ActivitiesReport

for the quarter ended 30 June 2012

Dear Investor

NZOG's production assets at Kupe and Tui continued to perform strongly in the three months to the end of June 2012. We were particularly pleased with the confirmation of a significant increase in the proved and probable (2P) reserves in the Kupe field. Added to the reserves increase announced in 2010, Kupe ultimate recoverable 2P reserves are now over 25% greater than pre-production estimates.

Daily production from the Kupe gas and oil field was up slightly this quarter compared to last quarter. There was one tanker shipment from the Tui Area Oil Fields during the quarter, with NZOG's share of the sold oil just shy of 50,000 barrels. The combined revenue from Kupe and Tui for the quarter was NZ$27.3 million.

Over the past quarter, NZOG has focused its efforts on building its exploration portfolio in three key areas: New Zealand, Indonesia and Tunisia.

Last quarter NZOG made a conditional offer to purchase a 15% stake in the Kaheru permit from AGL Upstream Gas. Since then, we were able to become operator and build to a 60% interest in the permit, conditional on a commitment being made by mid-September, 2012 to drill a well in Kaheru in 2013-14.

NZOG continues to promote our Kakapo, Kaheru and Barque permits to attract farm-in partners. We are seeking long-term partners capable of working with NZOG or as operator to undertake drilling operations effectively and safely. We continue to review Government's 2012 blocks offer including onshore opportunities.

We have also expanded our position in Indonesia through the Bohorok acquisition. NZOG is a 45% partner in the consortium which won the bid for the Bohorok block in the North Sumatra Basin. The three-year initial exploration stage involves a 200km 2D seismic survey which will focus on prospects identified during the pre-bid study. A drilling commitment in Kisaran is imminent.

In Tunisia, an independent review of the Cosmos field reserves continues while the pre-engineering design work is underway. We are on track to make a final investment decision which is due in the last quarter of 2012 for development in 2014. We also continue to review prospects and are expecting seismic data from the Diodore permit at the time of writing.

The receivers of Pike River Coal finalised the sale of the company to Solid Energy subject to conditions, which were ultimately satisfied in July.

Our work over the past quarter has continued to lay the groundwork for the 2013-15 years, when we expect our efforts on the exploration front will culminate in drill decisions.

Our commitment to deliver growth in value for our shareholders remains a key goal in everything we do.

Andrew Knight CEO
20 July 2012

Key Points

- **Kupe 2P reserves up over 25% since pre-production estimates**
- **Takes 45% stake in Bohorok block in North Sumatra Basin Indonesia**
- **Well commitment decision imminent at Kisaran permit, Indonesia**
- **Evaluation of 2012 New Zealand blocks offer continues**

Production

Kupe

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

In the three months to the end of June, Kupe produced 5.12 PJ of sales gas (NZOG's share 0.77 PJ), 21,428 tonnes of LPG (NZOG's share 3,214 tonnes) and 464,400 barrels of light oil (NZOG's share 69,660 barrels).

NZOG's revenue from Kupe in the quarter was NZ$20.8m.

There were no significant plant outages during the quarter and the field continues to perform well.

451,067 barrels of light oil was loaded during the quarter (NZOG share 67,660 barrels).

Since the start of the new quarter, the Kupe Operator has restricted production to 55-60 TJ/day while LPG plant issues are sorted out. A seven-day outage is planned for the Kupe plant at the end of July for remedial LPG works (mol sieves bed regeneration), after which the Kupe Operator expects that maximum capacity of the Kupe plant will be restored back to 70 TJ/day.

The regular 3-year shutdown of the Kupe plant will occur in October/November 2012 and this is currently expected to take 24 days.

Tui

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

Total oil production at Tui for the three months to the end of June was 502,505 barrels of oil, at an average rate of 5,522 barrels per day. NZOG's share of the oil production was 62,813 barrels.

NZOG's revenue from Tui in the quarter was NZ$6.5m.

399,696 barrels of oil was shipped during the quarter (NZOG share 49,962 barrels).
As at 30 June there were 194,868 barrels of oil in stock (NZOG share 24,359 barrels).

Well performance continues as predicted.

