

The Explorer

IN THIS ISSUE

Strategy in action

New Zealand Oil & Gas consolidates
Cue's production and assets.

Clipper

Excitement grows around
a large target.



STRATEGY IN ACTION

This Quarterly Activities Report demonstrates New Zealand Oil & Gas strategy in action.

New Zealand Oil & Gas is acquiring under-valued resources, while exploration is highly focused on significant opportunities.

The company is focussing on tight management of costs and conservation of cash, confident this is the appropriate stance for current market conditions.

The exploration portfolio of New Zealand Oil & Gas and the recently acquired controlling shareholding in Cue Energy is diverse.

New Zealand Oil & Gas is applying higher hurdles to its exploration activities and seeking to influence Cue to follow a tightly focused program to deliver increased shareholder value.

Meanwhile, newly processed data from the Barque prospect presents an encouraging opportunity potentially of significant size.

CONTROL OF CUE ENERGY

New Zealand Oil & Gas assumed Board control of Cue after it acquired 48.11 per cent of its shares.

This activities report and accompanying cashflow report include 100 per cent of Cue's activities in the last quarter. New Zealand Oil & Gas consolidated financial statements for the year to 30 June 2015, to be released on 27 August, will include Cue's assets and liabilities, plus Cue's performance since acquisition.

Cue has production assets in New Zealand, Indonesia, and the United States.

A review is underway to realise synergies between the companies and opportunities to achieve shareholder gains for both companies.

New Zealand Oil & Gas nominated three directors to Cue's board and they were appointed in April. Subsequently the company requisitioned a meeting of Cue shareholders at which two Cue directors were removed.

LARGE PROSPECT IN CLIPPER PERMIT

A large structure in the Canterbury basin is the focus of growing interest.

The Barque prospect is a large Cretaceous structural trap of approximately 150 square kilometres favourably located within the Clipper Graben.

The prospect is now covered in a high-quality seismic 3D dataset acquired by New Zealand Oil & Gas and joint venture partner Beach Energy at the end of 2013.

Inversion of the seismic data has resolved three prospective formations, one previously unidentified, which

combined have the potential to be the largest hydrocarbon discovery in New Zealand to date.

In the largest of the three prospective horizons, the best estimate of unrisks Prospective Resource is 530 million barrels of oil equivalent [265 mmmboe net to New Zealand Oil & Gas at the current 50 per cent equity].*

The Barque prospect lies in about 800 metres of water, approximately 60 kilometres from shore. The target formations lie between 2,500 and 3,000 metres below mean sea level.

The nearby Galleon structure was drilled by BP in 1985 and demonstrated the

presence of a rich gas condensate through multiple well tests.

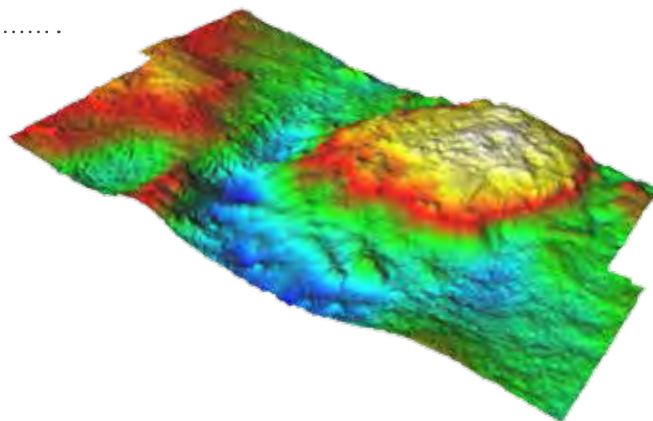
New Zealand Oil & Gas is in discussion with potential farm in partners who have significant experience in operating exploration and development activities in such environments.

Subject to securing a farmout and suitable drilling rig a well to test the Barque prospect is expected to be drilled in 2017.

The chances of success for a discovery and subsequent development are yet to be fully assessed, but typically fall within the range of 10 to 20 per cent.

66 million year surface Barque Formation

• 150 square kilometres across



* The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable

hydrocarbons. The estimate of prospective resources referred to in this report is dated 28 July 2015 and is based on, and fairly represents, information and supporting documentation prepared by New Zealand Oil & Gas Vice President of Exploration & Production Andrew Jefferies [B Eng Mech Hons, Msc Pet Eng, MBA], a Society of Petroleum Engineers Certified Petroleum Engineer

who has over 24 years of industry experience. Estimates of prospective resources are unrisks and were prepared using the probabilistic method for estimation. The conversion rate used in calculating prospective resources was 6Bscf:1mmboe.

CANTERBURY

TARANAKI

The company aims for a prudent spend on exploration, reduced from previous levels in response to market conditions, while maintaining our contractual commitments. The reported portfolio introduces Cue Energy's interests.

PROGRESS BAR KEY

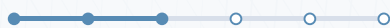
Early exploration



Seismic



Further evaluation



Drilling



Appraisal



Development

**Clipper** [PEP 52717]

Further Evaluation

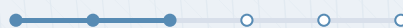


50% **New Zealand Oil & Gas [Operator]**
50% Beach Energy

The Endurance 3D has completed processing and interpretation is now under way. Active talks are underway with farmin partners.

