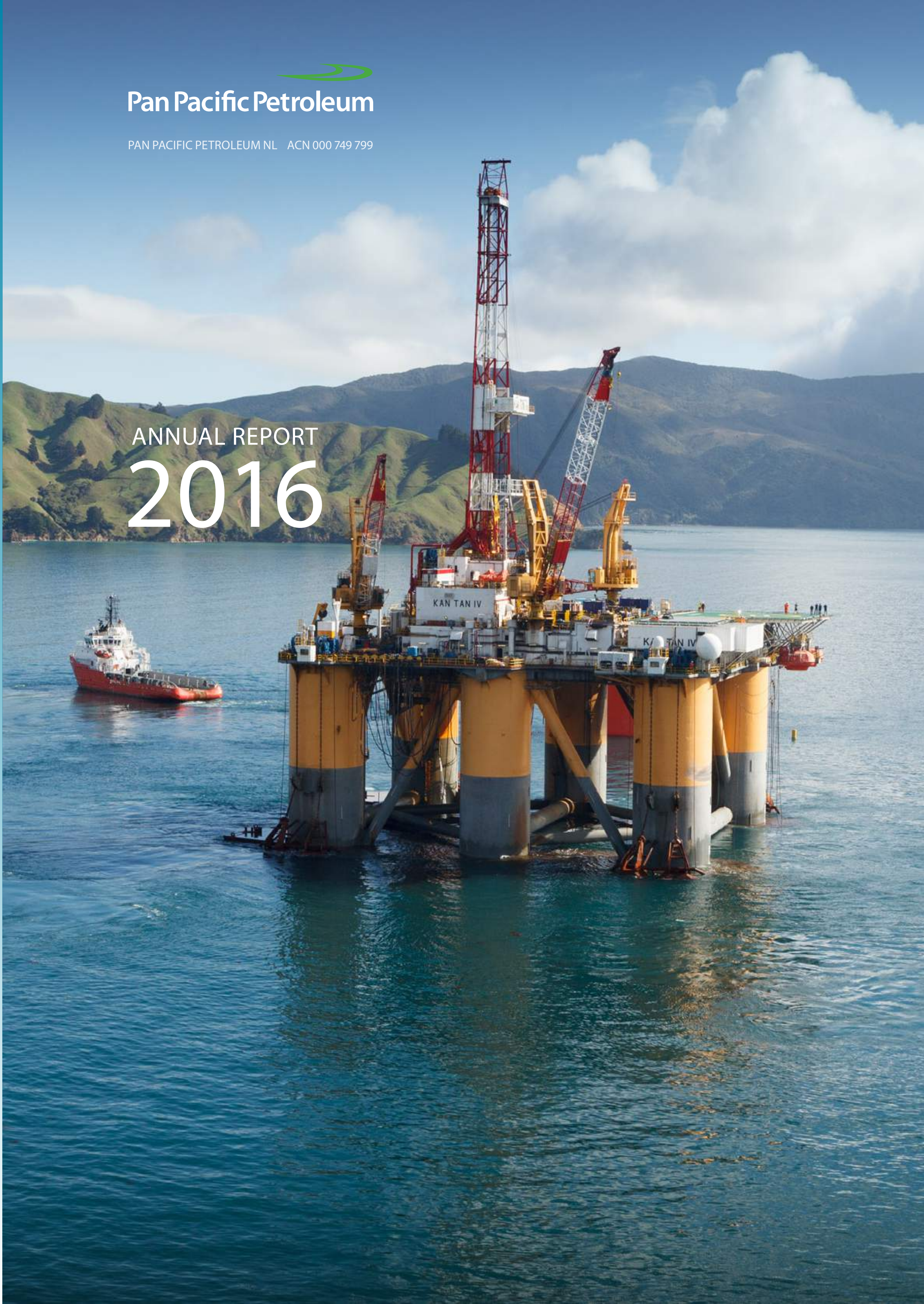
Pan Pacific Petroleum

PAN PACIFIC PETROLEUM NL ACN 000 749 799

ANNUAL REPORT 2016



CONTENTS

ANNUAL REPORT 2016

Pan Pacific Petroleum NL is an Australian oil and gas exploration and production company operating in New Zealand and Vietnam

Chairman's Statement

It has been a difficult year for Pan Pacific Petroleum ('the Company') as we continue to adjust our business in response to the sharp downturn in oil price. The focus continues to be on reducing cash outflows so as to preserve our relatively strong balance sheet position.

Our expenditure on high risk exploration activities has virtually ceased with the winding up of both the Timor Leste and Vietnam 121 projects. There has also been further downscaling of our management and overheads.

Developments at both of our key assets, production within the Tui Joint Venture and the CRD development within the 07/03 Joint Venture are outlined in the operations review. We have worked hard to ensure they are both delivering value to the Company.

At Tui the operator has made a number of changes that are consistent with managing production in a lower price environment. Operations remain cash positive and reserves are in place for several more years of production, but it is sensitive to oil price. This has brought decommissioning plans into focus which will become an important part of operations in the future.

The CRD development is a long life project and has further exploration potential to be examined in due course. The final investment decision, which is due shortly, is a key milestone for the project and our involvement would represent a major commitment to a growth project for Pan Pacific Petroleum. There are a number of options open for the Company and we are giving them close attention as events unfold to ensure we achieve the best outcome for the Company.

Long term director Mr Allan Tattersfield has indicated he will retire at this year's Annual General Meeting and we thank him for his strong input to the Company over the years.

Peter Sullivan

Chairman

Operating and Financial Review

Summary of Financial Position

Cash held at 30 June 2016 was A$25.3 million equivalent including A$0.3 million held in the accounts of various joint ventures.

During the financial year 2016 costs were incurred and capitalised for pre-development work in CRD in Block 07/03 of A$2.3 million. In addition, PPP's share of Tui inventory at 30 June 2016 was approximately 51,757 barrels which have been recorded at cost. The Company had invested a net A$1.1 million in available for sale investments at the end of the period 2016. A non cash impairment of A$11.14 million to the company's oil and gas production asset as a result of declining oil prices reduced the assets value in use assessment. Deferred tax balances in connection with the company's oil and gas production asset were also reversed.

Summary of Financial Performance

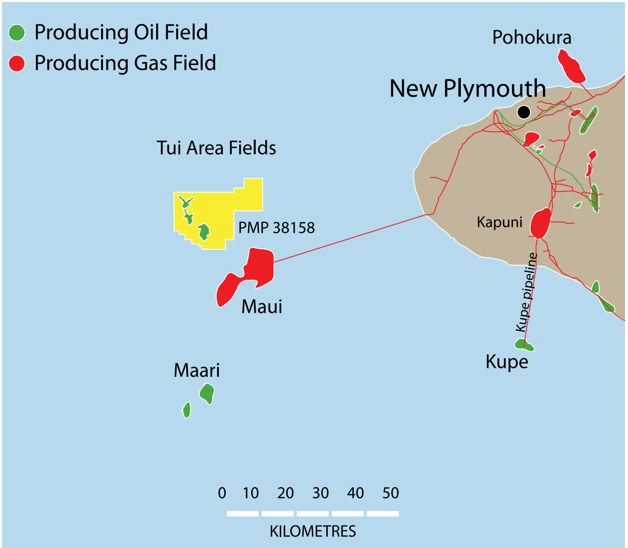
The consolidated entity's operating loss after tax for the year amounted to A$19.4 million (2015: loss A$23.6 million). The lower loss recorded compared to 2015 was primarily due to a lower impairment of A$4.4 million in this period compared to 2015, and less exploration expenditure being written off on a successful efforts method between the two periods of A$5.2 million.

Production costs were A$7.3 million lower as a result of lower amortisation charges as a result of impairment of the asset in 2015. Administrative expenses were A$1.4 million less than 2015 due to cost cutting. Volatility of foreign exchange rates between reporting dates resulted in movement of A$1.6 million compared to the 2015 year. In addition, other income from exploration costs being refunded in relation to Oi of A$1.04 million was received during the period. This was offset by less Income from Tui oil sales of A$11.2 million due to a lower sales quantity of 173,168bbls (2016) nett to PPP versus 253,587bbls (2015) nett to PPP resulting from 2015 inventory stores being sold compared to a larger inventory balance in 2016.

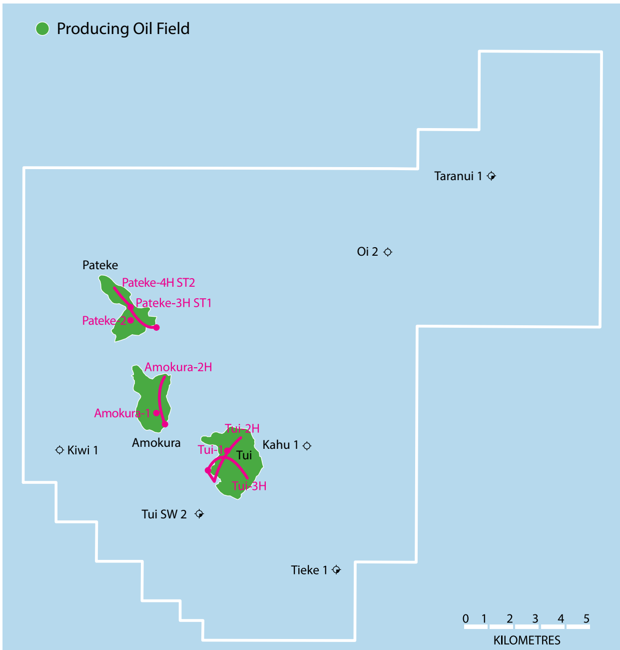
In addition a lower average sales price was achieved in 2016 of US$42 per barrel (2015 US$72). Actual gross average production rates for the year were 3,797bbls per day (2016) compared to 4,034bbls per day (2015). A higher tax expense of A$5.0 million occurred between the periods as a result of the reversal of deferred tax in connection with the impairment of the company's oil and gas production asset.

New Zealand PMP 38158
Tui Area Oil Project

The Tui Area Oil Fields comprise three accumulations, the Tui, Amokura and Pateke Fields which are processed by the Umuroa, a permanently moored Floating Production Storage and Offloading vessel ('FPSO').



New Zealand Interests (PMP 38158 Tui Area Fields)



Tui Fields

Production from the Tui Area Fields for the financial year 2015-16, excluding fuel oil, was 1.39 million barrels (PPP share 208,430 barrels gross of fuel oil), this was better than forecast predominantly due to better than expected performance from Pateke-4H, better net production from Pateke-3H and facility uptime approximately 2% higher than that forecasted. Cumulative gross production to the end of June 2016 was 38.9 million barrels (gross of fuel oil).

Remaining gross developed 2P reserves at the end of June 2016 are estimated at 4.4 million barrels, 0.66 million barrels net to PPP. This is based on ultimate total recoverable reserves from the Tui fields of 41 MMbls (2P) (previously reported in the September 2014 Quarterly report*) plus an increase in 2P recoverable reserves of 2.4MMbls (previously reported on 6 January 2015*) to reflect an extension of the field life attributable to Pateke 4-H. These estimates of reserves exclude oil forecast to be burned as fuel on the FPSO (fuel oil) and include an assumption of a return to higher oil prices during the life of the field. This use of oil for fuel is required due to the inevitable reduction in the amount of associated gas available for fuel as oil production declines.

The reserves attributable to Pateke-4H are an estimate based on upon pre-drill modelling undertaken by PPP and New Zealand Oil & Gas (previously advised to the market on 6 January 2015*) and remain uncertain pending further production data which may be used to improve the estimate of ultimate recovery.

The Contract for the Umuroa was renegotiated and extended by one year to 31 December 2017.

