

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

Notice is given that a special meeting of shareholders of New Zealand Oil & Gas Limited ("New Zealand Oil & Gas" or the "Company") will be held at Te Wharewaka Function Centre, Odilins Square, 109 Jervois Quay, Wellington at 10am (NZ Time) on Wednesday 12 April 2017.

Resolution

The business of the Special Meeting is to consider and, if thought fit, pass the following resolution for the purposes of NZX Listing Rule 9.1.1(b), Part 15 of the Companies Act 1993 and all other purposes:

"THAT the Scheme of Arrangement:

- a) relating to the return of capital to the holders of Ordinary Shares; and
 - b) relating to the holders of Part-Paid Shares,
- as set out in the Notice of Special Meeting, be approved."

The resolution will be voted on by all shareholders voting together (but subject to the voting thresholds detailed below).

Voting eligibility and thresholds

All shareholders are eligible to vote on the resolution (whether holders of Ordinary Shares or Part-Paid Shares) but, as noted, such votes will be counted separately.

Because the Scheme of Arrangement affects holders of Ordinary Shares differently from the holders of Part-Paid Shares, the voting thresholds for approval of the resolution are:

- a) 75 per cent or more of the votes cast by holders of Ordinary Shares entitled to vote and voting on the resolution; and
- b) 75 per cent or more of the votes cast by holders of Part-Paid Shares entitled to vote and voting on the resolution; and
- c) a simple majority of all the votes of all shareholders entitled to vote on the resolution.

Each of these thresholds must be reached for the resolution to be approved.

Attendance and voting

Your rights to vote may be exercised by:

- **In Person:** attending and voting in person; or
- **Postal Voting:** casting a postal vote. The Board has determined that postal voting is permitted. Postal voting instructions are included in the Voting Card which accompanies this Notice of Special Meeting. You can cast a postal vote online, or complete and send the Voting Card by post, email (as a scanned attachment) or fax so that your vote is received by Computershare Investor Services Ltd no later than 10am on Monday 10 April 2017; or
- **Electronic Voting:** casting an electronic vote. Electronic or online voting instructions accompany this Notice of Special Meeting. Shareholders wishing to vote electronically must do so no later than 10am on Monday 10 April 2017; or
- **By Proxy:** appointing a proxy (or representative) to attend and vote in your place. Your proxy need not be a shareholder of the Company. The form of appointment of a proxy and voting instructions accompany this Notice of Special Meeting. You can appoint a proxy online or complete and send the Voting Card by post, email (as a scanned attachment) or fax so that it is received by Computershare Investor Services Ltd by no later than 10am on Monday 10 April 2017.

On behalf of the Board



Andrew Jefferies
Chief Executive Officer

20 March 2017

See Explanatory Notes on pages 6 to 11 of this document and the additional information set out below.

IMPORTANT INFORMATION

In this Notice of Special Meeting we have included:

- A **timetable of important dates** on page 3.
- A **letter from the Chairman** on page 4.
- The **Scheme of Arrangement** on page 5.
- **Explanatory Notes** on pages 6 to 11. These notes contain an explanation of the Scheme of Arrangement and its effect.
- A copy of the **Application for final orders** on page 12.

This document will assist you, as a shareholder of New Zealand Oil & Gas, to decide whether to vote to approve the capital return.

The capital return is to take place by means of a Scheme of Arrangement under Part 15 of the Companies Act 1993.

The directors of New Zealand Oil & Gas unanimously recommend that you vote in favour of the Scheme.

In view of the importance of the Scheme of Arrangement, if you do not plan to attend the Special Meeting you are urged to use the online voting facility or to complete and return the Voting/Proxy Card as soon as possible.

IF YOU HAVE ANY QUESTIONS, OUR SHAREHOLDER INFORMATION LINES ARE:

Contact:

John Pagani External Relations Manager

- Phone: +64 4 495 2424
- or email enquiries to: enquiries@nzog.com

Defined Terms

In this Notice of Special Meeting certain defined terms have been used as follows:

Board means the board of directors of New Zealand Oil & Gas.

Cancelled Shares means Ordinary Shares to be cancelled by the Company under the Scheme.

Company or **New Zealand Oil & Gas** means New Zealand Oil & Gas Limited.

Employee Share Ownership Plan means the New Zealand Oil & Gas Limited Employee Share Ownership Plan, as more particularly described in the Plan Rules.

Group or **New Zealand Oil & Gas Group** means New Zealand Oil & Gas and each of its subsidiaries.

Listing Rules means the NZX Main Board/Debt Market Listing Rules.

Notice of Special Meeting means this notice of meeting.

NZSX means the main board equity security market operated by NZX.

NZX means NZX Limited.

Part-Paid Share means a part paid share issued by the Company pursuant to the Employee Share Ownership Plan.

Plan Rules means the Plan Rules of the Employee Share Ownership Plan adopted by the Board on 3 May 2013.

Ordinary Share means a fully paid-up ordinary share in the capital of the Company.

Scheme or **Scheme of Arrangement** is the scheme set out on page 5.

Special Meeting means the special meeting of shareholders called by this Notice of Special Meeting, and any adjournment of that meeting.

Important Dates

17 March 2017	Initial court orders received
10 April 2017	Record date for voting entitlements for the Special Meeting
12 April 2017	Special Meeting of shareholders
12 April 2017*	Receipt of binding ruling from Inland Revenue
4 May 2017*	Receipt of the final court order approving the Scheme
18 May 2017*	Record date for determining the entitlements of shareholders to participate in the Scheme
22 May 2017*	Date for dispatch of new holding statements reflecting shareholding movements
25 May 2017*	Payment for Cancelled Shares

[All dates given are for New Zealand time]

*All the dates following the special meeting on 12 April 2017 are indicative only and may change. Among other things, the events timetabled are subject to court approval and satisfaction of the conditions to the Scheme of Arrangement.