Galleon [PEP 55792]

Further Evaluation



100% **New Zealand Oil & Gas**

Seismic data acquired during the Endurance 3D campaign has highlighted several features of interest in the vicinity of the existing Galleon-1 discovery. As a result New Zealand Oil & Gas has submitted an application to defer its 3D seismic acquisition commitment to enable it to integrate this new information into the Galleon permit prospectivity.

Toroa [PEP 55794]

Seismic survey



30% **New Zealand Oil & Gas**
70% Woodside Energy
[New Zealand 55794] [Operator]

A 3D seismic survey of approximately 1100-square kilometres was successfully acquired by Dolphin Geophysical in the first quarter of 2015. Processing is underway with interpretation expected to begin in the third quarter of 2015.

Kupe [PML 38146]

Producing



15% **New Zealand Oil & Gas**
50% Origin Energy [Operator]
31% Genesis Energy
4% Mitsui

The joint venture is continuing its review of the Kupe field development plan to determine the most efficient means to maintain and optimise recovery, and to assess whether opportunities in the permit have potential to be developed.

A recommendation on the second phase of development at Kupe is expected from the operator in Q2 2016.

Matuku [PEP 51906]

Further Evaluation



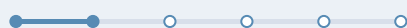
12.5% **New Zealand Oil & Gas**
65% OMV [Operator]
22.5% Octanex

The 400-square kilometre Kaka 3D seismic survey was acquired in the southeast of the permit in 2014. The processed data was completed in June 2015 and is currently being interpreted by geoscientists to determine the hydrocarbon potential of the area.



Vulcan [PEP 55793]

Seismic processing



30% **New Zealand Oil & Gas**
70% Woodside Energy
[New Zealand] [Operator]

A 3D seismic survey of approximately 1100-square kilometres was acquired by Dolphin Geophysical over the Vulcan permit in the first quarter of 2015. Processing began during the quarter. Interpretation is expected to begin in the third quarter of 2015.

Kaheru [PEP 52181]

Drill preparation



35% **New Zealand Oil & Gas (Operator)**
40% TAG Oil
25% Beach Energy

The joint venture is continuing in negotiations to secure a jack-up drilling rig. The joint venture has until May 2016 to drill an exploration well. Drilling the Kaheru well will determine whether there is oil and gas present and whether it is viable to produce it.

Waru [PEP 54857]

Surrendered

100% **New Zealand Oil & Gas (Operator)**

Interpretation of the 548-kilometre seismic survey completed last year revealed that the identified leads were not of significant size to warrant the acquisition of a 3D seismic survey. The permit was surrendered in June 2015.

Whio [PEP 51313]

Further Evaluation



14% **Cue Energy***
30% OMV New Zealand Ltd. [Operator]
35% Todd Exploration Ltd
21% Horizon Oil [New Zealand] Ltd

The Whio-1 exploration well was spudded on 23 July 2014. The well was located approximately 5 kilometres from the Maari production facilities and was drilled using the Kan Tan IV semi-submersible drilling rig. The well was plugged and abandoned following the failure to prove commercial quantities of hydrocarbons.

In 2015 the joint venture is focused on evaluating the remaining potential associated with the Matariki trend, which is up-dip of Maari.

Te Kiri [PEP 51149]

Drilling



20% **Cue Energy***
80% Todd Exploration Ltd. [Operator]

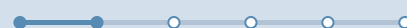
Well design and drilling programme work for the Te Kiri North-1 well is currently being carried out and drilling is expected for Q4 2015. The well will be drilled up-dip of hydrocarbon shows in the Te Kiri-1 well.

The operator has proposed a well that will be deviated from the surface location to intersect a potentially oil-bearing objective in the Miocene-age Mount Messenger Formation and a deeper Eocene-age gas-bearing objective.

Existing infrastructure nearby will facilitate early commercialisation in a success case.

Aihe [PEP 54865]

Seismic Survey



20% **Cue Energy***
80% Todd Exploration Ltd [Operator]

The Aihe permit lies to the northwest of the Maari and Manaia oil fields, offshore Taranaki. The permit covers an area of 2,475 square-kilometres and contains several prospects and leads.

The permit carries a minimum work programme of 285 square-kilometres of 3D seismic to be acquired, processed and interpreted by June 2016. The joint venture may elect to commit to a well before December 2016 or surrender the permit.

Planning for the 3D seismic survey has commenced, however data acquisition may be deferred to 2016 pending government approval and boat availability.

The joint venture is seeking to fund the seismic programme by farming out.

* New Zealand Oil & Gas has a 48.11 per cent interest in Cue Energy.

INDONESIA

Indonesia is showing a full portfolio of activity, with prospects at each stage of maturity in the exploration cycle from early evaluation to near-development with targets balanced across oil, gas and condensate.

The focus for New Zealand Oil & Gas now is on realising value from its investment in Indonesia.

The acquisition of a 48.11 per cent interest in Cue has added producing and exploration interests across three prolific basins.

Ministerial approval has been received for a plan of development of the Kisaran Production Sharing Contract in Sumatra. This is a significant step that extends the Production Sharing Contract until 2031.

