

The Explorer

CELEBRATING OUR FIRST EVER DISCOVERY OUTSIDE NEW ZEALAND

Oil has been brought to surface in central Sumatra, as the date nears for drilling the next well there.

Meanwhile, a semi-submersible drill rig is nearing New Zealand and due to continue the search off Taranaki in the coming quarter.





PIKE RIVER COAL

an update

You may have seen news media comment about NZ Oil & Gas following the sentencing of Pike River Coal Limited on nine charges of failing to ensure the safety of miners.

The judge ordered Pike River Coal to pay a fine of \$760,000 and reparations of \$3.41 million. Noting Pike didn't have the cash to pay the fine or reparations, the judge suggested that NZ Oil & Gas, as a shareholder, could pay.

NZ Oil & Gas was not a party to the proceedings and did not have an opportunity to submit evidence. The judge's suggestions are not binding on NZ Oil & Gas. We were surprised to be mentioned and at the time of publication the judge's sentencing notes haven't been issued.

Previously, an exhaustive inquiry by a Royal Commission identified individuals and organisations it believed were responsible for failings at the mine. NZ Oil & Gas was not one of those.

NZOG floated Pike River Coal Limited in an IPO in 2007 and from then the companies were completely separated. There were two directors in common who were prevented by law from sharing information between the two companies.

As a 29.4% shareholder and creditor NZ Oil & Gas contributed heavily after the explosion to help sort things out.

NZ Oil & Gas contributed to the family trust funds.

The week after the explosion, we lent Pike money when they told us they couldn't pay staff and families nor begin the tunnel recovery process. At the time, we thought we would eventually get the loaned money back.

When it became clear to Pike River Coal that it was not solvent, its directors asked NZOG to appoint receivers to wind up Pike's affairs in an orderly way.

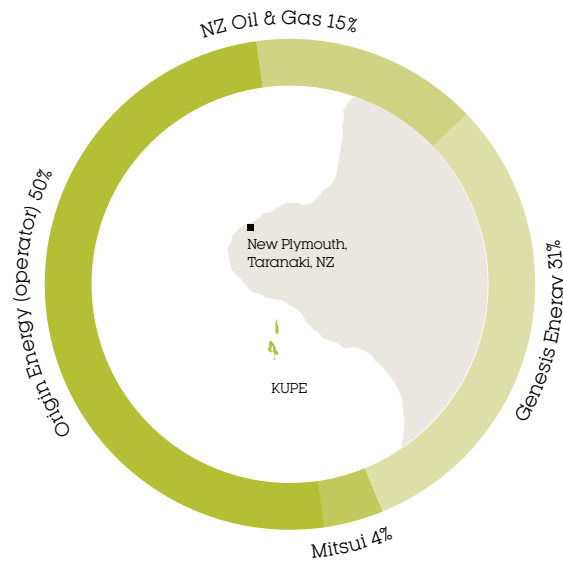
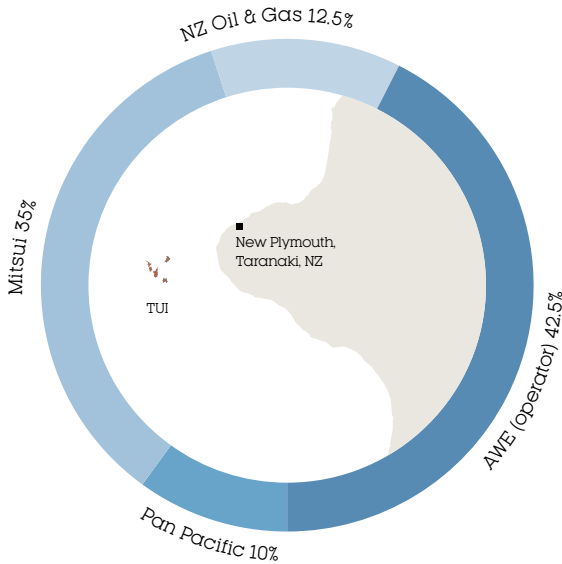
And when small unsecured creditors were owed money by Pike River Coal, we made sure they received everything they were owed up to \$10,000, and 20 cents in the dollar over that.

The disaster created unbearable human losses. No financial contribution could ever be enough. But we have sought to do the right thing. It's what you would expect of us.

