

New Zealand Oil & Gas Activities Report

HIGHLIGHTS

- 4% interest in Kupe acquired
- \$100m capital return completed

KUPE TRANSACTION

In May New Zealand Oil & Gas agreed to purchase Mitsui E&P Australia's 4 per cent interest in the Kupe gas and light oil field for NZ\$35 million. The effective date of the transaction is 1 January 2017. Following quarter end other joint venture participants confirmed pre-emptive rights would not be exercised and the NZX granted a waiver, which was required for a transaction with a related party because the parties had previously been joint venture participants together in Kupe. The transaction remains subject to regulatory approvals, including from New Zealand Petroleum & Minerals and the Overseas Investment Office, which is not expected before October. As the transaction has not completed the asset's performance is not reported in this update.

Kupe is operated by Lattice Energy Resources [Kupe] Limited (formerly Origin Energy), which has a 50 per cent interest. Genesis Energy, through its subsidiaries, holds 46 per cent.

PERFORMANCE

	3 months to 30 Jun 17	Previous quarter	Comparable quarter a year ago
Revenue from production NZ\$m	8.3	9.9	29.9
Cash balance NZ\$m	125.1	234.0	96.8

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

FINANCIAL SUMMARY

The return of \$100 million of capital was completed in May. Half of all the company's ordinary shares were cancelled on 12 May and holders were paid approximately 62.7 cents per cancelled share the following week.

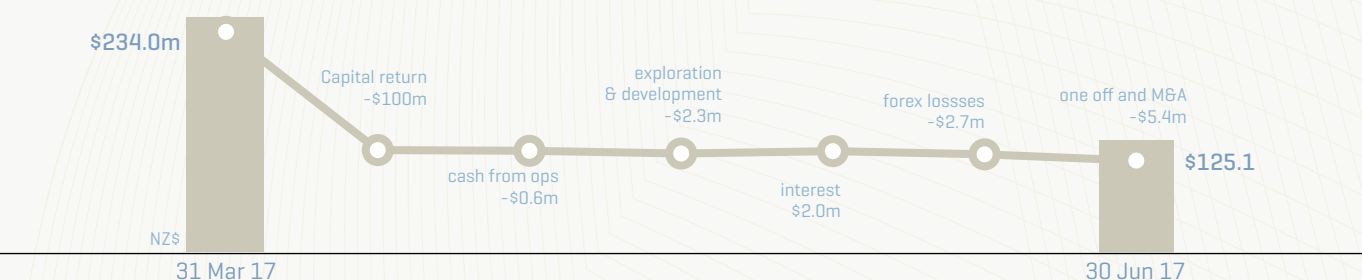
Revenue from Cue's Maari and Sampang production assets of \$8.3m was offset by production costs of \$4.9m, administration costs of \$2.8m, and taxes of \$1.2m.

Development costs of \$1.0m relate to Cue's Maari asset [\$0.4m] and the Oyong Sampang Sustainability project [\$0.6m]. Exploration costs were \$1.2m, for activities related to the Clipper permit, Indonesia, and Cue's permits.

Cue's resolution of a long-running dispute with Medco that had been held as a contingent liability had an impact of -\$9.8m. Other one-off costs in the quarter include expenditure related to analysis and due diligence of potential acquisitions and \$0.3m to move the corporate office in Wellington. The office has now been moved to less expensive property. Other one-off cash inflows included \$4.1m from a Kupe working capital adjustment, return of an Indonesian performance bond [\$0.9m], and \$0.5m of insurance received for a claim related to Kupe's flash gas compressor.

Cash balances were affected by the strong NZD reducing foreign currency balances when converted to NZD. This resulted in an unrealised \$2.7m FX revaluation loss in the quarter.

GROUP CASH BALANCE AT 30 JUNE 2017 NZ\$125.1M



PRODUCTION FOR THE QUARTER

FIELD		Total field for quarter (gross)	Cue share June 2017 (net)	Cue share March 2017
Maari Taranaki New Zealand	Oil Barrels	831,285	41,587	35,900
	Revenue AUD\$m		2.7	1.4
Sampang Java, Indonesia	Oil Barrels	45,227	5,824	10,430
	Gas Petajoules	4.83	0.65	0.65
	Revenue AUD\$m		5.4	7.9

Some rounding

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 37,640 barrels which generated revenues of \$2.74 million.

