PANCONTINENTAL

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QUARTERLY ACTIVITIES REPORT
September 2013

HIGHLIGHTS

- **Namibia EL 0037**
  - Tullow Oil farms in for a 65% interest in Namibian Licence EL 0037
  - Pancontinental estimates full Farmin expenditure up to US$130 million

- **Kenya L10A**
  - First exploration well by BG lead joint venture expected early 2014
  - Prospect for first drilling currently being agreed upon by JV partners
  - Likely drilling target is the Sunbird Prospect, a Miocene Reef build-up in the inboard, western sector of the L10 licenses

- **Kenya L10B**
  - Mapping of numerous Prospect and Leads continues
  - Potentially a 2nd well from BG drilling programme commencing mid-late 2014

- **Kenya L8**
  - Apache Corporation advises of intention to withdraw from L8 Joint Venture
  - Subject to ministerial consent Pancontinental expects to take up additional 15% from Apache at no cost
  - Joint Venture reforming and planning future programme

- **Kenya L6**
  - L6 JV seeking a farminee for drilling
  - Discussions with prospective farminees are advancing

- **Corporate**
  - Cash balance of $33.0 million

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

INTERNATIONAL PROJECTS

KENYA

KENYA OFFSHORE

Pancontinental holds interests in four licences over approximately 20,000 sq km offshore Kenya.

Pancontinental has an inventory of more than 40 Prospects and Leads 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).

Pancontinental continues to regard Kenya as one of the best and most stable business environments in Sub-Saharan Africa.

The Kubwa well (April 2013), east of Pancontinental's L6 area, 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. The Kubwa shows have been reported to be non-commercial.

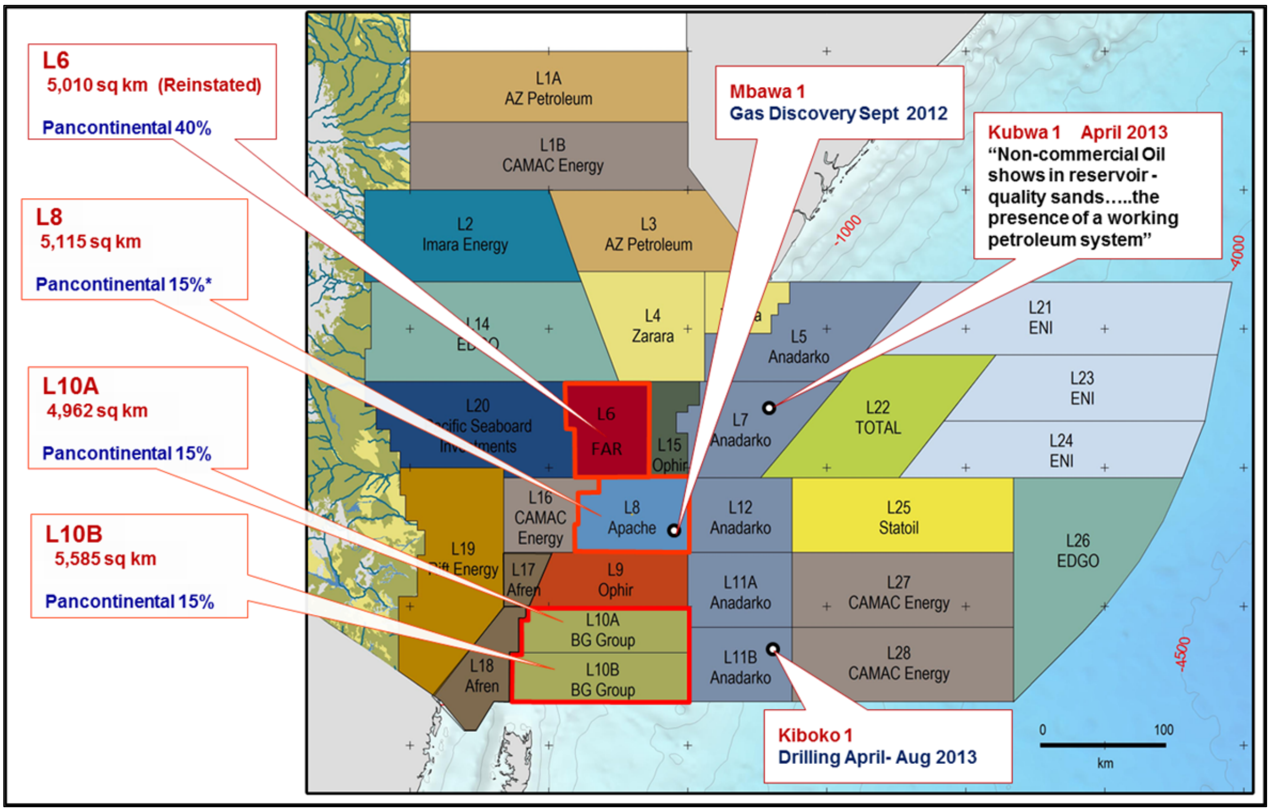

Figure 1: Map of Licence Areas Offshore Kenya

KENYA OFFSHORE BLOCK L8

Pancontinental Oil & Gas NL 15% (Increasing to 30% after Apache Withdrawal)

