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KENYA L8 - MBAWA DRILLING UPDATE

Pancontinental Oil & Gas NL ("Pancontinental") announces that the Mbawa-1 exploration well in the L8 licence area offshore Kenya has reached a final total depth of 3,151 metres below the drill floor.

As announced, the Mbawa-1 well encountered approximately 52 metres (~170 feet) of net gas pay in porous Cretaceous sandstones in the primary target.

At the level of the deeper secondary target the well did not contain hydrocarbons at this location. Pancontinental will provide more information on the potential of the deeper play in due course.

The operator is currently running wireline logs. On conclusion of this work the well will be plugged as originally planned, and as is usual for an exploration well of this kind.

Pancontinental is very pleased with outcome of the Mbawa-1 exploration well, which has made a substantive hydrocarbon discovery.

Barry Rushworth, CEO and Director of Pancontinental said:

"We are delighted to have made a significant discovery with this first exploration well.

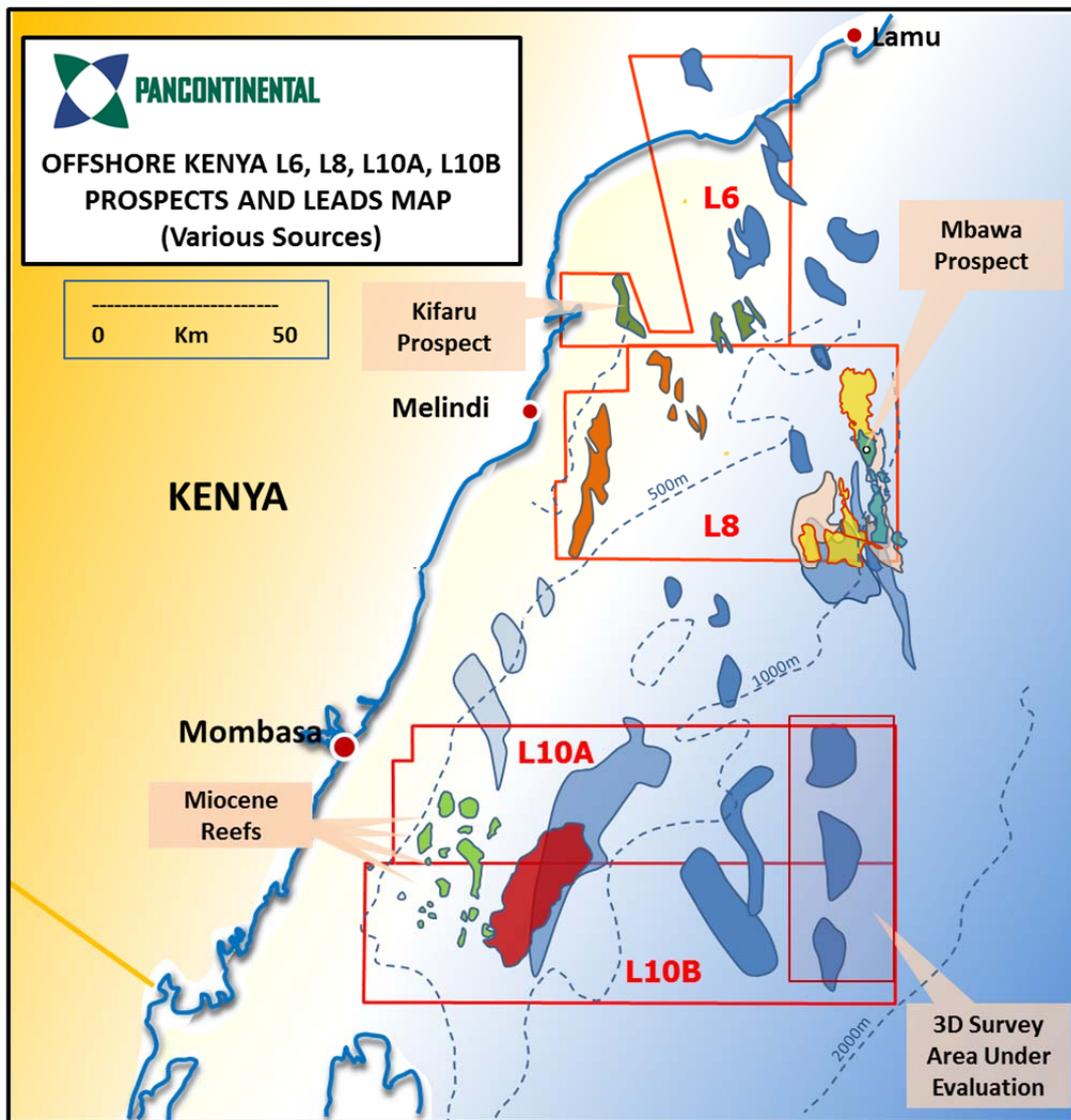
We are also delighted to be the first to prove the existence of a working hydrocarbon system offshore Kenya.

The Kenya L8 Joint Venture partners will now analyse the well data and determine an exploration plan for the next phase of exploration activities.

Mbawa-1, our first exploration well, has unlocked the door to the oil and gas potential offshore Kenya, and Pancontinental has secured a major position in our four project areas".

Pancontinental looks forward to providing more information on the Mbawa-1 exploration well results when the well data has been more extensively analysed and correlated.

Additional information about Mbawa is available in previous reports issued by Pancontinental and available on the company's website www.pancon.com.au



The Kenya L8 Joint Venture consortium consists of-

Apache Corporation (Operator)	50%
Origin Energy Limited	20%
Pancontinental Oil & Gas NL	15%*
Tullow Kenya B.V.	15%

* Pancontinental's 15% interest is "free-carried" through Mbawa drilling by Tullow Oil plc up to a "cap" of US\$ 9 million (as reduced by other exploration expenditure). After the first earning phase Tullow has an option to earn a further 5% by providing funding on Pancontinental's behalf to a cap of US\$ 6 million in any second well.

Pancontinental's website is 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.