

## Oil in Sunbird reef confirms strong potential offshore Kenya

### Highlights

#### **Kenya L10A – Sunbird well analysis shows oil column in Sunbird Reef**

- » Sunbird-1 historic first-ever oil column now verified offshore East Africa
- » A 14m oil column and 29.6m gas column announced in Sunbird discovery
- » A significant opportunity now opens for Pancontinental to find commercial oil in its areas offshore Kenya using commercially confidential Sunbird oil data

#### **Namibia EL 0037 – Seismic yields major offshore prospects**

- » Extensive 3D and 2D seismic acquisitions completed as the first part of Tullow's farm-in programme, at no cost to Pancontinental
- » Large Prospects from early mapping being confirmed by 3D and 2D seismic
- » The Albatross Prospect has potential for 422 Million Barrels of Oil (gross unrisksed mean) or 1.093 Billion Barrels of Oil (P10) from initial mapping (*See Cautionary Statement below*)

#### **Kenya L10B- Extension and Increase in Interest**

- » Extension granted and Pancontinental lifts its stake in highly prospective Kenyan L10B licence to 25%
- » Mapping of 3D data continues, with the JV considering a 2<sup>nd</sup> well after the Sunbird-1 oil discovery in L10A

#### **Kenya L6 – Onshore Exploration Well and Offshore Farmout**

- » PCL free-carried for onshore seismic & exploration well by Milio International
- » The offshore portion of L6 remains open for drilling under farm-in

#### **Kenya L8**

- » Discussions continuing with the Kenyan Ministry concerning a new license for L8 offshore Kenya

#### **Corporate**

- Cash balance of \$9.6 million (30 June 2014)
- Farmout activities targeting cash reimbursements plus exploration funding

*Cautionary Statement: The 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 movable hydrocarbons.*

**ASX Code** – PCL

**Issued shares** – 1,151 million

**Market Cap** - @ 2.3cps - \$26.5 m

**Cash at end of quarter** - \$9.6 million

## Overview

Pancontinental Oil and Gas NL ("Pancontinental"; the "Company"; ASX: PCL) is highly leveraged to potentially world-class hydrocarbon reserves in its exploration projects. Exploration progressed on several fronts in Pancontinental's range of areas in Kenya and Namibia.

During the June Quarter, Pancontinental announced the historic Sunbird-1 first-ever oil discovery well offshore Kenya in area L10A (PCL 18.75%).

Oil and gas columns have both now been verified in the Sunbird-1 discovery well. The Sunbird oil discovery outcome opens a major opportunity to explore for larger volumes of oil, as well as gas, over Pancontinental's extensive portfolio of prospects and leads offshore Kenya.

Pancontinental's L10A and L10B areas are well situated immediately offshore the Kenyan port of Mombasa.

Elsewhere in Kenya, farm-out discussions were successfully completed for the onshore/ offshore Kenya licence L6. Pancontinental and L6 Operator FAR Limited will be free-carried for new seismic and the drilling of an onshore well, expected to spud early 2015. The joint venture partners are seeking a farminee for drilling the offshore portion of L6.

In the EL 0037 area offshore Namibia a major program of 2D and 3D seismic acquisition was completed by Tullow Oil (ASX announcement 11 April 2014), paving the way for drillable targets to be prepared.

Early mapping has yielded significant Prospects that are now being verified by the new 3D and 2D data. The Albatross Prospect is one such prospect, covering some 300 sq km, and having significant oil prospective resources potential.

Pancontinental is very well placed in the rapidly emerging oil and gas frontier offshore Namibia with its 30% free-carried interest in EL 0037, covering a total area of some 17,000km<sup>2</sup> 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 15,000km<sup>2</sup> 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 and the first-ever oil discovery, was made by Pancontinental and its L10A partners in February 2014. The verified oil discovery was announced by Pancontinental on 17 June 2014.

Pancontinental believes that it is now in an excellent position to explore for larger, commercial volumes of oil and gas over its extensive portfolio of prospects and leads offshore Kenya.

### KENYA OFFSHORE BLOCKS L10A

#### ***Pancontinental Oil & Gas NL – 18.75%***

L10A covers an area of 4,962.03km<sup>2</sup> 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)	50.00%
PTTEP	31.25%
<b>Pancontinental</b>	<b>18.75%</b>

#### **Sunbird-1 Oil Discovery Zone verified offshore Kenya**

On 17 June 2014, Pancontinental announced that an oil column had been discovered in the Sunbird 1 well in area L10A offshore southern Kenya.

