

ACTIVITIES REPORT

IN THIS ISSUE

.....

Responding to global
market conditions



RESPONDING TO GLOBAL MARKET CONDITIONS

Our quarterly result shows gas production continues to deliver cashflows into the business.

Kupe gas and LPG is sold into a domestic market where prices are less influenced by global oil prices. Though there was a planned maintenance outage at Kupe in the quarter, the underlying gas and LPG business is performing to expectations.

Further evidence of Kupe's value was provided when our JV partner, Genesis Energy, announced a 33 per cent upgrade in its Kupe reserves, broadly aligned with the 34.7 per cent upgrade New Zealand Oil & Gas discussed in our previous quarterly activities report. [The variation relates to predicted end of field life, resulting from varying economic assumptions in the out-years].

Meanwhile permit activity reported this quarter shows considerable reductions in exploration activity in response to changed economics.

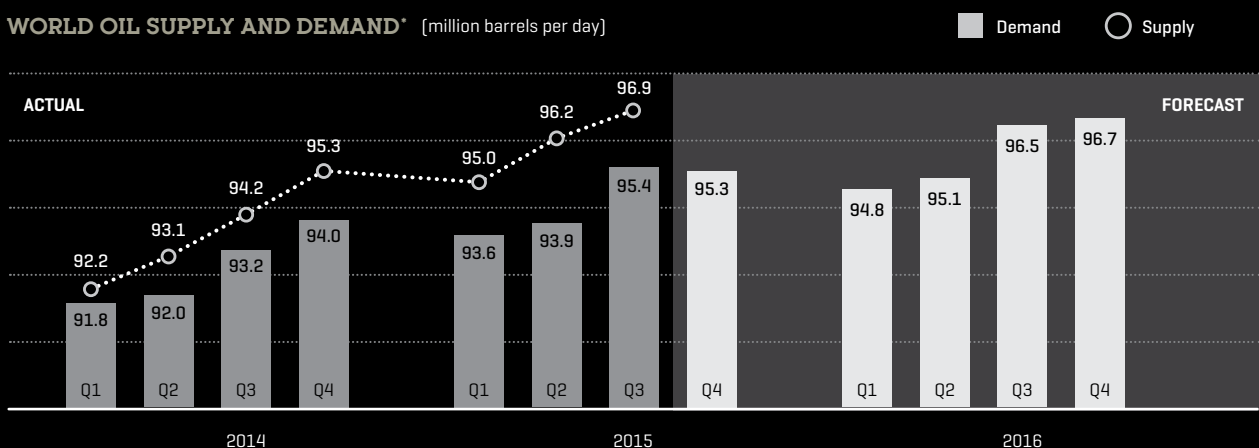
Oil prices again declined sharply in the last quarter of the year. In response, the industry has deferred or abandoned capital intensive exploration spending, even in some of the most promising prospects. By the end of 2015 the environment for sharing risk by farming out interests in our portfolio had become very quiet.

The focus for growth in our business is on producing assets. We have been actively screening opportunities, with more assets coming to market as the downturn in oil prices drives asset owners to restructure their portfolios. Several opportunities which may be sufficiently rewarding were under consideration at the time this report was produced.

It's not possible to forecast when supply and demand effects weighing on oil prices during 2015 will turn. At current spot prices, some oil production around the world is unsustainable over the full-cost cycle. Storage facilities are full and production is resuming from Iran as economic sanctions are lifted as part of a deal on that country's nuclear capability. Markets also see increased political issues arising from the Paris climate agreement. One effect is that markets expect oil producers to cash out their reserves sooner, which depresses price forecasts.

Meanwhile, our Gas and LPG prices have not been impacted as much as oil. Cashflows from these segments will continue to support our business.

WORLD OIL SUPPLY AND DEMAND* (million barrels per day)



Global oil prices began to fall in 2014 as supply began to out-strip demand by around a million barrels a day, or more. Demand is influenced by factors such as the pace of economic growth and longer term trends around fuels that make up total energy supply. Oil supply rose as US unconventional shale oil entered the market. Since 2014 OPEC production has accelerated. In January, sanctions were

lifted on sales of oil from Iran. Looking ahead, production from shale fields is being scaled back and the cost of capital being invested in shale wells is beginning to adjust to reflect long term pricing risk and reinvestment commitments. Fewer projects are being commissioned to production as mature fields deplete.

*Source: International Energy Agency Oil Market Report

SUMMARY OF ACTIVITIES

Kupe

4,076 barrels

average daily oil production rate

67 terajoules

average daily gas rate

The Kupe average daily oil production rate for the quarter was 4,076 barrels [gross] and the average daily gas rate was 67 terajoules [gross] [New Zealand Oil & Gas share 611 barrels of oil per day and 10 terajoules of gas per day].

Production was affected in the quarter by a scheduled 28 day plant shutdown for maintenance and project activities work.

The work was executed successfully and on schedule.

NB: Kupe 'averages' remove the 28 days of shutdown time.

Tui

3,972 barrels

average daily oil production rate

The average daily oil production rate in the quarter was approximately 3,972 barrels of oil per day [gross] [New Zealand Oil & Gas share 1,092 barrels of oil per day].

