Pan Pacific Petroleum NL

Results for Announcement to the Market:
Appendix 4D, Directors' Report and
Half-year Financial Report

For the period ended 31 December 2015

PAN PACIFIC PETROLEUM NL
ABN: 69 000 749 799
APPENDIX 4D
HALF-YEAR REPORT
HALF-YEAR ENDED 31 DECEMBER 2015
RESULTS FOR ANNOUNCEMENT TO THE MARKET

		Dec 2015 A$'000	Dec 2014 A$'000	Change		
2.1	**Revenues from ordinary activities**	6,999	11,578	(4,579)	Down by	39.5%
2.2	**Loss after tax attributable to members**	(18,300)	(19,755)	1,455	Down by	7.4%
2.3	**Loss for the period attributable to members**	(18,300)	(19,755)	1,455	Down by	7.4%
2.4	**Dividends**	N/A				
2.5	**Record date for determining entitlements to the dividend**	N/A				
2.6	**Explanation of items 2.1 – 2.3**					

2.1 Production from the Tui Area oil fields accounted for sales revenue of A$6.99 million during the period. Revenue was lower than the corresponding period (half-year ended 31 December 2014) due to a decrease in barrels sold due to sales timing and a decline in oil prices. Actual average production rates for the December 2015 period were 639 bbls per day (2014:490 bbls per day), the increase in production is attributable to Pateke 4-H coming on stream in the second half of FY 2015.

2.2 & 2.3 Loss for the half-year was A$18.3 million after a non cash impairment of A$11.2 million to the company's oil and gas production asset as a result of declining oil prices reducing the assets value in use assessment. In addition, exploration costs during the period of A$0.7 million were written-off. During the period the Company has received A$1.02 million exploration costs refund in relation to Oi well costs. The amount has been recorded as other income since the balances in relation to Oi have been fully written-off during the financial year 2015. Income and royalty taxes expense A$1.1million, the Company's share of Tui operating costs A$12.2 million and administration, finance and other costs of A$1.4 million were also incurred during the period.

A loss for the half-year to 31 December 2015 was compared to a loss in the 2014 corresponding period largely as a result of a lower impairment of A$4.4 million in this period, and less exploration expenditure being written off on a successful efforts method between the two periods of A$6.2 million. Production costs are A$1.3 million higher as a result of higher amortisation charges and lower income (see above 2.1). A lower income tax position of A$5.7 million occurred between the periods as a result of the reversal of a deferred tax liability due to the impairment. These movements were offset by A$1.2milion in net finance expense due to lower cash balances and less interest income as well as foreign exchange movement. Other income from exploration costs being refunded in relation to Oi of A$1.02 million was received during the period.

3	**NTA Backing**	**Current period**	**Previous corresponding period**
	Net tangible asset backing per ordinary security	$0.02	$0.06
4	**Details of controlled entities**		
4.1	**Control gained over entities having material market effect**	N/A	
4.2	**Control lost over entities having material market effect**	No entities were disposed of during the period	
4.3	**Profit or loss from changes on control of entities**	N/A	
5.	**Details of dividends**	N/A	
6.	**Details of dividend reinvestment plans**	N/A	
7.	**Details of associates and joint arrangements**	Refer to note 11 relating to joint operations	
8.	**Foreign entities**	N/A	

9.	**Details of audit dispute or audit qualifications**	N/A

This Half-year report should be read in conjunction with the 30 June 2015 Annual Report and ASX announcements issued after this date.

DIRECTORS' REPORT

The directors present their report together with the consolidated financial report for the six months ended 31 December 2015 and the auditor's review report thereon.

DIRECTORS

The names of the directors of Pan Pacific Petroleum NL (the "Company" or "PPP") in office during the six months to 31 December 2015 and until the date of this report are:

P Sullivan	Non-Executive Chairman	Appointed:	26 September 2014
A R Radford	Executive	Appointed:	6 August 1979
	Non-Executive	from:	16 December 2008
		Retired	12 November 2015
A W Tattersfield	Non-Executive	Appointed:	22 February 2005
G Worner	Non-Executive	Appointed:	26 June 2015
	Executive	from:	24 August 2015
D Morrison	Non-Executive	Appointed:	26 June 2015

Directors were in office for this entire reporting period unless otherwise stated.

REVIEW OF OPERATIONS

The result from operations for the half-year to 31 December 2015 was a loss of A$18,300,000 (31 December 2014 loss A$19,755,000).