PRODUCTION



NEW PLYMOUTH, NEW ZEALAND



TUI

NZOG's revenue from Tui in the quarter was NZ\$7.7 million.

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 406,096 barrels of oil, at an average rate of 4,463 barrels per day. NZOG's share of the oil production was 50,762 barrels.

NZOG's revenue from Tui in the quarter was NZ\$7.7 million.

There was a tanker shipment of 466,302 barrels in the quarter (NZOG share 58,288 barrels). As at 30 June there were approximately 66,840 barrels of oil in stock (NZOG share 8,355 barrels).

Production was stable throughout the period. Major equipment was shipped offshore, and lifted into place for a capital works project to allow the Umuroa to run on lower cost crude oil, rather than more expensive diesel, when fuel gas is not available.

KUPE

NZOG's revenue from Kupe in the quarter was NZ\$21.3 million.

Kupe oil and gas field (PML 38146). NZOG interest 15%

In the three months to the end of June, Kupe produced 5.5PJ of gas (NZOG's allocation 0.82PJ), 23,900 tonnes of LPG (NZOG's share 3,585 tonnes) and 449,476 barrels of light oil (NZOG's share 67,421 barrels).

NZOG's revenue from Kupe in the quarter was NZ\$21.3 million.

Production was stable over the period.

NZOG Production

Product	April - June 2013
Kupe	
Gas	0.82 petajoules
LPG	3,585 tonnes
Light oil	67,421 barrels
Tui	
Tui oil	50,762 barrels



\$29.0m

Production revenue for the quarter.

OFFSHORE TARANAKI BASIN

MATUKU [PEP 51906]

Drilling in the next quarter

NZOG 12.5%, OMV 65% [Operator], Octanex 22.5%

Preparations have been made for drilling the exploration well Matuku-1 with the Kan Tan IV semi-submersible drilling rig. The rig is due to arrive in New Zealand shortly after publication, and it is currently scheduled to start drilling Matuku in September. Matuku-1 is a vertical well in about 130 metres of water. It is planned to be drilled to a depth of 4756m [measured depth below rotary table]. It's expected to take 40 days to drill the well. Weekly announcements will be made while the well is in progress.

The operator, OMV, estimates the mean recoverable resource for the Matuku prospect as 65 million barrels.

If drilling is successful in Matuku-1 either New Zealand Oil & Gas or Octanex may exercise an option for NZOG to acquire a further 5 per cent of Octanex's share, which would equalise each company's interest at 17.5 per cent.

The rig contract allows for a second well, Matuku-2, to be drilled if a discovery is made at Matuku-1.

KAHERU [PEP 52181]

Drilling summer 2014-15

NZOG 35% [Operator], TAG Oil 40%, Beach Energy 25%

Planning has advanced to drill an exploration well in the Kaheru prospect. This relatively near-shore location will require a jack-up drilling rig, and the well is expected to be scheduled for early 2015.

TUI [PMP 38158]

Drilling in late 2013

NZOG 12.5%, AWE 42.5% [Operator], Mitsui 35%, Pan Pacific Petroleum 10%*

Two wells will be drilled in the Tui mining permit with the Kan Tan IV, immediately following Matuku-1. One of these, Oi-1, will test an independent structural closure to the northeast and east of the producing Tui, Amokura and Pateke oil fields.

Preparations also continue for drilling the new extended-reach Pateke-4H well.

*Pan Pacific Petroleum will increase its participation in the Oi well to 50% under the sole risk provisions of the Tui joint Operations Agreement. AWE and Mitsui have elected to participate in the Oi exploration well at reduced equities of 25% and 12.5% respectively, with the option to restore their full equities in any development. NZ Oil & Gas will participate at 12.5%.

TAKAPOU [PEP 53473]

595 km² of 3D seismic acquired

NZOG 50% [Operator], Octanex 50%

NZOG acquired a 3D seismic survey covering most of the block – in total 595 km² – between 3 April and 21 April. The data is being processed in Perth and is expected to be available for interpretation during August. PEP 53473 contains several prospects, including the Kokako prospect at the F Sands level which is the oil reservoir in the Tui, Amokura and Pateke oil fields and closely similar to the Oi prospect in the adjacent mining permit.

WARU PEP 54857

NZOG 100% [Operator]

Pre-existing seismic data across this block is being reviewed and planning for a new survey has commenced.

