1 March 2017

NEW ZEALAND OIL & GAS HALF-YEAR RESULT

The last eight months have been a time of transformation for New Zealand Oil & Gas as the Company successfully sold its two major producing assets.

Half-year accounts released today do not include the profit on sale of the company's interest in the Kupe gas field, which was sold for $168 million, nor the disposal of its interest in the Tui oil field.

Both transactions were completed with an effective date of 1 January 2017 and therefore the full-year financials will give a more appropriate picture of the 2016-17 financial position. In particular, net tangible assets will materially change.

Corporate costs are now considerably reduced. Overheads in the six months to 31 December were down by $2 million compared to the previous year, despite the inclusion of one-off costs for restructuring at Cue and $0.5 million in costs from the sale of Kupe. Exploration expenses in the six months were $4.0 million, down from $9.4 million in the previous year. Capital spending on oil and gas assets was $3.0 million, down from $7.7 million.

New Zealand Oil & Gas recorded a cash surplus from operations of $13.2 million in the six months to 31 December 2016.

Chairman Rodger Finlay says cash flows received by New Zealand Oil & Gas were strong during the past six months.

"In the twelve months to 24 February 2017, as New Zealand Oil & Gas realised value from its assets and focused on reducing its overheads, its share price increased by 49.43 per cent. This was one of the best share price performances last year among NZX companies with a market capitalisation in excess of $150 million.

"In addition, shareholders received a fully imputed 4 cents per share dividend in October."

A net loss of $25.4 million in the six months to 31 December 2016 was principally due to: Cue's impairment of its Maari asset ($7.7m); a loss of $2 million on Cue's sale of its loss-making Pine Mills field in the United States; lower receipts from the Tui field due to production decline; production outages at Kupe and Maari; and $9.5 million associated with de-recognition of deferred tax assets related to Tui and Kupe.

Chief executive Andrew Jefferies says New Zealand Oil & Gas is entering a new stage of its life following the sale of its two major assets.

"We achieved incremental value for our legacy assets and now have a lower cost structure in the business including a reduced executive team and lower corporate rental overhead.

"Progress will be more obvious in our full year accounts, which will include the impact of returning $100 million of capital to shareholders in May.

"Growth will be achieved by deploying our remaining cash to acquire quality assets at a scale, risk-profile and price that suit our size.

"In addition, in New Zealand we are participating in two potentially transformational deepwater prospects off the South Island, including the Barque prospect that we estimate

For further information please contact:

John Pagani, External Relations Manager, DDI: +64 4 471 8333, MOB: +64 21 570 872

could hold 11 trillion cubic feet of gas and 1.5 billion barrels of oil or gas condensate liquid (best estimate, unrisked, in place across three horizons). This prospect alone could transform the national economy if it is successfully drilled with partners to help share drilling costs," Andrew Jefferies said.

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