

New Zealand Oil & Gas Activities Report

STRATEGIC REVIEW

New Zealand Oil & Gas emerged from the covid-19 lockdown with minimal impacts on the business. Our health and safety expertise, and our risk management system, anticipated potential disruption to our head office facility and business systems were in place to facilitate flexible, remote working. Kupe production returned to plateau levels, as this activities report shows. Staff were all safe and administrative overheads were lower than normal.

During lockdown, the New Zealand Oil & Gas board progressed a strategic review of the future direction of the company that began following the outcome of last year's Scheme of Arrangement shareholder vote. Prior to travel restrictions, board members met with certain of the company's largest shareholders. Management conducted an extensive review of assets in the Australia-New Zealand region that are of a size that the company can afford.

Distress in energy markets is likely to provide growth opportunities. The company will be guided by the following key principles:

Focus Areas: We will look to grow regionally. Our focus remains oil and gas assets in geographies where we have a clear advantage, primarily Australia and New Zealand.

Actively Pursuing Investments: We are not content to sit and wait for the results of Ironbark. We will look to acquire high quality assets using our well-developed expertise in oil and gas and leveraging the capabilities of the wider group, as we consider opportunities to acquire producing assets and development projects, as well as exploration prospects.

Prudent Financial Management: While we work to identify compelling investment opportunities and have access to a significant cash balance, accessing additional capital is a challenge in today's market. While we cannot tell what the future might bring, acquisitions of a transformative scale cannot be our sole focus. Instead, working within our means we will pursue investment opportunities of a size and scale that the company's current balance sheet can support, without having to raise significant additional capital.

New Zealand Oil & Gas is actively evaluating and is engaged in informal processes of opportunities that fit within the above parameters. While it is too soon to tell if this will lead to attractive investment opportunities, we are optimistic that assets at value will emerge in this time of intense dislocation for our industry. We intend to reassess the situation at year end.

KEY DATES

The company's **annual meeting** will be held at 10am on 4 November 2020 at the Oaks Hotel, 89 Courtenay Place, Wellington. A Notice of Meeting, including details of resolutions and a proxy voting form, will be sent to shareholders in September.

Nominations for the board are open, and close on 4 September 2020, two months before the date of the annual meeting. Nominations of directors must be made by written notice to the company and accompanied by the consent in writing of the nominated person. The address is: Company Secretary, New Zealand Oil & Gas, 36 Tennyson St, Te Aro, Wellington 6011.

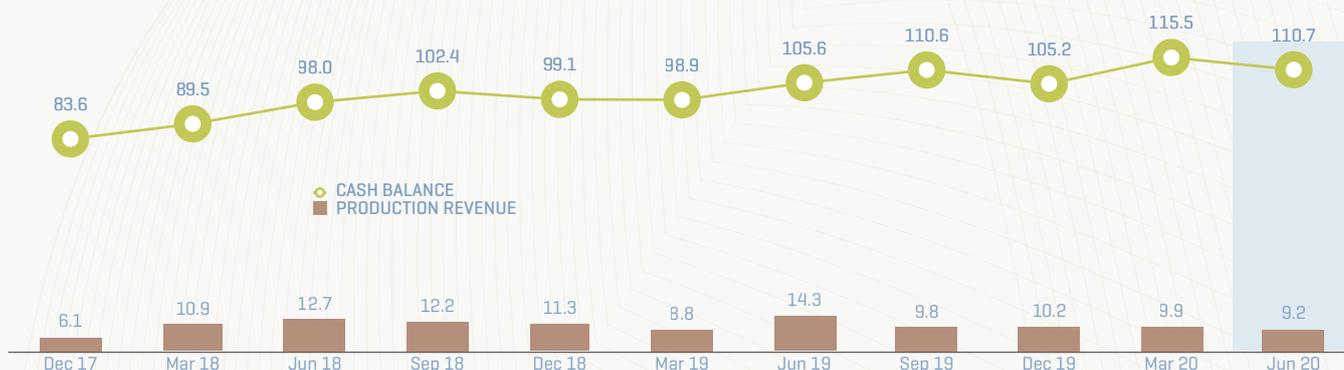
The full year financial results are expected to be released to the NZX on Monday, 31 August 2020.

FINANCIAL PERFORMANCE

At quarter end the company had a cash balance of \$110.7 million down from the March quarter balance of \$115.5 million.

The strengthening of the NZD against the USD resulted in an FX loss of \$5.5 million during the quarter arising from revaluation of USD bank balances.

Operating cashflow is 37% lower than the previous quarter with exploration outlays increasing in preparation for the Ironbark drill and production revenues down, impacted by Maari production disruption. Administration costs are 14% lower than previous quarter, driven by low corporate activity as the covid-19 lockdown affected office overheads.



