



NEW ZEALAND
OIL & GAS

NOTICE OF MEETING AND SCHEME BOOKLET

For the proposed acquisition of shares
in New Zealand Oil & Gas Limited by
O.G. Oil & Gas [Singapore] Pte. Ltd.
under a scheme of arrangement

VOTE IN FAVOUR

Your Independent Directors unanimously recommend that you vote in favour
of the Scheme, in the absence of a Superior Proposal

MEETING DETAILS

The Special Meeting to consider and vote on the Scheme will be held at 10.00am
on 16 October 2019 at Front+Centre, 69 Tory St, Te Aro, Wellington

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

You should carefully read it in its entirety before deciding whether or not to vote in favour of the Scheme. If you are in any doubt
about what you should do, you should seek advice from your broker or your financial, taxation or legal adviser immediately.

If you have sold all your shares in New Zealand Oil & Gas Limited, please ignore this Scheme Booklet and immediately hand it to the
purchaser or the agent [e.g. the broker] through whom the sale was made, to be passed to the purchaser.

An Independent Adviser's Report on the merits of the Scheme accompanies this Scheme Booklet and should be read carefully in
conjunction with this Scheme Booklet.

VOTE IN FAVOUR

Your Independent Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.

MEETING DETAILS

The Special Meeting to consider and vote on the Scheme will be held at

10.00am on 16 October 2019

Front+Centre

69 Tory St, Te Aro

Wellington

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Purposes of this Scheme Booklet

The purposes of this Scheme Booklet are to:

- provide you with information about OGOG's proposed acquisition of the shares in NZO that it does not already own;
- set out the material terms of the Scheme and explain their effect;
- explain the manner in which the Scheme will be considered and, if approved, implemented;
- provide you with information that could reasonably be expected to be material to your decision whether to vote in favour of, or against, the Scheme; and
- include any information required by the Takeovers Panel and the High Court in relation to the Scheme.

This Scheme Booklet is not a product disclosure statement.

Your Decision

This Scheme Booklet does not take into account your individual investment objectives, financial situation or needs. You must make your own decisions and seek your own advice in this regard.

The information and recommendations contained in this Scheme Booklet do not constitute, and should not be taken as constituting, financial product advice.

If you are in any doubt as to what you should do, you should seek advice from your financial, taxation or legal adviser before making any decision regarding the Scheme.

Not an Offer

This Scheme Booklet does not constitute an offer to Shareholders (or any other person), or a solicitation of an offer from Shareholders (or any other person), in any jurisdiction.

Laws of New Zealand

This Scheme Booklet has been prepared in accordance with New Zealand law. Accordingly, the information contained in this Scheme Booklet may not be the same as that which would have been disclosed in this Scheme Booklet if it had been prepared in accordance with the laws and regulations of another jurisdiction.

Forward Looking Statements

This Scheme Booklet contains certain forward looking statements. You should be aware that there are risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, results, performance or achievements of NZO to be materially different from the future conduct, market conditions, results, performance or achievements expressed or implied by such statements or that could cause future conduct to be materially different from historical conduct. Deviations as to future conduct, market conditions, results, performance and achievements are both normal and to be expected.

Forward looking statements generally may be identified by the use of forward looking words such as 'aim', 'anticipate', 'believe', 'estimate', 'expect', 'forecast', 'foresee', 'future', 'intend', 'likely', 'may', 'planned', 'potential', 'should', or other similar words.

Neither NZO nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Scheme Booklet will actually occur. You are cautioned against relying on any such forward looking statements.

Privacy and Personal Information

NZO and OGOG may collect personal information in the process of implementing the Scheme. Such information may include the name, contact details and shareholdings of Shareholders and the name of persons appointed by those persons to act as a proxy or corporate representative at the Special Meeting. The primary purpose of the collection of personal information is to assist NZO and OGOG to conduct the Special Meeting and implement the Scheme.

Personal information of the type described above may be disclosed to Computershare, print and mail service providers, proxy solicitation firms, Related Companies of NZO and OGOG, and NZO and OGOG's service providers and advisers. Shareholders have certain rights to access personal information that has been collected. Shareholders should contact Computershare in the first instance, if you wish to access your personal information. Shareholders who appoint a named person to act as their proxy or corporate representative should make sure that person is aware of these matters.

No Internet Site Forms Part of this Scheme Booklet

Any references in this Scheme Booklet to any website are for informational purposes only. No information contained on any website forms part of this Scheme Booklet.

Timetable and Dates

All references to times in this Scheme Booklet are references to New Zealand time, unless otherwise stated. Any obligation to do an act by a specified time in New Zealand time must be done in any other jurisdiction by the specified New Zealand time.

Diagrams, Charts, Maps, Graphs and Tables

Any diagrams, charts, maps, graphs and tables appearing in this Scheme Booklet are illustrative only and may not be to scale.

Effect of Rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, actual calculations may differ from amounts set out in this Scheme Booklet.

Responsibility for Information

Other than as set out below, this Scheme Booklet has been prepared by, and is the responsibility of, NZO:

- the OGOG Information [Part A of section 4 of this Scheme Booklet and the answer to the question “Who is OGOG?” in Part D of section 1 of this Scheme Booklet] has been prepared by, and is the responsibility of, OGOG. NZO and its officers, directors and employees [but excluding directors representing the interests of OGOG] do not assume any responsibility for the accuracy or completeness of the OGOG Information.
- OGOG and its officers, directors and employees do not assume any responsibility for the accuracy or completeness of any information in the Scheme Booklet other than the OGOG Information; and
- the Independent Adviser’s Report contained in Appendix C has been prepared by, and is the responsibility of, the Independent Adviser. NZO, OGOG and their respective officers, directors and employees do not assume any responsibility for the accuracy or completeness of the Independent Adviser’s Report.

Notice of the Final Court Hearing

If you wish to oppose the Scheme at the Final Court Hearing, which is expected to be at 10.00am on 31 October 2019 at the High Court, Parliament Street, Auckland, you must file a notice of appearance or a notice of opposition together with supporting documents on which you wish to rely in the manner set out in section 3.12 by 5.00pm on 21 October 2019.

Role of Takeovers Panel and High Court

The fact that the Takeovers Panel has provided a letter of intention indicating that it does not intend to object to the Scheme [or subsequently issues a no-objection statement in respect of the Scheme], or that the High Court has ordered that a meeting be convened, does not mean that the Panel or the Court:

- has formed any view as to the merits of the proposed Scheme or as to how Shareholders should vote [on this matter Shareholders must reach their own decision]; or
- has prepared, or is responsible for the content of, the Scheme documents or any other material.

Defined Terms

Capitalised terms set out in this Scheme Booklet have the meanings given to them in the Glossary in section 6.

Date of this Scheme Booklet

This Scheme Booklet is dated 6 September 2019.

SECTION 1

KEY INFORMATION ABOUT THE SCHEME

OGOG currently owns approximately 70% of the Shares in NZO.

It seeks to buy all the remaining Shares it does not already own.

OGOG intends to complete the proposed acquisition by way of a scheme of arrangement. The detail of the Scheme is outlined in this booklet.

Your independent directors
unanimously recommend that you
vote in favour of the Scheme, in the
absence of a Superior Proposal.

For the Scheme to proceed, it must be approved by Shareholders.

A meeting to vote on the Scheme will be held at:

10.00am on 16 October 2019

Front+Centre, 69 Tory St, Te Aro, Wellington

See the notice of meeting on page 18.

Your vote is important. The minority Shareholders [i.e. Shareholders other than OGOG] must support the Scheme for it to proceed.

This booklet has been prepared to help you assess the merits of the Scheme before you vote.

If the Scheme is approved, and all conditions are satisfied (including Overseas Investment Act consent), you will be paid \$0.62 cash per Share.

The date for payment is expected to be in November 2019 [see page 12].

Part A. Chair's Letter

Dear Shareholder,

Your independent directors, Rod Ritchie and I, recommend that you say YES to OGOG's offer and vote in favour of the Scheme outlined in this booklet.

Here's why.

We are delighted to present this booklet, along with our unanimous recommendation to vote in favour of the Scheme it outlines.

Your company is at a crossroads.

On its current path, we see the company as too small to participate meaningfully in acquisitions or development projects that would allow it to grow. It has a limited number of exploration opportunities that present a risk-to-return profile better suited to a much larger entity.

The proposed Scheme presents an alternative that we are pleased to recommend: the certainty and timeliness of achieving a significant premium at a time of difficult market conditions, a changing policy environment and uncertain prospects.

Rod Ritchie and I are proudly independent directors. In relation to the OGOG proposal, our function was to negotiate the terms of the Scheme with OGOG (including the Scheme Implementation Agreement) and make a recommendation to minority Shareholders. We have assessed OGOG's proposal on its merits and we are unanimous in recommending that you support the Scheme. In the interests of full disclosure, you should be aware that Rod and I are required to resign if the Scheme succeeds.



Dr Rosalind Archer
Independent Director

The Scheme is likely to be your best opportunity to realise value.

Since OGOG acquired 70 per cent of New Zealand Oil & Gas in January 2018, the Board has focused on growing the company through transformational deepwater exploration and acquiring production assets.

In April 2018, however, the operating environment for oil and gas investment changed significantly. The New Zealand Government decided to stop awarding new offshore exploration permits. Since then, both NZO's share price and investor interest in the sector have languished.

The company has worked hard to create new opportunities. However, potential partners tell us that the Government's decision has negatively impacted their perception of New Zealand as an appealing place to invest. Five international oil and gas companies ended their exploration efforts in New Zealand in recent years, two of them as recently as June.

As prudent board members, we cannot wish away the new reality. We have the view that attracting partners to share risk in our exploration prospects can no longer be NZO's core strategy.

Large amounts of additional capital are required to fund growth opportunities but we are doubtful of the company's ability to raise additional equity or debt on reasonable terms in the current environment. This, combined with other uncertainties, puts the company at a disadvantage in commercial negotiations. Despite the challenging environment, OGOG believes that New Zealand Oil & Gas can remain viable in New Zealand if its operations and staff are integrated into OGOG's global business, where it will have scale and competitiveness to realise opportunities that a small listed company can't.

The price is a significant premium to market value.

The price offered by OGOG under the Scheme is:

- a 25.3% premium to the closing price on the NZX on the last trading day before NZO announced its entry into the Scheme Implementation Agreement, being 9 July 2019.
- a 27.3% premium to the volume-weighted average price of trading on the NZX [**VWAP**] over the six months up to and including 9 July 2019.
- a 23.7% premium to the VWAP over the month up to and including 9 July 2019.

We see little prospect of a superior proposal emerging, given that OGOG already holds approximately 70% of the shares in NZO, and our advice is that one is highly unlikely to be forthcoming.

While the \$0.62 per Share price offered by OGOG is at the bottom of the valuation range of \$0.62 to \$0.84, it is a significant premium to the recent market price. Achieving the upper end of the valuation range would depend on various favourable events that are highly uncertain.

There is a significant risk that, if the Scheme does not proceed, the value of your New Zealand Oil & Gas shares will fall back to previous values. We believe the Scheme is the best opportunity for you to get cash for your shares now without paying any brokerage fees on the transfer of your Shares.

Exploration is uncertain.

Over the years, many investors have told us they share our excitement about exploration. While New Zealand Oil & Gas has prospects with attractive upside in a success case, potential discoveries have to be discounted by the cost of drilling and the realistic chance of success for deepwater frontier prospects.

As discussed above, the environment for attracting new partners to New Zealand changed in 2018, making the chances of drilling in our Clipper and Toroa prospects uncertain. We therefore believe that we cannot attribute a positive financial value to the permits. The Independent Adviser reached the same conclusion.

The very large Ironbark prospect will be drilled in late 2020. New Zealand Oil & Gas' approximate share of the well costs is a further \$24 million, and Cue Energy's share is approximately \$12 million.

The market appears to have attributed little or no value to Ironbark prior to the announcement of this Scheme. In fact, the market capitalisation of the company fell by almost exactly our expected share of the well costs, which suggests the market is pricing in the drilling costs and the low chance of success.

Despite this, the Independent Adviser places a positive value on the Ironbark prospect. While we understand the Independent Adviser's position, and we believe its analysis captures the upside potential of Ironbark, we also believe there is a further downside scenario to consider. Although a large prospect, Ironbark has the cost and uncertainty associated with deepwater frontier exploration. The Independent Adviser notes that SRK¹ assesses a 5 per cent chance of commercial success. If Ironbark isn't a commercial success, the Company's cash balance would drop by about NZ\$0.15 per share – with no future value for Ironbark. While some investors may favour this balance of risk and return, similar exposure to Ironbark is available in a transparent way by investing directly in Cue Energy.

Taking into account subsequent events, the price offered under the Scheme is comparable to the price OGOG previously paid in its partial takeover.

The Independent Adviser's valuation range is \$0.62 to \$0.84. We have compared this to the price at which OGOG bought into the company when it made its previous offer of \$0.78 per Share. After factoring in developments since the previous offer, the price offered under the Scheme matches the earlier offer, as demonstrated by the graph in section 3.3(e) of this booklet on page 28.

Reviewing these facts, and taking into account our view that a small public oil and gas company listed in New Zealand may not be sustainable, we unanimously recommend that you vote in favour of the OGOG proposal.

As Independent Directors, we have also considered reasons that might suggest voting against the Scheme. These are set out in more detail in section 3.4 of this booklet.

Taking into account the inherent risk of any alternative and the timeliness and certainty that the OGOG proposal offers, we unanimously recommend you vote in favour of the Scheme.

We have concluded that the Scheme is the best path for shareholders to maximise the value of the shares they hold, avoid the risks implicit in continuing on the path the company is on, and adjust to a significantly changed policy environment.

Yours sincerely,



Dr Rosalind Archer,
Independent Chair
6 September 2019

¹ SRK Consulting Australasia Pty Ltd, an oil and gas resource specialist.

WE URGE YOU TO READ THIS BOOKLET CAREFULLY

Please read all of this document. It contains information that you should consider before you vote.

A Special Meeting will be held to consider the Scheme, and approve it if Shareholders think fit.

Details of the Special Meeting are set out in this booklet, which is accompanied by a complete copy of the Independent Adviser's Report.

You may also wish to seek independent legal, financial, taxation or other professional advice.

To approve the scheme, 75% of the votes cast in each interest class must be voted in favour of the Scheme Resolution, as well as 50% of the aggregate of votes able to be cast. All Shareholders other than OGOG will comprise one interest class. OGOG will comprise a second interest class.

This means that the Scheme will only proceed if 75% or more of the votes cast by the minority Shareholders support the Scheme.

If the Scheme is approved, and all conditions are satisfied, your shares will be transferred to OGOG and you will receive the Scheme Consideration regardless of whether or how you voted. Therefore, we urge you to take this opportunity to have your say on the Scheme by voting.

You can vote by attending the Special Meeting in person or, if you are unable to participate in the meeting in person, you can vote by submitting a postal vote or appointing a proxy to attend and vote on your behalf [both of which can be done online at www.investorvote.co.nz].

A personalised voting/proxy form accompanies this booklet.

Part B. What do you need to do?

STEP 1

READ THIS SCHEME BOOKLET AND SEEK ADVICE IF YOU HAVE QUESTIONS

Please read this document carefully and in its entirety. It will help you to make an informed decision about your vote.

You should call or email the shareholder information line if you have any questions.

SHAREHOLDER INFORMATION:

Call or text: 021 339 728
[or, from outside New Zealand, +64 4 213 8585]
Or email: enquiries@nzog.com

Please seek independent advice from your financial, taxation or legal adviser if you are in any doubt as to what you should do.

STEP 2

VOTE ON THE SCHEME

Your vote is your voice

You have your say in the future of your investment in New Zealand Oil & Gas by voting.

For the Scheme to proceed, two voting thresholds must be met:

- a** | 75% or more of the votes cast by each interest class² must be voted in favour of the Scheme Resolution; and
- b** | more than 50% of the votes able to be cast (whether or not actually voted) must be voted in favour of the Scheme Resolution.

OGOG has confirmed to NZO (and has executed a deed poll in favour of the Takeovers Panel confirming) that it will vote the Shares in NZO that it already owns in favour of the Scheme, which will satisfy the threshold set out in (b).

Your vote will help to determine whether or not the first of the voting thresholds set out above will be satisfied.

The Scheme will only proceed if 75% or more of the votes cast by Shareholders other than OGOG are in favour.

You can vote in person, by postal vote, by proxy, or by corporate representative.

The Special Meeting will be held at:
10.00am (New Zealand time) on 16 October 2019
at Front+Centre, 69 Tory St, Te Aro, Wellington.

You will be entitled to vote on the Scheme if you are a Shareholder on the Voting Eligibility Date (to be 5.00 pm on 14 October 2019).

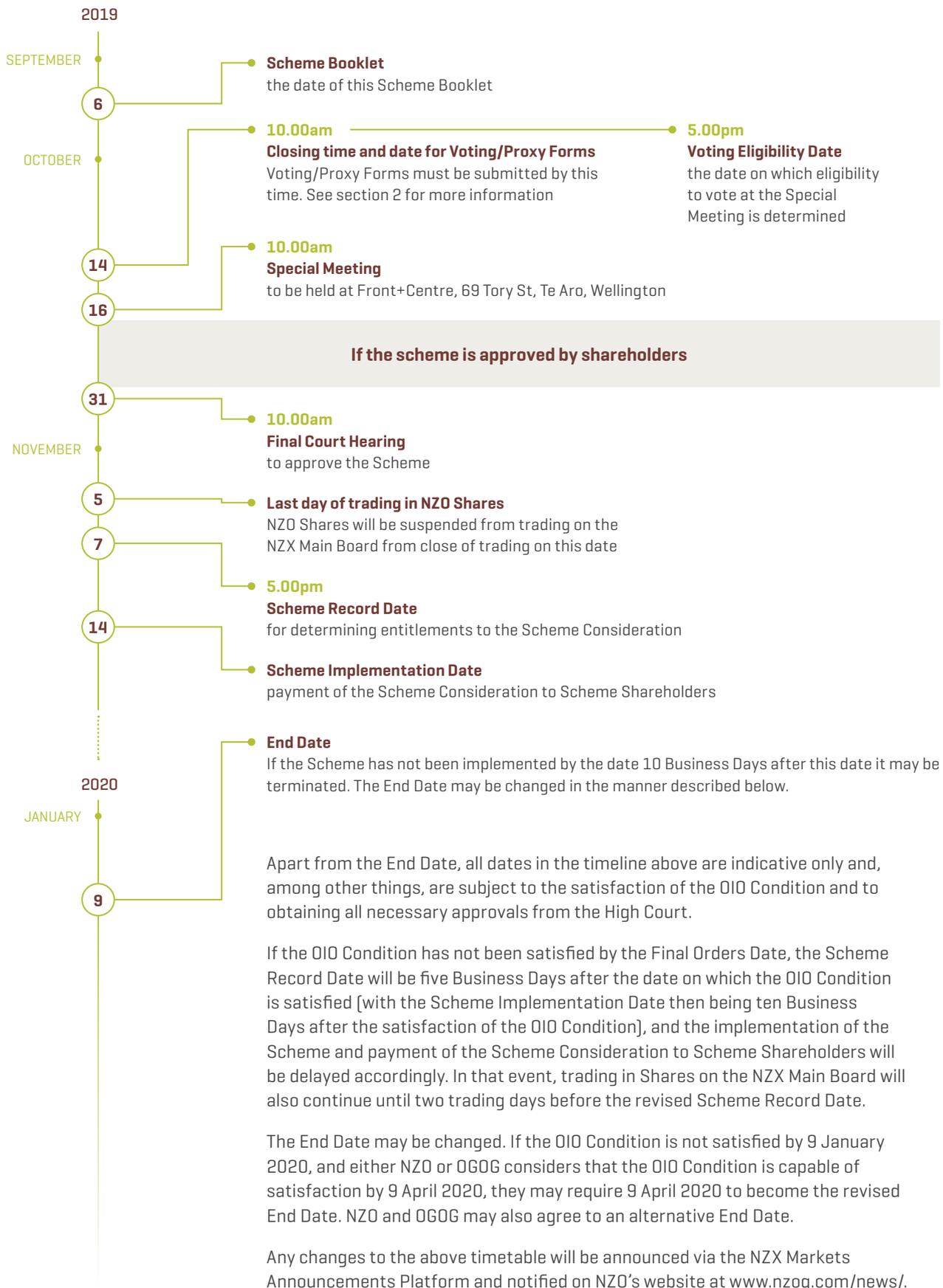
Shareholders can vote in person, by submitting a postal vote (which can be done online), by proxy, or by corporate representative. See section 2 of this Scheme Booklet (Notice of Meeting) for information on how to vote, and how to appoint a proxy.

Shareholders are invited to attend the Special Meeting and to ask questions of the Independent Directors.

You may submit your questions in writing as set out in the Notice of Meeting at section 2 of this booklet.

² All Shareholders other than OGOG will comprise one interest class. OGOG will comprise a second interest class. See section 3.7 for more information about interest classes.

Part C. Key Dates



Part D. Questions

THE SCHEME



What am I being asked to consider?

To approve the sale of your Shares to OGOG for \$0.62 cash per Share with effect from the Scheme Implementation Date.

It is proposed that the sale of your Shares will be implemented by way of the Scheme. The Scheme is a scheme of arrangement between New Zealand Oil & Gas and its Shareholders as at the Scheme Record Date. This date is expected to be 7 November 2019.

If the Scheme is approved by Shareholders and the New Zealand High Court, and all other Conditions (including the OIO Condition) are satisfied or waived (where capable of waiver), then your Shares will be acquired by OGOG.

See section 3 for more detail about the Scheme generally.

See Appendix A for a copy of the Scheme Plan.



What are the key considerations in deciding how to vote?

In the absence of a Superior Proposal, the Independent Directors unanimously recommend that Shareholders vote in favour of the Scheme.

The key reasons to vote in favour of the Scheme are set out in section 3.3.

Reasons why you may choose not to vote in favour of the Scheme are set out in section 3.4.

See section 3 for more detail on the key considerations informing your vote.

See Appendix C for a copy of the Independent Adviser's Report.



What are the key Conditions to which the Scheme is subject?

There are a number of Conditions that will need to be satisfied or waived (where capable of waiver) before the Scheme can become effective, including that:

- a** | the Scheme Resolution is approved by the requisite majorities of Shareholders at the Special Meeting;
- b** | the Scheme is approved by the High Court at the Final Court Hearing; and
- c** | the Scheme is consented to under the Overseas Investment Act.

The Scheme will not proceed if any of the Conditions are not satisfied or waived (where capable of waiver) by the date 10 Business Days after the End Date.

The High Court also has the power to order that the Scheme is subject to other terms and conditions as it sees fit (in addition to the Conditions).

See section 3.2 for information on the Conditions to the Scheme.



What if there is a Competing Proposal?

If a Competing Proposal emerges before the Special Meeting, the Independent Directors will carefully consider it and may change their recommendation if they believe the Competing Proposal is a Superior Proposal.

If an Independent Director changes his or her recommendation to vote in favour of the Scheme, New Zealand Oil & Gas may be required to pay the Reimbursement Fee in certain circumstances [details of the Reimbursement Fee regime are set out in section 3.2].

As a result of the exclusivity regime, the circumstances in which New Zealand Oil & Gas may engage with a third party are limited in respect of a Competing Proposal.

If there is a Superior Proposal:

- a** | either party may terminate the Scheme Implementation Agreement if the Superior Proposal is unanimously recommended by the Independent Directors, provided OGOG has first been given the opportunity to match the Superior proposal; or
- b** | the parties may still proceed with the Scheme.

See section 3.2 [Exclusivity] for information on Competing Proposals and Superior Proposals.

The detailed definitions of Competing Proposal and Superior Proposal are set out in the Glossary.



Who are the Independent Directors?

The Independent Directors are the members of the Board who do not have a disqualifying relationship [as that term is defined in the NZX Listing Rules] in relation to the Scheme.

The Independent Directors, as at the date of this Scheme Booklet, are Mr Roderick Ritchie and Dr Rosalind Archer.

See section 4.20 for details of the NZO Board and the definition of Independent Director in the Glossary.



Who is OGOG?

OGOG is an indirect subsidiary of O.G. Energy Holdings Ltd., the energy arm of Ofer Global. Ofer Global is a private portfolio of international businesses principally focused on energy, shipping, real estate, banking, technology and investments, with businesses spanning Europe, North America, Australasia, the Near East and Asia. More information on Ofer Global can be found at www.oferglobal.com.

See section 4 [Part A] for details about OGOG.

WHAT IS THE PROCESS FOR THE SPECIAL MEETING?

When and where will the Special Meeting be held?

The Special Meeting will be held on 16 October 2019 commencing at 10.00am.

The Special Meeting will be held at Front+Centre, 69 Tory St, Te Aro, Wellington.

See sections 1 (Part B) and 2 for details of the Special Meeting.

Do I need to attend the Special Meeting in order to vote?

No, you do not need to attend the Special Meeting in person in order to be able to vote on the Scheme Resolution.

If you are unable to attend the Special Meeting in person, you can vote by submitting a postal vote or by appointing a proxy to attend and vote on your behalf (both of which can be done online).

See section 2 (Notice of Meeting) for more information on the methods of voting available to Shareholders.

How do I vote?

You can vote:

- a** | by attending the Special Meeting in person;
- b** | by submitting a postal vote (which can be done online); or
- c** | by appointing a proxy (which can be done online) to attend and vote on your behalf.

See section 2 (Notice of Meeting) for more information on the methods of voting available to Shareholders.

What are the voting requirements to approve the Scheme?

For the Scheme to proceed, the votes cast in favour of the Scheme Resolution must represent:

- a** | 75% or more of the votes cast in each interest class; and
- b** | more than 50% of the total number of votes able to be cast (whether or not actually voted).

You are entitled to attend and vote at the Special Meeting if you are registered as a Shareholder at 5.00pm on 14 October 2019 (the Voting Eligibility Date).

If you are entitled to attend and vote at the Special Meeting, but are unable to attend personally, you may submit a postal vote or appoint a proxy to attend and vote on your behalf.

See sections 1 (Part B) and 2 for details on the Scheme approval requirements and your entitlement to vote.

What do I do if I do not support the Scheme?

If you do not support the Scheme:

- a** | you should vote against the Scheme Resolution. You may do this by voting against the Scheme Resolution in person at the Special Meeting, by submitting a postal vote against the Scheme Resolution or by appointing a proxy and directing that they vote against the Scheme Resolution; and/or
- b** | if Shareholders pass the Scheme Resolution at the Special Meeting, you may wish to oppose the approval of the Scheme, by filing and serving a notice of opposition and any other supporting documents by 5.00pm on 21 October 2019 and attending the Final Court Hearing.

You may also abstain or not cast a vote on the Scheme.

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

If you do not want to participate in the Scheme, you may sell your Shares at any time before trading in the Shares is suspended in anticipation of the implementation of the Scheme (expected to be the date which is two Business Days before the Scheme Record Date). The market price at that time may vary from the Scheme Consideration.

See section 3.12 for details on Shareholder objection rights.

WHAT WILL HAPPEN IF THE SCHEME PROCEEDS?



What will I receive if the Scheme is approved and implemented? When will I be paid?

You will receive a cash payment of \$0.62 for every Share you hold on the Scheme Record Date [expected to be 5.00pm on 7 November 2019, subject to the timing of satisfying the OIO Condition].³

The Scheme Consideration will be paid on the Scheme Implementation Date [expected to be 14 November 2019, subject to the timing of satisfying the OIO Condition].

If this timing changes, New Zealand Oil & Gas will announce the updated timing through the NZX Markets Announcement Platform.

See sections 3.2 and 3.9 for more detail on the Scheme Consideration.

See Part C of section 1 for the indicative timing of the Scheme Record Date and the Scheme Implementation Date and the impact the OIO Condition may have on those dates.



How will I be paid?

Payments will generally be made by electronic transfer into the bank account you have nominated to receive dividends.

If you have not nominated a bank account, payment will be made by cheque. Your cheque will be mailed to the mailing address you have registered with Computershare.

See section 3.9 for more detail on the Scheme Consideration and payment information.



Can I sell my Shares now?

Yes.

You can sell your Shares on market at the prevailing market price [which may be more or less than the Scheme Consideration for Shares] at any time before trading in NZO Shares is suspended in anticipation of the implementation of the Scheme [expected to be the date which is two Business Days before the Scheme Record Date].



What are the tax implications of the Scheme?

Tax implications will depend on your specific circumstances. You should seek your own professional tax advice in relation to your personal tax position.

See section 5.



What will happen to New Zealand Oil & Gas shares on the NZX if the Scheme is implemented?

New Zealand Oil & Gas will be delisted from the NZX Main Board, the Shares will no longer be traded publicly and will be transferred to OGOG.

³ See section 3.14 of this Scheme Booklet for information on the Scheme Consideration payable in relation to Partly Paid Shares.

WHAT HAPPENS IF THE SCHEME DOES NOT PROCEED?



What happens if the Scheme does not proceed?

If the Scheme is not implemented, Scheme Shareholders will not receive the Scheme Consideration. Instead, Shareholders will retain their Shares (or Partly Paid Shares) and New Zealand Oil & Gas will continue to operate as a stand-alone company listed on the NZX Main Board. Shareholders will continue to be subject to the benefits and risks associated with New Zealand Oil & Gas.

Depending on the reasons why the Scheme is not implemented, the Reimbursement Fee may be payable by New Zealand Oil & Gas to OGOG or the Reverse Reimbursement Fee may be payable by OGOG to New Zealand Oil & Gas. In some circumstances no Reimbursement Fee will be payable by either OGOG or NZO (including where Shareholders do not approve the Scheme, in the absence of a Superior Proposal).

See section 3.5(c) for details on what happens if the Scheme does not proceed.

See section 3.2 for further information on the Reimbursement Fee.

See section 3.2 for further information on the Reverse Reimbursement Fee.

FURTHER INFORMATION



Where can I get further information?

For further information, you can call or text the shareholder information line on 021 339 728 (or, from outside New Zealand, +64 4 213 8585) or email enquiries@nzog.com

All information related to the Scheme is also available online at www.nzog.com



SECTION 2

NOTICE OF MEETING

Notice is hereby given that the Special Meeting of Shareholders of New Zealand Oil & Gas Limited will be held at 10.00am on 16 October 2019 at Front+Centre, 69 Tory St, Te Aro, Wellington.

AGENDA

Scheme Resolution

To consider, and if thought fit, to pass the following resolution:

That the Scheme (the terms of which are described in the Scheme Booklet) be approved.

Note the Scheme Resolution will be put as a single resolution for the purposes of confirming the approvals of each interest class and a simple majority of the votes of all Shareholders.

Voting will be by a poll, and Computershare will confirm whether or not each of the relevant voting thresholds have been met in respect of the Scheme Resolution [see the Explanatory Notes on page 20].

By order of the Board



Paris Bree

Company Secretary
New Zealand Oil & Gas Limited
6 September 2019

EXPLANATORY NOTES

- a** | The Scheme Booklet (which includes this Notice of Meeting) provides information in relation to the Scheme Resolution and the Scheme, how the Scheme will be implemented and the reasons for proposing the Scheme. In particular, Part B of section 1 [“What do you need to do?”] contains details about the Special Meeting and how to vote or appoint a proxy. A Voting/ Proxy Form accompanies this Scheme Booklet.
- b** | The voting thresholds under the Companies Act for approval of the Scheme are:
1. a majority of 75% of the votes of the Shareholders in each interest class entitled to vote and voting on the Scheme Resolution; and
 2. a simple majority of the votes of all Shareholders entitled to vote on the Scheme Resolution. This threshold applies on the total number of NZO shares rather than by each interest class separately [whether or not actually voted].
- c** | Both of the voting thresholds set out in Explanatory Note b above must be met for the Scheme Resolution to be approved.
- d** | As at the date of this Scheme Booklet:
1. All Shareholders other than OGOG will comprise one interest class. OGOG will comprise a second interest class. See section 3.7 of the Scheme Booklet for more information about interest classes.
 2. It is not expected that any Shareholders will be restricted from voting on the Scheme Resolution pursuant to the Listing Rules.
- e** | **You have your say in the future of your investment in NZO by voting.**
- f** | OGOG has confirmed to NZO (and has executed a deed poll in favour of the Takeovers Panel confirming) that it will vote the shares in NZO that it already owns in favour of the Scheme. This means that the second of the voting thresholds set out in Explanatory Note b above will be satisfied. The votes of all other Shareholders will determine whether or not the first of the voting thresholds set out in Explanatory Note b above will be satisfied.
- g** | The persons who will be entitled to vote at the Special Meeting are those persons (or their proxies or representatives) whose name is recorded in the NZO share register at the Voting Eligibility Date.

