

# New Zealand Oil & Gas Activities Report

## NEWS

Special Meeting votes to support capital return.

Cash balance at quarter end: \$234 million.

## CAPITAL RETURN

A special meeting of shareholders on 12 April, following quarter end, approved a proposed scheme of arrangement to return \$100 million to ordinary shareholders. Under the proposed scheme, half the ordinary shares in New Zealand Oil & Gas would be cancelled and holders would receive approximately 62.7 cents per cancelled share.

A favourable ruling was received from Inland Revenue after the meeting. At publication date, the scheme was conditional only on receipt of a final court order approving the scheme. An application for this court order has been submitted with the aim of implementing the scheme and making payments to shareholders before the end of May.

If final orders are received, a notice will be issued to the NZX and posted on the company's website at nzog.com. Results of the special meeting are presented in the table on the next page.

## FINANCIAL PERFORMANCE

Financial performance in the quarter was profoundly affected by the sale of the Tui and Kupe assets. Kupe was sold for \$168 million and Tui for US\$0.75 million. Following adjustments relating to working capital, inventory and transaction costs, the net cash position relating to the two sales at 31 March was \$154 million and a further \$4.0 million was received after quarter end.

Cash balances were affected by a stronger US dollar, and improved revenue from Cue. The company ended the quarter with a cash balance of NZD\$234 million. This was held in various currencies including NZD\$168.3 million, USD \$42.9 million and AUD \$2.6 million.

Looking ahead to 30 June, the expected return of capital at the end of May will leave the company with a cash balance of approximately \$113 million excluding Cue's cash.

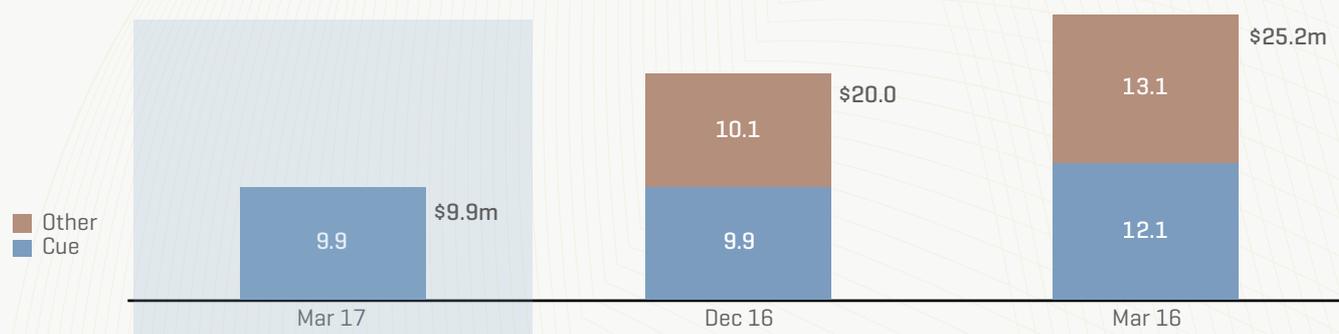
Exploration costs in the quarter were in line with expectations, and were principally incurred by Cue. Close scrutiny is being paid to costs to achieve as low as possible cash outflow.

## PERFORMANCE

	3 months to 31 Mar 17	Previous quarter	Comparable quarter a year ago
Revenue from production NZ\$m	9.9	19.6	25.2
Cash balance NZ\$m	234.0	81.1*	93.4

\* Previous quarter balance updated following quarter end. Financial update includes 100 per cent of Cue's revenue and cash balance.

