Pan Pacific Petroleum

24 April 2015

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

150 pages including this page

Dear ASX Market Announcements

Pan Pacific Petroleum NL's Target's Statement

We refer to the Zeta Energy Pte. Ltd. (**Zeta Energy**) Bidder's Statement dated 10 April 2015 in respect of Zeta Energy's on-market takeover bid for all of the ordinary shares in Pan Pacific Petroleum NL ACN 000 749 799 (ASX: PPP) (**Pan Pacific**) that Zeta Energy does not already hold.

In accordance with item 10 of section 635(1) of the *Corporations Act 2001* (Cth) we enclose a copy of Pan Pacific's Target's Statement dated 24 April 2015.

Yours faithfully

Ms Kim Ware
Company Secretary
Pan Pacific Petroleum NL
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TARGET'S STATEMENT

This Target's Statement has been issued by **Pan Pacific Petroleum NL** ACN 000 749 799 (ASX: PPP and NZX: PPP) in response to the on-market takeover bid by **Zeta Energy Pte. Ltd.** (registered in Singapore, company registration number 201425794R), a wholly owned subsidiary of **Zeta Resources Limited** ARBN 162 902 481 (ASX: ZER) to acquire all of your ordinary fully paid Shares in Pan Pacific Petroleum NL ACN 000 749 799 for A$0.05 cash per Share.

REJECT

THE OFFER

Your Independent Directors unanimously recommend that you **REJECT** the Offer and **DO NOTHING** in relation to all Offer documents received from Zeta Energy Pte. Ltd. (registered in Singapore, company registration number 201425794R).

The Independent Expert has concluded that the Offer is **NEITHER FAIR NOR REASONABLE**.

For details on how to reject the Offer, refer to section 5 of this Target's Statement.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you do not understand it or are in doubt as to how to act, you should consult your legal, financial or other professional adviser immediately. If you have recently sold all of your Pan Pacific Petroleum NL ACN 000 749 799 Shares please disregard this document.

Pan Pacific Petroleum NL ACN 000 749 799 Shareholders that require assistance can call the Pan Pacific Petroleum NL ACN 000 749 799 Shareholder information line on (02) 9957 2177 (within Australia) or +61 2 9957 2177 (outside Australia) at any time between 9:00am and 5:00pm (Australian Eastern Standard Time) on Monday to Friday.

LEGAL ADVISER

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Important Notices

Nature of this document
This Target's Statement is dated 24 April 2015 and is given by Pan Pacific under Part 6.5 Division 3 of the Corporations Act in response to the Offer made pursuant to Bidder's Statement dated 10 April 2015.

ASIC and ASX disclaimer
A copy of this Target's Statement has been lodged with ASIC and ASX. Neither ASIC nor ASX, nor any of their respective officers, takes any responsibility for the contents of this Target's Statement.

Defined Terms
A number of defined terms are used in this Target's Statement. These terms are defined in section 10.1 of this Target's Statement. In addition, unless the contrary intention appears or the context requires other, words or phrases used in this Target's Statement have the same meaning and interpretation as in the Corporations Act.

Section 10.2 sets out some rules of interpretation that apply to this Target's Statement.

No account of personal information
This Target's Statement and the recommendations and other information contained in it do not constitute financial product advice. This Target's Statement does not take into account the individual investment objectives, financial situation and particular needs of each Pan Pacific Shareholder and it does not contain personal advice.

It is important that you read this Target's Statement in its entirety before making any investment decision and any decision relating to the Offer. You should seek independent legal, financial and taxation advice before making a decision as to whether or not to reject or accept the Offer for your Pan Pacific Shares.

Forward Looking Statements
This Target's Statement contains various forward looking statements. Statements other than statements of historical fact may be forward looking statements. Pan Pacific believes that it has reasonable grounds for making all statements relating to future matters attributed to it in this Target's Statement.

Pan Pacific Shareholders should note that such statements are subject to inherent risks and uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors, many of which are beyond the control of Pan Pacific.

Shareholders should note that any reference to past performance is not intended to be, nor should it be relied upon as, a guide to any future performance.

Actual results, values, performance or achievements may differ materially from results, values, performance or achievements expressed or implied in any forward looking statement. None of Pan Pacific, its Officers or any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any results, values, performance or achievements expressed or implied in any forward looking statement, except to the extent required by law. Shareholders should not place undue reliance on any such statement.

The forward looking statements in this Target's Statement only reflect views held as at the date of this Target's Statement. Subject to any continuing obligations under law or the ASX Listing Rules, Pan Pacific and its respective Directors disclaim any obligation to revise or update after the date of this Target's Statement any forward looking statements to reflect any change in the views, expectations or assumptions on which those statements are made. Any forward looking statement in this Target's Statement is qualified by this cautionary statement.

Risk Factors
Shareholders should note that there are a number of risks attached to their investment in Pan Pacific.

Please refer to section 4 of this Target's Statement (Risks Associated with the Offer) for further information on those risks.

Disclaimer as to information
The information on Zeta Energy contained in this Target's Statement has been prepared by Pan Pacific using publicly available information (including information contained in the Bidder's Statement) and has not been independently verified by Pan Pacific. Accordingly, subject to the Corporations Act, Pan Pacific does not make any representation (express or implied) as to the accuracy or completeness of such information.

Independent Expert's Report
The Independent Expert's Report has been prepared by the Independent Expert for the purposes of this Target's Statement and the Independent Expert takes full responsibility for that report. Neither Pan Pacific nor any of its Officers or advisers assumes any responsibility for the accuracy or completeness of the Independent Expert's Report, except in the case of Pan Pacific in relation to the information which it has provided to the Independent Expert.

Maps and diagrams
Any charts, graphs and tables contained in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in maps, diagrams, charts, graphs and tables is based on information available as at the date of this Target's Statement.

Rounding
A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Target's Statement.

Foreign Jurisdictions
The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

Currency

Unless otherwise stated, the currency referred to in this Target's Statement is Australian dollars.

Privacy

Pan Pacific has collected your information from the Pan Pacific register of Shareholders for the purpose of providing you with this Target's Statement. The type of information Pan Pacific has collected about you includes your name, contact details and information on your Shareholding in Pan Pacific. Without this information, Pan Pacific would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Shareholders and option holders to be held in a public register. Your information may be disclosed on a confidential basis to Pan Pacific's related bodies corporate and external service providers (such as the Pan Pacific Share registry and print and mail service providers) and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by Pan Pacific, please contact Link Market Services Limited, Level 12, 680 George Street, Sydney, NSW 2000, or on 1300 554 474 (within Australia) or +61 1300 554 474 (outside Australia) between 9.30am and 5.30pm (Australian Eastern Standard Time) Monday to Friday.

Pan Pacific Shareholder information

Pan Pacific has established a Shareholder information line which Pan Pacific Shareholders may call if they have any queries in relation to the Offer. The telephone number for the Pan Pacific Shareholder information line is (02) 9957 2177 (within Australia) or +61 2 9957 2177 (outside Australia) between 9:00am to 5:00pm (Australian Eastern Standard Time) on Monday to Friday.

Further information relating to the Offer can be obtained from Pan Pacific's website at www.panpacpetroleum.com.au. Information contained in, or otherwise accessible through, this website is not a part of this Target's Statement. All references in this Target's Statement to this website are inactive textual references and are for your information only.

Key Dates

Event	Key Date
Announcement Date of the Offer	10 April 2015
Date of Bidder's Statement	10 April 2015
Date of this Target's Statement	24 April 2015
Offer Period commences	27 April 2015
Close of Offer Period (unless extended or withdrawn*)	4:00pm (Australian Eastern Standard Time) 27 May 2015

* *Note: the Offer may only be withdrawn in exceptional circumstances in accordance with the Corporations Act as summarised in section 3.8 of this Target's Statement.*

Note to Pan Pacific Shareholders
The Offer is on-market. Pan Pacific Shareholders should be aware that if they accept the Offer they will not benefit if the Offer Price is subsequently increased, if a superior proposal is made by a third party or the price of Pan Pacific Shares on ASX and NZX trades above the Offer Price.

Letter from the Independent Directors

24 April 2015

Dear Pan Pacific Shareholder

INDEPENDENT DIRECTORS' RECOMMENDATION – REJECT THE OFFER

On 10 April 2015, Zeta Energy Pte. Ltd. (**Zeta Energy**) announced an unconditional on-market takeover offer through the ASX of A$0.05 cash to acquire all Pan Pacific Shares that it does not already own.

To evaluate and respond to the Offer, the Board of Pan Pacific established a committee consisting of Mr Tony Radford and Mr Allan Tattersfield (the **Independent Directors**). As the other Director of Pan Pacific, Mr Peter Sullivan is also chairman of the parent company of Zeta Energy, he is not a member of the committee and does not provide a recommendation in relation to the Offer.

The Independent Directors appointed RSM Bird Cameron Corporate Pty Ltd (the **Independent Expert**) to give an independent opinion as to whether the Offer is fair and reasonable to Pan Pacific Shareholders not associated with Zeta Energy or Zeta Resources. A full copy of the Independent Expert Report is set out in Annexure A to this Target's Statement.

The Independent Directors have completed a detailed review of the Offer and the Independent Expert Report, as a result of which we unanimously recommend that you **REJECT the Offer by DOING NOTHING.**

Our reasons include:

1. The Offer Price of A$0.05 per Pan Pacific Share does not reflect the underlying value of your Pan Pacific Shares which the Independent Expert has assessed have a fair value on a control basis in the range of A$0.075 to A$0.125 per Share (see sections 2.3 to 2.5 and 8.3 of the Independent Expert's Report set out in Annexure A to this Target's Statement).

2. The Offer Price of A$0.05 per Pan Pacific Share includes a control premium that is lower than the average control premium paid by acquirers of between 27% (2 days pre-announcement) and 35% (20 days pre-announcement) (see section 8.53 of the Independent Expert's Report set out in Annexure A to this Target's Statement).

3. The Independent Expert has concluded that the Offer is **NEITHER FAIR NOR REASONABLE** (see section 2.1 of the Independent Expert's Report set out in Annexure A to this Target's Statement).

Each of the Independent Directors currently intends to **REJECT**, or seek the rejection of, the Offer in respect of the Shares that they own or Control the disposal of.

You are encouraged to read the Bidder's Statement and this Target's Statement (including the Independent Expert's Report) in full and to consider the Offer having regard to your personal circumstances. You should also consider seeking your own independent legal, financial and taxation advice prior to deciding what action you should take in respect of the Offer.

If you have any questions as a Pan Pacific Shareholder in relation to the Offer, contact the Pan Pacific Shareholder information line on (02) 9957 2177 (within Australia) or +61 2 9957 2177 (outside Australia) between 9:00am and 5:00pm (Australian Eastern Standard Time) on Monday to Friday.

We will keep you informed if there are any material developments with respect to the Offer. Announcements relating to the Offer and Pan Pacific can be found on the ASX website (www.asx.com.au ASX code: PPP) or the NZX website (www.nzx.com NZX code: PPP).

Mr Allan Tattersfield
Independent Director
Pan Pacific Petroleum NL

Mr Tony Radford
Independent Director
Pan Pacific Petroleum NL

1. INDEPENDENT DIRECTORS' RECOMMENDATION AND KEY REASONS

1.1 Independent Board committee

For the purposes of evaluating and responding to the Offer, the Board of Pan Pacific established an independent Board committee comprised of the Directors who are independent of Zeta Energy, being Mr Tony Radford and Mr Allan Tattersfield (the **Independent Directors**). As Mr Peter Sullivan is also the Chairman of Zeta Resources, the parent company of Zeta Energy, he is not a member of the committee and will not be providing a recommendation in relation to the Offer.

The Independent Directors appointed the Independent Expert to provide the Independent Expert Report, as set out in Annexure A to this Target's Statement. The Independent Expert has appointed the Independent Technical Specialist to review Pan Pacific's interests in its oil and gas production and exploration assets. A copy of the Independent Technical Specialist's Report is set out in full in Annexure B to this Target's Statement.

1.2 Independent Directors' recommendation in relation to the Offer

Your Independent Directors are of the view that the Offer Price represents less than the full underlying value of the Shares. Accordingly, your Independent Directors unanimously recommend that you <u>REJECT</u> the Offer by <u>DOING NOTHING</u>.

Mr Peter Sullivan does not provide a recommendation in relation to the Offer given his role as Chairman of Zeta Resources, the parent company of Zeta Energy.

1.3 Key reasons for the Independent Directors' recommendation

In making their recommendation, the Independent Directors have taken into account the following key considerations for Pan Pacific Shareholders:

A. The Offer does not reflect the underlying value of your Pan Pacific Shares

The Independent Directors appointed the Independent Expert to opine on whether the Offer is fair and reasonable to Shareholders (other than Zeta Energy and its Associates). A copy of the Independent Expert's Report is set out in Annexure A to this Target's Statement.

The Independent Expert has assessed that the fair value of a Pan Pacific Share on a control basis is in the range of A$0.075 to A$0.125 per Share (see sections 2.3 to 2.5 of the Independent Expert's Report set out in Annexure A to this Target's Statement).

The Independent Expert has concluded that:

> "*We have assessed the value of equity in Pan Pacific to be in the range of $44.2 million to $73.6 million, and the value of a Pan Pacific ordinary share to be in the range of 7.5 cents to 12.5 cents (on a fully diluted basis). Our valuation represents the estimated value of Pan Pacific assuming 100% of the company was to be acquired and is inclusive of a control premium.*"

See section 8.3 of the Independent Expert's Report is set out in Annexure A to this Target's Statement.

The sum of parts methodology adopted by the Independent Expert values the Company on a control basis as follows:

See Table 13 in section 8.3 of the Independent Expert's Report set out in Annexure A to this Target's Statement.

Pan Pacific – valuation summary	Low $ m	High $ m
Tui oil field	15.0	22.5
Block 07/03 project	5.1	12.0
Exploration assets	5.0	10.0
Assets held for sale	2.0	2.0
Other assets and liabilities (net)	4.4	4.4
JPDA liability	(8.0)	0
Head office costs	(4.0)	(2.0)
Value of operations	**19.5**	**48.9**
Net cash	24.7	24.7
Value of the equity (control basis)	**44.2**	**73.6**
Pan Pacific shares on issue at the date of this Report	589.7	589.7
Fair value of a Pan Pacific ordinary share (control, diluted)	**$0.075**	**$0.125**

Table 13: Assessed fair value of a Pan Pacific share – fully diluted *(Source: RSMBCC analysis)*

Accordingly, the Independent Directors do not believe that the trading price of Pan Pacific Shares prior to the Offer adequately reflects the underlying value of the Pan Pacific Group and its business.

B. The Offer Price of A$0.05 per Share includes a control premium that is lower than the average control premium paid

The Offer Price of A$0.05 per Share includes a control premium that is lower than the average control premium paid by acquirers of between 27% (2 days pre-announcement) and 35% (20 days pre-announcement) (see section 8.53 of the Independent Expert's Report set out in Annexure A to this Target's Statement).

The Offer Price of A$0.05 per Share is a premium of only:

a) 11.1% to the last traded price per Pan Pacific Share on ASX prior to announcement of the Offer;

b) 12.59% to the 30 day volume weighted average price per Pan Pacific Share on ASX on the Trading Day immediately prior to the announcement of the Offer; and

c) 16.4% to the 90 day volume weighted average price per Pan Pacific Share on ASX on the Trading Day immediately prior to the announcement of the Offer.

This is lower than the average control premium paid by acquirers of between 27% (2 days pre-announcement) and 35% (20 days pre-announcement) (see section 8.53 of the Independent Expert's Report set out in Annexure A to this Target's Statement).

The Independent Expert notes:

> *"The evidence in Australia indicates that a premium in the order of 20% to 35% is appropriate in control transactions. The RSM Bird Cameron control premium study conducted in 2013 concluded that of the 345 completed transactions observed, the average control premium paid by acquires was between 27% (2 days pre-announcement) 35% (20 days pre-announcement). We note same*

metrics for the Energy sector (43 completed transactions) were 20% and 35%."

See section 8.53 of the Independent Expert's Report set out in Annexure A to this Target's Statement.

As a result, the Independent Expert concluded that the valuation of a Pan Pacific Share on the basis of the recent quoted market price including a premium for control is between A$0.057 and A$0.059 based on a control premium of between 30% and 35% applied to the 30 day volume weighted average price (see sections 8.52 and 8.54 of the Independent Expert's Report set out in Annexure A to this Target's Statement).

Accordingly, the Independent Directors do not believe that the Offer Price for Pan Pacific Shares reflects an appropriate control premium.

C. The Independent Expert has concluded that the Offer is NEITHER FAIR NOR REASONABLE

The Independent Expert has concluded that the Offer is **NEITHER FAIR NOR REASONABLE**.

A copy of the Independent Expert's Report is set out in Annexure A to this Target's Statement.

1.4 Risks in accepting the Offer

There are a number of risks in accepting the Offer. Acceptance of the Offer would prevent you from participating in:

a) any potential further increase in the Pan Pacific Share price;

b) any potential increased Offer Price;

c) any potential superior proposal; and

d) any potential future success Pan Pacific has with its activities, including, but not limited to, its current on-risk activities for which value may not have yet been realised.

See section 4.1 of this Target's Statement for further detail in relation to the risks in accepting the Offer.

1.5 Intentions of Independent Directors in relation to Shares they own or Control the disposal of

The present intentions of the Independent Directors in respect of Shares they own or Control the disposal of are as follows:

a) Mr Tony Radford intends to reject, or seek the rejection of, the Offer; and

b) Mr Allan Tattersfield intends to reject, or seek the rejection of, the Offer.

Mr Peter Sullivan does not hold any Shares in Pan Pacific.

Details of the Relevant Interests that each Director has in Shares as at the last Trading Day before the Target's Statement was sent for printing are set out in section 9.1a) of this Target's Statement.

2. FREQUENTLY ASKED QUESTIONS

This section answers some commonly asked questions about the Offer. This section should be read together with the rest of this Target's Statement, including the Independent Expert's Report. This section is not intended to comprehensively answer all questions that may arise in relation to the Offer nor address all issues that are relevant to Pan Pacific Shareholders.

If you have any questions please call the Pan Pacific Shareholder information line on (02) 9957 2177 (within Australia) or +61 2 9957 2177 (outside Australia) between 9:00am and 5:00pm (Australian Eastern Standard Time) on Monday to Friday.

Who is offering to purchase my Pan Pacific Shares?	Zeta Energy is a wholly owned subsidiary of Zeta Resources, a company incorporated in Bermuda and listed on ASX. Zeta Energy held a Relevant Interest in 98,532,928 Pan Pacific Shares (or 16.740%) as at close of ASX trading on 13 April 2015, being the date of the last notice of change of interests of substantial holder lodged by Zeta Energy. Information in relation to Zeta Energy can be obtained from section 3 of the Bidder's Statement.
What is the Offer for my Pan Pacific Shares?	The consideration being offered by Zeta Energy under the Offer is A$0.05 in cash for each Pan Pacific Share held. Pan Pacific Shareholders may be liable for brokerage as detailed overleaf. The Offer is unconditional.
What choices do I have?	As a Pan Pacific Shareholder, you can: • **REJECT** the Offer and remain a Pan Pacific Shareholder (unless your Pan Pacific Shares are compulsorily acquired); • **SELL** your Pan Pacific Shares on-market (unless you have previously accepted the Offer); or • **ACCEPT** the Offer. Once you accept, you are precluded from accepting any superior proposal from Zeta Energy itself or a third party. Refer to section 5 for details on how to reject or accept the Offer.
What are the Independent Directors recommending?	Your Independent Directors unanimously recommend that you **REJECT** the Offer. The Independent Directors' recommendation is set out in section 1.2 of this Target's Statement.
What should I do?	To follow the Independent Directors' unanimous recommendation to **REJECT** the Offer, **DO NOTHING**. You may wish to seek independent financial and taxation advice from your professional adviser in relation to the action that you should take in relation to the Offer and your Pan Pacific Shareholding.
What is the opinion of the Independent Expert?	The Independent Expert has concluded that the Offer is **NEITHER FAIR NOR REASONABLE**. The Independent Expert's Report accompanies this Target's

	Statement as Annexure A.
What do your Directors intend to do with Pan Pacific Shares that they and their Associates Control?	Each of the Independent Directors currently intend to reject the Offer in respect of the Shares that they and their Associates Control in Pan Pacific. Mr Peter Sullivan does not have a Relevant Interest in any Shares.
How do I accept the Offer?	To accept the Offer, you must follow the instructions in section 5 of this Target's Statement and the section entitled 'Accept the Offer' of the Bidder's Statement. However, you should note that the Independent Directors' recommendation is that you **REJECT** the Offer.
How do I reject the offer?	Pan Pacific Shareholders who do not wish to accept the Offer or sell their Pan Pacific Shares on market should **DO NOTHING**. If you do not wish to accept the Offer, do not take any action in relation to documents sent to you by Zeta Energy.
When do I have to make a decision?	Zeta Energy has stated that its Offer is scheduled to close at 4.00pm (Australian Eastern Standard Time) on 27 May 2015, unless it is extended or withdrawn. The Offer may only be withdrawn in exceptional circumstances in accordance with the Corporations Act as summarised in section 3.8 of this Target's Statement.
What are the consequences of accepting the Offer now?	If you accept the Offer now, you will not be able to accept any potential superior proposal from Zeta Energy or a third party, or benefit from any higher price Pan Pacific Shares may trade at on ASX or NZX. There are a number of risks in accepting the Offer as summarised in section 4.1 of this Target's Statement and potential tax consequences for Australian tax resident Pan Pacific Shareholders summarised in section 7 of this Target's Statement and for New Zealand tax resident Pan Pacific Shareholders summarised in section 8 of this Target's Statement.
If I accept the Offer, can I withdraw my acceptance if I change my mind?	No. Once you have accepted the Offer, you will be legally bound to sell your Pan Pacific Shares and you cannot later withdraw your acceptance.
Does the Offer extend to Pan Pacific Options?	The Offer does not extend to Pan Pacific Options. If you are a Pan Pacific Optionholder, you will need to exercise your Pan Pacific Options and receive Pan Pacific Shares prior to the end of the Offer Period if you wish to accept the Offer. Further details of the impact of the Offer on Pan Pacific Options is set out in section 6.4 of this Target's Statement.
Are there any conditions to the Offer?	No, the Offer is unconditional.
Can Zeta Energy	Yes. Zeta Energy can vary the Offer by extending the Offer Period or

vary the Offer?	increasing the Offer Price (although any increase in the Offer Price will not apply to you if you have previously accepted the Offer). Details of the circumstances in which the Offer Period may be extended are set out in section 3.8 of this Target's Statement. Zeta Energy cannot increase the Offer Price during the last 5 Trading Days of the Offer Period.
Can Zeta Energy withdraw the Offer?	The Corporations Act permits the withdrawal of unaccepted offers only in exceptional circumstances. Zeta Energy may withdraw unaccepted Offers if certain insolvency events occur during the Offer Period, regardless of Zeta Energy's voting power at that time. Please refer to section 3.8 of this Target's Statement for further details. Following acceptance of the Offer in relation to your Shares, Zeta Energy cannot withdraw the Offer in respect of those Shares.
Can I be forced to sell my Pan Pacific Shares?	You cannot be forced to sell your Pan Pacific Shares unless Zeta Energy acquires a Relevant Interest in at least 90% of all Pan Pacific Shares and is entitled to compulsorily acquire the remaining Pan Pacific Shares under the Corporations Act (see sections 3.14 and 3.15 of this Target's Statement and section 5.2 of the Bidder's Statement for more information). Zeta Energy's intentions with respect to compulsory acquisition are set out in section 5.2 of the Bidder's Statement. Zeta Energy has indicated that if it becomes entitled to do so under the Corporations Act, it intends to compulsorily acquire any outstanding Pan Pacific Shares in accordance with chapter 6A of the Corporations Act.
Will Pan Pacific be delisted?	Zeta Energy has stated that if it acquires more than 50% but less than 90% of Pan Pacific Shares its intention is that Pan Pacific will remain listed on ASX and NZX. Zeta Energy has stated that if it acquires 90% or more of Pan Pacific Shares it intends to arrange for Pan Pacific to be removed from the official lists of ASX and NZX.
What happens if a competing proposal is made for Pan Pacific?	If a competing proposal for Pan Pacific emerges, Pan Pacific Shareholders will be informed through an announcement to ASX and NZX. The Directors will carefully consider the competing proposal and advise you of their recommendation. If you have already accepted the Offer at the time that a competing proposal emerges, you will be unable to accept the competing proposal. Since the announcement of the proposed Offer on 10 April 2015, no competing proposal has emerged. Zeta Energy had a Relevant Interest in 98,532,928 Pan Pacific Shares (or 16.740%) as at close of ASX trading on 13 April 2015, being the date of the last notice of change of interests of substantial holder lodged by Zeta Energy. Any person proposing a competing proposal would need to gain support from one or more of Pan Pacific's substantial shareholders (as set out in Section 6.3 of this Target's Statement) in order to acquire 100% of the issued Shares in

	Pan Pacific.
What are the tax implications of accepting the Offer	A general outline of the tax implications of accepting the Offer for certain Australian tax resident Pan Pacific Shareholders is set out in section 7 of this Target's Statement and for certain New Zealand tax resident Pan Pacific Shareholders is set out in section 8 of this Target's Statement. Section 8 of the Bidder's Statement also provides a general outline of the tax implications of accepting the Offer for certain Australian and New Zealand tax resident Pan Pacific Shareholders. You should not rely on either outline referred to above as advice on your own affairs. They do not deal with the position of particular Pan Pacific Shareholders. You should seek your own personal, independent legal, financial and taxation advice before making a decision as to whether to reject or accept the Offer for your Pan Pacific Shares.
What if I hold my shares on the New Zealand Register	If you hold your Pan Pacific Shares on the New Zealand share register, you will not be able to sell into the Offer on the ASX without transferring your Pan Pacific Shares to the Company's Australian share register. To do this, you will need to obtain and complete a '*Request for removal of Securities*' from Link Market Services in New Zealand to transfer your Pan Pacific Shares.
I am a Foreign Shareholder. Can I accept the Offer?	Foreign Shareholders can accept the Offer by selling their Pan Pacific Shares to Zeta Energy on-market on the ASX like any other Pan Pacific Shareholder. Pan Pacific Shareholders in New Zealand may accept the Offer on ASX but not on NZX, see paragraph (e) of the Important Information and Notices section of the Bidder's Statement. As the Offer is an on-market offer, Shareholders may only accept the Offer through Brokers or Controlling Participants who are members of ASX. You should ask your Broker or Controlling Participant if any fees or charges will apply. Any fees or other charges of such Brokers or Controlling Participants will be the sole responsibility of the accepting Pan Pacific Shareholder.
What are the risks associated with holding Pan Pacific Shares, the Pan Pacific Group and its business?	These risks are detailed in section 4.3 of this Target's Statement.
When will I be sent payment for my Pan Pacific Shares if I accept the Offer?	The usual rules for settlement of on-market transactions on ASX will apply in respect of Zeta Energy's acquisition of your Pan Pacific Shares. This means that if you accept the Offer, Zeta Energy will pay you on a T+3 basis (being 3 Trading Days after the date of your acceptance).
Will I need to pay brokerage or stamp duty if I accept the Offer?	As the Offer is an on-market offer, Shareholders may only accept the Offer through Brokers or Controlling Participants who are members of ASX. You should ask your Broker or Controlling Participant if any fees or charges will apply. Any fees or other charges of such Brokers or Controlling Participants will be the sole responsibility of the

	accepting Pan Pacific Shareholder. Zeta Energy will bear its own brokerage, if any, on transfers of Pan Pacific Shares acquired through acceptances of the Offer. No stamp duty or GST will be payable by you on the transfer of your Pan Pacific Shares pursuant to the Offer (other than GST payable to your Broker in respect of brokerage fees charged to you).
If I have further questions in relation to the Offer what can I do?	If you have any further queries in relation to the Offer, please call the Pan Pacific Shareholder information line or you can speak to your legal, financial or other professional adviser. The telephone number for the Pan Pacific Shareholder information line is (02) 9957 2177 (within Australia) or +61 2 9957 2177 (outside Australia) at any time between 9:00am and 5:00pm (Australian Eastern Standard Time) on Monday to Friday.

3. OFFER DETAILS

3.1 Background to the Offer

On 10 April 2015, Zeta Energy announced its proposal to acquire all of the fully paid ordinary Shares in the capital of Pan Pacific by way of an on-market takeover bid.

Around the time you receive this Target's Statement, you will have received Zeta Energy's Bidder's Statement, containing the full terms of the Offer, together with other information material to your decision whether or not to reject the Offer.

3.2 The Offer

Zeta Energy is offering A$0.05 in cash for each Pan Pacific Share held. Zeta Energy has appointed GMP Securities to acquire Pan Pacific Shares on-market on the ASX at the Offer Price. The Offer is unconditional. You may be liable for brokerage fees which will reduce the consideration payable to you.

3.3 Low Offer Premium

Your Independent Directors draw your attention to the below table that sets out the underwhelming premium being offered under the Offer relative to recent volume weighted average prices for Pan Pacific Shares for a range of time periods:

Time	Offer Price	Pan Pacific Share price (as at close on ASX, 9 April 2015, being the last trade price prior to the Announcement Date)	Offer premium
At Announcement Date	A$0.05	A$0.045	11.1%
30 day VWAP	A$0.05	A$0.0441	12.59%
90 day VWAP	A$0.05	A$0.0418	16.4%

3.4 Independent Expert's Report

The Independent Expert has concluded that the Offer is **NEITHER FAIR NOR REASONABLE**.

The Independent Expert has assessed that the fair value of a Pan Pacific Share on a control basis is in the range of A$0.075 to A$0.125 per Share (see sections 2.3 to 2.5 of the Independent Expert's Report set out in Annexure A to this Target's Statement).

The Independent Expert's Report accompanies this Target's Statement as Annexure A.

3.5 Independent Directors' recommendation to reject the Offer

Your Independent Directors recommend that Pan Pacific Shareholders reject the Offer.

3.6 Directors' intentions in relation to the Offer

Each of the Independent Directors currently intend to reject the Offer in respect of the Shares that they and their Associates Control in Pan Pacific.

Mr Peter Sullivan does not have a Relevant Interest in any Shares.

3.7 The Offer is unconditional

The Offer is an unconditional cash offer.

3.8 Offer Period, withdrawal and extension

The Offer is open for acceptance from 27 April 2015 and will close at 4.00pm (Australian Eastern Standard Time) on 27 May 2015 (unless extended or withdrawn in accordance with the Corporations Act as discussed further below). However, as it is an on-market offer, Zeta Energy has instructed its Broker, GMP Securities, to stand in the market and purchase Shares at A$0.05 per Pan Pacific Share since the Announcement Date.

Zeta Energy may vary its Offer in accordance with the Corporations Act (which may include extensions of the Offer Period or an increase in the Offer Price). Any variation to the Offer will be announced to ASX and NZX.

If there is an increase in the Offer Price and you have sold your Pan Pacific Shares before any such announcement then you will not receive any benefit from any variation to the Offer Price.

Pursuant to the Corporations Act, Zeta Energy may announce an extension to the Offer Period, or an increase in the Offer Price, at any time up until 5 Trading Days before the end of the Offer Period.

An extension to the Offer Period may only be announced during those last 5 Trading Days of the Offer Period in limited circumstances prescribed by the Corporations Act.

There will also be an automatic extension of the Offer Period if Zeta Energy's voting power in Pan Pacific reaches more than 50% in the last 7 days of the Offer Period.

Zeta Energy may withdraw unaccepted Offers only in limited circumstances specified in the Corporations Act.

3.9 When you will receive payment if you accept the Offer

Payment for acceptances will be received on a T+3 basis in line with the normal practice of an on-market purchase of Shares on ASX. This means you will be paid 3 Trading Days after your acceptance.

3.10 Effect of any increase in Offer consideration

If Zeta Energy improves the Offer Price, you will not be entitled to the benefit of that improved Offer Price if you have already accepted the Offer or have otherwise sold your Pan Pacific Shares.

3.11 Effect of any superior proposal

If a third party makes a superior proposal for Pan Pacific Shares, you will not be entitled to the benefit of that superior proposal if you have already accepted the Offer or have otherwise sold your Pan Pacific Shares.

3.12 Effect of any increase in the ASX or NZX quoted price for Pan Pacific Shares

If the quoted price for Pan Pacific Shares increases on the ASX or NZX, you will not be entitled to the benefit of that price increase if you have already accepted the Offer or have otherwise sold your Pan Pacific Shares.

3.13 Why you might wish to accept the Offer

a) Despite the recommendation of your Independent Directors, you may take a different view and you may believe that the Offer is in your best interests.

b) You may not believe there is the potential for a superior proposal to emerge. As at the close of ASX trading on 20 April 2015, being the last Business Day immediately before this Target's Statement was printed, no other offer has been made to purchase your Pan Pacific Shares.

c) You may wish to change your investment profile so that you no longer invest in Pan Pacific as a stand-alone entity in order to have an investment in a company with the specific characteristics of Pan Pacific such as industry, operational profile, size and geography.

d) You may not wish to participate in any potential value creation or diminution that may result from being a Pan Pacific Shareholder. If you reject the Offer in respect of all of your Pan Pacific Shares, you will no longer be a Pan Pacific Shareholder. This will mean that you will not participate in any potential upside that may result from Pan Pacific remaining as a stand-alone entity.

e) Rejecting the Offer may trigger taxation consequences for you. You should read the tax considerations in section 7 and section 8 of this Target's Statement and seek professional taxation advice with respect to your individual tax situation.

f) You may decide, after taking into account the matters referred to in this Target's Statement and your own personal circumstances, that it is better for you to accept the Offer and sell your Pan Pacific Shares to Zeta Energy rather than on market.

3.14 General compulsory acquisition provisions

a) Zeta Energy will be entitled, under section 664A of the Corporations Act, to compulsorily acquire any outstanding Pan Pacific Shares and Pan Pacific Options if Zeta Energy and its Associates has a Relevant Interest in at least 90% or more of Pan Pacific Shares, and:

   (i) Zeta Energy lodges a compulsory acquisition notice with ASIC within 6 months of achieving that 90% holding;

   (ii) Zeta Energy proposes a cash sum for the compulsory acquisition of the Pan Pacific Shares and Pan Pacific Options; and

   (iii) Zeta Energy obtains the report of an expert stating whether, in the expert's opinion, the terms proposed in the notice give fair value of the securities covered.

b) Zeta Energy has stated in section 5.2 of the Bidder's Statement its intention to compulsorily acquire outstanding Pan Pacific Shares if it becomes entitled to do so under the Corporations Act.

c) Zeta Energy has not stated in the Bidder's Statement the cash sum it would propose for any compulsory acquisition of the Pan Pacific Shares or Pan Pacific Options that may be undertaken by Zeta Energy under section 664A of the Corporations Act.

3.15 Post bid compulsory acquisition

a) Zeta Energy will be entitled, under section 661A of the Corporations Act, to compulsorily acquire any Pan Pacific Shares in respect of which it has not received an acceptance of the Offer on the same terms as the Offer if, during or at the end of the Offer Period, Zeta Energy (together with its Associates) has a Relevant Interest in at least 90% (by number) of Pan Pacific Shares and Zeta Energy (together with its Associates) has acquired at least 75% (by number) of the Pan Pacific Shares that Zeta Energy offered to acquire under the Offer.

b) If these thresholds are met, Zeta Energy will have up to one month after the end of the Offer Period within which to give compulsory acquisition notices to Pan Pacific Shareholders who have not accepted the Offer. Pan Pacific Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant Pan Pacific Shareholder to establish to the satisfaction of a Court that the consideration offered does not represent "fair value" for their Pan Pacific Shares.

3.16 Intentions if Zeta Energy acquires 90% or more of Pan Pacific Shares

Zeta Energy's intentions with respect to compulsory acquisition are set out in section 5.2 of the Bidder's Statement. In summary, Zeta Energy has indicated that if it acquires a Relevant Interest in 90% or more of Pan Pacific Shares and becomes entitled to do so under the Corporations Act, it intends:

a) to give notices to compulsorily acquire any outstanding Pan Pacific Shares in accordance with the provisions of Chapter 6A of the Corporations Act;

b) arrange for Pan Pacific to be removed from the official lists of ASX and NZX (subject to required approvals);

c) replace all of the Pan Pacific Board with its nominees (the identity of such Directors and nominees has not yet been decided); and

d) conduct a review of Pan Pacific's operations, assets, structure and employees to identify:

   (i) how best to optimise Pan Pacific's strategy, and improve Pan Pacific's vision, with a view to deciding the most cost-effective method, with the least risk, of increasing Pan Pacific's reserves and extracting synergies;

   (ii) business opportunities and areas of revenue generation which may provide overall strategic operational benefit; and

   (iii) areas of cost savings and synergies which may provide overall strategic and operational benefit.

Zeta Energy has stated that decisions will not be made until after the review described in section 3.16d) of this Target's Statement.

3.17 Intentions for Pan Pacific if Zeta Energy acquires more than 50% but less than 90% of Pan Pacific Shares

Section 5.3 of the Bidder's Statement outlines Zeta Energy's intentions if Zeta Energy takes its holding to more than 50% but less than 90% of Pan Pacific Shares at the close of the Offer to gain effective Control of Pan Pacific, but without becoming entitled to compulsorily acquire the remaining Pan Pacific Shares.

The ability of Zeta Energy to implement the intentions set out in section 5.2 of the Bidder's Statement (summarised above in section 3.16 of this Target's Statement) will be subject to the legal obligations of Pan Pacific Directors (including any nominees of Zeta Energy) to have regard to the interests of Pan Pacific and all Pan Pacific Shareholders, the requirements of the Corporations Act and (provided Pan Pacific remains listed) the ASX Listing Rules and the NZX Listing Rules relating to transactions between related parties. As a result of these requirements, the approval of Pan Pacific minority Shareholders may be required for the implementation of some of Zeta Energy's intentions. These intentions are summarised below.

a) **ASX Listing and NZX Listing** – Zeta Energy has stated that its intention is for Pan Pacific to remain listed on the ASX and NZX.

b) **Directors** – Zeta Energy has stated that, subject to the Corporations Act and Pan Pacific's constitution, it intends to seek to reconstitute the Pan Pacific Board to reflect Zeta Energy's majority ownership of Pan Pacific, whilst including Directors that are independent from Zeta Energy. Zeta Energy notes that as at the date of the Bidder's Statement, no decision had been made about the identity of the proposed nominees to the Pan Pacific Board.

c) **Pan Pacific's businesses, assets and employees** – Zeta Energy has stated that it intends to attempt to procure that the Pan Pacific Board and management implements, to the extent possible and appropriate, its intentions set out in section 5.2 of its Bidder's Statement (being its intentions if it were to acquire 90% or more of Pan Pacific Shares and move to compulsory acquisition of the outstanding Shares, as summarised in section 3.16 of this Target's Statement).

d) **Pan Pacific incentive plans** – Zeta Energy has stated if it Controls Pan Pacific following the close of the Offer, it intends through its nominees on the Pan Pacific Board to propose that Pan Pacific review the Pan Pacific incentive plans to determine whether they are appropriate. Zeta Energy has stated it has not formed any views on the likely outcome of such a review.

