



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 2012

PAN PACIFIC PETROLEUM NL
 ABN: 69 000 749 799
 APPENDIX 4D
 HALF-YEAR REPORT
 HALF-YEAR ENDED 31 DECEMBER 2012
 RESULTS FOR ANNOUNCEMENT TO THE MARKET

		Dec 2012 A\$'000	Dec 2011 A\$'000	Change		
2.1	Revenues from ordinary activities	10,558	10,806	(248)	Down by	2.3%
2.2	Profit after tax attributable to members	2,960	1,854	1,106	Up by	59.7%
2.3	Profit for the period attributable to members	2,960	1,854	1,106	Up by	59.7%
2.4	Dividends	N/A				
2.5	Record date for determining entitlements to the dividend					
2.6	Explanation of items 2.1 – 2.4	<p>2.1 Production from the Tui Area oil fields contributed to sales revenue of A\$10.59 million during the period. Revenue was lower than in the previous corresponding period (half-year ended 31 December 2011) due to a slightly lower average oil price of \$113 (2012) v's \$116 (2011). This decrease in revenue was counteracted by an increase in oil sold of 398bbls. Actual average production rates for the December 2012 period were 496 bbls per day (2011:643 bbls per day).</p> <p>2.2 & 2.3 Profit for the half-year was A\$2.9 million after deduction of exploration costs during the period of A\$0.4 million, income and royalty taxes expense A\$3.2 million, the Company's share of Tui operating costs A\$2.3 million and administration and finance costs of A\$2.3 million. Cash held at 31 December 2012 was A\$69.9 million equivalent, but excluding \$2.5 million used to cash collateralize the Letter of Credit. Profit for the half year to 31 December 2012 was higher than the 2011 corresponding period largely as a result of a revised restoration cost for the Tui asset providing a reversal of amortization offset by lower interest income and lower foreign exchange gains.</p>				
3	NTA Backing	Current period		Previous corresponding period		
	Net tangible asset backing per ordinary security	\$0.12		\$0.16		
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					
5.	Details of dividends	N/A				
6.	Details of dividend reinvestment plans	N/A				
7.	Details of associates and joint venture entities	Refer to note 10 relating to joint venture 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 31 December 2012 Half-year Financial 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 2012 and the auditors 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 2012 and until the date of this report are:-

N Tomkinson	Non-Executive Chairman	Appointed:	23 June 2006
M W Daniel	Non-Executive	Appointed:	29 December 2008
J N Pitt	Non-Executive	Appointed:	29 December 2008
A R Radford	Executive	Appointed:	6 August 1979
	Non-Executive	from:	16 December 2008
A W Tattersfield	Non-Executive	Appointed:	22 February 2005

Directors were in office for the entire reporting period.

REVIEW OF OPERATIONS

The result from operations for the half-year to 31 December 2012 was a profit of \$2,960,000 (31 December 2011 \$1,854,000).

Operating Review

The key operational activities during the reporting period were related to securing rigs to ensure that a program of high potential offshore drilling activity envisaged for New Zealand, Vietnam and the Joint Petroleum Development Area ("JPDA") between Timor-Leste and Australia is carried out. The 2013 drilling programme should see PPP participating in up to 6 wells. In addition, The Company agreed to sell its Carnarvon Basin interests to Hydra Energy (WA) Pty Ltd, a company established and controlled by Hydra Energy Holdings Pty Ltd ("Hydra"). These items are discussed in more detail below.

Efforts have also been focussed on continuing the search for further growth opportunities and a wide range of potential projects were reviewed.

PMP 38158 Tui Area Oil Project - Taranaki Basin (PPP interest 10%)

Production from the Tui Area Fields totalled 912,584 barrels (net PPP 91,258) for the half year to December 2012, averaging 4,959 barrels a day. Cumulative field production to the end of December 2012 was 34.1 million barrels (PPP share 3.4 million barrels). Remaining gross reserves at the end of December based on the operator, AWE's estimated ultimate recovery of 41 million barrels, were 6.9 million barrels, net 6.4 million barrels after deducting a provision of 0.5 million barrels for oil which may be burned as fuel on the FPSO (fuel oil), net 0.64 MMbbls to PPP.