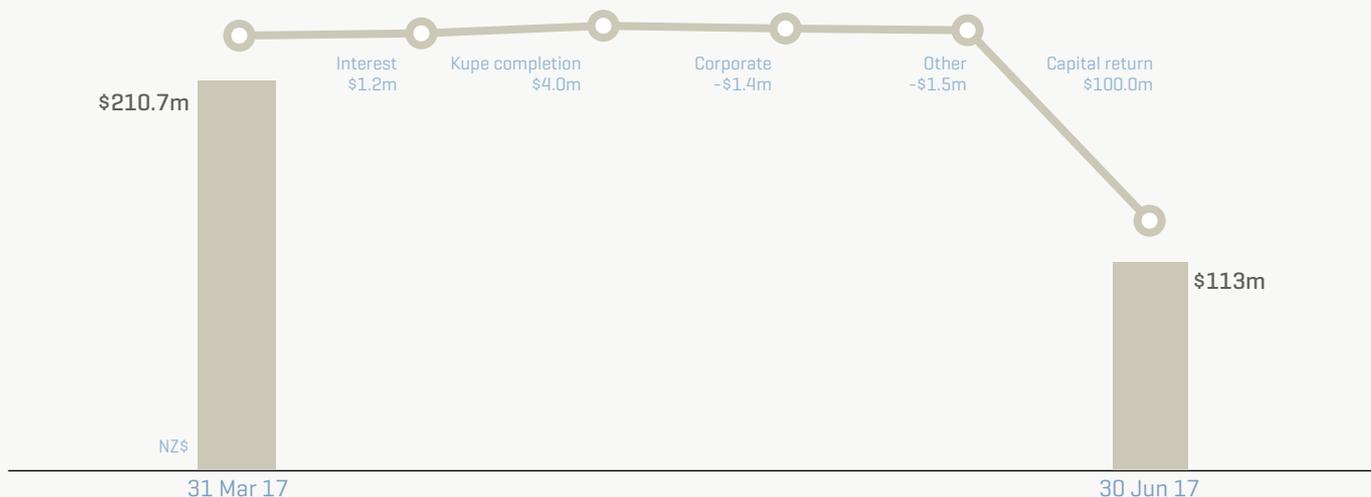
## NEW ZEALAND OIL & GAS OPERATING REVENUE FOR THE QUARTER WAS NZ\$19.6 MILLION



GROUP CASH BALANCE AT 31 MARCH 2017 NZ\$234.0M



CASH FORECAST 31 MARCH TO 30 JUNE 2017 - EXCLUDING CUE ENERGY



Forecast figures are indicative and approximate. Figures exclude contribution of Cue Energy and impact of any acquisitions.

SPECIAL MEETING RESULTS

Results of the special meeting held on 12 April 2017.

	Votes For	%	Votes Against	%	Votes Total	% of Total Voting Rights Voted	Votes Abstain
Ordinary Shares	200,179,193	99.16 Threshold to approve the scheme was 75%	1,698,603	0.84	201,877,796	63.31	208,275
Part Paid Shares	80,879	87.27 Threshold to approve the scheme was 75%	11,794	12.73	92,673	94.33%	
<b>Total</b>	<b>200,260,072</b>	<b>99.15</b>	<b>1,710,397</b>	<b>0.85</b>	<b>201,970,469</b>	<b>63.32</b>	<b>208,275</b>

In addition, 62.79% of the votes of those shareholders entitled to vote on the resolution were in favour of the resolution [the threshold to approve the scheme was 50%].

The binding IRD ruling received on 13 April 2017 means that the return of capital under the proposed scheme will not be treated for New Zealand tax purposes as being in lieu of a dividend. More detail is available in the company's announcement to NZX on 13 April 2017, and shareholders are advised to obtain professional tax advice applicable to their own circumstances.

MAARI

**Maari and Manaia oil field** [PML 38160]

**5% Cue Energy**

69% OMV New Zealand [Operator]

16% Todd Maari

10% Horizon Oil International

Cue's net share of oil sales in the quarter from the Maari and Manaia fields was 18,200 barrels which generated revenues of AUD\$1.4 million.

The average oil production rate in the quarter was approximately 7,980 gross barrels of oil per day [Cue net: 399 bopd]. At the end of the quarter, daily gross production was stable at approximately 10,000 barrels per day.

Production resumed on 12 January 2017 following a maintenance shutdown. Preparations are ongoing for the installation of a permanent repair to the well head platform horizontal strut crack, which was identified late in 2016. The permanent repair is likely to be undertaken during the second quarter of 2017.

