

New Zealand Oil & Gas Activities Report

SCHEME OF ARRANGEMENT WITH O.G. OIL & GAS

- Scheme price increased to 74 cents per share
- You can change your vote
- The scheme price will not be increased further.

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

The price being offered to minority shareholders under the proposed scheme of arrangement with O.G. Oil & Gas has been increased.

The price increase was notified by OGOG following an approach from the independent directors of New Zealand Oil & Gas.

OGOG is increasing the price on a 'last and final' basis, meaning that the price can not be increased further.

If the scheme is approved by shareholders, and other conditions are satisfied, shareholders will now receive 74 cents per fully paid ordinary share, 12 cents per share more than the previous scheme price.

The revised price is a 49.5 per cent premium to the closing price on 9 July 2019, the last trading day before the scheme was announced.

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 chair of the Independent Response Committee, Dr Rosalind Archer, said the independent directors are pleased to confirm their recommendation at an increased price.

"The new price offered by OGOG represents attractive value for existing cash, Kupe and Cue assets and very fair value for exploration assets given current market conditions.

"The scheme will only proceed if 75% or more of the votes cast by minority shareholders are in favour of it.

"We do not expect a similar opportunity to present itself in the foreseeable future," Dr Archer said.

"Having reviewed the scheme carefully, we unanimously recommend it and encourage shareholders to vote in favour.

"Rod Ritchie and I reiterate our independence in this process. We resign if the scheme completes. Likewise, our advisers are independent."

The special meeting of shareholders to consider and vote on the scheme has been adjourned to provide shareholders with time to consider the increased scheme price and the impact it may have on how they vote on the scheme. The special meeting will now be held at:

10:00am on 14 November 2019

Oaks Hotel

Level 1, 89 Courtenay Place, Wellington.

Detailed information about the scheme is available from the New Zealand Oil & Gas website at www.nzog.com including:

- the scheme booklet and independent adviser's report,
- a supplementary scheme booklet and an addendum to the independent adviser's report, and
- sealed court orders relating to the scheme.

Read more at: www.nzog.com/scheme-of-arrangement/

YOU CAN CHANGE YOUR VOTE

NOT YET VOTED

Cast your vote by following the voting instructions on the voting card posted to you or online at www.investorvote.com. A personalised voting link has been emailed to shareholders who have chosen to receive communications electronically.

ALREADY VOTED AND WISH TO CHANGE YOUR VOTE

You can change your vote [or your proxy appointment/instruction] in the same way as you cast your original vote. Follow the voting instructions on the voting card posted to you or online at www.investorvote.com. A personalised voting link has been emailed to shareholders who have chosen to receive communications electronically.

The most recently dated voting card received from you [or most recent online submission] will override any earlier voting card [or online submission].

ALREADY VOTED AND DO NOT WISH TO CHANGE YOUR VOTE

You do not need to do anything further. Your existing vote [or proxy appointment/instruction] remains valid.

FINANCIAL PERFORMANCE

Foreign exchange gains of NZ\$5.0 million resulted from a weaker New Zealand dollar against foreign currency-denominated balances. As a result, the group cash balance at 30 September 2019 was NZ\$110.6 million, up from \$105.6 million at the end of the previous quarter. This includes cash held by Cue Energy Resources* and funds committed to drill the Ironbark-1 well.

Operating cash flows were flat in the quarter. Net production revenue of \$5.7 million, including a six-monthly royalty payment of \$1 million, were offset by expenses including seasonal payments, project costs, exploration expenditure of \$0.9 million and an income tax payment of \$1.3 million.

Net production revenue was \$5.8 million, down from \$10.6 million in the previous quarter, mainly due to the timing of oil liftings and receipts. Cashflows were down by \$2.8 million compared to the comparable quarter a year ago. Costs including overheads were in line with last year.

PRODUCTION SUMMARY		Total field for quarter [gross]	Our share previous quarter [net]	Our share Sep 2019 [net]
FIELD				
Kupe Taranaki, New Zealand	Oil Barrels	240,500	10,200	9,620
	Gas Petajoules	6.65	0.27	0.27
	LPG Tonnes	29,090	1,200	1,160
	Production revenue NZD\$m		4.3	4.3
Maari* Taranaki New Zealand	Oil Barrels, Net		30,750	31,420
	Production revenue AUD\$m		5.4	1.6
Sampang* Java, Indonesia	Oil Barrels		755	710
	Gas Petajoules		0.36	0.33
	Production revenue AUD\$m		4.0	3.6

TARANAKI PRODUCTION

Kupe oil and gas field [PML 38146]

4% New Zealand Oil & Gas

50% Beach Energy [Operator]

46% Genesis Energy

Overall Kupe production was strong for the quarter, with some minor unplanned outages in September, which have since been resolved.

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

On the 28 August 2019, a final investment decision was announced for Kupe compression installation. The project will reduce inlet pressure and allow extension of the plateau production rate, while maximising recovery from the Kupe field.

Work is now progressing on the detailed engineering and execution planning phase of the project.

The compressor project production profile and costs have been included in previously published New Zealand Oil & Gas reserves and cost assumptions.

Maari and Manaia oil field [PMP 38160]

5% Cue Energy*

69% OMV New Zealand [Operator]

26% Horizon Oil International

Oil production from Maari and Manaia was in line with the previous quarter. Revenue was down against last quarter due to the timing of liftings and revenue receipts.

A workover was completed on the MR3 well to replace the electric submersible pump and undertake well maintenance.

The MR4 well electric submersible pump suffered a failure late in the quarter and a workover program to install new equipment was completed.

At the end of the quarter both the MR3 and MR4 wells had returned to production.

