

8 October 2019

## SCHEME OF ARRANGEMENT

The High Court has varied the original orders granted in relation to the proposed scheme of arrangement with O.G. Oil & Gas.

The variation postpones the court hearing to consider approval of the scheme to 3 December 2019. A copy of the amendment to the orders is attached.

OGOG's increase in the price it is offering under the scheme was notified to NZX this morning, along with an adjournment of the special meeting to consider the scheme.

New Zealand Oil & Gas is sending information to shareholders to assist them in considering how to vote or change their vote on the proposed scheme.

The attached scheme booklet supplement will be sent to all shareholders together with the addendum to the independent adviser's report [also attached and released this morning].

### **Attachments:**

Amendment to court orders

Scheme booklet supplement

Addendum to the independent adviser's report

**IN THE HIGH COURT OF NEW ZEALAND  
AUCKLAND REGISTRY**

**I TE KŌTI MATUA O AOTEAROA  
TĀMAKI MAKĀURAU ROHE**

**NO. CIV-2019-404-1800**

**Commercial Panel**

**UNDER** Part 19 of the High Court Rules

**AND**

**IN THE MATTER** Of a scheme of arrangement under Part 15 of the  
Companies Act 1993

**AND**

**IN THE MATTER** **NEW ZEALAND OIL & GAS LIMITED** an incorporated  
company having its registered office at Level 1, 36  
Tennyson Street, Wellington, 6011, New Zealand, and  
carrying on business in oil and gas exploration and  
production, for orders approving a scheme of  
arrangement under Part 15 of the Companies Act 1993

**Applicant**

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**INITIAL ORDERS IN RESPECT OF A SCHEME OF ARRANGEMENT  
UNDER PART 15 OF THE COMPANIES ACT 1993**

**8 OCTOBER 2019**

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**Simpson Grierson**

Barristers & Solicitors

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**BEFORE THE HONOURABLE JUSTICE LANG, 8 OCTOBER 2019**

After reading the memorandum of counsel for the applicant, dated 8 October 2019, seeking variation of the initial orders issued on 5 September 2019 in respect of a scheme of arrangement under Part 15 of the Companies Act 1993, and on the application of J C Caird and J C Dickson, counsel on behalf of New Zealand Oil & Gas Ltd (**NZO**), this court orders:

1. varying initial order 2(a): the originating application, dated 4 September 2019, for orders approving a scheme of arrangement under Part 15 of the Companies Act 1993 (**Act**) (**Originating Application**) will be heard on 3 December 2019 at 10.00 am;
2. varying initial order 2(g): the Meeting shall be held at 10.00 am on 14 November 2019 at a venue in Wellington, or at such other time and place as NZO may determine;
3. varying initial order 2(dd): any Shareholder who wishes to appear and be heard on the Originating Application must, by 5.00 pm on 20 November 2019, file and serve on NZO at the offices of Simpson Grierson at Level 27, Lumley Centre, 88 Shortland Street, Auckland:
  - (a) a notice of appearance (containing an address for service); or
  - (b) if they oppose the Originating Application, a notice of opposition (containing an address for service), any affidavit(s), and a memorandum of submissions on which they intend to rely;
4. varying initial order 2(ee): any other person who considers that they have a proper interest in the Scheme and who wishes to appear and be heard on the Originating Application to file and serve on NZO at the offices of Simpson Grierson at Level 27, Lumley Centre, 88 Shortland Street, Auckland by 5.00 pm on 20 November 2019, an application for leave to be heard on the Originating Application (containing an address for service), a notice of opposition, any affidavits and a memorandum of submissions; and



5. varying initial order 2(gg): NZO is, by 5.00 pm on the date no later than 26 November 2019, to serve (at the stated address for service) a copy of all documents filed in support of the Originating Application on any person entitled under paragraph 2(ff)(iii)-(iv) above to appear and be heard on the Originating Application, and file and serve any papers in reply.

Date: 08/10/2019 .

