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SUNBIRD-1 DRILLING OFFSHORE KENYA PLANNED TO COMMENCE MID- JANUARY 2014

- **Sunbird Prospect approved for the first exploration well by the Kenya L10A Joint Venture, led by BG Group**
- **Sunbird-1 drilling planned to commence mid-January 2014 using drillship Deepsea Metro-1**
- **Sunbird-1 will be a play-opening first-ever test of a Miocene Pinnacle Reef offshore East Africa**
- **Numerous other Prospects and Leads have been high-graded for a second L10A / L10B well, potentially mid-late 2014**

Pancontinental Oil & Gas NL ("Pancontinental") is pleased to announce that final preparations are under way for the Sunbird-1 exploration well in licence area L10A offshore Kenya, with a best-estimate commencement date between 9 to 12 January 2014.

Sunbird-1 will be the first-ever test of a Miocene Pinnacle Reef offshore East Africa and the first-ever exploration well within L10A in the Lamu Basin offshore southern Kenya.

L10A operator BG Group intends to use the drillship Deepsea Metro 1 to drill Sunbird-1. The drillship is on contract to BG Group and is currently drilling offshore Tanzania.

Barry Rushworth, CEO and Executive Director of Pancontinental commented -

"We are very pleased to have been allocated the Deepsea Metro 1 for drilling next month. The Sunbird Prospect is one of a number of Miocene Reefs that have never before been properly tested offshore East Africa. Miocene Reefs globally have a high record of success for oil and gas and they are often highly productive, due to high porosity and permeability.

Commercial oil has not yet been discovered offshore East Africa, however oil shows in reservoir-quality sands (Kubwa-1), the discovery of gas from a possible mixed gas/oil source rock (Mbawa-1) offshore Kenya, the nearby Pemba Island oil seep and oil slicks on satellite imagery, all lead us to believe that Pancontinental and its partners are pursuing an important oil play offshore Kenya.

Pancontinental believes the inboard area of L10A is 'oily' and the Joint Venture is targeting a significant oil opportunity in Sunbird-1. The Joint Venture is looking to be the first group to make a first commercial oil discovery in a region that continues to have increasing attention from the industry majors."