CHAIRMAN'S LETTER

20 March 2017



Dear shareholder,

On 1 January 2017 New Zealand Oil & Gas completed the sale of its interests in the Kupe gas field to Genesis Energy at a very favourable price of NZ\$168 million. Given the positive effect that transaction had on the Company's balance sheet, the Company now finds itself with capital surplus to requirements and intends to return NZ\$100 million to its shareholders by distributing the equivalent of approximately 31.4 cents per share to every holder of Ordinary Shares.

THE COMPANY IS RETURNING MONEY TO YOU

The Kupe transaction allowed the Company to realise exceptional value from the Kupe investment and, in turn, resulted in a robust balance sheet, with capital now beyond what the business requires for its planned activities. Therefore, the Company intends to return this surplus capital to its shareholders.

This return of capital is significant, but will not prevent the Company from continuing to pursue value-enhancing opportunities in a way that leads to improved diversification for the Company.

WHY THE COMPANY IS RETURNING MONEY IN THIS WAY

The board considered a number of ways of returning surplus capital to shareholders, and determined that using a scheme of arrangement best achieves a balance between a range of factors, including shareholder interests, simplicity, timeliness, and achieving the desired outcome of returning NZ\$100 million to shareholders on a proportionate basis.

HOW THE RETURN OF CAPITAL WILL WORK AND HOW YOU ARE AFFECTED

The procedure proposed by the board will result in the Company cancelling 1 out of every 2 Ordinary Shares at a price of 62.7¹ cents per Ordinary Share cancelled [which means that shareholders will receive the equivalent of 31.4² cents for every Ordinary Share that they now hold].

The result will be that shareholders will hold half the Ordinary Shares they held before the scheme.

Part-Paid Shares which have been issued as part of the Company's Employee Share Ownership Plan will not participate in the return of capital, but as those shares would normally participate in distributions from the Company in proportion to the amount of capital paid up on them, that outcome is also part of the Scheme which shareholders will be asked to vote on. The directors of the Company do not hold any Part-Paid Shares.

PLEASE MAKE SURE YOU VOTE

The capital return requires approval by a majority of all voting rights entitled to be voted on the resolution.

It also requires approval by 75% or more of the votes cast by the holders of Ordinary Shares and by the holders of Part-Paid Shares.

A postal voting and proxy voting form accompany this letter. If you are not planning to attend the meeting in person, you should vote through one of these methods or through the online facility.

The Scheme is conditional upon approval by shareholders at the Special Meeting, receipt of a final court order approving the Scheme, and receipt of an Inland Revenue ruling that the return of capital will not be treated under New Zealand tax laws as a payment in lieu of a dividend. Payment of the capital return will be made following the satisfaction of these conditions.

Once these steps have occurred, the Company will announce to NZX the record date that will apply to set entitlements to participate in the Scheme and receive the relevant amounts.

All directors support the Scheme and recommend that you vote in favour of the resolution, as set out in this Notice of Special Meeting, at the Special Meeting on Wednesday 12 April 2017.

On behalf of the directors



Rodger Finlay
Chairman

PS: Your vote is important. A majority of votes entitled to be cast must be cast or the capital return won't take place.

Please make sure you vote:

- by post;
- electronically/online;
- in person; or
- by appointing a proxy.

¹ The exact figure of NZ\$0.62724388 has been rounded here.

² The exact figure of NZ\$0.31362194 has been rounded here.

SCHEME OF ARRANGEMENT BETWEEN NEW ZEALAND OIL & GAS LIMITED AND ITS SHAREHOLDERS

Introduction

- A. New Zealand Oil & Gas Limited [the “Company”] has proposed an arrangement between it and its shareholders, the terms of which are set out in this document.
- B. The arrangement will take effect only if:
- a) the Company receives a binding ruling from the Commissioner of Inland Revenue that the amount to be paid to shareholders is not in lieu of payment of a dividend;
 - b) the arrangement is approved by shareholders, by resolution approved by:
 - i) 75 per cent or more of the votes cast by those holders of Ordinary Shares entitled to vote and voting on the resolution;
 - ii) 75 per cent or more of the votes cast by those holders of Part-Paid Shares entitled to vote and voting on the resolution; and
 - iii) a simple majority of the votes of those shareholders entitled to vote on the resolution; and
 - c) the arrangement is approved by the Court in accordance with section 236 of the Companies Act 1993 [New Zealand].

Terms

1. DEFINITIONS

1.1 In this Scheme:

Business Day means any day [other than a Saturday, Sunday or public holiday in New Zealand] on which banks are open for business in Wellington, New Zealand.

Ordinary Share means a fully paid-up ordinary share in the capital of the Company.

Part-Paid Shares means the part paid shares issued by the Company pursuant to the New Zealand Oil & Gas Limited Employee Share Ownership Plan, as more particularly described in Plan Rules of the Employee Share Ownership Plan adopted by the board of directors of the Company on 3 May 2013.

Record Date means the 10th Business Day after the date on which the fact that the final order from the High Court of New Zealand has been made pursuant to section 236[1] of the Companies Act 1993 sanctioning the arrangement is notified to NZX Limited.

Scheme means this scheme of arrangement.

Special Meeting means the special meeting of shareholders, and any adjournment of that meeting, to be held to consider and, if thought fit, approve the Scheme.

