



PANCONTINENTAL

PANCONTINENTAL OIL & GAS NL

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MBAWA DRILLING COMMENCES OFFSHORE KENYA

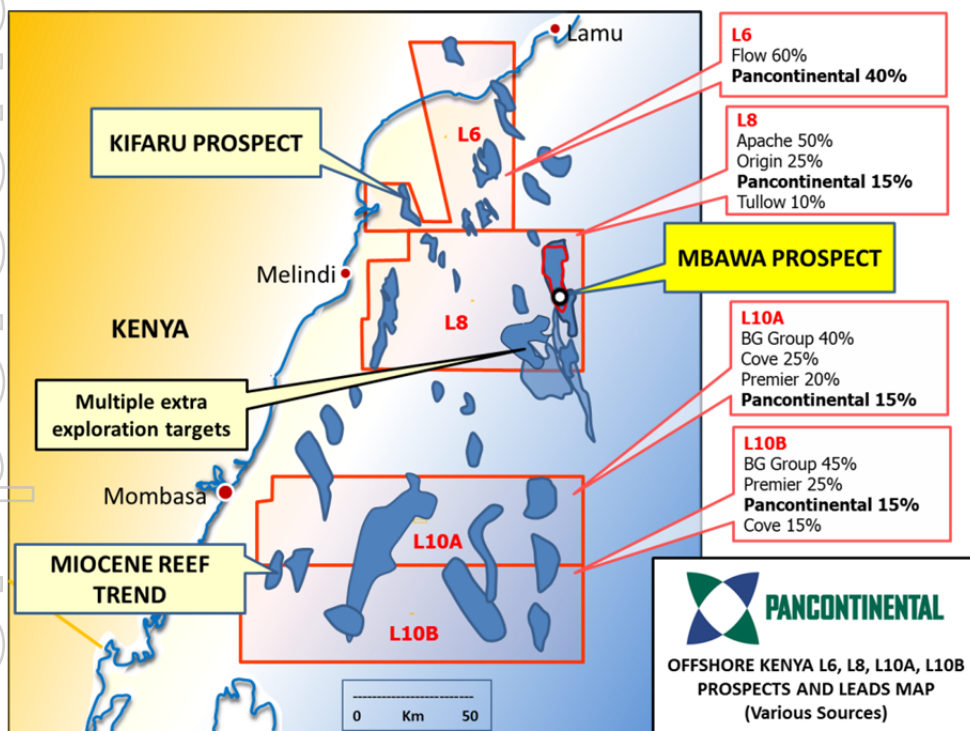
- Drilling operations have commenced at Mbawa
- Drilling has reached first casing point at 1,519m

KENYA L8 MBAWA DRILLING

Pancontinental Oil & Gas NL ("Pancontinental") is pleased to announce that operator Apache Corporation, on behalf of the L8 joint venture, has commenced drilling the Mbawa Prospect in Kenya offshore area L8.

The well has reached a depth of 1,519m below the drill floor and casing is currently being set. Drilling will recommence once the casing operation has been completed.

The drillship Deepsea Metro 1 is expected to spend a total of about 60 days for well operations to reach a total depth of 3,250m subsea in a water depth of 864m, easily within the range of modern exploration and production techniques.



Pancontinental has a 15% "free-carried" interest through Mbawa drilling by Tullow Oil plc up to a "cap" of US\$ 9 million (as reduced by other exploration expenditure). After the first earning phase Tullow has an option to earn a further 5% by providing funding on Pancontinental's behalf to a "cap" of US\$ 6 million in any second well.

Pancontinental estimates that Mbawa has maximum potential to contain 4.9 Billion

Barrels of oil *in place* at the main Tertiary / Cretaceous level with significant additional potential to be tested by the well at the deeper Lower Cretaceous / Upper Jurassic level and shallower Tertiary levels. Only drilling is capable of verifying the oil and gas volumetric potential (if any) of the Mbawa Prospect.

Pancontinental has four projects offshore Kenya covering more than 18,000 square kilometres in licences L6, L8, L10A and L10B, with the L8 / Mbawa project being the most advanced and Mbawa being the first prospect to be drilled.



Pancontinental's CEO Barry Rushworth commented;
"We are very pleased that the L8 joint venture has commenced drilling Mbawa, which is the first of a number of Prospects that we have in our Kenyan areas."

We are pursuing what we see as a world-class oil play offshore Kenya. We believe that Pancontinental offers significant investment leverage, and this extends beyond Mbawa to our other Kenyan projects and also to Namibia.

