

New Zealand Oil & Gas Activities Report

NEWS

48% share price increase in 2016

NZO closing price on the NZX 1 January 2016: 42.5 cents. 30 December 2016: 63 cents.

Interest in Kupe sold

\$100 million of capital will be returned to shareholders by May following the sale of the 15 per cent New Zealand Oil & Gas interest in the Kupe gas and light oil field on 1 January 2017.

Genesis Energy paid \$168 million in cash in the transaction, which was resoundingly approved by an 87 per cent vote in favour at a special meeting of shareholders on 16 December 2016.

The value received for the asset was at the higher end of the New Zealand Oil & Gas valuation range for the asset and exceeded the high end of the valuation range in an independent report commissioned from Northington Partners to analyse the proposed transaction.

The sale allowed New Zealand Oil & Gas to achieve the present value of future cashflows while removing the risk of exposure to a single large asset dominating its portfolio.

Fresh acquisition opportunities are being screened to allow the company to better diversify and create further value.

Offer for Tui area oil fields

New Zealand Oil & Gas has received an offer for its 27.5 per cent interest in the Tui area oil fields.

The field operator, AWE, has reached an agreement to divest its 57.5 per cent interest. The agreement is subject to joint venture approvals. The purchaser of the AWE interest, Tamarind, has also made an offer for the 27.5 per cent New Zealand Oil & Gas interest in Tui.

Under the joint venture agreement New Zealand Oil & Gas has certain rights in the transfer of operatorship. The company is reviewing the announced transaction and considering the offer to determine whether its interests are best served by accepting the offer or continuing to participate in the asset through its decommissioning phase.

Cue interest reaches 50.01%

New Zealand Oil & Gas has secured a 50.01 per cent holding in its subsidiary, ASX-listed Cue Energy Resources.

Cue provides diversified exposure to production and exploration interests in Australia, New Zealand and Indonesia, with production from the Maari oil field off Taranaki, and from the Sampang PSC in East Java, Indonesia. It has a portfolio of exploration including the substantial Ironbark prospect in the Carnarvon basin off West Australia, and in Indonesia.

New Zealand Oil & Gas acquired 13,514,462 Cue shares in the current financial year at an average cost of 8.32 cents, increasing its interest from 48.11 to 50.01 per cent. The total cost was AU\$1,124,338.44.

Executive changes

Andrew Jefferies has been appointed chief executive of New Zealand Oil & Gas, following the resignation of Mr Andrew Knight. Mr Jefferies was previously Vice President of Exploration and Production.

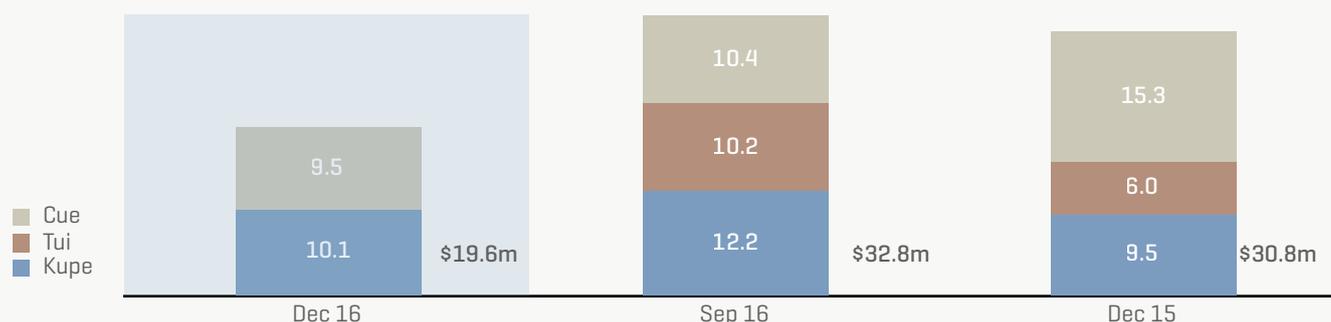
Catherine McKelvey has been appointed chief financial officer and will take up her new role at the end of January. She was previously financial controller. Dr Chris McKeown has been appointed Vice President and General Manager of Exploration and Production. He was previously General Manager Southeast Asia.