Operating Review

Activities during the period continued to focus on PPP's potential growth projects including the CRD development plans in Vietnam.

The period saw a significant drop in the oil price creating uncertainty in oil price forecasts. PPP in common with other industry participants is monitoring developments and potential impacts on the Company's business. However, given the lack of clarity no adjustments have been made to the current estimates of reserves. The Company has already completed a significant reduction in staff and related overheads to levels commensurate with the ongoing development projects and previously announced reduction in new venture activity.

Further details on activities, including the Tui Area Fields and PPP's other ventures are summarised below.

PMP 38158 Tui Area Oil Project - Taranaki Basin (PPP interest 15%)

Production

Production from the Tui Area Fields for the period totaled 784,192 barrels, including approximately 7,445 barrels which were burned as fuel oil, 776,747 barrels net of fuel oil (Company share 116,512 barrels). Cumulative gross field production to the end of December was 38.4 million barrels.

The joint venture exercised the second of seven one year extensions of the FPSO charter period which will now extend until end 2017. The remaining options if all exercised would retain the FPSO until end 2022.

Sales of 377,053 barrels (56,558 barrels net to PPP) and of 398,744 barrels (59,811 barrels net to PPP) were successfully completed in August and December respectively.

PPP's operating revenue from Tui during the period was A$6.99 million.

Block 121 Vietnam (PPP interest 15%)

Following the unsuccessful drilling of the Whale prospect (121-CV-1X) and the inability over the last 12 months to secure a farmin partner to share the costs and risk of drilling an additional well in the licence the Block 121 Joint Venture parties agreed to withdraw from the licence. The Block was relinquished at the end of Phase 2 on 24 December 2015 with all commitments either fulfilled or exceeded.

Block 07/03 Vietnam (PPP interest 5%)

The current focus of activities is on assessing the commercial viability of the CRD oil and gas discovery.

During the half-year the Joint Venture, The Joint Venture received approval to retain a 2,108km^2 portion of Block 07/03, the Cobia Area, for an additional 5 year period. During the quarter a 2000km^2 3D seismic survey was completed to assess possible upside oil and gas potential in undrilled field prospects North East and West of the CRD discovery which, in the case of success, could be tied back to a CRD development.

The Operator, Repsol (Talisman), continued to work towards finalisation of the FDP for the CRD oil and gas discovery which is expected to be completed during Q1 2016. Third party bids were received and reviewed for the Tension Leg Well Head Platform and Floating Production Storage and Offloading vessel and discussions with the Vietnamese authorities regarding the terms of gas commercialisation continued.

Joint Petroleum Development Area ('JPDA') (between Timor-Leste and Australia) (PPP interest 15%)

As previously reported on 12 July 2013 Oilex, the Operator of JPDA06-103, submitted a request to the designated authority, the Autoridade Nacional do Petróleo ("ANP"), to terminate the Production Sharing Contract (PSC) by mutual agreement in accordance with its terms and without penalty or claim.

The JV has disputed the financial claim of US$17 million (net US$2.6m to PPP) sought by the ANP and the parties are attempting to reach an amicable settlement.

Financial

Production from the Tui Area oil fields contributed to sales revenue of A$6.99 million during the period. Revenue was lower than the corresponding period (half-year ended 31 December 2014) due to a decrease in barrels sold due to sales timing and a decline in oil prices. Actual average production rates for the December 2015 period were 639 bbls per day (2014:490 bbls per day), the increase in production is attributable to Pateke 4-H coming on stream in the second half of FY 2015.

PPP's share of inventory at 31 December 2015 was approximately 19,111 barrels (2014: 18,321 barrels).

Loss for the half-year was A$18.3 million after a non cash impairment of A$11.2 million to the company's oil and gas production asset as a result of declining oil prices reducing the assets value in use assessment. In addition, exploration costs during the period of A$0.7 million were written-off. During the period the Company has received A$1.02 million exploration costs refund in relation to Oi well costs. The amount has been recorded as other income since the balances in relation to Oi have been fully written-off during the financial year 2015. Income and royalty taxes expense A$1.1million, the Company's share of Tui operating costs A$12.2 million and administration, finance and other costs of A$1.4 million were also incurred during the period.

Cash held at 31 December 2015 was A$24.6 million equivalent.

