

MARCH 2014 QUARTERLY ACTIVITIES REPORT

New discovery offshore Kenya highlights strong potential of PCL's extensive African acreage; major seismic surveys completed in Namibia

HIGHLIGHTS

- **Kenya L10A – Sunbird Drilling Completed and Discovery Announced**
 - Sunbird-1 drilling has resulted in a hydrocarbon discovery, intersecting a gross hydrocarbon column of approximately 44m
 - Analysis of the discovery zone is ongoing to determine the nature of the hydrocarbons
 - Sunbird is the first-ever Miocene Pinnacle Reef discovery in East Africa
 - The results open up a significant opportunity to explore for larger volumes of gas and oil over PCL's portfolio of prospects and leads offshore Kenya
 - Operator BG Group continues to map Prospects and Leads within L10A using existing seismic and will recommend a program of follow-up drilling
- **Kenya L10B**
 - Mapping of 3D data continues, with the JV partners considering a 2nd well after the discovery in Sunbird-1 in L10A
- **Kenya L6 – Farm-out**
 - A farm-out has been secured with Milio International for the onshore portion of L6, with PCL free-carried for drilling of an onshore exploration well
 - The offshore portion of L6 remains open for drilling under farm-in
- **Namibia EL 0037: 3D and 2D Seismic Acquisition Completed under Farm-out**
 - Extensive 3D and 2D seismic acquisitions have been completed by the Operator Tullow Oil as part of the initial stage of the farm-in earning programme, at no cost to Pancontinental
- **Kenya L8**
 - The L8 licence expired during the quarter
 - Pancontinental, is in discussions with the Kenyan Ministry concerning a new licence for L8 offshore Kenya
- **Corporate**
 - Cash balance of \$24.3 million (31 March 2014)

OVERVIEW

During the March Quarter, Pancontinental Oil and Gas NL (“Pancontinental”; the “Company”; ASX: PCL) progressed exploration and evaluation activities on several fronts within its extensive and high quality asset portfolio in Kenya, Namibia and Australia.

Pancontinental has high-percentage interests in a range of large oil & gas targets in Africa and Australia and is highly leveraged to potentially world-class hydrocarbon reserves with drilling success.

A major development during the Quarter was the discovery of hydrocarbons in the recently completed Sunbird-1 well, offshore Kenya in the L10A permit.

While this discovery is subject to ongoing assessment, it opens up a significant opportunity to explore for larger volumes of gas and oil over Pancontinental’s extensive portfolio of prospects and leads offshore Kenya. Further information will be provided on the Sunbird-1 discovery as soon as analysis of the hydrocarbon zone has been completed.

Elsewhere, farm-out discussions were successfully completed for the Kenya Permit L6 with a new farm-in partner secured. As a result, Pancontinental and L6 Operator FAR Limited will be free-carried for the drilling of an onshore well which is expected to spud in early 2015.

A major program of 2D and 3D seismic acquisition was also completed in the permit EL 0037 offshore Namibia, paving the way for drilling targets to be identified.

The level of international interest and activity in Namibia, both offshore and onshore, is increasing rapidly with the recent offshore entry of companies such as Shell, Tullow, Repsol, OMV and Murphy.

Pancontinental is well placed to participate in this rapidly emerging oil and gas frontier with its 30% interest in offshore EL 0037, which covers a total area of 17,295km² in the highly prospective Walvis Basin.

INTERNATIONAL PROJECTS

KENYA

KENYA OFFSHORE AND ONSHORE

Pancontinental holds interests in three licences covering a total area of approximately 15,000km² offshore and onshore Kenya.

The Mbawa-1 gas discovery, the first ever discovery offshore Kenya, was made by Pancontinental and its L8 partners in 2012.

The Sunbird-1 discovery, the second discovery offshore Kenya, was made by Pancontinental and its L10A partners in February 2014. The well results are currently being assessed.

KENYA OFFSHORE BLOCK L10A

Pancontinental Oil & Gas NL – 18.75%

L10A covers an area of 4,962.03km² in water depths ranging from 200m to 1,900m.

The L10A project is operated by BG Group and the Joint Venture interests are:

BG Group (Operator)	50.0%
PTTEP	31.25%
Pancontinental	18.75%

Sunbird- 1 Prospect

The Sunbird Prospect (Figure 1) straddles the western sector boundary of the L10A / L10B areas and is one of more than 20 buried Miocene Reef and reef-like features in Pancontinental's licence areas offshore Kenya.

