

New Zealand Oil & Gas Activities Report

NEW ZEALAND OIL & GAS RECOMMENDS SCHEME OF ARRANGEMENT WITH O.G. OIL & GAS AT \$0.62 PER SHARE

- Scheme price \$0.62 per share in cash for all of the approximately 30 per cent of New Zealand Oil & Gas fully paid ordinary shares that O.G. Oil & Gas does not already own.
- Price is a 25% premium to closing price on 9 July 2019 (the day before announcement).
- Independent directors unanimously recommend shareholders vote in favour of the scheme, subject to the independent adviser's report concluding that \$0.62 per share is within or above its valuation range.
- Scheme is subject to customary conditions, including shareholder approval, court approval, and Overseas Investment Office consent.
- Shareholders to vote on the transaction at a special meeting expected in October 2019.

MORE INFORMATION ABOUT THE SCHEME OF ARRANGEMENT

Call our investor line on 04 213 8585 or send a text message to 021 339 728.

From outside New Zealand, use +64 4 213 8585.

Email your enquiry to enquiry@nzog.com or visit www.nzog.com

New Zealand Oil & Gas and its 70% parent O.G. Oil & Gas (Singapore) Pte Ltd have agreed a scheme implementation agreement to progress a scheme of arrangement transaction.

If the transaction proceeds, OGOG will acquire all of the fully paid ordinary shares of New Zealand Oil & Gas that it does not already own for NZ\$0.62 per share.

The scheme is subject to conditions, including shareholder approval and Overseas Investment Office consent.

The transaction will be implemented by way of a scheme of arrangement, which is a court-supervised process under which a meeting of shareholders will be called for shareholders to vote on the transaction.

The independent directors of New Zealand Oil & Gas, Dr Rosalind Archer and Rod Ritchie, unanimously recommend shareholders vote in favour of the transaction.

The independent directors' recommendation is subject to the scheme price being within or above the valuation range specified by an independent adviser, and in the absence of a superior proposal.

The independent directors have commissioned Northington Partners to prepare an independent adviser's report.

The price of \$0.62 cents per share is:

- a 25.3% premium to the closing price on 9 July 2019, the last trading day before the scheme implementation agreement was announced;
- a 27.3% premium to the volume-weighted average price 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 most recently released results, 27 February 2019, up to and including 9 July 2019.

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

- the compelling premium offered to New Zealand Oil & Gas shareholders;
- the changed operating environment for oil and gas investment in New Zealand following the government's decision in April 2018 to not award new offshore exploration acreage;
- the difficulty raising equity capital as a publicly listed oil and gas company on the NZX, especially given the above factors; and
- the significant price decline in New Zealand Oil & Gas shares following the government's announcement in April 2018.

The independent directors believe recent policy changes have had a dramatic impact on the perception of New Zealand as an appealing place to invest in the oil and gas industry.

Shareholders will be given the opportunity to vote on the scheme at a special shareholders' meeting.

No date has yet been set for that meeting, but New Zealand Oil & Gas anticipates it will be held in October 2019.

A booklet containing information about the scheme will be sent to shareholders with a notice of meeting and a copy of the independent adviser's report.

Subject to shareholder approval, and satisfaction of other conditions, the scheme is expected to be implemented by the end of November 2019.

The scheme implementation agreement is available on the New Zealand Oil & Gas website at www.nzog.com. Further information will be posted there as it becomes available.

FINANCIAL PERFORMANCE

Sales receipts from Kupe were \$4.3 million and receipts from Cue’s Maari and Sampang production assets were \$9.9m. Production related outgoings were \$3.3m. Exploration payments totalling \$2.4m included drilling costs relating to the Kohatukai and Sampang wells. Cash outflows for administration expenses across the group were \$2.6m. Cash balances held in USD denominated accounts were impacted by a weaker New Zealand dollar, resulting in an unrealised FX gain of \$0.7 million.