** Please refer to these releases for the Competent Person's Statement.*

Vietnam

Block 07/03

Following the successful further appraisal of CRD (Cá Rồng Đỏ) oil and gas discovery by the drilling of CRD-3X and sidetrack in financial year 2013-14, activities during the current year focused on assessing the commercial viability of the discovery and preparing a Field Development Plan (FDP).

CRD Development

The joint venture partners advised Petrovietnam (PVN) of a Declaration of Commerciality during the year and the Operator, Repsol (Talisman), concluded studies leading to the selection of a development concept, targeting first oil and gas production in the second half of 2019.

The FDP is based on a 20-slot Tension Leg Wellhead Platform (TLWP) tied back to a Floating Production, Storage and Offloading (FPSO) Facility. Oil will be exported from the FPSO via shuttle tanker and all Gas will be developed and exported for sale via a gas pipeline built and operated by Petrovietnam Gas (PVGas) with all gas transported through the NCSP-1 pipeline.

The design plateau oil rate for the CRD Facilities is 30,000 barrels of oil per day and gas export from the CRD Field of 55 million cubic feet per day (mmcfd). The FPSO will be capable of exporting at a maximum rate of 130 mmcfd to facilitate the development of other near-by discoveries.

Undrilled near field prospects at Cobia, North East CRD, and West CRD provide possible upside oil and gas potential and in the case of success could be tied back to a CRD development.

The Final Investment Decision ('FID') by the joint venture partners remains subject to the completion of the FDP including finalising contractual terms for the TLWP, FPSO, and gas commercialisation. The Joint Venture is working towards FID and obtaining the final approval of the Vietnamese authorities to proceed with development by the end of 2016.

Exploration

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 year a 2,000km^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. Review of the Seismic data has identified drillable prospects and the Joint Venture continues to assess when these could be drilled.

Vietnam Interests (Block 07/03 and Block 121)

Block 121

Following the unsuccessful drilling of the Whale prospect (121-CV-1X) and the inability to secure a farm-in 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 block. The licence was surrendered on 24 December 2015 with all commitments either fulfilled or exceeded.

JPDA

Joint Petroleum Development Area (Timor-Leste and Australia)

JPDA 06-103

In 2013 Oilex the operator of JPDA06-103 on behalf of the Joint Venture submitted a request to the designated authority, the Autoridade Nacional do Petróleo ('ANP'), to terminate the PSC by mutual agreement in accordance with its terms and without penalty or claim due to concerns associated with uncertainty of the PSC tenure.

The ANP responded to the Joint Venture indicating that the request had been rejected and that the PSC would be terminated on 15 July 2015 and a monetary claim sought for payment of the estimated cost of exploration activities not carried out in 2013 and certain local content obligations set out in the PSC.

The ANP has subsequently provided notice of termination effective 15 July 2015 with a demand for payment of approximately US$17m, net US$2.6m to PPP. The Joint Venture has disputed the financial claim and the parties continue to discuss the financial liability of the Joint Venture with the aim of reaching an amicable settlement for a lesser amount.

Joint Operation Interests

Permit Reference	Petroleum Basin	PPP Interest %
PMP38158	Taranaki	15.0
Block 07/03	Nam Con Son	5.0
Block 121	Nam Con Son	15.0*
JPDA 06/103	Bonaparte	0.0**

* On 24 December 2015 all Joint Venture parties surrendered Block 121

** The Autoridade Nacional do Petróleo of Timor-Leste ('ANP'), the Designated Authority terminated the JPDA 06-103PSC on 15 July 2015. Pan Pacific's interest up until this time was 15%.

Annual Reserves Review

Tui Area Field reserves are determined by the Operator, AWE, after review and agreement by the Joint Venture partners at PM38158 Technical Committee Meetings. A life of field reserves and production update is undertaken at least once per year as part of the financial year planning cycle. PPP monitors field performance by reference to a daily Tui production report and a monthly operations report; both provided by the Operator AWE. Tui production is reviewed at PPP Board meetings, and reserves updates are also reviewed with the PPP Board as and when they occur.

Shareholder Note

As this report confirms significant risk factors exist in the oil and gas business. These factors, largely beyond the control of PPP or the Operator of the drilling operations can affect PPP's underlying business resulting in significant increases in capital costs of drilling oil wells incurred because of delays due to weather conditions and operational problems during drilling programs. Other influences on the company's business may be exposure to volatility in oil prices, and exchange rates should operational events change. These changes could cause actual results to differ materially than those anticipated.

Directors' and Financial Report

The directors present their report together with the financial statements of the Group comprising of Pan Pacific Petroleum NL ('the Company' or 'PPP') and its subsidiaries, for the year ended 30 June 2016 and the auditor's report thereon.

1. Directors

The directors of the Company at any time during or since the end of the financial year are:

Names, qualifications and independence status	Experience, special responsibilities and other directorships
P Sullivan BE, MBA Chairman Non-independent	**Joined the Board on 26 September 2014.** Chairman. **Background:** Mr Sullivan is an engineer and has been involved in the management of resource companies for over 20 years. He has specialised in providing strategic corporate, financial and investment advice to companies principally in the resource sector. He has served as a Director for numerous listed and unlisted companies and been closely involved with their development. **Other Listed Company Directorships held in the last three years:** Chairman of Zeta Resources Limited (listed on ASX in 2013), Non-executive director of Panoramic Resources Limited (appointed 2015), Non-executive director of Resolute Mining Limited (appointed 1999), Non-executive director of GME Resources Limited (appointed 1996).
G Worner BE (Chemical, 1st Class Honours), MBA, GAICD Non-Executive Director Non-independent	**Joined the Board on 22 June 2015** **Background:** Mr Worner has more than 25 years' experience in the Oil and Gas industry with more than 22 years working for BP in 3 continents and the last 10 years operating at executive level for BP, New Guinea Energy, and his own specialist management consultancy firm. Mr Worner has led teams and businesses in exploration, trading, refining, and marketing in Europe, the US, Papua New Guinea, New Zealand and Australia. His skills have been developed across technical and commercial disciplines and he has a well-established network in the investment community and the oil and gas industry and is a Graduate of the Australian Institute of Company Directors. **Other Listed Company Directorships held in the last three years:** New Guinea Energy Limited (since 15 July 2015). Cue Energy Limited (since 4 March 2016 and Executive Chairman from 29 March 2016).
A W Tattersfield M.Com (Auckland) Non-Executive Director Independent	**Joined the Board on 22 February 2005.** Chairman from 20 May 2015 to 22 June 2015. **Background:** Mr Tattersfield has over 30 years' experience operating retail and construction companies, plus the financing and negotiation of exploration joint venture deals. **Other Listed Company Directorships held in the last three years:** Nil
D Morrison MInstD (NZ), BCA (Hons) Non-Executive Director Non-independent	**Joined the Board on 22 June 2015** **Background:** Mr Morrison, based in Wellington, is the General Manager for ICM NZ Limited a subsidiary of ICM Limited, advisor to Zeta Resources Limited. He has extensive investment analysis experience, having worked in stockbroking, investment banking and investment management firms in New Zealand, the United Kingdom, and the United States since 1987. Mr Morrison, is a director of a number of companies and a member of the New Zealand Institute of Directors. **Other Listed Company Directorships held in the last three years:** Nil
A R Radford Non-Executive Director Independent	**Joined the Board in 1979 – Retired from the Board on 12 November 2015** **Background:** Mr Radford has been a director since 1979. He has many years' experience in developing and managing petroleum and mining companies. Mr Radford was a non-executive director of New Zealand Oil & Gas Limited (June 1981 – October 2013). **Other Listed Company Directorships held in the last three years:** Nil

* Please refer to these releases for the Competent persons statement

2. Key Management Personnel (KMP):

Chief Executive Officer ('CEO')

T J Prudence M.Sc Petroleum Geology; B.Sc (Hons) Geol. geophys; FGS	**Joined:** Mr Prudence was appointed CEO on 16 December 2008 after joining the Company in September 2008 as General Manager Exploration and Production. The CEO position was terminated due to cost rationalisation with the Company during the 2015 financial year and Mr Prudence finished employment with the Company on 24 August 2015. **Background:** Prior to this he worked for the Shell Group of Companies for the majority of his career holding a range of senior international technical and commercial positions 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. Immediately prior to joining Pan Pacific Petroleum NL he worked for four years with RISC Pty Ltd, a leading 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 advised on numerous diverse oil and gas projects throughout South East Asia, the Middle East, Africa, Australia and New Zealand. He is a member of the Society of Petroleum Engineers and a Fellow of the Geological Society of London.

Company Secretary as at 30 June 2016

Ms K M Ware B.Com, CPA, LLB	Ms Ware joined the Company in 2001 and has held senior financial accounting positions over a variety of different industries including credit reporting and telecommunications.

3. Directors' meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year were:

	Board Meeting	
Director	**A**	**B**
Mr P Sullivan	11	11
Mr A R Radford	5	5
Mr A W Tattersfield	11	11
Mr D Morrison	11	11
Mr G Worner	11	11

A – Number of meetings attended. **B** – Number of meetings held during the time the Director held office during the year.

4. Remuneration Report – audited

This remuneration report forms part of the Directors' Report. This report:

- describes the Board's policies for determining the remuneration of its directors and Key management personnel;
- discusses the relationship between these policies and the Company's performance; and
- sets out remuneration details for each director and senior executive.

4.1 Directors' remuneration

Remuneration Policy

The remuneration of non-executive directors for the 2016 year was within the aggregate annual limit of $400,000 approved by shareholders at the 2009 Annual General Meeting. The remuneration consists of directors' fees, and superannuation contributions to meet the Company's statutory superannuation obligations. The fees paid to non-executive directors are determined using the following guidelines.

Fees are:

- not incentive or performance based but are fixed amounts;
- determined by reference to the nature of the role, responsibility and time commitment required for the performance of the role; and
- driven by a need to attract a well-balanced Board of individuals with relevant experience and knowledge; and
- in accordance with Section 308(3c) of the *Corporations Act 2001 (Cth) (Corporations Act).*

Directors who perform extra services for the Company or make any special exertions on behalf of the Company may be remunerated for those services in addition to the usual directors' fees.

Non-executive directors are also entitled to be paid their reasonable expenses incurred in the performance of their duties.

Remuneration

Details of the fees payable (inclusive of superannuation where applicable) to non-executive directors for the financial year and the previous financial year are detailed below.

	Board Chairman $	Member $
Fees for 2016	65,000	45,000
Fees for 2015	10,950	10,950

Directors' remuneration for the 2015 and 2016 financial years

	Year	Directors Fees/Benefits $	Super Contribution $	Total $
Non-Executive Directors				
Mr P Sullivan	**2016**	**65,000**	**–**	**65,000**
	2015	8,337	–	8,337
Mr A R Radford[1]	**2016**	**15,068**	**1,432**	**16,500**
	2015	10,000	950	10,950
Mr A W Tattersfield	**2016**	**45,000**	**–**	**45,000**
	2015	10,950	–	10,950
Mr D Morrison[2]	**2016**	**45,000**	**–**	**45,000**
	2015	–	–	–
Mr M Daniel[1]	**2016**	**–**	**–**	**–**
	2015	4,015	–	4,015
Mr N Tomkinson[1]	**2016**	**–**	**–**	**–**
	2015	1,667	158	1,825
Mr J Pitt[1]	**2016**	**–**	**–**	**–**
	2015	1,667	158	1,825
Executive Director				
Mr G A Worner	**2016**	**41,096**	**3,904**	**45,000**
	2015	–	–	–
Total	**2016**	**211,164**	**5,336**	**216,500**
	2015	36,636	1,266	37,902

Notes:

1. Directors' fees for the 2015 and 2016 financial years were apportioned for the period in office for Mr Sullivan, Mr Radford retired 12 November 2015, Mr Daniel retired 12 November 2014, Mr Tomkinson and Mr Pitt both resigned on 2 September 2014. For the dates of tenure please see page 7.
2. Fees for Mr Morrison are accrued at the date of this report.
3. Mr Worner is also the principal of wOrner Pty Limited who provides services in order to represent the Company in all Joint Venture matters. The contract between the Company and wOrner Pty Limited is based on normal commercial terms and fees were also reviewed during the year ended 30 June 2016. wOrner Pty Limited was paid a total of $242,937 (2015: $nil).

