news release

NEW ZEALAND OIL & GAS

9 September 2019

SPECIAL MEETING - INDEPENDENT DIRECTORS UNANIMOUSLY RECOMMEND SCHEME OF ARRANGEMENT

A special meeting of New Zealand Oil & Gas shareholders will be held on Wednesday, 16 October to vote on a court-approved scheme of arrangement.

O.G. Oil & Gas (Singapore) Pte. Ltd. proposes to acquire all the shares in New Zealand Oil & Gas that it does not already own for a cash payment of NZ$0.62 per fully paid ordinary share.

The independent directors of New Zealand Oil & Gas unanimously recommend that shareholders vote in favour of the scheme of arrangement, in the absence of a superior proposal. The scheme booklet (attached) outlines the independent directors' reasons for their recommendation. It also contains the notice of meeting and information for shareholders.

The independent adviser, Northington Partners, valued New Zealand Oil & Gas at $0.62 to $0.84 per share. The full independent adviser's report is included in the scheme booklet. While the $0.62 price offered by OGOG is at the bottom of the independent adviser's valuation range, it is a significant premium to the recent market price of New Zealand Oil & Gas shares:

- 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 of trading on the NZX (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.

The independent directors note that achieving the upper end of the independent adviser's valuation range would depend on various favourable events that are highly uncertain, while there is also a further downside scenario to consider.

"Ironbark has the cost and uncertainty associated with deepwater frontier exploration. 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," the independent directors say.

In agreeing to recommend the transaction, the independent directors of New Zealand Oil & Gas have taken into account:

- The changed operating environment for oil and gas investment in New Zealand following the government's decision in April 2018 to stop awarding new offshore exploration permits;
- The premium offered to New Zealand Oil & Gas shareholders;

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- The inherent uncertainty of deepwater exploration prospects, which is reflected in the fact that after farming into the Ironbark prospect, the market capitalisation of the company fell by almost exactly its expected share of the well costs;
- The difficulty of raising additional equity capital to fund growth in the current environment; and
- The significant risk that if the scheme does not proceed the value of New Zealand Oil & Gas shares will fall back to the prior trading range, of between $0.47 and $0.53 in the six months prior to the announcement of the scheme.

Copies of the scheme booklet are being sent to shareholders. Further information about the scheme is available on the company website (https://www.nzog.com/scheme-of-arrangement/).

All shareholders are strongly encouraged to vote on the scheme. To approve the scheme, 75% of the votes cast in each interest class must be voted in favour. 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 it. Shareholders may vote in person at the special meeting, by postal vote (including online), by proxy or by corporate representative.

The scheme is also subject to customary conditions, including Overseas Investment Act consent and court approval.

The special meeting will be held at

10am on Wednesday, 16 October 2019 at

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

Attachments:

Notice of Meeting and Scheme Booklet

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