



10 June 2014

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

Released to New Zealand Stock Exchange ("NZX") on 10 June, 2014

Please find attached a release with respect to Oi-1 Exploration Drilling Update, which was released to the New Zealand Stock Exchange ("NZX") on 10 June, 2014 in accordance with Listing Rule 15.7.1.

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

Kim Ware
Company Secretary



10th June 2014

Oi-1 Exploration Drilling Update

Pan Pacific Petroleum has been advised by AWE, the Operator of permit PMP38158 that for the reasons detailed below and as recommended by AWE the Oi-1 well will be abandoned and operations commenced on a new well Oi-2. The Operator has reported that as of 06:00hrs the semi-submersible drilling rig "Kan Tan IV" was preparing for drilling operations at the Oi-2 location.

Oi - 1 was drilled to the planned section TD at 1507m BRT (below rotary table) in 17½ inch hole, but due to operational difficulties related to conditions in the shallower part of the hole it was not possible to set the 13 ¾ inch casing. Attempts to set a cement plug and sidetrack the well were also unsuccessful and as a result the well had to be abandoned.

To better manage and mitigate the issues encountered in Oi-1, the Oi-2 drilling plan proposes to set the 13 ¾ inch casing at 550m (BRT), shallower than the 1500m BRT originally planned in Oi-1. This will enable a drilling fluid system to be established at a shallow depth and improve management of conditions in the well bore. This change of program will not impact on the objectives of the well. Oi-2 will then be drilled in 12¼ inch hole to section TD at around 1500m BRT, set 9 5/8" casing and then drill on in 8 ½ inch hole to the planned TD at 3,881m BRT.

Due to this change of program and other delays, including weather delays prior to spud date, the time estimated for the Oi drilling program, including drilling both Oi-1 and Oi-2 has increased to a total of 46-48 days. The latest estimate for total costs is in the order of US\$40 million, net US\$20m to PPP, an increase from the original estimate of net costs to PPP of US\$13.5m. These figures will be confirmed once the program is completed.

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.

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.

Costs incurred at Oi-1 and Oi-2 will be tax deductible from income derived from Tui Field production which will reduce the Company's overall cost exposure. Additionally, success at Oi-2 may well lead to the other participants in the Tui Joint Venture electing 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 which could result in a significant cash payment to PPP. Both

AWE and NZOG will have a period not exceeding 6 months after completion of operations at Oi to consider the well results and a buy-back decision.

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:

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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