



1 July 2014

Companies Announcement Office
Australian Securities Exchange
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Released to New Zealand Stock Exchange ("NZX") on 1 July, 2014

Please find attached a release with respect to Oi-2 Exploration Drilling Update, which was released to the New Zealand Stock Exchange ("NZX") on 1 July, 2014 in accordance with Listing Rule 15.7.1.

A handwritten signature in black ink, appearing to read "Kim Ware".

Kim Ware
Company Secretary



1st July 2014

Oi-2 Exploration Drilling Update

Pan Pacific Petroleum (“PPP”) has been advised by AWE, the Operator of permit PMP38158 that the Oi-2 exploration well, which is being drilled by the semi-submersible drilling rig “Kan Tan IV”, has set the 9 5/8 inch casing at 1487m BRT (Below Rotary Table), and is preparing to drill ahead in 8½ inch hole to TD at 3881m BRT. The well is expected to intersect the objective F10 reservoir in 4-5 days, subject to operational progress.

AWE has advised PPP that the cost for the Oi-2 exploration well, originally budgeted at US\$25.8m will exceed this estimate by ~US\$6.4m. This increase in costs is due to operational delays mainly related to waiting on weather and difficulties in setting the 9 5/8 inch casing. As a result the total gross cost for Oi-1 & 2 which was estimated at US\$44.5m is increased to US\$50.9m, net US\$25.45m to PPP an increase of US\$3.2m, which includes a contingent provision for weather downtime.

PPP has increased its participating interest in Oi-1 from 15% to 50% pursuant to the Sole Risk provisions of the Tui Joint Venture Operating Agreement. NZOG and AWE have the right to reinstate their former interests in any discovery by way of reimbursement of pro-rata well costs and the payment of a buy-back premium.

Oi-2 will evaluate the hydrocarbon potential of a 4-way dip closed structure draped over basement similar to the Tui, Amokura and Pateke Fields, and will target the F10 reservoir sandstones which produce oil in these fields. PPP estimates that if filled to spill point Oi will contain gross unrisked mean recoverable prospective resources of 15 million barrels of oil with a Best Estimate (P50) of 13.5 million barrels (Best Estimate net 6.75 million barrels to PPP at 50% equity). The Oi-2 exploration well has been estimated by PPP to have a 20-25% chance of success which is classified by PPP as medium risk.

If Oi-2 is successful the Joint Venture partners will consider whether to drill a sidetrack at non-sole risk participation levels (i.e. PPP 15%) to provide additional information to assist with determination of resources and development planning.

In the event of a commercial discovery it is envisaged that the field will be produced by connecting to, and using spare capacity at, the Tui FPSO at relatively low estimated incremental operating costs.

The Joint Venture partners in PMP 38158 are:

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|---|---------------------|
| Pan Pacific Petroleum NL (via subsidiaries) | 15.0% (50.0% in Oi) |
| AWE Limited (via subsidiaries) (Operator) | 57.5% |
| New Zealand Oil & Gas (via subsidiaries) | 27.5% |

The information contained in this announcement is current as at the date indicated in this release. This report is based on information compiled by Tom Prudence (Chief Executive

Officer). The Prospective Resource estimate for the Oi exploration prospect was estimated using a probabilistic methodology. Mr Prudence has a BSc (Hons) in Geological Geophysics and an MSc in Petroleum Geology. He is also a Fellow of the Geological Society of London and a member of the Society of Petroleum Engineers (SPE). Mr Prudence has consented in writing to the inclusion of this information in the format and context in which it appears.

For further information please contact:

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