



PANCONTINENTAL OIL & GAS NL

ACN 003 029 543 ASX : PCL

Ground Floor  
288 Stirling Street, Perth  
Western Australia 6000

P O Box 8260  
Perth Business Centre  
Western Australia 6849

Tel: (61 8) 9227 3220  
Fax: (61 8) 9227 3211  
Email: [info@pancon.com.au](mailto:info@pancon.com.au)  
Web: [www.pancon.com.au](http://www.pancon.com.au)

4 February 2014

## ASX Companies Announcement Office

# ONSHORE KENYA L6 FARMED-OUT FOR SEISMIC AND DRILLING

- **Pancontinental has signed a farm-in agreement for the entry of Milio International to explore the onshore portion of Kenya Block L6**
- **Pancontinental will be fully carried through a regional 1,000km 2D seismic survey and an onshore exploration well**
- **Pancontinental will retain a 16% free-carried interest in the onshore and will retain its current 40% rights to the offshore part of Block L6**

Pancontinental Oil & Gas and its wholly owned subsidiary Afrex Limited (together "Pancontinental") (ASX:PCL) is pleased to announce that it has entered a farm-in agreement for the onshore portion of Kenyan exploration area Block L6 in the Lamu Basin. Block L6 is partly onshore and partly offshore.

Under the terms agreed with farminee Milio E&P Limited ("Milio") and Milio International the current joint venture parties including Pancontinental will be fully funded through drilling and testing an onshore exploration well in Block L6 with an expected spud date in early 2015.

In addition, before the well, the current joint venture parties will be fully funded through the acquisition, processing and interpretation of a regional 1,000km of 2D seismic survey aimed to confirm at least three prospects as drilling targets. The seismic programme is expected to commence in April 2014.

In consideration of Milio funding that work, Milio will earn a sixty percent (60%) Participating Interest in the onshore portion of Block L6. Milio will not earn any interest in the offshore portion of Block L6. Milio will become the Operator of the onshore portion and FAR will remain the Operator of the offshore portion of the Block.

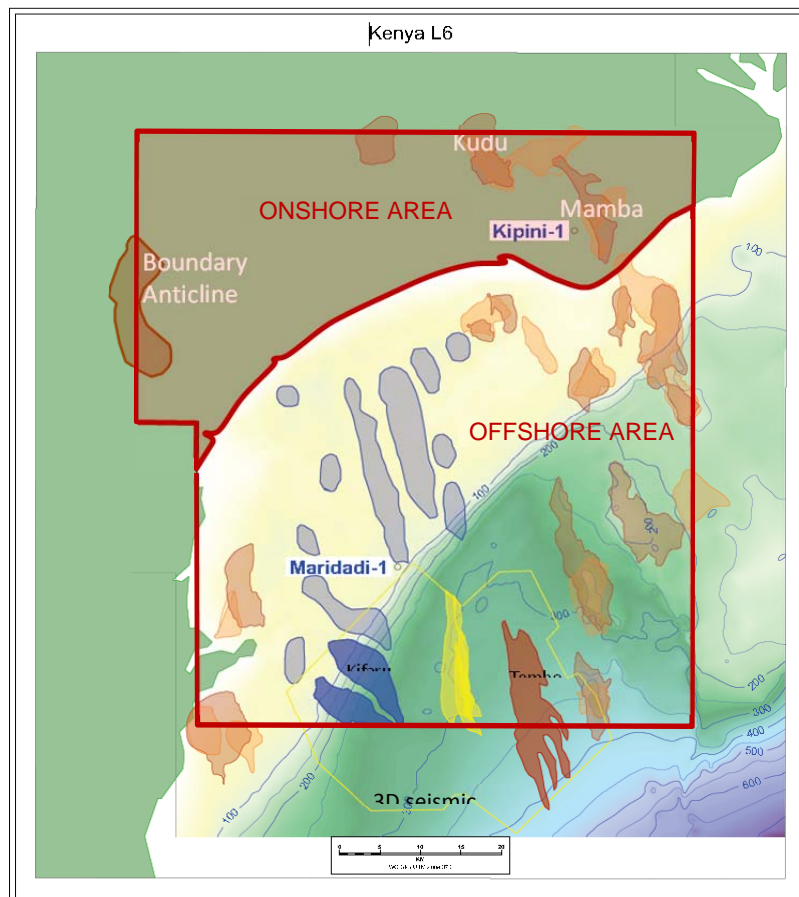
Under the agreement Pancontinental will retain a 16% working interest in the onshore part of Block L6.