MAARI PRODUCTION	Total field for quarter [gross]	Cue share March 2016 [net]	Cue share December 2016
Oil Barrels	717,975	35,900	44,238
Revenue AUD\$m		1.4	2.9

Some rounding

SAMPANG

**Sampang Production Sharing Contract**

**15% Cue Energy**

45% Santos Sampang [Operator]

40% Singapore Petroleum Company

Steady gas production continued from Sampang during the quarter, with gross combined average production from Oyong and Wortel of 61 million cubic feet of gas per day and 850 barrels of oil per day. The Sampang Sustainability Project is on target to achieve gas only production from Oyong during Q3 this year. This is expected to extend the life of the Oyong and Wortel fields by at least 2 years to 2020 or beyond.

**Oyong Field**

During the quarter Cue's share of gas sales receipts was \$2.35 million from the sale of 256 mmcf. Cue's share of oil sales

receipts was \$1.41 million from the sale of 21,220 barrels, and from condensate \$12,504 was received from the sale of 187 barrels. The Oyong average oil production rate for the quarter was 850 bopd [gross] and the daily gas average rate was 26.8 mmcf/day [gross] [Cue net: 109 bopd and 3.1 mmcf/d - both net of government take under the PSC].

**Wortel Field**

During the quarter Cue's share of gas sales receipts was \$4.07 million from the sale of 454 mmcf. Cue's share of condensate sales from the Wortel field was 616 bbls which generated \$31,574 in revenue. Wortel-3 and Wortel-4 flowed gas at a combined average daily rate of 34 mmcf/d [gross] during the quarter [Cue net 3.8 mmcf/d net of government take under the PSC.]

SAMPANG PRODUCTION	Total field March 2017 [gross]	Cue share March 2017 [net]	Cue share December 2016 [net]
Oil Barrels	76,500	10,430	10,380
Gas Petajoules	5.75	0.65	0.55
Revenue AUD\$m		7.9	6.0

Some rounding. Cue's share of Sampang PSC oil and gas production in the table above is net of government take under the PSC.

KUPE & TUI

**Kupe oil and gas field** [PML 38146]

**15% New Zealand Oil & Gas**

50% Origin Energy [Operator]

31% Genesis Energy

4% Mitsui

As announced in the previous quarterly report, New Zealand Oil & Gas sold its entire interest in both the Kupe and Tui fields with an effective date of 1 January 2017.

**Tui oil field** [PML 38158]

27.5% New Zealand Oil & Gas

57.5% AWE [Operator]

15% Pan Pacific Petroleum

## CANTERBURY-GREAT SOUTH

**Clipper (PEP 52717)**

50% New Zealand Oil &amp; Gas (Operator)

50% Beach Energy

**Regional impact study underway**

Work continues in farmout discussions with several interested parties.

Work was completed that upgraded the best estimates of unrisked petroleum in place (100%) in the three horizons to now total 11 trillion cubic feet of gas (tcf), and 1.5 billion barrels of liquid (oil or gas condensate) within the proven petroleum system (5.5 tcf and 750 million barrels net to New Zealand Oil & Gas.)

A regional impact study is underway to determine the commercialisation pathways for liquids and gas to shore.

Initial results from the study show that gas-to-shore developments could also be highly commercial, with several potential gas buyers indicating their interest in supporting significant totals of gas supply. The study is expected to be completed in the coming month.

**Toroa (PEP 55794)**

30% New Zealand Oil &amp; Gas

70% Woodside Energy (New Zealand 55794) (Operator)

**Prospect of interest mapped**

A full review of the prospectivity of the key leads was completed by the operator on behalf of the joint venture and a prospect of interest has been mapped.

A joint venture decision to drill a well by 2019-2020 will be subject to the prospect evaluation to be completed this year.

## TARANAKI

**Vulcan (PEP 55793)**

30% New Zealand Oil &amp; Gas

70% Woodside Energy (New Zealand) (Operator)

**Surrendered**

A full review of the prospectivity of the identified leads was completed and did not meet the joint venture's materiality/risk threshold. The JV agreed to surrender the permit and an application was made to the Crown in March.

## AUSTRALIA

**WA-359-P**

100% Cue Energy (Operator)

WA-359-P contains the Ironbark prospect, a large and exciting Deep Mungaroo gas target.

As previously announced, Cue has granted BP Developments Australia Pty Ltd, an option to acquire 42.5% equity in WA-359-P, valid until May 2017.

Cue is continuing discussions with major international companies to attract a partner to form a joint venture together with BP to drill an exploration well in 2018 to test the Ironbark prospect.

