New Zealand Oil & Gas Quarterly Report

ASX:NZO | NZX:NZO

QUARTER HIGHLIGHTS

- Successful capital raising
- Primary listing switched to ASX
- New Australian gas contracts at premium prices
- Mahato production well comes online
- Palm Valley development drilling underway
- Increase in cash receipts of 209 per cent on the same quarter last year

The pro rata renounceable rights offer of ordinary shares, announced in May, was successfully completed. Applications were received under the offer for a total of 55,397,179 new shares, out of 59,520,120 offered. The total proceeds from the subscriptions were NZ$23.3 million. O.G Oil & Gas (Singapore) Pte. Ltd then took up the full shortfall of 4,122,941 shares. New Zealand Oil and Gas therefore successfully completed its pro rata renounceable rights offer of ordinary shares to raise the full NZ$25m.

Late in the quarter, the NZX and ASX approved the conversion of New Zealand Oil & Gas to full listing status on the ASX and foreign exempt status on the NZX. Trading under the new listing categories began from 27 June 2022. Shareholders may choose to trade on either exchange as shares continue to be quoted on both. New Zealand Oil & Gas is now exempt from the bulk of the NZX Listing Rules and fully subject to ASX Listing Rules (subject to any applicable waivers).

The Group entered into agreements enabling sales of uncontracted gas from the Mereenie joint venture into East Coast trading markets, which currently offer premium gas pricing. The first East Coast spot market sale was conducted on 3 May 2022 and spot sales have since averaged a netback of A$34 per GJ, which is significantly more than the average firm contracted sales price. The Group anticipates that spot prices should reduce after winter, however the East Coast gas market remains tight. A multi-well recompletion programme and two new development wells are being planned for the coming 12 months to increase near term production from Mereenie to take advantage of the strong prices being received for East Coast gas.

During the quarter the Mahato oil production well PB-18 in Indonesia entered production at approximately 1,000 barrels of oil per day. PB-18 is the ninth production well in the field and the first in a development that includes 11 more production wells and two injection wells, which are expected to be drilled at a rate of approximately one per month for the next year. Existing oil processing and pipeline capacity is in place to enable immediate sales of new oil production.

Exploration drilling began at Palm Valley in the Amadeus Basin during the quarter. The Palm Valley 12 (PV-12) exploration well had two objectives, a deeper gas exploration target and a shallower gas appraisal target. Due to challenging drilling conditions, immediately post quarter end, the Joint Venture decided to stop drilling toward the deep Arumbera exploration target and instead agreed to sidetrack a lateral wellbore, from PV-12, to evaluate the lower Pacoota 2 / Pacoota 3 sandstone, where natural fractures and associated gas were encountered while drilling this shallower section of the well. If the sidetrack is unsuccessful, the shallower appraisal of the currently producing Pacoota 1 sandstone will be drilled (as previously planned). On current cost estimate revisions, the revised drilling program will be funded by The Group as part of the A$40 million carry agreed to under the Amadeus Assets Sale and Purchase Agreement.

NEW ZEALAND OIL & GAS

FINANCIAL PERFORMANCE

Cash of NZ$64.6 million at 30 June 2022 was up NZ$25.5 million on the prior quarter. This reflects the strong operating cashflows of NZ$14.4 million, outlays on exploration and development activities of NZ$14.8 million as well as the cash injection from the renounceable rights offer of NZ$25.0 million. The spend on exploration and development activities includes NZ$5.9 million towards settling the Group's deferred payment (carry) relating to the Amadeus acquisition.

