

UPDATE

NEW ZEALAND OIL & GAS SOUTHERN COMMUNITY PANEL PANUI

CLIPPER, CANTERBURY BASIN

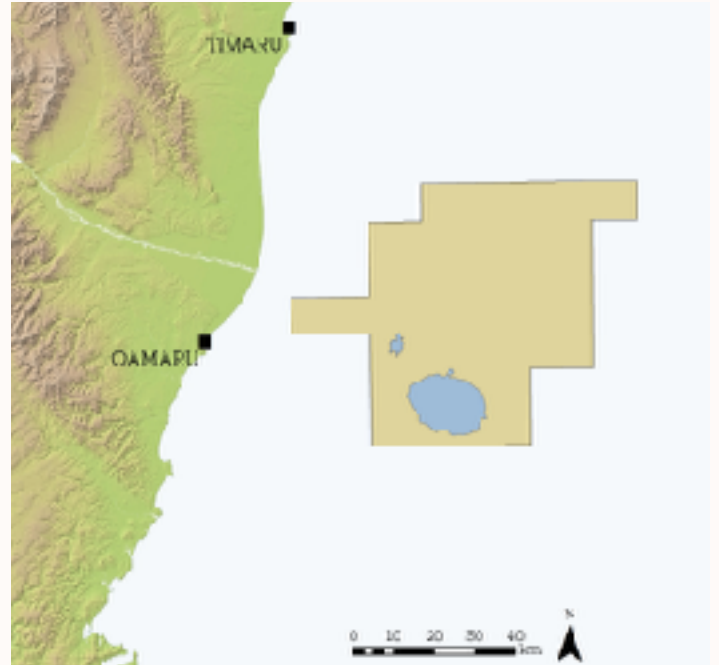
New Zealand Oil & Gas (Operator) 50%
Beach Energy 50%

We're continuing to look for partners to help us drill an exploration well in the promising Barque prospect, within the Clipper permit, located approximately 60 kilometres off the Moeraki coast.

Data analysis since the survey undertaken in 2014/15 shows promise of significant hydrocarbon resource – most likely gas or gas condensate ('light oil') or a combination.

By April 2018 we need to secure a partner and decide whether to commit to drilling the well, which would be in 2020. If we don't commit then the permit and the data we have collected will be returned to the Crown.

We recently commissioned a Regional Economic Impact Assessment to review the economic impact of a commercial discovery at Barque. The report helps answer a common question asked by our communities: 'What will this mean for our region in terms of employment, growth and other economic benefits?'. There's more about this report over the page.



THE CLIPPER PERMIT, SHOWING THE LARGE BARQUE PROSPECT.

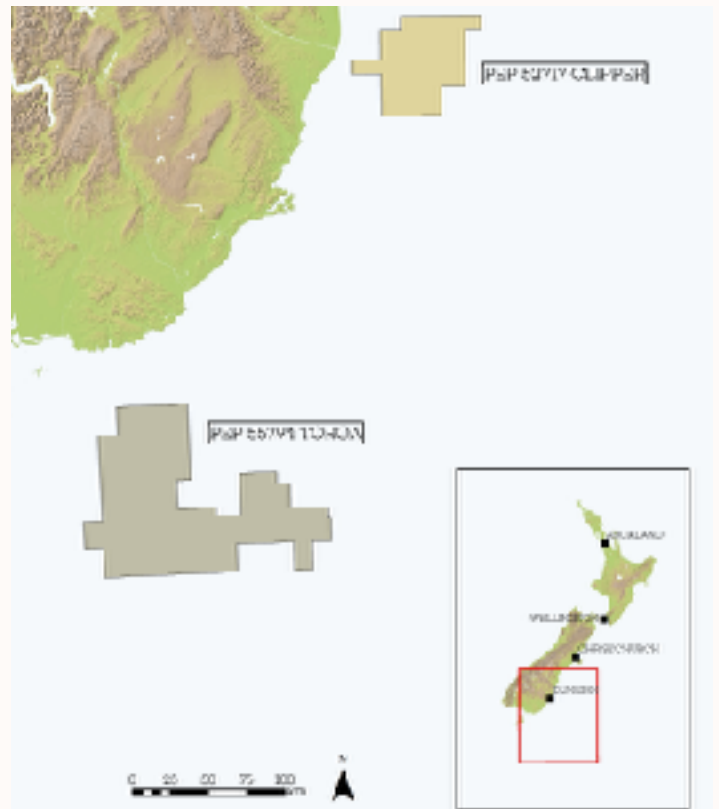
TOROA, GREAT SOUTH BASIN

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

New Zealand Oil & Gas is a joint venture partner with Woodside Energy for the Toroa permit southeast of Bluff.

