



Pancontinental Oil & Gas NL

ABN 95 003 029 543

Notice of Annual General Meeting

including

**Explanatory Statement
Proxy Form**

To assist Shareholders in their consideration of resolutions to be put to the Annual General Meeting of Shareholders of the Company to be held at the Holiday Inn City Centre, 788 Hay Street, Perth, Western Australia on 29 November 2011 at 11.30am.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Shareholders will be held at the Holiday Inn City Centre, 788 Hay Street, Perth, Western Australia on 29 November 2011 at 11.30am.

AGENDA

BY ORDINARY RESOLUTION

To consider, and if thought fit, to pass the following resolutions as ordinary resolutions:

Annual Financial Statements

To receive and consider the Annual Financial Statements, the Directors' Report and Auditor's Reports of the Company for the year ended 30 June 2011.

BY ORDINARY RESOLUTION

To consider, and if thought fit, to pass the following resolutions as ordinary resolutions:

1. Remuneration Report

To receive and adopt the Remuneration Report for the year ended 30 June 2011.

Note that the vote on this item is advisory only and does not bind the Directors or the Company.

The Company will disregard any votes cast on Resolution 1 by Key Management Personnel whose remuneration is included in the 2011 Annual Report Remuneration Report and any associate of such persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2. Issue of Options to Director – HD Kennedy

That, for the purposes of Listing Rule 10.11 and section 208 of the Corporations Act and for all other purposes, the Directors be and are authorised to issue, for no consideration, 750,000 Options, each exercisable on or before 28 November 2014 and at an exercise price equal to the amount which is 150% of the closing sale price of Shares on ASX on the last business day preceding the date Shareholders resolve to issue the Options, to Mr HD Kennedy or his nominee(s), on the terms and conditions set out in the Explanatory Statement which accompanies the Notice of Annual General Meeting (including section 2 of the Explanatory Statement).

The Company will in accordance with section 224 of the Corporations Act 2001 (Cth) and ASX Listing Rule 10.11 disregard any votes cast on Resolution 2 by Mr Kennedy and any associate of Mr Kennedy. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. Issue of Options to Director – RB Rushworth

That, for the purposes of Listing Rule 10.11 and section 208 of the Corporations Act and for all other purposes, the Directors be and are authorised to issue, for no consideration, 1,500,000 Options, each exercisable on or before 28 November 2014 and at an exercise price equal to the amount which is 150% of the closing sale price of Shares on ASX on the last business day preceding the date Shareholders resolve to issue the Options, to Mr RB Rushworth or his nominee(s), on the terms and conditions set out in the Explanatory Statement which accompanies the Notice of Annual General Meeting (including section 2 of the Explanatory Statement).

The Company will in accordance with section 224 of the Corporations Act 2001 (Cth) and ASX Listing Rule 10.11 disregard any votes cast on Resolution 3 by Mr Rushworth and any associate of Mr Rushworth. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

4. Re-Election of Director – EA Myers

To re-elect Mr Ernest Anthony Myers, who retires by rotation in accordance with the Constitution and, being eligible, offers himself for re-election as a Director.

5. Re-Election of Director – ARF Maslin

To re-elect Mr Anthony Robert Frederick Maslin, who having been appointed since the last Annual General Meeting, retires in accordance with the Constitution and, being eligible, offers himself for re-election as a Director.

6. Employee Incentive Scheme

That, for the purposes of Rule 7.2 of the Listing Rules and all other purposes, the Directors are authorised to implement and maintain an employee incentive scheme to be called the Pancontinental Oil & Gas NL Employee Incentive Scheme on and subject to the terms and conditions of the Scheme, a copy of which is in Section 3 of the Explanatory Statement which accompanies the Notice of Meeting (or such other terms and conditions as may be determined by the Directors from time to time, subject to the requirements of the Listing Rules).

The Company will disregard any votes cast on Resolution 6 by a Director of the entity except one who is ineligible to participate in any employee incentive scheme in relation to the entity and any associate of such persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

7. Ratification of share placement

“That, for the purposes of Rule 7.4 of the Listing Rules and all other purposes, the Company ratifies and confirms the issue of an aggregate of 68,493,151 fully paid ordinary shares in the Company at an issue price of 7.3 cents (\$0.073) each to clients of Lodge Partners.”

