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CORPORATE NEWS

Pancontinental seeks Sh4bn for Kenya oil search



Photo/Joseph Nyataya An oil rig at the Ngamia 1 exploration block in Turkana county. The discovery of oil in the northern Kenya block has raised interest globally among oil explorers, with Pancontinental planning a major cash-call in Australia to fund drilling activities

Pancontinental Oil and Gas has announced plans to raise quick cash in the Australian market to boost its exploration activities in Kenya.

The cash-call signals the pressure on multinationals to expand operations after the recent oil find.

READ: Kenya strikes oil <URL: /Corporate+News/Kenya+strikes+oil+in+Turkana/-/539550/1373932/-/a1j6ju/-/index.html>

The company, listed on the Australian Securities Exchange, says it will raise up to Sh4 billion (\$50 million) through a cash-call (rights issue) to fund its exploration activities in Kenya and Namibia and boost its working capital.

"The operators of our four Kenyan projects are aggressively moving forward with the exploration programmes. This capital raising means that Pancontinental will remain in control of its own strategic direction and ensures that it continues to maintain its significant interests in its projects in the key East African region," CEO Barry Rushworth said in a statement on Thursday.

The funds, the company said, will be raised through a Sh3.6 billion (\$45 million) placement of up to 257.1 million shares at an issue price of 17.5 dollar cents per share to sophisticated and professional investors and through a share purchase plan capped at \$5 million to existing shareholders, also at \$0.175 per share.

The move comes just weeks after an Irish multinational – Tullow Oil – announced the discovery of 20 metres of net oil pay in Kenya's Ngamia-1 exploration well late last month.

Tullow's executives said the discovery of oil in the block – located in the Turkana County – just two months after they started their exploration was a signal that Rift Valley basin was generally rich in oil.

Angus McCoss, Exploration Director, said in a press release: "This is an excellent start to our major exploration campaign in the East African rift basins of Kenya and Ethiopia. To make a good oil discovery in our first well is beyond our expectations and bodes well for the material programme ahead of us."

The find has emboldened other firms. On Thursday, Pancontinental said the cash-call would be completed in two tranches with up to approximately 129 million shares being issued in the first phase and the balance of up to 128.1 million shares issued in the second batch, subject to shareholder approval.

"The raising maximises Pancontinental's exposure to success by maintaining its equity levels in these very exciting projects. We should be fully funded for the next 12 months without recourse to early dilution through farm-out," Mr Rushworth said.

The Australian company in December indicated that it would raise \$15 million through a cash-call to fund its exploration activities in Kenya <URL: /-/539552/1383506/-/53a785z/-/index.html> and Namibia and boost its working capital.

Pancontinental and its partners hold exploration licences for four blocks off Lamu, along Kenya's north coast.

Rushworth said the proceeds from the cash-call will fund the ongoing exploration programmes over Kenya's blocks L10A & L10B and further seismic work over block L8.

The cash will also fund seismic work over Kenya's Block L6 and Namibia's 17,000 square kilometre block EL 0037 with part of it being directed to boost the company's development and working capital, the CEO said.

Kenya has seen interest in its exploration blocks rise since its first oil discovery in the dry and dusty county of Turkana, where Africa-focused UK firm Tullow Oil has been exploring.

However, a worldwide shortage of rigs threatens to slow growth and increase the cost of operations.

The Australian firm's partners in Kenya's blocks L10A & L10B include BG Group Plc, Premier Oil Investment and Cove Energy Plc. First Australian Resources (FAR) partners with Pancontinental on Kenya's block L6.

ALSO READ: Kenya to list eight new oil exploration blocks <URL:

<http://www.businessdailyafrica.com/Corporate+News/Kenya+to+list+eight+new+oil+exploration+blocks/-/539550/1367696/-/faec2qz/-/index.html>>

Block L8 is run as joint venture with Apache, the operator holding a 50 per cent stake. Origin Energy Ltd has a 20 per cent share while Pancontinental and Tullow Oil have a 15 per cent stake each.

Pancontinental expects to start drilling on Kenya's block L8 Mbawa prospect within Q3 of 2012. Pancontinental estimates Mbawa's maximum potential at 4.9 billion barrels of oil.

The firm has an 85 per cent interest in Namibia's offshore block EL 0037 and operates the licence.

