

13 September 2019

## INDEPENDENT DIRECTORS COMMENT ON CUE IRONBARK RELEASE

Earlier this week, the independent directors of New Zealand Oil & Gas released to NZX the scheme booklet for the proposed scheme of arrangement with O.G. Oil & Gas [Singapore] Pte. Ltd.

On 11 September 2019, Cue Energy Resources Limited [Cue] released to ASX a presentation made to the Good Oil Conference, which contained statements relating to the Ironbark prospect.

Reference was made in the Cue presentation to the Ironbark prospect being a “company changing opportunity”, with a success case value with “potential to be multiples of Cue current value”.

These statements were qualified by cautionary statements relating to the risk of discovery and risk of development associated with the prospect.

The independent directors consider that these statements are entirely consistent with the scheme booklet. The Northington Partners independent adviser’s report included in the scheme booklet states [at page 34] that a successful commercial discovery at Ironbark “could result in a highly valuable economic outcome for NZO, Cue and the other field partners.” The Chair’s letter also notes that Ironbark is a “very large” prospect [see page 9 of the scheme booklet].

As stated in the Northington Partners report, however, this potential upside must be considered in light of the chances of commercial success at Ironbark. Northington Partners noted [at page 34 of their report] that SRK Consulting Australasia Pty Ltd assessed a 5% chance of commercial success.

Although the Ironbark prospect is large, pursuing it involves costs. In a dry hole scenario at Ironbark, the company’s cash balance would drop by \$0.15 per share, with there being no future value for Ironbark. This can be compared to the certainty provided by the scheme, under which shareholders have the opportunity to realise the value of New Zealand Oil & Gas assets [including Ironbark] now.

The independent directors also take this opportunity to comment on Cue’s previous statements indicating that Ironbark has a “25% chance of success”. It should be noted that this figure refers to Cue’s assessment of “geological success” – i.e., the chance that hydrocarbons will be found in the geological structure. It does not measure the chance of “commercial success” – i.e. that any such discovery will then be capable of economic commercial exploitation. SRK Consulting uses the same 25% geological chance of success in its independent assessment that then determines a 5% chance of commercial success.

This difference between geological and commercial success is crucial and arises due to uncertainties related to the production of the hydrocarbons [recoverability], development of infrastructure, construction of production plant, and market for the product. The risks associated with these factors mean that a 25% probability of geological success is consistent with a 5% probability of commercial success.

For more information about Ironbark, shareholders are encouraged to read the scheme booklet. The independent directors confirm that the discussion about Ironbark in the scheme booklet is accurate.

A copy of the scheme booklet is available here <https://www.nzog.com/assets/Uploads/20190909-NoM-Scheme-Booklet-IAR-rl2.pdf> and on the New Zealand Oil & Gas website [www.nzog.com](http://www.nzog.com).

**For further information please contact:**

John Pagani, MOB: +64 21 570 872