one of the most successful oil and gas explorers in Africa and the Atlantic Margins, opening up four new oil basins since 2006 in Uganda, Ghana, Kenya and French Guiana**
- **Tullow Oil assigned a 65% operated interest, Pancontinental retains 30% free-carried interest**
- **Farmin programme includes Tullow Oil funding extensive 3D and 2D seismic and, subject to identifying a drillable prospect, drilling an exploration well to acquire and maintain a 65% interest**
- **3D seismic survey expected to commence in 2014**
- **Pancontinental estimates farmin expenditure of potentially up to US\$130 million (100% basis) for the full work programme**

Pancontinental Oil & Gas NL ("Pancontinental") is very pleased to announce a farmout agreement (the "Farmout Agreement") with Tullow Kudu Limited ("Tullow"), a wholly owned subsidiary of Tullow Oil plc, regarding licence EL 0037 offshore Namibia (see **Figure 1 and Appendix 1**).

Subject to certain conditions, including Ministerial approval, which Pancontinental and Tullow anticipate to be satisfied, Tullow will be assigned a 65% interest in EL 0037 and Pancontinental will retain a free-carried 30% interest out of its current 95% interest. Pursuant to the Farmout Agreement Tullow will become operator and earn and maintain its 65% by fully carrying Pancontinental through extensive programmes of 2D seismic and 3D seismic and, subject to identifying a drillable prospect, fully carry Pancontinental through an exploration well. Pancontinental estimates that Tullow's total farmin expenditure may be in the range of US\$110 million to US\$130 million (100% basis).

Paragon Oil & Gas (Pty) Ltd's 5% free-carried interest will be included in the Tullow farmin expenditure.

The Farmout Agreement provides for Tullow-

- Taking over as Operator of Licence EL 0037 from Pancontinental;
- Funding 100% of the costs of a 3D seismic survey of not less than 3,000 km² commencing before 31 December 2014;
- Funding 100% of the costs of a 2D seismic survey of not less than 1,000 km (either coincident or possibly later than the 3D seismic survey);

- Subject to identifying a drillable prospect, fully funding 100% of the costs of one exploration well (with no expenditure 'cap') to not less than 3,500 metres below the sea surface (see Tullow's Rights and Obligations);
- Reimbursing Pancontinental for 65% of past expenditures incurred;
- Purchasing, interpreting and mapping existing seismic data; and
- Paying 100% of any other costs and expenses during the farmin period.

The farmin programme is not subject to expenditure "caps".

Tullow's Rights and Obligations

Under the terms of the Farmout Agreement, Tullow will pay 65% of back costs and 100% of forward costs during the farmin period and complete the 2D and 3D seismic surveys outlined above. Should the 2D and 3D seismic not deliver a suitable drilling target, Tullow shall be entitled to withdraw from its commitment to drill the well outlined above by giving written notice to Pancontinental not later than 16 months after the date of the completion of the acquisition of the 3D seismic or 13 months prior to the expiry of the First Renewal Exploration Period whichever is the earlier. Commencement of the acquisition phase of the 3D seismic is required by 31 December 2014, and may possibly occur as soon as early-2014 depending on seismic vessel availability and other factors. Should Tullow withdraw after fulfilling its 2D and 3D seismic commitments it must re-assign its 65% interest back to Pancontinental, at no cost to Pancontinental.

Barry Rushworth, CEO and Executive Director of Pancontinental commented-

"We are very pleased to have a major second partnership with an operator of such high calibre as Tullow Oil. Tullow has been spectacularly successful in finding commercial oil in Africa.

We identified EL 0037 as one of the most prospective areas offshore Namibia and we are now extremely pleased that Tullow supports our view.

Following the very important Wingat-1 oil recovery by HRT just to the south of EL 0037 earlier in 2013, it is now up to explorers to find commercial oil reservoirs and traps in the central Walvis Basin. This is what Tullow and Pancontinental are undertaking in EL 0037.

We have interpreted potential reservoirs and traps in a number of large channel and turbidite "leads" at around the same stratigraphic level as the Wingat oil. These leads will now be the focus of 3D seismic and will be scrutinised as potential drilling targets.

This EL 0037 farmout agreement brings a highly successful operator for exploration and drilling, and an extensive high-tech 3D seismic programme. In addition it covers the free-carried 5% interest held by Paragon, the third partner in the licence.

While Tullow has a commitment to commence the extensive 3D seismic programme before 31 December 2014 it is expected that the 3D acquisition will commence as soon as the required EIA's are approved and a selected seismic contractor can commence acquisition.

The EL 0037 area is very large, for example roughly one quarter of the size of Tasmania, 7 times the size of the ACT, and about 85% the size of Wales, and with multiple exploration opportunities.