Buried Miocene Reefs host large oil and gas reserves in a number of regions around the globe and are noted for their high porosity, permeability, and high flow rates of oil and/or gas.

Sunbird is located about 50km from the port of Mombasa in relatively shallow water.

Sunbird-1 Results

On 6 January 2014, Pancontinental announced the commencement of drilling of the Sunbird-1 exploration well in area L10A. The well was completed in March 2014.

The well was managed by Joint Venture operator BG Group, using the drillship Deepsea Metro 1.

The top of the Sunbird Miocene Pinnacle Reef was reached at 1,583.7m subsea. The water depth is 723m.

Sunbird-1 drilled into hydrocarbon-bearing limestone reservoir in the top of the Sunbird Reef.

The well intersected a gross hydrocarbon column of approximately 44m in the Sunbird Reef. Recovered Gas and Liquids samples continue to be analysed and assessment of the discovery zone is ongoing.

The Sunbird-1 results highlight the strong potential of Pancontinental's extensive offshore Kenyan acreage.

Analysis of the wireline log data and the fluid samples recovered from the reservoir in the Sunbird Reef is complex due to the large volume of drilling fluid, seawater and cement lost to highly porous and permeable zones, including the hydrocarbon-bearing zone.

Both gas and liquid samples have been recovered. In addition to the recovered gas, the nature of the liquid samples and whether or not these contain naturally occurring hydrocarbon liquids (oil or condensate) remains to be determined.

The approximate 44m gross hydrocarbon bearing zone is currently assessed to contain a net pay thickness of 27.8m.

In this case, net pay is defined as the cumulative thickness of zones having porosity of 10% or greater. Zones with porosity lower than 10% are not included in the net pay assessment.

A thick and effective seal was encountered over the top of the Sunbird Reef, and the regional follow-on implications of the presence of the seal are very significant.

Porosity, permeability and seal for the Sunbird reservoir were all better than Pancontinental expected.

The Operator of the Block L10A Petroleum Sharing Contract, BG Group, is continuing to assess the results for the L10A consortium and will recommend a follow-up program.

Sunbird-1 was “plugged and abandoned” in accordance with the planned drilling program, meaning that the well has been made safe in such a way that it can be left permanently without further intervention.

These measures are designed to ensure that there is no danger of leakage of oil or gas within the well or to the sea floor.

The high quality of parts of the reservoir, in terms of porosity and permeability, resulted in the loss of quantities of drilling fluids and, consequently, the analysis of the hydrocarbon column has been made difficult and continues to be assessed.

Pancontinental now looks forward to receiving the complete Sunbird results and believes that it is now in an excellent position to explore for larger volumes of gas and oil over its extensive portfolio of prospects and leads offshore Kenya.

A further statement regarding the discovery will be made once the remaining analyses have been completed.

Future Exploration

The L10A joint venture is considering follow-up exploration activities after the Sunbird-1 discovery.

The Sunbird discovery is expected to yield important details of the hydrocarbon system in the Lamu Basin, including the age of the source rock and the timing of generation.