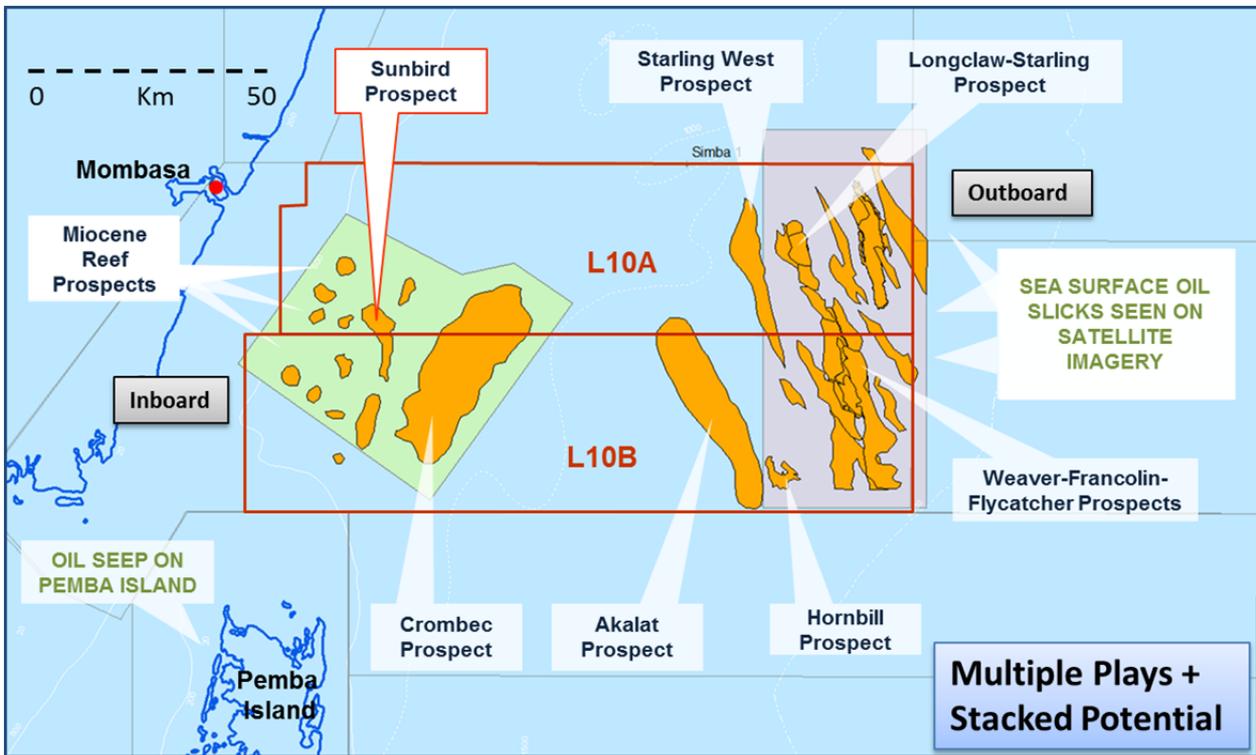


Figure 1: Map of L10A and L10B Prospects and Leads

The Sunbird Prospect is a buried Miocene Pinnacle Reef build-up, straddling the western sector boundary of the L10A / L10B areas. The licence areas together cover 10,547 sq km in water depths from 200m to 1,800m offshore from the port of Mombasa.

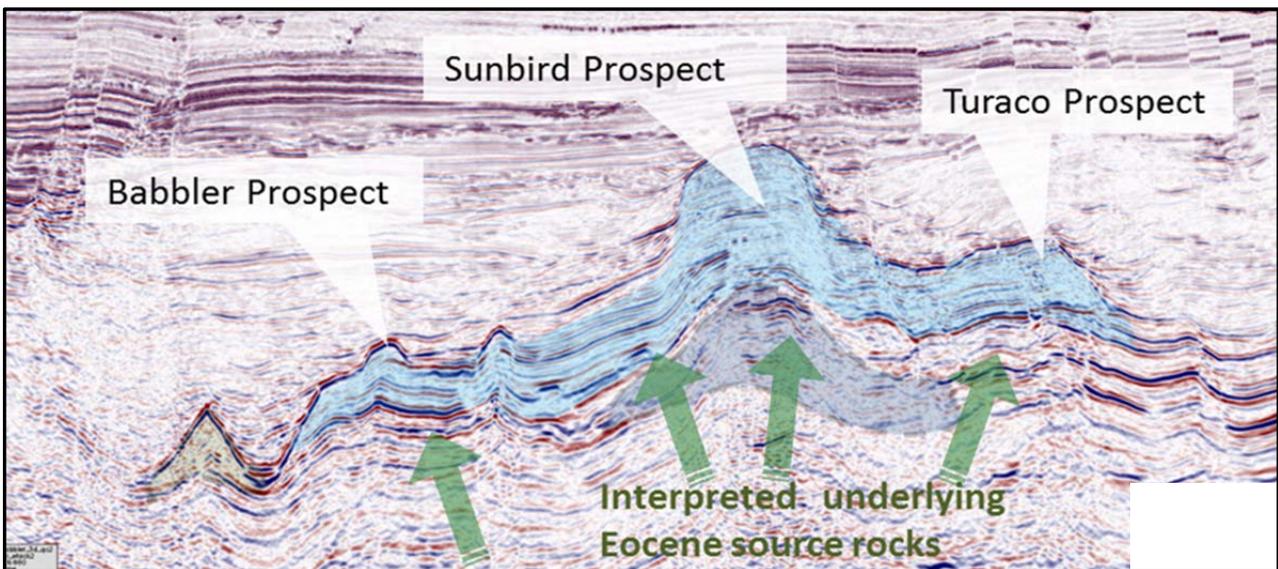


Figure 2: Seismic Cross Section through L10A / L10B Miocene Reef Prospects

The Sunbird well is planned to take 50 to 60 days to drill to 3,000m below sea level, with an option to extend to 3,700m. It is intended to plug and abandon the well regardless of the drilling outcome. Water depth is 721m.