Production sharing contracts have been formally signed for MNK Kisaran and MNK Palmerah. Awarded by the Indonesian regulator last year, they were the first non-government PSCs to have been awarded in Indonesia for unconventional resources. The volume of unconventional resource anticipated in the two Production Sharing Contracts is expected to be larger than the conventional volumes.

Unconventional resources are those where the rock is much less permeable than conventional oil and gas. Commercial extraction of these resources has been made much more economic, particularly in North America, by the development of new technology.

Palmerah Baru Production Sharing Contract

Seismic survey



Data interpretation has high-graded eight promising leads. These will be analysed in more detail via new 3D and 2D seismic data, which will be acquired in conjunction with a micro-seepage geochemical survey designed to provide an enhanced view of prospectivity. Planning is underway for a 220-sample geochemical survey with acquisition expected in the first quarter of 2016.

Acquisition of the 100-square kilometre 3D survey in the north east of the permit, and the 150 kilometre 2D survey in the south and west of the permit, is targeted for 2016.

The operator is targeting an exploration well for late 2016 or in 2017.

MNK Palmerah Production Sharing Contract

Early evaluation



The joint venture was awarded the MNK Palmerah PSC by the government regulator with formal signing of the production sharing contract in May 2015.

The Production Sharing Contract relates to an unconventional resource in the Palmerah Baru PSC area. The work programme includes technical studies in year one, 2D seismic in year two and a well in year three.

Kisaran Production Sharing Contract Plan of Development



A Plan of Development was approved by the regulator in May.

The joint venture is now finalising development plans.

MNK Kisaran Production Sharing Contract (Barumun)

Early evaluation



The joint venture was awarded the MNK Kisaran PSC by the government regulator last year, with formal signing of the production sharing contract in May 2015. The Production Sharing Contract relates to unconventional resource in the Kisaran PSC area.

Bohorok Production Sharing Contract

Drilling



45%	New Zealand Oil & Gas
45%	Bukit Energy [Operator]
10%	Surya Buana Lestarijaya Bohorok

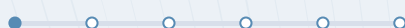
A 205-square kilometre seismic survey over the PSC was completed in 2014 and the joint venture has high-graded a gas condensate prospect to drillable status.

Well planning is underway with an exploration well aimed for the first quarter of 2016.

Farmout discussions are underway in parallel with interested parties. The proposed drill location is close to both gas infrastructure and to a robust gas market.

MNK Bohorok Joint Study Agreement

Early evaluation



20.25%	New Zealand Oil & Gas
55%	Lion Energy [Operator]
20.25%	Bukit Energy
4.5%	Surya Buana Lestarijaya Bohorok

The government regulator has approved a Joint Study Agreement investigating the unconventional resource potential in the Bohorok PSC area.

Sampang Production Sharing Contract

Production



15%	Cue Energy*
45%	Santos Sampang Pte Ltd. [Operator]
40%	Singapore Petroleum Company

The Sampang PSC is located in the Madura Straight offshore Madura Island in East Java, Indonesia. It is composed of two producing fields: Oyong oil and gas field and Wortel gas field.

Gas produced from Oyong is transported via a 60 kilometre pipeline to the Grati Onshore Gas Facility and sold to PT Indonesia. Oil is piped to a Floating Storage and Offloading (FSO) vessel for storage and export.

Oil production from the Oyong field commenced in 2007, followed by gas production in 2009. The oil field is in natural decline and a programme of well interventions and recompletions is currently underway. The planned workovers are expected to increase Oyong oil production and extend field life for an additional one to two years until 2017.

Wortel gas production commenced in 2012. Gas is transported through a 7 kilometre pipeline to the Oyong platform then piped to onshore facilities.

The joint venture is investigating the potential for development of the Jeruk oilfield, which is technically challenging due to high formation pressures, fractured reservoirs and impurities in the hydrocarbons. The main technical issues to be resolved are the range of uncertainty in the size of the accumulation and the connectivity of the fracture network which will control the quantity of oil which may be recovered by each well and the flow rates that can be achieved.

Mahato Production Sharing Contract

Drilling



12.5%	Cue Energy*
62.5%	Texcal Mahato EP Ltd. [Operator]
25%	Bukit Energy Central Sumatra [Mahato] Pte Ltd

Cue farmed in to Mahato in November 2014. The 5,600-square kilometre Mahato PSC is located in the Central Sumatra basin close to several producing oil fields. Multiple appraisal and exploration opportunities have been mapped and two wells are currently planned. A 2D seismic programme to high-grade further exploration prospects is also planned.

Mahakam Hilir Production Sharing Contract

Drilling



100%	Cue Energy* [Operator]
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The Mahakam Hilir PSC is in the prolific Kutei Basin onshore Kalimantan, Indonesia. Cue has a commitment well in the PSC and has identified a prospect, Naga Selatan-2 [Southern Dragon]. This oil prospect lies along trend with the Nangka oil field and the Pelarang South oil discovery. Additional exploration objectives have also been identified on the existing seismic data.

Drilling programme preparations have commenced and the well is planned for late 2015.

* New Zealand Oil & Gas has a 48.11 per cent interest in Cue Energy.