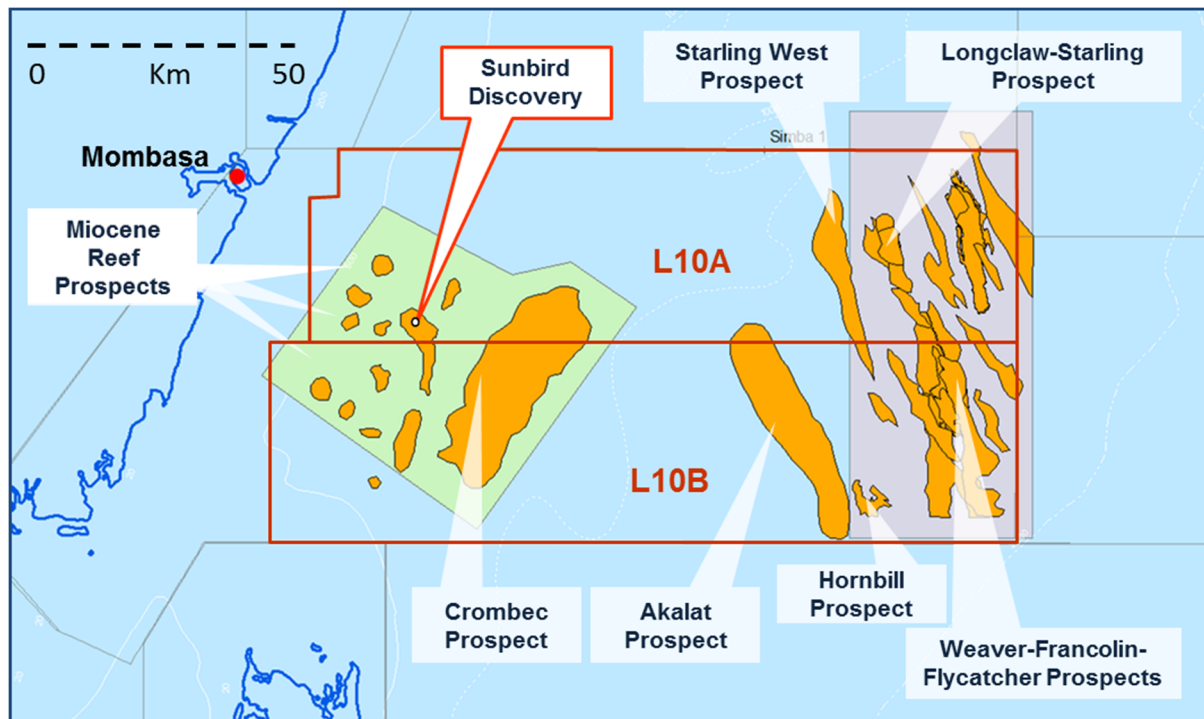


Figure 1: L10A & L10B Prospects and Leads Map

L10A covers a variety of play types, prospects and leads. Many of the prospects have been defined using the two 3D seismic surveys carried out by the joint venture.

The Sunbird Prospect is one of an inboard cluster of Miocene reefs. Outboard prospects include Tertiary and Cretaceous channels, large anticlinal complexes and series of Cretaceous and Tertiary fault bounded prospects.

Other offshore Kenyan activity includes an exploration well to be drilled by Anadarko, as recently announced for later in 2014.

The L10 Operator, BG Group, is continuing to map Prospects and Leads using the 4,800km² of high-quality 3D seismic data acquired over the last two years in areas L10A and L10B. In the western sector the very large Crombec Lead continues to be mapped. Crombec is a large faulted anticline covering 550km², with vertical relief of about 400m.

KENYA OFFSHORE BLOCK L10B

Pancontinental Oil & Gas NL – 15%

L10B has an area of 5,585.35km² in water depths ranging from 200m to 1,900m. The L10B Project is operated by BG Group and the Joint Venture interests are:

BG Group (Operator) 45%
 PTTEP 15%
 Premier Oil 25%
Pancontinental 15%

Exploration Activity

Mapping of the extensive 3D seismic data set acquired over both L10A and L10B is continuing. A number of Prospects are receiving close attention, including the Crombec Prospect that extends across the L10A and L10B boundary. Crombec is a large faulted anticline with vertical relief of about 400m.

The L10B Operator, BG Group, is continuing to map Prospects and Leads using the 4,800km² of high-quality 3D seismic data acquired over the last two years.

The Joint Venture is considering a second well on either another Miocene Reef or a clastic prospect.

KENYA ONSHORE / OFFSHORE BLOCK L6

Pancontinental Oil & Gas NL – Offshore 40% , Onshore 16%

The L6 area is the northernmost of Pancontinental's exploration areas offshore Kenya. The L6 joint venture is operated by FAR Limited (60% offshore, 24% onshore -- ASX: FAR).

L6 covers an area of approximately 5,010km² with about one quarter onshore and the rest offshore to 400m water depth.

L6 lies in the Lamu Basin and within the Tana River delta, north of recent world-scale natural gas discoveries off the coasts of Mozambique and Tanzania.

L6 Onshore Farm-out

Pancontinental and FAR have signed a farm-in agreement for the entry of Milio International to explore the onshore portion of Kenya Block L6. Pancontinental will be fully carried through a regional 1,000km 2D seismic survey and an onshore exploration well. Pancontinental will retain a 16% free-carried interest in the onshore and will retain its current 40% rights to the offshore part of Block L6

Under the terms agreed with farminee, Milio E&P Limited ("Milio") and Milio International, the current joint venture parties including Pancontinental will be fully funded through drilling and testing an onshore exploration well in Block L6 with an expected spud date in early 2015.

In addition, before the well, the current joint venture parties will be fully funded through the acquisition, processing and interpretation of a regional 1,000km of 2D seismic survey aimed to confirm at least three prospects as drilling targets. The seismic programme is expected to commence in April 2014.