The Sunbird Prospect is a “textbook” Miocene Reef, with a prominent central reef core and a detrital skirt of talus material. It is interpreted that the reef was “drowned” by rising sea levels and then buried and sealed by fine grained hemipelagic sediment.

In a number of regions around the globe buried Miocene Reefs host large oil and gas reserves, such as the extensive reefs of Southeast Asia and the pinnacle reefs of Libya.

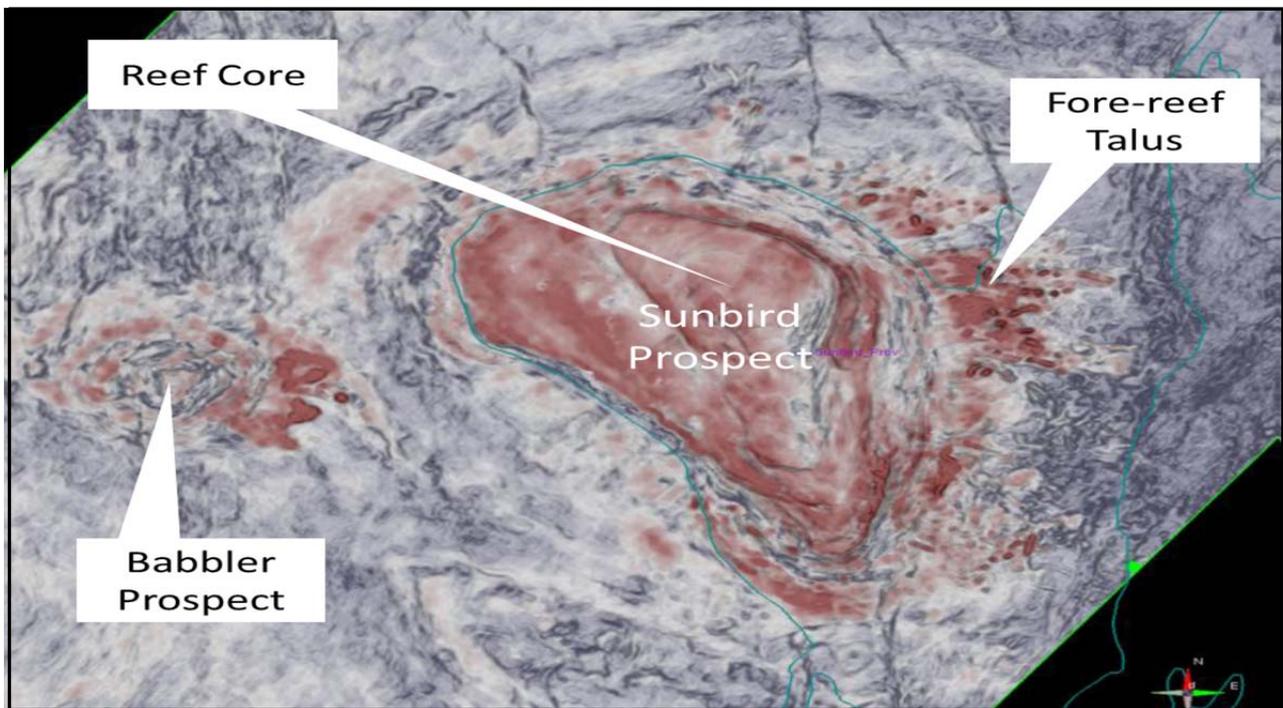


Figure 3: Seismic Image of Sunbird Prospect

Miocene Reefs are often relatively shallow (700 to 2,000m burial depth), and are noted for their high porosity, permeability, and high flow rates of oil and /or gas.