AUSTRALIA

UNITED STATES

WA-359-P

Further Evaluation

100% **Cue Energy [Operator]***

Cue is evaluating a new play type associated with the prolific gas-bearing Mungaroo formation.

The play fairway extends across several adjacent permits including WA-359-P and WA-409-P.

The "Ironbark" prospect has been identified and Cue intends to seek partners to farm-in for drilling.

WA-409-P

Early Evaluation

100% **Cue Energy [Operator]***

Cue is seeking to farm down its 100 per cent working interest. A 12-month extension to year 6 of the permit has been granted to allow completion of technical work associated with newly identified prospects.

WA-360-P

Further Evaluation

37.5% **Cue Energy***
62.5% **MEQ Australia Ltd. [Operator]**

Reprocessing of approximately 650 square-kilometres of existing 3D seismic data over the Maxwell prospect is being completed. On completion of the reprocessing, it is expected that activity to farm-down Cue's interest in the permit will recommence before the end of the primary term of the permit in 2016. There is no well commitment in the near term.

WA-361-P

Early Evaluation

15% **Cue Energy***
50% **MEQ Australia Ltd [Operator]**
35% **Mineralogy Pty Ltd**

The regulator has approved an application for a work programme variation to allow geological studies to be completed. The reduced work programme term concludes on 30 January 2016.

WA-389-P

Further Evaluation

40% **Cue Energy***
60% **BHP Billiton Petroleum (Australia) Pty Ltd [Operator]**

BHP Billiton Petroleum has been appointed Operator and the joint venture has had a renewal application for the permit accepted on a reduced area for a further five year exploration term.

Reprocessing of existing 2D and 3D seismic data has been approved and is expected to be complete in mid-2015.

Pine Mills

Production

80% **Cue Energy [Operator]***
20% **Gale Force Petroleum Inc.**

Cue acquired an 80 per cent share of the producing Pine Mills area oil fields in East Texas, USA in June 2015.

The Pine Mills field includes 14 currently producing, conventional, vertical wells, two water injection wells and a further 13 currently inactive wells. Cue believes that there is opportunity to increase production from the Pine Mills field through the low cost workover of producing and inactive wells.

* New Zealand Oil & Gas has a 48.11 per cent interest in Cue Energy. Cue has exploration interests in the Carnarvon Basin, offshore from Western Australia.

CUE PRODUCTION & FINANCIAL SUMMARY

New Zealand*

Maari and Manaia [PMP 38160]

Cue's net share of oil sales in the quarter from the Maari and Manaia fields was 60,732 barrels which generated NZD\$5.55 million in revenue received.

CUE PRODUCTION

Production [net to Cue]*	3 months to 30 June 2015
Oil [bbls]	75,532
Gas [PJ]	0.64

International*

Sampang PSC Madura Straight

Cue's net share of oil sales in the quarter was 19,805 barrels which generated NZD\$2.53 million in revenue received. During the quarter Cue's share of gas sales receipts was NZD\$4.20 million from the sale of 0.66 petajoules.

CUE FINANCIAL SUMMARY

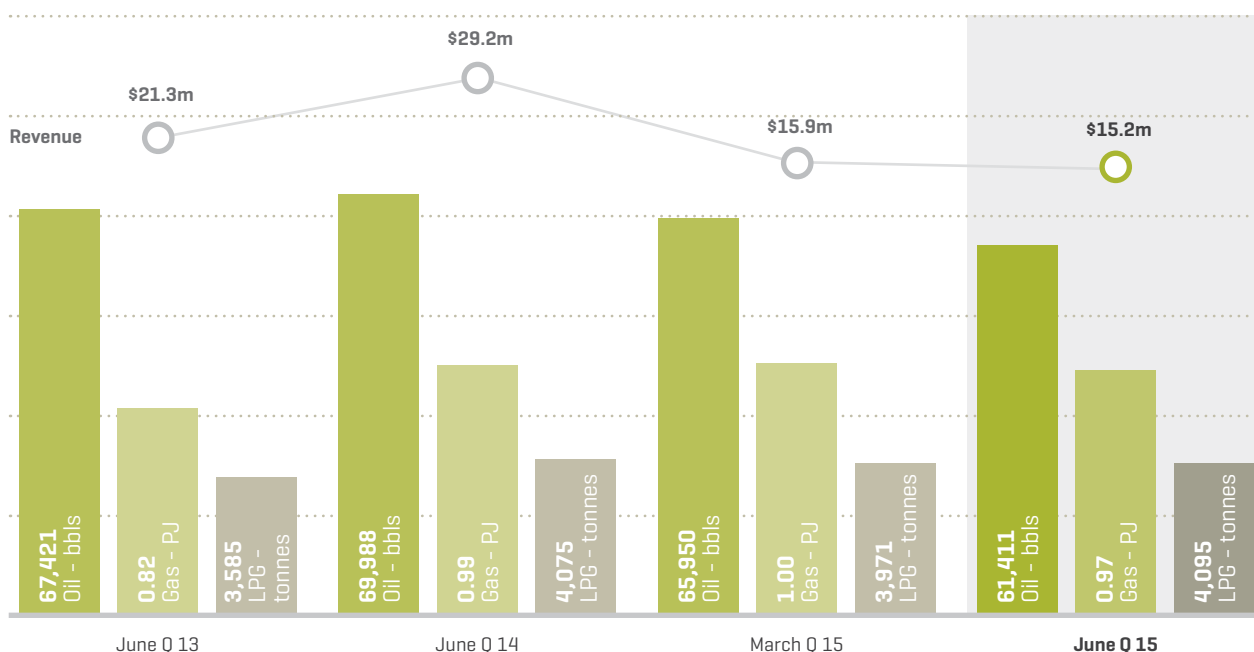
Production [net to Cue]*	3 months to 30 June 2015
Revenue [NZ\$m]	12.36
Cash Balance [NZ\$m]	30.7