In consideration of Milio funding that work, it will earn a sixty percent (60%) Participating Interest in the onshore portion of Block L6. Milio will not earn any interest in the offshore portion of Block L6. Milio will become the Operator of the onshore portion and FAR will remain the Operator of the offshore portion of the Block. The farm-in is conditional on obtaining the appropriate Kenyan Government approval.

Milio is a prominent international petroleum logistics, marketing, trading and exploration and production company based in Dubai. Milio is rapidly expanding its commercial footprint in East Africa and is continuing to expand its strategic presence in Kenya through significant investments in a number of high-impact projects. Milio also holds a major interest in Block L20, located immediately west of Block L6.

L6 Offshore

The offshore area already has several Prospects covered by 3D seismic and ready for drilling including the large Kifaru and Kifaru West Miocene Reef Prospects. A number of other reefs have also been tentatively identified on 2D seismic.

The offshore L6 participants (Pancontinental and Flow Energy Pty Ltd, a subsidiary of FAR ("FAR")) are currently seeking a farminee to drill an offshore well in addition to the onshore well to be drilled by Milio. Pancontinental retains its current 40% interest in the offshore part of Block L6.

Block L6 is well situated in relation to Kenyan coastal communities and infrastructure. An onshore oil or gas development has the potential to contribute significantly to Kenya's growing near-term energy needs. A gas discovery could supply gas to a major power generation project that is currently under consideration by the Kenyan Government.

Two of the main Prospects covered by 3D seismic offshore L6 are the Kifaru and Kifaru West Miocene Reef prospects, which share similar characteristics to the Sunbird Prospect which has recently been drilled by Pancontinental and its joint venture partners in offshore Kenya area L10A (see above).

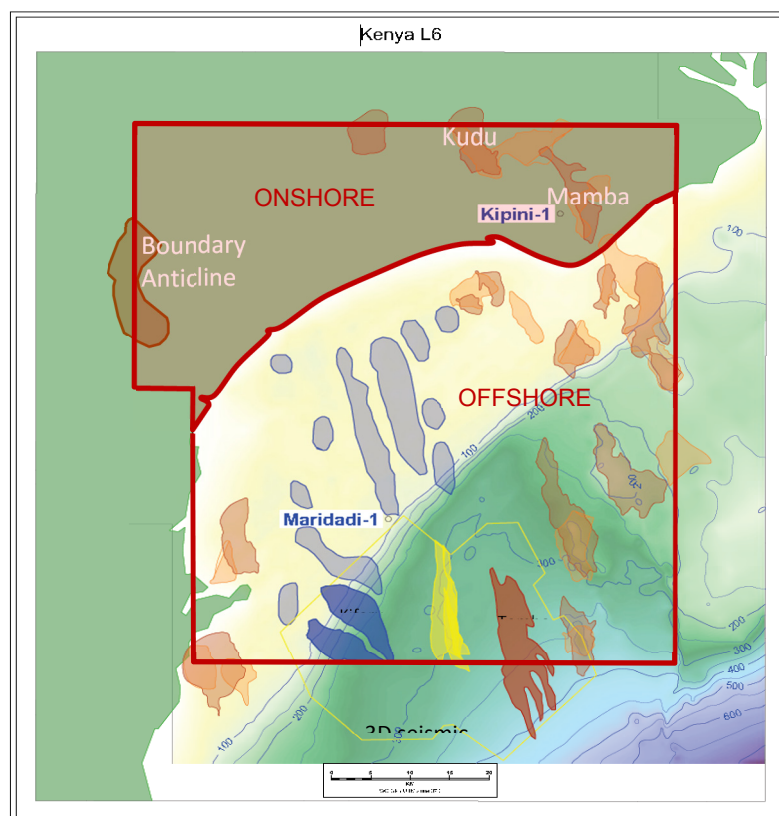


Figure 2: L6 Area, Prospects and Leads

L6 Prospectivity

Onshore, the L6 Joint Venture has previously mapped a number of Leads and additional 2D seismic is required to mature these Leads for drilling. The most prospective leads are Kudu, Mamba (Updip Kipini) and the “Boundary Anticline”.

Encouraging results were obtained from nearby Kipini-1 well, that is interpreted to be immediately downdip from the Mamba Lead.

Three offshore prospects have been covered by 3D seismic (Kifaru, Kifaru West and Tembo).

A deep central trough extends from the onshore area into the offshore. This area is considered to be oil and gas “source kitchen” and potential hydrocarbon trapping prospects have been identified immediately adjacent to this area.