Pine Mills

56 barrels

average daily oil production rate

The average daily oil production rate for the quarter was approximately 56 barrels of oil per day [gross] [Cue share 35 barrels of oil per day].

Maari

13,960 barrels

average daily oil production rate

The average daily oil production rate in the quarter was approximately 13,960 barrels of oil per day [gross] [Cue share 698 barrels of oil per day].

Sampang PSC

1,109 barrels

average daily oil production rate

73.6 terajoules

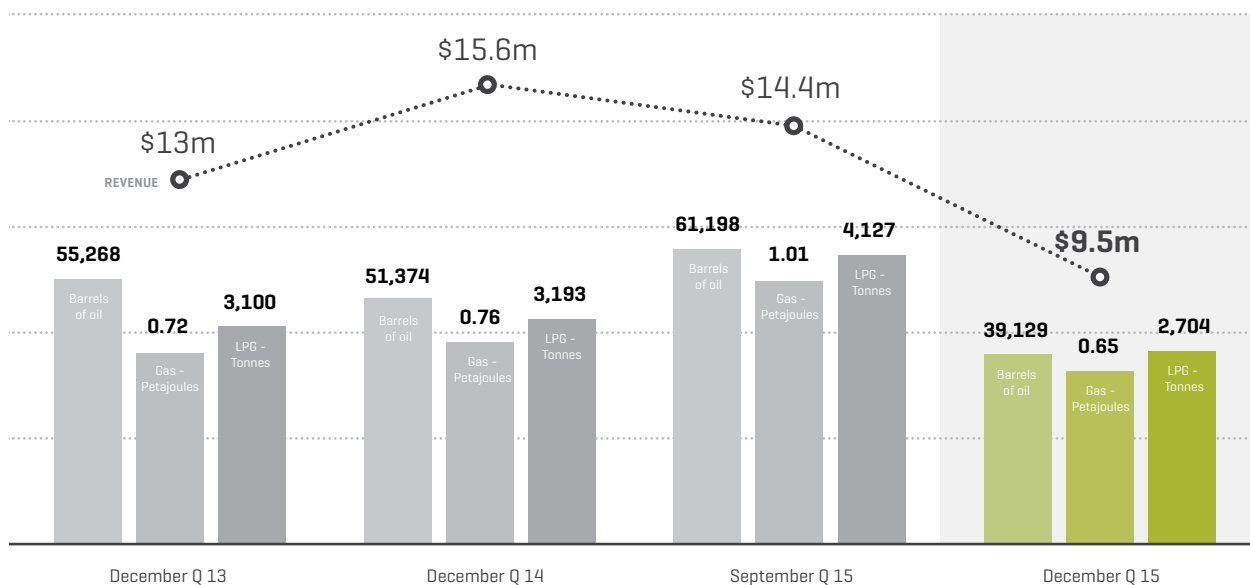
average daily gas rate

The Sampang PSC average daily oil production rate for the quarter was 1,109 barrels [gross] and the Sampang PSC average daily gas rate was 73.6 terajoules [gross] [Cue share 145 barrels of oil per day and 9.78 terajoules of gas per day - both net of government take under the PSC].

PRODUCTION AND FINANCIAL SUMMARY

New Zealand Oil & Gas		December quarter Q2 FY16	September quarter Q1 FY16	% Change
Net oil production	Barrels	219,555	263,155	-17
Net gas production	Petajoules	1.55	1.77	-12
LPG production	Tonnes	2,704	4,127	-35
Total revenue	NZ\$m	30.8	33.3	-8
Cash balance	NZ\$m	96.6	103.7	-7

KUPE PRODUCTION



Kupe revenue for the quarter was NZ\$9.5 million

Kupe oil and gas field [PML 38146]

15%	New Zealand Oil & Gas
50%	Origin Energy (Operator)
31%	Genesis Energy
4%	Mitsui

There was one lifting during the quarter totaling 182,728 barrels (New Zealand Oil & Gas share 27,409 barrels of oil).

As at 31 December there were 180,393 barrels of oil in inventory (New Zealand Oil & Gas share 27,059 barrels of oil). Inventory and liftings were in line with expectations given the 28 days the