   Pan Pacific confirms that there are no such incentive plans in place, other than in respect of the short term incentive component of the employment contract of Pan Pacific's Chief Executive Officer, Mr Tom Prudence.

e) **Dividends** – Zeta Energy has stated that it has not made a decision on its intentions with respect to maintaining or changing Pan Pacific's dividend practises.

f) **Capital raisings and funding** – Zeta Energy has stated that it has not taken a view on whether Pan Pacific's present business plans may require a capital raising or additional debt funding.

g) **Further acquisitions of Pan Pacific Shares** – Zeta Energy has stated it may, after conclusion of the Offer, acquire further Pan Pacific Shares in accordance with the "creep" provisions of the Corporations Act. In particular, Zeta Energy may acquire additional Pan Pacific Shares under item 9 of section 611 of the Corporations Act which would permit Zeta Energy and its Associates to acquire up to 3% of Pan Pacific Shares every six months after completion of the Offer. Zeta Energy may also acquire additional Pan Pacific Shares as permitted by the Corporations Act as part of any future capital raising.

   Zeta Energy has stated that it has not yet decided whether it will acquire further Pan Pacific Shares under the Corporations Act as its approach will be dependent upon the extent of voting power of Zeta Energy and its Associates in Pan Pacific and market conditions.

Zeta Energy has stated that its intention is to give notices to compulsorily acquire any outstanding Pan Pacific Shares if it becomes entitled to do so (by having acquired 90% or more of Pan Pacific Shares).

h) **Information Protocols** – Zeta Energy has stated that it intends to seek access to all books and records of Pan Pacific to assist it in effecting its intentions. At the close of ASX trading on 20 April 2015, being the last Business Day immediately before this Target's Statement was printed, Pan Pacific's current Directors have not formed a view on whether they would agree to provide such information.

3.18 Intention of Zeta Energy if it holds less than 50% of Pan Pacific Shares

Zeta Energy has stated in section 5.4 of its Bidder's Statement that if it acquires Pan Pacific Shares which take its total holding to less than 50% of Pan Pacific Shares it will consider seeking additional Board representation, and through such additional Board representation it will seek to procure the implementation of the intentions outlined in section 5.2 of the its Bidder's Statement (being its intentions if it were to acquire 90% or more of Pan Pacific Shares and move to compulsory acquisition of the outstanding Shares, as summarised in section 3.16 of this Target's Statement).

3.19 Further developments

Should there be any developments during the Offer Period (for example, the emergence of a superior proposal from Zeta Energy or a third party) which would alter your Independent Directors' recommendations in relation to the Offer, Pan Pacific Shareholders will be notified through a supplementary Target's Statement.

3.20 Taxation consequences

In making a decision whether to accept the Offer, Pan Pacific Shareholders should also have regard to the fact that the disposal of Pan Pacific Shares may have taxation consequences. Pan Pacific Shareholders should seek their own independent advice as to any such taxation consequence (please refer to section 7 and section 8 of the Target's Statement and section 8 of the Bidder's Statement).

4. RISKS ASSOCIATED WITH THE OFFER

Pan Pacific Shareholders should be aware of the following key risks that arise from the Offer.

4.1 Risks associated with accepting the Offer

If, contrary to the recommendation of the Independent Directors that you **do nothing** in response to Zeta Energy's inadequate and opportunistic Offer, you choose to accept the Offer, you will immediately become bound to sell your Pan Pacific Shares for A$0.05 each and will be paid for them on a T+3 basis. You will be responsible for brokerage and any other transaction costs, which may affect the total cash amount that you ultimately receive for your Pan Pacific Shares.

Once your Pan Pacific Shares are sold on the market you will be unable to withdraw from the sale of your Pan Pacific Shares and will be locked-out of the opportunity to benefit from:

a) any potential further increase in the Pan Pacific Share price;

b) any potential increased Offer Price;

c) any potential superior proposal; and

d) any potential future success Pan Pacific has with its activities, including, but not limited to, its current on-risk activities for which value may not have yet been realised.

If you intend to accept the Offer, contrary to the Independent Directors' recommendation, you should read this Target's Statement carefully and if you are in doubt as to how to act, you should consult your financial or other professional adviser immediately.

4.2 Risks associated with rejecting the Offer

a) If you do not accept the Offer you will not receive the slight premium as at the date of the Bidder's Statement offered by Zeta Energy.

b) As the Offer is an unconditional cash offer, the Offer provides price certainty when compared against retaining your Pan Pacific Shares.

c) Following the close of the Offer and in the absence of a superior proposal, the market price of Pan Pacific Shares may fall. The closing price for Pan Pacific Shares on the last full Trading Day prior to the announcement of the Offer was A$0.045.

d) Section 5.3 of the Bidder's Statement, Zeta Energy describes its intentions in the event that it acquires more than 50% but less than 90% of the Pan Pacific Shares. In such a scenario, Pan Pacific Shareholders who do not accept the Offer will become minority Shareholders in Pan Pacific and those Pan Pacific Shareholders will no longer collectively Control Pan Pacific. This has a number of possible implications including the following:

    (i) Zeta Energy will be able to cast the majority of votes at a general meeting of Pan Pacific enabling it to Control the Board and management of Pan Pacific, determine Pan Pacific's dividend policy and Control the strategic direction of Pan Pacific.

    (ii) Subject to the requirements of the Corporations Act and Pan Pacific's constitution, Zeta Energy may appoint nominees of Zeta Energy to the Board.

(iii) The liquidity of Pan Pacific Shares would likely be lower than at present if a significant number of Pan Pacific Shareholders accept the Offer.

(iv) If Zeta Energy acquires 75% or more of the Pan Pacific Shares, it will be able to pass special resolutions at a general meeting of Pan Pacific Shareholders.

e) Zeta Energy has indicated that if it acquires 90% or more of all Pan Pacific Shares on issue, it intends to compulsorily acquire all outstanding Pan Pacific Shares and to arrange for Pan Pacific to be removed from the official lists of ASX and NZX.

4.3 Risks associated with holding Pan Pacific Shares

There are a number of risks which may have an adverse impact on the future operating and financial performance of Pan Pacific and the value of Pan Pacific Shares. These may be risks that are widespread risks associated with any form of business or specific risks associated with Pan Pacific's business and its involvement in the petroleum industry.

The following non-exhaustive summary represents some of the risk factors which affect Pan Pacific. These factors, and others not specifically referred to, may in the future materially affect the financial performance of Pan Pacific and the value of Pan Pacific Shares.

a) **Future trading price –** If the Offer lapses, Pan Pacific Shares may trade at a price below the current market price. The Independent Directors are not in a position to speculate on the future trading price of the Pan Pacific Shares, including if the Offer lapses or to guarantee any particular Share price. The future price of Pan Pacific Shares is dependent not only on Pan Pacific's performance, but also on external market and other factors.

b) **Share market risk –** Share market conditions may affect the value of Pan Pacific's Shares regardless of Pan Pacific's operating performance. The market price of Pan Pacific Shares may be subject to fluctuation and may be affected by many factors including, but not limited to, the general economic outlook, interest rates and inflation rates, currency fluctuations, commodity price fluctuations, changes in investor sentiment toward particular market sectors, the demand for, and supply of, capital and terrorism or other hostilities.

c) **Exposure to the petroleum industry –** Pan Pacific is an explorer and developer in the petroleum industry, which has recently experienced a downturn due to falling oil prices.

Commodity prices fluctuate and are affected by factors including the relationship between global supply and demand for product, forward selling by producers, the cost of production and general global economic conditions. Commodity prices are also affected by the outlook for inflation, interest rates, currency exchange rates and supply and demand issues.

If the market prices for oil further fall or remain low for a sustained period of time, it may have an impact on the demand for the products that Pan Pacific provides, which may in turn have an adverse impact on the financial position and operations of Pan Pacific.

d) **Financing and capital –** Pan Pacific's continued ability to effectively implement its business plan over time may depend in part on its ability to raise additional funds. There can be no assurance that Pan Pacific will generate sufficient cash flow, or that access to sufficient investments, loans or other financing alternatives will be secured on commercially acceptable terms.

e) **Reliance on key personnel –** Pan Pacific has benefited from having a high quality but small management team available. Loss of a number of key personnel may adversely affect Pan Pacific.

Pan Pacific's prospects depend in part on the ability of its executive Officers, senior management and key consultants to operate effectively, both independently and as a group. Pan Pacific must attract, retain and appropriately incentivise its staff.

f) **Litigation –** Litigation risks relating to the Pan Pacific Group include contractual claims, employee claims, regulatory claims and disputes, joint venture claims and disputes and the costs associated with such claims and disputes. There is a risk that material or costly disputes could arise which may have a material adverse effect on the financial performance and position of Pan Pacific.

g) **Environmental risks and health and safety –** The proposed activities and operations of Pan Pacific are subject to Australian, New Zealand and foreign laws and regulations concerning the environment and health and safety matters. Although Pan Pacific endeavours to conduct its activities in a safe and environmentally responsible manner, if it is responsible for environmental damage it may incur substantial costs for rehabilitation, emergency response and losses by third parties resulting from its operations. In addition, some of Pan Pacific's activities are conducted in potentially hazardous conditions, which can lead to accidents resulting in significant trauma and loss of life and compensation claims or payments, some of which may not be insured.

5. STEPS TO BE TAKEN AS A PAN PACIFIC SHAREHOLDER

You have three options currently available to you. You are encouraged to read this Target's Statement and the Bidder's Statement in full and seek appropriate legal, financial and taxation advice before taking any action in response to the Offer.

YOUR INDEPENDENT DIRECTORS RECOMMEND YOU <u>REJECT</u> THE OFFER BY <u>DOING NOTHING</u>

Option 1 **REJECT the Offer**	To reject the Offer, you do not need to do anything. If you wish to reject the Offer, you do not need to respond to any calls or correspondence from Zeta Energy.
Option 2 **ACCEPT the Offer**	Instructions on how to accept the Offer are set out in section 2 of the Bidder's Statement. If you hold your Pan Pacific Shares on the NZX, you will not be able to sell into the Offer without transferring your Pan Pacific Shares to the ASX. You will need to obtain and complete a '*Request for removal of Securities*' from Link Market Services in New Zealand to transfer your Pan Pacific Shares. You should be aware that upon acceptance of the Offer you will not benefit if the Offer Price is subsequently increased, if a superior proposal is made by a third party or the price of Pan Pacific Shares on ASX or NZX trades above the Offer Price. You may also be charged brokerage or other fees relating to processing your acceptance for which you will be liable and which will reduce the total consideration you receive.
Option 3 **Sell your Pan Pacific Shares**	During the Offer Period, you may sell your Pan Pacific Shares on-market through ASX or NZX at the prevailing market price for Pan Pacific Shares for cash (less any brokerage), provided you have not accepted the Offer for those Pan Pacific Shares. If you hold your Pan Pacific Shares on the NZX, you will not be able to sell into the Offer without transferring your Pan Pacific Shares to the ASX. You will need to obtain and complete a '*Request for removal of Securities*' from Link Market Services in New Zealand to transfer your Pan Pacific Shares. If the prevailing market price on the ASX for Pan Pacific Shares is equal to the Offer Price, by selling your Shares on-market you will be accepting the Offer. You should contact your Broker for information on how to sell your Pan Pacific Shares on ASX and your tax adviser to determine your tax implications of such a sale. You may incur a brokerage charge on the sale of your Pan Pacific Shares.

6. PAN PACIFIC PROFILE

6.1 Company overview

Pan Pacific is an ASX and NZX listed oil and gas exploration and production company participating in non-operated interests in New Zealand (including production from the Tui Area Fields), Australia, Vietnam and Timor Leste-Australia Joint Petroleum Development Area.

6.2 Capital structure

Pan Pacific has the following securities on issue as at the close of ASX trading on 20 April 2015, being the last Business Day immediately before this Target's Statement was printed:

Class	Number
Pan Pacific Shares	588,612,110
Pan Pacific Options	1,049,000

Pan Pacific Shares are quoted on ASX and NZX. The Pan Pacific Options are not quoted on either the ASX or NZX.

6.3 Substantial Pan Pacific Shareholders

Based on documents lodged with ASX, as at close of ASX trading on 20 April 2015, being the last Business Day immediately before this Target's Statement was printed, the following persons have substantial Shareholdings in Pan Pacific:

Name	Number of Pan Pacific Shares	% of Pan Pacific Shares
Zeta Energy	98,868,428	16.740%
Tattersfield Securities Group	76,988,520	13.1%
Stewart Petroleum Co Limited	90,859,047	15.44%

6.4 Impact of the Offer on Pan Pacific Options

The Offer does not extend to Pan Pacific Options.

There are 1,049,000 Pan Pacific Options on issue over unissued Pan Pacific Shares issued to the Chief Executive Officer of Pan Pacific, Mr Tom Prudence, on 28 June 2013 at no cost as 50% of his 2013 short term incentive. The Pan Pacific Options vested immediately and are exercisable by Mr Prudence at any time up to and including the expiry date of 27 June 2016. The exercise price of the options is 12 cents each.

6.5 Details of Directors

Your Directors as at the close of ASX trading on 20 April 2015, being the last Business Day immediately before this Target's Statement was printed are:

Name	Position
Mr Tony Radford	Non-Executive Director
Mr Peter Sullivan	Non-Executive Chairman
Mr Allan Tattersfield	Non-Executive Director

6.6 Changes in the financial position of Pan Pacific

There have been no material movements to Pan Pacific's half year financial report as distributed on 23 February 2015.

Consistent with the Company's announcement made in September 2014, the Company has made a significant reduction in staff and overheads. Overhead and administration costs are estimated to be A$2.0 million for June 2015, which is a decrease of approximately 50% compared to 2014 administration expenses.

7. AUSTRALIAN TAXATION CONSIDERATIONS FOR PAN PACIFIC SHAREHOLDERS

7.1 Introduction

The information in this section is based on the Australian taxation law and administrative practices as at the date of the Target's Statement. It is an indicative guide and is not intended to be, and should not be seen as a substitute for personal tax advice.

The Australian tax law is complex and is subject to periodic change (including retrospectively), as is the interpretation of the law by the courts and revenue authorities.

Accordingly, Pan Pacific Shareholders should seek their own independent professional advice that considers the taxation implications arising from the disposal of their Pan Pacific Shares, taking into account their own specific circumstances.

This summary does not consider the tax implications for Pan Pacific Shareholders who:

a) are in the business of share trading, banking, dealing in securities or otherwise hold shares on revenue account or as trading stock;

b) are tax residents of Australia that currently hold, or have held, Pan Pacific Shares as part of an enterprise carried on, at or through a permanent establishment outside of Australia;

c) are non-residents of Australia for tax purposes that currently hold, or have held, Pan Pacific Shares as part of an enterprise carried on, at or through a permanent establishment in Australia;

d) are financial institutions, insurance companies, listed investment companies, partnerships, tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated), or dealers in securities;

e) are subject to the Taxation of Financial Arrangement rules contained in Division 230 of the *Income Tax Assessment Act 1997* in relation to gains and losses on their Pan Pacific Shares;

f) acquired the Pan Pacific Shares through an employee share plan or employee share scheme; or

g) are non-residents of Australia for tax purposes who held Pan Pacific Shares at the time when they ceased being tax residents of Australia.

All capitalised terms in this summary have the same meaning as those contained in the Glossary section of the Target Statement, unless the context indicates otherwise.

7.2 Disposal of Pan Pacific Shares – Australian tax resident Pan Pacific Shareholders

Capital gains tax (**CGT**) event A1 should occur for Pan Pacific Shareholders at the time they accept the Offer.

a) ***Pan Pacific Shareholders who acquired their shares before 20 September 1985***

The disposal of Shares is not subject to capital gain tax for Pan Pacific Shareholders who acquired their Pan Pacific Shares before 20 September 1985 and continuously held Pan Pacific Shares since that date, unless there has been a deemed acquisition after that date.

b) ***Pan Pacific Shareholders who acquired their shares after 20 September 1985***

Pan Pacific Shareholders who have acquired (or deemed to acquire) their Pan Pacific Shares after 20 September 1985 should, in respect of each Pan Pacific Share:

(i) make a capital gain from CGT event A1 if the capital proceeds from the disposal of their Pan Pacific Share is greater than the cost base of their Pan Pacific Share; or

(ii) make a capital loss from CGT event A1 if the capital proceeds from the disposal of their Pan Pacific Share is less than the reduced cost base of their Pan Pacific Share.

c) ***Capital proceeds from the disposal of Pan Pacific Shares***

For Pan Pacific Shareholders, the capital proceeds from the disposal of their Pan Pacific Shares should be equal to the cash consideration received of A$0.05 cents for each Pan Pacific Share held.

d) ***Cost base or reduced cost base in Pan Pacific Shares***

For Pan Pacific Shareholders, the cost base or reduced cost base of their Pan Pacific Shares should generally be the amount paid (or deemed to be paid) to acquire the Pan Pacific Shares, as well as incidental costs (if any) incurred in relation to the acquisition or disposal of the Pan Pacific Shares.

Where the Pan Pacific Shares were acquired before 11.45am (Australian Eastern Standard Time) on 21 September 1999, Pan Pacific Shareholders may choose to increase the cost base of the Pan Pacific Shares for indexation based on the CPI movement from the date of acquisition to 30 September 1999.

The reduced cost base (used in calculating capital losses) in Pan Pacific Shares cannot be indexed.

Pan Pacific Shareholders who are individuals, trusts or complying superannuation funds that acquired their interests prior to 11.45am (Australian Eastern Standard Time) on 21 September 1999 can choose either to apply cost base indexation or to obtain the CGT discount concession in calculating their taxable capital gain from the disposal of their Pan Pacific Shares (see below for details). However, choosing to increase the cost base in Pan Pacific Shares on account of indexation will prevent eligible Shareholders from accessing the CGT discount treatment on capital gains.

Where the Pan Pacific Shares were acquired after 11.45am on 21 September 1999 (Australian Eastern Standard Time), it is not possible to index the cost base in the Pan Pacific Shares.

Pan Pacific Shareholders who are eligible to apply the cost base indexation method should seek their own independent professional tax advice in relation to the computation of the cost base in their Pan Pacific Shares.

e) ***CGT discount on capital gains***

A Pan Pacific Shareholder who is an individual, complying superannuation fund or a trust, and who has held their Pan Pacific Shares for at least 12 months prior to the date of disposal, should be able to reduce any capital gain on the disposal of their Pan Pacific Shares by the CGT discount provided that the Pan Pacific Shareholder has not elected to index their cost base (see above).

Where the CGT discount rules apply, the rules should enable a net capital gain (i.e. after the application of current and prior year capital losses) arising from the disposal of Pan Pacific Shares to be reduced as follows:

(i) 50% for individuals and trusts; and

(ii) 33 1/3% for complying superannuation entities.

The CGT discount concession is not available to companies (including corporate beneficiaries of trusts).

f) ***Capital losses***

Capital gains and capital losses of a taxpayer are aggregated to determine whether a taxpayer has a net capital gain or net capital loss for that income year.

Any net capital loss is not deductible from the assessable income of a Pan Pacific Shareholder, instead it may be able to be carried forward to future income years and may be able to be offset against capital gains in future years (subject to the satisfaction of various requirements).

Pan Pacific Shareholders should seek their own independent professional tax advice in relation to the operation of these rules.

7.3 Disposal of Pan Pacific Shares – Non-Australian tax resident Pan Pacific Shareholders

Non-resident Pan Pacific Shareholders should not be subject to Australian income tax on the disposal of their Pan Pacific Shares under the Offer unless the Pan Pacific Shares are "Taxable Australian Property" (**TAP**).

The Pan Pacific Shares will be TAP where both of the below tests are satisfied:

a) the Pan Pacific Shareholder (and any Associates) owned at least 10% of Pan Pacific either at the time the Pan Pacific Shares were disposed of or for at least a 12 month period during the 24 months before Pan Pacific Shares were disposed of (the **non-portfolio interest test**); and

b) 50% or more of the value of Pan Pacific is represented by real property in Australia (the **principal asset test**).

Accordingly, where the Pan Pacific Shares giving rise to the capital gain satisfy the non-portfolio interest test outlined in a) above, non-resident Pan Pacific Shareholders should seek their own independent professional tax advice on the consequences of accepting the Offer.

7.4 Stamp duty

Pan Pacific Shareholders should not be liable under the stamp duty legislation of any Australian State or Territory to pay any stamp duty that may arise on the disposal of their Pan Pacific Shares to Zeta Energy.

7.5 Goods and Services Tax ("GST")

The disposal of Pan Pacific Shares by Pan Pacific Shareholders under the Offer should not attract GST in Australia. However, the ability of Pan Pacific Shareholders to claim input tax credits of any GST included in the cost incurred on acquisitions (if any) related directly or indirectly to the disposal of shares may be restricted.

This is a complex area of the GST law and GST registered Pan Pacific Shareholders should seek their own independent professional tax advice in this regard.

7.6 Disclaimer

This summary does not constitute financial product advice as defined in the Corporations Act. This summary is confined to taxation issues and is only one of the matters you need to consider when making a decision about your investments. You should consider taking advice from a licensed adviser, before making a decision about your investments. The partnership of Ernst & Young is not required to hold an Australian Financial Services Licence under the Corporations Act to provide you with this taxation advice.

8. NEW ZEALAND TAXATION CONSIDERATIONS FOR PAN PACIFIC SHAREHOLDERS

8.1 No tax advice given

A high level overview of the potential New Zealand tax implications arising from the acceptance of Zeta Energy's Offer is outlined below. The overview is generic in nature and is based on publicly available information and tax law in effect as at the date of this Target's Statement. The overview does not account for any specific facts or circumstances that may apply to particular Shareholders and does not constitute tax advice from Pan Pacific or its advisors. Pan Pacific and its advisers do not accept any liability or responsibility for any taxation implications arising from the acceptance of the Offer by any Shareholders.

You, as a Shareholder of Pan Pacific, are encouraged to seek your own independent professional advice as to the specific taxation implications involved with your particular Shareholding.

8.2 New Zealand taxation implications for Pan Pacific Shareholders

For New Zealand tax purposes, an investment in Pan Pacific by a New Zealand resident Shareholder constitutes an investment in a foreign investment fund (**FIF**) and may give rise to FIF income if none of the exemptions from the FIF regime apply. Any FIF income arising from the acceptance of Zeta Energy's Offer must be calculated in accordance with one of the five calculation methods prescribed under the FIF regime. If an exemption from the FIF regime applies to you, any income arising from the disposal of your Pan Pacific Shares is not FIF income, but may still be subject to New Zealand income tax under the ordinary principles of New Zealand taxation law.

For a Pan Pacific Shareholder, there may be different tax outcomes depending on whether or not you hold less than 10% of the issued Shares in Pan Pacific. This is discussed in further detail below.

8.3 Direct holdings of less than 10% in Pan Pacific

If you are a New Zealand resident:

a) **Non-individual** (including companies, portfolio investment entities, trusts and superannuation funds), your investment in Pan Pacific is unlikely to be exempt from the FIF regime. Accordingly, you must apply one of the five FIF regime calculation methods to calculate the FIF income arising from accepting Zeta Energy's Offer.

b) **Individual**, the FIF regime applies unless the total cost of all your interests in FIFs (i.e. not just your investment in Pan Pacific) at any time during the 2015 income year is NZ$50,000 or less (the "de minimis" threshold). The de minimis threshold does not apply to non-natural Shareholders (e.g. companies).

If the FIF regime applies to your investment in Pan Pacific, you must select one of the five calculation methods prescribed in the FIF regime to calculate your FIF income arising from accepting Zeta Energy's Offer. The choice of calculation method depends on a variety of individual circumstances (including, but not limited to, the calculation method you currently adopt for your other FIF interests held during the income year and the type of business entity you have adopted) and we recommend that you seek tailored advice from your tax advisor to determine which calculation method to use.

If you are an individual who qualifies for the de minimis threshold and, therefore, your investment in Pan Pacific is not subject to tax under the FIF regime, whether any taxable income arises will depend on whether you hold your investment in Pan Pacific on capital (non-taxable) or revenue (taxable) account. This distinction depends on a variety of individual circumstances, including, but not limited to, your intention at the time of purchasing Pan Pacific Shares and/or whether or not you are a trader or dealer in Shares. We recommend that you seek independent tax advice from your tax advisor regarding this.

8.4 Direct holdings of more than 10% in Pan Pacific

If you are a New Zealand resident and a non-individual investor, there are specific scenarios under which your investment in Pan Pacific may potentially be exempt from the FIF regime. We recommend that you seek independent advice from your tax advisor to confirm whether this would be the case.

If the FIF regime applies to your investment in Pan Pacific, you must select one of the five calculation methods prescribed in the FIF regime to calculate your FIF income arising from accepting Zeta Energy's Offer. The choice of calculation method depends on a variety of individual circumstances (including, but not limited to, the calculation method you currently adopt for your other FIF interests held during the income year and the type of business entity you have adopted) and we recommend that you seek independent advice from your tax advisor to determine which calculation method to use.

If the FIF regime does not apply to your investment in Pan Pacific, whether any taxable income arises will depend on whether you hold your investment in Pan Pacific on capital (non-taxable) or revenue (taxable) account. This distinction depends on a variety of individual circumstances, including, but not limited to, your intention at the time of purchasing Pan Pacific Shares. We recommend that you seek independent tax advice from your tax advisor regarding this.

8.5 New Zealand stamp duty and GST

New Zealand does not impose stamp duty.

The disposal of your Pan Pacific Shares pursuant to Zeta Energy's Offer is likely exempt from GST. This means that if you are GST-registered and are charged GST in relation to costs incurred in accepting Zeta Energy's Offer, you will unlikely be able to recover the GST incurred on those costs. In certain circumstances, the disposal may be zero-rated, in which case the GST incurred on the disposal costs would be recoverable. We recommend that you seek independent tax advice from your tax advisor regarding this.

8.6 Capital gains tax

New Zealand does not have a broad based capital gains tax. Any tax payable should be calculated either under the FIF regime or, if you have determined that the FIF regime does not apply to your investment in Pan Pacific, ordinary principles of New Zealand taxation law (as outlined above).

9. ADDITIONAL INFORMATION

9.1 Interests of Directors

a) **Relevant Interests in securities in Pan Pacific**

The number and description of securities in Pan Pacific, or rights to securities in Pan Pacific, in which each Director has a Relevant Interest as at the date of this Target's Statement is set out in the table below:

Director	Number of securities or rights to securities
Mr Allan Tattersfield	76,988,520 Shares
Mr Peter Sullivan	Nil
Mr Tony Radford	8,442,511 Shares

As at the close of ASX trading on 20 April 2015, being the last Business Day immediately before this Target's Statement was printed, each Independent Director intends to **REJECT**, or seek the rejection of, the Offer in respect of Pan Pacific Shares that they own or Control the disposal of.

b) **Dealings in securities in Pan Pacific**

There have been no acquisitions or disposals of securities or rights to securities in Pan Pacific by any Director in the four month period ending on 20 April 2015, being the last Business Day immediately before this Target's Statement was printed, other than Mr Allan Tattersfield, who acquired a Relevant Interest in 397,349 Pan Pacific Shares on 13 April 2015.

c) **Interests in securities of Zeta Energy**

Mr Peter Sullivan has a Relevant Interest in 5,670,632 ordinary Shares in Zeta Resources, or 6.08% of the Zeta Resources shares on issue at the Announcement Date.

Other than as disclosed above, neither Pan Pacific, nor any Director, holds a Relevant Interest in, or acquired or disposed of a Relevant Interest in, any securities in Zeta Energy or any Related Body Corporate of Zeta Energy during the four month period ending on 20 April 2015, being the last Business Day immediately before this Target's Statement was printed.

d) **Agreements and benefits conditional on or connected with the Offer**

No Director is a party to any agreement or arrangement with, and no Director is entitled to receive any benefit from Zeta Energy which is conditional on or connected with the Offer save in his capacity as a Pan Pacific Shareholder.

e) **Conditional agreements**

No agreement has been made between any of the Directors and any other person in connection with or conditional upon the outcome of the Offer.

f) **Payments and benefits**

Except as disclosed in this Target's Statement, as a result of the Offer no benefit (other than a benefit permitted under section 200F or section 200G of the Corporations Act and compulsory superannuation entitlements) has been paid or will be paid to any Director, secretary or executive Officer in connection with the loss of, or their resignation from, their office.

9.2 Continuous disclosure

Pan Pacific is a disclosing entity and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These require Pan Pacific to announce price sensitive information as soon as it becomes aware of the information, subject to exceptions for confidential information.

Copies of documents filed with ASX by Pan Pacific may be obtained from the ASX website at www.asx.com.au or from the Pan Pacific website at http://www.panpacpetroleum.com.au/. Copies of documents lodged with ASIC in relation to Pan Pacific may also be obtained from, or inspected at, an ASIC office.

A list of documents filed with ASX by or concerning Pan Pacific since its last Annual Report was released on 29 September 2014 until close of trading on ASX on 20 April 2015 (being the date prior to the date of this Target's Statement) is set out in the table below.

Date	Announcement
16/04/2015	Appendix 3Y – Allan Tattersfield
16/04/2015	Tattersfield Group substantial holder notice
13/04/2015	Zeta Energy Takeover – Take no action
13/04/2015	Change in substantial holding from ZER
10/04/2015	ASX Announcement Response to Receipt of Zeta bid
10/04/2015	Bidders Statement – Market bid
10/04/2015	On-Market Takeover Bid for Pan Pacific Petroleum NL
07/04/2015	NZO: Production begins at Pateke-4H
07/04/2015	Pateke-4H production starts
07/04/2015	AWE brings Pateke-4H well onto production
06/03/2015	NZO: Pateke tie-back commences
06/03/2015	Pateke-4H subsea tie-back project update
06/03/2015	AWE:Pateke-4H subsea tie-back project under way
23/02/2015	Appendix 4D, Director report and Half year financial report
02/02/2015	Change in substantial holding from ZER
30/01/2015	December 2014 Quarterly Activities Report
06/01/2015	Pateke 4H reserves
06/01/2015	NZO:Pateke-4H reserves
12/11/2014	Composition of the Board and New Chairman
12/11/2014	Results of Meeting
12/11/2014	Mike Daniel Retirement from the Board 2014
07/11/2014	Withdrawal of consent of Mr John Bay as a Director

07/11/2014	Director not standing for re-election at the AGM
30/10/2014	September 2014 Quarterly Activities Report
08/10/2014	2014 AGM Notice of Meeting
01/10/2014	Initial Director's Interest Notice

9.3 Consents

a) Each of the persons listed below has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn their consent to the inclusion of the following information in this Target's Statement in the form and context in which it is included and to all references in this Target's Statement to that information in the form and context in which they appear:

(i) RSM Bird Cameron Corporate Pty Ltd – to being named in this Target's Statement as Independent Expert, and to the inclusion of the Independent Expert's Report and statements said to be based on statements made in the Independent Expert's Report;

(ii) RISC Operations Pty Limited – to being named in this Target's Statement as the Independent Technical Specialist, and to the inclusion of the Independent Technical Specialist's Report and statements said to be based on statements made in the Independent Technical Specialist's Report;

(iii) Ernst & Young Australia – to being named as Australian tax adviser and to the inclusion of statements made by them;

(iv) KPMG New Zealand – to being named as New Zealand tax adviser and to the inclusion of statements made by them;

(v) each Director, to being named in this Target's Statement as a Director and to the inclusion of statements made by them;

(vi) Ms Kim Ware, to being named in this Target's Statement as the Company Secretary of Pan Pacific;

(vii) Link Market Services Limited, to being named in this Target's Statement as the Australian and New Zealand registry for Pan Pacific; and

(viii) Maddocks – to being named in this Target's Statement as legal advisers to Pan Pacific.

b) Each person named above as having given its consent to the inclusion of a statement or report or to being named in this Target's Statement:

(i) does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement or report, a statement or report included in this Target's Statement with the consent of that person; and

(ii) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement or report, any statement or report which has been included in this Target's Statement with the consent of that party.

c) As permitted by ASIC Class Order 13/521, this Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or ASX (in compliance with the ASX Listing Rules), including the Bidder's Statement. Pursuant to this Class Order, the consent of persons to which such statements are attributed is not required for the inclusion of those statements in this Target's Statement.

d) Any Pan Pacific Shareholder who would like to receive a copy of any of the documents (or parts of the documents) that contain the statements which have been included pursuant to ASIC Class Order 13/521 may obtain a copy free of charge by writing to the Pan Pacific Company Secretary or by contacting the Pan Pacific Shareholder information line on (02) 9957 2177 (within Australia) or +61 2 9957 2177 (outside Australia) at any time between 9:00am and 5:00pm (Australian Eastern Standard Time) on Monday to Friday.

Copies of all announcements by Pan Pacific may also be obtained from Pan Pacific's website at www.panpacpetroleum.com.au.

9.4 Material litigation

As at the close of ASX trading on 20 April 2015, being the last Business Day immediately before this Target's Statement was printed, Pan Pacific is not aware of any current or proposed litigation or dispute that is material other than that as advised in the Company's recent Quarterly reports in respect of a request to the designated authority, the Autoridade Nacional do Petróleo ("ANP"), to terminate the JPDA 06-103 PSC by mutual agreement in accordance with its terms and without penalty or claim.

9.5 ASIC declarations and Listing Rule waivers

Pan Pacific has not been granted any modifications or exemptions by ASIC from the Corporations Act in connection with the Offer.

Pan Pacific has not been granted any waivers from ASX or NZX in relation to the Offer.

9.6 No other material information

a) Under the Corporations Act, this Target's Statement is required to include all the information that Pan Pacific Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer, but:

   (i) only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and

   (ii) only if the information is known to any Director.

b) In this context, your Independent Directors are of the opinion that the information that Pan Pacific Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to reject the Offer is:

   (i) the information contained in the Bidder's Statement;

   (ii) the information which has been previously disclosed by Pan Pacific as a disclosing entity in accordance with its continuous disclosure and reporting obligations to ASX and ASIC;

(iii) the information contained in Pan Pacific releases to ASX prior to the close of ASX trading on 20 April 2015, being the last Business Day immediately before this Target's Statement was printed; and

(iv) the information contained in this Target's Statement, including in the Independent Expert's Report at Annexure A and the Independent Technical Specialist's Report at Annexure B.

c) In deciding what information should be included in this Target's Statement, your Independent Directors have had regard to:

(i) the nature of the Pan Pacific Shares (being fully paid ordinary shares);

(ii) the matters which Pan Pacific Shareholders may reasonably be expected to know;

(iii) the fact that certain matters may reasonably be expected to be known to the professional advisers of Pan Pacific Shareholders; and

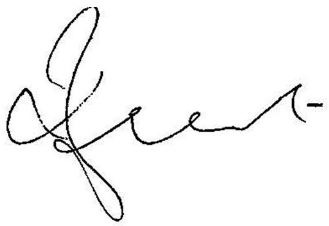
(iv) the time available to Pan Pacific to prepare this Target's Statement.

d) Your Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained in it.

9.7 Approval of Target's Statement

This Target's Statement has been approved by a resolution of the Pan Pacific Board on the recommendation of the Independent Directors on 21 April 2015.

Signed for and on behalf of Pan Pacific



Mr Allan Tattersfield
Independent Director
Pan Pacific Petroleum NL

Mr Tony Radford
Independent Director
Pan Pacific Petroleum NL

Dated: 24 April 2015

10. GLOSSARY

10.1 Definitions

In this Target's Statement, unless the context otherwise requires:

A$, $, or **AUD** means the currency of Australia.

Announcement Date means the date of the announcement of the Offer by Zeta Energy, being 10 April 2015.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to that term in section 12(2) of the Corporations Act.

ASX means ASX Limited ACN 008 624 691, and where the context requires, the Australian Securities Exchange.

ASX Listing Rules means the official listing rules of ASX as amended, varied, modified or waived from time to time.

ASX Settlement means ASX Settlement Pty Ltd ACN 008 504 532.

ASX Settlement Operating Rules means the operating rules of ASX Settlement which govern the administration of CHESS.

Bidder means Zeta Energy Pte. Ltd. (registered in Singapore, company registration number 201425794R), a wholly owned subsidiary of Zeta Resources.

Bidder's Statement means the statement of Zeta Energy under Part 6.5 Division 2 of the Corporations Act relating to the Offer lodged by Zeta Energy with ASIC on 10 April 2015.

Broker means a person who is a share broker and a participant in CHESS.

Business Day means a day on which banks are open for business in Australian Eastern Standard Time, excluding a Saturday, Sunday or public holiday.

CGT means capital gains tax.

CHESS means the Clearing House Electronic Subregister System of ASX.

Company or **Pan Pacific** means Pan Pacific Petroleum NL ACN 000 749 799.

Control has the meaning given in section 50AA of the Corporations Act.

Controlling Participant in relation to your Pan Pacific Shares, has the same meaning as in the ASX Settlement Operating Rules.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

Foreign Shareholder means a Pan Pacific Shareholder with a registered address outside of Australia.

GMP Securities means GMP Securities Australia Pty Limited ACN 149 263 543, AFSL 403684, the Broker appointed by Zeta Energy to the Offer.

Independent Directors means the Directors of Pan Pacific not Associated with Zeta Energy, being Mr Tony Radford and Mr Allan Tattersfield.

Independent Expert means RSM Bird Cameron Corporate Pty Ltd ACN 050 508 024.

Independent Expert's Report means the report and related financial service guide prepared by the Independent Expert, as set out in Annexure A to this Target's Statement.

Independent Technical Specialist means RISC Operations Pty Limited ACN 150 789 030.

Independent Technical Specialist's Report means the report prepared by Independent Technical Specialist, as set out in Annexure B to this Target's Statement.

NZX means NZX Limited (New Zealand Company Number 1266120), and where the context requires, the New Zealand Exchange.

Offer means the offer for Pan Pacific Shares under the terms and conditions contained in the Bidder's Statement.

Offer Period means the period during which the Offer will remain open for acceptance in accordance with the Bidder's Statement.

Offer Price means the consideration offered under the Offer for each Pan Pacific Share. As at the close of ASX trading on 20 April 2015, being the last Business Day immediately before this Target's Statement was printed, that consideration is A$0.05 in cash for each Pan Pacific Share held by a Pan Pacific Shareholder.

Officer has the same meaning given to it in section 9 of the Corporations Act.