Important Information

Voting Eligibility

Registered Shareholders at 5.00pm on 14 October 2019 will be the only persons entitled to vote at the Special Meeting and only the shares registered in those Shareholders’ names at that time will carry a right to vote at the Special Meeting. This does not limit the ability of eligible Shareholders to appoint a proxy (or, if they are a company, a corporate representative).

Attendance and voting

Shareholders who are eligible to vote can vote:

- a** | **in person** - by attending the Special Meeting and bringing your personalised voting form (which accompanies this Scheme Booklet);
- b** | **by submitting a postal vote** (which can be done online);
- c** | **by appointing proxy** (which can be done online) to attend and vote in their place; or
- d** | **by corporate representative** - a company which is a Shareholder may appoint a person to attend the Special Meeting on its behalf in the same manner as that in which it could appoint a proxy.

Voting by Postal Vote or by appointing a Proxy

If you are unable to attend the Special Meeting in person, you can vote by submitting a postal vote or appointing a proxy to attend and vote on your behalf.

The Chair of the Special Meeting is willing to act as proxy for any Shareholder who may wish to appoint her for that purpose.

If you select a proxy to vote on your behalf (including the Chair), and you either (i) confer on the proxy a discretion on the Voting Card or (ii) do not provide any instructions on the voting card about how the proxy should vote, you acknowledge that the proxy may exercise your proxy at their discretion and may vote as they think fit or abstain from voting. In so doing you acknowledge that the proxy may exercise your right to vote even if they have an interest in the Scheme (provided that interest does not disqualify them from voting under the Listing Rules). If you do not attend the meeting and cast your vote, exercise your vote by postal vote or appoint a proxy to vote on your behalf, then no vote will be exercised in respect of your shareholding.

To submit a postal vote or appoint a proxy, complete the Voting/Proxy Form and submit it:

- a | online** **www.investorvote.co.nz**
You will need your CSN/Shareholder Number and Postcode to vote or appoint your proxy online.
- b | by mail** **Computershare Investor Services Limited**
Private Bag 92119
Auckland 1142
New Zealand
- c | by fax** **+64 9 488 8787**
- d | by email** **corporateactions@computershare.co.nz**

Completed Voting/Proxy Forms must be received by Computershare no later than 10.00am, 14 October 2019 [New Zealand time].

If, in appointing a proxy, you have not named a person to be your proxy, or your named proxy does not attend the Special Meeting, the Chair of the Special Meeting will be your proxy and will vote in accordance with your express direction. If you have not included an express direction, the Chair will exercise your vote in favour of the Scheme Resolution.

The Independent Directors have authorised Computershare to receive and count postal votes at the Special Meeting.

If you have a question for the Chair of the Special Meeting

Shareholders may submit written questions to be considered at the Special Meeting. Written questions should be sent by post to "Special Meeting", New Zealand Oil & Gas Limited, Level 1, 36 Tennyson Street, Wellington 6011 or by email to enquiries@nzog.com. NZO reserves the right not to address any questions that, in the Independent Directors' opinion, are not reasonable to address in the context of the Special Meeting, or any question received fewer than five working days prior to the Special Meeting.

If you are not in favour of the Scheme

If you are not in favour of the Scheme, you can vote against it at the Special Meeting (in person, by postal vote, by proxy or by corporate representative). As a Shareholder, you also have the right to appear and be heard at the Final Court Hearing. You will need to file a notice with the Court. Further details are set out in section 3.12.

If you do not want to participate in the Scheme, you are free to sell your Shares at any time up to close of trading on the date which is two Business Days before the Scheme Record Date (in order not to be registered as a Shareholder on the Scheme Record Date).

Defined terms

Capitalised terms used in this Notice of Meeting have the meanings given to them in the Glossary in section 6 of the Scheme Booklet.

SECTION 3

INFORMATION ABOUT THE SCHEME

YOUR VOTE IS YOUR VOICE

For the Scheme to proceed, 75% or more of the votes cast in each interest class must be voted in favour of the Scheme Resolution. Minority Shareholders [i.e. all Shareholders other than OGOG] will comprise one interest class. OGOG will comprise a second interest class.

This means that the Scheme will only proceed if 75% or more of the votes cast by the minority Shareholders support the Scheme.

3.1 RATIONALE FOR THE SCHEME

NZO has entered into the Scheme Implementation Agreement with OGOG because:

- the environment for a small, publicly-listed oil and gas exploration and production company has changed considerably since the government announced its decision in April 2018 to end future awards of new offshore exploration permits in New Zealand;
- an attractive premium is offered by OGOG under the Scheme compared to recent trading prices for Shares prior to the announcement of the proposed Scheme [see section 3.3(b) for further details]; and
- no alternative strategy is as likely to produce the same returns for Shareholders as the Scheme.

Refer to the Chair's letter in section 1 and "Reasons to Vote in Favour of the Scheme" in section 3.3 of this Scheme Booklet for more information on the Independent Directors' rationale for unanimously recommending that Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.

3.2 SUMMARY OF THE SCHEME

The Scheme is the proposed transaction under which OGOG would acquire:

- a** | all of the Shares in NZO that it does not already own for cash consideration of \$0.62 per Share; and
- b** | all of the Partly Paid Shares for the relevant amount payable in respect of each tranche of Partly Paid Shares [see section 3.14].

The Scheme is the result of confidential negotiations between OGOG and the Independent Directors of NZO. Upon conclusion of these negotiations, and the Independent Directors having carefully considered the advantages and disadvantages of the proposed Scheme, NZO and OGOG entered into the Scheme Implementation Agreement.

The Scheme Implementation Agreement provides that NZO will propose the Scheme to Shareholders and that, subject to certain conditions being satisfied [including that the Scheme Resolution is approved by the requisite majorities of Shareholders at the Special Meeting and by the High Court at the Final Court Hearing] or waived [where capable of waiver], the Scheme will be implemented, all Scheme Shares will be transferred to OGOG, and OGOG will pay the Scheme Consideration to Scheme Shareholders.

CONDITIONS

Implementation of the Scheme is subject to the satisfaction or waiver [where capable of waiver] of the following conditions:

- consent under the Overseas Investment Act to the implementation of the Scheme⁴;
- High Court approval of the Scheme in accordance with section 236 of the Companies Act;
- the Scheme Resolution being passed by Shareholders;
- no judgment, order, requirement, restraint or prohibition being enforced or issued by any Government Agency that prohibits, prevents or materially restricts the implementation of the Scheme;
- no Material Adverse Change occurring before 9.00am on the Implementation Date; and
- no Prescribed Occurrence occurring before 9.00am on the Implementation Date.

The definition of Material Adverse Change is set out in the Glossary. A Prescribed Occurrence refers to the matters listed in Schedule 1 of the Scheme Implementation Agreement.

Either party can terminate the Scheme Implementation Agreement if the Scheme has not been implemented by the date that is 10 Business Days after the End Date.

RECOMMENDATION

The Independent Directors of NZO unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal arising.

⁴ See section 3.4(f) of this Scheme Booklet for a further discussion of the requirements for this consent.

EXCLUSIVITY

NZO has granted OGOG the following exclusivity rights that apply until the earlier of the Implementation Date and, if applicable, the End Date or the date the Scheme Implementation Agreement is terminated **(Exclusivity Period)**:

- NZO must not solicit, invite, encourage or initiate any Competing Proposal or any offer, proposal, expression of interest, enquiry, negotiation or discussion with any third party in relation to a Competing Proposal;
- NZO must not enter into, permit, continue or participate in, negotiations or discussions in relation to a Competing Proposal;
- NZO must not make available to a third party, or cause or permit a third party to receive, any non-public information relating to NZO (and its Related Companies) that may reasonably be expected to assist a third party to formulate, develop or finalise a Competing Proposal; and
- if NZO receives a Competing Proposal, or any offer or request to do anything referred to in the no talk or no due diligence provisions or exceptions to those provisions (as described below), NZO must immediately notify OGOG.

There are exceptions to the no talk and no due diligence restrictions where the Independent Directors determine that a Competing Proposal is, or is reasonably likely to constitute, a Superior Proposal and that failing to respond to such Competing Proposal would be likely to constitute a breach of their fiduciary or statutory duties.

REIMBURSEMENT FEES

The Reverse Reimbursement Fee (of \$750,000 plus GST, if any) is payable by OGOG to NZO where NZO terminates the Scheme Implementation Agreement due to a material breach of that agreement by OGOG or an insolvency event occurs in respect of OGOG.

The Reimbursement Fee (of \$750,000 plus GST, if any) is payable by NZO to OGOG where:

- a** | a Competing Proposal is announced, the Scheme Implementation Agreement is terminated and, within 12 months of the date of termination, the Competing Proposal completes (without the material advice, encouragement, assistance of other involvement of OGOG);
- b** | any Independent Director fails to make, changes, qualifies or withdraws a recommendation to vote in favour of the Scheme (other than in circumstances where the Independent Adviser's Report concludes that the Scheme Consideration is not within or above the Independent Adviser's valuation of the Shares or there is a Superior Proposal which benefits from the material advice, encouragement, assistance of other involvement of OGOG); or
- c** | OGOG terminates the Scheme Implementation Agreement due to a material breach of that agreement by NZO or because a Prescribed Occurrence occurs.

The Reimbursement Fee will not be payable by NZO to OGOG if the Scheme does not proceed because it is not approved by Shareholders by the requisite majorities.

TERMINATION RIGHTS

Either NZO or OGOG may elect to terminate the Scheme Implementation Agreement if:

- a** | any time before 9.00am on the Scheme Implementation Date there is a Superior Proposal that is unanimously recommended by the Independent Directors, provided NZO had given OGOG five Business Days to match or better that proposal;
- b** | the OIO Condition becomes incapable of satisfaction before the End Date;
- c** | the Special Meeting is held but the Scheme Resolution is not passed by the requisite majorities;
- d** | the High Court determines not to make the Final Court Orders;
- e** | the Scheme has not otherwise become effective by the date 10 Business Days after the End Date; or
- f** | the other party is in material breach of the Scheme Implementation Agreement.

OGOG may elect to terminate the Scheme Implementation Agreement if:

- a** | a Material Adverse Change or Prescribed Occurrence occurs; or
- b** | the Independent Adviser's Report concludes that the Scheme Consideration is below the Independent Adviser's valuation range for the Shares; or
- c** | any Independent Director fails to recommend the Scheme or changes, qualifies, withdraws or makes any statement inconsistent with their recommendation.

NZO may elect to terminate the Scheme Implementation Agreement if an insolvency event occurs in respect of OGOG.

Termination of the Scheme Implementation Agreement automatically terminates the Scheme.

COVENANTS, WARRANTIES AND UNDERTAKINGS

From the date of the Scheme Implementation Agreement until the Implementation Date, NZO covenants with OGOG to carry on its business in the ordinary course and within certain defined parameters unless OGOG consents otherwise.

NZO and OGOG give customary representations, warranties and undertakings to one another, tailored to reflect OGOG's position as an existing majority shareholder of NZO. The representations, warranties and undertakings given by NZO are set out in Schedule 2 of the Scheme Implementation Agreement and include [among others]:

- a** | a warranty that no Prescribed Occurrence has occurred on or after 19 May 2019; and
- b** | warranties as to NZO's capital structure and Shares and Partly Paid Shares on issue.

3.3 REASONS TO VOTE IN FAVOUR OF THE SCHEME

Your Independent Directors unanimously recommend that, in the absence of a Superior Proposal, you should vote in favour of the Scheme Resolution required to implement the Scheme at the Special Meeting to be held on 16 October 2019.

In reaching their unanimous recommendation to vote in favour of the Scheme, your Independent Directors have considered the merits of the Scheme, the Scheme Consideration in relation to the Independent Adviser's valuation range, the recent trading history of the Shares, as well as the outlook for NZO's business and broader market conditions.

The Independent Directors have concluded that the Scheme is likely to be the most realistic way for Shareholders to realise value.

The following considerations factored into the Independent Directors' unanimous recommendation in favour of the Scheme. The Independent Directors believe that they are persuasive reasons for you to vote in favour of the Scheme:

a | In April 2018, the operating environment for oil and gas investment changed significantly

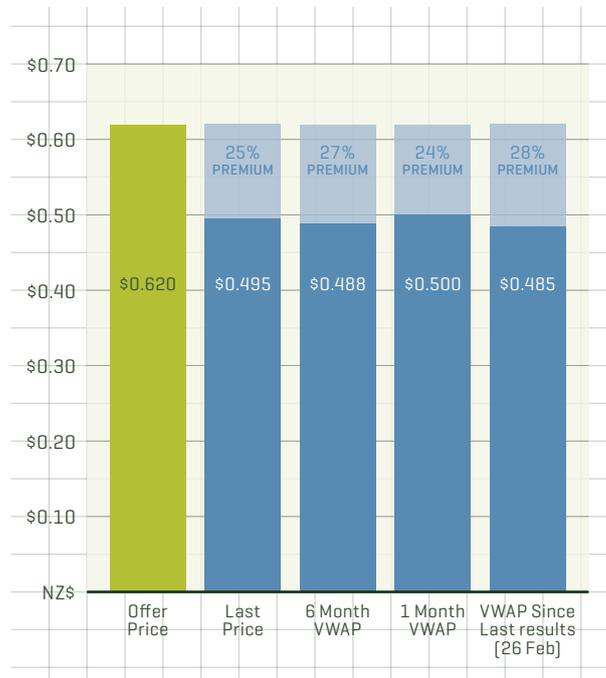
In April 2018, the New Zealand Government decided to stop awarding new offshore exploration permits. The company's Share price, and investor interest in the oil and gas sector, has since languished. The perception of potential farm-in partners towards New Zealand as an appealing place to invest in the oil and gas industry has also deteriorated significantly. Five sizeable international oil and gas companies have ended their exploration efforts in New Zealand in recent years, two of them as recently as June 2019. Our ability to attract partners to participate in the Clipper and Toroa permits is substantially more difficult in the new environment.

The upshot of these developments is that a key element of NZO's existing strategy, focussing on growing the company through transformational deepwater exploration, has been significantly challenged.

b | The Scheme Consideration represents a significant premium to the recent NZO Share price on a variety of measures

OGOG is offering \$0.62 cash per Share, which represents a significant premium to the recent NZO Share price (as illustrated in the graph further below):

- a 25.3% premium to the closing price on the NZX on 9 July 2019, the last trading day before the Scheme was announced;
- a 27.3% premium to the volume-weighted average price (VWAP) over 6 months up to and including 9 July 2019;
- a 23.7% premium to the VWAP over the month up to and including 9 July 2019; and
- a 28.0% premium to the VWAP from the date the company released results prior to the announcement of the Scheme (26 February 2019), up to and including 9 July 2019.



c | The Scheme Consideration of \$0.62 per Share is within the Independent Adviser’s valuation range of \$0.62 to \$0.84 per Share

NZO has appointed Northington Partners as the Independent Adviser to prepare an independent report on the merits of the Scheme. The Scheme Consideration of \$0.62 per Share is within the valuation range assessed by Northington Partners in its Independent Adviser’s Report. A copy of the Independent Adviser’s Report accompanies this Scheme Booklet.

d | Deepwater exploration is inherently uncertain

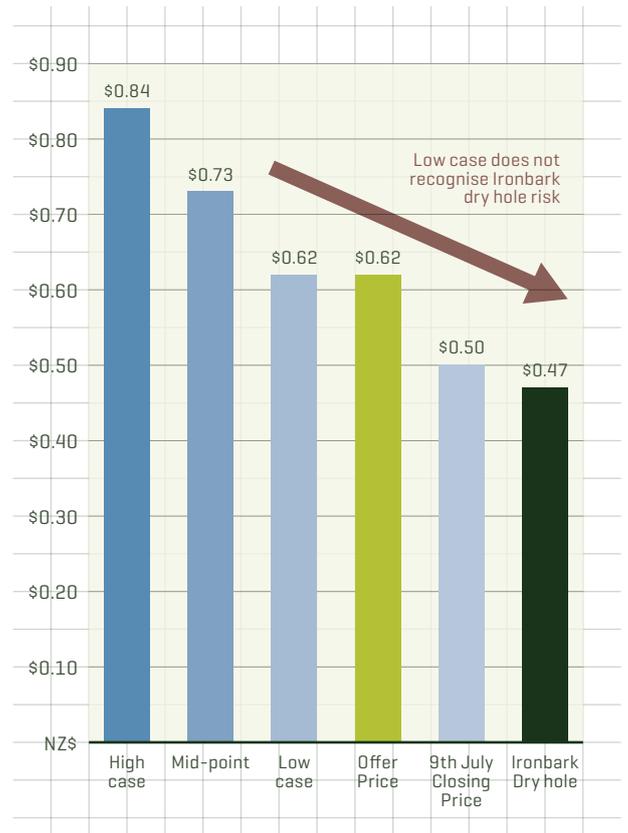
As mentioned above, a key element of NZO’s strategy has been to pursue transformational deepwater exploration projects, including two prospects in New Zealand (Clipper and Toroa).

The environment for attracting new partners to NZO’s existing New Zealand exploration interests is, however, very challenging.

Drilling of the Clipper and Toroa prospects is uncertain unless a farm-in partner can be identified, and the chances of doing so are significantly diminished at present. As a result, it is not appropriate to attribute any positive financial value to these prospects.

Turning to the Ironbark prospect, as explained in the Chair’s letter and the Independent Adviser’s Report, this has a low statistical probability of commercial success. Based on current estimates, NZO will spend approximately \$24 million to drill Ironbark, with no guarantee of success. Therefore, if the Ironbark well fails to deliver a commercialisable quantity of gas – which is the most likely result of drilling – NZOG will have still spent a sizeable portion of its cash reserves.

This will result in Ironbark’s value dropping to zero and the company’s cash balance dropping by about 15 cents per Share. This downside scenario is not reflected in the Independent Adviser’s valuation range, even at the low end.



The Scheme therefore provides Shareholders with an opportunity to realise the value of NZO’s assets (including Ironbark) now. Shareholders wishing to maintain exposure to Ironbark can do so by redeploying the proceeds from the Scheme into other publicly listed entities, like Cue Energy or Beach Energy Limited.

e | Taking into account subsequent events, the price offered under the Scheme is comparable to the price OGOG previously paid in its partial takeover

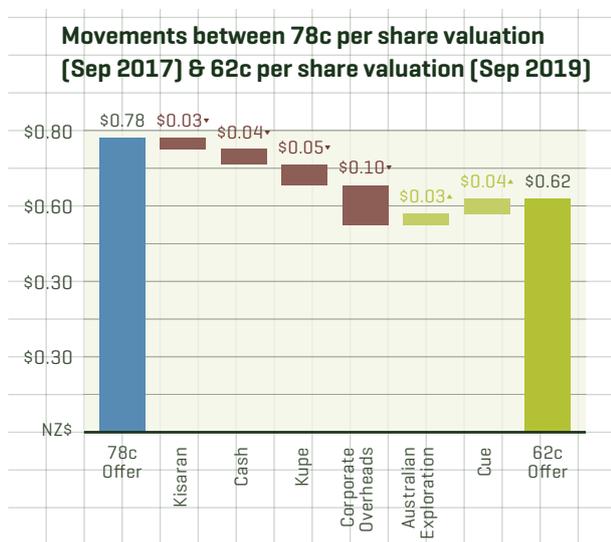
The Independent Adviser’s valuation range is \$0.62 to \$0.84 per Share. We have compared this to the price at which OGOG bought into the company when it made an offer of \$0.78 per Share.

As set out in the graph below, which compares the Independent Adviser’s valuation today with that from 2017:

- The Kisanan development in Indonesia has been written down by \$0.03.
- The net cash position has changed by \$0.04 through the payment of a dividend, Kohatukai drilling costs, Kupe revenues, overhead expenditures and other items.
- The small interest in Kupe has reduced in net terms by \$0.05 following two years of production.
- Future overhead costs are \$0.10 per share, more than in 2017 when the costs were assessed at wind-up value.

On the positive side:

- The company has farmed into the Ironbark prospect off Western Australia.
- The last two years of Kupe production is reflected in the current cash value and has offset overhead and exploration expenditures since 2017, such as drilling Kohatukai.
- The value of Cue has increased by \$0.04 per share.



Data source: Northington Independent Adviser’s Report September 2017 (low case) and Northington Independent Adviser’s Report September 2019 (low case)

f | If the Scheme is not approved, the Share price is likely to revert to its prior trading range – to or below \$0.50 per Share

Since the company released its half year results on 26 February 2019 until the Scheme was announced, the Shares have traded in a range of \$0.47 to \$0.50. This range is well below the value that the Independent Adviser attributes to the Shares and is roughly equivalent to the low end of the Independent Adviser’s range, minus the anticipated Ironbark well costs. It therefore appears that the market was valuing NZO (prior to the announcement of the Scheme) assuming the statistically most probable outcome – that Ironbark is not commercially successful.

If the Scheme is not approved and the Share price reverts to trading in the previous range, then investors who wish to sell may not be able to achieve a price of \$0.62 per Share. We believe it is likely that the Share price will fall to a trading range below that level if the Scheme is unsuccessful.

g | We are sceptical about NZO’s ability to raise additional equity to fund growth in the current environment

Large amounts of additional capital are required to fund the types of growth opportunities the company has targeted. Given the changed environment, we are doubtful of the company’s ability to raise additional equity or debt capital on reasonable terms.

We believe that investors are not willing to attribute value to exploration opportunities in the current environment. This is evidenced by the fact that NZO’s Share price has fallen by almost exactly NZO’s pro rata share of the expected Ironbark well costs.

Against that backdrop and considering how heavily weighted NZO’s portfolio is towards exploration, we are sceptical that the company can raise meaningful amounts of public equity.

Without additional capital, it is difficult to see how the company can fund the growth necessary to avoid a gradual depletion of its cash position.

NZO’s constrained capital position also has an effect on its ability to bid with credibility on investment opportunities, putting it at a significant disadvantage in commercial negotiations.

h | There is limited liquidity in the Shares and the Scheme provides an opportunity for Shareholders to realise the value of their Shares now for 100% cash consideration

The Scheme Consideration offered to Shareholders is 100% cash, and OGOG's proposal is for all of your Shares (or, in the case of the Trustee only, the Partly Paid Shares). Your Independent Directors are confident the Scheme Consideration represents an attractive opportunity to realise the value of your Shares now.

If the Scheme does not proceed, the amount which you will be able to realise for your investment in NZO, by selling your Shares on market or by receiving dividends, will be uncertain. You will continue to be subject to the benefits and risks associated with NZO's business and other general benefits and risks relating to any investment in a publicly listed oil and gas company. Among other things, these benefits and risks include the performance of NZO's business, general economic conditions, government policy and movements in the share market.

The Scheme will remove the uncertainty of future value, price volatility, government policy and liquidity for you by providing you with the ability to sell your entire shareholding in NZO at an attractive price. There is no assurance that you will be able to achieve returns that are equivalent to or better than the Scheme Consideration in the future.

The uncertainty inherent in any publicly traded stock is amplified in the case of NZO as a result of its lack of liquidity. Small movements can result in large price swings and we expect there to be significant selling of Shares if the Scheme is unsuccessful.

i | No Superior Proposal has emerged since the Scheme was announced

Since the announcement of OGOG's proposal to the NZX Main Board by NZO on 10 July 2019, and up to the date of this Scheme Booklet, no Superior Proposal has emerged.

Your Independent Directors believe that a Superior Proposal is unlikely to be forthcoming given the absence of any other proposals during this period and the fact that OGOG is currently the majority shareholder, holding approximately 70% of the Shares (for a Superior Proposal to succeed, OGOG would need to support it).

j | No brokerage charges will be charged on the transfer of your Shares to OGOG if the Scheme proceeds

This is in contrast to selling your Shares on the NZX Main Board where you may incur brokerage charges.

3.4 REASONS YOU MAY DECIDE NOT TO VOTE IN FAVOUR OF THE SCHEME

The Independent Directors believe that there may be valid reasons you may decide not to vote in favour of the Scheme, including:

a | You may wish to maintain an investment in a publicly listed company with the specific characteristics of NZO in terms of industry, operations, profile, size, capital structure and potential dividend stream

If the Scheme is approved and implemented, you will be paid 100% cash consideration and cease to be a Shareholder. As such, you will no longer be exposed to the benefits and risks of NZO's future financial performance or the future prospects of its ongoing business. However, there is no guarantee as to NZO's future performance, as with all investments in listed securities.

b | You may consider that NZO has greater value over the longer term than you will receive under the Scheme

If the Scheme is approved and implemented, it is expected to complete on 14 November 2019.

This timeframe may not be consistent with your investment objectives. You may consider that NZO has stronger long term growth potential and that the Scheme Consideration does not fully reflect your views on long term value. You may therefore prefer to retain your listed Shares and realise the value of your Shares over the longer term.

c | You may consider that the Scheme is not in your best interests or you may believe that the Independent Adviser's valuation range does not reflect the full value of NZO

Despite the valuation range provided by the Independent Adviser, you may believe that the Scheme is not in the best interests of Shareholders or not in your individual interests.

d | You may consider that there is a possibility that a Superior Proposal could emerge

However, given that OGOG already holds approximately 70% of the Shares, your Independent Directors have no basis to believe an alternative

proposal will be received. The Independent Adviser also considers that there is a low likelihood of an alternative proposal emerging given OGOG already holds approximately 70% of the Shares [see sections 1.5 and 4.3 of the Independent Adviser's Report].

e | The tax implications of the Scheme may not suit your current financial position

If the Scheme is approved and implemented, it could have potential tax implications, depending on your circumstances [please refer to section 5]. We suggest that you take your own tax advice to consider any tax implications of the Scheme.

f | You may consider that the Scheme is subject to conditions that you consider unacceptable

The Scheme is subject to a number of Conditions, including Shareholder approval, High Court approval, no Material Adverse Change, no Prescribed Occurrence occurring and consent under the Overseas Investment Act to the Scheme.

As NZO has interests in "sensitive land" (as defined in the Overseas Investment Act), OGOG must demonstrate "benefits to New Zealand" are likely to arise out of implementation of the Scheme, in order to satisfy the criteria for consent under that Act. This may make the consent take longer, or be more difficult, to obtain than if NZO did not have interests in sensitive land.

All of the Conditions are summarised in section 3.2. If these Conditions are not satisfied or waived (where capable of waiver) by the date 10 Business Days after the End Date, the Scheme will not proceed (even if it has been approved by Shareholders) and you will not receive the Scheme Consideration as contemplated by the Scheme, unless NZO and OGOG agree to extend this timeframe.

While your Independent Directors acknowledge that certain reasons to vote against the Scheme may be relevant to some shareholders, **we believe the advantages of the Scheme significantly outweigh the disadvantages, and therefore we unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.**

3.5 ADDITIONAL MATTERS FOR YOU TO CONSIDER

The Independent Directors believe you should also consider the following matters when deciding whether to vote in favour of the Scheme:

a | You may sell your Shares on the NZX Main Board at any time prior to suspension of NZO Shares from trading

You should take into account that you may be able to sell your Shares on the NZX Main Board at any time prior to the date that trading is suspended to allow implementation of the Scheme [expected to be the close of trading on the date which is two Business Days before the Scheme Record Date] if you do not wish to hold them and participate in the Scheme.

However, you should be aware that you may not receive consideration equivalent to the Scheme Consideration of \$0.62 cash per Share, and may incur brokerage charges on the sale. You should seek your own independent professional advice to determine if your individual financial or taxation circumstances may make it preferable for you to do so.

b | The Scheme may be implemented even if you do not vote at the Special Meeting or you vote against the Scheme

Regardless of whether you vote for or against the Scheme, abstain or do not vote at all, the Scheme may still be implemented if it is approved by Shareholders and the High Court, and the other Conditions are satisfied or waived. If this occurs, your Shares will be transferred to OGOG and you will receive the Scheme Consideration.

c | There are implications to consider if the Scheme is not approved

If the Scheme is not approved by Shareholders, or the High Court, or the other Conditions are not satisfied or waived:

- i. you will not receive the Scheme Consideration;
- ii. your Shares, and the Partly Paid Shares, will not be transferred to OGOG (they will be retained by you or, in the case of the Partly Paid Shares, the Trustee);
- iii. NZO will continue to operate as a stand-alone entity listed on the NZX Main Board;
- iv. you will continue to be exposed to the benefits and risks associated with NZO's business and other general benefits and risks relating to any investment in a publicly listed company; and
- v. in the absence of a Superior Proposal, it is likely that the price at which Shares trade may fall.

d | Warranties by Shareholders

The Scheme provides that each Scheme Shareholder is taken to have warranted to OGOG on the Scheme Implementation Date that all their Scheme Shares which are transferred under the Scheme will, at the time of transfer, be:

- i. free from all mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties;
- ii. in the case of Shares, fully paid;
- iii. in the case of Partly Paid Shares, paid up to one cent per share,

and that they have full power and capacity to transfer their Scheme Shares to OGOG.

Full details of the warranties to be provided are set out in the Scheme Plan attached as Appendix A.

3.6 HIGH COURT APPROVAL OF THE SCHEME

The Scheme is to be implemented by a High Court approved scheme of arrangement under Part 15 of the Companies Act. The High Court is empowered to make orders binding on NZO, the Shareholders, OGOG and any other affected parties. Initial Court Orders were granted by the High Court on 5 September 2019. These Initial Court Orders require NZO to convene the Special Meeting. A copy of the Initial Court Orders is available on the NZX market announcements platform and on NZO's website.

Provided that the Scheme Resolution is passed by the requisite majorities at the Special Meeting (refer to section 3.7) and the other steps required to implement the Scheme (as set out in this Scheme Booklet) are completed, NZO will apply for the Final Court Orders from the High Court. The Final Court Orders will (subject to any residual Conditions being satisfied, including the OIO Condition if it has not already been satisfied) make the Scheme binding on NZO, the Shareholders (regardless of how or if individual Shareholders vote on the Scheme Resolution) and OGOG. The originating application to the High Court in respect of the Final Court Orders will be available from NZO on request.

On the Final Orders Date, the High Court will consider whether to make orders approving the Scheme. The High Court will consider whether:

- a** | there has been compliance with the relevant procedural rules, the relevant legislation and the orders made at the Initial Court hearing which took place on 5 September 2019 (including in relation to the Special Meeting);
- b** | the Scheme has been fairly put to Shareholders, including whether the Scheme Booklet puts the information reasonably necessary to enable each class of Shareholders to judge and vote on the Scheme;
- c** | Shareholders in each class are fairly represented by those Shareholders who vote on the Scheme; and
- d** | the Scheme is such that it might reasonably be approved by an intelligent and honest business person acting in respect of his or her own interest.

Each Shareholder has the right to appear at the Final Court Hearing (refer to section 3.12).

3.7 VOTING REQUIREMENTS TO APPROVE THE SCHEME

For the Scheme to be approved by the Shareholders, the votes cast in favour of the Scheme Resolution at the Special Meeting must represent:

- a** | 75% or more of the votes cast by the Shareholders in each interest class⁵ on the Scheme Resolution; and
- a** | more than 50% of the votes able to be cast (whether or not actually voted).

