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QUARTERLY ACTIVITIES REPORT
June 2011

HIGHLIGHTS

- **Namibia EL0037 – new Exploration Licence and Petroleum Agreement awarded for 17,000 sq km offshore Walvis Basin**
- **Kenya L10A & L10B - new exploration licences awarded to Pancontinental and co-venturers**
- **Kenya L8 - Tullow signs farm-in to Pancontinental's interest and Apache Corporation completes farm-in to Origin Energy's interest**
- **Pancontinental raised $5 million before costs through a private placement**
- **Pancontinental and Jacka Resources Ltd agree to cooperation agreement onshore East Africa**

INTERNATIONAL PROJECTS

KENYA OFFSHORE BLOCK L8

Pancontinental Oil & Gas NL – 25% reducing to 15%

The Farmout Agreement between Pancontinental and Tullow Kenya B.V. ("Tullow") announced on 7 March was signed by both parties on 31 May 2011. Tullow is a wholly owned subsidiary of Tullow Oil plc.

Under the farmout Tullow will earn a 10% interest in the licence over offshore Kenya Block L8 that contains the giant Mbawa Prospect by-

(i) Reimbursing Pancontinental US$ 1 million for past expenditure in respect of Pancontinental's interest and

(ii) Spending a further US$9 million to "carry" Pancontinental though the next part of the L8 work programme including drilling the Mbawa Prospect. Tullow will also pay for its own 10% of expenditure.

Pancontinental will retain a 15% interest in L8, from which Tullow will have an option to earn a further 5% by contributing US$6 million towards Pancontinental's contribution to any second well. Pancontinental's interest would then be reduced to 10%.

Based on current budgets, the initial expenditures by Tullow will see Pancontinental "free carried" through a major portion of the L8 work programme that includes drilling on the giant Mbawa Prospect. Tullow's interest will be earned from Afrex Ltd, a wholly owned subsidiary of Pancontinental.

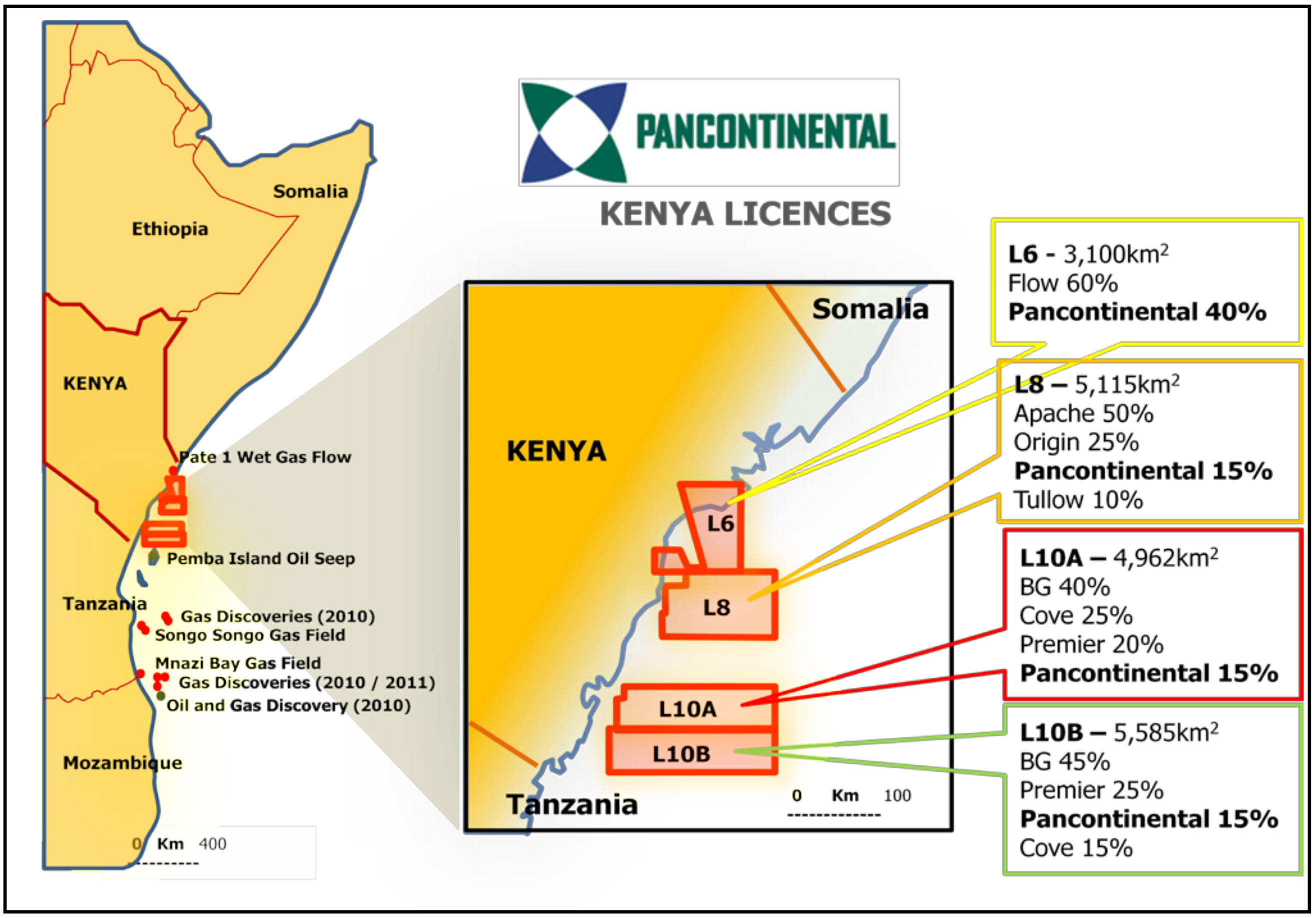
The completion of the Tullow transaction remains subject to Ministerial approval that is not expected to be withheld.