Signature:  
(Registrar / Deputy Registrar)



R. KUMAR  
DEPUTY REGISTRAR





NEW ZEALAND  
OIL & GAS

# SCHEME BOOKLET SUPPLEMENT

For the proposed acquisition of shares  
in New Zealand Oil & Gas Limited by  
O.G. Oil & Gas [Singapore] Pte. Ltd.  
under a scheme of arrangement

## VOTE IN FAVOUR

Your Independent Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.

- ▶ **Scheme price increased to 74 cents per Share. The price will not be increased further.**
- ▶ **Special Meeting of Shareholders adjourned to 14 November 2019.**
- ▶ **You now have until 12 November to appoint a proxy or submit a postal/online vote. If you have already voted, you can change your vote.**

### THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

This document supplements, and should be read alongside and together with, the original notice of meeting and scheme booklet dated 6 September 2019 [Scheme Booklet]. Terms capitalised in this document have the meaning given to them in the Scheme Booklet.

You should carefully read this document and the Scheme Booklet in their entirety before deciding whether or not to vote in favour of the Scheme or, if you have already cast your vote, whether you wish to change your vote. If you are in any doubt about what you should do, you should seek advice from your broker or your financial, taxation or legal adviser immediately.

If you have sold all your shares in New Zealand Oil & Gas, please ignore this document and immediately hand it to the purchaser or the agent the sale was made through [such as your broker].

Dear Shareholder,

## Scheme of arrangement

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

In September we sent you a Scheme Booklet setting out details of a scheme of arrangement with O.G. Oil & Gas [Singapore] Pte. Ltd. (OGOG). Through the Scheme, OGOG proposes to acquire all of the shares in New Zealand Oil & Gas that it does not already own.

The Independent Directors of New Zealand Oil & Gas subsequently approached OGOG on behalf of minority Shareholders to solicit an increase to the Scheme price. Following our discussions, OGOG has agreed to increase the price it is offering under the Scheme to 74 cents per Share.<sup>1</sup>

The new price is a 19% increase to the previous price of 62 cents per Share.

The new price is a 49.5% premium to the closing price on 9 July 2019, the last trading day before the Scheme was announced.

The increase has been made on a "last and final" basis, meaning that no further increase is possible.

Your Independent Directors believe the increased price represents an attractive opportunity for shareholders to realise value.

**We unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.** The Scheme will only proceed if 75% or more of the votes cast by minority Shareholders are in favour of it.<sup>2</sup>



**Dr Rosalind Archer**  
Independent Director

If you have already voted, and wish to change your vote, you can do so by following the instructions set out below.

<sup>1</sup> The Scheme Consideration for Tranche 1 Partly Paid Shares remains at 1 cent per Partly Paid Share.

The Scheme Consideration for Tranche 2 Partly Paid Shares has increased from 9 cents to 13 cents per Partly Paid Share.

<sup>2</sup> The Scheme is also subject to the satisfaction of certain customary conditions, including court approval and consent under the Overseas Investment Act 2005.

## The increased price offers a significant premium for uncertain prospects in an unfavourable environment for oil and gas investment.

We continue to believe that, for the reasons set out in the Scheme Booklet, the Scheme is likely to be your best opportunity to realise value in the order of the Scheme price. However, we have listened carefully to feedback from minority Shareholders since the Scheme was first announced. With our encouragement, OGOG have also conducted their own soundings with certain Shareholders. We have worked hard to consider Shareholder input and we are pleased to present a new price that better reflects their views on value.

In our opinion, the increased Scheme price we have negotiated represents attractive value for existing cash, Kupe and Cue Energy assets, very fair value for exploration assets given current market conditions, and reflects developments since the announcement of the Scheme.

We reiterate our view that the Scheme, especially at this increased price, offers an attractive opportunity to secure a significant premium to the recent trading price of the Shares at a time of difficult market conditions, a changing policy environment and uncertain prospects. We do not expect a similar opportunity to present itself in the foreseeable future.