4.2 Key management personnel

Remuneration Policy

The Company aims to attract, motivate and retain a skilled senior executive team of a size and nature commensurate with its current and anticipated activities focused on contributing to PPP's financial, corporate and operating objectives. To do this, the Board;

- offers competitive remuneration packages to attract, motivate and retain skilled personnel;
- where appropriate, links reward through discretionary at-risk performance based short term incentive plans that encourage the alignment of executive performance and shareholder interests; and
- ensures that remuneration reflects the respective roles and responsibilities and performance of its senior executive team.

The Board approves the remuneration package of KMP.

The proportion of fixed and performance based elements of the remuneration of executives is a reflection of individual roles, levels of seniority and degree of responsibility that key personnel have in PPP and market factors.

Fixed Remuneration

Key management personnel are entitled to a fixed remuneration amount inclusive of the guaranteed superannuation contribution, set out later in the report. This amount is not based upon performance and is determined by the Board and takes account of the role and responsibility of each KMP and relevant industry benchmark data.

Performance Based Remuneration

Short Term Incentive

The CEO's contract was terminated due to cost rationalisation on the 24 August 2015 and therefore there was no STI awarded to the CEO in FY 2016.

During the 2015 year the non-executive directors considered the extent to which the CEO contributed to the Company's overall financial, corporate and operating performance during the financial year under review. In doing so, the Directors consider a range of factors, including but not limited to, whether the Company met its corporate budget for the review period, whether the Company met its business growth objectives during the review period, the continued successful management of the Company's investments in New Zealand and Vietnam during the review period and the number of potential new investment opportunities which were considered during the review period. Directors consider this method of assessment appropriate for the Company. No STI was approved by the Board for the 2015 or the 2016 financial year.

The assessment of performance of all executives is made by the board.

General discretionary bonuses based on the performance of the Company and of individuals' performance may also be paid to executives other than the CEO from time to time. However, the Company does not usually reward employees by providing discretionary bonuses. During the review period, no key management personnel received a discretionary bonus.

Share Options

On 28 June 2013 the Company issued the CEO 1,049,000 options over unissued ordinary shares in the Company at no cost to the CEO as settlement of 50% of his 2013 STI and as an incentive to the CEO to increase the share price and create shareholder value. The options vested immediately and are exercisable by the CEO at any time up to and including the expiry date. The options expired on 27 June 2016. The exercise price of the options was 12 cents each. These options did not entitle the CEO to participate in any share issue of the Company or any other body corporate unless the options were exercised prior to such share issue taking place. No performance hurdles were required to be met in respect of the options.

The fair value of the options were calculated as at the grant date using a Black-Scholes model and the value was allocated during the reporting period of issue as the options vested immediately on grant. In valuing the options, market conditions were taken into account.

As at the date of this report, there were no unissued ordinary shares under option.

The following factors and assumptions were used in determining the fair value of the option on grant date:

Grant date	Expiry date	Fair value per option $	Exercise price $	Price of shares on grant date $	Estimated volatility	Risk free interest rate	Dividend yield
28 June 2013	27 June 2016	0.04	0.12	0.097	75%	2.67%	0%

* Exercise price was modified on 31 October 2012 pursuant to listing rule 3.11.2 from 20 cents.

The grant of these options was not a factor in determining any cash bonus component, in respect of the 2015 financial year of issue.

No options were exercised during the financial year.

Additional information

The earnings of the group for the five years to 30 June 2016 are summarised below:

	2012 '000's	2013 '000's	2014 '000's	2015 '000's	2016 '000's
Gross Revenue	26,007	19,746	15,508	21,753	10,577
Net profit/(loss) after tax	2,673	14,525	(35,702)	(23,597)	(19,382)
Share price at year end (cents)	14.0	9.7	7.5	4.0	2.9
Equity returns declared & paid (cents)	–	5.0	–	–	–

4.3 Employment Agreements – CEO and Key management personnel

Remuneration and other terms of employment for the CEO and Key management personnel are formalised in employment agreements.

The provisions relating to duration of employment, notice periods and termination payments of the CEO and Key management personnel are as follows:

Duration of Employment Contract, Notice Periods and Termination Payments:

- The Company may terminate Key management personnel appointments for cause (for example, for breach of contract) without notice. The Company must pay any amount owing but unpaid to the employee whose services have been terminated at the date of termination, such as accrued leave entitlements.
- The CEO had a 12 month notice period and the Company commenced notice on 24 August 2014. Mr Prudence was paid his normal salary and benefits up to his departure date of 25 August 2015.
- Ms Kim Ware, Joint Company Secretary has a contract of employment with the Company. This contract is for an unlimited term and is capable of termination on twelve (12) weeks notice by the Company or six (6) weeks by Ms Ware. Where there is a change of control of the Company, Ms Ware will become entitled to a retention payment.
- All key management personnel are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The movement during the reporting period in the number of ordinary shares in Pan Pacific Petroleum NL held, directly, indirectly or beneficially, by each key management person, including their related parties as at the date of this report, is as follows:

	Held at 1 July 2015	Purchases	Disposals	Held at 30 June 2016/ upon cessation of office
P Sullivan	–	–	–	–
D Morrison	–	–	–	–
G Worner	–	–	–	–
A R Radford*	8,442,511	–	–	8,442,511
A W Tattersfield	44,727,327	–	–	44,727,327

	Held at 1 July 2014/ upon cessation of office	Purchases	Disposals	Held at 30 June 2015/ upon cessation of office
P Sullivan	–	–	–	–
D Morrison	–	–	–	–
G Worner	–	–	–	–
A R Radford	8,442,511	–	–	8,442,511
A W Tattersfield	76,591,171	397,349	(32,261,193)	44,727,327
N Tomkinson**	55,274,758	–	(55,264,758)	10,000
J Pitt**	55,274,758	–	(55,264,758)	10,000
M Daniel***	7,700,000	–	(700,000)	7,000,000
B Flatters***	20,000	–	–	20,000

* These shares were held up to November 2015 on cessation of office.

** The shareholdings shown above for Messrs Tomkinson and Pitt each reflect a total shareholding for all shares held by both directors in associated companies as per ASX lodgements. Mr Tomkinson and Mr Pitt both resigned on 2 September 2014 and as such are not deemed key management personnel during financial year 2016.

*** M Daniel and B Flatters ceased employment during the financial year 2015 and as such are not deemed key management personnel during financial year 2016.

4.4 Remuneration of Key Management Personnel of the consolidated entity and the Company

		Salary & fees $	Retention payment	Post-employment superannuation contributions $	Long term benefits/ Long service leave	Total $	Proportion of remuneration performance related $	Value of options as a proportion of remuneration $
Mr T Prudence (CEO)[1]	**2016**	**68,886**	**–**	**6,544**	**1,128**	**76,558**	**–**	**–**
	2015	457,600	–	43,472	7,627	508,699	–	–
Ms K M Ware[2] (Company Secretary)	**2016**	**256,749**	**–**	**19,308**	**4,283**	**280,340**	**–**	**–**
	2015	258,006	161,381	18,255	4,300	441,942	–	–
Ms B J Flatters[3] (Joint Company Secretary)	**2016**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2015	82,012	–	6,875	1,183	90,070	–	–
Total	**2016**	**325,635**	**–**	**25,852**	**5,411**	**356,898**	**–**	**–**
	2015	797,618	161,381	68,602	13,110	1,040,711	–	–

(1) Salaries paid on a pro-rata basis from 1 July 2015 until the date of cessation of employment on 24 August 2015. Salaries and fees include an annual leave accrual for the period for which Mr Prudence was in office. Annual leave and long service leave entitlements were paid out on cessation of employment.

(2) Salaries and fees include an annual leave accrual and long service leave accruals for the year. Annual leave and long service leave will be paid in a future period.

(3) Salaries paid on a pro-rata basis from 1 July 2014 until the date of cessation of employment on 17 November 2014. Salaries and fees include an annual leave accrual for the period for which Ms Flatters was in office. Annual leave and long service leave entitlements were paid out on cessation of employment.

5. Principal activities

The principal activities of the consolidated entity during the course of the financial year included:

- exploration and appraisal of oil and gas deposits; and
- production and sale of oil.

There were no significant changes in the nature of the activities of the consolidated entity during the year.

6. Operating and financial review

The consolidated operating loss after tax for the year amounted to $19,382,000 (2015: loss $23,597,000). Refer to pages 3 to 5 for further details of the Operating and Financial review.

7. Objectives and likely developments

During the 2016-2017 financial year the Company will focus on the assessment of a foreshadowed development decision in relation to the CRD (Cá Rồng Đỏ) oil and gas discovery in Vietnam, and expansion of PPP's asset base will also be a prime consideration.

8. Environmental regulations

Based upon the results of the monitoring programme over the past year at the Tui Oil Field, directors are not aware of any significant breaches.

9. Events subsequent to reporting date

Other than as disclosed in this report there has not arisen in the interval between the end of the financial year and the date of this report any other 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.

10. Directors' interests

Directors' Interests

The relevant interest of each director in the ordinary share capital of the Company and other related body corporate as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) and 300 (11) of the *Corporations Act 2001*, at the date of this report is as follows:

Mr P Sullivan	–
Mr A W Tattersfield	44,727,327
Mr D Morrison	–
Mr G Worner	–

11. Indemnification and insurance of officers

The Company has agreed to indemnify the current directors and officers of the consolidated entity against all liabilities that may arise from their position as directors or officers, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

During or since the end of the financial year the Company paid a premium for an insurance policy to protect the directors and officers. This insurance policy prohibits the disclosure of the nature and extent of the liability insured against and the amount of the premium.

Amounts disclosed for remuneration exclude insurance premiums paid by the consolidated entity in respect of directors' and officers' liability insurance. The premium paid has not been allocated to the individuals covered by the insurance policy as, based on all available information; the directors believe that no reasonable basis for such allocation exists.

12. Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

13. Non-audit services

During the year Ernst & Young, the Company's auditor, has performed certain other services in addition to its statutory duties. The Board has considered the non-audit services provided during the year by the auditor and, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

	2016 $
– Tax compliance services	29,817
	29,817

14. Lead auditor's independence declaration under Section 307C of the *Corporations Act 2001*

The lead auditor's independence declaration is set out on page 44 and forms part of the Directors' report for the year ended 30 June 2016.

15. Significant changes in state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review not otherwise disclosed in this report or the consolidated financial report.

16. Rounding

The Company is of a kind referred to in ASIC Class Order 2016/191 dated 24 March 2016 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.

P SULLIVAN

30 August 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016
PAN PACIFIC PETROLEUM NL AND ITS CONTROLLED ENTITIES

		Consolidated	
	Note	**2016 $'000**	2015 $'000
Revenue	6	**10,577**	21,753
Production and other costs		**(14,789)**	(22,109)
Gross loss		**(4,212)**	(356)
Other Income		**1,035**	240
Exploration and evaluation assets expensed/impaired		**(1,352)**	(6,536)
Oil and gas assets impaired		**(11,145)**	(15,537)
Administrative expenses		**(2,429)**	(3,350)
Results from operating activities		**(18,103)**	(25,539)
Financial income		**269**	180
Financial expenses		**(260)**	(1,988)
Net financing income/(expense)	7	**9**	(1,808)
Loss before income tax		**(18,094)**	(27,347)
NZ royalty benefit	8	**5,727**	2,597
Income tax (expense)/benefit	8	**(7,015)**	1,153
Total tax (expense)/benefit		**(1,288)**	3,750
Loss for the period		**(19,382)**	(23,597)
Other comprehensive income			
Items that may be re-classified subsequently to profit or loss			
Foreign currency translation of foreign operations		**676**	8,667
Net (loss)/gain on Available For Sale financial assets		**(449)**	164
Other comprehensive income for the period, net of income tax		**227**	8,831
Total comprehensive loss for the period		**(19,155)**	(14,766)
Earnings per share:			
Basic loss per share – Ordinary share (cents)	20	**(3.31)**	(4.00)
Diluted loss per share – Ordinary share (cents)	20	**(3.31)**	(4.00)

The Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements set out on pages 18 to 42.

