

Barque Prospective Resources Update

Effective 31 December 2016



Overview

Large four-way amplitude supported trap with the potential for ~11Tcf gas in place across three horizons.

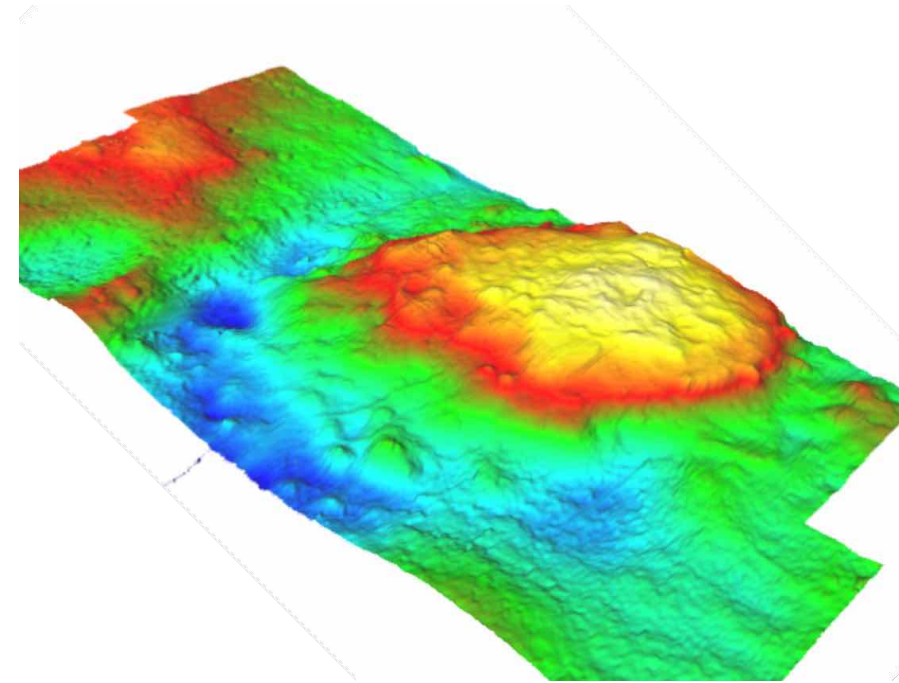
Transformational prospect located 60km due East of Oamaru, offshore South Island, New Zealand.

Water depth of approx. 800m, in benign metocean conditions.