The Company's operating revenue from Tui during the half year was A\$10.6 million.

The Tui JV participants have approved the drilling of two additional wells; Pateke-4H, an infill development well and Oi, an exploration well. AWE, on behalf of the JV, has entered into an agreement to secure the recently overhauled and upgraded Kan Tan IV semi-submersible rig for the drilling of these wells planned for the second half of 2013.

Pateke-4H will target an extension of the Pateke Field, Pateke North, not being accessed by the current producing well, Pateke-3H, and is estimated by the Company to have the potential to recover an additional 2-4 million barrels of oil production from the Pateke Field. If successful, the well will be produced via the Tui FPSO, with first oil expected around the end of 2014-early 2015.

The Oi prospect is a 4-way dip closure similar to the structures at the Tui, Amokura and Pateke Fields, and the exploration well will target the same producing reservoir level (F10 sandstones), estimated by the Company to contain mean recoverable prospective resources of 15 million barrels of oil. In the event of a commercial discovery, the field will be produced by connecting to and using spare capacity at the Tui FPSO at relatively low incremental operating costs.

The Board of PPP considers the Oi prospect a very attractive opportunity and has authorised an increase in its participating interest in the Oi exploration well to 50% pursuant to the Sole Risk provisions of the Tui Joint Venture Operating Agreement (“JVOA”). AWE and Mitsui have elected to participate in the Oi exploration well at reduced participating interest levels of 25% and 12.5% respectively. NZOG will participate at its existing participating interest level of 12.5%.

AWE will remain the Operator in relation to the drilling of both wells. If drilling at Oi proves successful, both Mitsui and AWE have the option to restore their interest in any subsequent development to their existing PMP 38158 participating interest levels of 35% and 42.5% respectively through the buy back provisions of the JVOA which provide for the reimbursement to PPP of pro-rata costs equating to the restoration of the Mitsui & AWE interests, together with an additional payment to the Company in the form of a buy back premium.

Both of these projects are capable of taking advantage of the existing Tui facilities and if successful would enhance and extend the life of the Tui Area Oil Fields. The Company is very excited at participation in the forthcoming wells and looks forward to the possibility of writing a new chapter in the Tui story.

Block 121 Vietnam (PPP interest 15%, subject to completion of farmin)

Origin has entered into agreements which will enable the large Ca Voi (Whale) prospect to be drilled by the Ocean General drilling rig. Spud date is scheduled for around April 2013, with timing subject to the date of the release of the rig to Origin from nearby Indonesian waters. The JV had been granted a one year extension to the first exploration phase by PetroVietnam to accommodate the revised spud date which was due to the lack of earlier availability of a suitable rig.

The Company and Origin are working towards satisfaction of the remaining conditions required to complete the farmin, and completion is expected shortly.

Block 07/03 Vietnam (PPP interest 5.0%)

The JV partners have approved the Silver Sillago prospect as the remaining Block 07/03 exploration wildcat commitment well, and the operator, Premier, has on behalf of the JV contracted the Ocean General drilling rig to drill this well, named Ca Duc-1, with a spud date currently scheduled for May-June 2013.

Assessment of whether additional appraisal drilling is required to resolve resource uncertainties in the Cá Rồng Đỏ (CRD) oil and gas/condensate discovery is ongoing. The JV will firm up future drilling plans based on the results of this work. There is a possibility that, subject to PetroVietnam approval, a CRD appraisal well could be drilled on the Ocean General sequence this year should the JV participants agree that this is warranted at this time.

Joint Petroleum Development Area (‘JPDA’) (between Timor-Leste and Australia) (PPP interest 15.0%)

The Autoridade Nacional do Petróleo of Timor-Leste (“ANP”), the Designated Authority has granted the JPDA 06-103 JV a conditional extension to the current PSC term which was due to expire on the 15th January 2013 to enable the JV to drill the Bazartete prospect. The JV was unable to spud the well before the 15th January 2013 due to a lack of rig availability.

