

16 November 2016

New Zealand Oil & Gas interest in Kupe field

New Zealand Oil & Gas has reached agreement to sell its 15 per cent interest in the Kupe gas and oil fields and production station to Genesis Energy for NZ\$168 million. The effective date of the transaction will be 1 January 2017 and includes New Zealand Oil & Gas entitlement to overriding royalty interests.

The agreement is subject to approval by New Zealand Oil & Gas shareholders. A special meeting will be arranged on 16 December 2016. The Board recommends shareholders approve the transaction at that meeting and directors intend to vote shares they control in favour. The approval of the Minister of Energy and Resources will be sought.

"Since we worked with our joint venture partners to upgrade our Kupe reserves over the last year or so, we have been clear that the investment provides considerable upside for our shareholders. The transaction with Genesis allows New Zealand Oil & Gas to realise this upside now, while removing the risks of development and uncertainty around future market conditions," New Zealand Oil & Gas acting-CEO Andrew Jefferies said

"We are delighted to be transacting with a proudly New Zealand-owned entity, as the asset is a significant part of New Zealand's energy infrastructure.

"The offer from Genesis represents a premium that crystallises the value that we see ahead. We expect the transaction to result in a higher share price that will substantially narrow the discount to underlying asset value. Our acquisition activities will be re-energised with an enhanced financial capability that allows us to better diversify.

"Should the transaction be approved at the special meeting, we will return \$100 million to shareholders in 2017.

"The company remains committed to our ongoing exploration obligations and this transaction provides a springboard into new investment opportunities."

First discovered in 1986, Kupe entered production in 2009. It is operated by Origin Energy, which has a 50 per cent interest. Genesis Energy currently holds a 31 per cent interest and Mitsui E&P holds 4 per cent. New Zealand Oil & Gas sells its gas from the field to Genesis, and its LPG to Vector.

"New Zealand Oil & Gas believes the offer from Genesis is fully priced. It is at the higher end of our valuation range and therefore the Board recommends that shareholders should approve the transaction. A notice of meeting will be posted soon," Mr Jefferies said.