PRODUCTION SUMMARY		Total field this quarter [gross]	Our share previous quarter [net]	Our share Jun 2020 [net]
FIELD				
Kupe Taranaki, New Zealand	Oil Barrels	209,800	8,800	8,400
	Gas Petajoules	6.36	0.25	0.25
	LPG Tonnes	27,580	1,090	1,100
	Production revenue NZD\$m		3.7	3.8
Maari* Taranaki New Zealand	Oil Barrels, Net		28,820	20,710
	Production revenue AUD\$m.		3.4	1.0
Sampang* Java, Indonesia	Oil Barrels		630	636
	Gas Petajoules		0.35	0.37
	Production revenue AUD\$m		2.6	4.0

TARANAKI PRODUCTION

Kupe oil and gas field [PML 38146]

4% New Zealand Oil & Gas

50% Beach Energy [Operator]

46% Genesis Energy

Kupe production was marginally up on the prior quarter, demonstrating strong well and plant performance following major projects this financial year - the maintenance shutdown in November, and the well intervention campaign in February. Kupe was able to operate at its maximum capacity of 77TJ/day for the majority of the quarter, offsetting the natural decline in the field.

Nominations were lower in the early part of the quarter due to reduced consumer demand. It is estimated that the well perforations have provided a production uplift of approximately 1.4 petajoules, with review work ongoing.

The compression project continues and remains on track to deliver first gas around mid-2021 calendar year.

Maari and Manaia oil field [PMP 38160]

5% Cue Energy*

69% OMV New Zealand [Operator]

26% Horizon Oil International

Oil production from the Maari and Manaia fields was lower than the previous quarter due to production disruptions in several wells. As a consequence of this low production, low global oil prices, and timing of liftings, revenue for the quarter was lower than the previous quarter.

Although production continued through the nationwide covid-19 lockdown, the MR6A and MR2 wells have been offline since March due to technical issues. Neither of these wells were in production during the quarter, with the joint venture still planning the repair for MR6A, which is likely to be completed towards the end of the year.

Two further production wells, MR9 and MR7, had production disrupted during the quarter due to electric submersible pump (ESP) failures. Replacement of the ESPs is being planned and is expected to be conducted during the current quarter. Covid-19 restrictions and entry processes for technicians into New Zealand are likely to result in minor cost increases and time delays.

*Cue Energy interests held through subsidiaries. New Zealand Oil & Gas has a 50.04% interest in Cue. Cue's full interest is shown throughout this document.

INDONESIA

Sampang PSC

15% Cue Energy*

Operator: Ophir Indonesia (Sampang) Pty Ltd

Gas production from the Sampang PSC has not been affected by covid-19 restrictions in Indonesia.

Production for the quarter was 8% higher than the previous quarter, with a full quarter of production after completion of the Grati pressure-lowering project.

Paus Biru development planning is continuing with pre-FEED activities completed. A Plan of Development (POD) is expected to be submitted to the Indonesian regulator for approval shortly. The POD is based on a single horizontal development well, Paus Biru-2, with 1 Tripod Wellhead platform (WHP) and a 27-kilometre subsea pipeline to be tied in to the existing Oyong WHP.

Post POD approval, Gas Sales Agreements will be finalized before a Final Investment decision by the joint venture, which is expected mid-2021. First gas is currently estimated for late 2022.

During the quarter, the Indonesian Government introduced regulations to cap the price of gas sold by upstream producers to power generators and industrial users in Indonesia. The regulations include provisions that any loss of sales revenue to producers from lower sales price will be provided from the government share of PSC revenue, so that producer revenue is not affected overall. These regulations are being implemented for all gas producers and will apply to a portion of Sampang production. No effect to Cue revenue is expected from these new regulations. New developments, including Paus Biru, are not included in the Government pricing regulations.

Mahakam Hilir PSC

100% Cue Energy* (Operator)

The Mahakam Hilir PSC contains the Naga Utara prospect and the Naga Utara-4 (NU-4) appraisal well opportunity.

An extension to the exploration period of the PSC has been granted by the Indonesian regulator, extending the end date to April 2021.

As part of the extension, a condition was placed on the PSC, restricting title transfers during the extension period.

Cue has been in discussions with a potential partner to participate in the drilling of the NU-4 well and is assessing the impact of the restriction on any future dealings and activities.

