Pan Pacific Petroleum

13th June 2014

Oi-2 Exploration Drilling Update

Pan Pacific Petroleum ("PPP") has been advised by AWE, the Operator of permit PMP38158, that the Oi-2 exploration well, which is being drilled by the semi-submersible drilling rig "Kan Tan IV", commenced drilling at 05:30 hours (5.30am) NZDT today, Friday, 13 June 2014. As at 06:00 hours, operations were drilling a 36 inch hole to a planned depth of 230 metres in preparation for the installation of a 30 inch surface conductor. Oi-2 is targeting the same objectives as Oi-1 and will be drilled vertically to the planned total depth of 3,881m BRT in a water depth of about 120m.

Oi-1 was abandoned due to operational difficulties which prevented setting of the 13 ⅜ inch casing and the drilling of a sidetrack. The drilling program for Oi-2 has been designed to mitigate the problems encountered in Oi-1 by setting the 13 ⅜ inch casing at a shallower depth which will enable a drilling fluids system to be used to manage conditions in the shallow well bore.

PPP has increased its participating interest in Oi-1 from 15% to 50% pursuant to the Sole Risk provisions of the Tui Joint Venture Operating Agreement. NZOG and AWE have the right to reinstate their former interests in any discovery by way of reimbursement of pro-rata well costs and the payment of a buy-back premium.

Oi-2 will evaluate the hydrocarbon potential of a 4-way dip closed structure draped over basement similar to the Tui, Amokura and Pateke Fields, and will target the F10 reservoir sandstones which produce oil in these fields. PPP estimates that if filled to spill point Oi will contain gross unrisked mean recoverable prospective resources of 15 million barrels of oil with a Best Estimate (P50) of 13.5 million barrels (Best Estimate net 6.75 million barrels to PPP at 50% equity). The Oi-2 exploration well has been estimated by PPP to have a 20-25% chance of success which is classified by PPP as medium risk.

If Oi-2 is successful the Joint Venture partners will consider whether to drill a sidetrack at non-sole risk participation levels (i.e. PPP 15%) to provide additional information to assist with determination of resources and development planning.

In the event of a commercial discovery it is envisaged that the field will be produced by connecting to, and using spare capacity at, the Tui FPSO at relatively low estimated incremental operating costs.

The Joint Venture partners in PMP 38158 are:

Pan Pacific Petroleum NL (via subsidiaries)	15.0% (50.0% in Oi)
AWE Limited (via subsidiaries) (Operator)	57.5%
New Zealand Oil & Gas (via subsidiaries)	27.5%

The information contained in this announcement is current as at the date indicated in this release. This report is based on information compiled by Tom Prudence (Chief Executive Officer). The Prospective Resource estimate for the Oi exploration prospect was estimated using a probabilistic methodology. Mr Prudence has a BSc (Hons) in Geological Geophysics and an MSc in Petroleum Geology. He is also a Fellow of the Geological Society of London and a member of the Society of Petroleum Engineers (SPE). Mr Prudence has consented in writing to the inclusion of this information in the format and context in which it appears.

For further information please contact:

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