L8 covers 5,114.9 sq km offshore Kenya in water depths from 100m to 1,300m.
The licence is operated by Apache Corporation (50%), and other Joint Venture participants are Origin Energy Limited (20%) and Tullow Oil plc (15%).

Apache Corporation

On or around 10 October media reports stated that Bob Dye, Apache's senior vice president of corporate affairs, said that Apache was withdrawing from the L8 licence.

Apache had not at that time (nor subsequently) given written notification of its withdrawal to the L8 Joint Venture participants under the respective provisions of the L8 Joint Operating Agreement (JOA), nor had it given written notice of its resignation as Operator under the JOA. Withdrawal from the JOA requires 60 days' written notice, and resignation as Operator requires 90 days' notice; however Pancontinental expects Apache to give these notices at some time in the future.

The media report of Apache's withdrawal from L8 (its only venture in Sub-Saharan Africa) follows other Apache divestments around the globe, including Apache's divestment of projects in the Gulf of Mexico (announced 18 July 2013), in Alberta, Canada (announced 15 August 2013) and in Egypt (announced 1 September 2013). The series of withdrawals are consistent with Apache's announcement in May 2013 that it planned to divest $4 billion in assets by year-end 2013.

Reformed Joint Venture

Pancontinental anticipates that Apache will effect its withdrawal from the L8 Licence and Joint Venture in the coming weeks or months. Pancontinental intends to remain in the L8 Licence and Joint Venture, and will take up its pro-rata share of Apache's percentage interest, being 15%, at no material cost.

Pancontinental has commenced discussions of the best way forward with the remaining L8 participants and will join in determining the new L8 Operator. It is intended that the remaining participants will discuss the way forward with the Kenyan authorities.

Pancontinental considers, while it is unfortunate to see Apache's withdrawal, that this provides an opportunity to increase its interest in what it regards as a very worthwhile exploration area offshore East Africa.

Potential and Exploration Programme

L8 contains numerous Prospects and Leads to pursue for oil and Pancontinental is now looking forward to a new Operator and a re-formed Joint Venture.

Mbawa 1 (September 2012) was the first ever discovery offshore Kenya. Mbawa -1 intersected 51.8m of net gas pay in sandstones with favourable reservoir characteristics.

Following the Mbawa 1 discovery a major deeper play type has been identified. The deeper play is regarded as being oil prone, rather than gas prone.

In the deeper play the Kipungu Prospect is amongst the prospects considered for drilling. Kipungu and similar prospects are Lower Cretaceous channel and turbidite sandstone plays ("Tai Sands"), deeper than the gas discovery sands in Mbawa 1 and considered to be in a separate petroleum system that is more favourable to trap oil.

It is anticipated that a formal decision on any second well will be clarified when the Joint Venture has been reformed after Apache has withdrawn.

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 L10A & L10B projects are operated by BG Group (respectively 40% and 45%) in a joint venture including Premier Oil (20% and 25%) and PTTEP (following the takeover of Cove Energy plc) (25% and 15%).

Prospects and Leads

The most recent 3D seismic survey is in the western sector of the L10A and L10B areas, and using the new data the joint venture operator BG Group has mapped a number of additional large leads for possible drilling.

