

New Zealand Oil & Gas Activities Report

HIGHLIGHTS

- Fully imputed **DIVIDEND OF 4 CENTS PER SHARE** will be paid on 3 November 2017 to shareholders who were on record at 24 October 2017.
- **ANNUAL MEETING** will be held at the Te Wharewaka Function Centre, Odlins Square, 109 Jervois Quay, Wellington at 10am on Monday, 30 October 2017.
- **TAKEOVER ACTIVITY:** Details of the OG Oil & Gas takeover offer for New Zealand Oil & Gas, and the independent directors' recommendation, are available on the company's website at www.nzog.com. The Zeta offer has closed.

FINANCIAL SUMMARY

\$1.5 million was paid for the sale of interests in two Indonesian permits, which relieved New Zealand Oil & Gas of exploration commitments of US\$7.8m in line with the strategy to streamline operations in Indonesia.

Other one-off adjustments included \$0.4m in legal and consultancy costs associated with the Zeta partial take-over offer. More costs will be incurred for both the Zeta and the OGOG partial take-over offers. These costs will be allocated directly to Zeta and OGOG and allowable costs will be recoverable in future periods.

Revenue from Cue's Maari and Sampang production assets of \$6.8m was offset by production costs of \$3.5m, administration costs of \$3.6m, and taxes of \$0.8m. Development costs of \$1.0m relate to Cue's Oyong Sampang Sustainability project. Exploration costs were \$0.9m, for activities related to the Clipper permit, Indonesia, and Cue's exploration activity.

Cash balances were affected by the New Zealand dollar weakening, which increased foreign currency balances when converted to NZD. This resulted in an unrealised \$1.1m FX revaluation gain in the quarter.

PERFORMANCE

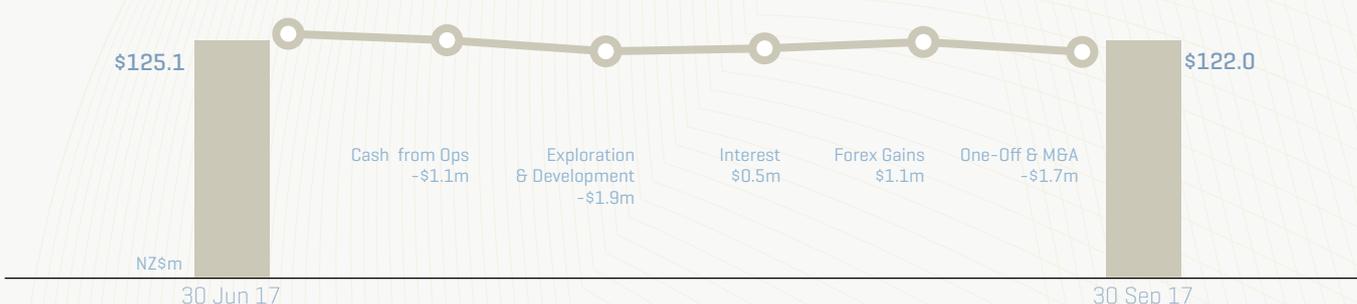
| | Comparable quarter a year ago | Previous quarter | 3 months to 30 SEP 17 |
|----------------------------------|-------------------------------|------------------|-----------------------|
| Revenue from production NZ\$m | 31.2 | 8.3 | 6.8 |
| Cash balance NZ\$m | 91.8 | 125.1 | 122.0 |

GROUP REVENUE BY QUARTER



New Zealand Oil & Gas has agreed to purchase Mitsui E&P's 4% interest in Kupe gas and condensate production with an economic date of 1 January 2017. As the sale was awaiting regulatory approvals at publication date it had not completed, and revenue from the field is not reported here.

GROUP CASH BALANCE AT 30 SEPTEMBER 2017 NZ\$122.0M



PRODUCTION FOR THE QUARTER

| FIELD | | Total field for quarter [gross] | Our share Sep 2016 | Our share Jun 2017 | Our share Sep 2017 [net] |
|-------------------------------|-------------------|------------------------------------|-----------------------|-----------------------|--------------------------------|
| Maari Taranaki New Zealand | Oil Barrels | 696,660 | 48,300 | 41,587 | 34,833 |
| | Revenue AUD\$m | | 2.8 | 2.7 | 2.1 |
| Sampang Java, Indonesia | Oil Barrels | 7,915 | 11,650 | 10,430 | 864 |
| | Gas Petajoules | 4.28 | 0.71 | 0.65 | 0.49 |
| | Revenue AUD\$m | | 7.25 | 7.9 | 4.1 |

Some rounding. Our share is net of government take.

