Market Release

New Zealand Oil & Gas

15 June 2011

NZOG granted Tunisian permit

NZOG (New Zealand Oil & Gas Ltd) is pleased to announce that it has been granted a permit in the Mediterranean's Gulf of Gabes, an established oil and gas producing region off the coast of Tunisia.

A formal signing agreement involving Tunisia's Minister of Industry and Technology, the Director-General of Energy, and the Chairman of the state owned petroleum company, took place in Tunis this morning.

NZOG Chief Executive David Salisbury travelled to Tunis for the signing ceremony. He says NZOG has been assessing opportunities in Tunisia since 2008.

"NZOG's strategy is to grow our business through exploration and acquisition in New Zealand and by establishing a couple of new core areas outside of New Zealand.

"During NZOG's search for suitable overseas opportunities, our attention has returned repeatedly to Tunisia due to its combination of good prospectivity, established exploration and production activity levels, reasonable fiscal terms, and ease of doing business.

"Through our screening process we identified an attractive overlooked oil prospect in an open area of the Gulf of Gabes. In August last year we submitted a permit application and have been working with the Tunisian authorities since then to finalise arrangements. I'm delighted that we have been successful and can now further assess this opportunity."

A two year prospecting permit has been awarded, with priority rights to apply for a subsequent four year exploration permit.

The Diodore permit extends over an area of 1,236 sq km in the relatively shallow (<100 metres) water depth of the southern Gulf of Gabes. The permit is surrounded on all sides by discovered and producing oil and gas fields (*see map*).

David Salisbury said it is a very productive region which will add diversity to NZOG's exploration portfolio through access to lower risk opportunities.

"Tunisia gives us diversity, by adding a lower risk/smaller reward core area to our portfolio. The exploration targets tend to be of moderate size - so do not generally attract the interest of the really big industry players – but the likelihood of striking oil is typically higher than what we experience in New Zealand.

“In particular, with our newly acquired permit, adjacent producing fields prove that there is an active regional oil source – what we need to do is identify the structures where oil may be trapped.”

David Salisbury says the move towards more open democracy in Tunisia enhances its attractiveness as an investment destination.

“We have made a number of visits to Tunisia, engaged very capable local representatives and are already well linked in with government agencies and other oil companies that already have a presence in the region. We are appointing an experienced explorationist as our country manager and are in the process of opening a Tunis office.”

The Prospecting Permit provides an exclusive right for two years, requires no well commitment, and gives NZOG a priority right to apply for an Exploration Permit but with no commitment to do so.

NZOG’s work programme during the two year Prospecting Permit period is focussed on processing and analysing existing data and acquiring 350km of new 2D seismic data. The cost commitment for NZOG is approximately US$3m.

David Salisbury said the permit provides an entry point to assess other Tunisian opportunities.

“This is a further step in a long term growth strategy. We are already in discussions with other companies regarding their Tunisian interests. Establishing an initial foothold in Tunisia allows us to focus on identifying further opportunities for exploration or asset acquisition.”

Tunisia Facts:
A former French protectorate, Tunisia has been an independent, secular state since 1956.