The Sunbird Prospect covers an area of 73 sq km, including the flanking areas, with vertical relief of approximately 700m.

While not all Miocene Reefs globally contain oil or gas and it will not be known if the Sunbird Prospect contains any oil or gas until drilling has been undertaken, some examples of successful discoveries in Miocene Reefs and related carbonate plays are-

- Intisar 'D' Oil Field, Libya, Area approx 13 sq km, 291m oil column, approximately 1.6 Billion Stock Tank Barrels Oil Initially In Place (STBOIIP)¹
- Nido Oil Field, Philippines, Area 1.5 sq km, Oil Column 200m, approximately 26.3 Million STBOIIP (3P)²
- Central Luconia Field, Indonesia, Area 90.5 sq km approximately 7 Tcf Gas Initially In Place³

Pancontinental holds licences over approximately 4/5ths of what it interprets to be the Miocene reef trend offshore Kenya. In the event of a Sunbird-1 discovery, Pancontinental has access to approximately 20 other buried reefs and reef-like features it believes to be present over its four licence areas; a portion of these are in the L10 licence areas. Considerable further seismic and mapping is required to verify and define these features.

Additional Drilling

The L10 Operator, BG Group, is continuing to map Prospects and Leads using the 4,800 sq km of 3D seismic data acquired in two surveys over the last two years.

A number of other Prospects have been mapped for possible drilling after Sunbird-1.

In the western sector the very large Crombec Lead continues to be mapped. Crombec is a large faulted anticline covering 550 sq km, with vertical relief of about 400m. It is one of number of Prospects and Leads that are being considered for drilling mid-late 2014.

Sources- 1. AAPG Special Volumes Pub. Id: A012 (1980)
 2. Offshore Energy Today.com Nov 17 2011
 3. OnePetro – IPT Conference 3-5 December 2008 Document ID 12327-MS

Barry Rushworth, CEO and Executive Director of Pancontinental further commented -
"Through its four licences Pancontinental has access to approximately 4/5ths of the Miocene Reef trend offshore southern Kenya.

In L10A and L10B, our inboard reefs are about 50km from the port of Mombasa and are in relatively shallow water. In the event of a discovery there are multiple follow-ups for drilling in both the L10 licences and our two other licences.

Elsewhere in the L10 areas the clastic channel and other sandstone prospects that are still being mapped form a spectrum of other opportunities for a second well that is tentatively planned for mid-late 2014".

L10A Joint Venture

Premier Oil has elected not to participate in the Sunbird-1 well and has withdrawn from the L10A Joint Venture. Ministerial approval has been given for the withdrawal and the Premier interest has been taken up pro-rata by the other participants.

The Kenya L10A consortium now consists of –

BG Group (Operator)	50%
PTTEP	31.25%
Pancontinental	18.75%

About the Operator – BG Group

BG Group plc (LSE: BG.L) is a world leader in natural gas, with a broad portfolio of business interests focused on exploration and production and liquefied natural gas (LNG). Active in more than twenty countries on five continents, BG Group combines a deep understanding of gas markets with a proven track record in finding and commercialising reserves.

BG Group is the twelfth-largest publicly listed company on the London Stock Exchange.

About Pancontinental

Pancontinental Oil & Gas NL is an independent oil and gas exploration company listed on the Australian Securities Exchange (ASX: PCL).

Pancontinental's focus is on exploring for oil in new frontiers in Africa and surrounding regions and it currently holds interests in four licences, L6, L8, L10A and L10B over 20,000 square kilometres in East Africa offshore Kenya, and the EL 0037 licence over 17,000 square kilometres offshore Namibia. EL 0037 was recently farmed-out to Tullow Oil.

Pancontinental is one of the few junior companies remaining amongst an increasing number of much larger companies offshore East Africa and Namibia.

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.