The Company will disregard any votes cast on Resolution 7 by a person or entity who participated in the issue and any person associated with those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Dated at Perth this 20th day of October 2011
By Order of the Board

V Petrovic
Company Secretary

NOTES

These notes form part of the Notice of Annual General Meeting. The Notice of Annual General Meeting should be read in conjunction with the accompanying Explanatory Statement.

Defined words and phrases used in this Notice of Annual General Meeting are defined in section 4 of the accompanying Explanatory Statement.

Voting Entitlements

In accordance with regulation 7.11.37 of the Corporations Regulations 2001, the Company determines that Shares held as at 5.00pm (WST) on 26 November 2011 will be taken, for the purposes of the annual general meeting, to be held by the persons who held them at that time. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Proxies

A proxy form is attached to the end of the Explanatory Statement.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be himself or herself be a member of the Company;
- a member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise half of the votes.

In accordance with section 250BA of the Corporations Act, the Company specifies the following information for the purposes of receipt of proxy appointments:

By mail and by hand during office hours.	288 Stirling Street, Perth, Western Australia 6000	By Facsimile:	+ 61 8 9227 3211
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Each member entitled to vote at the annual general meeting has the right to appoint a proxy to attend and vote at the meeting on his behalf. The member may specify the way in which the proxy is to vote on each resolution or may allow the proxy to vote at his discretion. The instrument appointing the proxy must be received by the Company at the address specified above at least 48 hours before the time notified for the meeting (proxy forms can be lodged by facsimile). If signing under a power of attorney, the power of attorney must be deposited at the Company's registered office for inspection and return, when the proxy is lodged.

Bodies corporate

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at meetings of a company's shareholders. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution.

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Explanatory Statement to Shareholders to Accompany Notice of Annual General Meeting

This Explanatory Statement has been prepared for the information of Shareholders in Pancontinental Oil & Gas NL in connection with the resolutions to be put to Shareholders at the Annual General Meeting of the Company to be held at the Holiday Inn City Centre, 788 Hay Street, Perth, Western Australia, on 29 November 2011 at 11.30am (WST)

Defined words and phrases used in this Explanatory Statement are defined in section 4 of this Explanatory Statement.

Section 1: The Resolutions

Financial Statements and Reports

The Corporations Act 2001(Cth) and the Company's Constitution require the following reports in respect of the year ended 30 June 2011 to be laid before the meeting:

- (i) the Financial Report (which includes the financial statements and Directors' declaration); and
- (ii) the Directors' Report and the Auditor's Report.

In accordance with the Corporations Act, Shareholders as a whole will be given a reasonable opportunity at the Annual General Meeting to ask questions.

The Corporations Act and the Company's Constitution do not require shareholder approval of these reports.

Resolution 1. Remuneration Report

Section 250R(2) of the Corporations Act requires the Company to propose a resolution that the Remuneration Report be adopted. Section 250R(3) provides that the vote on this resolution is advisory only and does not bind the Company or the Directors. In accordance with the Corporations Act, Shareholders as a whole will be given a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report. The Remuneration Report can be found in the Company's Annual Report 2011. The Annual Report contains a 2011 Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for the executive directors, specified executives and non-executive directors of the Company.

The Directors unanimously recommend that Shareholders vote in favour of this resolution.

Resolutions 2 and 3. Issue of Options to Directors

Shareholders will be asked at the meeting to approve the issue to Directors of a total of 2,250,000 Options, each exercisable on or before 28 November 2014 and at an exercise price equal to the amount which is 150% of the closing sale price of Shares on ASX on the last business day preceding the date Shareholders resolve to issue the Options to the Directors. The Options vest with the recipients after a period of 6 months from date of issue

The full terms and conditions of the Options are set out in Section 2 of this Explanatory Statement.

The issue of the Options is designed to encourage the Directors to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership. Under the Company's current circumstances the Directors consider that the incentives intended for the Directors represented by the issue of these Options are a cost effective and efficient means for the Company to provide a reward and an incentive, as opposed to alternative forms of incentive, such as the payment of additional cash compensation.

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The number of Options to be issued to each of the Directors has been determined based upon a consideration of:

- the remuneration of the Directors;
- the Directors' wish to ensure that the remuneration offered is competitive with market standards. The Directors have considered the proposed number of Options to be issued will ensure that the Directors' overall remunerations is in line with market standards; and
- incentives to attract and ensure continuity of service of directors who have appropriate knowledge and expertise.