* New Zealand Oil & Gas has a 48.11 per cent interest in Cue's share of production and financials.

Pine Mills East Texas

Cue's net share of oil sales in the quarter was 1,445 barrels which generated NZD\$0.079 million in revenue received.

KUPE PRODUCTION



Kupe revenue for the quarter was NZ\$15.2 million

Kupe oil and gas field [PML 38146]

15%	New Zealand Oil & Gas
50%	Origin Energy [Operator]
31%	Genesis Energy
4%	Mitsui

There were two export shipments during the quarter totaling 405,800 barrels [New Zealand Oil & Gas share 60,870 barrels]. Inventory and shipments met expectations in the quarter.

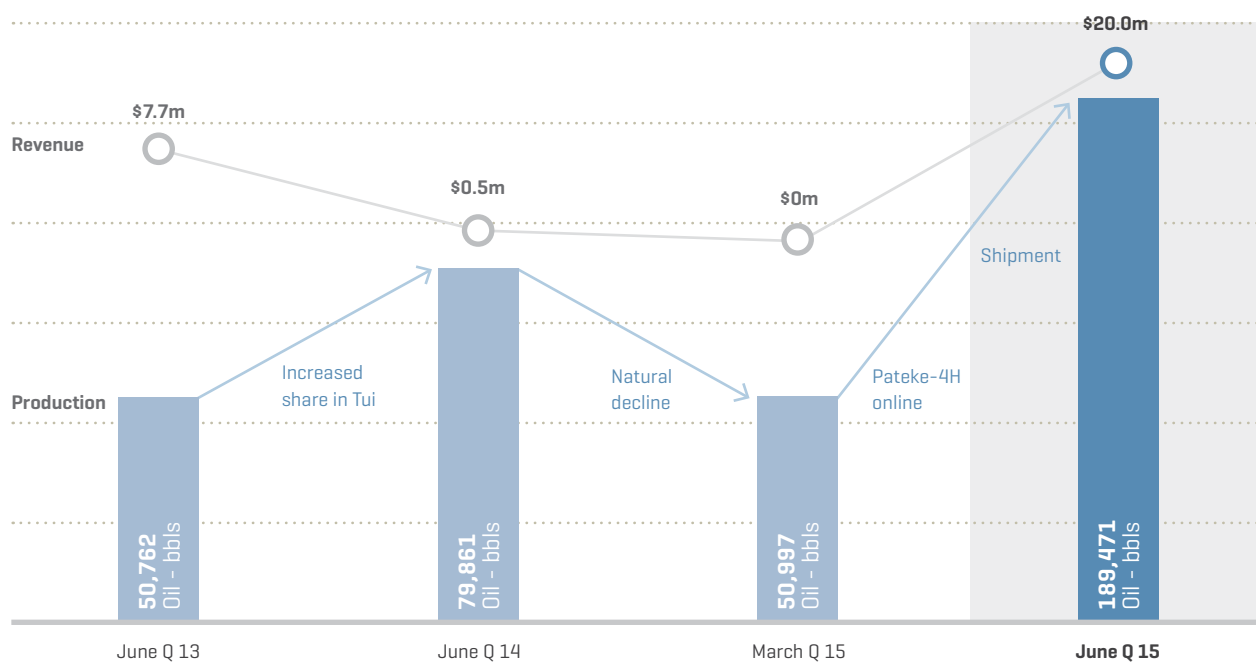
Following the successful execution of the accelerated gas sales agreement in the first quarter of 2015, Kupe averaged 70.7 terajoules per day of sales gas in

the second quarter. This was slightly down on the previous quarter due to a lower average offtake as part of the accelerated gas sales agreement. LPG production was up on improvements in plant optimisation. Condensate was down in line with gas production and naturally declining yield.

KUPE PRODUCTION

Kupe production	Total Field for quarter	New Zealand Oil & Gas share for quarter	New Zealand Oil & Gas share previous quarter	New Zealand Oil & Gas share for comparable quarter a year ago
Gas [PJ]	6.43	0.97	1.00	0.99
LPG [tonnes]	27,301	4,095	3,971	4,074
Light Oil [bbls]	409,409	61,411	65,954	69,988
Revenue [NZ\$m]		15.2	15.9	29.2

TUI PRODUCTION



Tui revenue for the quarter was NZ\$20.0 million

Tui area oil fields [PMP 38158]

27.5% New Zealand Oil & Gas
57.5% AWE (Operator)
15% Pan Pacific Petroleum

There were two tanker shipments during the period of 864,478 barrels of oil [237,731 barrels net to New Zealand Oil & Gas].

