



Pan Pacific Petroleum

Pan Pacific Petroleum NL

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

For the period ended 31 December 2016

PAN PACIFIC PETROLEUM NL
 ABN: 69 000 749 799
 APPENDIX 4D
 HALF-YEAR REPORT
 HALF-YEAR ENDED 31 DECEMBER 2016
 RESULTS FOR ANNOUNCEMENT TO THE MARKET

		Dec 2016	Dec 2015 (Restated)	Movement		
		US\$'000	US\$'000	US\$'000		%Change
2.1	Revenues from ordinary activities	4,037	4,741	(704)	down by	14.8%
2.2	Loss after tax attributable to members	(2,336)	(14,190)	11,854	up by	83.5%
2.3	Loss for the period attributable to members	(2,336)	(14,190)	11,854	up by	83.5%
2.4	Dividends	N/A				
2.5	Record date for determining entitlements to the dividend	N/A				
2.6	Explanation of items 2.1 – 2.3					
<p>2.1 Production from the Tui Area oil fields accounted for sales revenue of US\$4.0 million during the period. Revenue was lower than the corresponding period (half-year ended 31 December 2015) due to a decrease in barrels sold due to sales timing and offset by a slight increase in oil prices. Actual average production rates for 31 December 2016 period were 489 bbls per day (2015: 639 bbls per day).</p> <p>2.2 & 2.3 Loss for the half-year was US\$2.3 million after an adjustment to provisions of US\$2.8 million was made largely in relation to the Tui asset. In addition, exploration costs during the period of US\$0.1 million were written-off. Income and royalty taxes expense US\$0.3 million, the Company's share of Tui operating costs US\$3.0 million and administration, finance and other costs of US\$0.5 million were also incurred during the period.</p> <p>The loss for the half-year to 31 December 2016 decreased when compared to the loss in the 2015 corresponding period largely as a result of an impairment charge of US\$8.2 million in this prior period, and less exploration expenditure being written off on a successful efforts method between the two periods of US\$0.4 million. Production costs are US\$5.8 million lower as a result of higher amortisation charges and lower income (see above 2.1). A lower income tax position of US\$3.0 million occurred between the periods as a result of the reversal of a deferred tax liability due to the impairment in December 2015. These movements were offset by US\$1.6 million in net finance income largely due to foreign exchange movement. Other income from exploration costs being refunded in relation to Oi of US\$0.8 million was received during the prior period.</p>						
3	NTA Backing	Current period		Previous corresponding period (Restated)		
	Net tangible asset backing per ordinary security	US\$0.01		US\$0.02		
4	Details of controlled entities					
4.1	Control gained over entities having material market effect	N/A				
4.2	Control lost over entities having material market effect	No entities were disposed of during the period				
4.3	Profit or loss from changes on control of entities	N/A				
5.	Details of dividends					
6.	Details of dividend reinvestment plans					
7.	Details of associates and joint arrangements					
		Refer to note 11 relating to joint operations				

8.	Foreign entities	N/A
9.	Details of audit dispute or audit qualifications	N/A

This half-year report should be read in conjunction with the 30 June 2016 Annual Report and ASX announcements issued after this date.

DIRECTORS' REPORT

The directors present their report together with the consolidated financial report for the six months ended 31 December 2016 and the auditor's review report thereon.

DIRECTORS

The names of the directors of Pan Pacific Petroleum NL (the "Company" or "PPP") in office during the six months to 31 December 2016 and until the date of this report are:

P Sullivan	Non-Executive Chairman	Appointed:	26 September 2014
A W Tattersfield	Non-Executive	Appointed:	22 February 2005
		Retired:	22 November 2016
G Worner	Non-Executive	Appointed:	26 June 2015
	Executive	from:	24 August 2015
D Morrison	Non-Executive	Appointed:	26 June 2015
		Retired:	22 November 2016
P Burke	Non-Executive	Appointed:	22 November 2016

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

REVIEW OF OPERATIONS

The result from operations for the half-year to 31 December 2016 was a loss of US\$2,336,000 (31 December 2015 loss US\$14,910,000).

Operating Review

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

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

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

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

Production

Production from the Tui Area Fields for the period totalled 534,295 barrels, including approximately 2,626 barrels which were burned as fuel oil, 516,790 barrels net of fuel oil (Company share 77,518 barrels). Cumulative gross field production to the end of December was 39.3 million barrels.