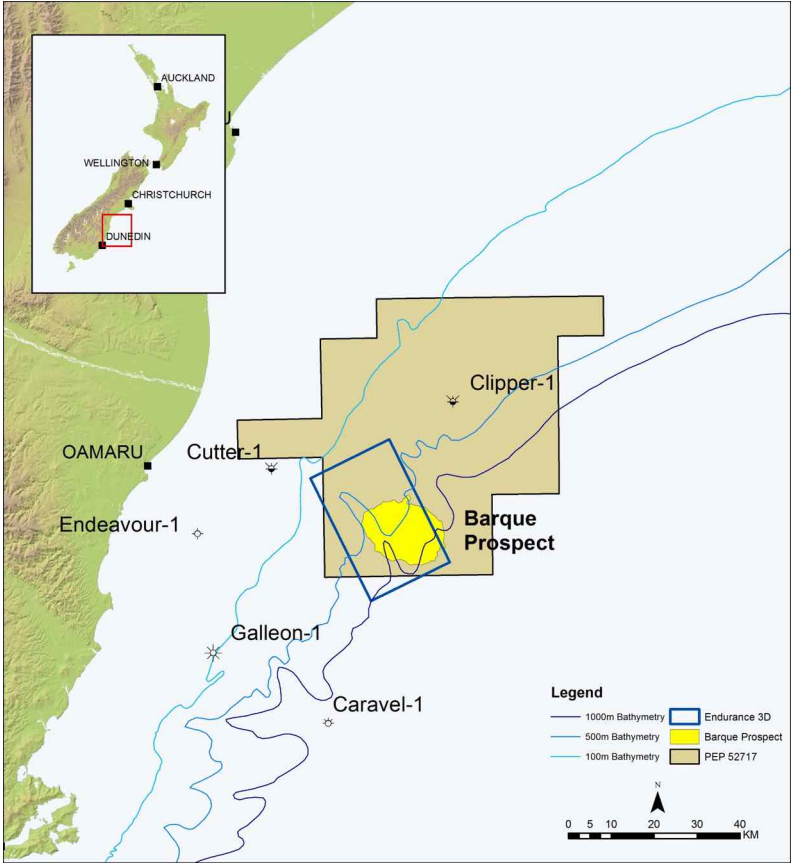
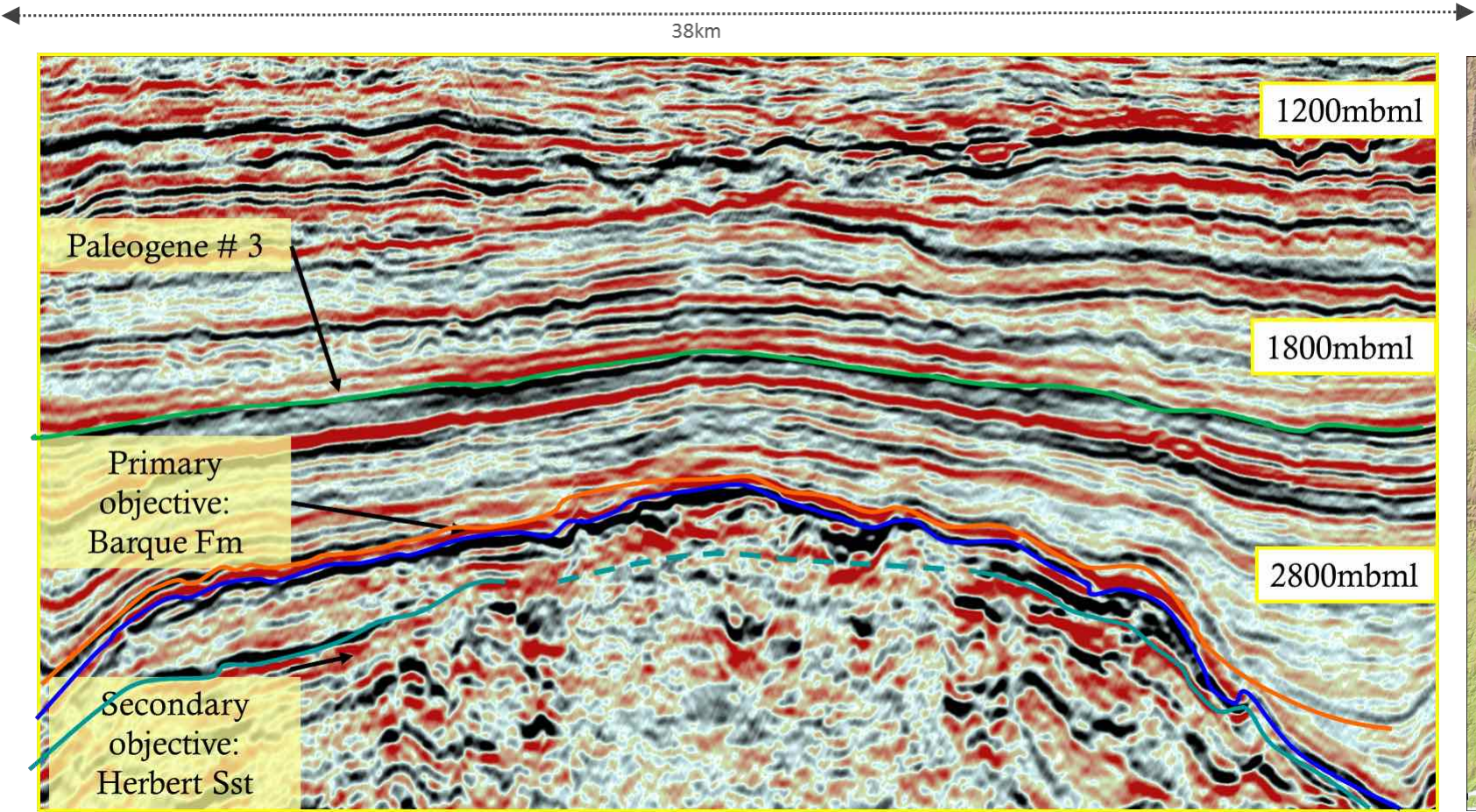
Most likely fluid is expected to be a rich retrograde gas condensate, enabling multiple commercialisation pathways through potential condensate, LPG and gas revenue streams.

Given the frontier nature of the basin and location, the resource recovery is highly sensitive to the selected development path-way.