Pan Pacific or **Company** means Pan Pacific Petroleum NL ACN 000 749 799.

Pan Pacific Board or **Board** means the Board of Directors of Pan Pacific.

Pan Pacific Group means Pan Pacific and each of its subsidiaries.

Pan Pacific Optionholder means a person registered in the register of options of Pan Pacific as a holder of one or more Pan Pacific Options.

Pan Pacific Option means an option to subscribe for a Pan Pacific.

Pan Pacific Shareholder or **Shareholder** means a person registered in the register of members of Pan Pacific as a holder of one or more Pan Pacific Shares.

Pan Pacific Shares or **Shares** means fully paid ordinary shares in the capital of Pan Pacific.

Relevant Interest has the same meaning as given to it in sections 608 and 609 of the Corporations Act.

Share means a fully paid ordinary share in Pan Pacific.

Target's Statement means this document being the statement of Pan Pacific under Part 6.5 Division 3 of the Corporations Act relating to the Offer.

Trading Day has the meaning ascribed to that term in the ASX Listing Rules.

Tui Area Fields means the Tui, Amokura and Pateke oil fields which are produced to a common production facility

VWAP means volume weighted average price.

Zeta Energy means Zeta Energy Pte. Ltd. (registered in Singapore, company registration number 201425794R), a wholly owned subsidiary of Zeta Resources.

Zeta Resources means Zeta Resources Limited ARBN 162 902 481 (ASX: ZER).

10.2 Interpretation

In this Target's Statement, unless the context otherwise requires:

(a) the singular includes the plural and vice versa;

(b) a reference to an individual or person includes a corporation, firm, partnership, joint venture, association, authority, trust, state or government and vice versa;

(c) a reference to any gender includes all genders;

(d) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;

(e) a term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act or the ASX Settlement Operating Rules, as the case may be;

(f) unless otherwise specified, a reference to a section, clause, annexure or schedule is to a section, clause, annexure or schedule of or to this Target's Statement;

(g) a reference to any agreement or document is to that agreement or document (and, where applicable, any of its provisions) as amended, novated, supplemented or replaced from time to time;

(h) a reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any subordinate legislation under, that legislation or legislative provision;

(i) the words "including", "such as", "particularly" and similar expressions do not imply limitation; and

(j) headings are for convenience of reference only and do not affect interpretation.

11. CORPORATE DIRECTORY

Pan Pacific Petroleum NL	**Board of Directors**
Level 3, 123 Walker Street North Sydney NSW 2060 Australia Tel: +61 2 9957 2177 Fax: +61 2 9925 0564 Web: www.panpacpetroleum.com.au ASX: PPP NZX: PPP	Mr Allan W Tattersfield Mr Tony Radford Mr Peter Sullivan **Company Secretary** Ms Kim Ware
Legal Adviser	**Auditor***
Maddocks Level 27, Angel Place 123 Pitt Street Sydney, NSW 2000 Australia	Ernst & Young 680 George Street Sydney NSW 2000 Australia
Australian Share Registry	**Shareholder Information Line**
Link Market Services Limited Level 12 680 George Street Sydney, NSW 2000 Australia Within Australia: 1300 554 474 Outside Australia: +61 1300 554 474	Within Australia: (02) 9957 2177 Outside Australia: +61 2 9957 2177
New Zealand Share Registry*	
Link Market Services Limited Level 7, Zurich House 21 Queen Street Auckland 1010 New Zealand Within New Zealand: +64 9 375 5998	

* These entities are included for information purposes only. They have not been involved in the preparation of this Target's Statement and have not consented to being named in this Target's Statement.

ANNEXURE A – INDEPENDENT EXPERT'S REPORT

RSM Bird Cameron Corporate Pty Ltd

Pan Pacific Petroleum NL

Financial Services Guide and Independent Expert's Report

April 2015

RSM Bird Cameron Corporate Pty Ltd

AFS Licence No 255847

Financial Services Guide

RSM Bird Cameron Corporate Pty Ltd ABN 82 050 508 024 (RSM Bird Cameron Corporate Pty Ltd or we or us or ours as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (FSG). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- deposit and payment products limited to:
  - (a) basic deposit products;
  - (b) deposit products other than basic deposit products.
- interests in managed investments schemes (excluding investor directed portfolio services); and
- securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General financial product advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

RSM Bird Cameron Corporate Pty Ltd

AFS Licence No 255847

Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither RSM Bird Cameron Corporate Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Bird Cameron Partners.

From time to time, RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners, RSM Bird Cameron and / or RSM Bird Cameron related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, RSM Bird Cameron Corporate Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details

You may contact us using the details set out at the top of the letterhead in the report to which this FSG is attached.

RSM Bird Cameron Corporate Pty Ltd

AFS Licence No 255847

Independent Expert's Report

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RSM Bird Cameron Corporate Pty Ltd
Level 12, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001
T +61 2 8226 4500 **F** +61 2 8226 4501
www.rsmi.com.au

21 April 2015

The Independent Directors
Pan Pacific Petroleum NL
Level 3
123 Walker Street
NORTH SYDNEY NSW 2060

Dear Independent Directors

Independent Expert's Report

1. Introduction

1.1. This Independent Expert's Report (the Report or IER) has been prepared to accompany the Target's Statement to be sent to the shareholders of Pan Pacific Petroleum NL (Pan Pacific or the Company or the Target).

1.2. The Target Statement has been prepared by the Directors of Pan Pacific in response to a Bidders Statement received on 10 April 2015. The Bidders Statement was issued by Zeta Energy Pte Limited (Zeta Energy of the Bidder), a Singapore based subsidiary of Australian Securities Exchange (ASX) listed company Zeta Resources Limited (Zeta Resources) in relation to an on-market bid for all of the shares in Pan Pacific announced on 10 April 2015 (the Offer).

1.3. The key terms of the Offer made to Pan Pacific shareholders are:

- The Offer is an on-market offer;
- The Offer is unconditional;
- Consideration offered for each share in Pan Pacific is cash of $0.05 (to be paid on a T+3 basis) (the Offer price);
- The Offer remains open until 27 May 2015.

1.4. As at the date the Bidder's Statement was issued, Zeta Energy held approximately 16.8% of the ordinary shares on issue in Pan Pacific. The shares were acquired in on market and off market purchases over a period of approximately 6 months prior to the date of the Offer.

1.5. The Directors of Pan Pacific have requested that RSM Bird Cameron Corporate Pty Ltd (RSMBCC), being independent and qualified for the purpose, express an opinion as to whether the Offer is fair and reasonable to shareholders not associated with the Zeta Energy or Zeta Resources (the non-associated shareholders).

1.6. RSMBCC has appointed RISC Operations Pty Limited (RISC) as technical specialist to review Pan Pacific's interests in its oil and gas production and exploration assets. RISC's role included a review of the reserves, development plans, production profiles and capital and operating costs for Pan Pacific's oil and gas assets. RISC also produced a valuation of the exploration and production assets and a copy of their report is enclosed in the Target Statement.

1.7. The ultimate decision whether to accept the Offer should be based on each shareholder’s assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions.

1.8. If in doubt as to the action they should take with regard to the Offer, or the matters dealt with in this IER, the shareholders should seek independent professional advice.

2. Summary and conclusion

2.1. In our opinion the Offer is neither fair nor reasonable. Our reasoning and analysis are set out in the balance of this report.

Fairness

2.2. In order to assess the fairness of the Offer, we have valued a share in Pan Pacific (on a control basis) immediately prior to the Offer and compared this value to the value of the consideration offered by Zeta Energy. As the Offer price is cash, we have valued the consideration offered at the Offer price of 5 cents.

2.3. Our assessed values are summarised in the tables below.

Assessment of fairness	Ref	Low	High
Fair value of a Pan Pacific share – control basis	8.3	$0.075	$0.125
Fair value of the consideration	1.3	$0.050	$0.050

Table 1: Fairness summary *(Source: Bidders Statement, RSMBCC analysis)*

2.4. The results of our analysis is shown graphically in the figure below:

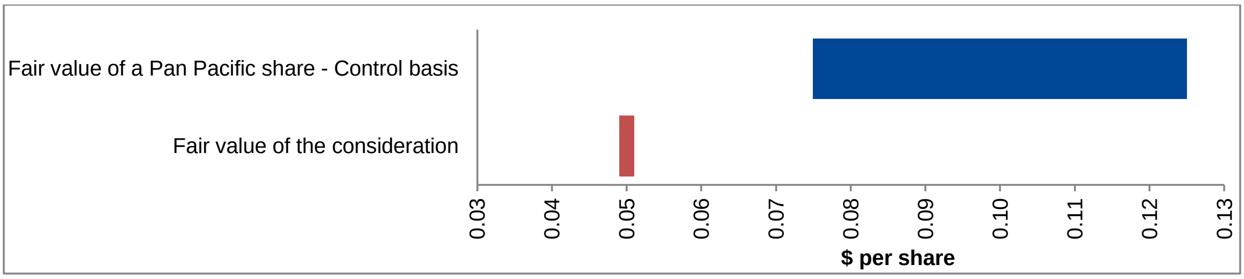

Figure 1: Pan Pacific fairness evaluation *(Source: Bidders Statement, RSMBCC analysis)*

2.5. Our valuation of a Pan Pacific share in the range 7.5 cents to 12.5 cents is discussed in detail at Section 8 of this IER and is formed primarily on a discounted cash flow analysis of Pan Pacific's joint venture (JV) and other interests in certain producing assets together with technical valuations of their interests in exploration assets. Some key factors we have considered in forming our valuation opinion include:

- The work undertaken by RISC in relation to Pan Pacific's operating and exploration assets;
- RSMBCC's current view of oil price, exchange rates and future operating performance of the Pan Pacific assets; and
- RSMBCC's risk adjusted discount rates.

2.6. We note that oil prices, exchange rates and expectations of future operating performance of the projects in which Pan Pacific holds an interest could change significantly over short periods of time. Such changes could have a potentially material impact on the value of Pan Pacific.

2.7. In light of the above, we have determined that the control value of a Pan Pacific share is higher than the cash consideration offered by Zeta Energy. We note our valuation exceeds the price at which, based on current market conditions, RSMBCC would expect Pan Pacific shares to trade on the ASX in the absence of a takeover offer.

2.8. Accordingly, we consider the Offer is not fair.

Reasonableness

2.9. Regulatory Guide 111 Content of Experts Reports (RG111) issued by the Australian Securities and Investment Commission (ASIC) establishes that an offer is reasonable if it is fair. Further, RG111 states that an offer might also be reasonable if, despite not being fair, there are sufficient reasons for the security holders to accept the offer in the absence of any higher bid before the offer closes.

2.10. In considering the reasonableness of an offer, the other factors which a shareholder may consider prior to accepting the offer may include:

- The offeror's existing shareholding;
- Other significant shareholdings;
- The probability of an alternative offer; and
- The liquidity of the market for the company's shares.

2.11. In our assessment of the reasonableness of the Offer, we have considered:

- The Offer is not fair;
- The consideration offered is cash. By accepting the Offer, Pan Pacific shareholders will realise a certain and immediate (T+3) value for their shares. Shareholders who sell to Zeta Energy will receive $0.05 per share. The sale of shares is a capital gains tax (CGT) event and will crystallise the CGT position of selling shareholders if they are an Australian resident for income tax purposes;
- The shares in Pan Pacific are relatively illiquid with around 43% of the shares in the hands of three individuals / entities. Zeta Energy, with 16.7%, is the largest shareholder in Pan Pacific, however no single shareholder holds a controlling stake. The other significant shareholders are Stewart Petroleum Co Limited, a subsidiary of New Zealand Oil & Gas Limited (NZOG) and Tattersfield Securities, a company controlled by one of the directors of the Company;
- The independent directors of Pan Pacific have elected not to dispose of their interests in the Company under the Offer;
- The control premium being offered by Zeta Energy of around 10% above the last ASX traded price of Pan Pacific shares prior to the announcement of the Offer ($0.045) is relatively modest when compared to the premiums observed in completed transactions in Australia;
- The trading price of Pan Pacific shares may return to pre-announcement levels. Our analysis shows that the shares rose by around 15% upon the announcement of the Offer and closed at $0.051 on 17 April 2015, which represents a 13% increase over the pre Offer price;
- The value of Pan Pacific could change, possible materially, over the short to medium term. Our valuation of the Company reflects our current view of the market value of Pan Pacific's operating assets. The value of Pan Pacific's assets base is sensitive to movements in the oil price (Brent) and the oil price has been highly volatile in recent months. Shareholders should understand that the value of Pan Pacific's assets could change, possibly materially, in a relatively short period of time;
- There is range of technical and operational outcomes for Pan Pacific's exploration and other assets (particularly the CRD) and that range of outcomes could result in significant shifts in value (positive or negative); and
- Should they accept, the non-associated shareholders will no longer have the opportunity to participate in the upside in the specific portfolio of projects to which Pan Pacific is exposed. We note however, that such exposure on specific or multiple projects could be acquired through the purchase of the shares of joint venture partners in each of the projects.

2.12. If Zeta Energy does not acquire sufficient shareholder acceptances to acquire control of Pan Pacific, the Pan Pacific directors have stated they will continue the exploration and development of the Company's oil and gas assets.

2.13. We are not aware of any alternative proposals which may provide a greater benefit to the non-associated shareholders of Pan Pacific at this time.

2.14. After considering the matters noted above in the absence of any other relevant information and/or a superior offer, we consider that the Offer is not reasonable.

3. Summary of Offer

Overview

3.1. On 10 April 2015, Zeta Energy announced an unconditional on-market takeover bid for the all the shares in Pan Pacific which it did not already own.

3.2. A Bidders Statement, dated 10 April 2015 accompanied the ASX announcement and contained the terms upon which Zeta Energy had made the Offer. The key terms of the Offer are:

- The Offer is an on-market offer;
- The Offer is unconditional;
- Consideration offered for each share in Pan Pacific is cash of $0.05 (paid on a T+3 basis);
- Zeta Energy will accept all Pan Pacific shares offered to it on market from 10 April 2015 until conclusion of the Offer period (27 May 2015) and the Offer period may be extended or the Offer price may be increased or the offer withdrawn in accordance with the Corporations Act, 2001 (the Act).

3.3. As at 10 April 2015, Zeta Energy had a relevant interest in 98,868,428 ordinary shares in Pan Pacific which represented approximately 16.8% of the Pan Pacific shares on issue at that date. These shares were acquired in on market and off market purchases over a period of approximately 6 months prior to date of the Offer. According to ASX announcements made by Zeta Resources, the shares were acquired as follows:

Date of notice	Number of shares	Consideration	Average cost per share	% of issued shares
29 August 2014	63,238,312	$3,794,299	$0.0600	10.74%
01 September 2014	27,990,101	$2,526,201	$0.0903	4.76%
2 February 2015	7,304,515	$318,918	$0.0437	1.24%
Total	**98,532.828**	**$6,639,418**	$0.0674	**16.74%**

Table 2: Acquisition of Pan Pacific shares by Zeta Energy *(Source: ASX)*

3.4. Zeta Energy has instructed its broker to acquire on-market all Pan Pacific shares offered at the Offer price of $0.05 from the date of the Bidders Statement to the close of the Offer on 27 May 2015.

3.5. Accordingly, Zeta Energy could acquire up to 489,743,682 shares under the Offer, being the balance of the 588,612,110 ordinary shares in Pan Pacific which Zeta Energy does not already own. On this basis, the maximum value of the Offer (excluding broker and transaction costs) could be up to $24.5 million (489,743,682 x $0.05) and the Offer, therefore, values the Company at $29.4 million.

Funding the Offer

3.6. In their Bidders Statement, the directors state that Zeta Energy will fund the cash consideration for all shares acquired under the Offer from funds available from an undrawn loan facility. The facility, which is held with Utilico Investment Limited (Utilico), a company listed on the London Stock Exchange, has a limit of $25 million. We understand Utilico is a related party of Zeta Resources.

3.7. Further, the directors of Zeta Energy have stated that, in their opinion, any conditions precedent and conditions for the drawdown of the facility will be satisfied before any payments will be required to be made for shares acquired under the Offer.

3.8. The Directors of Zeta Energy have also stated that no cash held by Zeta Energy as at the date of the Bidders Statement will be used for pay for shares acquired under the Offer, and that the funds available under the facility will be sufficient to fund the cash consideration for the maximum number shares which could be acquired under the Offer (assuming the Offer price).

4. Purpose of this Report

Corporations Act 2001

4.1. Section 640 of the Act requires an experts report to accompany the Target's Statement if the bidder is connected with the target.

4.2. The bidder is considered to be connected to the target if:

(a) the bidder's voting power in the target is 30% or more;

(b) the bidder who is, or includes, an individual – the bidder is a director of the target; or

(c) the bidder who is, or includes, a body corporate – a director of the bidder is a director of the target.

4.3. Where the bidder is connected with the target, a Target Statement (given in accordance with Section 638 of the Act) must include, or be accompanied by a report by an expert that states whether, in the expert's opinion, the takeover offer is fair and reasonable and give reasons for that opinion.

4.4. Mr Peter Sullivan is a director (and the Chairman) of Zeta Resources (the sole parent of Zeta Energy) and a director (and Chairman) of Pan Pacific. While this situation does not trigger the requirement for an IER under Section 640 of the Act (as Mr Sullivan is not a director of Zeta Energy), in accordance with the guidance in the Takeovers Panel Guidance Note 18 – Takeover Documents, the directors of Pan Pacific have taken the view that shareholders will be better informed in their determinations as to any action they may take with respect of the Offer if an IER accompanies the Target Statement.

Basis of evaluation

4.5. In determining whether the Offer is fair and reasonable we have had regard to the views expressed by ASIC in RG 111.

4.6. RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically, it gives guidance to experts on how to evaluate whether or not an Offer is fair and reasonable.

4.7. RG 111 states that the expert report should focus on:

- the issues facing the security holders for whom the report is being prepared; and
- the substance of the transaction rather than the legal mechanism used to achieve it.

4.8. RG 111 applies the 'fair' and 'reasonable' test as two distinct criteria in the circumstance of a takeover offer, stating:

- A takeover offer is considered 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
- A takeover offer is considered 'reasonable' if it is 'fair' or, where the offer is 'not fair', it may still be 'reasonable' if the expert believes that there are sufficient reasons for security holders to accept the offer.

4.9. Consistent with the guidelines in RG 111, in determining whether the Offer is fair and reasonable to the non-associated shareholders, the analysis we have undertaken is as follows:

- A comparison of the market value of an ordinary share in Pan Pacific (on a control basis) to the Offer price – fairness; and
- A review of other significant factors which the non-associated shareholders might consider prior to accepting the Offer – reasonableness.

4.10. In considering the reasonableness of an offer, the other factors which a shareholder may consider prior to accepting the offer might include:

- The offeror's existing shareholding;
- Other significant shareholdings;
- The probability of an alternative offer; and
- The liquidity of the market for the company's shares.

5. Profile of Pan Pacific

Overview and history

5.1. Pan Pacific is a Sydney based public company which engages in the exploration, development, production and sale of oil and gas in New Zealand, Vietnam, and the Joint Petroleum Development Area between Timor-Leste and Australia (JPDA).

Global View of Pan Pacific's Permits

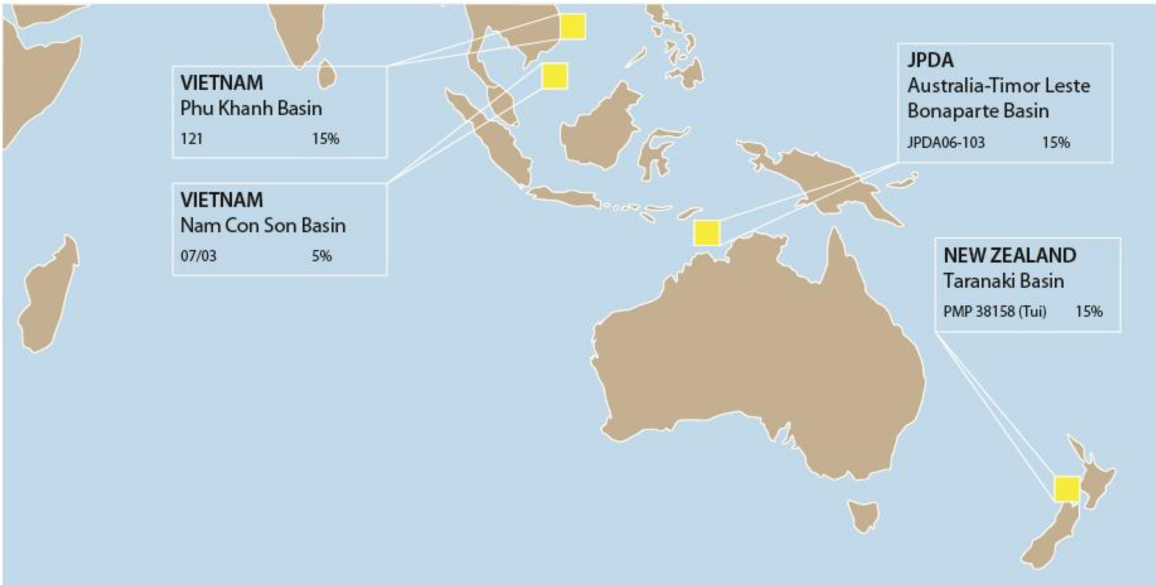

Figure 2: Pan Pacific global assets *(Source: Pan Pacific)*

5.2. The Company was incorporated in 1970 and admitted to the official list of the ASX in January 1979.

5.3. Pan Pacific maintains dual-listed status and is quoted on the Official List of the ASX and the New Zealand Exchange (NZX). The primary listing is on the ASX, with all announcements first released to the ASX and subsequent to receiving approval from the ASX, immediately released to the NZX. By remaining compliant with the requirements for listing on the ASX, the Company also remains compliant with the requirements for listing on the NZX.

5.4. A brief overview of the key announcements made in the Company's recent history is provided in the table below.

Year	Milestone
2012	➢ 12 July, Pan Pacific announced the acquisition of a 15% interest in a production sharing contract (Block 121) ➢ 30 August, Pan Pacific announced the indicative timetable for the proposed return of capital, subject to shareholder approval ➢ 20 November, Pan Pacific released the new constitution for the Company as adopted at the AGM held on 20 November
2013	➢ 29 January, Pan Pacific announced the drilling of two additional wells in the Tui Area Oil Fields in New Zealand ➢ 18 March, Pan Pacific announced the completion of the acquisition of a 15% interest in a production sharing contract Block 121 and preparation to drill three wells in Vietnam (Block 07/03) ➢ 16 April, Pan Pacific announced the completion of the sale and assignment of its Carnarvon Basin interests received the required approvals and has completed ➢ 2 October, Pan Pacific announced that it had acquired an additional 5% in the Tui Area Oil Fields for approximately US$2.14 million
2014	➢ 29 August, Pan Pacific receives advice from Mr Neil Tomkinson and Mr Joshua Pitt of their intention to resign from the Pan Pacific Board ➢ 2 September, Zeta Energy lodged ASIC Form 606 'Notice of Initial Substantial Holder' with 15.499% of the issued ordinary shares of Pan Pacific ➢ 8 September, Pan Pacific received the resignation of Ms Belinda Flatters as Joint Company Secretary ➢ 26 September, Pan Pacific appointed Mr Peter Sullivan as a Non-Executive Director of the Company ➢ 12 November, Pan Pacific advised Mr Mike Daniel retired by rotation as a director of the Company.
2015	➢ 10 April, Pan Pacific received an on-market takeover bid from Zeta Energy Pte Limited at $0.05 per share.

Table 3: Pan Pacific history (*Source: Pan Pacific ASX announcements*)

Directors

5.5. A profile of the current board of directors of Pan Pacific is set out in the table below.

Name	Title	Experience
Mr Peter Sullivan	Chairman and Non-executive Director	Mr Sullivan has over 20 years' experience providing strategic advice to companies predominantly in the resources sector. He is managing director of gold producer Resolute Mining Limited, a director of GME Resources Limited and non-executive chairman of Zeta Resources Limited.
Mr Antony Radford	Non-executive Director	Mr Radford has been a Director since 1979, was CEO until 16 December 2008 and Chairman until 26 December 2008. His earlier career included senior financial roles in steel making, tin smelting and mining companies. He has in excess of 20 years' experience in managing petroleum and mining companies.
Mr Allan Tattersfield	Non-executive Director	Mr Tattersfield has over 30 years' experience operating retail and construction companies, plus the financing and negotiation of exploration joint venture deals. He was appointed to the Board on 22 February 2005.

Table 4: Profile of Pan Pacific Directors (*Source: Pan Pacific website & ASX releases*)

Other key management personnel

5.6. A profile of other key management personnel is set out in the table below.

Name	Title	Experience
Mr Tom Prudence	Chief Executive Officer	Mr Prudence joined the company in September 2008 as General Manager Exploration and Production and on 16 December 2008 he was appointed to the position of CEO. Prior to joining Pan Pacific, Mr Prudence worked for four years with an international oil and gas exploration and production consultancy in Perth, WA where he held the position of Principal Adviser / Chief Geoscientist. In this capacity he has advised on numerous diverse projects throughout South East Asia, the Middle East, Africa, Australia and New Zealand, including valuations of exploration and producing assets, reserves auditing, and strategy and new business development. His experience prior to that covered a range of senior international technical and commercial positions with the Shell Group of Companies over a 25 year period including working in the UK, the Netherlands, Nigeria, USA, Australia and Brunei where he was Exploration and Technical Services Manager. He is a fellow of the Geological Society of London and a member of the Society of Petroleum Engineers.
Ms Kim Ware	Company Secretary	Ms Ware has a Bachelor of Commerce and Management from Lincoln University (NZ) and is CPA qualified. She has held senior financial accounting positions over a variety of different industries including credit reporting and telecommunications.

Table 5: Profile of Pan Pacific's key management personnel (*Source: Pan Pacific website & ASX releases*)

Projects

5.7. As discussed above, the Company is engaged in the exploration of oil and gas projects in New Zealand, Vietnam, and the JPDA. The interests in these projects (as at the date of this report) were as set out in the table below:

Location	Petroleum basin	Permit reference	Status	Pan Pacific's interest
New Zealand	Taranaki	PMP38158	Producing	15.0%
Vietnam	Nam Con Son	Block 07/03	Exploration/Appraisal	5.0%
Vietnam	Phu Kanh	Block 121	Exploration	15.0%
Timor-Leste	Bonaparte	JPDA (06-103)	Exploration	15.0%

Table 6: Summary details of Pan Pacific's projects (*Source: Pan Pacific website & ASX releases*)

5.8. Each of Pan Pacific's interests in discussed further in the following paragraphs.

New Zealand

5.9. Pan Pacific holds a 15% interest in the equity in PMP38158 and the Tui Area Oil Fields, comprising Tui, Amokura and Pateke. The Tui Oil Fields are located in the Taranaki Basin in 120 metres of water around 60 kilometres off the west coast of New Zealand.

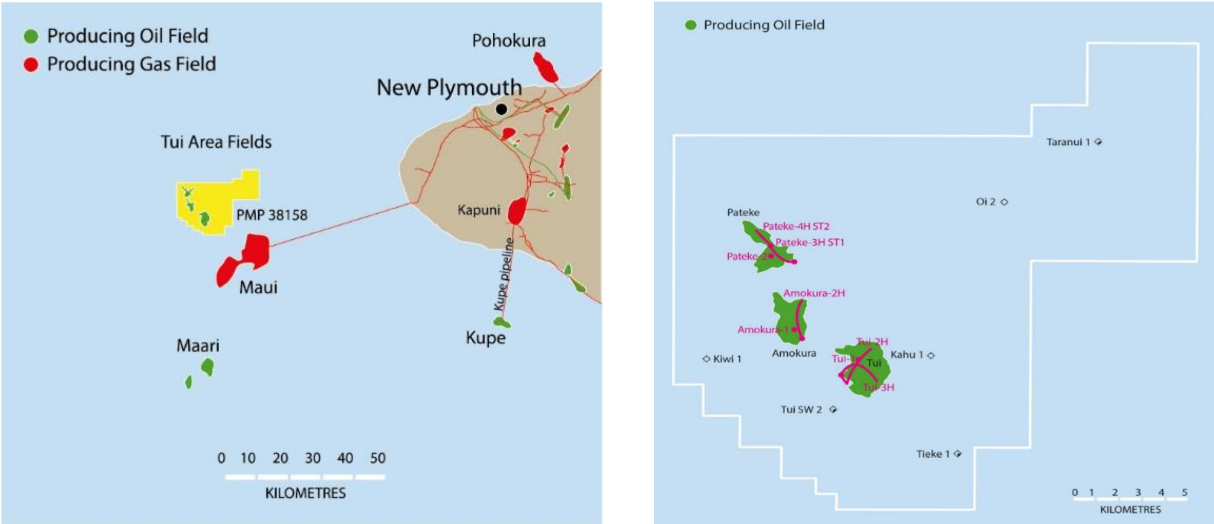

Figure 3: Tui oil field, New Zealand *(Source: Pan Pacific)*

5.10. Part of the interest was acquired when Pan Pacific, together with partners AWE Limited and New Zealand Oil & Gas Limited acquired Mitsui E&P Australia's equity effective 1 October 2013. As a result of the acquisition, the Company increased its equity in PMP 38158 and the Tui Oil fields (Tui, Amokura and Pateke) from 10% to 15%.

5.11. To 31 March 2015, the Tui oil fields had produces over 36 million barrels of oil as summarised in the table below:

Well	Reservoir	Status	Total production (mmbbl)
Tui-2H	Kapuni-F10 sand	Online	8.507
Tui-3H	Kapuni-F10 sand	Online	10.159
Amokura-2H	Kapuni-F10 sand	Online	7.692
Pateke-3H	Kapuni-F10 sand	Online	10.561
Pateke-4H	Kapuni-F10 sand	Online April 2015	0
Total			**36.919**

Table 7: Summary details of Tui Area oil field production (*Source: ASX releases*)

5.12. The December 2014 Quarterly Activities Report indicated the Tui Area oil fields had gross remaining developed 2P reserves at the end of December of 3.9 million barrels of oil (mmbbl). This excludes the increase of 2.4 mmbbl related to the Pateke 4H development which had not been connected to the production system at that date.

5.13. First production from the Tui Area Oil Fields occurred on 30 July 2007, with Pan Pacific's share of production from commencement to 31 December 2014 summarised in the table below:

Pan Pacific share	2008	2009	2010	Year ended 30 June 2011	2012	2013	2014	6 months to 31-Dec-14
Oil (mbbl)	1,420	912	483	281	221	168	175	88

Table 8: Pan Pacific's share of Tui production (*Source: ASX releases*)

5.14. Pateke 4H successfully appraised the additional resource potential in a structural lobe on the northern side of the Pateke Field, proving the F10 reservoir to be oil bearing with excellent reservoir properties comparable to the producing Tui fields. As announced on 6 January 2015, independently reviewed analysis assessed an addition to Tui Proved (2P) recoverable reserves of 2.4 million barrels (360,000 barrels net to Pan Pacific).

5.15. The production decline reflects the natural decline of the field, with the Pateke 4H development expected to extend the economic life of the Tui Area Oil Fields.

5.16. On 7 April 2015 Pan Pacific announced that the subsea tie-back and installation project to connect the Pateke 4H development well to the existing Tui Area Oil Fields gathering system had been successfully completed and oil production had commenced.

5.17. RISC have advised that for the initial production testing up to 15 April 2015, actual performance has exceeded simulation forecasts.

Vietnam

5.18. Pan Pacific has two exploration assets in the waters around Vietnam. Block 121 is located in the Phu Khanh Basin which is close to the eastern coast of Vietnam and Block 07/03 is located in the Nam Con Son basin approximately 350km from the southern coast of Vietnam.

Figure 4: Pan Pacific's holdings in Vietnam *(Source: Pan Pacific)*

5.19. Pan Pacific has a 5% interest in Block 07/03, which includes the Cá Rồng Đỏ (CRD) oil and gas discovery which has been successfully appraised and flow tested.

5.20. The CRD discovery contains oil and gas in sandstone reservoirs in the Miocene and condensate rich gas in the underlying Oligocene.

5.21. The operator, Talisman Energy Inc. (Talisman), is currently undertaking a structured program of activities to assess the commercial viability of the CRD oil and gas discovery, working towards the finalisation of the Field Development Plan (FDP) as a basis for a final investment decision, subject to the requisite approvals of the Vietnamese government. It is currently planned to complete the FDP around mid-2015. Talisman estimated a gross 2C Contingent resource of 75 million barrels of oil equivalent (mmboe).

5.22. The contingent resources identified by RISC have been calculated after considering gas recovery in the range 55% to 75% with a most likely value of 65%. The average oil recovery factor is 25%.

5.23. According to RISC, the 2C ultimate recovery for oil only development is estimated to be 42.3 mmbbls, whilst for combined oil and gas development, an incremental 2.2 mmbbls of condensate and 184 bcf of gas is recovered.

5.24. Pan Pacific also has a 15% interest in Block 121 which is around 30km off the east cost of Vietnam in the East Sea. An exploration well drilled in June 2013 found indications of a working hydrocarbon system, but was commercially unsuccessful. New 2D seismic data has since been acquired and prospect studies are ongoing.

5.25. The Block 121 joint venture partners are currently seeking a farm-in partner with the aim of sharing the costs and risk of further exploration, particularly if electing at the end of 2015 to proceed to the next stage of exploration, which includes a drilling commitment.

Joint Petroleum Development Area (JDPA) (Timor-Leste and Australia)

5.26. Pan Pacific has a 15% interest in JDPA 06-103, an area regulated by the Autoridade Nacional do Petròleo of Timor-Leste (ANP), the designated authority.

5.27. The JV has drilled two wells, but failed to find commercial hydrocarbons. However, in 2013, it transpired that due to developments in respect of Certain Maritime Arrangements in the Timor Sea Treaty (CMATS) which relates to the JPDA, that the government of Timor Leste and the government of Australia had separate unilateral rights to terminate the Treaty.

5.28. As a consequence, Oilex, the operator of JPA 06-103, on behalf of the JV partners, subsequently put in a request to terminate the PSC by mutual consent without penalty or claim because of ongoing JV concerns associated with uncertainty of the PSC tenure.

5.29. The ANP has granted a temporary suspension of the PSC until 15th July 2015 for the purpose of resolving a final position on this request. At the time of the request to terminate the JV had a remaining commitment interpreted as one exploration well. This is based on the agreement with the ANP that a second commitment well would be at the discretion of the partners if the first well was unsuccessful.

5.30. Further information in relation to Pan Pacific's projects can be found in the Company's releases to the ASX and the technical report attached to this IER.

Financial information

5.31. The financial information provided below has been extracted from the audited financial statements for the year ended 30 June 2013 (FY13) and 30 June 2014 (FY14) the reviewed half year financial report for the six months ended 31 December 2014 and the unaudited management accounts for the eight months ended 28 February 2015.

5.32. We note Pan Pacific's auditor (EY) issued unqualified audit reports for FY13 and FY14 and no issues were noted. Further no issues were noted in the review report for the half year financial report to 31 December 2014.

Financial performance

5.33. The financial performance of Pan Pacific for the years ended 30 June 2013 (FY13) and 30 June 2014 (FY14), the six months ended 31 December 2014 and the eight months ended 28 February 2015 are summarised in the table below.

Pan Pacific Petroleum Income statement $'000	Year ended 30-Jun-13 *Audited*	Year ended 30-Jun-14 *Audited*	6 months to 31-Dec-14 *Reviewed*	8 months to 28-Feb-15 *Unaudited*
Revenue	19,746	15,508	11,578	11,673
Production and other costs	(6,607)	(7,171)	(10,848)	(10,964)
Gross profit	**13,139**	**8,337**	**730**	**709**
(Loss)/gain on sale of exploration asset	8,972	-	(6,974)	(7,005)
Exploration and evaluation assets impaired	(910)	(35,855)	(15,537)	(15,537)
Administrative expenses	(4,671)	(4,537)	(1,473)	(1,453)
Other expenses	-	-	-	(304)
Results from operating activities	**16,350**	**(32,055)**	**(23.254)**	**(23,590)**
Financial income	3,655	1,630	143	n/a
Financial expenses	(144)	(252)	(1,156)	n/a
Net financing income	**3,511**	**1,378**	**(1,013)**	(942)
(Loss)/profit before income tax	**20,041**	**(30,677)**	**(24,267)**	**(24,532)**
NZ royalty expense	(2,583)	(4,614)	2,154	2,435
Income tax benefit/(expense)	(2,933)	5,825	2,358	2,226
Total tax benefit/(expense)	(5,516)	1,211	4,512	4,661
(Loss)/profit for the period	**14,525**	**(29,466)**	**(19,755)**	**(19,871)**
Other comprehensive income				
Items that may be re-classified subsequently P&L				
Foreign currency translation for foreign operations	5,257	(1,370)	6,516	8,228
Net gain on available for sale financial assets	-	80	26	24
Other comprehensive (loss)/income for the period, net of income tax	**5,257**	**(1,290)**	**6,542**	**8,252**
Total comprehensive (loss)income for the period	**19,782**	**(30,756)**	**(13,213)**	**(11,619)**

Table 9: Pan Pacific historical financial performance *(Source: Pan Pacific)*

5.34. Revenue for all periods represents the sale of oil from Pan Pacific's New Zealand assets.

5.35. Loss on sale of exploration and evaluation assets during the 6 month period to 31 December 2014 primarily relates to exploration drilling expenditure at the Oi well in PMP 38158 (New Zealand) which was plugged and abandoned after being found to be dry.

5.36. Impairment charges in relation to exploration and evaluation assets during the 6 month period to 31 December 2014 have arisen due to a significant write down in the value of the New Zealand assets as a result of the significant fall in the forecast Brent oil price over the remaining life of the oil field and the forecast AUD:USD exchange rate.

5.37. Early in FY15, following the completion of drilling, the directors conducted an in depth review of activities and overheads, targeting a major reduction in overheads. The half year financial report to 31 December

2014 shows a significant reduction in administrative expenses from FY14, indicating successful implementation of the plan to reduce overheads.

5.38. Financing income was significant in FY13 and FY14 as a result of interest earned on significant cash deposits and both realised and unrealised foreign exchange gains on foreign currency transactions and cash balances.

5.39. Royalties are paid to the New Zealand government from all petroleum operations, with oil and gas royalties calculated as a hybrid ad valorem and accounting profit royalty, whichever is calculated to be higher.

5.40. The Company generated losses after tax and royalties of approximately $29.5 million in FY14, $19.8 million for the six months to 31 December 2014 and approximately $19.9 million for the eight months ended 28 February 2015.

Financial position

5.41. The consolidated financial position of Pan Pacific as at 30 June 2014 (audited), 31 December 2014 (reviewed) and 28 February 2015 (unaudited) are set out in the table below.