We believe that Pancontinental, as well as our partners Tullow and Paragon, are exceptionally well positioned to take advantage of the developing oil story now just beginning to be established offshore Namibia”.

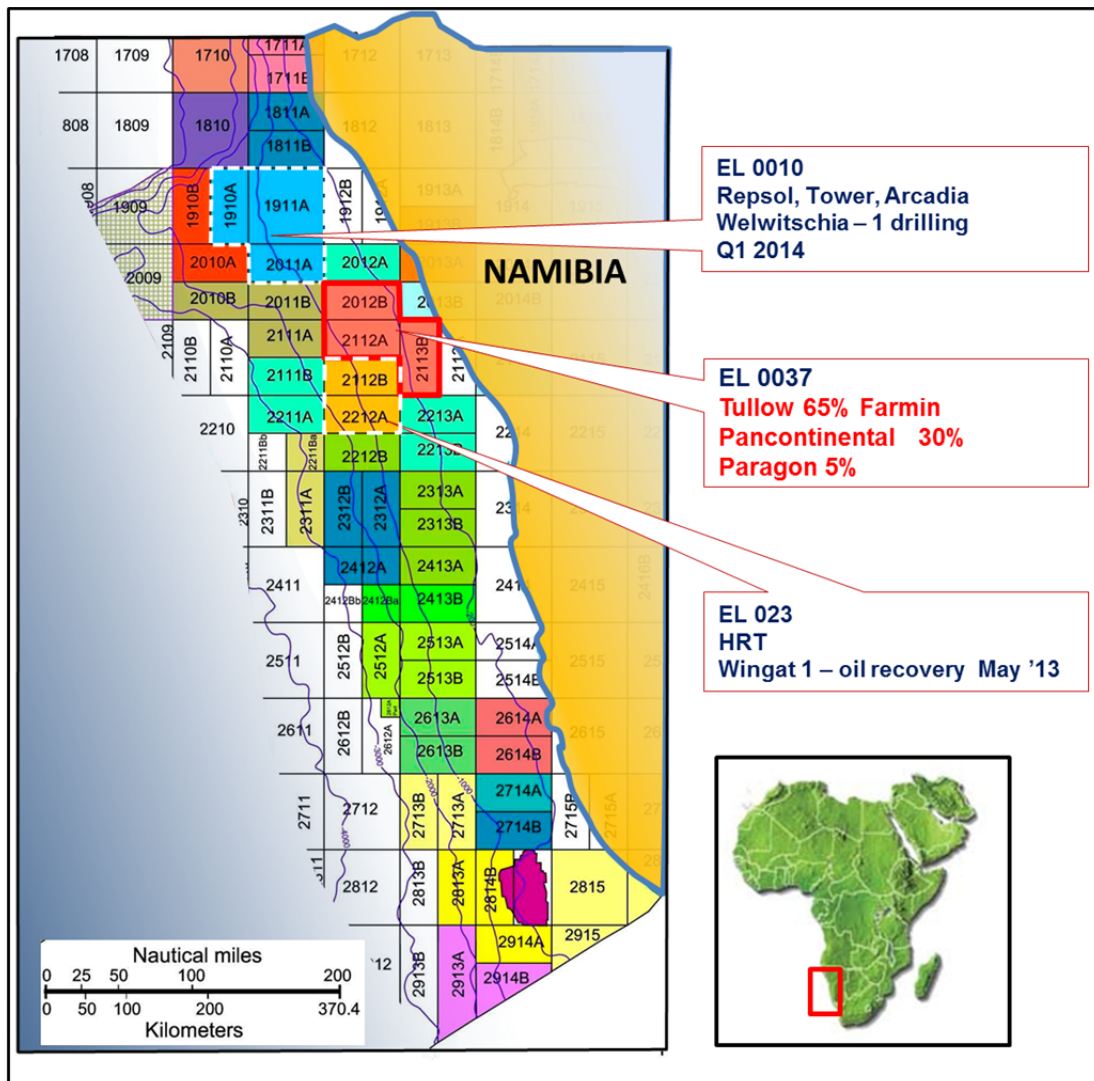


Figure 1- Licence areas offshore Namibia

The Namibia EL 0037 consortium will consist of -

Tullow Kudu Limited ¹ (Operator)	65%
Pancontinental Namibia (Pty) Ltd ²	30%
Paragon Oil & Gas (Pty) Ltd ³	5%

¹ Tullow Kudu Limited is a wholly owned subsidiary of Tullow Oil plc

² Pancontinental Namibia (Pty) Ltd is a wholly owned subsidiary of Pancontinental Oil & Gas NL

³ Paragon Oil & Gas (Pty) Ltd is a wholly owned subsidiary of Paragon Investment Holding's (Pty) Ltd

About Tullow

Tullow is a highly successful oil explorer that has opened four new oil basins in Africa and South America in the last seven years.