KAKAPO [PEP 51311]

Permit relinquished

NZOG 100% [Operator]

Despite strenuous global efforts to farm out the Kakapo prospect, it has not been possible to find a partner and secure a suitable rig contract before a deadline at the end of July.

As a result, NZ Oil & Gas determined that at 100% exposure the permit did not fit the company's investment risk criteria when drilling activity is stepping up in a number of other prospects. It therefore returned the permit to the Crown shortly before the end of July.

KANUKA [PEP 51558]

101 km² of 3D seismic acquired

NZOG 50%, Todd Energy 50% [Operator]

Following a systematic interpretation of reprocessed 3D seismic data, a portfolio of prospects has been evaluated and a fault-controlled structure, "Mensa", involving stacked Mangaa Sands [late Miocene-Pliocene] has been ranked as the most attractive. NZOG and the operator are jointly working to farm out the Mensa prospect ahead of a well commitment deadline in December. 101 km² of new 3D seismic data was acquired over the eastern part of the permit and is currently being processed.

TARANGA [PEP 52593]

298 km² of 3D seismic acquired

NZOG 50% [Operator], Octanex 50%

A 3D seismic survey was acquired over an area of 298 km² between 21 April and 1 May. This survey will delineate the Karoro prospect which is the most promising of several in the permit. The seismic data is being processed in Perth and expected to be available for interpretation during August.



NEW PLYMOUTH, NEW ZEALAND

ONSHORE TARANAKI

MANAIA [PEP 54867]

NZOG 40%, New Zealand Energy Corp.
60% [Operator]

Pre-existing seismic data across this block is being reviewed and planning for a new survey has commenced.