Sales of 375,282 barrels (56,292 barrels net to PPP) and of 182,344 barrels (27,352 barrels net to PPP) were successfully completed in August and September respectively.

PPP's operating revenue from Tui during the period was US\$4.0 million.

Block 121 Vietnam (PPP interest 15%)

The Block was relinquished at the end of Phase 2 on 24 December 2015 with all commitments either fulfilled or exceeded there was no exploration activity during the period.

Block 07/03 Vietnam (PPP interest 5%)

The current focus of activities is on preparing a Field Development Plan (FDP) for the Cá Rồng Đỏ (CRD oil) and gas discovery.

PPP has a 5% interest in Block 07/03 located in the Nam Con Son Basin, which includes the CRD oil and gas discovery that has been successfully appraised and flow tested. Over the last 2 years the Operator, Repsol (Talisman), has undertaken a structured program of activities to finalise the FDP to enable a Final Investment Decision (FID) to commercialise the discovery. Negotiations on the major contracts continued throughout the period and on 23 January 2017 Malaysia's Yinson Holdings Berhad announced they had entered into exclusive negotiations with Repsol for the supply of an FPSO vessel for the CRD Field.

The decision on whether to approve the FDP is expected within the next quarter. PPP is evaluating the potential benefits, risks, and costs of this opportunity and considering options to fund the Company's 5% share of the US\$1.1 billion required over the next four years to drill development wells and build infrastructure, targeting first oil and gas production in the second half of 2019.

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

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

In May 2015 the ANP rejected the Joint Venture's 2013 request to terminate and on 15 July 2015 the ANP terminated the PSC and sought a payment from the JV of approximately US\$17 million (net US\$2.6m to PPP).

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

Financial

Production from the Tui Area oil fields accounted for sales revenue of US\$4.0 million during the period. Revenue was lower than the corresponding period (half-year ended 31 December 2015) due to a decrease in barrels sold due to sales timing and offset by a slight increase in oil prices. Actual average production rates for 31 December 2016 period were 489 bbls per day (2015: 639 bbls per day).

PPP's share of inventory at 31 December 2016 was approximately 45,631 barrels (2015: 19,111 barrels).

Loss for the half-year was US\$2.3 million after an adjustment to provisions of US\$2.8 million was made largely in relation to the Tui asset. In addition, exploration costs during the period of US\$0.1 million were written-off. Income and royalty taxes expense US\$0.3 million, the Company's share of Tui operating costs US\$3.0 million and administration, finance and other costs of US\$0.5 million were also incurred during the period.

Cash held at 31 December 2016 was US\$16.3 million inclusive of monies held by the Joint Ventures.

The loss for the half-year to 31 December 2016 decreased when compared to the loss in the 2015 corresponding period largely as a result of an impairment charge of US\$8.2 million in this prior period, and less exploration expenditure being written off on a successful efforts method between the two periods of US\$0.4 million. Production costs are US\$5.8 million lower as a result of higher amortisation charges and lower income (see above 2.1). A lower income tax position of US\$3.0 million occurred between the periods as a result of the reversal of a deferred tax liability due to the impairment in December 2015. These movements were offset by US\$1.6 million in net finance income largely due to foreign exchange movement. Other income from exploration costs being refunded in relation to Oi of US\$0.8 million was received during the prior period.

Events Subsequent to Balance Date

On 14th February 2017 the Company announced that it had executed agreements to sell all the shares of The Company's subsidiary, WM Petroleum Limited (WMP), WMP owns 15 percent interest in the Tui area oil fields off Taranaki, New Zealand, to Tamarind Classic Resources Limited (Tamarind) of Kuala Lumpur, Malaysia.

Tamarind will pay US\$400,000 for all of the shares in WMP and on completion of the transaction the Company will make a net payment to Tamarind of US\$5.45 million in the form of cash and inventory. The effective date of the transaction is 1st January 2017.

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

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

The Lead Auditors' Independence Declaration is set on page 8 and forms part of the Director's Report for the half-year ended 31 December 2016.

ROUNDING

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

Signed in accordance with a resolution of the Directors

A handwritten signature in black ink, appearing to be 'P. Sullivan', written in a cursive style.