Tui production was up in the quarter following the tie-back of the Pateke-4H well and the one month shut-in for the tie-back to be completed in the previous quarter.

Revenue this quarter of \$20.0 million is up on the previous quarter.

Production of 688,986 [New Zealand Oil & Gas share 189,471] is up with Pateke-4H now online.

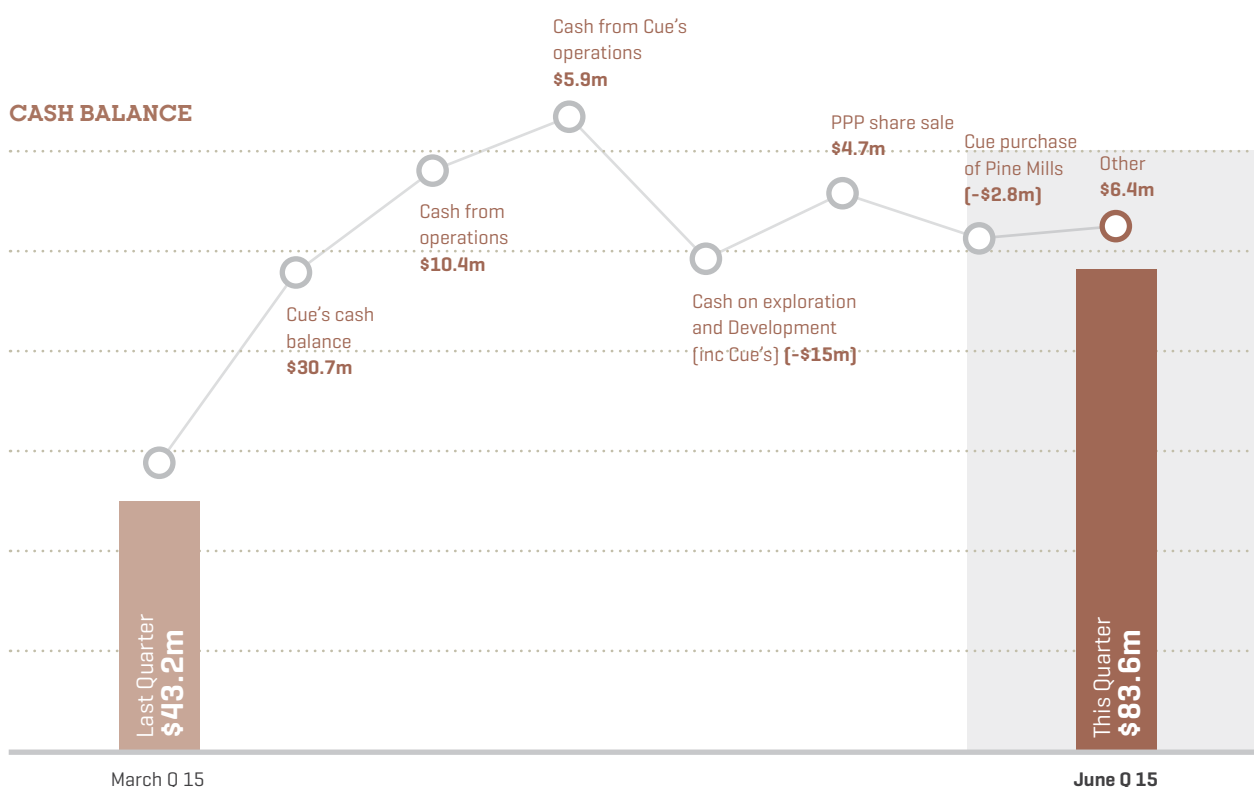
Decreased Tui inventory increased revenue.

As at 30 June there were 126,888 barrels in inventory [New Zealand Oil & Gas share 34,788].

TUI PRODUCTION

Tui production	Total Field for quarter	New Zealand Oil & Gas share for quarter	New Zealand Oil & Gas share previous quarter	New Zealand Oil & Gas share for comparable quarter a year ago
Oil (bbls)	688,986	189,471	50,997	79,861
Revenue (NZ\$m)		20.0	0	0.5