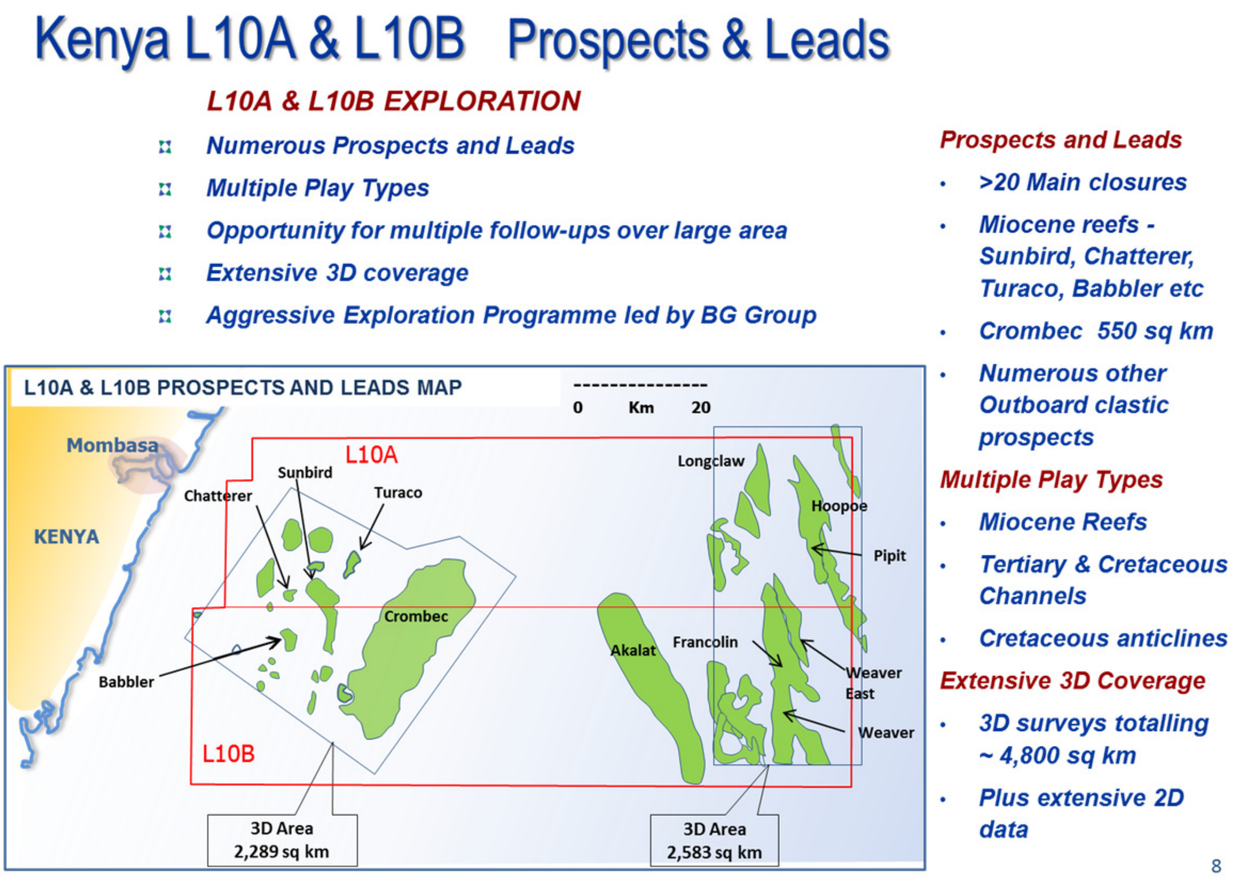

Figure 2: Map of Prospects and leads in L10A & L0B Licence Areas

The joint venture now has high quality 3D coverage totalling 4,872 square kilometres over a large number of prospects and leads.

The largest leads targeted by the new 3D survey in the western sector are-

(i) A cluster of more than 10 interpreted Miocene Reefs. Miocene reefs are known globally to have very high per-well production potential. The L10 reefs are in water depths of approximately 500m and within 50km of the major Kenyan port of Mombasa.

(ii) The Crombec Prospect is a large anticline in the western sector of the areas. Crombec has four-way dip closure from the Tertiary to the Lower Jurassic. It has sands onlapping the crest, indicating a likely growth structure.

In the eastern sector of the areas, mapping continues on a number of prospects. Two of the diverse play types are-

(i) An extensive system of Tertiary channels. The Tertiary section holds most of the gas discovered to date offshore Mozambique and Tanzania. The channels in L10A & L10B may be gas charged, possibly representing a very large resource.

(ii) Structural Leads in the Tertiary to Cretaceous section. Some of the Leads are dip reversals associated with faults. These have stacked potential within Tertiary stacked channels and Cretaceous thrust and sub-thrust plays.