Pan Pacific Petroleum Financial position $'000	As at 30-Jun-14 *Audited*	As at 31-Dec-14 *Reviewed*	As at 28-Feb-15 *Unaudited*
Current assets			
Cash and cash equivalents	45,067	20,664	24,595
Trade and other receivables	3,611	9,048	3,740
Inventories	3,437	1,350	3,926
Available for sale investments – held for sale	1,075	2,124	2,137
Current tax receivable	1,699	1,748	1,771
Total current assets	**54,889**	**34,934**	**36,169**
Non-current assets			
Trade and other receivables	1,228	1,404	47
Plant and equipment	94	70	62
Exploration and evaluation assets	9,484	11,594	12,476
Oil & gas assets – production	30,561	17,163	18,067
Deferred tax assets	1,203	5,250	5,290
Total non-current assets	**42,570**	**35,481**	**35,942**
Total assets	**97,459**	**70,415**	**72,111**
Current liabilities			
Trade and other payables	20,354	4,184	3,769
Employee benefits	203	173	173
Current tax provision	-	314	-
Provisions	68	68	68
Total current liabilities	**20,625**	**4,739**	**4,010**
Non-current liabilities			
Employee benefits	70	57	57
Provisions	13,832	15,900	16,734
Deferred tax liability	-	-	-
Total non-current liabilities	**13,902**	**15,957**	**16,791**
Total liabilities	**34,527**	**20,696**	**20,801**
Net assets	**62,932**	**49,719**	**51,310**
Equity			
Issued capital	47,450	47,450	47,450
Reserves	(3,783)	2,759	(6,990)
Retained earnings	19,265	(490)	10,850
Total equity	**62,932**	**49,719**	**51,310**

Table 10: Pan Pacific historical financial position *(Source: Pan Pacific)*

5.42. As at 28 February 2015, Pan Pacific disclosed net assets of approximately $51.3 million and net working capital (current assets less current liabilities) of approximately $32.2 million. This compares to the net asset position at 31 December 2014 of approximately $49.7 million.

5.43. The Company had cash and cash equivalents as at 28 February 2015 of approximately $24.6 million.

5.44. The available for sale investments relates to investments in listed entities carried at fair value. Pan Pacific has a strategy of investing in listed investments it considers may be undervalued by the market. As at the date of this report, the only investments held are shares in Otto Energy Limited (ASX:OEL) and NZOG (NZX:NZO).

5.45. The most significant assets on the balance sheet at 28 February 2015, besides cash and cash equivalents, were the oil and gas producing assets relating to the New Zealand assets and exploration and evaluation assets relating to the Vietnam and JPDA assets.

5.46. During the six months to 31 December 2014, the Company incurred significant impairment losses resulting from the write down the value of its assets in New Zealand as a result of the significant fall in the forecast Brent oil price over the remaining life of the oil field and the forecast AUD:USD exchange rate.

5.47. The provisions recognised in non-current liabilities represent estimated restoration and rehabilitation costs, and are recorded at the present value of the estimated cost of legal and constructive obligations to restore operating facilities and will sites within the Tui Oil Area. The nature of the restoration activities includes the removal of facilities and restoring affected areas. As at 28 February 2015 the balance of provisions is approximately $16.7 million and these are expected to be incurred over a period between 4 and 10 years.

Capital structure

5.48. Pan Pacific has 588, 612,110 ordinary shares on issue.

5.49. As at 31 March 2015, approximately 53.5% of the Company's ordinary shares are held by the top 10 shareholders as summarised in the table below.

Pan Pacific Top 10 Shareholders	Number held	% of total shares issued
HSBC Custody Nominees	98,152,657	16.67
Stewart Petroleum Co Limited	87,498,110	14.87
Tattersfield Securities	72,699,801	12.35
J P Morgan Nominees Australia	15,433,961	2.62
Resources Trust Limited	13,953,970	2.37
Mehasu Pty Limited	6,402,134	1.09
Michael Walter Daniel	6,045,000	1.03
New Zealand Central Securities	5,135,127	0.87
Kjarstin Spangberg Wenig	5,080,980	0.86
Burnal Pty Ltd	4,500,000	0.76
Top 10 shareholders	**314,901,740**	**53.50**
Other shareholders	273,710,370	46.50
Total shares on issue	**588,612,110**	**100.00**

Table 11: Pan Pacific major shareholders (*Source: Pan Pacific share register 31 March 2015*)

5.50. Around 44% of the ordinary shares in the hands of three individuals / entities. Zeta Energy, with 16.7%, is the largest shareholder in Pan Pacific, however no single shareholder holds a controlling stake. The second significant shareholder, Stewart Petroleum Co Limited holds 14.9% and is a subsidiary of NZOG. The third significant shareholder is a director of the Company, Mr Tattersfield who holds 12.4% through his company, Tattersfield Securities.

5.51. Mr Antony Radford, a director of the company, is also a director of Mehasu Pty Limited, the sixth largest shareholder in the company.

5.52. As at 9 September 2014, around 6,000 shareholders held less than a marketable parcel (based on the share price at that date of $0.058).

5.53. In addition to the ordinary shares, the Company has on issue 1,049,000 options over unissued shares. The options were issued to Mr Prudence as part of remuneration on 28 June 2013 and have an exercise price of $0.12 and an expiry date of 27 June 2016. No other options are on issue.

Share price and trading performance

5.54. A summary of Pan Pacific's recent share price and volume for the 12 months period to 9 April 2015 is set out in the figure below (ASX pricing and volume).

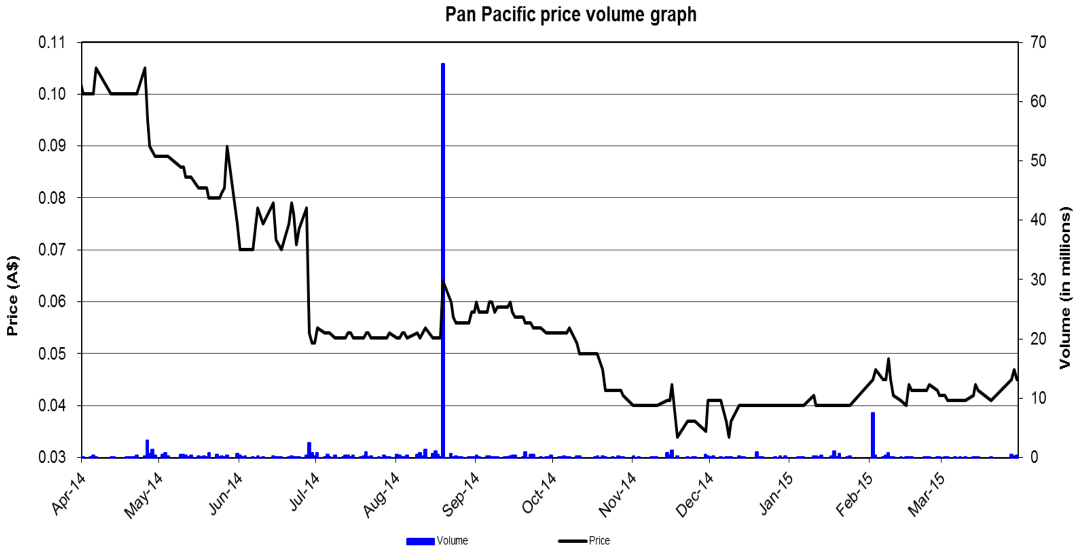

Figure 5: Pan Pacific Daily Closing Share Price and Traded Volumes *(Source: S&P Capital IQ)*

5.55. We make the following comments with regard to Pan Pacific's recent share price performance:

- In the 12 months prior to the Offer, Pan Pacific's shares have traded between a low of $0.034 on 28 November 2014 and a high of $0.105 on 16 April 2014 on the ASX and a low of NZ$0.038 and a high of NZ$0.114 on the NZX. We note that trading on the ASX and NZX are highly correlated, as would be expected;
- A significant fall in the Company's share price occurred on 11 June 2014, falling from $0.090 on 6 June 2014 to a closing price of $0.070 on 11 June 2014. This was likely due to a combination of announcements released on the 10th and 11th of June indicating that the Oi-1 well in the Tui Area Oil Fields would be abandoned and operations commenced on a new Oi-2 well. It was also announced that there would be an increase of US$8.75m from the original estimate of net costs to Pan Pacific;

- Another significant fall in the Company's share price occurred on 8 July 2014, falling from $0.078 the previous day to a closing price of $0.054 on 8 July 2014. This was likely due to an announcement released on the ASX on the same day indicating drilling at the Oi-2 well in the Tui Area Oil Fields had reached its total depth with no significant oil shows being encountered and real time data indicating the reservoir is water bearing;
- A significant spike in trading volume occurred on 29 August 2014, with 66,360,600 shares being traded. This included the disposal of 54,939,758 shares by the Directors who resigned from the Company effective the same day;
- Following the receipt of the on-market takeover bid from Zeta Energy on 10 April 2015, the Company's share price rose from $0.045 to $0.052; and

5.56. In order to provide further analysis of the market prices for Pan Pacific shares, we have considered the volume weighted average market price (VWAP) for 10 day, 30 day, 60 day, 90 day, 120 day and 180 trading day periods to 9 April 2015:

	1 Day	10 Day	30 Day	60 Day	90 Day	120 Day	180 Day
VWAP - ASX (A$)	**0.0450**	**0.0453**	**0.0441**	**0.0429**	**0.0418**	**0.0421**	**0.0562**
VWAP - NZX (A$)	**-**	**0.0464**	**0.0460**	**0.0459**	**0.0444**	**0.0444**	**0.0472**
Total volume (000's)	420	1,120	1,881	10,043	13,520	17,780	98,641
Total volume as a % of total shares	0.07%	0.19%	0.32%	2.51%	3.10%	3.83%	17.56%

Table 12: VWAP Pan Pacific share pre Offer *(Source: RSMBCC analysis)*

5.57. The VWAP on the ASX (and NZX) has remained relatively stable over the 120 day period prior to the announcement of the Offer, moving in the range $0.042 to $0.045. We note the VWAP was higher at 180 days reflecting the higher share price prior to the Brent oil price falling and the transactions involving Zeta Energy acquiring its stake in Pan Pacific.

5.58. Pan Pacific is not a liquid stock. It has a tightly held share register with around (43%) of its shares held by 3 significant shareholders. Accordingly, Pan Pacific's free float has been limited and the shares relatively illiquid. The table above indicates that approximately 3% of the Company's share capital was traded in the 120 trading days up to the Offer being made (which was partially Zeta actively acquiring shares), which translates to annual turnover of around 9% of the share register.

5.59. The following graph illustrates the relative performance of the Pan Pacific Shares since 1 January 2010 relative to the Brent oil price (in AUD) and the S&P/ASX 300 Energy Index:

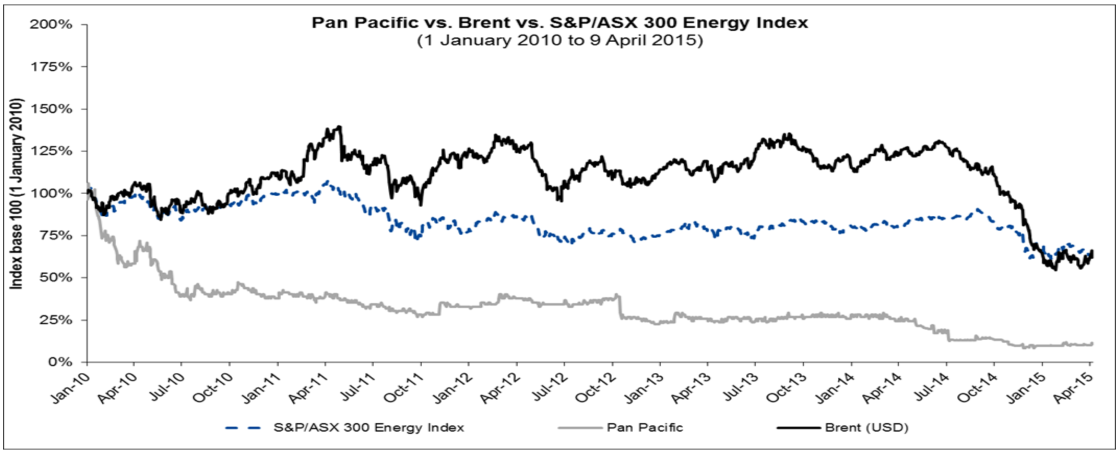

Figure 6: Pan Pacific v Brent v S&PASX 300 Energy index *(Source: S&P Capital IQ)*

5.60. Pan Pacific has been performing below the Brent Oil price and the S&P/ASX 300 Energy Index over the period from 1 January 2010 to 9 April 2015.

5.61. Since January 2011, the Pan Pacific share price has generally mirrored movements in the Brent oil price and the index, albeit with less volatility, and has relatively underperformed. However recent falls in the Brent oil price have resulted in the differential between the Brent oil price and the Pan Pacific share price narrowing to a significant extent.

6. Profile of Zeta Energy

6.1. The Bidders Statement was issued by Zeta Energy, a wholly owned subsidiary of Zeta Resources, a company listed on the ASX.

6.2. According to the Bidders Statement, Zeta Energy is a company incorporated in Singapore for the purpose of making investments in the oil and gas sector. As at the date of the Bidders Statement, Zeta Energy's only business was the holding of shares in listed public companies and it held approximately 16.8% of the shares in Pan Pacific.

6.3. The directors of Zeta Energy are :

- Jonathan Chi; and
- Duncan Saville.

6.4. Zeta Energy's parent, Zeta Resources is an active, resources focused holding and development company incorporated under the Bermuda Companies Act on 13 August 2012.

6.5. Zeta was listed on the ASX on 12 June 2013. The company invests in resources globally, in listed and unlisted entities, and is advised by its investment manager, ICM. Prior to listing on the ASX, Zeta acquired all of the issued shares of Kumarina Resources Limited via a scheme of arrangement. As a wholly-owned subsidiary of Zeta, Kumarina's direction and management is dictated by Zeta.

6.6. Zeta Resources holds investments in a number of mining resource sectors including oil and gas, copper, gold and nickel.

6.7. The directors of Zeta Resources are:

- Peter Sullivan;
- Marthinus Botha; and
- Xi Xi.

6.8. Further information in relation to Zeta Resources and its subsidiaries may be found on the company website at www.zetaresources.co.

6.9. As the Offer consideration is cash, we have provided summary information in relation to Zeta Energy and Zeta Resources only.

7. Valuation approach

Valuation methodologies

7.1. In assessing the fair value of an ordinary Pan Pacific share prior to the Offer, we have considered a number of generally accepted valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow (DCF) method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

7.2. We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows:

- Market based methods;
- Income based methods; and
- Asset based methods.

7.3. Each of these methodologies are discussed in more detail below.

Market based methods

7.4. Market based methods estimate the fair value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include;

- The quoted price for listed securities; and
- Industry specific methods.

7.5. The recent quoted price for listed securities method provides evidence of the fair market value of a company's securities where they are publicly traded in an informed and liquid market.

7.6. Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally rules of thumb provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Income based methods

7.7. Income based methods estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. Income based methods include:

- Capitalisation of maintainable earnings; and
- The DCF approach.

7.8. The capitalisation of earnings methodology is generally considered a short form DCF, where an estimation of the future maintainable earnings (FME) of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

7.9. The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

Asset based methods

7.10. Asset based methodologies estimate the fair value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method;
- liquidation of assets method; and
- net assets on a going concern basis.

7.11. The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.

7.12. The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame.

7.13. The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

Selection of valuation methodology

Valuation of an ordinary Pan Pacific share

7.14. In assessing the fair value of a Pan Pacific share pre the Offer, our primary valuation methodology has been derived by determining the fair value of Pan Pacific using a sum of parts comprising:

- the Company's operating assets (primarily the Tui Area Oil Fields, including the Pateke-4H oil well, in New Zealand and the CRD area in Vietnam) using the DCF methodology.

  The DCF methodology requires the future cash flow estimates over the forecast production period and assessment of a risk adjusted discount rate appropriate for the risks associated with the cash flows. The DCF methodology is generally preferred to other methodologies as it recognises that:

  - the ultimate value of an asset depends upon the cash flow that will be generated during its economic life;
  - there is a benefit in receiving cash flow today rather than in the future; and
  - the inducement to make an investment in an asset with a high level of risk is the expected higher return from the higher risk assets.
- the Company's exploration and evaluation assets (primarily the Vietnam and New Zealand assets) as assessed by expert technical consultants, RISC; and
- other assets and liabilities of the Company at book value.

7.15. In accordance with the guidance set out in RG 111, our assessment of the fair value of a Pan Pacific share pre the Offer is on a controlling basis.

Use of a technical expert

7.16. As mentioned above, RSMBCC has appointed RISC as technical specialist to review Pan Pacific's interests in its oil and gas production and exploration assets. RISC's role included a review of the reserves, development plans production profiles and capital and operating costs for Pan Pacific's oil and gas assets. The report prepared by RISC is enclosed in the Target Statement.

7.17. The information provided to RSMBCC and RISC included development plans and forecasts for the key assets of Pan Pacific. Pan Pacific is responsible for the provision of, and the information contained in, the development plans and forecasts (the prospective information) which has primarily been prepared by the operators of the respective ventures. RSMBCC and RISC have considered and, to the extent deemed appropriate, relied upon this information for the purpose of the analysis conducted in the course of the evaluation.

7.18. On the basis of the information provided to RISC and RSMBCC, and the review conducted by RSMBCC and RISC on such information, the parties have concluded that the prospective information was prepared appropriately and based on the information available to management at the time and with the practical constraints and limitation of such prospective information. RISC has concluded that the prospective information does not reflect any material bias, either positive of negative, and RSMBCC has no reason to believe otherwise.

7.19. We note, however, that the achievability (and achievement) of the results contemplated in the prospective information cannot be warranted or guaranteed by RSMBCC. Future cash flows are inherently uncertain – they are predictions by management which are necessarily based on assumptions, many of which are beyond the control of management and the Pan Pacific. Further, the information provided by Pan Pacific was not necessarily prepared for the purpose of, and may not be appropriate for, the valuation of the assets of Pan Pacific.

7.20. As discussed in further detail in their report, RISC conducted a detailed review of the significant assumptions and technical factors which underpin the prospective financial information provided by Pan Pacific. RISC reviewed the basis upon which the resources and reserves were estimated, a review of the likely capital and operating costs, the hydrocarbon recovery rates and the potential for conversion resources to reserves and other matters which RISC deemed appropriate for a technical expert to undertake.

Secondary valuation methodology

7.21. Pan Pacific's securities are listed and freely tradeable on the ASX. Accordingly, we have reviewed the recent trading in, and quoted price of, Pan Pacific's shares on the ASX as a cross check to our valuation of Pan Pacific derived under the sum of parts.

Valuation of the consideration

7.22. Zeta Energy has made an unconditional cash offer of $0.05.

8. Valuation of a Pan Pacific ordinary share (control basis)

8.1. We have assessed the fair value of Pan Pacific, and an ordinary share in Pan Pacific on a control basis using a sum of parts methodology. As a cross check to our valuation we have considered the recent trading in, and quoted price of, its listed securities.

8.2. In accordance with the guidance set out in RG 111, our assessment of the fair value of a Pan Pacific share pre the Offer is on a controlling basis.

8.3. We have assessed the value of equity in Pan Pacific to be in the range $44.2 million to $73.6 million, and the value of a Pan Pacific ordinary share to be in the range 7.5 cents to 12.5 cents (on a fully diluted basis). Our valuation represents the estimated value of Pan Pacific assuming 100% of the company was to be acquired and is inclusive of a control premium.

Pan Pacific – valuation summary	Low $ m	High $ m
Tui oil field	15.0	22.5
Block 07/03 project	5.1	12.0
Exploration assets	5.0	10.0
Assets held for sale	2.0	2.0
Other assets and liabilities (net)	4.4	4.4
JPDA liability	(8.0)	0
Head office costs	(4.0)	(2.0)
Value of operations	**19.5**	**48.9**
Net cash	24.7	24.7
Value of the equity (control basis)	**44.2**	**73.6**
Pan Pacific shares on issue at the date of this Report	589.7	589.7
Fair value of a Pan Pacific ordinary share (control, diluted)	**$0.075**	**$0.125**

Table 13: Assessed fair value of a Pan Pacific share – fully diluted *(Source: RSMBCC analysis)*

Sum of the parts valuation

8.4. The principal approach to valuing Pan Pacific's producing and exploration assets was by DCF analysis. The valuation scenarios were developed by RSMBCC for Pan Pacific's assets on the basis of assumptions on technical inputs such as production rates, operating costs and capital costs developed by RISC and economic and other valuation assumptions developed by RSMBCC. RISC's operating assumptions are summarised below and set out in detail in the RISC report attached at Appendix F.

8.5. The valuation models are prepared as at 28 February 2015 and project US$ cash flows. Projected cash flows for the producing Tui oil field assets were discounted to present value using a nominal after tax discount rate in the range 9% to 11% and the Vietnam related cash flows were discounted using a range of 13% to 15% to reflect the higher risk associated with the earlier stage of the project. Our discount rate analysis is set out in detail at Appendix C.

8.6. Based on our valuation range, the options on issue are in the money at the high end of our valuation range, having been out of the money since issue. Accordingly, we have assumed the options would be exercised and conducted our analysis on a fully diluted basis. For completeness, we note that our valuation per share does not change when considered on an undiluted basis.

8.7. Our valuation work should be considered in light of the following market and other factors:

- Forecasts and judgements on future oil prices are inherently risky, particularly given the recent volatility in oil prices. We have adopted oil prices based on consensus forecasts of a range of analysts and market participants, however are cogniscent that a range of alternative scenarios could be reasonably adopted;
- The Pateke 4H well in the Tui Oil fields has recently produced the first oil and has shown promising results. RISC have developed two scenarios for this asset – a base case and a high case (assuming additional reserves are converted) and the assumptions for each are explained in the RISC report. As production has recently commenced, we have adopted the base case for the purposes of our valuation, but note the higher case may be a reasonable scenario, should actual production continue above expectations.
- RISC has estimated that the Vietnam project could be delayed for up to two years from the start date expected by the operator (of 2018). Further, they have advised that it would be reasonable to consider the range of values implied in the oil and gas option from the operators estimated commencement date to the two year delay are a reasonable basis for valuation of the project;
- The JPDA position is significantly uncertain. Pan Pacific has informed the ASX that the operator, Oilex has, on behalf of the JV partners submitted a request to ANP to have the PSC terminated by mutual agreement without penalty or claim. The ANP has recently (on 15 April 2015) extended the temporary suspension of the PSC until 15 July 2015.

  Based on discussions with RISC, and for the purposes of our analysis only, we have assumed a liability of between $0 and $8.0 million in relation to the JPDA. The ultimate liability (if any) will be dependent upon a range of matters outside the direct control of the Company; and
- Overall, given the above factors, the value of Pan Pacific could shift, perhaps materially over a short period of time. Depending on oil field development, production rates and exploration success, together with the actual oil price path, the value of Pan Pacific could materially exceed or be lower than our current value estimation.

General valuation assumptions

8.8. The valuation of Pan Pacific's Tui and CRD interest has been conducted using a DCF approach. As discussed above, this analysis have involved RSMBCC making a number of general and economic assumptions regarding, inter alia, future oil and gas prices, exchange rates, escalation rates and discount rates.

8.9. The key assumptions used in our valuation of Pan Pacific include:

- The Brent crude oil prices assumed in our valuation have been developed using the nominal Brent price consensus estimates sourced from S&P Capital IQ, as set out below. For the purpose our valuation we have assumed a range of Brent oil prices which are 5% higher and 5% lower than the consensus estimates over the forecast period.

Brent crude forecast price (US$)	2015	2016	2017	2018	2019	2020
Consensus forecast (mean)	62.1	72.6	78.9	84.2	87.4	90.1
Number of estimates	65	61	34	20	11	8
Valuation oil price (low)	**59.0**	**68.9**	**74.9**	**80.0**	**83.0**	**85.6**
Valuation oil price (high)	**65.2**	**76.2**	**82.8**	**88.5**	**91.8**	**94.6**

Table 14: Brent oil price – consensus estimates *(Source: S&P Capital IQ)*

8.10. We note oil price forecasts are subject to significant uncertainty and volatility:

- The Brent oil price has been extremely volatile in recent months, falling from US$115/bbl in June 2014 to a six year low of US$45.25 on 26 January 2015. Since the low in January, the price has increased to close at US$63.69 on 17 April 2015, an increase of around 40% over the three month period;
- In periods of high volatility, forecasts of oil prices can be quickly outdated;
- The International Commodities Exchange forward curve for the Brent oil price curves upwards over the period to 2018 when it reaches prices of around US$72/bbl. We note the depth in the contracts diminishes over that period, and that futures contracts are not necessarily directly correlated to forecast spot prices that can be viewed as informative when making investment decisions.
- The US Energy Information Administration (EIA) has released forecast pricing expectation for 2015 and 2016 in its paper “Short term energy and summer fuels outlook” released on 7 April 2015. The EIA Brent oil price forecast price for 2015 was US$59.02 and for 2016 was US$75.03 which are broadly consistent with our adopted prices for the valuation. We note the current spot price is around US$63.69.
- Vietnam gas prices are assumed to US$7.00 per mm/boe with a US$1.4 pipeline tariff.
- Escalation rates of 2% on revenue and opex / capex, based on US rates.
- Nominal discount rates for the Tui oil field assets of in the range 9% to 11% and for the Vietnam assets of 13% to 15%. The discount rates represents estimates of the cost of capital for investors in the oil and gas industry for each project and is based on our analysis and the capital asset pricing model. The discount rates is are weighted average costs of capital and have been applied to the cash flows derived by RISC for the assets.

Value of Tui oil field production assets

8.11. We have valued Pan Pacific’s 15% interest in the production of the Pateke 4H well in the Tui oil field in the range $15.0 million to $22.5 million

8.12. The DCF approach has been used based on RISC’s technical assumptions in relation to production rates, reserves and resources, resource conversion etc. RISC have developed two scenarios for the purpose of our valuation:

- *Base case* - Tui 2H, Tui 3H, Amoruka 2H and + Pateke – 3H 2P reserves with Pateke 4H mid case production; and
- *High case* - Tui 2H, Tui 3H, Amoruka 2H and + Pateke – 3H 2P reserves with Pateke 4H high case production.

8.13. The difference between the base case and the high case proposed by RISC primarily relates to the level of production ultimately achieved at Pateke 4H. According to Pan Pacific and RISC, the first twelve days of Peteke-4H production (April 3rd to 15th), have demonstrated actual production performance which has exceeded the simulation forecast.

8.14. This initial outperformance has been captured through an adjustment of the simulation forecast in RISC’s modelling, resulting in a most likely recovery of 2.2 mmbbls. In their report, RISC state that although it is too early to be definitive, the outperformance may indicate the 2P estimates could be conservative.

8.15. According to RISC, no capex is required or planned for the Tui fields. Further, RISC are of the opinion that, based on the economic assumptions used in the valuation, the Tui oil field will become uneconomic after 2020. Accordingly, production and sales cease at that time and abandonment works commence.

8.16. The production and opex metrics developed by RISC for each scenario are presented in the table on the next page.

Cash flows	Total	2015	2016	2017	2018	2019	2020	2021
Cash flows – base case								
Production (mbbl)	866	135	239	162	128	108	-	-
Total revenue (US$'000)	66,898	2,894	22,954	12,659	10,721	9,334	8,335	-
Total operating expenditure (US$'000)	55,718	2,266	7,286	7,800	7,469	7,493	7,720	15,684
Net cash flows (US$'000)	**11,180**	**628**	**15,668**	**4,859**	**3,252**	**1,841**	**615**	**(15,684)**
Cash flows – high case								
Production (mbbl)	995	144	282	191	147	120	111	-
Total revenue (US$'000)	75,663	2,894	26,058	14,902	12,257	10,417	9,134	-
Total operating expenditure (US$'000)	55,726	2,267	7,292	7,804	7,471	7,494	7,722	15,676
Net cash flows (US$'000)	**19,937**	**627**	**18,766**	**7,098**	**4,786**	**2,923**	**1,412**	**(15,676)**

Table 15: Tui area oil fields – base and high case cash flows *(Source: RISC report and Pan Pacific)*

8.17. For the purposes of our valuation, we have adopted the scenarios proposed by RISC and applied the DCF methodology using RSMBCC's economics and other relevant assumptions. In undertaking the DCF valuation Pan Pacific's interest in the Tui oil field we have undertaken a review of the projections and other information provided. Our review of has included:

- Confirmation that the valuation model reflects the key economic assumptions and the reflect the technical data prepared by RISC;
- Review of the integrity and accuracy of the calculations in the financial projections; and
- Consideration of the key assumptions in the model and the performance of sensitivity analysis on the assumptions to highlight the impact of movements in the key assumptions on the value of the Pan Pacific's 15% interest in the Tui oil field assets.

8.18. The table below provides a summary of the net present value of cash flows associated with Pan Pacific's interest in the oil producing assets at the Tui oil fields.

	Discount rate	-5%	Oil price Consensus	+ 5%
Base case – Tui 2P + Pateke 4H mid case production	9%	14.8	18.8	22.3
	10%	14.9	19.0	22.4
	11%	15.1	19.0	22.5
High case – Tiu 2P + Pateke 4H high case production	9%	23.9	27.0	30.5
	10%	24.0	27.1	30.6
	11%	24.0	27.1	30.6

Table 16: Summary of NPV for the Pan Pacific's interest in Tui *(Source: RISC, RSMBCC analysis)*

8.19. For the purpose of our valuation of the Pan Pacific equity we have undertaken our analysis on the RISC base case scenario. At this stage, and after discussion with RISC, we consider the early stage of production at Pateke 4H does give sufficient certainly to the achievement of the high case production at the well.

8.20. We are not aware of any plans for further production at the Tui oil fields, however the exploration potential is addressed by RISC when assessing the exploration assets of Pan Pacific.

Sensitivity analysis

8.21. We have performed four key sensitivities on our DCF for the Tui oil field asset. After discussion with RISC and Pan Pacific, we selected our sensitivities based on the likelihood of changes in the key assumptions that underpin the production and financial models used in the valuation. Based on those discussion and our analysis we consider the key sensitivities to include:

- Changes in the price of oil received by Pan Pacific;
- Changes in the total production rate;
- Changes in the operating costs; and
- Changes in the AUD:NZD and AUD:USD exchange rates.

8.22. We have sensitised the base case assumptions by + / - 20% for our sensitivity analysis. Given the volatility in oil price and other we consider this to be within a reasonable range of the possible outcomes for an asset such as Tui.

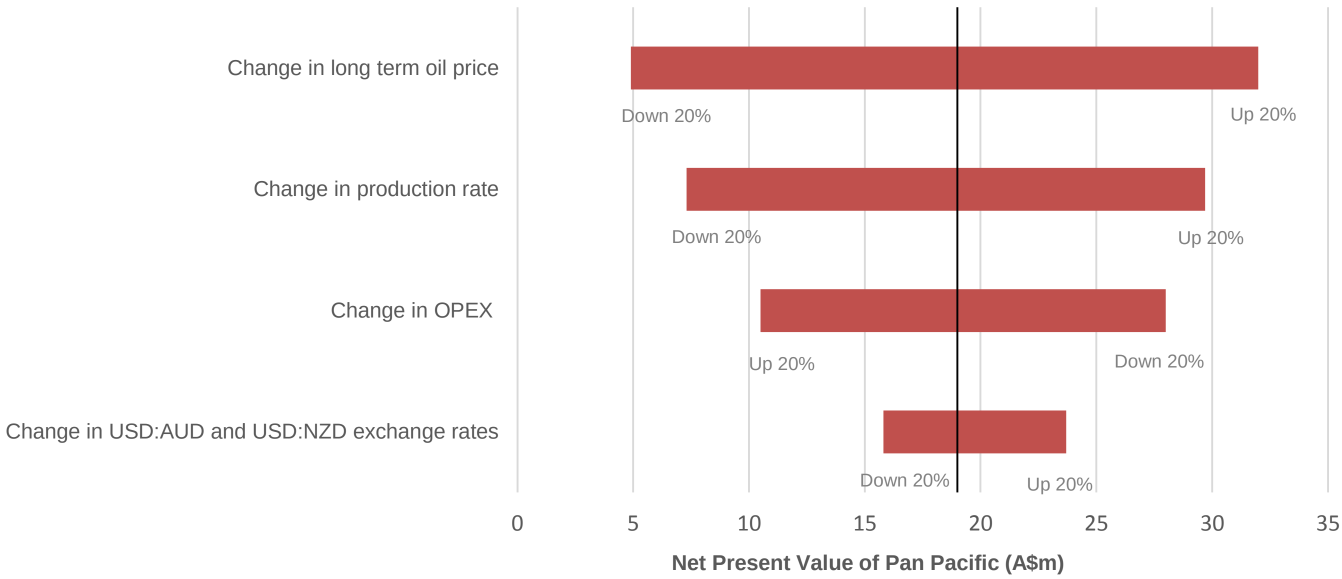

Figure 7: Graphical presentation of impact on NPV from change in assumptions (Source: RSMBCC analysis)

8.23. Our analysis indicates that the asset is most sensitive to movements in the oil price but will also experience material movements in value if production rates vary.

8.24. These sensitivities do not, and do not purport to represent the full range of potential value outcomes for the Pan Pacific’s interest in the Tui field. Such sensitivities are mathematically derived indicators of the sensitivity of the net present values derived from the DCF analysis. We note the range of net present value outcomes is relatively wide for a number of the metrics we have tested, indicating the volatility in potential value from small changes in the key operating and economic factors affecting oil production.

Valuation of Vietnam Block 03/07

8.25. The interest in the CRD asset in Block 03/07 is one of the key assets in Pan Pacific's portfolio in Vietnam. We have valued Pan Pacific's 15% interest in the CRD in the range $5.1 million to $12.0 million.

8.26. The DCF approach has been used based on RISC's technical assumptions in relation to capex, resources, production rates, resource conversion etc. For the purposes of their technical analysis, RISC have developed four scenarios based on their review of the asset:

- the ability to exploit oil only, or oil and gas; and
- commencement of production in 2018 (the operator's assumption) or incorporating a 2 year delay.

	Discount rate	Scenario Operator	+ 2 years
Oil only	13%	3.1	(2.6)
	14%	2.3	(3.1)
	15%	1.6	(3.5)
Oil + gas	13%	13.4	6.4
	14%	12.0	5.1
	15%	10.6	4.0

Table 17: Summary of NPV for Pan Pacific's interest in CRD *(Source: RISC, RSMBCC analysis)*

8.27. In conducting the analysis on the CRD, RISC have adopted the same pricing assumption in relation to the Brent oil price as adopted for the Tui valuation. In the oil and gas scenarios, the selling price of gas has assumed to be $8.4/mm Btu (as at 2015), comprising US$7.00/mm Btu at the wellhead with a pipeline tariff of US$1.40 / mm Btu. The discount rate used in the CRD cash flow scenarios was in the range 13% to 15%%, reflecting the additional risks (above a proven producing assets such as Tui) for the CRD development.

8.28. Based on our discussions with RISC and Pan Pacific, we consider a reasonable operator (and a reasonable acquirer of the project) would proceed on the basis of the oil and gas scenarios only. We have formed this view after considering that the oil only scenario (assuming a 2 year delay) would result in a negative NPV and that such delays are not uncommon in the oil and gas industry. Any delays from the operators assumed commencement date would decrease the value of the project such that, assuming all other assumptions remain constant, an oil only project would likely become uneconomic.

8.29. The following table summarises the projected production and costs for the two scenarios:

CRD production metrics	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027+
Operator assumptions				6.0	11.4	9.7	6.4	4.0	2.7	2.0	1.6	0.7	-
Oil - mm bbl				10.7	18.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	17.5
Gas - mmbtu													
Capex	66.3	296.5	415.9	270.4	101.3	-	-	-	-	-	-	-	-
Opex	-	-	98.6	168.1	168.1	168.1	168.1	168.1	168.1	168.1	168.1	168.1	673.2
+ 2 year commencement													
Oil - mm bbl	-	-	-	-	-	6.0	11.4	9.7	6.4	4.0	2.7	2.0	4.7
Gas - mmbtu	-	-	-	-	-	10.7	18.3	18.3	18.3	18.3	18.3	18.3	54.0
Capex	66.3	66.3	66.3	296.5	415.9	270.4	101.3	-	-	-	-	-	-
Opex	-	-	-	-	98.6	168.1	168.1	168.1	168.1	168.1	168.1	168.1	1,009.5

Table 18: CRD production estimates *(Source: RISC)*

Valuation of exploration assets

8.30. RISC has attributed a value of $5.0 million to $10.0 million to the exploration assets of Pan Pacific, which represents RISC's estimate of the price that an acquirer would be willing to pay for the exploration portfolio as a whole.

8.31. Notwithstanding, RISC has separately valued each exploration asset as summarised in the table below:

		Low $m	Mid $m	High $m
New Zealand	PMP 31858	0.0	1.7	2.5
Vietnam	Block 07/03 & Block 121	2.9	7.2	11.4
JPDA	06-103	0.0	0.0	0.0
Total		**2.9**	**8.9**	**13.9**

Table 19: Valuation of exploration assets *(Source: RISC report)*

8.32. The aggregated mid-value of each of the exploration assets has been assessed at $8.8 million, while the low and high value estimates are $2.9 million and $13.9 million, respectively. However, RISC's view is that it is unlikely that potential buyers of the exploration asset portfolio would value all of the assets at either all of the low or all of the high estimated extremes. Consequently, RISC assesses the value of Pan Pacific's exploration asset portfolio to a single buyer as lying between $5 million and $10 million.

8.33. We note that exploration and drilling results can be binary, with successful outcomes generating substantial revenue and dry wells having zero value. Accordingly, the value of the exploration interests and programme could significantly exceed the range of values attributed in this analysis or, should results be disappointing, the value could less than our estimates.

8.34. Readers of this IER should carefully read the RISC report and note the commentary made therein in relation to Pan Pacific's exploration assets.

Valuation of assets held for sale

8.35. Our valuation of the assets held for sale is based on the quoted price (as at 17 April 2015) the shares owned by Pan Pacific as summarised in the table below.

