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QUARTERLY ACTIVITIES REPORT
March 2012

HIGHLIGHTS

- **Kenya L8- Deepsea Metro 1 drillship will drill the giant Mbawa Prospect in Q3 2012, with Joint Venture drill readiness from 1 July 2012**
- **Kenya L8- additional Nanaa 3D seismic survey completed March 2012**
- **Kenya L10A & L10B - New 3D and 2D seismic surveys completed January 2012. The operator BG Group is aggressively moving forward with the exploration programme**
- **Kenya L6 – tenders sought for Kifaru 3D seismic survey in Q2 2012**
- **Corporate consolidations (Dominion Petroleum, Cove Energy etc) will leave Pancontinental as the pre-eminent junior explorer with the most extensive mature exploration projects offshore East Africa**
- **Pancontinental is now the only junior company with significant leverage to both offshore East Africa and offshore Namibia totalling more than 30,000 gross sq km.**
- **April 2012 (post March Quarter) – up to $50 million capital raising announced to fund accelerating levels of high impact African exploration and financially position the company to maintain its significant interests in its projects in East Africa and Namibia**

INTERNATIONAL PROJECTS

KENYA OFFSHORE BLOCK L8

Pancontinental Oil & Gas NL 15%

Mbawa Prospect Drilling Schedule

On April 10 Pancontinental Oil & Gas NL (Pancontinental, PCL) announced that the Kenya L8 licence operator Apache Corporation (Apache) had signed a contract for the offshore drilling ship Deepsea Metro 1 to drill the giant Mbawa Prospect.

Apache has confirmed a spud date within Q3 2012, with the actual date depending on when the rig is released from its current assignment. Apache will be ready to drill from 1 July 2012.

The well is expected to take some 45 to 60 days to complete to a total depth of 3,250m subsea in water depth of 860m, easily within the range of modern equipment.

Pancontinental has a 15% interest through Mbawa drilling “free-carried” by Tullow Oil plc up to a “cap” of US$ 9 million (as may be reduced by other exploration expenditure). Pancontinental will retain a 15% interest in L8 and after the first earning phase Tullow Oil plc will have an option to earn a further 5% by providing further funding on its own and on Pancontinental’s behalf.

Pancontinental now expects to have to contribute more to the well cost due to increased well cost estimates and the partial drawdown of the Tullow farmin contribution for the new Nanaa 3D seismic survey (see below).

Pancontinental estimates that Mbawa has maximum potential to contain 4.9 Billion Barrels of oil *in place* at the main Tertiary / Cretaceous level.

Significant additional potential will also to be tested at the deeper 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 is pursuing what it considers to be a major oil play rather than a gas play offshore Kenya.

The economics of oil developments are often considerably better than those for gas, with potential for much earlier cash flow and much lower development costs compared to LNG, for example.

Nanaa 3D Seismic Completed

Pancontinental announced the completion of the Nanaa 3D seismic survey in L8 offshore Kenya in March. The survey is in addition and immediately adjacent to the earlier Mbawa 3D survey.

The survey covers approximately 1,400 sq km over the large Nanaa and Kozi Leads at levels from the Tertiary to the Jurassic as well as covering the large Bundi and Tai Prospects in the Cretaceous to the Upper Jurassic in the southeast of L8. Data processing and interpretation are expected to be completed by the end of 2012.

Mbawa and the newly covered leads are interpreted to be located in optimal positions to trap oil and gas generated in the basin.

Pancontinental has been be free-carried through the Nanaa 3D by farminee Tullow Kenya B.V. a wholly owned subsidiary of Tullow Oil plc. The Pancontinental share of the cost of the Nanaa 3D Seismic Survey was approximately A$ 2.9 million.

The new 3D seismic and the enthusiasm of the joint venture in accelerating exploration in L8 supports Pancontinental's long-held view of the very positive petroleum prospectivity of this region offshore Kenya.