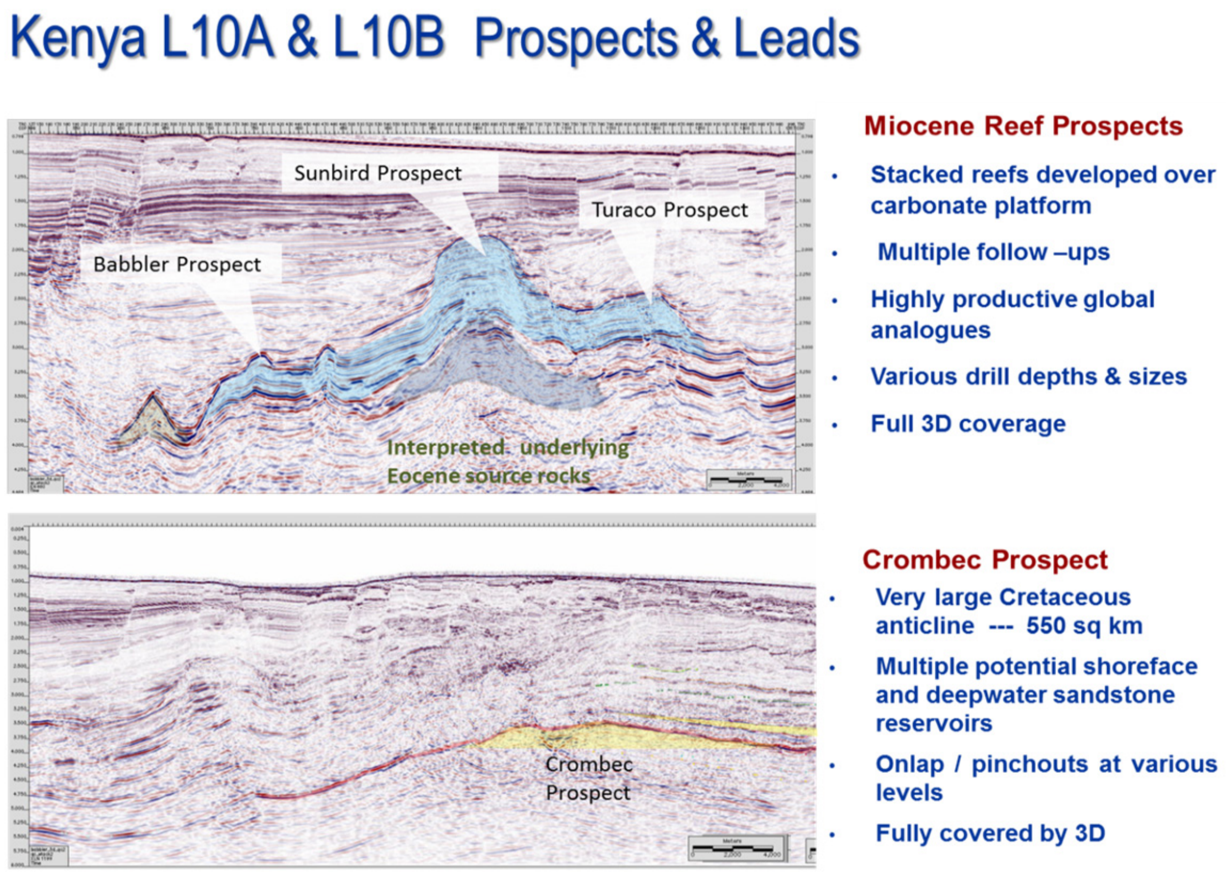

Figure 3: Seismic Cross-Sections through Miocene Reef and Crombec Prospects

Drilling Plans

The L10A and L10B joint ventures are considering a two-well drilling programme with a first well in early 2014.

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

Subject to Joint Venture approval it is expected that the first well in the 2014 drilling campaign will be one of three fully mapped Miocene reef prospects. The location of a second well will be determined by 3D mapping and the outcome of the first well.

A formal Joint Venture decision is anticipated in mid-November 2013 concerning the actual drilling sites and schedule.

<u>KENYA ONSHORE / OFFSHORE BLOCK L6</u>

Pancontinental Oil & Gas NL – 40%

The L6 area is the northernmost of Pancontinental's four areas offshore Kenya. The L6 joint venture is operated by FAR Limited (60%, ASX: FAR).

L6 covers approximately 5,010 sq km with about one quarter onshore and the rest offshore to 400 meters water depth.

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.

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 details of the estimates on a Prospect-by Prospect basis were reported in the June Quarterly.

The three prospects covered by 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.

Prospectivity

Following encouraging hydrocarbon generation and migration studies, the joint venture is exploring the offshore portion of the licence area. A deep central graben in this area is considered to be oil and gas “source kitchen” and potential hydrocarbon trapping prospects have been identified immediately adjacent to this area.

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 4 below).

