NEW ZEALAND OIL & GAS

8 October 2019

SCHEME OF ARRANGEMENT

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

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.

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. Votes already cast can be changed.

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. Having engaged in discussions with OGOG I am in no doubt that 74 cents per fully paid ordinary share is OGOG's last and final offer, and this is stated in OGOG's formal notice of price increase. 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.

"Rod and I reiterate our independence in this process. We resign if the scheme completes. Likewise, our advisers are independent. Having reviewed the scheme carefully, we unanimously recommend it and encourage shareholders to vote in favour."

The special meeting of shareholders to consider and vote on the scheme has been adjourned (it will now occur on 14 November 2019) 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.

Shareholders who have already voted can change their vote in light of the increased scheme price.

A Scheme Booklet supplement, along with new voting and proxy forms, will be released to NZX and published on the New Zealand Oil & Gas website as soon as possible. The documents will also be sent to all shareholders.

For further information please contact:

John Pagani, GM Corporate Services, MOB: +64 21 570 872

The formal notice of price increase received from OGOG and an addendum to the independent adviser's report are attached to this announcement.

Attachments:

Notice of increase to scheme price

Addendum to the independent adviser's report

For further information please contact:

John Pagani, GM Corporate Services, MOB: +64 21 570 872

O.G. OIL & GAS

7 October 2019

Rosalind Archer / Rod Ritchie
Independent Directors
New Zealand Oil & Gas Limited
Level 1, 36 Tennyson Street
Wellington, 6011

NZOG scheme of arrangement: notice of price increase

Dear Rosalind and Rod,

We refer to the scheme implementation agreement dated 9 July 2019 entered into between New Zealand Oil & Gas Limited (**NZOG**) and O.G. Oil & Gas (Singapore) Pte. Ltd. (**OGOG**) (the **SIA**), and the related scheme plan attached to the scheme booklet dated 6 September 2019 (the **Scheme Plan**) and deed poll dated 29 August 2019 (the **Deed Poll**).

For the purposes of clause 6.1 of the Scheme Plan, we hereby notify you that OGOG increases the Scheme Consideration for:

(i) each Fully Paid Share from NZ$0.62 to NZ$0.74; and

(ii) each Partly Paid Share with an issue date of 24 February 2017, from NZ$0.09 to NZ$0.13.

The definition of "Consideration" in the SIA and "Scheme Consideration" in the Scheme Plan and Deed Poll shall be interpreted accordingly.

OGOG will not be making any further increases to the Scheme Consideration, and accordingly the Scheme Consideration as increased by this notice is "last and final".

Yours sincerely

Alastair McGregor
Chief Executive Office
O.G. Oil & Gas (Singapore) Pte. Ltd.

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8 October 2019

The Independent Directors
New Zealand Oil & Gas Limited
Level 1, 36 Tennyson Street
Wellington

VIA E-MAIL

NZO SCHEME OF ARRANGEMENT – ADDENDUM TO INDEPENDENT ADVISER'S REPORT

1.0 Background

New Zealand Oil & Gas Limited (**"NZO"** or the "**Company**") is a New Zealand based oil and gas exploration and production company. 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"**). O.G. Oil & Gas (Singapore) Pte. Ltd. ("**OGOG**") currently owns 69.9% of the ordinary shares on issue, with the remaining ordinary shares held by approximately 4,500 minority shareholders.

On 10 July 2019, NZO announced that it had entered into a scheme implementation agreement (**"SIA"**) with **OGOG** pursuant to which OGOG would 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**"). OGOG also announced it would acquire Tranche 1 of the partly paid shares ("**PPS**") on issue in NZO at NZ$0.01 per PPS and Tranche 2 of the PPS at NZ$0.09 per PPS ("**PPS Offer Prices**").

It is proposed that the transaction would be implemented through a scheme of arrangement ("**Scheme**") under the Companies Act 1993 ("**Companies Act**").

NZO released a Notice of Meeting and Scheme Booklet to the NZX on 9 September 2019. One of the main purposes of the Scheme Booklet was to provide all NZO shareholders with relevant information that they could use to determine whether or not to vote in favour of the Scheme. One source of that information was an Independent Adviser's Report ("**IAR**") prepared by Northington Partners Limited ("**Northington Partners**") which set out our view of the merits of the Scheme.

On 7 October 2019, OGOG gave notice that it has increased the consideration for the ordinary shares and Tranche 2 of the PPS as follows:

i. Offer price for the ordinary shares increased from $0.62 to $0.74 per share ("**Revised Scheme Price**"); and
ii. Offer price for Tranche 2 of the PPS increased from $0.09 to $0.13 per share ("**Revised PPS Offer Price**").