A 3D seismic acoustic survey of the Toroa permit, covering approximately 1100 square kilometres, was completed in March 2015.

Woodside has been analysing that data and has confirmed the reservoir looks promising as a potentially large gas resource. The key 'drill or drop' date for this permit isn't until 2019 so the joint venture is some distance away from making decisions about our future.



THE CLIPPER AND TOROA PERMITS.

KUPE SALE

We have reduced our holding in the Kupe gas and condensate production station in South Taranaki, from 15% to 4% of the joint venture. This transaction brings opportunity for new investment in production and reserves. We are actively looking for assets that are suitable for our scale, with a preference towards gas and diversification in markets we understand.

SUSTAINABILITY REPORT 2017

We continue to report on the important environmental, social and governance aspects of our business, putting them alongside our economic results. Last year this was a stand-alone Sustainability Report. This year this information was incorporated into our Annual Report, with additional detail on our website.

ECONOMIC BENEFITS OF A DISCOVERY AT CLIPPER

Regional Economic Impact Assessment study

NOW AVAILABLE ON WWW.NZOG.COM

If a big gas discovery is made in the Barque prospect offshore from the South Island, how would that gas be sold, who would buy it, and what would the economic impact be?

In 2017 we commissioned a study to answer these questions. We wanted to find out whether a commercial market would exist for gas, and what the economic benefits could be at a local, regional, and national scale. While no decision has yet been made to drill an exploration well, the study helps to assess the economics of the project.

The study says bringing gas to shore, “has the potential to significantly transform the South Canterbury/Otago economy, as happened in Taranaki following the Maui field discovery.”

The study found that gas brought to shore would be used in major industrial plants, such as dairy processing. Two methanol plants and a fertiliser plant could be commissioned. Oil would be exported and LPG either exported or used domestically. The port at Timaru would be developed.

Development of Barque could double New Zealand’s current oil and gas production.

Up to \$15 billion in GDP and \$32 billion in royalties and taxes could be generated over the life of the field. In total, up to 5,740 FTE jobs per year could be created during construction and around 2,000 enduring jobs in the region.

Our recently developed policy on Capturing Local Benefits will help local business to participate .

One important benefit of a gas discovery is that **some South Island industry would switch from coal to gas**, which would produce much lower emissions of carbon. Supplying New Zealand’s gas to offshore markets would also displace coal from being used as an energy source reducing global carbon emissions. If industrial plants producing outputs such as methanol and fertiliser could be shifted to the South island from overseas, as the study shows would be likely, then that would also amount to a significant reduction in carbon emissions.

Environmental impacts including carbon emissions would be further explored if the project advances to the next stage.

The Regional Economic Impact Assessment was conducted by independent economists Martin Jenkins, and drew on data from Beca Consultants, PrimePort Timaru, Methanex, Coogee Chemicals, Ravensdown, Fonterra, and others.

FEEDBACK

We’d like to hear what you think about our business or the wider industry, and are happy to provide more information on any of our operations – please get in touch with Anna Ririnui, Community Engagement Manager, New Zealand Oil & Gas Anna.ririnui@nzog.com



DOG ISLAND

RESTORING MOTU PIU DOG ISLAND

New Zealand Oil & Gas is proud to be one of the first funders of the Dog Island Motu Piu Charitable Trust as they embark on a mission to restore the land, heritage and environment of Dog Island Motu Piu, 6.5 kilometres south of Bluff.

The local knowledge of the Southern Community Panel drew this project to our attention. The Trust’s goals and values are a good match for our company – as with our work, this project is all about collaboration. Taking a very long-term view, their mission is to reinstate the small island as a conservation and eco-tourism attraction, restoring its significant heritage value (the lighthouse on the island, in the picture above, is operational), and infrastructure to support eco-tourism.

We are assisting with the early stages of the Trust’s 20 year vision, including funding for planting.

MORE IN OUR COMMUNITY

- We partnered with Cosy Homes Otago and Southland Warm Homes Trust, and WISE in Taranaki, to insulate more than 110 Southland, Otago and South Taranaki family homes, helping those with high health needs.
- We provided funding to extend the Wildlife Hospital service over the summer of 2016/17 to provide local (Dunedin) veterinary services for Yellow-eyed Penguins and other wildlife in the region.
- We supported budding scientists from intermediate and secondary students across Otago and Southland, including funding a new website for the Southland Science Fair.
- And we provided extensive support for a range of community projects in South Taranaki.

You can read about the New Zealand Oil & Gas Southern Community Panel [here](http://southern.communitypanel.org.nz/):

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