The exercise price to be struck, being 150% of the closing sale price of Shares on ASX on the last business day preceding the date Shareholders resolve to issue the Options, was determined by the Directors as fair and equitable way for them to participate in any upside in the Company's performance.

The Company acknowledges the issue of Options to non-executive Director, Mr Kennedy, is contrary to recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the issue of the Options pursuant to Resolutions 2 to be reasonable in the circumstances given the Company's size and stage of development and the necessity to attract and retain the highest calibre of professionals to the role, whilst maintaining the Company's cash reserves.

The 2,250,000 Options proposed to be issued will not be listed on the ASX and as such will not be tradeable.

The 2,250,000 Options may be converted to ordinary shares by payment of the exercise price and may not have a present value at the date of issue. The Options may acquire future value dependent upon the extent to which the value of the ordinary shares exceeds the exercise price during the term of the Options.

Related Party Transactions generally

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a *related party* of the public company *unless* either:

1. the giving of the financial benefits falls within one of the nominated exceptions to the provision; or
2. shareholder approval is obtained prior to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E of the Corporations Act, each of the Directors is considered to be a related party of the Company.

Resolutions 2 and 3 provide for the issue of Options to the Directors which is a financial benefit which requires shareholder approval.

Current Holdings

Set out below are details of each of the Directors' relevant interest in the securities of the Company as at the date of this Notice of Annual General Meeting:

Director	Associates	Number of Shares	Number of unlisted options
HD Kennedy (Note 1)	Held directly	420,752	Nil
	Sundowner International Ltd	154,881,216	Nil
	Denne Pty Ltd	Nil	750,000 (\$0.096, 28/11/11) 750,000 (\$0.059, 28/11/12)
EA Myers	Direct	Nil	Nil
	Indirect	Nil	1,000,000 (\$0.096, 28/11/11)

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ARF Maslin		Nil	Nil
RB Rushworth (Note 2)	Direct Skye Grantees Limited	9,057,670 25,706,511	Nil 1,500,000 (\$0.096, 28/11/11) 1,500,000 (\$0.059, 28/11/12)

Notes:

- 1: Mr Kennedy is an associate of Sundowner International Limited and Denne Pty Ltd
- 2: Skye Grantees Limited holds the Pancontinental shares and options in its capacity as trustee for the Mulberry Trust of which Mr Rushworth is a beneficiary.

Information Requirements

For the purposes of Chapter 2E of the Corporations Act, the following information is provided.

The related parties to whom the proposed resolutions would permit the financial benefit to be given:

Subject to shareholder approval, the following maximum number of Options will be issued to the following related parties, or their respective nominees:

Director	Number of Options
HD Kennedy, or his nominee(s)	750,000
RB Rushworth, or his nominee(s)	1,500,000
Total	2,250,000

The nature of the financial benefit

The proposed financial benefit to be given is the issue of Options for no consideration to the Directors as noted above. The terms and conditions of the Options to be issued to the Directors are set out in section 2 to this Explanatory Statement.

Directors' recommendation

Messrs Myers, Maslin and Rushworth (who have no interest in the outcome of Resolution 2 recommend that Shareholders vote in favour of Resolution 2. Mr Kennedy declines to make a recommendation about Resolution 2 as he has a material personal interest in the outcome of that particular resolution as it relates to the proposed issue of Options to him or his nominee(s).

Messrs Kennedy, Myers and Maslin (who have no interest in the outcome of Resolution 3) recommend that Shareholders vote in favour of Resolution 3. Mr Rushworth declines to make a recommendation about Resolution 3 as he has a material personal interest in the outcome of that particular resolution as it relates to the proposed issue of Options to him or his nominee(s).

Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors.

The proposed ordinary Resolutions 2 and 3 would have the effect of giving power to the Directors to issue a total of 2,250,000 Options on the terms and conditions as set out in section 2 to this Explanatory Statement and as otherwise mentioned above.

The Company currently has 660,779,809 Shares on issue and the following unlisted options on issue:

Number of options	Exercise price	Expiry
9,250,000	\$0.096	28 November 2011
4,500,000	\$0.059	28 November 2012
13,750,000		

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If all Options issued as proposed above are exercised, and assuming no existing options on issue have been exercised, the effect would be to dilute the share holding of existing Shareholders by approximately 1%. The market price of the Company's Shares during the period of the Options will normally determine whether or not the Directors exercise the Options. At the time any Options are exercised and Shares are issued pursuant to the exercise of the Options, the Company's Shares may be trading at a price which is higher than the exercise price of the Options.