Mahato PSC

12.5% Cue Energy*

Texcal Mahato EP Ltd (Operator)

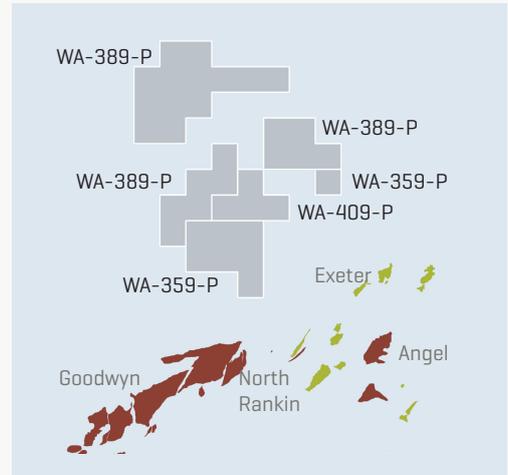
The operator and other joint venture participants, are continuing their claim to have excluded Cue from participation in operations at the PB prospect, based on an issued default notice and claimed decisions made around the time. These claims are disputed by Cue as having no basis under the joint operating agreement (JOA). On 16 April 2020, the Indonesia regulator, SKKMigas, made a public announcement of a 61.8 million barrel (OOIP) oil discovery in the Mahato PSC. Cue is not receiving information from the Operator as required under the JOA, in order to be able to fully assess the announcement by SKKMigas or the status of current operations. During the quarter, Texcal refused to refund Cue's share of the PSC performance bond, amounting to approximately US\$268,750, which was released by the Indonesian Government on completion of the PSC work commitment. The return of the bond is governed by a separate agreement with Texcal, and is unrelated to the claims being made by Texcal under the JOA.

Cue continues to evaluate and consider all available options and is asserting all its legal rights under the JOA and the agreement which governs the performance bond.

INDONESIA



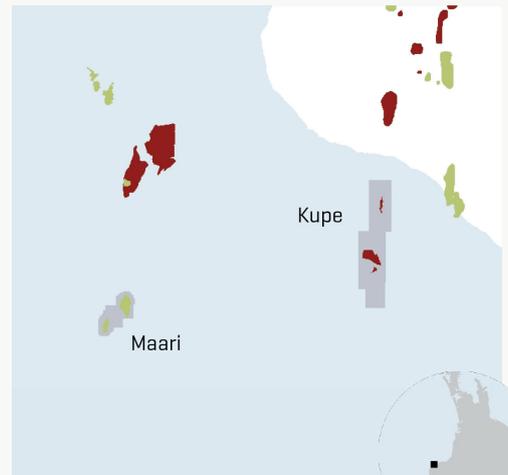
AUSTRALIA



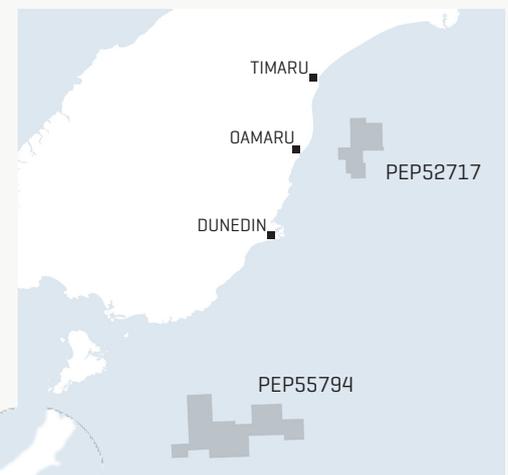
AUSTRALIA



NEW ZEALAND



TARANAKI BASIN



OFFSHORE CANTERBURY-GREAT SOUTH BASIN



NEW ZEALAND

Clipper (PEP 52717)

50% New Zealand Oil & Gas (Operator)

50% Beach Energy

A well commitment decision needs to be made before 11 April 2022, or the permit must be surrendered. If the well commitment is made, the well will need to be drilled by June 2023.

No other activity occurred in the period.

Toroa (PEP 55794)

100% New Zealand Oil & Gas

50% of the permit boundary was relinquished at the end of March as part of the work program commitments.

The well commitment decision (or surrender point) is due by 1 April 2022. If a well commitment is made, the well needs to be drilled by 1 April 2023.

AUSTRALIA

WA-359-P

15% New Zealand Oil & Gas

21.5% Cue Energy*

42.5% BP Developments Australia Pty Ltd (Operator)

21% Beach Energy

Ironbark-1 exploration well drilling activities are planned to commence in October 2020. The timing will be dependent on the progress of the current drilling program being conducted by the Ocean Apex drilling rig, which is currently under contract in the area for another operator.

The Environment Plan for Ironbark-1 was approved on 16 July 2020. Contracts and procurement, and other required permitting and approvals, are progressing as expected.

WA-409-P

20% Cue Energy*

80% BP Developments Australia Pty Ltd (Operator)

Specialised quantitative seismic processing is being undertaken by the Operator, BP, to further define the Ironbark prospect within WA-409-P.

WA-389-P

100% Cue Energy* (Operator)

Cue is finalising the PSDM reprocessing of 900 square kilometres of existing seismic data to better define the Deep Mungaroo prospect within the permit, which is updip, contiguous, and part of the same structural trend, as the Ironbark Prospect in WA-359-P.

Quantitative seismic interpretation to define other seismic amplitude related leads is ongoing.

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