2. SCHEME

- 2.1 One Ordinary Share out of every two Ordinary Shares registered in the name of each shareholder of the Company at 5.00pm [New Zealand time] on the Record Date will be cancelled [together with all the rights attaching to those Ordinary Shares]. For this purpose, no action will be taken in respect of any fractional calculation or entitlement, and any one share in remainder will continue to be held.
- 2.2 Within 5 Business Days after the Record Date, the Company will pay to each holder of Ordinary Shares NZ\$0.62724388 multiplied by the number of Ordinary Shares registered in the name of the shareholder that have been cancelled in accordance with clause 2.1, rounded to the nearest whole cent.
- 2.3 Holders of Part-Paid Shares will not participate in the return of capital set out in clauses 2.1 and 2.2 in respect of those Part-Paid Shares. The original terms of issue of each Part-Paid Share will not change.

3. AMENDMENT

- 3.1 The Company reserves the right to amend this Scheme at any time and from time to time provided that any such amendment must be contained in a written document which is filed with the Court and, if made following the Special Meeting, approved by the Court and communicated to shareholders in the manner required by the Court [if so required].
- 3.2 Any amendment to this Scheme may be proposed by the Company at any time prior to or at the Special Meeting with or without any other prior notice or communication and, if so proposed and accepted by the persons voting at the Special Meeting, will become part of this Scheme for all purposes.

EXPLANATORY NOTES

Resolution for Approval of Scheme of Arrangement

1. SUMMARY OF SCHEME OF ARRANGEMENT

On 16 December 2016, a special meeting of shareholders was held to approve the sale of the Company's interests in the Kupe gas field to Genesis Energy for NZ\$168 million. The notice for that meeting stated an intention to return \$100 million of the sale proceeds to shareholders, and the Chairman confirmed that intention at the meeting. The Kupe sale transaction completed on 1 January 2017, and it was announced on 4 January 2017 that work to return NZ\$100 million to shareholders was underway.

The Board has determined that the most appropriate means of effecting the return is by means of a court approved scheme of arrangement under Part 15 of the Companies Act 1993. A scheme of arrangement is fair to all shareholders as it enables a return of capital on a pro-rata basis [subject to the non-participation of Part-Paid Shares in the return of capital under the Scheme, for the reasons discussed in note 9C below]. In addition, a scheme of arrangement does not alter the relative voting and distribution rights of shareholders in any material way, noting the very small change in voting and distribution rights which results from the non-participation of the Part-Paid Shares in the share cancellation under the Scheme (discussed in further detail in notes 9B, 9C and 17 below).

Under the Scheme, the Company will cancel half of your Ordinary Shares in consideration of the payment of NZ\$0.62724388 per Ordinary Share cancelled.

Part-Paid Shares which have been issued as part of the Employee Share Ownership Plan will not participate in the return of capital.

The Company obtained initial court orders relating to the Scheme on 17 March 2017. These orders directed that the Scheme must be approved by a resolution of shareholders.

The Company has therefore called this Special Meeting to consider a resolution to approve the Scheme. The resolution requires approval by:

- 75 per cent or more of the votes cast by holders of Ordinary Shares entitled to vote and voting on the resolution; and
- 75 per cent or more of the votes cast by holders of Part-Paid Shares entitled to vote and voting on the resolution; and
- a simple majority of the votes of those shareholders entitled to vote on the resolution.

Unlike a standard special resolution, this resolution must also be passed by a majority of all voting rights (including voting rights of shareholders who do not vote). It is therefore important that all shareholders cast their vote using one of the methods set out in this Notice of Special Meeting.

If the resolution of shareholders is passed, the Company will then seek a final order from the High Court sanctioning the Scheme. This is expected on 4 May 2017.

In the event that the resolution of shareholders is not passed, the Scheme will not proceed (although the Company may consider alternative arrangements for a distribution which it would notify to shareholders).

The carrying out of the Scheme is dependent on receiving a binding ruling from Inland Revenue that the return of capital is not a payment in lieu of a dividend.

2. WHAT IS THE SCHEME OF ARRANGEMENT?

Subject to approval by shareholders, the receipt of final orders from the High Court sanctioning the Scheme, and a binding ruling from Inland Revenue that the Scheme is not in lieu of payment of a dividend, the Scheme will operate as follows:

a) Ordinary Shares

The Scheme would involve the Company cancelling one out of every two Ordinary Shares on issue in consideration of the payment of NZ\$0.62724388 per cancelled share, with the resulting effect that a shareholder will:

- hold half the Ordinary Shares they held before the Scheme (rounded up in the case of a half share); and
- have in effect received a payment equivalent to NZ\$0.31362194 for each Ordinary Share held before the Scheme.

In total, the holders of the Ordinary Shares will have received NZ\$100 million while the resulting number of Ordinary Shares on issue will be reduced from approximately 318.86 million to approximately 159.43 million.

b) Part-Paid Shares

The Scheme would involve no action being taken in respect of any Part-Paid Share with the effect that holders will retain the same number of such shares and the issue price to be paid will not be affected. The number of Part-Paid Shares on issue will remain as approximately 8.4 million³.

The Scheme of Arrangement is set out in greater detail on page 5.

3. WHY IS THE BOARD RECOMMENDING THE SCHEME?

The Board considered a number of ways of returning surplus capital to shareholders, and determined that using a scheme of arrangement best achieves a balance between a range of factors, including shareholder interests, simplicity, timeliness, and achieving the desired outcome of returning \$100 million to shareholders on a proportionate basis.

4. HOW MANY OF MY SHARES WILL BE CANCELLED?

Holders of Ordinary Shares will have half the Ordinary Shares they hold cancelled.

Holders will receive an updated holding statement from the Company's share registry, which will show the reduction of your shareholding following the share cancellation, together with a statement showing:

- the payment you have received for the cancellation of one out of two shares; and
- the reduction of your shareholding following the share cancellation.

Fractional calculations will be ignored (i.e. you will keep any one share in remainder).