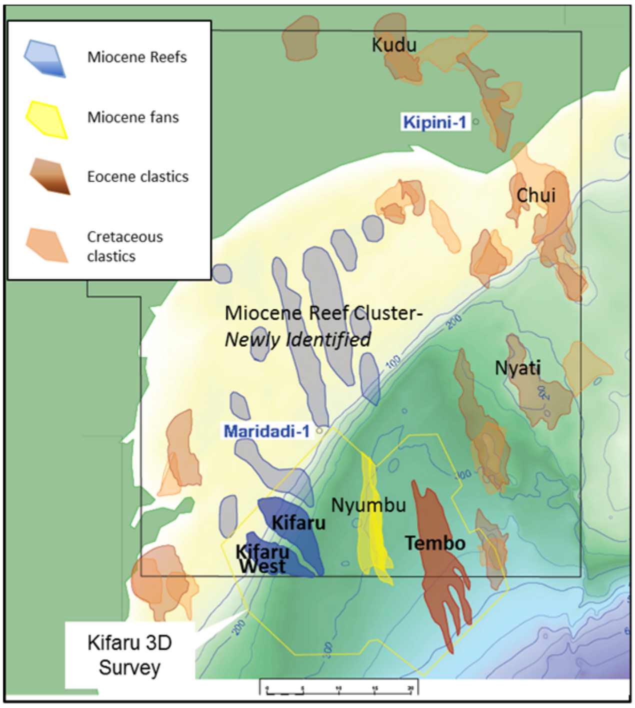

Figure 4: L6 Inventory of Main Prospects

Three Prospects on 3D

- *Miocene Reefs*
- *Eocene sandstones*

Multiple other Prospects & Leads on 2D

- *Eocene Sandstone Targets)*
- *Cretaceous Sandstone Targets*
- *Newly identified Miocene Reef swarm*

Mapped on 3D	**Play Type**
Kifaru	Miocene Reef
Kifaru West	Miocene Reef
Tembo	Eocene (Kipini) Sand
Mapped on 2D	
Kudu	Eocene (Kipini) Sand
Updip Kipini	Eocene (Kipini) Sand
Kiboko	Eocene (Kipini) Sand
Chui cluster	Eocene (Kipini) Sand
Nyati	Eocene (Kipini) Sand
Miocene reef cluster	Miocene Reef

The largest prospect covered by the 3D Kifaru seismic survey.is the Kifaru Prospect in water depths of 80m to 100m in the southwest of the L6 area.

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. A number of other interpreted Miocene Reefs have been identified to the north of the Kifaru area.