NEW ZEALAND OIL & GAS FINANCIAL SUMMARY*



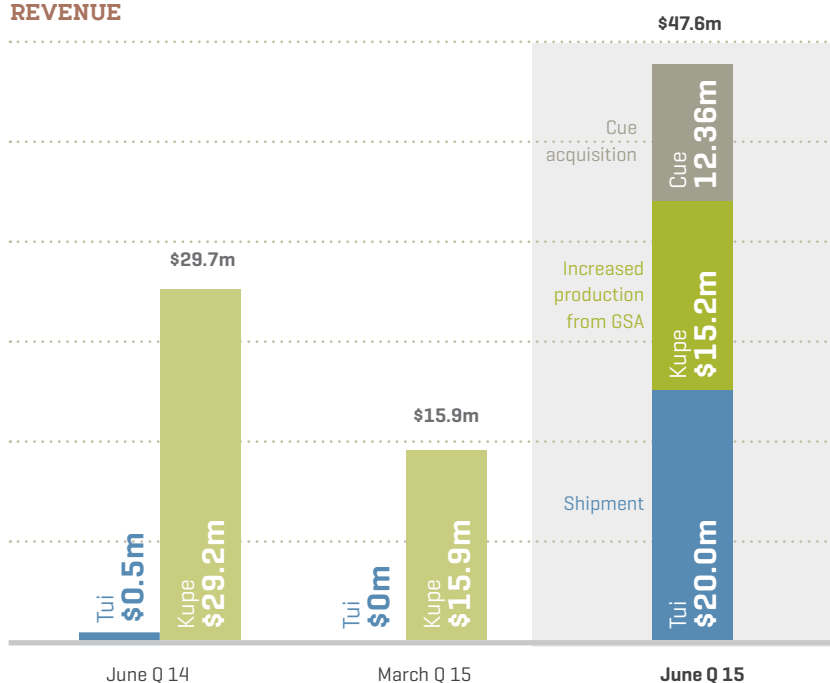
New Zealand Oil & Gas
operating revenue for the
quarter was NZ\$47.6 million

This included revenue from the sale of Tui oil of NZ\$20.0 million, revenue from the sale of Kupe sales gas, LPG and light oil of NZ\$15.2 million and recognition of Cue's revenue for the quarter of NZ\$12.36 million.

As at 30 June 2015, the New Zealand Oil & Gas cash balance was NZ\$83.6 million, with cash holdings held in both NZ and US dollar accounts. NZ\$30.7 million is held by Cue. New Zealand Oil & Gas had no outstanding debt at the end of the period.

More financial information is contained in the 30 June 2015 Quarterly Cash Flows Report, which has been released to the NZX and ASX.

REVENUE



FINANCIAL SUMMARY

Financial Update	3 months to 30 June 2015*	Previous quarter**	Comparable quarter a year ago**
Revenue (NZ\$m)	47.6	15.9	29.7
Cash Balance (NZ\$m)	83.6	43.2	135.1

* Financial update includes 100 per cent of Cue's revenue and cash balance with no adjustment for the 51.89 per cent non-controlling interest

** Cue's revenue and cash balance are not included in comparative figures as the effective date for control was 31 March 2015.

YOU'RE INVITED

**AUCKLAND INVESTOR
BRIEFING: AUGUST**

Release of our preliminary
result for the 2015
financial year.

**12 noon Thursday,
27 August 2015**

**Great Northern room,
Ellerslie Racing Club**

**ANNUAL GENERAL
MEETING: OCTOBER**

A formal Notice of Meeting
will be sent later.

**10am Thursday,
29 October 2015**

**Te Wharewaka Tapaere,
Wellington**

**DUNEDIN INVESTOR
BRIEFING: OCTOBER**

Release of Quarterly
Activities Report.

**4pm Friday,
30 October 2015**

**Scenic Hotel Southern Cross,
118 High Street, Dunedin**

**CHRISTCHURCH INVESTOR
BRIEFING: OCTOBER**

Following the Wellington
Annual General Meeting,
please join us for the
Christchurch investor briefing.

**9.30am Friday,
30 October 2015**

**Riccarton Park Function
Centre, Christchurch**

**RSVP by emailing us: communications@nzog.com
or call us on +64 4 495 2424**

Refreshments will be served at each event. There will be
an opportunity for questions and informal discussion with
management.

DINOSAUR FOOTPRINTS NOW IN NELSON

See footprints left by perhaps the largest animal ever to
walk on Earth. Proudly sponsored by New Zealand Oil & Gas.

4 July - 13 September 2015

Showcasing at Nelson Provincial Museum

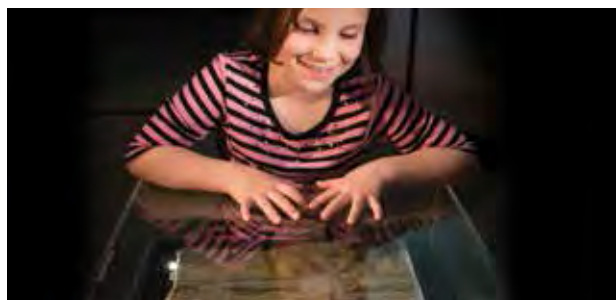
More about the dinosaur footprints tour can be found on
the New Zealand Oil & Gas website at www.nzog.com

SPECIAL MEETING OF SHAREHOLDERS

The New Zealand Oil & Gas board considers the ability to carry out a share buy back program could deliver value to shareholders.

A special meeting of shareholders will be held on
28 August to vote on a proposed exemption to rules that
would otherwise require Zeta, our largest shareholder,
and its associates to sell shares should the consequence
of the buy back program be that their holding increases
beyond 20 per cent.

This meeting replaces one previously arranged, which
was withdrawn after feedback from the Takeovers Panel.
A new notice of meeting and independent report has been
prepared. Shareholders can expect to receive a notice of
the meeting separately to this report.