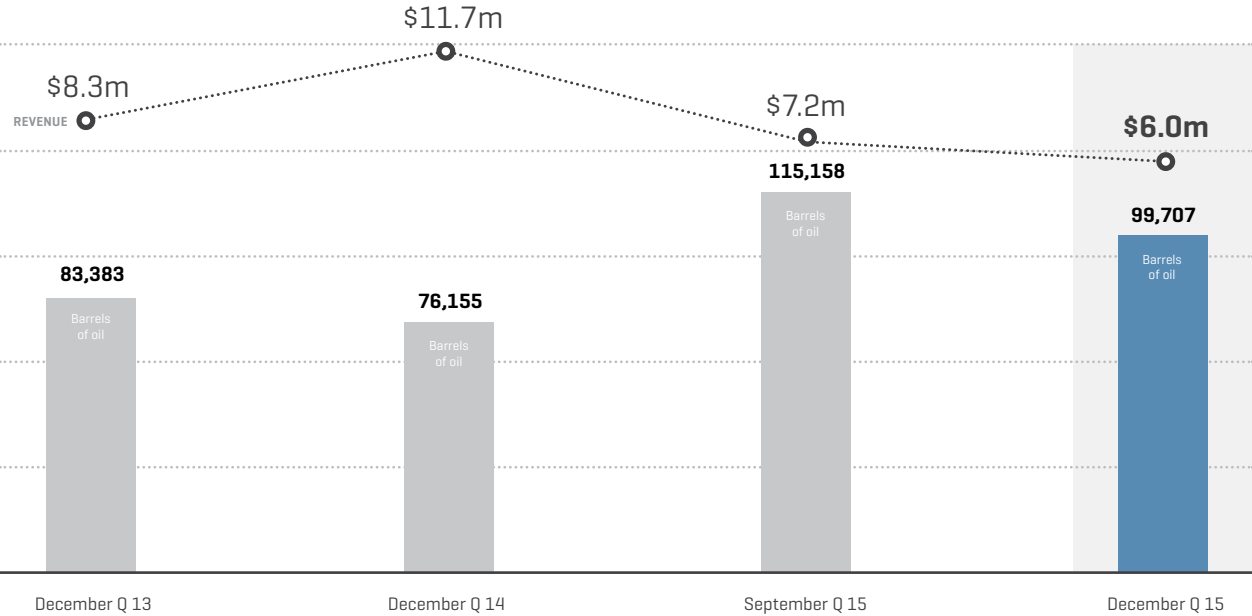
Kupe production station was offline for scheduled maintenance work during the quarter.

KUPE PRODUCTION

Kupe production	Total Field for quarter	New Zealand Oil & Gas share for quarter (Net)	New Zealand Oil & Gas share previous quarter	New Zealand Oil & Gas share for comparable quarter a year ago
Gas [PJ]	4.30	0.65	1.01	0.76
LPG [tonnes]	18,025	2,704	4,127	3,193
Light Oil [bbls]	260,860	39,129	61,198	51,374
Revenue [NZ\$m]		9.5	14.4	15.6



TUI PRODUCTION



Tui revenue for the quarter was NZ\$6.0 million

Tui area oil fields [PMP 38158]

27.5%	New Zealand Oil & Gas
57.5%	AWE [Operator]
15%	Pan Pacific Petroleum

There was one shipment during the period of 398,744 barrels of oil [New Zealand Oil & Gas share 109,655 barrels of oil]. As at 31 December there were 127,452 barrels of oil in inventory [New Zealand Oil & Gas share 35,049 barrels of oil].

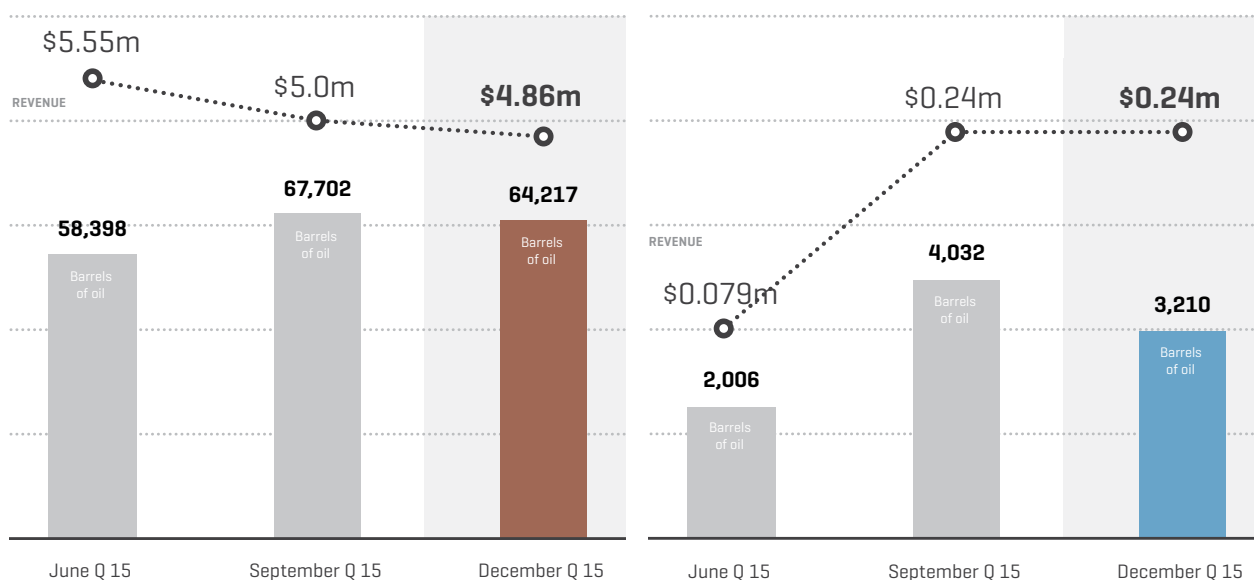
Tui production was down in the quarter, in-line with natural field decline, but continued in-line with New Zealand Oil & Gas budgeted expectations. The Pateke-4H well continues to produce above Operator expectations in terms of oil production and with slower water cut development.