AS AT 30 JUNE 2016
PAN PACIFIC PETROLEUM NL AND ITS CONTROLLED ENTITIES

	Note	Consolidated 2016 $'000	2015 $'000
Assets			
Cash and cash equivalents	18	**25,344**	18,946
Trade and other receivables	17	**538**	11,134
Inventories	16	**2,407**	1,520
Available for sale (AFS) investments	14	**1,132**	2,415
Current tax receivable – Income tax	9	**–**	1,621
Total current assets		**29,421**	35,636
Trade and other receivables	17	**1,308**	48
Plant and equipment	11	**25**	48
Exploration and evaluation assets	12	**15,258**	12,966
Oil & gas assets – production	13	**–**	17,030
Deferred tax asset	10	**3,638**	4,610
Total non-current assets		**20,229**	34,702
Total assets		**49,650**	70,338
Liabilities			
Trade and other payables	24	**1,696**	4,162
Employee benefits	22	**53**	266
Current tax provision – Royalty tax	9	**179**	498
Provisions	23	**1,482**	263
Total current liabilities		**3,410**	5,189
Provisions	23	**17,456**	16,983
Total non-current liabilities		**17,456**	16,983
Total liabilities		**20,866**	22,172
Net assets		**28,784**	48,166
Equity			
Issued capital	19	**47,223**	47,450
Reserves		**5,275**	5,048
Retained earnings		**(23,714)**	(4,332)
Total equity		**28,784**	48,166

The Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements set out on pages 18 to 42.

FOR THE YEAR ENDED 30 JUNE 2016
PAN PACIFIC PETROLEUM NL AND ITS CONTROLLED ENTITIES

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Cash flows from operating activities			
Cash receipts from customers		**17,704**	14,545
Cash paid to suppliers and employees		**(11,518)**	(12,416)
Cash from operations		**6,186**	2,129
Payments for Exploration and evaluation expenditure		**(3,783)**	(24,296)
Interest received		**155**	228
Tax refunded/(paid) (including NZ royalty tax paid)		**793**	(600)
Net cash flows from/(used in) operating activities	18	**3,351**	(22,539)
Cash flows from investing activities			
Payments for plant and equipment		**(16)**	–
Development asset refund/(expenditure)		**712**	(6,483)
Redemption from cash collateralisation		**1,159**	1,334
Cash from sale of AFS investment		**992**	(1,406)
Net cash flows from/(used in) investing activities		**2,847**	(6,555)
Cash flows from financing activities			
Share buy back		**(227)**	–
Net cash flows used in financing activities		**(227)**	–
Net increase/(decrease) in cash and cash equivalents		**5,971**	(29,094)
Cash and cash equivalents at 1 July		**18,946**	45,067
Effect of exchange rate fluctuations on cash held		**427**	2,973
Cash and cash equivalents at 30 June	18	**25,344**	18,946

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 18 to 42.

FOR THE YEAR ENDED 30 JUNE 2016
PAN PACIFIC PETROLEUM NL AND ITS CONTROLLED ENTITIES

Consolidated	Issued Capital $'000	Retained Earnings $'000	Currency Translation Reserve $'000	AFS Revaluation Reserve $'000	Employee Compensation Reserve $'000	Total Equity $'000
Balance at 1 July 2014	47,450	19,265	(4,241)	80	378	62,932
Total Comprehensive income for the period						
Loss for the year	–	(23,597)	–	–	–	(23,597)
Other comprehensive income						
Items that may be re-classified subsequently to profit or loss						
Foreign currency translation differences	–	–	8,667	–	–	8,667
Revaluation on available for sale investments	–	–	–	164	–	164
Total other comprehensive income	–	–	8,667	164	–	8,831
Total Comprehensive income for the period	–	(23,597)	8,667	164	–	(14,766)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners	–	–	–	–	–	–
Total transactions with owners	–	–	–	–	–	–
Balance at 30 June 2015	47,450	(4,332)	4,426	244	378	48,166
Balance at 1 July 2015	47,450	(4,332)	4,426	244	378	48,166
Total Comprehensive income for the period						
Loss for the year	–	(19,382)	–	–	–	(19,382)
Other comprehensive income						
Items that may be re-classified subsequently to profit or loss						
Foreign currency translation differences	–	–	676	–	–	676
Revaluation on available for sale investments	–	–	–	(449)	–	(449)
Total other comprehensive income	–	–	676	(449)	–	227
Total Comprehensive income for the period	–	(19,382)	676	(449)	–	(19,155)
Transactions with owners, recorded directly in equity						
Share buy-back	(227)	–	–	–	–	(227)
Total transactions with owners	(227)	–	–	–	–	(227)
Balance at 30 June 2016	47,223	(23,714)	5,102	(205)	378	28,784

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 18 to 42.

FOR THE YEAR ENDED 30 JUNE 2016
PAN PACIFIC PETROLEUM NL AND ITS CONTROLLED ENTITIES

1. Reporting entity

Pan Pacific Petroleum NL (the 'Company') is a No Liability Company domiciled and incorporated in Australia. The Company is a for profit entity for the purposes of preparing financial statements. The address of the Company's registered office is Level 3, 123 Walker Street, North Sydney NSW 2060. The consolidated financial report of the year ended 30 June 2016 comprises the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in joint operations. The Group primarily is involved in petroleum exploration, appraisal and production (see note 12 and 13).

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial report of the Group also complies with International Financial Reporting Standards (IFRS's) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the board of directors on 30 August 2016.

(b) Basis of measurement

The financial report is prepared on a historical cost basis except for available assets for sale financial assets that have been measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency. The Company is of a kind referred to in ASIC Class Order 2016/191 dated 24 March 2016 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates, judgements and assumptions

The preparation of a financial report in conformity with AASB's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates, judgements and assumptions.

Estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

Information about critical estimates, judgements and assumptions in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 13 – recoverability of Oil and Gas assets – production and development

The assumptions required to be made in order to assess the recoverability of Oil and Gas assets – development and production, include the future price of oil, future costs of production, an estimated discount rate, rehabilitation of restoration estimates and estimates of oil reserves. Refer to note 13 for assumptions used.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Impairment considerations are performed in accordance with note 3(g).

Note 12 – recoverability of Exploration and evaluation assets

The Group's policy for exploration and evaluation expenditure is discussed in note 3(t). The application of this policy requires estimates and assumptions as to future events and circumstances, particularly in relation to the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off in the Statement of Comprehensive Income.

Note 23 – provision for restoration and rehabilitation obligations

In determining the fair value of the provision, assumptions and estimates are made. We have estimated that the timing of the restoration provision will occur between 1 and 3 years as such we have used a discount rate reflective of that time period. The Company deems that the Government bond rate is an appropriate rate to use in this provision calculation.

Note 10 – recoverability of deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of the future taxable profits together with future tax planning strategies.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Note 13 – Reserve estimates

Estimates of recoverable quantities of proven and probable reserves reported include assumptions regarding commodity prices, exchange rates, discount rates, production and transportation costs for future cash flows. It also requires interpretation of geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact asset carrying values, the provision for restoration and the recognition of deferred tax assets, due to changes in expected future cash flows. Reserves are integral to the calculation of depreciation and amortisation charged to the income statement.

3. Significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statement from the date that control commences until the date that control ceases.

(ii) Joint operations

The Group's interests in unincorporated joint operations are those entities over whose activities the Group has the right to a share of the assets and liabilities of the Joint arrangement. The Group's interest in the unincorporated joint operations are brought to account by including its share of joint operation assets, liabilities and expenses and the Group's revenue from the sale of its share of output on a line by line basis, from the date the joint operation commences to the date joint operation ceases.

(iii) Transactions eliminated on consolidation

The balances and effects of transactions, between controlled entities in the consolidated financial statements are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of each controlled entity at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance date are translated to the functional currency at the foreign exchange rate at that date. Foreign exchange differences arising on retranslation are recognised in the Statement of Comprehensive Income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

(ii) Foreign Operations

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at spot rates at the day at which the transaction occurred. Foreign currency differences are recognised in other comprehensive income.

(c) Financial Instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and deposits at call. Cash also includes the Group's share of cash held as participant of joint operations.

Accounting for finance income and expense is discussed in note 3(l).

(ii) Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

3. Significant accounting policies (continued)

(d) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (see accounting policy 3(g)).

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within 'other expenses' or 'other income' in the Statement of Comprehensive Income. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Depreciation

Depreciation is recognised in the Statement of Comprehensive Income on a straight line basis over the estimated useful lives of each part of an item of plant and equipment.

	2016	2015
Plant and equipment	**18-37.5%**	18-37.5%
Fixtures and fittings	**18-37.5%**	18-37.5%

Depreciation methods, useful lives and residual values are reviewed annually for appropriateness. When changes in estimates are made, adjustments are reflected prospectively in current and future periods only.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(e) Leased assets

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's Statement of Financial Position.

(f) Inventories

Oil and consumables are carried at the lower of cost or net realisable value. Oil inventory costs are allocated on an average basis and include direct production expenses, amortisation and other fixed and variable overhead costs based on normal operating capacity directly related to production activities.

(g) Impairment

Non-financial assets

The carrying amounts of the Group's non-financial assets, except exploration and evaluation expenditure (see note 3(t)) and tax deferred assets (see note 3(m)), are reviewed at each reporting date to determine whether there is an indication of an impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use or its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset.

An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income. Individual assets are grouped for impairment purposes at the lowest level for which there are separately identifiable cash flows. Generally, this results in the Group evaluating its oil and gas assets on a field-by-field basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Employee benefits

Wages, salaries, annual leave

Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months of the year-end represent present obligations resulting from employees' services provided up to the reporting date, and are calculated as undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay at reporting date including related on-costs.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long service leave

The provision for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date.

The provision is calculated using estimated future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the Australian corporate bond rate (2015: Australian corporate bond rate) at balance date which most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

Superannuation

The Company contributes to defined contribution superannuation plans. Contributions are recognised as an expense in the Statement of Comprehensive Income as they are due.

Share-based payment transactions

The grant date fair value of share based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity over the vesting period.

(i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Restoration and Rehabilitation

The restoration and rehabilitation provision is measured at the present value of the expected future cash flows as a result of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation is incurred. The nature of the restoration activities includes the removal of facilities, abandoning of wells and restoring the affected areas.

The unwinding of the discount is recorded as an interest charge within finance costs.

(j) Revenue

Revenues are recognised at the fair value of the consideration received net of the amount of goods and services tax (GST).

Sale of goods

Sales comprise revenue earned from the provision of petroleum products. Revenue is recognised when title transfers and the risks and rewards of ownership pass to the customer.

(k) Lease payments

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Income as an integral part of the total lease expense and spread over the lease term.

(l) Finance income and expenses

Finance income comprises interest income, foreign exchange gains and losses on a net basis. Interest income is recognised as it accrues in the Statement of Comprehensive Income, using the effective interest method.

Finance expenses comprise unwinding of discount on restoration provisions (see accounting policy 3(i)).

