



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 Companies Announcement Office

1 June 2011

KENYA L8 - PANCONTINENTAL AND TULLOW SIGN FARMOUT AGREEMENT

- **Tullow and Pancontinental have signed a farmout agreement for Tullow to earn 10% in Kenyan offshore Block L8 from Pancontinental. Pancontinental will retain 15%**
- **Pancontinental has been paid \$1 million and will be “free carried” by Tullow through a major portion of the L8 work programme that includes drilling the giant Mbawa Prospect**
- **Tullow also has an option to earn a further 5% from Pancontinental by funding any second well after Mbawa**

Pancontinental farms-out 10% in Block L8 to Tullow

On 7 March 2011 Pancontinental Oil & Gas NL (“Pancontinental”) announced that it had agreed to farmout part of its interest in Kenya offshore licence L8 to Tullow Kenya B.V. (“Tullow”), a wholly owned subsidiary of Tullow Oil plc. The Farmout Agreement for the transaction was signed by both parties on 31 May 2011.

Under the farmout Tullow will earn a 10% interest in the licence over offshore Kenya Block L8 that contains the giant Mbawa Prospect by-

- (i) Reimbursing Pancontinental US\$ 1 million for past expenditure in respect of Pancontinental’s interest and
- (ii) Spending a further US\$9 million to “carry” Pancontinental through the next part of the L8 work programme including drilling the Mbawa Prospect. Tullow will also pay for its own 10% share of expenditure.

Pancontinental will retain a 15% interest in L8, from which Tullow will have an option to earn a further 5% by contributing US\$6 million towards Pancontinental’s contribution to any second well. Pancontinental’s interest would then be reduced to 10%.

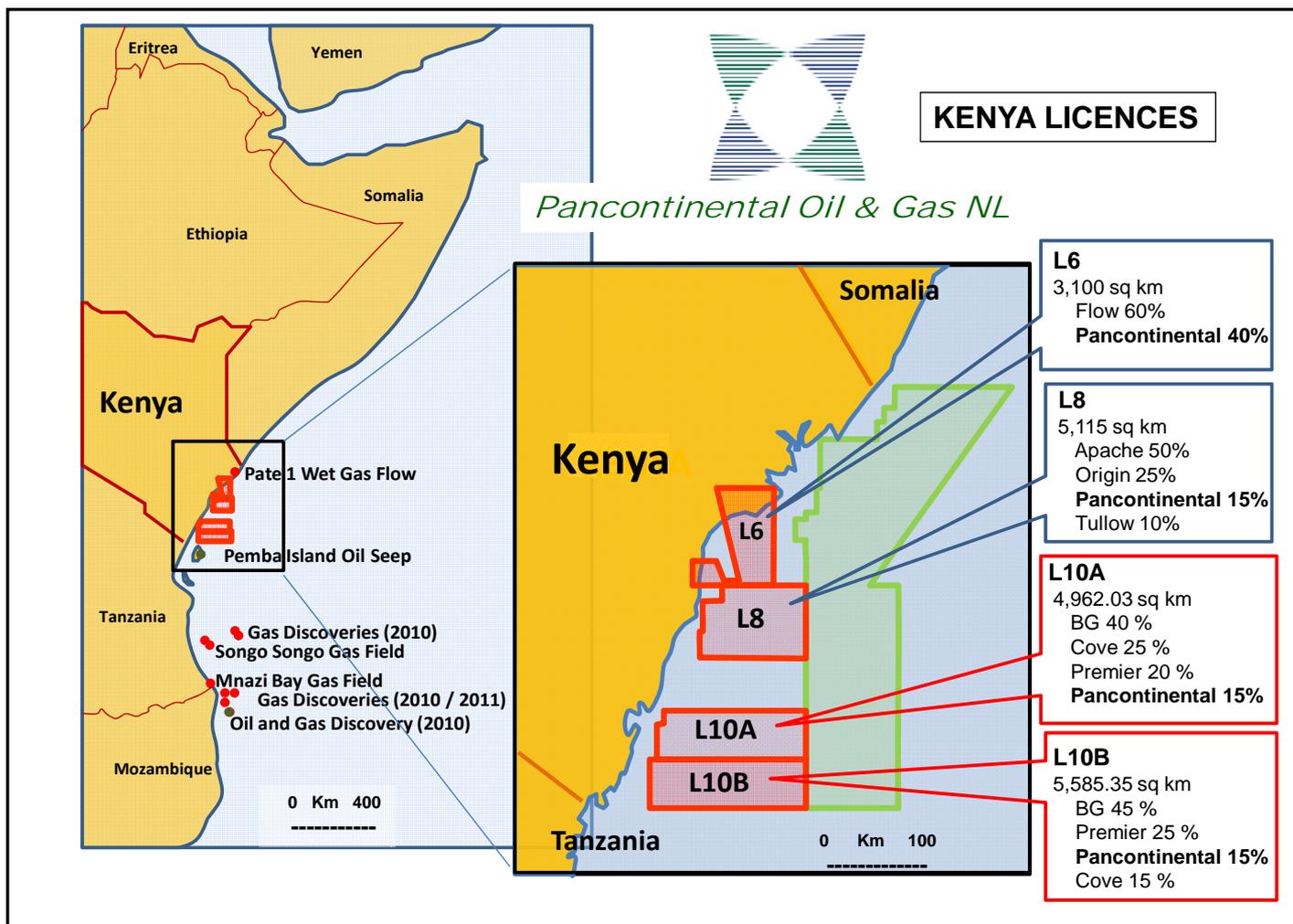
Tullow’s interest will be earned from Afrex Ltd, a wholly owned subsidiary of Pancontinental. The Tullow transaction follows another farmout by Origin to the US major Apache Corporation announced on 16 February. Apache will take over as L8 operator from Origin.