3.8 TAKEOVERS PANEL'S NO OBJECTION STATEMENT

NZO has applied for a statement from the Takeovers Panel indicating that the Takeovers Panel has no objection to the High Court making the Final Court Orders to approve the Scheme. This is commonly referred to as a "no objection statement".

However, 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, NZO has obtained from the Takeovers Panel a preliminary statement (called a "letter of intention"), which was presented to the High Court on the Initial Court Date. The Takeovers Panel has indicated in its "letter of intention" that, on the basis of the documents and information provided to it, it intends to issue a final "no objection statement" on or before the Final Orders Date.

⁵ The principles for determining interest classes are set out in Schedule 10 to the Companies Act. In general, shareholders whose rights are so dissimilar that they cannot sensibly consult together about a common interest will form a separate interest class for the purposes of voting on the Scheme Resolution. In accordance with the Initial Court Orders, all Shareholders other than OGOG will comprise one interest class. OGOG will comprise a second interest class.

3.9 PAYMENT OF SCHEME CONSIDERATION

The Scheme Consideration will be paid in New Zealand dollars.

Payment will be made to you by direct credit if Computershare has your bank account details recorded for you. If Computershare does not have bank account details sufficiently recorded for you, payment will be made by cheque sent to your registered address. If you have not previously provided bank account details, or want to change your bank account details, and want to be paid by electronic transaction, please contact Computershare directly by 5.00pm on the Scheme Record Date.

Payment of the Scheme Consideration will be made on the Scheme Implementation Date, currently expected to be 14 November 2019 [subject to the timing of satisfying the OIO Condition].

If a Shareholder does not have a registered address, or NZO considers the Shareholder is not known at its registered address and no bank account has been nominated, payment due to the Shareholder will be held by NZO until claimed or applied under NZO's constitution and the relevant laws dealing with unclaimed money [and otherwise in accordance with the Scheme Plan set out in Appendix A].

3.10 TREATMENT OF "GONE, NO ADDRESS" SHARES

NZOG GNA Trustee Limited (**GNA Trustee**), a wholly owned subsidiary of NZO, holds 497,651 Shares on trust for Shareholders who have been determined to be inactive and uncontactable ["Gone, No Address"] by NZO (**GNA Shares**) in accordance with the process set out in NZO's constitution.

The GNA Trustee will not vote the voting rights attaching to GNA Shares on the Scheme Resolution. If the Scheme is approved and implemented, and the GNA Shares are acquired by OGOG under the Scheme, the GNA Trustee will hold the net proceeds of sale for the relevant Shareholders subject to the relevant laws dealing with unclaimed money.

3.11 SCHEME RECORD DATE

Those Shareholders on the Register on the Scheme Record Date will be entitled to receive the Scheme Consideration.

DEALINGS ON OR PRIOR TO THE SCHEME RECORD DATE

For the purpose of determining which Shareholders are eligible to participate in the Scheme, dealings in Shares and Partly Paid Shares will be recognised only if:

- a | in the case of dealings of the type to be effected through NZX's clearing and settlement system, the transferee is registered on the Register as the holder of the relevant shares as at 5.00pm on the Scheme Record Date; or
- b | in all other cases, registrable transmission applications or transfers in respect of those dealings or valid requests in respect of other alterations are received by Computershare on or before 5.00pm on the Scheme Record Date.

For the purposes of determining entitlements under the Scheme, NZO will not accept for registration or recognise any transmission or transfer applications in respect of NZO Shares received after 5.00pm on the Scheme Record Date. NZO intends to apply to NZX for NZO Shares to be suspended from official quotation on the NZX Main Board from close of trading on the date which is two Business Days before the Scheme Record Date.

The Scheme Record Date is expected to be 7 November 2019 [subject to the timing of satisfying the OIO Condition].

For the purpose of determining entitlements to the Scheme Consideration, NZO must maintain the Register in its form as at the Scheme Record Date until the Scheme Consideration has been paid to the Scheme Shareholders. The Register in this form will solely determine entitlements under the Scheme.

3.12 SHAREHOLDER OBJECTION RIGHTS

If you do not support the Scheme, you can vote against the Scheme Resolution at the Special Meeting.

In addition, if you are a Shareholder, you may appear and be heard at the application for Final Court Orders, which is expected to occur at 10.00am on 31 October 2019 at the Auckland Registry of the High Court. To do so, you must file a notice of appearance or a notice of opposition (in either case containing an address for service), and any affidavits or memoranda of submissions on which you intend to rely, by 5.00pm on 21 October 2019, and serve a copy on NZO at the offices of Simpson Grierson at Level 27, Lumley Centre, 88 Shortland Street, Auckland. If you do this, NZO will serve you, at your address for service, a copy of all documents filed in support of the application for Final Court Orders by 5.00pm on 23 October 2019, along with any papers in reply.

Any other person claiming to have a proper interest in the Scheme who wishes to appear and be heard on the application for Final Court Orders must file an application for leave to be heard and a notice of opposition (both containing an address for service), any affidavits, and a memorandum of submissions upon which such person intends to rely, by 5.00pm on 21 October 2019 and serve a copy on NZO at the offices of Simpson Grierson at Level 27, Lumley Centre, 88 Shortland Street, Auckland. If you do this, NZO will serve upon any such person, at their address for service, a copy of the affidavits in support of the application for Final Court Orders by 5.00pm on 23 October 2019, along with any papers in reply.

The Takeovers Panel may also appear and make submissions at the hearing for Final Court Orders.

If the application for Scheme approval is opposed, oppositions will be heard by the High Court at 10.00am on 31 October 2019, or such later date as the High Court directs.

In addition, the Takeovers Panel may consider an objection by a Shareholder or other interested party to the Scheme when determining whether to provide its "no objection statement". Written objections can be submitted directly to the Takeovers Panel by email [takeovers.panel@takeovers.govt.nz].

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

If you do not want to participate in the Scheme, you are free to sell your Shares on the NZX Main Board at any time before close of trading on the NZX Main Board on the date which is expected to be two Business Days before the Scheme Record Date. The then prevailing market price may vary from the Scheme Consideration.

3.13 DELISTING FROM THE NZX MAIN BOARD

Subject to the Scheme Resolution being passed, NZO will apply for termination of the official quotation of Shares on the NZX Main Board and, if the Scheme is implemented, NZO will be removed from the NZX Main Board from close of trading on the Scheme Implementation Date.

3.14 TREATMENT OF PARTLY PAID SHARES

This section summarises the proposed treatment of the Partly Paid Shares under the Scheme. The Partly Paid Shares are unlisted securities that were issued by NZO under NZO's employee share ownership plan. All of the Partly Paid Shares are held by NZOG Services Limited (a wholly owned subsidiary of NZO).

As at the date of this Scheme Booklet, NZOG Services Limited (a wholly owned subsidiary of NZO) (**Trustee**) holds 3,418,000 Partly Paid Shares in its capacity as trustee for certain employees of NZO under NZO's employee share ownership plan (**ESOP**).

SUMMARY OF THE ESOP

The following is a condensed summary of the terms of issue of the Partly Paid Shares under the ESOP rules:

- a** | Eligible employees of NZO (or any company within the NZO group) may be offered Shares from time to time pursuant to the ESOP rules.
- b** | If an employee accepts an offer of Shares (and therefore becomes a **Participant**):
 - i. the Participant is required to make an initial payment of 1 cent per Share, at the time of issue, towards the issue price for the Shares; and
 - ii. Partly Paid Shares are issued to the Trustee, which holds them on trust for the Participant until such time as the Participant has paid up the balance of the issue price.
- c** | The issue price for the Partly Paid Shares is defined as the lesser of:
 - i. the price set at the time of issue (generally a premium to market price at the time of issue); and
 - ii. the last sale price of Shares on the NZX trading day prior to the date that is five years from the date of issue or allocation of the Partly Paid Shares under the ESOP (**Final Date**) (or such greater amount as represents 85% of the weighted average price of Shares over the 5 trading days before the Final Date).
- d** | At any time before the Final Date⁶, the Participant may:
 - i. pay up the balance of the issue price, thereby converting the Partly Paid Shares to fully paid Shares, and require the Trustee to transfer full legal title to those Shares to them; or
 - ii. require the Trustee to sell their Partly Paid Shares and forward them the net proceeds of sale (i.e. after deducting the amount of the issue price required to be paid up on the Partly Paid Shares).
- e** | In simple terms, if, on the Final Date, the Participant has not paid the balance of the issue price (and in certain other circumstances), the Participant forfeits their interest in the Partly Paid Shares. The Trustee's practice has been to refund the 1 cent per Partly Paid Share paid up by the Participant and, at an appropriate time, to sell the Partly Paid Shares to recover the issue price (unless there was an operative buy back scheme in place – which there presently is not).

Refer to section 4.34 for more information on the rights attaching to Partly Paid Shares.

⁶ Originally there was a two year escrow period before the issue price of the Partly Paid Shares could be paid up, but none of the Partly Paid Shares remaining on issue are within this escrow period.

PARTLY PAID SHARES CURRENTLY ON ISSUE

The 3,418,000 Partly Paid Shares on issue as at the date of this Scheme Booklet can be divided into two tranches:

- a** | 2,418,000 Partly Paid Shares which have been forfeited by Participants under the terms of the ESOP and are held by the Trustee pending sale [**Tranche 1 Partly Paid Shares**]; and
- b** | 1,000,000 Partly Paid Shares with a Final Date of 24 February 2022 [**Tranche 2 Partly Paid Shares**].

The two tranches will be treated differently under the Scheme for the reasons described below. However, the Independent Adviser has confirmed in the Independent Adviser's Report that the consideration and terms of the Scheme is fair and reasonable as between the two tranches of Partly Paid Shares and also as between the Partly Paid Shares and the fully paid Shares.

VOTING ON THE SCHEME RESOLUTION

Each Partly Paid Share carries only a fraction of the vote which would be exercisable if the Partly Paid Share was fully paid up. The fractional voting entitlement is equivalent to the proportion which the amount paid in respect of that Partly Paid Share is of the issue price set at the time of issue of that Partly Paid Share.

Participants are entitled to direct the exercise of voting rights attaching to Partly Paid Shares held for them by the Trustee. For the purposes of voting on the Scheme Resolution:

- a** | Tranche 1 Partly Paid Shares have an outstanding issue price payable, and accordingly the Trustee is not entitled to cast any votes attached to those shares on the Scheme Resolution under the terms of NZO's constitution.
- b** | The Participant for whom the Trustee holds the Tranche 2 shares may instruct the Trustee how to vote on the Scheme Resolution. The total voting rights attaching to the Tranche 2 Partly Paid Shares are 13,450 votes [0.0082% of the total voting rights in NZO].
- c** | As described in the footnote to section 3.7, Partly Paid Shares form part of the same interest class as fully paid Shares for the purposes of voting on the Scheme Resolution.

TREATMENT OF PARTLY PAID SHARES UNDER THE SCHEME

If the Scheme is approved and implemented OGOG will acquire all 3,418,000 Partly Paid Shares for the consideration described below.

The Partly Paid Shares will continue to be held by the Trustee in accordance with the ESOP rules if the Scheme is not implemented.

Tranche 1 Partly Paid Shares

The consideration payable for Tranche 1 Partly Paid Shares under the Scheme is \$0.01 [1 cent] per Partly Paid Share.

This amount is the amount required to settle the existing liability position of the Trustee and Participants in respect of those shares, which arises as follows:

- a** | The Trustee's practice has been to refund the relevant Participant the 1 cent per share paid up on their Partly Paid Shares at the Final Date.
- b** | This refund creates a debit balance in the trust which is, ordinarily, satisfied out of the proceeds of sale of the relevant shares on the basis that:
 - i. as described above, the issue price will be reduced to be the last sale price on the trading day prior to the Final Date if the issue price is higher than that last sale price [i.e. there is a "mark to market" of the issue price, which should enable sale of the shares on market to satisfy the issue price];
 - ii. alternatively, if the actual sale price does not enable recovery of the [adjusted] issue price, a final "protection provision" adjusts the issue price to the lesser of what can be recovered from the Participant and the actual sale price. The Trustee's practice has been not to enforce the liability against the Participant, so in effect the issue price is always reduced to the actual sale price; and
 - iii. in either case, the price that the Trustee is able to recover from the sale of forfeited Partly Paid Shares enables the Trustee to pay up the balance of the issue price for the relevant Shares and fund the [already paid] refund of one cent to the relevant Participant.
- c** | If the Tranche 1 Partly Paid Shares were sold under the Scheme for less than 1 cent then there would be no ability for the Trustee to fund this debit balance.
- d** | Instead, by selling the Tranche 1 Partly Paid Shares under the Scheme for 1 cent:
 - i. the issue price gets adjusted to this sale price, satisfying the residual liability to pay up the issue price [i.e. the issue price is reduced to the 1 cent already paid to NZO in respect of the Partly Paid Shares and no further amount is due]; and
 - ii. the 1 cent per Partly Paid Share received by the Trustee enables it to resolve its existing liability position.

This approach means that the Trustee and Participants receive no more under the Scheme in relation to the Tranche 1 Partly Paid Shares than they would under the terms and standard operational practices of the ESOP.

Tranche 2 Partly Paid Shares

The consideration payable for Tranche 2 Partly Paid Shares under the Scheme is \$0.09 [9 cents] per Partly Paid Share.

This amount has been calculated based on a Black-Scholes option pricing methodology, which assigns a value based on a number of inputs and assumptions. A description of the Black-Scholes methodology is set out at section 3.8.3 of the Independent Adviser's Report. The methodology employed in this case to value the Tranche 2 Partly Paid Shares uses the Scheme Consideration for fully paid Shares of \$0.62 as the assumed current price of fully paid Shares. It then takes account factors such as Share price volatility, time to Final Date and discounts to reflect restrictions and terms applying to the Partly Paid Shares under the ESOP rules.

The Scheme Consideration for the Tranche 2 Partly Paid Shares is payable to the Trustee, who will distribute the total amount to the underlying Participant. The Tranche 2 Partly Paid Shares will be transferred from the Trustee to OGOG as Partly Paid Shares, and OGOG will become liable for the balance of the issue price on those shares, when called.⁷

⁷ The transfer of Partly Paid Shares is not permitted under the ESOP rules unless first approved by NZO's Nomination and Remuneration Committee (NARC). The NARC has approved the transfer of the Tranche 2 Partly Paid Shares under the Scheme (if the Scheme is approved and implemented).



SECTION 4
STATUTORY
DISCLOSURES

Part A. OGOG Information

This section contains information, to the extent applicable, equivalent to the information that would be provided by OGOG in a takeover offer document prepared in accordance with Schedule 1 of the Takeovers Code.

Information in this section has been prepared by, and is the responsibility of, OGOG. NZO does not assume any responsibility for the accuracy or completeness of this information.

4.1 ABOUT OGOG

O.G. Oil & Gas [Singapore] Pte. Ltd. (**OGOG**) is a Singapore private limited company. OGOG currently owns 69.86% of the Shares in NZO, having successfully completed a partial takeover offer in respect of NZO in January 2018.

OGOG is a subsidiary of O.G. Oil & Gas Limited (**O.G. Oil & Gas**). O.G. Oil & Gas is the oil and gas division of Ofer Global. Ofer Global is a private portfolio of international businesses principally focused on energy, shipping, real estate, banking, technology and investments. Ofer Global's businesses span Europe, North America, Australasia, the Near East and Asia. More information on Ofer Global can be found at www.oferglobal.com. All of O.G. Oil & Gas' assets are held through OGOG and its subsidiaries.

Ofer Global's energy-related interests are operated through its energy division, O.G. Energy Holdings Ltd. (**O.G. Energy**). O.G. Energy has two business units:

- a** | O.G. Oil & Gas, which holds its upstream exploration and production interests, both through direct participations, like its joint venture with Beach Energy (ASX: BPT) related to the Victorian Otway gas assets offshore Australia⁸, as well as through strategic shareholdings in NZO and Cue Energy⁹; and
- b** | Omni Offshore Terminals (**Omni**), a global leader in the provision of offshore infrastructure and facilities to the oil and gas industry.

Through Omni, O.G. Energy has operated projects in New Zealand, Australia and throughout Southeast Asia for more than 25 years.

O.G. Energy companies began investing in the New Zealand oil & gas industry in 2008, beginning with Omni's work in developing the offshore Maari field. Omni designed, constructed and installed FPSO Raroa, and subsequently owned and operated the floating production, storage and offloading unit until it was purchased by its charterer in 2013. Omni invested more than US\$300,000,000 in the project.

4.2 DATE

This section was prepared, and is current, as at 6 September 2019.

4.3 OGOG AND ITS DIRECTORS

The name and address of OGOG is:
O.G. Oil & Gas [Singapore] Pte. Ltd.
 1A International Business Park,
 #07-02, Singapore 609933

The primary email address for OGOG is:
general@og-oilgas.com

The directors of OGOG are:
 Alastair McGregor
 Vineet Kunzru
 Wai Ling Cho

OGOG is a 100% subsidiary of O.G. Oil & Gas Limited, which is in turn a 100% subsidiary of O.G. Energy Holdings Ltd., the energy arm of Ofer Global. Ofer Global is a private portfolio of international businesses principally focused on energy, shipping, real estate, banking, technology and investments, with businesses spanning Europe, North America, Australasia, the Near East and Asia. More information on Ofer Global can be found at www.oferglobal.com.

OGOG, O.G. Oil & Gas Limited and O.G. Energy Holdings Ltd. will become controllers of an increased percentage of voting securities in NZO if the Scheme is successful. The ultimate beneficiary of those companies is Mr. Eyal Ofer.

4.4 SCHEME COMPANY

The name of the company to which the Scheme relates is New Zealand Oil & Gas Limited.

4.5 SCHEME TERMS

The terms and conditions of the Scheme are set out in the Scheme Plan in Appendix A. A summary of the terms and conditions of the Scheme is included in section 3.2.

⁸ For more information on the Victorian Otway gas assets recently acquired by O.G. Energy, see https://yourir.info/resources/0c5a441cf54ff229/announcements/bpt.asx/2A1152134/BPT_Otway_Sale_Completion.pdf

⁹ O.G. Oil & Gas' interest in Cue Energy is through NZO which holds 50.04% of the quoted ordinary shares in Cue Energy.

4.6 OWNERSHIP OF EQUITY SECURITIES OF NZO

The table below sets out a statement of the number, designation and percentages of equity securities of any class of NZO held or controlled by:

- a** | OGOG;
- b** | any Related Company of OGOG;
- c** | any person acting jointly or in concert with OGOG;
- d** | any director of any of the persons described in **a** to **c** above; and
- e** | any other person holding or controlling 5% or more of the class, to the knowledge of OGOG.

Name	Description	Number of equity securities held or controlled	Type of equity security	Percentage of class ¹⁰
OGOG	Bidder	114,876,016	Shares	69.86%
NZOG GNA Trustee Limited ¹¹	Related Company of OGOG	497,651	Shares	0.30%
NZOG Services Limited ¹²	Person holding or controlling more than 5% of a class and Related Company of OGOG	3,418,000	Partly Paid Shares	100%
Andrew William Jefferies ¹³	Person holding or controlling more than 5% of a class and a director of a Related Company of OGOG	1,000,000	Partly Paid Shares	29.26%

The information in the table above is based on information known as at the date of this Scheme Booklet.

Except for those persons who are specified in the table above as holding or controlling equity securities of NZO, no person referred to in paragraphs 4.6[a] to [d] above holds or controls equity securities of NZO.

4.7 TRADING IN NZO EQUITY SECURITIES

None of the persons referred to in paragraphs 4.6[a] to [d] above have acquired or disposed of any equity securities in NZO in the six month period ending on the date of this Scheme Booklet.

4.8 AGREEMENTS TO VOTE IN FAVOUR OF SCHEME

OGOG will vote the Shares that it already owns in favour of the Scheme, and has executed a deed poll in favour of the Takeovers Panel confirming this. Other than as disclosed at section 4.23 of this Scheme Booklet, no other person has agreed, or publicly announced an intention, to vote in favour of the Scheme.

4.9 ARRANGEMENTS TO PAY CONSIDERATION

OGOG confirms that sufficient resources will be available to it to meet the total Scheme Consideration to be provided to Scheme Shareholders if the Scheme becomes effective.

OGOG and NZO have executed the Deed Poll under which OGOG agrees in favour of each Scheme Shareholder to pay the Scheme Consideration to Scheme Shareholders in accordance with the terms of the Scheme Plan.

4.10 ARRANGEMENTS BETWEEN NZO AND OGOG

Except as set out in section 4.26 of this Scheme Booklet, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between OGOG or any Associates of OGOG and NZO or any Related Company of NZO, in connection with, in anticipation of, or in response to, the Scheme.

¹⁰ The percentage numbers are rounded to two decimal places.

¹¹ NZOG GNA Trustee Limited (GNA Trustee) is a Related Company of OGOG, as it is technically a subsidiary of OGOG. GNA Trustee holds Shares in its capacity as trustee for Shareholders who have been determined to be "Gone, No Address". See section 3.10 for more detail.

¹² NZOG Services Limited holds these Partly Paid Shares in its capacity as trustee of the ESOP, pursuant to the terms of the ESOP rules, although the Participants on behalf of whom Partly Paid Shares are held are entitled to direct the exercise of voting rights. NZOG Services Limited is a Related Company of OGOG, as it is technically a subsidiary of OGOG. All information in the above table relating to these persons has been obtained from information provided by NZO.

¹³ Andrew Jefferies controls the voting rights attaching to these Partly Paid Shares, in which he has a beneficial interest under the ESOP. They are held by the Trustee pursuant to the terms of the ESOP rules. As a director of NZO, he is also technically a director of a Related Company of OGOG.

4.11 ARRANGEMENTS BETWEEN OGOG AND DIRECTORS AND SENIOR MANAGERS OF NZO

No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between OGOG or any Associates of OGOG and any Director or Senior Manager of NZO or any Related Company of NZO (including any agreement or arrangement providing for a payment or other benefit proposed to be made or given by way of compensation for loss of office or as to the Director or Senior Manager remaining in or retiring from office), in connection with, in anticipation of, or in response to, the Scheme.

4.12 FINANCIAL ASSISTANCE

No agreement or arrangement has been made, or is proposed to be made, under which NZO or any subsidiary of NZO will give (directly or indirectly) financial assistance for the purpose of, or in connection with, the Scheme.

4.13 INTENTIONS ABOUT MATERIAL CHANGES TO NZO

Given that, if the Scheme becomes effective, OGOG will acquire all of the Shares and Partly Paid Shares on issue (which it does not already own), this information is not applicable.

4.14 NO PRE-EMPTION RIGHTS CLAUSES IN NZO'S CONSTITUTION

NZO's constitution does not contain any restrictions on the right of Scheme Shareholders to transfer Scheme Shares (being the equity securities to which the Scheme relates) which have the effect of requiring Scheme Shareholders to offer Scheme Shares for purchase to other Shareholders or to any other person before transferring the Scheme Shares under the Scheme.

4.15 NO ESCALATION CLAUSES

There is no agreement or arrangement (legally enforceable or not) under which:

- a | any existing Scheme Shareholder will or may receive in relation to, or as a consequence of, the Scheme any additional consideration or other benefit over and above the Scheme Consideration; or
- b | any prior holder of equity securities in NZO will or may receive any consideration or other benefit as a consequence of the Scheme.

4.16 CLASSES OF FINANCIAL PRODUCTS

The Independent Adviser's Report also addresses the fairness and reasonableness of the consideration and terms of the Scheme in relation to the different classes of NZO financial products (being the Shares and the two tranches of Partly Paid Shares).

The Independent Adviser has concluded that the consideration and terms of the Scheme are fair and reasonable as between:

- a | the Partly Paid Shares and the fully paid Shares; and
- b | the two tranches of Partly Paid Shares.

The basis for that conclusion is that:

- a | the value for Tranche 1 Partly Paid Shares reflects that these Partly Paid Shares are deeply "out of the money" and have expired. However, the Scheme Consideration for this tranche of Partly Paid Shares of 1 cent per Partly Paid Share is in line with NZO's historical policy of repaying Participants the paid-up amount of each Partly Paid Share on expiry (of 1 cent per Partly Paid Share); and
- b | the value range for Tranche 2 Partly Paid Shares is based on the discounted Black-Scholes model values as described in section 3.8 of the Independent Adviser's Report.

Further details in relation to these matters are set out in sections 3.8 and 4.1.2 of the Independent Adviser's Report.

Part B. NZO Information

This section contains information, to the extent applicable, equivalent to the information that would be provided by NZO in a target company statement prepared in accordance with Schedule 2 of the Takeovers Code.

4.17 DATE

This Scheme Booklet is dated 6 September 2019.

4.18 SCHEME

This Scheme Booklet relates to a scheme of arrangement between NZO and its Shareholders in relation to the proposed acquisition of the Scheme Shares by OGOG.

4.19 SCHEME COMPANY

The name of the company to which the Scheme relates is New Zealand Oil & Gas Limited.

The postal address for NZO is Level 1, 36 Tennyson Street, Wellington 6011 or you can contact NZO by emailing enquiries@nzog.com.

4.20 DIRECTORS OF NZO

The Directors of NZO are:

Rosalind Archer	Independent Director
Marco Argentieri	Director
Rebecca DeLaet	Director
Andrew Jefferies	Director, Chief Executive Officer
Samuel Kellner	Chairman, Director
Alastair McGregor	Director
Roderick Ritchie	Independent Director

The Independent Directors have been determined to be independent for the purposes of the Listing Rules.

4.21 OWNERSHIP OF EQUITY SECURITIES OF NZO

There are two types of equity securities in NZO – fully paid ordinary shares (referred to in this Scheme Booklet as **Shares**), and partly paid shares (referred to in this Scheme Booklet as **Partly Paid Shares**), which have been issued under the ESOP. As at the date of this Scheme Booklet there are 164,430,718 Shares and 3,418,000 Partly Paid Shares. Shares are quoted on the NZX Main Board (NZX: NZO), and the Partly Paid Shares are unquoted.

OWNERSHIP INTERESTS OF DIRECTORS, SENIOR MANAGERS AND ASSOCIATES

The number, designation and percentage of equity securities held or controlled by each Director or Senior Manager of NZO and their Associates is set out in the table below.

For the purpose of this Scheme Booklet, the Independent Directors have determined that the Senior Managers of NZO are:

a	Paris Bree	General Counsel
b	Catherine McKelvey	Chief Financial Officer
c	Chris McKeown	Vice President Business Development
d	John Pagani	General Manager Corporate Services
e	Michael Wright	General Manager Commercial

SHAREHOLDING AS AT 6 SEPTEMBER 2019

Name	Description	Number of Shares Held or Controlled	Percentage of Shares Held or Controlled	Number of Partly Paid Shares Held or Controlled ¹⁴	Percentage of Partly Paid Shares Held or Controlled ¹⁵
Andrew Jefferies	Director, Chief Executive	-	-	1,000,000	29.26%
John Pagani	General Manager Corporate Services	12,000	0.0073%	-	-
Catherine McKelvey	Chief Financial Officer	7,500	0.0046%	-	-

Except as set out in the table above, no other Director or Senior Manager or Associate of a Director or Senior Manager holds or controls any equity securities of NZO.¹⁶

OWNERSHIP INTERESTS OF SUBSTANTIAL SHAREHOLDERS

The number, designation and percentage of any class of equity securities held or controlled by any other person who holds or controls 5% or more of the class, to the knowledge of NZO, is set out in the table below.

SHAREHOLDING AS AT 6 SEPTEMBER 2019

Name	Description	Number of Shares Held or Controlled	Percentage of Shares Held or Controlled	Number of Partly Paid Shares Held or Controlled	Percentage of Partly Paid Shares Held or Controlled
O. G. Oil & Gas [Singapore] Pte. Ltd.	Person holding or controlling more than 5% of Class	114,876,016	69.86%	-	-

Except as set out in the table above, to NZO's knowledge, no other person holds or controls more than 5% of a class of equity securities of NZO.

ISSUES OF NZO SHARES

During the two year period prior to the date of this Scheme Booklet:

- a** | no NZO equity securities were issued to NZO's Directors or Senior Managers or their Associates; and
- b** | no Director or Senior Manager or any Associate of a Director or Senior Manager has obtained a beneficial interest in NZO equity securities under an employee share scheme or other remuneration arrangement.

¹⁴ Partly Paid Shares are held by NZOG Services Limited for Participants under the ESOP. However, Participants are entitled to direct the exercise of voting rights attaching to their Partly Paid Shares and may therefore instruct the Trustee how to vote on the Scheme Resolution (unless any amount of the issue price is called and outstanding). See section 3.14 for more information on Partly Paid Shares.

¹⁵ Percentages in this table, and those that follow, have been rounded to two decimal places.

¹⁶ a) Roderick Ritchie and Rosalind Archer are the directors of NZOG Services Limited. As noted above, that company holds Partly Paid Shares in its capacity as trustee of the ESOP. The directors do not have a relevant control interest in these Partly Paid Shares because: (i) the voting rights attaching to the Partly Paid Shares with a Final Date of 24 February 2022 are exercised on the direction of the relevant Participant and not at the discretion of the directors of the Trustee; (ii) forfeited Partly Paid Shares have an outstanding issue price called and payable, and therefore the directors of the Trustee are not entitled to cast any voting rights attached to those shares under the terms of NZO's constitution. Refer to section 3.14.

b) Andrew Jefferies and Paris Bree are the directors of NZOG GNA Trustee Limited, which holds Shares in its capacity as trustee for Shareholders who have been determined to be "Gone, No Address". The directors do not have a relevant control interest in these Shares because it is the practice of the company not to exercise voting rights attaching to the Shares pending their being claimed or sold. Refer to section 3.10.

4.22 TRADING IN NZO EQUITY SECURITIES

TRADING BY DIRECTORS, SENIOR MANAGERS AND ASSOCIATES

No equity securities have been acquired or disposed of by a Director or Senior Manager of NZO or their Associates during the six-month period to 5 September 2019 (being the latest practicable date before the date of this Scheme Booklet).

TRADING BY SUBSTANTIAL SHAREHOLDERS

No equity securities have been acquired or disposed of by persons holding or controlling 5% or more of the class during the six-month period to 5 September 2019 (being the latest practicable date before the date of this Scheme Booklet), based on information known to NZO at 5 September 2019.

4.23 INTENTIONS TO VOTE IN FAVOUR OF THE SCHEME

As at the date of this Scheme Booklet, every Director and Senior Manager of NZO and their Associates who holds or controls shares (as set out in section 4.21 above) has advised NZO in writing that they intend to vote all of the Shares they hold or control in favour of the Scheme, in the absence of a Superior Proposal.¹⁷

OGOG has confirmed to NZO (and has executed a deed poll in favour of the Takeovers Panel confirming) that it will vote the Shares in NZO that it already owns in favour of the Scheme. Note that the deed poll may be varied or revoked by agreement between OGOG and the Takeovers Panel without the approval of any other person (including Shareholders).

4.24 OWNERSHIP OF EQUITY SECURITIES OF OGOG

Neither NZO, nor any Director, Senior Manager nor any of their Associates, holds or controls any equity securities of OGOG or any Related Company of OGOG other than:

- a | the equity securities in NZO set out in paragraph 4.21 above¹⁸;
- b | the equity securities NZO holds or controls in its subsidiaries¹⁹;
- c | the equity securities holding companies of OGOG hold or control in their subsidiaries²⁰; and
- d | 8,000 ordinary shares in Cue Energy (being a Related Company of OGOG) held by Andrew Jefferies (equating to 0.00115% of the total ordinary shares of Cue Energy).