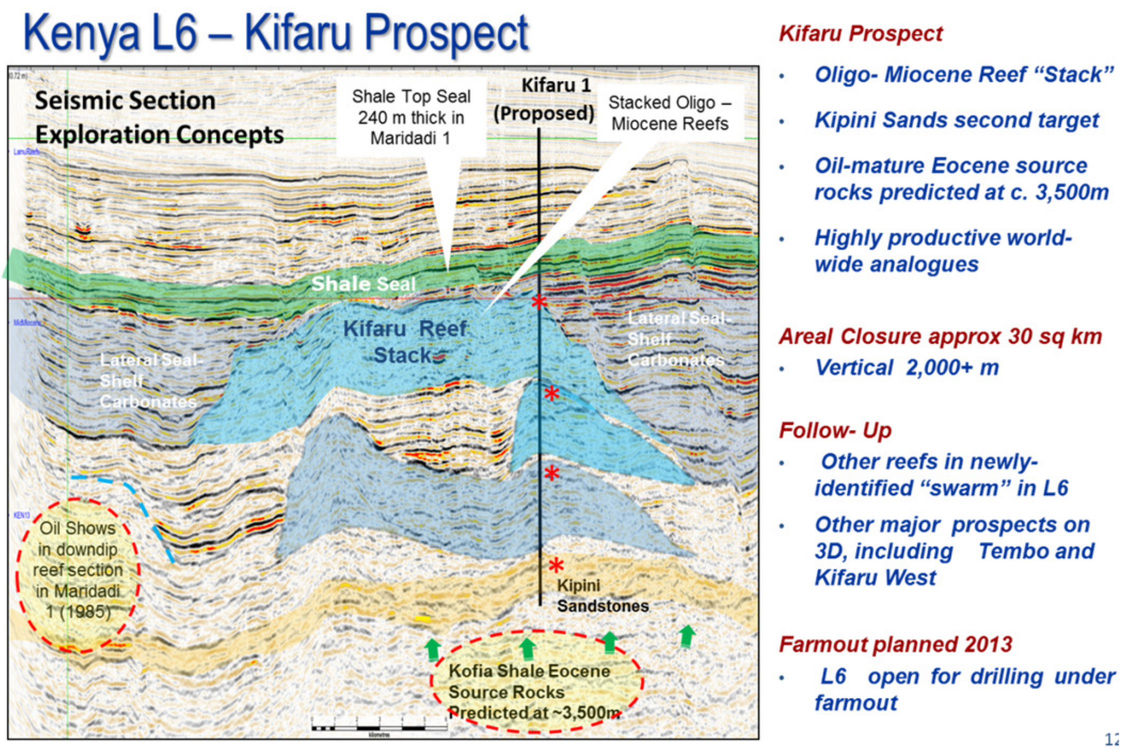

Figure 5: Seismic Section through the Kifaru Prospect

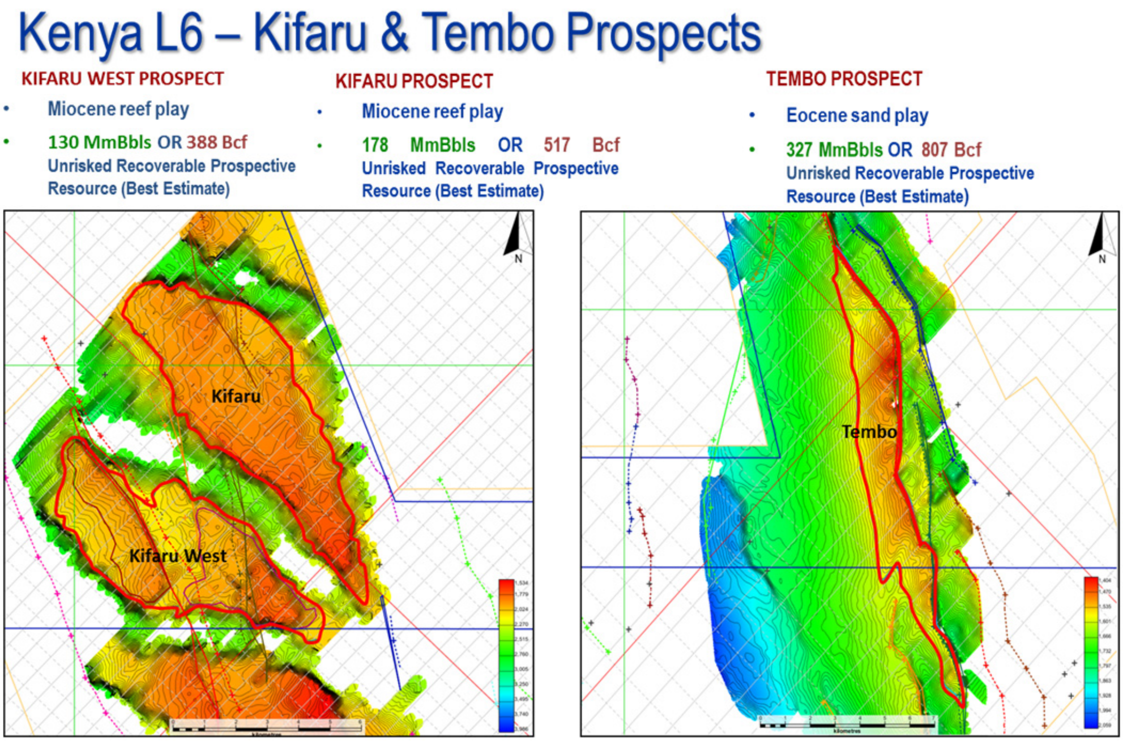

Figure 6: Maps of Kifaru, Kifaru West and Tembo Prospects

The Tembo Prospect is a large tilted fault block, interpreted to contain a number of sandstone targets.

Forward Programme
With the increasing recognition of the hydrocarbon potential offshore Kenya, the L6 joint venture is in a strong position to secure a farminee for drilling.

Planning has commenced for drilling in 2014. The location, timing, depth and stratigraphy of the well will be determined after final interpretation of the 3D seismic data and discussions with any farminee.

NAMIBIA

NAMIBIA OFFSHORE EL 0037

Pancontinental Oil & Gas NL – 30%

Petroleum Exploration Licence No. 0037 ("EL 0037") covers approximately 17,295 sq km in the Walvis Basin offshore northern Namibia. Other Joint Venture participants are Tullow Oil (60%) and Paragon (5%)

Leading independent consultant DeGolyer & MacNaughton 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 (then) 95%. These volumes are not adjusted for geologic and/or economic risk. The details of the estimates were reported in the June Quarterly.