The Directors' fees per annum (including superannuation) and the total financial benefit to be received by them in this current period as a result of the issue of the Options the subject of Resolutions 2 and 3 are as follows:

Director	Salary/Fees p.a. (\$)	Value of Director Options (\$)	Total Financial Benefit (\$)
HD Kennedy	50,000	34,167	84,167
RB Rushworth	550,000	68,334	618,334
EA Myers ¹	48,000	-	48,000
ARF Maslin	48,000	-	48,000

Note 1

Mr Myers is a director of Resource Services International (Aust) Pty Ltd which provides staff, administration, accounting & corporate services to Pancontinental. The Company received fees of \$238,000 for these services in respect of the year ended 30 June 2011.

The above range of valuations is based on the share price of the Company of \$0.09, which is the price of Shares as at the date of the valuation, being 6 October 2011. A further valuation will be undertaken at the date of the actual issue of the Options to the Directors or their respective nominees.

Valuation of the Options

The Black-Scholes Option Pricing Model (BSOPM) for valuing options has been adopted assuming a market value of the ordinary shares of 9 cents (\$0.09) with a risk-free rate of 4.75%, volatility of 90% and an assumed exercise price of \$0.135. The BSOPM values each Option at approximately \$0.053, or a total value to each individual Director as follows:

Mr HD Kennedy	\$34,167
Mr RB Rushworth	\$68,334

The following table gives details of the highest, lowest and latest price of the Company's Shares trading on ASX over the past 12 months ending on 6 October 2011:

Security	Highest Price (\$)	Date of highest price	Lowest Price (\$)	Date of lowest price	Latest Price on 6 October 2011 (\$)
Shares	\$0.145	4 July 2011	\$0.035	25 November 2010	\$0.09

Under the Australian Equivalent of IFRS, the Company is required to expense the value of the Options in its statement of financial performance for the current financial year. Other than as disclosed in this Explanatory Statement, the Directors do not consider that from an economic and commercial point of view, there are any costs or detriments including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in issuing the Options pursuant to Resolutions 2 and 3.

Neither the Directors nor the Company are aware of other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by the proposed resolutions.

Listing Rule 10.11

Listing Rule 10.11 requires shareholder approval by ordinary resolution to any issue by a listed company of securities to a related party. Accordingly, Listing Rule 10.11 requires Shareholders to approve the issue of Options to the Directors.

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Additional Information

The following information in relation to the Options to be issued pursuant to Resolutions 2 and 3 is provided to Shareholders for the purposes of Listing Rule 10.13:

- (a) the Options will be issued to the Directors, or their nominees, as noted above;
- (b) the maximum number of Options to be issued is 2,250,000;
- (c) the Options will be allotted and issued on a date which will be no later than 1 month after the date of this meeting, unless otherwise extended by way of ASX granting a waiver to Listing Rule 7.3.2;
- (d) the Options will be issued for no consideration;
- (e) no funds will be raised by the issue of the Options; and
- (f) the terms and conditions of the Options are set out in section 2 to this Explanatory Statement.

If approval is given for the issue of the Options under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Resolution 4. Re-election of Mr EA Myers as a Director

Pursuant to the Company's Constitution, Mr Myers, being a Director and retiring by rotation, offers himself for re-election as a Director.

Mr Myers has over thirty years experience in the exploration and resources industry. He is an accountant by profession and a member of CPA Australia.

He has held senior management positions in ASX listed exploration and mining companies over the past thirty years. Mr Myers was Company Secretary of Pancontinental from 2004 to 2009 and became Finance Director in January 2009. He has been heavily involved in the day to day management of the Company during this time and all fundraising initiatives undertaken by Pancontinental. He has extensive experience in exploration and operational issues, particularly in Kenya, Tanzania, Namibia and Eritrea.

The Directors of the Company recommend that shareholders vote in favour of the re-election of Mr Myers. The Chairman intends to vote undirected proxies in favour of this resolution.

Resolution 5. Re-election of Mr A R F Maslin as a Director

Pursuant to the Company's Constitution, Mr Maslin, being a Director and having been appointed since the last Annual General Meeting, retires and, being eligible, offers himself for re-election as a Director.