³ Subject to any changes as a result of forfeiture of part-paid shares under the Employee Share Ownership Plan, for example where a person leaves the employment of the Company.

5. WHAT PRICE WILL I RECEIVE FOR CANCELLED SHARES?

You will receive NZ\$0.62724388 for every Ordinary Share that is cancelled. The volume weighted average price of Ordinary Shares on NZSX over the 20 trading days prior to the date of this Notice of Special Meeting was NZ\$0.6248.

6. WILL I STILL BE ABLE TO TRADE MY SHARES?

If you wish, you may buy or sell your Ordinary Shares. However, Part-Paid Shares are subject to the restrictions on transfer as set out in the Plan Rules. A Record Date will be announced in the future which will set the date on which entitlements to participate in the Scheme will be determined.

7. DOES THE SCHEME APPLY TO ALL SHAREHOLDERS?

Yes, but holders of Part-Paid Shares will not have any of their Part-Paid Shares cancelled under the Scheme and will not receive any payment under the Scheme.

8. IS THERE AN INDEPENDENT REPORT ADVISING ON THE SCHEME?

The Board has not commissioned an independent report. It was not considered necessary to do so, as the Scheme simply involves returning cash pro-rata to all holders of Ordinary Shares and makes no change to the Part-Paid Shares. The Board considers that there is adequate disclosure about the Scheme in this Notice of Special Meeting for shareholders to assess the implications of the Scheme.

9. WHAT IS THE EFFECT ON THE COMPANY'S SHAREHOLDERS' EQUITY AND ASSET BASE?

A. Summary

This note contains unaudited pro-forma summary financial information which is provided to assist in understanding the financial position of the New Zealand Oil & Gas Group post the Kupe sale transaction, the Tui sale transaction [described below], and the proposed NZ\$100 million return of capital.

The Tui sale transaction was the sale of the company holding the Group's 27.5 per cent interest in the Tui area oil fields (off Taranaki) to Tamarind, a Malaysian company, for US\$750,000. The transaction had an economic effective date of 1 January 2017. Further detail on this transaction is available in the announcement released to NZX on 14 February 2017.

The unaudited condensed interim financial statements of the Group for 31 December 2016 (the end of the most recent financial half year of the Group) have been used to present the pro-forma summary financial information.

The presentation gives an indication of what the Company's financial position and number of shares on issue would be had the Kupe and Tui sale transactions as well as the NZ\$100 million return of capital been completed on 31 December 2016. The actual results and financial position may differ from these provisional estimates. Although this represents an historical pro-forma position, it provides a useful indication of the impact on the Group of these events.

Group as at 31 December 2016 (unaudited) \$ thousands

	As reported	Pro-forma (i)	Pro-forma (ii)
	Published financial statements	Provisional financial information reflecting the Kupe and Tui sale transactions	Further adjusted to show the effect of the NZ\$100 million return of capital
Current Assets	232,003	248,826	148,826
Non-Current Assets	72,058	49,918	49,918
Total Assets	304,061	298,744	198,744
Current Liabilities	74,711	9,066	9,066
Non-Current Liabilities	56,445	21,320	21,320
Total Liabilities	131,156	30,386	30,386
Net Assets	172,905	268,358	168,358
Share Capital	308,636	308,636	208,636
Reserves/retained earnings	[141,240]	[45,787]	[45,787]
Non-Controlling Interest in subsidiaries	5,509	5,509	5,509
Total Equity	172,905	268,358	168,358
Number of shares ['000]	326,275 ¹	327,275 ²	167,848

¹ This is the number of shares as at 31 December 2016.

² The number of shares as at 8 March 2017 has been used, for illustrative purposes.

NOTES TO THE UNAUDITED PRO-FORMA SUMMARY FINANCIAL INFORMATION

1. Basis of presentation of unaudited and Pro-forma summary financial information:

The published financial statements are summary financial information extracted from the Group's unaudited condensed interim financial statements as at 31 December 2016.

The unaudited consolidated 'Pro-forma (i)' summary financial information reflects the Group as if the Kupe and Tui sale transactions had occurred as at 31 December 2016.

The unaudited consolidated 'Pro-forma (ii)' summary financial information reflects the Group as if the NZ\$100 million return of capital had occurred as at 31 December 2016.

The unaudited consolidated pro-forma summary financial information of the Group is presented in New Zealand dollars rounded to the nearest thousand unless otherwise stated and has been prepared in accordance with the accounting policies of the Company which are set out in the Company's Annual Report for the year ended 30 June 2016, available on its website at <http://www.nzog.com/investorinformation/company-reports/annual-reports/>

2. Notes to the pro-forma adjustments made in preparing the unaudited pro-forma balance sheet

- i) The pro-forma adjustments disclose the provisional de-recognition of assets and liabilities associated with Kupe and Tui and include:
- a. Deduction of working capital balances [cash, receivables, prepayments, inventories, other financial assets and payables] arising from the New Zealand Oil & Gas Group's interest in the Kupe and Tui joint ventures which are transferred on sale.
 - b. Elimination of the carrying value of the Kupe and Tui oil and gas assets [recorded at cost] and the associated rehabilitation provisions and deferred tax balances.
 - c. The current tax obligations within Kupe and Tui are presented net of New Zealand Oil & Gas Group tax losses.
 - d. The pro-forma adjustments in presenting the cash consideration and indicative gain on sale present the receipt of cash from the sales of the Kupe and Tui and an indicative resulting net gain on sale. The gain on sale presented above is an illustration only of what the gain on sale would have been had the sale been completed on 31 December 2016. It also assumes an estimate of transaction costs of NZ\$0.6 million. The final gain on sale recorded on the Kupe and Tui sale transactions will differ from the example presented as it is dependent on the net carrying value of the Kupe and Tui assets at the date of the transaction, working capital adjustments and the actual transaction costs incurred.
- ii) The pro-forma adjustments disclose the impact of the proposed return of capital of NZ\$100 million. The adjustment presents a reduction of the cash balance and a reduction in share capital of NZ\$100 million.
- No other adjustments have been made in the pro-forma financial information that may arise as part of the disposal of Kupe and Tui.