The average oil production rate in the quarter was approximately 9,135 gross barrels per day [Cue net: 457 bopd].

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 the gross combined average production from Oyong and Wortel 51 million cubic feet per day and 497 barrels per day.

During June, oil production from the Oyong field ceased as part of the Sampang Sustainability Project. Work is continuing on the conversion to gas-only production, which is expected to extend the life of the Oyong and Wortel fields by at least two years to 2020 or beyond.

Oyong Field

During the quarter Cue's share of gas sales receipts was \$2.42 million from the sale of 260 million cubic feet.

Cue did not receive any receipts for oil and condensate sales during the quarter but reimbursed US\$0.39 million for overlift of 6,165 barrels in 2016. Revenue from final oil sales at Oyong are expected to be received in the first quarter of calendar 2018 after reconciliation with Indonesian Government allocations.

At the end of the quarter, daily gross production was approximately 9000 barrels per day.

Preparations continued for the installation of a permanent repair to the well head platform horizontal strut anomaly, which was identified in late 2016. The permanent repairs are scheduled to be undertaken in the third quarter.

During the quarter, the operator presented the joint venture with further information about potential development at the Manaia field, approximately 6 kilometres from the Maari field. Budget has been approved for the project to enter the concept phase and the JV will continue to study the opportunity.

The Oyong average oil production rate for the quarter was 497 barrels per day [gross] and the daily gas average rate was 21.5 million cubic feet per day [gross] [Cue net: 64 bopd and 2.5 mmcf/d - both net of government take under the PSC]. There will be no further oil sales from the Oyong field. Oyong gas production is expected to be reduced over the next quarter while the conversion to gas-only production is completed.

During the quarter, the joint venture reviewed the potential for new reservoirs to be tested above the producing Mundu sands. The operator has proposed new completions in Oyong 5 and Oyong 9 wells to test the Upper Mundu reservoir, which are likely to be undertaken during the current quarter.

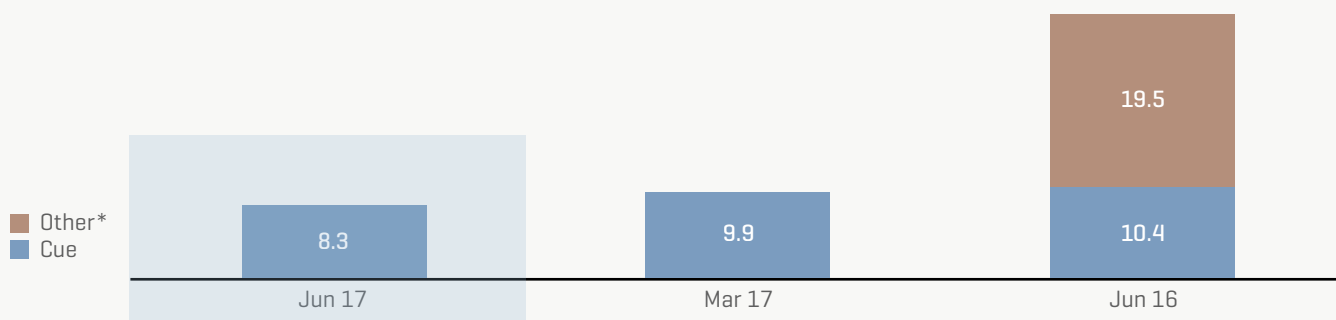
Wortel Field

During the quarter Cue's share of gas sales receipts was \$2.98 million from the sale of 318 million cubic feet. Cue did not have any condensate sales in the quarter.

Wortel-3 and Wortel-4 flowed gas at a combined average daily rate of 29.1 million cubic feet per day [gross] during the quarter [Cue net 3.2 mmcf/d, net of government take under the PSC.]