After lengthy analysis, the Sunbird-1 oil column was verified in the discovery well – the first-ever such oil discovered off the entire east African coast.

Some of the key aspects of the discovery are-

- The Sunbird-1 well, completed in March in area L10A, intersected a gross 29.6m gas column overlying a gross 14m oil column in the Sunbird Reef.

- The Sunbird Oil Discovery is the historic first-ever oil column discovered offshore East Africa
- The discovery is considered to be a “play opener”
- The discovery has major implications for regional exploration – proprietary geochemical data puts Pancontinental and its L10A Joint Venture partners in a leading position, and
- Pancontinental is now in a prime position to explore for larger volumes of oil in its very extensive portfolio of prospects and leads in its three exploration areas, now that it has identified the key components of a prospective oil system in the Lamu Basin.

## Sunbird-1 Results

Sunbird, completed in March 2014, is located about 50km from the port of Mombasa. The well was managed by Joint Venture operator BG Group, using the drillship Deepsea Metro 1.

The Sunbird Prospect 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.

Sunbird-1 drilled into an oil and gas-bearing limestone reservoir in the top of the Sunbird Reef.

The gross oil column is assessed to be **14m thick beneath a gross gas column of 29.6m** in a reefal limestone reservoir in the Sunbird Miocene Pinnacle Reef.

The corresponding net values are 9.2m for the oil zone and 28.3 m for the gas zone. The net values are calculated for the reservoir using cut-offs of 10% porosity (Phi) and 50% shale volume (Vsh). Zones with porosity lower than 10% are not included in the net pay assessment. Oil and gas samples were recovered and analysed using sophisticated geochemical techniques.

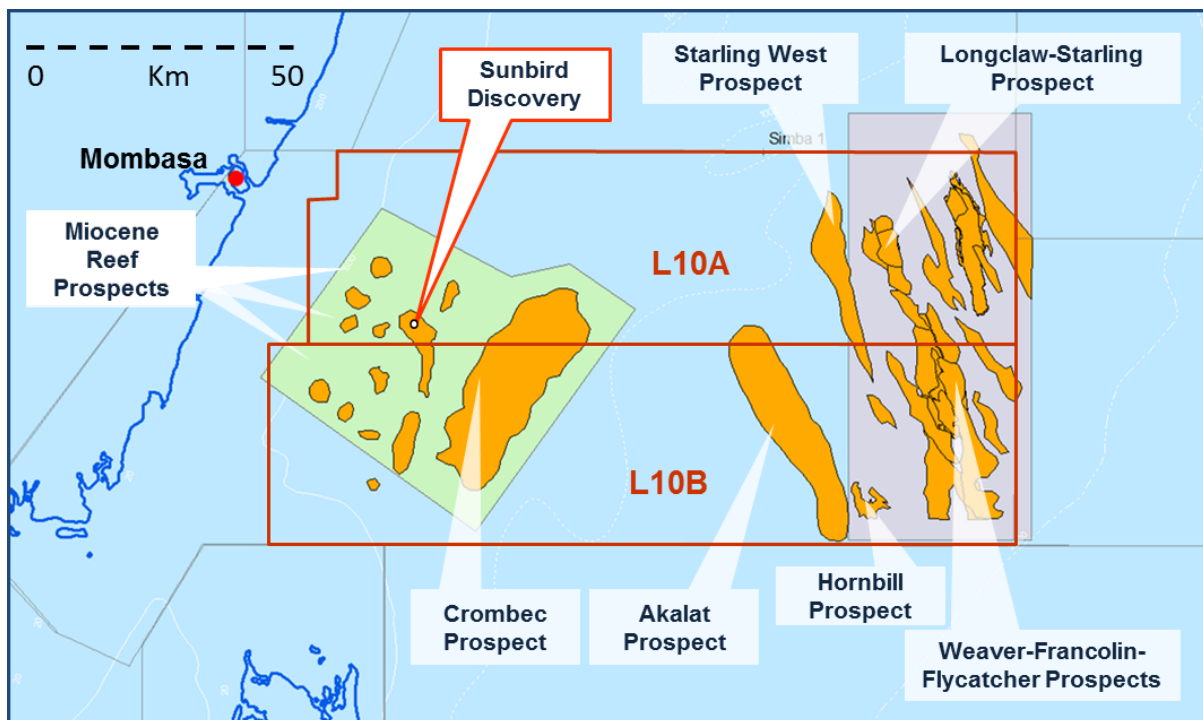
The detailed oil and gas geochemical data, which are confidential to the L10A Joint Venture partners, give the age and type of the oil source rocks, as well as other crucial data that Pancontinental believes places the L10A Joint Venture in a leading position to find commercial oil offshore Kenya.