GROUP CASH BALANCE 30 JUNE 2019: NZD105.6M

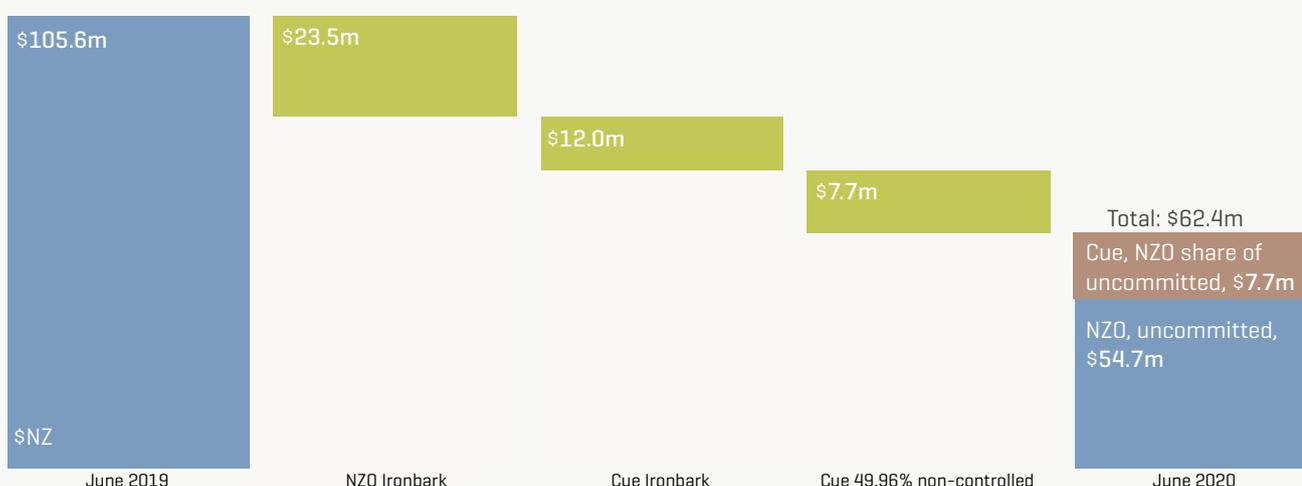
Group cash balance at 30 June was \$105.6 million including cash held by Cue Energy resources.

Cash is held by New Zealand Oil & Gas in both US dollar and NZ dollar denominated accounts. Cash held by Cue Energy is also held in Australian and Indonesian currencies.

49.96% of cash held by Cue is not attributable to the shareholders of New Zealand Oil & Gas.

Some cash held by the group is committed to fund the Ironbark-1 exploration well, as set out in the graphic below.

INDICATIVE CASH COMMITMENTS FOR 2019-20 FINANCIAL YEAR*



Some rounding.

*Projected future figures in this graphic are indicative estimates and do not constitute profit guidance. Figures relate to future events and assumptions that are uncertain, and that may or may not occur. Ironbark well cost projections include future cash commitments, and do not include cash already paid. Some of the committed Ironbark expenditure may be paid in the following financial year. "Cue, NZO share of uncommitted" comprises New Zealand Oil & Gas 50.04% interest in uncommitted Cue cash.

PRODUCTION SUMMARY		Total field for quarter [gross]	Our share previous quarter [net]	Our share Jun 2019 [net]
FIELD				
Kupe Taranaki, New Zealand	Oil Barrels	254,100	10,500	10,200
	Gas Petajoules	6.75	0.27	0.27
	LPG Tonnes	29,600	1,163	1,200
	Production revenue NZD\$m		3.7	4.3
Maari* Taranaki New Zealand	Oil Barrels, Net		31,450	30,750
	Production revenue AUD\$m		1.6	5.4
Sampang* Java, Indonesia	Oil Barrels		790	755
	Gas Petajoules		0.38	0.36
	Production revenue AUD\$m		3.2	4.0

Some rounding. *New Zealand Oil & Gas has a 50.04% interest in Cue. Cue’s full interest is shown.

TARANAKI

Kupe oil and gas field [PML 38146]

4% New Zealand Oil & Gas

50% Beach Energy [Operator]

46% Genesis Energy

During the quarter Kupe continued its strong production performance due to high market demand for gas.

Field and operational performance has continued in line with expectations.

A month-long shut-in of the plant is planned for plant maintenance in November.

A final investment decision about whether to proceed with the next stage of Kupe development is expected in the first half of FY20.