4.25 TRADING IN EQUITY SECURITIES OF OGOG

Neither NZO, nor any Director, Senior Manager or any of their Associates, has acquired or disposed of any equity securities of OGOG or any Related Company of OGOG during the six month period before 5 September 2019, being the latest practicable date before the date of this Scheme Booklet.

¹⁷ Refer to footnote 16 in relation to the exercise of voting rights attaching to Partly Paid Shares issued under the ESOP by Roderick Ritchie and Rosalind Archer.

¹⁸ NZO is a Related Company of OGOG because OGOG holds more than 50% of the Shares in NZO. Accordingly, holdings of NZO equity securities by Directors and Senior Managers of NZO are effectively holdings in a Related Company of OGOG. The status of NZO as a Related Company of OGOG also makes OGOG an Associate of NZO, so OGOG's Shares in NZO are effectively held by an Associate of NZO.

¹⁹ As all NZO subsidiaries are Related Companies of OGOG.

²⁰ OGOG's holding companies are also Associates of NZO, so the equity securities they hold in OGOG Related Companies are also technically caught.

4.26 ARRANGEMENTS BETWEEN OGOG AND NZO

Except as set out in this section 4.26, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between OGOG or any Associates of OGOG and NZO or any Related Company of NZO in connection with, in anticipation of, or in response to, the Scheme.

CONFIDENTIALITY AGREEMENTS

On 6 June 2019, NZO and OGOG entered into a confidentiality agreement under which each party agreed to keep confidential information provided by the other party in connection with the Scheme and NZO agreed to deal with OGOG on an exclusive basis in relation to its proposal that resulted in the Scheme [subject to certain customary exclusions].

SCHEME IMPLEMENTATION AGREEMENT

NZO and OGOG entered into the Scheme Implementation Agreement on 9 July 2019. The material terms of the Scheme Implementation Agreement are summarised at section 3.2.

4.27 RELATIONSHIP BETWEEN OGOG AND DIRECTORS AND SENIOR MANAGERS OF NZO

No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between OGOG and any Associates of OGOG, and any Director or senior manager of NZO or any Related Company of NZO in connection with, in anticipation of, or in response to, the Scheme.

The following Directors of NZO are also directors or senior managers of OGOG and/or Related Companies of OGOG [other than NZO and its subsidiaries]²¹:

- Alastair McGregor;
- Marco Argentieri;
- Rebecca DeLaet; and
- Samuel Kellner.

4.28 AGREEMENT BETWEEN NZO AND ITS DIRECTORS AND SENIOR MANAGERS

No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between NZO and any Related Company of NZO, and any Director or senior manager (or their Associates) of NZO or any Related Company of NZO, under which a payment or other benefit may be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office in connection with, in anticipation of, or in response to, the Scheme.

4.29 INTERESTS OF DIRECTORS AND SENIOR MANAGERS OF NZO IN CONTRACTS OF OGOG OR ITS RELATED COMPANIES

No Director or Senior Manager or their Associates has an interest in any contract to which OGOG, or any Related Company of OGOG, is a party other than employment agreements between the each of the Senior Managers and Andrew Jefferies [as employees] and NZO [being a Related Company of OGOG, as employer].

4.30 INTERESTS OF NZO'S SUBSTANTIAL SECURITY HOLDERS IN MATERIAL CONTRACTS OF OGOG OR ITS RELATED COMPANIES

No person who, to the knowledge of the Directors or the Senior Managers holds or controls 5% or more of any class of equity securities of NZO (other than OGOG itself), has an interest in any material contract to which OGOG, or any Related Company of OGOG, is a party.

²¹ NZO and its subsidiaries are technically Related Companies of OGOG but, in order to give effect to the purpose of this disclosure, this disclosure is limited to the directors and senior managers of the OGOG group above NZO.

4.31 ADDITIONAL INFORMATION

The OGOG Information in this Scheme Booklet is the responsibility of OGOG. Having said that, in the opinion of the Independent Directors, and to the best of their knowledge, no additional information is required to make that information correct or not misleading.

4.32 RECOMMENDATION

The Independent Directors unanimously recommend that Shareholders vote in favour of the Scheme Resolution, in the absence of a Superior Proposal. The Independent Directors' reasons for this recommendation are set out in the Chair's letter in section 1 and in section 3.3.

As noted in paragraph 4.27 above, NZO Directors Samuel Kellner, Marco Argentieri, Rebecca DeLaet and Alastair McGregor are also directors of OGOG or associated companies of OGOG. Accordingly, given this conflict of interest, each of Messrs Kellner, Argentieri and McGregor and Ms DeLaet abstained from making a recommendation to Shareholders in relation to the Scheme.

NZO Director Andrew Jefferies is the Chief Executive Officer of NZO, and has an interest in Partly Paid Shares. Because of the conflict of interest arising from his interests as a senior executive of NZO and his interests in Partly Paid Shares, Mr Jefferies has also abstained from making a recommendation to Shareholders in relation to the Scheme.

4.33 ACTIONS OF NZO

Except for the arrangements summarised in section 4.26 above, there are no material agreements or arrangements (whether legally enforceable or not) of NZO or any Related Company of NZO entered into as a consequence of, in response to, or in connection with, the Scheme.

There are no negotiations underway as a consequence of, in response to, or in connection with, the Scheme (other than the Scheme itself) that relate to, or could result in:

- a** | an extraordinary transaction, such as a merger, amalgamation or reorganisation, involving NZO or any of its Related Companies;
- b** | the acquisition or disposition of material assets by NZO or any of its Related Companies;
- c** | an acquisition of equity securities by, or of, NZO or any of its Related Companies; or
- d** | any material change in the issued equity securities of NZO, or the policy of the Board relating to distributions of NZO.

4.34 EQUITY SECURITIES OF NZO

NZO has 167,848,718 equity securities on issue.

FULLY PAID ORDINARY SHARES

There are currently 164,430,718 Shares on issue. The rights of holders of the ordinary Shares in respect of capital, distributions and voting are as follows. Each ordinary Share confers on its holder:

- a** | the right to an equal share in the dividends authorised by the Board;
- b** | the right to an equal share in the distribution of the surplus assets of NZO on liquidation; and
- c** | subject to the constitution of NZO, the right to cast one vote on a show of hands, or the right to cast one vote for each Share held on a poll, in each case, at a meeting of Shareholders on any resolution, including a resolution:
 - i. to appoint or remove a director;
 - ii. to alter or revoke the constitution;
 - iii. to approve a major transaction by NZO;
 - iv. to approve an amalgamation involving NZO [other than an amalgamation of a wholly owned subsidiary]; and
 - v. to put NZO into liquidation.

PARTLY PAID ORDINARY SHARES

There are currently 3,418,000 unquoted Partly Paid Shares issued under the ESOP. The rights of the holders of Partly Paid Shares in respect of capital, distributions and voting are as follows. Each Partly Paid Share confers on its holder:

- a** | the right to a proportionate share [based on the proportion of the issue price for the Partly Paid Share set at the time of issue that has been paid up] in the dividends authorised by the Board;
- b** | the right to proportionate share [based on the proportion of the issue price for the Partly Paid Share set at the time of issue that has been paid up] in the distribution of the surplus assets of NZO on liquidation; and
- c** | the right to cast a fraction of the vote [based on the proportion of the issue price for the Partly Paid Share set at the time of issue that has been paid up] for each Share held on a poll, in each case, at a meeting of Shareholders on any resolution, including a resolution:
 - i. to appoint or remove a director;
 - ii. to alter or revoke the constitution;
 - iii. to approve a major transaction by NZO;
 - iv. to approve an amalgamation involving NZO [other than an amalgamation of a wholly owned subsidiary]; and
 - v. to put NZO into liquidation.

Note that Tranche 1 Partly Paid Shares have been forfeited and so have an outstanding issue price payable. Accordingly the voting rights attached to those Partly Paid Shares are currently not able to be exercised under the terms of NZO's constitution [see section 3.14 above].

4.35 FINANCIAL INFORMATION

A copy of NZO's most recent annual report (being the annual report for the year ended 30 June 2019) is available on NZO's website at <http://www.nzog.com/investor-information/company-reports/shareholder-reports/>.

Every person who is eligible to vote on the Scheme is also entitled to obtain a hard copy of NZO's most recent annual report or half year report by:

- a** | making a written request to:
New Zealand Oil & Gas Limited
Level 1, 36 Tennyson Street
Te Aro, Wellington 6011
New Zealand
- b** | emailing:
enquiries@nzog.com

Other than as set out in this Scheme Booklet:

- a** | there have not been any material changes in the financial or trading position, or prospects, of NZO since the most recent annual report was prepared and sent to Shareholders; and
- b** | there is no other information about the assets, liabilities, profitability and financial affairs of NZO that could reasonably be expected to be material to the Shareholders when making a decision to vote for, or against, the Scheme Resolution.

4.36 INDEPENDENT ADVICE ON MERITS OF THE SCHEME

Northington Partners is the Independent Adviser who has provided a report in relation to the merits of the Scheme. A copy of the full Independent Adviser's Report is set out in Appendix C.

The Independent Adviser's Report includes an opinion as to the fairness and reasonableness of the consideration and terms offered by the Scheme as between Shares and Partly Paid Shares (similar to the report required under rule 22 of the Takeovers Code).

4.37 ASSET VALUATIONS

Section 3.4.1 of the Independent Adviser's Report refers to a valuation of New Zealand exploration assets provided by RISC Advisory Pty Limited dated 25 June 2019. Section 3.4.3 of the Independent Adviser's Report refers to a valuation of Australian exploration assets provided by SRK Consulting (Australasia) Pty Limited dated 20 November 2018.

A summary of these valuations, that discloses the basis of computation and the key assumptions on which they are based, is set out in appendix 3 of the Independent Adviser's Report.

Copies of these valuations may be inspected at:
New Zealand Oil & Gas Limited
Level 1, 36 Tennyson Street
Te Aro, Wellington 6011
New Zealand

A copy of these valuations will be sent to any Shareholder on request. To request a copy of a valuation please email enquiries@nzog.com.

Other than the valuations referred to above, no information provided in this Scheme Booklet refers to a valuation of any asset of NZO.

4.38 PROSPECTIVE FINANCIAL INFORMATION

The Independent Adviser's Report refers to prospective financial information in relation to NZO. The principal assumptions on which the prospective financial information is based are set out in the Independent Adviser's Report.

Other than the prospective financial information referred to above, this Scheme Booklet does not refer to any prospective financial information about NZO.

4.39 SALES OF UNQUOTED EQUITY SECURITIES UNDER THE SCHEME

The Partly Paid Shares are subject to the Scheme but are not quoted on any stock exchange.

No Partly Paid Shares have been disposed of in the 12 months ending on the latest practicable date before the date of this Scheme Booklet.

4.40 MARKET PRICES FOR QUOTED EQUITY SECURITIES

Shares are quoted on the NZX Main Board.

The closing price on the NZX Main Board of Shares on:

- a** | 5 September 2019, being the latest practicable working day before the date on which this Scheme Booklet was sent to Shareholders, was NZ\$0.63; and
- b** | 9 July 2019, being the last day on which NZX was open for business before the date on which NZO announced that it had entered into the Scheme Implementation Agreement with OGOG, was NZ\$0.50.

The highest and lowest closing market prices of Shares on the NZX Main Board (and the relevant dates) during the six months to 9 July 2019 (being the last day on which NZX was open for business before the date on which NZO announced that it had entered into the Scheme Implementation Agreement with OGOG), were as follows:

- a** | the highest closing market price of NZO Shares was NZ\$0.53 on 18 January 2019 and 21 June 2019; and
- b** | the lowest closing market price of NZO Shares was NZ\$0.47 on 18 March 2019 and 21 March 2019.

During the six months to 9 July 2019 (being the last day on which NZX was open for business before the date on which NZO announced that it had entered into the Scheme Implementation Agreement with OGOG), NZO did not issue any equity securities, make any changes to any equity securities on issue, or make any distributions, which could have affected the market prices of Shares referred to above.

Except as set out in this Scheme Booklet, as at the date of this Scheme Booklet there is no other information about the market price of Shares that could reasonably be expected to be material to the making of a decision by Shareholders when making a decision on how to vote on the Scheme Resolution.

4.41 OTHER

The Independent Directors are not aware of any additional information, which is not required to be disclosed elsewhere in this Scheme Booklet, that could reasonably be expected to be material to the Shareholders when making a decision on how to vote on the Scheme Resolution.

4.42 BOARD APPROVAL OF SCHEME BOOKLET

The contents of this Scheme Booklet have been unanimously approved by the Independent Directors, under delegated authority from the Board, other than:

- a** | the OGOG Information, which OGOG has approved; and
- b** | the Independent Adviser's Report, which has been prepared by Northington Partners.

Disclosures about Associates of Senior Managers made in this section are made to the best of NZO's knowledge.

As set out in paragraph 4.32 above, NZO Directors Messrs Kellner, Argentieri, McGregor, Jefferies and Ms DeLaet have a conflict of interest in respect of the Scheme. Accordingly, they have not approved the contents of this Scheme Booklet.

SECTION 5

TAX IMPLICATIONS

5.1 SCOPE

The following sets out a general summary of the New Zealand tax implications of disposing of Shares under the Scheme.

This summary:

- a** | is based on New Zealand law and practices as at the date of this Scheme Booklet, and does not cover tax implications that may arise in jurisdictions other than New Zealand;
- b** | does not constitute (and should not be relied upon as) tax advice;
- c** | is general in nature and is not a substitute for individual tax advice;
- d** | does not necessarily apply to Shareholders holding their Shares as part of a business that includes dealing in property of that kind or as part of an undertaking or scheme entered into or devised for the purpose of making a profit, or if the person acquired the Shares for the purpose of disposing of them; and
- e** | is not intended to be an authoritative or exhaustive statement of the tax legislation applicable to all Shareholders, and in particular does not address the position of portfolio investment entities or other institutional shareholders.

In addition, this summary does not address any New Zealand tax issues that are particular to the Partly Paid Shares (or participants of the ESOP with an interest in the Partly Paid Shares).

Tax law is complex and subject to change from time to time (including retrospectively), as is the interpretation of the law by the courts and Government Agencies. Accordingly, you should obtain your own independent professional advice that considers the taxation implications arising in relation to the Scheme taking into account your own specific circumstances.

5.2 TAX RESIDENCE STATUS

Your tax residence status may affect how New Zealand income tax applies to you. The discussion below addresses New Zealand tax residents and non-tax residents separately.

If you are unsure whether you are a New Zealand tax resident or a non-resident for New Zealand tax purposes, you should consult a tax adviser.

5.3 INCOME TAX IMPLICATIONS FOR NEW ZEALAND RESIDENT SHAREHOLDERS

Although New Zealand does not have a general capital gains tax, there are instances where New Zealand tax resident Shareholders will be subject to New Zealand income tax on gains made on the disposal of Shares under the Scheme.

Accordingly, you will need to consider your individual circumstances to determine whether any gain on the disposal of your Shares will be taxable.

Generally, you will be subject to New Zealand income tax on any gain arising from the disposal of your Shares under the Scheme if you hold your Shares on "revenue account". This would be the case if you:

- a** | are in the business of dealing in shares and hold your Shares as part of this business;
- b** | acquired your Shares as part of a profit-making undertaking or scheme; or
- c** | acquired your Shares with the dominant purpose of selling them.

In those circumstances, your taxable gain will be the difference between the original cost of your Shares and the amount received for their disposal under the Scheme.

If you have a taxable gain you will be required to include that gain in an income tax return (or an equivalent filing) relating to the tax year in which the disposal under the Scheme occurs, unless you are exempt from filing an income tax return. You will need to pay any tax owing (including potential provisional tax) in respect of that gain at your applicable rate.

5.4 NEW ZEALAND INCOME TAX IMPLICATIONS FOR NON-RESIDENT SHAREHOLDERS

Non-resident shareholders who hold their Shares on "revenue account" (as described under section 5.3 above) will also potentially be subject to New Zealand income tax on gains made on the disposal of Shares under the Scheme.

However, if you are a tax resident of a country which has a double tax agreement with New Zealand, then, subject to the particular provisions of the relevant double tax agreement, any New Zealand income tax liability on gains you derive from the disposal of Shares under the Scheme (as described above) may be relieved.

You will need to confirm with your tax advisor whether any double tax agreement relief from New Zealand income tax is available to you. The terms of each double tax agreement entered into by New Zealand are different. Most double tax agreements will not provide relief from New Zealand income tax on the disposal of shares in a New Zealand incorporated company (such as NZO) if the holder of those shares has a permanent establishment in New Zealand through which the shares are held.

5.5 GOODS AND SERVICES TAX (GST)

No New Zealand GST will be payable on the disposal of Shares under the Scheme. New Zealand does not have stamp duty or other transfer tax which would apply to the disposal of Shares under the Scheme.

5.6 WITHHOLDING TAX

There will be no requirement for OGOG to withhold any tax from the Scheme Consideration paid to you. You will receive the full 62 cents (or lesser amount in the case of Partly Paid Shares) for every share you hold should the Scheme proceed.

SECTION 6 GLOSSARY

The meaning of terms set out in this Scheme Booklet are set out below:

#

\$

means New Zealand dollar

A

Associate

has the same meaning as in rule 4 of the Takeovers Code

B

Board

means the board of directors of NZO

Business Day

means a day [other than a Saturday, Sunday or public holiday] on which banks are open for general banking business in Auckland, New Zealand and New York, NY

C

Companies Act

means the Companies Act 1993

Competing Proposal

means a proposal, offer, agreement, arrangement or transaction [including by way of takeover offer, scheme of arrangement, capital reduction, sale of assets, sale or issue of securities or joint venture] which, if completed, would result in a third party [whether alone or together with its Associates]:

- directly or indirectly acquiring or being entitled to acquire an interest in:
 - more than 10% of the shares of NZO;
 - more than 10% of the shares of any Related Companies of NZO that individually or collectively contributes 10% or more of the consolidated EBITDA, or whose assets represent 10% or more of the total consolidated assets, of NZO and its Related Companies;

- directly or indirectly acquiring or being entitled to acquire all of the business or assets of NZO and its Related Companies or part of the business or assets that individually or collectively contributes 10% or more of the consolidated EBITDA, or whose assets represent 10% or more of the total consolidated assets, of NZO and its Related Companies; or
- acquiring control of NZO or merging or amalgamating with NZO or any of its Related Companies that individually or collectively contributes 10% or more of the consolidated EBITDA, or whose assets represent 10% or more of the total consolidated assets, of NZO and its Related Companies

Computershare

means Computershare Investor Services Limited, NZO's share registrar

Conditions

means the conditions to the Scheme, which are summarised in section 3.2 of this Scheme Booklet

Cue Energy

means Cue Energy Resources Limited

D

Deed Poll

means the deed poll in the form attached as Appendix B and executed by OGOG [dated 29 August 2019], pursuant to which OGOG has undertaken in favour of each Scheme Shareholder to pay the Scheme Consideration to Scheme Shareholders in accordance with the terms of the Scheme Plan

Director

means a member of the Board

E

End Date

means 9 January 2020. However, either NZO or OGOG may extend the End Date to 9 April 2020 if the OIO Condition has not been satisfied by 9 January 2020 but that party considers that the OIO Condition is capable of satisfaction by 9 April 2020. NZO and OGOG can otherwise mutually agree a different date to be the End Date

ESOP

means the employee share ownership plan established by NZO whereby certain employees of NZO (or any company within the NZO group) are offered Partly Paid Shares pursuant to the rules of the plan

Excluded Event

means any event or change in circumstances:

- resulting from the exercise by any party of its rights, or the discharge by any party of its obligations, under the Scheme Implementation Agreement (other than NZO's obligations under clauses 9.2(a) and 9.2(c) and rights under clauses 9.2 and 9.3 of the Scheme Implementation Agreement);
- fairly disclosed to NZX during the period commencing on 1 January 2017 and ending on the date immediately prior to the date of the Scheme Implementation Agreement;
- arising from an action, omission, event, change, matter, or circumstance previously approved in writing by OGOG, including any consequences reasonably foreseeable as a result of such matters;
- being or resulting from the payment of costs and expenses properly incurred by NZO in connection with the negotiation, development and implementation of the Scheme, including all actions taken under or in connection with the Scheme Implementation Agreement (with "properly incurred" bearing the same meaning as in the Takeovers Act 1993, with all necessary changes and adaptations to the circumstances of a scheme of arrangement); or
- resulting from any change in generally accepted accounting principles or any widespread change in interpretation of the same

Excluded Shares

means any Shares nominated in writing by OGOG to NZO not less than two Business Days prior to the Record Date which are held or controlled by OGOG or any of its Associates at 5:00pm on the Record Date

F

Final Court Hearing

means the final hearing of the High Court in respect of the Scheme, which is expected to take place at 10.00am on 31 October 2019 or such later date as the High Court directs

Final Court Orders

means the final orders of the High Court in respect of the Scheme made under section 236(1) (and section 237, if applicable) of the Companies Act

Final Date

means the date that is five years from the date of issue or allocation of the relevant Partly Paid Shares under the ESOP

Final Orders Date

means the date on which Final Court Orders are granted by the High Court

G

Government Agency

means any government, any department, officer or minister of any government, and any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial agency, authority, board, commission, tribunal or entity and any court

I

Independent Adviser

means Northington Partners

Independent Adviser's Report

means the report prepared by the Independent Adviser in respect of the Scheme and its terms, attached to this Scheme Booklet as Appendix C

Independent Directors

means the members of the Board who do not have a disqualifying relationship (as that term is defined in the NZX Listing Rules) in relation to the Scheme being, as at the date of this Scheme Booklet, Roderick Ritchie and Rosalind Archer

Initial Court Date

means 5 September 2019

Initial Court Orders

means the initial court orders of the High Court relating to the Scheme dated 5 September 2019

L**Listing Rules**

means the NZX Main Board Listing Rules

M**Material Adverse Change**

means any matter, event, condition or change in circumstances or thing which occurs or is announced, and which is not an Excluded Event, (each a **Specified Event**), or a related series of Specified Events, and which individually, or in aggregate, has or is reasonably likely to reduce the value of the consolidated net assets of NZO and its Related Companies by at least \$5 million against what it would have reasonably been expected to have been but for the Specified Event or related series of Specified Events, provided that such Specified Event, or related series of Specified Events, is not the result of:

- general changes to the markets in which NZO operates or trades which do not disproportionately adversely affect NZO and its Related Companies; or
- any change in interest rates, general economic, financial, regulatory, legal or political conditions or requirements generally affecting businesses in the industry in which NZO and its Related Companies operates or the markets in which NZO and its Related Companies operates or trades which do not disproportionately adversely affect the business of NZO and its Related Companies compared with other businesses which operate in that industry

N**NZO, New Zealand Oil & Gas or the “company”**

means New Zealand Oil & Gas Limited

NZX

means NZX Limited

NZX Main Board

means the main board equity security market operated by NZX

O**OGOG**

means O. G. Oil & Gas [Singapore] Pte. Ltd., a wholly owned subsidiary of O. G. Oil & Gas Limited

OGOG Information

means the information relating to OGOG as set out in Part A of section 4 of this Scheme Booklet and the answer to the question “Who is OGOG?” in Part D of section 1 of this Scheme Booklet

OIO Condition

means receipt by OGOG of all consents required under the Overseas Investment Act 2005 and the Overseas Investment Regulations 2005 to the implementation of the Scheme on terms or conditions acceptable to OGOG acting reasonably

P

Participant

means a person who has accepted an offer of Shares under the ESOP and, at the relevant time, has an interest in Partly Paid Shares held by the Trustee on their behalf

Partly Paid Shares

means the partly paid ordinary shares issued by NZO under the ESOP

Prescribed Occurrence

means the occurrence of any of the events listed in Schedule 1 of the Scheme Implementation Agreement other than an event agreed to by OGOG in writing. OGOG will be deemed to have agreed in writing to:

- any event which is approved by the Board if directors representing the interests of OGOG constituted a majority of the directors who voted in favour of that action; and
- any event which is approved by Shareholders if any Shares held or controlled by OGOG are voted in favour of the relevant resolution or not voted on the relevant resolution

R

Register

means the share register of NZO

Reimbursement Fee

means \$750,000 plus GST (if any)

Related Company

means in relation to a company, has the meaning given to that expressed in section 2(3) of the Companies Act 1993 read as if a reference to a “company” was a reference to any body corporate wherever incorporated

Reverse Reimbursement Fee

means \$750,000 plus GST (if any)

S

Scheme or Scheme of Arrangement

means a scheme of arrangement under Part 15 of the Companies Act under which all of the Shares and Partly Paid Shares held by Scheme Shareholders will be transferred to OGOG and the Scheme Shareholders will be entitled to receive the Scheme Consideration, in accordance with the Scheme Plan set out in Appendix A, subject to any amendment or modification made pursuant to section 236 of the Companies Act

Scheme Booklet

means this document together with its appendices

Scheme Consideration

means a cash amount of \$0.62 per Share (or the relevant amount payable in respect of Partly Paid Shares), payable to Scheme Shareholders on the Scheme Implementation Date

Scheme Implementation Agreement

means the scheme implementation agreement between NZO and OGOG dated 9 July 2019, a summary of which is set out in section 3.2, and a copy of which is available at www.nzx.com/announcements/337411

Scheme Implementation Date

means five Business Days after the Scheme Record Date or such other date as OGOG and NZO agree in writing

Scheme Plan

means the scheme plan attached as Appendix A, subject to any alterations or conditions approved by NZO and OGOG in writing and which the Court approves under section 236(1) of the Companies Act

Scheme Record Date

means 5.00pm on the date which is five Business Days after the later of:

- the Final Orders Date; and
- the date on which the OIO Condition is satisfied;

or such other date agreed between NZO and OGOG in writing

Scheme Resolution

means the special resolution set out in the Notice of Meeting set out in section 2 of this Scheme Booklet

Scheme Shares

means all of the Shares and Partly Paid Shares on issue at 5.00pm on the Scheme Record Date other than the Excluded Shares

Scheme Shareholder

means each person who is registered in the Register as the holder of one or more Scheme Shares on the Scheme Record Date

Senior Manager

means a member of NZO's senior management team as identified in the Directory at the end of this Scheme Booklet

Shareholder

means each person registered in the Register as a holder of Shares or Partly Paid Shares (as applicable)

Shares

means fully paid ordinary shares in the capital of NZO

Special Meeting

means the meeting of Shareholders ordered by the High Court to be convened in respect of the Scheme (and includes any adjournment of that meeting)

Superior Proposal

means a written bona fide Competing Proposal which:

- does not breach the no shop, no talk or no due diligence obligations that NZO owes OGOG; and
- the Board determines, acting in good faith and after having received written advice from its external financial and legal advisers:
 - i. is reasonably capable of being completed, taking into account all aspects of the Competing Proposal (including its conditions, the identity, reputation and financial condition of the person making such proposal, and legal, regulatory and financial matters);
 - ii. is more favourable to Shareholders than the Scheme, taking into account all the terms and conditions of the Competing Proposal and the Scheme; and
 - iii. failing to attempt to advance such Competing Proposal would constitute a breach of the fiduciary or statutory duties, as a director of NZO, of any member of the Board

T**Takeovers Code**

means the Takeovers Code set out in the schedule to the Takeovers Regulations 2000, as amended from time to time

Tranche 1 Partly Paid Shares

means the Partly Paid Shares which have been forfeited by Participants under the terms of the ESOP and are held by the Trustee pending sale

Tranche 2 Partly Paid Shares

means the Partly Paid Shares with a Final Date of 24 February 2022

Trustee

means NZOG Services Limited, the trustee of the ESOP

V**Voting Eligibility Date**

means the time for determining eligibility to vote at the Special Meeting, being 5.00pm on 14 October 2019 or, if the Special Meeting is adjourned, being 5.00pm on the day which is two Business Days before the adjourned meeting time for the Special Meeting

Voting/Proxy Form

means the voting and proxy form which accompanies this Scheme Booklet

VWAP

means volume weighted average price

APPENDIX A

SCHEME PLAN

For a scheme of arrangement under
Part 15 of the Companies Act 1993

between **New Zealand Oil & Gas Limited**, a duly incorporated company having its registered office at Level 1, 36 Tennyson Street, Wellington, 6011, New Zealand [Company No. 37842] **[Target]**

and **Scheme Shareholders** [as defined below]

and **O.G. Oil & Gas Singapore Pte. Ltd.**, a company incorporated in Singapore whose registered office is 1A International Business Park, #07-02, Singapore 609933 [Company No. 201722201W] **[OGOG]**

1. CONDITIONS

The implementation of the Scheme is conditional in all respects on:

- a** | all of the Conditions having been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement by 9.00am on the Implementation Date;
- b** | neither the Scheme Implementation Agreement nor the Deed Poll having been terminated in accordance with its terms before 9.00am on the Implementation Date; and
- c** | the orders of the Court made under subsection 236(1) of the Companies Act approving this Scheme Plan coming into effect, pursuant to subsection 236(3) of the Companies Act, on or before the date 10 Business Days after the End Date.

2. SCHEME CONSIDERATION INTO TRUST ACCOUNT

2.1 OBLIGATION TO PAY INTO TRUST ACCOUNT

Subject to the Scheme Implementation Agreement not being terminated and the Scheme having become Unconditional (save for the Conditions set out in clause 3.1(d) to (f) [inclusive] of the Scheme Implementation Agreement), OGOG must, by no later than 5.00pm on the Business Day before the Implementation Date, deposit (or procure the deposit of) in immediately available cleared funds an amount equal to the aggregate amount of the Scheme Consideration payable to Scheme Shareholders in a New Zealand dollar denominated trust account operated by Computershare (**Funds**).

2.2 DETAILS OF TRUST ACCOUNT

- a** | Subject to clause 2.2(b), the trust account will be held and operated by Computershare on the basis that the Funds are held on trust for OGOG and to its order, such that only OGOG may direct how the Funds will be paid from the trust account.

- b** | Clause 2.2(a) is subject to a standing direction from OGOG to Target and Computershare to make payment of the Scheme Consideration to the Scheme Shareholders upon transfer of the Scheme Shares to OGOG under clause 3.1(a).
- c** | The details of the trust account will be provided to OGOG by Computershare not less than 6 Business Days before the Implementation Date.

2.3 INTEREST

Any interest earned on the amount deposited will be payable to OGOG by Computershare as directed by OGOG.

2.4 SCHEME NOT IMPLEMENTED

Should the implementation of the Scheme not occur by 5.00pm on the Implementation Date for any reason, Computershare will immediately repay such monies to OGOG to such New Zealand dollar denominated account(s) instructed to Computershare by OGOG.

3. IMPLEMENTATION

- 3.1** Subject to the conditions set out in clause 1 being satisfied and the Scheme Consideration having been deposited in accordance with clause 2.1, commencing at 10.00am on the Implementation Date and in the following order:
 - a** | without any further act or formality, all the Scheme Shares, together with all rights and entitlements attaching to them as at the Implementation Date, will be transferred to OGOG and Target must enter, or procure the entry of, the name of OGOG in the Register in respect of all of the Scheme Shares; and then
 - b** | in accordance with the instructions in clause 2.2(b) and subject to compliance in full with clauses 2.1 and 3.1(a), Target must instruct Computershare to pay or procure the payment from the trust account referred to in clause 2 of the Scheme Consideration to each Scheme Shareholder based on the number and class of Scheme Shares held by such Scheme Shareholder as set out in the Register as at 5.00pm on the Scheme Record Date.

4. PAYMENT OF THE SCHEME CONSIDERATION

4.1 METHOD OF PAYMENT

The payment obligations of Target under clause 3.1(b) will be satisfied by:

- a** | where a Scheme Shareholder has, not less than 5 Business Days before the Scheme Record Date, made a valid election in accordance with the requirements of Computershare to receive payments from Target by electronic funds transfer to a bank account nominated by that Scheme Shareholder, paying the relevant amount by electronic transfer in accordance with that election (unless Target in its absolute discretion elects to make the payment in accordance with clause 4.1(b)); or
- b** | otherwise dispatching, or procuring the dispatch of, a cheque for the relevant amount to the Scheme Shareholder by prepaid post to their Registered Address (as at 5.00pm on the Scheme Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 4.2).