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 also very significant.

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

Pancontinental believes the results are highly significant because they are the first proof of the presence a prospective oil system in the Lamu Basin offshore Kenya.

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.



**Figure 1: L10A & L10B Prospects and Leads Map**

## Future Exploration

Pancontinental believes that the implications of the Sunbird-1 well results for regional oil exploration are truly outstanding.

The Operator of the Block L10A Petroleum Sharing Contract, BG Group, is continuing to analyse the well data and is also re-examining the inventory of known Prospects and Leads using the Sunbird results.

The Sunbird discovery has yielded important details of the oil system in the Lamu Basin including the age and depositional environment of the source rock and the timing of the generation of the oil phase.

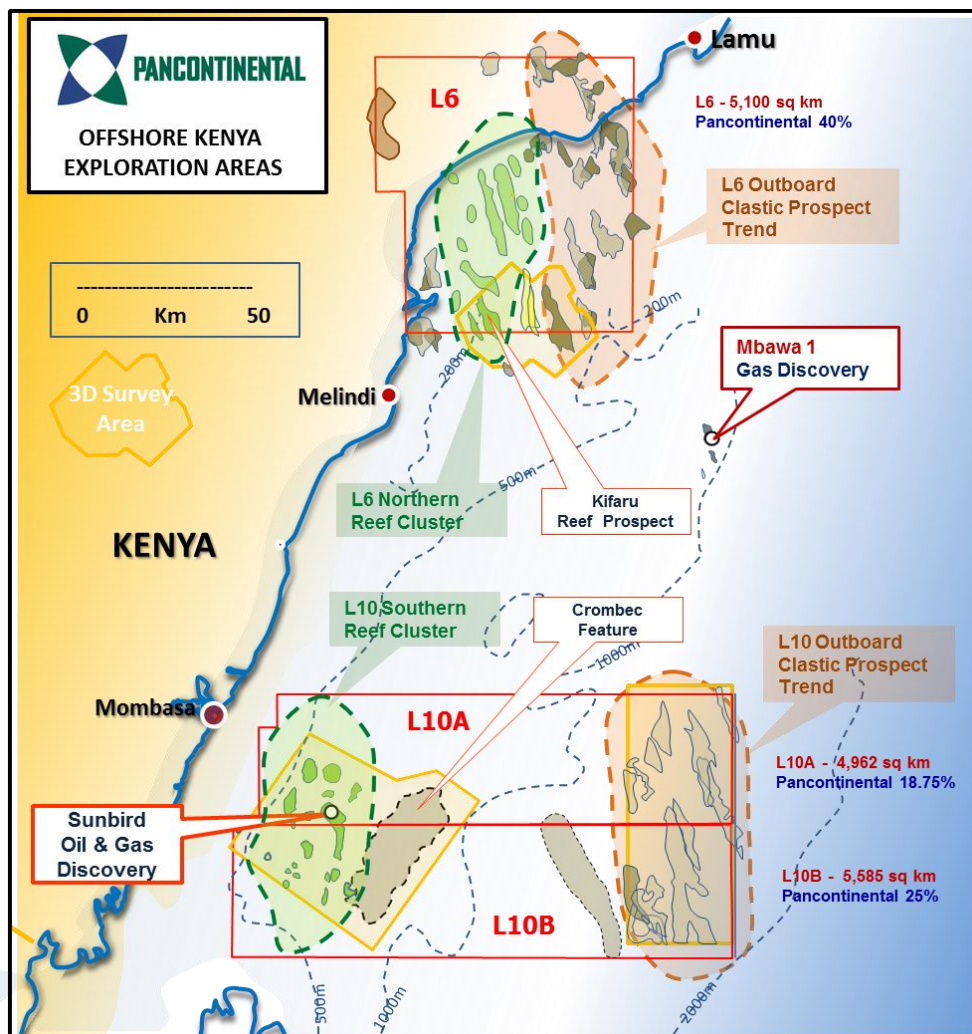
The Sunbird Prospect is one of an inboard cluster of Miocene reefs. Outboard prospects include Tertiary and Cretaceous channels, large anticlinal complexes and series of Cretaceous and Tertiary fault bounded prospects.