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 37,346 barrels which generated revenues of NZ\$2.37 million.

The average oil production rate in the quarter was approximately 378 barrels per day net to Cue.

During the quarter, permanent repairs were successfully completed on the Maari Well Head Platform [WHP] to rectify a crack in a horizontal strut identified in late 2016.

Production was lower during September due to the MN1 well being taken off line for deepening of the ESP and completion of new sections in the well bore. This work is aimed at increasing the production from the well and is expected to be completed during October 2017.

Preparations for the Flowing Bottom Hole project, to reduce production pressure and expand production, have been postponed due to delays in a manufacturing process and this work is expected to be completed during Q1 CY2018.

Cue continued technical and commercial assessment of the proposed appraisal and development of the Manaia Moki reservoirs. The Operator, OMV, is expected to propose an investment decision in Q1 CY2018 for an appraisal well to be drilled in late 2018.

SAMPANG

Sampang Production Sharing Contract
15% Cue Energy

45% Santos Sampang [Operator]

40% Singapore Petroleum Company

The Oyong field produced 178 terajoules of gas [net to Cue] in the quarter. Sales were NZD\$1.7m. The Wortel field produced 309 terajoules of gas and 857 barrels of oil [net to Cue]. Revenue from the field was NZD\$2.9m.

During the quarter, the operator Santos, achieved a significant safety milestone of 10 Years with no lost time injuries at the Sampang operations.

Gas production from the Oyong and Wortel fields was reduced during the quarter due to the temporary reduction of compression associated with the removal of offshore oil facilities and replacement of the compressor at the Grati onshore processing plant. The new compressor is being transferred from another PSC and replaces a leased unit, which will result in lease cost savings for the life of the Sampang PSC.

The Sampang Sustainability Project and installation of onshore compression at Grati is 80 per cent complete and is expected to be completed during the current quarter, reducing operating costs. The project is proceeding on time and budget.

Perforation and testing of the Paciran [Upper Mundu] reservoir in the existing Oyong 5 and Oyong 9 wells will be undertaken during October. If successful, these new reservoirs have the potential to add to gas production at Oyong and expand the joint venture's view of the total gas resource.

Negotiations have been completed to extend the Wortel Gas Sales Agreement for approximately 3 years on substantially the same price as the existing agreement. This new agreement will be effective from approximately mid-November, when the sales volume under the current contract is reached.

The Paus-Biru-1 exploration well is in the final stages of joint venture approval. In anticipation of FID later this year, the joint venture has approved geophysical and geotechnical site surveys, which will be conducted during the current quarter. The Paus-Biru -1 well will target the Mundu gas reservoirs which are productive at Oyong and Wortel.

AUSTRALIA

WA-359-P**100% Cue Energy (Operator)**

WA-359-P contains the Ironbark prospect, a large and exciting Deep Mungaroo gas target. During the quarter, Cue extended the BP option over 42.5% equity in WA-359-P until 11 December 2017. Cue is continuing discussions to attract a partner or partners to form a joint venture together with BP and drill an exploration well in 2018 to test the Ironbark prospect.

WA-409-P**20% Cue Energy**

80% BP Developments Australia Pty Ltd (Operator)

Reprocessing of seismic data over the permit is being finalised and Cue expects to have data for analysis during the current quarter. WA-409-P contains a portion of the Ironbark structure.

WA-389-P**100% Cue Energy**

Cue believes WA-389-P could contain prospects similar to Ironbark and will undertake G&G work to confirm the permits prospectivity. The National Offshore Petroleum Titles administrator (NOPTA) has advised Cue that a 2-year suspension to Year 4 of the permit term and a corresponding extension of the permit has been approved. The new work programme requires geotechnical studies including seismic and prospect mapping, frequency decomposition, charge modelling, and prospect portfolio update by October 2019, and an exploration well by October 2020.

INDONESIA

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 one well and 2D seismic acquisition by July 2018. Progress is being made between the partners towards signing a legally binding operating agreement. Land has been acquired and permits are in place to enable a well to be drilled in the Petapahan area in the first half of 2018.

The Operator is discussing a potential extension to the exploration period of the permit with the Indonesian regulator.

Mahakam Hilir

Kutei Basin Production Sharing Contract

100% Cue Energy

Cue Kalimantan Pte Ltd (Operator)

During the quarter, Cue received significant additional data, consisting of nine 2D seismic lines through the adjacent Sambutan Field and Naga Utara prospect and data from four Sambutan wells. Reprocessing of the seismic data, integration and analysis is due to be completed by the end of 2017. Petrophysical analysis of the 1930s Dutch drilled Sambutan-8 well within the Mahakam Hilir PSC, and the recent Sambutan gas production wells, has provided increased confidence that

the 100m of logged interbedded reservoir sand was hydrocarbon bearing. Structural interpretation will be completed by the end of 2017.