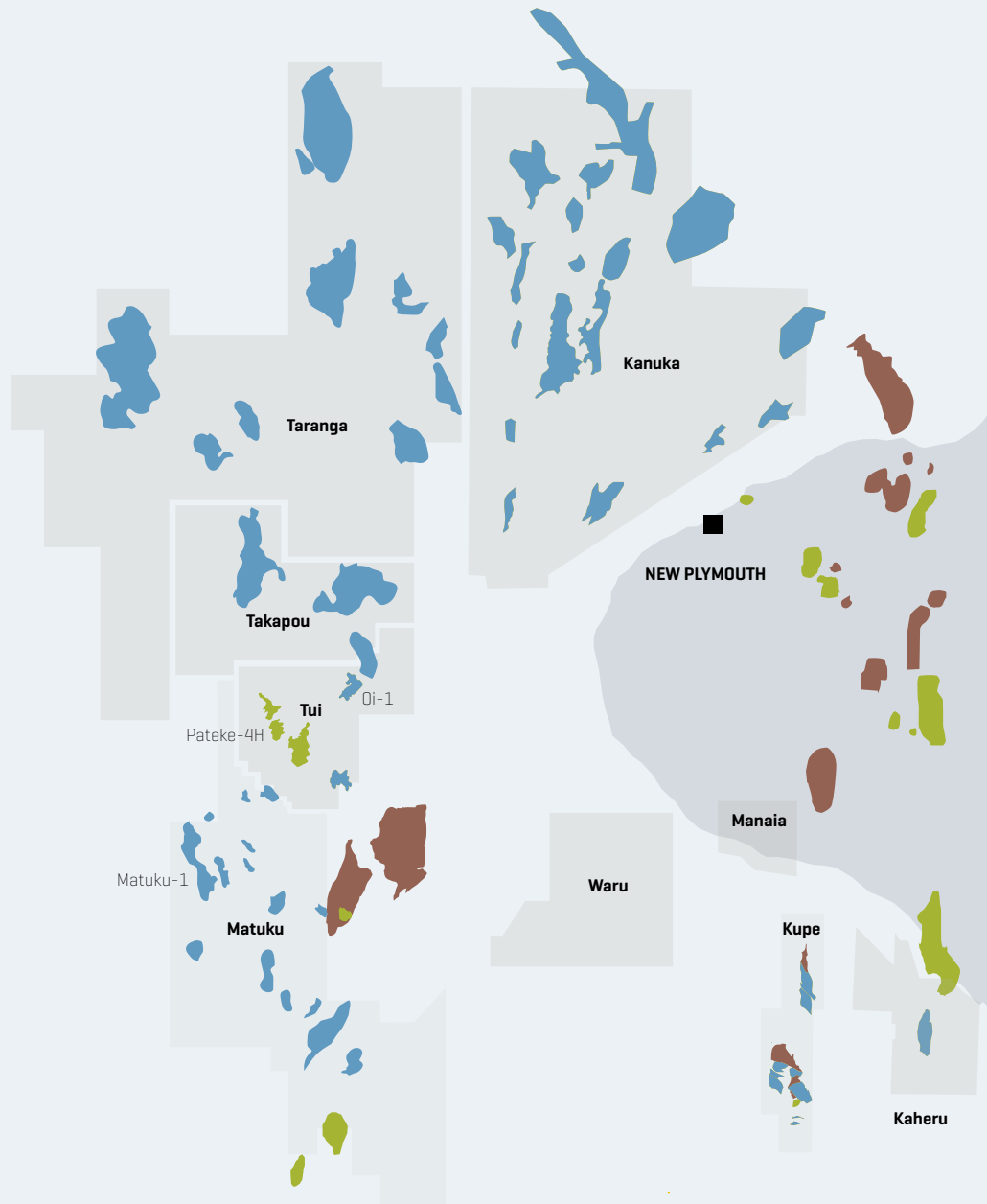
OFFSHORE CANTERBURY BASIN

CLIPPER [PEP 52717]

NZOG 50% [Operator],
Beach Energy 50%

NZOG has applied for ministerial consent to become operator for the Clipper joint venture subsequent to farming in to the permit. Our interest in the permit is also subject to ministerial consent. Existing 2D seismic data is being reprocessed by a Wellington contractor, and planning is in progress for a 3D survey in early 2014.

- GAS
- OIL
- PROSPECTS & LEADS
- NZOG PERMITS





August

Testing in PM-2
Drilling in PM-3



INDONESIA

INDONESIA

Kisaran Production Sharing Contract

Oil recovered

NZOG 22.5%, Pacific Oil & Gas 55% [Operator], Pacific Oil & Gas [Sumatera] Ltd 22.5%.

The Parit Minyak-2 [PM-2] well in this northern Central Sumatra Basin PSC reached a total depth of 9225 feet [2812m] on 8 April.

During drilling several oil shows were noted within sandstones in the Pematang formation in a gross interval of 7500-8900 feet. The base of the oil column was not reached at the cessation of drilling.

Cased hole drill stem tests [DSTs] were conducted over four intervals, each containing multiple sandstones. From the interval 8136-8330 feet the well flowed 37° API oil at rates in the range of 200-400 BOPD [32/64" choke, 80-100 psi flowing well head pressure] with no water.

A hydraulic fracture program has been prepared to stimulate one of the DST intervals in order to increase the productivity of the reservoir. This is expected to begin in early August.

The drilling rig has been moved to the site of the next Kisaran exploration well, Parit Minyak-3, where site preparation is nearly complete. PM-3 is expected to spud around publication date.

Weekly progress announcements will be made during drilling operations.



TUNISIA

Bohorok Production Sharing Contract

Bukit Energy Bohorok PTE Ltd 45% [Operator], NZOG 45%, Surya Buana Lestarijaya Bohorok 10%

Planning is in progress for a 2D seismic survey to be undertaken in early 2014.

TUNISIA

Diodore Prospecting Permit

NZOG 100% [Operator]

The Prospecting Permit has been granted a one year extension, to September 2014, as a result of delays in completing the work programme due to difficulties encountered in procuring existing seismic survey data for reprocessing. The reprocessing project has been progressing well and will provide the principal basis for evaluation of the block's prospectivity, and a decision by mid 2014 as to whether to proceed to a Production Sharing Contract.

Cosmos Concession

NZOG 40%, Storm Ventures International 40% [Operator], Entreprise Tunisienne d'Activities Petrolieres [ETAP] 20%

NZ Oil & Gas has made a decision to withdraw from this concession. Documents have been filed to transfer the interest to Storm Ventures International.



- GAS
- OIL
- PROSPECTS & LEADS
- NZOG PERMITS



29th October

Annual Meeting Date.

NZOG's operating revenue for the June quarter was NZ\$29.0 million. This included revenue from the sale of Tui oil of NZ\$7.7 million and revenue from the sale of Kupe sales gas, LPG and light oil of NZ\$21.3 million.

As at 30 June 2013, NZOG's cash balance was NZ\$158.0 million, with cash held in both NZ and US dollar accounts. NZOG had no outstanding debt at the end of the period.