A loss for the half-year to 31 December 2015 was compared to a loss in the 2014 corresponding period largely as a result of a lower impairment of A$4.4 million in this period, and less exploration expenditure being written off on a successful efforts method between the two periods of A$6.2 million. Production costs are A$1.3 million higher as a result of higher amortisation charges and lower income (see above 2.1). A lower income tax position of A$5.7 million occurred between the periods as a result of the reversal of a deferred tax liability due to the impairment. These movements were offset by A$1.2milion in net finance expense due to lower cash balances and less interest income as well as foreign exchange movement. Other income from exploration costs being refunded in relation to Oi of A$1.02 million was received during the period.

Events Subsequent to Balance Date

There has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The Lead Auditors' Independence Declaration is set on page 8 and forms part of the Director's Report for the half-year ended 31 December 2015.

ROUNDING

The consolidated entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors

P Sullivan
Date: 24th February 2016

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Auditor's Independence Declaration to the Directors of Pan Pacific Petroleum NL

As lead auditor for the review of Pan Pacific Petroleum NL for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Pan Pacific Petroleum NL and the entities it controlled during the financial period.

Ernst & Young

Trent van Veen
Partner
24 February 2016

Consolidated statement of comprehensive income

For the six months ended 31 December 2015

	Note	Consolidated 31 December 2015 $'000	31 December 2014 $'000
Sales revenue		6,999	11,578
Production and other costs		(12,159)	(10,848)
Gross profit		**(5,160)**	**730**
Other income		1,101	-
Impairment of oil and gas assets	**9**	(11,170)	(15,537)
Exploration written back/(off)	**8**	(743)	(6,974)
Administrative and other expenses		(1,442)	(1,473)
Results from operating activities		**(17,414)**	**(23,254)**
Finance income	**5**	295	143
Finance costs	**5**	(77)	(1,156)
Net financing income/(expense)		**218**	**(1,013)**
Loss before tax		**(17,196)**	**(24,267)**
NZ Royalty tax benefit		5,930	2,154
Income tax (expense)/benefit		(7,034)	2,358
Loss for the period		**(18,300)**	**(19,755)**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods.			
Foreign currency translation for foreign operations		1,275	6,516
(Loss)/gain on available for sale financial asset		(580)	26
Other comprehensive income for the period, net of income tax		**695**	**6,542**
Total comprehensive Loss for the period		**(17,605)**	**(13,213)**
Basic and diluted loss per share			
Ordinary share (cents)	**12**	(3.11)	(3.36)

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the consolidated half-year financial report set out on pages 13 to 18.

Consolidated statement of financial position

As at 31 December 2015

	Note	Consolidated 31 December 2015 $'000	30 June 2015 $'000
Current Assets			
Cash and cash equivalents		24,640	18,946
Trade and other receivables		5,097	11,134
Inventories	**7**	845	1,520
Available for sale (AFS) investments	**13**	1,356	2,415
Current tax receivables		2	1,621
Total Current Assets		**31,940**	**35,636**
Non-Current Assets			
Trade and other receivables		48	48
Plant and equipment		35	48
Exploration and evaluation assets	**8**	15,208	12,966
Oil and gas assets - production	**9**	-	17,030
Deferred tax asset		3,645	4,610
Total Non-Current assets		**18,936**	**34,702**
TOTAL ASSETS		**50,876**	**70,338**
Current Liabilities			
Trade and other payables		1,257	4,162
Employee benefits		53	266
Current royalty tax provision		159	498
Provisions	**10**	684	263
Total Current Liabilities		**2,153**	**5,189**
Non-Current Liabilities			
Provisions	**10**	18,389	16,983
Total Non-Current Liabilities		**18,389**	**16,983**
Total Liabilities		**20,542**	**22,172**
NET ASSETS		**30,334**	**48,166**
Equity			
Issued capital	**14**	47,223	47,450
Reserves		5,743	5,048
Retained earnings		(22,632)	(4,332)
TOTAL EQUITY		**30,334**	**48,166**

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated half-year financial statements set out on pages 13 to 18.