When fully processed and interpreted, the new Nanaa 3D survey should add considerable volumetric potential to the L8 inventory of hydrocarbon prospects and leads and, in the event of success on Mbawa, Pancontinental expects to have a substantial ready-made inventory of follow-up opportunities for drilling.

L8 and Lamu Basin Prospectivity

L8 covers 5,114.9 sq km offshore Kenya in water depths from 100m to 1,300m.

Pancontinental believes that it has identified an oil-prone “sweet spot” offshore Kenya and this will first be tested by drilling the giant Mbawa Prospect in L8.

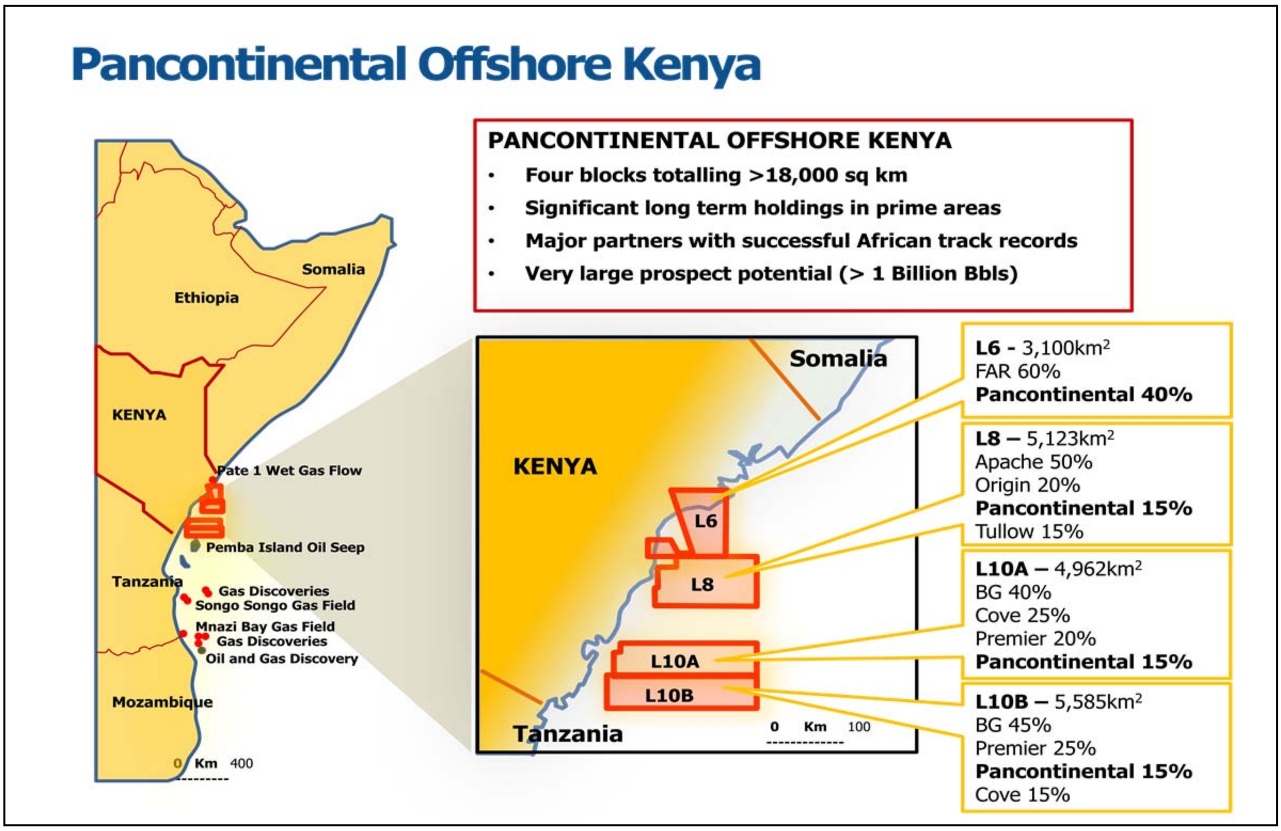
Using the “sweet spot” concept, Pancontinental has acquired interests in four licences offshore Kenya, L6, L8, L10A and L10B covering more than 18,000 square kilometers in the Lamu Basin and Tana River Delta.