PERFORMANCE

	3 months to 31 Dec 16	Previous quarter	Comparable quarter a year ago
Revenue NZ\$m	19.6	32.8	30.8
Cash balance NZ\$m	80.6	91.8	96.6

Financial update includes 100 per cent of Cue's revenue and cash balance.

NEW ZEALAND OIL & GAS OPERATING REVENUE FOR THE QUARTER WAS NZ\$19.6 MILLION



Financial Performance

A dividend payment of \$13.5 million in the quarter was the main factor in reducing the cash balance to NZ\$80.6 million at 31 December.

\$22.9 million of cash was held by Cue, principally in USD. Across the group, foreign exchange gains of \$3.4 million resulted from a weaker New Zealand currency.

Subsequent to quarter end, the cash balance rose significantly on 1 January 2017 as a result of the sale of the New Zealand Oil & Gas interest in Kupe. Proceeds of the sale, \$168 million, are invested in New Zealand dollar term deposits.

\$100 million will be returned to shareholders in the fourth quarter of the financial year.

Revenue was down compared to last quarter.

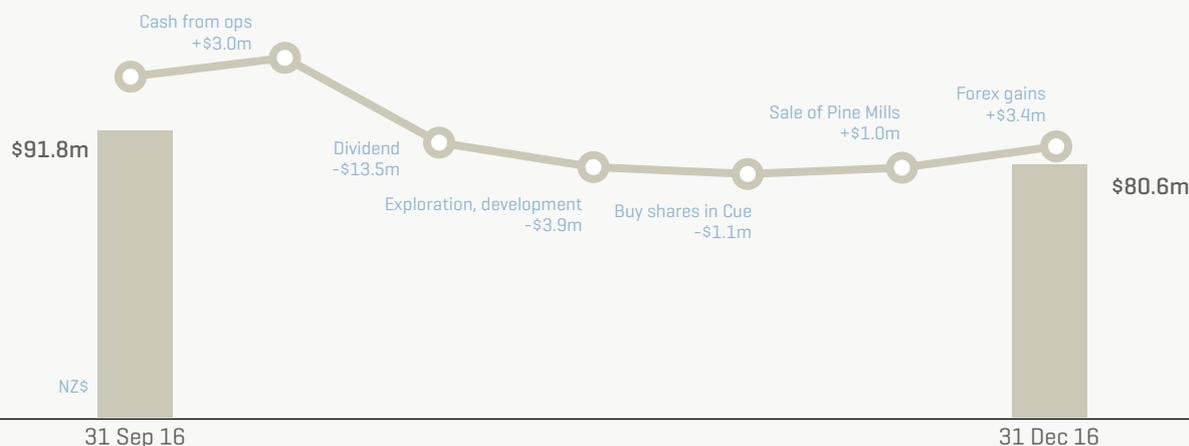
Cue was impacted by a shutdown in the Maari field. It resumed production in January.

There were no sales from Tui during the quarter, while inventory in the Tui field increased.

Kupe revenue was down in the quarter owing to a plant outage. Receipts were received for one oil lifting, compared to two in the previous period.

Overhead costs across the group were significantly reduced, including a reduction of \$1.4 million compared to the prior quarter. Looking ahead, corporate costs will continue to be lower again in 2017.

CASH BALANCE AT 31 DECEMBER 2016 NZ\$80.6M



PRODUCTION SUMMARY

	December 2016 quarter	September 2016 quarter	December 2015 quarter
Net oil production Barrels	151,390	190,000	219,555
Net gas production Petajoules	1.39	1.73	1.55
LPG production Tonnes	2,830	2,780	2,704

Some rounding. Cue's full interest is included in the table.

KUPE

Kupe oil and gas field [PML 38146]*

15% New Zealand Oil & Gas

50% Origin Energy [Operator]

31% Genesis Energy

4% Mitsui

*Position at 31 December. New Zealand Oil & Gas completed the sale of its interest to Genesis Energy on 1 January 2017.

The Kupe Production Station amine system was reinstated in early October, returning LPG and condensate yields to higher levels. However, in late November a plant trip occurred following a planned two day outage. Subsequent equipment availability further affected yields.

KUPE PRODUCTION	Total field for quarter	New Zealand Oil & Gas share December Q 2016	New Zealand Oil & Gas share September Q 2016	New Zealand Oil & Gas share December Q 2015
Gas <i>Petajoules</i>	5.44	0.82	1.02	0.65
LPG <i>Tonnes</i>	18,870	2,830	2,780	2,700
Light Oil <i>Barrels</i>	286,540	42,980	51,800	39,130
Revenue <i>NZ\$m</i>		10.1	12.2	9.5

Some rounding.