The ANP has granted the extension on the condition that the JV:

- secures by the 15th June, 2013 either a contract for a drilling facility or a letter of intent to award/sign a contract for a suitable drilling facility to test the Bazartete prospect by 15th January 2014; and
- provides to the ANP written monthly reports on the progress to secure a suitable drilling facility.

The JV has identified several promising rig options which are being pursued with the aim of entering into a binding agreement as soon as possible.

The Operator, Oilex, estimates gross, unrisked mean prospective resources for the Bazartete prospect of about 65 million barrels within the JPDA 06-103 PSC area.

Australia

The Company is finalising divestment of the Company's Carnarvon Basin assets TL/2, TP/7, WA-33-R, WA-45-R, WA-46-R, and WA-47-R, to Hydra Energy (WA) Pty Ltd ("Hydra"). The National Offshore Petroleum Titles Administrator ('NOPTA') has approved & registered the deeds of assignment and transfer forms with respect to retention leases WA 33R, WA45 R and WA46R. Final approval is still awaited with respect to TL2, TP7, and WA 47R. Upon approval and registration of the final permits the Company will complete the transaction and receive payment from Hydra.

The assets contain a number of small undeveloped oil and gas discoveries which are not considered a fit with the Company's focus on high potential exploration and acquisition growth opportunities in the South East Asia, Australia/New Zealand region.

A proposal to drill a Taunton-5/5H appraisal well is currently under consideration by the TL/2 and TP/7 JV's. The Company's interests in these permits are subject to the sale and purchase agreement entered into with Hydra.

New Ventures

PPP remains focused on acquiring new opportunities to further broaden the portfolio in the South East Asia and Australia-New Zealand regions. Our well established network of contacts and relationships in the region ensure a high flow of potential projects. However, finding opportunities that meet PPP's selection criteria has continued to prove challenging. PPP is maintaining a strong commitment to acquiring quality assets.

Financial

Production from the Tui Area oil fields contributed to sales revenue of A\$10.59 million during the period. Revenue was lower than in the previous corresponding period (half-year ended 31 December 2011) due to a slightly lower average oil price of \$113 (2012) v's \$116 (2011). This decrease in revenue was counteracted by an increase in oil sold of 398bbbls. Actual average production rates for the December 2012 period were 496 bbls per day (2011: 643 bbls per day).

Profit for the half-year was A\$2.9 million after deduction of exploration costs during the period of A\$0.4 million, income and royalty taxes expense A\$3.2 million, the Company's share of Tui operating costs A\$2.3 million and administration and finance costs of A\$2.3 million. Cash held at 31 December 2012 was A\$69.9 million equivalent, but excluding \$2.5 million used to cash collateralize the Letter of Credit. Profit for the half year to 31 December 2012 was higher than the 2011 corresponding period largely as a result of a revised restoration cost for the Tui asset providing a reversal of amortization offset by lower interest income and lower foreign exchange gains.

PPP's share of inventory at 31 December 2012 was approximately 14,257 barrels (2011: 51,854 barrels).

Events Subsequent to Balance Date

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

1. The PMP 38158 (Tui) Joint Venture has approved the drilling of two additional wells;
 - Pateke 4H infill development well; and
 - Oi exploration well.

The estimated commitment for these wells to the Company is USD\$19.6 million.

2. On 17 January 2013 the Autoridade Nacional do Petróleo of Timor-Leste ("ANP"), granted the JPDA 06-103 JV a conditional extension to the current PSC term which was due to expire on the 15th January 2013 to enable the JV to drill the Bazartete prospect. The ANP has granted the extension on the condition that the JV:
 - o secures by the 15th June 2013 either a contract for a drilling facility or a letter of intent to award/sign a contract for a suitable drilling facility to test the Bazartete prospect by 15th January 2014; and
 - o provides to the ANP written monthly reports on the progress to secure a suitable drilling facility.
3. The National Offshore Petroleum Titles Administrator ('NOPTA') has approved & registered the deeds of assignment and transfer forms in connection with the company's sale of assets to Hydra with respect to retention leases WA 33R, WA45 R and WA46R.