(m) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3. Significant accounting policies (continued)

Deferred tax is recognised providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Royalties

Government royalties are treated as taxation arrangements when they are imposed under Government authority and when the calculation of the amount payable falls within the definition of 'taxable profit' for the purposes of AASB 112 – Income taxes. Current and deferred tax is then provided on the same basis as described above. Royalty arrangements that do not meet the criteria for treatment as a tax are recognised on an accruals basis.

(n) Goods and services tax

Revenue, expense, assets and liabilities are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO) or the Inland Revenue Department (IRD) (NZ). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO or IRD is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO or IRD are classified as operating cash flows.

(o) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to an employee.

(p) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(q) Investments

Controlled Entities

Investments in controlled entities are measured in the Company's accounts at cost less any accumulated impairment losses (see note 3(g)).

(r) Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method less any impairment.

(s) Trade and other payables

Trade and other payables are measured at amortised cost using the effective interest rate method. Trade accounts payable are normally settled within 30-60 days. Initial measurement is at fair value.

(t) Exploration and evaluation asset

Exploration and evaluation expenditure costs capitalised represents an accumulation of costs incurred in relation to separate areas of interest for which rights of tenure are current and in respect of which:

(i) Such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or

(ii) Exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment and/or evaluation of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the areas of interest are continuing.

Exploration and evaluation expenditure are impaired in the Statement of Comprehensive Income under the successful efforts method of accounting, during the period that exploration work demonstrates that an area of interest, or any part thereof, is no longer prospective for the economically recoverable reserves or when the decision to abandon an area of interest is made. An area of interest is defined by the Group, as being a permit area, where rights of tenure are current.

Upon technical feasibility and commercial viability of an area of interest, Exploration and evaluation assets for the area of interest is transferred from Exploration and evaluation assets to Oil and Gas assets – development.

The recoverability of Exploration and evaluation assets is contingent upon successful development and commercial exploitation, sale of the area of interest, the results of further exploration, agreements entered into with other parties, and also upon meeting commitments under the terms of permits granted and joint operations agreements.

(u) Oil and gas assets

Development

Oil and gas assets development include construction, installation and completion of infrastructure facilities such as pipelines and the cost of development wells.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the Statement of Comprehensive Income during the financial period in which they are incurred.

No amortisation is provided, in respect of developing assets, until they are reclassified as oil and gas assets – production.

Production

Production assets capitalised represent the accumulation of all development expenditure incurred by the Group in relation to areas of interest in which petroleum production has commenced. Expenditure on production areas of interest and any future expenditure necessary to develop proven and probable reserves to meet current commitment under sales contracts, are amortised, as stated below using the production output method, or on a basis consistent with the recognition of revenue. The carrying value is assessed for impairment in accordance with 3(g).

Amortisation

Once production commences, oil and gas assets are amortised over the life of the proved and probable reserves on a units of production basis. Thus, the economic life of such equipment is dependent on future production and remaining reserves, and therefore varies from project to project.

(v) Capitalised borrowing costs

Borrowing costs relating to oil and gas assets under development up to the date of that substantially all activities necessary to prepare the oil and gas asset under development for intended use are complete, are capitalised as a cost of development. Where funds are borrowed specifically for qualifying projects the actual borrowing costs incurred are capitalised. Where the projects are funded through general borrowings the borrowing costs are capitalised based on the weighted average borrowing rate.

(w) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effect. Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

(x) Financial Assets – Initial recognition and subsequent measurement

Available for sale (AFS) financial investments

AFS financial investments include equity investments. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised as Other Comprehensive Income (OCI) and credited in the AFS reserve until the investment is de-recognised, at which time the cumulative gain or loss is recognised in other operating income or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the Statement of Profit or Loss in finance costs. The Company has implemented trade date accounting for those AFS financial assets that are purchased or sold prior to balance date but settled after balance date.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

3. Significant accounting policies (continued)

(y) Impairment of financial assets

Available for sale (AFS) financial investments

For AFS financial investments, the Group assess at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Profit or Loss – is removed from OCI and recognised in the Statement of Comprehensive Income. Impairment losses on equity investments are not reversed through the Statement of Profit or Loss; increases in their fair value after impairment are recognised directly in OCI.

(z) New and Amended standards and interpretations

The following standards and interpretations which became effective and were applied for the first time during the year ended 30 June 2016 were assessed to have no material impact on the Company.

Reference	Title
AASB 2013-9	*Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 *Materiality*

(aa) New standards issued but not yet effective

The following recently issued standards and interpretations which are not yet effective have not yet been assessed by the Company.

Reference	Title
AASB 9	*Financial Instruments*
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)
AASB 15	Revenue from Contracts with Customers
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
AASB 2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception
AASB 2015-9	Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]
AASB 16	Leases
2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]
2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions [Amendments to IFRS 2]

4. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

Risk Management Framework

The Board is responsible for the identification and management of financial and other business risks in accordance with the Company's risk management policy, while the Board of directors has overall responsibility for approving the Company's risk management strategy and framework, and monitoring its effectiveness. There is no separate risk management committee.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The forecast financial position of the Group is continually monitored and derivative financial instruments can be used to hedge exposure to fluctuations in commodity prices.

The Board oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, available for sale financial assets, derivative instruments and joint operations.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represent the Group's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained. At 30 June 2016 the Group had not recognised impairment losses for trade receivables (2015: nil).

The Group does not hold any credit derivatives to offset its credit exposure.

Trade and other receivables

The Group has elected to jointly market and sell its share of Tui Crude Oil production with the other Joint Operations parties. Where the Joint operation parties elect to accept the marketing agent of Tui Crude Oil as their counter party in oil sales agreements and shipping contracts, credit risk is transferred from the purchaser of the Tui Crude oil to the marketing agent. General terms and conditions with respect to Receivables are payable within 30 days.

Guarantees

Parent Company Guarantees are extended on a case by case basis.

On 25 September 2010, a guarantee was provided by the Parent Company on behalf of a wholly owned subsidiary to each of Bharat PetroResources JPDA Ltd, GSPC (JPDA) Ltd and Global Energy Inc, to guarantee the subsidiary's performance and payment obligations pursuant to the Production Sharing Contract 06-103 dated 15 November 2006 between the Contractor parties and the Designated Authority and the corresponding Joint Operating Agreement dated 5 January 2007.

On 16 October 2010, a guarantee was provided by the Parent Company on behalf of a wholly owned subsidiary to the Timor Sea Designated Authority to guarantee the subsidiaries obligations under the JPDA 06-103 Production Sharing Contract from 19 February 2011.

On 18 December 2010, a guarantee was provided by the Parent Company on behalf of a wholly owned subsidiary to ensure the performance of the subsidiaries' obligations pursuant to Block 07/03 Production Sharing Contract in the Socialist Republic of Vietnam. The Guarantee took effect from 7 August 2011.

On 6 March 2012, a guarantee was provided by the Parent Company on behalf of a wholly owned subsidiary – PPPV121 to ensure the performance of the subsidiaries' obligations pursuant to Block 121 Production Sharing Contract in the Socialist Republic of Vietnam. The Guarantee took effect from 5 July 2012.

4. Financial risk management (continued)

On 5 March 2013, a guarantee was provided by the Parent Company on behalf of a wholly owned subsidiary to ensure the performance of the subsidiaries' obligations pursuant to Block 121 Joint Operating Agreement. The Guarantee took effect from 19 March 2013.

No additional Parent Company guarantees were entered into during the 2015 or 2016 financial years.

Joint operations

Credit risk also arises from the financial performance of the joint operation participants with which the Group is involved. If a participant to a joint operation defaults and fails to contribute its share of joint operation obligations, the remaining joint operation participants are liable to meet the obligations of the defaulting participant. In this event the interest in the tenement of the defaulting participant may be redistributed to the remaining participants.

Liquidity risk

Liquidity risk is the risk that the Group and companies within the Group will not be able to meet their financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of directors. The Group manages liquidity risk by maintaining adequate banking and borrowing facilities through the monitoring of future rolling cash flow forecasts, including those from Joint Operations. These reflect management's expectations of the settlement of financial assets and liabilities. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. This is covered by the Group's business interruption insurance. Refer to note 25 for maturity analysis.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices or interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on sales. Sales are denominated in a currency that is the functional currency within a subsidiary within the Group, primarily the U.S. Dollar (USD) and Australian Dollar (AUD). There is currency risk exposure on the New Zealand dollar (NZD) costs of production and statutory obligations occurring in entities with a USD functional currency.

The following measures are taken to reduce the Group's foreign currency exposure:

- surplus funds are held in a mixture of both United States, New Zealand and Australian Dollars;
- where possible specific commitments and exposures are hedged naturally by using United States Dollar revenues to fund United States Dollar denominated expenditures;
- to meet other foreign currency obligations, the Group purchases foreign currency as the obligations accrue.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term requirements.

The Group's investments in subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

Commodity prices

The Group is exposed to movements in commodity prices, primarily movements in the oil price. From time to time the Group enters into put options to provide downside protection against any substantial fall in oil prices. From time to time the Group offsets the cost of put options by selling call options. The call option contracts are cash settled where an obligation arises.

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash holdings (refer note 18).

Please refer to note 25 for further information about Financial Instruments.

Capital Management

Capital includes issued capital attributable to the equity holders of the Company of $47,223,000 - 581,842,846 shares (2015: $47,450,000 - 588,612,110 shares). Please refer to note 19 for further information.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of directors monitors the balance sheet, the Statement of Comprehensive Income, cash flows and cash forecasts on a regular basis.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

5. Operating Segments

The chief operating decision maker considers the business from both a product and 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 – parent entity;
- New Zealand – exploration, production and sale of petroleum products in New Zealand;
- Vietnam – exploration of petroleum products in Vietnam;
- Joint Production Development Area ('JPDA') – exploration of petroleum products in JPDA.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit after income tax and exploration expenditure as included in the internal management reports that are reviewed by the Group's CEO. The above criteria is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Comparative segment information has been represented in conformity with the requirement of AASB 8 *Operating Segments*.

	Australia		New Zealand		Vietnam		JPDA		Consolidated	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000
External revenue	**–**	–	**10,577**	21,753	**–**	–	**–**	–	**10,577**	21,753
Other Income	**–**	240	**1,035**	–	**–**	–	**–**	–	**1,035**	240
Segment revenue	**–**	240	**11,612**	21,753	**–**	–	**–**	–	**11,612**	21,993
Operating result	**(1,072)**	(1,814)	**(14,948)**	(22,217)	**(1,489)**	(1,040)	**(594)**	(468)	**(18,103)**	(25,539)
Loss before financing costs	**(1,072)**	(1,814)	**(14,948)**	(22,217)	**(1,489)**	(1,040)	**(594)**	(468)	**(18,103)**	(25,539)
Financial Income	**(17)**	5	**286**	175	**–**	–	**–**	–	**269**	180
Financial Expense	**–**	240	**(260)**	(2,227)	**–**	–	**–**	–	**(260)**	(1,988)
Segment profit before tax	**(1,089)**	(1,569)	**(14,922)**	(24,269)	**(1,489)**	(1,040)	**(594)**	(468)	**(18,094)**	(27,347)
NZ Royalty Tax	**–**	–	**5,727**	2,596	**–**	–	**–**	–	**5,727**	2,596
Income Tax expense	**(263)**	151	**(6,752)**	1,002	**–**	–	**–**	–	**(7,015)**	1,153
Segment result	**(1,352)**	(1,418)	**(15,947)**	(20,671)	**(1,489)**	(1,040)	**(594)**	(468)	**(19,382)**	(23,597)
Capital development and exploration refund/(expenditure)	**–**	–	**724**	(5,497)	**(3,157)**	(2,156)	**(70)**	(112)	**(2,503)**	(7,765)
Depreciation	**(39)**	(48)	**–**	–	**–**	–	**–**	–	**(39)**	(48)
Amortisation	**–**	–	**(7,265)**	(10,402)	**–**	–	**–**	–	**(7,265)**	(10,402)
Exploration and evaluation assets expensed	**–**	–	**–**	(5,497)	**(1,279)**	(927)	**(73)**	(112)	**(1,352)**	(6,536)
Impairment of Oil and Gas asset	**–**	–	**(11,145)**	(15,537)	**–**	–	**–**	–	**(11,145)**	(15,537)
Segment assets – current	**3,353**	4,325	**26,302**	29,560	**228**	2,180	**(462)**	(429)	**29,421**	35,636
Segment assets – non current	**49**	358	**3,647**	21,377	**16,533**	12,966	**–**	–	**20,229**	34,701
Total assets									**49,650**	70,338
Segment liabilities – current	**75,032**	68,573	**(2,045)**	(2,897)	**(54,041)**	(44,044)	**(22,356)**	(26,822)	**(3,410)**	(5,189)
Segment liabilities – non current	**(71)**	(71)	**(17,385)**	(16,912)	**–**	–	**–**	–	**(17,456)**	(16,983)
Total liabilities									**(20,866)**	(22,172)

FOR THE YEAR ENDED 30 JUNE 2016
PAN PACIFIC PETROLEUM NL AND ITS CONTROLLED ENTITIES

6. Revenue

	Consolidated	
	2016 $'000	2015 $'000
Oil sales	**10,577**	21,753
Revenue	**10,577**	21,753

Revenue of $10,577,000 (2015: $21,753,000) is attributable to a single external customer within the New Zealand Segment.