TUI PRODUCTION

Tui production	Total Field for quarter	New Zealand Oil & Gas share for quarter [Net]	New Zealand Oil & Gas share previous quarter	New Zealand Oil & Gas share for comparable quarter a year ago
Oil [bbls]	365,436	99,707	115,158	76,155
Revenue [NZ\$m]		6.0	7.2	11.7

MAARI PRODUCTION

PINE MILLS PRODUCTION



Maari revenue for the quarter was NZ\$4.86 million

Maari area oil fields [PMP 38160]

5%	Cue Taranaki Pty Ltd*
69%	OMV New Zealand Ltd [Operator]
16%	Todd Maari Limited
10%	Horizon Oil International Ltd

Cue's share of net oil sales in the quarter from the Maari and Manaia fields was 72,335 barrels of oil which generated NZ\$4.86 million in revenue received.

The joint venture is planning to further increase the field's production rate up to 20,000 barrels of oil per day with the optimisation of production and an upcoming 2016 work-over campaign which includes repair to the water injection flow-line.

A full upgrade will also be made to the mooring lines on the Maari Field FPSO, the Raroa. Preparation for the upgrade is underway and it is expected the works will commence in February 2016. The costs of the repair and upgrade is estimated to be NZ\$3.0 million net to Cue.

Pine Mills revenue for the quarter was NZ\$0.24 million

80%	Cue Energy*
20%	Gale Force Petroleum

Cue's net share of oil sales in the quarter was 4,008 barrels which generated NZ\$0.24 million in revenue received.

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

MAARI PRODUCTION

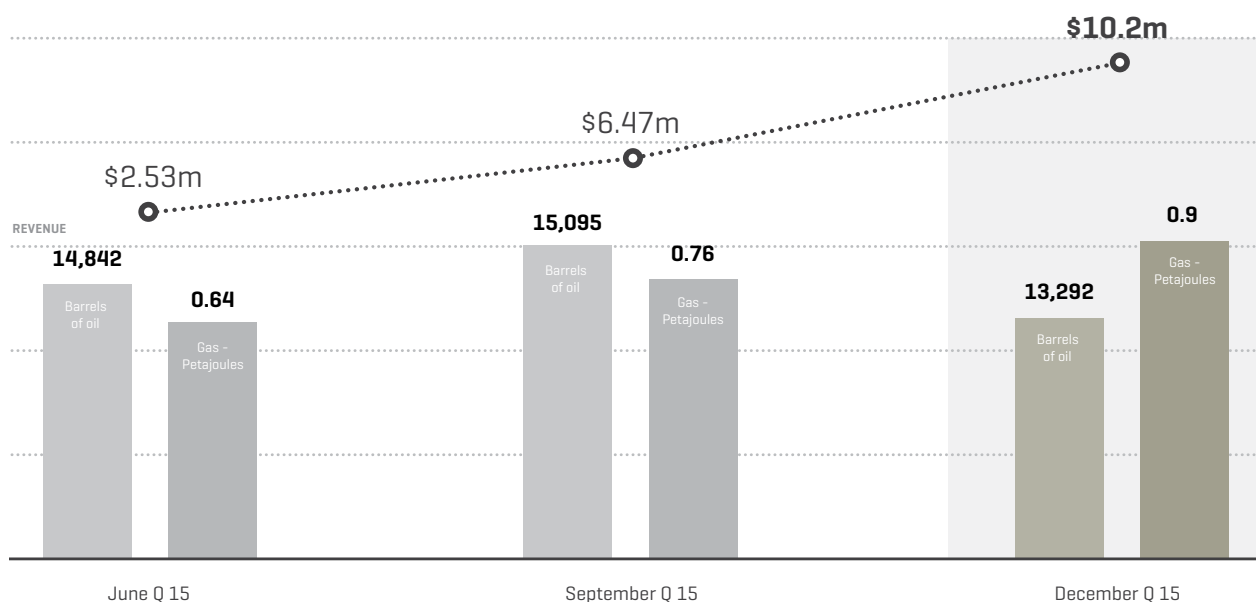
Maari production	Total Field for quarter	Cue share for quarter (Net)	Cue share previous quarter	Cue share June quarter 2015
Oil (Barrels)	1,284,343	64,217	67,702	58,398
Revenue (NZ\$m)		4.86	5.0	5.55

PINE MILLS PRODUCTION

Pine Mills production	Total Field for quarter	Cue share for quarter (Net)	Cue share previous quarter	Cue share June quarter 2015
Oil (Barrels)	5,177	3,210	4,032	2,006
Revenue (NZ\$m)		0.24	0.24	0.08



SAMPANG PRODUCTION



Sampang revenue for the quarter was NZ\$10.2 million

Production Sharing Contract

15%	Cue Energy*
45%	Santos (Operator)
40%	Singapore Petroleum Company Ltd

Cue's net share of condensate sales in the quarter was 182 barrels which generated NZ\$7,355 in revenue received. During the quarter Cue's share of gas sales receipts was NZ\$10.2 million from the sale of 1.06 petajoules.

Wortel-3 and Wortel-4 flowed gas at a combined average daily rate of 42.8 million cubic feet (gross) during the quarter (Cue share 5.94 million cubic feet of gas per day net of government take under the PSC).