**CONTACT THE INVESTOR CENTRE**

To change your address or get help with your shareholding,
CALL COMPUTERSHARE

New Zealand - 0800 467 335

[from outside New Zealand, use +64 9 488 8777]

Australia - 1 800 501 366

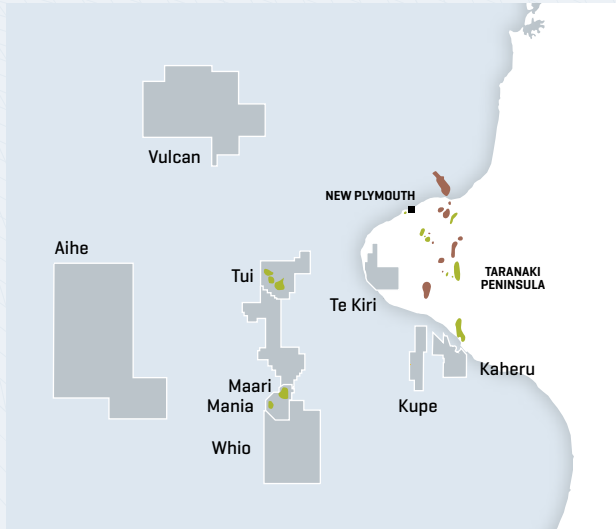
[from outside Australia, use +61 3 9415 4083]

You can email your enquiry to enquiry@computershare.co.nz.
Or visit the Computershare investor centre online:
www.investorcentre.com/nz

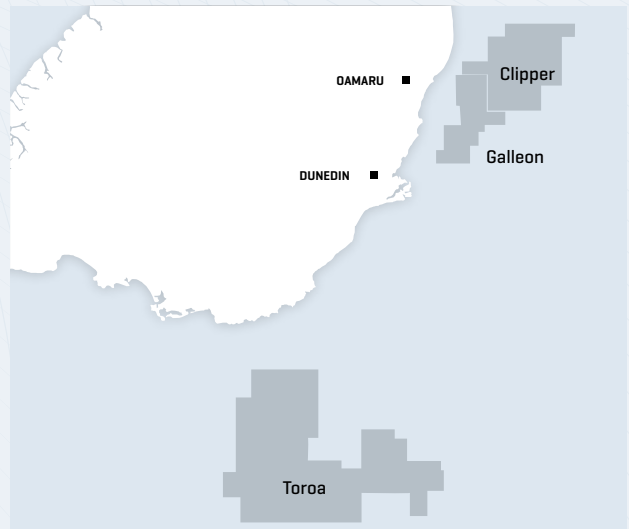
NZX and ASX stock symbol: NZO

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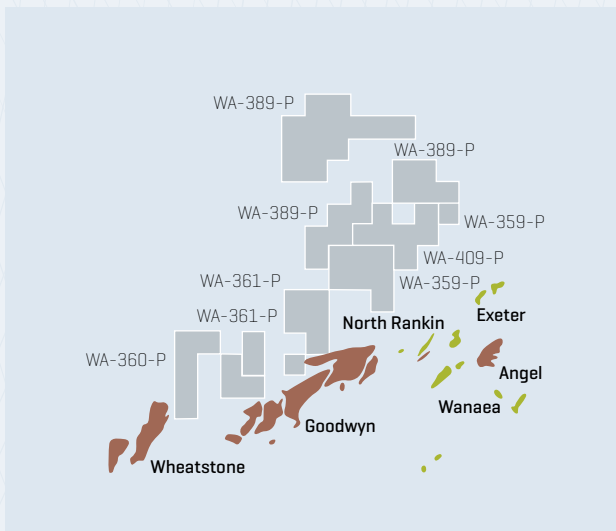
EXPLORATION PERMIT MAPS



OFFSHORE TARANAKI BASIN
NEW PLYMOUTH



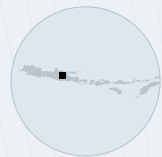
OFFSHORE CANTERBURY - GREAT SOUTH BASIN
CANTERBURY



AUSTRALIA

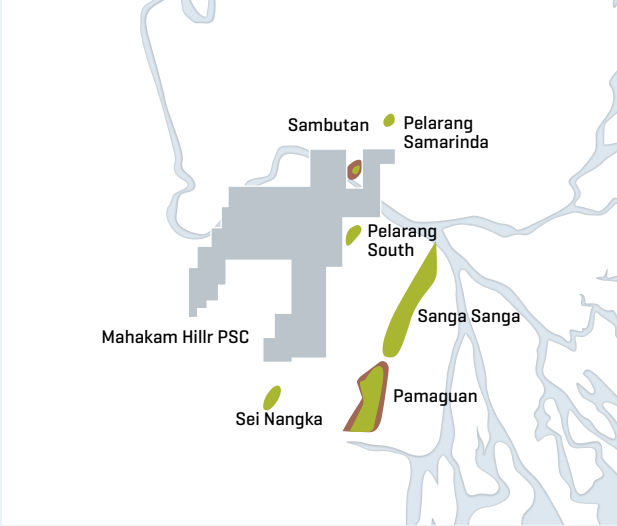


JAVA





SUMATRA



KALIMANTAN



TEXAS



MAP LEGEND

- Permits
- Oil Field
- Gas Field



Andrew Knight
Chief Executive Officer

John Pagani
External Relations Manager

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NEW ZEALAND OIL & GAS