L10A covers a variety of play types, prospects and leads. The L10A and L10B Operator, BG Group, is continuing to map Prospects and Leads using the 4,800km<sup>2</sup> of high-quality 3D seismic data acquired over the last two years in areas L10A and L10B.

In the western sector of L10A, the very large Crombec Lead continues to be mapped. Crombec is a large faulted anticline covering 550km<sup>2</sup>, with vertical relief of about 400m.

The L10A consortium is now considering the location of one or more additional wells. A drilling decision will be made after further technical and joint venture consideration.

Other offshore Kenyan activity includes an exploration well to be drilled in the adjacent block L11B by Anadarko, as recently announced for later in 2014.



**Figure 2- Offshore Kenya Location Map**

## **KENYA OFFSHORE BLOCK L10B**

### ***Pancontinental Oil & Gas NL – 25%***

L10B has an area of 5,585.35km<sup>2</sup> 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)	75%
<b>Pancontinental</b>	<b>25%</b>

### **Exploration Activity**

Mapping of the extensive 3D seismic data sets 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 mapping Prospects and Leads using the 4,800km<sup>2</sup> of high-quality 3D seismic data acquired over the last two years.

Following the Sunbird-1 oil discovery, the Joint Venture is considering a second well on either another Miocene Reef or a clastic prospect.

### **L10B Extension and Increase in Interest**

During the Quarter Pancontinental advised that the Government of Kenya has granted an extension of 12 months to the current term of the L10B licence. This will enable the L10B joint venture more time in which to assess the impact of the Sunbird oil discovery in the adjacent L10A area, and how this will direct any drilling in L10B in the next succeeding licence term.

Pancontinental further advised that it had increased its interest in licence L10B. The increase in interest is subject to the completion of documentation; however Ministerial approval has already been given.

BG Group, the London-listed FTSE-100 company which operates the licence, has also increased its interest, taking it to 75 percent.

The companies have increased their stakes in L10B by taking up a pro-rata share of the interests held by Premier Oil and PTTEP.

L10B has a number of large prospects and leads, identified on 3D seismic, that are being examined as exploration drilling targets.

Pancontinental believes that the very significant prospectivity of L10B, as well as the adjacent area L10A, means it is well-placed to farm-out a portion of its interest in both licences on attractive terms. The Company would aim to achieve terms that included securing the reimbursement of significant back costs as well as securing substantial funding for forward exploration programs.

## **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.

L6 covers an area of approximately 5,010km<sup>2</sup> 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 and north and on-trend to the recent Sunbird-1 oil and gas discovery in L10A (PCL 18.75%).

The L6 Joint Venture **offshore** interests are:

FAR (operator)	60%
<b>Pancontinental</b>	<b>40%</b>

Milio International has agreed to farm-in to the onshore portion of the L6 area (see below).

### **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 later in 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 company specialising in petroleum logistics, marketing, trading and exploration and production 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.

The L6 Joint Venture **onshore** interests are:

Milio (operator)	60%
<b>Pancontinental</b>	<b>16%</b>
FAR	24%

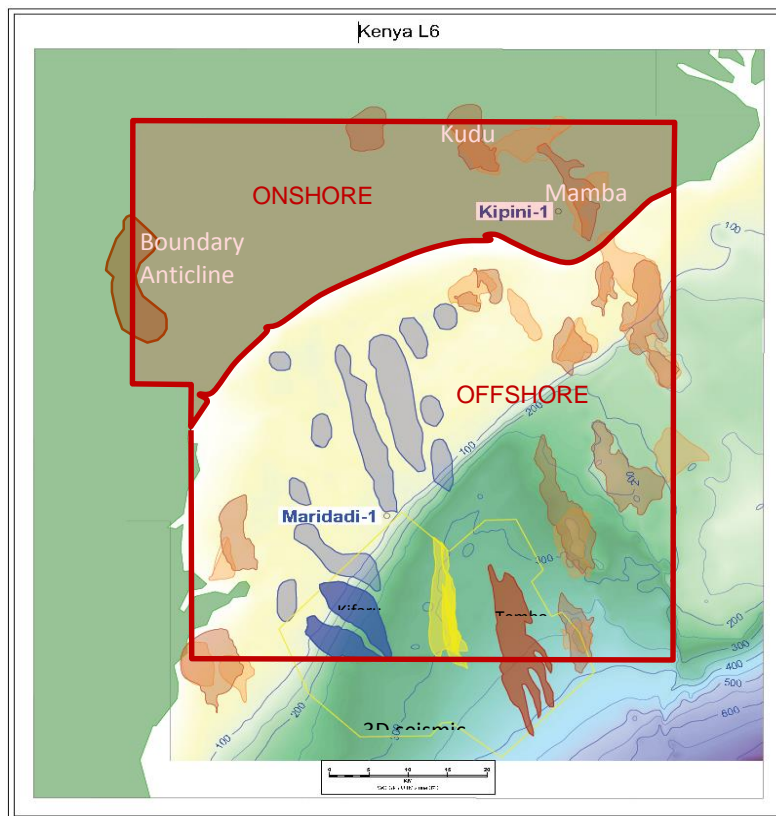
## **L6 Offshore**

The offshore L6 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 identified on 2D seismic.

The offshore L6 participants (Pancontinental and Flow Energy Pty Ltd, a subsidiary of 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 oil discovery which has recently been made by Pancontinental and its joint venture partners in offshore Kenya area L10A (see above).



**Figure 3: 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.

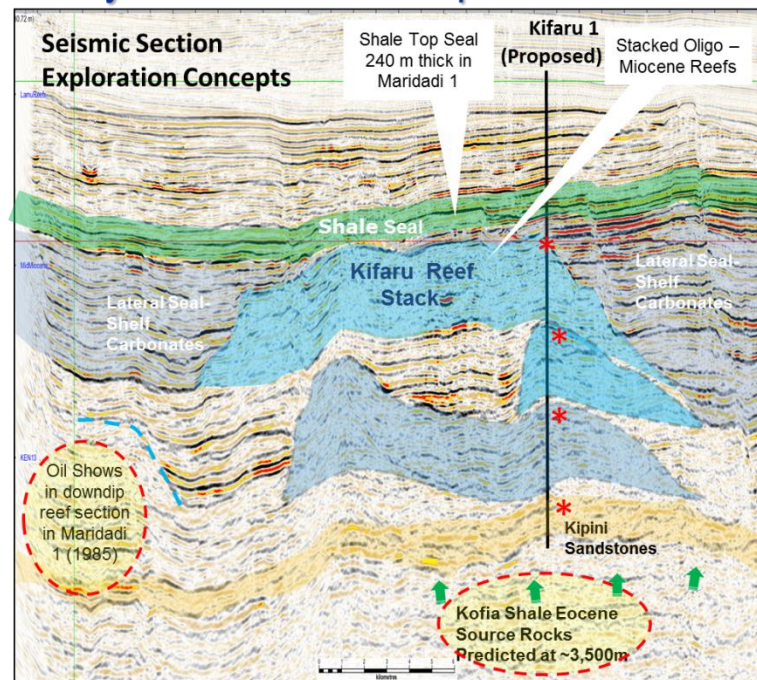
Three offshore prospects have been covered by 3D seismic (Kifaru, Kifaru West and Tembo).

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.

## Kenya L6 – Kifaru Prospect



**Figure 4: 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 the offshore portion of the licence with the farmout also aiming to secure a reimbursement of significant back costs.

The joint venture is working to secure a farminee for drilling in the offshore portion of the L6 area. 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 5,114.9km<sup>2</sup> offshore Kenya in water depths ranging from 100m to 1,300m.

The exploration licence for Block L8 offshore Kenya expired on 21 January 2014.

Pancontinental has had initial discussions with the Kenyan Ministry of Energy for the granting 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 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. 3D seismic surveys by various operators have identified large structural and stratigraphic features as potential oil traps.

### **NAMIBIA OFFSHORE EL 0037**

***Pancontinental Oil & Gas NL – 30%***

Petroleum Exploration Licence No. 0037 covers approximately 17,295 sq km in the Walvis Basin offshore northern Namibia.