Mr Maslin is a stockbroker with 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. Mr Maslin is also a director of Buxton Resources Ltd (since November 2010).

The Directors of the Company recommend that shareholders vote in favour of the re-election of Mr Myers. The Chairman intends to vote undirected proxies in favour of this resolution.

Resolution 6. Employee Incentive Scheme

That, for the purposes of Rule 7.2 of the Listing Rules and all other purposes, the Directors are authorised to implement and maintain an employee incentive scheme to be called the **Pancontinental Oil & Gas NL Employee Incentive Scheme** on and subject to the terms and conditions of the Scheme, a copy of which is contained in Section 3 of the Explanatory Statement which accompanies the Notice of Meeting (or such other terms and conditions as may be determined by the Directors from time to time, subject to the requirements of the Listing Rules).

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Resolution 7. Ratification of Share Placement

This resolution ratifies a placement of 68,493,151 fully paid ordinary shares. The placement was completed on 18 April 2011.

The following additional information is provided to shareholders in accordance with Listing Rule 7.5 to assist in assessing the resolution :

- a) The number of securities allotted was 68,493,151 fully paid ordinary shares.
- b) The price at which the shares were issued was \$0.073 cents per share.
- c) The terms of the shares are the same as those governing the current issued ordinary shares in the Company.
- d) The allottees were clients of Lodge Partners.
- e) The funds raised (\$5,000,000) were used to fund further exploration expenditures and for the day to day operating expenses of the Company.
- f) The shares were quoted on ASX on 18 April 2011.

This resolution is an ordinary resolution requiring a simple majority of Shareholders present and voting. The Chairman intends to vote undirected proxies in favour of this resolution.

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. Section 2: Terms and Conditions of the Options proposed to be issued to Directors

- a) No monies are payable for the issue of the Options.
- b) Each Option carries the right in favour of the Option holder to subscribe for one Share.
- c) Subject to the Listing Rules, Shares subscribed for on exercise of the Options are issued at the Exercise Price of an amount equal to 150% of closing sale price of Shares on ASX on the last business day preceding the date on which it was resolved by shareholders to issue the Options to Directors.
- d) Unless otherwise approved by resolution of Shareholders the Options are exercisable after a period of six months has elapsed from the date of issue.
- e) The Options issued must be exercised on or before 28 November 2014.
- f) Notwithstanding paragraph (d) an Option holder may exercise any of the Options during a Takeover Period.
- g) Subject to the Listing Rules, an Option holder may not sell, transfer, assign, give or otherwise dispose of, in equity or in law, the benefit of the Options, other than to an Eligible Nominee of that Option holder.
- h) The Options cannot be listed for official quotation on ASX nor on any other official stock exchange in any other country.
- i) The Options are exercisable by the delivery to the Company of the Option exercise form appearing on the reverse of the option certificate stating the intention of the Option holder to exercise all or a specified number of the Options held by the Option holder accompanied by the option certificate and a cheque made payable to the Company for the Exercise Price for each of the Options to be exercised. An exercise of only some of the Options does not affect the rights of the Option holder to the balance of the Options held by the Option holder.
- j) The Company must allot the resultant Shares and dispatch the holding statements within five business days of the exercise of the Options.
- k) Shares allotted pursuant to an exercise of Options rank, from the date of allotment, equally with existing Shares of the Company in all respects.
- l) The Company must within 3 business days of allotment make application to have Shares allotted pursuant to an exercise of the Options listed for official quotation by ASX and any other stock exchange on which the Shares are quoted from time to time.
- m) There are no participating rights or entitlements inherent in the Options and holders are not entitled to participate in new issues of capital offered to shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 10 business days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- n) There will be no change to the exercise price of the Option or the number of Shares over which the Option is exercisable in the event of the Company making a pro rata issue of Shares or other securities to the holders of Shares (other than a bonus issue).
- o) If there is a bonus share issue (**Bonus Issue**) to the holders of Shares, the number of Shares over which the Options are exercisable will be increased by the number of Shares which the Option holder would have received if the Options had been exercised before the record date for the bonus issue (**Bonus Shares**). The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank equally in all respects with the other shares of that class on issue at the date of issue of the Bonus Shares.
- p) In the event of a re-organisation of the issued capital of the Company the Options must be re-organised in accordance with the Listing Rules.