Company	Exchange	Shares held	Share price	Value of holding
Otto Energy Limited	ASX	11,680,340	$0.10	$1,168,034
New Zealand Oil & Gas Limited	NSX	1,445,291	$0.59[1]	$829,856
				$1,997,920

Notes: (1) the share price of NZ$0.58 has been converted to $ at the rate of $1.00:NZ$0.99

Table 20: Valuation of assets held for sale *(Source: RSMBCC analysis)*

Valuation of other assets and liabilities

8.36. We have accepted the book value of the other assets and liabilities of Pan Pacific as at 28 February 2015 as representing their fair value. In reviewing the other assets and liabilities we have eliminated:

- Cash balances and assets held for sale;
- The exploration and production assets which are the subject of the RISC report;
- Approximately $1.0 million from the inventory balance representing 18,000 bbls which RISC have accounted for in their cash flows;
- The deferred tax assets as they relate primarily to the Tui project and are accounted for in the cash flows prepared by RISC; and
- The liability associated with provision for restoration and rehabilitation has been addressed in the cash flows prepared by RISC.

8.37. In light of the above we have valued the other assets and liabilities as at the valuation date at $5.4 million.

Corporate / head office costs.

8.38. Pan Pacific has recently been through a phase of cost cutting of corporate and head office costs in response to the tighter conditions in the Oil and Gas sector. These costs are not reflected in the cash flows produced by RISC in relation to the Tui Oil Fields and the exploration assets.

8.39. Based on discussions with management of Pan Pacific, the estimated the annual administration cost is expected to be around $2.3 million in 2015. The head office costs consist of expenses associated with:

- The Pan Pacific executive office – such as costs for the Chief Executive Officer, Company Secretary, legal costs and corporate affairs);
- Maintenance of a listed company - such as directors fees, listing fees, annual report and shareholders communication;
- Rental of the head office in North Sydney; and
- Technical support and business development to the producing and exploration assets.

8.40. We note Pan Pacific's asset portfolio consists primarily of minority positions in JV's (producing and exploration). In RSMBCC's view , it is likely that an acquirer could save a significant portion of the head office costs incurred by Pan Pacific under its current operating structure, although some one-off costs would be incurred (retrenchment, lease make good payments etc.).

8.41. Accordingly, we have made an allowance of between $2.0 million and $4.0 million for the capitalised value of any residual corporate costs and one off implementation costs.

Cash

8.42. Pan Pacific's net cash as at 28 February 2015 was $24.6 million (in AUD equivalent). From this amount we have deducted the cash used to acquire certain shares in NZOG during March 2015 of approximately $65,000 (NZ$63,530) and added the exercise price of the options assumed to be exercised ($125,880) to arrive a net cash position for valuation purposes of $24.7 million.

Quoted price of ASX listed securities

8.43. In order to provide a comparison and a cross-check to our sum of parts valuation of a Pan Pacific share, we have considered the recent quoted market prices of Pan Pacific's shares on the ASX prior to the announcement of the Offer.

Analysis of recent trading in Pan Pacific shares

8.44. The graph below illustrates Pan Pacific's closing share price and volume of Pan Pacific shares traded in the 12 months to 9 April 2015.

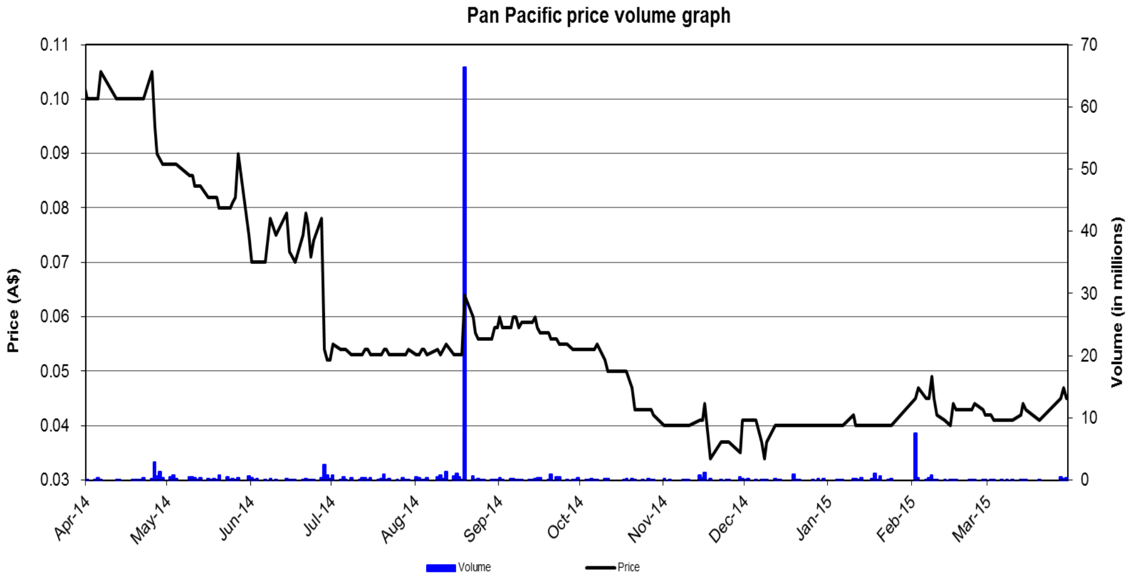

Figure 8: Pan Pacific Daily Closing Share Price and Traded Volumes *(Source: S&P Capital IQ)*

8.45. Our assessment only reflects trading prior to the announcement of the Offer in order to avoid the influence of any movement in price that may have occurred as a result of the announcement.

8.46. Over the 12 month period prior to the announcement of the Offer, Pan Pacific shares have traded on the ASX between a low of $0.034 (NZ$0.038 on NZX) on 28 November 2014 to a high of $0.105 ($0.114 on NZX) on 16 April 2014.

8.47. In order to provide further analysis of the market prices for Pan Pacific shares, we have considered the volume weighted average market price (VWAP) for 10 day, 30 day, 60 day, 90 day, 120 day and 180 trading day periods to 9 April 2015:

	1 Day	10 Day	30 Day	60 Day	90 Day	120 Day	180 Day
VWAP - ASX (A$)	**0.0450**	**0.0453**	**0.0441**	**0.0429**	**0.0418**	**0.0421**	**0.0562**
Total volume (000's)	420	1,120	1,881	10,043	13,520	17,780	98,641
Total volume as a % of total shares	0.07%	0.19%	0.32%	2.51%	3.10%	3.83%	17.56%

Table 21: VWAP of Pan Pacific shares *(Source: RSMBCC analysis)*

8.48. The VWAP on the ASX (and NZX) has remained relatively stable over the 120 day prior to the announcement of the Offer, moving in the range $0.042 to $0.045.

8.49. We note the VWAP was higher at 180 days reflecting the higher share price prior to the Brent oil price falling and the transactions involving Zeta Energy acquiring its stake in Pan Pacific.

8.50. As mentioned above, Pan Pacific is not a liquid stock and has a tightly held share register with around (43%) if it shares held by 3 significant shareholders.

8.51. Accordingly, we consider the quoted share price of may be limited in its representation of the value of the underlying business and equity in Pan Pacific. Notwithstanding this we have undertaken an analysis based on the traded share price and used the 30 day VWAP as the basis for our analysis.

Valuation of a Pan Pacific share based on traded price

8.52. Our valuation of a Pan Pacific share, on the basis of the recent quoted market price including a premium for control is between $0.057 and $0.059, as summarised in the table below.

	Low	High
30 Day VWAP of Pan Pacific shares	$0.044	$0.044
Add: premium for control	30%	35%
Quoted market price controlling value	**$0.057**	**$0.059**

Table 22: Pan Pacific share based on ASX trading price (*Source: RSMBCC analysis*)

8.53. The evidence in Australia indicates that a premium in the order of 20% to 35% is appropriate in control transactions. The RSM Bird Cameron control premium study conducted in 2013 concluded that of the 345 completed transactions observed, the average control premium paid by acquires was between 27% (2 days pre announcement) 35% (20 days pre announcement. We note same metrics for the Energy sector (43 completed transactions) were 20% and 35%.

8.54. Accordingly we have used a control premium of between 30% and 35% to apply to the 30 day VWAP for the purpose our analysis.

Valuation summary and conclusion

8.55. A summary of our assessed values of an ordinary Pan Pacific Share on a control basis derived under the two methodologies is set out in the table below.

Control value of Pan Pacific shares	Low	High
Sum of parts at market value	$0.075	$0.125
Quoted market price of Pan Pacific share	$0.057	$0.059
RSMBCC value	**$0.075**	**$0.125**

Table 23: Pan Pacific Share valuation summary *(Source: RSMBCC analysis)*

9. Is the Offer fair?

9.1. In order to assess the fairness of the Offer, we have valued a share in Pan Pacific (on a control basis) immediately prior to the Offer and compared this value to the value of the consideration offered by Zeta Energy. As the Offer price is cash, we have valued the consideration offered at $0.05.

9.2. Our assessed values are summarised in the tables below.

Assessment of fairness	Low	High
Fair value of a Pan Pacific share – control basis	$0.075	$0.125
Fair value of the consideration	$0.05	$0.05

Table 24: Fairness assessment *(Source RSMBCC analysis)*

9.3. The results of our analysis is shown graphically in the figure below:

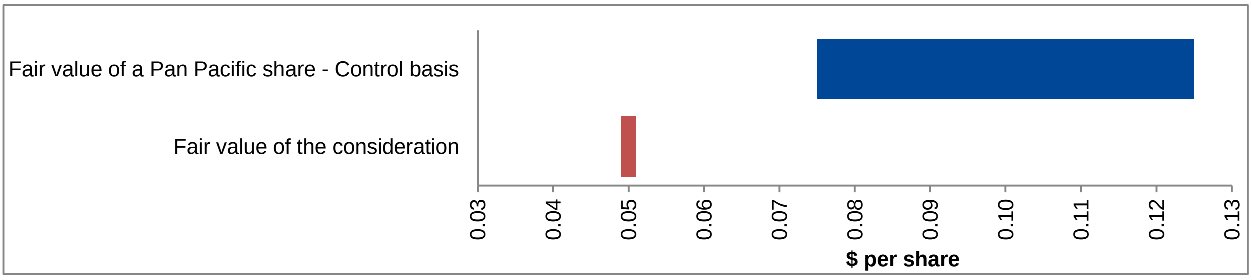

Figure 9: Fairness assessment- graphical (Source: RSMBCC Analysis)

9.4. Our valuation of a Pan Pacific share in the range 7.5 cents to 12.5 cents is discussed in detail at Section 8 of this IER and is formed primarily on a discounted cash flow analysis of Pan Pacific's JV and other interests in certain producing assets together with technical valuations of their interests in exploration assets. Some key factors we have considered in forming our valuation opinion include:

- The work undertaken by RISC in relation to Pan Pacific's operating and exploration assets;
- RSMBCC's current view of oil price, exchange rates and future operating performance of the Pan Pacific assets; and
- RSMBCC's risk adjusted discount rates.

9.5. We note that oil prices, exchange rates and expectations of future operating performance of the projects in which Pan Pacific holds an interest could change significantly over short periods of time. Such changes could have a potentially material impact on the value of Pan Pacific.

9.6. In light of the above, we have determined that the control value of a Pan Pacific share is higher than the cash consideration offered by Zeta Energy. We note our valuation exceeds the price at which, based on current market conditions, RSMBCC would expect Pan Pacific shares to trade on the ASXC in the absence of a takeover offer.

9.7. Accordingly, we consider the Offer is not fair.

10. Is the Offer reasonable?

10.1. RG111establishes that an offer is reasonable if it is fair. Further, RG111 states that and offer might also be reasonable if, despite not being fair, there are sufficient reasons for the security holders to accept the offer in the absence of any higher bid before the offer closes.

10.2. In considering the reasonableness of an offer, the other factors which a shareholder may consider prior to accepting the offer may include:

- The offeror's existing shareholding;
- Other significant shareholdings;
- The probability of an alternative offer; and
- The liquidity of the market for the company's shares.

10.3. In our assessment of the reasonableness of the Offer, we have considered:

- The Offer is not fair;
- The consideration offered is cash. By accepting the Offer, Pan Pacific shareholders will realise a certain and immediate (T+3) value for their shares. Shareholders who sell to Zeta Energy will receive $0.05 per share. The sale of shares is a capital gains tax (CGT) event and will crystallise the CGT position of selling shareholders if they are an Australian resident for income tax purposes;
- The shares in Pan Pacific are relatively illiquid with around 43% of the shares in the hands of three individuals / entities. Zeta Energy, with 16.7%, is the largest shareholder in Pan Pacific, however no single shareholder holds a controlling stake. The other significant shareholders are Stewart Petroleum Co Limited, a subsidiary of New Zealand Oil & Gas Limited (NZOG) and Tattersfield Securities, a company controlled by one of the directors of the Company;
- The independent directors of Pan Pacific have elected not to dispose of their interests in the Company under the Offer;
- We have analysed the level of premium in the Offer price over the volume average weighted price of Pan Pacific shares over a range of periods prior to the Offer being announced.

Days prior to announcement	Price / VWAP	Premium
Closing price – 9 April 2015	$0.45	10%
5 day	$0.45	9%
10 days	$0.45	9%
30 days	$0.44	12%
60 days	$0.43	14%
90 days	$0.42	16%
120 days	$0.42	16%
180 days	$0.56	(11%)

Table 25: Pan Pacific share VWAP pre Offer *(Source: RSMBCC analysis)*

The observed level of premiums in successful takeovers does vary depending upon a number of factors including the circumstances of the target and the bidder, the relative shareholding of the bidder prior to the offer and other matters.

Notwithstanding this, the evidence in Australia indicates that a premium in the order of between 20% and 35% is appropriate in control transactions. The RSM Bird Cameron control premium study conducted in 2013 concluded that of the 345 completed transactions observed, the average control premium paid by acquires was between 27% (2 days pre announcement) 35% (20 days pre announcement. We note same metrics for the Energy sector (43 completed transactions) were 20% and 35%.

In our opinion, the Offer price represents a modest premium only relative to the Pan Pacific closing share price immediate prior to the Offer. While the premium is slightly higher (up to 15%) for the 90 and 120 day VWAP, it is negative for the 180 day VWAP (11%) and the Offer is at a 50% discount (approx..) to the traded price for Pan Pacific shares in April 2014.

We acknowledge that a premium in an Offer in circumstances such as Pan Pacific finds itself must be treated with a degree of caution. It is possible that the presence of Zeta Energy on the register may have allowed speculators to take positions which incorporate an element of the expected control premium into the share price.

However, we note that accurate analysis of such action is virtually impossible to undertake, and in any event the Pan Pacific share price has decreased since Zeta Energy became a substantial shareholder. The decrease in value may be due to the noted decrease in the Brent oil price since Zeta resources initial acquisition. The spot price for Brent oil was around US95/bbl at the end of August 2015 which was the time Zeta Resources acquired its initial interest (around 16%of the issued capital) in Pan Pacific for a weighted average entry price of around $0.07 per share.

- The trading price of Pan Pacific shares may return to pre-announcement levels. Our analysis shows that the shares rose by around 15% upon the announcement of the Offer and closed at $0.051 on 17 April 2015, which represents a 13% increase over the pre Offer price;
- The value of Pan Pacific could change, possible materially, over the short to medium term. Our valuation of the Company reflects our current view of the market value of Pan Pacific's operating assets. The value of Pan Pacific's assets base is sensitive to movements in the oil price (Brent) and the oil price has been highly volatile in recent months. Shareholders should understand that the value of Pan Pacific's assets could change, possibly materially, in a relatively short period of time;
- There is range of technical and operational outcomes for Pan Pacific's exploration and other assets (particularly the CRD) and that range of outcomes could result in significant shifts in value (positive or negative); and
- Should they accept, the non-associated shareholders will no longer have the opportunity to participate in the upside in the specific portfolio of projects to which Pan Pacific is exposed. We note however, that such exposure on specific or multiple projects could be acquired through the purchase of the shares of joint venture partners in each of the projects.

10.4. If Zeta Energy does not acquire sufficient shareholder acceptances to acquire control of Pan Pacific, the Pan Pacific directors have stated they will continue the exploration and development of the Company's oil and gas assets.

Alternative proposal

10.5. We are not aware of any alternative proposal at the current time which might offer the Shareholders of Pan Pacific a greater benefit than the Offer.

Conclusion on Reasonableness

10.6. After considering the matters noted above in the absence of any other relevant information and/or a superior offer, we consider that the Offer is not reasonable.

10.7. An individual shareholder's decision in relation to the Offer may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

Yours faithfully

RSM Bird Cameron Corporate Pty Ltd

Ian Douglas
Director

Andrew Gilmour
Director

Appendix A - Declarations and disclosures

RSM Bird Cameron Corporate Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board.

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron (RSMBC) a large national firm of chartered accountants and business advisors.

Mr Ian Douglas and Mr Andrew Gilmour are directors of RSM Bird Cameron Corporate Pty Ltd. Both Mr Douglas and Mr Gilmour are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert’s reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this IER

This report has been prepared solely for the purpose of assisting the Shareholders of Pan Pacific in considering the Offer. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the directors and management of Pan Pacific and we have no reason to believe that this information was inaccurate, misleading or incomplete. However, we have not endeavoured to seek any independent confirmation in relation to its accuracy, reliability or completeness. RSM Bird Cameron Corporate Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Bird Cameron Corporate Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

Disclosure of Interest

At the date of this report, none of RSM Bird Cameron Corporate Pty Ltd, RSMBC, Ian Douglas, Andrew Gilmour, nor any other member, director, partner or employee of RSM Bird Cameron Corporate Pty Ltd and RSMBC has any interest in the outcome of the Offer, except that RSM Bird Cameron Corporate Pty Ltd are expected to receive a fee of $50,000 based on time occupied at normal professional rates for the preparation of this Report. In addition RSM Bird Cameron Partners will invoice Pan Pacific fees for the provision of due diligence services, taxation and accounting advice in relation to the Offer. All fees are payable regardless of whether the on-market bid for Pan Pacific is successful, or otherwise.

Consents

RSM Bird Cameron Corporate Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Target Statement to be issued to Shareholders. Other than this report, none of RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners or RSMBC has been involved in the preparation of the Target Statement. Accordingly, we take no responsibility for the content of the Target Statements as a whole.

Appendix B – Source of information

In preparing this report we have relied upon the following principal sources of information:

- Pan Pacific financial statements for the three years ended 30 June 2014;
- Pan Pacific half year financial report for the 6 months ended 31 December 2014;
- Pan Pacific unaudited financial information for the period ended 28 February 2015;
- Pan Pacific trial balance as at 31 December 2014 and 28 February 2015;
- Forecast cash flows for the New Zealand asset for the period ending 30 June 2024;
- Forecast cash flows for the Vietnam asset for the period ending 31 December 2031;
- Minutes of all meetings of the board of directors held during the years ended 30 June 2013 and 2014, and the period 1 July 2014 to 13 April 2015;
- Independent technical specialist report prepared by RISC Operations Pty Limited, dated 20 April 2015;
- Register of all shareholders of Pan Pacific from Link Market Services as at 31 March 2015;
- Correspondence from the ANP dated 15 April 2015 regarding approval for extension to PSC temporary suspension period;
- Preliminary gas utilisation report prepared by Talisman Energy Inc. for the Cá Rồng Đỏ field dated 14 April 2015;
- Memorandum dated 10 April 2015 prepared by Tom Prudence outlining the key activities and budget update to date for the 2015 financial year;
- Information provided by Pan Pacific management through meetings and correspondence;
- Capital IQ, IBIS World and other financial databases and subscription services; and
- Publicly available information including ASX announcements.

Appendix C – Selection of discount rate

When assessing an appropriate discount rate to use in a discounted cash flow valuation, due regard must be given to the rates of return available in the marketplace, the degree of risk attached to the business, shares or project and the required rate of return.

Businesses are normally funded by a mix of debt and equity. The Weighted Average Cost of Capital ("WACC") is a widely used and accepted basis to calculate the "representative" rate of returns required by debt and equity investors. We have applied the WACC methodology to determine an appropriate discount rate to be used in assessing the fair value of Pan Pacific cash flows.

The Capital Asset Pricing Model ("CAPM") is the most frequently used model in determining the cost of equity of an investment or project and the required rate of return for debt funding is determined having regard to current borrowing costs and prevailing credit ratings. The cost of equity and cost of debt are weighted by the respective proportions of equity and debt funding to arrive at the WACC.

WACC

The generally accepted WACC formula is the post-tax WACC as shown below:

$$WACC = [Re * E/V] + [Rd (1 - t) * D/V]$$

Where:

Re	=	Expected equity investment return or cost of equity
Rd	=	Interest rate on debt (pre-tax)
t	=	Corporate tax rate
E	=	Market value of equity
D	=	Market value of debt
V	=	Market value of debt plus equity

CAPM

The CAPM is based on the theory that the prudent investor will price investments so that the expected return is equal to the risk free rate of return plus a premium for risk. CAPM assumes that there is a positive relationship between risk and return; that is, investors are risk averse and therefore demand higher returns for accepting higher levels of risk.

The CAPM calculates the cost of equity through the following formula:

$$Re = Rf + \beta[E(Rm) - Rf]$$

Where:

Re	=	Cost of equity capital or expected return on the investment.
Rf	=	Risk free rate of return.
E(Rm)	=	Expected return on the market.
E(Rm) - Rf	=	Market risk premium
β	=	Beta

We have considered each component of the CAPM below.

Risk free rate - Rf

We have assumed a risk free rate of 1.94% being the average yield on the United States Treasury Government Bond for the last 10 years, calculated from the S&P Capital IQ Database. We have used the 10-year bond rate as this is typically used as a proxy for the long-term risk-free rate.

Market Risk Premium – E(Rm) - Rf

Market risk premium represents the level of return investors require over and above the risk free rate in order to compensate them for the non-diversifiable risks associated with an investment in a market portfolio. Strictly speaking, the market risk premium is equal to the expected return from holding shares over and above the return from holding risk-free government securities.

Various empirical studies undertaken show that historical market risk premiums vary across markets; the US market is generally in line with the overall range of other developed countries but is slightly higher than the world average.

Having regard to this information, we have assumed a market risk premium of 6.0% in our determination of the discount rate.

Beta - β

The beta coefficient measures the systematic risk of the company compared to the market as a whole. A beta of 1 indicates that the company’s risk is comparable to that of the market.

The choice of a beta requires judgement and necessarily involves subjective assessment as observations of beta in comparable companies may be subject measurement issues and other variations. Accordingly, depending upon circumstance, a sector average, or a basket of comparable companies may present a more reliable beta, rather than relying on a single comparable company.

Beta can be expressed as an equity beta (which includes the effect of gearing on equity returns) or as an asset beta (where the impact of gearing is removed). The asset beta will be lower than the equity beta for any given investments, with the difference dependent upon the level of gearing in the capital structure.

The selection of an appropriate beta involves a degree of professional judgement, particularly where the performance drivers of the company being valued are not directly aligned with the most comparable listed companies.

The comparable company data included in the table below illustrates the observed beta coefficients for public listed companies we consider most comparable to Pan Pacific.

In assessing companies comparable to Pan Pacific, we have considered companies in oil and gas industry in Australia, New Zealand and South East Asia, whose securities are listed on the Australian, New York or New Zealand Stock Exchanges.

The ungeared equity beta's for the companies selected ranged from a low of 0.498 to a high of 2.389, with an average of 1.075 as set out in the table below. We have relied on the average ungeared beta of 1.075. We assume that the preferred funding structure for an asset such as the New Zealand and Vietnam assets would result in a debt to equity of 20%. As such, we have relevered the beta at our assumed debt to equity ratio, resulting in a levered beta of 0.961.

Company	Levered beta	Total debt/ equity	Unlevered beta	Relevered beta
AWE Limited	0.534	9.5%	0.488	
Cooper Energy Limited	0.784	0.0%	0.784	
Cue Energy Resources Limited	0.533	0.0%	0.533	
Drillsearch Energy Limited	1.169	30.0%	0.899	
Horizon Oil Limited	1.512	155.3%	0.593	
Senex Energy Limited	1.184	0.0%	1.184	
Harvest Natural Resources Inc.	2.389	66.9%	1.432	
New Zealand Oil & Gas Limited	0.498	0.2%	0.496	
Average	**1.075**		**0.801**	**0.961**
Median	**0.977**		**0.689**	**0.827**

We provide descriptions of the comparable companies in the table below.

Ticker	Company Description
ASX:AWE	AWE Limited operates as an oil and gas exploration and production company. It produces and sells crude oil, gas, condensate, LPG, and LNG products. The company's principal producing assets include the Tui oil fields, which are located in offshore Taranaki basin, New Zealand; the BassGas project situated in offshore Bass Strait, Tasmania; the Cliff Head oil field that is located in offshore Perth basin, Western Australia; the Casino gas field located in the offshore Otway Basin, Victoria; the onshore Perth Basin interests in Western Australia; and Sugarloaf AMI shale gas project situated in Texas, the United States. It also holds interest in the Ande Lumut oil project that is situated in Indonesia. The company was formerly known as Australian Worldwide Exploration Limited and changed its name to AWE Limited in November 2009. AWE Limited was founded in 1997 and is based in North Sydney, Australia.
ASX:COE	Cooper Energy Limited discovers, develops, and sells hydrocarbons. The company holds interests in petroleum exploration tenements in the Cooper, Otway, and Gippsland Basins in Australia; the South Sumatra Basin in Indonesia; and the Pelagian Basin offshore Tunisia. As of June 30, 2014, its estimated proved and probable reserves consisted of 2.01 million barrels of oil. The company is headquartered in Adelaide, Australia.
ASX:CUE	Cue Energy Resources Limited engages in the exploration, development, and production of petroleum. It explores for hydrocarbons through its projects located in Australia, New Zealand, Indonesia, and Papua New Guinea. The company is headquartered in Melbourne, Australia.
ASX:DLS	Drillsearch Energy Limited explores, develops, and produces oil and gas interests in Australia. The company operates through Oil Projects, Wet Gas Projects, and Unconventional Projects segments. It focuses on unconventional exploration projects on two principal project areas, including the Central Cooper Basin-Nappamerri Trough Shale Gas Fairway; and the southern and western Cooper Basin Unconventional Gas Fairway. Drillsearch Energy Limited was founded in 1985 and is based in Sydney, Australia.

ASX:HZN	Horizon Oil Limited, a junior oil and gas company, is engaged in the exploration, development, and production of oil and gas properties in Southeast Asia. Its assets include the Maari/Manaia fields and Offshore Taranaki Basin property in New Zealand; Stanley condensate/gas development and the Elevala and Ketu projects in Papua New Guinea; and Block 22/12 in China. The company is based in Woolloomooloo, Australia.
ASX:SXY	Senex Energy Limited explores, develops, and produces oil and gas resources in Australia. It holds a portfolio of oil and gas assets in Australia's Cooper and Eromanga Basins, as well as coal seam gas tenements in Queensland's Surat Basin. The company was formerly known as Victoria Petroleum NL and changed its name to Senex Energy Limited in 2010. Senex Energy Limited is headquartered in Brisbane, Australia.
NYSE:HNR	Harvest Natural Resources, Inc., an independent energy company, engages in the acquisition, exploration, development, production, and disposition of oil and natural gas properties. It primarily holds interests in the Bolivarian Republic of Venezuela; and exploration and exploitation acreage offshore of the Republic of Gabon. As of December 31, 2014, the company, through its 20.4 percent interest in Petrodelta, S.A., had proved reserves of 16.7 million barrels of oil equivalent (MMBOE), probable reserves of 39.0 MMBOE, and possible reserves of 53.6 MMBOE; and proved plus probable reserves of 55.7 MMBOE. Harvest Natural Resources, Inc. was founded in 1988 and is headquartered in Houston, Texas.
NZSE:NZO	New Zealand Oil & Gas Limited explores for, produces, and sells oil and gas in New Zealand. The company primarily explores for crude oil, natural gas, liquefied petroleum gas, and condensate or light oil. It holds 27.5% interest in the Tui area oil fields located in the offshore Taranaki basin; and 15% interest in the Kupe field, which is located in the offshore Taranaki basin, New Zealand. The company is also involved in the exploration and evaluation of hydrocarbons in the offshore Taranaki basin and offshore Canterbury basin, New Zealand; and Indonesia. New Zealand Oil & Gas Limited was founded in 1981 and is headquartered in Wellington, New Zealand.

Company specific risk premium and cost of equity assessment – New Zealand asset

We have also included a company specific risk factor in our calculation of the cost of equity to reflect conditions specific to the New Zealand asset. We apply an additional company specific risk factor based on factors specific to an asset and its operations. These are detailed by below.

- Production from a single asset; and
- Oil fields are forecast to only remain producing for another five years.

Company specific risk premium and cost of equity assessment – Vietnam asset

We have also included a company specific risk factor in our calculation of the cost of equity to reflect conditions specific to the Vietnam asset. We apply an additional company specific risk factor based on factors specific to an asset and its operations. These are detailed by below.

- Commencement of production is subject to receiving a positive commercial viability assessment;
- Requirement for significant capital investment to allow production to commence and the potential variability of capital costs; and
- Potential delays in negotiating pricing.

Cost of debt

We have assumed a cost of debt for both the New Zealand and Vietnam assets of 10%. This has been assumed based on publicly available information on other listed companies with oil and gas assets.

We have assumed that the best capital structure to employ for both the New Zealand and Vietnam assets is to have a debt to enterprise value of 20%, as discussed in the beta section above.

WACC summary – New Zealand asset

We set out the detailed calculation of the WACC for the New Zealand asset in the table below.

WACC	
Cost of Equity (CAPM) (K_e)	
Market Risk Premium, Mrp	6.0%
Beta, β	0.96
Adjusted market risk premium (AMrp = Mrp x β)	**5.8%**
Risk Free Rate, R_f	1.9%
Company specific risk a	2.0%
Standard (Vanilla) Capm Cost Of Equity (Pre-Tax Nominal) (K_e = (AMrp + R_f + a) / (1 – t)) where t is corporate tax rate of 25%	**9.7%**
Proportion of K_e included in WACC (equity / debt + equity)	80%
K_e portion of WACC	**7.8%**
Cost of Debt (K_d)	
Cost of Debt, K_d	7.0%
Proportion of K_d included in WACC (debt / debt + equity)	20%
Kd portion of WACC	**1.4%**
Weighted Average Cost Of Capital (Pre-Tax Nominal)	**9.2%**

Based on the assumptions set out above, we have assessed the pre-tax, nominal WACC to be 9.2%. We have selected a range of 9.0% to 11.0% as our range of discount rates in order to reflect a value range and sensitivity on changes in discount rates.

WACC summary – Vietnam asset

We set out the detailed calculation of the WACC for the Vietnam asset in the table below.

WACC	
Cost of Equity (CAPM) (K_e)	
Market Risk Premium, Mrp	6.0%
Beta, β	0.96
Adjusted market risk premium (AMrp = Mrp x β)	**5.8%**
Risk Free Rate, R_f	1.9%
Company specific risk a	7.0%
Standard (Vanilla) Capm Cost Of Equity (Pre-Tax Nominal) (K_e = (AMrp + R_f + a) / (1 – t)) where t is corporate tax rate of 25%	**14.7%**
Proportion of K_e included in WACC (equity / debt + equity)	80%
K_e portion of WACC	**11.8%**
Cost of Debt (K_d)	
Cost of Debt, K_d	7.0%
Proportion of K_d included in WACC (debt / debt + equity)	20%
Kd portion of WACC	**1.4%**
Weighted Average Cost Of Capital (Pre-Tax Nominal)	**13.2%**

Based on the assumptions set out above, we have assessed the pre-tax, nominal WACC to be 13.2%. We have selected a range of 13.0% to 15.0% as our range of discount rates in order to reflect a value range and sensitivity on changes in discount rates.

Appendix D - Glossary of terms and abbreviations

Term or abbreviation	Definition
$	Australian Dollar
Act	Corporations Act 2001 (Cth)
ANP	Autoridade Nacional do Petròleo of Timor-Leste
APES	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
bbl	Barrel of oil
CAPM	Capital Asset Pricing Model
CGT	Capital gains tax
Company	Pan Pacific Petroleum NL
Control basis	As assessment of the fair value on an equity interest, which assumes the holder or holders have control of entity in which the equity is held
CRD	Cá Rồng Đỏ
DCF	Discounted Cash Flow
Directors	Directors of Pan Pacific Petroleum NL
EIA	United States Energy Information Administration
Fair Value	the amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm’s length
FDP	Field development plan
FME	Future maintainable earnings
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY##	Financial year ended 30 June
IBIS	IBIS World, producer of industry reports
IER	This Independent Expert Report
JPDA	Joint petroleum development area
JV	Joint venture
mbbl	Thousand barrels of oil
mmbbl	Million barrels of oil
mmBtu	Million British thermal units
Non control basis	As assessment of the fair value on an equity interest, which assumes the holder or holders do not have control of entity in which the equity is held
NZOG	New Zealand Oil & Gas Limited
NZX	New Zealand Exchange
Pan Pacific	Pan Pacific Petroleum NL
PDS	Product Disclosure Statement
OECD	Organisation for Economic Co-Operation and Development
Offer	The on-market bid of $0.05 for all of the issued shares in Pan Pacific Petroleum NL dated 10 April 2015
Offer price	$0.05 per share
OPEC	Organisation of the Petroleum Exporting Countries
PSC	Production sharing contract
Relevant interest	If that person holds shares or has the power to control the right to vote or dispose of shares
Regulations	Corporations Act Regulations 2001 (Cth)
Report	This Independent Experts Report prepared by RSMBCC dated April 2015
RG 111	ASIC Regulatory Guide 111 Contents of Expert's Reports
RISC	RISC Operations Pty Limited
RSMBCC	RSM Bird Cameron Corporate Pty Ltd
S&P Capital IQ	An entity of Standard and Poors which is a third party provider of company and other financial information
Talisman	Talisman Energy Inc.
The bidder	Zeta Energy Pte Limited

Term or abbreviation	Definition
The New Zealand model	The forecast of cash flows for the New Zealand asset
The target	Pan Pacific Resources NL
The Vietnam model	The forecast of cash flows for the Vietnam asset
Utilico	Utilico Investment Limited
VWAP	Volume weighted average share price
WACC	Weighted Average Cost of Capital
Zeta Energy	Zeta Energy Pte Limited
Zeta Resources	Zeta Resources Limited

Appendix E - International Oil and Gas industry profile

The International Oil and Gas industry consists of two segments, being the upstream and downstream segments. The upstream segment explores, produces and processes crude oil and natural gas. The downstream segment refines these outputs into fuels, lubricants and petroleum products and then markets them for sale.

International oil exploration and production industry

The oil industry supplies product to a number of downstream markets, but the biggest is petroleum refining, which according to producer of industry reports IBIS World Inc (IBIS) accounted for 68% of the industry's output. Crude oil is used to manufacture petroleum products, primarily gasoline and automotive distillate (diesel).

There are many grades of crude oil produced worldwide, ranging from the highest quality light sweet crude oil to poor quality heavy, sour crude oil.

In 2013 the world consumed approximately 91.3 million barrels of oil per day (mmbls/day). The biggest consumers of oil in the world based on 2013 consumption are the USA (18.9 mmbls/day), China (10.6 mmbls/day), Japan (4.5 mmbls/day) and India (3.7 mmbls/day)[1].

Combined, the global oil and gas exploration and production industries generated total revenues of approximately $4.6 trillion in 2014, up from $2.6 trillion in 2009.

Crude Oil Demand

The level of demand for petroleum products and as such crude oil is heavily influenced by global economic growth, and underlying levels of economic activity.

Global primary energy consumption accelerated in 2013 despite stagnant global economic growth. Global oil consumption grew by 1.4 mmbls/day, or 1.4% – this is just above the historical average. Countries outside the OECD now account for the majority (51%) of global oil consumption and they once again accounted for all of the net growth in global consumption. OECD consumption declined by 0.4%, the seventh decrease in the past eight years.

Oil Supply

The world's crude oil is effectively supplied by two suppliers as follows:

- State owned producers located in countries which are members of the Organisation of Petroleum Exporting Countries (OPEC); and
- Private and state owned producers located in non OPEC countries.

[1] BP Statistical Review of World Energy 2014

In 2013 the world had proven oil reserves of 1,687.9 billion barrels of which OPEC accounted for 42.1%. Global oil production did not keep pace with the growth in global consumption, rising by just 550,000 b/d or 0.6%. The US (1.1 million b/d) recorded the largest growth in the world and the largest annual increment in the country's history for a second consecutive year. The US accounted for nearly all (97%) of the non-OPEC output increase of 1.1 million b/d (the strongest since 2002) to reach a record 49.9 million b/d. The table below sets out a breakdown of the world's proven oil reserves by region as at 31 December 2013.

Region	Proven Reserve (Billion Barrels)	% share
Middle East	808.5	47.9%
South & Central America	329.1	19.5%
North America	229.5	13.6%
Europe & Eurasia	148.5	8.8%
Africa	130.0	7.7%
Asia Pacific	42.20	2.5%
Total	**1,687.9**	**100.0%**

Table 28: Worlds' Proven Oil reserves *(Source: BP Statistical Review of World Energy 2014)*

Global oil production in 2013 was the highest of the last 24 years with a production of 86.7 mmbls/day.

Oil Price

Crude oil is one of the most actively traded commodities in the world, and over 50% of annual world production is traded internationally. There are a number of different types of traded crude oil products and today there are over 150 different types of crude oil (known as markers), traded internationally.

As both the New Zealand and Vietnam assets are located outside the US we have set out the historical daily closing price for Brent crude over the period 1 January 2010 to 16 April 2015.

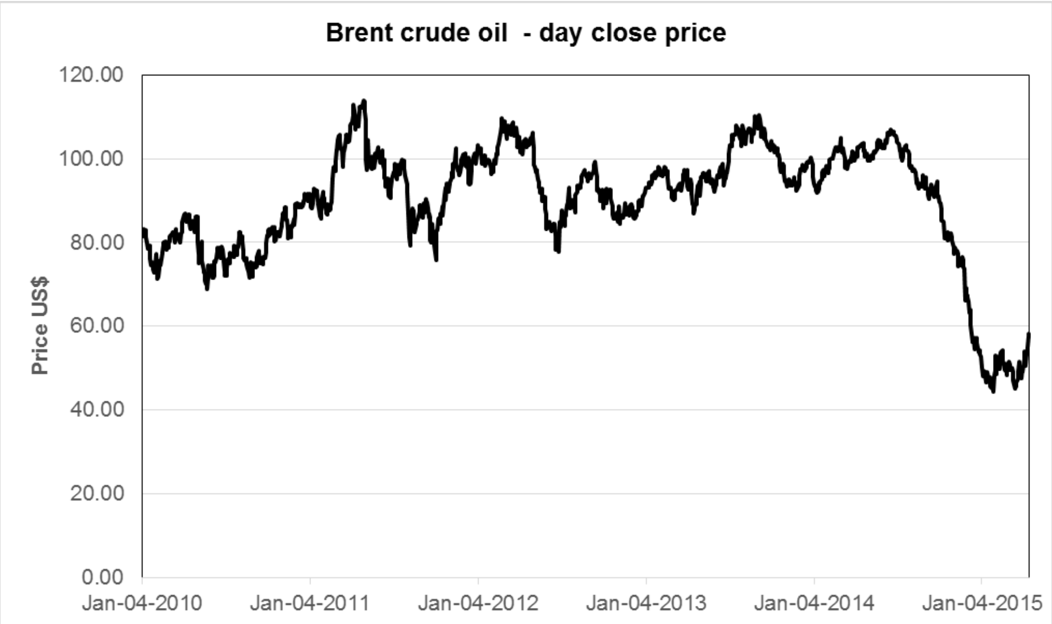

Figure 10: Historical Brent crude oil price 2010 – 2015 *(Source: S&P Capital IQ)*

The graph above indicates the extreme volatility experienced by the Brent oil price in recent times, falling from a high of US$106.83/bbl on 20 June 2014 to a low of US$44.45/bbl on January 28 2015. It then rose to US$54.29/bbl on 17 February 2015, an increase of 22.1% on the price of 3 weeks earlier. It closed at US$58.11 as at 16 April 2015, a fall of approximately 45.6% from the high 10 months earlier in June 2014.

