ActivitiesReport

for the quarter ended 31 March 2012

Dear Investor

NZOG's production assets continued to perform strongly in the three months to the end of March 2012. NZOG also made considerable progress in expanding its portfolio of new growth opportunities and in building a team with the capacity to deliver on our growth promise.

Daily production from the Kupe gas and oil field increased towards the end of the period as Genesis took more gas for its thermal power stations. During the quarter there were two tanker shipments of oil from the Kupe field and two shipments from the Tui Area Oil Fields, with NZOG's total share of the sold oil being just over 175,000 barrels, at an average price of US$120 per barrel.

The combined revenue from Kupe and Tui for the quarter was NZ$34.4 million.

In early March, NZOG made a conditional offer to purchase a 15% stake in the Kaheru exploraton permit (offshore South Taranaki) from AGL Upstream Gas. This conditional offer gave NZOG the opportunity to participate in an attractive permit as it is going through ownership changes. At the time of writing this report, the purchase conditions have not been met and the outcome of the process remains uncertain.

Work is now underway to promote both the Barque permit in the Canterbury Basin and the Kakapo prospect in the Taranaki Basin to selected international companies capable of undertaking the drilling operations effectively and safely. At the same time, work continues to source appropriate drilling rigs for both prospects although rig availability is not firm at this time.

In February, 470 km of 2D seismic was acquired over the Diodore block in Tunisia and is now being processed. Geological studies have been initiated from existing well and seismic data procured from official and industry sources. There has also been a busy work programme for the Cosmos oil field development opportunity, including pre-engineering design work, a well development plan and further reserves analysis.

In Sumatra, Indonesia, a well is expected to be drilled in the Kisaran permit in the third quarter. There have been promising results from the first of three joint study agreements that NZOG is involved with, and we anticipate making at least one application during 2012 to move to the exploration stage of a Production Sharing Contract.

In March, the Receivers' for Pike River Coal Ltd announced they had received a conditional purchase offer from Solid Energy. At the time of writing this report, the due diligence process was continuing.

Over the past three to four months, NZOG has built a commercial team to provide greater transaction execution capability. We have expanded our position in Tunisia through the Cosmos acquisition; expanded our presence in Indonesia with a drilling commitment now imminent; and looked to expand our New Zealand portfolio by making a conditional offer for a stake in another offshore permit in Taranaki. We have welcomed two new experienced Directors onto our Board; actively marketed the farm-in opportunities at Barque and Kakapo; and readied ourselves for a drill decision at Kakapo.

We are also reviewing further opportunities in Tunisia and Indonesia and have begun a review of the Government's 2012 blocks offer. We are working hard on capturing upside value at Cosmos. It's been a busy period and there will be no lessening of the effort as we take sound steps to deliver value growth for our shareholders.

Andrew Knight CEO
20 April 2012

Key Points

- **Seismic acquired over Diodore permit, Tunisia**
- **Conditional sale of Pike River Coal mine by Receivers**
- **Well commitment decision imminent at Kisaran permit, Indonesia**
- **Reserves evaluation work underway at Cosmos permit, Tunisia**
- **Gearing up for the 2012 New Zealand blocks offer**

Production

Kupe

Kupe Gas and Oil Field (PML 38146)
NZOG interest 15%

In the three months to the end of March, Kupe produced 4.34 PJ of sales gas (NZOG's allocation 0.65 PJ), 19,195 tonnes of LPG (NZOG's share 2,879 tonnes) and 411,010 barrels of light oil (NZOG's share 61,652 barrels).

NZOG's revenue from Kupe in the quarter was NZ$16.4m.

There were no significant plant outages during the quarter and the field continues to perform well. As expected, gas nominations remained relatively low during the summer months but increased towards the end of the quarter as Genesis took more gas for its thermal power stations.

A shipment of 179,000 barrels of light oil was loaded early February (NZOG's share 27,000) followed by another shipment of 184,000 barrels in the middle of March (NZOG's share 28,000).

Phase II of the offshore maintenance programme was successfully completed in January. Phase III scope is being developed for the long-term umbilical clamp solution (as reported for the previous quarter) and the potential for an insurance claim is being assessed.