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

The Lead Auditors' Independence Declaration is set on page 7 and forms part of the Director's Report for the half-year ended 31 December 2012.

ROUNDING

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

Signed in accordance with a resolution of the Directors

A handwritten signature in cursive script that reads "Neil Tomkinson".

N Tomkinson

Date: 25th February 2013

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

In relation to our review of the financial report of Pan Pacific Petroleum NL for the half-year ended 31 December 2012 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script, appearing to read 'Trent van Veen'.

Trent van Veen
Partner
25 February 2013

Consolidated statement of comprehensive income

For the six months ended 31 December 2012

	Note	Consolidated	
		31 December 2012 \$'000	31 December 2011 \$'000
Sales revenue		10,558	10,806
Production and other costs		(2,306)	(4,402)
Gross profit		8,252	6,404
Exploration written off		(413)	(496)
Administrative and other expenses		(2,283)	(2,584)
Results from operating activities		5,556	3,324
Finance income	5	738	2,019
Finance costs	5	(105)	(174)
Net financing income		633	1,845
Profit before tax		6,189	5,169
NZ Royalty tax expense		(1,415)	(1,453)
Income tax expense		(1,814)	(1,862)
Profit for the period		2,960	1,854
Other comprehensive (expense)/ income			
Foreign currency translation for foreign operations		(1,627)	1,140
Other comprehensive (expense)/ income for the period, net of income tax		(1,627)	1,140
Total comprehensive profit for the period		1,333	2,994
Basic and diluted profit per share			
Ordinary share (cents)	11	0.50	0.31

The statement of comprehensive income is to be read in conjunction with the notes to the consolidated half-year financial report set out on pages 12 to 16.

Consolidated statement of financial position

As at 31 December 2012

		Consolidated	
		31 December	30 June
		2012	2012
	Note	\$'000	\$'000
Current Assets			
Cash and cash equivalents		69,989	101,172
Trade, and other receivables		5,913	5,184
Inventories		515	626
Current tax		883	-
Total Current Assets		77,300	106,982
Non-Current Assets			
Trade, and other receivables		1,841	2,050
Plant and equipment		143	184
Exploration and evaluation assets	7	4,644	4,447
Oil and gas assets	8	6,813	8,271
Deferred tax asset		-	1,043
Total Non-Current assets		13,441	15,995
TOTAL ASSETS		90,741	122,977
Current Liabilities			
Payables		1,414	1,417
Employee benefits		108	120
Current tax provision		-	2,522
Provisions	9	68	68
Total Current Liabilities		1,590	4,127
Non-Current Liabilities			
Employee benefits		25	33
Provisions	9	13,520	15,534
Deferred tax liability		422	-
Total Non-Current Liabilities		13,967	15,567
Total Liabilities		15,557	19,694
NET ASSETS		75,184	103,283
Equity			
Issued capital	12	47,450	64,520
Reserves		323	(7,804)
Accumulated profit		37,166	46,567
TOTAL EQUITY		75,184	103,283

The statement of financial position is to be read in conjunction with the notes to the consolidated half-year financial statements set out on pages 12 to 16.

Consolidated statement of cash flows

For the six months ended 31 December 2012

	Consolidated	
	31 December 2012 \$'000	31 December 2011 \$'000
Cash Flows from Operating Activities		
Cash receipts from customers	10,071	10,793
Cash paid to suppliers and employees	(5,193)	(5,262)
Payments in respect of areas of interest in:		
- Exploration and/or evaluation phase	(694)	(1,062)
- Production phase	(233)	(32)
- Restoration	-	(578)
Cash from operations	3,951	3,859
Interest received	759	1,109
Income taxes paid (including NZ royalty tax)	(5,701)	(2,822)
Net cash (used in)/from operating activities	(991)	2,146
Cash Flows from Investing Activities		
Payments for plant and equipment	(1)	(7)
Refunds in respect of areas of interest in:		
- Redemption from cash collateralisation	187	413
Net cash from investing activities	186	406
Cash Flows used in financing activities		
Equity reduction	(29,431)	-
Net cash used in financing activities	(29,431)	-
Net (decrease)/increase in cash and cash equivalents	(30,236)	2,552
Cash and cash equivalents at 1 July	101,172	89,444
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	(947)	3,033
Cash at the end of the financial period	69,989	95,029

The statement of cash flows is to be read in conjunction with the notes to the consolidated half-year financial statements set out on pages 12 to 16.

