

17 February 2014

ASX Announcement

GOVERNMENT APPROVAL RECEIVED FOR KENYA L6 FARM-OUT AGREEMENT

- **Pancontinental and joint venture partner FAR have received approval from the Kenyan Ministry of Energy and Petroleum for the farm-out agreement with Milio International on Block L6**
- **Pancontinental will be fully carried through a \$30 million (FAR estimate) exploration work program including a regional onshore 1,000km 2D seismic survey and an onshore exploration well in Block L6.**
- **Pancontinental will retain a 16% free-carried interest in the onshore and will retain its current 40% rights to the offshore part of Block L6**

Pancontinental Oil & Gas and its wholly owned subsidiary Afrex Limited (together "Pancontinental") (ASX: PCL) together with partner FAR (ASX: FAR) has received approval from the Kenyan Ministry of Energy and Petroleum for the farm-out of the onshore portion of Kenyan exploration area Block L6 in the Lamu Basin. Block L6 is partly onshore and partly offshore.

Under the terms of the farm-in with Milio E&P Limited and Milio International ("Milio"), Pancontinental will be fully funded through the drilling and testing of a high impact onshore exploration well in Block L6 expected to spud in H1 2015.

Pancontinental will also be fully funded through the acquisition, processing and interpretation of a regional onshore 1,000 kilometre 2D seismic survey. This is expected to confirm a number of prospects in onshore L6 as drill targets. This seismic program is expected to commence in April 2014.

Pancontinental retains a 16% interest in the onshore part of Block L6 and also preserves its 40% interest in the highly prospective offshore part of Block L6 which operator FAR has estimated to contain substantial prospective resources. FAR is also currently in discussions with parties to farm-in to drill an offshore well in Block L6.

Block L6 is well situated in relation to Kenyan coastal communities and infrastructure. An onshore oil or gas development has the potential to contribute significantly to Kenya's growing near-term energy needs.

Two of the main Prospects covered by 3D seismic offshore L6 are the Kifaru and Kifaru West Miocene Reef prospects, which share similar characteristics to the Sunbird Prospect currently being drilled by Pancontinental and its joint venture partners in offshore Kenya area L10A.

