



PANCONTINENTAL

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ASX Companies Announcement Office

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Mbawa Drilling Update

L8- Mbawa Drilling Schedule

Preparations for drilling on the Mbawa Prospect are proceeding as planned. Pancontinental's best estimate for the drill date is during or before Q3 2012.

Pancontinental has a 15% interest in L8 and will be "free- carried" through Mbawa drilling by Tullow Oil plc, up to a "cap" of US\$ 9 million.

Mbawa coincides with interpreted natural oil slicks derived from sea floor "pockmarks" associated with faulting on the flank of the structure. As well as Mbawa, other prospects in L8 also have high volumetric potential and are also associated with interpreted slicks.

Water depth over Mbawa is about 800 metres, easily within the range of modern drilling and production equipment.

After Mbawa, the next largest prospect is Nanaa Central with approximately 40% of Mbawa's volumetric potential. Nanaa Central would provide an additional commercial opportunity after any Mbawa discovery.

The interpreted extensive deep oil and gas generating "kitchen" near the Mbawa Prospect extends to the north into area L6 and south into L10A and L10B.

While there can be no direct evidence that the Mbawa Prospect contains any oil or gas until drilling has taken place, based on volumetric estimates indicating that, if filled to spill point and subject to risks that include trap integrity and the fact that the offshore Lamu Basin petroleum system is unproven, Pancontinental estimates Mbawa has in-place and unrisks potential to contain at the **Tertiary- Cretaceous** level –

- **up to 4.9 Billion Barrels of oil (P10) plus**
- **a gas cap of 284 Billion Cubic Feet (P10)**

Further, Pancontinental estimates that Mbawa has in-place and unrisks potential to contain at the deeper **Top Jurassic** level –

- **up to 323 Million Barrels oil (P10) or**
- **525 Billion Cubic Feet gas (P10)**

but these are 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.

L10A and L10B – Update

In L10A and L10B extensive new 3D and 2D offshore seismic surveys commenced mid November

The offshore East African margin, including Kenya, has become an international “hot spot” for oil and gas exploration. A number of recent major gas discoveries offshore Mozambique and Tanzania have led to a significant increase in exploration activity.

Along the East African margin the geological sequence is relatively continuous, although depositional environments have varied over time as well as location. From the number of recent major gas discoveries, it is beginning to appear that deeper water locations may prove to be “gas prone” along the margin.

Pancontinental believes that it has identified an extensive oil-prone “sweet spot” in deep localised Tertiary troughs offshore Kenya and the company has four licences covering much of this area. The first well in the licence areas Pancontinental estimates will be drilled mid 2012 on the giant Mbawa Prospect in L8. Pancontinental was one of the two originating companies of the L8 project, alongside its then co -venture partner and subsequent merger partner Afrex Limited.

Elsewhere offshore Kenya, at least one exploration well is also planned for 2012 and extensive rolling drilling programmes are continuing to the south offshore Tanzania and Mozambique.

A number of recent farmins and other corporate activities highlight the growing value that the oil and gas industry attributes to the potential of offshore Kenya.

Pancontinental holds interests in four licences offshore Kenya; L6, L8, L10A and L10B covering more than 18,000 square kilometres. Co-venturers in these licences are Apache Corporation, Tullow Oil, Origin Energy, Cove Energy, Premier Oil, BG Group and FAR/ Flow.

Yours sincerely for and on behalf of
Pancontinental Oil & Gas NL

A handwritten signature in black ink, appearing to read 'B. Rushworth', written in a cursive style.

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.