



PANCONTINENTAL

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
Web: www.pancon.com.au

ASX Announcement

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Chairman's Address to the AGM

Despite the gathering economic storm clouds, the oil and gas industry continues to be buoyant, particularly in Pancontinental's main focus areas in Africa, and I am pleased to report the past year has been quite good for your company.

For some years Pancontinental has had a strategy of exploring in overlooked regions that it considers to have very large oil potential, rather than gas potential. We have been working in Kenya in East Africa and Namibia in Southwest Africa for about ten years. It is pleasing to report that these regions are now the two "hot spots" of African oil exploration, and arguably the two most promising and sought after areas worldwide, alongside offshore Brazil. The level of industry enthusiasm for East Africa and Namibia is now so high that there is virtually no vacant acreage for application.

Looking first at East Africa, the oil majors which have surged into the region include Shell, Total, ENI, Petrobras, Anadarko, Apache, Tullow and BG Group. Several of these are now Pancontinental's partners in Kenya.

After a number of significant gas discoveries in the last two years, the most recent discovery, by ENI, offshore Mozambique is reported to hold 22 Trillion Cubic Feet of gas – quite sufficient for a multi-train LNG project. We expect to see at least two major LNG developments south of Kenya in the coming years. Against this background, Pancontinental has been pursuing its policy of looking for oil rather than gas in this region.

Offshore Kenya, some years ago we identified what we believed to be an oil prone zone and in this zone we acquired Blocks L6 and L8. This year, to strengthen our oil asset package in Kenya, we acquired interests in two new exploration licenses in what we believe to be the same oil-prone zone, with new licenses L10A and L10B.

In Kenya L8 we have identified and fully mapped, now with 3D seismic, the very large and potentially oil-bearing Mbawa Prospect. Under the stewardship of the new operator, Apache, we are planning to drill Mbawa in 2012. Apache is well known in Australia as a very experienced offshore operator, and Pancontinental's farminee, Tullow, is arguably Africa's most successful oil explorer of recent years.

With the possibility of more than 5 Billion Barrels of oil, Mbawa has the potential to place Pancontinental amongst the leaders of Australian petroleum companies. Based on current budgets, the company will retain 15%, and be free carried by Tullow through most of the Mbawa drilling.

Our major partner in the new L10A and L10B licenses is BG Group, which is the UK's eighth biggest company and major international LNG and oil producer. Pancontinental holds 15% in these licenses.

With BG as operator in the L10 Blocks, we are pursuing a very aggressive exploration programme. 3D seismic acquisition has already begun, and a well is planned in each block before mid-2014.

Turning now to Namibia, you may be aware of the flurry of exploration activity over the last two years. We expect that there will be as many as 8 wells drilled offshore Namibia before mid 2013, and a number of these should be early in 2012.

After some years of effort we have recently been awarded the very large EL0037 licenses, offshore in Namibia's Walvis Basin. Pancontinental operates this project and has an 85% interest. Again, the Company has selected this location because we believe it will be oil bearing rather than gas prone, and this may not be the case for all locations offshore Namibia.

The exploration programme in Namibia is starting with new mapping of existing data, and we then plan 2D and/or 3D seismic over the most promising leads and prospects.

Pancontinental's Malta project continues to cause frustration as we continued discussions with the Maltese authorities during the year. While we are pursuing a positive outcome for the Company, we do not know when we will be able to resume exploration of these areas.

Our older Australia projects have seen only limited activity and we are considering selling out of at least one of these projects.

Looking now to corporate matters, early in 2011 we were successful in raising some five million dollars through private placements.

Your CEO and Finance Director carried out lengthy road shows in London and in Australian cities, and the company was well received in all locations. The exploration and promotional efforts resulted in a share price rise from 4 cents to a peak of more than 14 cents during the year, although it is presently lower in sympathy with general Market sentiment.

I am very pleased that your companies CEO, Barry Rushworth, has accepted an extension of his employment for a further three years, and that Mrs. Vesna Petrovic, who has extensive African experience, has been appointed Company Secretary.

Mr. Ernie Myers continues as our valued Finance Director, and we welcome Mr. Anthony Maslin as an Independent Director in 2010. Anthony brings to the Board extensive experience in financial markets and the resources industry.

In the investment community, Pancontinental is now being seen as a significant explorer. Amongst a swelling number of large companies in Africa, Pancontinental is recognised as one of a few small, Africa – focussed exploration companies. In the current environment we are extremely well placed to ride the world-scale wave of African enthusiasm. We look forward to an active and successful future.