

New Zealand Oil & Gas Activities Report

HIGHLIGHTS

Farm in to Ironbark, West Australia. Preparations for well in 2020-21.

Gas discovery in Indonesia.

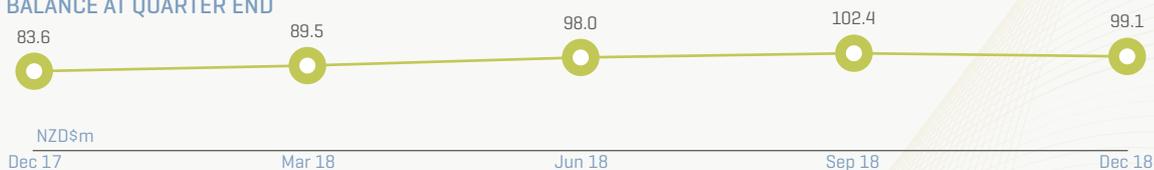
Energy Minister considering extension in South Island, NZ permits.

Cash balance NZD\$99.1 million.

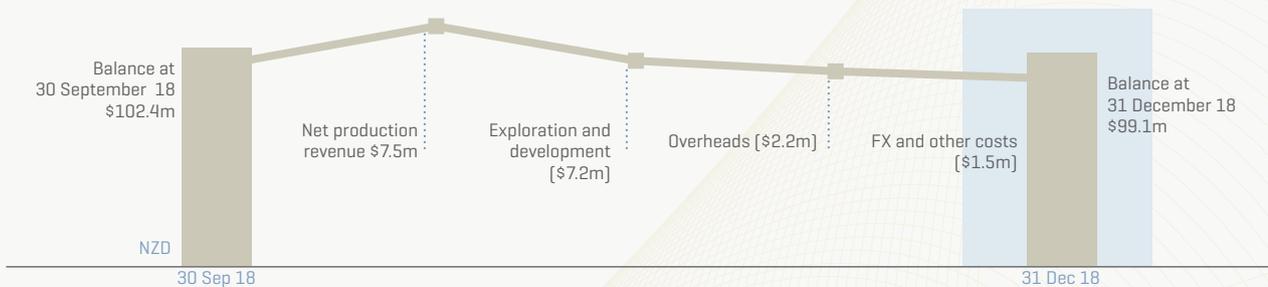
FINANCIAL AND PRODUCTION PERFORMANCE

Sales receipts from Kupe were \$3.5 million and receipts from Cue's Maari and Sampang production assets were \$7.8m. Production related outgoings were \$3.4m. Exploration payments totalling \$7.2m included drilling costs relating to Kohatukai and Sampang wells. Cash outflows for administration expenses across the group were \$2.2m. Cash balances held in USD denominated accounts were impacted by a stronger New Zealand dollar, resulting in an unrealised FX loss of \$1.1 million.

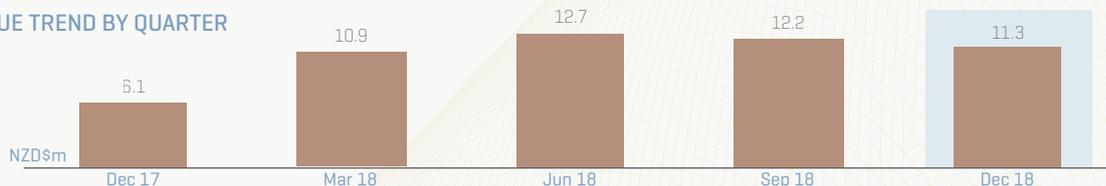
CASH BALANCE AT QUARTER END



CASH MOVEMENTS - 30 SEPTEMBER TO 31 DECEMBER



REVENUE TREND BY QUARTER



PRODUCTION SUMMARY		Total field for quarter [gross]	Our share previous quarter [net]	Our share Dec 2018 [net]
FIELD				
Kupe Taranaki, New Zealand	Oil Barrels	229,400	11,300	9,200
	Gas Petajoules	5.68	0.3	0.23
	LPG Tonnes	21,900	1,180	880
	Production revenue NZD\$m		3.5	3.7
Maari* Taranaki New Zealand	Oil Barrels, Net		26,500	27,150
	Production revenue AUD\$m.		3.0	2.5
Sampang* Java, Indonesia	Oil Barrels		810	680
	Gas Petajoules		0.4	0.35
	Production revenue AUD\$m		3.8	4.6

*The New Zealand Oil & Gas interest in Maari and Sampang is held through Cue Energy. New Zealand Oil & Gas has a 50.04% interest in Cue. Table shows Cue's full interest.

TARANAKI

Kupe oil and gas field [PML 38146]

4% New Zealand Oil & Gas

50% Beach Energy (Operator)

46% Genesis Energy

During the quarter the underlying gas, LPG and condensate production performed to forecast.

Scheduled maintenance activity was successfully completed on time, allowing Kupe to contribute to the tight New Zealand domestic gas market during the quarter.

Production was constrained to 54 terajoules per day during the outage, but has since returned to plant capacity.

