

Chairman's Address to Annual General Meeting

Ladies and Gentlemen, welcome to Pancontinental's Annual General Meeting for 2014.

Against the backdrop of a rather subdued market for junior oil and gas companies over the last 12 months, Pancontinental continues to pursue its strategic objective of discovery of large volumes of conventional oil and gas in favourable fiscal and geological settings. We predict a resurgence of interest in conventional opportunities, as lower oil prices force a movement away from unconventional resources, particularly in the USA.

Pancontinental has had a very successful year on several fronts, including a major farmout of its Namibian offshore project in late 2013, and a historic oil discovery in Sunbird - 1, off the Kenyan coast, early in 2014. The Sunbird oil discovery this year follows the Mbawa - 1 gas discovery, also drilled by Pancontinental and its partners, in a different joint venture, in 2012.

The Company's cash position was strong at year - end and continues to be healthy, with reserves of some \$ 8.5 million.

Your Company holds key positions in two of the globe's most exciting oil and gas provinces -- offshore Kenya and offshore Namibia. I have some brief comments, following which Barry Rushworth will provide more detail concerning our prospects.

Pancontinental has a long - standing thesis that the Lamu basin, offshore Kenya, is an oil bearing province. This has proven to be correct, with the first-ever offshore Kenya oil discovery in the Sunbird - 1 well, drilled early in 2014. Sunbird is truly a "play opener" for offshore Kenya and for all of East Africa, as it is the first offshore oil column discovered over some 6,000 kilometres along the East African coast.

The Sunbird discovery has reversed a previous industry misconception, arising from the recent huge gas discoveries offshore Mozambique and Tanzania, that East Africa has potential only for gas. As a result of Sunbird, many major exploration groups are considering offshore Kenya in a new light.

With detailed knowledge of the newly proven oil system, the L-10A and L-10B joint ventures, led by the operator BG group, will focus future drilling on prospects that are large enough to host commercial oil reserves. In these permits, we have defined numerous prospects in varying geological settings, and these continue to be studied and rated by the operator. No formal recommendation has yet been put to the joint ventures for additional drilling, however we expect the operator to propose drilling one or two wells on large, oil-based prospects early in 2015, with a view to drilling possibly late 2015.

Sunbird has strongly increased the attractiveness to other companies of Pancontinental's three offshore Kenya project areas, and we are seeking to farm out for further drilling on these properties. This includes the offshore portion of L-6, although the onshore portion