Pancontinental's concepts are supported by the entry of notable international companies in L8 and in L10A and L10B (Pancontinental interest 15%) although only drilling has the capability to confirm the concepts.

Block L8 holds several 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 interprets an extensive deep oil and gas generating “kitchen” near the Mbawa Prospect, extending to the north into area L6 and south into L10A and L10B. Natural sea surface "slicks" interpreted from satellite data support the concept of oil generation and migration from the kitchen area and into Mbawa itself.

The inverted structural setting of this part of the Lamu Basin has combined with a restricted depositional environment between the Davie Ridge and a faulted rift margin high. There is interpreted to be a thick oil prone potential source interval, closure in prospects / leads directly above the source interval and optimal structural timing and source maturation and migration. Seismic “flat spots”, AVO anomalies and interpreted naturally occurring oil seeps support the concept of oil generation, charge and entrapment.



East Africa Update

Gas discoveries of world-class scale continue to be made offshore Tanzania and Mozambique by consortia led by Anadarko, ENI, Statoil and BG Group. Individual discoveries are reported to exceed 30 Tcf and plans are under way for world-scale LNG developments and the opportunity to supply a significant portion of the future world LNG market.

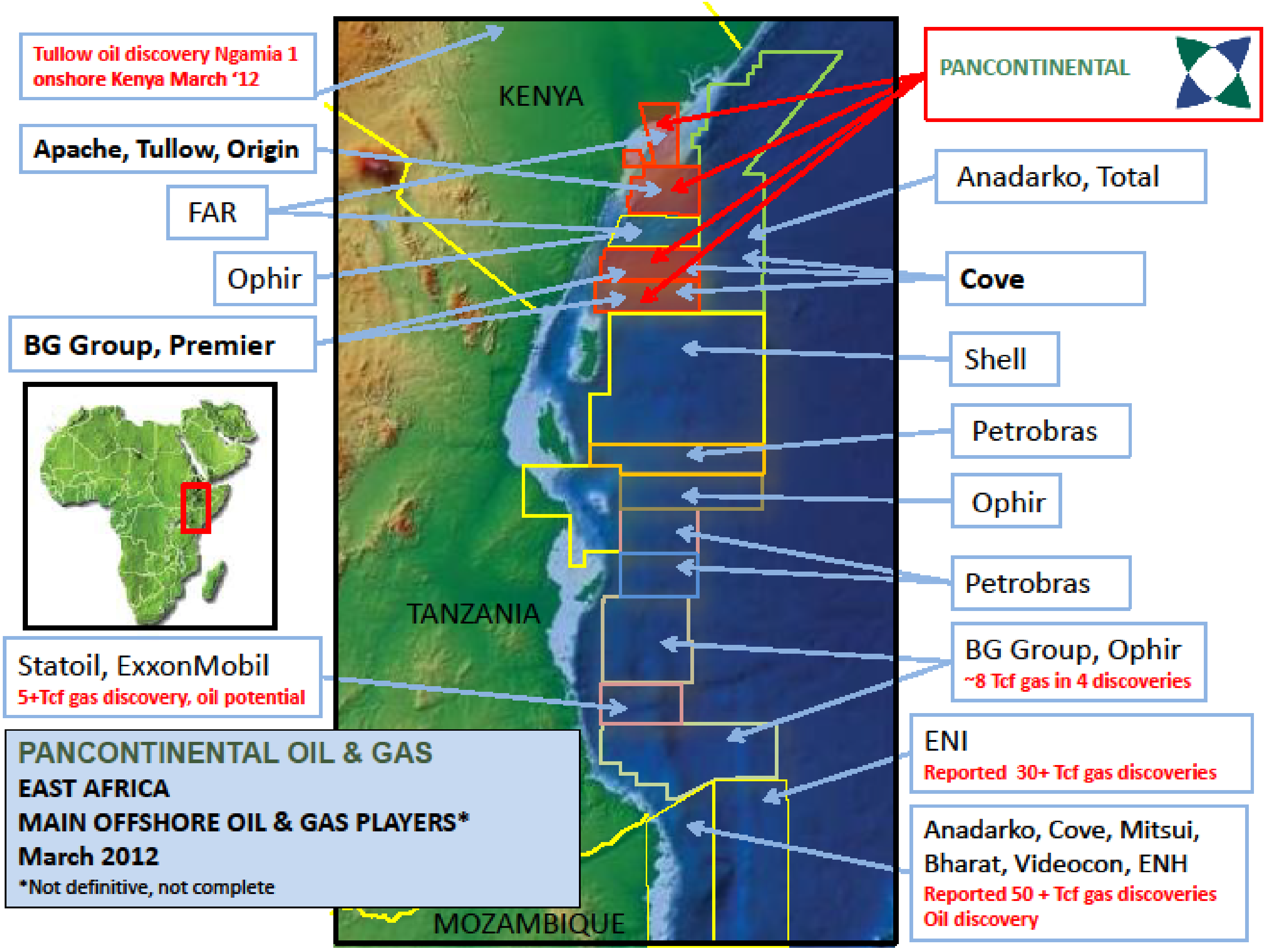
Drilling is now moving north, offshore Kenya, with the first well on Mbawa in Q3 2012. Also offshore Kenya, in deeper water, one or two wells are planned by a consortium of Anadarko, Total and Cove for H2 2012. The recent Ngamia 1 oil discovery by Tullow onshore Kenya adds further encouragement.