B. Effect on shareholders' equity and NAV

The net financial effect of the Scheme will be to reduce New Zealand Oil & Gas Group shareholders' equity (and net assets) by NZ\$100 million to approximately NZ\$168 million.

Based on the 31 December 2016 Financial Statements adjusted for the effect of Kupe and Tui sale transactions as above, the net asset value per share will change from NZ\$0.82 to NZ\$1.00 as a result of implementation of the Scheme.

For information purposes, an adjusted (pro-forma) net asset value per share has been calculated that excludes the Cue Energy Resources Limited non-controlling interest in net assets which are fully consolidated for accounting purposes. This adjusted asset value per share only includes the 49.96%⁴ in Cue Energy Resources Limited which was attributable to shareholders of the Group as at 31 December 2016 (not 100% as reflected in the figures presented above). On this basis, the adjusted net asset value per share would change from NZ\$0.77 to NZ\$0.91 as a result of implementation of the Scheme.

Net asset value per share is defined as Total Assets less Total Liabilities divided by the total number of shares on issue.

The total number of shares on issue includes Ordinary Shares and Part-Paid Shares.

The shareholders' equity and net asset value per share are indicative only as the actual financial information of the Group will differ to reflect the financial information at the time of completion of the Scheme.

It should be noted that, as Part-Paid Shares are not cancelled under the Scheme, the implementation of the Scheme will have a slightly dilutionary effect on holders of Ordinary Shares. This effect will be slight, because Part-Paid Shares only represent 2.6% of the shares on issue before the Scheme (5.0% after the Scheme), and only participate in distributions to the extent they are paid up (usually one cent of the total issue price). As a result of the Scheme, a holder of 10,000 Ordinary Shares is expected to experience a reduction in relative distribution rights from 0.003135% to 0.003134%. In comparison, the aggregate share of distribution rights of all holders of Part-Paid Shares is expected to increase from 0.036% to 0.072% as a result of the Scheme.

C. Effect on holders of Part-Paid Shares

The Part-Paid Shares are excluded from the operation of the Scheme, which preserves the rights attached to that class of shares. Under the Scheme, the original terms of issue of each Part-Paid Share will not change.

In particular, the non-participation of the Part-Paid Shares in the return of capital and share cancellation under the Scheme preserves a key aspect of their underlying value. This is explained below.

Part-Paid Shares only participate in capital and other distributions in proportion to the amount paid upon the share (usually 1 cent out of the initial issue price for the Part-Paid Share). If the holders of Part-Paid Shares participated in the Scheme on the same basis as Ordinary Shares, and half the Part-Paid Shares were cancelled, they would in total receive only approximately \$35,787 from the approximately 8.4 million shares they hold.

A feature of the Part-Paid Shares is the right holders of Part-Paid Shares have (after applicable escrow periods) to pay up the shares and sell them on market. If the issue price of the Part-Paid Shares is below the market price of Ordinary Shares at the time of sale, the holder will make a profit. If half the Part-Paid Shares were cancelled under the Scheme, the holders of those shares would be deprived of half of this potential benefit, for a very low payment in respect of the cancellation.

This issue is particularly pertinent for holders of Part-Paid Shares having an issue price which is currently below the market price of Ordinary Shares. Such shares have an inherent value reflecting this price differential, which would be lost if the shares were cancelled.

By excluding the Part-Paid Shares from the Scheme, this effective "option value" is preserved.

⁴ 50.01% of Cue Energy Resources Limited was owned by the Group as at 8 March 2017.

In addition, because they do not receive any return of capital and therefore do not have any of their shares cancelled, the holders of Part-Paid Shares will, on payment of the balance of the issue price of their shares, hold a greater proportion of the capital of the Company than they would if the Scheme did not occur.

This proportionate increase in ownership [approximately 8.4 million of approximately 168 million shares as an increase from approximately 8.4 million of approximately 327 million] compensates the holders of Part-Paid Shares for not participating in the capital return. The simplest way to illustrate this effect is to consider the net asset value per share where the Part-Paid Shares are fully paid with, or without, the Scheme.

NAV/SHARE WITHOUT SCHEME BUT POST RECEIPT OF BALANCE OF ISSUE PRICE OF PART-PAID SHARES	NAV/SHARE IF SCHEME IS APPROVED BUT POST RECEIPT OF BALANCE OF ISSUE PRICE OF PART-PAID SHARES
NZ\$0.84004	NZ\$1.04216

The figures above are based on the 31 December 2016 Financial Statements adjusted for the effect of Kupe and Tui sale transactions as above.

The Board considers that the structure of the Scheme is fair to the holders of Part-Paid Shares even though they do not receive any cash return under it.

It should be noted that, unless otherwise stated, all calculations in this note and elsewhere in this Notice of Special Meeting are based on the number of shares on issue as at 8 March 2017.

10. WHAT IS THE EFFECT ON DIRECTORS' HOLDINGS?

Directors of the Company and associated persons of directors who legally and/or beneficially own Ordinary Shares will participate in the Scheme in exactly the same way as all other shareholders in the Company. The number of Ordinary Shares in which directors and/or their associated persons have relevant interests as at 8 March 2017 and the dollar amounts they will receive if their holdings do not change prior to the Record Date, are noted below. Directors and/or their associated persons have no relevant interests in Part-Paid Shares.