The recent, extreme volatility has made it difficult or analysts and industry participants to give accurate price forecasts, with many becoming out of date in a relatively short space of time and 'lagging' the current market expectations. The majority of forecasts for the 2018 year fall within a range of US$80-90/bbl, rising to US$85-90/bbl for the 2020 year, however there are some analysts and industry participants who are forecasting prices significantly outside of these ranges.

Outlook

Oil is expected to be the slowest growing of the major fuels to 2035, with demand growing at an average of just 0.8% a year. Nonetheless, this will still result in demand for oil and other liquid fuels being nearly 19 million barrels a day higher in 2035 than 2012. All the net demand growth is expected to come from outside the OECD – demand growth from China, India and the Middle East will together account for almost all of net demand growth.

Global oil consumption is expected to grow from around 88.9 mmbls/day in 2012 to 108.5 MMBLS/day by 2035.[2] 100% of this growth is expected to come from non OECD Asian countries primarily China and India. Most of the growth in demand is expected to come from the transportation industries.

China is the key component behind long term oil consumption growth. Their consumption is forecast to increase by 80% over the next 20 years from 9.7 mmbls/day to 17.5 mmbls/day by 2035 at which point they will have overtaken the USA as the world's largest oil consumer.

[2] OPEC World Energy Review 2013

RSM Bird Cameron Corporate Pty Ltd

Our one-firm structure enables us to provide strong connections and a focus on client relationships. Clients can readily connect to our national and international expertise and networks, our extensive understanding of Australian business and to our senior advisors. With RSM Bird Cameron you really are... Connected for Success

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<u>ANNEXURE B</u> – INDEPENDENT TECHNICAL SPECIALIST'S REPORT

Independent Technical Specialist Report

Pan Pacific Petroleum NL

April 2015

decisions with confidence

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The Directors
Pan Pacific Petroleum NL
Level 3, 123 Walker Street
North Sydney NSW 2060

Mr Ian Douglas
RSM Bird Cameron & Associates
Level 12, 60 Castlereagh Street
Sydney NSW 2000

Dear Sirs,

Independent Specialist's Report on Pan Pacific Petroleum

1. Introduction

RSM Bird Cameron Corporate Pty Limited ("RSM Bird Cameron" or "Expert") in its capacity as Independent Expert to Pan Pacific Petroleum NL ("PPP") has appointed RISC Operations Pty Ltd ("RISC") to provide technical support in the preparation of their independent expert's report in relation to the on market takeover offer from Zeta Resources Limited through its wholly owned subsidiary Zeta Energy Pte Ltd.

To assist RSM Bird Cameron in preparing its independent expert's report of the takeover offer, PPP engaged RISC Operations Pty Ltd ("RISC") to act as an independent specialist, as defined in the Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, as amended (the VALMIN Code), and to prepare an Independent Technical Specialist Report (ITSR).

RISC's role in this engagement is to review estimates of reserves and resources, capital costs, production profiles and operating costs for the producing and development operations of PPP, prepare discounted cash flow valuations using price and escalation assumptions and sensitivities as directed by the Expert, estimate the fair market value of PPP's exploration properties. We have also addressed the risks associated with the projects. We have reviewed the estimates provided by PPP and made such adjustments that in our judgment were necessary to provide a reasonable assessment and reflect current information.

This report comprises the ITSR.

2. Summary

2.1. Overview

The locations of PPP's petroleum properties and equity interests are shown in Figure 2-1.

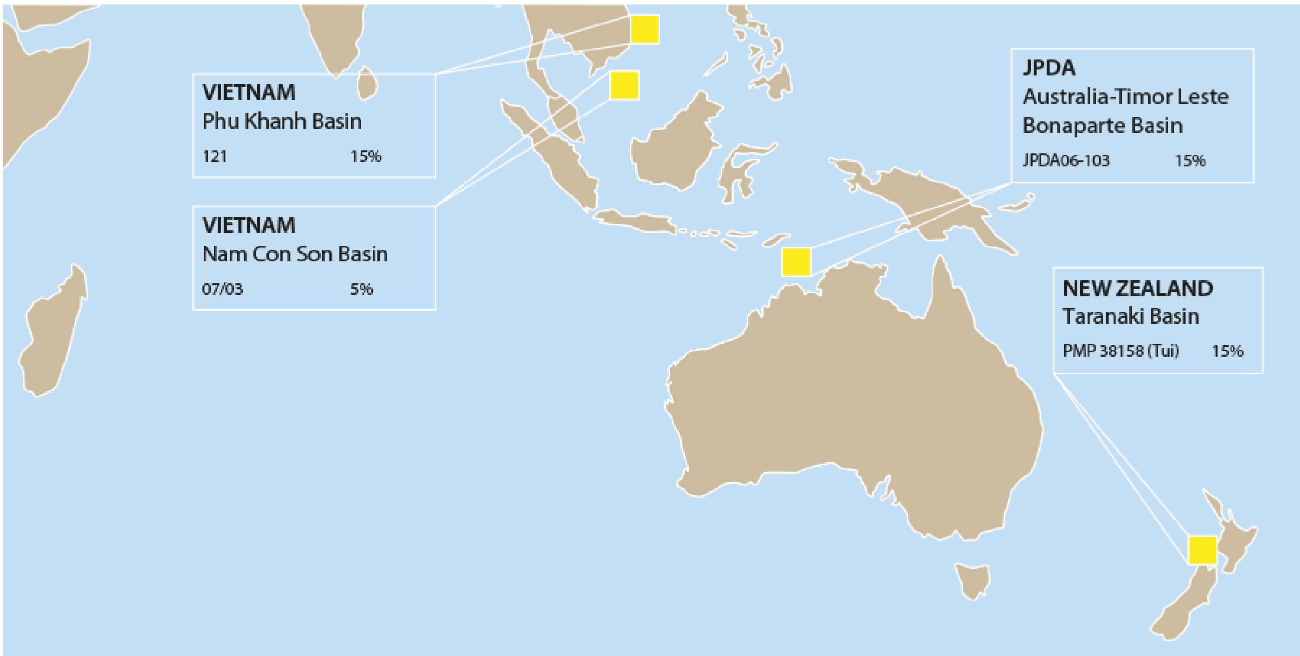


Figure 2-1: Pan Pacific Petroleum NL petroleum asset portfolio

For valuation purposes, we have prepared production scenarios for the New Zealand producing fields, Vietnamese Block 07/03 CRD undeveloped fields and carried out discounted cash flow analysis using discount rates, product prices and inflation rates advised by the Expert.

Details of these scenarios along with costs and production profiles associated with the development and production of these resources are included in our report. Remaining production, costs and values are at an effective date of 1 April 2015. Production is rounded to the nearest 0.1 MMbbl and 0.1 bcf. Costs are rounded to the nearest $0.1 million.

2.2. PMP 38158 - Tui & Pateke Fields (PPP 15%)

The net present value at a 10% pa nominal discount rate of Pan Pacific's interests in PMP 38148 has been estimated, along with the impact of variations in major project sensitivities is summarised in Table 2-1.

Table 2-1 PMP 38158 Reserves, PPP After Tax NPV10, A$ million as at 1 April 2015

NPV 10% nominal pa, after tax, A$ million	Scenario 1: Tui 2P reserves + Pateke 2P reserves			Scenario 2: Tui 2P reserves + Pateke High case reserves		
	Low	Base	High	Low	Base	High
Oil Price, -20%/+20%	4.9	19.0	32.0	12.1	27.1	40.4
Production rate, -20%/+20%	7.3	19.0	29.7	14.5	27.1	38.1
Opex, +20%/-20%	10.5	19.0	28.0	19.6	27.1	35.4
Exchange rates, +20%/-20%	15.8	19.0	23.7	22.5	27.1	33.8
Discount rates 9%->10%->11%	18.8	19.0	19.1	27.0	27.1	27.1
Capex, +20%/-20%	19.0	19.0	19.0	27.1	27.1	27.1
Reserves, MMbbl	0.9			1.0		

2.3. Vietnam Block 07/03 – Ca Rong Do (CRD) Contingent Resources (PPP 5%)

The net present values of a combined oil and gas development on the CRD contingent resources in Vietnam Block 07/03 have been estimated along with their sensitivity to changes in key project parameters. These are summarized in Table 2-2 for Pan Pacific's working interest in the block, adjusted for the State's back-in for a 15% interest. The resulting Pan Pacific interest is reduced to 4.25%.

Table 2-2 Block 07/03 Contingent Resources, PPP After tax NPV14, A$ million as at 1 April 2015

NPV 14% nominal pa, after tax, A$ million	Scenario 1: CRD oil + gas development – 2020 start-up			Scenario 2: CRD oil + gas development – 2018 start-up		
	Low	Base	High	Low	Base	High
Dev-Capex 20%/-20%	1.6	5.1	8.2	9.0	12.0	14.9
Opex 20%/-20%	2.3	5.1	7.2	9.3	12.0	14.6
Oil Rate -20%/20%	-2.6	5.1	10.7	3.3	12.0	18.9
Gas Rate -20%/20%	3.2	5.1	6.7	10.0	12.0	14.0
Oil Price -20%/20%	-2.7	5.1	10.9	3.1	12.0	19.1
Gas Price -20%/20%	3.2	5.1	6.7	10.0	12.0	14.0
Exchange rate 20%/-20%	4.1	5.1	6.1	9.6	12.0	14.4
Discount rate 15%->14%->13%	4.0	5.1	6.4	10.6	12.0	13.4
Resources, MMboe	2.8			2.8		

2.4. Exploration valuation

RISC has assessed the value of PPP's individual exploration interests using the value of the work program and farm-in promote multiples. The sum of our low, mid and high estimates of the value of the individual permits, net of future firm commitment expenditures, are summarised in Table 2-3 below.

Table 2-3: Exploration valuation - PPP Energy's net working interest as at 1 April 2015

Area	Fair Market Value, A$ million		
	Low	Mid	High
New Zealand	0	1.7	2.5
Vietnam	2.9	7.2	11.4
JPDA*	0	0	0
Total	**2.9**	**8.8**	**13.9**
* Permit suspended pending exit negotiations. Potential contingent liability for well obligation not included in valuation			

The aggregated mid-value of each of the exploration assets has been assessed at A$ 8.8 million, while the low and high value estimates are A$ 2.9 million and A$ 13.9 million, respectively. As the low and high values of the exploration assets portfolio have been derived by the arithmetic addition of the individual asset low and high values, respectively, they represent the possible extremes of the exploration value envelop. While farminees into the individual permits could value the assets at either end of the value range assessed, it is unlikely that potential buyers of the exploration asset portfolio would value all of the assets at either all of the low or all of the high estimated extremes. Their own assessments of individual permits will span the low, mid or high outcomes based on factors including: their strategic objectives and region or geological basin focus; assessment of an asset's prospectivity and associated geological risks; the fiscal and regulatory framework applicable to the asset; accessibility of commercialisation routes, including markets and infrastructure, for each asset; equity interests, operator capability and joint venture partners in each asset.

Consequently, RISC assesses the value of PPP's exploration asset portfolio to a single buyer as lying between A$5 million and A$ 10 million.

3. Terms of reference

RSM Bird Cameron has requested RISC to carry out the following scope of work:

NZ Assets PM38158 (Tui area fields + Exploration)

- Review PPP's reserve and resource estimates, costs and production profiles
- Review work programs and budgets
- Prepare cash flow inputs (2 scenarios) for DCF evaluation in consultation with Expert
- Review economic model provided
- Carry out discounted cash flow analysis and generate NPV's with a range of sensitivities as directed by the Expert. Information on prices, discount rates, escalation and tax balances to be provided by Expert.
- Review exploration potential
- Prepare estimate of fair market value for exploration assets

Australian Assets JPDA06-103 (Exploration)

- Review work programs and budgets
- Review exploration potential: We understand that PPP is seeking to withdraw from the block.
- Prepare estimate of fair market value for exploration assets

Vietnam (Phu Khanh Basin Block 121, Block 07/03)

- Review CRD-X development plan in Block 07/03, reserve/resource estimates, development plans, costs and production profiles
- Review work programs and budgets
- Prepare cash flow inputs (2 scenarios) for DCF evaluation in consultation with Expert
- Review PSC terms and conditions and review the economic model provided.
- Carry out discounted cash flow analysis and generate NPV's with a range of sensitivities as directed by the Expert. Information on prices, discount rates, escalation and tax balances to be provided by Expert.
- Review exploration potential
- Prepare estimate of fair market value for exploration assets

4. Basis of assessment

The data and information used in the preparation of this report were provided by PPP and RSM Bird Cameron and supplemented by public domain information. RISC has relied upon the information provided and has undertaken the evaluation on the basis of a review of existing interpretations and assessments as supplied, making adjustments that in our judgment were necessary.

RISC has reviewed the reserves/resources in accordance with the Society of Petroleum Engineers internationally recognised Petroleum Resources Management System (SPE-PRMS)[1].

RISC has also been requested to provide an opinion on the fair market value of the exploration properties. We have carried out our valuation in accordance with the VALMIN code[2].

Unless otherwise stated, all costs and values are in gross US$ real terms with a reference date of 1 April 2015. Production is reported in gross terms unless otherwise stated with a reference date of 31 March 2015.

4.1. Valuation

The valuation is based on the concept of 'fair market value' (Value) as defined by the VALMIN Code.

The VALMIN Code defines Value as the amount of money (or the cash equivalent of some other consideration) determined by the Expert in accordance with the provisions of the VALMIN Code for which the Mineral or Petroleum Asset or Security should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an "arm's length" transaction, with each party acting knowledgeably, prudently and without compulsion.

A range of oil and gas industry accepted practices in relation to petroleum properties has been considered to determine value, which are described below.

4.1.1. Discounted Cashflow (DCF) Method

The net present value (NPV) is estimated by carrying out a discounted cash flow (DCF) analysis involving forecasting the future revenue (from production and prices), costs and taxes and royalties to arrive at a net cash flow (NCF) to which the interest holder is entitled. Each future year's NCF is reduced by a discount rate. The discount rate is intended to account for the time value opportunity cost of money. Typically, the discount rate is estimated using the capital asset pricing model (CAPM) and the weighted average cost of capital (WACC) which factors in the cost of debt, equity and the return expected by diversified investors in equities, however the discount rate can also incorporate specific risks. The sum of these discounted annual cash flows over the life of the project is called the NPV.

The DCF methodology is particularly appropriate for well-defined oil and gas projects where reserves are depleted over time and significant capital expenditure is required. However often these projections carry considerable uncertainty and risks. There may also be market and strategic factors which need to be considered and hence the technical NPV estimates may need further adjustment to reflect the fair market value.

4.1.2. Comparable Transaction Metrics

The Value of exploration properties can be estimated using recent comparable transactions. Such transactions may provide relevant metrics such as Value per unit of reserves, contingent or prospective

[1] SPE/WPC/AAPG/SPEE 2007 Petroleum Resources Management System

[2] Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2005 Edition

resources, price paid per unit area of the permit or % interest. The VALMIN Code advises Value must also take into account risk and premium or discount relating to market, strategic or other considerations.

4.1.3. Farm-in Promotion Factors

An estimate of Value can be based on an estimation of the share of future costs likely to be borne by a reasonable farminee under prevailing market conditions. A premium or promotion factor may be paid by the farminee. The promotion factor is defined as the ratio of the proportion of the activity being paid for and the amount of equity being earned.

The nominal permit value is defined as the amount spent by the farminee divided by the interest earned. The premium value for the permit is the difference between the nominal value and the equity share of the cost of the activity divided by the equity interest being earned.

The premium or promotion factor will be dependent upon the perceived prospectivity of the property, competition and general market conditions. The premium value is equivalent to the farminee paying the farmor a cash amount in return for the acquisition of the interest in the permit and is the fair market value.

Farm-in transactions may have several stages. For example, a farminee may acquire an initial interest by committing to a future cost in the first stage of the transaction, but has an option to acquire an additional interest or interests in return to committing to funding a further work programme or programmes.

Farm-in agreements can also include re-imbursement of past costs and bonus payments once certain milestones are achieved, for example declaration of commerciality, or achieving threshold reserves volumes. Depending on their conditionality, such future payments may contribute to Value. However, they may need to be adjusted for the time value of money and probability of occurring.

4.1.4. Work Programme

The costs of a future work program may also be used to estimate Value. The work program valuation relies on the assumption that unless there is evidence to the contrary the permit is worth what a company will spend on it. This method is relevant for permits in the early stages of exploration and for expenditure which is firmly committed as part of a venture budget or as agreed with the government as a condition of holding the permit. There may need to be an adjustment for risk and the time value of money.

4.1.5. Expected Monetary Value (EMV)

EMV is the risked NPV of a prospect. EMV is calculated as the success case NPV times the probability of success less the NPV of failure multiplied by the probability of failure. The NPV may be estimated using DCF methods. The EMV method provides a more representative estimate of Value in areas with a statistically significant number of mature prospects within proven commercial hydrocarbon provinces where the chance of success and volumes can be assessed with a reasonable degree of predictability.

The EMV valuation can also be used as a relative measure for ranking exploration prospects within a portfolio to make drilling decisions, assessing commercial potential and to demonstrate the commercial attractiveness of a permit, which may influence a buyer or seller.

4.1.6. Selected Methods

The valuation methods used in this valuation are summarized below:

- Pan Pacific's New Zealand reserves and Vietnam contingent resources have been valued using the DCF method on unlevered cashflows derived from production and cost estimates developed by RISC, and commercial assumptions of price, escalation factors, exchange rates and discount rates advised by the Expert. Sensitivity analyses were carried out as requested by the Expert on variations in these principal commercial assumptions. No further consideration or adjustments have been applied by RISC to the resulting estimated after tax NPVs to derive a market value for these assets.

- The New Zealand exploration value is estimated based on a range of farm-in promotion factors
- The Vietnam Block 07/03 contingent resources were valued using the DCF method on unlevered cashflows derived from production and cost estimates developed by RISC, and commercial assumptions of price, escalation factors, exchange rates and discount rates advised by the Expert. Sensitivity analyses were carried out as requested by the Expert on variations in these principal commercial assumptions. No further consideration or adjustments have been applied by RISC to the resulting estimated after tax NPVs to derive a market value for these assets.
- The Vietnam Block 07/03 prospective resources were valued using the EMV method with unit-resource values ($/boe) derived from the NPVs estimated for the block's contingent resources
- The Vietnam Block 121 prospective resources were valued using a range of typical farm-in promotion factors on an exploration programme.

5. New Zealand

5.1. PMP 38158 (Tui Area) - PPP 15%

5.1.1. Introduction

PMP 38158 is located in the offshore Taranaki basin, New Zealand, approximately 50 km off the coast, some 20km north-west of the Maui Field (Figure 5-1) and in water depth of about 120 m.

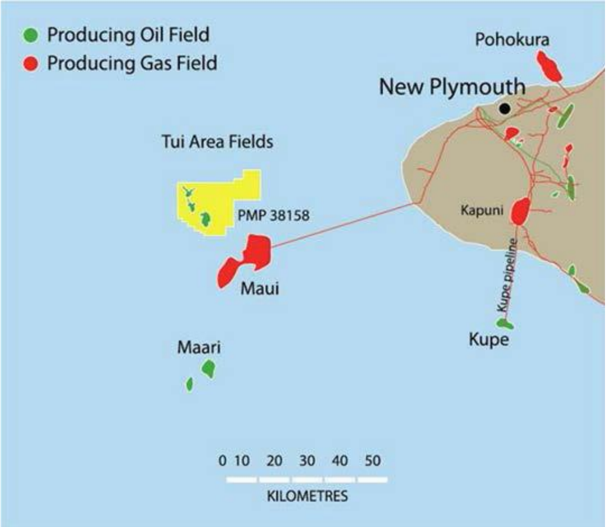


Figure 5-1 Location of Tui oil fields

Three fields comprise the Tui Area Fields; Tui, Amokura and Pateke (Figure 5-2). Tui was discovered in 2003 and production began on 30 July 2007. Tui was New Zealand's first stand-alone offshore oil development.

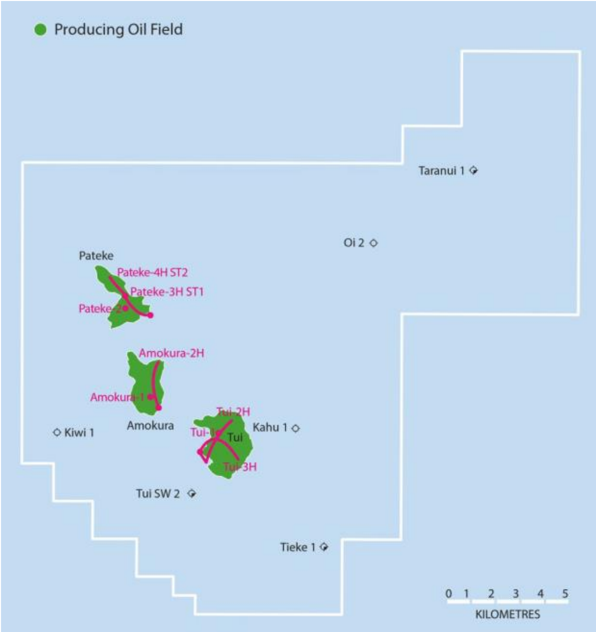


Figure 5-2 Tui Area Fields

Eight wells have been drilled on these fields; three discovery wells (Tui-1, Amokura-1 and Pateke-2) and four horizontal wells drilled for the original development plan (Tui-2H, Tui-3H, Amorkura-2H and Pateke-3HST1).

The Pateke field was successfully appraised by Pateke-4H in 2014. It has been completed and tied back as a development well. Production testing commenced on 2nd April 2015.

5.1.2. Geological Setting

PM 38158 is located within the Taranaki Basin. The Taranaki Basin is a Late Cretaceous-Cainozoic basin located on the western side of the New Zealand subcontinent. The basin covers and has area of approximately 100,000 km^2 and is highly varied both structurally and stratigraphically. It is divided into two broad N-S striking structural elements called the Western Stable Platform and Eastern Mobile Belt. The Western Platform over which PM 38158 is located is a 150 km wide shelf that underlies the middle and outer parts of the present day continental shelf to the west. This area is characterised by layer cake and progradational sedimentation on an unfaulted, sub-horizontal, regionally subsiding sea floor.

Organic-rich shale sediments and coals of the Late Cretaceous and Paleocene are the likely sources of the oil, generated at deep depths within the Taranaki Basin 'kitchen' areas. The oil migrated vertically through faults and fractures and then laterally via carrier beds, finally accumulating in Paleocene sandstone reservoirs within structural trap closures.

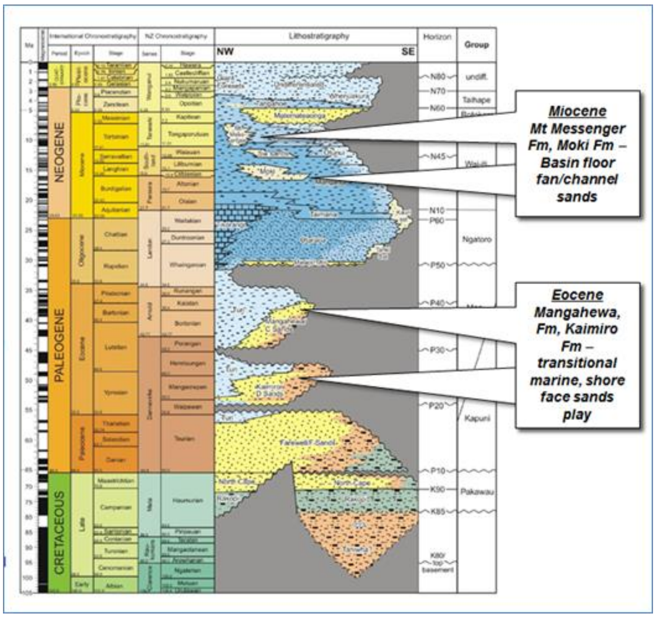


Figure 5-3 Taranaki Basin stratigraphic column

5.1.3. Field descriptions

The Tui Area fields are formed by small, low relief structural traps. Column heights are up to 20 m and field areas ranging from 5 km^2 to 10 km^2. The depth of the fields is about 3,650m subsea. The reservoir is the Kapuni-F10 sandstone unit, deposited during the Paleocene. The reservoirs are clean, laterally extensive, high permeability marine sandstones, with the oil accumulations overlying strong aquifer drives. The oil is light and sweet, very similar to that seen in the Maui field.

5.1.4. Development Description

The Tui development comprises four horizontal subsea wells, each tied back to a leased Floating Production Storage and Offtake (FPSO) vessel, the Umuroa. Production began from the field on 30 July 2007. In May

2008 an agreement was signed extending the lease of the Umuroa through to 2015, with one year rights of renewal until 2022.

The Pateke-4H well was drilled during Q1 2014 targeting Pateke North, a potential extension of the Pateke Field approximately 1.3 kilometres from the FPSO, which was not being accessed by the current producing well Pateke-3H. The well penetrated a 749m horizontal section of the F10 reservoir sand which was found to be oil bearing and with excellent reservoir properties, and similar to the producing reservoirs at Pateke-3H and in the Amokura and Tui Fields. The well was completed as a development well for tie back to the Umuroa FPSO, and first production occurred on 2nd April 2015. The well commenced producing at flowrates up to 20,000 to 35,000 bopd on test but has since declined to currently 10,000 to 15,000 bopd.

No future development activities are currently planned for the Tui field.

Figure 5-4 shows annual Tui production to 31 March 2015. As of then, the Tui Area Fields had produced 36.9 million barrels. Before the fields were shut-in during March (for the tie-in of Pateke-4H), production had been averaging around 3000 barrels of oil per day gross.

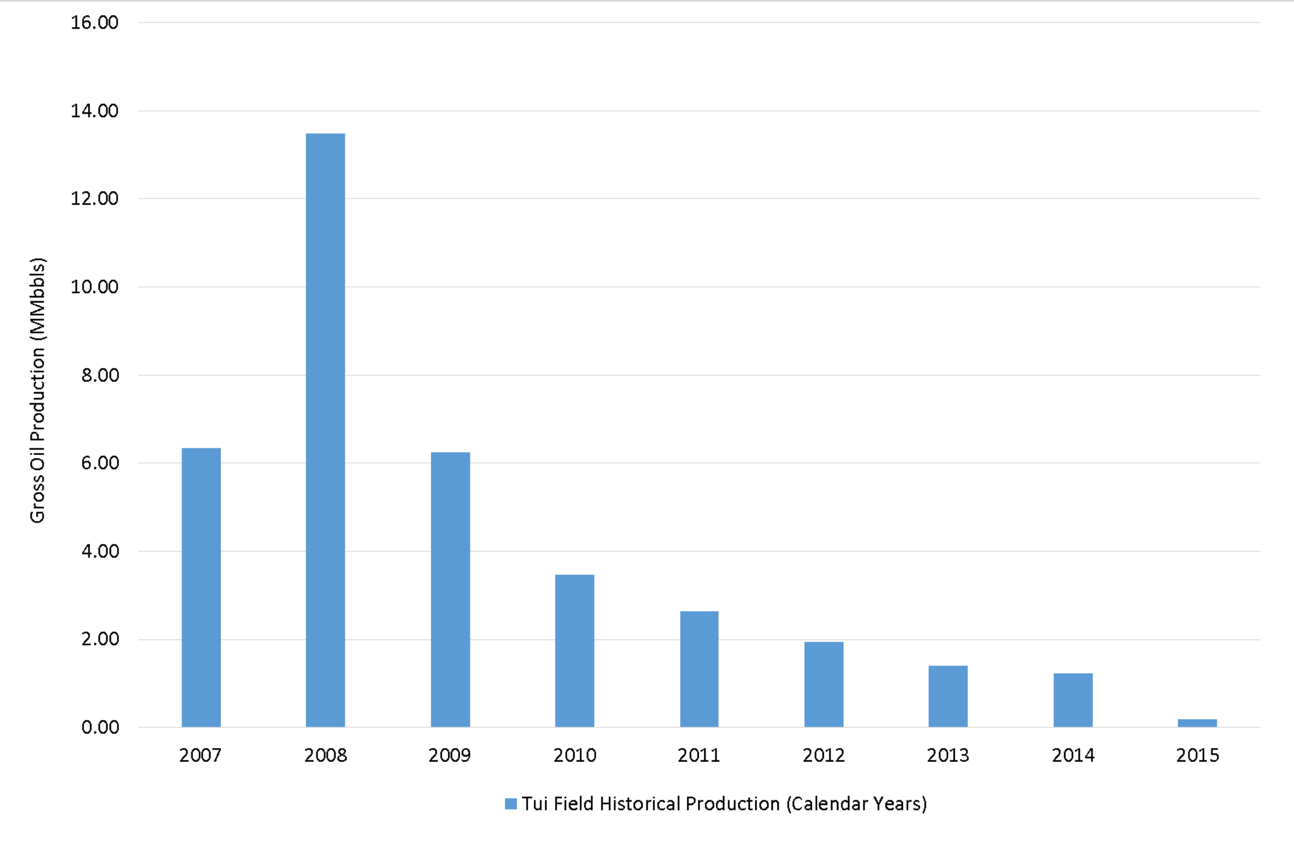


Figure 5-4 Tui Area Production History

Table 5-1 Tui Area Well Status

Well	Reservoir	Cumulative Production to 31 March 2015 MMstb	Status
Tui-2H	Kapuni-F10 sand	8.507	Online
Tui-3H	Kapuni-F10 sand	10.159	Online
Amokura-2H	Kapuni-F10 sand	7.692	Online
Pateke-3H	Kapuni-F10 sand	10.561	Online
Pateke-4H	Kapuni-F10 sand	0	Online April 2015
Total		36.919	

5.1.5. Reserves

Reserves in the developed fields (Tui, Amokura, Pakete) have been estimated using decline analysis (as the fields are mature and the decline trends are reasonable). Using the 1400 bopd economic limit has previously been used by the Operator, the most likely estimate of ultimate recovery is 40.6 MMbbls based on a hyperbolic decline, which yields most likely reserves of 3.7 MMbbls (gross) as at 1 April 2015 at a 1400 bbl/d cut-off (Figure 5-5).

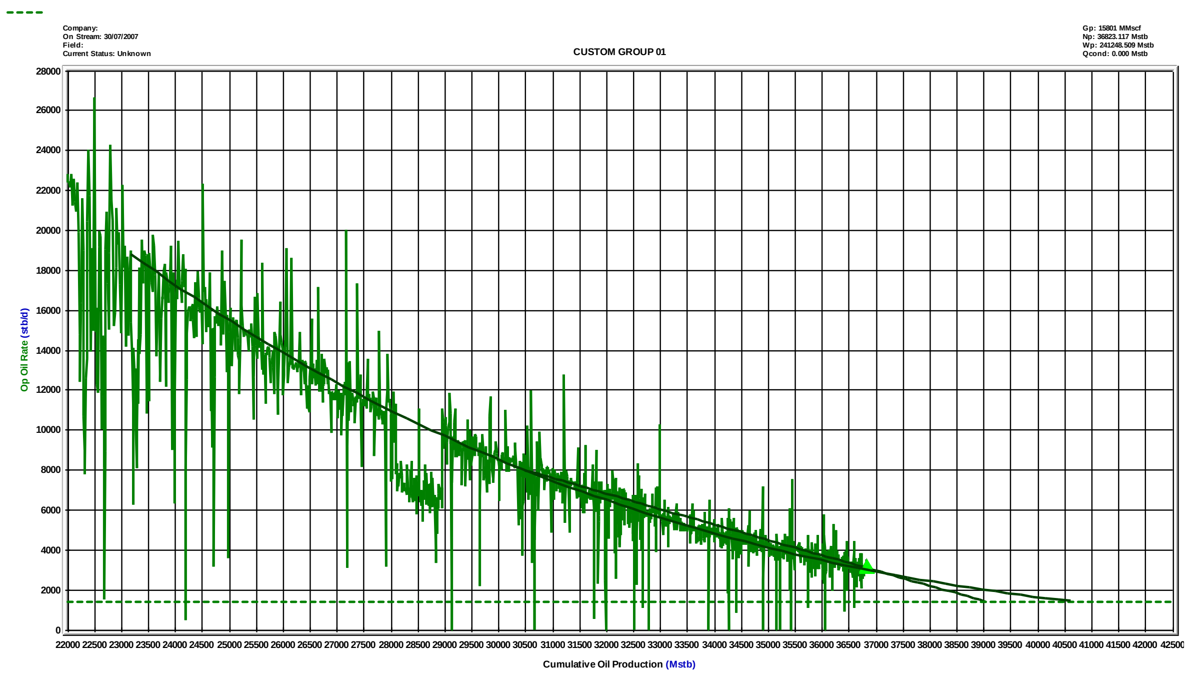


Figure 5-5 Tui Area Production Decline

Pan Pacific has used reservoir simulation data to estimate the Pateke-4H recovery factor distribution. As Pateke-4H has just commenced production, the recovery estimates have been checked against analogue production from the Amokura-2H well, adjusted for the well longer well length in Amokura. These checks show the simulation results are reasonable and potentially conservative.

A recovery factor distribution independent of STOIIP has been applied to the STOIIP distribution to arrive at a probabilistic estimate of recovery. The recovery factor range estimated from simulation is 45-48%.

However the dominant factor affecting recovery appears to be STOIIP uncertainty which has been adequately captured and consequently we believe the resulting UR estimates are reasonable

For the initial period of Pateke-4H production testing up to April 15th, its actual performance has exceeded the simulation forecast (Figure 5-6). This initial outperformance has been captured through an adjustment of the simulation forecast in our modelling, resulting in a 2P of 2.2 MMbbls and 3P of 3.1 MMstb gross. Although it is too early to be definitive, the outperformance may indicate the 2P estimates are conservative.

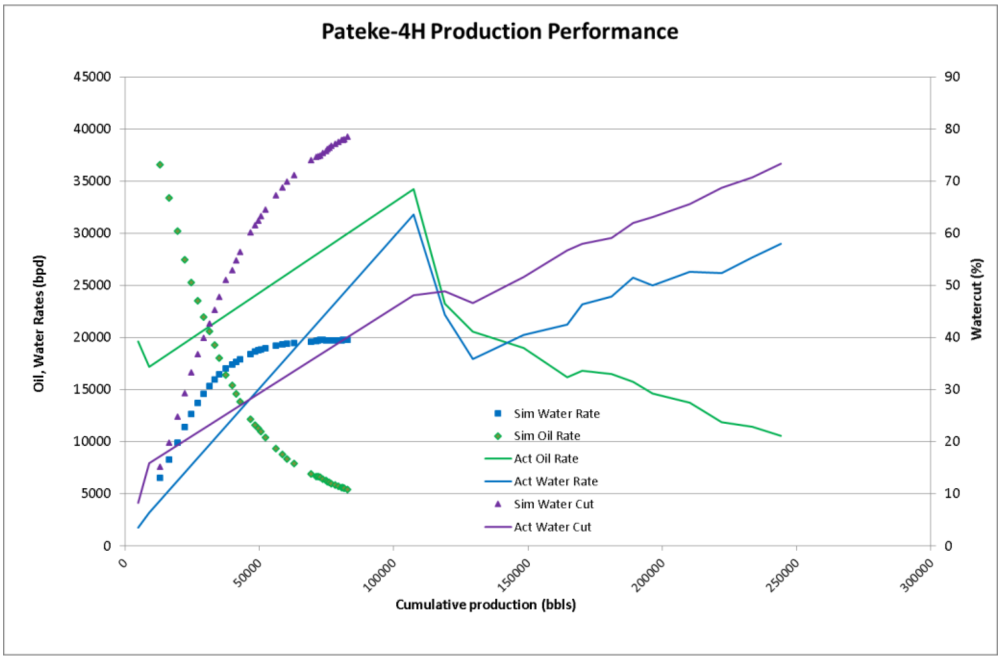


Figure 5-6 Pakete 4H production performance

Valuation Scenarios

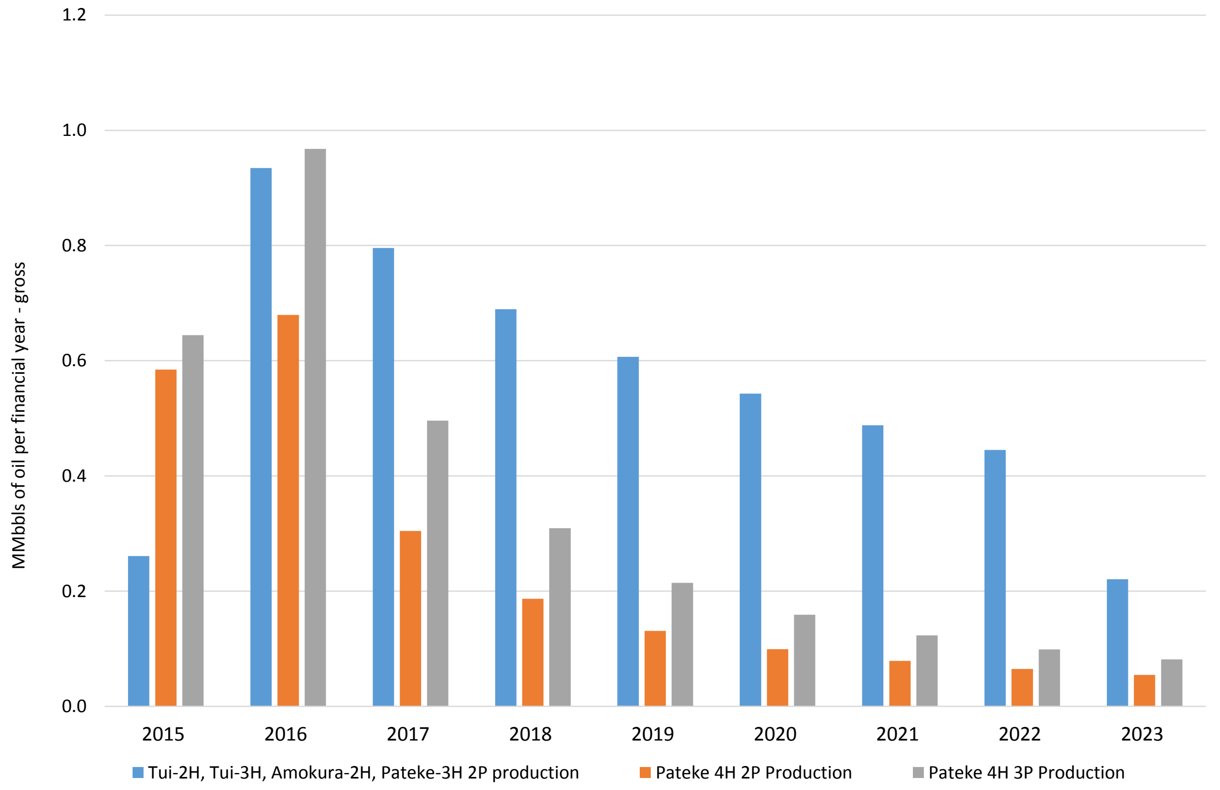
Valuation scenarios for the Tui area development are shown in the table below. Capex and opex estimates are the same in both valuation scenarios. The only difference between the two scenarios is the performance of the new Pateke-4H well.