More financial information is contained in the June 2013 Quarterly Cash Flows Report, which has been released to the NZX and ASX.

Join us at the Annual Meeting or Investor Briefings

New Zealand Oil & Gas Limited will hold its Annual Meeting on Tuesday, 29 October 2013 at the InterContinental Hotel in Wellington, commencing at 9.30am.

The Annual Meeting will be followed by investor briefings in Auckland and Christchurch. The investor briefings are an opportunity for shareholders from other centres to meet directors and management and hear presentations from the Annual Meeting.

A Notice of Meeting, including details of any resolutions and a proxy voting form, will be sent to shareholders in September.

The closing date for director nominations is Thursday, 29 August 2013. Nominations must be made by written notice to the company, and accompanied by the consent in writing of the nominated person.

Put these dates in your diary

ANNUAL MEETING

9.30AM Tuesday, 29 October 2013
InterContinental Hotel, 2 Grey St, Wellington.

AUCKLAND INVESTOR BRIEFING

3.00PM Tuesday, 29 October 2013
Great Northern Room, Ellerslie Event Centre, Auckland.

CHRISTCHURCH INVESTOR BRIEFING

12 Noon, Wednesday, 30 October 2013
Balmerino Room, Riccarton Park, Christchurch.

Dividend 2013

NZOG's results for the financial year ending 30 June 2013 are scheduled to be announced on the 27th of August 2013.

Shareholders resident in New Zealand or Australia are able to choose to invest all or part of their future dividends in taking up additional NZOG shares instead of receiving cash. The plan is a convenient way to reinvest dividends in shares without incurring brokerage charges.

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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External Relations Manager

Call: +64 4 495 2424

Toll free: 0800 000 594

Email: enquiries@nzog.com

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For information about your share holding or to change your address please contact the share registrars as follows:

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Freephone: [NZ] 0800 467 335
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E: enquiry@computershare.co.nz
W: investorcentre.com/nz

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NZOG stock symbols
NZX Shares – NZO
ASX Shares – NZO



OUR FIRST OVERSEAS OIL RECOVERY

Oil has been recovered in the Parit Minyak-2 (PM-2) exploration well in onshore Sumatra.

It's the first time NZ Oil & Gas has been involved in recovering oil to the surface outside New Zealand. But it will be months before we know if the find is commercially viable.

The PM-2 well is the second in the Parit Minyak structure, located about a kilometre and a half north of Parit Minyak-1. When PM-1 was drilled about eight years ago there were non-commercial oil shows in upper and middle Pematang Formation reservoirs. PM-2 spudded in February with the primary objective of testing middle to lower Pematang reservoirs. It reached a total depth of 9225 feet.

It will take a few months to know if PM-2 has established sufficient basis for a commercial development. During drill stem testing it flowed 37° API oil at rates ranging from 200 - 400 barrels per day. This doesn't mean 400 barrels were recovered in a day - the flow rates are measured in periods of minutes to hours, and the 'per day' measurement is an estimate of the rate that would flow if recovery continued for a full day.

The oil recovered from PM-2 is in 'tight' and/or disconnected rock formations. Therefore the well will be hydraulically stimulated in hopes of increasing flow rates. Fractures induced by stimulation typically increase flow rates by a factor of 2-4. Typically after the stimulation the flow rate and pressure quickly increases and as the well flows the pressure tapers off and stabilises. The data collected during this initial flow period allows for an estimate of the size of the oil reservoir. It will likely take several months of flow performance before preliminary estimates are made.

In the meantime the rig has been moved to Parit Minyak-3 (PM-3) located about 1.4 kilometers southwest of PM-1.

Geoscientists from NZ Oil & Gas believe the discovery at PM-2 demonstrates the existence of an active petroleum system in the region. The PM-3 well is a test of different, shallower reservoirs that are potentially charged by the same active petroleum system. If oil is recovered in the primary targets of PM-3 it is expected to come from high quality, aerially extensive reservoirs, meaning it would flow to the surface relatively easily. But until it's drilled no one can be sure.

The operator of the project, our partner Pacific Oil & Gas, has won recognition from the Indonesian regulator for its performance in Kisaran. It was presented with the highest rating 'gold' award for its technical performance and PSC compliance.



Drill site staff display oil recovered at PM-2