Consolidated statement of cash flows

For the six months ended 31 December 2015

	Consolidated	
	31 December 2015 $'000	**31 December 2014 $'000**
Cash Flows from Operating Activities		
Cash receipts from customers	11,220	5,541
Cash paid to suppliers and employees	(7,901)	(6,093)
Payments in respect of areas of interest in:		
- Exploration and/or evaluation phase	(1,557)	(23,608)
- Production phase	-	(1,526)
Cash from operations	**1,762**	**(25,686)**
Interest received	119	191
Income taxes refunded/(paid) (including NZ royalty tax)	948	(287)
Net cash generated in /(used) in operating activities	**2,829**	**(25,782)**
Cash Flows from Investing Activities		
Payments for plant and equipment	(5)	-
Development asset refund	712	-
Sale/(purchase) of AFS investment	774	(1,003)
Redemption of cash collateralisation	771	625
Net cash generated in/(used) in investing activities	**2,252**	**(378)**
Cash Flows used in financing activities		**-**
Repurchase of company shares	**(227)**	
Net cash used in financing activities	**(227)**	-
Net increase/(decrease) in cash and cash equivalents	**4,854**	**(26,160)**
Cash and cash equivalents at 1 July	18,946	45,067
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	840	1,757
Cash at the end of the financial period	**24,640**	**20,664**

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated half-year financial statements set out on pages 13 to 18.

Consolidated statement of changes in equity

For the six months ended 31 December 2015

	Issued Capital $'000	Retained Earnings $'000	Employee Equity Reserve $'000	Available for sale reserve $'000	Currency Translation reserve $'000	Total Equity $'000
Balance at 1 July 2014	47,450	19,265	378	80	(4,241)	62,932
Total comprehensive income for the period						
(Loss)/ profit for the period	-	(19,755)	-	-	-	(19,755)
Other comprehensive (expense)/income						
Foreign currency translation differences	-	-	-	-	6,516	6,516
Fair value adjustment on available for sale assets				26	-	26
Total other comprehensive income/(expense)	**-**	**-**	-	**26**	**6,516**	**6,542**
Total comprehensive (expense)/income for the period	**-**	**(19,755)**	**-**	**26**	**6,516**	**(13,213)**
Contributions by and distributions to owners	-	-	-	-	-	-
Balance at 31 December 2014	**47,450**	**(490)**	**378**	**106**	**2,275**	**49,719**

	Issued Capital $'000	Retained Earnings $'000	Employee Equity Reserve $'000	Available for sale reserve $'000	Currency Translation reserve $'000	Total Equity $'000
Balance at 1 July 2015	47,450	(4,332)	378	244	4,426	48,166
Total comprehensive income for the period						
(Loss)/ profit for the period	-	(18,300)	-	(66)	-	(18,366)
Other comprehensive (expense)/income						
Foreign currency translation differences	-	-	-	-	1,275	1,275
Fair value adjustment on available for sale assets	-	-	-	(514)	-	(514)
Total other comprehensive income/(expense)	**-**	**-**	**-**	**(514)**	**1,275**	**761**
Total comprehensive (expense)/income for the period	**-**	**(18,300)**	**-**	**(580)**	**1,275**	**(17,605)**
Contributions by and distributions to owners	(227)	-	-	-	-	(227)
Balance at 31 December 2015	**47,223**	**(22,632)**	**378**	**(336)**	**5,701**	**30,334**

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated half-year financial report set out on pages 13 to 18.

Notes to the Consolidated Half-year Financial Report

1 Reporting Entity

Pan Pacific Petroleum NL (the "Company") is a company domiciled in Australia. The consolidated half-year financial report of the Company as at and for the six months ended 31 December 2015 comprises the Company and its subsidiaries (together referred to as the "consolidated entity" or "the Group") and the consolidated entity's interests in joint operations.

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2015 is available upon request from the Company's registered office at Level 3, 123 Walker street, North Sydney NSW 2060 or at www.panpacpetroleum.com.au.

The company is currently reviewing the most appropriate currency for both its operating activities and presentation to shareholders; as such this may result in a change in the annual financial report.

2 Statement of compliance

The consolidated half-year financial report has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated half-year financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2015. This consolidated half-year financial report was approved by the Board of Directors on 24th February 2015.

The consolidated entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3 Estimates

The preparation of the half-year financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated half-year financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at the year ended 30 June 2015. The only exception was a re-assessment of the oil price for oil and gas assets - production the financial effect of which can be seen in Note 9.