Consolidated statement of changes in equity

For the six months ended 31 December 2012

	Issued Capital	Retained Earnings	Reserves	Currency Translation	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2011	64,520	43,894	277	(12,447)	96,244
Total comprehensive income for the period					
Profit for the period	-	1,854	-	-	1,854
Other comprehensive income					
Foreign currency translation differences	-	-	-	1,140	1,140
Total other comprehensive income	-	-	-	1,140	1,140
Total comprehensive income for the period	-	1,854	-	1,140	2,994
Contributions by and distributions to owners					
Employee equity compensation	-	-	46	-	46
Balance at 31 December 2011	64,520	45,748	323	(11,307)	99,284

	Issued Capital	Retained Earnings	Reserves	Currency Translation	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2012	64,520	46,567	323	(8,128)	103,282
Total comprehensive income for the period					
Profit for the period	-	2,960	-	-	2,960
Other comprehensive (expense)/income					
Foreign currency translation differences	-	-	-	(1,627)	(1,627)
Total other comprehensive (expense)/income	-	-	-	(1,627)	(1,627)
Total comprehensive (expense)/income for the period	-	2,960	-	(1,627)	1,333
Contributions by and distributions to owners					
Equity reduction	(17,070)	(12,361)	-	-	(29,431)
Balance at 31 December 2012	47,450	37,166	323	(9,755)	75,184

The 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 12 to 16.

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 2012 comprises the Company and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interests in joint venture operations.

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2012 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

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

The consolidated half-year financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2012. This consolidated half-year financial report was approved by the Board of Directors on 25th February 2013.

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

3 Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated half-year financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2012.

4 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 2012. The only exception was a re-assessment of the provision for restoration the financial effect of which can be seen in Note 9.

Notes to the Consolidated Half-year Financial Report

	Consolidated	
	31 December 2012 \$'000	31 December 2011 \$'000
5 Net financing income		
Interest Income	697	991
Foreign exchange gains	41	1,028
Financial income	738	2,019
Finance costs	(3)	(6)
Foreign exchange loss	-	-
Unwinding of discount	(102)	(168)
Financial expenses	(105)	(174)
Net financing income	633	1,845

6 Segment reporting

	Australia		New Zealand		Vietnam		JPDA		Consolidated	
	31 Dec 2012 \$'000	31 Dec 2011 \$'000	31 Dec 2012 \$'000	31 Dec 2011 \$'000	31 Dec 2012 \$'000	31 Dec 2011 \$'000	31 Dec 2012 \$'000	31 Dec 2011 \$'000	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Segment revenue	-	-	10,558	10,806	-	-	-	-	10,558	10,806
Segment result	(1,896)	(2,333)	7,952	6,039	(193)	(127)	(307)	(255)	5,556	3,324
Unallocated:										
Net financing costs									633	1,845
NZ royalty tax expense			(1,415)	(1,453)					(1,415)	(1,453)
Income tax expense									(1,814)	(1,862)
Profit for the period									2,960	1,854

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

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

Notes to the Consolidated Half-year Financial Report

	Consolidated	
	31 December 2012 \$'000	30 June 2012 \$'000
7 Exploration and evaluation assets		
Balance at the beginning of the period	4,447	4,217
Expenditure incurred during the period	618	1,437
Impaired during the period	(339)	(1,432)
Effect of changes in exchange rate	(82)	225
Balance at the end of the period	4,644	4,447
8 Oil and gas assets – production		
Balance at the beginning of the period	8,271	10,224
Expenditure incurred	233	33
Restoration revision	(2,029)	2,047
Amortisation	492	(4,538)
Effect of changes in exchange rate	(154)	505
Balance at the end of the period	6,813	8,271
9 Provisions		
Balance at the beginning of the period	15,602	13,601
Provisions (reversed)/made during the year	(1,934)	2,001
Provisions used during the year	-	(582)
Unwind of discount	102	191
Effect of changes in exchange rate	(182)	391
Balance at the end of the period	13,588	15,602
Current	68	68
Non-current	13,520	15,534
Total	13,588	15,602
10 Joint venture operations		

Since 30 June 2012 there has been no change in the consolidated entity's interests in unincorporated joint venture operations established to explore, develop and produce petroleum products, except as described in note 14.