7. Financial income/(expense)

	Consolidated	
	2016 $'000	2015 $'000
Recognised in Statement of Comprehensive Income		
Interest income		
– external	**155**	180
Net realised and unrealised foreign exchange loss	**114**	–
Financial income	**269**	180
Finance fees	**(8)**	(4)
Unwinding of discount	**(252)**	(460)
Net realised and unrealised foreign exchange loss	**–**	(1,524)
Financial expenses	**(260)**	(1,988)
Net financing income	**9**	(1,808)

8. Income tax expense

	Consolidated	
	2016 $'000	2015 $'000
(a) NZ royalty expense		
Royalty payable	**(548)**	(1,098)
Origination and reversal of royalty temporary differences	**6,275**	3,695
Total NZ royalty tax benefit/(expense)	**5,727**	2,597
(b) Income tax expense		
Recognised in the Statement of Comprehensive Income	**–**	–
Current tax expense		
Current year	**–**	–
Adjustments for prior years	**–**	90
	–	90
Deferred tax expense		
Origination and reversal of temporary differences	**(7,015)**	1,063
Total income tax benefit in the Statement of Comprehensive Income	**(7,015)**	1,153

	Consolidated 2016 $'000	2015 $'000
Numerical reconciliation between tax expense and pre-tax net loss		
Loss before income tax	**(18,094)**	(27,347)
Income tax benefit using the domestic corporation tax rate of 30% (2015: 30%)	**5,428**	8,204
(Increase)/decrease in income expense due to:		
Effect of change in tax rate in foreign jurisdiction	**(298)**	(485)
Foreign currency translation	**518**	(1,678)
Unrecognised deferred tax	**(4,089)**	–
Other	**(3)**	(1)
Royalty tax deductable	**154**	307
Effect of tax losses not brought to account – Revenue	**(2,908)**	(5,284)
Deferred balances derecognised	**(5,773)**	–
Income assessable on capital account	**(43)**	–
Income tax under provided in prior year	**–**	90
Income tax (expense)/benefit	**(7,015)**	1,153

9. Current tax provision

	Consolidated 2016 $'000	2015 $'000
Balance at 1 July	**1,123**	1,699
Tax expense during the period recognised in other comprehensive income	**(548)**	(1,098)
Net payments	**867**	600
Tax refund	**(1,658)**	–
Less foreign exchange movement	**37**	(78)
Balance at 30 June	**(179)**	1,123
Income tax receivable	**–**	1,621
Royalty tax payable	**(179)**	(498)
Balance at 30 June	**(179)**	1,123

10. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets 2016 $'000	Assets 2015 $'000	Liabilities 2016 $'000	Liabilities 2015 $'000	Net 2016 $'000	Net 2015 $'000
Difference in treatment of production asset for accounting and tax purposes	**–**	721	**–**	–	**–**	721
Unrealised foreign currency loss/(gain)	**–**	380	**–**	–	**–**	380
Restoration provision	**–**	4,390	**–**	–	**–**	4,390
Tax losses bought to account	**–**	1,241	**–**	–	**–**	1,241
Royalty tax (liability)/asset	**3,638**	–	**–**	(2,493)	**3,638**	(2,493)
Employee benefits	**–**	80	**–**	–	**–**	80
Sundry items	**–**	291	**–**	–	**–**	291
Tax assets / (liabilities)	**3,638**	7,103	**–**	(2,493)	**3,638**	4,610
Set off of tax	**–**	(2,493)	**–**	2,493	**–**	–
Net tax assets	**3,638**	4,610	**–**	–	**3,638**	4,610

10. Deferred tax assets and liabilities (continued)

The $3,638,000 deferred tax asset relates to New Zealand tax royalty (2015: deferred tax asset $4,610,000, $262,000 of which relates to Australia and the remainder to New Zealand).

No deferred tax liability is recognised on the foreign currency translation reserve as the Company does not intend to sell the operation in the foreseeable future.

		Consolidated	
		2016 $'000	2015 $'000
Unrecognised deferred tax assets			
Deferred tax assets have not been recognised in respect of the following items:			
Tax losses – Australia	(i)	**6,927**	6,821
Tax losses – Vietnam (Block 07/03)	(ii)	**5,371**	4,912
Tax losses – Vietnam (Block 121)	(iii)	**–**	4,686
Tax losses – JPDA	(iv)	**–**	–
Tax losses – New Zealand	(v)	**4,725**	4,861

(i) These items are not recognised because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

(ii) These losses are quarantined against future revenue in the respective tax jurisdictions in which they are incurred. These losses are in USD.

(iii) Losses for Block 121 are no longer recorded as Block 121 Vietnam was surrendered on 24 December 2015 with all commitments either fulfilled or exceeded.

(iv) These losses have not been recorded as the PSC terminated on 15 July 2015 – see note 15.

(v) These losses are in NZD

In addition the Australian tax consolidated group has capital losses of $1,109,000 (tax effected) which have not been brought to account as a deferred tax asset as certain criteria are required to be met for their future utilisation.

11. Plant and Equipment

	Consolidated $'000
At cost	
Balance at 1 July 2014	435
Additions	2
Disposals	–
Balance at 30 June 2015	437
Balance at 1 July 2015	437
Additions	16
Disposals	–
Balance at 30 June 2016	453
Accumulated depreciation	
Balance at 1 July 2014	341
Depreciation charge for the year	48
Disposals	–
Balance at 30 June 2015	389
Balance at 1 July 2015	389
Depreciation for the year	39
Disposals	–
Balance at 30 June 2016	428
Carrying amount	
Balance at 1 July 2014	94
Balance at 30 June 2015	48
Balance at 1 July 2015	48
Balance at 30 June 2016	25

12. Exploration and evaluation assets

	Consolidated	
	2016 $'000	2015 $'000
Balance at the beginning of the year	**12,966**	9,484
Expenditure incurred during the period	**3,228**	7,764
Expensed during the year	**(1,352)**	(6,536)
Effect of changes in exchange rate	**416**	2,254
Balance at the end of the year	**15,258**	12,966

The A$6.5 million impairment during the prior year was primarily due to unsuccessful exploration drilling in relation to the Oi well in PMP 318158.

During the year $1,352 was expensed in respect to exploration and evaluation assets with low likelihood of future development and commercial exploitation.

The ultimate recoupment of costs carried forward for exploration of evaluation phases is dependent on the successful development and commercial exploitation or sale of respective areas. Refer to accounting policy note 3(t) for recoverability of exploration and evaluation assets.

Exploration expenditure carried forward at 30 June 2016 primarily relates to Block 07/03.

FOR THE YEAR ENDED 30 JUNE 2016
PAN PACIFIC PETROLEUM NL AND ITS CONTROLLED ENTITIES

13. Oil and gas assets – production

	Consolidated	
	2016 $'000	2015 $'000
Balance at the beginning of the period	**17,030**	30,561
Expenditure incurred/(refund)	**(712)**	6,477
Additional/(reversal) restoration provision	**460**	(435)
Amortisation	**(6,601)**	(9,501)
Impairment	**(11,145)**	(15,537)
Effect of changes in exchange rate	**968**	5,465
Balance at the end of the year	**–**	17,030

Impairment

Testing for indicators of impairment of oil and gas assets is performed at each reporting date based on their value in use. Value in use is based on the cash flow projections of each oil and gas asset which are considered a separate Cash Generating Unit (CGU).

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$11.1 million was recognised in the consolidated Statement of Comprehensive Income. At 30 June 2016 a reassessment was performed in determining the value in use for the CGU – the cash flows were discounted at a rate of 10% on a post-tax basis. There was no change to the impairment. 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 for 30 June 2016 include:

- The Brent oil price (real) adjusted for a premium the range used is $US42.5/bbl to $US46.50/bbl and long term price of US$58/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 74 cents (June 2015: $AUD: USD 78 cents).
- 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 the same as that used by the board in key business planning.
- Inflation 2.5% (June 2015: 2.5%).

14. Available for sale (AFS) investments

	Consolidated	
	2016 $'000	2015 $'000
Investment – Listed entities	**1,132**	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 three methods available to it for estimating the fair value of financial instruments. 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 quoted 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 3(x) to the annual financial statements.

15. Interest in joint operations

The Group has interests in unincorporated joint operations established to explore, develop and produce petroleum products, as follows:

		Percentage Interest	
		2016	2015
Joint Operations	**Note**	**Consolidated %**	Consolidated %
PMP 38158 New Zealand		**15.0**	15.0
Block 07/03 Vietnam		**5.0**	5.0
Block 121 Vietnam	(i)	**–**	15.0
JPDA 06-103 Timor Leste	(ii)	**–**	–

The joint operations are not separate legal entities. They are contractual arrangements between the participants for the sharing of costs and output and do not in themselves generate revenue or profit.

Notes:

(i) Block 121 Vietnam was surrendered on 24 December 2015 with all commitments either fulfilled or exceeded.

(ii) The Autoridade Nacional do Petróleo of Timor-Leste ('ANP'), the Designated Authority terminated the JPDA 06-103 PSC on 15 July 2015. Please refer to note 29 for further information about contingencies.

16. Inventories

		Consolidated	
	Note	**2016 $'000**	2015 $'000
Oil inventory at cost		**2,407**	1,520

17. Trade and other receivables

		Consolidated	
	Note	**2016 $'000**	2015 $'000
Current			
Trade receivables		**–**	7,180
Other debtors		**538**	2,862
Cash held in escrow	(i)	**–**	1,092
		538	11,134
Non-current			
Security deposit		**25**	48
Other debtors		**1,283**	–
		1,308	48

(i) During the year the cash held in escrow reduced by $1,092,000 to $nil (2015: to $1,092,000). Cash held in escrow was deposited on 30 June 2008 to substitute existing security arrangements with respect to the Letter of Credit (see note 21 for further information). The cash was required to be held in a special purpose LC collateral account. The funds were released over the fixed term period of the Time Charter.