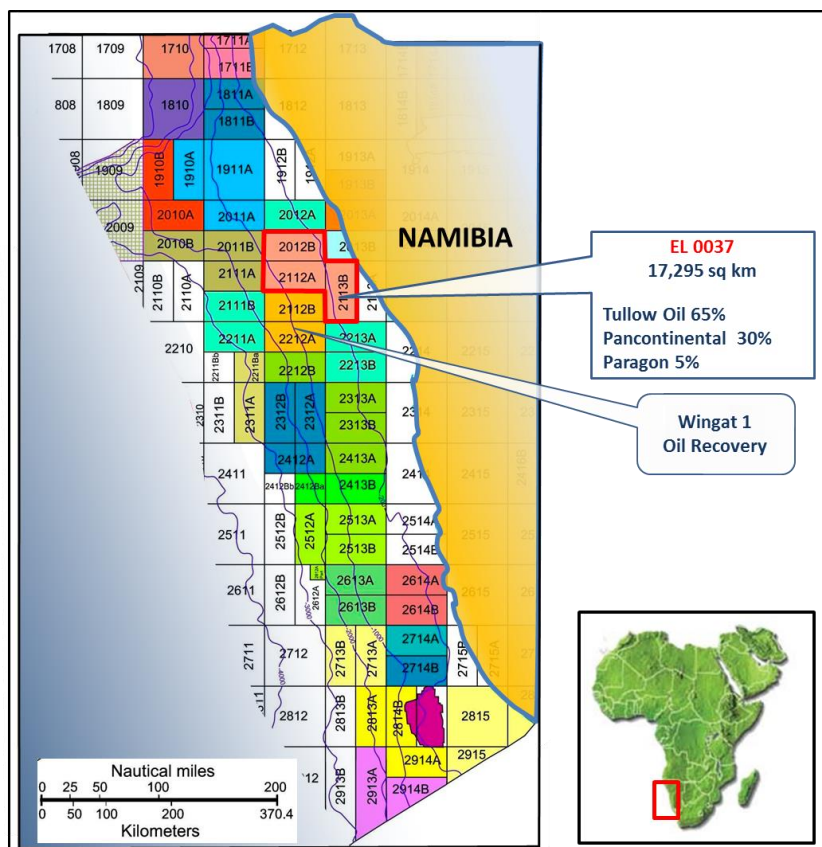
The Namibia EL 0037 consortium consists of:

Tullow Kudu Limited <sup>1</sup> (Operator)	65%
<b>Pancontinental Namibia (Pty) Ltd<sup>2</sup></b>	<b>30%</b>
Paragon Oil & Gas (Pty) Ltd <sup>3</sup>	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



**Figure 5: Licence areas offshore Namibia**

Tullow Oil farmed-in to EL 0037 in September 2013 and identified a number of geological Leads for further work including 3D and 2D seismic surveys (now completed).

Pancontinental retains a 30% free-carried interest through the surveys and one optional well to be drilled by Tullow; Tullow must drill the well in order 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.

### **Completion of Extensive 3D and 2D Seismic Data Acquisition**

An extensive 3,000km<sup>2</sup> 3D seismic survey was completed in early April 2014 under the farmout agreement by Pancontinental to Tullow Oil.

The survey covered a number of strong "leads" mapped on existing 2D seismic data and was 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, is designed to outline a number of additional leads.

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

### **Early Seismic Mapping Yields Major Prospects**

- Initial mapping has confirmed at least four major turbidite fan prospects up to 300 sq km in area, and now covered by 3D - the Albatross, Gannett, Petrel and Seagull Prospects.
- The Prospects will be further confirmed using the new 3D and 2D data.
- The Albatross Prospect is estimated by Tullow to have potential to contain 422 Million Barrels of Oil (gross unrisks mean) or 1.093 Billion Barrels of Oil (P10), from initial mapping (*See Cautionary Statement below*)
- Further prospects and leads in addition to Albatross have gross mean risks potential resources exceeding 150 Million Barrels of Oil (*See Cautionary Statement below*)
- The early-mapped Prospects are considered to be in the oil system "fairway" verified by Wingat-1, on-trend to EL 0037
- Final 3D mapping in September-October 2014 is expected to present a number of potential drilling targets, including Albatross
- Additional prospects and leads are expected to be mapped within and outside the 3D area in due course.