New Zealand Oil & Gas is operator and holds a material equity position (at 50%). On behalf of the joint venture it is actively seeking farmin parties under negotiable terms.



Barque Prospect – 3 Target Horizons



Barque Prospect – Resource Estimates (100% joint venture)

Horizon	Estimated Gas Initially In Place	Estimated Associated Condensate in Place	Chance of Discovery	Best Estimate of Gross, Unrisked Recoverable Resources – Recycling, Single Horizon	Best Estimate of Gross, Unrisked Recoverable Resources – Gas-to-shore, Single Horizon	Best Estimate of Gross, Unrisked Recoverable Resources – Gas-to-shore, Multiple Horizon Development
	Bcf	mmstb	%	mmboe	mmboe	mmboe
Barque	5,529	785	19	740*	871	
Herbert	3,494	496	15	305	550	
IP3	2,142	304	15	186	338	
Arithmetic Sum	11,165	1,585				1,466

*Includes subsequent gas-to-shore development

Barque Prospect – Resource Estimates (Net to New Zealand Oil & Gas)

Horizon	Estimated Gas Initially In Place	Estimated Associated Condensate in Place	Chance of Discovery	Best Estimate of Net, Unrisked Recoverable Resources – Recycling, Single Horizon	Best Estimate of Net, Unrisked Recoverable Resources – Gas-to-shore, Single Horizon	Best Estimate of Net, Unrisked Recoverable Resources – Gas-to-shore, Multiple Horizon Development
	Bcf	mmstb	%	mmboe	mmboe	mmboe
Barque	5,529	785	19	370*	436	
Herbert	3,494	496	15	153	275	
IP3	2,142	304	15	93	169	
Arithmetic Sum	11,165	1,585				733

*Includes subsequent gas-to-shore development

Barque Prospect – Development Options

Single Horizon Success

Multiple Horizon Successes

Gas Recycling

Gas-to-shore

LNG Export Development

- Liquids focused
- Predominantly offshore
- Condensate directly sold to international markets
- Includes potential for gas-to-shore at later date

- Agreements are put in place to bring gas-to-shore from inception
- Primary focus likely a gas conversion to an export product
- Enables development of supplementary domestic gas-use businesses

- Requires sufficient feed gas to support significant capital investment
- Most likely development option for significant gas find

An economic Regional Impact Assessment is currently being conducted in order to better describe and understand the potential development options

Classifications & Risking

For the enclosed resources the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

All volumes presented are based on a best estimate, derived from a probabilistic methodology for resources in place and a deterministic methodology for recoverable volumes, which are net of royalties and have not been adjusted for risk.

The chance of development for all horizons representing the prospective resources is considered to be 100%, subject to the chance of discovery and later economic testing, as required to progress through contingent resources to reserves categories.

The further work required to progress these resources to contingent or reserves categories (drilling of the exploration well) is likely to occur within the next 2-5 years; subject to changes in the current & future industry environment. The provisional drill date is currently anticipated as early 2020. Summations are performed arithmetically and may not visually add up due to rounding.

The Barque horizon volume represents an upgrade from the June 2015 quarterly report (265 million barrels of oil equivalent, best estimate of prospective resource, net to New Zealand Oil & Gas) due to further detailed work on the possibility of gas recycling and viability of subsequent gas-to-shore development options (market assessments and numerical modelling).

Disclaimer

Oil and gas contingent and prospective resources reported in this statement are as at 31 December 2016 and follow the guidelines set out by Chapter 5 of the ASX listing rules (July 2014) and the PRMS Guidelines (2011).

Prospective resources are those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.

With respect to resource categorization, the term 'Best Estimate' is considered to be the best estimate of the quantity that will actually be recovered from the accumulation by the project. It is the most realistic assessment of recoverable quantities if only a single result were reported. If probabilistic methods are used, there should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate.

A prospect is defined as a project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target and a Lead as a project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect.

For the conversion to equivalent units; standard industry factors have been used of 6Bcf:1mmboe and 1Bcf:1.05PJ.

This resources statement is approved by, based on, and fairly represents information and supporting documentation prepared by New Zealand Oil & Gas Senior Reservoir Engineer Daniel Leeman. Daniel is a Chartered Engineer with the Institute of Professional Engineers of New Zealand and holds Masters degrees in Petroleum and Mechanical Engineering as well as a Diploma in Business Management. Daniel is also an active member of the Society of Petroleum Engineers, Association of International Petroleum Negotiators and the Royal Society of New Zealand.

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