The Tullow transaction follows another farmout by Origin to the US major Apache Corporation announced on 16 February. Apache has taken over as L8 operator from Origin.

After the first stage of Tullow's farmin the interests in L8 will be:

Apache Corporation	50%
Origin Energy Kenya Pty Ltd	25%
Pancontinental Oil & Gas NL	10%
Afrex Ltd *	5%
Tullow Kenya B.V.	10%

*Afrex is a wholly owned subsidiary of Pancontinental Oil & Gas NL



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

A number of recent oil and gas discoveries have been made elsewhere offshore East Africa, in geological circumstances similar to those in L8. Block L8 holds several attractive large exploration objectives, the largest being the Mbawa Prospect, a large and complexly faulted anticline mapped on 3D seismic data with potential for both oil and gas at inferred Cretaceous and Jurassic reservoir levels.

Seismic 3D data indicate that the Mbawa structure is intact and is 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 a significant oil column but this interpretation can only be validated by drilling.

Pancontinental interprets an 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 and neighbouring L6 also have high volumetric potential and are also associated with interpreted slicks. The interpreted natural oil slicks are considered to be derived from sea floor “pockmarks” on the flank of the structure.

While there is no direct evidence that the Mbawa Prospect contains any oil or gas until drilling has taken place, Pancontinental estimates that, if filled to spill point, Mbawa at the **Tertiary- Cretaceous** level has an in- place and unrisked potential to contain **up to 4.9 Billion Barrels of oil (P10) plus a gas cap of 284 Billion Cubic Feet (P10)** but this is subject to risks that include trap integrity and the fact that the offshore Lamu Basin petroleum system is unproven.

The deeper **Top Jurassic** level is estimated to have an in- place and unrisked potential to contain **up to 323 Million Barrels oil (P10) or 525 Billion Cubic Feet gas (P10)** but this is subject to risks that include the fact that there is limited data for reservoir parameters on the East African margin, there is no control on interpretation of Jurassic carbonates and the lack of a commercial discovery of hydrocarbons in Jurassic carbonates on the East African margin.

While the P10 potential is regarded as the maximum in- place and unrisked potential, corresponding P Mean potentials in place, subject to the same risks as those outlined above for the P10 estimates, are-

- **Tertiary / Cretaceous potential - 2 Billion Barrels (P Mean) oil plus a gas cap of 196 Bcf (P Mean)**
- **Jurassic potential - 138 Million Barrels (P Mean) or 231 Bcf (P Mean)**

Several of the major culminations on the overall Mbawa Prospect may be locations for drilling. Planning for drilling has commenced. The timing of drilling is subject to a number of factors including the completion of that review and interpretation, equipment lead-times and the availability of a suitable drilling rig.

A drilling site will be determined in the course of joint venture discussions and a Mbawa drilling date will be set after further planning by new operator Apache.

KENYA ONSHORE / OFFSHORE BLOCK L6

Pancontinental Oil & Gas NL – 40%

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

Following encouraging 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 in the southwest of the licence area.