While we acknowledge that the Ironbark prospect is a large prospect that could result in a highly valuable economic outcome for the company, when balancing the merits of the Scheme, this potential upside must be considered in light of the chances of commercial success. The chance of commercial success has been independently assessed to be highly unlikely.

Unlike OGOG, the company is not currently large enough to spread the risks of frontier exploration across a portfolio. Its future is dependent on prospects that statistically are much more likely to fail than to succeed. If the Ironbark well fails to deliver a commercial discovery, the company's cash balance would drop by about 15 cents per Share and the Share price is likely to fall significantly.

We believe Ironbark failure was priced into the Share price before the Scheme was announced, when Shares traded in a range of \$0.47 to \$0.50. You should consider the possibility that the Share price will fall back to this trading range if the Scheme is not approved at the Special Meeting.

In contrast, OGOG is now offering the certainty of a significant premium to the price Shares were trading at prior to the announcement of the Scheme.

We encourage you to re-read the Scheme Booklet, especially sections 3.3 [reasons to vote in favour of the Scheme] and 3.4 [reasons you may decide not to vote in favour of the Scheme] for a full explanation of our position and why we unanimously recommend you vote in favour of the Scheme.

## The Independent Adviser has prepared an addendum to its report

The Independent Adviser, Northington Partners, has prepared the attached addendum to their report, which:

- a** | confirms that the Scheme price remains fair and reasonable as between the two tranches of Partly Paid Shares and also as between the Partly Paid Shares and the fully paid Shares; and
- b** | makes observations about the merits of the Scheme, in light of the revised Scheme price.

Your Independent Directors recommend you carefully consider the Independent Adviser's valuation range, and the factors which may affect it. As described in the Scheme Booklet, we believe that the upside end of the range depends on favourable outcomes that are highly uncertain and we note that, in our opinion, the low end of the range does not capture the expense of drilling the Ironbark well if it is not successful.

The market value of the New Zealand Oil & Gas 50.04% shareholding in Cue Energy has increased since the date of the Independent Adviser's Report. Northington Partners discuss the increase in the attached addendum.

We believe there is a direct correlation between the increase in the price of Cue Energy shares and the announcement of the Scheme. This is evidenced by the significant increase in the trading volume of Cue Energy shares immediately following the public announcement of the Scheme on July 10th. Before attributing much significance to the increase in the Cue Energy share price, we suggest you consider whether the increase in the price of Cue Energy shares is sustainable, and the likelihood that Cue Energy's share price will revert to its previous trading range after the Scheme concludes.

## Special Meeting of Shareholders will now be held on 14 November 2019

We appreciate that Shareholders need time to consider the increased Scheme price and the impact it may have on how they vote on the Scheme. We have therefore adjourned the Special Meeting to give Shareholders additional time to evaluate the Scheme at the revised Scheme price.

The Special Meeting to consider and vote on the Scheme will now be held at:

10.00am on 14 November 2019

Oaks Hotel

Level 1

89 Courtenay Place

Wellington

## Have your say by voting – cast or change your vote

If you have not yet cast your vote (or appointed a proxy), we encourage you to vote now.

If you have already voted, you may change your vote or proxy direction in light of the increased Scheme price.

Instructions on how to cast or change your vote, appoint a proxy or revise your proxy direction are set out in your personalised voting/proxy form (if you are receiving this supplement by post) or in the email which linked to this supplement (if you have elected to receive communications electronically).

If you have already cast a vote or appointed a proxy and do not want to change it, then there is no need to do anything - your vote is still valid and will count.

## We unanimously recommend the Scheme

Your Independent Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.

Our recommendation is based on a careful balance between the certainty of the offer in front of you, the premium price, the potential that the Share price could drop to its previous range, and the uncertainty associated with the hoped for but unlikely upside from exploration.

Your vote is important. The Scheme will only proceed if 75% of votes cast by minority Shareholders (i.e. Shareholders other than OGOG) are in favour of it.

OGOG has specified that 74 cents per Share is its last and final position. There is no prospect of a further price increase because once an offer is declared “last and final” it cannot be increased under the rules governing this process.