TUI

Tui oil field [PML 38158]

27.5% New Zealand Oil & Gas

57.5% AWE [Operator]

15% Pan Pacific Petroleum

There were no shipments during the quarter, compared to two in the previous quarter.

At 31 December 2016 there were 304,210 barrels of oil in inventory (New Zealand Oil & Gas share 83,660 barrels of oil).

Average daily production was about 2,820 barrels (New Zealand Oil & Gas share, 776 barrels) (gross). This was down in the quarter due to natural field decline in line with New Zealand Oil & Gas budgeted expectations.

TUI PRODUCTION	Total field for quarter	New Zealand Oil & Gas share December Q 2016	New Zealand Oil & Gas share September Q 2016	New Zealand Oil & Gas share December Q 2015
Oil <i>Barrels</i>	253,200	69,620	72,500	99,710
Revenue <i>NZ\$m</i>		Nil	10.2	6.0

Some rounding. Figures are net of fuel used in production of oil.

MAARI

Maari and Manaia oil field (PML 38160)

5% Cue Energy

69% OMV New Zealand (Operator)

16% Todd Maari

10% Horizon Oil International

Cue's net share of oil sales in the quarter from the Maari and Manaia fields was 44,240 bbls.

The average oil production rate in the quarter was approximately 9,606 gross barrels of oil per day (Cue net: 480 bopd).

Maari field production was shut in as a precautionary measure on 24 November 2016 when a crack was found in one of the platform's horizontal struts during a scheduled inspection.

During the shut-in clamps were installed as an intermediate repair solution to allow the field to continue while a permanent solution is selected. A permanent repair will likely be completed by mid-2017. Scheduled maintenance work was also conducted during the shut-in period, including repair of the water injection flowline.

Production resumed on 12 January 2017.

MAARI PRODUCTION	Total field for quarter	Cue share December Q 2016	Cue share September Q 2016	Cue share December Q 2015
Oil Barrels	528,100	26,410	48,300	64,217
Revenue NZ\$m		3.10	2.76	4.86

Some rounding

SAMPANG

Sampang Production Sharing Contract

15% Cue Energy

45% Santos Sampang (Operator)

40% Singapore Petroleum Company

The Sampang joint venture is progressing with the Sampang Sustainability Project (SSP) to convert to gas-only production and extend the life of the Oyong and Wortel fields by at least two years to 2020 or beyond. This year the joint venture is expected to make decisions about remaining exploration opportunities in the PSC, including potentially drilling the Paus Prospect in 2018.

SAMPANG PRODUCTION	Total field for quarter	Cue share December Q 2016	Cue share September 2016
Oil Barrels	81,120	10,380	11,650
Gas Petajoules	5.81	0.57	0.71
Revenue NZ\$m		6.0	7.25

Some rounding. Cue's share of Sampang PSC oil and gas production in the table above is net of government take under the PSC.

PINE MILLS

80% Cue Energy

20% Gale Force Petroleum

Cue finalised the sale of its entire interest in Pine Mills during the quarter.

PINE MILLS PRODUCTION	Total field for quarter	Cue share for quarter
Oil Barrels	3,199	1,980
Revenue NZ\$m		0.36

Some rounding.

Cue share of Pine Mills oil production in the table above is net of government royalty.

TARANAKI

Vulcan (PEP 55793)

30% New Zealand Oil & Gas

70% Woodside Energy (New Zealand) (Operator)

Interpretation of the Vulcan 3D seismic survey has been completed. A full review of the prospectivity of the identified leads is currently underway.

CANTERBURY-GREAT SOUTH

Clipper (PEP 52717)

50% New Zealand Oil & Gas (Operator)

50% Beach Energy

The company continues to integrate new data into the analyses of the Barque prospect.

Discussions are ongoing with several parties interested in the opportunity to farm in to the petroleum exploration permit.

Toroa (PEP 55794)

30% New Zealand Oil & Gas

70% Woodside Energy (New Zealand 55794) (Operator)

Interpretation of the Toroa 3D seismic survey has been completed. A full review of the prospectivity of the identified leads is currently underway.