SAMPANG PRODUCTION

Sampang production	Total Field for quarter	Cue share for quarter (Net)	Cue share previous quarter	Cue share June quarter 2015
Gas (Petajoules)	6.76	0.9	0.76	0.64
Oil (Barrels)	102,014	13,292	15,095	14,842
Revenue (NZ\$m)		10.2	6.47	6.73

TARANAKI

Kupe [PML 38146]

Producing



15%	New Zealand Oil & Gas
50%	Origin Energy (Operator)
31%	Genesis Energy
4%	Mitsui

New Zealand Oil & Gas completed its review of 2P developed reserves in the Kupe gas and light oil field during the quarter, and on 27 October announced a material upgrade of its 2P developed reserves by 34.7 per cent, from 4.2 million barrels of oil equivalent to 5.6 million. This reserves increase not only provides additional volume from within the existing development but it's expected that contracted volumes will be able to be supplied without the need for significant additional capital.

The joint venture's review of the Kupe field development plan is progressing. This will determine the most efficient means to maintain and optimise recovery and assess whether undeveloped opportunities in the permit have potential to be brought into development. A recommendation on the second phase of development at Kupe is expected from the operator next quarter.

Vulcan [PEP 55793]

Seismic survey



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

A 3D seismic survey of approximately 1100 square-kilometres was successfully acquired by Dolphin Geophysical in the first quarter of 2015. Prestack depth migration processing, to more precisely determine the structure of the reservoir, is currently underway and final depth data is expected next quarter.

Matuku [PEP 51906]

Further Evaluation



12.5%	New Zealand Oil & Gas
65%	OMV (Operator)
22.5%	Octanex

A 400 square-kilometre Kaka 3D seismic survey was acquired in the southeast of the permit in 2014. Following interpretation of the Kaka 3D seismic data, the operator identified closure in the Cascade lead at the Farewell Sandstone reservoir level and another closure at the North Cape Sandstone level. Geological and geophysical work is in progress to assess the Cascade lead and meet work programme commitments.

Kaheru [PEP 52181]

Drill preparation



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

The joint venture decided that economic conditions in the quarter could not support drilling the prospect, and an application has been made to the regulator to amend work obligations.

Te Kiri [PEP 51149]

Drilling



20% Cue Energy*
80% Todd Exploration Ltd. (Operator)

The Te Kiri North-1 well spudded on 16 December 2015 and at quarter end 2015, was drilling the potentially oil-bearing objective in the Miocene-age Mount Messenger Formation. A decision to plug and abandon the well was made on 19 January 2016 as the well encountered non-commercial oil shows. Drilling of the well fulfils Cue's permit obligations.

Aihe [PEP 54865]

Seismic Survey

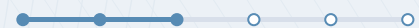


20% Cue Energy*
80% Todd Exploration Ltd (Operator)

The permit carries a minimum work programme of 285 square-kilometers of 3D seismic to be acquired, processed and interpreted before June 2016. The joint venture was unable to secure a seismic vessel for the first quarter of 2016 and, subject to government consent, will now have to defer the seismic acquisition work programme until a suitable vessel can be procured.

Whio [PEP 51313]

Further Evaluation



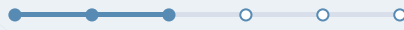
14% Cue Energy*
30% OMV New Zealand Ltd. (Operator)
35% Todd Exploration Ltd
21% Horizon Oil (New Zealand) Ltd

The joint venture continues to assess the remaining potential associated with the Matariki trend up-dip of the Maari field. Studies are being completed by the operator to determine the feasibility of acquiring additional 3D seismic data to reduce the geological risk of the remaining prospects. Cue will make a decision by 30 July 2016 whether to proceed with the next commitment under the permit.

CANTERBURY

Clipper [PEP 52717]

Further Evaluation



50% **New Zealand Oil & Gas (Operator)**
50% Beach Energy

Discussions with potential farm-in partners continued. An application has been lodged with the regulator to extend the permit terms and subsequently the conditions requiring a drill-or-drop decision by April.

Galleon [PEP 55792]

Further Evaluation

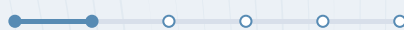


100% **New Zealand Oil & Gas**

While the company's work obligations in the permit are complete, its study in the permit has identified new concepts. During the reporting period discussions advanced with potential farm-in partners linked to interest in the neighbouring Clipper permit.

Toroa [PEP 55794]

Seismic survey



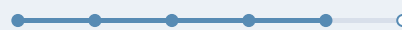
30% **New Zealand Oil & Gas**
70% Woodside Energy
[New Zealand 55794] (Operator)

A 3D seismic survey of approximately 1100 square-kilometres was successfully acquired by Dolphin Geophysical in the first quarter of 2015. Prestack depth migration processing, to more precisely determine the structure of the reservoir, is currently underway and final depth data is expected by the second quarter of 2016.

INDONESIA

Kisaran Production Sharing Contract

Plan of Development

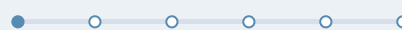


22.5% **New Zealand Oil & Gas**
55% Pacific Oil & Gas (Operator)
22.5% Bukit Energy

The joint venture continued to assess development options during the quarter.