NZOG Production

Product	1 April – 30 June 2012
Kupe:	
Kupe sales gas	0.77 petajoules
Kupe LPG	3,214 tonnes
Kupe light oil	69,660 barrels
Tui:	
Tui oil	62,813 barrels

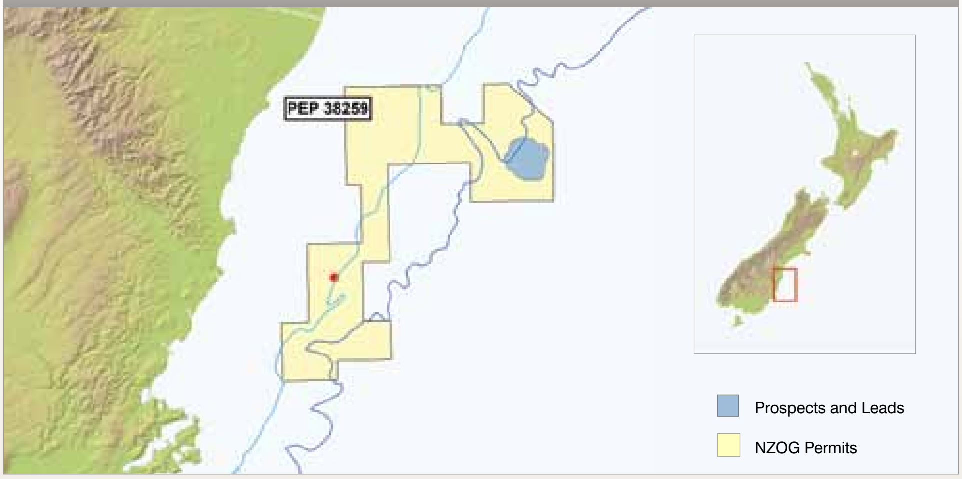
Exploration

Canterbury Basin

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

Reprocessing of existing seismic data has been completed and the results are being integrated into the evaluation of the large Barque gas/condensate prospect, located in several hundred metres of water depth offshore the North Otago coast. Strenuous efforts are being made to reduce the company's exposure to the high cost of drilling in this challenging environment, ahead of the August deadline for either making a well commitment or relinquishing the permit.

Canterbury Basin Permits



Taranaki Basin

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

PEP 51311 is a substantial block in the southern offshore Taranaki Basin, to the west of the Kupe gas/condensate field, east of the Maari/Manaia oil field complex and southeast of the giant Maui gas/condensate and oil field. Since award of the permit to NZOG in 2009, a number of leads and prospects have been mapped in the extensive seismic data set. The most attractive, Kakapo (in 98m of water depth, with potential to be several times the size of the Tui or Maari oil fields), is ready to drill as soon as a suitable drilling rig becomes available and subject to securing all necessary regulatory consents and permits. Given an expected cost in the range of US$20-$25 million for a well to almost 3000m depth, NZOG continues to seek further partners in the venture to reduce exposure to the cost.

PEP 52181 (Kaheru)
NZOG 60% (Operator), TAG Oil 40%

NZOG recently acquired a 17% interest in the venture from TAG Oil and has assumed operatorship. NZOG has now acquired a 43% interest in the venture from AGL, conditional on a formal commitment being made by 18th September 2012 to drill a well to test the Kaheru prospect in 2013-14. Kaheru is a structural prospect with 3D seismic control immediately to the south of the Rimu/Kauri oil and gas field complex on the South Taranaki coast, and east of the Kupe gas/condensate field. NZOG intends to reduce its exposure through a farmout.

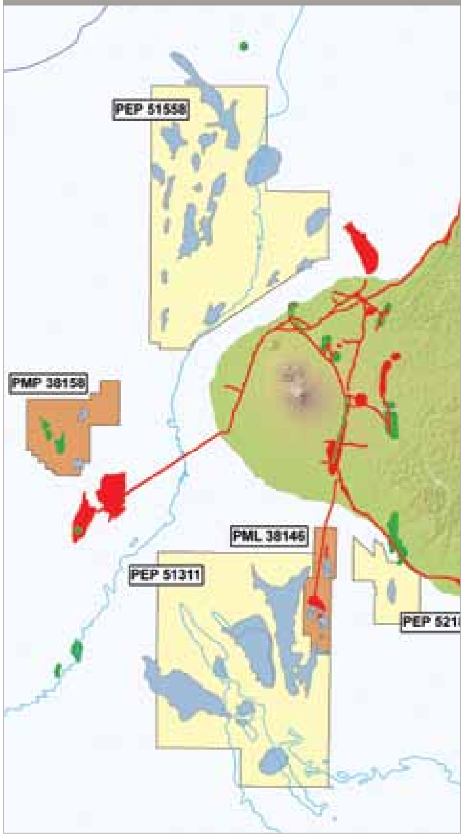
PEP 51558 (Kanuka)
NZOG 50%, Todd Energy (Operator) 50%