AUSTRALIA

WA-359-P

100% Cue Energy (Operator)

WA-359-P contains the Ironbark prospect, a large Deep Mungaroo gas target.

Cue has granted BP Developments Australia Pty Ltd, an option to acquire 42.5% equity in WA-359-P, valid until May 2017.

Cue is continuing discussions to attract a partner to form a joint venture together with BP to drill an exploration well in 2018 to test the Ironbark prospect.

WA-389-P

40% Cue Energy

60% BHP Billiton Petroleum (Australia) Pty (Operator)

Reprocessing of existing 2D and 3D seismic data is completed and fulfills the joint venture's minimum work obligations.

The data is now being interpreted to compile a block-wide prospect portfolio.

WA-409-P

20% Cue Energy

80% BP Developments Australia Pty Ltd (Operator)

During the quarter, the regulator approved the transfer of 80% equity and Operatorship to BP.

New Zealand Oil & Gas has a 50.01 per cent interest in Cue Energy. Cue's full interest is shown throughout this report.

INDONESIA

New Zealand Oil & Gas is undertaking a strategic review of its entire Indonesian portfolio, exploring several options including divestment of some, or all, of its five onshore Sumatra PSCs and one JSA.

Those interests are as follows:

Kisaran

Production Sharing Contract

22.5% New Zealand Oil & Gas

55% Pacific Oil & Gas [Operator]

22.5% Bukit Energy

MNK Kisaran

Production Sharing Contract

11.25% New Zealand Oil & Gas

55% Pacific Oil & Gas [Operator]

33.75% Bukit Energy

Bohorok

Production Sharing Contract

45% New Zealand Oil & Gas

45% Bukit Energy [Operator]

10% Surya Buana Lestarijaya Bohorok

MNK Bohorok

Joint Study Agreement

20.25% New Zealand Oil & Gas

55% Lion Energy [Operator]

20.25% Bukit Energy

4.5% Surya Buana Lestarijaya Bohorok

Palmerah Baru

Production Sharing Contract

36% New Zealand Oil & Gas

54% Bukit Energy Palmerah Baru [Operator]

10% PT SNP Indonesia

MNK Palmerah

Production Sharing Contract

15.84% New Zealand Oil & Gas

69.36% Bukit Energy Resources Palmerah Deep Pte [Operator]

8.8% PT SNP Indonesia – Bumi Perdana Energy

3% Bumi Perdana Energy

3% Glory Wealth Pacific

Mahato

Production Sharing Contract

12.5% Cue Energy

62.5% Texcal Mahato EP [Operator]

25% Bukit Energy Central Sumatra [Mahato] Pte

The Mahato PSC covers a highly prospective area, close to several large producing oil fields. Multiple appraisal and exploration opportunities have been mapped. The permit has a minimum work commitment of 1 well and 2D seismic acquisition by July 2018.

A well is planned for mid 2017 and joint venture discussions are continuing to finalise an operating agreement.

Mahakam Hilir

Production Sharing Contract

100% Cue Energy

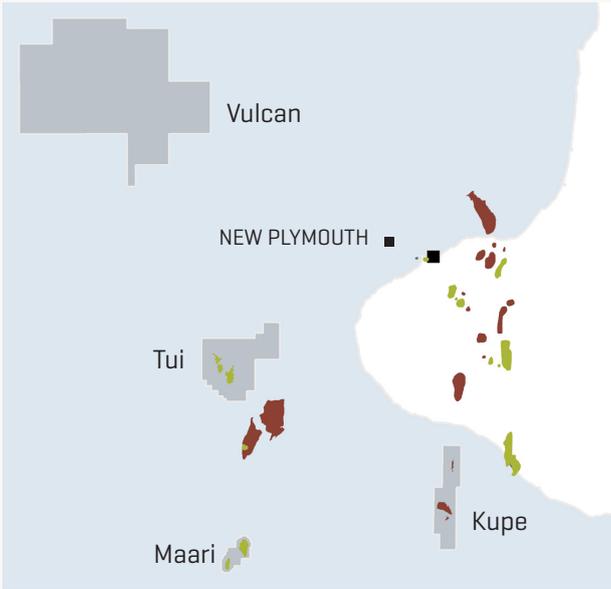
SPC Mahakam Hilir Pte [Operator]

During the quarter, analysis of the Naga Selatan-2 discovery continued, focusing on estimating flow potential for oil and gas from both matrix and fracture porosity.