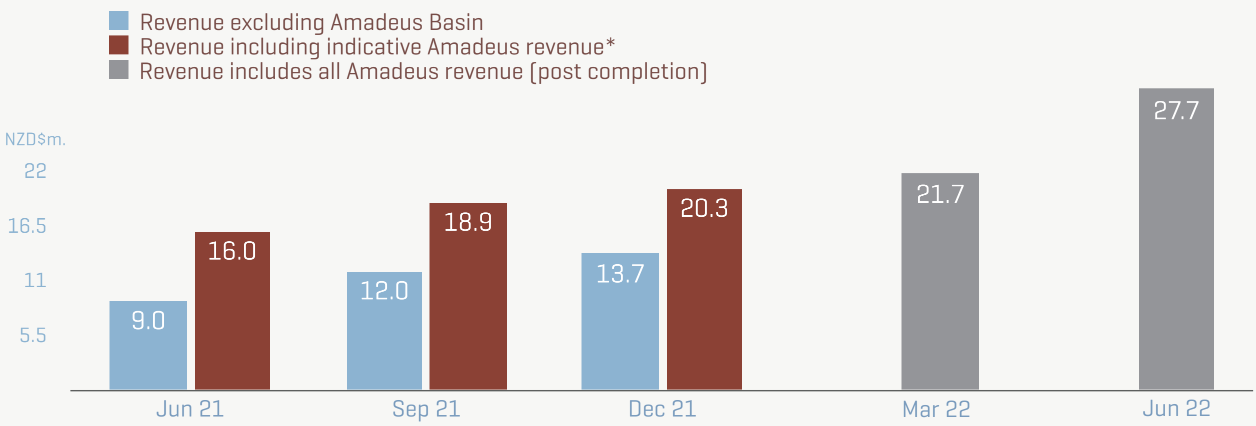
Cash receipts for the quarter totalled NZ$27.7 million, this is a 30 per cent increase quarter-on-quarter and a 209 per cent increase on the same quarter last year, a reflection of high commodity prices and the addition of the Amadeus assets to the portfolio.

Kupe cash receipts were 5 per cent higher quarter-on-quarter, with the higher product prices for LPG and condensate offset by production volumes decreasing by 2.2 per cent based on average daily volumes between the two quarters.

Amadeus cash receipts were 18 per cent higher quarter-on-quarter, with higher oil prices and the commencement of spot gas sales at premium prices from early May 2022, offset by lower production from the Mereenie and Palm Valley which continue to slowly decline in-line with expectations.

Mahato cash receipts were NZ$5.0 million, 181 per cent higher than the previous quarter due to increased production, higher product prices, current higher cost recovery under the Production Sharing Contract (PSC) and timing of cash receipts.

Maari cash receipts of NZ$4.5 million, represent a 45 per cent increase quarter-on-quarter and resulted from a larger than expected Maari oil sale in May which benefited from high oil prices.



*December 2021 Amadeus revenue includes November and December receipts post-completion of the acquisition transaction, and indicative October receipts of $2.0m received as part of the completion adjustment on 1 Oct 2021. The June and September 2021 quarters include indicative Amadeus revenues. These revenues were passed to the New Zealand Oil & Gas Group as part of the completion adjustment on 1 October 2021.

FIELD		Total field this quarter (gross)	Our share previous quarter (net)	Our share June 2022 (net)
Kupe Taranaki, New Zealand	Oil Barrels	152,301	6,495	6,092
	Gas Petajoules	6.11	0.25	0.24
	LPG Tonnes	25,904	1,038	1,036
	Production receipts NZ$m		4.4	4.6
Maari* Taranaki, New Zealand	Oil Barrels	369,362	18,170	18,468
	Production receipts AUD$m		2.9	4.1
Sampang* Java, Indonesia	Oil Barrels		548	636
	Gas Petajoules		0.32	0.32
	Production receipts AU$m		3.2	3.1
Mahato* Sumatra, Indonesia	Oil Barrels		26,256	20,744
	Production receipts AU$m		1.7	4.5
Mereenie Amadeus, NT, Australia	Oil Barrels	36,845	9,125	9,211
	Gas Petajoules	2.81	0.75	0.70
Palm Valley Amadeus, NT, Australia	Gas Petajoules	0.53	0.29	0.26
Dingo Amadeus, NT, Australia	Gas Petajoules	0.35	0.19	0.17
Amadeus Basin	Production receipts AU$m.		8.4	9.3
Total revenue NZ$m equivalent			21.7	27.7

* **Interest held by Cue Energy Resources.** New Zealand Oil & Gas has a 50.04% interest in Cue. Cue's full interest is shown.