Table 5-2 Tui Area Valuation Scenarios

Base Case	High Case
Tui-2H, Tui 3H, Amokura-2H, and Pateke-3H 2P production. Pateke-4H 2P production.	Tui-2H, Tui 3H, Amokura-2H, and Pateke-3H 2P production. Pateke-4H 3P case production.

Production Forecasts

Production forecasts have been generated using decline analysis for the existing four wells, plus a separate forecast for Pateke-4H based on simulation (as there has been insufficient time for the well to develop an analysable decline).



Note: 2015 shows production from 1 Apr 2015 through 30 Jun 2015

Figure 5-7 Tui Area Production Forecasts

Operating Cost

Operating costs are shown in the figure below, and exclude marketing costs of US$0.7 million per year. Production opex is dominated by the FPSO operations contract of US$31.8 million in FY 2015. The FPSO operations contract has annual extension options from 2015 through 2022, and is forecast to be similar cost for each annual extension. Opex projects are forecast to be between US3-5.6 million per year, and cover subsea inspection and FPSO asset integrity projects. Transport and logistics reduces after FY2015 due to Pateke-4H tie-back project completion, and remains constant at US$7 million from FY2016 on.

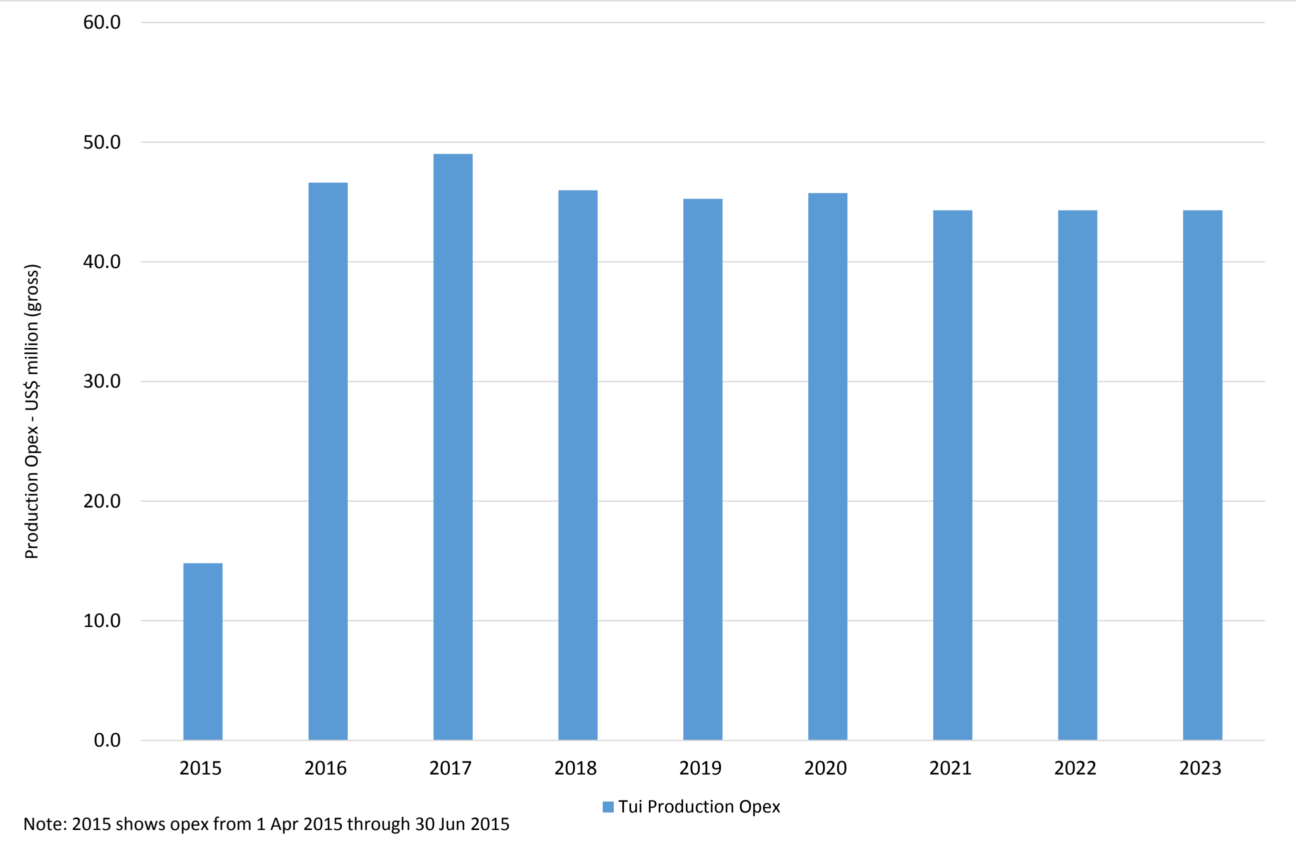


Figure 5-8 Tui Area Operating Cost Forecast RT 1/1/2015

Capital Cost

No future capital development activities are currently planned for the Tui area. FPSO integrity projects are covered under opex projects in the operating budget.

Abandonment Cost

Total field abandonment costs are estimated to be US$113 million, and are expected in the financial year following end of production. Abandonment costs include well plug and abandonment, FPSO preparations, anchor chain removal and disposal, subsea hardware removal and disposal, project management, and contingency at 25 percent. Abandonment costs are subject to significant uncertainty until detailed planning work is complete.

5.2. Exploration Potential

The initial exploration success with Tui-1, Amokura-1, Pateke-2, has been flowed with five unsuccessful wells (Kiwi-1, Tieke-1, Taranui-1, Kahu-1 and Oi-2). These failures have help understand the hydrocarbon migration pathway and reservoir development. As a result, Matata is the only prospect that remains potentially attractive. It is located in the south of PMP 38158 and extends into PML 131012 (Maui) to the south-east (Figure 5-9).

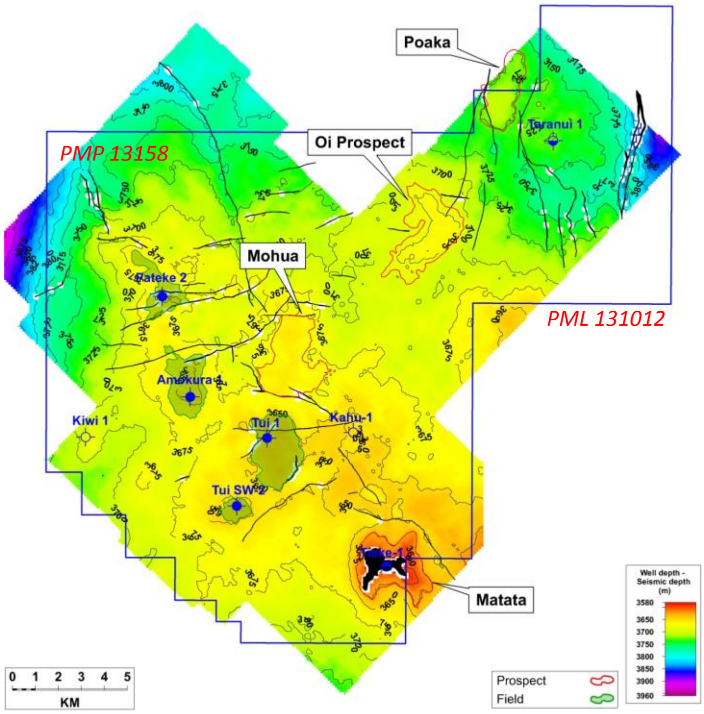
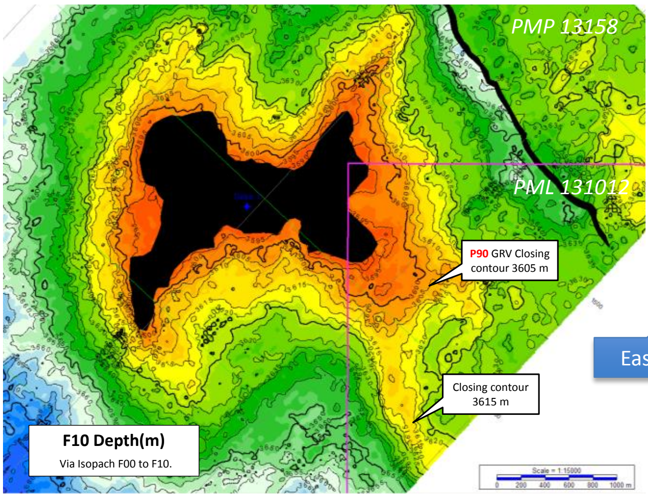
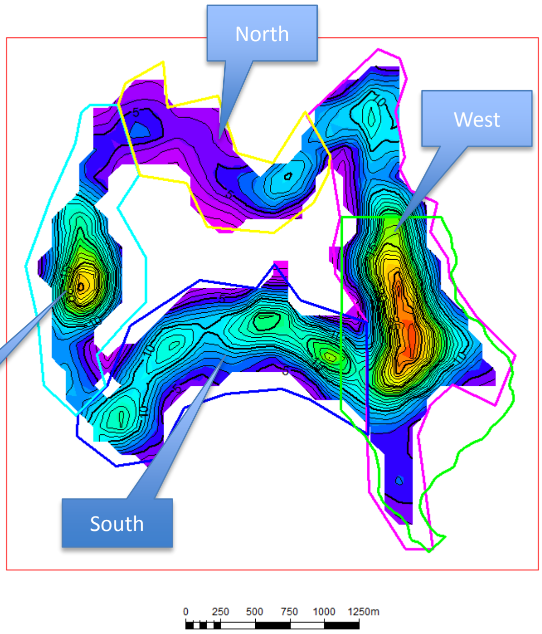


Figure 5-9 Location of Matata prospect

The Matata prospect is a drape closure comprising a basement core with a fringe of F10 sand. Tieke-1 was drilled in a crestal location but failed as the F10 sand did not extend over the top of the basement high. However, this left the possibility of the F10 sand pinching out against the basement high down dip. Top seal is the same is in the Tui Area Fields and so also expected to seal Matata. The basement is expected to provide base seal. The Matata prospect is ideally positioned for charge as it lies on the spill chain between Tui and Maui.

There is uncertainty in the extent of the F10 sand as it cannot be resolved on the seismic data and its extent has been determined by adding a 50m isopach to the overlying F00 event, consistent with wells within the Tui PMP. The result is shown in Figure 5-10. The size of the closure is ultimately constrained by a spill point in the south of the structure. The oil column map (Figure 5-10) shows that the prospect is subdivided into four segments and if successful, it is likely that each would need to be developed separately. The largest volume occurs is the east segment, but this lies predominately outside PMP 13158.





Depth map

Oil column map

Figure 5-10 Matata Maps

The F10 sand reservoir has proven to be consistently high quality over the Tui area fields, but there are number of factors that influence the quality of the Matada prospect. The sand content increases north to south in the Pateke to Amokura to Tui fields, and this trend could continue to the Matata prospect. But, the nature of the pinch-out could influence the depositional environment and reduce reservoir quality. Diagenesis could also have an effect. The F sand exhibits unusually high permeability for a sandstone at the depth of the field Tui area fields (3650 m), as a result of secondary porosity development created by dissolution of feldspar grains. This process usually also results in kaolinite deposition, which drastically degrades permeability by blocking pore throats, but this has not occurred at Tui. The poor reservoir quality at Taranui-1 is thought to be the result of more pronounced feldspar dissolution which was associated with deposition of small amounts of kaolinite (10%). It is possible that this could also occur near the termination of the F sand and could similarly degrade the reservoir within Matata.

RISC estimates aggregate on-block gross unrisked best estimate prospective resources of 2.6 MMbbl with a high estimate of 8.5 MMstb.

RISC estimates the probability of success to be 16%, based on our view of probability of the risk elements and our level of confidence. This is against a background of the last 5 exploration wells in the permit being unsuccessful.

We see charge as very likely as the Matata prospect lies on the spill chain between Tui and Maui. While reservoir quality is thought to improve to the south, we don't know how the local effect of the basement high will impact the facies, and there are concerns on diagenesis. While we view it likely that the F10 sequence will pinch-out on somewhere on the basement high, the trap cannot be mapped on the seismic data and we therefore have low confidence and view it only probable that it is as mapped. Seal is also probable, but we have a higher level of confidence given the success of the seal at the Tui area fields.

6. Vietnam

6. Vietnam

Pan Pacific participates in two blocks in Vietnam – Block 07/03 in the south in the Nam Con Son Basin, and Block 121 in the north in the Phu Khanh Basin. Talisman is the operator of Block 07/03, while Origin Energy operates Block 121.

6.1. Block 07/03 (PPP 5%)

Block 07/03 is located in the offshore Nam Con Son Basin, Vietnam, approximately 450 km South-Southeast of Vung Tau (Figure 2-1) and in water depth ranging from 100m to 400 m. Exploration resulted in a Miocene-Oligocene oil and gas discovery at Cá Rong Đo (CRD) in 2009 which has been successfully appraised. Two subsequent exploration wells drilled at Cá Rồng Vàng (CRV-1X, 2009) and Ca Duc (CD-1X, Silver Sillago 2014) were unsuccessful. Currently the block is held under an extension of the Subsequent Exploration Period, which runs until 31 August 2015. The operator has recently proposed to the joint venture (February 2015) relinquishment of the western portion of the block, definition of a CRD development area, and a retained exploration area.

Figure 6-1: Block 07/03 Location

6.1.1. Geological setting

The Nam Con Son Basin is located at the intersection of tectonic systems related to Indochina extrusion and rifting in an eastern sea. Extension in the Eocene-Oligocene set up the development of a number of NE-SW trending half-grabens which filled with stacked reservoir quality sandstone as well as shales and coals with sourcing potential. Miocene carbonate systems developed and in places produced large robust features which were the target of early exploration efforts. A number of major discoveries resulted from this phase of exploration, such as the Lan Tay and Lan Do fields. More recent Nam Con Son basin exploration activity has seen substantial discoveries in the Oligocene-Miocene clastics below the Middle Miocene unconformity. These include the Middle Dua Chim Sáo Field.

6.1.2. Field Description

The Cá Rong Đo (CRD) field is a roughly triangular-shaped closure bounded to the northwest and east by faults, and to the southwest by dip. The CRD-1X discovery well was crestally located and deviated to track behind the bounding fault plane to the northwest. The well encountered both oil and gas pay within multiple stacked reservoir layers in Miocene and Oligocene sands. Two of these reservoir zones in the Miocene section were tested and flowed oil at a combined rate of 3,265 bbls of oil per day plus 8.1 MMscf of gas per day, through a 48/64" choke[3]. No water was produced from either zone. It was not possible to flow test the Oligocene sands at that time.

In 2011, the CRD discovery was appraised with the CRD-2X and CRD-2X sidetrack wells. Following acquisition of the operatorship by Talisman, two further wells have been drilled in this field, CRD-3X and CRD-3XST. These wells have confirmed the extension of the field into the eastern portion of the fault block.

The CRD-2X well which evaluated the Oligocene sands and found 72m net condensate/gas pay. Two zones were tested and the first zone tested flowed gas and condensate at rates of 9.7 MMscf/d and 870 bopd respectively through a 40/64" choke. The second zone tested flowed gas and condensate at rates of 17 MMscf/d and 1730 bopd respectively through a 56/64" choke. CRD-2X was subsequently sidetracked to further evaluate the distribution of hydrocarbons in the Miocene and intersected 18.3m of net oil pay in the Miocene sands. This compares with 34.4m of net oil pay found in the Miocene section in the up dip CRD-1X well, and 3.8m in the down dip CRD-2X well.

Two additional appraisal wells in the east of the CRD closure, CRD-3X and CRD-3XST. Pan Pacific report the following results: CRD-3X found 28.6m net oil pay and 12.3m net gas pay, and the subsequent sidetrack found 46.1m net oil pay and 49.5m net gas pay. Three cores totalling about 150m were obtained in the CRD-3X well. DSTs were conducted in CRD-3X for three Miocene sandstones reservoirs which had not previously been flow tested, achieving an aggregated flow rate in excess of 8000 bopd reported by PPP with some gas and no water.

Development planning is underway with a final investment decision expected in 2015. We currently classify the CRD resource volumes as Contingent Resources.

6.1.3. Development Description

On 19 January 2015, the Cá Rong Đo (CRD) Outline Development Plan (ODP) was approved with the following scope which has been the subject of review for further optimisation:

1. Fabrication and installation of a Tension Leg Wellhead Platform (TLWP) with a maximum of 18 slots
2. Long-term lease of a FPSO with sufficient process capacity for 30,000 bopd
3. 12 wells including 7 oil producers, 4 water injectors and 1 gas injector
4. Targeted first oil date of Q3 2018

The CRD project completed concept select studies in 2014, and is currently progressing engineering studies on all key areas of scope for the development of both oil and gas. The project timeline and evolution of development scope between April 2015 and final investment decision (FID) will be largely dictated by gas handling and gas sales discussions currently underway with PetroVietnam. It is noted that the Joint Venture could continue evaluation for a further two years under the PSC if required. Current plans, which have evolved since approval of the ODP, are focused on a combined oil and gas development. An oil and gas

[3] Summary well results from Pan Pacific website

development would require a gas pipeline between the CRD FPSO, and a suitable tie-in point, approximately 80-150 km from the development.

Differences in scope between oil only, and oil and gas developments are shown in the table below.

Table 6-1 CRD Development Scope Differences

Scope	Oil Only Development	Oil and Gas Development
Facilities Concept	FPSO and TLWP	FPSO and TLWP
Oil development wells	7 wells (includes 1 contingent well)	6 wells
Water injection wells	4 wells	4 wells
Gas injection wells	1 well	N/A
Gas production wells	N/A	4 wells

6.1.4. Contingent Resources

RISC has reviewed the Outline Development Plan and reserves estimates provided by the Operator. RISC has conducted its own checks and validations of the Operator's methodology and, in general, has found the Operator's approach comprehensive, and the estimates to be reasonable, with minor adjustments made where necessary.

Recovery factors for the oil reservoirs range from 10% to 40%, depending on the quality of the reservoir, the varying viscosity of the oil and the degree of pressure support from water injection. The main oil reservoir, the S4.0 sand, has an estimated recovery factor range of 20% to 40%, with a most likely value 30%. The field-wide average oil recovery factor is 25%. RISC has conducted independent estimates of recovery factor and supports these ranges.

Gas recovery factors are assumed to be in the range of 55% to 75%, with a most likely value of 65%, which are considered reasonable.

The 2C ultimate recovery for the oil-only development is estimated to be 42.3 MMbbls, whilst for the combined oil and gas development, an incremental 2.2 MMbbls of condensate and 184 bcf of gas is recovered.

Valuation Scenarios

CRD development valuation scenarios with resources and RISC estimates of costs are shown in the table below. An oil and gas development is currently more favourable than an oil only development, and is used as the basis for valuation. The timing of FID is altered in each case to represent a possible range of outcomes. First oil in 2018 is dependent on achieving FID in August 2015, which is possible, however carries uncertainty given current gas negotiations and market conditions. Accordingly we have included a sensitivity with a 2 year delay.

Table 6-2 Block 03/07 Valuation scenarios, costs and resources

CRD Oil and Gas Development	First Oil 2018	First Oil 2020
Development Timing	FID in August 2015 First oil in Q3 2018	FID in August 2017 First oil in Q3 2020
Production	Liquid: 44.5 MMstb Gas: 184 BCF	Liquid: 44.5 MMstb Gas: 184 BCF
Development Capex	US$1,150 million	US$1,283 million
Opex (per annum)	US$168 million	US$168 million
Abandonment Cost	US$179 million	US$179 million

Production Forecasts

RISC has generated production forecasts, based on the results of a number of reservoir simulation models, for an oil-plus-gas development based on 2C estimates (Figure 6-2).

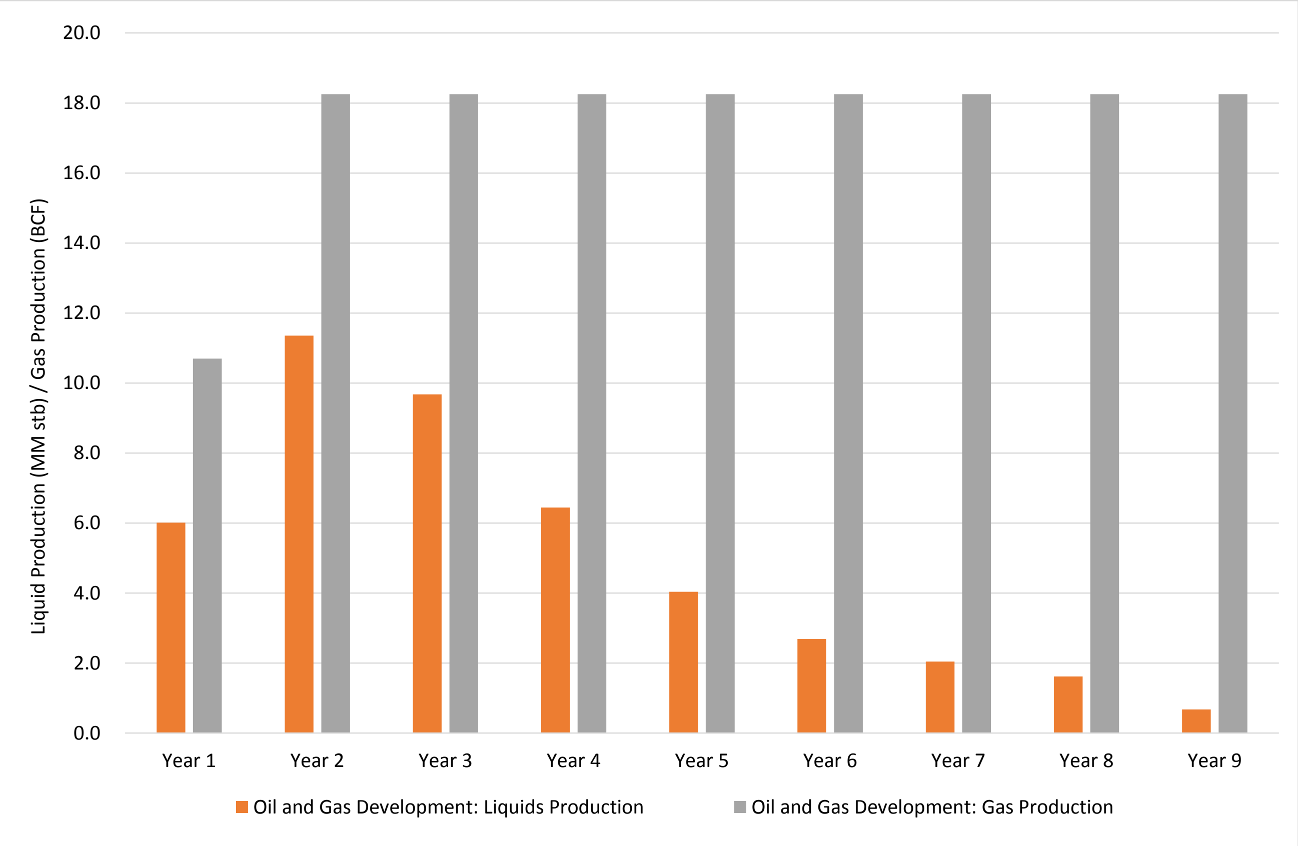


Figure 6-2 Block 03/07 Production Forecast

Operating Cost

Figure 6-3shows opex for the CRD oil and gas development. Production begins in Q3 of year 1, and as such year 1 opex is lower than subsequent years. We have applied a cost reduction of about 10 percent to opex values between development of the final ODP in October 2014 and April 2015, primarily due to changes in market conditions.

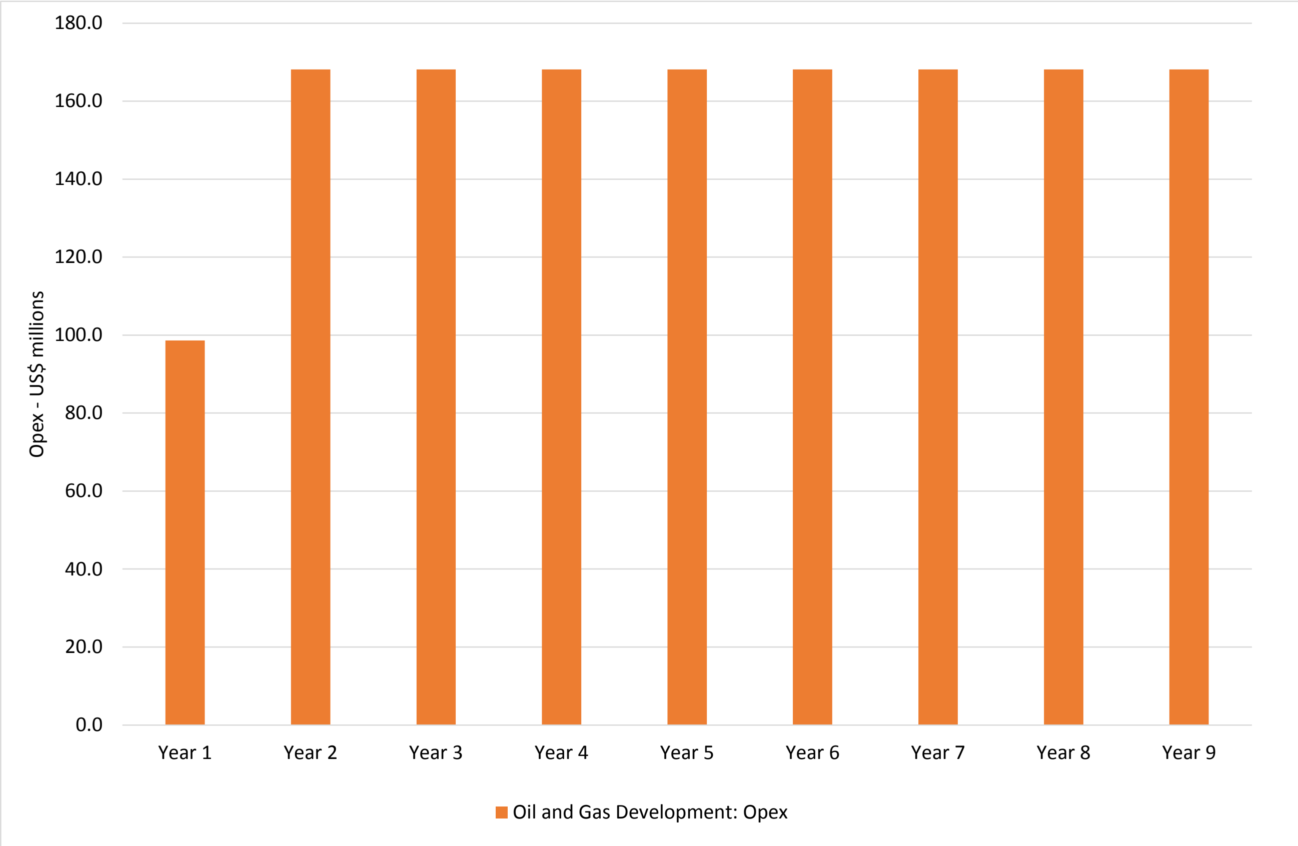


Figure 6-3 Block 03/07 Operating Cost Forecast RT 1/1/2015

Capital Cost

The following figure shows the phasing of the total development capex for both valuation cases. Well cost savings around 10-15 percent have been assumed between ODP development in October 2014 and April 2015 – due to changing market conditions. We believe this cost saving to be reasonable for the well scope.

In the case of a 2 year delay, there is an increase in capex due to holding costs. Development costs outlined in the ODP for the FPSO, TLWP and pipelines appear reasonable. Facilities cost savings in excess of 20 percent have been assumed between ODP development in October 2014 and April 2015 – again, primarily due to changing market conditions. We believe this cost saving to be aggressive, particularly given project costs commonly increase between the end of concept select and FID as scope definition improves. We use a market driven cost saving of 10 percent in our facilities capital cost forecast.

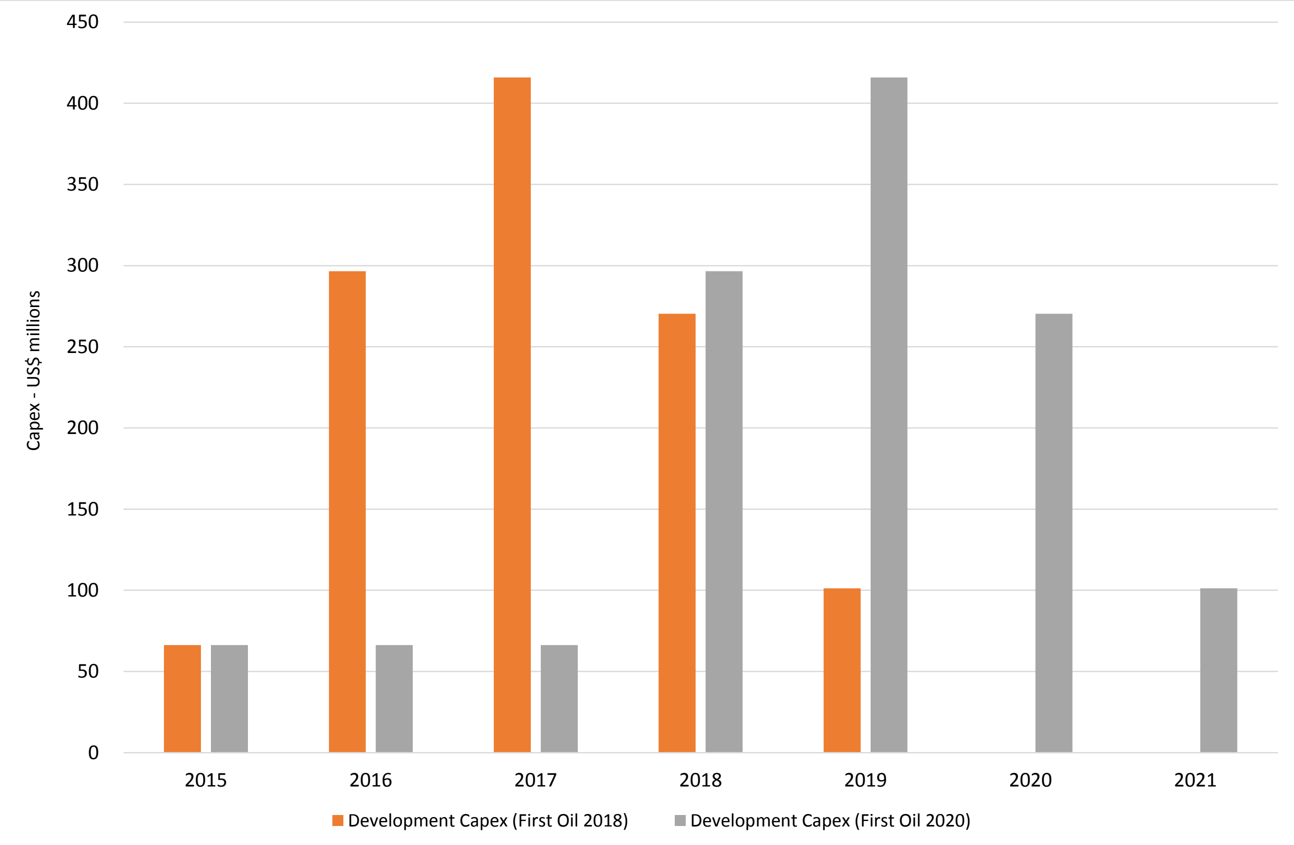


Figure 6-4 Block 03/07 Capital Cost Forecast RT 1/1/2015

Abandonment Cost

Abandonment estimates from the ODP appear reasonable. We do not apply a market driven saving to abandonment costs given the work is not expected to occur for a number of years. Abandonment costs are subject to significant uncertainty until detailed planning work is complete.

6.1.5. Exploration Potential

A range of exploration prospects has been mapped across Block 07/03. These are largely within the Miocene-Oligocene Dua and Cau Formations that are proven hydrocarbon-bearing in the CRD field, although there also potential in one large undrilled carbonate reef. The two most prospective features were seen as Silver Sillago, in the west of the block and Mackerel, north of CRD. Silver Sillago was drilled in 2014 and was dry with no significant oil or gas shows. Failure is most likely to be due to lack of charge. The western portion of the block is being considered for relinquishment.

The focus for the Joint Venture is now an area 25-40 km to the northwest of CRD, in an area referred to as Cobia. We have reviewed this area, together with two small potential CRD tie-in features, CRD NE and CRD W.

CRD NE and W

There are small closures adjacent to the CRD field that could have potential as tie-back resources. These are CRD Northeast and CRD West. We have made an indicative mid case volumetric calculation, using both Dua and Cau reservoirs based on the actual average net oil and gas pay, fluid and rock properties seen in the CRD wells. RISC's estimates of prospective resources are shown in Table 6-3.

CRD NE is a separate culmination, and the north-south fault that bounds the CRD structure to the east may extend to isolate the NE feature which we have assigned as undiscovered. There is a very high chance of a discovery, and we have ascribed a probability of success of 80%. CRD W appears to be an isolated fault block, albeit immediately adjacent to the CRD structure. We consider that there is a charge risk into this area, and have given it a POS of 65%.

Indicative mid case unrisked undiscovered resources MMstb	Oil in-place, MMstb	Prospective Resource, MMstb	Gas in-place, Bcf	Technically recoverable gas, Bcf	Probability of success
CRD NE	17.2	4.3	68.6	17.2	80%
CRD W	12.3	3.1	48.8	12.2	65%

Table 6-3 CRD Northeast and CRD West best estimate prospective resources (RISC) as at 1 April 2015

Cobia area

At present, this area is mostly covered only by 2D seismic, on which five leads have been mapped. These features have been defined at three levels; Oligocene Cau Formation, the Middle Miocene Dua Formation and also at the shallower Late Miocene Thong/Nam Con Son Formation. Due to the depth in this area, the JV consider that they are more likely to be gas-bearing, although we consider that oil remains a possibility for the shallower units. A 3D seismic programme is proposed should an exploration extension be granted for a further five year term subject to the requisite joint venture and PetroVietnam approvals.

To represent the value of the exploration potential of the block, we have chosen the largest of the features, the Cobia prospect. Key risks are trap definition and, for the deep play, reservoir quality. Individual chances of success for each level are estimated by RISC at 20% with the overall chance of success corresponding to a discovery (some combination of the three plays) in the consolidated range is about 40% with a best estimate prospective resource of approximately 550 bcf gross.

6.2. Block 121 (PPP 15%)

Block 121 is located in the offshore Phu Khanh Basin, Vietnam, at its closest point approximately 30 km off the coast. There are no discoveries or fields in this block. There are two dry wells, 121-CV-1X (Ca Voi), drilled in 2013 by Origin, and 121-CM-1X, drilled by BHP Petroleum in 1993. TD of 121-CV-1X is in upper synrift Oligocene-Miocene at 3750 m MDRT. The well penetrated wet gas shows associated with indications of overpressure within the shallower Miocene section which demonstrates that a working petroleum system is present on Block 121.

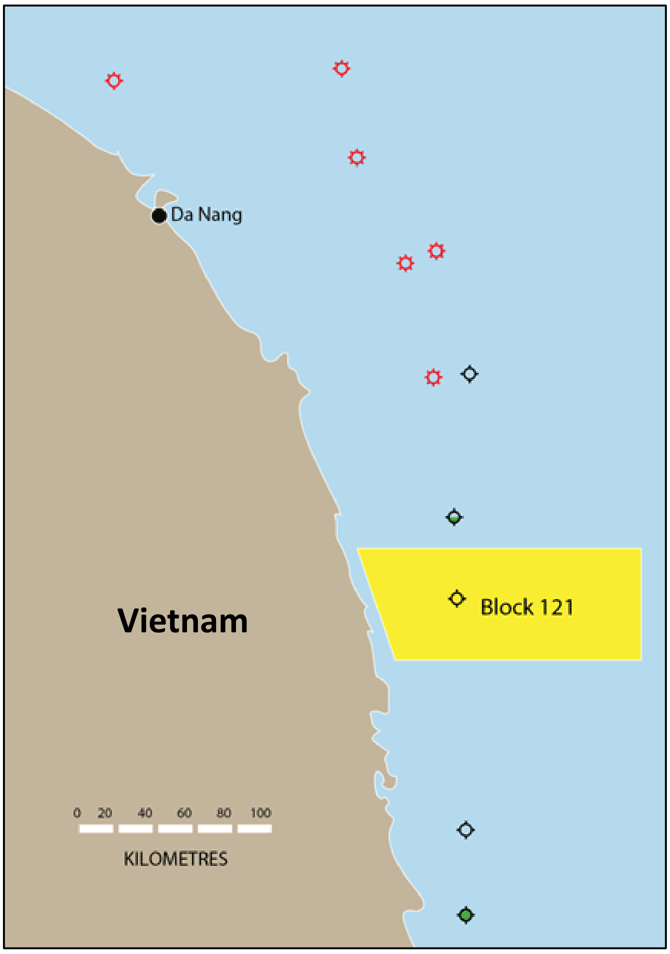


Figure 6-5 Block 121 location

6.2.1. Geological setting

The Phu Khanh Basin developed within pre-Tertiary basement through rifting in the Eocene, initially related to collision of India and Eurasia. Sea-floor spreading of the South China Sea to the east was accompanied in the basin by a later rift stage that took place within the Late Oligocene to Early Miocene. The subsequent post-rift stage from Middle Miocene through to Recent times, related to thermal subsidence, included carbonate development and some volcanics. Primary clastic reservoirs for Block 121 comprise Late Oligocene and Miocene deltaic, shallow marine and deep water sands. In addition, Miocene carbonates and possibly fractured granite basement are prospective. The Miocene and Oligocene interval is also considered to contain source quality lacustrine shale and coals, and regional or intra-formational seals. The basin contains both oil and gas.