While other locations may 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 acquired 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.

The most prominent East African corporate news is the imminent possible takeover of Cove Energy by one of a number of contenders including Shell and PTTEP of Thailand. Pancontinental is in the L10A and L10B Joint Ventures with Cove and has other acreage immediately adjacent elsewhere offshore Kenya (see Map below).

After the recent consolidations relating to Dominion, Ophir and Cove, Pancontinental is the only junior listed company globally offering significant leverage to two of the most prominent current frontier oil and gas regions, namely East Africa and Namibia.



KENYA ONSHORE / OFFSHORE BLOCK L6

Pancontinental Oil & Gas NL – 40%

Kifaru 3D Seismic Survey Preparation

L6 Operator FAR has sought tenders for the forthcoming approximate 700 square kilometer 3D seismic survey over the large Kifaru and Tembo Prospects in the southern offshore portion of the licence area.

The location of the survey will be immediately adjacent to the L8 / Mbawa area.

A number of tenders have been received and it is anticipated that the survey will commence in or around May 2012.

The L6 licence area covers approximately 3,100 sq km. Approximately one quarter of the area lies onshore and the rest extends offshore to 400 metres water depth. L6 is adjacent and geologically continuous to L8.

Following encouraging hydrocarbon generation and migration studies, the joint venture is exploring the offshore portion of the licence area. A deep central graben in this area is considered to be oil and gas "source kitchen" and potential hydrocarbon trapping prospects have been identified immediately adjacent to this area.

The largest prospect is the Kifaru Prospect in water depths of 80m to 100m in the southwest of the L6 area.

Pancontinental expects that the 3D survey will lead to the identification of one or more locations for drilling in 2013 / 2014.

KENYA OFFSHORE BLOCKS L10A & L10B

Pancontinental Oil & Gas NL – 15%

3D and 2D Seismic Surveys

Extensive new 3D and 2D offshore seismic surveys were completed mid January 2012 in areas L10A and L10B. Processing and interpretation should be completed Q3 2012.

The 3D survey covered leads in the eastern part of the areas, while the 2D survey was completed in the western part of the areas.

The operator, BG Group, is aggressively moving forward with the exploration programme.

It is anticipated that a number of prospects will be ready for drilling from as early as Q4 2012, although rig and equipment availability mean that any drilling will most likely take place some time later.