Installation of a new compressor at the Grati processing plant has been initiated. The new compressor is being transferred from another PSC and replaces a leased unit, which will result in lease cost saving for the life of the Sampang PSC.

NEW ZEALAND OIL & GAS OPERATING REVENUE FOR THE QUARTER WAS NZ\$8.3 MILLION



* Kupe and Tui

EXPLORATION THIS QUARTER

CANTERBURY-GREAT SOUTH

Clipper [PEP 52717]

50% New Zealand Oil & Gas [Operator]

50% Beach Energy

Farm-out activity continues

Discussions with potential farm-in partners continued. The joint venture is working towards finalising farm-in agreements before the end of this calendar year.

Toroa [PEP 55794]

30% New Zealand Oil & Gas

70% Woodside Energy [New Zealand 55794] [Operator]

Commitments fulfilled

A joint venture decision to drill a well in Stage 2 [2020-2021] will be subject to the prospect evaluation to be completed this year. All Stage 1 commitments have been fulfilled.

TARANAKI

Vulcan [PEP 55793]

30% New Zealand Oil & 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 Crown approved an application to surrender the permit.

AUSTRALIA

WA-359-P

100% Cue Energy [Operator]

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

In April 2017, Cue granted BP an extension of their option over 42.5% equity in WA-359-P until October 2017. This extension was to allow more time for the parties involved in the dataroom to evaluate seismic data that is currently being reprocessed.

Cue is continuing discussions with major international companies 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]

During the quarter, BHP Billiton provided notice to Cue of their withdrawal from the WA-389-P joint venture.

An application for the assignment of BHP Billiton's 60% equity and operatorship to Cue is currently with the regulator for approval.

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 and surrounding areas. BP will fund Cue's portion of the primary work programme in WA-409-P.

INDONESIA

Following a strategic review of the entire Indonesian portfolio, the company has advanced processes aimed at divesting lower priority investments.

Bukit Energy, joint venture partner in the Indonesia portfolio, announced transactions that have the effect of changing the partner (and operator) in the Palmerah Baru, MNK Palmerah and Bohorok PSCs.

There was no activity in these PSCs:

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

50% Bow Energy International Holdings (Operator)

5% Surya Buana Lestarijaya Bohorok

Palmerah Baru

Production Sharing Contract

36% New Zealand Oil & Gas

54% Bow Energy International Holdings (Operator)

10% PT SNP Indonesia

MNK Palmerah

Production Sharing Contract

15.84% New Zealand Oil & Gas

69.36% Bow Energy International Holdings (Operator)

8.8% PT SNP Indonesia – Bumi Perdana Energy

3% Bumi Perdana Energy

3% Glory Wealth Pacific

Andrew Jefferies
Chief Executive

John Pagani
External Relations Manager

**Mahato**

Production Sharing Contract

12.5% Cue Energy

67.5% Central Sumatra Energy (Operator)

20% Bow Energy International Holdings

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 a well and 2D seismic acquisition by July 2018.

The operator, Central Sumatra Energy, has advised Cue that all required permits have been received to enable the drilling of a well in the Petapahan area. Pending partner agreement and the signing of a JOA, a well could be drilled by the first quarter of 2018.

In May, Bukit Energy, announced the sale of their equity to Bow Energy Ltd, a TSX listed company.

Mahakam Hilir

Kutei Basin Production Sharing Contract

100% Cue Energy

Cue Kalimantan Pte Ltd (Operator)

During the quarter, a farmout process for the Mahakam Hilir PSC was initiated to attract a joint venture partner, and management presentations were conducted.

Cue's focus has returned to the Naga Utara prospect in the northern area of the permit, where gravity gradiometry data identified a depositional environment which is analogous to the area which contains the Sambutan producing gas field. Data analysis is focusing on the reprocessing of available seismic data and well analysis of recent and historical wells.

The Naga Selatan-2 well has been plugged and abandoned.

New Zealand Oil & Gas has a 50.04 per cent interest in Cue Energy. Cue's full interest is shown above.

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