4.2 JOINT HOLDERS

In the case of Scheme Shares held in joint names:

- a** | subject to clause 4.1, the Scheme Consideration is payable to the joint holders and any cheque required to be sent under this Scheme Plan will be made payable to the joint holders and sent to either, at the sole discretion of OGOG, the holder whose name appears first in the Register as at 5.00pm on the Scheme Record Date or to the joint holders; and
- b** | any other document required to be sent under this Scheme Plan, will be forwarded to either, at the sole discretion of Target, the holder whose name appears first in the Register as at 5.00pm on the Scheme Record Date or to the joint holders.

4.3 SURPLUS IN TRUST ACCOUNT

To the extent that, following satisfaction of the obligations under clause 4.1, there is a surplus in the trust account referred to in clause 2, that surplus (less the aggregate amount of any cheques dispatched under clause 4.1(b) which remain unpaid, any amount retained under clause 4.5(b) and bank fees and other third party charges directly in connection with the account) shall be immediately paid to OGOG.

4.4 UNCLAIMED MONIES

- a** | Target may cancel a cheque issued under clause 4.1(b) if the cheque is returned to Target or has not been presented for payment within six months after the Implementation Date.
- b** | During the period of six months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Target, Target must reissue, or procure the reissue of, a cheque that was previously cancelled under clause 4.4(a).

4.5 ORDERS OF A COURT OR GOVERNMENT AUTHORITY

Notwithstanding any other provision of this Scheme Plan, if written notice is given to Target prior to the Scheme Record Date of an order or direction made by a court of competent jurisdiction or a Government Authority that:

- a** | requires consideration to be provided to a third party in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder by Target in accordance with clause 3.1(b), Target will be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
- b** | prevents the consideration from being provided to any particular Scheme Shareholder in accordance with clause 3.1(b), or the payment of such consideration is otherwise prohibited by applicable law, the payment [equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration] will be retained in the trust account referred to in clause 2 until such time as provision of the consideration to the Scheme Shareholder in accordance with clause 3.1(b) is permitted by that order or direction or otherwise by law. Any amount so retained under this clause 4.5(b) may be held by Target or any of Target's related companies, provided that OGOG procures that such company complies with the obligations under this clause to pay such consideration to any applicable Scheme Shareholders,

and such provision or retention (as the case may be) will constitute the full discharge of OGOG's and Target's obligations under clause 3.1(b) with respect to the amount so provided or retained.

5. DEALING IN TARGET SHARES

5.1 RECOGNITION OF DEALINGS

To establish the identity of the Scheme Shareholders:

- a** | dealings in Target Shares will only be recognised if:
 - i. in the case of dealings of the type to be effected through NZX's clearing and settlement system, the transferee is registered in the Register as the holder of the relevant Target Shares on or before 5.00pm on the Scheme Record Date; and
 - ii. in all other cases, registrable transmission applications or transfers in respect of those dealings, or valid requests in respect of other alterations, are received on or before 5.00pm on the Scheme Record Date at the place where the Register is kept; and
- b** | Target must not accept for registration, nor recognise for any purpose [except a transfer to OGOG pursuant to this Scheme Plan and any subsequent transfer by OGOG or its successors in title], any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable forms.

5.2 REGISTER

- a** | Target must register registrable transmission applications or transfers of Target Shares in accordance with clause 5.1(a)(ii) on or before 5.00pm on the Scheme Record Date provided that, for the avoidance of doubt, nothing in this clause 5.2(a) requires Target to register a transfer that:
 - i. relates to a transfer of Target Shares on which Target has a lien; or
 - ii. would result in a Target Shareholder holding a parcel of Target Shares that is less than a 'minimum holding' [for the purposes of this clause 5.2(a) 'minimum holding' has the meaning given in the NZX Listing Rules].

- b** | A holder of Scheme Shares (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares, or any interest in them, on or after 5.00pm on the Scheme Record Date otherwise than pursuant to this Scheme Plan, and any attempt to do so will have no effect and Target and OGOG shall be entitled to disregard any such disposal.
- c** | For the purpose of determining entitlements to the Scheme Consideration, Target must maintain the Register in accordance with the provisions of this clause 5.2 until the Scheme Consideration has been paid to the Scheme Shareholders. The Register in this form will solely determine entitlements to the Scheme Consideration.
- d** | From 5.00pm on the Scheme Record Date, each entry that is current on the Register (other than entries on the Register in respect of OGOG), all statements of holding for Target Shares (other than statements in favour of OGOG) and all other documents of title in respect of the Target Shares (other than documents in favour of OGOG) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of Target Shares relating to that entry.
- e** | As soon as possible after 5.00pm on the Scheme Record Date and in any event by 5.00pm on the first Business Day after the Scheme Record Date, Target must make available to OGOG in the form OGOG reasonably requires, details of the names, Registered Addresses and holdings of Target Shares for each Scheme Shareholder as shown in the Register as at 5.00pm on the Scheme Record Date.
- f** | From 5.00pm on the Scheme Record Date, no holder of Partly Paid Shares (or any person claiming through that holder) may pay any amount of the issue price of the relevant Partly Paid Share which remains unpaid at 5.00pm on the Scheme Record Date, and any such payment will not be accepted by Target.

6. GENERAL PROVISIONS

6.1 AMENDMENTS TO SCHEME CONSIDERATION

OGOG may increase the Scheme Consideration for any class of the Scheme Shares by written notice at any time to Target prior to the Scheme Meeting, provided that the Scheme Implementation Agreement has not been terminated in accordance with its terms prior to the receipt of such notice by Target.

6.2 TITLE TO AND RIGHTS IN SCHEME SHARES

- a** | To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme Plan to OGOG will, at the time of transfer of them to OGOG, vest in OGOG free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 17(1)(a) of the Personal Property Securities Act 1999) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.
- b** | Each Scheme Shareholder is taken to have warranted to OGOG on the Implementation Date that:
 - i.** all of their Scheme Shares (including any rights and entitlements attaching to those shares) which are transferred under this Scheme Plan will, at the time of transfer, be:
 - A.** free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 17(1)(a) of the Personal Property Securities Act 1999) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;
 - B.** in the case of Fully Paid Shares only, fully paid; and
 - C.** in the case of Partly Paid Shares only, paid up to one cent per share; and
 - ii.** they have full power and capacity to transfer their Target Shares to OGOG together with any rights and entitlements attaching to those shares.

6.3 AUTHORITY GIVEN TO TARGET

Each Scheme Shareholder, without the need for any further act:

- a** | on the date which is the later of:
 - i. the Final Orders Date; and
 - ii. the date on which Target announces to NZX that the OIO Condition has been satisfied,

irrevocably appoints Target and each of its directors (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against OGOG (but without limiting each Scheme Shareholder's right to itself enforce the Deed Poll); and

- b** | on the Implementation Date, irrevocably appoints Target and each of its directors (jointly and each of them severally) as its attorney and agent for the purpose of executing any document or doing or taking any other act necessary, desirable or expedient to give effect to the Scheme and the transactions contemplated by it,

and Target, for itself and on behalf of each of its directors, accepts each such appointment. Each such attorney and agent, may sub-delegate its functions, authorities or powers under this clause 6.3 to one or more of Target's officers.

6.4 BINDING EFFECT OF SCHEME

- a** | The Scheme binds:
 - i. Target;
 - ii. OGOG; and
 - iii. all of the Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on the Scheme, did not vote at the Scheme Meeting, or voted against the Scheme at the Scheme Meeting).
- b** | In the event of any inconsistency, this Scheme Plan overrides the constitution of Target.

6.5 END DATE

The Scheme will become void and be of no further force or effect if it does not become Unconditional on or before the date 10 Business Days after the End Date (other than any provision of the Scheme or this Scheme Plan relating to the repayment to OGOG of any Funds deposited in accordance with clause 2 and the interest thereon (less bank fees and other third party charges directly in connection with the account)).

6.6 TARGET OBLIGATIONS

To the extent that any provision of the Scheme or this Scheme Plan imposes any obligation on Target that continues or arises after the implementation of the Scheme, such obligation may instead be performed by any successor or related company of Target, in which case the obligation will be satisfied as if performed by Target.

6.7 GOVERNING LAW

- a** | This Scheme Plan and any non-contractual obligations arising out of or in connection with it is governed by the law applying in New Zealand.
- b** | The courts having jurisdiction in New Zealand have exclusive jurisdiction to settle any dispute arising out of or in connection with this Scheme Plan (including a dispute relating to any non-contractual obligations arising out of or in connection with this Scheme Plan) and the parties irrevocably submit to the exclusive jurisdiction of the courts having jurisdiction in New Zealand.

6.8 NO LIABILITY WHEN ACTING IN GOOD FAITH

Each Scheme Shareholder agrees that none of the directors, officers or employees of Target or OGOG, will be liable for anything done or omitted to be done in the performance of the Scheme in good faith.

7. DEFINITIONS AND INTERPRETATION

7.1 DEFINITIONS

In this Scheme Plan:

Business Day means a day [other than a Saturday, Sunday or public holiday] on which banks are open for general banking business in Auckland and New York, NY;

Companies Act means the Companies Act 1993;

Computershare means Computershare Investor Services Limited;

Conditions means:

- a | the conditions set out in clause 3.1 of the Scheme Implementation Agreement; and
- b | such other conditions made or required by the Court under section 236[1] or section 237 of the Companies Act and approved in writing by Target and OGOG in accordance with clause 3.2 of the Scheme Implementation Agreement;

Court means the High Court of New Zealand, Auckland Registry;

Deed Poll means the deed poll to be entered into by OGOG in favour of the Scheme Shareholders;

End Date means:

- a | the date that is six months from the date of the Scheme Implementation Agreement or, if extended by the Target or OGOG in accordance with paragraph [a] of the definition of "End Date" in the Scheme Implementation Agreement, the date that is nine months from the date of the Scheme Implementation Agreement; or
- b | any other date agreed in writing by OGOG and Target;

Excluded Shares means any Target Shares nominated in writing by OGOG to Target not less than two Business Days prior to the Scheme Record Date which are held or controlled by OGOG or any of its associates (as that term is defined in the Takeovers Code) at 5.00pm on the Scheme Record Date;

Final Orders Date means the date on which final orders of the Court made under section 236[1] (and section 237, if applicable) of the Companies Act are granted;

Fully Paid Share means a fully paid ordinary share on issue in the capital of Target;

Government Authority means any government, any department, officer or minister of any government and any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial agency, authority, board, commission, tribunal or entity and any court;

Implementation Date means the day on which the Scheme is to be implemented, being the date five Business Days after the Scheme Record Date, or such other date as OGOG and Target agree in writing;

NZX means NZX Limited or the main board financial market that it operates, as the context requires;

NZX Listing Rules means the listing rules made by NZX from time to time which apply to issuers listed on the main board financial market that NZX operates and which apply to Target at the relevant time;

OIO Condition means the Condition set out in clause 3.1(a) of the Scheme Implementation Agreement;

Partly Paid Share means a partly paid ordinary share on issue in the capital of Target;

Register means the register of Target Shares maintained by Computershare on behalf of Target;

Registered Address means, in relation to a Target Shareholder, the address shown in the Register as at 5.00pm on the Scheme Record Date;

Scheme means this scheme of arrangement, subject to any alterations or conditions made or required by the Court under Part 15 of the Companies Act and approved by OGOG and Target in writing;

Scheme Consideration means the following cash consideration in respect of each Target Share held by a Scheme Shareholder as at 5.00pm on the Scheme Record Date:

- a | for each Fully Paid Share, NZ\$0.62;
- b | for each Partly Paid Share with an issue date of 30 May 2013, 10 September 2013, 15 November 2013, 30 September 2014 or 30 September 2015, NZ\$0.01; and
- c | for each Partly Paid Share with an issue date of 24 February 2017, NZ\$0.09;

Scheme Implementation Agreement means the scheme implementation agreement dated 9 July 2019 between OGOG and Target;

Scheme Meeting means the special meeting of Target Shareholders ordered by the Court to be convened pursuant to section 236(2)(b) of the Companies Act in respect of the Scheme and including any meeting convened following any adjournment or postponement of that meeting;

Scheme Record Date means the date which is 5 Business Days after the later of:

- a | the Final Orders Date; and
- b | the date on which the OIO Condition is satisfied, or such other date agreed between OGOG and Target in writing;

Scheme Shareholder means a person who is registered in the Register as the holder of one or more Scheme Shares as at 5.00pm on the Scheme Record Date;

Scheme Shares means all of the Target Shares on issue as at 5:00pm on the Scheme Record Date, other than any Excluded Shares;

Target Shareholder means a person who is registered in the Register as the holder of one or more Target Shares from time to time;

Target Shares means the Fully Paid Shares and the Partly Paid Shares; and

Unconditional means the coming into effect pursuant to section 236(3) of the Companies Act of the order of the Court made under section 236(1) of the Companies Act in relation to the Scheme and the satisfaction or waiver (as the case may be) of all conditions of the Scheme.

7.2 INTERPRETATION

In this Scheme Plan:

- a | headings are for convenience only and do not affect the interpretation of this Scheme Plan;
- b | the singular includes the plural and the plural includes the singular;
- c | words of any gender include all genders;

- d | a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Authority, as well as an individual;
- e | a reference to a clause, is a reference to a clause of this Scheme Plan;
- f | a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them (whether passed by the same or another Government Authority with legal power to do so);
- g | a reference to a document (including this Scheme Plan) includes all amendments or supplements to, or replacements or novations of, that document;
- h | the word includes in any form is not a word of limitation;
- i | a reference to \$, NZ\$ or dollar is to New Zealand currency, unless denominated otherwise;
- j | a reference to any time is, unless otherwise indicated, a reference to that time in Auckland, New Zealand;
- k | a reference to a party to a document includes that party's successors and permitted assignees; and
- l | no provision of this Scheme Plan will be construed adversely to a party because that party was responsible for the preparation of this Scheme Plan or that provision.

7.3 BUSINESS DAY

Where the day on, or by which, any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day, unless otherwise indicated.

APPENDIX B

DEED POLL

This Deed Poll is made on
29 August 2019

between [1] **O.G. Oil & Gas (Singapore) Pte. Ltd., [OGOG]**

and [2] **Each registered holder of Scheme Shares as at
5.00pm on the Scheme Record Date [Scheme
Shareholders]**

Introduction

- A** New Zealand Oil & Gas Limited (**Target**) and OGOG are parties to the Scheme Implementation Agreement.
- B** Target has agreed to propose a scheme of arrangement between Target, OGOG and the Scheme Shareholders, the effect of which will be that all Scheme Shares will be transferred to OGOG and OGOG will provide or procure the provision of the Scheme Consideration to the Scheme Shareholders.
- C** OGOG is entering into this Deed Poll for the purpose of undertaking in favour of Scheme Shareholders to pay the Scheme Consideration to Scheme Shareholders in accordance with the terms of the Scheme Plan.

It is agreed

1. DEFINED TERMS AND INTERPRETATION

1.1 DEFINED TERMS

In this Deed, unless the context requires otherwise:

Final Orders means orders under section 236(1) (and section 237, if applicable) of the Companies Act in respect of the Scheme;

Scheme Implementation Agreement means the scheme implementation agreement between Target and OGOG, dated 9 July 2019 whereby Target has agreed to propose a scheme of arrangement;

Scheme Plan means the scheme plan attached as Annexure A to the Scheme Implementation Agreement, subject to any alterations or conditions approved by OGOG and Target in writing and which are disclosed to the Court prior to the Court making the Final Orders; and

words defined in the Scheme Plan which are not separately defined in this Deed Poll have the same meaning when used in this Deed Poll.

1.2 INTERPRETATION

Clauses 7.2 and 7.3 of the Scheme Plan apply to the interpretation of this Deed Poll, except that references to “this Scheme Plan” are to be read as reference to “this Deed Poll”.

2. NATURE OF THIS DEED POLL

2.1 THIRD PARTY RIGHTS AND APPOINTMENT OF ATTORNEY

OGOG acknowledges that:

- a** | this Deed Poll is intended to confer a benefit upon, and therefore be relied upon and enforced by, any Scheme Shareholder in accordance with its terms under Part 2, Subpart 1 of the Contract and Commercial Law Act 2017 (but not otherwise), even though the Scheme Shareholders are not party to it; and
- b** | under the Scheme Plan each Scheme Shareholder appoints Target and each of its directors (jointly and each of them severally) as its agent and attorney to enforce this Deed Poll against OGOG on the date prescribed for such appointment in the Scheme Plan (but without limiting each Scheme Shareholder's right to itself enforce this Deed Poll).

Notwithstanding the foregoing, this Deed Poll may be varied by the parties to it in accordance with clause 7.2 without the approval of any Scheme Shareholder.

2.2 CONTINUING OBLIGATIONS

This Deed Poll is irrevocable and, subject to clause 3, remains in full force and effect until either:

- a** | OGOG has fully performed its obligations under it; or
- b** | it is terminated under clause 3.2.

3. CONDITIONS

3.1 CONDITIONS

This Deed Poll, and the obligations of OGOG under it, are conditional in all respects upon the Scheme becoming Unconditional.

3.2 TERMINATION

The obligations of OGOG under this Deed Poll will automatically terminate, and the terms of this Deed Poll will be of no force or effect, if:

- a** | the Scheme Implementation Agreement is terminated in accordance with its terms before the Scheme becomes Unconditional; or
- b** | the Scheme does not become Unconditional on or before the date 10 Business Days after the End Date,

unless OGOG and Target otherwise agree in writing.

3.3 CONSEQUENCES OF TERMINATION

If this Deed Poll is terminated under clause 3.2, then OGOG is released from its obligations to further perform this Deed Poll.

4. SCHEME CONSIDERATION

4.1 Subject to the Scheme Implementation Agreement not being terminated and the Scheme having become Unconditional (save for the Conditions set out in clause 3.1(d) to (f) [inclusive] of the Scheme Implementation Agreement), OGOG undertakes in favour of each Scheme Shareholder to deposit, or procure the deposit of, in immediately available cleared funds, by no later than 5.00pm on the Business Day before the Implementation Date an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders as set out in the Scheme Plan, such deposit to be made into the trust account to be held and dealt with in accordance with clauses 3 and 4 of the Scheme Plan.

4.2 Subject to clause 3, OGOG irrevocably acknowledges and agrees that, subject to compliance in full by Target with its obligations under clause 3.1(a) of the Scheme Plan, the Scheme Consideration deposited into the trust account referred to in clause 4.1 must be applied to Scheme Shareholders in satisfaction of their respective entitlements to receive the Scheme Consideration under the Scheme in accordance with the Scheme Plan.

5. WARRANTIES

OGOG warrants in favour of each Scheme Shareholder that:

- a** | it is a company or other body corporate validly existing under the laws of its place of registration;
- b** | it has the corporate power to enter into, and perform its obligations under, this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
- c** | it has taken all necessary corporate action to authorise its entry into this Deed Poll and has taken, or will take, all necessary corporate action to authorise the performance of this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
- d** | this Deed Poll is valid and binding on it and enforceable against it in accordance with its terms; and
- e** | this Deed Poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

6. NOTICES

6.1 MANNER OF GIVING NOTICE

Any notice or other communication to be given under this Deed Poll must be in writing (which includes email) and may be delivered or sent by post or email to OGOG at:

Address 1A International Business Park,
#07-02, Singapore 609933
Email marco.argentieri@og-oilgas.com

For the attention of Marco Argentieri

with copies (which do not constitute notice) to:

Address Bell Gully
Level 22, Vero Centre,
48 Shortland Street,
PO Box 4199, Auckland
Email james.cooney@bellgully.com
david.coull@bellgully.com

For the attention of James Cooney / David Coull

or at any such other address or email address notified for this purpose to the other parties under this clause. Any notice or other communication sent by post must be sent by prepaid ordinary post (if the country of destination is the same as the country of origin) or by airmail (if the country of destination is not the same as the country of origin).

6.2 WHEN NOTICE GIVEN

In the absence of earlier receipt, any notice or other communication is deemed to have been given:

- a** | if delivered, on the date of delivery; or
- b** | if sent by post, on the third day after it was put into the post (for post within the same country) or on the fifth day after it was put into the post (for post sent from one country to another); or
- c** | if sent by email, four business hours (being the hours between 9am and 5pm on a business day (being a day other than a Saturday, Sunday or public holiday) in the jurisdiction of the recipient) after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered (excluding an "out of office" automated message),

but if the notice or other communication would otherwise be taken to be received after 5.00pm or on a Saturday, Sunday or public holiday in the place of receipt then the notice or communication is taken to be received at 9.00 am on the next day that is not a Saturday, Sunday or public holiday in the place of receipt.

6.3 PROOF OF SERVICE

In proving service of a notice or other communication, it is sufficient to prove that delivery was made or that the envelope containing the communication was properly addressed and posted either by prepaid post or by prepaid airmail or that the e-mail was properly addressed and transmitted by the sender's server into the network and there was no apparent error in the operation of the sender's e-mail system, as the case may be.

7. GENERAL

7.1 WAIVER

- a** | OGOG may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right in respect of the Scheme unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.
- b** | For the purposes of clause 7.1(a):
 - i. conduct includes a delay in exercising a right;
 - ii. right means any right arising under or in connection with this Deed Poll and includes the right to rely on this clause; and
 - iii. waiver includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

7.2 VARIATION

- a** | Subject to clauses 7.2(b) and 7.2(c), this Deed Poll may not be varied.
- b** | Before the date on which the Final Orders are made, this Deed Poll may be varied by agreement in writing between OGOG and Target, in which event OGOG will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.
- c** | If the Court orders that it is a condition of the Scheme that OGOG enter into a new deed poll which has the effect of reversing any variation under clause 7.2(b), then OGOG must promptly enter into a further deed poll in favour of the Scheme Shareholders to give effect to the reversal of that variation.

7.3 CUMULATIVE RIGHTS

The rights, powers and remedies of OGOG and Scheme Shareholders under this Deed Poll are cumulative and do not exclude any other rights, power or remedies provided by law independently of this Deed Poll.

7.4 ASSIGNMENT

The rights and obligations of OGOG and each Scheme Shareholder under this Deed Poll are personal. They cannot be assigned, charged or otherwise dealt with at law or in equity. Any purported dealing in contravention of this clause 7.4 is invalid.

7.5 FURTHER ASSURANCE

OGOG must, at its own expense, do all things reasonably required of it to give full force and effect to this Deed Poll and the transactions contemplated by it.

7.6 GOVERNING LAW AND JURISDICTION

- a** | This Deed Poll and any non-contractual obligations arising out of or in connection with it is governed by the law applying in New Zealand.
- b** | The courts having jurisdiction in New Zealand have exclusive jurisdiction to settle any dispute arising out of or in connection with this Deed Poll (including a dispute relating to any non-contractual obligations arising out of or in connection with this Deed Poll) and OGOG irrevocably submits to the exclusive jurisdiction of the courts having jurisdiction in New Zealand.

Execution

Executed as a deed poll.

O.G. Oil & Gas (Singapore) Pte. Ltd., by



Alastair McGregor
Director



Vineet Kunzru
Director

DIRECTORS



Rosalind Archer
Independent Director



Marco Argentieri
Director



Rebecca DeLaet
Director



Andrew Jefferies
Director,
Chief Executive Officer



Samuel Kellner
Chairman, Director



Alastair McGregor
Director



Roderick Ritchie
Independent Director

SENIOR MANAGEMENT TEAM



Paris Bree
General Counsel



Catherine McKelvey
Chief Financial Officer



Chris McKeown
Vice President
Business Development



John Pagani
General Manager
Corporate Services



Michael Wright
General Manager
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New Zealand Oil & Gas Limited

Independent Adviser's Report Prepared in Relation to the Proposed Scheme of Arrangement with O.G. Oil & Gas (Singapore) Pte. Ltd.

September 2019

Statement of Independence

Northington Partners Limited confirms that it:

- Has no conflict of interest that could affect its ability to provide an unbiased report; and
- Has no direct or indirect pecuniary or other interest in the Scheme considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Northington Partners Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code and the Panel's requirements for schemes of arrangement involving Code companies for the purposes of preparing this report.

Northington Partners Limited has engaged RISC Advisory Pty Limited to provide valuation services in connection with this report. RISC Advisory Pty Limited has been approved by the Panel in relation to the services provided by them in relation to this report.



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Abbreviations and Definitions

\$m	Currency denoted in one million dollars
2P	Proved plus probable reserves with a 50% probability of oil/gas recovery exceeding the P50 estimate
A\$	Currency denoted in Australian dollars
ASX	Australian Securities Exchange
bbl	Barrels, a unit volume of oil
Beach Energy	Beach Energy Limited
Boe	Barrel of oil equivalent, a measure of energy equivalent to one barrel of oil
Bohorok Sale Agreement	The agreement and terms surrounding the divestment of NZO's interest in Bohorok PSC
BP	BP Developments Australia Pty Limited
Clipper	Exploration permit Clipper PEP 52717
Companies Act	Companies Act 1993
Code	The Takeovers Code set out in the Takeovers Regulations 2000
Cue	Cue Energy Resources Limited
DCF	Discounted cash flows
ESOP	NZO's Employee Share Ownership Plan
EV	Enterprise Value
Expiry Date	The date at which a Participant's interest in a PPS is forfeited under the ESOP if the PPS is not fully paid up
FY	Financial year ending 30 June
GJ	Gigajoules (one billion joules)
IAR	This Independent Adviser's Report prepared by Northington Partners
Ironbark Prospect	Exploration permit WA-359-P and WA-409-P
Ironbark Transaction	NZO's acquisition of a 15% interest in the Ironbark Prospect from Cue Energy
Issue Price	Issue price of a PPS
Kisaran Option Agreement	An agreement for the grant of an option to acquire the entire issued share capital of NZOG Asia Pty Limited dated 18 March 2019
kt	Kilotonnes (1,000 tonnes)
Kupe	Petroleum Mining Lease PML 38146
mmBoe	Million Boe
Mungaroo Formation	The Mungaroo formation is a petroleum resource prospect located across the north-western margin of Australia
NZ\$	Currency denoted in New Zealand dollars
NZO or the Company	New Zealand Oil & Gas Limited
NZX	NZX Limited
NZX Main Board	The main board equity securities market operated by NZX
OGOG	O.G. Oil & Gas (Singapore) Pte. Ltd., a wholly owned subsidiary of O.G. Oil and Gas Limited
Participants	Nominated employees participating in the ESOP
PJ	Petajoules (1 million GJ)
PPS	Partly paid shares in NZO
PPS Offer Prices	\$0.01 for Tranche 1 of the PPS and \$0.09 for Tranche 2 of the PPS
PSC	Production Sharing Contract
RISC	RISC Advisory Pty Limited
Scheme	A scheme of arrangement under Part 15 of the Companies Act under which OGOG intends to acquire all of the NZO shares that it does not already own in accordance with the SIA
Scheme Booklet	The notice of meeting and accompanying materials including this IAR sent to NZO shareholders
Scheme Price	NZ\$0.62 per ordinary fully paid share
SIA	The scheme implementation agreement dated 9 July 2019 between NZO and OGOG
SRK	SRK Consulting (Australasia) Pty Ltd
Toroa	Exploration permit Toroa PEP55794
Trustee	NZOG Services Limited in its capacity as trustee of the ESOP
US\$	Currency denoted in United States dollars



VWAP

Volume Weighted Average Price



1.0 Overview of the Scheme

1.1. Introduction

New Zealand Oil & Gas Limited (“**NZO**” or the “**Company**”) is a New Zealand based oil and gas exploration and production company. The company’s assets primarily consist of four components:

- An adjusted cash balance of approximately NZ\$74 million¹;
- A 4.0% interest in the Kupe gas and light oil / condensate production field in offshore Taranaki, New Zealand;
- Exploration assets in New Zealand and Australia; and
- A 50.04% shareholding in Australian Securities Exchange (“**ASX**”) listed Cue Energy Resources Limited (“**Cue**”).

NZO is listed on the NZX Main Board, being the main board equity securities market operated by NZX Limited (“**NZX**”). The Company has approximately 164 million fully paid ordinary shares on issue as well as just over 3.4 million partly paid shares (“**PPS**”) that were issued pursuant to an employee share ownership plan (“**ESOP**”).

1.2. Summary of the Scheme

On 10 July 2019, NZO announced that it had entered into a scheme implementation agreement (“**SIA**”) with O.G. Oil & Gas (Singapore) Pte. Ltd. (“**OGOG**”) under which OGOG seeks to acquire all of the fully paid ordinary shares of NZO that it does not already own for cash consideration of NZ\$0.62 per share (“**Scheme Price**”). The Scheme would also involve OGOG acquiring Tranche 1² of the partly paid shares (“**PPS**”) at NZ\$0.01 per PPS and Tranche 2 at NZ\$0.09 per PPS (“**PPS Offer Price**”). Pursuant to the SIA, all of the fully paid ordinary shares (not already held by OGOG) and all the PPS would be acquired by OGOG through a scheme of arrangement (“**Scheme**”) under the Companies Act 1993 (“**Companies Act**”).

The Scheme is subject to a number of conditions before it will become binding, the full details of which are set out in the Scheme Booklet to be sent to NZO shareholders. A summary of the key conditions is as follows:

- NZO’s shareholders must approve the Scheme at a special meeting of shareholders. The voting thresholds under the Companies Act for approval of the Scheme are:
 - a simple majority of the votes of all NZO shareholders entitled to vote on the Scheme resolution; and
 - a majority of at least 75% of the total votes cast by shareholders in each interest class entitled to vote and voting on the Scheme resolution.
- Overseas Investment Office consent; and
- High Court approval of the Scheme which will make the Scheme binding on NZO and NZO shareholders.

For the purposes of voting on the Scheme, we highlight that OGOG’s shares are treated as a separate interest class to both NZO’s remaining fully paid ordinary shares and the PPS. This means that in order for the Scheme to be approved, 75% of the votes of non-OGOG shareholders who vote on the Scheme must be in favour of the Scheme resolution. Realistically, not all shareholders will cast their votes at a meeting or by proxy. Therefore, the threshold to approve the Scheme is likely to be less than 75% of votes of non-OGOG shareholders and the outcome of the Scheme resolution will be heavily influenced by the number of shareholders who vote.

¹ See Section 3.7 for how adjusted net cash was calculated.

² See Section 3.8 for a description of the PPS tranches.



The Scheme also incorporates a range of termination rights and representations and warranties that are standard for this type of transaction.

1.3. Proposed Transaction Timetable

Table 1 provides a summary of the key events for the Scheme implementation.

Table 1: Transaction Timetable

Event	Date
Date for determining eligibility to vote	14 October 2019
Shareholder Scheme meeting	16 October 2019
Last day for objections to the Scheme to be filed in court	21 October 2019
Anticipated receipt of final court orders	31 October 2019
Last date on which NZO shares will trade on the NZX Main Board	5 November 2019
Scheme Record Date	7 November 2019
Implementation Date	14 November 2019

Source: NZO. All dates in the table above are indicative only and subject to change and the satisfaction of various approvals and conditions under the Scheme.

1.4. Requirements of the Takeovers Code

As a listed company, NZO is subject to the Takeovers Code (“**Code**”). While there is no legal requirement under the Code for an independent adviser’s report in relation to a scheme arrangement, the practice of the Takeovers Panel is to require an independent adviser’s report before it will consider issuing a no-objection statement to the Court as part of the Court’s process of considering whether to approve the Scheme. It is also customary practice in New Zealand for an independent adviser’s report to be provided to shareholders when considering a transaction of the nature of the Scheme.