DIRECTOR	NATURE OF HOLDING	NUMBER AND CLASS OF SHARES HELD (AS AT 8 MARCH 2017)	NZ\$ RECEIVED THROUGH SCHEME
Mr R J Finlay	Indirect interest [as sole director and shareholder of R G H Holdings Limited]	1,672,503 Ordinary Shares	524,533
Mr D Saville	Indirect interests. 54,207,553 ordinary shares are held by Zeta Energy Pte Ltd [a company Mr Saville is a director of], 5,028,500 ordinary shares are held by Bermuda Commercial Bank Ltd and 6,915,152 ordinary shares are held by UIL Limited. Mr Saville has a material indirect interest in the shares held by these companies though an indirect shareholding in UIL Limited [which is the indirect controlling shareholder of Zeta Energy Pte Ltd] and Somers Ltd [which owns 100% of Bermuda Commercial Bank Ltd]. Mr Saville is also the shareholder and a director of ICM Ltd which is the investment adviser to or the portfolio manager of Zeta Energy Pte Ltd, Bermuda Commercial Bank Ltd and UIL Limited. Zeta Energy Pte Ltd holds approximately 50.9% in Pan Pacific Petroleum NL. Zeta Energy Pte Ltd and Pan Pacific Petroleum NL are related bodies corporate. Pan Pacific Petroleum NL is the holder of 1,454,691 ordinary shares in New Zealand Oil & Gas.	67,605,896 Ordinary Shares	21,202,692

Directors and/or their associated persons are entitled to vote on the resolution to approve the Scheme. The directors intend to vote their own Ordinary Shares in favour of the Scheme.

11. WHAT IS THE TIMING FOR THE DISTRIBUTION?

There is a timetable set out on page 3 of this Notice of Special Meeting. The actual record date is likely to change depending on the date the Court makes its determination on the Scheme and issues the final court order approving the Scheme and when the Inland Revenue binding ruling is obtained. The timetable indicatively anticipates a final court order on 4 May 2017 and the return of capital to occur on 25 May 2017 (with new holding statements sent to shareholders by 22 May 2017).

If the Inland Revenue binding ruling is not obtained by the time proposed for the Shareholders' Meeting, the Board will make an announcement to that effect. If the application for the Inland Revenue binding ruling is rejected, the Scheme will not proceed (and the Company may consider alternative arrangements for a distribution which would be notified to shareholders).

12. WHAT ARE THE TAX IMPLICATIONS?

The Company is seeking a binding ruling from the Commissioner of Inland Revenue that the Commissioner is satisfied under section CD 22 of the Income Tax Act 2007 that the amount that will be paid (\$100 million) to shareholders on the share cancellation is not in lieu of payment of a dividend. Regardless of whether the shareholder resolution is passed by shareholders, whether the Scheme proceeds will be dependent on obtaining this ruling.

Shareholders' position

The following comments, which are based on current legislation and practice, summarise advice received by directors on the taxation position for shareholders resident in New Zealand for tax purposes. This comment is a guide only and is not exhaustive. All shareholders, including shareholders outside of New Zealand are recommended to immediately obtain and rely upon independent advice from their own professional tax advisers as is applicable to their particular circumstances.

The Cancelled Shares will be treated as a disposal by you for taxation purposes in New Zealand.

New Zealand resident shareholders

The binding ruling from Inland Revenue will confirm that the amounts paid to shareholders should not be treated as a dividend.

Any profit (or loss) realised on the cancellation of the Cancelled Shares should be tax free if the shares are held on capital account. If the shares are held on revenue account, the profit (or loss) should be assessable income (or a deduction) to the recipient.

Shareholders should seek their own professional taxation advice in relation to their personal tax position.

13. CONSEQUENCES IF THE RESOLUTION IS APPROVED

If the resolution is approved by the requisite voting majorities, the Company will be in a position to seek a final order from the High Court sanctioning the Scheme. This order will only be sought, however, if the Company has obtained the binding ruling from Inland Revenue referred to above.

If the High Court sanctions the Scheme, then the return of capital will proceed in accordance with the terms of the Scheme.

The Company will then continue with its strategy of pursuing value-enhancing opportunities in a way which improves diversification for the Company, within the oil and gas sector which is its current focus.

14. CONSEQUENCES IF THE RESOLUTION IS NOT APPROVED

If the resolution is not approved by the requisite voting majorities, the Company would not be able to proceed with the Scheme. The return of capital under the Scheme would not proceed, and the Company would continue with its strategy of pursuing value-enhancing opportunities in a way which improves diversification. The Company may also consider alternative arrangements for a distribution, which it would notify to shareholders.

15. NZX LISTING RULES REQUIREMENTS

The return of capital is likely to involve a disposal of assets of New Zealand Oil & Gas in excess of 50% of New Zealand Oil & Gas' average market capitalisation. The average market capitalisation of New Zealand Oil & Gas when the intention to proceed with the Scheme was announced on 8 March 2017 was NZ\$202.6 million.

Listing Rule 9.1.1 provides that an issuer such as New Zealand Oil & Gas cannot enter into a transaction involving such a disposal except with the prior approval of shareholders by ordinary resolution, or by special resolution if a special resolution is required under section 129 of the Companies Act.

As a special resolution is not required under section 129 the Companies Act, New Zealand Oil & Gas must obtain approval of the return of capital by ordinary resolution. This requirement will be met by approval of the resolution in accordance with the requirements set out in this Notice of Special Meeting.

16. NZX APPROVAL

NZX has approved this Notice of Special Meeting but does not take any responsibility for any statement contained in this Notice of Special Meeting.