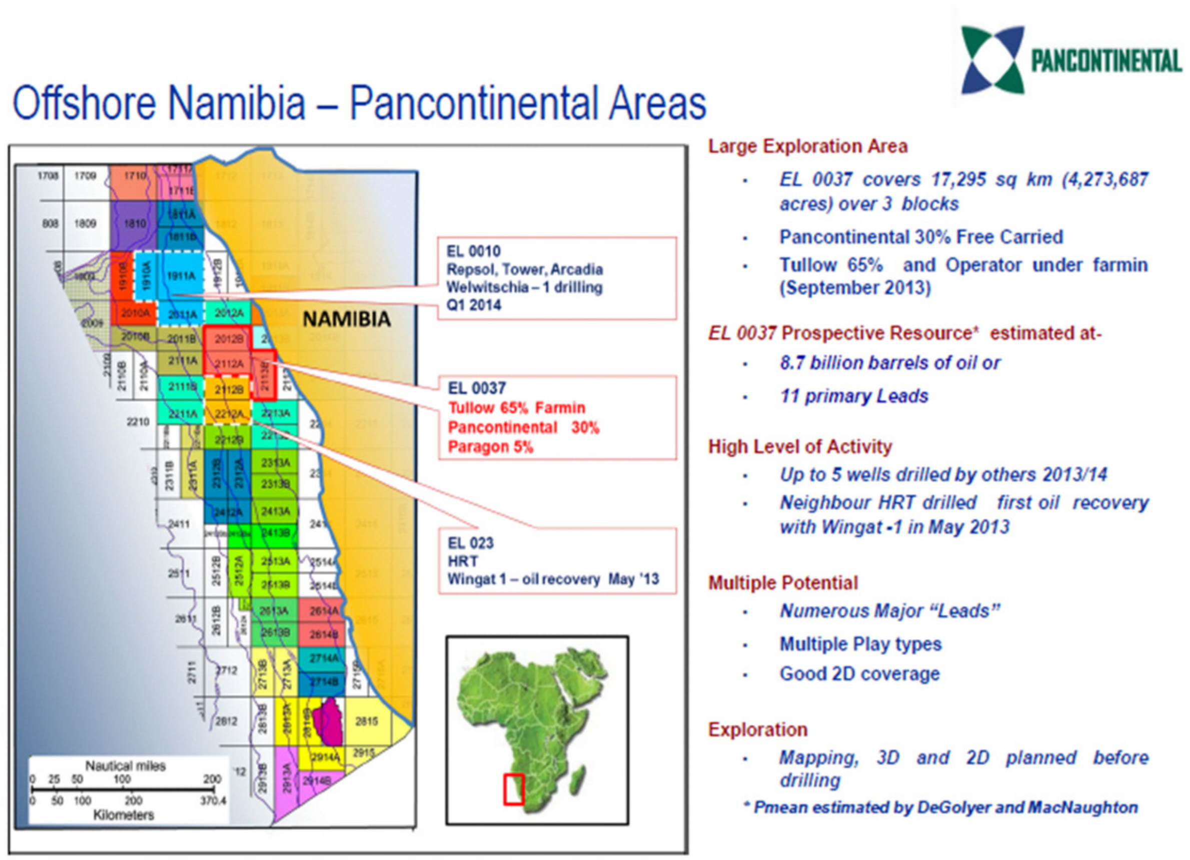

Figure 7- Licence areas offshore Namibia

Farmin by Tullow Oil

Tullow Kudu Limited ("Tullow") has become a partner and Operator after farmin to Pancontinental's EL 0037 interest in September 2013. Tullow is a wholly owned subsidiary of Tullow Oil plc.

Tullow has been assigned a 65% operated interest and Pancontinental retains 30% free-carried interest.

The Farmin programme includes Tullow funding extensive 3D and 2D seismic and, subject to identifying a drillable prospect, drilling an exploration well to acquire and maintain a 65% interest

A 3D seismic survey is expected to commence in 2014

Pancontinental estimates that Tullow's farmin expenditure may be up to US$130 million (100% basis) for the full work programme.

A formal notice of Closing was accepted by Tullow and Pancontinental on 17 October 2013, following Ministerial approval and the satisfaction of Joint Venture considerations.

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

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 km^2 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 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.

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.

The Namibia EL 0037 consortium now consists 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

Prospectivity offshore Namibia

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.

In an announcement on 20 May 2013, HRT stated that oil had been found in the Wingat 1 well, although not in commercial volumes; 4 samples of oil of 450cc each were recovered. Two well-developed source rocks, rich in organic carbon, were reported to have been penetrated and both are within the oil-generating window. Pancontinental regards Wingat -1 as within the Oil Mature Fairway.

EL 0037 is immediately on-trend and is geologically continuous to the Wingat 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.