Tui

Tui Area Oil Fields (PMP 38158)
NZOG interest 12.5%

Total oil production at Tui for the three months to the end of March was 521,655 barrels of oil, at an average rate of 5,732 barrels per day. NZOG's share of the oil production was 65,207 barrels.

NZOG's revenue from Tui in the quarter was NZ$18.0m.

There was a tanker shipment of 441,000 barrels on 2 January (NZOG's share 55,000 barrels) and a further tanker shipment of 522,000 barrels on 23 March (NZOG's share 65,000 barrels). As at 31 March there were approximately 92,000 barrels of oil in stock (NZOG's share 11,500 barrels).

A planned subsea maintenance and repair project was completed successfully in January. A short unplanned 2 day outage occurred in February to do an initial repair to a production header. The repair will be completed during April.

Well performance continues as predicted.

NZOG Production

Product	January-March 2012
Kupe:	
Kupe sales gas	0.65 petajoules
Kupe LPG	2,879 tonnes
Kupe light oil	61,652 barrels
Tui:	
Tui oil	65,207 barrels

Exploration

Taranaki Basin

PEP 51311 (Kakapo)
NZOG 90% (Operator), Raisama 10%

The Kakapo prospect, situated in water depth of about 100m some 25km to the southwest of the Kupe production platform, is ready to drill as soon as a suitable offshore drilling rig can be sourced. The main target formation is anticipated at a depth of about 2,300m, with estimated mean prospective resources (un-risked) of over 200 million barrels of oil.

ASX-listed Raisama Ltd will earn a 10% stake in the permit by paying 20% of the first well costs, capped at US$3m. NZOG expects to further reduce its exposure to the well cost through attracting an additional joint venture partner.

We are working in conjunction with the operators of other planned wells to share the costs of rig mobilisation, demobilisation and services, and in consultation with relevant government agencies.

PEP 51558 (Kanuka)
NZOG 50%, Todd Energy (Operator) 50%

Reprocessing of an existing 3D seismic survey is being completed and will provide the main basis for evaluation of a suite of prospects and leads that have been identified, in advance of a drill or drop decision point in December 2013.

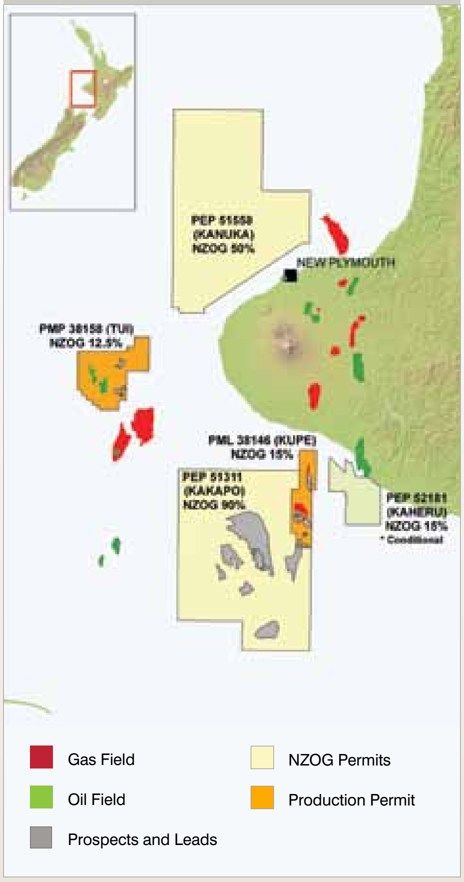
PML 38146 (Kupe)
NZOG 15%, Origin Energy 50% (Operator), Genesis 31%, Mitsui 4%

The ongoing strong performance of the Kupe wells means the timetable for second stage development has been deferred for up to several years. While assessment of un-drilled prospects within the licence continues, these future exploration targets are unlikely to be tested until second stage development begins.

PMP 38158 (Tui)
NZOG 12.5%, AWE 42.5% (Operator), Mitsui 35%, Pan Pacific Petroleum 10%

Decisions on possible further exploration drilling within the Tui mining permit are anticipated during the second quarter following completion and reporting of relevant studies, and depending on the timing of availability of a suitable drilling rig in New Zealand waters.