Other planned work includes geological field sampling, gravity field attribute studies, heat flow modelling, seismic test reprocessing, basin modelling and seismic attribute studies.

L10A and L10B Prospectivity

L10A and L10B have respective areas of 4,962.03 sq km and 5,585.35 sq km in water depths of 200 to 1,900m, well within the reach of modern engineering technology**.** The Joint Venture group includes operator BG Group, Premier Oil and Cove Energy; Pancontinental holds a 15% interest in each licence. The licences commenced on 17 August 2011.

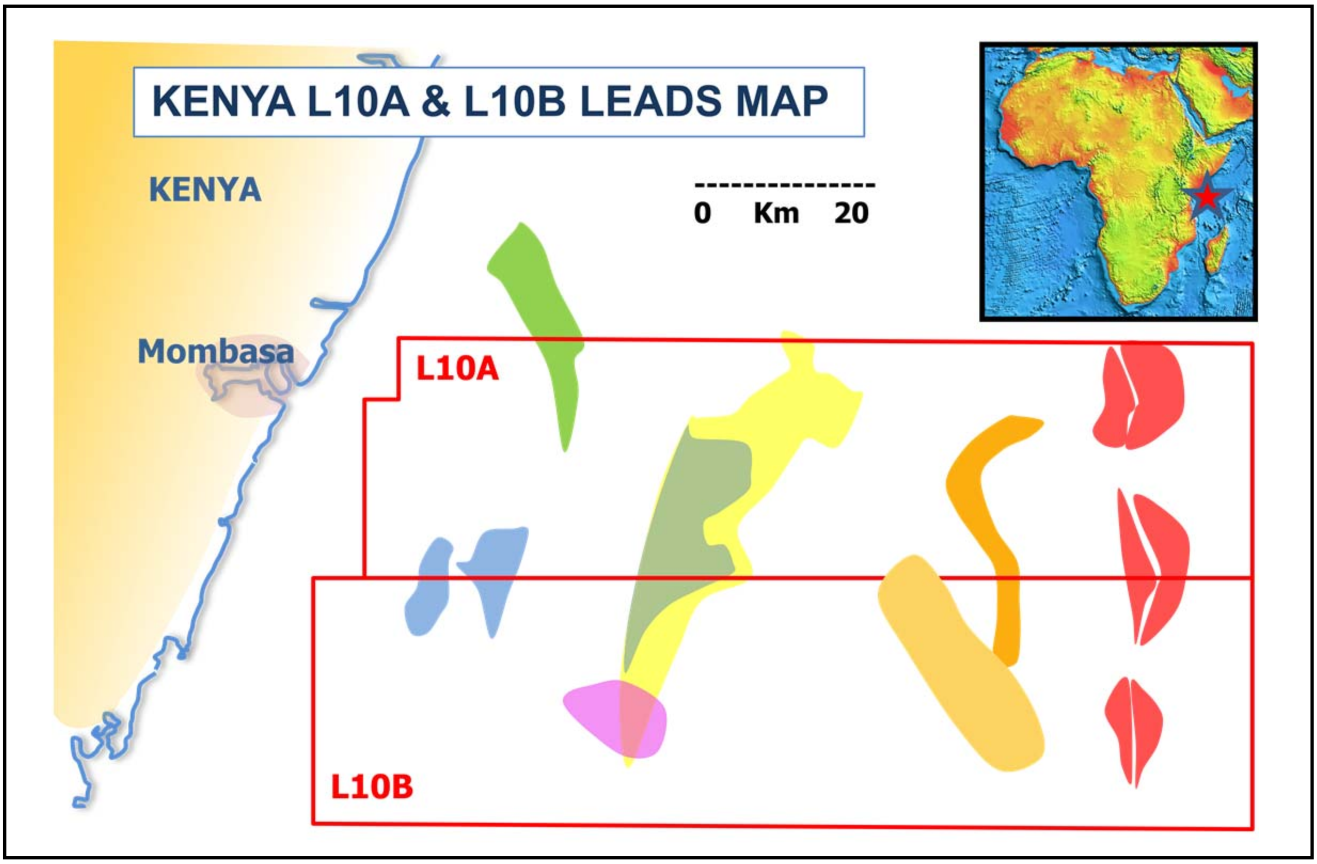
The offshore East African margin, including Kenya, has become an international "hot spot" for oil and gas exploration through major deepwater gas discoveries and an oil discovery offshore Tanzania and Mozambique.