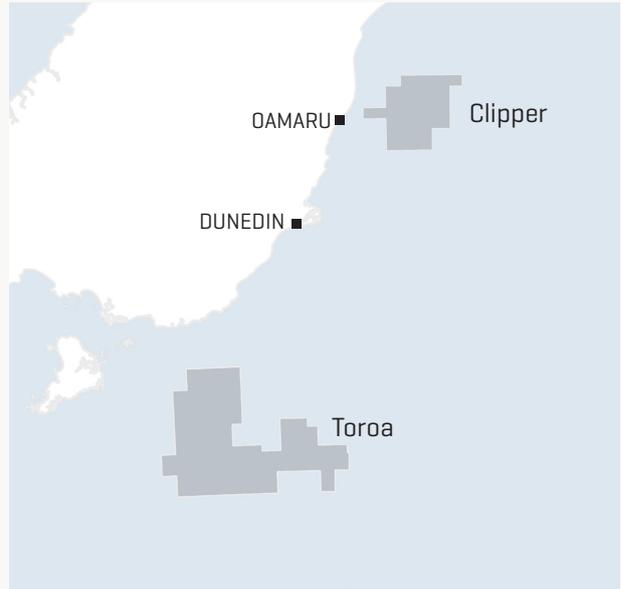
Cue completed data collection activities including airborne gravity gradiometry, high resolution LIDAR, shallow coring and field mapping focused on delineating areas of optimal reservoir quality and fractures for potential appraisal locations. This information is critical in making resource assessment estimates and planning for any future appraisal drilling of the Naga Selatan resource.

Further drilling is required for the project to move forward towards development. The company will also consider future testing of the suspended NS-2 well pending results of our studies and considered in conjunction with future plans for drilling.

During H1 2017, Cue will be seeking a joint venture partner to participate in the Mahakam Hilir PSC.



OFFSHORE TARANAKI BASIN



OFFSHORE CANTERBURY - GREAT SOUTH BASIN

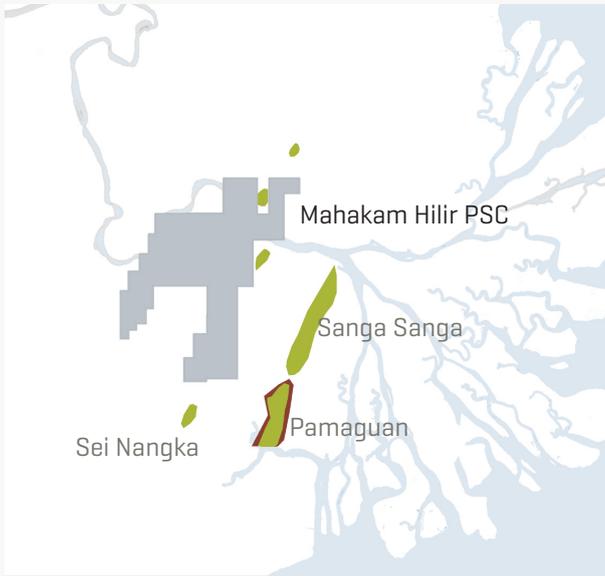


SUMATRA



JAVA

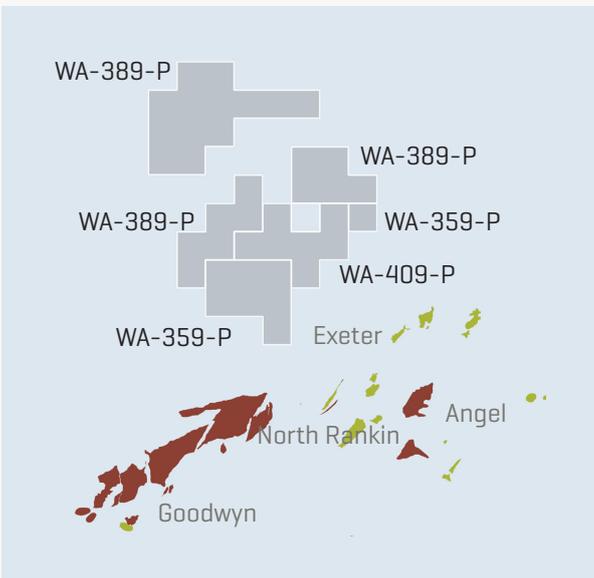




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