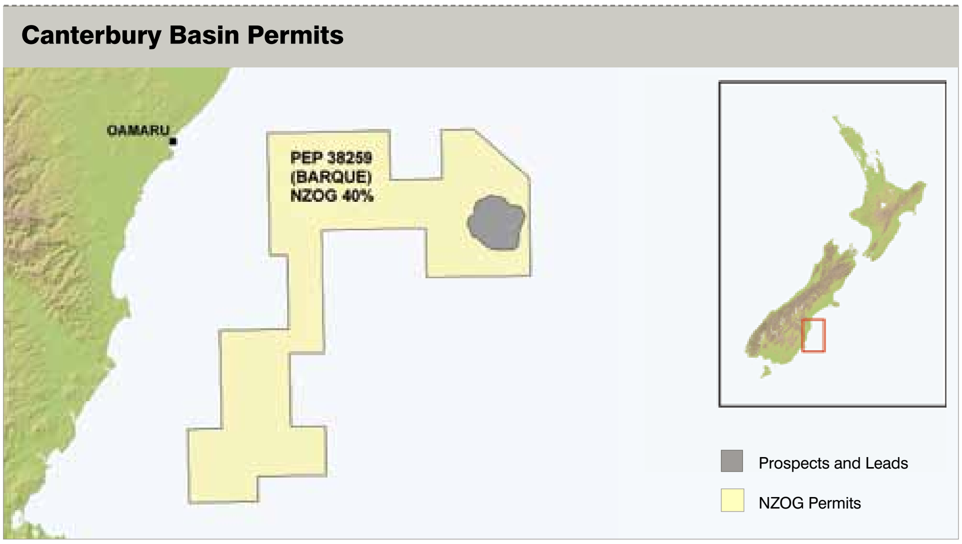
Taranaki Basin Permits



Canterbury Basin

PEP 38259 (Barque)
NZOG 40% (Operator), AWE 25%, Beach Energy 35%

NZOG has assumed operatorship of this permit. Seismic reprocessing is underway to improve the definition and evaluation of the Barque prospect, the crest of which is in approximately 800m water depth off the coast of North Otago in the Canterbury Basin. Concurrently, considerable effort is being invested to promote the planned Barque well (which is subject to a firm commitment by August 2012) to selected companies capable of successfully undertaking the drilling operations. The availability of a suitable drilling rig for Barque and other deep water New Zealand operations is not clear at this time.