Maari and Manaia oil field [PMP 38160]

5% Cue Energy*

69% OMV New Zealand [Operator]

26% Horizon Oil International

Oil production was in line with the previous quarter, including seven days of non-production during June while the annual field maintenance shutdown was completed safely.

MR3a production well was offline for most of the quarter due to failure of the electric submersible pump. The joint venture is currently considering options for a workover to replace it.

At the end of the quarter, production was approximately 7500 bopd, which is significantly higher than the operator's budget. This is the result of increased MR6a production, well-optimisation activities and increased water injection. Further production enhancement opportunities being progressed include the installation of individual well meters and use of higher capacity ESP equipment for the MR6a well.

Kohatukai [PEP 55768]

25% New Zealand Oil & Gas

25% O.G. Oil & Gas Limited

37.5% Mitsui E&P Australia Pty Ltd [Mitsui]

12.5% AWE Holdings NZ Limited [AWE] 12.5% [Operator]

During the quarter the joint venture applied to relinquish the permit.

CANTERBURY-GREAT SOUTH

Clipper [PEP 52717]

50% New Zealand Oil & Gas [Operator]

50% Beach Energy

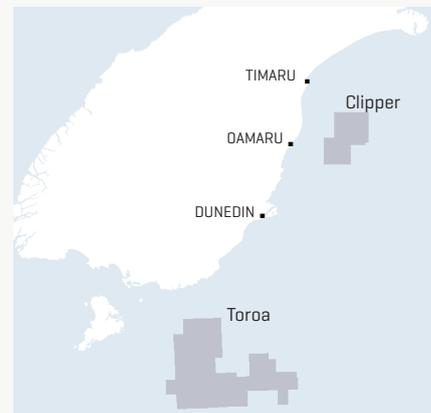
During the quarter the deadline for a decision about whether to drill an exploration well in the permit was extended by three years.

A well commitment decision now needs to be made before 11 April 2022, or the permit must be surrendered. Other obligations have been extended correspondingly.

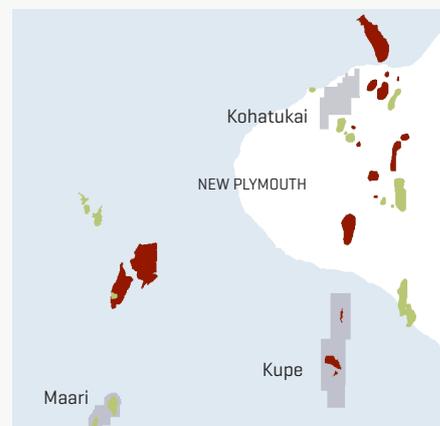
Toroa [PEP 55794]

100% New Zealand Oil & Gas

During the quarter the company engaged with the government about a possible extension of the permit conditions to align with the Clipper permit.



OFFSHORE CANTERBURY - GREAT SOUTH BASIN



TARANAKI BASIN



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INDONESIA

Sampang

Production Sharing Contract

15% Cue Energy*

45% Ophir Indonesia [Sampang] Pty Ltd [Operator]

40% Singapore Petroleum Company

Production from the Sampang PSC remained strong, in line with the previous quarter, with a combined Oyong and Wortel average gross production rate of approximately 37 mmcf/d for the quarter.

The plan of development process for the Paus Biru discovery is progressing, with the operator undertaking the required post-well technical work. Concept development plans have been presented to the joint venture, which include a single well with a wellhead platform and pipeline tie-in to the Oyong facilities.

During the quarter, Ophir Energy, the operator of the Sampang PSC, was acquired by Medco Energi Global Pte Ltd, an Indonesian public exploration and production company.

Pressure reduction enhancements to the compressor at the Grati onshore processing plant have been approved by the joint venture to allow production at reduced field pressure. This project is expected to be completed by early 2020.



Mahato

Production Sharing Contract

Cue Energy* 12.5%

Texcal Mahato EP Ltd [Operator]

In April 2019, a joint operating agreement was finalised and signed by the partners in the Mahato PSC.

Well-site construction is being undertaken for the PB- 1 well-site in preparation for an expected well before the end of calendar 2019.

Drilling and other permits are in place and the joint venture is expected to make a final decision on the well in the coming months. The PB prospect is within the southern portion of the PSC in close proximity to the existing production and infrastructure of the Petapahan fields.