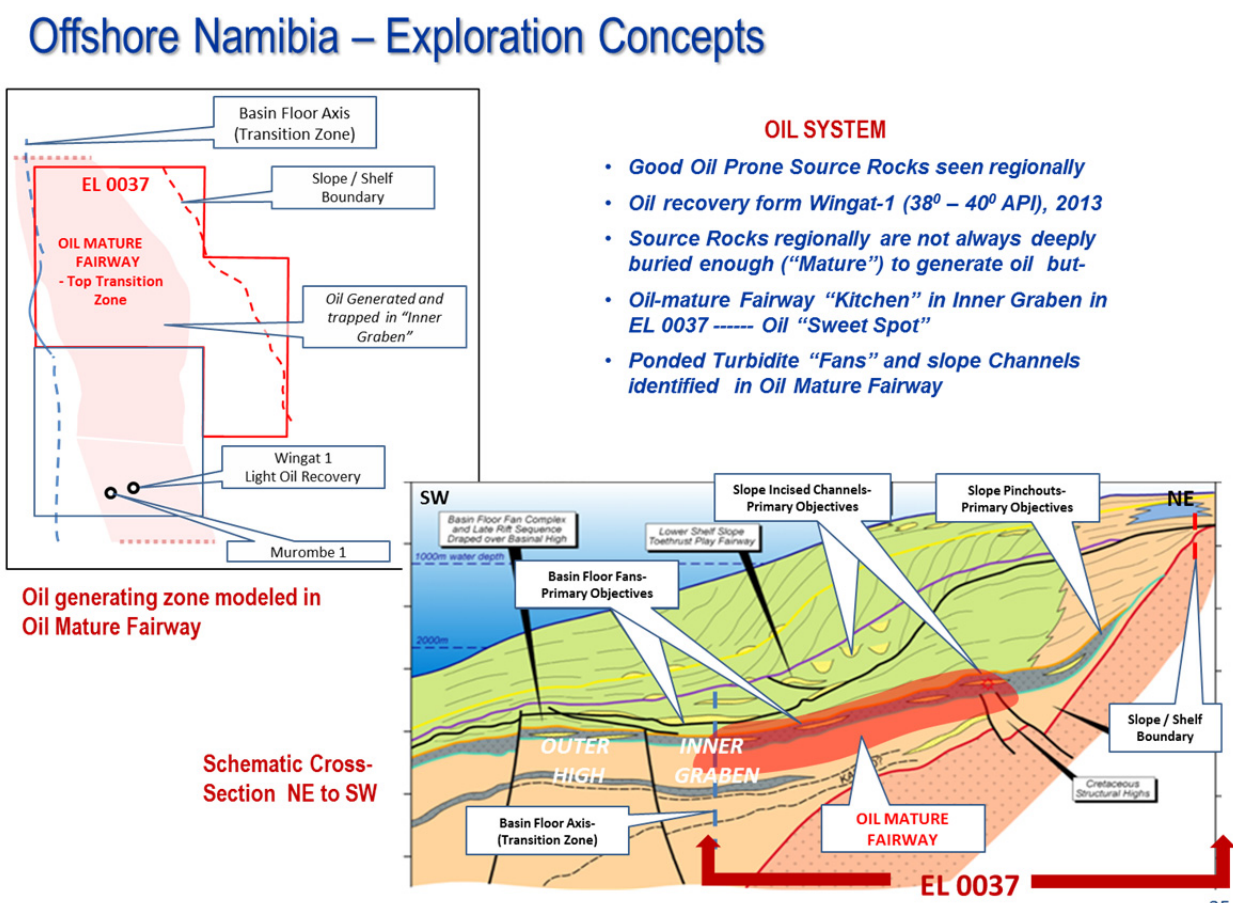

Figure 8: Play Concept Diagram - Namibia EL 0037

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, in 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 8). Oil migration is therefore interpreted to be predominantly to the East.

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

Forward Work Programme
The EL 0037 Joint Venture now led by Operator Tullow Oil is planning an exploration programme consisting of-

- 3,000 sq km of 3D Seismic acquisition, processing and interpretation
- 2,000 linear km of 2D Seismic
- Depending on the outcome of the seismic programmes, one exploration well.

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.

AUSTRALIA

EP 104 / R1 ONSHORE CANNING BASIN

Pancontinental Oil & Gas NL – 11.11%

The RL1 area has been excised from the EP 104 exploration area to allow retention of the Point Torment gas discovery and the Stokes Bay 1 area. RL1 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 is undertaking an examination of the prospectivity of the licence areas to plan a revised forward 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.

The L15 Joint Venture is considering upgrading the existing production facility and restore oil production from West Kora -1.

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.
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.

The Joint Venture is considering a further review aimed at outlining possible onshore leads and prospects in EP 110**.**

Corporate

Cash Position

As at 31 September 2013, Pancontinental's cash position was $33.0 million, which is expected to enable the Company to fund the currently planned drilling and other activities for the next 12-18 months.

The major items of expenditure during the quarter were Exploration and Evaluation ($0.93 million) and Administration ($0.48 million).

New Ventures

Pancontinental continues to review other exploration and acquisition opportunities in Africa and elsewhere, and intends to grow the asset portfolio should these new assets meet the Company's stringent selection process.

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