17. TAKEOVERS PANEL NO OBJECTION STATEMENT

The Company is a "code company" for the purposes of the Takeovers Code and the Companies Act. As the Scheme excludes the Part-Paid Shares, and involves rounding, it will have an effect on the voting rights in the Company, although this effect will be very minimal. This can be demonstrated by considering the voting rights of a holder of 10,000 Ordinary Shares before and after implementation of the Scheme:

	Before	After
Ordinary Shares held	10,000	5,000
Percentage of voting rights	0.003135%	0.003134%

The effect is minimal because the Part-Paid Shares only carry fractional voting rights, in proportion to the amount they are paid up (usually only 1 cent per share). Although all the Part-Paid Shares will continue in existence after the Scheme, the percentage of voting rights they hold, out of the total of all voting rights, is very small. As a result of the Scheme, the holders of all Part-Paid Shares are expected to experience an increase in their aggregate voting rights from 0.036% to 0.072% of total voting rights in the Company.

Because the Scheme has this minimal effect on voting rights, under the Companies Act the court may only approve the Scheme, and bring it into effect, if:

- a) the court is satisfied that the shareholders will not be adversely affected by the use of the Companies Act provisions relating to schemes of arrangement rather than the Takeovers Code to effect the change involving the Company; or
- b) the Company has filed a statement from the Takeovers Panel indicating that the Takeovers Panel has no objection to an order being made to bring the Scheme into effect.

The Company has applied for a “no objection statement” of the type mentioned in paragraph [b] above.

The Takeovers Panel does not issue “no objection statements” until just before documents are filed for the final court hearing in respect of the Scheme. This will not take place until after the Special Meeting. In the meantime, the Company requested from, and has been granted by, the Takeovers Panel a preliminary statement, called a letter of intention, which was presented to the court with the application for initial orders relating to the Scheme. In the letter of intention, the Takeovers Panel has indicated that, on the basis of the documents and information provided to it, it is minded to issue a final “no objection statement” before an application is made for the final court order.

In giving a “no objection statement”, the Takeovers Panel does not comment on the merits of the Scheme. Rather, the Takeovers Panel’s primary question is to consider whether the Company’s shareholders will be adversely affected by the return of capital being implemented by way of a scheme of arrangement under the Companies Act, rather than by a takeover offer under the Takeovers Code. The Takeovers Panel’s role is to ensure that appropriate information is put before shareholders and interest classes of shareholders are adequately identified.

Even when a “no objection statement” is granted by the Takeovers Panel, the court still has a discretion whether or not to approve the Scheme.

18. WHAT IS THE RECOMMENDATION OF THE BOARD?

The Board unanimously recommends the Scheme and encourages all shareholders to vote on the resolution to approve the Scheme. In the Board’s view the Scheme is in the best interests of the Company and shareholders.

19. HOW DO I MAKE MY VIEWS KNOWN?

You can make your views count by voting, either for or against the resolution. You may cast your vote in one of four ways:

1. by attending the Special Meeting on 12 April 2017;
2. by casting a postal vote;
3. by voting electronically/online; or
4. by appointing a proxy to vote on your behalf at the Special Meeting.

If you do not attend the meeting, exercise your postal vote or appoint a proxy, then no vote will be exercised in respect of your shareholding.

There are no other dissent or buy-out rights for shareholders who do not support the Scheme.

Voting By Proxy

If you do not attend the Special Meeting, you may appoint a proxy. The Chairman of the meeting is willing to act as proxy for any shareholder who may wish to appoint him for that purpose.

If you select a proxy to vote on your behalf (including the Chairman), and you either:

- confer on the proxy a discretion on the Voting Card; or
- do not provide any instructions on the Voting Card about how the proxy should vote,

you acknowledge that the proxy may exercise your right to vote at his or her discretion and may vote as he or she thinks fit or abstain from voting.

In so doing you acknowledge that the proxy may exercise your right to vote even if he or she has an interest in the outcome of the resolution, provided that interest does not disqualify him or her from voting under the Listing Rules.

If you appoint the Chairman as your proxy and you do not direct him how to vote on the resolution, the Chairman will exercise any discretionary votes in favour of the resolution.

**IN THE HIGH COURT OF NEW ZEALAND
WELLINGTON REGISTRY**

NO. CIV-2017-485-135

IN THE MATTER OF Part 15 of the Companies Act 1993

AND

IN THE MATTER OF an application by **NEW ZEALAND OIL & GAS LIMITED**
a duly incorporated company having its registered office
at Level 20, 125 The Terrace, Wellington, and carrying on
business as a petroleum exploration and production
company, for orders approving an arrangement under
Part 15 of the Companies Act 1993

**ORIGINATING APPLICATION WITHOUT NOTICE FOR ORDERS APPROVING
AN ARRANGEMENT UNDER PART 15 OF THE COMPANIES ACT 1993**

10 March 2017



Simpson Grierson
Barristers & Solicitors

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DX SX11174
PO Box 2402
Wellington