Mahakam Hilir

Kutei Basin Production Sharing Contract

100% Cue Energy*

Cue Kalimantan Pte Ltd [Operator]

The Mahakam Hilir PSC contains the Naga Utara prospect and the Naga Utara-4 appraisal well opportunity.

Cue is proceeding with planning for the drilling of the Naga Utara-4 well and is currently seeking partners to participate in the Mahakam Hilir PSC and the well.



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AUSTRALIA

WA-359-P

15% New Zealand Oil & Gas

21.5% Cue Energy*

42.5% BP Developments Australia Pty Ltd (Operator)

21% Beach Energy

On 7 June 2019, completion of all agreements was achieved among the partners - Cue, BP, Beach and New Zealand Oil & Gas, and a joint venture formed to drill the Ironbark-1 well.

Title transfers have taken place and BP became the operator.

Ironbark-1 planning is progressing with the well scheduled to be drilled in late 2020 by the Ocean Apex drill rig.

NOPSEMA has accepted the environment plan for the Ironbark-1 well site survey and operations are due to be undertaken in Q3.

WA-409-P

20% Cue Energy*

80% BP Developments Australia Pty Ltd (Operator)

A Suspension, Extension and Variation application of the current permit year is expected to be submitted to allow further technical work to be undertaken by the operator on prospects within WA- 409-P.

Subsequent to the end of this quarter, New Zealand Oil & Gas and Beach extended the option end date, which is tied to the end of Permit Year 3, for 30 days while the parties discuss the effect of a permit extension application on the option timing. New Zealand Oil & Gas has an option to take 5.36% equity in WA-409-P on the same terms, pro rated, as those agreed between Cue and Beach. Beach has an option at 7.5%.

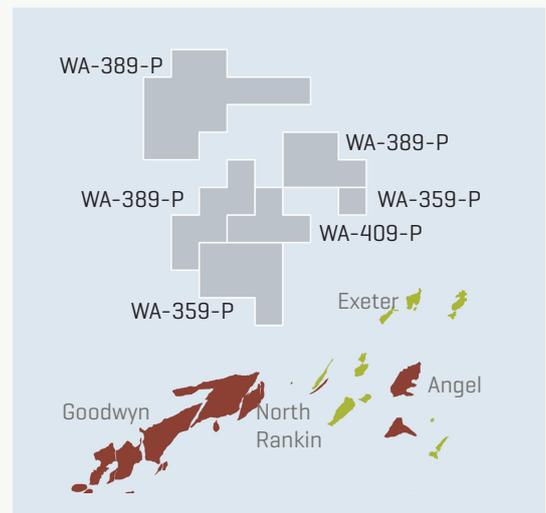
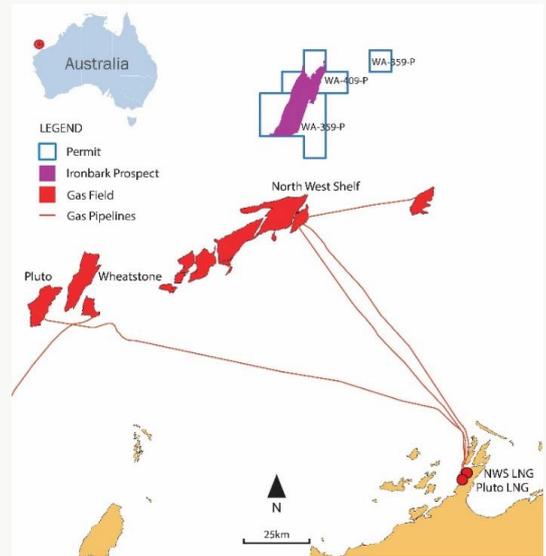
WA-389-P

100% Cue Energy*

A Suspension, Extension and Variation application will be submitted during Q1 FY20 as Cue continues to undertake further technical work to confirm prospects in the permit before having to commit to a well under the work program.

The Blue Gum Deep Mungaroo prospect within WA-389-P is analogous to the Ironbark prospect in WA-359-P and will continue to be the focus of technical work, along with another large, newly-mapped Jurassic play.

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AUSTRALIA



INFORMATION ABOUT THE SCHEME OF ARRANGEMENT

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