Founded in 1985, Tullow is now Africa's leading independent oil company, and one of the largest independent oil and gas companies in Europe.

Amongst Tullow's key achievements is the 2007 discovery and subsequent development of the Jubilee Oil Field offshore Ghana.

In the East African Rift Basins, Tullow's successes include major oil discoveries in Uganda and recent significant oil discoveries in the South Lokichar Basin in Kenya. To date, in Uganda, Tullow estimates gross recoverable resources of 1.7 billion barrels of oil.

Tullow farmed-in to Pancontinental's interest in licence L8 offshore Kenya in 2011 and participated in the Mbawa 1 gas discovery in 2012. The joint venture continues to explore for oil in the L8 area.

Tullow is developing the Kudu Gas Field offshore southern Namibia and farmed-in to Pancontinental's EL 0037 licence in Namibia in September 2013.

About Pancontinental

Pancontinental Oil & Gas NL is an independent oil and gas exploration company listed on the Australian Securities Exchange (ASX: PCL).

Pancontinental's focus is on exploring for oil in new frontiers in Africa and surrounding regions and it currently holds interests in four licences over 20,000 square kilometres in East Africa offshore Kenya, and the EL 0037 licence over 17,000 square kilometres offshore Namibia.

Pancontinental is one of the few junior companies remaining amongst an increasing number of much larger companies offshore East Africa and Namibia.

About Paragon

Paragon Holdings is a successful diversified investment and development company based in Windhoek, Namibia. Paragon's activities range from property development to retail and publishing, mining and oil investments.

Pancontinental's website is www.pancon.com.au/

Yours sincerely for and on behalf of

Pancontinental Oil & Gas NL



Barry Rushworth, CEO and Director

The summary report on the oil and gas projects is based on information compiled by Mr R B Rushworth, BSc, MAAPG, MPESGB, MPESA, Chief Executive Officer of Pancontinental Oil & Gas NL. Mr Rushworth has the relevant degree in geology and has been practising petroleum geology for more than 30 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.

Appendix 1

Offshore Namibia - Licence EL 0037

Licence EL 0037 covers an extensive 17,295 square kilometres (4.2 million acres) in the Walvis Basin offshore northern Namibia. Before farmout to Tullow the licence was held by Pancontinental (95%) and Paragon Investment Holdings Ltd ("Paragon") (5%).

In July 2012 Pancontinental increased its interest from 85% to 95% by purchasing a 10% interest from Paragon.

On 20 May 2013 it was announced that the Wingat-1 well adjacent to EL 0037 proved well-developed mature marine source rocks and a recovery of 1.8 litres of light oil from poorly-developed reservoir rocks. For the first time, the reported oil recovery and source rocks verified a working oil system in the Walvis Basin.

On 24 May 2013 Pancontinental announced that consulting firm DeGolyer and MacNaughton ("D&M") estimated that 11 leads in the EL 0037 area had potential for a total mean prospective resource of 8.7 billion barrels of oil, (not adjusted for geologic or economic risk). The reader is referred to Pancontinental's ASX announcement of 24 May 2013 and **Independent Resource Estimate Overview** below for further details.

On 5 September 2013 Pancontinental announced a farmout to Tullow Oil plc.

EL 0037 contains shelf, slope and basin floor sediments of Early Cretaceous to Tertiary age in the Basin Floor and Eastern Flank of in an "Inner Graben" off the Namibian coast. These are underlain by an older rift sequence.

Offshore Namibia is poorly explored for oil and is part of the African tectonic conjugate of offshore Brazil where numerous large oil discoveries have been made.

Pancontinental has mapped an "Oil Mature Fairway" through EL 0037 and the Wingat area. Critically, using existing seismic data, good reservoir rocks are interpreted in channels and turbidites within and close to the Oil Mature Fairway in EL 0037 and some of these will be covered by the new 3D seismic survey.