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

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

KENYA OFFSHORE BLOCKS L10A & L10B

Pancontinental Oil & Gas NL – 15%

On 18 May Pancontinental announced that, together with three co-venturers and led by operator BG Group plc, it signed new Production Sharing Contracts ("PSCs") over offshore exploration Blocks L10A and L10B with the Government of Kenya. The signing by the Minister of Energy of Kenya and the consortium took place in Nairobi on 16 May 2011and the Effective Date for the licences is 17 August 2011.

A "fast track" seismic and drilling programme has been planned.

The new areas more than double Pancontinental's gross acreage position offshore Kenya. The proposed work programme includes 2D and 3D seismic surveying in the first phase and drilling in later phases. Pancontinental holds a 15% interest in each new PSC.

The consortium consists of-

	L10A	L10B
BG Group plc (operator)	40%	45%
Premier Oil Investments Limited	20%	25%
Cove Energy plc	25%	15%
Pancontinental Oil & Gas NL	**15%**	**15**%

The L10A and L10B Blocks have respective areas of 4,962.03 sq km and 5,585.35 sq km and water depths of 200 to 1,900m, which is easily within the reach of modern drilling and development technology.

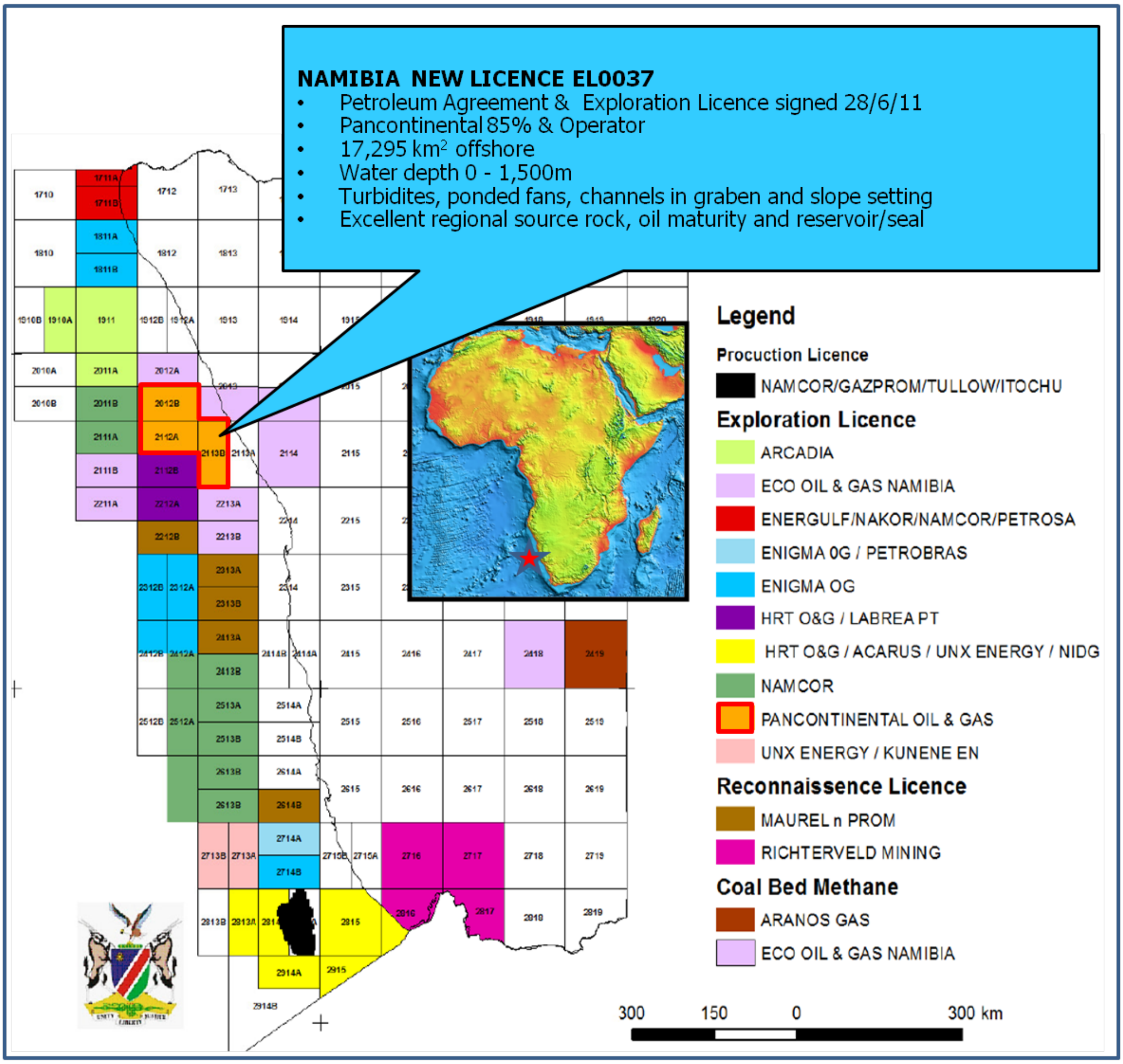
During the quarter the joint venture undertook an initial assessment of play types and leads and commenced the planning for the future seismic programme.