To: The Registrar of the High Court at Wellington

This document notifies you that–

1. The applicant, New Zealand Oil & Gas Limited (**NZOG**) applies for orders:
 - (a) that the scheme of arrangement between NZOG and its shareholders for the return of capital (**Arrangement**), a copy of which is annexed to this application and marked "**A**", is approved;
 - (b) that the Arrangement is binding upon NZOG, all its shareholders, and all such other persons as are necessary, with (amongst other things) the effect that:
 - (i) one out of every two Ordinary Shares (as defined in the Arrangement) in NZOG registered in the name of each shareholder at 5:00pm on the Record Date (as defined in the Arrangement), will be cancelled, together with all rights attaching to those shares;
 - (ii) within 5 business days after the Record Date (as defined in the Arrangement), NZOG will pay to each shareholder NZD\$0.62724388 multiplied by the number of Ordinary Shares registered in the name of the shareholder that have been cancelled in accordance with paragraph 1(b)(i) above, rounded to the nearest whole cent;
 - (iii) NZOG will not take any action in respect of any fractional calculation or entitlement and any one share in remainder will continue to be held;
 - (iv) no Part-Paid Shares (as defined in the Arrangement) will participate in the return of capital; and
 - (v) the original terms of issue of each Part-Paid Share will not change.
2. The grounds upon which these orders are sought are as follows:
 - (a) the Board of Directors of NZOG has resolved to seek the approval of NZOG's shareholders in respect of (and to apply to this Court for approval of) an arrangement under pt 15 of the Companies Act 1993 (**Act**);
 - (b) if approved by NZOG's shareholders, final orders under s 236(1) of the Act will be required to effect the Arrangement;
 - (c) by the date on which this application is determined, it will be apparent that:
 - (i) NZOG has complied with any interlocutory orders made by this Court under s 236(2) of the Act, the relevant statutory provisions and the relevant provisions of NZOG's constitution;

- (ii) the Arrangement has been fairly put to shareholders, who will receive notice of and be entitled to vote at a special meeting seeking shareholder approval of the Arrangement (**Meeting**);
 - (iii) the relevant interest classes were fairly represented by those who attended the Meeting and those who voted were acting bona fide;
 - (iv) the Arrangement will not disadvantage NZOG's creditors; and
 - (v) the Arrangement is such that an intelligent and honest person of business, a member of the class concerned and acting in respect of that interest would reasonably approve, and is generally fair and equitable.
- (d) as set out in the affidavit of Catherine Mary McKelvey sworn 10 March 2017 and filed in support of this application.

3. This application is made in reliance upon ss 236 and 237 of the Companies Act 1993, and rr 7.19, 7.20, 7.23, 19.2(c) and 19.10 of the High Court Rules.

I certify that this application complies with the rules.

Date: 10 March 2017

Signature:

J Shackleton
Solicitor for applicant

This document is filed by **JOHN SHACKLETON**, solicitor for the applicant, of the firm Simpson Grierson.

The address for service of the applicant is at the offices of Simpson Grierson, HSBC Tower, Level 24, 195 Lambton Quay, Wellington.

Documents for service on the applicant may be left at that address for service or may be posted to the solicitor at PO Box 2402 Wellington, or left for the solicitor at a document exchange for direction to DX SX11174 or transmitted to the solicitor by facsimile to +64-4-472 6986.

A

SCHEME OF ARRANGEMENT BETWEEN NEW ZEALAND OIL & GAS LIMITED AND ITS SHAREHOLDERS

INTRODUCTION

- A. New Zealand Oil & Gas Limited (the "Company") has proposed an arrangement between it and its shareholders, the terms of which are set out in this document.
- B. The arrangement will take effect only if:
- (a) the Company receives a binding ruling from the Commissioner of Inland Revenue that the amount to be paid to shareholders is not in lieu of payment of a dividend;
 - (b) the arrangement is approved by shareholders, by resolution approved by:
 - (i) 75 per cent or more of the votes cast by those holders of Ordinary Shares entitled to vote and voting on the resolution;
 - (ii) 75 per cent or more of the votes cast by those holders of Part-Paid Shares entitled to vote and voting on the resolution; and
 - (iii) a simple majority of the votes of those shareholders entitled to vote on the resolution; and
 - (c) the arrangement is approved by the Court in accordance with section 236 of the Companies Act 1993 (New Zealand).

TERMS

1. Definitions

1.1 In this Scheme:

Business Day means any day (other than a Saturday, Sunday or public holiday in New Zealand) on which banks are open for business in Wellington, New Zealand.

Ordinary Share means a fully paid-up ordinary share in the capital of the Company.

Part-Paid Shares means the part paid shares issued by the Company pursuant to the New Zealand Oil & Gas Limited Employee Share Ownership Plan, as more particularly described in Plan Rules of the Employee Share Ownership Plan adopted by the board of directors of the Company on 3 May 2013.

Record Date means the 10th Business Day after the date on which the fact that the final order from the High Court of New Zealand has been made pursuant to section 236(1) of the Companies Act 1993 sanctioning the arrangement is notified to NZX Limited.

Scheme means this scheme of arrangement.

Special Meeting means the special meeting of shareholders, and any adjournment of that meeting, to be held to consider and, if thought fit, approve the Scheme.

2. Scheme

- 2.1 One Ordinary Share out of every two Ordinary Shares registered in the name of each shareholder of the Company at 5.00pm (New Zealand time) on the Record Date will be cancelled (together with all the rights attaching to those Ordinary Shares). For this purpose, no action will be taken in respect of any fractional calculation or entitlement, and any one share in remainder will continue to be held.
- 2.2 Within 5 Business Days after the Record Date, the Company will pay to each holder of Ordinary Shares NZ\$0.62724388 multiplied by the number of Ordinary Shares registered in the name of the shareholder that have been cancelled in accordance with clause 2.1, rounded to the nearest whole cent.
- 2.3 Holders of Part-Paid Shares will not participate in the return of capital set out in clauses 2.1 and 2.2 in respect of those Part-Paid Shares. The original terms of issue of each Part-Paid Share will not change.

3. Amendment

- 3.1 The Company reserves the right to amend this Scheme at any time and from time to time provided that any such amendment must be contained in a written document which is filed with the Court and, if made following the Special Meeting, approved by the Court and communicated to shareholders in the manner required by the Court (if so required).
- 3.2 Any amendment to this Scheme may be proposed by the Company at any time prior to or at the Special Meeting with or without any other prior notice or communication and, if so proposed and accepted by the persons voting at the Special Meeting, will become part of this Scheme for all purposes.