

30 August 2016

## NEW ZEALAND OIL & GAS ANNOUNCES TENDER OFFER

New Zealand Oil & Gas intends to buy back up to 40 million shares through a tender offer on 16 September 2016.

Details of the offer are set out in a letter to shareholders, which shareholders are being urged to consider.

The maximum price the company intends to pay in the tender is 55 cents, which is a premium of 13.5% to the 30-day weighted average market price and more than 14% above the average price paid by the company for shares purchased this year. Approval to buy back up to 64 million shares was obtained by more than 73% of shareholders who voted at a special meeting on 28 August 2015.

Acting chief executive Andrew Jefferies says the tender offer creates a liquidity event that should spur trading.

"The company has been buying back its shares this year but, because the shares trade in small volumes, it would take years to complete the buy back at current rates of progress.

"Shareholders who wish to sell will have the opportunity at a price that represents a premium to recent share trading.

"The buy back is part of the company's capital management that improves the efficiency of our balance sheet. All remaining shareholders benefit from that.

"The company is reviewing acquisitions of assets coming to market. The asset we understand best is our own, and therefore it makes sense to buy our shares when we see value," Andrew Jefferies says.

New Zealand Oil & Gas intends to continue its on-market buy back program following the tender.



Dear Shareholder

## **New Zealand Oil & Gas tender offer to buy back up to 40 million shares on 16 September 2016**

NZOG announced on 30 August 2016 that it intends to undertake an on-market buyback of up to 40 million shares through a tender offer. This letter sets out how the tender offer will work and how you can participate if you wish to, and the detailed terms.

**If you wish to participate, you should contact your NZX participant share broker before 16 September 2016. If you do not have an NZX participant share broker you will need to register as a client at one prior to the tender offer. You can find a list of NZX Participants at [www.nzx.com/investing/find\\_a\\_participant](http://www.nzx.com/investing/find_a_participant)**

You are not required to participate. **If you do not wish to sell your NZOG shares, you do not have to take any action.**

### **NZOG's on-market buyback programme**

You may recall that, at a Special Meeting on 28 August 2015, more than 73% of shareholders who voted approved a programme for NZOG to buy back up to 64 million of its shares by on-market transactions over a four year period. The buyback programme was proposed because the NZOG board believes that NZOG's shares are currently undervalued, and NZOG has more funds than are needed for current commitments. The buyback programme commenced earlier this year, with small parcels of shares being acquired on market from time to time at an average price of 48 cents.

### **Why is NZOG undertaking a tender offer?**

The tender offer will form part of NZOG's on-market buyback programme. The decision to undertake a tender offer reflects the larger than usual number of shares NZOG is seeking and the desire to create a "liquidity event" for shareholders. NZOG's shares tend to trade in small volumes (given the size of the Company and the average holding of shareholders) and it is hoped that the tender will spur trading, as well as providing shareholders that wish to cash out a good opportunity to do so, at a price which represents a premium to recent share trading for those shareholders who sell and fair value to those who choose not to sell shares.

### **How the buyback will work**

Shareholders who wish to participate in the buyback must submit an offer to sell through their NZX participant share broker. Your offer must specify the number of NZOG shares that you wish to sell to NZOG, and the price you wish to offer them for.

Offers must be submitted by NZX participants after 1 p.m. and before 3 p.m. on *16 September 2016* (all times are New Zealand time).

The maximum price NZOG will pay is 55 cents per share (although NZOG reserves the right to change this by market announcement before 10 a.m. on *16 September 2016*). As the buyback is intended to be completed prior to the record date for the 4 cents per share dividend announced on 24 August 2016, shareholders who accept the tender offer will not be eligible for this dividend.

If shareholders offer to sell 40 million shares or less in total, at or below the maximum price, all those offers will be accepted in full, and all selling shareholders will receive the highest price at which those shares were offered (up to the maximum price). The following example illustrates:

*Example 1:* Shareholders offer to sell 25 million shares in total, 10 million shares for 52 cents per share and 15 million shares for 53 cents per share.

*Result:* All offers are accepted in full and NZOG buys back all 25 million shares offered. All shareholders who offered shares receive 53 cents per share (the highest price at which shares were offered).

If shareholders offer to sell more than 40 million shares in total, at or below the maximum price, all successful offers will receive the same price, which will be lowest price at which 40 million shares can be bought back. All shares offered below that price will be bought back, and offers at that price will be scaled back proportionately in accordance with the further terms below. The following example illustrates how this will work:

*Example 2:* NZOG receives offers for 50 million shares, made up as follows:

<b>Price at which shares offered</b>	<b>Number of shares offered at that price</b>	<b>Cumulative number of shares offered</b>
49 cents per share	15 million	15 million
51 cents per share	20 million	35 million
52 cents per share	10 million	45 million
54 cents per share	5 million	50 million

The buyback price will be the lowest price at which NZOG can purchase 40 million shares, which in this example is 52 cents per share. Shareholders who offered to sell at 52 cents per share (representing 10 million shares) will also receive 52 cents but will be scaled down by half from 10 million to 5 million shares in total. So, all offers at that price will be reduced by the same proportion needed for NZOG to acquire only 5 million shares (in this case, by half). If you have offered to sell 8,000 shares for 52 cents per share, NZOG would buy back 4,000 of those shares at that price. Shareholders who offered to sell at above 52 cents per share will not have their offers accepted. Shareholders who offered to sell at 51 cents per share and below will have their offers accepted in full.

First NZ Capital Securities Limited will execute the tender on behalf of NZOG.