Traps are primarily syn-rift structural traps within fault blocks, but also as overlying drape structures. However, prospectivity is also present as stratigraphic traps, particularly related to shallower turbidity fan systems.

Although no discoveries have been made in Block 121, well 120-CX-1X in the block to the north contains an oil column in Miocene reefal carbonates. The significant Ca Voi Xanh gas field was discovered recently (2011) by ExxonMobil further north in the basin in Block 118.

6.2.2. Exploration Potential

A series of structural prospects and leads are present across the block. The key features are Swordfish and Flounder in the shallower water (200 - 300m) in the west of the block, and some currently less well-defined closures in deeper water (800 – 1800m) in the east. These latter features are Viperfish, Lanternfish and Anglerfish.

Swordfish

The prospect is a synrift feature on trend with the well 121-CV-1X (Whale) well (gas show in Middle Miocene), within relatively shallow water. RISC considers the main risks are to the possible lack of reservoir, or possibly lack of seal.

Swordfish is defined on 3D seismic as a fault- and dip-closed structure set up by a basement high. The prospective section is the Intra-Oligocene, which subcrops the Early Miocene Unconformity. A banded character on the seismic suggests that interbedded sandstones and shales may be present. Miocene carbonates are interpreted to overly the unconformity.

The Operator, Origin quotes mean unrisked prospective resources of 104 MMstb or 345 Bcf for Swordfish prospective resources in the farmout brochure. RISC has reviewed indicative volumes for various structural cases, and estimate that indicative mid case unrisked prospective resources are of the order of 50-80 MMstb. RISC estimates the chance of success is in the order of 10%, given the failure of the 121-CV-1X well.

Viperfish

This is the largest of a series of closures mapped on some half dozen 2D seismic lines in the deeper water (1000m) eastern portion of the block. It is defined by a basement horst, onto which a synrift sedimentary package thins towards the crest. It has a relatively simple closure at the Mid Miocene Unconformity, and a smaller faulted closure at the basement level. Although in relatively deep water, the crest of the structure is only some 1 sec TWT below seabed. To spill point, the closure at the unconformity covers some 76 sq km. Origin have calculated preliminary mean unrisked prospective resources of 178 MMstb , using a gross rock volume calculated from the whole of the section between the unconformity and the basement. Note that the nearest wells are more than 50 km away, so provide limited guidance on potential reservoir.

RISC has undertaken some indicative checks on the volumetrics and considers that mid case unrisked prospective resources are in the range 80-180 MMstb.

RISC assesses the key risks for the Viperfish prospect are reservoir and charge, the latter particularly due to lack of large local source kitchen. RISC estimates that the POS is in the order of 8%.

Flounder

Flounder is defined by stacked amplitude-versus-offset (AVO) anomalies within the Mid Miocene section, draped over a plunging structural nose. These amplitudes are considered to represent basin floor sandstones, and are proposed to define a combined structural-stratigraphic trap. An AVO study work has suggested that the some responses are consistent with gas-filled sands. Well 121-CV-1X was drilled immediately to the west but did not penetrate theses raised amplitudes. Nevertheless, the operator has reported that although significant shows were absent, traces of wet hydrocarbons provide support for a working petroleum system. In addition, a gas kick in a thin Miocene sand in this well may reflect the eastern edge of sands present more fully over Flounder. Origin have quoted mean unrisked prospective resource of 695 bcf and 110 MMbbl condensate. RISC has not reviewed this prospect in detail due to its immature definition and in our view, high risk.

7. Commercial

7.1. Economic assumptions

Where RISC has undertaken discounted cash flow (DCF) analyses it has been based on the following economic assumptions advised by the Expert:

7.1.1. Effective date

The effective date has been set at 1 April 2015.

7.1.2. Discount rate

The discount rate of the unlevered cashflows is 10% pa nominal, after tax for New Zealand, and 14% pa nominal after tax for Vietnam.

7.1.3. Oil Price

The oil price for the New Zealand reserves and Vietnam contingent resources have been based on the base case Brent oil price forecast shown in the figure below. A price discount of US$ 0.75/bbl has been assumed for Tui at these price levels, based on recent sales. For the CRD crude no discount has been assumed.

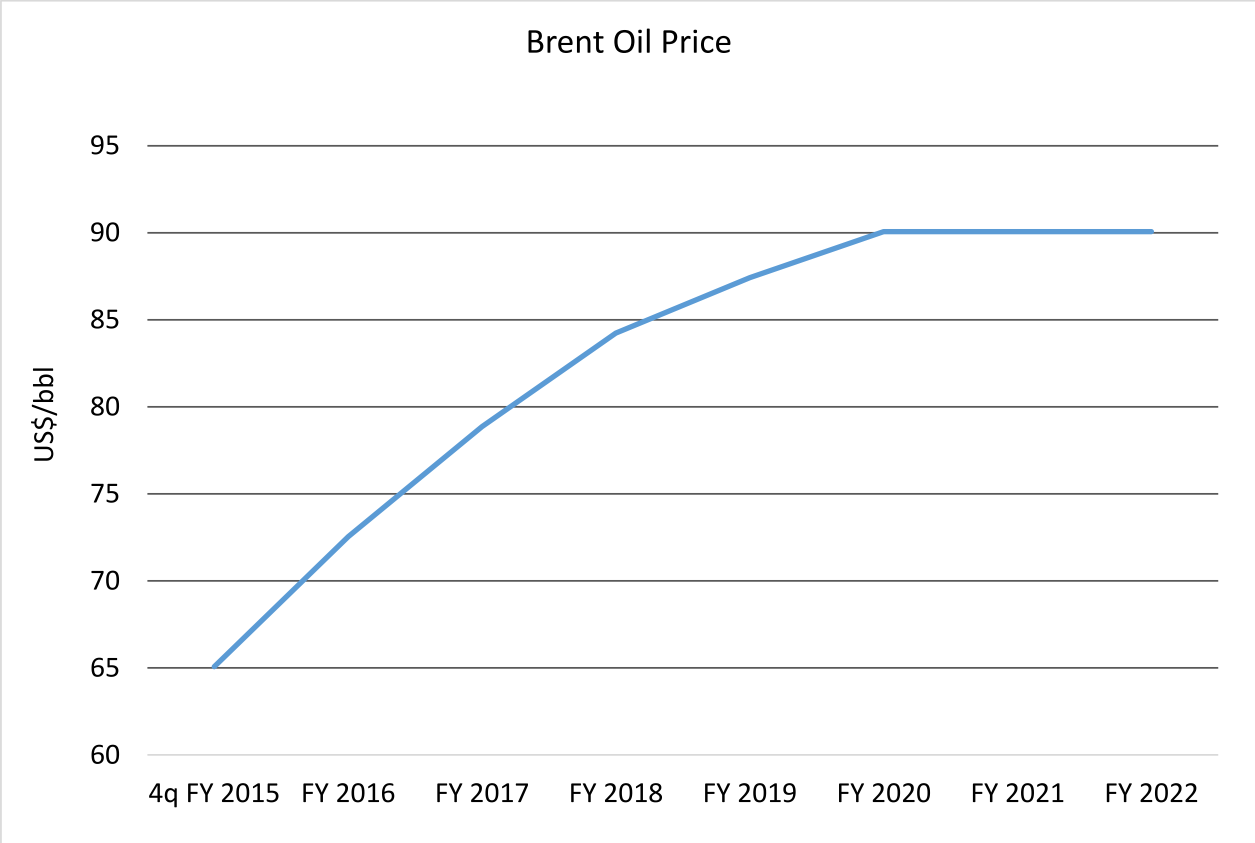


Figure 7-1 Brent Oil Price Projection

7.1.4. Vietnam Gas Price

A base case gas price of US$ 7/MMBTU (nominal) has been assumed on the basis that it is considered to be competitive with new-build imported coal-fired generation plants taking into account a pipeline tariff.

7.1.5. Cost escalation

Capex and opex escalation of 2% pa has been assumed.

7.1.6. Exchange rates

The forward exchange rate assumptions are summarized in the table below.

Table 7-1 Foreign Exchange Projection

	2015	2016	2017	2017+
USD:AUD	0.73	0.72	0.74	0.74
USD:NZD	0.71	0.71	0.73	0.73

7.2. Fiscal terms

7.2.1. New Zealand

The petroleum fiscal terms for New Zealand comprise a royalty and income tax at a rate of 28% of taxable income. The petroleum royalty is the greater of:

- an ad valorem royalty based on 5% of the value of the petroleum sales from the licence, and
- an accounting profits royalty, which is 20% of the net profits on the petroleum sales from the licence.

7.2.2. Vietnam

Vietnam's petroleum fiscal terms are typical of many regional PSC's and is illustrated in the diagram below.

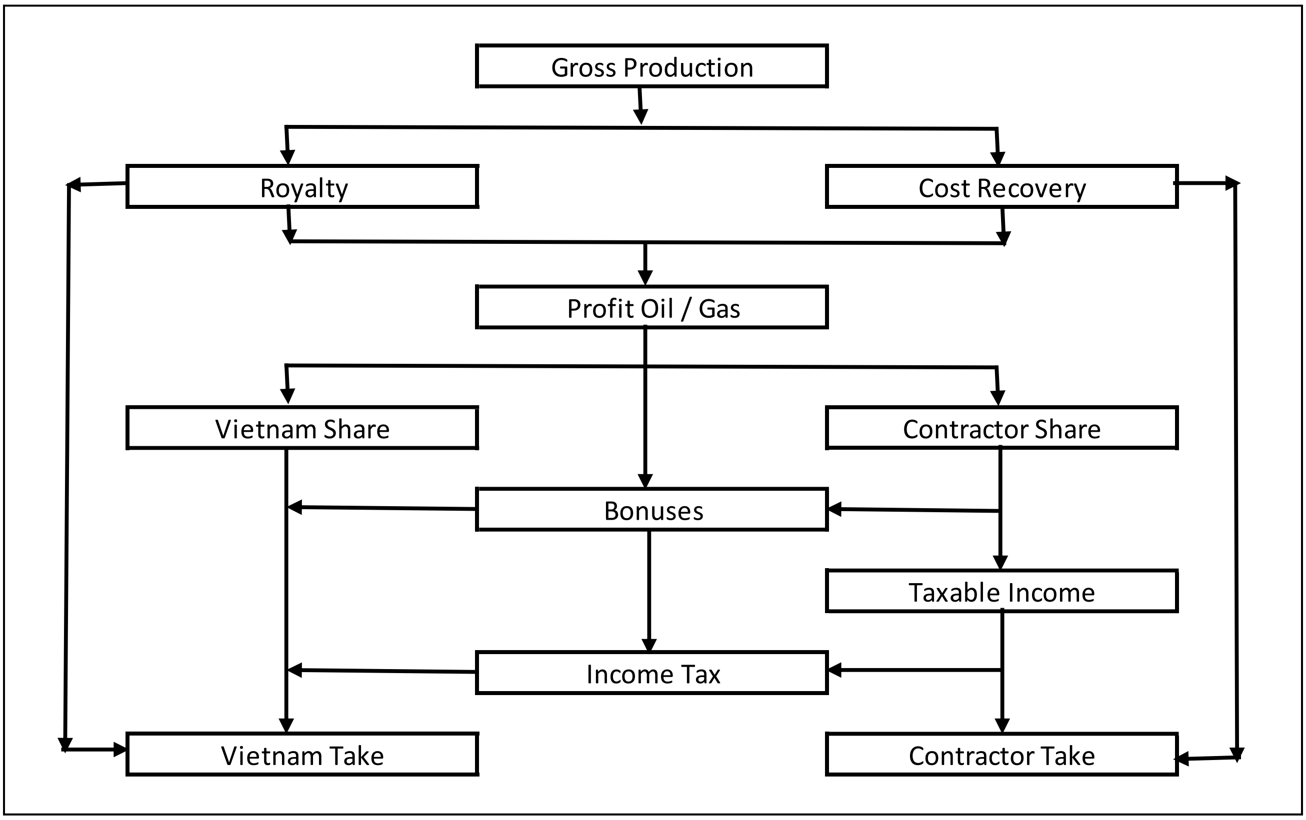


Figure 7-2 Vietnam PSC Cashflow Diagram

Elements of the fiscal terms include:

- Differential, production related oil and gas royalty rates
- Cost recovery capped at 70% of production revenues
- Production sharing of resulting profit oil and gas between the State and the Contractor
- Milestone related, non-cost recoverable nor tax deductible bonuses payable by the Contractor to the State
- Non-cost recoverable but tax deductible Education Fees
- Cost recoverable export tax of 4% on crude oil or gas exported from Vietnam
- Income tax of 32% on taxable income.

8. Valuation

8.1. Reserves and Contingent Resources

8.1.1. PMP 38158 - Tui & Pateke Reserves

Based on production and cost profiles derived by RISC for the Tui and Pateke field, and on the commercial assumptions described in Section 7 above, the net present value at a 10% pa nominal discount rate of Pan Pacific's interests in these reserves has been determined, along with the impact of variations in major project sensitivities as summarised in the table below.

Table 8-1 PMP 38158 Reserves, PPP After Tax NPV10, A$ million as at 1 April 2015

NPV 10% nominal pa, after tax, A$ million	**Scenario 1: Tui 2P reserves + Pateke 2P reserves**			**Scenario 2: Tui 2P reserves + Pateke High case reserves**		
	Low	Base	High	Low	Base	High
Oil Price, -20%/+20%	4.9	19.0	32.0	12.1	27.1	40.4
Production rate, -20%/+20%	7.3	19.0	29.7	14.5	27.1	38.1
Opex, +20%/-20%	10.5	19.0	28.0	19.6	27.1	35.4
Exchange rates, +20%/-20%	15.8	19.0	23.7	22.5	27.1	33.8
Discount rates 9%->10%->11%	18.8	19.0	19.1	27.0	27.1	27.1
Capex, +20%/-20%	19.0	19.0	19.0	27.1	27.1	27.1
Reserves, MMbbl		0.9			1.0	

These values are illustrated in the figures below.

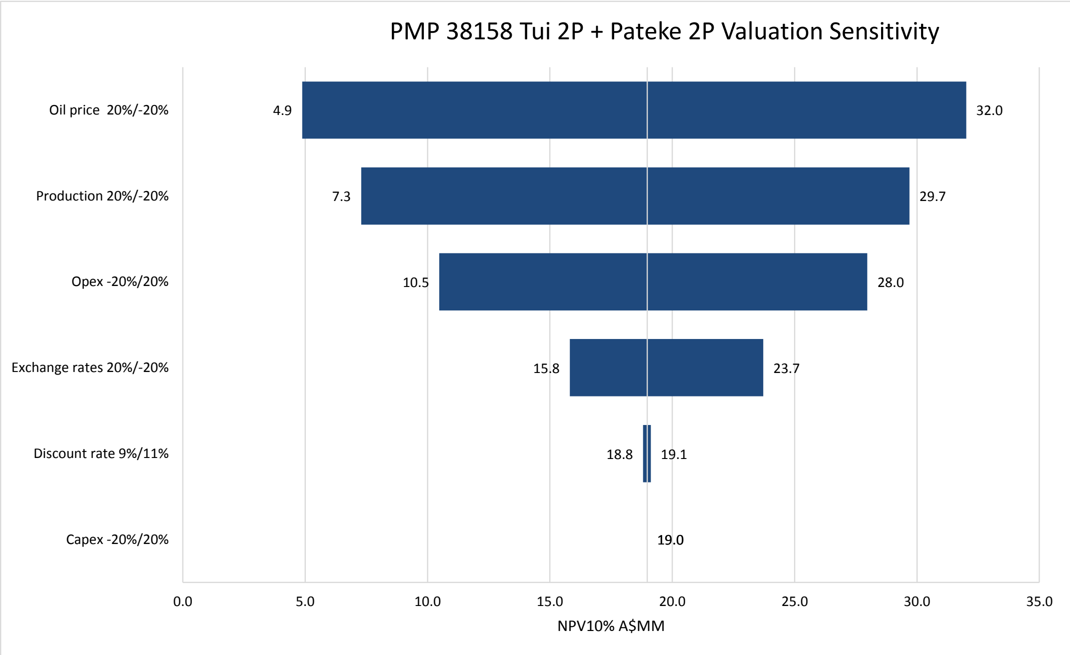


Figure 8-1 Tui 2P + Pateke 2P, PPP NPV 10 Sensitivity Analysis

(Note: There is no variation in NPV for the capex sensitivity since all development capex had been incurred prior to 31 March 2015).

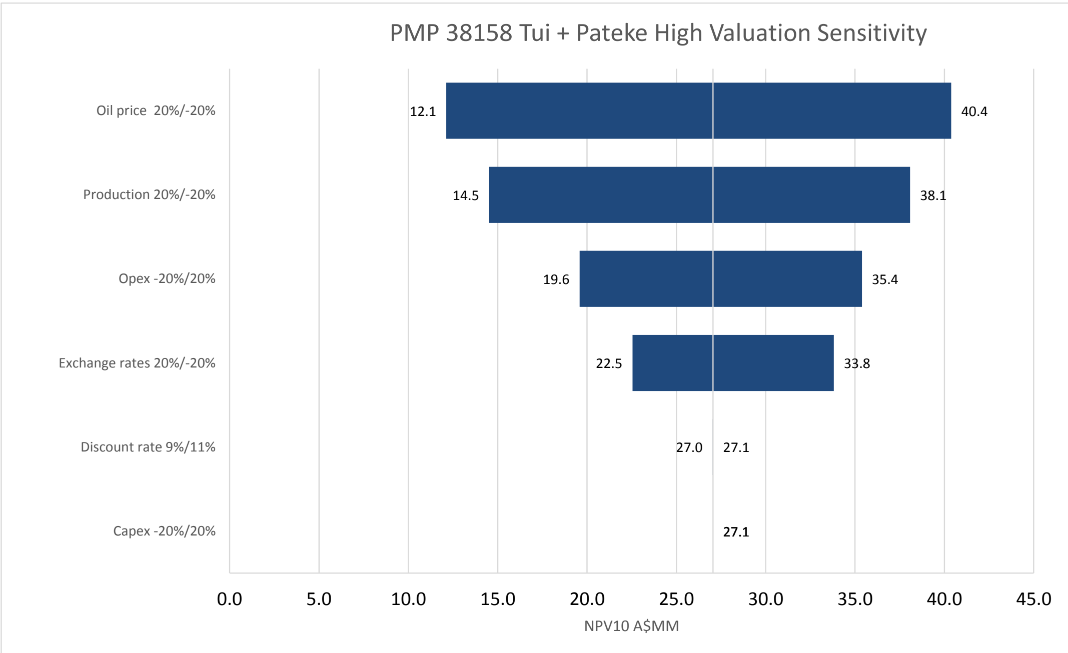


Figure 8-2 Tui 2P + Pateke High case reserves, PPP NPV10 Sensitivity Analysis

8.1.2. Vietnam Block 07/03 –CRD Contingent Resources

The net present values of a combined oil and gas development on the CRD contingent resources in Vietnam Block 07/03 have been determined along with their sensitivity to changes in key project parameters. These are summarized in the tables below for Pan Pacific’s working interest in the block, adjusted for the State’s back-in for a 15% interest. The resulting Pan Pacific interest is reduced to 4.25%.

Table 8-2 Block 07/03 Contingent Resources, PPP After tax NPV14, A$ million as at 1 April 2015

NPV 14% nominal pa, after tax, A$ million	Scenario 1: CRD oil + gas development – 2020 start-up			Scenario 2: CRD oil + gas development – 2018 start-up		
	Low	Low	Low	Low	Base	High
Dev-Capex 20%/-20%	1.6	5.1	8.2	9.0	12.0	14.9
Opex 20%/-20%	2.3	5.1	7.2	9.3	12.0	14.6
Oil Rate -20%/20%	-2.6	5.1	10.7	3.3	12.0	18.9
Gas Rate -20%/20%	3.2	5.1	6.7	10.0	12.0	14.0
Oil Price -20%/20%	-2.7	5.1	10.9	3.1	12.0	19.1
Gas Price -20%/20%	3.2	5.1	6.7	10.0	12.0	14.0
Exchange rate 20%/-20%	4.1	5.1	6.1	9.6	12.0	14.4
Discount rate 15%->14%->13%	4.0	5.1	6.4	10.6	12.0	13.4
Resources, MMboe	2.8			2.8		

8.2. Exploration Portfolio

The dimensions and details of PPP's exploration asset portfolio at the date of this report is summarised in Table 8-3 below:

Table 8-3 Pan Pacific Petroleum NL Permits at 31 March 2015

Permit Name	Gross Area sq.km	Operator (Parent Company shown)	PPP Interest	PPP particiation	Expiry of current Permit term	Work commitments
						Firm
New Zealand						
PMP 38158	467	AWE	15%	2006	24-Nov-25	N/A
Vietnam						
Block 07/03 PSC	3932	Talisman	5%	2009	31-Aug-15	Development studies
Block 121 PSC	6044	Origin	15%	2013	24-Dec-15	Processing & interpretation
Joint Petroleum Development Area East Timor-Australia						
JPDA06-103	1935	Oilex	15%	2009	15-Jul-15	Suspended

8.3. Methodology

Apart from the Vietnam Block 07/03 asset, the remainder of the blocks in Pan Pacific's portfolio do not contain prospects that have been significantly matured to the stage that would justify a DCF analysis. RISC has therefore relied on applying typical farm-in promote multiples on notional exploration well expenditures in these permits to determine the exploration value of Pan Pacific's interests in these permits.

For Vietnam Block 07/03, RISC has assessed the exploration value of Pan Pacific's interests in the block on an EMV basis.

8.4. New Zealand

Exploration farm-in promotes in the offshore Taranaki basin have ranged between 1.2 and 2 times the acquired interest share of the farm-in activity expenditure, typically that of an exploration well, with an average value of 1.5 times and a median value of 1.6 times.

There are no outstanding commitments on the permit. Based on the recent lack of exploration success in the permit, and with only the risky Matata prospect remaining to be considered by the Joint Venture under the current challenging oil price environment, RISC considers the Low, Mid and High value promotes to reflect the lower end of the promote range achieved in recent transactions and has applied promote factors of 1.0, 1.2 and 1.3 respectively in estimating the exploration value of Pan Pacific's interest in the permit. Based on an estimated exploration well cost of US$ 40 million (A$ 55 million), the estimated exploration value of Pan Pacific's interest in the permit, as reflected by the premium paid by a farminee over its acquired interest share of the work activity expenditures, is summarised in the table below.

Table 8-4: Exploration Value of PPP's New Zealand permits as at 1 April 2015

Permit	PPP Equity Interest %	Exploration well cost, A$M	Low Value A$M	Mid Value A$M	High Value A$M
PMP38158	15.0%	55	0	1.7	2.5
Net value of New Zealand exploration assets			**0**	**1.7**	**2.5**

8.5. Vietnam

8.5.1. Block 07/03

The exploration value of the Block 07/03 Cobia prospect has been based on an EMV approach derived from the unit values range estimated for the CRD developments based on the parameters listed below:

Table 8-5 Cobia Prospect - RISC assessments

Parameter	RISC estimate
Best estimate of Resources	550 bcf (90 MMboe)
Geological Probability of Success (POS)	0.4
Exploration well cost, A$M	40.0

The range of values is summarised in the table below.

Table 8-6: Exploration Value of PPP's Block 07/03 Prospective Resources as at 1 April 2015

Permit	PPP Equity Interest %		Low	Mid	High
Block 07/03	5.0%	**Unit value, $/bbl**	2.0	3.0	4.0
		EMV, A$M	1.7	3.6	5.4
Net value of Vietnam Block 07/03			**1.7**	**3.6**	**5.4**

8.5.2. Block 121

The Joint Venture is still assessing the exploration potential of this block, with Swordfish and Flounder being the most mature prospects. Possible work activity to mature the prospectivity in deep water in the east of the permit includes further seismic (estimated A$ 8 million expenditure) and a notional exploration well (estimated A$ 40 million expenditure). To value Pan Pacific's interest in the permit RISC has assumed a 2:1 promote on the seismic for the Low value range and a 1.5:1 promote on the seismic and exploration well expenditures at the Mid value level, and 2:1 promote on the exploration well expenditure at the High value range. The table below summarises these values.

Table 8-7 Exploration value of PPP's interest in Block 121 as at 1 April 2015

Permit	PPP Equity Interest %	Seismic cost, A$M	Exploration well cost, A$M	Low Value A$M	Mid Value A$M	High Value A$M
Block 121	15.0%	8	40	1.2	3.6	6.0
Net value of Vietnam Block 121				**1.2**	**3.6**	**6.0**

8.5.3. Vietnam - Total

The combined exploration value of PPP's Vietnam permits is summarized in the table below.

Table 8-8: Exploration Value of PPP's Vietnam permits as at 1 April 2015

Permit	PPP Equity Interest %	Low Value A$M	Mid Value A$M	High Value A$M
Block 03/07	5%	1.7	3.6	5.4
Block 121	15.0%	1.2	3.6	6
Net value of Vietnam exploration assets		**2.9**	**7.2**	**11.4**

8.6. JPDA06-103

Since this permit is suspended RISC has not ascribed any exploration value to PPP's interests in the permit at this time.

8.7. Summary

RISC has assessed the value of PPP's individual exploration interests using the value of the work program and farm-in promote multiples. The sum of our low, mid and high estimates of the value of the individual permits, net of future firm commitment expenditures, are summarised in Table 8-9 below.

Table 8-9: Exploration valuation - PPP Energy's net working interest as at 1 April 2015

Area	Fair Market Value, A$ million		
	Low	Mid	High
New Zealand	0	1.7	2.5
Vietnam	2.9	7.2	11.4
JPDA*	0	0	0
Total	**2.9**	**8.8**	**13.9**
* Permit suspended pending exit negotiations. Potential contingent liability for well obligation not included in valuation			

The aggregated mid-value of each of the exploration assets has been assessed at A$ 8.8 million, while the low and high value estimates are A$ 2.9 million and A$ 13.9 million, respectively. As the low and high values of the exploration assets portfolio have been derived by the arithmetic addition of the individual asset low and high values, respectively, they represent the possible extremes of the exploration value envelop. While farminees into the individual permits could value the assets at either end of the value range assessed, it is unlikely that potential buyers of the exploration asset portfolio would value all of the assets at either all of the low or all of the high estimated extremes. Their own assessments of individual permits will span the low, mid or high outcomes based on factors including: their strategic objectives and region or geological basin focus; assessment of an asset's prospectivity and associated geological risks; the fiscal and regulatory framework applicable to the asset; accessibility of commercialisation routes, including markets and infrastructure, for each asset; equity interests, operator capability and joint venture partners in each asset.

Consequently, RISC assesses the value of PPP's exploration asset portfolio to a single buyer as lying between A$5 million and A$ 10 million.

9. Declarations

9.1. Qualifications

RISC is an independent oil and gas advisory firm. All of the RISC staff engaged in this assignment are professionally qualified engineers, geoscientists or analysts, each with many years of relevant experience and most have in excess of 20 years.

The preparation of this report has been supervised by Mr. Geoffrey Barker, RISC Partner. He has over thirty years of global experience in the upstream hydrocarbon industry, with extensive expertise in the areas of asset valuation, business strategies, evaluation of conventional and non-conventional petroleum (coal seam gas and tight gas), due diligence assessment for mergers, acquisitions and project finance requirements and reserves assessment/certification and preparation of Independent Technical Specialist reports. Mr. Barker is a Past Chairman of the SPE WA Section, a past member of the SPE International's Oil and Gas Reserves Committee 2007-2009, and is a co-author of the Guidelines for Application of the Petroleum Resources Management System published by the SPE in November 2011 (Chapter 8.5 Coal Bed Methane). Mr Barker is a Member of the Society of Petroleum Engineers (SPE), and holds a BSc (Chemistry), Melbourne University, 1980 and a M.Eng.Sc (Pet Eng), Sydney University, 1989 and is a qualified petroleum reserves and resources evaluator (QPPRE) as defined by ASX listing rules.

RISC was founded in 1994 to provide independent advice to companies associated with the oil and gas industry. Today the company has approximately 40 highly experienced professional staff at offices in Perth and Brisbane, Australia and London, UK. We have completed over 1500 assignments in 68 countries for nearly 500 clients. Our services cover the entire range of the oil and gas business lifecycle and include:

- Oil and gas asset valuations, expert advice to banks for debt or equity finance;
- Exploration/Portfolio management;
- Field development studies and operations planning;
- Reserves assessment and certification, peer reviews;
- Gas market advice;
- Independent Expert/Expert Witness;
- Strategy and corporate planning.

9.2. VALMIN Code

This Report has been prepared by RISC. This Report has been prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2005 Edition ("The VALMIN Code") as well as the Australian Securities and Investment Commission (ASIC) Regulatory Guides 111 and 112.

9.3. Petroleum Resources Management System

In the preparation of this Report, RISC has complied with the guidelines and definitions of the Petroleum Resources Management System approved by the Board of the Society of Petroleum Engineers in 2007 (PRMS).

9.4. Report to be presented in its entirety

RISC has been advised by PPP that this report will be presented in its entirety without summarisation.

9.5. Independence

This report does not give and must not be interpreted as giving, an opinion, recommendation or advice on a financial product within the meaning of section 766B of the Corporations Act 2001 or section 12BAB of the Australian Securities and Investments Commission Act 2001.

RISC is not operating under an Australian financial services licence in providing this report.

In accordance with regulation 7.6.01(1)(u) of the Corporations Regulation 2001. RISC makes the following disclosures:

- RISC is independent with respect to PPP and RSM Bird Cameron and confirms that there is no conflict of interest with any party involved in the assignment;
- Under the terms of engagement between RISC and PPP for the provision of this report, RISC will receive a time-based fee, with no part of the fee contingent on the conclusions reached, or the content or future use of this report. Except for these fees, RISC has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report;
- Neither RISC nor any of its personnel involved in the preparation of this report have any material interest in PPP or in any of the properties described herein;
- RISC has not provided advice to PPP specifically in relation to the Proposed Transaction.
- RISC has carried out the following assignments for PPP over the last 2 years:
    - Process review of the Pateke-4H volumetrics and reserves
- The abovementioned assignment were undertaken as part of our normal independent consulting services, did not involve contingent payments and do not affect our ability to take an unbiased view of the assets.

9.6. Limitations

The assessment of petroleum assets is subject to uncertainty because it involves judgments on many variables that cannot be precisely assessed, including reserves, future oil and gas production rates, the costs associated with producing these volumes, access to product markets, product prices and the potential impact of fiscal/regulatory changes.

The statements and opinions attributable to RISC are given in good faith and in the belief that such statements are neither false nor misleading. In carrying out its tasks, RISC has considered and relied upon information obtained from PPP as well as information in the public domain.

The information provided to RISC has included both hard copy and electronic information supplemented with discussions between RISC and key PPP staff.

Whilst every effort has been made to verify data and resolve apparent inconsistencies, we believe our review and conclusions are sound, but neither RISC nor its servants accept any liability, except any liability which cannot be excluded by law, for its accuracy, nor do we warrant that our enquiries have revealed all of the matters, which an extensive examination may disclose.

In particular, we have not independently verified property title, encumbrances or regulations that apply to this asset(s). We have not independently confirmed the status of the permit titles. RISC has also not audited the opening balances at the economic evaluation date of past recovered and unrecovered development and exploration costs, undepreciated past development costs and tax losses.

We believe our review and conclusions are sound but no warranty of accuracy or reliability is given to our conclusions.

Our review was carried out only for the purpose referred to above and may not have relevance in other contexts.

9.7. Consent

RISC has consented to this report, in the form and context in which it appears, being included in the Independent Expert's Report prepared by RSM Bird Cameron for PPP. Neither the whole nor any part of this report nor any reference to it may be included in or attached to any other document, circular, resolution, letter or statement without the prior consent of RISC.

This Report is authorised for release by Mr. Geoffrey Barker, RISC Partner dated 20 April 2015.

Geoffrey J Barker
Partner

Appendix 1: List of terms

The following table lists abbreviated terms, along with a brief definition, that are commonly used in the oil and gas industry and which may be used in this report.

Abbreviation	Definition
1P	Equivalent to Proved reserves or Proved in-place quantities, depending on the context.
1Q	1st Quarter
2P	The sum of Proved and Probable reserves or in-place quantities, depending on the context.
2Q	2nd Quarter
2D	Two Dimensional
3D	Three Dimensional
4D	Four Dimensional – time lapsed 3D in relation to seismic
3P	The sum of Proved, Probable and Possible Reserves or in-place quantities, depending on the context.
3Q	3rd Quarter
4Q	4th Quarter
AFE	Authority for Expenditure
Bbl	US Barrel
BBL/D	US Barrels per day
BCF	Billion (109) cubic feet
BCM	Billion (109) cubic meters
BFPD	Barrels of fluid per day
BOPD	Barrels of oil per day
BTU	British Thermal Units
BOE	barrels of oil equivalent (equivalent to 1 bbl oil, 1 bbl condensate, 1 bbl NGL, 6,000 scf gas)
BOEPD	US barrels of oil equivalent per day
BWPD	Barrels of water per day
°C	Degrees celsius
Capex	Capital expenditure
CAPM	Capital asset pricing model
CGR	Condensate Gas Ratio – usually expressed as bbl/MMscf
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources as defined in the SPE-PRMS.
CO2	Carbon dioxide
CP	Centipoise (measure of viscosity)
CPI	Consumer Price Index
DEG	Degrees

Abbreviation	Definition
DHI	Direct hydrocarbon indicator
Discount Rate	The interest rate used to discount future cash flows into a dollars of a reference date
DST	Drill stem test
E&P	Exploration and Production
EG	Gas expansion factor. Gas volume at standard (surface) conditions / gas volume at reservoir conditions (pressure & temperature)
EIA	US Energy Information Administration
EMV	Expected Monetary Value
EOR	Enhanced Oil Recovery
ESP	Electric submersible pump
EUR	Estimated ultimate recovery
Expectation	The mean of a probability distribution
F	Degrees Fahrenheit
FDP	Field Development Plan
FEED	Front End Engineering and design
FID	Final investment decision
FM	Formation
FPSO	Floating Production Storage and offtake unit
FWL	Free Water Level
FVF	Formation volume factor
GIIP	Gas Initially In Place
GJ	Giga (10^9) joules
GOC	Gas-oil contact
GOR	Gas oil ratio
GRV	Gross rock volume
GSA	Gas sales agreement
GTL	Gas To Liquid(s)
GWC	Gas water contact
H2S	Hydrogen sulphide
HHV	Higher heating value
ID	Internal diameter
IRR	Internal Rate of Return is the discount rate that results in the NPV being equal to zero.
JV(P)	Joint Venture (Partners)
Kh	Horizontal permeability
km2	Square kilometres
Krw	Relative permeability to water
Kv	Vertical permeability

Abbreviation	Definition
kPa	Kilo (thousand) Pascals (measurement of pressure)
Mstb/d	Thousand Stock tank barrels per day
LIBOR	London inter-bank offered rate
LNG	Liquefied Natural Gas
LTBR	Long-Term Bond Rate
m	Metres
MDT	Modular dynamic (formation) tester
mD	Millidarcies (permeability)
MJ	Mega (10^6) Joules
MMbbl	Million US barrels
MMscf(d)	Million standard cubic feet (per day)
MMstb	Million US stock tank barrels
MOD	Money of the Day (nominal dollars) as opposed to money in real terms
MOU	Memorandum of Understanding
Mscf	Thousand standard cubic feet
Mstb	Thousand US stock tank barrels
Mtpa	Millions of tons per annum
MPa	Mega (10^6) pascal (measurement of pressure)
mss	Metres subsea
MSV	Mean Success Volume
mTVDss	Metres true vertical depth subsea
MW	Megawatt
NPV	Net Present Value (of a series of cash flows)
NTG	Net to Gross (ratio)
ODT	Oil down to
GIIP	Original Gas In Place
STOIIP	Original Oil in Place
Opex	Operating expenditure
OWC	Oil-water contact
P90, P50, P10	90%, 50% & 10% probabilities respectively that the stated quantities will be equalled or exceeded. The P90, P50 and P10 quantities correspond to the Proved (1P), Proved + Probable (2P) and Proved + Probable + Possible (3P) confidence levels respectively.
PBU	Pressure build-up
PJ	Peta (10^{15}) Joules
POS	Probability of Success

Abbreviation	Definition
Possible Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.
Probable Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Probable Reserves are those additional Reserves that are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
Prospective Resources	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations as defined in the SPE-PRMS.
Proved Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. Often referred to as 1P, also as "Proven".
PSC	Production Sharing Contract
PSDM	Pre-stack depth migration
PSTM	Pre-stack time migration
psia	Pounds per square inch pressure absolute
p.u.	Porosity unit e.g. porosity of 20% +/- 2 p.u. equals a porosity range of 18% to 22%
PVT	Pressure, volume & temperature
QA/QC	Quality Assurance/ Control
rb/stb	Reservoir barrels per stock tank barrel under standard conditions
RFT	Repeat Formation Test
Real Terms (RT)	Real Terms (in the reference date dollars) as opposed to Nominal Terms of Money of the Day
Reserves	RESERVES are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.
RT	Measured from Rotary Table or Real Terms, depending on context
SC	Service Contract
scf	Standard cubic feet (measured at 60 degrees F and 14.7 psia)
Sg	Gas saturation
Sgr	Residual gas saturation

Abbreviation	Definition
SRD	Seismic reference datum lake level
SPE	Society of Petroleum Engineers
SPE-PRMS	Petroleum Resources Management System, approved by the Board of the SPE March 2007 and endorsed by the Boards of Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council and Society of Petroleum Evaluation Engineers.
s.u.	Fluid saturation unit. e.g. saturation of 80% +/- 10 s.u. equals a saturation range of 70% to 90%
stb	Stock tank barrels
STOIIP	Stock Tank Oil Initially In Place
Sw	Water saturation
TCM	Technical committee meeting
Tcf	Trillion (10^{12}) cubic feet
TJ	Tera (10^{12}) Joules
TLP	Tension Leg Platform
TRSSV	Tubing retrievable subsurface safety valve
TVD	True vertical depth
US$	United States dollar
US$ million	Million United States dollars
WACC	Weighted average cost of capital
WHFP	Well Head Flowing Pressure
Working interest	A company's equity interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms.
WPC	World Petroleum Council
WTI	West Texas Intermediate Crude Oil