SUSTAINABILITY

During the quarter the Group surrendered NZ Emissions Trading System units of 68,859. The Group made donations to the Salk Institutes Harnessing Plans Initiative, Tree's That Count and the Dunedin Curtain Bank and has been undertaking a more comprehensive internal assessment of our carbon emissions and its intensity.

New Zealand Oil & Gas calculates that 8.4 tonnes of CO_2e emissions have been avoided as a result of installation of heavy curtains paid for through its support of the Dunedin curtain bank. The value of savings in reduced electricity bills across the 140 homes that have received curtains is $23,450 per year.

NORTHERN TERRITORY, AMADEUS BASIN

Mereenie (OL4 & OL5)

17.5% New Zealand Oil & Gas

7.5% Cue Energy Resources*

50% Macquarie Mereenie

25% Central Petroleum (Operator)

Palm Valley (OL3)

35% New Zealand Oil & Gas

15% Cue Energy Resources*

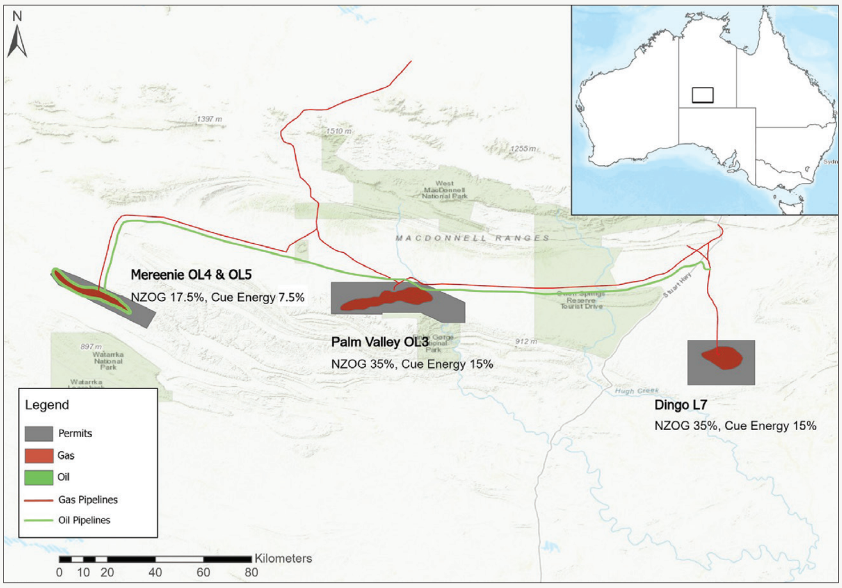
50% Central Petroleum (Operator)

Dingo (L7)

35% New Zealand Oil & Gas

15% Cue Energy Resources*

50% Central Petroleum (Operator)