P Sullivan

Date: 27th February 2017



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

As lead auditor for the review of Pan Pacific Petroleum for the half-year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Trent van Veen
Partner
Sydney
27 February 2017

Consolidated statement of comprehensive income

For the six months ended 31 December 2016

	Note	Consolidated	
		31 December 2016 US\$'000	31 December (Restated) 2015 US\$'000
Sales revenue		4,037	4,741
Production and other costs		(3,010)	(8,830)
Gross profit		1,027	(4,089)
Other income		32	792
Impairment of oil and gas assets	9	-	(8,161)
Provisions made	10	(2,848)	-
Exploration written off	8	(89)	(535)
Administrative and other expenses		(615)	(1,093)
Results from operating activities		(2,493)	(13,086)
Finance income	5	23	1,623
Finance costs	5	(155)	(56)
Net financing income		(132)	1,567
Loss before tax		(2,625)	(11,519)
NZ Royalty tax (expense)/benefit		(247)	4,343
Income tax (expense)/benefit		536	(7,014)
Loss for the period		(2,336)	(14,190)
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods.</i>			
Foreign currency translation for foreign operations		(2)	(12)
Loss on available for sale financial asset		(288)	(458)
Other comprehensive income for the period, net of income tax		(290)	(470)
Total comprehensive Loss for the period		(2,626)	(14,660)
Basic and diluted loss per share			
Ordinary share (US cents)	12	(0.04)	(2.41)

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the consolidated half-year financial report set out on pages 13 to 19.

Consolidated statement of financial position

As at 31 December 2016

		Consolidated	
		31 December 2016	30 June 2016 (Restated)
	Note	US\$'000	US\$'000
Current Assets			
Cash and cash equivalents		16,253	18,819
Trade and other receivables		499	418
Inventories	7	1,651	1,787
Available for sale (AFS) investments	13	2,806	841
Total Current Assets		21,209	21,865
Non-Current Assets			
Trade and other receivables		969	972
Plant and equipment		21	23
Exploration and evaluation assets	8	11,541	11,331
Oil and gas assets - production	9	-	-
Deferred tax asset		3,179	2,702
Total Non-Current assets		15,710	15,028
TOTAL ASSETS		36,919	36,893
Current Liabilities			
Trade and other payables		1,214	1,259
Employee benefits		36	39
Current royalty tax provision		-	133
Provisions	10	1,471	1,100
Total Current Liabilities		2,721	2,531
Non-Current Liabilities			
Provisions	10	15,425	12,963
Total Non-Current Liabilities		15,425	12,963
Total Liabilities		18,146	15,494
NET ASSETS		18,773	21,399
Equity			
Issued capital	14	31,458	31,458
Reserves		4,270	4,560
Retained earnings		(16,955)	(14,619)
TOTAL EQUITY		18,773	21,399

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated half-year financial statements set out on pages 13 to 19.

Consolidated statement of cash flows

For the six months ended 31 December 2016

	Consolidated	
	31 December 2016 US\$'000	31 December (Restated) 2015 US\$'000
Cash Flows from Operating Activities		
Cash receipts from customers	4,037	8,093
Cash paid to suppliers and employees	(3,681)	(5,442)
Payments in respect of areas of interest in:		
- Exploration and/or evaluation phase	(299)	(1,853)
Cash from operations	57	798
Interest received	23	85
Income taxes refunded/(paid) (including NZ royalty tax)	(380)	665
Net cash generated in /(used) in operating activities	(300)	1,548
Cash Flows from Investing Activities	-	
Payments for plant and equipment	-	(1)
Development asset refund	-	749
Sale/(purchase) of AFS investment	(2,219)	694
Redemption of cash collateralisation	-	558
Dividend Income	42	-
Net cash generated in/(used) in investing activities	(2,177)	2,000
Cash Flows used in financing activities		
Repurchase of company shares	-	(163)
Net cash used in financing activities	-	(163)
Net increase/(decrease) in cash and cash equivalents	(2,477)	3,385
Cash and cash equivalents at 1 July	18,819	14,549
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	(89)	66
Cash at the end of the financial period	16,253	18,000

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated half-year financial statements set out on pages 13 to 19.

