

news release

19 December 2014

Change in Indonesia permit and acquisition of additional rights

Lion Energy has been granted an option to acquire a 15 per cent interest in the conventional Bohorok Production Sharing Contract in North Sumatra, Indonesia, in exchange for the Bohorok partners receiving a 45 per cent interest in an unconventional Joint Study Agreement over virtually the same area.

If the option is exercised, the transaction would value the New Zealand Oil & Gas interest in the conventional Bohorok PSC at approximately 1.4 cents per share.

The conventional Bohorok PSC was signed in 2012 and entitles the partners to explore for and develop conventional oil and gas accumulations. A 206 square kilometre seismic survey over the block was completed this year and a decision to drill a well is expected in 2015.

If Lion elects to exercise its option, Lion will reimburse the Bohorok partners for 15 per cent of the back costs, including the costs of the recent seismic survey, plus pay a capped carry amount for the seismic costs.

Following the transaction, if Lion exercises its option, each party will have the following share in the Bohorok conventional PSC:

New Zealand Oil & Gas	38.25% (Previously 45%)
Bukit Energy (Operator)	38.25% (Previously 45%)
Surya Buana Lestarijaya	8.50%* (Previously 10%)
Lion Energy	15%

In the unconventional JSA, Lion's previous 100% interest will become:

Lion Energy	55%
Bukit Energy	20.25%
New Zealand Oil & Gas	20.25%
Surya Buana Lestarijaya	4.5%*

If the Joint Study Agreement is awarded over the unconventional, the Bohorok partners will reimburse Lion for back costs and contribute 45 per cent of third party costs of conducting the Joint Study. At the completion of the Joint Study, each party has an option to jointly participate in the direct award bid round for the unconventional PSC that will be announced by the Indonesian regulator.

Lion will operate the Joint Study. Bukit will be the initial operator of the unconventional PSC, if it is awarded, until the completion of the 3-year firm work commitment, at which time operatorship will be reviewed and, if Lion still holds 51 per cent of the PSC then, it may become operator subject to regulator approval.

*Bukit and New Zealand Oil & Gas have entered into an agreement with SBL to jointly acquire its interests in both the PSC and Joint Study Agreement.

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NZOG stock symbols:

NZX shares – NZO
ASX shares – NZO