MNK Kisaran Production Sharing Contract [Barumun]

Early evaluation

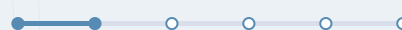


11.25% **New Zealand Oil & Gas**
33.75% Bukit Energy
55% Pacific Oil & Gas (Operator)

Technical work including preliminary data analysis, geological and geophysical studies continued during the quarter.

Palmerah Baru Production Sharing Contract

Seismic survey

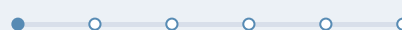


36% **New Zealand Oil & Gas**
54% Bukit Energy Palmerah Baru (Operator)
10% PT SNP Indonesia

The operator is targeting a seismic programme for late 2016 to analyse eight leads in more detail.

MNK Palmerah Production Sharing Contract

Early evaluation

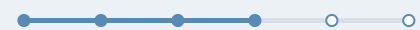


15.84% **New Zealand Oil & Gas**
69.36% Bukit Energy Resources
Palmerah Deep Pte Ltd (Operator)
8.8 % PT SNP Indonesia –
Bumi Perdana Energy Limited
3% Bumi Perdana Energy Limited
3% Glory Wealth Pacific Limited

Planning to progress the technical work programme continued during the quarter.

Bohorok Production Sharing Contract

Drilling



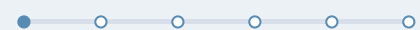
45% **New Zealand Oil & Gas**
45% Bukit Energy (Operator)
10% Surya Buana Lestarijaya Bohorok

A 205 kilometre seismic survey over the PSC was completed in 2014 and the joint venture has high-graded a gas condensate prospect to drillable status. The well location is close to both gas infrastructure and to a robust gas market.

New Zealand Oil & Gas expects to reduce its equity share ahead of drilling.

MNK Bohorok Joint Study Agreement

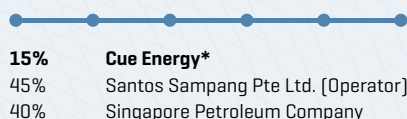
Early evaluation



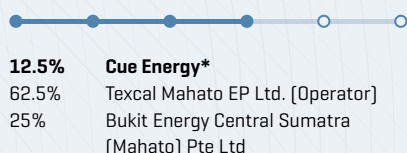
20.25% **New Zealand Oil & Gas**
55% Lion Energy (Operator)
20.25% Bukit Energy
4.5% Surya Buana Lestarijaya Bohorok

The joint study of the unconventional resource potential in the Bohorok PSC is progressing well. The study is expected to be complete in the first quarter of 2016. Following evaluation of the results from the study, the joint venture will decide whether to bid for an MNK Production Sharing Contract in the joint study area.

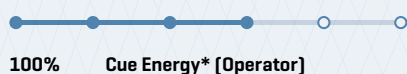
INDONESIA

Sampang Production Sharing Contract
Production

Studies are currently underway to extend field gas production from Oyong and Wortel.

Mahato Production Sharing Contract
Drilling

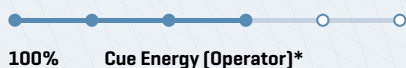
Multiple appraisal and exploration opportunities have been mapped and at least one well is currently planned for 2016 or 2017. A 2D seismic programme to high-grade further exploration prospects is also planned for early 2016.

Mahakam Hilir Production Sharing Contract
Drilling

The exploration Naga Selatan-2 well spudded on 7 January 2016 and is located onshore in the Kutai Basin, East Kalimantan, Indonesia. Extensive field mapping in the block helped identify a final location for the well. Field geologists identified several active oil seeps during their work and this information was used in updating the structural interpretation of the prospect and selecting a drill location close to an active seep. If the drilling results are successful, Cue plans to suspend the well as a future producer and carry out a production test in 2016.

WA-359-P

Further Evaluation



Cue has evaluated 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, with multiple objectives, has been identified as the primary candidate for drilling. Cue has received regulatory approval to extend its year 3 well commitment date until October 2016.

Farm-out discussions to find suitable joint venture partners to participate in the drilling of the well are ongoing.

WA-360-P

Further Evaluation



All obligations have been met for this block. Cue will be withdrawing in the first quarter of 2016 with no further financial commitments.

WA-361-P

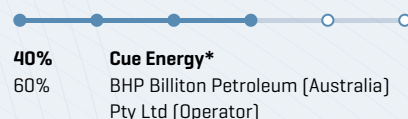
Early Evaluation



All obligations have been met for this block. Cue will be withdrawing in the first quarter of 2016 with no further financial commitments.

WA-389-P

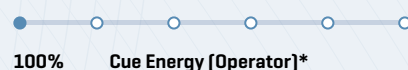
Further Evaluation



Reprocessing of existing 2D and 3D seismic data has been approved by the joint venture and is expected to be completed in the first quarter of 2016. A full evaluation of the prospectivity of the block is planned for 2016. Cue intends to reduce its working interest before committing to a well.

WA-409-P

Early Evaluation



A 12-month extension to year 6 of the permit has been granted to allow completion of technical work associated with the Ironbark prospect.

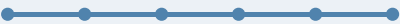
Cue plans to farm down its 100 per cent working interest in WA-409-P and include the block in any commercial offers for the Ironbark prospect.