A capital project to investigate installing an onshore compressor at the Kupe production facility is in an assessment phase, which continued through the quarter. A final investment decision is expected in 2019.

Maari and Manaia oil field [PML 38160]

5% Cue Energy*

69% OMV New Zealand (Operator)

16% Todd Maari

10% Horizon Oil International

Production enhancement activities continued during the quarter, including increased water injection through the MR1 and MR5 water injection wells. Water injection rate tests were conducted.

The Maari joint venture continued to focus on lowering operating costs and opex reductions are forecast for the 2019 Calendar year.

The MR6a well was offline at the end of the quarter, with a workover conducted subsequent to the quarter end to replace the Electric Submersible Pump (ESP) with a larger capacity unit to increase oil production.



TARANAKI BASIN

**Kohatukai** [PEP 55768]

25% New Zealand Oil & Gas

25% O.G. Oil & Gas Limited

37.5% Mitsui E&P Australia Pty Ltd (Mitsui)

12.5% AWE Holdings NZ Limited (AWE) 12.5% (Operator)

The decision was taken during the quarter to plug and abandon the Kohatukai-1 well. Elevated gas readings were encountered while drilling both the secondary and primary target intervals. These were investigated as part of a comprehensive logging programme, and the target formations were considered to contain no economically viable gas reserves.

Further plans for the permit are under discussion with the joint venture.

CANTERBURY-GREAT SOUTH

Clipper [PEP 52717]

50% New Zealand Oil & Gas (Operator)

50% Beach Energy

Technical work continued to further improve understanding of the Barque structure.

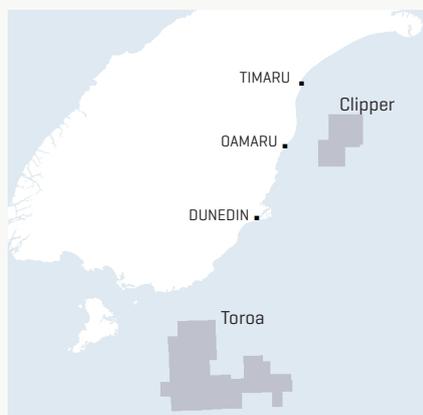
During the quarter the Minister of Energy & Resources advised she is considering exercising her statutory power to amend the work programme in the permit.

The Clipper permit is affected because a decision to drill in the permit, or surrender it, must be made by 11 April 2019. The minister's power can be exercised only with the agreement of the operator. The joint venture has consented to potential extension. At quarter end the minister had not advised a decision.

Toroa [PEP 55794]

100% New Zealand Oil & Gas

Marketing is underway to promote the opportunity to potential farm in partners.



OFFSHORE CANTERBURY - GREAT SOUTH BASIN



As with the Clipper permit, the government has advised it is considering an extension of the permit work programme. Although the Toroa well commitment date is another year away, in 2020, it is expected that a potential farm in arrangement would be aligned with the Clipper permit, and therefore the company has advised its consent to a possible extension. At quarter end the minister had not advised a decision.

*New Zealand Oil & Gas has a 50.04% interest in Cue. Cue's full interest is shown.

INDONESIA

A new gas field has been discovered in the Sampang PSC east of the producing Oyong Gas Field. New Zealand Oil & Gas subsidiary Cue Energy Resources has a 15% interest.

The Paus Biru-1 exploration well offshore East Java in the Madura Strait, Indonesia, was drilled in November to a measured depth of 710 metres and intersected estimated net gas pay of 29 metres across the primary Mundu reservoir target.

An initial Drill Stem Test (DST) over the 576-605 mMD interval successfully flowed gas at a rate of 11.2 mmscf/d sustained over a 5 hour period through a 64/64" choke at 525 psi well head pressure. The well was shut in for 9 days for pressure build up before a maximum flow test which produced 13.8 mmscf/d through a 120/64" choke for 55 minutes. Preliminary gas sample analysis indicated low inert content.

Studies are underway for a Plan of Development with commercialisation through the existing Oyong facilities for submission to the regulator for approval.



Bohorok

Production Sharing Contract

25% New Zealand Oil & Gas

75% Bow Energy International Holdings (Operator)

New Zealand Oil & Gas reached agreement to dispose of its holding to the operator on terms that will see it receive a cash payment of USD\$2 million if production commences following the first well, with a further US\$1 million from production from a second well.

New Zealand Oil & Gas will not contribute further to the costs of the PSC. The transaction is subject to regulator approval.

Kisaran

Production Sharing Contract

22.5% New Zealand Oil & Gas

55% Pacific Oil & Gas (Operator)

22.5% Bukit Energy

There was minimal activity in the production sharing contract.

New Zealand Oil & Gas is advancing talks to exit its interest in the PSC, and expects minimal further costs associated with the investment.

Sampang

Production Sharing Contract

15% Cue Energy*

45% Santos (Sampang) Pty Ltd (Operator)

40% Singapore Petroleum Company

During the quarter, stable gas production continued from the Oyong and Wortel fields.