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Section 3. Employee Incentive Scheme 2011

1. Commencement

Subject to the passing of an ordinary resolution authorising the establishment of the Scheme at the Annual General Meeting of the Company to be held on 29 November 2011 the Scheme takes effect from such date subsequent to that meeting.

2. Interpretation

In these Rules, unless the context otherwise requires:

- **ASX** means Australian Securities Exchange Limited;
- **Company** means Pancontinental Oil & Gas NL (ABN 95 003 029 543);
- **Directors** means the Board of Directors, or any of them, of the Company from time to time;
- **Eligible Employee** means a part time employee, full time employee, contractor, consultant, officer, executive director or non-executive director of the Company or a related corporation.
- **Eligible Nominee** means a spouse of an Eligible Employee, a body corporate in which an Eligible Employee is beneficially entitled to not less than 50% of the issued voting share capital, or a trustee of a family trust established for the benefit of the family of the Eligible Employee, in their capacity as trustee;
- **Listing Rules** means the Listing Rules of ASX;
- **Options** means options to subscribe for fully paid ordinary shares in the capital of the Company;
- **Scheme** means the Pancontinental Oil & Gas NL Employee Incentive Scheme established in accordance with these Rules;
- **Related Corporation** means a related body corporate within the meaning of section 50 of the Corporations Act;
- **Rules** means these rules as from time to time amended;
- **Share** means a fully paid ordinary share in the capital of the Company;
- **Strike Price** means the amount equal to 150% of the closing sale price of Shares on ASX on either, the last business day preceding the date on which it was resolved by the directors to issue EIS Options to Eligible Employees, or in the event of shareholder approval being necessary for the issue of EIS Options to Eligible Employees, the last business day preceding the date on which it was resolved by the directors to issue the EIS Options, subject to the obtaining of shareholder approval; and
- **Takeover Period**, in relation to a takeover scheme or takeover announcement in respect of shares in the Company, means the period referred to in the definition of that expression in section 603 of the Corporations Act, provided that where a takeover scheme is publicly announced prior to the service of a Part A Statement on the Company in relation to that takeover scheme, the Takeover Period will be deemed to have commenced at the time of that announcement.

Words denoting the singular number include the plural number and vice versa and words denoting a gender include all genders.

3. Eligibility

- All Eligible Employees who the Directors may determine, in their absolute discretion without having to assign reasons therefore, shall be eligible to participate in the Plan;
- Directors may only participate in the Plan with the prior approval of shareholders in accordance with the Listing Rules

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4. **Limitation on Number of Options Issued**

The total number of Shares the subject of an offer or invitation to Eligible Employees made under the Scheme (**the Offer**) at any time shall not exceed 5% of the total number of issued shares in that class at the date of the Offer when aggregated with:

- the total number of Shares in the same class as the Shares the subject of the Offer that would be issued were each outstanding offer, invitation or option to acquire unissued Shares made pursuant to the Scheme, otherwise on issue or any other employee share scheme accepted or exercised (as the case may be); and
- the number of Shares in the same class as the Shares the subject of the Offer issued by the Company under all employee share schemes or employee option schemes during the previous five years.

5. **Entitlements**

Subject to Rule 4, the number of Options (if any) which an Eligible Employee is granted shall be determined by the Directors in their discretion. The determination of the Directors in each case shall be absolute and the Directors shall not be obliged to give reasons to an Eligible Employee for any such determination. Nothing in these Rules shall prohibit the Directors from determining to grant Options to an Eligible Employee on more than one occasion.

6. **Application**

If the Directors determine that Options are to be granted to certain Eligible Employees under the Scheme, such Eligible Employees who are chosen shall be invited to apply in their own names or in those of an Eligible Nominee to take up, in whole or in part, their entitlement to those Options under the Scheme.

7. **Acceptance**

The Company shall be obliged to accept any application made in terms of Rule 6, provided that the application accords, in all respects, with these Rules and is for such number of Options, or part thereof, to which the Eligible Employee is entitled. Upon acceptance of a duly complying application the Company, within ten business days, shall deliver an Option certificate in respect of the Options applied for to the Eligible Employee or the Eligible Nominee, as the case may be.