4 Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated half-year financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2015. Except for:

- AASB 2015-3 Amendments to Australian Accounting Standards- Arising from Withdrawal of AASB 1031 Materiality
- AASB 2015-5 Amendments to Australian Accounting Standards- Investment Companies: Applying the Consolidation Exemption
- AASB 2014-7 Financial instruments
- AASB 2014 -8 Financial instruments

	Consolidated	
	31 December 2015 $'000	31 December 2014 $'000
5 Net financing income/(expense)		
Interest Income	124	143
Foreign exchange gains	171	-
Financial income	**295**	**143**
Finance costs	(8)	(3)
Foreign exchange loss	-	(888)
Unwinding of discount on provision	(69)	(265)
Financial expenses	**(77)**	**(1,156)**
Net financing (expense)/income	**218**	**(1,013)**

6 Segment reporting

	Australia		New Zealand		Vietnam		JPDA		Consolidated	
	31 Dec 2015 $'000	31 Dec 2014 $'000	31 Dec 2015 $'000	31 Dec 2014 $'000	31 Dec 2015 $'000	31 Dec 2014 $'000	31 Dec 2015 $'000	31 Dec 2014 $'000	31 Dec 2015 $'000	31 Dec 2014 $'000
Segment revenue	-	-	6,999	11,578	-	-	-	-	6,999	11,578
Segment result	(376)	(821)	(15,711)	(21,665)	(799)	(632)	(528)	(136)	(17,414)	(23,254)
Unallocated:										
Net financing costs									218	(1,013)
NZ royalty tax expense									2,266	2,154
Income tax expense									(3,370)	2,358
(Loss) for the period									**(18,300)**	**(19,755)**

The chief operating decision maker considers the business from a geographic perspective and on this basis has identified four reportable segments. For each reportable segment, the chief operating decision maker reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the consolidated entity's reportable segments:

- Australia – exploration of petroleum products in Australia
- New Zealand – exploration, production and sale of petroleum products in New Zealand
- Vietnam – exploration of petroleum products in Vietnam
- Joint Petroleum Development Area (JPDA) – exploration of petroleum products in JPDA

7 Inventory

	Consolidated	
	31 December 2015 $'000	30 June 2015 $'000
Oil inventory	811	1,520
Consumables	34	-
Balance at the end of the period	**845**	**1,520**

Inventory is carried at the lower of cost or net realisable value. Following the recent decline in oil prices the Company assessed the carrying value at 31 December 2015 and a provision of $443,000 (June 2015: nil) was made to reduce inventory to its net realisable value.

		Consolidated	
		31 December 2015 $'000	**30 June 2015 $'000**
8	**Exploration and evaluation assets**		
	Balance at the beginning of the period	12,966	9,484
	Expenditure incurred during the period	2,341	7,764
	Written off during the period	(743)	(6,536)
	Effect of changes in exchange rate	644	2,254
	Balance at the end of the period	**15,208**	**12,966**

During the period the Company received A$1.02 million exploration costs refund in relation to Oi well costs. The amount has been recorded as other income since the balances in relation to Oi have been fully written-off during the financial year 2015.

		Consolidated	
		31 December 2015 $'000	**30 June 2015 $'000**
9	**Oil and gas assets – production**		
	Balance at the beginning of the period	17,030	30,561
	Expenditure (refunded)/incurred	(712)	6,477
	Transferred from exploration and evaluation assets	-	-
	Additional/(reversal) restoration provision	472	(435)
	Impairment	(11,170)	(15,537)
	Amortisation	(6,601)	(9,501)
	Effect of changes in exchange rate	981	5,465
	Balance at the end of the period	**0**	**17,030**

The expenditure refunded during the period was primarily due to Pateke 4-H development in PMP 38158.

Following the recent decline in oil prices the Company has performed an impairment assessment of its producing asset in the New Zealand segment through a value in use model. As a result the asset was fully impaired at 31 December 2015 and an impairment charge of A$11.2 million was recognised in the consolidated statement of comprehensive Income. In determining the value in use for the CGU, the cashflows were discounted at a rate of 10% on a pre-tax basis. The increase in reserves from Pateke-4H and the extension of the economic field life of the Tui Area Fields is dependent on oil price, and includes an assumption of a return to higher oil prices during the field life.
The observable inputs include:

- The Brent oil price (real) adjusted for a premium/discount the range used is $US39/bbl to $US75/bbl and long term price of US$75/bbl over the remaining life of the field (June 2015: US$64.00 to US$91/bbl).
- The foreign exchange rate used was $AUD: USD 73cents (June 2015:$AUD: USD 78cents).
- Proved and probable (2P) reserves - the cash flow projections are based on the remaining life of field expected production profile. Life of field production used in impairment analysis is that same as that used by the board in key business planning.
- Inflation 2.5% (June 2015:2.5%)