After the first stage of Tullow’s farmin the interests in L8 will be:

Apache Corporation	50%
Origin Energy Kenya Pty Ltd	25%
Pancontinental Oil & Gas NL	10%
Afrex Ltd *	5%
Tullow Kenya B.V.	10%

*Afrex is a wholly owned subsidiary of Pancontinental Oil & Gas NL

Pancontinental's interests offshore Kenya



East Africa, L8 and the Mbawa Prospect

Recent deepwater gas discoveries and an oil discovery offshore Tanzania and Mozambique have focussed industry attention on East Africa.

Block L8 holds several attractive large exploration objectives, the largest being the Mbawa Prospect, a large and complexly faulted anticline mapped on 3D seismic data with potential for both oil and gas at inferred Cretaceous and Jurassic reservoir levels.

Pancontinental's neighbouring areas L6, L10A and 10B also have very significant oil and gas potential.

Mbawa has interpreted natural oil slicks derived from sea floor "pockmarks" on the flank of the structure. Mbawa also shows "flat spots" or "DHI's" on both 2D and 3D seismic data.

The "flat spots" are possible gas-water and oil-water interfaces at about the level of interpreted Tertiary to Cretaceous reservoir sands. Only drilling is capable of verifying the interpreted seismic characteristics and any oil and gas volumetric potential.

L8 Operator Origin Energy Limited ("Origin") has provided a first stage technical report on the evaluation of the Mbawa structure based upon its interpretation of the 2009 Mbawa 3D seismic survey data. This report stresses that the interpretation contained within it is based upon pre-stack time migration (PSTM) processing only and does not include interpretation results from a subsequent pre-stack depth migration (PSDM) which was carried out because of the structural complexity revealed by the PSTM data. The PSDM data was not available at the time of completion of Origin's report.