#### **Buyback timetable**

<b>Opening time for offers to be submitted</b>	<i>16 September 2016, 1 p.m.</i>
<b>Closing time for offers</b>	<i>16 September 2016, 3 p.m.</i>
<b>Buyback price and scaling (if any) announced</b>	<i>16 September 2016, as soon as practicable after the closing time</i>
<b>Settlement (acquired shares transferred to NZOG and buyback price paid to NZX participants)</b>	<i>20 September 2016, via the NZX's normal settlement procedures</i>

We expect that shareholders will be notified of their final participation in the buyback by their NZX participant share broker from *16 September 2016*.

#### **Who do I contact if I have any queries?**

If you have any queries about the buyback and whether you should participate, please consult your financial adviser or an NZX participant.

Yours sincerely



Andrew Jefferies  
Acting Chief Executive

## **Further terms for NZOG tender offer buyback 16 September 2016**

Participation in the buyback is open to all NZOG shareholders, including its directors and their associates.

NZOG reserves the right to change the maximum price by NZX market announcement at any time before 10 a.m. (New Zealand time) on *16 September 2016*.

Only NZX participants may submit offers, via the NZX's Special Order Facility. You will need to be a client of the NZX participant for them to be able to submit your offer. You may be charged a brokerage fee by your NZX participant to participate in the buyback. Offers cannot be submitted directly to NZOG, the share registrar or anyone else.

Prices at which shares are offered must be in 0.5 cent increments (i.e. either a whole or whole and half cent price). If you wish you may submit multiple offers, specifying the different volume of shares you are willing to sell at different prices.

If shareholders offer to sell 40 million shares or less in total, at or below the maximum price, all those offers will be accepted in full, and all selling shareholders will receive the highest price at which those shares were offered (up to the maximum price).

If shareholders offer to sell more than 40 million shares in total, at or below the maximum price, the following applies:

- The price all successful offerors will receive will be the lowest price at which NZOG can buy back 40 million shares from the offers received (the buyback price).
- If you offered shares for less than the buyback price, NZOG will purchase all those shares and you will receive the buyback price for them;
- If you offered shares at the buyback price, that offer together with all other offers at the buyback price will be scaled back pro rata (i.e. in the same proportion) to the extent necessary for NZOG to buy back 40 million shares in total. Fractions will be rounded down. NZOG would then buy the scaled back number of shares from you. You would receive the buyback price for them, and retain the remaining shares you offered.
- If you offered shares for more than the buyback price, NZOG will not buy back any of those shares.

All offers must be submitted after 1 p.m. on *16 September 2016* and before NZX closes the Special Order Facility for the buyback at 3 p.m. on the same day. NZX participants can amend and withdraw offers submitted by them until the facility closes, but after then the offers are irrevocable. If you wish to participate, or withdraw or amend an offer, you should contact your NZX participant share broker in advance of this time so that they can process your request. NZOG takes no responsibility if the NZX participant you contact does not submit your offer, amendment or withdrawal in time.

NZOG reserves the right to terminate or postpone the buyback prior to any offers being accepted if the board considers that any of the following resolutions no longer holds true:

- The board of NZOG resolved in compliance with section 63(1) of the Companies Act 1993 that the Chief Executive Officer (together with the Chief Financial Officer as instructed by the CEO) is authorised to make offers, pursuant to the tender offer, on the NZX to all shareholders to acquire up to 40 million shares in NZOG.
- The board also resolved the following in relation to the tender offer:
  - The tender offer is in the best interests of NZOG and its shareholders;
  - The terms of and consideration for the tender offer are fair and reasonable to NZOG and its shareholders; and
  - The board is not aware of any information that will not be disclosed to shareholders which is material to an assessment of the value of the shares in NZOG and as a result of which the terms of and consideration for the tender offer are unfair to shareholders accepting the offer.

- The reasons for the board's conclusions in the resolutions above are:
  - the board believes that NZOG's shares are currently undervalued;
  - NZOG currently has more funds than are needed for current commitments;
  - acquiring shares at or below the maximum price per share set in relation to the tender offer is considered by the board to be an efficient use of capital thereby maximising shareholder value;
  - shareholders have total discretion to choose whether to accept the tender offer; and
  - as an on-market buyback, the purchase price paid by NZOG will not be assessable for income tax as dividends (see further below).
  
- The board also certified that it was satisfied that NZOG will, immediately after undertaking the tender offer, satisfy the solvency test applied under section 52 of the Companies Act 1993.

As the consideration paid by NZOG under the buyback is not a dividend for New Zealand tax purposes, no imputation credits will be attached. However, shareholders who have special tax status, as a result, for example, of trading securities professionally, should consult their tax advisers, as tax may be payable in some circumstances.

After completion of this tender offer, NZOG reserves the right to buy back shares pursuant to its ongoing share buyback programme, as outlined in the notice of meeting for the Special Meeting held on 28 August 2015. The total number of shares NZOG may buy back under the programme is 64 million, including the shares acquired under this tender offer.

**Directors' interests in NZOG shares (as at 26 August 2016)**

1. Mr Saville has an indirect relevant interest in 67,605,896 ordinary shares in NZOG, in the following capacities:
  - as a director of Zeta Energy Pte Limited, which is a beneficial owner of 54,207,553 ordinary shares in NZOG and is also a related company of Pan Pacific Petroleum NL, a holder of 1,454,691 ordinary shares in NZOG;
  - as a director and shareholder of ICM Limited, which is the investment portfolio manager of UIL Limited, a beneficial owner of 6,915,152 ordinary shares in NZOG, and is also the investment advisor of Bermuda Commercial Bank Limited, a beneficial owner of 5,028,500 ordinary shares in NZOG.
  
2. Mr Finlay is the sole director and a shareholder of RGH Holdings Limited. RGH Holdings Limited holds 1,672,503 ordinary shares in NZOG and Mr Finlay has an indirect relevant interest in those shares.