

22 August 2012

2012 ANNUAL RESULTS

NZOG (New Zealand Oil & Gas Ltd) has today released its financial results for the year ended 30 June 2012.

- NZOG earned total operating revenue of \$116.4 million and recorded a gross profit from operating activities of \$63.6 million.
- A net profit after tax of \$19.9 million was reported for the full year.
- NZOG's total cash balance at 30 June 2012 was \$209.2 million and the net cash position \$162.4 million.
- A fully imputed annual dividend of 6 cents per ordinary share will be paid.

NZOG continues to maintain a strong balance sheet to fund existing and future exploration opportunities. The fundamentals of NZOG's business remain strong and the company is keenly focused on delivering results and significantly enhancing value.

Kupe (NZOG interest 15%)

The financial year under review saw the Kupe gas and oil field off the south Taranaki coast continue to underpin NZOG with \$74.3 million in revenue for the year.

NZOG's share of production for the year was 2.86 PJ of sales gas, 12.5 tonnes of LPG and 2.69 million barrels of light oil.

Of particular note was a significant increase in the proved and probable (2P) reserves in the Kupe gas and oil field with original 2P reserves (100%) increased by 13.4% to 82.2 million barrels of oil equivalent (mmboe) and are now 25.8% greater than the pre-production estimate.

Remaining reserves are 68.4 mmboe – 276 PJ sales gas, 13.6 million barrels of light oil and 1.178 million tonnes of LPG.

Tui (NZOG interest 12.5%)

The Tui Area Oil Fields in the offshore Taranaki Basin continued to perform well producing 2.2 million barrels (mmbbls) of oil in the financial year - NZOG's share 276,000 barrels.

NZOG's revenue from Tui for the year was \$42.0 million.

Feasibility assessment work on accessing additional volumes of oil with new or sidetracked wells into the existing Tui and Pateke fields, and exploration targets adjacent to these fields is now at an advanced stage.

Exploration

Our objective is to build a suite of opportunities that carry varying degrees of risk, cost exposure and reward. Developing a diversified and sustainable portfolio is progressing, but will take time. NZOG will continue to focus preferentially on New Zealand, but insufficient continuity and impetus means the business cannot be sustained from offshore New Zealand alone. Thus NZOG continues to build on opportunities in Indonesia, Tunisia and onshore New Zealand.

New Zealand

Exploration in New Zealand remains a strong commitment for NZOG to replace current oil and gas production and grow the company.

In PEP 51311 NZOG has identified the Kakapo prospect, with estimates of mean prospective resources in excess of 200 mmbbls of oil. NZOG acquired a 60% interest in the Kaheru Permit in southern Taranaki, immediately to the south of the Rimu/Kauri oil and gas field complex on the South Taranaki coast. NZOG continues to engage with potential new partners for both Kaheru and Kakapo in order to spread risk and reduce exposure to a disproportionate share of drilling costs.

The company has an objective of being the partner of choice in New Zealand, and believes that through the active farm-out processes undertaken and increasingly active role in the sector as a permit operator, NZOG is developing solid relationships with potential partners for the future.

In addition to the above, work is well advanced on assessing prospects in the latest block offer which was opened by the Crown in June 2012 with bids closing on October 15 2012.

NZOG took over as operator of PEP 38259, the Barque permit in the offshore Canterbury Basin in January 2012 and despite efforts to find a new partner to share the exposure to the high cost of drilling in this challenging environment, some factors couldn't be fully addressed and the permit was relinquished in August.

Indonesia

NZOG has made strong progress in building a portfolio of interests in onshore Sumatra, Indonesia.

NZOG established a strategic relationship with Bukit Energy, a new company put together by experienced oil industry professionals with a deep understanding of Indonesia, strong local knowledge, and expertise in both conventional and unconventional activities.

Subsequently NZOG secured a 22.5% interest in the Kisaran permit. Six prospects within the permit block have been identified and assessed. Plans are at an advanced stage to drill two wells late in 2012 and early 2013. One is to appraise an undeveloped oil discovery made in 2006; the other to test a prospect with dual targets up-dip of strong oil indications in the same well.

NZOG and its partners were the successful bidder for the Bohorok Block in the North Sumatra Basin following encouraging results from a Joint Study Agreement undertaken by an Indonesian university team. During the next three years 200 sq km of 2D seismic data will be acquired to better delineate and evaluate the leads and prospects identified during the pre-bid study.

Tunisia

As previously reported, Tunisia provides a combination of good prospectivity, established and continuous exploration and production activity, reasonable fiscal terms, and relative ease of doing business.

In 2011 NZOG was granted the Diodore permit in the Gulf of Gabes. The 1,200 sq km permit is surrounded by discovered and producing oil and gas fields.

This year a 467 km 2D seismic survey was conducted over the Diodore permit. Data from that survey has been processed and is being integrated with existing 3D and 2D seismic data (being reprocessed) to define and evaluate prospects. A decision will be made by mid 2013 whether to advance to a Production Sharing Contract which would involve drilling an exploration well during its first four-year term.

NZOG has also secured 40% of the Cosmos concession, located in the Gulf of Hammamet.

The concession contains an offshore oil discovery, Cosmos, which is being assessed for development. An independent review of field reserves has been undertaken by Netherland Sewell Associates Inc and front-end engineering design studies are ongoing. A final investment decision is expected in the last quarter of 2012 and if positive, the Cosmos field will be developed in 2014.

Pike River Coal Ltd (in Receivership)

The sale of Pike River Coal to Solid Energy was completed, with the state coal miner agreeing to pay \$7.5 million and a further \$25 million by installment after mining resumes and production thresholds are reached.

Through the year the company had continued to fund the Pike River Coal receiver to continue with the sales process, insurance recovery and stabilise the mine.

Returns for Shareholders

Building shareholder wealth remains the priority for both senior management team and the Board.

NZOG's dividend policy since 2008 has been to pay a reasonable portion of profits as an annual dividend. The board has resolved that there will be a fully imputed final dividend of 6 cents per ordinary share. The determination of entitlements for the dividend will be taken from the close of the share register on 14 September 2012. The dividend will be paid on 28 September 2012.

A Dividend Reinvestment Plan (DRP) is available to New Zealand and Australian resident shareholders who wish to take all or part of their dividend in additional shares. New shares issued under the DRP do not incur brokerage charges and are offered at a discount. The number of shares will be calculated at a 2.5% discount to the weighted average sale price

for shares sold on each of the first five business days immediately following the dividend record date (14 September 2012).

Approximately one third of NZOG shareholders are currently enrolled in the DRP. Shareholders wishing to join or leave the Plan before the record date of 14 September 2012 need to advise the share registry, Computershare on 0800 467 335 (NZ) or 1 800 501 366 (Aust).