Accordingly, NZO requested Northington Partners Limited (“**Northington Partners**”) to prepare this IAR setting out our view of the merits of the Scheme. Further details on the regulatory requirements and scope of this report are set out in Appendix 1.

This report will accompany the Notice of Meeting to be sent to all NZO shareholders and sets out our opinion on the merits of the Scheme. This report will also be provided to the Court considering the Scheme. This report should not be used for any other purpose and should be read in conjunction with the declarations, qualifications and consents set out in Appendix 2.

1.5. Summary of our Assessment of the Scheme

Item	Key Conclusions	Further Information
Comparison of the Scheme Price to the Underlying Value of Ordinary Shares	<ul style="list-style-type: none">We have valued 100% of the equity in NZO in a range between \$102 and \$138 million, which corresponds to a value of \$0.62 to \$0.84 per share. NZO Sum of the Parts Valuation Range (NZ\$ per Share)¹	Section 4.1



¹ See Section 3.0 for how each component value was derived including the adjustments made to NZO's 30 June 2019 cash balance.

- As summarised above, our valuation of NZO is based on a sum-of-the-parts approach which is predominantly made up of adjusted cash (\$0.45 per NZO share), the 4% interest in Kupe and its Cue shareholding. The low end of our value range attributes no value to NZO's exploration interests other than the value of the consideration effectively paid by NZO for its recently acquired 15% Ironbark Prospect interest.
- The OGOG Scheme Price of \$0.62 per share is at the bottom end of our assessed value range of \$0.62 to \$0.84 and we therefore characterise the offer price as reasonable, but not overly compelling. However, as discussed further below and in Section 4.2, there are a range of other key factors that should be considered in conjunction with the price comparison.

Assessment of the fairness of the PPS Offer Price	<ul style="list-style-type: none"> NZO has two tranches of PPS on issue with various expiry dates and issue prices. We have valued Tranche 1 at \$0.01 per PPS and Tranche 2 at \$0.07 to \$0.11 per PPS. As OGOG is offering \$0.01 per PPS for Tranche 1 and \$0.09 for Tranche 2, we conclude that the prices offered for the PPS are fair and reasonable compared to the Scheme Price and are fair and reasonable as between each tranche of PPS. 	Section 4.1.2
Potential for Alternative Offers or Higher Scheme Price	<ul style="list-style-type: none"> We suggest that there is a low likelihood of an alternative offer emerging for NZO. This view reflects that OGOG already owns approximately 70% of the NZO shares and that any competing offer would therefore need OGOG's support to be successful. It is difficult to assess whether OGOG would increase the Scheme Price or make a new offer for NZO if the current proposal was not approved. However, we note that the NZO independent directors have recommended the Scheme. In the absence of a competing offer, it therefore appears unlikely that OGOG would be compelled to increase the Scheme Price or make a new offer for NZO. 	Section 4.3
Prospects of the Company under the Status Quo	<ul style="list-style-type: none"> If the Scheme is unsuccessful, NZO will continue to manage its current assets and obligations. This includes Kupe, evaluation of the Ironbark Prospect and continuing to assess farmout opportunities for its New Zealand exploration interests. However, the New Zealand Government's recent ban on new permits for offshore oil and gas exploration creates greater uncertainty in attracting investment partners for existing exploration interests and future exploration investment activity in New Zealand. Consequently, NZO's future strategy is uncertain, given that its ability to grow in New Zealand by pursuing new investment and exploration opportunities is likely to be limited. As NZO is now committed to the Ironbark Prospect and has near-term drill or abandon targets for its New Zealand exploration interests, its current exploration risks are more acute. We would suggest that, given the current environment, NZO is more likely to reconsider its future strategy depending on the conclusion of the Ironbark Prospect appraisal. We consider this may include further international investment or the winding-up of its operations. NZO has a total near term commitment to the Ironbark Prospect of approximately NZ\$24 million (excluding Cue's share of costs). Although the Ironbark Prospect has attracted interest from major oil companies including BP and Beach Energy, the chance of technical success is currently 	Section 4.2.2



considered to be low. While a successful discovery would result in considerable upside value for NZO, a failed exploration could effectively see NZO losing NZ\$24 million (approximately \$0.15 per NZO share, excluding the impact on Cue's cash balance).

- While an investment in an oil and gas exploration business such as NZO is inherently risky, shareholders may wish to consider their risk appetite for the Ironbark Prospect and NZO's current and possible future exploration activities in evaluating the merits of the Scheme. While the Scheme Price of \$0.62 is at the bottom end of our valuation range of \$0.62 to \$0.84, it does provide shareholders with the opportunity to crystallise some value for NZO's exploration activities today without taking on the risks associated with exploration.

Potential Outcomes of the Scheme

- Assuming all other conditions of the Scheme are met, including Overseas Investment Office consent and court approval, the Scheme will proceed if approved by:
 - i. More than 75% of the votes cast in each interest class on the relevant resolution; and
 - ii. A simple majority of the votes of all NZO shares on issue.
- While OGOG already owns 70% of the fully paid ordinary shares on issue, support from 75% of the votes of non-OGOG shareholders who vote is required in order for the Scheme to proceed (due to OGOG voting as a separate class).
- As some shareholders may not decide to cast their votes, approval of the Scheme by a relatively low proportion of the remaining shareholders may be sufficient for the Scheme to proceed.

Section 4.2

Other Merits of the OGOG Offer

- While we note that the OGOG Scheme Price of \$0.62 is at the at the bottom end of the underlying value range for the NZO shares of \$0.62 to \$0.84, some shareholders may see the Scheme as an opportunity to sell their shareholding at a guaranteed price (without brokerage costs) and without incurring the immediate and significant investment risk attached to NZO's Ironbark Prospect.
- If shareholders wish to retain an exposure to the Ironbark Prospect, accepting the OGOG Scheme and investing part of the proceeds directly in ASX listed Cue or Beach Energy (which also has interests in Kupe and Clipper) would provide a continued exposure to the Ironbark Prospect while realising the value of NZO's other assets.
- We also suggest that given the market price of NZO shares is currently trading near the Scheme Price, the market views the likelihood of the Scheme proceeding as high. NZO shares are likely to trade at a value lower than \$0.62 if the Scheme is not approved.

1.6. Acceptance or Rejection of the Scheme

This report represents one source of information that NZO shareholders may wish to consider when forming their own view on whether to approve the Scheme. It is not possible to contemplate all shareholders' personal circumstances or investment objectives and our assessment is therefore general in nature. The appropriate course of action for each shareholder is dependent on their own unique situation. Shareholders should read the Scheme Booklet and, if appropriate, consult their own professional adviser(s).



2.0 Company Overview

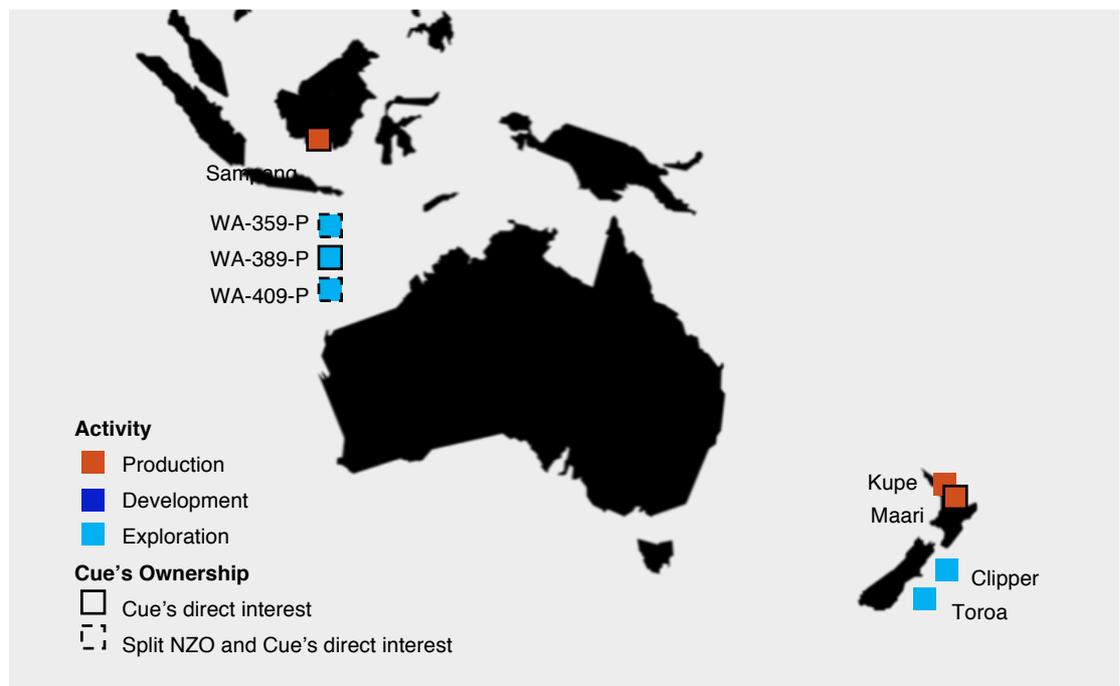
2.1. Company Overview

NZO is an upstream oil and gas exploration and production business with assets in New Zealand and Australia. Following their effective divestment, NZO no longer has any production or exploration interests in Indonesia although it does retain some exposure under certain conditions of their sale being met. NZO's primary assets include:

- 4.0% interest in the Kupe gas and light oil / condensate production field in offshore Taranaki, New Zealand;
- 50% interest in the Clipper (PEP 52717) oil and gas exploration field in the Canterbury Basin;
- 100% interest in the Toroa (PEP 55794) oil and gas exploration field in the Great Southern Basin;
- 15.0% direct interest in the WA-359-P permit in the Carnavon Basin in North Western Australia and an option for a 5.36% interest in WA-409-P (together the Ironbark Prospect);
- 50.04% interest in Cue which also has producing fields in New Zealand (Maari and Manaia in offshore Taranaki) and Indonesia (Sampang PSC), exploration interests in Australia including a 21.5% interest in WA-359-P, a 20.0% interest in WA-409-P and other Australian and Indonesian exploration interests.

Figure 1 below details the locations of the various oil and gas interests of NZO, including those indirectly owned through Cue.

Figure 1: NZO Oil and Gas Interests



Note: not to scale

2.2. History

Key events in NZO's history are summarised below in Table 2.



Table 2: Historical Milestones

Date	Event
1981	NZO founded.
1986	Kupe gas and oil field discovered.
1988	NZO acquires Pike River Mine.
1991	Ngatoro oil field discovered and developed.
2003	Tui oil field discovered.
Jun-06	Development of Kupe started. NZO held a 15% stake in the field at the time.
Jul-07	Tui commences production.
2007	NZO retains approximately 30% shareholding in Pike River Mine post its IPO.
Mar-10	Kupe enters permanent production.
Nov-10	Pike River Mine disaster.
Oct-13	NZO acquires an additional 15% stake in the Tui area oil fields.
Dec-14	NZO acquires a 19.9% stake in Cue.
Feb-15	NZO returns \$63.2m through a 1 for 5 share cancellation at \$0.75 per share.
Mar-15	NZO acquires an additional 28.12% stake in Cue.
May-16	NZO delists from the ASX.
Sep-16	NZO returns \$9.2m through a share buyback at \$0.55 per share.
Jan-17	NZO sells its 15% stake in Kupe to Genesis Energy for \$168m, with an effective transaction date of January 2017.
Jan-17	NZO increases its stake in ASX-listed Cue from 48.11% to 50.01%.
Feb-17	NZO sells its 27.5% stake in the Tui area oil fields for US\$0.75m, with an effective transaction date of 1 January 2017.
May-17	NZO returns \$100m of capital to shareholders through a scheme of arrangement, buying back and cancelling half of its outstanding shares at \$0.627 per share.
May-17	NZO announces it has agreed to purchase Mitsui E&P Australia's 4% stake in Kupe for NZ\$35m. The transaction has an effective date of 1 January 2017.
Aug-17	Zeta issues a partial takeover of NZO.
Aug-17	NZO agrees to sell its Indonesian interests in MNK Kisaran PSC and MNK Palmerah PSC to Bukit Energy Asia Energy Asia Pte. Limited.
Sep-17	OGOG issues partial takeover of NZO.
Dec-17	NZO completes acquisition of its 4% stake in Kupe for \$35m, with an effective transaction date of 1 January 2017.
Jan-18	OGOG's partial takeover offer becomes unconditional.
Jun-18	NZO sells interest in Bohorok and Palmerah Baru to Bow Energy International Holdings Inc. subject to regulatory approval.
Oct-18	NZO announces conditional farm in agreement to Ironbark Prospect.
Nov-18	Kohatukai exploration well plugged and abandoned.
Dec-18	NZO reaches conditional agreement to dispose of cost obligations in their directly held Indonesian Exploration interests.
Jan-19	Cue Shareholders approve Ironbark Prospect farm in.
Jun-19	Ironbark Prospect farm in completes.

Source: NZO announcements.



2.3. Kupe

NZO has a long historic association with the Kupe field. The Company discovered Kupe in 1986 and has held an interest in the field since commercial production commenced in December 2009. Cumulative production at Kupe since first production is estimated to total approximately 49.5 million Boe to 30 June 2019. Remaining 2P reserves at Kupe (net to NZO at 4%) as of 30 June 2019 total 9.0PJ gas, 0.27 million bbl and 37.5kt of LPG (representing cumulative reserves of approximately 2.1 mmBoe).

In November 2016, NZO received an offer from Genesis to acquire NZO's then 15% interest in Kupe for \$168 million. The sale was subsequently approved by shareholders in December 2016 with the sale becoming effective 1 January 2017. However, in May 2017 NZO announced that it had purchased a separate 4% interest in Kupe from Mitsui for \$35 million, with an economic effective transaction date of 1 January 2017. Overseas Investment Office consent was gained in December 2017 and the transaction settled for approximately \$30 million (allowing for depletion from 1 January 2017 until settlement).

The remaining interests in the Kupe field and joint venture are held by Beach Energy Limited ("**Beach Energy**") (50%) and Genesis Energy (46%). Beach Energy is the operator of the field.

Based on its 4% interest in Kupe, NZO's proven and probable (2P) oil and gas reserves as of 30 June 2019 are summarised in Table 3 below.

Table 3: NZO Proven and Probable (2P) Oil and Gas Reserves at 30 June 2019

	Oil and Condensate (million bbl)	Natural Gas (PJ)	LPG (kt)	Total Reserves (mmBoe)
Kupe	0.27	9.0	37.5	2.06

Source: NZO. mmBoe has been calculated as the total oil equivalent of the oil, condensate/light oil, natural gas and LPG figures, using conversion factors consistent with the Society of Petroleum Engineers (SPE) guidelines. Conversion factors used are: 163.5 Boe per TJ of natural gas and 8.17 Boe per tonne of LPG.

2.4. New Zealand Exploration Assets

Following OGOG's acquisition of 70% of NZO's ordinary shares, the environment for offshore oil and gas exploration in New Zealand has changed significantly. In April 2018, the New Zealand Government decided it would no longer award new offshore exploration permits. While this does not impact existing permit rights, including NZO's interests in Clipper and Toroa, it has had a significant impact on international interest in New Zealand frontier exploration where the country may be considered as closed for business. This is evident in international companies withdrawing from New Zealand. Given current market and political conditions it also increases the uncertainty for NZO in attracting co-investment for its New Zealand exploration interests, a summary of which is provided below.

2.4.1. Clipper PEP 52717

The Barque prospect is NZO's primary target within the Clipper permit. Barque lies in about 800 metres of water, approximately 60 kilometres off-shore east of Oamaru. The target formations lie between 2,500 and 3,000 metres below mean sea level. NZO is the operator and holds a 50% interest in the permit. The other joint venture party is Beach Energy (50%).

Extensive 2D seismic surveys were conducted in the Canterbury Basin in the 1970s and 1980s before the only existing well in the block, Clipper-1, was drilled by BP in 1984. This drilling activity recovered samples of hydrocarbons. 3D seismic surveys of Barque were completed at the end of 2013 and revealed up to three horizons in the structure. Gross, unrisks prospective resources in liquid (oil or gas condensate) (733 mmBoe (mean) net to NZO). If this resource is considered to be economically recoverable, Barque would be larger than Maui, the largest oil and gas field developed in New Zealand.

NZO has undertaken scoping development work on how the Barque prospect may be commercialised and has produced several development concepts. Given the frontier nature of the



basin and location, the resource recovery is highly sensitive to the selected development options and approach eventually chosen will largely depend on interest from partners (including industrial energy users) and investors. The development options broadly include either:

- Off-shore field development involving off-shore production of oil for direct export; or
- Gas to shore facilities to enable development of a long term, reliable gas supply for use in methanol manufacture, fertiliser/urea manufacture, industrial thermal generation and other domestic use. Oil and LPG production could also be exported or used domestically.

The decision for whether or not to drill an exploration well in the Clipper permit is an ongoing discussion. A well commitment decision was due to be made by 11 April 2019, the deadline has now been extended to 11 April 2022. This extension will allow a discussion with potential farm-in partners to re-start again. Meanwhile, NZO's current strategy is to keep a close eye on other exploration acreage in the Great South Basin where wells may be drilled ahead of Barque.

2.4.2. Toroa PEP 55794

Toroa is located in the Great South Basin, south east of the South Island of New Zealand with the primary prospect being Kaipatiki. NZO has a 100% interest in Toroa and is the permit operator. Woodside Petroleum relinquished their 70% holding (and permit operation responsibilities) in 2018 for no consideration. The marketing efforts for a farm-in partner are now being combined with NZO's Clipper permit.

A number of wells were drilled in the Great South Basin during the 1970s and 1980s which showed signs of hydrocarbons, including two within the Toroa permit which discovered hydrocarbon resources that were deemed uneconomic at the time. The Kaipatiki prospect lies further south of previous wells with 3D seismic surveys in 2015 indicating a number of stacked potential reservoir sections and a large potential resource.

Committed work obligations in the permit have been concluded and the deadline for a decision on whether to drill an exploration well or relinquish the permit has recently been extended to April 2022 (consistent with Clipper).

2.5. Indonesian Development and Exploration Assets

NZO has effectively exited all its Indonesian interests. However, it does retain some exposure to them under certain conditions of their sale, as summarised below:

- **Kisaran PSC:** The Kisaran block is located in the Barumon trough in the northern part of the Central Sumatra Basin - the most prolific oil producing basin in South East Asia. Two wells were successfully drilled there, in the Parit Minyak prospect, in 2013. The Parit Minyak-2 and Parit Minyak-3 (PM-3) were the first wells New Zealand Oil & Gas was involved in drilling outside New Zealand and presented both gas and condensate during flow testing.
- In March 2019 NZO entered into an agreement (“**Kisaran Option Agreement**”) with Pacific Oil & Gas. While exact terms of the agreement are confidential, it effectively results in removing any ongoing cost obligations to NZO while retaining the opportunity to receive up to US\$1.75 million if Pacific Oil & Gas exercises a call option granted to them prior to December 2021 (any exercise of the option is not subject to regulatory approvals).
- **Bohorok PSC:** The Bohorok block covers 5,021 square kilometres, located in the North Sumatra basin, one of the most prolific basins in Southeast Asia. NZO recently reached agreement to dispose of its holding to the operator on terms that will see it receive a cash payment of USD\$2 million if the prospect is developed and production commences following the first well, with a further US\$1 million if production commences from a second well. The agreement is subject to regulatory approval.
- **Palmerah Baru PSC:** Palmerah Baru is located on-shore within the South Sumatra Basin where NZO had certain commitments. NZO has entered in an agreement to pay \$1 and remove all further cost obligations. The agreement is subject to regulatory approval.



2.6. Australian Exploration Assets

NZO holds interests in three licenses located in the Carnarvon Basin off-shore Western Australia, comprising the Ironbark Prospect and the immediately adjacent WA-389-P (indirectly through Cue's interest). These fields are located in an extensive gas region near the operational North West Shelf, Wheatstone and Pluto gas fields which include a number of wells, pipelines and supporting on-shore production and export infrastructure. Figure 2 illustrates the location of the Australian exploration assets directly held by NZO and indirectly through Cue.

Figure 2: a) NZO Directly Held Australian Exploration Asset Locations

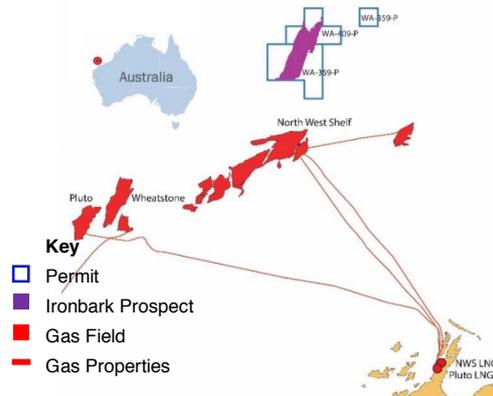
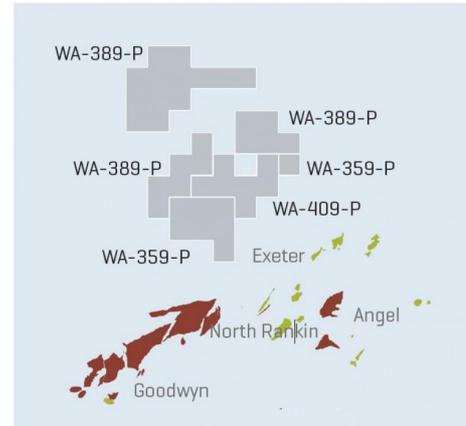


Figure 2: b) Cue Australian Exploration Asset Locations



Source: NZO NZX Announcements

Cue completed a comprehensive regional study using 15,000km² of 3D and 2D seismic data and 17 well sites to map the area and identified the Ironbark Prospect, which straddles WA-359-P and WA-409-P in moderate water depths, as a drillable target. The Ironbark Prospect is a giant Mungaroo Formation prospect that is mapped with an area of up to 400km², with a best technical estimate of 15 Trillion cubic feet (approximately 2,500 mmBoe) of prospective recoverable gas resource based on an internal technical assessment performed by Cue. The Ironbark Prospect has been identified as the primary candidate for drilling.

In October 2016, Cue announced BP Developments Australia Pty Ltd (“**BP**”) had been granted an option to acquire a 42.5% interest in WA-359-P. In November 2017, Cue announced Beach Energy had acquired a 21% equity interest in WA-359-P, conditional upon BP exercising their option, which was subsequently exercised. In October 2018, NZO acquired a 15% interest in WA-359-P and an option for a 5.36% interest in WA-409-P (the “**Ironbark Transaction**”), subject to Cue shareholder approval which was obtained on 8 January 2019. At the same time in October 2018 a co-ordination agreement between Cue, BP, Beach Energy and NZO was announced, detailing the work program on the drilling of WA-359-P. Completion of the agreements under the Ironbark Transaction occurred in June 2019 resulting in the formation of the joint venture to drill the Ironbark Prospect and formalising BP as the operator. The Ocean Apex drilling rig was contracted by BP in early 2019 to be used to drill the well, expected to begin in late 2020. The current participating interests for NZO’s Australian exploration assets are summarised in Table 4 below.

Table 4: Australian Exploration Asset Participating Interests

Entity	WA-359-P	WA-389-P	WA-409-P
BP	42.5% (operator)	-	80% (operator)
Cue	21.5%	100% (operator)	20% ¹
Beach Energy	21%	-	-
NZO	15%	-	-
Total	100%	100%	100%



Source NZO, NZX Announcements
¹Assuming NZO does not exercise its option

The total drilling budget for WA-359-P is approximately US\$90 million, where NZO will be responsible for costs relating to their 15% interest, another 2.85% of costs capped at US\$2.57 million (relating to the free-carry for Cue negotiated through the Ironbark Transaction) and indirect costs held through their ownership of Cue (estimated at US\$8 million). As part of Cue's sell down of their participating interest in the Ironbark Prospect, BP and Beach Energy also agreed to carry some of Cue's share of costs. Cash commitments for NZO's interest in the Ironbark Prospect, including the 2.85% of Cue carried costs, are estimated at US\$16 million (approximately NZ\$24 million, excluding Cue's remaining un-carried costs). The estimated funding share allocation for drilling is detailed in Table 5 below.

Table 5: Ironbark Funding Share Amount and Allocation¹

Entity	Funding Share (%)		Estimated Share of Costs (US\$m)
	Interest	Free-Carry Obligation ²	
BP	42.5%	14.65%	\$43
Cue	21.5%	n/a	\$8
Beach Energy	21.0%	4.00%	\$22
NZO	15.0%	2.85%	\$16
Total	100%	21.5%	\$90

Source: Cue Energy ASX releases. Totals may not sum due to rounding.

¹ Estimated share of costs based on NZO and Cue disclosures regarding the Ironbark Prospect.

² The free-carry obligations in respect of NZO and Beach Energy are fixed percentages up to capped costs but the BP free-carry dollar cost is capped. The free-carry obligations represent the implied % relative to the current estimate of total costs.

The well spud date was initially planned to be in March 2020 but has now been pushed out by 6 months, with planned duration of the drilling estimated to take 10 weeks. Representatives of the drilling engineering team will visit Perth as required through late 2019 to establish early engagement with local suppliers and government departments which is considered key to successful design and execution of this limited work scope. Following the completion of the drilling, appraisal of the results will take some months. A successful outcome of WA-359-P has the potential to lead to further evaluation of the adjoining permits.

2.7. Cue Energy

2.7.1. Overview

Cue is an oil and gas company with a regional focus on South East Asia and Australasia. Current oil and gas interests are located in Indonesia (East Java basin and Central Sumatra basin), New Zealand (Taranaki Basin) and Australia (Carnavon Basin). Its major shareholder is NZO, holding 50.04% of shares. Cue's production assets comprise the Maari / Manaia field in offshore Taranaki, New Zealand and the Sampang PSC offshore field in East Java, Indonesia. Cue's exploration activities comprise three exploration permits in the Carnavon Basin, north-western Australia and the Jeruk prospect within Sampang PSC, Mahakam Hilir PSC onshore Kalimantan, and Mahato PSC onshore Sumatra within Indonesia. NZO's shared interest assets in Cue's exploration assets are detailed in Section 2.6 while Cue's production assets are detailed below.

2.7.2. Maari / Manaia PMP38160

Cue holds a 5% interest in the permit which hosts the Maari and Manaia producing oil fields located in the Taranaki basin. The fields are located 80km off-shore the south Taranaki coast in approximately 100 metres of water, sourcing crude oil from several reservoirs hosted by different formations at depths of up to 2,100 metres.



Cue's joint venture partners in the permit are OMV New Zealand Limited (as operator and 69% interest holder), and the ASX listed Horizon Oil Limited (26%). Cue reported 2P reserves for Maari and Manaia of 0.6 mmBoe as of March 2019. First production from the Maari-Manaia fields was in 2009 with Cue's share of production for the last 5 years summarised in Table 6 below.

Table 6: Maari-Manaia Production

Oil and Condensates Produced (mmBoe)	FY2015	FY2016	FY2017	FY2018	FY2019
Cue's interest in Production	0.23	0.23	0.15	0.13	0.12
NZO's shareholding in Cue ¹	48.10%	48.10%	49.60%	50.04%	50.04%
NZO's Economic Interest in Production	0.11	0.11	0.08	0.07	0.06

Source: NZO and Cue Annual Reports

¹Average shareholding over the period

2.7.3. Sampang PSC

The Sampang PSC is located in the Madura straight off-shore Madura Island in East Java, Indonesia. It is comprised of two producing fields: Oyong gas field and Wortel gas field. Cue reported 2P reserves for Sampang PSC of 5.45BCF (0.91mmBoe) as of March 2019.

Gas produced from Oyong is transported via a 60km pipeline to the Grati Onshore Gas Facility and sold to PT Indonesia. Oil production from the Oyong field commenced in 2007, followed by gas production in 2009. The oil field ceased production in late 2017 due to the depletion of reserves. Wortel gas production commenced in 2012. Gas is transported through a 7km pipeline to the Oyong platform then piped to on-shore facilities. The last 5 years of production is summarised below in Table 7.

Table 7: Sampang PSC Production

Gas, Oil and Condensates Produced (mmBoe)	FY2015	FY2016	FY2017	FY2018	FY2019
Cue's interest in Production	0.89	0.59	0.47	0.27	0.26
NZO's shareholding in Cue	48.11%	48.11%	49.61%	50.04%	50.04%
NZO's Economic Interest in Production	0.43	0.28	0.23	0.14	0.13

Source: NZO and Cue Annual Reports

¹Average shareholding over the period

2.8. Summary Financial Results

2.8.1. Production

A summary of NZO's production for the six year period between FY2014 and FY2019 is set out in Table 8 below, including the consolidation of Cue's production for the fourth quarter of FY15 onwards.

Table 8: NZO Historical Production by Field

Barrels of Oil Equivalent (mmBoE)	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Kupe	0.95	0.96	0.91	0.44	0.30	0.25
Tui	0.30	0.40	0.38	0.14	-	-
Maari (via Cue)	-	0.06	0.23	0.15	0.07	0.06
Sampang PSC (via Cue)	-	0.02	0.59	0.47	0.14	0.13
Pine Mills (via Cue)	-	-	0.02	0.01	-	-
Total Production	1.25	1.40	1.69	0.89	0.51	0.44

Source: NZO and Cue Annual Reports, NZO and Cue Quarterly Reports

2.8.2. Financial Performance



A summary of NZO's financial performance for the period between FY2014 and FY2019 (including the full consolidation of Cue results from FY2015) is set out in Table 9 below.

Table 9: Historical Financial Performance

Year End 30 June (NZD \$m)	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Petroleum sales	103.6	116.2	119.0	37.1	35.8	43.3
Operating costs	(22.0)	(36.9)	(48.3)	(15.9)	(12.6)	(9.3)
Exploration and evaluation expenses	(29.5)	(24.1)	(21.5)	(12.3)	(4.7)	(8.2)
Other expenses	(10.0)	(13.5)	(17.1)	(14.2)	(11.4)	(12.4)
Other income	11.8	2.5	6.6	0.8	0.5	2.5
Operating earnings before depreciation, amortisation and net finance costs	53.9	44.3	38.8	(4.4)	7.7	15.9
Amortisation of production assets	(25.8)	(39.6)	(48.9)	(8.3)	(8.3)	(8.5)
Other depreciation and amortisation	(0.6)	(0.5)	(0.5)	(0.5)	-	-
Operating earnings before net finance costs	27.5	4.2	(10.6)	(13.2)	(0.6)	7.4
Net finance (costs) / income	(2.4)	2.9	(3.8)	1.4	5.8	3.2
Operating earnings after net finance costs	25.1	7.1	(14.4)	(11.8)	5.2	10.6
Asset impairments	-	(36.3)	(26.6)	(15.3)	-	(7.2)
Gain on acquisition of subsidiary	-	15.4	-	-	-	-
Profit before tax and royalties	25.1	(13.8)	(41.0)	(27.1)	5.2	3.4
Income tax (expense)/credit	(7.3)	5.0	(3.4)	(5.1)	1.2	(3.7)
Royalties expense	(7.7)	(6.7)	(4.0)	(0.6)	(1.5)	(2.6)
Profit (loss) after tax from continuing operations	10.1	(15.5)	(48.5)	(32.7)	4.8	(2.9)
Profit (loss) after tax from discontinued operations	-	-	(3.3)	85.3	-	-
Profit (loss) for the year	10.1	(15.5)	(51.8)	52.6	4.8	(2.9)
Profit (loss) attributable to non-controlling interests	-	(1.1)	(22.0)	(10.1)	4.1	4.6
Profit (loss) attributable to NZO shareholders	10.1	(14.4)	(29.8)	62.7	0.8	(7.5)
Earnings per share (cents)	2.4	(3.6)	(8.6)	20.1	0.5	(4.5)
Dividend per share (cents)	6.0	-	4.0	4.0	4.1	-

Source: NZO Annual Reports (FY2014 – FY2018). Results include consolidated results of Cue from FY2015. Totals may not sum due to rounding.