Offshore East Africa has become an industry focus through recent major deepwater gas discoveries and an oil discovery offshore Tanzania and Mozambique. Further drilling is under way in these areas south of Kenya and more drilling rigs are being brought to the region.

NAMIBIA OFFSHORE WALVIS BASIN EL 0037

Pancontinental Oil & Gas NL – 85%

On 4 July 2011 Pancontinental received a signed Petroleum Agreement ("PA") and Petroleum Exploration Licence No. 0037 ("EL") from the Ministry of Mines and Energy of the Republic of Namibia, effective 28 June 2011. This signing completes the award process to Pancontinental and its co-venture Paragon Holdings (Pty) Ltd ("Paragon").



The location of the PA and EL was selected over Blocks 2012B, 2112A and 2113B after an earlier Reconnaissance Licence held by Pancontinental.

The PA and EL area is located in the Walvis Basin offshore northern Namibia and cover 17,295 sq km over prospective trends in the Walvis Basin. Pancontinental holds 85% and is Operator under a Joint Venture Agreement with Namibian co-venturer Paragon (15%). In exchange for certain rights under the Joint Venture Agreement with Paragon signed on 28 March 2011(“JVA”), Pancontinental has agreed to “free carry” Paragon until the commencement of the development of any oil or gas discovery.

The EL gives exclusive rights to the holders for a first exploration period of four years followed by two additional periods of two years each and also provisions for the continuation of the exclusive rights under any oil or gas development.

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

In Pancontinental’s’ opinion offshore Namibia has the potential to hold very large oil and gas reserves and it is very significantly under-explored. The very large 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 in recent years and it lies on the West African continental margin adjacent to Angola, where there have also been major oil discoveries.

The explorations “plays” in the Blocks are similar to some of those containing large oil and gas reserves offshore Angola and elsewhere in West Africa.

Pancontinental will explore the ponded basin floor turbidites, slope fans and channels seen under the company’s earlier Reconnaissance Licence. These targets are associated with a restricted graben trough interpreted to hold the rich and mature oil source rocks identified in regional wells. The potential reservoir rocks lay close to the oil source rocks.

MALTA OFFSHORE AREA 5; AREA 4, BLOCK 3

Pancontinental Oil & Gas NL - 80%

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. The Company is seeking a means of restarting exploration in the licence area as soon as possible and has been in negotiations with the Maltese authorities.

On 22 July, the Company, as joint venture Operator, met again with the Ministry in Malta and continued negotiations of a revised ESA.

MOROCCO MEDITERRANEE EST BLOCK (Application)

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 and the Company believes that there is a low probability of any advance in the foreseeable future; consequently the Company will not report on this project again until there is significant progress (if any).

AUSTRALIAN PROJECTS

EP 104 / R1 ONSHORE CANNING BASIN

Pancontinental Oil & Gas NL – 10%

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.

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

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.

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EP 424 OFFSHORE CARNARVON BASIN

Pancontinental Oil & Gas NL – 38.462%

The Joint Venture continues to seek 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.

Commercial negotiations, conducted over several months, 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.

A study has been undertaken to review the prospectivity of the Baniyas Prospect and results are expected to be announced in the coming months.

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 prosects 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

(i) On 13 April it was announced that Pancontinental and Jacka Resources Ltd ("Jacka") entered into a Joint Bidding Agreement whereby the two companies will cooperate in evaluating and applying for petroleum acreage in certain areas onshore East Africa.

The technical adviser and Directors of Jacka have extensive experience in Africa, having been closely involved with Hardman Resources before the takeover of Hardman by Tullow in 2007.

(ii) Pancontinental continued to examine a number of new exploration opportunities in Africa.

CORPORATE

On 12 April 2011 Pancontinental announced that Lodge Partners, as lead managers, placed 68,493,151 shares at $0.073 per share and raised $5 million before costs, pursuant to the Company's available placement facility. Funds raised by the placement will be used primarily to advance exploration activities in both offshore Kenya and Namibia as well as for working capital.

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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 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.