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ASX Release

30 August 2007

Valentine-1 Exploration Well Drilling Update

Pancontinental Oil and Gas NL (ASX: PCL) wishes to advise that Joint Venture (JV) partner and operator of the EP 104 & R1 Onshore Canning Basin project, Arc Energy (ASX: ARQ), has announced that operations at the Valentine 1 exploration well are continuing below 2,306m.

Elevated gas readings were detected over a 2-3 meter interval at approximately 2,250mMD while drilling interbedded claystones and well cemented sandstones. The significance of these gas readings will be determined once the well has reached total depth and wireline logging has been completed. The operation at 0600 hrs today was drilling ahead at a measured depth of 2,340mRT in a 216mm diameter hole. The total measured depth of the Valentine-1 well is programmed to be 3,407mRT with the target Virgin Hills Formation at approximately 3,222mRT. Final interests in R1 and EP104, post the Valentine 1 well farm-in earning program are:

ARC Energy Limited (Operator)	38.95%
Empire Oil and Gas NL	14.8%
Emerald Oil & Gas NL	12.75%
Pancontinental Oil & Gas NL	10%
Phoenix Resources PLC	10%
First Australian Resources Limited	8%
Indigo Oil Pty Ltd	5.5%

Pancontinental General Manager, Matthew Battrick said: "Drilling operations are continuing; we are currently 18 days into the well and now around 4-5 days from the primary target, if penetration rates remain the same as we near the total depth of this well".

"The gas show recorded at around 2,250mRT is at a similar stratigraphic level to that from which a small amount of oil was recovered in the West Kora-1 well, a few kilometres to the east. It is encouraging news as it is not the primary target for this well" Matthew said.

Enquiries:

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The summary report on the oil and gas projects is based on information compiled by Mr M A Battrick, BSc, MAAPG, MPESA, MAICD, MPESGB, General Manager of Pancontinental Oil & Gas NL. Mr Battrick has the relevant degree in geology and has been practising petroleum geology for 26 years. Mr Battrick is a full-time employee 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.