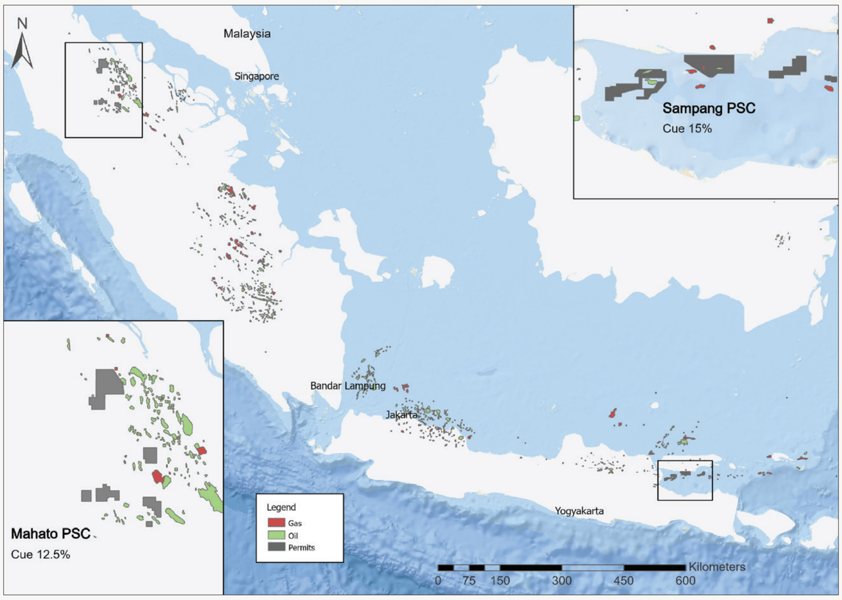
Production from the Mereenie, Palm Valley continued to slowly decline in-line with expectations. Dingo production remained strong in-line with seasonal demand.

The previously advised coiled tubing campaign at Mereenie has been completed and wells returned to production.

The PV-12 exploration well was spudded on the 17th of April. PV-12 was being drilled to evaluate the gas potential of the Arumbera Sandstone formation at 3,560m. Drilling experienced very challenging drilling conditions due to the fractures at this crestal location, and the extremely hard rock formations. On July 12th the Joint Venture made the decision to stop drilling, having reached a depth of 2,335m. Flow tests through the lower P2 to P4 interval of the Pacoota Sandstone have demonstrated minor gas flows to surface, and based on these results it was decided to replace the deeper Arumbera exploration target with an evaluation of the interval via a sidetrack at this level. The sidetrack will extend for approximately 1,000m targeting the lower P2 and P3 formations. If the sidetrack is unsuccessful, the shallower appraisal of the currently producing P1 Sandstone will be drilled (as previously planned).

Due to challenging drilling at the PV-12 site, the Joint Venture has made the decision to defer the drilling of the Dingo Deep well and prioritise near term production enhancement activities across the Amadeus Basin portfolio. The Dingo-5 well will no longer be drilled on this campaign.

* New Zealand Oil & Gas has a 50.04% interest in Cue. Cue's full interest is shown.



Sampang PSC

15% Cue Energy Resources*

Medco Energi Sampang Pty Ltd (Operator)

Gas production from the Sampang PSC continued to perform to expectations during the quarter with a combined average gas production rate of 30mmcfd for the quarter.

Front End Engineering and Design (FEED) studies and reports were completed for the Paus Biru development and are under review by the JV partners.

The Paus Biru development is planned to consist of a single well and wellhead platform at the Paus Biru gas field, with a 27km subsea pipeline connecting the well to existing infrastructure at the Oyong field. Subject to final approvals, gas production from Paus Biru is expected to commence by 2025 at a rate of 20-25 mmcfd.

Commercial agreements and approvals required are progressing and are expected to be completed shortly to allow the Sampang JV to make a final investment decision (FID) during the September quarter.

Mahato PSC

12.5% Cue Energy Resources*

Texcal Mahato EP Ltd (Operator)

At the end of the quarter, the PB field production was approximately 5,000 bopd. During the quarter, the PB-18 production well was drilled and started producing. The next well in the schedule, PB-17, commenced drilling early in July.

Production during the quarter was lower than the previous quarter due to PB-05 and PB-03 wells being offline for repairs and maintenance. By the end of June, PB-05 was back online, with PB-03 expected by the end of July. As announced last quarter, the PB-08 well has been taken off production and is being converted into a water injection well.

On 14 June 2022, Cue announced the approval of a Field Development Optimisation (FDO) plan, by the Indonesian regulator. There are 20 approved production wells in the FDO, with three water injection wells. Including the recently completed PB-18, there are currently nine oil production wells and one water injection well in the field. The remaining 13 wells are expected to be drilled at a rate of approximately one per month over the next year.