While there is no direct evidence that the Mbawa Prospect contains any oil or gas until drilling has taken place, new volumetric estimates contained in the report indicate that, if filled to spill point, Mbawa at the **Tertiary- Cretaceous** level has an in- place and unrisks potential to contain **up to 4.9 Billion Barrels of oil (P10) plus a gas cap of 284 Billion Cubic Feet (P10)** but this is subject to risks that include trap integrity and the fact that the offshore Lamu Basin petroleum system is unproven.

In the report the deeper **Top Jurassic** level is estimated to have an in- place and unrisks potential to contain **up to 323 Million Barrels oil (P10) or 525 Billion Cubic Feet gas (P10)** but this is subject to risks that include the fact that there is limited data for reservoir parameters on the East African margin, there is no control on interpretation of Jurassic carbonates and the lack of a commercial discovery of hydrocarbons in Jurassic carbonates on the East African margin.

Neighbouring Block L6 (Pancontinental 40%) also has significant potential in a number of prospects and leads.

The geological parameters used in estimating the volumetric potential of the Mbawa Prospect have been drawn from regional data and modelling of worldwide geological systems and may not necessarily reflect the parameters in place in the Mbawa Prospect. The P10 potential volumes quoted are only possible if the Prospect is filled to spill point and the interpretation and estimated parameters prove to be valid. There is no direct evidence that the Prospect contains any oil or gas and it is possible that the Prospect may be only partially filled or contains no hydrocarbons. Recoverable reserves are lower than in-place volumes and are subject to a number of factors that are not estimated in the quoted volumetric potentials. Only drilling and further assessment can determine the actual volumes (if any) of oil or gas in place or recoverable.

While the P10 potential is regarded as the maximum in- place and unrisks potential, corresponding P Mean potentials in place, subject to the same risks as those outlined above for the P10 estimates, are-

- **Tertiary / Cretaceous potential - 2 Billion Barrels (P Mean) oil plus a gas cap of 196 Bcf (P Mean)**
- **Jurassic potential - 138 Million Barrels (P Mean) or 231 Bcf (P Mean)**

The timing of Mbawa drilling is subject to a number of factors including equipment lead-times and the availability of a suitable drilling rig. An announcement will be made when a drilling date has been determined.

ABOUT TULLOW-

Tullow Oil plc is a leading independent oil and gas exploration and production company.

Tullow is listed on the London ("TLW") and Irish ("TQW") Stock Exchanges and has a market capitalisation of about GBP 12 billion (A\$ 19 billion).

Tullow's headquarters are in London and the Group employs around 900 staff globally.

Tullow Oil is one of the largest independent oil and gas exploration and production companies in Europe with average production in 2010 of 58,100 Boepd. The Group has a large portfolio of exploration and production assets including interests in over 95 licences in 23 countries. In 2010 the Group had an 83% Exploration and Appraisal success rate.

Tullow is focussing on major development projects in Ghana and Uganda. The delivery of first oil from the Jubilee field in Ghana was made in November 2010 and work continues on developing the significant oil discoveries in Uganda. In 2011, Tullow is undertaking a

high-impact exploration campaign which includes wells in Liberia, Sierra Leone, Ghana, Mauritania, French Guiana and Guyana.

ABOUT PANCONTINENTAL-

Pancontinental Oil & Gas is listed on the Australian Securities Exchange (ASX:PCL) and has a market capitalisation of approximately A\$ 50 million.

Pancontinental has oil and gas ventures in Australia, Africa and the Mediterranean.

Pancontinental holds interests in offshore Kenya licence L8 and adjacent area L6. It has also recently signed for a 15% interest in Blocks L10A and L10B offshore Kenya with partners BG Group plc, Premier Oil Limited and Cove Energy plc.

The L8 area offshore Kenya holds the giant Mbawa Prospect. Pancontinental's co-venturers in L8 are Apache Corporation, Tullow Kenya B.V. and Origin Energy Limited.

Pancontinental and its co-venturer (and subsequent merger partner) Afrex originated the L6 and L8 projects and afterwards farmed out to Origin Energy (L8) and Flow Energy (L6).

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, 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 25 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.