Interpretation is under way on recently reprocessed 3D seismic data to finalise the definition and evaluation of a substantial portfolio of prospects in this block west of the Pohokura gas/condensate field and northeast of the Maui and Tui oil and gas/condensate fields, in the northern offshore Taranaki Basin. Possible drilling in 2014 would be subject to a commitment in December 2013.

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

Remaining undrilled oil prospects within the Tui Mining Permit are undergoing evaluation and are being considered for drilling when a suitable drilling rig becomes available.

Taranaki Basin Permits



Tunisia

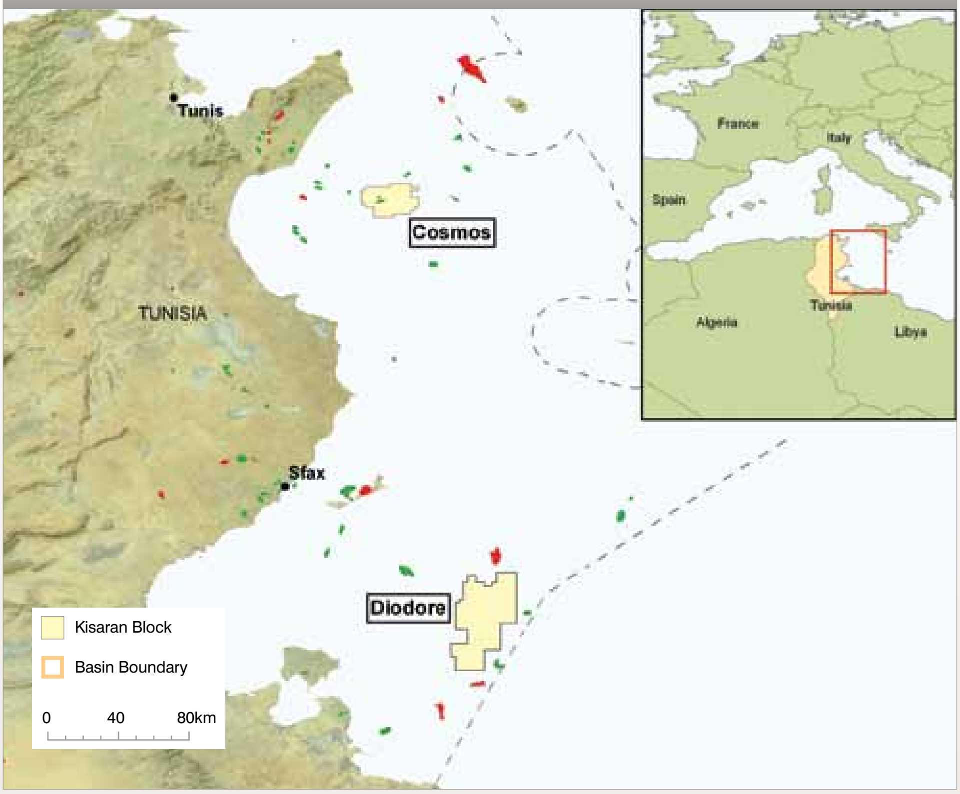
Cosmos Concession
NZOG 40%, Storm Ventures International 40% (Operator), ETAP 20%

An independent review of field reserves is being undertaken by Netherland Sewell Associates, Inc. and front end engineering design (FEED) studies are ongoing, directed at a final investment decision (FID) being made during the last quarter of 2012 for development of the Cosmos oil field in 2014.

Diodore Block
NZOG 100% (Operator)

A 2D seismic survey totalling 467km acquired in February 2012 has been processed, and a study of well data from within and surrounding the block has been completed. These results will be integrated with existing seismic data, including an existing 3D survey which will be reprocessed, to define and evaluate prospects. A decision will be made mid 2013 whether to advance to a Production Sharing Contract which would involve drilling an exploration well during its first 4 year term.