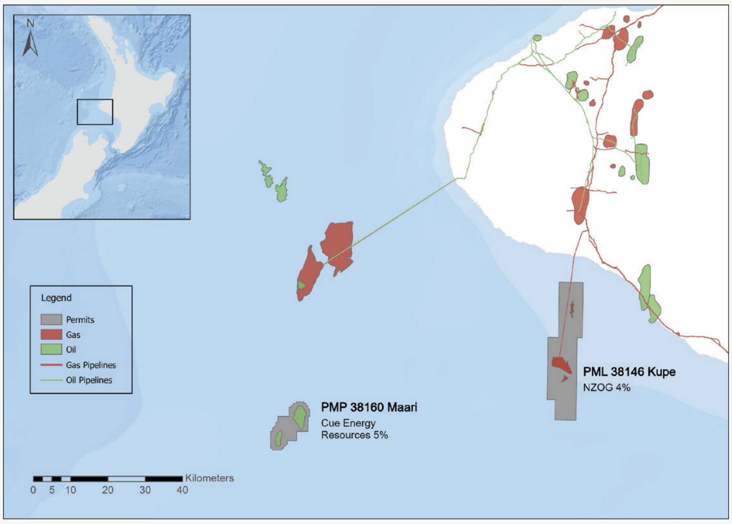
PB-18 development well was drilled and completed during June and started production at 1,000 bopd. It was completed in the Bekasap B and C sands, which are the main producing reservoirs in the field. PB-17 development well commenced drilling from the existing well pad in early July.

Production from the PB field is expected to increase as wells are drilled and put into production. Increased processing and pipeline capacity is included in the FDO approval to facilitate sales of any new oil production.

Planning for further exploration in the PSC is continuing with timing dependent of PB field development drilling.

* New Zealand Oil & Gas has a 50.04% interest in Cue. Cue's full interest is shown.

TARANAKI



Kupe oil and gas field (PML 38146)

4% New Zealand Oil & Gas

50% Beach Energy (Operator)

46% Genesis Energy

The Kupe field continues to produce at maximum field capacity (currently limited by well deliverability) due to a strong demand for gas. Production volumes at Kupe were lower than the previous quarter and in-line with the fields natural decline.

Opportunities to increase field production continue to be investigated. Subsurface analysis, planning and regulatory activities continued during the quarter for the potential drilling of the KS-9 infill/development well in FY24. The joint venture is targeting FID for the KS-9 infill / development well project in early FY23 with the well online in FY24.

Maari and Manaia oil field (PMP 38160)

5% Cue Energy Resources*

69% OMV New Zealand (Operator)

During the quarter, Maari production averaged approximately 4,000 bopd, with MN1 production well shut in due to an Electric Submersible Pump (ESP) fault during May.

A workover was started in early July to replace the ESP and production is expected to restart during the current quarter.

At the MR6a well, temporary de-sanding equipment was installed and fully tested on the well to assess the oil producibility after being shut-in during 2021 due to sand production. The de-sanding equipment performed well but did not result in hydrocarbons being produced and the equipment was demobilized. The operator is preparing plans to enter the well and plug off the damaged section to enable oil production from part of the existing wellbore.

Regulatory approval processes for Jadestone Energy to acquire 69 per cent operated working interest in Maari from OMV are continuing.

* New Zealand Oil & Gas has a 50.04% interest in Cue. Cue's full interest is shown.

Authorised for publication on behalf of the Board by Andrew Jefferies, Managing Director.

New Zealand Oil & Gas Limited

36 Tennyson St, Wellington 6011, New Zealand | +64 4 495 2424 | enquiries@nzog.com | www.nzog.com

ASX:NZO | NZX:NZO

NEW ZEALAND OIL & GAS