The farm-in is conditional on obtaining the appropriate Kenyan Government approval.

The offshore L6 participants (Pancontinental and Flow Energy Pty Ltd, a subsidiary of FAR ("FAR")) are currently seeking a farminee to drill an offshore well in addition to the onshore well to be drilled by Milio. Pancontinental retains its current 40% interest in the offshore part of Block L6.

Block L6 is well situated in relation to Kenyan coastal communities and infrastructure. An onshore oil or gas development has the potential to contribute significantly to Kenya's growing near-term energy needs. A gas discovery could supply gas to a major power generation project that is currently under consideration by the Kenyan Government.

Two of the main Prospects covered by 3D seismic offshore L6 are the Kifaru and Kifaru West Miocene Reef prospects, which share similar characteristics to the Sunbird Prospect currently being drilled by Pancontinental and its joint venture partners in offshore Kenya area L10A.



**Figure 1: L6 Area, Prospects and Leads**

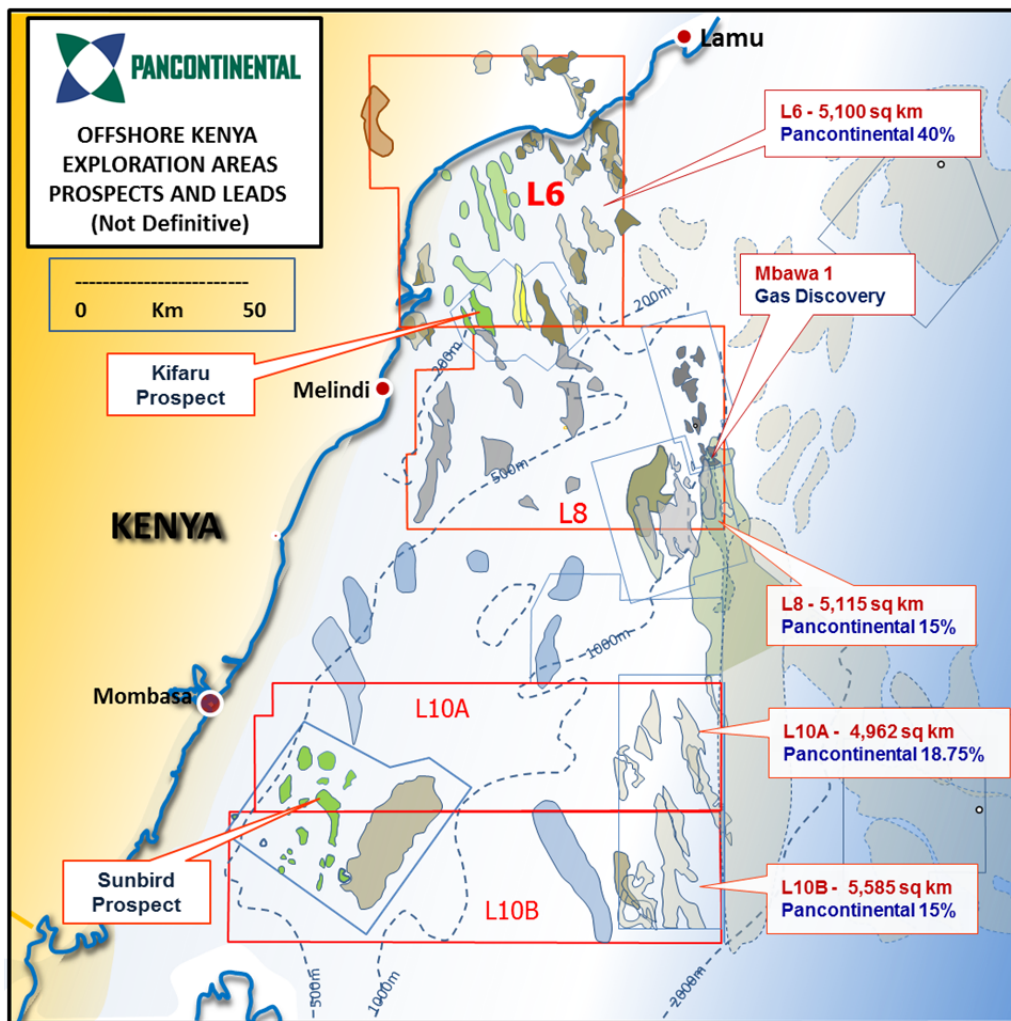
Mr Barry Rushworth, CEO and Director of Pancontinental commented:

*“ We are very pleased to have secured our new partner Milio for seismic and drilling onshore L6.*

*Pancontinental retains a healthy 16% free-carried interest onshore and additionally has the benefit of retaining its 40% interest offshore where we are also seeking a farminee for drilling.*

*This new farm-in deal secures funding for evaluating the significant potential of the onshore part of Block L6 and to help unlock the potential of the wider Lamu basin in which Pancontinental has a very large acreage position of some 20,000 square kilometres gross.*

*The offshore area already has several Prospects covered by 3D seismic and ready for drilling including the large Kifaru and Kifaru West Miocene Reef Prospects. A number of other reefs have also been tentatively identified on 2D seismic”.*



**Figure 2: Pancontinental's Kenyan Licence Areas, Prospects and Leads**

### About Milio

Milio is a prominent international petroleum logistics, marketing, trading and exploration and production company based in Dubai. Milio is rapidly expanding its commercial foot-print in East Africa and is continuing to expand its strategic presence in Kenya through significant investments in a number of high-impact projects. Milio holds a major interest in Block L20, located immediately west of Block L6.

### Block L6 Kenya

Pancontinental has interests in four Kenyan licences covering approximately 20,000 sq km. The licences are L6 (onshore and offshore) and offshore licences L8, L10A and L10B with partners including Origin Energy, BG Group, PTTEP and Premier Oil.

Kenyan Block L6 is located in the Lamu Basin offshore and onshore Kenya, and north of recent world scale natural gas discoveries totalling around 100 trillion cubic feet off the coasts of Mozambique and Tanzania.

The growing interest in the Lamu Basin's exploration potential includes up to 7 wells planned for drilling over the next 12 to 18 months.

The L6 joint venture has acquired extensive airborne gravity and magnetic data and 2D seismic data. In 2012 a 778km<sup>2</sup> offshore 3D seismic survey was completed over the L6 portion of the Miocene reef play that is currently being tested by the Sunbird-1 well by Pancontinental and its partners in L10A.

A number of oil and gas play types and prospects have been identified in L6.

Using 3D seismic, the L6 joint venture has matured 3 large offshore prospects, Tembo, Kifaru and Kifaru West.

### **About Pancontinental**

Pancontinental Oil & Gas is listed on the Australian Securities Exchange (ASX: PCL).

Pancontinental has a 15% interest in Kenya offshore licence L8, a 40% interest in the adjacent licence L6 (see above) and respectively 18.75% and 15% in Kenya licences L10A and L10B, operated by BG Group. The L8 licence area contains the Mbawa gas discovery, the first ever hydrocarbon discovery offshore Kenya.

The Sunbird-1 well in L10A is currently drilling (Pancontinental 18.75% interest).

Co-venturers in the four Kenyan licences (although not in each licence) are Origin Energy, PTTEP, Premier Oil, BG Group and FAR Limited.

Offshore Namibia, Pancontinental holds a 30% interest in the 17,295 sq km licence EL 0037. Pancontinental's interest is free-carried by farminee Tullow Oil through a farmin programme of 3,000 sq km 3D seismic survey (currently being acquired) and one well.

Pancontinental's website is [www.pancon.com.au/](http://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.*

### **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 Pancontinental'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 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.