The main features of NZO's historical performance over the six-year period to FY2019 can be summarised as follows:

- Revenue peaked at approximately \$120m in FY2016 and has since decreased to levels around \$40m from FY2017, due largely to the reduction in gas and condensate sales from Kupe following NZO's reduced interest in Kupe (declining from 15% to 4% in FY2017) and the sale of Tui in 2017;
- NZO acquired its controlling interest in Cue in FY2015 when it purchased an additional 28.1% stake in that business. Cue's financial results have been consolidated into NZO's results from 1 April 2015. Additionally, a non-cash gain of \$15.4m was recorded in FY2015 to reflect the purchase price of that interest;
- The sale of a 15% interest in Kupe in FY2017 resulted in a \$83.5m profit on sale which contributed to the \$62.7m profit for the year;
- Exploration and evaluation and other costs (largely including corporate overheads) have reduced from FY2017 onwards as the Company reduced scale and changed strategy



following reduced interests in production assets. However, they have not reduced as fast as revenue resulting in operating earnings margin compression; and

- Asset impairments over FY2015 to FY2017 relate to impairments at Cue's Maari and Kisaran and Tui which have now been divested. The impairment in FY2019 relates to the write-down of NZO's residual value in Kisaran which has also effectively been divested.

2.8.3. Financial Position

A summary of NZO's financial position (including the full consolidation of Cue results from FY2015) for the six-year period between FY2014 and FY2019 is set out in Table 10 below.

Table 10: Historical Financial Position

Year End 30 June (NZD \$m)	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Assets						
Cash and cash equivalents	135.1	83.7	96.8	125.1	98.0	105.6
Receivables, Prepayments and other current assets	28.9	29.6	13.2	6.5	11.8	8.0
Inventory	6.9	8.8	9.2	1.5	2.3	2.6
Assets Held for Sale	-	-	2.1	-	-	-
Evaluation and exploration assets ¹	54.9	15.3	14.6	6.7	7.2	3.6
Oil and gas assets	223.8	289.4	207.9	32.0	64.8	58.5
Other non-current assets	11.7	3.7	3.1	0.9	0.7	0.4
Total Assets	461.2	430.4	346.9	172.6	184.8	178.8
Liabilities						
Payables and other current liabilities	32.7	31.4	17.4	5.8	8.5	6.0
Borrowings	0.8	1.0	1.1	1.1	-	-
Tax Liabilities	44.5	30.3	21.8	6.3	6.1	5.6
Rehabilitation and other provisions	41.2	85.8	85.4	10.3	18.6	20.8
Liabilities associated with assets held for sale	-	-	-	-	-	-
Liabilities	119.1	148.5	125.7	23.5	33.3	32.4
Equity						
Share capital	377.7	319.1	318.1	208.6	211.9	211.9
Retained earnings and Reserves	(35.5)	(72.7)	(110.3)	(62.4)	(67.0)	(76.6)
Profit (loss) attributable to non-controlling interests	-	(1.1)	(22.0)	2.8	6.7	11.0
Total Equity	342.1	281.8	221.2	149.1	151.6	146.3

Source: NZO Annual Reports (FY2014 – FY2018). Results include consolidated results of Cue from FY2015. Totals may not sum due to rounding.

¹ NZO's accounting standard for the treatment of exploration and evaluation assets changed in 2016. FY2015 to FY2018 are based on NZO's current accounting treatment whereas FY2014 are based on the prior standard.

The main features of NZO's historical financial position over the six-year period to FY2019 can be summarised as follows:

- Asset sales including the \$168m sale of NZO's 15% interest in Kupe during FY2017 and asset impairments in NZO's oil and gas production and exploration interest have seen NZO's operating assets decline significantly with total assets excluding cash declining from \$326m in FY2014 to \$73m at FY2019;
- Asset impairments, primarily relating to Kisaran, have seen NZO's evaluation and exploration assets decrease over FY2015 to FY2019;



- NZO's farm in to its 15.0% interest in the Ironbark Prospect occurred during FY2019 and the initial contribution is recognised in the evaluation and exploration assets above but will increase as further contributions are made; and
- A buyback in FY2015 and \$100m capital return in FY2017 reduced NZO's net assets and share capital over the period.

2.8.4. Cashflow Movements

A summary of the movements in NZO's cash balances (including the full consolidation of Cue results from FY2015) over the six-year period to FY2019 is set out in Table 11.

Table 11: Historical Movements in Cash

Year End 30 June (NZD \$m)	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Receipts from customers	108.6	120.6	136.8	73.4	36.5	46.6
Supplier payments and other expenditure	(21.8)	(51.7)	(67.4)	(46.1)	(24.1)	(22.7)
Other	1.2	(9.6)	(13.3)	(10.2)	(1.9)	(2.6)
Operating cash flow	88.0	59.3	56.2	17.1	10.6	21.3
Exploration and evaluation expenditure	(74.9)	(31.9)	(23.5)	(17.3)	(5.4)	(12.1)
Oil and gas asset expenditure	(1.4)	(19.3)	(11.5)	(5.2)	(3.4)	(1.7)
Related party loan advances and repayments	-	1.4	-	-	-	-
Proceeds from sale of oil and gas interests	-	-	-	158.9	-	-
Purchases of oil and gas interests	(7.7)	(2.8)	-	-	(29.7)	-
Other	(2.6)	(0.1)	(0.2)	(0.4)	(0.3)	(0.1)
Investing cash flow	(86.6)	(52.6)	(35.1)	136.0	(38.8)	(13.9)
Repayment of borrowings	-	-	-	-	-	-
Return of capital to shareholders	-	(63.2)	(1.0)	(109.4)	-	-
Dividends paid	(18.8)	(8.9)	-	(13.5)	(6.8)	-
Other	0.5	0.9	-	-	3.3	-
Financing cash flow	(18.3)	(71.2)	(1.0)	(123.0)	(3.5)	-
Net cash movement before exchange rate effects	(16.9)	(64.5)	20.0	30.1	(31.8)	7.4

Source: NZO Annual Reports. Results include consolidated results of Cue from FY2015.

The main features of NZO's historical cash movements over the five year period to FY2019 H1 can be summarised as follows:

- NZO's exploration and evaluation expenditure declined significantly from \$74.9m in FY2014 to \$5.4m in FY2018 due to the oil price climate and diminished activity as NZO has reduced its scale;
- However, exploration and evaluation activity increased in FY2019 to \$12.1m relating to Kohatukai (since abandoned), Sampang, the Ironbark Prospect and other exploration activity. NZO has further exploration commitments for its share of costs for the Ironbark Prospect (approximately \$24m), the majority of which will likely occur in FY2021; and
- NZO has returned a total of over \$220m in dividends, capital returns and buybacks over the last 5 financial years.

2.9. Capital Structure and Ownership

As at 30 June 2019, NZO had 164,430,718 fully paid ordinary shares on issue. NZO's majority shareholder is OGOG, the remainder of the shares are largely held by custodial entities on behalf of a range of investors, the largest sum of which is less than 5.0%. The top shareholder and remaining shares are set out in Table 12 below.



Table 12: Top Shareholders in NZO

Shareholder	Shares Held	Shareholding Percentage
O.G. Oil and Gas Singapore Pte Ltd	114,876,016	69.9%
Other	49,554,702	30.1%
Total	164,430,718	100.0%

Source: IRESS

NZO also has 3,418,000 PPS issued to employees (and former employees) as part of the ESOP. Of the PPS, only 1.0 million remain exercisable by participants in the ESOP with just over 2.4 million PPS having expired. Each PPS has been paid up to \$0.01. See Section 3.8.1 for further details on the PPS.

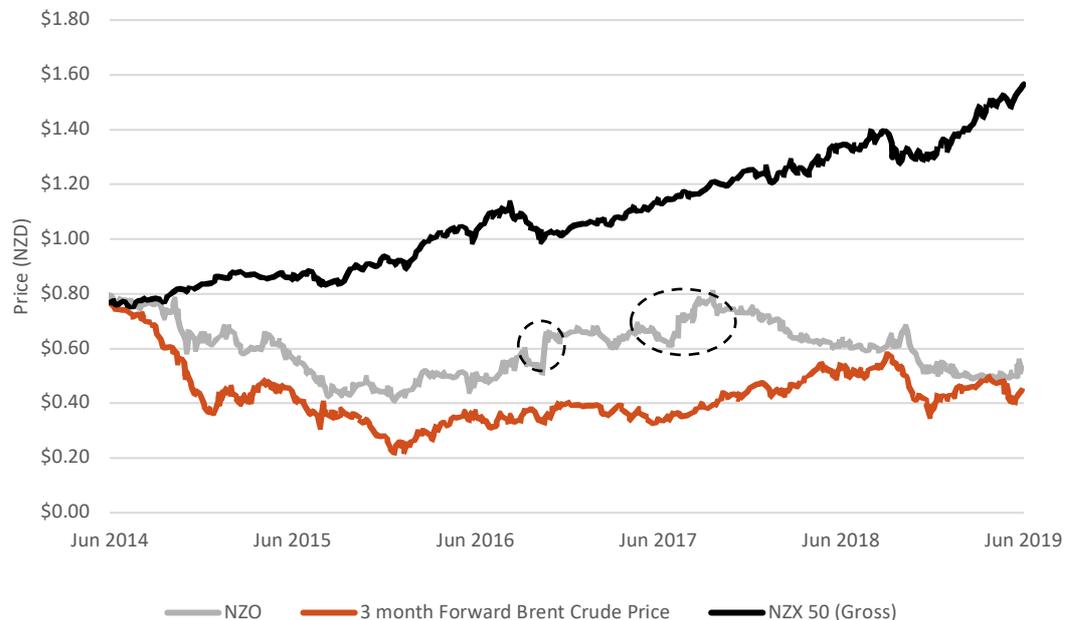
2.10. Share Price Performance

Figure 3 below illustrates NZO’s pre-tax shareholder returns (including dividends which NZO paid up until October 2017) over the last 5 years to 30 June 2019, relative to the NZX50 Gross Capital Index and the 3-month forward Brent Crude oil futures price. This illustrates that NZO has underperformed the wider New Zealand market over the period, with the share price falling from a high of \$0.79 in July 2014 to a low of \$0.39 in January 2016. However, its performance has been consistent with the difficult global macroeconomic conditions for oil and gas companies over the last five years, as shown by the strong correlation between NZO’s returns and oil price expectations.

NZO’s key deviations from the 3 month forward Brent Crude price circled below include:

- The announcement of sale of NZO’s 15.0% interest in Kupe in November 2016; and
- The announcement of Zeta Energy Pte Limited takeover offer in August 2017 and OGOG’s subsequent competing successful partial takeover offer for NZO in September 2017.

Figure 3: NZO Share Price Performance Relative to Rebased NZX 50 Gross Index and Brent Crude Price



Source: IRESS, Northington Partners
All prices rebased at NZO 30 June 2014 Share Price

2.11. Liquidity

A useful way of understanding NZO’s liquidity is to look at the daily median volume traded compared to the total free float securities outstanding. Free float securities exclude shares that are held by



strategic shareholders, management and directors of the company. In the past 12 months, a median of approximately \$9,500 worth of NZO shares were traded on a daily basis, compared to our estimate of the free float market capitalisation of the Company of \$24.5 million (based on the pre-offer share price on 9 July 2019). This relatively small value of share trading demonstrates that NZO is highly illiquid, meaning it would be difficult for an investor to sell a large number of shares at the price observed in the market.



3.0 Valuation of New Zealand Oil & Gas

3.1. Summary

We have valued 100% of the equity in NZO at a range between \$101.9 million and \$137.7 million, which corresponds to a value of between \$0.62 and \$0.84 per share. This value represents the full underlying value of NZO and includes a premium for control³. Our assessed value range therefore exceeds the price at which, based on current market conditions, we would expect NZO to trade on the NZX in the absence of a takeover offer or scheme of arrangement where the offeror would gain control.

Given the nature of the Company and its assets, we have valued NZO on a sum-of-the-parts basis. This requires an estimate of the value of NZO's producing assets (Kupe), NZO's exploration assets, investment in Cue, the present value of NZO's future corporate overheads and an adjustment for working capital, net cash and partly paid shares. As detailed in Section 3.4.1, we have engaged RISC Advisory Pty Limited ("RISC") to provide specialist valuation advice in connection with NZO's New Zealand exploration interests (Clipper and Toroa).

Table 13 below provides a summary of the aggregate sum-of-the-parts valuation.

Table 13: NZO Valuation Summary

	Report Section Reference	Value Range (NZ\$m)		Value Range (NZ\$ per share)	
		Low	High	Low	High
Kupe	Section 3.3	\$24.0	\$30.0	\$0.15	\$0.18
NZ Exploration	Section 3.4.1	\$0.0	\$5.9	\$0.00	\$0.04
Indonesian Exploration	Section 3.4.2	\$0.0	\$0.0	\$0.00	\$0.00
Australian Exploration	Section 3.4.3	\$4.4	\$20.0	\$0.03	\$0.12
Cue Shareholding	Section 3.5	\$27.6	\$31.3	\$0.17	\$0.19
Corporate Overheads	Section 3.6	(\$28.3)	(\$23.6)	(\$0.17)	(\$0.14)
Enterprise Value		\$27.7	\$63.5	\$0.17	\$0.39
Adjusted Net Cash	Section 3.7	\$74.3	\$74.2	\$0.45	\$0.45
Value of Equity		\$101.9	\$137.7	\$0.62	\$0.84
Assumed Shares on Issue		164.4m	164.4m	164.4m	164.4m

Source: Northington Partners analysis. Values may not sum due to rounding.

3.2. Valuation Methodology

For most assets, value should be determined as a function of the estimated level of cash returns that the assets are expected to generate in the future. The specific approach that is used to estimate this value is dependent on the nature of the asset, the varying characteristics, lifecycle stage and expectations regarding future performance. However, often the most reliable evidence as to the value of an asset is the price at which the asset or directly comparable asset has been bought and sold in an arm's length transaction. For many of NZO's assets, there has been recent transactional evidence which provides a readily observable value for the asset. Consequently, where available, we have relied on comparable transaction evidence as the main valuation approach for NZO's exploration and production assets, cross checked against a discounted cash flow valuation (see Section 3.3.1) for NZO's interest in Kupe.

Table 14 summarises our selected methods for valuing NZO's component parts.

³ We believe that the Scheme Price should be compared to the full underlying value of the shares despite OGOG already owning a controlling shareholding in the Company. The reasons for this opinion are set out in Appendix 1 of this report under the section titled "Approach to Evaluation".



Table 14: Valuation Methods for Sum-of-the-Parts Valuation

Asset	Asset Lifecycle Stage	Valuation Method
Kupe	Production	Transactional Evidence / Discounted Cash Flow
NZ Exploration	Exploration	RISC Valuation Advice
Indonesian Exploration	Exploration	Transactional Evidence
Australian Exploration	Exploration	Transactional Evidence / Specialist Report
Cue Shareholding	Various	Current Market Capitalisation Value Range
Corporate Overheads	n/a	Discounted Cash Flow
Cash	n/a	Balance on Hand (with Adjustments)

3.3. Valuation of Kupe

3.3.1. Discounted Cash Flow

For most assets, value should be determined as a function of the estimated level of cash returns that the assets are expected to generate in the future. The specific approach that is used to estimate this value is dependent on the nature of the asset and the expectations regarding future performance.

A discounted cash flows (“**DCF**”) approach is based on an explicit forecast of the annual cash flows that will be generated over a specified forecast period (typically between 5 and 10 years). The value of cash flows that may occur after the end of the explicit forecast period is incorporated into the valuation process by capitalising an estimate of maintainable cash flows for the terminal period. A DCF model is therefore usually made up of two components:

- (i) The present value of the projected cash flows during the forecast period; and
- (ii) The present value of all other cash flows projected to occur after the explicit forecast period. This component is commonly referred to as the terminal value.

Given the nature of oil and gas producing assets, a DCF approach is clearly most appropriate for Kupe. However, because of the expected finite life of the asset, our valuation model only incorporates the present value of the projected cash flows over the economic life of the asset with no allowance for a terminal value (although abandonment liabilities are taken into account post final production). This approach is standard in the oil and gas industry.

3.3.2. Framework and Assumptions for DCF Valuation

The DCF framework for the Kupe asset is based on cash flow models prepared by NZO, with a range of modifications to reflect our views on the key input parameter values and a range of valuation scenarios. Details of the general model structure are set out in Table 15, and a summary of the input parameters is presented in the following section.

Table 15: DCF Model Structure

Assumption	Discussion
Valuation Date	30 June 2019
Model Term	Based on the expected life of the asset given its assumed 2P production profile and 2P reserves.
Cash Flow Basis	Post-tax nominal
Cash Flow Timing	Mid-period discounting

3.3.3. Key Cash Flow Assumptions

Table 16 below summarises the key base case assumptions and variables used to forecast future cash flows. We note that many of the assumptions are commercially sensitive and full details cannot be disclosed in our report.



Table 16: Cash Flow Assumptions

Assumption	Discussion
Currency	All the forecast cash flows are based in NZ\$ with US\$ components (primarily condensate sales) translated to NZ\$ at an assumed NZ\$/US\$ long run rate of \$0.65.
Fuel Prices	<p>We have reviewed a range of independent forecasts for crude oil and have adopted a forecast price path based on broker consensus forecasts and forward market contracts. This generally reflects a long-run oil price of ~US\$50 per barrel in real terms.</p> <p>The crude oil price path is adjusted with a discount to the reference crude oil price due to the geographic region of the Kupe field and expected quality of product output (supported by production from adjoining productive basins).</p> <p>Gas and LPG prices are based on existing sale agreements, with LPG pricing reflecting the correlation of historic Saudi Contract Price to oil prices and the long-term uncontracted gas sales (assumed to be at NZ\$6.00 per GJ (real)).</p>
Tax	Applicable tax (New Zealand 28% corporate rate), royalties and tariffs relevant in the tax jurisdiction.

3.3.4. Required Rate of Return

A nominal post-tax discount rate in the range of 10.0% – 12.0% has been adopted for Kupe. This assessment is based on comparable market evidence and estimates of the required returns from production assets in the oil and gas sector with commodity price exposure.

3.3.5. Kupe Transaction Evidence

The two most recent transactions (in January 2017) provide directly relevant evidence for the value of NZO's 4% interest in the asset. NZO was a counter-party in both transactions, and the transaction value from Mitsui relates directly to the interest under consideration. Both transactions are summarised in Table 17 below.

Table 17: Kupe Transaction Values

Effective Transaction Date	Buyer	Vendor	Value (NZ\$m)	Kupe Interest %	Implied Kupe Value for 4% Interest	Implied EV / 2P Reserves (NZ\$/boe)
1 Jan 2017	NZO	Mitsui	\$35.0	4%	\$35.0	\$13.8
1 Jan 2017	Genesis	NZO	\$168.0	15%	\$44.8	\$17.7

Source: Northington Partners.

We note that the sale of NZO's interest to Genesis included overriding royalty payments and contracted gas and LPG sales at prices higher to those under the Mitsui interest. In addition, the 15% interest provided Genesis with more influence over the Kupe JV than a 4% interest would confer. Consequently, we consider NZO's acquisition of the Mitsui interest to be the most relevant benchmark transaction.

3.3.6. Kupe Valuation Summary

We have valued NZO's 4% interest in Kupe in a range between \$24 million and \$30 million. Our assessed value is consistent with the following:

- The transaction evidence in Table 17 allowing for the depletion in Kupe's 2P reserves from 1 January 2017 to 30 June 2019 (2.6 mmmboe to 2.0 mmBoe (4% interest)); and
- Our DCF valuation of Kupe. Our modelling is based on a number of production scenarios that are consistent with the operator's expected production profile, and considers the potential upside from better field reservoir performance and the scope for potential increases in field reserves.



3.4. Valuation of NZO's Exploration Assets

3.4.1. New Zealand Exploration Assets

As detailed in Section 2.4, NZO's New Zealand exploration assets comprise:

- i. the Clipper permit, including the Barque prospect and Clipper discovery in the Canterbury basin; and
- ii. the Toroa permit, including the Kaipatiki and Kehe prospects in the Great South basin.

We have engaged RISC to provide valuation advice in deriving a market value range for each of NZO's New Zealand exploration interests⁴. RISC provided input based on the potential for attracting a farm-in partner for at least 50% of NZO's costs. The valuation method for each asset involved effectively multiplying the probability of finding a farm-in partner by 50% of the capital contributed by NZO. The lower end probability of attracting a partner was assessed to be 0% and upper end probability of attracting a partner was assessed to be 100%.

Utilising RISC's specialist advice, we have attributed a value of \$0 to \$5.9 million to NZO's New Zealand exploration interests. This represents an estimate of the price that an acquirer would be willing to pay for the New Zealand exploration portfolio as a whole. Table 18 below provides a summary of our valuation.

Table 18: New Zealand Exploration Interest Valuation

Exploration Asset	Value Range (NZ\$m)	
	Low	High
Clipper PEP 52717	\$0.0	\$3.3
Toroa PEP 55794	\$0.0	\$2.7
Total	\$0.0	\$5.9

Source: Northington Partners analysis.

The assessed current market value for the assets reflects the difficult investment environment for exploration properties, particularly in frontier basins which provide significant opportunities but at very high risk. The nil value ascribed at the low end of the value range is consistent with recent evidence of permit interest holders relinquishing their interests for zero consideration (including Woodside Petroleum in respect of Toroa).

We note that if any one of the New Zealand exploration interests were to be successful, the realised value may be many magnitudes higher than the value attributed above. With no further well or seismic commitments, there is also limited cost to NZO of holding the permits. Consequently, the eventual value of NZO's New Zealand exploration interests is highly sensitive to long-run oil prices as well as the outcome of any farmout agreements and the initial drilling which is yet to occur.

3.4.2. Indonesian Exploration Assets

NZO's Indonesian exploration assets comprise the Bohorok PSC, Palmerah Baru PSC and Kisaran PSC prospects. Further details on each asset are set out in Section 2.5.

NZO has reached agreements to effectively dispose of all its Indonesian interests but retained some exposure which may entitle NZO to payments from the Kisaran PSC and Bohorok PSC should the exploration efforts be successful. A summary of each agreement is detailed in Table 19 below.

Table 19: Indonesian Exploration Disposal Agreement Descriptions

Exploration Asset	Agreement Description Summary
Kisaran PSC	In March 2019 NZO entered into the Kisaran Option Agreement with Pacific Oil & Gas. While exact terms of the agreement are confidential, it effectively results in removing any ongoing cost obligations to NZO while retaining the opportunity to

⁴ Further information in relation to the RISC report is set out in Appendix 3.



	receive up to US\$1.75 million if Pacific Oil & Gas exercises a call option granted to them prior to December 2021.
Bohorok PSC	In December 2018 NZO disposed of its interest to the operator of Bohorok PSC (Bow Energy International Holdings) on terms that will see it receive a cash payment of US\$2 million if production commences following the first well, with a further US\$1 million from production of a second well (" Bohorok Sale Agreement ").
Palmerah Baru PSC	NZO has executed a sale and purchase agreement with Bow Energy, NZO has no further cost obligations or upside potential.

Source: NZO public announcements and sale and purchase agreements.

All conditions of the Kisaran agreement have been satisfied, while the agreements for Bohorok PSC and Palmerah Baru PSC are awaiting Indonesian Government approval.

In relation to key aspects of these agreements, we note:

- Considering the prolonged inactivity in the Kisaran block and low oil price environment, we assess the likelihood of Pacific Oil & Gas exercising its option under the Kisaran Option Agreement as low; and
- The likelihood of production commencing in the near term at Bohorok PSC is also low, meaning the present value of any future cash payments may be limited.

We have therefore valued NZO's remaining Indonesian exploration interests at nil value. While NZO has retained upside potential for total cash payments of up to US\$4.75 million, we consider there to be low probability of receiving the payments: if any cash is received under the Bohorok Sale Agreement, it is likely to be of minimal value in net present value terms per NZO share.

3.4.3. Australian Exploration Assets

As detailed in Section 2.6, NZO's Australian exploration assets comprise the Ironbark Prospect. This includes:

- i. A 15% interest in the WA-359-P petroleum exploration permit; and
- ii. an option to acquire a 5.36% participating interest in the adjoining field (WA-409-P petroleum exploration permit).

NZO acquired its interest in these exploration permits from Cue in October 2018 (transaction completed in June 2019) under a farmout agreement which was approved by Cue shareholders in January 2019 (the "**Ironbark Transaction**"). This arrangement was commercially similar to Cue's transaction with Beach Energy in November 2017. As such, the consideration offered by NZO to Cue provides a reliable starting point for the valuation of the asset. The details of the Ironbark Transaction are summarised in Table 20 below.

Table 20: Transaction Description of NZO's Australian Exploration Assets

Exploration Asset	Transaction Description Summary
WA-359-P	NZO entered into a farmout agreement to acquire a 15.0% participating interest in WA-359-P. Under the agreement with NZO, Cue will retain a free carry for 2.85% of the costs of drilling the exploration well (capped at US\$2.57 million) and NZO reimbursed Cue for AUD\$642,600 of past costs.
WA-409-P	NZO acquired an option to acquire a 5.36% participating interest in WA-409-P, which is intended to be executed after the commencement of drilling in the neighbouring block. Under the option, Cue will receive a free carry for 5.36% of the costs of drilling the exploration well and Cue is entitled to a 10% royalty on all future revenue from NZO's participating interest, effectively leaving NZO with 4.82% of the future revenue from the permit.

Source: Cue Energy Notice of General Meeting, Explanatory Memorandum and Independent Expert's Report

As the disposal of part of Cue's interest in WA-359-P and WA-409-P represented a material transaction with a related party (by virtue of NZO's 50.04% ownership of Cue), the Ironbark



Transaction required Cue shareholder approval. Consequently, Cue commissioned an Independent Expert's Report to establish whether the transaction was fair and reasonable to Cue shareholders not associated with NZO. The independent expert ("PKF Melbourne") engaged SRK Consulting (Australasia) Pty Ltd ("SRK"), an oil and gas resource specialist, to provide specialist advice on the value of the prospective resources for each exploration asset. The Notice of General Meeting, Explanatory Memorandum and Independent Expert's Report including the SRK valuation report relating to the transaction are available at Cue's website (www.cuenrg.com.au). Table 21 below summarises SRK's valuation of WA-359-P (15%) and WA-409-P (5.36%) assuming the WA-409-P option has been exercised⁵.

Table 21: SRK Summary Valuation of Cue Prospective Resources (NZ\$m) – NZO's interest

Exploration Asset	Low	High	Preferred
WA-359-P	\$0.6	\$84.5	\$56.3
WA-409-P option exercised	\$0.2	\$13.0	\$8.6

Values have been converted at an exchange rate of 0.9511 NZD / AUD.

In assessing whether the Ironbark Transaction was fair and reasonable to Cue shareholders, PKF Melbourne also referenced prior farmout transactions with BP (acquiring a 42.5% interest in WA-359-P and 80% interest in WA-409-P) and Beach Energy (acquiring a 21% interest in WA-359-P and 7.5% interest in WA-409-P) which occurred in October 2016 and November 2017 respectively. Based on these comparable transactions for the same assets, PKF Melbourne assessed the value of the 15% interest in WA-359-P in the range of A\$3.0 – A\$4.2 million.

PKF Melbourne also assessed the consideration being offered by NZO for the interests in the Ironbark Prospect at A\$4.2 million, being the value of past costs reimbursed to Cue and a free carry of the costs of drilling a well equivalent to 2.85% of the total well cost for WA-359-P (capped at US\$2.57 million).

In conclusion, PKF Melbourne assessed the Ironbark Transaction as being reasonable but not fair to Cue shareholders on the basis of:

- The value of the consideration offered by NZO was within the market value range assessed by SRK, with the wide valuation range indicative of the uncertainty associated with early stage exploration assets;
- No value was attributed to the option for WA-409-P as there was no means to establish the value of the assets being given up and the consideration offered at this point in time;
- While the consideration offered by NZO was within SRK's wide valuation range, PKF Melbourne considered that the basis for determining fairness should be measured with reference to SRK's "preferred" valuation (equivalent to NZ\$56.3 million for WA-359-P) and therefore concluded that the transaction was not fair;
- However, as the value of the consideration was within the value range and on terms that were relatively consistent with or more favourable than the terms agreed with Beach Energy and BP under "arms-length" transactions (as well as a range of other considerations), PKF Melbourne determined the consideration offered by NZO was reasonable.

Minority shareholders of Cue not associated with NZO overwhelmingly approved the Ironbark Transaction in January 2019.

Based on the recent Ironbark Transaction evidence and independent report prepared by PKF Melbourne, we have attributed a value range for NZO's Australian exploration assets between NZ\$4.4 million and NZ\$20.0 million (at an assumed spot NZ\$/AU\$ rate of \$0.95).

Our assessed value range reflects:

⁵ Further information in relation to the SRK report is set out in Appendix 3.



- At the low end of the range, the effective value of the consideration transferred to Cue in NZO's recent acquisition of the exploration assets (as approved by Cue shareholders);
- At the upper end of the range, our assessment of the potential market value upside having consideration to:
 - SRK's "preferred" valuation for WA-359-P of approximately NZ\$56 million. While we believe that the SRK assessment is based on reasonable assumptions, we have attributed more weight to the transaction-based evidence which supported a A\$3.0 – A\$4.2 million value range. The arms-length transactions with NZO, BP and Beach Energy are directly comparable transactions which followed an intensive farmout exercise over several years which did not procure any other offers; and
 - The share price performance of Cue since shareholders approved the Ironbark Transaction and our assessment of the estimated market implied valuation of Cue's exploration interests. These include both WA-359-P and WA-409-P, as well as WA-389-P (another Carnarvon Basin prospect immediately adjacent to WA-359-P and WA-409-P) and some Indonesian exploration permits. We also note that SRK's "preferred" valuation is disproportionate to the current market implied value of Cue's entire business including both production and exploration assets (approximately NZ\$41.2 million as of 25 June 2019 excluding net cash).
- No value has been ascribed to the option for WA-409-P, as the option is unlikely to be exercised unless the adjoining WA-359-P field is commercially successful. There is also no basis at present to suggest the well will be commercially successful before expiry of the option.

3.5. Valuation of Cue

Similar to NZO, Cue's assets comprise production assets (Maari and Sampang PSC), a number of exploration prospects in Australia and Indonesia, and cash of A\$21.0 million (as at 31 December 2018). Given Cue's relatively small market capitalisation and NZO's 50.04% shareholding, Cue's shares are illiquid and the prevailing market value is not always necessarily a true reflection of underlying value.

Cue's market capitalisation as of 21 August 2019 was A\$66.3 million (NZ\$69.8 million), implying the market is attributing A\$45.3 million of value to Cue's production and exploration assets (excluding its net cash position).

We have valued NZO's 50.04% shareholding in Cue at NZ\$27.6 million to NZ\$31.3 million, representing a value per share of A\$0.075 to A\$0.085 (at a NZ\$/AU\$ spot rate of \$0.95). This compares to a share price of A\$0.095 and a 30-day volume weighted average market price ("VWAP") of A\$0.097 as of 21 August 2019..

3.6. Valuation of Corporate Overheads

NZO incurred total overhead costs of \$7.6 million in FY19 (excluding Cue). However, NZO's assets consist mainly of minority interests in non-operated assets, and it is unlikely that the current level of overheads will be incurred indefinitely. While NZO is continuing to evaluate new investment opportunities, the Company's objective is that head office costs will be offset by new income generating assets in the short-medium term. Alternatively, if NZO is unsuccessful in commercialising new opportunities, head office costs will be reduced to the minimum level needed to maintain NZO's residual assets.