Consolidated statement of changes in equity

For the six months ended 31 December 2016

	Issued Capital	Retained Earnings	Employee Equity Reserve	Available for sale reserve	Currency Translation reserve	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 July 2015 (Restated)	31,621	458	340	140	4,447	37,006
Total comprehensive income for the period						
Loss for the period	-	(14,190)	-	-	-	(14,190)
Other comprehensive expense						
Foreign currency translation differences	-	-	-	-	(12)	(12)
Fair value adjustment on available for sale assets	-	-	-	(458)	-	(458)
Total other comprehensive expense	-	-	-	(458)	(12)	(470)
Total comprehensive expense for the period	-	(14,190)	-	(458)	(12)	(14,660)
Contributions by and distributions to owners	(163)	-	-	-	-	(163)
Balance at 31 December 2015 (Restated)	31,458	(13,732)	340	(318)	4,435	22,183
	Issued Capital	Retained Earnings	Employee Equity Reserve	Available for sale reserve	Currency Translation reserve	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 July 2016	31,458	(14,619)	340	(214)	4,434	21,399
Total comprehensive income for the period						
Loss for the period	-	(2,336)	-	-	-	(2,336)
Other comprehensive expense						
Foreign currency translation differences	-	-	-	-	(2)	(2)
Fair value adjustment on available for sale assets	-	-	-	(288)	-	(288)
Total other comprehensive expense	-	-	-	(288)	(2)	(290)
Total comprehensive expense for the period	-	(2,336)	-	(288)	(2)	(2,626)
Contributions by and distributions to owners	-	-	-	-	-	-
Balance at 31 December 2016	31,458	(16,955)	340	(502)	4,432	18,773

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated half-year financial report set out on pages 13 to 19.

Notes to the Consolidated Half-year Financial Report

1 Reporting Entity

Pan Pacific Petroleum NL (the "Company") is a company domiciled in Australia. The consolidated half-year financial report of the Company as at and for the six months ended 31 December 2016 comprises the Company and its subsidiaries (together referred to as the "consolidated entity" or "the Group") and the consolidated entity's interests in joint operations.

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2016 is available upon request from the Company's registered office at Level 3, 123 Walker street, North Sydney NSW 2060 or at www.panpacpetroleum.com.au.

2 Statement of compliance

This general purpose consolidated financial report for the interim half year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Pan Pacific Petroleum NL during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted and methods of computation are consistent with those of the previous financial year and corresponding interim reporting period. The presentation of financial information may also differ to the previous financial report to facilitate comparability of current year financial information. Certain amended accounting standards have been published that are not mandatory for the interim reporting period. The Company's assessment of the impact of these amended standards and interpretations are set out below.

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

This consolidated half-year financial report was approved by the Board of Directors on 27th February 2017.

- a) Impact of standards issued but not yet applied by the entity

AASB 9 Financial Instruments

On 24 July 2014 the IASB issued the final version of IFRS 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The standard is not applicable until 1 January 2018 and will become effective for the Company on 1 July 2018 but is available for early adoption. The Company is currently assessing the full impact of the standard on its accounting policy, financial position and financial performance. The Company has not yet decided when to adopt AASB 9.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In December 2015, the Australian Accounting Standards Board deferred the application of this standard to annual periods beginning on or after 1 January 2018. (i.e. this will be effective for the Company on 1 July 2018). The Company is currently assessing the impact of AASB 15 and has not yet decided when to adopt it.

AASB 16 Leases

In January 2016, the International Accounting Standards Board issued IAS 16 Leases which replaces IAS 17. The Australian Accounting Standards Board subsequently issued AASB 16 Leases in February 2016. The new standard requires lessees to have a single balance sheet accounting model to be adopted for all leases, except for leases of 'low value assets'. The lease accounting for lessor's is substantially unchanged. There will also be additional disclosure requirements for both lessors and lessees. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is

applied at the same date as AASB 16. The Company is currently assessing the impact of AASB 16 and has not yet decided when to adopt it.

3 Estimates

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

In preparing this consolidated half-year financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at the year ended 30 June 2016.

4 Significant accounting policies

Change in Functional and Presentational Currency

An entity's functional currency is the currency of the primary economic environment in which the entity operates. Pan Pacific Petroleum NL has reviewed the currency of the predominate inflows and outflows since a change in PPPs ultimate holding company who reports in US dollar. As a result of the Boards review of costs and downsizing to conserve funds the accounting function has been moved to South Africa to a related party of the ultimate holding company effective 1 July 2016, with all transactions being recorded in US dollars. As a result, Pan Pacific Petroleum NL has determined that the US dollar is the functional currency of the group. The change in functional currency has been applied-with effect from 1 July 2016 in accordance with the requirements of the accounting standards.