Tunisia Permits



Indonesia

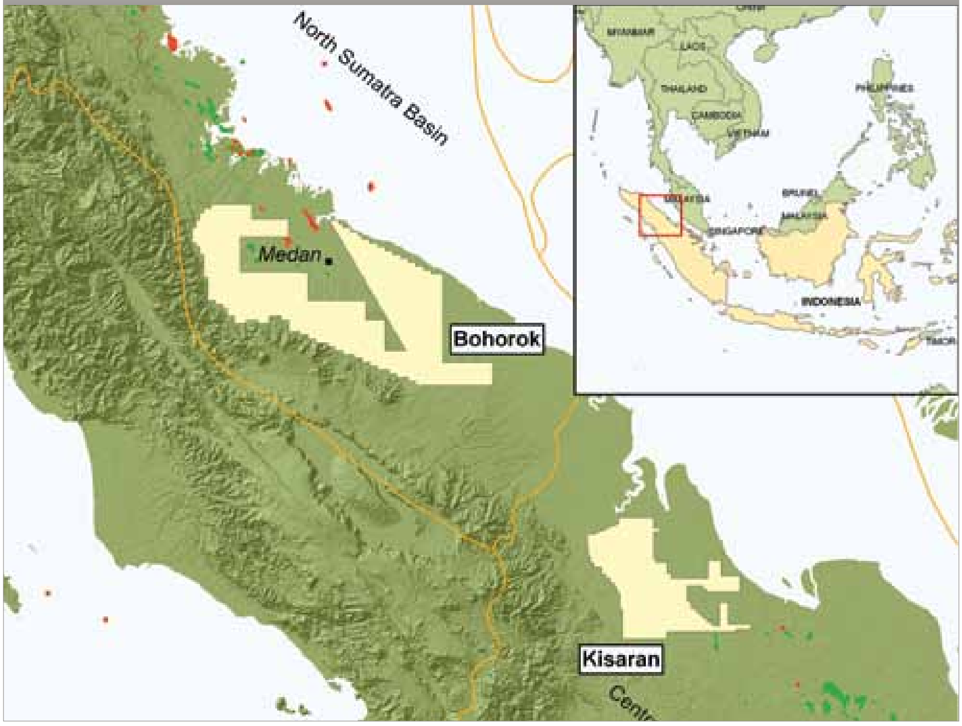
Kisaran Permit
NZOG 22.5%, Bukit Energy 22.5%, Pacific Oil & Gas 55% (Operator)

Plans are at an advanced stage to drill two wells later in 2012. One of these would appraise the undeveloped oil discovery made in 2003; the other would test a prospect with dual targets up-dip of strong oil indications in the same well. Provisional mean prospective resources associated with these prospects are approximately 60 million barrels of oil.

Bohorok Production Sharing Contract
NZOG 45%, Bukit Energy 45% (Operator), PT Surya Buana 10%

The consortium was announced as successful bidder for the Bohorok block in the North Sumatra Basin on May 25; the contract is to be signed during July. The three-year initial exploration stage involves a 200km 2D seismic survey which will be applied to leads and prospects identified during the pre-bid study.

Indonesia Permits



Financial update

NZOG's operating revenue for the June quarter was NZ$27.3m. This included revenue from the sale of Tui oil (NZ$6.5m) and revenue from the sale of Kupe sales gas, LPG and light oil (NZ$20.8m).

As at 30 June 2012, NZOG's cash balance was the equivalent of NZ$209.2m, with cash holdings held in both NZ and US dollar accounts.

NZ$2.8m was paid off NZOG's debt facility with Westpac during the quarter. The balance borrowed currently stands at NZ$46.8m and this will be repaid in full by March 2015. NZOG has no other debts.

NZOG's net cash position as at 30 June 2012 was NZ$162.4m.

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.

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 three months to 30 June 2012, 226,500 ordinary shares were acquired and cancelled under the share buy-back scheme; at an average price of NZ75.9 cents per share and a total cost (including brokerage) of NZ$171,951.

Dividend

NZOG's results for the financial year ending 30 June 2012, including the annual dividend decision, are scheduled to be announced on 22 August 2012. Directors expect that the results will support a fully imputed dividend of 6 cents (NZ) per share, to be paid in October.

Shareholders enrolled in the NZOG Dividend Reinvestment Plan will receive additional shares rather than a cash dividend. Shareholders can join or leave the plan by contacting the share registry Computershare at 0800 467 335 (NZ) or 1800 501 366 (Australia).

For further information please contact:

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