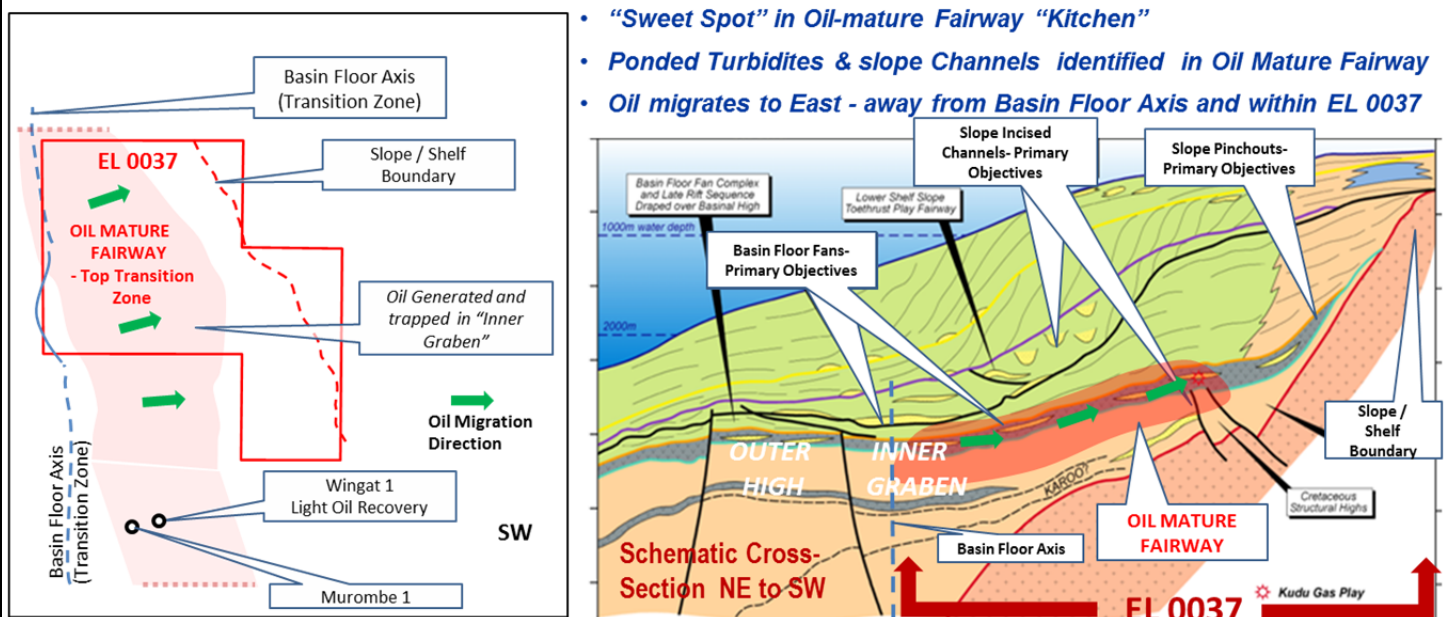


Figure 1- Schematic of the Oil Mature Fairway and Cross Section offshore Namibia

The reservoirs interpreted by Tullow and Pancontinental in EL 0037, while they are interpreted to be closely associated with the interpreted source rocks, are also interpreted to be different and better developed than those drilled by HRT.

The Oil Mature Fairway and Inner Graben are asymmetric, with considerably larger “fetch” for oil generation and migration on the Eastern side of the Graben, covered by EL 0037.

Crucially, the Oil Mature Fairway lies to the Eastern side of the axis of the Basin Floor and within the Eastern part of the Basin Floor and the Eastern Slope area (See Figure 1 above). Oil migration is therefore interpreted to be predominantly to the East.

Pancontinental therefore believes that the Eastern Flank is the geological environment that is most likely to contain large volumes of trapped oil, and this is where EL 0037 is situated.

Offshore Namibia - Regional Activity

Pancontinental’s EL 0037 licence area and HRT’s PEL 23 area are contiguous over the “Inner Graben” that is interpreted by Pancontinental to be a main regional oil generating zone and one of the most critical factors to finding commercial oil offshore Namibia.

An announcement by **HRT Participações em Petróleo S.A (“HRT”)** on 20 May 2013 concerning the Wingat-1 well in PEL 23 said-

- 4 samples of 450cc each of Light Oil (38 to 42 API) recovered from several thin-bedded sandy reservoirs in Wingat 1, with minimal contamination
- Two well-developed source rocks, rich in organic carbon, have been penetrated and both are within the oil-generating window
- The reservoirs are oil saturated, with no water-bearing zones in the drilled section
- The well, in 1,050m of water, commenced encountering increasing concentrations of hydrocarbon shows below 1,500m and was completed at 5,000m

Repsol has announced that it plans to drill the Welwitschia -1 well to the Northeast of EL 0037 in February 2014

Independent Resource Estimate Overview

DeGolyer and MacNaughton (“D&M”) has prepared an assessment of licence area EL 0037 offshore Namibia 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 1 below; the details of each lead are given in Table 2 below.

D&M’s Mean Estimate for the total 11 Leads is 8.7 Billion Barrels of Gross Prospective (recoverable) Oil Resources.

Table 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.

**Table 2 –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