PAN PACIFIC PETROLEUM NL

SEPTEMBER 2003 QUARTERLY ACTIVITIES REPORT

Highlights

- Upcoming drilling for two to three wells in PEP38460
- PEP38460 farmout concluded with Mitsui & Co.
- Successful appraisal of Taunton discovery

PEP38460 Farmout and Drilling Programme

Taranaki Basin, New Zealand

Pan Pacific Petroleum NL (PPP) concluded the farmout of a 5.0% interest in PEP38460 by execution of a formal sale and purchase agreement with Mitsui & Co Ltd (Mitsui) on 30 October 2003, leaving PPP with a 10% interest in the permit. Regulatory approval of the transaction is now being obtained.

Mitsui is a significant company, with a market capitalisation of approximately US$10 billion and worldwide oil and gas interests.

Mitsui will fund up to A$3 million (US$2.1 million) of PPP’s expenditure in PEP38460 over the next year for its share of:

1. Two firm exploration wells (Amokura and Pukeko)
2. A third exploration well, dependent on results from the Amokura and Pukeko
3. If a development proceeds, initial development costs of US$9.5m (A$14m approximately).

The PEP38460 joint venture has signed a letter of intent with Diamond Offshore Drilling Co. for the use of one of their semi-submersible drilling units. Drilling is expected to commence in March 2004. The likely drilling unit is the Ocean Bounty, which drilled the Tui discovery well last February.

Amokura Prospect

Amokura is 4km from the Tui discovery made last February, with potentially 15 to 35 million barrels of oil. A discovery at Amokura, even at the low end the range, would enable joint development of Amokura and Tui.

Amokura-1 is the first firm prospect to be drilled and is expected to spud in March 2004 and take approximately 30 days to drill.
**Pukeko Prospect**

*Pukeko* is a separate prospect lies some 70km south of Tui.

Pukeko and other prospects in the southern area of permit – Pukeko, Hector and Tahuroa were upgraded as a result of the Tui oil discovery which indicated a source of oil further west in the Kahurangi Trough.

Pukeko is a large prospect at both the Kapuni ‘F’ and ‘C’ Sands and lies close to the postulated source of oil. At Kapuni ‘C’ Sands level, a simple structure has capacity for 80+ million barrels of recoverable oil. Additional oil potential in the deeper Kapuni ‘F’ Sands will also be targeted by the Pukeko-1 well. Drilling is expected April/May 2004.

**Third Well**

The third well in the program is dependent on the results from the Amokura and Pukeko wells, but is likely to be either an appraisal of the Amokura-Pateke complex or to drill another prospect nearby.

**Carnarvon Basin, Western Australia**

**Taunton Appraisal and Development**

The Taunton-3 well and a 430 metre sidetrack to the south of the Taunton-3 well were drilled in August 2003. Both wells encountered 5 metres of oil-bearing sandstone and confirmed the extension of the Taunton field to the north and east.

A current assessment by the operator (Apache) of proven plus probable reserves is 5.9 million barrels. Initial production rates from the field are envisaged to be in the range of 3000 to 8000 barrels per day (bopd) based on the December 2002 production test at Taunton-2 of 3000 bopd.

Engineering studies are in progress to determine the optimal approach to developing the field, utilising existing facilities at Airlie Island 6 km away. First oil may be produced as earlier as December 2004.

**Exploration Drilling**

During the quarter the Hyssop-1 (TP7) and Mosman-1 (TL2) exploration wells were drilled, but failed to encounter commercial hydrocarbons.

**Tubridgi/Gas Project Production**

Tubridgi field production was down on the previous quarter by 12%, production being reduced due to natural decline and 3 days downtime due to well maintenance. Resales of Griffin gas averaged 28.1 TJ/day per day, up 33% on the previous quarter as production recovered after planned maintenance and adverse weather affected the prior quarter’s production.
**FINANCIAL**

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<thead>
<tr>
<th>Production and Trading Statistics - PPP Share</th>
<th>Sept 2003 Qtr</th>
<th>June 2003 Qtr</th>
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<tbody>
<tr>
<td>Gas production and Griffin gas resales</td>
<td>1,393 TJ</td>
<td>1,129 TJ</td>
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<tr>
<th>PPP Cash Flow Summary (unaudited)</th>
<th>Sept 2003 Qtr $000's</th>
<th>June 2003 Qtr $000's</th>
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<tbody>
<tr>
<td>Development expenditure</td>
<td>(163)</td>
<td>(42)</td>
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<tr>
<td>Exploration expenditure</td>
<td>(204)</td>
<td>(661)</td>
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<tr>
<td>Cash at end of period</td>
<td>6,414</td>
<td>6,206</td>
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<tr>
<th>PPP Sales Information (Profit and Loss)</th>
<th>Sept 2003 Qtr</th>
<th>June 2003 Qtr</th>
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<tr>
<td>Oil and gas sales</td>
<td>2,719</td>
<td>2,195</td>
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<tr>
<td>Production expenditure</td>
<td>(2,107)</td>
<td>(1,527)</td>
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<td>Net operating cash flow</td>
<td>612</td>
<td>668</td>
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K Ware  
Company Secretary  
31 October 2003

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