An initial L10A & L10B review by operator BG Group has identified more than ten strong "leads" for follow-up by the completed 3D and 2D seismic surveys. The leads are geologically varied, with six "play types" identified.

The Joint Venture is "fast tracking" prospects for drilling in the 2013 licence year.

A number of other leads have potential in different parts of the geological section, including Miocene reefs, a large Upper Jurassic "reef" and Cretaceous and Tertiary channel and turbidite sands.

Several of the leads have a similar character and are south of the giant Mbawa Prospect in L8 (Pancontinental 15%).



NAMIBIA OFFSHORE WALVIS BASIN EL 0037

Pancontinental Oil & Gas NL – 85%, Operator

Petroleum Agreement and Petroleum Exploration Licence

Petroleum Exploration Licence No. 0037 ("EL", "EL 0037") has a commencement date of 28 June 2011.

EL 0037 covers approximately 17,295 sq km in the Walvis Basin offshore northern Namibia.

The EL gives exclusive rights to the holders for a first exploration period of four years followed by two additional periods of two years each and also provisions for the continuation of the exclusive rights under any oil or gas development.

Pancontinental holds the EL (85% interest) with Namibian participant Paragon Holdings (Pty) Ltd ("Paragon") (15% interest). In exchange for certain rights under a Joint Venture Agreement with Paragon, Pancontinental has agreed to "free carry" Paragon until the commencement of the development of any oil or gas discovery.

Recent Activities Offshore Namibia

Exploration and corporate activities continue at an increasing pace offshore Namibia. Under a recently announced farmin by BP to Serica relating to a licence area south of EL 0037, BP will earn a 30% interest by funding 4,000 sq km of 3D seismic and thereafter have an option to earn a further 40% by drilling one well.

In April Chariot announced that it had commenced drilling the Tapir 1 well, located north of EL 0037. The well is anticipated to reach TD after approximately 90 days.

Prospectivity offshore Namibia

Offshore Namibia is attracting significant international interest as a prime emerging prospective oil and gas province in southwest Africa.