2.0 Scope of this Addendum

In light of the increased consideration offered under the Scheme, we have been asked to reconsider two elements of our IAR:

i. whether the revised offers for the ordinary shares and the PPS are fair and reasonable as between the classes of securities; and
ii. whether we would make any other comments in relation to the merits of the Scheme based on the Revised Scheme Price.

Our views on both points are summarised below.

3.0 Assessment of the Fairness of the Revised Offer Prices as between the Classes of Securities

As set out in Section 3.8 of the IAR, part of our overall assessment of the Scheme determined whether the consideration and terms offered for the ordinary shares and each tranche of the PPS were fair and reasonable as between each class of security. In order to make that assessment, we valued the PPS using the Scheme Price for the ordinary shares ($0.62) and then compared our value range to the PPS Offer Price for each tranche of PPS. Based on the assessed values that were summarised in Table 25 of our IAR, we concluded that the offer prices were fair and reasonable as between the classes.

Given the Revised Scheme Price of $0.74 for the ordinary shares, we have updated our PPS valuations as summarised below in Table 1.

Table 1: Revised PPS Offer Price Compared to Assessed Value Range

	Assessed Value Range (NZ$ per PPS)		
	Low	**High**	**PPS Offer Prices**
Tranche 1 PPS	$0.01	$0.01	$0.01
Tranche 2 PPS	$0.11	$0.15	$0.13

Source: Northington Partner 's Analysis

The increase from the Scheme Price to the Revised Scheme Price has no impact on Tranche 1 of the PPS because these PPS have already expired – the $0.01 value simply reflects the amount already paid-up on the shares and which has been or will be refunded to the PPS holders. The Revised Scheme Price is however a key input to our valuation framework for Tranche 2, and the increase from $0.62 to $0.74 directly flows through to our assessed value range.

Based on the fact that the Revised PPS Offer Price is in line with our assessed values, we conclude the revised 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 Comments in Relation to the Revised Scheme Price

Section 4.0 of the IAR sets out our sum-of-the-parts valuation of NZO. We assessed the full underlying value of the NZO shares in a range between $0.62 and $0.84 per share, with a mid-point of $0.73 per share. Because the Scheme Price of $0.62 per share is at the bottom end of our assessed value range, we characterised the Scheme Price as reasonable, but not overly compelling.

The Revised Scheme Price of $0.74 per share represents an almost 20% increase on the initial offer of $0.62 and sits just above the $0.73 mid-point of our value range. With all else being equal, the Revised Scheme Price is therefore considerably more attractive than the initial Scheme Price.

However, we don't believe that it is entirely valid to directly compare the Revised Offer Price to our assessed valuation range. Approximately 25% of our assessed mid-point value of NZO was attributable to NZO's 50.04% shareholding in Cue Energy Resources Limited ("**Cue**"), a company which is listed on the ASX. The value we attributed to Cue in the IAR assessment was broadly based on the observed market values of the Cue shares in the period leading up to the finalisation of our IAR on 2 September 2019.

We note that the Cue share price was generally trending upwards prior to announcement of the Scheme and has continued to increase further since the IAR was released. The Cue shares have recently sustained a price between A$0.11 to A$0.12 per share, with a 30-day VWAP of A$0.108 per share. A summary of the relative Cue values is set out in Table 2, showing that based on up-dated trading and exchange rate data, the value of NZO's holding in Cue has increased from a mid-point of NZ$0.18 per NZO share to a mid-point of NZ$0.23 per NZO share.

Table 2: Value Range for Cue Shares

	Assessed Value Range in IAR		Updated Range Based on Market Data to 2 October	
	Low	**High**	**Low**	**High**
Cue Share Value (A$)	$0.075	$0.085	$0.095	$0.105
Cue Value Contribution per NZO Share (NZ$)[1]	$0.17	$0.19	$0.22	$0.24

Source: Northington Partners Analysis

[1] NZ$ values in IAR based on NZ$/AU$ rate of 0.95; Updated NZ$ values based on NZ$/AU$ rate of 0.93.

We noted in Section 3.5 of the IAR that Cue is a relatively small, illiquid stock and that the prevailing market value of its shares may not always necessarily be a true reflection of underlying value. Depending on the factors that are driving the share price increase, there is also the potential for the recent value improvements to be reversed in the short term. However, on a like-for-like basis, we think that it is important to point out that if our valuation of NZO was updated for Cue based on the same sum-of-the-parts framework that was adopted in the IAR assessment, our value range would be $0.05 per share higher.

Irrespective of the size of any allowance for the increase in the market value of Cue shares, the Revised Scheme Price of $0.74 per share is clearly more compelling than the initial offer of $0.62 on a relative value basis.

Yours Sincerely

For and on behalf of

Northington Partners Limited

Director

Greg Anderson