	Consolidated	
	31 December 2015 $'000	30 June 2015 $'000
10 Provisions		
Balance at the beginning of the period	17,246	13,900
Provisions made during the year	883	(240)
Unwind of discount on provision	69	460
Effect of changes in exchange rate	875	3,126
Balance at the end of the period	**19,073**	**17,246**
Current	684	263
Non-current	18,389	16,983
Total	**19,073**	**17,246**

Restoration and Rehabilitation

The Non-current portion of the provisions predominately relates to restoration and rehabilitation provision which is recorded at the present value of the estimated cost of legal and constructive obligations to restore operating facilities and well sites within the Tui Oil Area. The nature of the restoration activities includes the removal of facilities, and restoring affected areas.

The timing of the restoration is between 2 and 5 years, assuming a discount rate of 2.05% (June 2015:2.30%) applied to present value of future restoration costs.

11 Joint Operations

Since 30 June 2015 there has been no change in the consolidated entity's interests in unincorporated joint operations established to explore, develop and produce petroleum products.

12 Loss per share

	Consolidated	
	31 December 2015	31 December 2014
Basic loss per share (cents)	(3.11)	(3.36)
Dilutive loss per share (cents)	(3.11)	(3.36)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic loss per share	588,068,420	588,612,110
Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted profit per share	588,068,420	588,612,110

The calculation of loss per share at 31 December 2015 was based on the loss attributable to ordinary shareholders of $18,300,000 (31 December 2014: Loss $19,755,000). Loss for the period does not differ for the calculation of basic or diluted earnings per share. See note 14 for options on issue. Options on issue are anti-dilutive and not in weighted average number of shares as at 31 December 2015.

Notes to the Consolidated Half-year Financial Report

13 Available for sale

Non-Current Assets:	Consolidated 31 December 2015 $'000	30 June 2015 $'000
Investment - Listed entity	1,356	2,415

The Company invests in listed investments to take advantage of undervalued companies in the market. During the period the Company acquired and disposed of listed investments.

Fair value
The Company has available to it various methods in estimating the fair value of listed investments. The methods comprise:

Level 1 - the fair value is calculated using quoted prices in active markets.

Level 2 - the fair value is estimated using inputs other than quotes prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the listed investments was calculated using the level 1 method. The carrying values of financial assets and financial liabilities recorded in the financial statements approximates their respective net fair values, determined in accordance with the accounting policies disclosed in note 2 to the annual financial statements.

14 Issued capital

	Consolidated 31 December 2015 $'000	30 June 2015 $'000
581,942,846 (June 2015: 588,612,110) Ordinary Shares fully paid	47,223	47,450

During the period the company bought back and cancelled 6,669,264 shares for $227,000, pursuant to an on-market share buy back of up to 10% of the company's issued capital.

The Company has on issue 1,049,000 options over unissued ordinary shares in the company. The options were issued to the former CEO on 28 June 2013 at no cost as settlement of 50% of his 2013 STI. The options vested immediately and are exercisable by the CEO at any time up to and including the expiry date of 27 June 2016. The exercise price of the options is 12 cents each.

15 Related party transactions

On 24th August 2015 the Company entered into an agreement with Worner Pty Ltd, a company associated with Mr. Worner a director of the Company to provide service in respect of representing the consolidated entity in all Joint Venture matters. During the period $106,000 was paid to Worner Pty Ltd (2015: nil).

16 Contingent liabilities

There have been no material changes to contingent liabilities since those disclosed in the 30 June 2015 Annual Financial Report.

17 Events subsequent to balance sheet date

There has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

Directors Declaration

In the opinion of the directors of Pan Pacific Petroleum NL:

(a) the financial statements and notes, set out on pages 9 to 18 are in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2015 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and
- (ii) complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

P Sullivan
Date: 24th February 2016

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To the members of Pan Pacific Petroleum NL

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pan Pacific Petroleum NL which comprises the statement of financial position as at 31 December 2015 the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the half-year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001 and* for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pan Pacific Petroleum NL and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pan Pacific Petroleum NL is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Trent van Veen
Partner
Sydney
24 February 2015