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

INDONESIA

Sampang PSC

15% Cue Energy

Operator: Ophir Indonesia (Sampang) Pty Ltd

Production from the Sampang PSC was down from the previous quarter due to fluctuations in daily demand from the customer, Indonesia Power.



The project to upgrade the compression at the Grati onshore gas processing plant is approximately 75% complete, with final installation and commissioning expected in early CY2020.

The Wortel East exploration well opportunity remains under review by the joint venture, with final technical work expected to be delivered by the operator in the current quarter.

The operator is continuing to prepare the Paus Biru plan of development in line with Indonesian regulatory requirements.

Mahakam Hilir PSC

100% Cue Energy* (Operator)

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

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



INDONESIA



Mahato PSC

12.5% Cue Energy*

Texcal Mahato EP Ltd (operator)

During the quarter, construction of the PB-1 well site was substantially completed, and tender processes were conducted for Integrated Project Management and drilling rig services. These and other major contracts associated with drilling the PB-1 exploration well are complete and a rig is now being mobilised to Central Sumatra from East Kalimantan. Mobilisation to site is expected to be completed by the end of October, with drilling of the PB-1 well expected to commence in early to mid-November. PB-1 will target the Primary Early Miocene Bekasap sands, expected around 5,000 feet SS, with the overlying Telisa sands, as secondary target. The well will be drilled to basement, expected at approximately 5,500 feet SS.



PB-1 will be the first well to be drilled. Planning is underway to drill an appraisal well in a success case, targeting the northwest of PB-1.

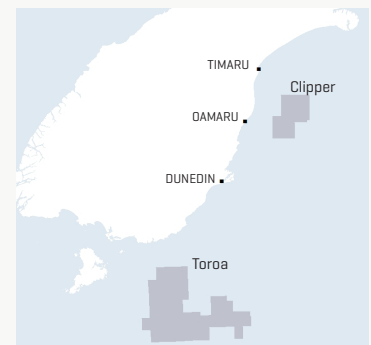
NEW ZEALAND

Clipper (PEP 52717)

50% New Zealand Oil & Gas (Operator)

50% Beach Energy

A well commitment decision needs to be made before 11 April 2022, or the permit must be surrendered. If the well commitment is made, the well will need to be drilled by June 2023. No other activity occurred in the period.



Toroa (PEP 55794)

100% New Zealand Oil & Gas

During the quarter the deadline for a decision about whether to drill an exploration well in the permit was extended. 50% of the original permit area needs to be relinquished by 31 March 2020.

The well commitment decision (or surrender) point has been extended to 1 April 2022. If a well commitment is made, it will need to be drilled by 1 April 2023. Other obligations have been extended correspondingly.

OFFSHORE CANTERBURY - GREAT SOUTH BASIN



*Cue Energy interests held through subsidiaries. New Zealand Oil & Gas has a 50.04% interest in Cue. Cue's full interest is shown.

AUSTRALIA

WA-359-P

15% New Zealand Oil & Gas

21.5% Cue Energy*

42.5% BP Developments Australia Pty Ltd [Operator]

21% Beach Energy

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

During the quarter, site survey operations over the well location were completed.

WA-409-P

20% Cue Energy*

80% BP Developments Australia Pty Ltd [Operator]

The WA-409-P joint venture has been notified by the National Offshore Petroleum Titles Administrator (NOPTA) of the approval of a variation, suspension and extension application submitted during the quarter.

The terms of the approval defer the requirement to drill an exploration well until October 2022, suspend Permit Year 3 for twelve months, and extend the permit term by twelve months. Additional geophysical studies will be undertaken by the joint venture over the next twelve months.

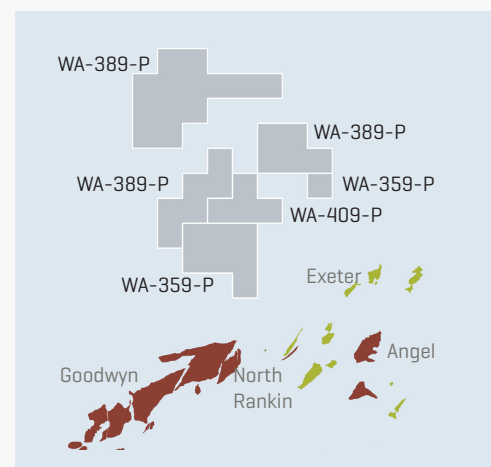
At the end of the previous Permit Year 3, Cue's work program cost carry from BP (part of the 2016 farm-in agreement) ceased. Cue will fund 20% of joint venture costs going forward. New Zealand Oil & Gas has an option for 5.36% equity in WA-409-P, with an end date based on the end of Permit Year 3. Cue has agreed to extend the option end date with Beach and New Zealand Oil & Gas until fourteen days after notification of a decision on the variation, suspension and extension application to allow the parties to discuss any effects of permit changes on the option.

*Cue Energy interests held through subsidiaries. New Zealand Oil & Gas has a 50.04% interest in Cue. Cue's full interest is shown.

WA-389-P

100% Cue Energy* [Operator]

Cue has been notified by the NOPTA of the approval of a variation, suspension and extension application submitted during the quarter. The terms of the approval remove the requirement to drill an exploration well during the permit term and replace it with 250 square kilometres of seismic reprocessing and interpretation and other geological and geophysical studies. The permit term has also been extended by six months to April 2021.



AUSTRALIA



TARANAKI

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]

Approval to surrender the permit has been granted.

MANAGE YOUR SHAREHOLDING: CALL COMPUTERSHARE New Zealand - 0800 467 335

From outside New Zealand, use +64 9 488 8777. You can email your enquiry to enquiry@computershare.co.nz or visit Investor Centre online: www.investorcentre.com/nz

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