8. **Terms and Conditions**

- a) No monies will be payable for the issue of Options.
- b) Each Option shall carry the right in favour of the Option holder to subscribe for one Share.
- c) Subject to the Listing Rules, the Shares subscribed for on exercise of Options shall be issued at the Strike Price, and shall be payable in full on exercise of the Options.
- d) Unless otherwise approved by resolution of Directors, Options issued pursuant to the Plan shall, subject to paragraph (g), be exercisable after a period of six months has elapsed from the date of issue
- e) Options issued pursuant to the Scheme must be exercised within five years after their date of issue.
- f) Notwithstanding paragraph (d), but subject always to paragraph (g), an Option holder may exercise any Options during a Takeover Period.

For the avoidance of doubt, paragraph (g) does not permit the exercise of any Option by any Option holder who:

- i. ceased to be an Eligible Employee; or
 - ii. is the Eligible Nominee of a person who ceased to be an Eligible Employee, prior to the commencement of the Takeover Period.
- g) Unless otherwise approved by a resolution of the Directors, upon a person ceasing to be an Eligible Employee (**the Past Eligible Employee**) all Options issued to the Past Eligible Employee or his Eligible Nominee pursuant to the Scheme must be exercised by the Past Eligible Employee or the executor or administrator of the Past Eligible Employee's estate in the event of death within 6 months of the Past Eligible Employee ceasing to be an Eligible Employee (**Retirement Date**) or they will cease to have any force or effect but only those Options that the Past Eligible Employee or his Eligible Nominee was entitled (other than by virtue of paragraph (f)) to exercise at the Retirement Date may be exercised.

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- h) Subject to the Listing Rules, an Option holder may not sell, transfer, assign, give or otherwise dispose of, in equity or in law, the benefit of the Options, other than to an Eligible Nominee of that Option holder.
- i) Options shall not be listed for official quotation on ASX nor on any other official stock exchange in any other country.
- j) Options shall be exercisable by the delivery to the Registered Office of the Company of the Option exercise form appearing on the reverse of the Option certificate stating the intention of the Option holder to exercise all or a specified number of Options held by the Option holder accompanied by the Option certificate and a cheque made payable to the Company for the subscription moneys for the Shares. An exercise of only some Options shall not affect the rights of the Option holder to the balance of the Options held by the Option holder.
- k) The Company shall allot the resultant Shares and despatch the holding statements within five business days of the exercise of the Option.
- l) Shares allotted pursuant to an exercise of Options shall rank, from the date of allotment, equally with existing Shares of the Company in all respects.
- m) The Company shall within 3 business days of allotment make application to have Shares allotted pursuant to an exercise of Options listed for official quotation by ASX and any other stock exchange on which the Shares are quoted from time to time.
- n) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 10 business days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- o) There will be no change to the exercise price of the Option or the number of Shares over which the Option is exercisable in the event of the Company making a pro rata issue of Shares or other securities to the holders of Shares (other than a bonus issue).
- p) If there is a bonus share issue (**Bonus Issue**) to the holders of Shares, the number of Shares over which the Option is exercisable will be increased by the number of Shares which the Option holder would have received if the Option had been exercised before the record date for the bonus issue (**Bonus Shares**). The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank equally in all respects with the other shares of that class on issue at the date of issue of the Bonus Shares.
- q) In the event of a re-organisation of the issued capital of the Company the Options shall be re-organised in accordance with the Listing Rules.

9. **Amendment of the Scheme**

The Scheme may not be amended without the prior approval of shareholders of the Company in general meeting held in accordance with the Listing Rules.

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Section 4: Glossary of Defined Terms

The following terms and abbreviations used in this Explanatory Statement and Notice of Meeting have the following meanings:

ASX means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

Board means the board of Directors.

Business Day means a day on which trading takes place on the stock market of the ASX.

Company means Pancontinental Oil & Gas NL (ABN 95 003 029 543).

Constitution means the Company's Constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company.

Dollar or \$ means Australian dollars unless otherwise indicated.

Eligible Nominee means a spouse of a Director, a body corporate in which a Director is beneficially entitled to not less than 50% of the issued voting share capital, or a trustee of a family trust established for the benefit of the family of the Director, in their capacity as trustee.

Listing Rules means the official Listing Rules of the ASX.

Options means the options to acquire Shares proposed to be granted pursuant to Resolutions 2 and 3, the terms and conditions of which are set out in section 2 of this Explanatory Statement.

Share means an ordinary fully paid share in the Company.

Shareholder means the holder of one or more Shares.