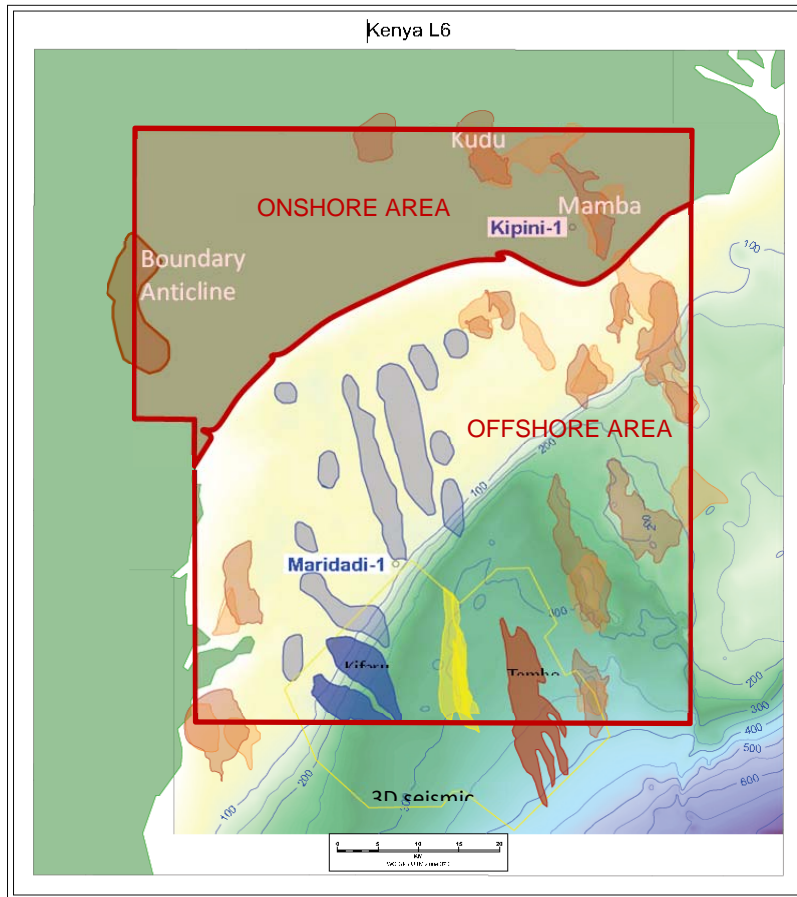


Figure 1: L6 Area, Prospects and Leads

Mr Barry Rushworth, CEO and Director of Pancontinental commented:

"We are very pleased that the Kenyan Ministry of Energy and Petroleum has approved the farm-out agreement announced on 4 February 2014.

Pancontinental retains a healthy 16% free-carried interest onshore and additionally has the benefit of retaining its 40% interest offshore where we are also seeking a farminee for drilling.

This farm-in deal secures funding for evaluating the significant potential of the onshore part of Block L6 and to help unlock the potential of the wider Lamu basin in which Pancontinental has a very large acreage position of some 20,000 square kilometres gross.

The offshore area already has several Prospects covered by 3D seismic and ready for drilling including the large Kifaru and Kifaru West Miocene Reef Prospects. A number of other reefs have also been tentatively identified on 2D seismic".