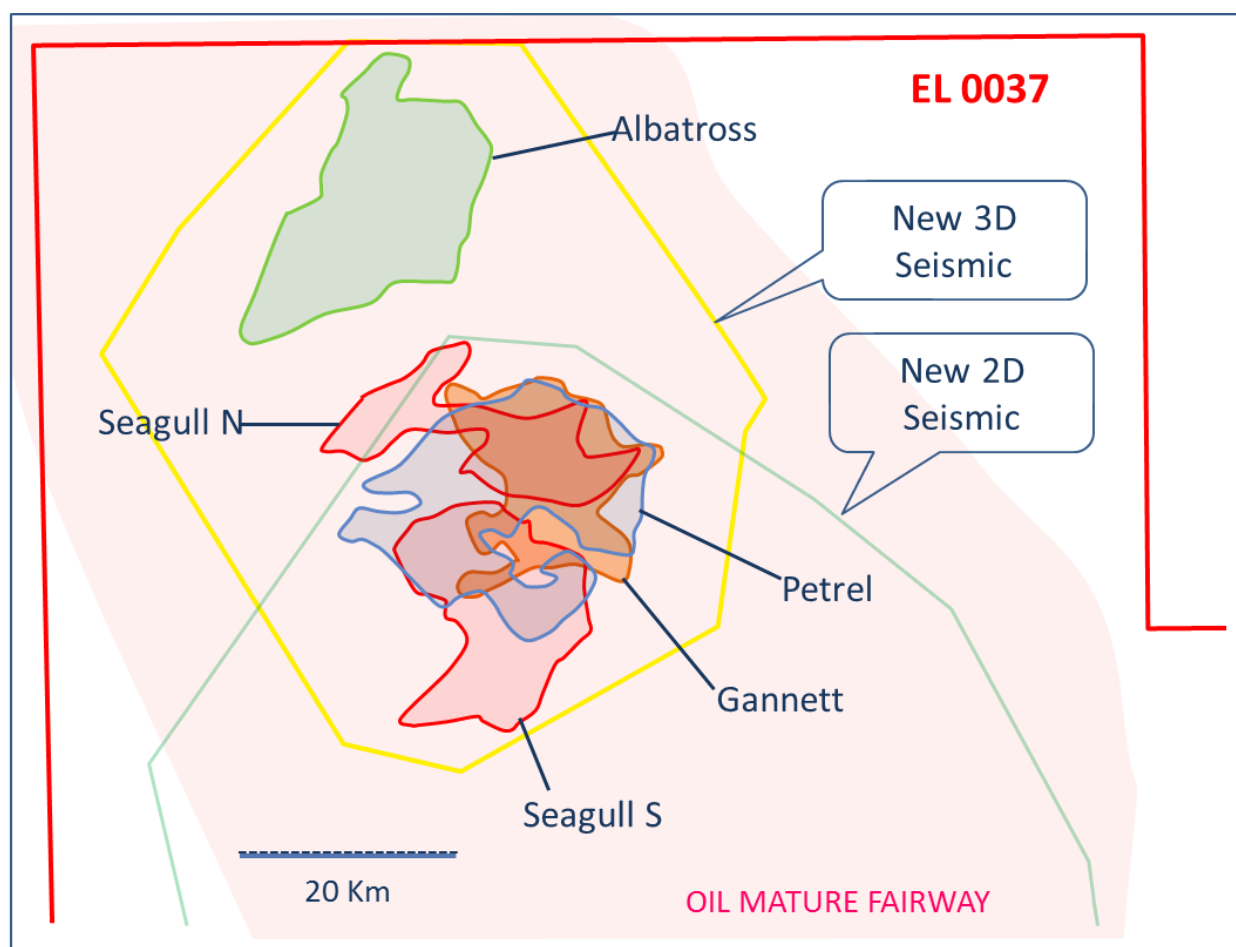
## The Albatross Prospect

The Albatross Prospect, in the newly acquired 3D area, is currently mapped over an area of approximately 300 sq km and is assessed by Tullow to have the potential to contain 422 Million Barrels of oil (gross unrisks mean), or 1.093 Billion Barrels of oil (P10 basis). (See *Cautionary Statement below*).

Albatross is a large base-of-slope turbidite fan of mid to early Cretaceous age. The chance of success (CoS) for the Albatross Prospect is currently estimated by Tullow at 17%. (See *Cautionary Statement below*).

The Albatross Prospect is interpreted to be horizontally and vertically close to the "fairway" of mature oil source rocks identified by Pancontinental and subsequently verified in the Wingat-1 well drilled in the adjacent exploration licence area. Good oil-prone and oil-mature source rocks were seen, and live oil was recovered, from Wingat-1 in 2013.

*Cautionary Statement: The 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 movable hydrocarbons.*



**Figure 6 – New 3D and 2D Seismic Surveys and Main Prospects- Northern EL0037**

## **Potential of Additional Prospects**

A number of other Prospects and Leads have been identified in addition to Albatross in the very large EL 0037 area of some 17,000 sq km.

Other prospects and leads are currently assessed by Tullow to have potential to hold gross mean risked resources exceeding 150 Million Barrels of Oil (*See Cautionary Statement below*).

Pancontinental emphasises that the early prospective resource estimates above are made using existing data, and will be subject to change when fully processed 3D and 2D data become available and these have been interpreted and mapped.

Further, it is expected that a number of additional large prospects will be identified and mapped as possible drilling targets in the course of seismic data interpretation.