A number of oil and gas play types and prospects have been mapped. The largest prospect covered by the 3D Kifaru seismic survey is the Kifaru Prospect in water depths of 80m to 100m in the south-west of the L6 area.

The Kifaru Prospect and Kifaru West Prospects are interpreted to be large stacked Miocene reefs, with interpreted good lateral and top seals and close proximity to mature Eocene source rocks. A number of other interpreted Miocene Reefs have been identified to the north of the Kifaru area.

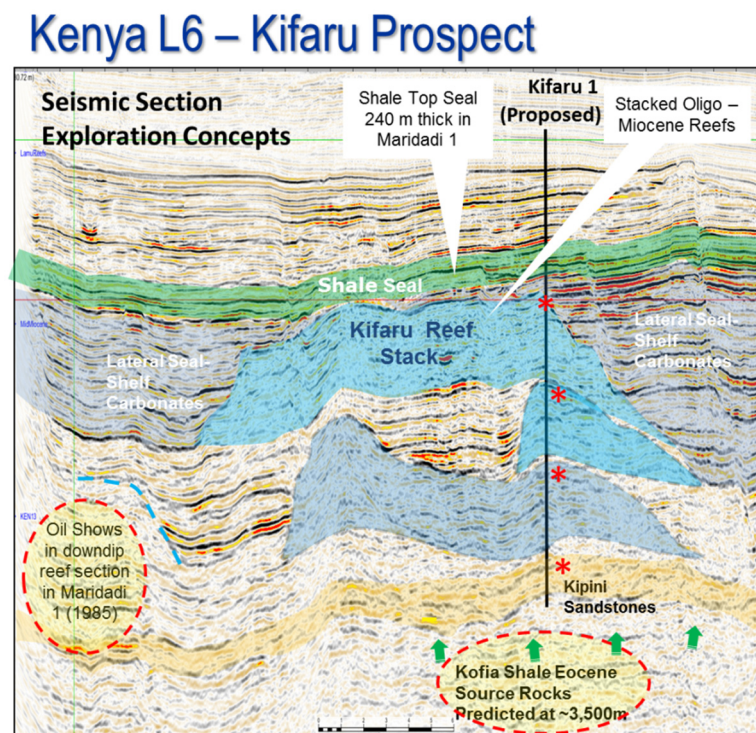


Figure 3: Seismic Section through the Kifaru Prospect

The Tembo Prospect is a large tilted fault block, interpreted to contain a number of sandstone targets.

Forward Programme

Having secured a farminee for the onshore area, the L6 joint venture believes that it is in a strong position to secure a farminee for drilling offshore. The location, timing, depth and stratigraphy of the well will be determined after discussions with any farminee.

KENYA OFFSHORE BLOCK L8

L8 covers an area of 5,114.9km² offshore Kenya in water depths ranging from 100m to 1,300m.

PSC Expiry and Negotiations for Renewal

The exploration licence for Block L8 offshore Kenya expired during the quarter.

Pancontinental has had initial discussions with the Kenyan Ministry of Energy and intends to seek full negotiations with the Ministry for the grant of a new PSC in respect of Block L8 under a new joint venture.

While there is no guarantee that a new PSC can be agreed, Pancontinental aims to finalise a new PSC that will better reflect matters such as gas production sharing and a revised forward work programme.

NAMIBIA

Namibia is seeing increasing activity both offshore and onshore, with the recent offshore entry of major international companies such as Shell, Tullow, Repsol, OMV and Murphy.

Namibia provides a stable and favourable investment climate for oil exploration.

An oil recovery and verification of mature oil-prone source rocks in the Walvis Basin has given considerable encouragement to oil explorers. A number of 3D seismic surveys by various operators have identified large structural and stratigraphic features that may form potential oil traps.

NAMIBIA OFFSHORE EL 0037

Pancontinental Oil & Gas NL – 30%

Petroleum Exploration Licence No. 0037 (“EL 0037”) covers approximately 17,295 sq km in the Walvis Basin offshore northern Namibia (see Figure 4).

The Namibia EL 0037 consortium consists of:

Tullow Kudu Limited ¹ (Operator)	65%
Pancontinental Namibia (Pty) Ltd²	30%
Paragon Oil & Gas (Pty) Ltd ³	5%

1 Tullow Kudu Limited is a wholly owned subsidiary of Tullow Oil plc

2 Pancontinental Namibia (Pty) Ltd is a wholly owned subsidiary of Pancontinental Oil & Gas NL

3 Paragon Oil & Gas (Pty) Ltd is a wholly owned subsidiary of Paragon Investment Holding’s (Pty) Ltd

Completion of 3D and 2D Seismic Acquisition

An extensive 3,000km² 3D seismic survey was completed in early April 2014 in EL 0037 in the Walvis Basin, offshore Namibia, southwest Africa, under a farmout agreement by Pancontinental to Tullow Oil.