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

UNITED STATES

Pine Mills

Production

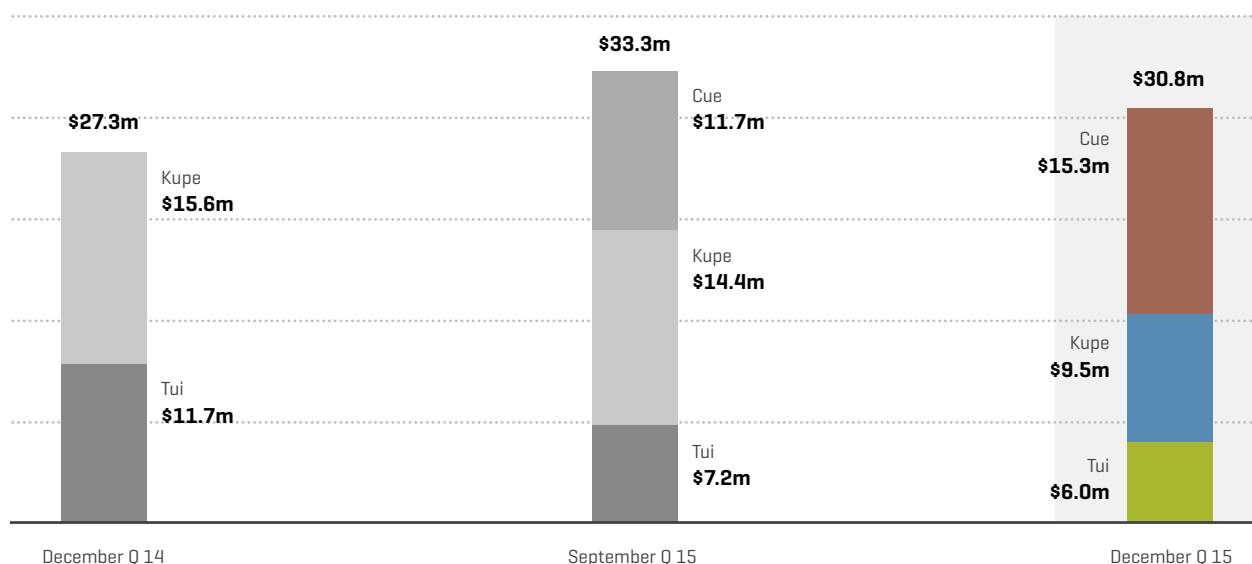


80% **Cue Energy (Operator)***
20% Gale Force Petroleum Inc.

Studies are underway by Cue to potentially acquire 3D seismic over the field with the intention of identifying high quality, low risk drilling opportunities.



REVENUE



New Zealand Oil & Gas operating revenue for the quarter was NZ\$30.8 million

Revenue was higher than the comparable quarter last year, however was lower compared to the September quarter due to the 28 day period the Kupe production station was offline for maintenance work and project activities.

Revenue from the sale of Tui oil was NZ\$6.0 million, while revenue from the sale of Kupe sales gas, LPG and light oil was NZ\$9.5 million. Revenue of NZ\$15.3 million from Cue's sales is recognised on a cash basis.

As at December 2015, the New Zealand Oil & Gas cash balance was NZ\$96.6 million, with cash holdings principally in US dollar accounts, but also NZ and AU dollar accounts. NZ\$31.6 million is held by Cue. New Zealand Oil & Gas had no outstanding debt at end of the period.

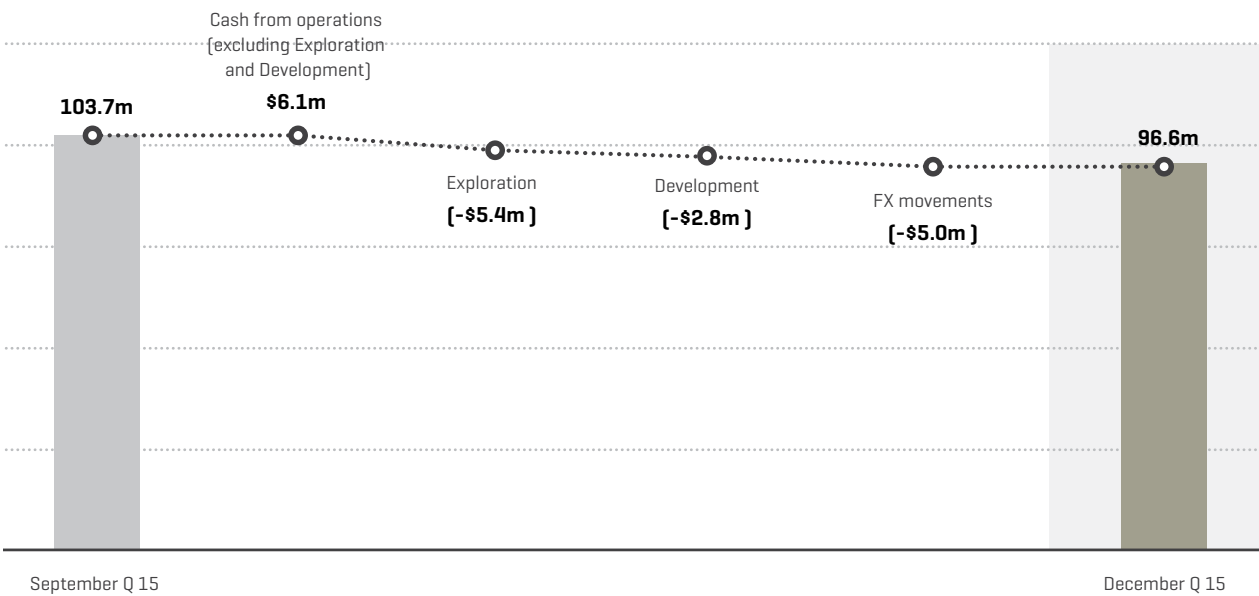
More financial information is contained in the 31 December 2015 Quarterly Cash Flows Report, which has been released to the NZX and ASX.