*Cautionary Statement: The 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 movable hydrocarbons.*

## **3D and 2D Seismic Mapping Schedule**

Processing is ongoing on the 2D and 3D seismic survey data acquired early in 2014.

It is anticipated that "fast track" processed results will be available mid- to late-August and fully processed data will be available in September 2014. The results of complete mapping from the fully processed data are expected in October 2014.

## **Tullow Farmin**

As part of Tullow Oil's commitment under the late-2013 farmin agreement with Pancontinental, Tullow has carried out the 3,000 sq km 3D seismic survey and a 1,000 line km 2D survey at its sole cost. Pancontinental has retained a 30% free-carried interest through the surveys, at no cost to Pancontinental.

To maintain its 65% farmin interest, Tullow must fully free-carry Pancontinental's 30% interest through one exploration well (with no expenditure 'cap'). Pancontinental estimates farmin expenditure up to US\$130 million (100% basis) for the full work programme.

## Forward Exploration Programme

The 3D and 2D data are now being processed, with final results expected around end-August 2014.

Fast-track processed 3D data are expected in early August, and mapping of the Prospects has already commenced using existing data versions. Following full mapping, Albatross and other Prospects will be examined for drilling potential. The EL 0037 joint venture will then be in a position to determine drilling sites and dates.

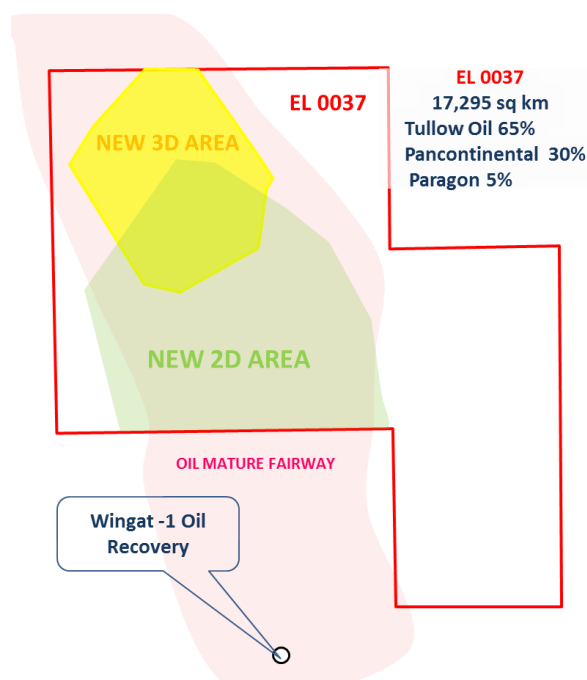
Depending on the outcome of the seismic programmes, one exploration well will be drilled by Tullow to retain its 65% interest in EL 0037. Pancontinental will retain a 30% free-carried interest in the well.

## Prospectivity of the Walvis Basin Offshore Namibia

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.

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

Drilling results 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.



**Figure 7: EL 0037 Regional Map**

An oil recovery and reports of high-quality oil-mature 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.

The Prospects identified on 3D in EL0037 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. 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.

## **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.

No activity has been undertaken for some time and Pancontinental is now reviewing its position in the licences.

### **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 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.

## **LICENCE SCHEDULE**

<b>Licence Location</b>	<b>Licence Reference</b>	<b>PCL (consolidated) interest at the beginning of the quarter</b>	<b>Movements for the current quarter</b>	<b>PCL (consolidated) interest at the end of the quarter</b>
Kenya	L6 offshore	40.00%	0.00%	40.00%
	L6 onshore	16.00%	0.00%	16.00%
	L10A	18.75%	0.00%	18.75%
	L10B	15.00%	10.00%	25.00%
Namibia	EL 0037	30.00%	0.00%	30.00%
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%

## **CORPORATE**

### **Cash Position**

- As at 30 June 2014, Pancontinental's cash position was \$9.6 million.
- Pancontinental will seek to significantly enhance its cash position by securing the reimbursement of substantial back costs in addition to exploration funding under farmout of Kenyan blocks L6 offshore, L10A and L10B.
- The major items of expenditure during the June 2014 Quarter were Exploration and Evaluation \$14.3 million and Administration \$305,000.

### **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.

### **Company Enquiries:**

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### **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.

This document may include forward looking statements. Forward looking statements include, are not necessarily limited to, statements concerning Pancontinental's planned operation program and other statements that are not historic facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward looking statements. Although Pancontinental believes its expectations reflected in these are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward looking statements.

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