The economics of oil developments are often far better than those for gas, with potential for much earlier

cash flow and much lower development costs compared to LNG, for example.

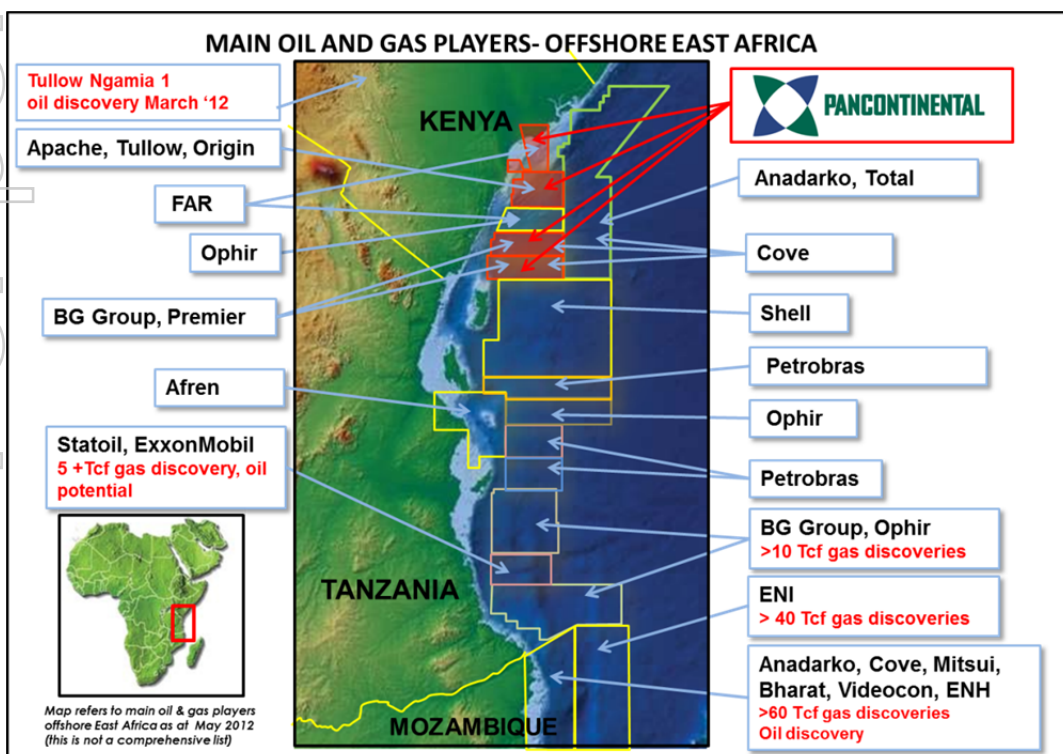
After the recent consolidations relating to Dominion, Ophir and Cove, Pancontinental is one of the few listed companies globally offering significant leverage to two of the most exciting oil and gas regions of the decade, namely East Africa and Namibia.

Apache is now leading the L8 venture in a very aggressive exploration programme and in our other Kenyan blocks L10A and L10B we also have fast-moving activity led by BG Group".

L8 / Mbawa Joint Venture

The Kenya L8 Joint Venture consortium consists of-

Apache Corporation (Operator)	50%
Origin Energy Limited	20%
Pancontinental Oil & Gas NL	15%
Tullow Kenya B.V.	15%



East Africa

Gas discoveries of world-class scale continue to be made offshore Tanzania and Mozambique by consortia led by Anadarko, ENI, Statoil and BG Group. The latest two separate discoveries by ENI and BG Group/ Ophir are reported to be approximately 10 Tcf and 2 Tcf respectively.

While other locations are proving to be “gas prone” along the East African margin, Pancontinental believes that there is an extensive oil-prone “sweet spot” offshore Kenya and the company has secured four licences over much of this area.

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

ABOUT PANCONTINENTAL

Pancontinental Oil & Gas is listed on the Australian Securities Exchange (ASX: PCL) and has a market capitalisation of approximately A\$ 220 million.

Pancontinental has a 15% interest in offshore Kenya licence L8 (Mbawa) (reduced from 25% by farmout to Tullow Kenya B.V.), a 40% interest in adjacent licence L6 and a 15% interest in Kenya licences L10A and L10B, operated by BG Group.

Co-venturers in these four Kenyan licences (although not in each licence) are Apache Corporation, Tullow Oil, Origin Energy, Cove Energy, Premier Oil, BG Group and FAR.

Offshore Namibia, Pancontinental was awarded the 17,000 sq km licence EL 0037 in 2011. Pancontinental holds 95% and is the operator of this licence.

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, 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.