Following the change in functional currency, Pan Pacific Petroleum NL has elected to change its presentational currency from Australian dollars to US dollars. The Directors believe that changing the presentational currency to US dollars will enhance comparability with its industry peer groups, a majority of which reports in US dollars. The change in presentational currency represents a voluntary change in accounting policy, which has been applied retrospectively.

To give effect to the change in the functional and presentational currency, the assets and liabilities of entities with an Australian dollar functional currency at 30 June 2016 were converted into US dollars at a fixed exchange rate on 1 July 2016 of US\$1:A\$1.3020 and the contributed equity, reserves and retained earnings were converted at applicable historical rates. In order to derive US dollar comparatives, the Australian dollar functional currency assets and liabilities at 30 June 2016 were converted at the spot rate of US\$1:A\$1.3466 on the reporting date, revenue and expenses for the half year ended 31 December 2015 were converted at the exchange rates ruling at the rate of the transaction to the extent practicable or the average exchange rates of US\$1:A\$1.3751 for the reporting period, and equity balances were converted at applicable historical rates.

The above stated procedures resulted in the recognition of a foreign currency translation reserve of US\$4.4 million on 1 July 2015. Earnings per share for 31 December 2015 has also been restated in US dollars to reflect the change in the presentational currency.

Notes to the Consolidated Half-year Financial Report

	Consolidated	
	31 December 2016 US\$'000	31 December 2015 (Restated) US\$'000
5 Net financing income/(expense)		
Interest Income	23	88
Foreign exchange gains	-	1,535
Financial income	23	1,623
Finance costs	-	(6)
Foreign exchange loss	(92)	-
Unwinding of discount on provision	(63)	(50)
Financial expenses	(155)	(56)
Net financing (expense)/income	(132)	1,567

6 Segment reporting

	Australia		New Zealand		Vietnam		JPDA		Consolidated	
	31 Dec 2016 US \$'000	31 Dec (Restated) 2015 US \$'000	31 Dec 2016 US \$'000	31 Dec (Restated) 2015 US \$'000	31 Dec 2016 US \$'000	31 Dec (Restated) 2015 US \$'000	31 Dec 2016 US \$'000	31 Dec (Restated) 2015 US \$'000	31 Dec 2016 US \$'000	31 Dec (Restated) 2015 US \$'000
Segment revenue	-	-	4,037	4,741	-	-	-	-	4,037	4,741
Segment result	(320)	(327)	(1,531)	(11,798)	(549)	(576)	(93)	(385)	(2,493)	(13,086)
Unallocated:										
Net financing costs									(132)	1,567
NZ royalty tax expense									(247)	4,343
Income tax expense									536	(7,014)
(Loss) for the period									(2,336)	(14,190)

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

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

Notes to the Consolidated Half-year Financial Report

7	Inventory	Consolidated	
		31 December	30 June
		2016	(Restated) 2016
	US\$'000	US\$'000	
	Oil inventory at cost	1,626	1,762
	Consumables	25	25
	Balance at the end of the period	1,651	1,787

8	Exploration and evaluation assets	Consolidated	
		31 December	30 June
		2016	(Restated) 2016
	US\$'000	US\$'000	
	Balance at the beginning of the period	11,331	9,958
	Expenditure incurred during the period	299	2,362
	Written off during the period	(89)	(989)
	Balance at the end of the period	11,541	11,331

9	Oil and gas assets – production	Consolidated	
		31 December	30 June
		2016	(Restated) 2016
	US\$'000	US\$'000	
	Balance at the beginning of the period	-	13,078
	Expenditure (refunded)/incurred	-	(523)
	Transferred from exploration and evaluation assets	-	-
	Additional/(reversal) restoration provision	-	336
	Impairment	-	(8,142)
	Amortisation	-	(4,749)
	Balance at the end of the period	-	-

The expenditure refunded during June 2016 was primarily due to Pateke 4-H development in PMP 38158.

