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ASX Companies Announcement Office

QUARTERLY ACTIVITIES REPORT ***December 2010***

HIGHLIGHTS

- Kenya L8 – new 3D seismic interpretation and mapping continues over the Mbawa Prospect. Farminee sought for drilling.
- Kenya L6- focus shifting to offshore prospects and leads. Farminee sought for 3D seismic and drilling.
- EP 104 Canning Basin- Stokes Bay 1 retesting produces only saline water from the Nullara Limestone objective.
- Malta Area 5 and Block 3 of Area 4 - new meetings with Maltese authorities aimed to restart the exploration programme.
- Appointment of Mr Anthony Maslin as Non-Executive Director.

INTERNATIONAL PROJECTS

KENYA

OFFSHORE BLOCK L8

Pancontinental Oil & Gas NL - 25%

L8 covers 5,114.9 sq km offshore Kenya in the Lamu Basin in water depths from 100m to 1,300m.

Interpretation and mapping continued on the Mbawa 3D seismic data set acquired late 2009. The final 3D mapping should provide a drilling location.

A number of new oil and gas discoveries were made during the quarter offshore elsewhere in East Africa, in geological circumstances similar to those in L8.

The 3D data indicate that the giant Mbawa structure is intact, and remains very large at a number of prospective levels. "Flat spots" or "DHI's" can be seen over the Prospect.

Pancontinental's interpretation is consistent with a gas column of about 100m overlying an oil column of about 120m but these can only be validated by further seismic analysis and drilling.

There is an interpreted extensive deep oil and gas generating "kitchen" near the Mbawa Prospect, extending to the north into area L6. Sea surface "slicks" interpreted from satellite data support the concept of oil generation, expulsion and migration from the kitchen area and Mbawa itself. As well as Mbawa, other prospects in L8 also have high volumetric potential and are also associated with interpreted slicks.

The Mbawa Prospect has world-class potential for oil and gas, with modelled P10 potential in the Lower Tertiary / Upper Cretaceous at about 2,000m drill depth and 800m water depth for-

- (i) 3.6 Billion Barrels of oil recoverable or
- (ii) 1.5 Billion Barrels oil recoverable plus a gas cap of 400 Billion Cubic feet or
- (iii) 11 Trillion Cubic Feet gas recoverable

New volumetric estimates are expected to be revised up or down to some extent.

Pancontinental has a 25% interest in L8 and the Mbawa Prospect and a 40% interest in adjacent licence area L6.

The L8 joint venture participants are talking to a number of large international companies regarding their possible farm-in for drilling Mbawa.

ONSHORE / OFFSHORE BLOCK L6

Pancontinental Oil & Gas NL – 40%

The L6 licence area is adjacent and geologically continuous to L8.

Following encouraging new hydrocarbon generation and migration studies, the joint venture has shifted its attention to the offshore portion of the licence area. A deep central graben in this area is considered to be an oil and gas "source kitchen" and potential hydrocarbon trapping prospects have been identified immediately adjacent to this area.

The most prospective offshore areas contain a number of known prospects and leads adjacent to the interpreted "source-kitchen". The largest of these is the Kifaru Prospect in water depths of 80m to 100m the southwest of the licence area.

A 3D seismic survey area has been laid out over Kifaru and one other prospect.

During the quarter the joint venture continued to seek a farminee for 3D seismic acquisition over the Kifaru Prospect in 2011 and drilling in 2011 / 2012.

MALTA

OFFSHORE AREA 5; AREA 4, BLOCK 3.

Pancontinental Oil & Gas NL - 80%

During the quarter the Company again had a meeting with the Ministry of Resources and Rural Affairs in Malta. The Company is seeking a means of restarting exploration in the licence area as soon as possible.

Activities on the company's Malta areas have been suspended since September 2005 under force majeure provisions of the ESA due to border issues between Malta, Libya and Tunisia.

NAMIBIA

RECONNAISSANCE LICENCE RL 1 / 2007, OFFSHORE WALVIS BASIN

Pancontinental Oil & Gas NL – 85%

Pancontinental has negotiated the details of a Petroleum Agreement and Exploration Licence with the Ministry of Mines and Energy of Namibia for a large offshore exploration area.

The Company continued to negotiate a Joint Venture Agreement with Namibian participant Paragon Investment Holdings (Pty) Ltd (15%).

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%

Renewed testing of the Stokes Bay 1 well was carried out in November using a coiled tubing unit (CTU). Saline water was recovered and this is interpreted to be formation fluid. No oil or gas was recovered during the test.

The CTU injected nitrogen into the tubing and casing already inside the well bore to lift drilling mud remaining in the well bore and from the Nullara Limestone Formation at the bottom of the well. The CTU test recovered water of high salinity (NaCl 17% compared to local sea water of 7% NaCl) that is interpreted to be reservoir fluid and no hydrocarbons were recovered.

Pancontinental has an interest of 10% in EP 104 and R1, however its interest in the test was 13.94 % because several other joint venture participants had elected not to participate.

Stokes Bay 1 was drilled in 2007 and encountered cavernous porosity in the Nullara at 2,755 m measured depth. Approximately 10,000 barrels of drilling mud were lost to the Nullara and no identifiable formation fluids were recovered during drilling and subsequent testing although some 3,800 barrels of drilling mud were recovered. Some gas was seen at the surface, although this may have come from the Laurel Formation that overlies the Nullara.

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. The final percentage interests of the joint venture participants are yet to be resolved.

L15 covers two graticular blocks 6054 and 6126 adjacent to the R1 licence area over the Stokes Bay-1 well and the Point Torment-1 gas discovery in which Pancontinental has a 10% interest.

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.

Consideration is currently being given to the L15 work programme.

EP 424 OFFSHORE CARNARVON BASIN

Pancontinental Oil & Gas NL – 38.462%

During the quarter, the Joint Venture continued to negotiate an extension of its interest in the Baniyas Prospect into neighbouring acreage.

Baniyas lies in an established oil producing trend adjacent to the Roller, Saladin and Skate oil fields. 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.

Baniyas has estimated potential for recoverable reserves of 34 million barrels (P mean) oil equivalent. These potential reserves remain speculative until the prospect has been evaluated by drilling.

Pancontinental increased its working interest from 25% to 38.462% in March 2010.

Baniyas drilling is planned under farmout in 2011.

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.

Pancontinental increased its working interest from 25% to 38.462% in March 2010.

The joint venture commenced consideration of the onshore leads and prospects with the aim of remapping these and considering a new seismic programme to “firm up” one or more prospects for drilling.

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.

NEW VENTURES

- The Company submitted revised applications for new exploration areas in East Africa.
- A number of other new ventures were given preliminary consideration.

CORPORATE

- On 17 December the Company announced the appointment of Mr Anthony Maslin as a non- executive Director of the Company.
Mr Maslin brings to the Board 17 years of corporate experience in both management and promotion, along with an extensive understanding of financial markets.
Mr Maslin has been instrumental in the capital raisings and promotion of several resource development companies and has had six years experience as a stockbroker at Hartley Poynton Stockbrokers in Perth.
In the subsequent seven years in his role as founding Managing Director of Solar Energy Systems Ltd (Now Solco Ltd (ASX Code: SOO)) he had significant experience in capital raisings and management of both people and projects.
Mr Maslin has also worked as a corporate promotion consultant to a number of listed companies.
He is currently the Managing Director of Buxton Resources Limited (ASX: BUX).
- The Company revised its Securities Trading Policy and issued these by ASX announcement on 23 December.

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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, 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 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.