We note that Cue also incurred approximately A\$2.4 million of overheads and administration costs in FY2018. Given the similarity of exploration and production assets between Cue and NZO, there is clearly potential scope for NZO to reduce its overheads to a size similar to that of Cue over the medium term.



Taking these factors into account, we have valued NZO's future head office costs at a range of between \$23.6 million and \$28.3 million based on an NPV approach. Key assumptions in our assessment are as follows:

- The FY20 draft budget overheads of \$8.1 million are maintained at this level (adjusted for inflation) until December 2022. This reflects current head office resource requirements and the expected timing of a full commercial evaluation of the Ironbark Prospect and appraisal of the Toroa and Clipper permits;
- Additional one-off project costs of \$1.2 million (in real terms) are incurred in FY20 and FY21 reflecting costs associated with assessing the Ironbark Prospect and other acquisition or exploration opportunities. This level is consistent with budgeted costs for FY20;
- The collective annual overhead and administration costs are then reduced to \$3.0 million in real terms by FY2024 and maintained at this level for a further 3 years (i.e. until the end of FY2027). This reflects our assessment of the minimum head office costs required to maintain administration functions, with no further exploration or corporate development related expenditure;
- NZO has sufficient taxable income from its other assets (primarily Kupe at present) to realise the tax benefit of the corporate overheads;
- No allowance for potential synergies for a prospective acquirer of NZO; and
- A discount rate of 10%.

In essence, our approach assumes that unless NZO can generate new offsetting revenue streams (by investing its available cash in higher yielding assets), it will look to reduce operations in the short term and potentially eliminate all costs in the medium term. Given the low end of our valuation range implies a low chance of success for NZO's exploration assets, this reduction in overheads over the short and medium term is consistent with NZO abandoning exploration and liquidating its remaining assets.

3.7. Adjusted Net Cash and Other Assets and Liabilities

We have adopted an adjusted net cash position for valuation purposes of NZ\$74.3 million to \$74.2 million as of 30 June 2019. In determining this estimate, we have made a number of adjustments to NZO's 30 June 2019 balance of \$78.2 million (excluding cash held by Cue):

- A reduction of NZ\$3.9 million to reflect the maximum amount due to Cue but yet to be paid under the Ironbark Transaction (reflecting the remaining free carry costs for drilling at WA-359-P). This adjustment is necessary as we have recognised the Ironbark Prospect asset value in our sum-of-the-parts valuation, but NZO has an outstanding liability for the unpaid consideration due to Cue;
- No reduction or addition in relation to a change in exchange rate in cash balances held in currencies other than NZ\$ (exchange rates are assumed to be held constant); and
- At the upper end of the valuation range, a reduction of \$0.1 million for the assumed cash settlement of partly paid shares (see Section 3.8). This reflects that some of the partly paid shares would be "in-the-money" at the top of valuation range (\$0.74 Issue Price for 1 million partly paid shares relative to \$0.84 at the upper end of the valuation range) and rather than the partly paid shares being paid up (increasing the fully paid shares on issue), they are assumed to be cash settled at their assessed value (largely being the difference in the upper end valuation and their exercise price).

3.8. Valuation of Partly Paid Shares

3.8.1. Partly Paid Shares



PPS are used as an employee incentive under NZO’s ESOP. The PPS are issued to certain staff (“**Participants**”) under the ESOP at a specified issue price (“**Issue Price**”). The Participants pay \$0.01 per share when the PPS are issued. The PPS are held for the Participants’ beneficial interest by NZOG Services Limited (“**Trustee**”), in its capacity as trustee of the ESOP.

After the completion of an escrow period and assuming certain conditions are met, each Participant has the option to fully pay for the shares (by paying the difference between the Issue Price and the \$0.01 per share). Table 22 below details the schedule of NZO’s 3,418,000 unlisted PPS as of 2 September, comprising:

- i. Tranche 1 PPS: 2,418,000 PPS held by the Trustee which had various issue prices but have all passed their Expiry Date; and
- ii. Tranche 2 PPS: 1,000,000 PPS held by 1 Participant with an Issue Price of \$0.7435 and an Expiry Date of 24 February 2022.

Table 22: Schedule of Partly Paid Shares

Beneficial Holder	Number of PPS	Issue Date	Expiry Date	Issue Price
Tranche 1 PPS				
Trustee	2,418,000	<i>Various</i>	<i>Various (all expired)</i>	<i>Various</i>
Tranche 2 PPS				
Andrew Jefferies	1,000,000	24-Feb-17	24-Feb-22	\$0.74
Total	3,418,000			

Source: NZO

The PPS voting rights and rights to dividends or other distributions by NZO are proportionate to the amount paid up (\$0.01) relative to the Issue Price. Upon the payment of the unpaid amounts, the PPS become fully paid shares and are transferred from the Trustee to the Participant.

Subject to limited exceptions set out in the ESOP rules, the PPS cannot be assigned, transferred or disposed of without the approval of NZOG’s nomination and remuneration committee.

3.8.2. PPS Valuation Framework

Each PPS effectively provides an employee with the right to purchase a share at some time in the future at a fixed price. Because the employee is not obligated to make the purchase unless it is in their best interest to do so, the PPS can be viewed as a variant of a standard call option⁶.

Because the rights attached to the PPS will only have value in the future if the NZO share price exceeds the Issue Price before the Expiry Date, the current value is related to the potential distribution of the NZO share prices before or at the Expiry Date of each tranche. There are several mathematical models which translate the potential future distribution of share prices into an option value today.

Tranche 1 PPS have already expired with Issue Prices that are “out-of-the-money” relative to the Scheme Price. The current option value attached to these tranches of PPS are therefore negligible. Conversely, Tranche 2 PPS have over 2 years to the Expiry Date and will have some option value.

3.8.3. Black-Scholes Model

We have used a Black-Scholes option pricing model for deriving the value of the Tranche 2 PPS. The Black-Scholes model was derived for simple European-style options⁷, assuming that the option instrument trades in a liquid market and has a relatively short time to maturity (6 – 9 months).

⁶ A call option provides the holder with the right, but not the obligation, to purchase an asset at a fixed price either during, or at the termination of, a specified future period.

⁷ European-style options can only be exercised on the expiration date, while American-style options can be exercised at any time prior to maturity. The rights attached to the PPS’s are American-style after the completion of escrow period.



Because some of these conditions do not hold for the rights attached to the PPS, values derived from the Black-Scholes model will overstate the underlying fair value.

From a valuation perspective, the key complications relate to the fact that the PPS are non-tradeable and are effectively forfeited if the employee leaves the Company prior to the Expiry Date. This type of option is therefore often exercised earlier than is optimal for standard options, thereby reducing the payoff that could have been received had the option been retained for the full term.

The usual approach to deal with these issues is to use a standard option pricing model to estimate some benchmark values, initially ignoring the value impacts of the employee option features. Appropriate value discounts to reflect factors such as non-tradability and the potential for forfeiture can then be applied with reference to the limited amount of available empirical evidence or assessed on a matter of judgement.

3.8.4. Key Black-Scholes Model Assumptions

Each component of the Black-Scholes framework is detailed in Table 23 below.

Table 23: Black-Scholes Model Assumptions

Assumption	Discussion
Current share price	In order to assess fair value of the PPS in the context of the Scheme, the assumed current share price should be set equal to the Scheme Price (\$0.62).
Volatility	This parameter determines the likelihood that the share price will exceed the Issue Price prior to the Expiry Date. The higher the volatility, the higher the probability of the PPS will be in-the-money and the greater the current value of the PPS. We assessed the volatility at a range of 25.0% - 35.0%, based on observed market volatility of NZO shares and an assessment of potential future volatility.
Valuation Discount	An appropriate valuation discount to apply to the theoretical model prices largely remains a matter of judgement. Market rules of thumb suggest discounts up to 30% from the values derived from the most appropriate variant of the Black-Scholes model, largely dependent on the PPS time to maturity, transferability and vesting conditions. Given the relatively short period of time to the Expiry Date for Tranche 2 of the PPS, we have assessed the appropriate discount in this case at 10%.

Source: Northington Partners

3.8.5. Valuation of Partly Paid Shares

As summarized in Table 24, we have valued Tranche 1 of the PPS at \$0.01 per PPS (\$24,180 in aggregate) and Tranche 2 between \$0.07 and \$0.11 per PPS (\$63,102 – \$99,293). In deriving these values, we note the following:

- The value for Tranche 1 reflects that these PPS are deep “out of the money” and have expired. However, the assessed value is in line with NZO’s historical policy of repaying employees the paid-up amount of each PPS on expiry (\$0.01 per PPS); and
- The value range for Tranche 2 is based on the discounted Black-Scholes model values as described above. The assessed values reflect the lower Issue Price for this tranche, the longer time to maturity and the corresponding greater probability of the NZO share price exceeding the Issue Price by the Expiry Date (February 2022).

Table 24: Assessed Valuation of each PPS

	Value Range (NZ\$)		Value Range (NZ\$ per PPS)	
	Low	High	Low	High
Tranche 1 PPS	\$24,180	\$24,180	\$0.01	\$0.01
Tranche 2 PPS	\$63,102	\$99,293	\$0.07	\$0.11



Source: Northington Partners Analysis

3.8.6. Assessment of the fairness of the PPS Offer Prices

While the Code does not apply to a scheme of arrangement, typically the Panel must be satisfied that Code equivalent disclosures have been made, and that the scheme has been structured in a manner consistent with Code principles, before it issues a no-objection statement. Rule 8(3) of the Code requires that if there is more than 1 class of voting securities included in a full offer, the consideration and terms offered for each class of voting securities must be fair and reasonable as between the classes of voting securities. In this particular case, the Code therefore requires that the consideration and terms for the PPS must be fair and reasonable:

- Compared to the consideration and terms offered for the fully paid ordinary shares; and
- As between each tranche of PPS.

Further details relating to the scope of our report are set out in Appendix 1.

Our assessed valuation of each tranche of PPS compared to the PPS Offer Prices is set out in Table 25 below.

Table 25: PPS Proposal Comparison to Assessed Value Range

	Assessed Value Range (NZ\$ per PPS)		PPS Offer Prices
	Low	High	
Tranche 1 PPS	\$0.01	\$0.01	\$0.01
Tranche 2 PPS	\$0.07	\$0.11	\$0.09

Source: Northington Partner 's Analysis and Scheme Implementation

Based on the fact that the PPS Offer Price for each tranche is in line with our assessed values, we conclude the consideration and terms offered for each tranche of PPS under the Scheme are fair and reasonable compared to the consideration and terms offered for the fully paid ordinary shares, and as between all tranches.



4.0 Assessment of the Merits of the Scheme

4.1. Comparison of the NZO Scheme Price relative to assessed value

4.1.1. Ordinary Shares

As set out in Section 3.0, we have assessed the full underlying value of NZO shares in a range between \$0.62 and \$0.84 per share, with a mid-point of \$0.73 per share.

The full underlying value is the price a person or entity would be expected to pay to acquire the company as a whole and accordingly includes a premium for control. The price offered by OGOG should be compared to the full underlying value of NZO given that, if the Scheme is successful, OGOG will have full effective control over the business.

The OGOG Scheme Price of \$0.62 per share is at the bottom end of our assessed value range of \$0.62 to \$0.84 and we therefore characterise the Scheme Price as reasonable, but not overly compelling. However, as discussed further below, there are a range of other key factors that should be considered in conjunction with the price comparison.

Figure 4 compares the OGOG Scheme Price with our assessment of the full underlying value of NZO's shares and NZO's share price immediately prior to the market announcement of the Scheme.

Figure 4: Comparison of the OGOG Scheme Price to the Assessed Value Range



Source: Northampton Partners

We note that adjusted cash⁸ makes up \$0.45 per share of our value range (54% - 73%), while our value for Kupe (\$0.15 to \$0.18 per share) is largely offset by the present value of corporate overheads (-\$0.14 to -\$0.17 per share). Consequently, our assessed value range is most sensitive to the estimated market value of NZO's directly owned exploration interests and those indirectly held through Cue. Notwithstanding the current market value range for NZO's exploration interests, the ultimate value could fall outside this range. Exploration outcomes are typically binary, with successful outcomes generating substantial value but exploration failure effectively resulting in complete value loss. Accordingly, the value of NZO's exploration interests (and more broadly the overall exploration program, including the expenditure commitments) could ultimately be significantly greater than the current estimates of value. On the other hand, it is also possible that the ultimate value will be far less than current estimates.

4.1.2. Partly Paid Shares

As set out in Section 3.8, we assess that the current value of Tranche 1 of the PPS at \$0.01, and that the current value of Tranche 2 is between \$0.07 and \$0.11. On the basis that the PPS Offer Prices are \$0.01 for Tranche 1 and \$0.09 for Tranche 2, we conclude that the PPS Offer Prices are fair and

⁸ See Section 3.7



reasonable compared to the Scheme Price, and are fair and reasonable as between each tranche of PPS.

4.2. Potential Outcomes of the Scheme

NZO shareholders will vote to approve or reject the resolution to implement the OGOG Scheme. The Scheme will proceed to the High Court if both voting thresholds below are passed:

- Threshold 1: a majority of 75% of the votes of the shareholders in each interest class entitled to vote and voting; and
- Threshold 2: a simple majority of the votes of those shareholders entitled to vote. This threshold applies in respect of the total number of NZO voting rights, rather than in respect of the votes cast in each interest class separately.

The following two interest classes will vote separately for the resolution:

- OGOG and its associates; and
- All other shareholders.

As OGOG already controls greater than 50% of the voting rights in NZO, Threshold 2 will be satisfied by OGOG voting in favour. However, the implication of OGOG's existing shares being treated as a separate interest class is that, in order for the Scheme to proceed, 75% of the votes actually cast by non-OGOG shareholders must vote in favour to meet Threshold 1.

It is very likely that at least some of the NZO shareholders will not vote on the Scheme resolution, and the threshold for the Scheme to proceed could therefore be quite low. For example, if holders of only 50% of the non-OGOG voting securities on issue vote, Threshold 1 will be achieved if only 11.3% of the total shares on issue vote in favour of the resolution.

The probability of a 100% acquisition being successfully completed under a scheme structure is therefore increased relative to a takeover offer. Under a takeover offer, a minimum of 20% of the total voting securities on issue (67% of the non-OGOG voting securities) would need to accept the offer in order for the offeror to achieve the 90% threshold required to compulsorily acquire the balance. Conversely, there is also increased potential for a small portion of minority shareholders preventing the Scheme from being approved relative to a takeover offer if shareholder turnout for the Scheme is low.

The possible outcomes of the Scheme process are therefore a function of the level of approval by NZO's non-OGOG shareholders. Further discussion on each outcome is set out below.

4.2.1. Scheme is Successful

If the voting thresholds to approve the Scheme are achieved and all other conditions are satisfied (or waived where capable of a waiver), the Scheme will be implemented. In this circumstance, all holders of fully paid ordinary shares in NZO (other than OGOG) will have their fully paid ordinary shares acquired at \$0.62 per share.

Regardless of whether an NZO shareholder votes in favour of the Scheme, NZO shareholders will only realise cash under the Scheme if the voting thresholds are achieved, the other conditions are satisfied (or waived where capable of waiver), and the transaction is therefore implemented. If the transaction is implemented NZO will be delisted. For those shareholders wishing to retain an equity investment in the oil and gas production and exploration sector there are no other such listed companies on the NZX, although proceeds could be reinvested into other oil and gas exploration and production companies on international stock exchanges (including Cue and Beach Energy, each listed on the ASX).

4.2.2. Scheme is Unsuccessful

If the voting thresholds to approve the Scheme are not achieved, the Scheme will not proceed, and no shares will be acquired by OGOG. NZO will remain a listed company and will have no further



obligation to OGOG in relation to the Scheme. While OGOG may decide to make another offer for NZO in the future, there is no certainty it would do so.

If the Scheme is unsuccessful, NZO will continue to manage its current assets focused on Kupe, evaluation of the Ironbark Prospect and continuing to assess farmout opportunities for its New Zealand exploration interests. As NZO has now committed to well exploration at the Ironbark Prospect and is continuing to evaluate its New Zealand exploration opportunities, its exploration risks are now more accentuated than they were when the portfolio was more invested in production assets (e.g. 15% interest in Kupe). This changing focus also coincides with the New Zealand coalition Government's ban on new offshore oil and gas exploration, which has created greater uncertainty around future exploration investment activity. While the ban does not impact NZO's existing New Zealand interests, it has had an impact on its ability to attract partners for New Zealand exploration. Consequently, NZO's strategy beyond its current exploration interests is uncertain. Depending on the outcome of the Ironbark Prospect appraisal, we suggest this may result in NZO seeking more international opportunities in the future (much like its investment in the Ironbark Prospect) or the winding-up of NZO.

Therefore, a key consideration for NZO shareholders is the risk associated with the Company's current strategy and whether, in time, a continued investment in NZO will yield a higher value outcome than the Scheme Price. Key aspects to consider include:

- As detailed in Section 2.0, exploration well drilling and subsequent evaluation of the Ironbark Prospect are expected to commence in the second half of 2020, with more definitive results unlikely to be known until late 2020 or early 2021. The current estimated total costs for drilling and appraising the Ironbark Prospect are approximately US\$90 million, of which NZO's share will be approximately US\$16 million (NZ\$24 million) including the capped Cue free carry of US\$2.57 million. The drill costs are based on the operator's (BP) estimate and reflect expected drilling conditions. However, major drilling difficulties could add significantly to the drill cost and require NZO and Cue to contribute further capital.
- Early stage exploration is highly uncertain and the potential value outcome from drilling the Ironbark Prospect is largely binary. While we have assessed the current market value of the Ironbark Prospect between \$4.4 - \$20.0 million, the value outcome could vary significantly after full evaluation of the drilling results. Potential outcomes include:
 - No commercial petroleum resources being found, and the well being abandoned. Under this scenario, NZO may have committed over NZ\$24 million on a prospect with zero commercial value; and
 - A successful commercial discovery of petroleum resources. Depending on the quantity of resource being developed into reserves and the commercial feasibility of developing the Ironbark Prospect, this could result in a highly valuable economic outcome for NZO, Cue and the other field partners.
- Therefore, our valuation range does not capture the full range of possible future high and low value scenarios for the Ironbark Prospect – it reflects our assessment of the market value range today. While it is difficult to assess the full range of potential future value outcomes for the Ironbark Prospect, we note that SRK assessed its “unrisked” discovered value at between US\$2,500 to US\$7,500 million based on an assumed 2,500 mmBoe discovery. However, it effectively assessed the chance of economic success to development stage at approximately 5%. SRK therefore assumed a 95% chance of the field failing to reach development stage (after incurring over US\$90 million in development costs) relative to a success case value of several billion dollars. Consequently, the future value of NZO's interest in the Ironbark Prospect (through its direct 15% interest and indirectly through the 21% interest held by Cue) may be significantly higher or lower than our current assessed value range.
 - Under a fail scenario, NZO would have committed approximately NZ\$24 million of cash (possibly more) in addition to Cue's commitment of approximately NZ\$12 million (net of costs carried by NZO, BP and Beach Energy) to the appraisal. If a commercial discovery is not made, this would likely result in NZO losing over



NZ\$24 million in cash and the value of its 50.04% shareholding in Cue deteriorating significantly due to the significance of the Ironbark Prospect to Cue's current overall value;

- Conversely, a successful discovery may result in significant value upside not captured in our assessed value range for the Ironbark Prospect. This would impact NZO through both its direct interest in the Ironbark Prospect and indirectly through its shareholding in Cue.
- There is also significant uncertainty around NZO's New Zealand exploration interests (Clipper and Toroa). While there are no immediate exploration drilling plans, currently NZO must drill Clipper and Toroa prior to April 2022 otherwise the permits will be relinquished. NZO has been marketing these opportunities for farmout partners over several years with limited success. Therefore, while we have attributed limited value to these prospects (\$0.0 to \$5.9 million), the realisation of any future value remains dependent on identifying suitable farmout partners. The prospects of doing so in the current political environment are highly uncertain.
- NZO shares are highly illiquid and will remain so if the Scheme is unsuccessful. That means it will continue to be difficult for shareholders to trade large parcels of shares without impacting NZO's share price. We also note that NZO could decide to delist from the NZX which would further reduce shareholders' ability to trade their shares. A delisting would likely require approval of minority shareholders by way of ordinary resolution.
- If NZO's current exploration interests were unsuccessful and the Company was wound up, we suggest the net value available to shareholders would be substantially lower than the Scheme Price and would not be realised for some time. Therefore, it is likely that in order for shareholders to realise value above the Scheme Price, NZO would have to enjoy success with some or all of its current exploration interests.

While an investment in an oil and gas exploration business such as NZO is inherently risky, shareholders may wish to consider their risk appetite for the Ironbark Prospect and NZO's other exploration activities in evaluating the merits of the Scheme. While the Scheme Price is at the lowest point of our valuation range, it does provide shareholders with the opportunity to crystallise some value for NZO's exploration activities today without taking on the risks associated with exploration.

If the Scheme is unsuccessful, OGOG will continue to control NZO through its existing 70% shareholding providing the ability to determine the business plan, capital structure and dividend policy of the Company. Under the creep provisions of the Code, OGOG will also be able to acquire a further 5% per annum of the outstanding shares of NZO without making a further offer for the Company. If it reached 75%, OGOG could then pass both ordinary and special resolutions potentially affording more control over time.

4.3. Potential for Alternative Offers or a Higher Price

While it is possible that another bidder could emerge with a price higher than the Scheme Price, we believe that the prospects for such an outcome are extremely limited. This view reflects that OGOG controls 70% of the NZO shares which, unless it sold into a competing offer, would represent a significant impediment to the completion of a competing offer.

In the absence of a competing offer, it is unlikely that OGOG could be compelled to increase the Scheme Price. Although it is unclear how OGOG would respond if the Scheme is rejected, there is certainly no guarantee that OGOG would make another offer to acquire 100% of NZO.

4.4. Acceptance or Rejection of the Scheme

This report has been prepared without taking into account the objectives, financial situation or needs of individual NZO shareholders. Accordingly, before acting in relation to investment, shareholders should read the Scheme Booklet issued by NZO and consider their own situation.



Acceptance or rejection of the Scheme is a matter for individual shareholders based on their own view as to value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. Shareholders will need to consider these consequences and, if appropriate, consult their own professional adviser(s).



Appendix 1. Regulatory Requirements and Scope of this Report

Introduction

The proposed Scheme is to be implemented by way of scheme of arrangement under Part 15 of the Companies Act and is required to be approved by the High Court. An explanation of the role of the High Court is set out in the notice of meeting sent to NZO's shareholders.

As NZO is listed on the NZX Main Board, the NZX Listing Rules (as well as general law) requires that the notice of meeting must state the nature of the business to be transacted at the meeting in sufficient detail to enable shareholders to form a reasoned judgement in relation to it.

Role of Takeovers Panel

Under the Companies Act, the High Court cannot approve a scheme of arrangement which affects the voting rights in a Code company (such as NZO) unless:

- the Court is satisfied that shareholders will not be adversely affected by the use of a scheme rather than the Code to effect the change involving the Code company; or
- the Takeovers Panel has provided a statement indicating that the Takeovers Panel has no objection to the Court making an order approving the scheme. This is known as a "no-objection statement".

In this case, NZO has requested that the Takeovers Panel issue a "no-objection statement" in relation to the Scheme to present to the High Court to assist with its deliberations. The primary role of the Takeovers Panel is to assist the High Court by:

- Reviewing scheme documents to ensure that appropriate information is placed before shareholders; and
- Helping to ensure that matters that are relevant to the High Court's decision are properly brought to the High Court's attention.

Although there is no legal requirement under the Companies Act or the Code for an independent adviser's report as a result of the Scheme of Arrangement, the practice of the Takeovers Panel (except in very limited circumstances) is to require the preparation of an independent adviser's report before it will consider issuing a no-objection statement.

NZO requested Northington Partners to prepare an independent adviser's report setting out, in its opinion, the merits of the Scheme. Our appointment was approved by the Takeovers Panel on 27 May 2019.

Basis of Assessment for Ordinary Shares

The exact meaning of the word "merits" is not prescribed in the Code and there is no well accepted, authoritative New Zealand reference that clearly establishes what should be considered when assessing the merits of a transaction. Although the Takeovers Panel has published a guidance note about the role of an Independent Adviser, it has been careful not to limit the scope of the assessment and states that the relevant factors that should be taken into consideration will depend on the features of the proposed transaction as well as the prevailing circumstances of the parties involved. However, the Takeovers Panel suggests that a merits assessment is broader than a valuation assessment and will include other positive and negative aspects of a transaction.

Northington Partners has assessed the merits of the Scheme for NZO shareholders by taking into account the following matters:

- the estimated value range of NZO and the Scheme Price when compared to that estimated value range;
- the likelihood of an alternative offer and alternative transactions that could realise fair value;
- the likely market price and liquidity of NZO shares in the absence of the Scheme;



- any advantages or disadvantages for NZO shareholders of accepting or rejecting the Scheme;
- the current trading conditions for NZO;
- the attractions of NZO's business; and
- the risks of NZO's business.

Approach to Evaluation

A fundamental principle of the Code is that all shareholders are treated equally. It is therefore our view that the price to be paid under the Scheme should be compared to the full underlying value of NZO, assuming a 100% control position. This is despite OGOG already having effective control of NZO. Our rationale for this approach is summarised as follows:

- Prior to the introduction of the Code, some market commentators held the view that where a major shareholder had a controlling shareholding, any control premium attached only to that shareholding. One of the key intended outcomes of the Code was that any control premium should be available to all shareholders under an offer, regardless of the size of their shareholding or the size of the offeror's shareholding at the time the offer is made. It would seem inconsistent with the Code that an offeror could acquire >50% control of a company with a control premium incorporated into the offer price, and then make a subsequent offer for the outstanding shares without including a control premium on the basis it already had control;
- The compulsory acquisition provisions of the Code specify that an independent adviser must determine the fair and reasonable value of an equity security based on the full underlying value of all securities in that class with each security then being valued on a pro rata basis. In other words, it is intended that each minority shareholder will receive its share of the full underlying value. Again, we think it would be inconsistent with the Code for one group of minority security holders (those selling through compulsory acquisition) to be treated any differently to the security holders who accepted an earlier takeover offer;
- If a full or partial takeover offer was made for all of NZO by a party other than OGOG, a control premium clearly would be expected; and
- As the Scheme requires a no-objection statement from the Panel, the principles of the Code should apply to the Scheme.

Basis of Assessment for Partly Paid Shares

Pursuant to Rule 8(3) of the Code, if there is more than 1 class of voting securities included in a full offer, the consideration and terms offered for each class of voting securities must be fair and reasonable as between the classes of voting securities. If a full offer was made under the Code which included the PPS, then the consideration and terms for the PPS would need to be fair and reasonable:

- Compared to the consideration and terms offered for the Ordinary Shares; and
- As between each tranche of PPS.

As with our approach to assessing the merits of the offer for the ordinary shares, our approach to dealing with the merits of terms and consideration offered for the PPS under the Scheme reflects the requirements under the Code for a full takeover offer. Our assessment set out in Section 3.8 therefore reflects the analysis typically contained in Rule 22 independent adviser's report that accompanies an offer under the Code.



Appendix 2. Declarations, Qualifications and Consents

Declarations

This report is dated 2 September 2019 and has been prepared by Northington Partners at the request of the independent directors of NZO to fulfil the requirements of the Takeovers Panel in relation to the Scheme and to be used for the purposes of the Court application to approve the Scheme. This report, or any part of it, should not be reproduced or used for any other purpose. Northington Partners specifically disclaims any obligation or liability to any party whatsoever in the event that this report is supplied or applied for any purpose other than that for which it is intended.

Prior drafts of this report were provided to NZO for review and discussion. Although minor factual changes to the report were made after the release of the first draft, there were no changes to our methodology, analysis, or conclusions.

This report is provided for the benefit of all of the shareholders of NZO that are being asked to consider the Scheme, and Northington Partners consents to the distribution of this report to those people.

Our engagement terms did not contain any term which materially restricted the scope of our work.

Qualifications

Northington Partners provides an independent corporate advisory service to companies operating throughout New Zealand. The company specialises in mergers and acquisitions, capital raising support, expert opinions, financial instrument valuations, and business and share valuations. Northington Partners is retained by a mix of publicly listed companies, substantial privately held companies, and state owned enterprises.

The individuals responsible for preparing this report are Greg Anderson B.Com, M.Com (Hons), Ph.D, Jonathan Burke B.Com (Hons), BCM and Charles More BE(Hons), MBM. Each individual has a wealth of experience in providing independent advice to clients relating to the value of business assets and equity instruments, as well as the choice of appropriate financial structures and governance issues.

Northington Partners has been responsible for the preparation of numerous independent reports in relation to takeovers, mergers, and a range of other transactions subject to the Takeovers Code and NZX Listing Rules.

Independence

Northington Partners Limited confirms that it:

- Has no conflict of interest that could affect its ability to provide an unbiased report; and
- Has no direct or indirect pecuniary or other interest in the Scheme considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Northington Partners Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code and the Panel's requirements for schemes of arrangement involving Code companies for the purposes of preparing this report.

The preparation of this IAR will be Northington Partners' only involvement in relation to the proposed Scheme. Northington Partners will be paid a fixed fee for its services which is in no way contingent on the outcome of our analysis or the content of our report.

Disclaimer and Restrictions on the Scope of Our Work

In preparing this report, Northington Partners has relied on information provided by NZO . Northington Partners has not performed anything in the nature of an audit of that information, and



does not express any opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

Northington Partners has used the provided information on the basis that it is true and accurate in material respects and not misleading by reason of omission or otherwise. Accordingly, neither Northington Partners nor its directors, employees or agents, accept any responsibility or liability for any such information being inaccurate, incomplete, unreliable or not soundly based or for any errors in the analysis, statements and opinions provided in this report resulting directly or indirectly from any such circumstances or from any assumptions upon which this report is based proving unjustified.

We reserve the right, but will be under no obligation, to review or amend our report if any additional information which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.

Indemnity

NZO has agreed to indemnify Northington Partners (to the maximum extent permitted by law) against any and all losses, claims, costs, expenses, actions, demands, damages, liabilities or any other proceedings, whatsoever suffered or incurred by Northington Partners in respect of any claims by a third party arising from or connected to any breach by NZO of its obligations under its agreement with Northington Partners, except to the extent resulting from any act or omission of Northington Partners finally determined by a New Zealand Court of competent jurisdiction to constitute negligence or wilful misconduct by Northington Partners.



Appendix 3. Valuation Information

Our valuation assessment of NZO has referred to two sources of valuation information that has been prepared by other parties. Table 26 sets out information equivalent to that required pursuant to clause 20 of Schedule 2 of the Code in relation to that valuation information.

Table 26: Summary of Asset Valuation Information

Required Information		
Asset	NZO's New Zealand exploration assets, comprising the Clipper permit and the Toroa permit.	NZO's Australian exploration assets, comprising a 15% interest in the WA-359-P permit and an option to acquire a 5.36% interest in the WA-409-P permit.
Source of Valuation Information	RISC Advisory Pty Ltd	SRK Consulting (Australasia) Pty Ltd
Date of Valuation	25 June 2019	20 November 2018
Summary of Valuation	Total value in a range between NZ\$0.0 million and NZ\$5.9 million.	Based on SRK's value range for 100% interest in each permit, the implied total value of NZO's interests was between NZ\$0.8 million and NZ\$97.5 million.
Basis of Computation and Key Assumptions	Values estimated as the product of the probability of securing a farm-in partner for each permit and 50% of the sunk costs incurred by NZO. The low end of the value range assumes 0% probability of securing a farm-in partner and the top end of the value range assumes 100% probability.	SRK's valuation conclusions considered the book values since inception, the block commitment work programs and estimated expenditures, the comparative transaction values and the estimated potential project value defined by an exploration success case.

Source: Northington Partners