Following the recent decline in oil prices the Company has performed an impairment assessment of its producing asset in the New Zealand segment through a value in use model. At 31 December 2016 a reassessment of impairment was performed in determining the value in use for the CGU, the cashflows 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 31 December 2016 include:

- The Brent oil price (real) adjusted for a premium the range used is \$US59.9/bbl to \$US62.20/bbl and long term price of US\$62.20/bbl over the remaining life of the field (June 2016: US\$42.5/bbl to \$US46.50/bbl and long term price of US\$58/bbl).
- Proved and probable (2P) reserves - the cash flow projections are based on the remaining life of field expected production profile. Life of field production used in impairment analysis is that same as that used by the board in key business planning.
- Inflation 2.5% (June 2016: 2.5%)

Notes to the Consolidated Half-year Financial Report

	Consolidated	
	31 December 2016 US\$'000	30 June (Restated) 2016 US\$'000
10 Provisions		
Balance at the beginning of the period	14,063	13,245
Provisions made during the year	2,848	636
Unwind of discount on provision	63	186
Effect of changes in exchange rate	-	(4)
Expenditure incurred	(78)	-
Balance at the end of the period	16,896	14,063
Current	1,471	1,100
Non-current	15,425	12,963
Total	16,896	14,063

Restoration and Rehabilitation

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

The timing of the restoration is between 1 and 2 years, assuming a discount rate of 1.20% (June 2016: 1.60%) applied to present value of future restoration costs.

11. Joint Operations

During the half year ended 31 December 2016 there was no change in the consolidated entity's interests in unincorporated joint operations established to explore, develop and produce petroleum products, from 30 June 2016. Changes to these interests have occurred subsequent to 31 December 2016 and are detailed below in note 17.

12 Loss per share

	Consolidated	
	31 December 2016	31 December (Restated) 2015
Basic loss per share (US cents)	(0.04)	(2.41)
Dilutive loss per share (US cents)	(0.04)	(2.41)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic loss per share	581,942,846	588,068,420
Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted profit per share	581,942,846	588,068,420

The calculation of loss per share at 31 December 2016 was based on the loss attributable to ordinary shareholders of US\$2,336,000 (31 December 2015: Loss US\$14,190,000). Loss for the period does not differ for the calculation of basic or diluted earnings per share.

Notes to the Consolidated Half-year Financial Report

13 Available for sale

Non-Current Assets:	Consolidated	
	31 December	30 June (Restated)
	2016 US\$'000	2016 US\$'000
Investment - Listed entity	<u>2,806</u>	<u>841</u>

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

Fair value

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

- Level 1 - the fair value is calculated using quoted prices in active markets.
- Level 2 - the fair value is estimated using inputs other than quotes prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

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

14 Issued capital

	Consolidated	
	31 December	30 June (Restated)
	2015 US\$'000	2016 US\$'000
581,942,846 (June 2016: 581,942,846) Ordinary Shares fully paid	<u>31,458</u>	<u>31,458</u>

15 Related party transactions

On 28th of September 2016 the Company entered into an agreement with Worner Pty Ltd, a company associated with Mr. Worner a director of the Company to provide service in respect of representing the consolidated entity in all Joint Venture matters. During the period US\$86,700 was paid to Worner Pty Ltd (2016: US\$77,000).

16 Contingent liabilities

There have been no material changes to contingent liabilities since those disclosed in the 30 June 2016 Annual Financial Report.

Notes to the Consolidated Half-year Financial Report

17 Events subsequent to balance sheet date

On 14th February 2017 the Company announced that it had executed agreements to sell all the shares of The Company's subsidiary, WM Petroleum Limited (WMP), WMP owns 15 percent interest in the Tui area oil fields off Taranaki, New Zealand, to Tamarind Classic Resources Limited (Tamarind) of Kuala Lumpur, Malaysia.

Tamarind will pay US\$400,000 for all of the shares in WMP and on completion of the transaction the Company will make a net payment to Tamarind of US\$5.45 million in the form of cash and inventory. The effective date of the transaction is 1st January 2017.

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

Directors Declaration

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

- (a) the financial statements and notes, set out on pages 9 to 19 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2016 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



P Sullivan

Date: 27th February 2017



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To the members of Pan Pacific Petroleum NL

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Pan Pacific Petroleum NL, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half year.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pan Pacific Petroleum NL and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

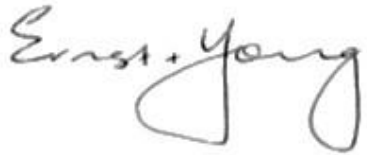
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is referenced in the Directors' Report.

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Trent van Veen
Partner
Sydney
27 February 2017