The survey covers a number of strong “leads” mapped on existing 2D seismic data and is designed to prove-up these leads to “prospect” status for possible drilling.

A second, 2D, acquisition phase was also completed in the first part of April 2014. The 2D survey, to the south of the 3D survey area, provides infill to the existing 2D data grid and is designed to outline a number of leads in addition to those covered by the 3D survey.

The survey was managed by the EL0037 Joint Venture operator Tullow Oil, using the seismic acquisition vessel Polarcus Asima.

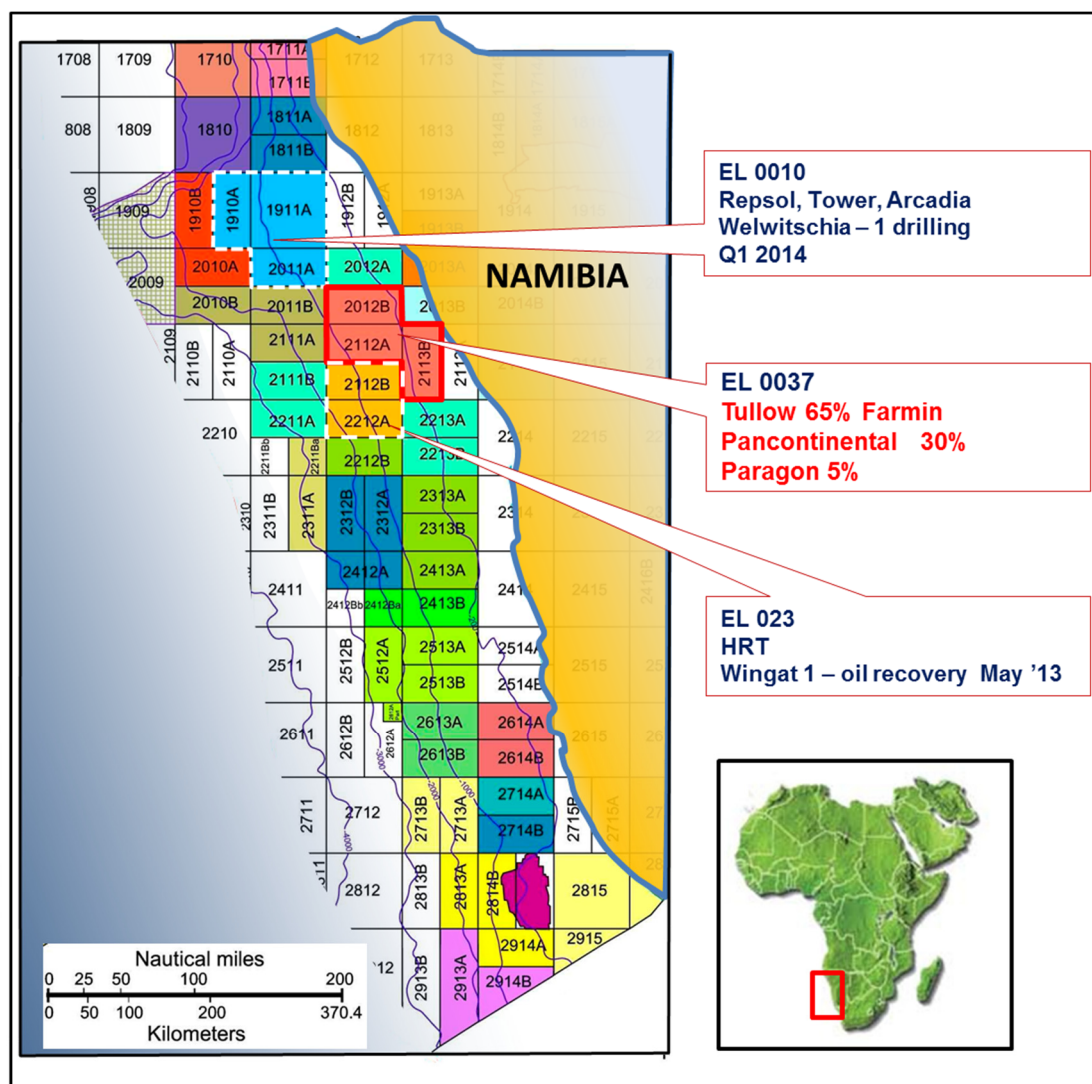


Figure 4: Licence areas offshore Namibia

Tullow Oil farmed-in to EL 0037 in September 2013 and identified a number of geological Leads to be covered by the 3D survey.