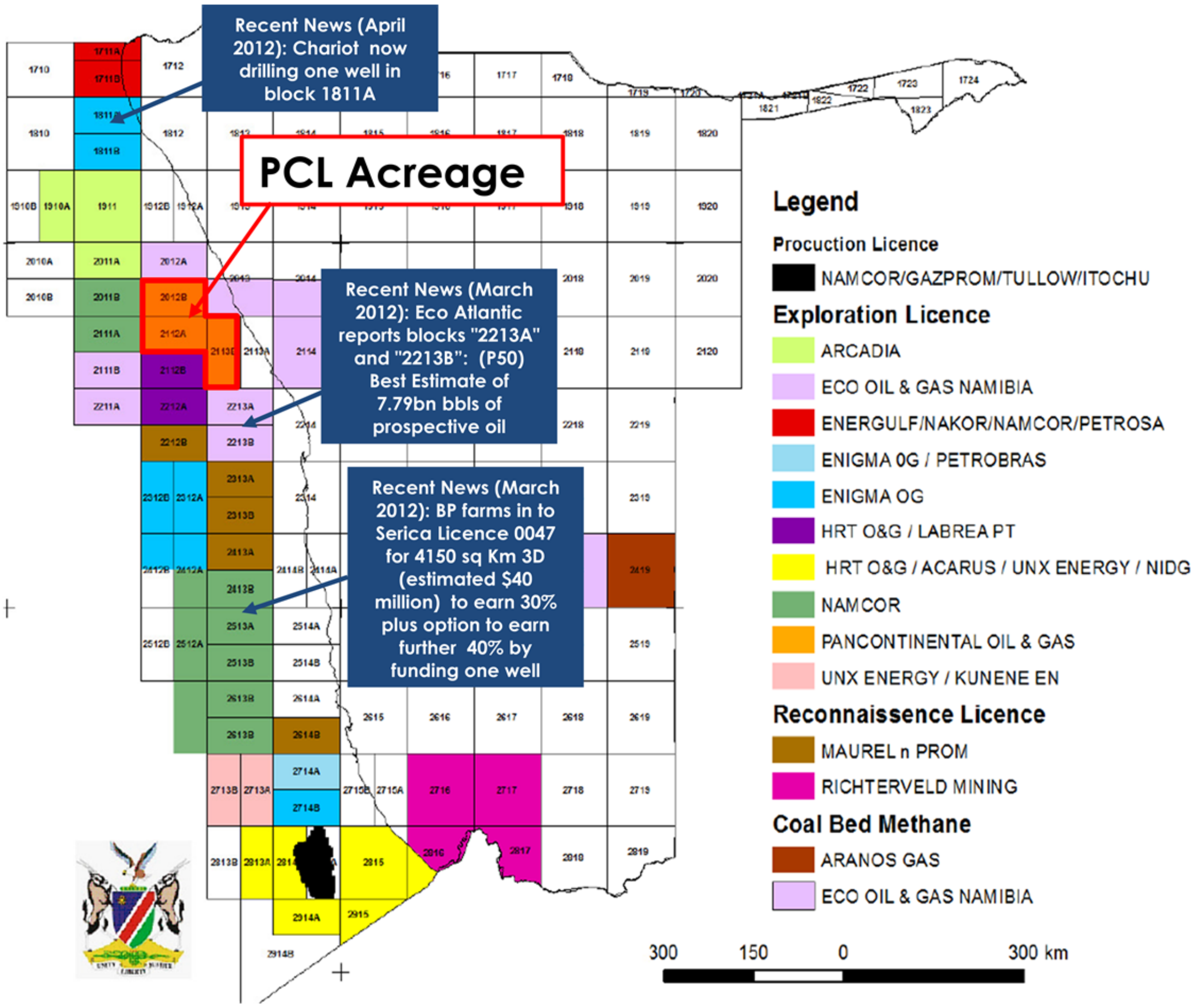
Offshore Namibia has the potential to hold very large oil and gas reserves and it is significantly under-explored. The Kudu Gas Field offshore Namibia is under development by Tullow Oil plc, and other companies are actively exploring the margin for oil.

Offshore Namibia is the plate tectonic conjugate of offshore Brazil, where world-scale oil and gas discoveries have been made in recent years and it lies on the West African continental margin adjacent to Angola, where there have also been major oil discoveries.

Pancontinental believes that oil source rock “maturity” is the key component of oil exploration offshore Namibia and it has acquired EL 0037 over a deep trough area where the oil source rocks should be sufficiently deep and mature to generate oil.

Pancontinental is exploring ponded basin floor turbidites, slope fans and channels seen on existing 2D seismic. These targets are associated with the restricted graben trough that is interpreted to hold the rich and mature oil source rocks seen in regional wells.

Pancontinental has completed a study of the oil and gas prospectivity of the EL 0037 area and is proceeding to gather further data for mapping and additional studies.



MALTA OFFSHORE AREA 5; AREA 4, BLOCK 3

Pancontinental Oil & Gas NL -80%, Operator

Pancontinental is in dispute with the Government of Malta regarding the licence.

The Company and its co-venturer, Sun Resources NL, will update shareholders on any further course of action, if any, that the Company intends to take in relation to this matter.