Takeover Period, in relation to a takeover bid in respect of shares in the Company, means the period referred to in section 624 of the Corporations Act as extended under the Corporations Act, provided that where a takeover bid is publicly announced prior to the service of a Part A Statement on the Company in relation to that takeover bid, the Takeover Period is deemed to have commenced at the time of that announcement.

WST means Australian Western Standard Time.

PROXY FORM

I of
 being a member of Pancontinental Oil & Gas NL hereby appoint

..... of
 or failing him

..... of
 or failing them, the Chairman of the meeting as my proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held at the Holiday Inn City Centre, 788 Hay Street, Perth, Western Australia, on 29 November 2011 at 11.30am WST and at any adjournment thereof.

If no person is named above or if the person named does not attend the meeting or is not a legally effective choice the Chairman of the meeting will be my/our proxy to vote for me/us on my/our behalf at the meeting or any adjournment of the meeting. I/we understand that the Chairman intends to vote undirected proxies in favour of all Resolutions.

I/we understand that if I/we have not directed my/our proxy how to vote, my/our proxy may vote or abstain from voting as he or she thinks fit.

RESOLUTIONS

		FOR	AGAINST	ABSTAIN
1	Remuneration Report			
2	Issue of Options to HD Kennedy			
3	Issue of Options to RB Rushworth			
4	Re-elect EA Myers as a director			
5	Re-elect ARF Maslin as a director			
6	Adoption of Employee Incentive Scheme			
7	Ratify Share Placement			

If the Chair of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy, in respect of a Resolution, please place a mark in the box. By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest even if he has an interest in the outcome of the resolutions and that the votes cast by the Chair of the meeting for those resolutions other than as proxy holder will be disregarded because of that interest. **The Chair intends to vote any such undirected proxies in favour of all Resolutions.** If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your vote on the Resolutions and your votes will not be counted in calculating the required majority if a poll is called on the Resolutions.

Dated this.....day of.....2011

**If the member is a company, it must sign in accordance with its constitution
 Please sign on the reverse of this form**

Proxy forms (and power of attorney, if any, under which the proxy form is signed) must be sent by mail or delivered to 288 Stirling Street, Perth, Western Australia, 6000 or by fax to: +61 8 9227 3211

If the member is a company:

Pancontinental Oil & Gas NL

ABN 95 003 029 543

EXECUTED by)
)
ACN)
in accordance with section 127 of the)
Corporations Law)

.....
Director/Company Secretary*

.....
Director/Sole Director and Sole Company Secretary*

.....
Name of Director/Company Secretary*
(BLOCK LETTERS)

.....
Name of Director/Sole Director and Sole Company
Secretary* (BLOCK LETTERS)

*Delete whichever is not applicable

OR

.....
Signature

.....
(Insert capacity in which duly authorised officer is
signing for a member which is a company)

If the member is an individual or joint holders:

.....
Signature

.....
Signature

Instructions for appointment of proxy

1. A member entitled to attend and vote at the Annual General Meeting convened by the above Notice of Annual General Meeting is entitled to appoint not more than 2 proxies to vote on the member's behalf.
2. Where 2 proxies are appointed and the appointment does not specify the proportion or number of the member's votes each proxy may exercise half of the member's voting rights.
3. A proxy need not be a member.
4. Proxy forms (and the power of attorney, if any, under which the proxy form is signed) must be received at 288 Stirling Street, Perth, Western Australia, fax number (08) 9227 3211 no later than 48 hours before the time fixed for holding the meeting.
5. Appointment of a proxy by a member being a natural person must be under the hand of the member or of an attorney appointed in writing by the member.
6. Appointment of a proxy by a member being a body corporate must be under the common seal of the body corporate or under the hand of an attorney appointed in writing by the body corporate.
7. If signing under a power of attorney, the power of attorney must be deposited at the Company's registered office for inspection and return, when the proxy is lodged.
8. The proxy appointment may be a standing appointment for all general meetings until it is revoked.

As permitted by the Corporations Act, the Company has determined that all securities of the Company registered as at 5.00pm WST on 26 November 2011 will be taken for purposes of the meeting, to be held by the persons who are the registered holders. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Proxy forms (and power of attorney, if any, under which the proxy form is signed) must be:
sent by mail or delivered to 288 Stirling Street, Perth, Western Australia, 6000 or by fax to: +61 8 9227 3211