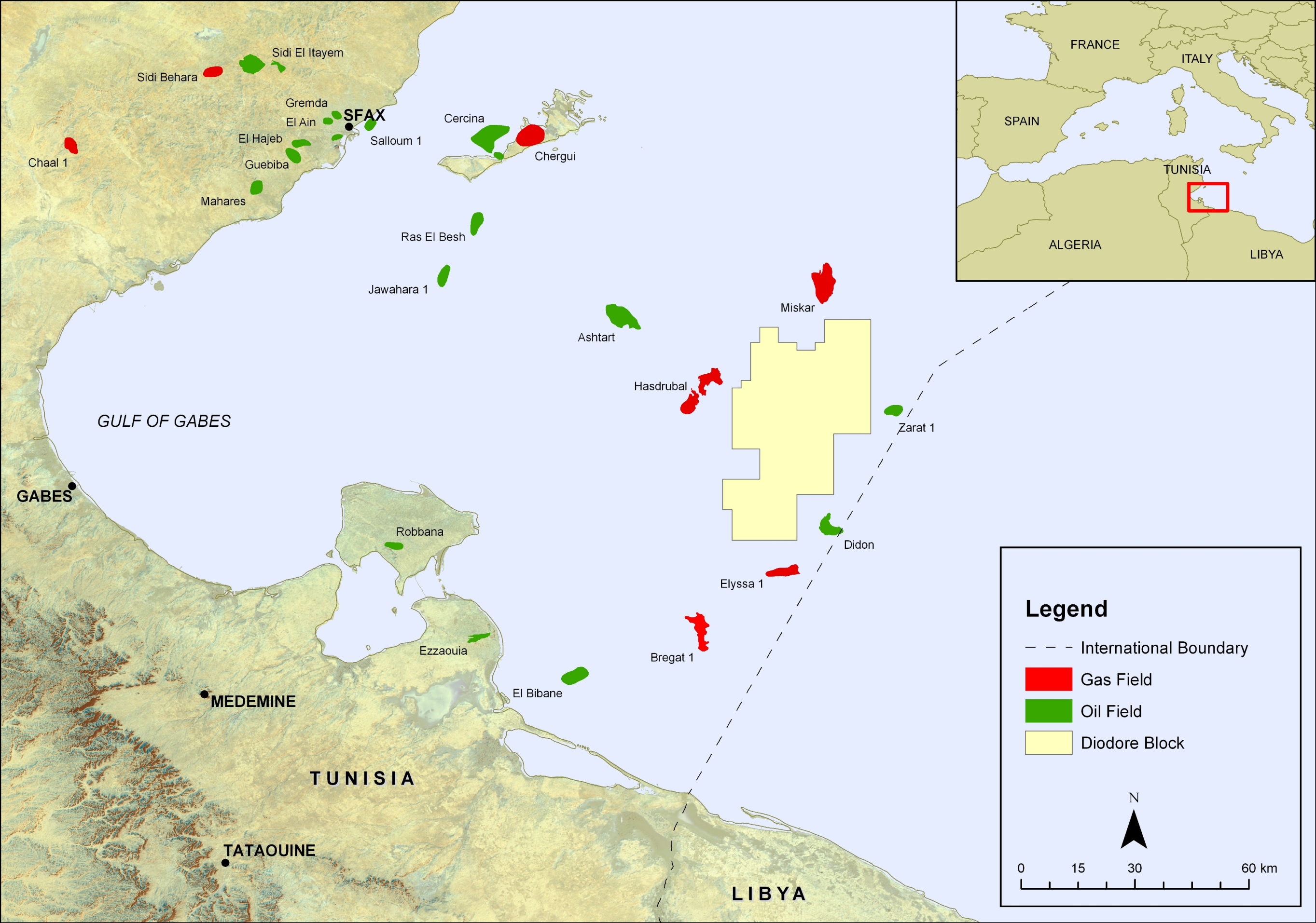
Tunisia has a population of 10.5 million. 98% of the population is Arab. The official languages are Arabic and French. English is also widely spoken.

From 1987 Tunisia was headed by President Zine el Abidine Ben Ali. Under his rule Tunisia underwent economic and social reform, but with restrictions on democratic freedoms. In early 2011 a popular uprising resulted in the overthrow of the President and the establishment of a national unity government.

Tunisia is ranked the most competitive economy in Africa by the World Economic Forum. Tourism, petroleum and agriculture are its main income earners.

Oil was first discovered in 1966. Tunisia has proven oil reserves of around half a billion barrels and current oil production of around 90,000 barrels per day, from both onshore and offshore fields. Proven gas reserves are around 100 billion cubic metres.

The Ministry of Energy regulates the oil industry in Tunisia. The state owned petroleum company is L'Enterprise Tunisienne d'Activites Petrolieres (ETAP). Around two dozen foreign petroleum companies have interests in Tunisia.



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