Pancontinental retains a 30% free-carried interest through the surveys and one optional well to be drilled by Tullow, for Tullow to retain its 65% interest. Pancontinental estimates that Tullow's farm-in expenditure may be up to US\$130 million (100% basis) for the full work programme.

Forward Work Programme

Results of the 3D data will now be processed, with final results expected in approximately five months.

Fast-track processed 3D data are expected in early July 2014, enabling mapping of the Prospects to commence.

Depending on the outcome of the seismic programmes, one exploration well will be drilled by Tullow to retain its 65% interest. Pancontinental will retain a 30% free-carried interest in the well.

Prospectivity Offshore Namibia

EL 0037 covers an area of 17,295km² in the Walvis Basin. Offshore Namibia is considered highly prospective for oil and gas, lying south of the prolific producing areas offshore Angola, with which it shares some geological characteristics.

High quality oil-prone source rocks have been seen in regional wells, and two of these source rocks have been reported to be oil mature and considered to be generating oil in the Wingat-1 well in an area immediately south and geologically on-trend to EL 0037.

An oil recovery and reports of high quality source rocks in the Wingat-1 well, drilled in 2013, have given considerable encouragement for exploration in the Walvis Basin.

Wingat-1 is directly on-trend in an "Oil Mature Fairway" interpreted by Pancontinental in EL0037.

Pancontinental believes that a critical factor for oil exploration offshore Namibia is oil maturity- where source rocks are sufficiently buried and heated to generate oil - within the "Oil Window".

Pancontinental has interpreted an "Oil Mature Fairway" that extends through EL 0037.

HRT announced on 20 May 2013 that oil had been found in the Wingat-1 well, although not in commercial volumes; 4 samples of oil of 450cc each were recovered. Two well-developed source rocks, rich in organic carbon, were reported within the oil-generating window. Pancontinental regards Wingat-1 as within the Oil Mature Fairway.

EL 0037 is immediately on-trend and is geologically continuous to the Wingat area.

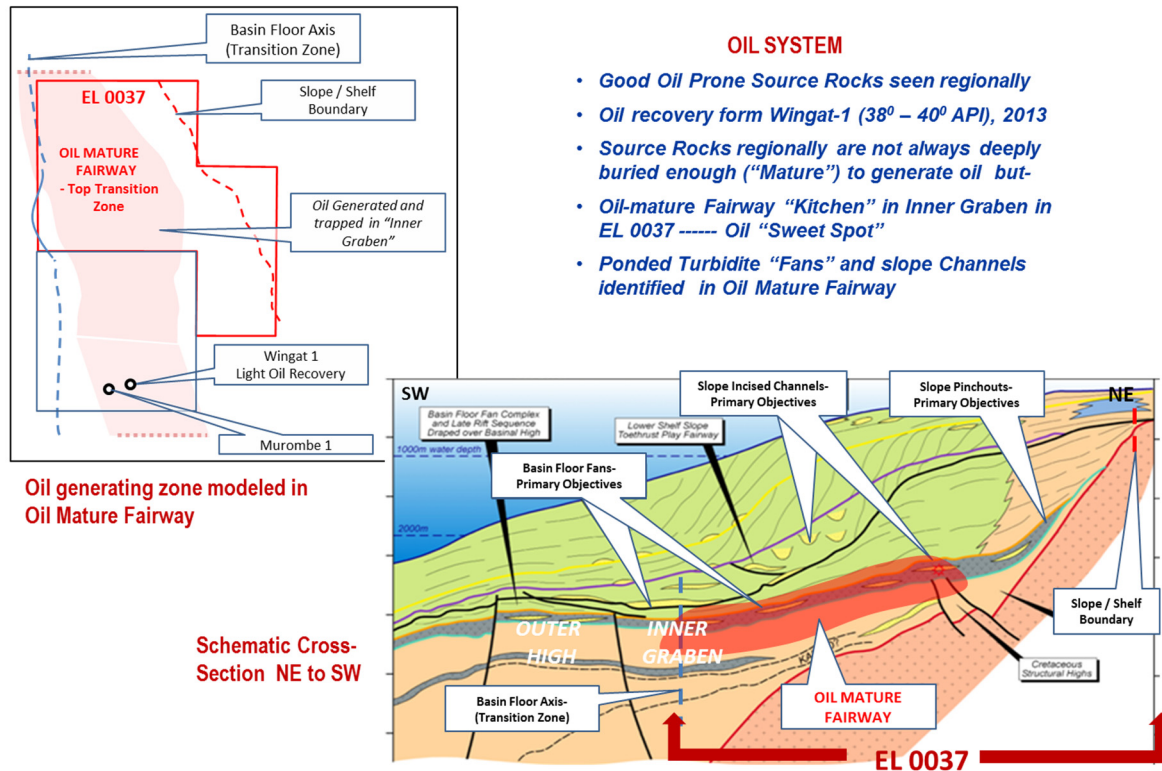
Pancontinental has mapped a number of large "leads" of which some are interpreted to be at approximately the same stratigraphic level as the oil found in Wingat-1, as well as close vertically to the interpreted oil source rocks.