**WA-389-P**

40% Cue Energy

60% BHP Billiton Petroleum (Australia) Pty (Operator)

The operator is reviewing and interpreting the results of 2D and 3D reprocessing conducted last year.

**WA-409-P**

20% Cue Energy

80% BP Developments Australia Pty Ltd (Operator)

The operator is undertaking extensive seismic reprocessing over the WA-409-P permit.

## INDONESIA

A strategic review of the company's entire Indonesian portfolio has been completed. The company intends to divest the lowest priority parts of its portfolio, retaining interests that provide a recognisable pathway to returns and divesting exposure to acreage that no longer aligns with the company's strategic intentions. A divestment process commenced after quarter end.

There was no activity to report in these interests:

**Kisaran**

Production Sharing Contract

**22.5% New Zealand Oil & Gas**

55% Pacific Oil & Gas [Operator]

22.5% Bukit Energy

**MNK Kisaran**

Production Sharing Contract

**11.25% New Zealand Oil & Gas**

55% Pacific Oil & Gas [Operator]

33.75% Bukit Energy

**Bohorok**

Production Sharing Contract

**45% New Zealand Oil & Gas**

45% Bukit Energy [Operator]

10% Surya Buana Lestarijaya Bohorok

**MNK Bohorok**

Joint Study Agreement

**20.25% New Zealand Oil & Gas**

55% Lion Energy [Operator]

20.25% Bukit Energy

4.5% Surya Buana Lestarijaya Bohorok

**Palmerah Baru**

Production Sharing Contract

**36% New Zealand Oil & Gas**

54% Bukit Energy Palmerah Baru [Operator]

10% PT SNP Indonesia

**MNK Palmerah**

Production Sharing Contract

**15.84% New Zealand Oil & Gas**

69.36% Bukit Energy Resources Palmerah Deep Pte [Operator]

8.8% PT SNP Indonesia – Bumi Perdana Energy

3% Bumi Perdana Energy

3% Glory Wealth Pacific

**Mahato**

Production Sharing Contract

**12.5% Cue Energy**

62.5% Texcal Mahato EP [Operator]

25% Bukit Energy Central Sumatra [Mahato] Pte

The Mahato PSC covers a highly prospective area, close to several large producing oil fields. Multiple appraisal and exploration opportunities have been mapped.

The permit has a minimum work commitment of one well and 2D seismic acquisition by July 2018.

A joint operating agreement has not been agreed by the joint venture participants, limiting any further progress in the permit.

**Mahakam Hilir**

Kutei Basin Production Sharing Contract

**100% Cue Energy**

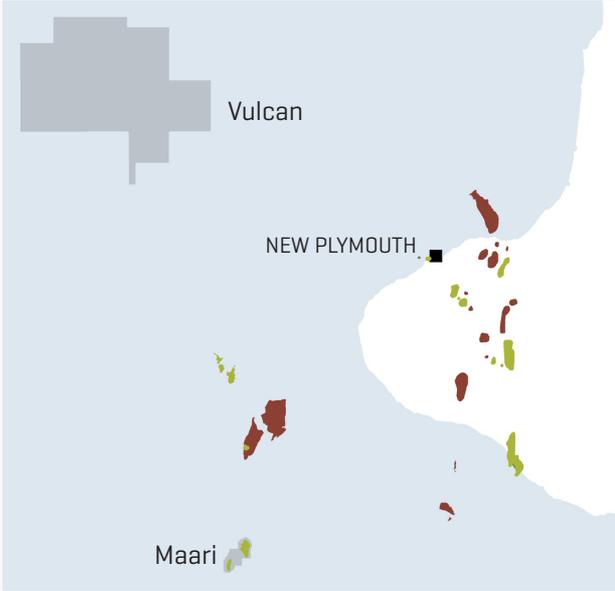
Cue Kalimantan Pte Ltd [Operator]

Analysis of the recent gravity gradiometry data identified a gravity anomaly in the northern area of the permit adjacent to the nearby gas producing Sambutan field. 2D seismic lines have been re-processed in the area of a 1930s well which has been interpreted to show significant gas reservoirs that were not tested or produced at the time.