Tunisia

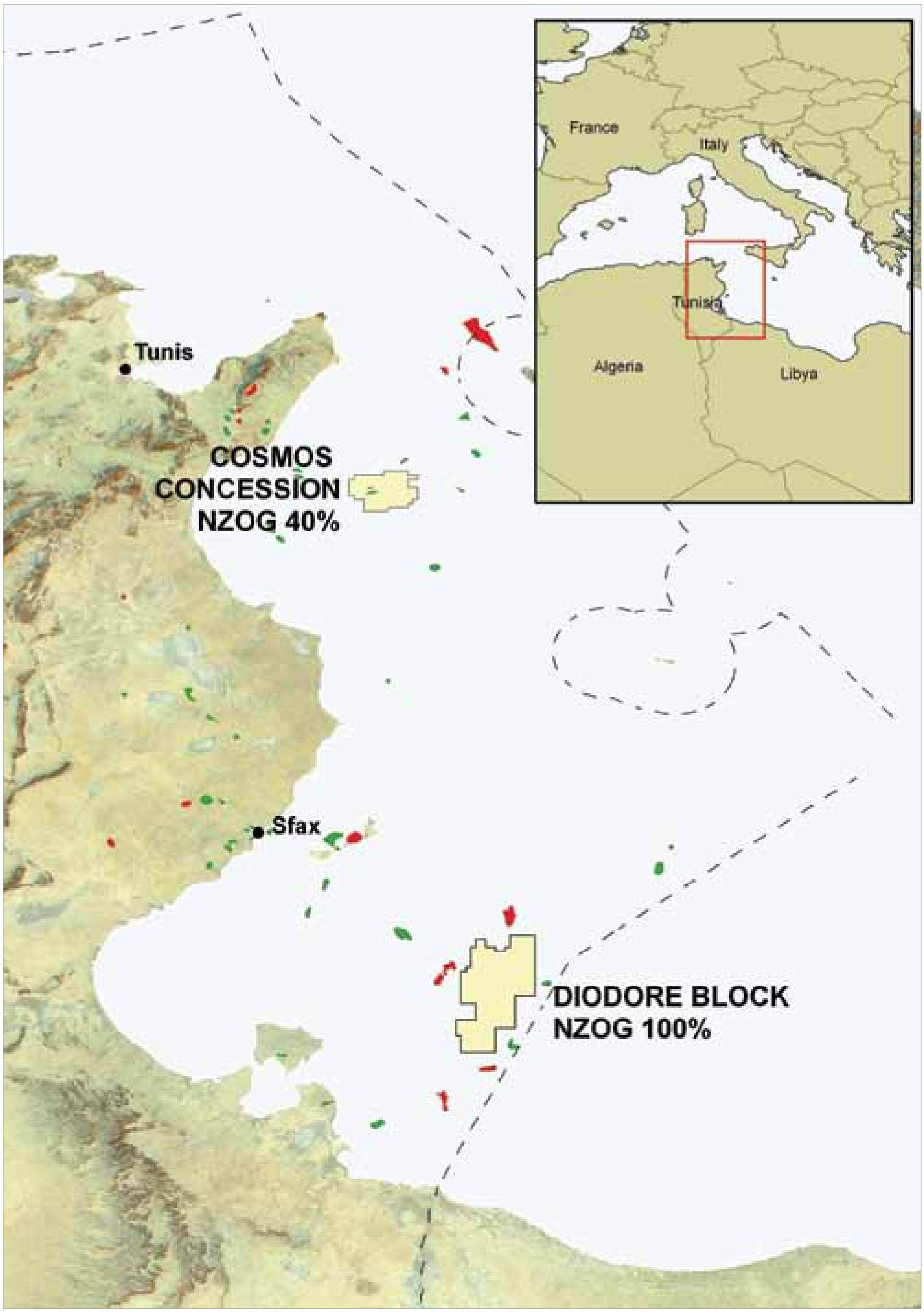
Cosmos Concession
NZOG 40%, Storm Ventures International 40% (Operator), ETAP 20%

Studies to analyse the various options for developing the Cosmos 'A' block reservoirs were begun in February 2012. Once the optimum development plan for the Cosmos 'A' block has been agreed upon, the project Front End Engineering Design (FEED) contractor will be selected and the FEED studies undertaken. The FEED studies are expected to be completed and a Final Investment Decision (FID) made by September 2012. If the field is to be developed, first production from the Cosmos 'A' Field could be expected to commence mid 2014.

Diodore Block
NZOG 100% (Operator)

A 2D seismic survey totalling 467km was acquired for NZOG in February 2012, utilising recently commercialised technology which promises significantly enhanced resolution of geological detail, a crucial factor in the subtle reservoir systems characteristic of the offshore Tunisia opportunities. The data is being processed with results expected to be available in June. Pre-existing exploration data, including two 3D seismic surveys, is being procured from government sources and through arrangements with neighbouring permit holders.

Much of the seismic data will be reprocessed for integration with the new survey results, and mapping and evaluation of an inventory of prospects. Experienced geological consultants have been retained to assist NZOG's technical personnel with this work.