The Oil Mature Fairway and Inner Graben are asymmetric, with considerably larger "fetch" for oil generation and migration on the Eastern side of the Graben, in EL 0037.

Crucially, the Oil Mature Fairway lies to the Eastern side of the axis of the Basin Floor and within the Eastern part of the Basin Floor and the Eastern Slope area (See Figure 5). Oil migration is therefore interpreted to be predominantly to the East.

Pancontinental therefore believes that the Eastern Flank is the environment that is most likely to contain volumes of trapped oil, and this is where EL 0037 is situated.

Offshore Namibia – Exploration Concepts



Regional Activity

Namibia is under-explored with only seven onshore and fourteen offshore wells drilled over a coastline of some 1,300km.

Offshore Namibia and Angola form the tectonic conjugate of offshore Brazil, which contains some highly oil-productive basins.

The joint venture participants in Block EL 0010, neighbouring Pancontinental's EL 0037 (see Figure 4) have reported that the Welwitschia-1 exploration well commencement is imminent. The Welwitschia-1 drilling site is approximately 75km from the north-east boundary of EL 0037.

Drilling results from elsewhere in the Walvis Basin have proved encouraging for the presence of mature source rocks, and regional wells show good evidence of reservoir quality sands in the Cretaceous interval.

Recent farm-ins by Shell, OMV, Murphy and others offshore Namibia indicate heightening industry interest in the exploration province.

AUSTRALIA

EP-104 / R1 ONSHORE CANNING BASIN

Pancontinental Oil & Gas NL – 11.11%

The RL1 area has been excised from the EP-104 exploration area to allow retention of the Point Torment gas discovery and the Stokes Bay 1 area. RL1 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 is undertaking an examination of the prospectivity of the licence areas to plan a revised forward programme.

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.

The L15 Joint Venture is considering upgrading the existing production facility and restore oil production from West Kora -1.

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.

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 farming out 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.

The Joint Venture is considering a further review aimed at outlining possible onshore leads and prospects in EP 110.

PERMIT SCHEDULE

Permit Location	Permit Reference	PCL (consolidated) interest at the beginning of the quarter	Movements for the current quarter	PCL (consolidated) interest at the end of the quarter
Western Australia	EP 104 (R1)	11.11%	0.00%	11.11%
	EP 110	38.462%	0.00%	38.462%
	EP 424	38.462%	0.00%	38.462%
	L15	12.00%	0.00%	12.00%
Kenya	L6 offshore	40.00%	0.00%	40.00%
	L6 onshore	40.00%	(24.00)%	16.00%
	L8	15.00%	(15.00)%	0.00%
	L10A	18.75%	0.00%	18.75%
	L10B	15.00%	0.00%	15.00%
Namibia	EL 0037	30.00%	0.00%	30.00%

CORPORATE

Cash Position

As at 31 March 2014, Pancontinental's cash position was \$24.3 million.

The major items of expenditure during the March 2014 Quarter were Exploration and Evaluation (\$9.2 million) and Administration (\$0.4 million).

New Ventures

Pancontinental continues to review other exploration and acquisition opportunities in Africa and elsewhere, and intends to grow the asset portfolio should these new assets meet the Company's stringent selection process.

Media Enquiries:

Nicholas Read / Paul Armstrong
Read Corporate
Tel: +61 8 9388 1474
Email: info@readcorporate.com.au

Company Enquiries:

Barry Rushworth
CEO and Director
Tel: 08 9227 3220
Fax: 08 9227 3211

Disclaimers

Any estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

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