

18 May 2017

NEW ZEALAND OIL & GAS BUYS MITSUI'S 4% OF KUPE FOR \$35M

- Quality investment appropriate to NZO's current scale and appetite for sensibly diversified risk.
- Rights within the joint venture.
- Ongoing income from a well-understood, high-quality asset.

New Zealand Oil & Gas has agreed to purchase Mitsui E&P Australia's 4 per cent interest in the Kupe gas and light oil field for NZ\$35 million.

The effective date of the transaction is 1 January 2017.

Kupe is a gas and light oil field offshore from South Taranaki. It comprises an offshore remote-operated production platform, a pipeline and umbilical cable to shore, and an onshore production facility near Hawera. The asset has a history with New Zealand Oil & Gas, which promoted the Kupe exploration prospect, operated the discovery in the 1980s, and retained a 15 per cent share through development of the field and first production in 2009.

Chief executive Andrew Jefferies says Mitsui's Kupe interest is a good portfolio fit for New Zealand Oil & Gas.

"The sale of our 15 per cent interest to Genesis Energy in 2016 achieved a premium reflecting the asset's strategic importance to Genesis and certain unique attributes.

"The acquisition of Mitsui's 4 per cent interest provides ongoing income from an asset we see as high quality, in our heartland, and it is an appropriate investment in relation to our size and scale. It provides us with rights in the event of any further transactions in the joint venture, along with further prospectivity within the licence area.

"The combined transactions allow us to better diversify our portfolio."

The transaction requires joint venture and regulatory approvals. The joint venture agreement provides for rights of first refusal. A waiver will be sought from an NZX rule requiring approval by shareholders for a transaction with a related party. Mitsui is a related party because it has been in a joint venture with New Zealand Oil & Gas within the past six months - the Kupe joint venture.

The transaction adds 2.6 million barrels of oil equivalent to New Zealand Oil & Gas reserves at 1 January 2017 (see reserves statement in the accompanying background).

Kupe is operated by Origin Energy, which has a 50 per cent interest. Genesis Energy holds a 46 per cent interest.