Notes to the Consolidated Half-year Financial Report

11 Profit per share

	Consolidated	
	31 December 2012	31 December 2011
Basic profit per share (cents)	0.50	0.31
Dilutive profit per share (cents)	0.50	0.31
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic profit per share	588,612,110	588,612,110
Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted profit per share	588,612,110	588,875,619

The calculation of profit per share at 31 December 2012 was based on the profit attributable to ordinary shareholders of \$2,960,000 (31 December 2011: \$1,854,000). Profit for the period does not differ for the calculation of basic or diluted earnings per share. See note 12 for options on issue. Options on issue are anti-dilutive and not in weighted average number of shares as at 31 December 2012.

12 Issued capital

An Extraordinary General Meeting ("EGM") of the Company held on the 16th October 2012 approved a 5 cent per share payment to shareholders of which approximately 58% took the form of a capital whilst approximately 42% was classed as an unfranked dividend. The value of issued capital is now \$47,450,000 (2011: \$64,520,000)

The Company also has on issue 1,000,000 unlisted options with an exercise price of \$0.15 (2011: \$0.20) exercisable up to and including 1 September 2014. The options were issued to the CEO of the Company as incentive options on 9 September 2011. The option exercise price was decreased from \$0.20 to \$0.15 post the equity reduction in accordance with ASX listing rule 3.11.2.

13 Contingent liabilities

There have been no material changes to contingent liabilities since those disclosed in the 30 June 2012 Annual Financial Report

14 Events subsequent to balance sheet date

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

1. The PMP 38158 (Tui) Joint Venture has approved the drilling of two additional wells;
 - o Pateke 4H infill development well; and
 - o Oi exploration well.

AWE, on behalf of the Joint Venture, has entered into an agreement to secure the recently overhauled and upgraded Kan Tan IV semi-submersible rig for the drilling of these wells planned for the second half of 2013. PPP considers Oi a very attractive opportunity and has consequently increased its equity participation in the Oi well to 50% pursuant to the sole risk provisions of the Tui Joint Operating Agreement. The estimated commitment for these wells to the Company is USD\$19.6 million.

14 Events subsequent to balance sheet date (continued)

2. On 17 January 2013 the Autoridade Nacional do Petróleo of Timor-Leste (“ANP”), granted the JPDA 06-103 JV a conditional extension to the current PSC term which was due to expire on the 15th January 2013 to enable the JV to drill the Bazartete prospect.

The ANP has granted the extension on the condition that the JV:

- a. secures by the 15th June 2013 either a contract for a drilling facility or a letter of intent to award/sign a contract for a suitable drilling facility to test the Bazartete prospect by 15th January 2014; and
 - b. provides to the ANP written monthly reports on the progress to secure a suitable drilling facility.
3. The National Offshore Petroleum Titles Administrator (‘NOPTA’) has approved & registered the deeds of assignment and transfer forms in connection with the company’s sale of assets to Hydra with respect to retention leases WA 33R, WA45 R and WA46R.

Directors Declaration

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

- (a) the financial statements and notes, set out on pages 8 to 16 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 2012 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:



N Tomkinson

Date: 25th February 2013

To the members of Pan Pacific Petroleum NL

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pan Pacific Petroleum NL which comprises the statement of financial position as at 31 December 2012 the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year

Directors' Responsibility for the half-year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pan Pacific Petroleum NL and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 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*.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script, appearing to read 'Trent van Veen'.

Trent van Veen
Partner
Sydney
25 February 2013