	3 months to 31 December 2015*	Previous quarter*	Comparable quarter a year ago**
Revenue	30.8	33.3	27.3
Cash balance	96.6	103.7	115.2

* 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 from a year ago as the effective date for control was 31 March 2015.

CASH BALANCE

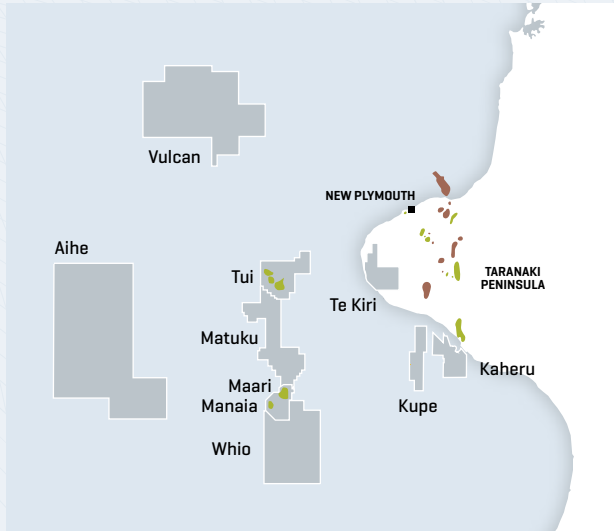


New Zealand Oil & Gas performed in line with expectations during the quarter following the 28 day maintenance programme at the Kupe production station, during which time the plant remained offline.

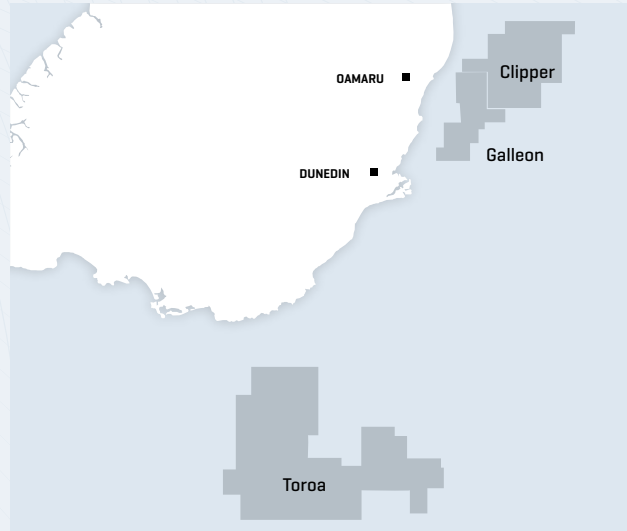
Exploration costs show Cue’s preparations for drilling in Indonesia, and development expenditure includes completion of drilling at Maari.

The stronger New Zealand dollar has resulted in a negative impact on US dollar balances for both New Zealand Oil & Gas and Cue.

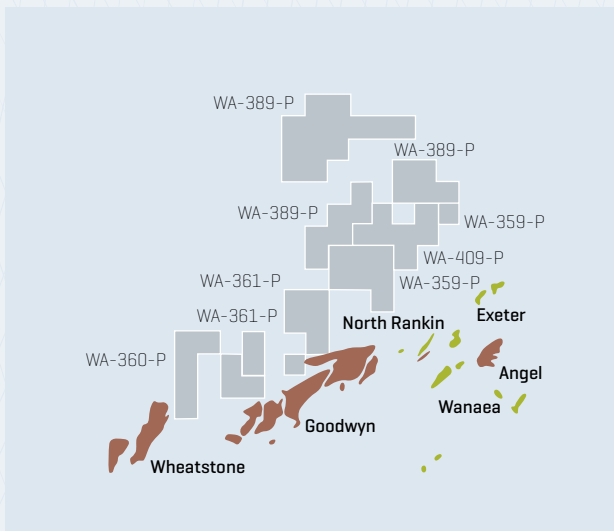
EXPLORATION PERMIT MAPS



OFFSHORE TARANAKI BASIN
NEW PLYMOUTH



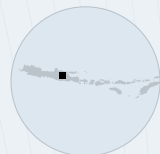
OFFSHORE CANTERBURY - GREAT SOUTH BASIN
CANTERBURY



AUSTRALIA



JAVA





SUMATRA



KALIMANTAN



TEXAS



MAP LEGEND

- Permits
- Oil Field
- Gas Field



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