FOR THE YEAR ENDED 30 JUNE 2016
PAN PACIFIC PETROLEUM NL AND ITS CONTROLLED ENTITIES

18. Cash and cash equivalents

	Consolidated	
	2016 $'000	2015 $'000
Cash – at bank	**25,026**	16,863
– held by joint operations	**318**	2,083
Cash and cash equivalents in the Statement of Cash Flows	**25,344**	18,946

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Reconciliation of cash flows from operating activities

Cash flows from operating activities		
Loss for the period	**(19,382)**	(23,597)
Adjustments for:		
Depreciation	**39**	48
Amortisation	**6,601**	9,510
Unrealised exchange (loss)/gain	**(949)**	(5,159)
Impairment of exploration expenditure	**1,352**	6,536
Loss/(gain) on sale of AFS	**60**	(405)
Impairment of production asset	**11,145**	15,537
Operating profit before changes in working capital and provisions	**(1,134)**	2,470
Movement in receivables	**7,214**	(6,343)
Movement in payables	**(2,337)**	(16,193)
Movement in inventory	**410**	1,917
Movement in tax provisions	**1,699**	576
Movement in deferred tax	**738**	(3,407)
Movement in restoration provision	**(208)**	(460)
Movement in provisions, other than restoration	**411**	195
Movement in exploration	**(3,228)**	(7,764)
Movement in oil & gas asset	**–**	6,477
Employee benefits	**(214)**	(7)
Net cash flow from operating activities	**3,351**	(22,539)

Note:
Working capital balances are subject to foreign exchange revaluations; this non cash movement has been included from the reconciliation above.

19. Capital and reserves

	Company	
	2016 $'000	2015 $'000
581,942,846 (2015: 588,612,110) ordinary shares, fully paid	**47,223**	47,450

Issued Capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

During the period the Company bought back 6,669,264 shares under an on-market share buyback for $227,000. On 22 December 2015 pursuant to the buyback these shares were cancelled.

As at the date of this report, there were no unissued ordinary shares under option.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations where the functional currency is different to the presentation of the reporting currency.

Equity compensation reserve

The equity compensation reserve represents the fair value of options issued under contract of employment; the reserve will be transferred to paid up capital upon the exercise of share options.

Dividends

There were no dividends issued during the year.

There are no further dividends proposed by the directors for 2016 (2015: Nil).

Dividend franking account

The Company has no Australian dividend franking credits.

On 24 November 2008 the Company formed a Trans-Tasman imputation group with its New Zealand subsidiaries, WM Holdings Limited and WM Petroleum Limited. As a result of the Zeta Energy takeover on 27 May 2015 the Company and the consolidated entity failed the Continuity of Ownership test of 66% with respect to the NZ imputation credits in the TTIG and all were forfeited. The Group had available to it Nil NZ imputation credits as at 30 June 2016 (2015: available NZ imputation Credits Nil).

Available for sale revaluation reserve

The investment revaluation reserve records the unrealised gain or loss on the fair value of the investment at each reporting period. The reserve will be reversed once the investment is sold.

20. Loss per share

The calculation of earnings per share at 30 June 2016 was based on the Loss attributable to ordinary shareholders of $19,382,000 (2015: Loss $23,597,000). Loss for the year does not differ for the calculation of basic or diluted earnings per share. There were options outstanding from 9 September 2011 to 30 June 2015.

	Consolidated	
	2016 '000	2015 '000
Issued ordinary shares at 1 July	**588,612**	588,612
Weighted average number of ordinary shares at 30 June – basic	**585,132**	588,612
Weighted average number of ordinary shares at 30 June – dilutive	**585,132**	588,612
Basic loss per share (cents)	**(3.31)**	(4.00)
Dilutive loss per share (cents)	**(3.31)**	(4.00)

There were no options on issue at the end of the period. (2015: Options on issue did not have a dilutive effect).

21. Loans and borrowings

The group currently has no loans and borrowings or line of credit facilities (2015: nil). For more information about the Group's exposure to interest rate and foreign currency risk, see note 26.

Time Charter

The letter of credit facility ('LC facility') is a committed facility, to support a floating production storage offloading ('FPSO') vessel chartered to the PMP 38158 Joint Operations under a FPSO Charter. As at 30 June 2016 the LC facility had been reduced to $nil USD (2015: $838,397 USD) in accordance with the end of the fixed term of the FPSO Charter. (2015: A fee of 0.25% applies to the extent the letter of credit is cash-collateralised or 1.00% where the amount is outstanding under the letter of credit facility)(see note 17).

22. Employee benefits

	Consolidated	
	2016 $'000	2015 $'000
Current		
Liability for annual leave	**50**	184
Liability for long service leave	**3**	82
Total employee benefits current	**53**	266

Note:
The Group makes contributions to various third party defined contribution superannuation schemes. The amount recognised as an expense was $40,000 for the year ended 30 June 2016 (2015: $104,000).

23. Provisions

	Restoration 2016 $'000
Consolidated	
Balance at 1 July 2015	**17,247**
Provisions made during the year	**871**
Unwind of discount	**252**
Foreign exchange movement	**568**
Balance at 30 June 2016	**18,938**
Current	**1,482**
Non-current	**17,456**

Restoration and Rehabilitation

The restoration and rehabilitation provision 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 required restoration is between 1 and 3 years, with a discount rate of 1.6% (2015: 2.30%) applied to present value of the future restoration costs.

24. Trade and other payables

	Consolidated	
	2016 $'000	2015 $'000
Current		
Trade creditors	**1,696**	4,162
	1,696	4,162

25. Financial instruments

Credit Risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Consolidated Carrying amount	
	2016 $'000	2015 $'000
Trade receivables	**–**	8,511
Other receivables	**1,846**	2,670
Cash and cash equivalents	**25,344**	18,946
Investments	**1,132**	2,415
Total	**28,322**	32,542

The Group manages its credit risk on trade receivables by dealing with only large, reputable customers. At balance date credit risk is concentrated to a single customer. The Group does not consider there to be any impairment indicators held with this customer. The Group's credit risk is limited to the carrying value of its financial assets. None of the Group's receivables are past due (2015: is consistent with 2016).

As at 30 June 2016 there was no material exposure to credit risk in relation to cash held by banks as $2,627,782 was held with Australian Financial Institutions rated AA- with the remaining balances held in New Zealand of $22,397,706 with institutions rated AA-. $317,774 was held in the accounts of joint operations.

Impairment losses

Based on past experience, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due (2015: No impairment was required).

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments.

		Payables ageing analysis between				
Consolidated	Total A$'000	6 months or less A$'000	6-12 months A$'000	1-2 years A$'000	2-5 years A$'000	5 years or more A$'000
30 June 2016						
Trade and other payables	**1,696**	**1,696**	**–**	**–**	**–**	**–**
Total payables	**1,696**	**1,696**	**–**	**–**	**–**	**–**
30 June 2015						
Trade and other payables	4,162	4,162	–	–	–	–
Total payables	4,162	4,162	–	–	–	–

Currency risk

Exposure to currency risk

The Group's exposure to foreign exchange risk at balance date was as follows, based on notional amounts:

	Consolidated	
Amounts in USD	**2016 US$'000**	2015 US$'000
Financial Assets		
Cash and cash equivalents	**16,834**	12,057
Trade receivables	**–**	6,536
Other receivables	**1,181**	1,648
Financial Liabilities		
Payables	**(1,023)**	(2,547)
Provisions	**(13,960)**	(12,988)
	3,032	4,706

FOR THE YEAR ENDED 30 JUNE 2016
PAN PACIFIC PETROLEUM NL AND ITS CONTROLLED ENTITIES

25. Financial instruments (continued)

	Consolidated	
Amounts in NZD	**2016 NZ$'000**	2015 NZ$'000
Financial Assets		
Cash and cash equivalents	**2,619**	3,237
Other receivables	**669**	–
Financial Liabilities		
Payables	**(78)**	(16)
	3,210	3,221

The following exchange rates applied during the year:

	Average rate		Reporting rate	
	2016	2015	**2016**	2015
AUD:USD	**0.7272**	0.8288	**0.7426**	0.7680
AUD:NZD	**1.0874**	1.0801	**1.0489**	1.1294

Sensitivity analysis

The following table summarises the sensitivity of financial instruments held at balance date to movement in the exchange rate of the Australian dollar to the US, and NZ dollar, with all other variables held constant.

	Impact on Profit and Loss	
	Consolidated	
	2016 $'000	2015 $'000
AUD/USD +5%	**1,144**	1,117
AUD/USD -5%	**(1,144)**	(1,117)

	Impact on Equity	
	Consolidated	
	2016 $'000	2015 $'000
AUD/USD +5%	**(940)**	(810)
AUD/USD -5%	**940**	810

	Impact on Profit and loss	
	Consolidated	
	2016 $'000	2015 $'000
AUD/NZD +5%	**121**	143
AUD/NZD -5%	**(121)**	(143)

Commodity price risk

The Group's revenues are exposed to commodity price fluctuations, in particular oil prices. There are no financial assets or liabilities impacted by commodity price risk.

Interest rate risk

The financial instruments exposed to interest rate risk are as follows:

	Consolidated	
	2016 $'000	2015 $'000
Financial Assets		
Cash and cash equivalents	**25,344**	18,946
Other receivables	**–**	1,092
	25,344	20,038

Sensitivity analysis

The estimated impact of a 10 percent change in the average commodity price for the year ended 30 June 2016 would have increased or decreased the Group's profit or loss by $990,099 (2015: $1,763,000). The estimated impact of a change of 100 basis points in interest rates would have increased or decreased the Group's profit or loss by $209,000 (2015: $300,000).

Fair values of financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	Consolidated			
	2016		2015	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Trade receivables	**–**	**–**	8,511	8,511
Other receivables	**1,846**	**1,846**	2,670	2,670
Cash equivalents	**25,344**	**25,344**	18,946	18,946
Available for sale investments	**1,132**	**1,132**	2,415	2,415
Trade and other payables	**(1,696)**	**(1,696)**	(4,162)	(4,162)
	26,626	**26,626**	28,380	28,380

The carrying values of all other financial assets and liabilities are estimated to approximate fair value because of their short maturity.

26. Time charter

	Consolidated	
	2016 $'000	2015 $'000
Floating Production and Storage Offtake vessel (FPSO) time charter contracted but not provided for in the financial statements, payable:		
– Within one year	**6,174**	6,556
– One year or later and no later than five years	**3,087**	3,303
	9,261	9,859

The Time Charter relates to the Group's percentage share in the FPSO in the Tui development area. The fixed term of the Time Charter ended on 31 December 2015. During the period the PMP 38158 Joint Venture agreed to a one-year extension from 1 January 2017 to 31 December 2017. After this date there are five one-year options.

27. Operating leases

	Consolidated	
	2016 $'000	2015 $'000
Leases as lessee		
Non-cancellable operating lease rentals are payable as follows:		
– Within one year	**66**	94
– One year or later and no later than five years	**–**	76
	66	170

The Group leases office space under an operating lease. The lease runs until April 2017, after which there is a one year option to renew. Lease payments are increased annually by 4%. The lease does not include contingent rental.

During the financial year ended 30 June 2016, $93,000 was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases (2015: $152,000).

28. Capital and other commitments

In order to maintain the various permits in which the Group and its respective joint operation partners are involved, and/or to meet contractual obligations, the Group has ongoing commitments as part of its normal operations to meet various operational expenditures. The actual costs will be dependent on a number of factors such as joint operation decisions including final scope of work and timing of operations.

	Consolidated	
	2016 $'000	2015 $'000
Exploration commitments		
Exploration commitments of the Group to the joint operation		
– Within one year	**934**	2,375
	934	2,375

29. Contingencies

Contingent Liabilities

During the 2006 financial year the Operator of the Tui Area oil project (PMP 38158, offshore Taranaki basin New Zealand) executed a charter contract for the provision of an FPSO for the Tui Oil Field development. The contract was for a fixed initial term of 5 years. During 2008 the fixed term of the charter was extended by 3.4 years to 31 December 2015, followed by seven one-year options. The Group provided a letter of credit for the benefit of the Charter contractor amounting to US$10 million, which expired during the period in line with the end of the fixed term at 31 December 2015 of the Time Charter (see note 26).