In December, a field shutdown was undertaken for planned maintenance. On field startup, the Grati onshore compressor suffered a failure which will contribute to lower production levels for the March quarter as repairs are implemented. At the end of the quarter, while action was underway to address the compressor failure, the fields continued production through natural flow from the wells.

Mahato

Production Sharing Contract

Cue Energy* 12.5%

Texcal Mahato EP Ltd (Operator)

During the quarter, Cue was advised that a 23-month extension to the exploration period of the Mahato PSC had been granted by the Indonesian Government.

The operator is under new ownership, and the PSC partners are now finalising a Joint Operating Agreement. Cue expects the 2019 work programme to include two onshore exploration wells targeting high potential oil prospects.

The PB prospect within the southern portion of the PSC has drilling permits in place and is likely to be the first well drilled when exploration resumes.

Mahakam Hilir

Kutei Basin Production Sharing Contract

100% Cue Energy*

Cue Kalimantan Pte Ltd (Operator)

The Mahakam Hilir PSC contains the Naga Utara prospect and the Naga Utara-4 appraisal well.

Cue is proceeding with planning to drill the Naga Utara-4 well and is currently seeking partners to participate in the Mahakam Hilir PSC and the well.



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AUSTRALIA

WA-359-P[^]

100% Cue Energy* [Operator]

During the quarter New Zealand Oil & Gas agreed to farm in to WA-359-P directly. In addition to its direct interest, New Zealand Oil & Gas has a 50.04% holding in Cue. Approval of Cue’s minority shareholders was required for New Zealand Oil & Gas to farm in to the well because New Zealand Oil & Gas is a related party. Following quarter end, a special meeting of Cue shareholders voted to agree to the transaction.

Planning for a well to be drilled in the Ironbark prospect in 2020-21 continued under a coordination agreement between Cue, BP, Beach and New Zealand Oil & Gas. The coordination agreement allows BP to commence work on planning for the Ironbark-1 exploration well before certain conditions are fulfilled, including regulatory approvals.

Under the coordination agreement, the partners have agreed to the final well location for the Ironbark-1 exploration well and BP is proceeding with drill rig tendering and environmental approvals on behalf of Cue.

The agreement remains subject to regulatory approval of a Suspension and Extension to WA-359-P.

[^] If the agreed transactions complete, participating interests will become:
BP Developments Australia Pty Ltd 42.5% [Operator]

Beach Energy 21%

Cue Energy* 21.5%

New Zealand Oil & Gas 15%

WA-409-P

20% Cue Energy*

80% BP Developments Australia Pty Ltd [Operator]

New Zealand Oil & Gas has agreed to take an option for 5.36% equity in WA-409-P on the same terms, pro rated, as those agreed between Cue and Beach. Beach has an option at 7.5%. The option may be exercised until July 2019. Subsequent to the end of the quarter, Cue shareholders approved the transaction. If all parties in the permit exercise their options, the participating interests will be:

BP Developments Australia Pty Ltd 80% [Operator]

Beach Energy 7.5%

Cue Energy* 7.14%

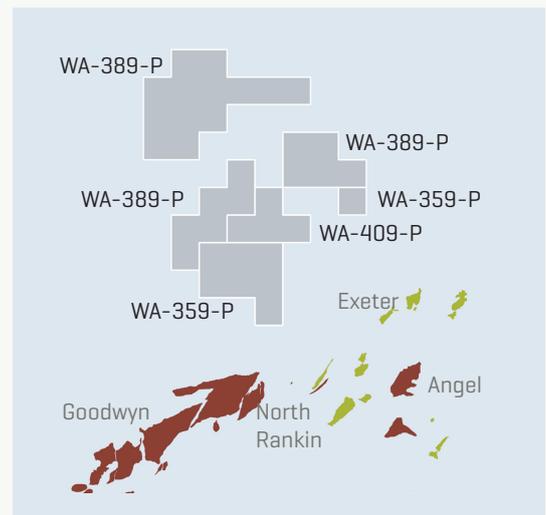
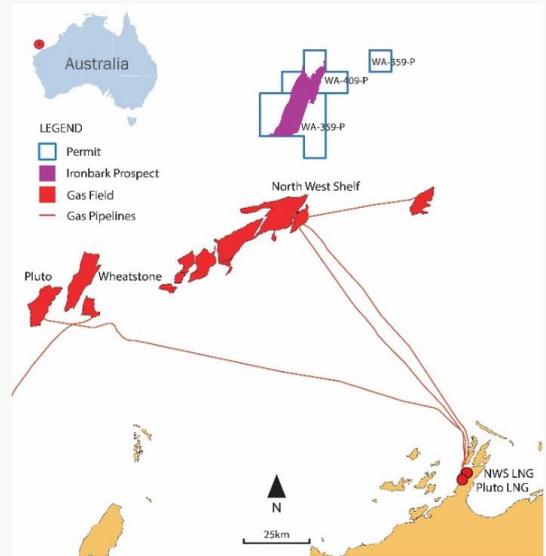
New Zealand Oil & Gas 5.36%.

WA-389-P

100% Cue Energy*

Mapping and evaluation of the permit is continuing.

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AUSTRALIA



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