AUSTRALIAN PROJECTS

EP 104 / R1 ONSHORE CANNING BASIN

Pancontinental Oil & Gas NL – 10%

Petroleum Retention Lease R1 was renewed by the Minister of Mines and Petroleum of Western Australia for a period of five years from 8 November 2010.

The joint venture will now undertake an examination of the prospectivity of the licence areas and plan a new forward exploration programme. The Company is examining the future potential and value of this project.

L15 ONSHORE CANNING BASIN

Pancontinental Oil & Gas NL – 12%

Pancontinental and its co-venturers have been granted Petroleum Production Licence L15 over the West Kora-1 oil discovery well in the Canning Basin of Western Australia. The licence is for 21 years commencing 1 April 2010.

West Kora-1 was drilled in 1984 and produced some 20,000 Barrels of oil during an extended production test, commencing at a rate of 350 BOPD.

The L15 Joint Venture aims to upgrade the existing production facility and restore oil production from West Kora -1.

With improvements in technology and significantly higher oil prices, revived production from West Kora-1 could be feasible now that the Production Licence has been secured.

The Company is examining the future potential and value of this project.

EP 424 OFFSHORE CARNARVON BASIN

Pancontinental Oil & Gas NL – 38.462%

EP 110 is operated in conjunction with EP- 424. The parties in EP-110 have identical equities to those in permit EP-424.

Commercial negotiations to gain access to the entire Baniyas prospect have reached a point where the Operator is of the view that there is little likelihood that the adjoining acreage can be secured.

Following a technical review of the Baniyas potential and due to the absence of success in extending Joint Venture access over all of the Baniyas Prospect, it was decided to consider selling or otherwise disposing of the licences.

EP 110 ONSHORE CARNARVON BASIN

Pancontinental Oil & Gas NL - 38.462%

This permit is operated in conjunction with EP- 424. The parties in EP-110 have identical equities to those in permit EP-424.

During the quarter the Joint Venture considered a further review aimed at outlining possible onshore leads and prospects in EP 110.

EP 406 OFFSHORE SHARK BAY, CARNARVON BASIN

Pancontinental Oil & Gas NL – 5%

The EP 406 licence has been relinquished due to the absence of any significant progress in making exploration possible in the foreseeable future.

NEW VENTURES

Pancontinental continued to examine a number of new exploration and acquisition opportunities in Africa.

CORPORATE

Capital Raising of A$50 million (Post March Quarter)

On 19 April 2012 Pancontinental advised the ASX that it had resolved to raise up to $50 million to fund the ongoing exploration programmes over Kenyan Blocks L10A & L10B, further seismic work over Kenya Block L8, a portion of its share of costs of the upcoming L8 Mbawa well, seismic work over Kenya Block L6, seismic work over Namibia EL 0037 and for business development and general working capital purposes.

The funds will be raised through a $45 million placement of up to approximately 257.1 million shares at an issue price of 17.5 cents per share to sophisticated and professional investors (“the Placement”) and through a share purchase plan (“SPP”) capped at $5 million to existing shareholders, also at 17.5 cents per share.

The Placement is being made to sophisticated investors as well as international and domestic institutional clients of Hartleys Limited, principal Broker to Pancontinental and Broker to the Offer in Australia, London and elsewhere. The Placement was also extended to Directors of the Company, of whom the majority have elected to participate in the placement (subject to shareholder approval).

The Placement will be completed in two tranches with up to approximately 129 million shares issued in the first tranche pursuant to the Company’s 15% capacity under ASX Listing Rule 7.1 and the balance of up to approximately 128.1 million shares issued in the second tranche subject to shareholder approval at a General Meeting of shareholders currently scheduled for Thursday, 24 May 2012.

Approximately 28.6 million shares at 17.5 cents per share will be offered under the SPP to persons registered as shareholders on 17 April 2012, with SPP documentation to be sent to eligible shareholders shortly. The SPP is expected to open on 27 April 2012 and close on 11 May 2012.

The Placement has been made predominantly to Investment Funds in London, elsewhere overseas and in Australia.

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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 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.