Cue has commenced discussions with the Indonesian regulator for an extension of the May 2018 well commitment for up to 1 year to allow analysis to be completed and the Naga Utara-4 well to be planned. The Naga Utara-4 well, a twin to the Sambutan-8 well, is a promising appraisal opportunity of the greater Naga Utara structure, 300m from the producing Sambutan Gas Field. During the quarter Cue held discussions with multiple potential farm-in partners with a view to forming a joint venture to fund the Naga Utara-4 appraisal well.

Following a decision to refocus the company's interests in Indonesia, the company sold its interest in these production sharing contracts:

MNK Kisaran (11.25% New Zealand Oil & Gas)

MNK Palmerah (15.84% New Zealand Oil & Gas)

There was minimal activity in the production sharing contracts below, other than meetings with operators to discuss 2018 work programmes and budgets. New Zealand Oil & Gas continues to discuss ways of reducing costs exposures in these PSCs:

Kisaran

22.5% New Zealand Oil & Gas

55% Pacific Oil & Gas (Operator)

22.5% Bukit Energy

Bohorok

45% New Zealand Oil & Gas

50% Bow Energy International Holdings (Operator)

5% Surya Buana Lestarijaya Bohorok

Palmerah Baru

36% New Zealand Oil & Gas

54% Bow Energy International Holdings (Operator)

10% PT SNP Indonesia

CANTERBURY-GREAT SOUTH

Clipper (PEP 52717)

50% New Zealand Oil & Gas (Operator)

50% Beach Energy

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

Toroa (PEP 55794)

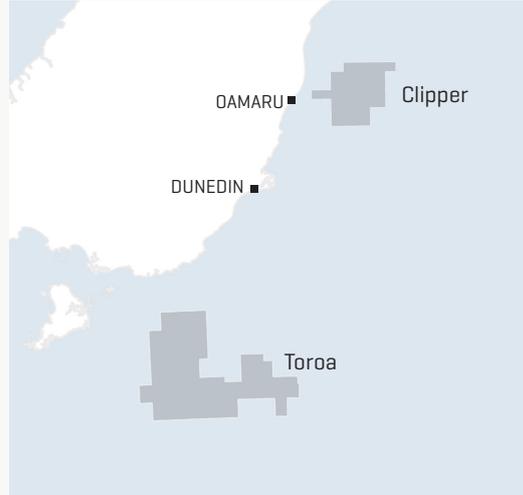
30% New Zealand Oil & Gas

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

All Stage 1 commitments have been fulfilled. A joint venture decision to enter Stage 2 (Q2 2020 - Q2 2021), which carries a one well commitment, is subject to results of ongoing prospect evaluation to be completed this year.



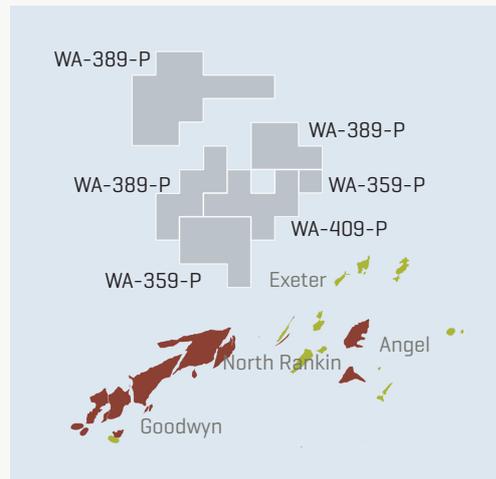
SUMATRA



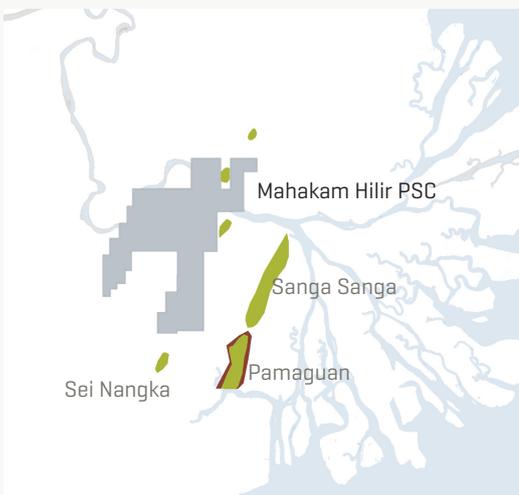
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