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

We believe 74 cents per Share is an attractive offer. We encourage you to vote in favour of the Scheme.

Yours sincerely,



**Dr Rosalind Archer,**  
Independent Chair  
8 September 2019

### Shareholder information

You should call or email the shareholder information line if you have any questions.

**Call or text: 021 339 728**  
[or, from outside New Zealand, +64 4 213 8585]  
**Or email: enquiries@nzog.com**

Please seek independent advice from your financial, taxation or legal adviser if you are in any doubt as to what you should do.

### Voting eligibility

Registered Shareholders at 5.00pm on 12 November 2019 will be the only persons entitled to vote at the Special Meeting and only the shares registered in those Shareholders' names at that time will carry a right to vote at the Special Meeting.

### Proxy and Postal Vote Deadline

For your vote to be effective, unless you attend the meeting in person, your proxy appointment or postal vote (including online) must be received by no later than 10.00am, 12 November 2019.

### Shareholder objection rights

If you do not support the Scheme, you can vote against the Scheme Resolution at the Special Meeting.

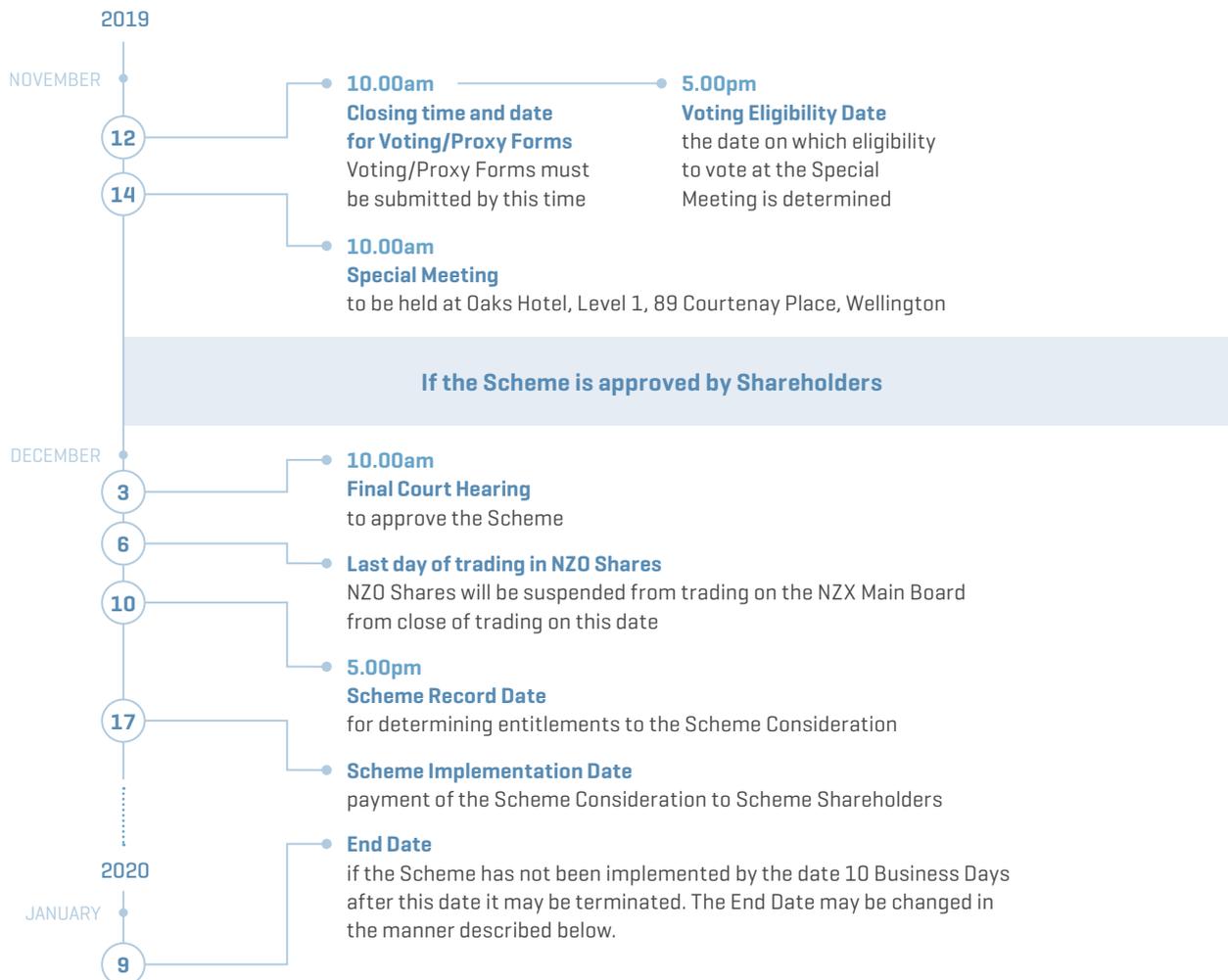
In addition, if you are a Shareholder, you may appear and be heard at the application for Final Court Orders, which is expected to occur at 10.00am on 3 December 2019 at the Auckland Registry of the High Court. To do so, you must file a notice of appearance or a notice of opposition (in either case containing an address for service), and any affidavits or memoranda of submissions on which you intend to rely, by 5.00pm on 20 November 2019, and serve a copy on NZO at the offices of Simpson Grierson at Level 27, Lumley Centre, 88 Shortland Street, Auckland. If you do this, NZO will serve you, at your address for service, a copy of all documents filed in support of the application for Final Court Orders by 5.00pm on 26 November 2019, along with any papers in reply.