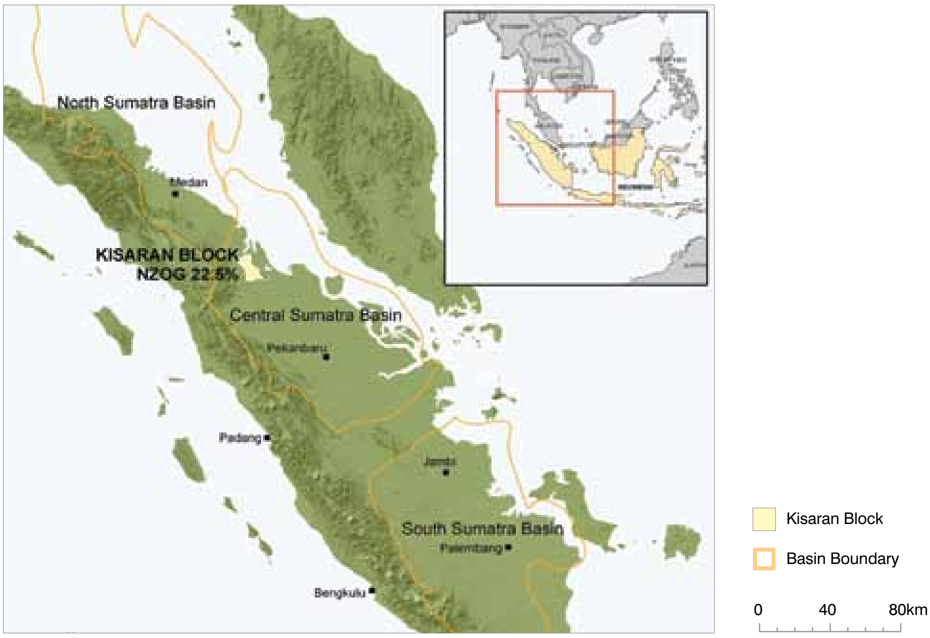
Indonesia

Kisaran Permit

Planning for drilling the PM-2 well, the first of two commitment wells in the Kisaran PSC, is being advanced, with a rig selected and approved. Detailed planning should be concluded early in the next quarter and drilling is expected to commence in the following quarter.

Joint Study Agreements

NZOG is engaged, in association with our strategic partner Bukit Energy, in a number of studies directed at the prospectivity evaluation of blocks that are currently open, and anticipates making at least one application during 2012. Drilling on any blocks acquired would likely be in 2014-15.



Financial update

NZOG's operating revenue for the March quarter was NZ$34.4m. This included revenue from the sale of Tui oil (NZ$18.0m) and revenue from the sale of Kupe sales gas, LPG and light oil (NZ$16.4m).

As at 31 March 2012, NZOG's cash balance was the equivalent of NZ$187.0m, with cash holdings held in both NZ and US dollar accounts.

NZ$5.2m was paid off NZOG's debt facility with Westpac during the quarter. The balance borrowed currently stands at NZ$49.6m and this will be repaid in full by March 2015. NZOG has no other debts.

NZOG's net cash position as at 31 March 2012 was NZ$137.4m.

More financial information is contained in the March 2012 Quarterly Cash Flows Report, which has been released to the NZX and ASX.

Share Buy-Back

In November 2011, NZOG initiated a new share buy-back. The NZOG Board is of the view that the current share price is significantly below fair value and does not reflect a reasonable current valuation of the company or its prospects for further growth.

A buy-back of shares is an opportunity to provide a return to shareholders in excess of NZOG's cost of capital. The shares acquired are cancelled, proportionally increasing all remaining shareholders' interests in the company and the earnings per share.

The maximum number of shares to be acquired in the buy-back is 10 million. Purchases are made by a broker on NZOG's behalf through the NZX market and may occur until 31 October 2012.

In the quarter ending 31 March 2012, 1,031,000 ordinary shares were acquired and cancelled under the share buy-back scheme; at an average price of NZ73.3 cents per share and a total cost (including brokerage) of NZ$755,971.

Dividend Reinvestment Plan

NZOG continues to offer a Dividend Reinvestment Plan whereby **shareholders resident in New Zealand or Australia** can choose to invest all or part of their future dividends in additional NZOG Shares, instead of receiving cash. The Plan provides a convenient way for an NZOG shareholder to reinvest dividends in Shares, without incurring brokerage charges.

In addition, the Board has decided that, until determined otherwise, new Shares issued under the Plan will be offered at a 2.5% discount to the weighted average sale price for Shares sold on each of the first five business days immediately following the dividend record date. Participation in the Plan is optional and if a shareholder takes no action they will continue receiving dividends in cash (by cheque or direct credit to a bank account).

Shareholders who wish to participate should complete the Participation Notice on the company's website http://www.nzog.com/drp or contact the company's share registry, Computershare via enquiry@computershare.co.nz or call 64 9 488 8777.

For further information please contact:

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For information about your share holding or to change your address, please contact the share registrars as follows:

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NZOG stock symbols
NZX Shares – NZO   ASX Shares – NZO