The Group may be required to undertake restoration works in addition to that provided at 30 June 2016. The directors are of the opinion that further provisions are not required in respect of restoration works, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

On 15 July 2015 The Autoridade Nacional do Petróleo of Timor-Leste ('ANP'), the Designated Authority, terminated the JPDA 06-103 Profit Sharing Contract ('PSC') and requested a payment of USD$17,018,000 (PPP Group share of USD$2,552,000) in respect of the foregone work program in the Joint Production Development Area. However, the Joint Venture Parties ('JVP') have disputed the above amount with the ANP under the dispute clauses of the PSC. The JVP have submitted a counter offer, the amount of which has been provided for in these financial statements nett to PPP. Due to the uncertainty of the outcome of this dispute the remaining portion is a contingent liability at the date of these accounts. The parties continue to discuss the financial liability of the contractor upon termination. It is the Company's intention to settle on mutually acceptable terms with the ANP.

30. Related parties

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors	***Retired***
Mr P Sullivan (Chairman)	
Mr A R Radford	12 November 2015
Mr A Tattersfield	
Mr D Morrison	
Executive Director	***Appointed from***
Mr G Worner	24 August 2015

Executives

Tom Prudence (Chief Executive Officer)	*terminated due to cost rationalisation*	24 August 2015
Kim M Ware (Company Secretary)		

Key management personnel compensation

	Consolidated	
	2016 $	2015 $
Short-term employee benefits	**536,800**	834,254
Retention payments	**–**	161,381
Post-employment benefits	**31,187**	69,867
Long term benefits	**5,411**	13,109
	573,398	1,078,611

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Non-key management personnel disclosure

Identity of related parties

The Group has a related party relationship with its subsidiaries (see note 31), joint operation (see note 15), its key management personnel (part of this note) and its substantial shareholder Zeta Energy Pte Limited. Other than as disclosed in note 30 and the Remuneration Report in respect of Mr P Sullivan (who is a director of Zeta Resource the parent entity of Zeta Energy Pte Limited), there were no transactions during the period with Zeta Energy Pte Limited.

The Company entered into a contract with wOrner Pty Limited during the period. The principal of wOrner Pty Limited is Mr Worner a Director of the Company. wOrner Pty limited provides services in order to represent the Company in all Joint Venture matters. The contract between the Company and wOrner Pty Limited is based on normal commercial terms, and fees were also reviewed during the year ended 30 June 2015. wOrner Pty Limited was paid a total of $242,937 (2015: $nil).

During the period, corporate accounting services to the value of $18,000 were provided to the Company by ICM Corporate Services Pty Limited ('ICMCS'). ICMCS is a subsidiary of ICM Limited who is investment manager of Zeta Energy Pte Limited and who as investment manager has control of the voting of the Zeta Energy shares.

31. Consolidated entities

Particulars in relation to controlled entities	Note	**2016 %**	2015 %
Parent entity			
Pan Pacific Petroleum NL			
Subsidiaries			
Pan Pacific Petroleum (South Aust) Pty Ltd		**100**	100
Pan Pacific Petroleum (Vietnam) Pty Ltd		**100**	100
Pan Pacific Petroleum (JPDA 06-103) Pty Ltd		**100**	100
Pan Pacific Petroleum Vietnam (121) Pty Ltd		**100**	100
WM Holdings Limited	(a)	**100**	100
WM Petroleum Limited	(a)	**100**	100

(a) WM Holdings Limited and WM Petroleum Limited are incorporated in New Zealand. All other controlled entities are incorporated in Australia.

(b) All controlled entities have a balance date of 30 June.

FOR THE YEAR ENDED 30 JUNE 2016
PAN PACIFIC PETROLEUM NL AND ITS CONTROLLED ENTITIES

32. Auditors' remuneration

The auditor of Pan Pacific Petroleum NL is Ernst & Young.

	Consolidated	
	2016 $	2015 $
Amounts received or due and receivable by Ernst & Young for:		
Audit and review of financial report	**88,500**	85,900
	88,500	85,900
Other services in relation to the entity and any other entity in the consolidated group		
Tax compliance services	**29,817**	25,000
	29,817	25,000

33. Parent entity disclosures

	Consolidated	
	2016 $'000	2015 $'000
Result of parent entity		
Profit/(loss) for the period	**126**	570
Total comprehensive profit/(loss) for the period	**126**	570
Financial position of parent entity at year end		
Current assets	**3,282**	4,254
Non-current assets	**1,353**	1,662
Total assets	**4,635**	5,916
Current liabilities	**(363)**	(1,165)
Total liabilities	**(363)**	(1,165)
Total equity of the parent entity comprising of:		
Share capital	**47,223**	47,450
Employee equity reserve	**377**	377
Asset available for sale investment revaluation reserve	**(13)**	364
Retained earnings	**(43,315)**	(43,440)
Total Equity	**4,272**	4,751

Contingent Liabilities

The Company has entered into indemnity deeds to indemnify executives of the Company against all liabilities incurred in the course of, or arising out of, their employment with the Company and its controlled entities, except where the liability results wholly or in part from serious and wilful misconduct by the executive.

The Company has entered into various Parent Company guarantees – refer note 4. The Company has assessed that the likelihood that these guarantees will be called is low, and accordingly no fair value liability is recognised (2015: Nil).

34. Events subsequent to reporting date

Post balance date the Company sold 3,886,709 shares of its available for sale asset for $147,000.

Other than as disclosed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, 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.

FOR THE YEAR ENDED 30 JUNE 2016
PAN PACIFIC PETROLEUM NL AND ITS CONTROLLED ENTITIES

In the opinion of the directors of Pan Pacific Petroleum NL ('the Company'):

1. (a) the consolidated financial statements and notes set out on pages 14 to 42 and the remuneration report in the directors' report, set out on pages 7 to 13, are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   (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.

2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Company Secretary (CFO equivalent) for the financial year ended 30 June 2016.

3. The directors draw attention to Note 2(a) to the consolidated financial statements which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

P Sullivan

30 August 2016

FOR THE YEAR ENDED 30 JUNE 2016
PAN PACIFIC PETROLEUM NL AND ITS CONTROLLED ENTITIES

EY
Building a better working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

As lead auditor for the audit of Pan Pacific Petroleum NL for the financial year ended 30 June 2016, 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 audit; and

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

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

Ernst & Young

Sydney
30 August 2016

Trent van Veen
Partner

FOR THE YEAR ENDED 30 JUNE 2016
PAN PACIFIC PETROLEUM NL AND ITS CONTROLLED ENTITIES

EY
Building a better working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent auditor's report to the members of Pan Pacific Petroleum NL

Report on the financial report

We have audited the accompanying financial report of Pan Pacific Petroleum NL which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit 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.

Opinion

In our opinion:

a. the financial report of Pan Pacific Petroleum NL is in accordance with the *Corporations Act 2001*, including:
   - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
   - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Pan Pacific Petroleum NL for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Trent van Veen
Partner

Sydney
30 August 2016

FOR THE YEAR ENDED 30 JUNE 2016
PAN PACIFIC PETROLEUM NL AND ITS CONTROLLED ENTITIES

*Top 20 Holders of Fully Paid Ordinary Shares as at 12 September 2016

Ordinary Shares

Name	Shares	% of Issued Capital
J P Morgan Nominees Australia Limited	300,973,118	51.72
Tattersfield Securities Limited*	42,462,639	7.30
Mehasu Pty Limited <WTMS Super Fund A/C>	6,402,134	1.10
Mr Sean Anthony Dennehy	5,424,079	0.93
Kjarstin Spangberg Wenig	5,080,980	0.87
Tribal N Z Traders Limited	4,994,979	0.86
Burnal Pty Ltd	4,500,000	0.77
Cazna (Oxford 1) Limited & Cazna (Oxford 2) Limited <The Oxford>	4,083,392	0.70
Sean Anthony Dennehy	3,414,236	0.59
Blessed Investments Pty Limited <Green Family S/F A/C>	3,350,000	0.58
Tribal New Zealand Traders Limited	3,195,061	0.55
Riuohauraki Limited	3,000,000	0.52
Citicorp Nominees Pty Limited	2,916,761	0.50
Mr Stephen Alan McCabe	2,660,000	0.46
Persal and Co Investments Pty Ltd	2,500,000	0.43
Hugh Green Foundation	2,424,500	0.42
Mr Brian Green	2,150,000	0.37
New Zealand Central Securities Depository Limited	2,041,254	0.35
Tyrannus Holdings Ltd	1,869,606	0.32
Forsyth Barr Custodians Ltd <Forsyth Barr Ltd-Nominee A/C>	1,351,000	0.23
Total For Top 20	**404,793,739**	**69.56**

The total number of current holders is 2,959 and the total number of shares on issue is 581,942,846.

The Company's securities are quoted on the ASX and NZX. The Company announced its intention to delist from the NZX on 8 September 2016.

* The Top 20 Holders list is comprised of some aggregated holdings where the names of the Holders are identical.

FOR THE YEAR ENDED 30 JUNE 2016
PAN PACIFIC PETROLEUM NL AND ITS CONTROLLED ENTITIES

Substantial Shareholders

Substantial shareholders as shown in substantial shareholder notices received by the Company as at 12 September 2016 are:

Zeta Energy Pte Ltd	293,483,022 (50.432%)
Tattersfield Group	44,727,327 (7.60%)

Distribution Schedule of Holdings at 12 September 2016

Holding Ranges	No. of Ordinary Shareholders	No. of Shares	% Issued Capital
1-1,000	97	40,627	0.01
1,001-5,000	322	966,328	0.17
5,001-10,000	264	2,095,547	0.36
10,001-100,000	1,886	63,753,153	10.96
100,001-and over	390	515,087,191	88.51
Total	**2,959**	**581,942,846**	**100.00**

The number of security investors holding less than a marketable parcel of 16,667 securities ($.030 on 09/09/2016) is 1,052 and they hold 8,370,021 securities.

Voting Rights

All ordinary shares carry one vote per share without restriction.

FOR THE YEAR ENDED 30 JUNE 2016
PAN PACIFIC PETROLEUM NL AND ITS CONTROLLED ENTITIES

Directors and Management

P R Sullivan	Chairman, Non-Executive Director
R A Radford	Non-Executive Director
A W Tattersfield	Non-Executive Director
J D F Morrison	Non-Executive Director
G A Worner	Executive Director
K M Ware	Company Secretary / CFO (equivalent)

Registered Office

3rd Floor, 123 Walker Street
North Sydney NSW 2060, Australia

Phone:	61 2 9957 2177
Fax:	61 2 9925 0564
Website:	www.panpacpetroleum.com.au

Share Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

Phone:	1300 306 276 (toll free within Australia)
Phone:	+61 2 8280 7608
Fax:	+61 2 9287 0303
Email:	registrars@linkmarketservices.com.au
Website:	www.linkmarketservices.com.au
ASX Code:	PPP

The Company's Corporate Governance Statement and Policies can be found at www.panpacpetroleum.com.au

This report is printed on Pacesetter. This is an FSC Mixed Sources Certified paper, which ensures that all virgin pulp is derived from well-managed forests and controlled sources. It contains elemental chlorine free bleached pulp and is manufactured by an ISO 14001 certified mill.

Designed and produced by Heywood Innovation

PAN PACIFIC PETROLEUM NL

3rd Floor , 123 Walker Street
North Sydney NSW 2060
Australia

T: +61 2 9957 2177
F: +61 2 9925 0564
www.panpacpetroleum.com.au