Any other person claiming to have a proper interest in the Scheme who wishes to appear and be heard on the application for Final Court Orders must file an application for leave to be heard and a notice of opposition (both containing an address for service), any affidavits, and a memorandum of submissions upon which such person intends to rely, by 5.00pm on 20 November 2019 and serve a copy on NZO at the offices of Simpson Grierson at Level 27, Lumley Centre, 88 Shortland Street, Auckland. If you do this, NZO will serve upon any such person, at their address for service, a copy of the affidavits in support of the application for Final Court Orders by 5.00pm on 26 November 2019, along with any papers in reply.

If the application for Scheme approval is opposed, oppositions will be heard by the High Court at 10.00am on 3 December 2019, or such later date as the High Court directs.

### Scheme implementation

If the Scheme is approved and completes, you will receive a cash payment of \$0.74 for every Share you hold on the Scheme Record Date (expected to be 5.00pm on 10 December 2019, subject to the timing of satisfying the OIO Condition). The Scheme Consideration will be paid on the Scheme Implementation Date (expected to be 17 December 2019, subject to the timing of satisfying the OIO Condition).



Apart from the End Date, all dates in the timeline above are indicative only and, among other things, are subject to the satisfaction of the OIO Condition and to obtaining all necessary approvals from the High Court.

If the OIO Condition has not been satisfied by the Final Orders Date, the Scheme Record Date will be five Business Days after the date on which the OIO Condition is satisfied (with the Scheme Implementation Date then being ten Business Days after the satisfaction of the OIO Condition), and the implementation of the Scheme and payment of the Scheme Consideration to Scheme Shareholders will be delayed accordingly. In that event, trading in Shares on the NZX Main Board will also continue until two trading days before the revised Scheme Record Date.

The End Date may be changed. If the OIO Condition is not satisfied by 9 January 2020, and either NZO or OGOG considers that the OIO Condition is capable of satisfaction by 9 April 2020, they may require 9 April 2020 to become the revised End Date. NZO and OGOG may also agree to an alternative End Date.

Any changes to the above timetable will be announced via the NZX Markets Announcements Platform and notified on NZO's website at [www.nzog.com/news/](http://www.nzog.com/news/).



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8 October 2019

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**Christchurch**

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## **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)		PPS Offer Prices
	Low	High	
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\$) <sup>1</sup>	\$0.17	\$0.19	\$0.22	\$0.24

*Source: Northington Partners Analysis*

<sup>1</sup> 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