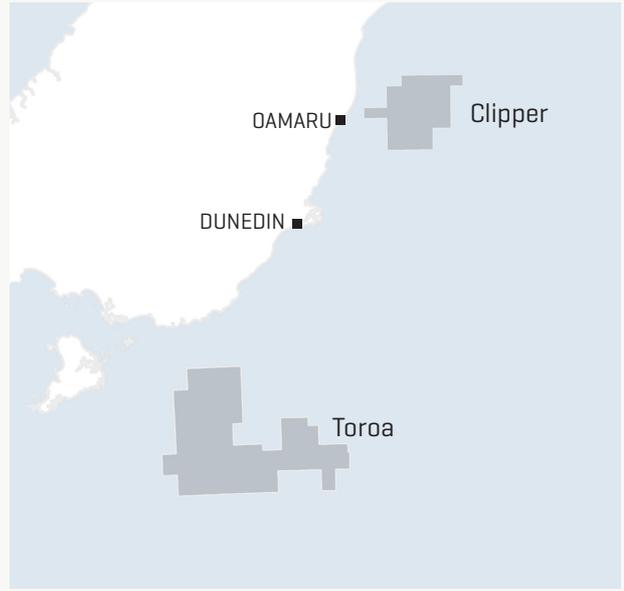
Cue will be initiating a farm-out process in the second quarter to attempt to attract a joint venture partner to share the risks, costs, and benefits of the opportunity.

Further analysis of the Naga Selatan-2 well information, gravity gradiometry and shallow coring results indicate lower prospectivity in the southern area of the permit

New Zealand Oil & Gas has a 50.01 per cent interest in Cue Energy. Cue's full interest is shown above.



OFFSHORE TARANAKI BASIN



OFFSHORE CANTERBURY - GREAT SOUTH BASIN

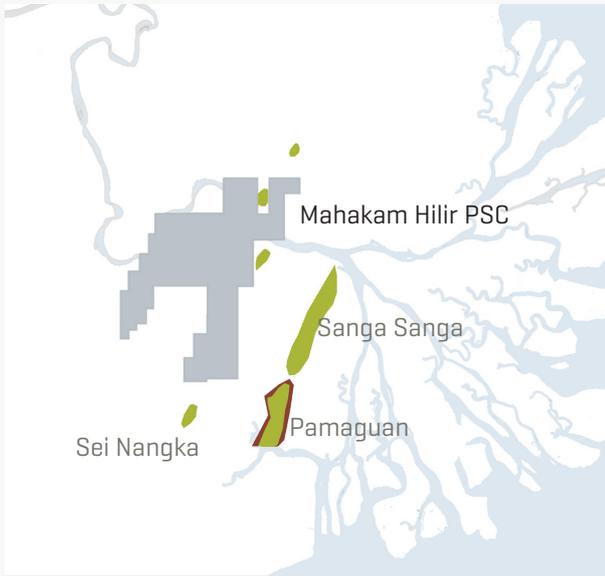


SUMATRA

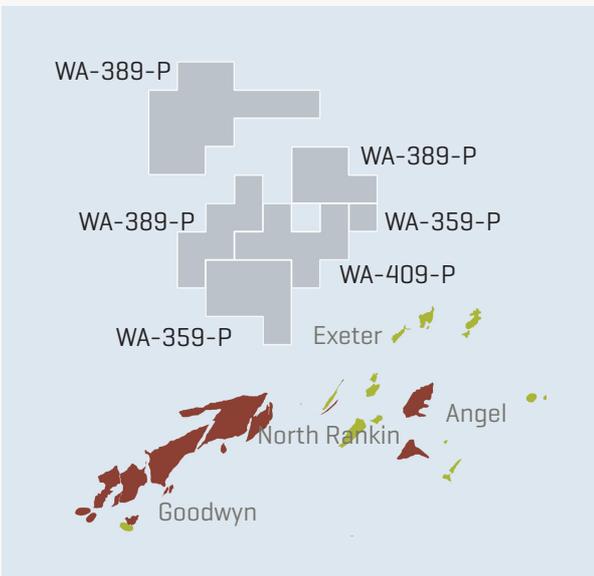


JAVA





KALIMANTAN



AUSTRALIA



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