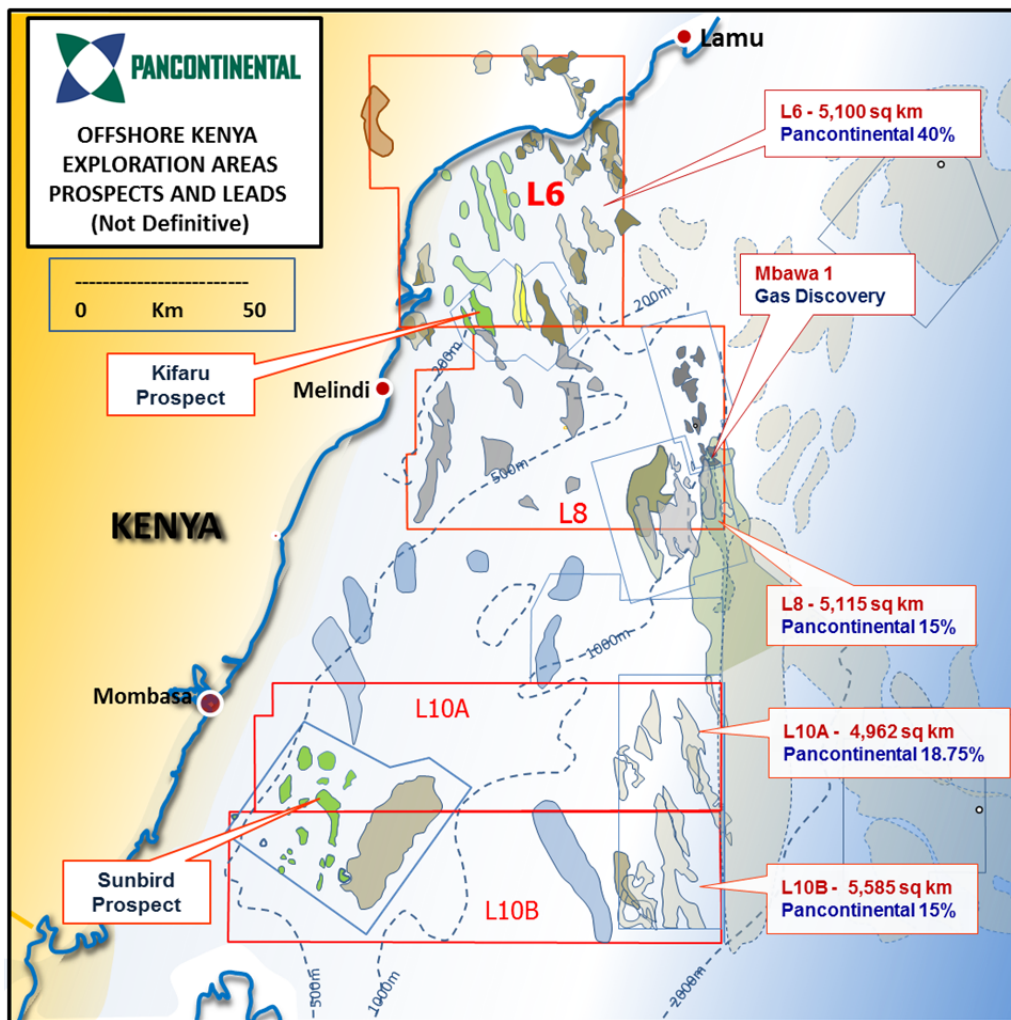


Figure 2: Pancontinental's Kenyan Licence Areas, Prospects and Leads

About Milio

Milio is a prominent international petroleum logistics, marketing, trading and exploration and production company based in Dubai. Milio is rapidly expanding its commercial foot-print in East Africa and is continuing to expand its strategic presence in Kenya through significant investments in a number of high-impact projects. Milio holds a major interest in Block L20, located immediately west of Block L6.

Block L6 Kenya

Pancontinental has interests in four Kenyan licences covering approximately 20,000 sq km. The licences are L6 (onshore and offshore) and offshore licences L8, L10A and L10B with partners including Origin Energy, BG Group, PTTEP and Premier Oil.

Kenyan Block L6 is located in the Lamu Basin offshore and onshore Kenya, and north of recent world scale natural gas discoveries totalling around 100 trillion cubic feet off the coasts of Mozambique and Tanzania.

The growing interest in the Lamu Basin's exploration potential includes up to 7 wells planned for drilling over the next 12 to 18 months.

The L6 joint venture has acquired extensive airborne gravity and magnetic data and 2D seismic data. In 2012 a 778km² offshore 3D seismic survey was completed over the L6 portion of the Miocene reef play that is currently being tested by the Sunbird-1 well by Pancontinental and its partners in L10A.

A number of oil and gas play types and prospects have been identified in L6.

Using 3D seismic, the L6 joint venture has matured 3 large offshore prospects, Tembo, Kifaru and Kifaru West.

About Pancontinental

Pancontinental Oil & Gas is listed on the Australian Securities Exchange (ASX: PCL).

Pancontinental has a 15% interest in Kenya offshore licence L8, a 40% interest in the adjacent licence L6 (see above) and respectively 18.75% and 15% in Kenya licences L10A and L10B, operated by BG Group. The L8 licence area contains the Mbawa gas discovery, the first ever hydrocarbon discovery offshore Kenya.

The Sunbird-1 well in L10A is currently drilling (Pancontinental 18.75% interest).

Co-venturers in the four Kenyan licences (although not in each licence) are Origin Energy, PTTEP, Premier Oil, BG Group and FAR Limited.

Offshore Namibia, Pancontinental holds a 30% interest in the 17,295 sq km licence EL 0037. Pancontinental's interest is free-carried by farminee Tullow Oil through a farmin programme of 3,000 sq km 3D seismic survey (currently being acquired) and one well.

Pancontinental's website is www.pancon.com.au/

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 to the inclusion of the information stated in the form and context in which it appears.

Disclaimers

The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

This document may include forward looking statements. Forward looking statements include, are not necessarily limited to, statements concerning Pancontinental's planned operation program and other statements that are not historic facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward looking statements. Although Pancontinental believes its expectations reflected in these are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward looking statements.