

Notice of Special Meeting

20 February 2012



Notice

Notice is given that a Special Meeting of New Zealand Oil & Gas Limited (the Company) will be held at Terrace Conference Centre, St John's House, 114 The Terrace, Wellington NZ, at 10am (NZ Daylight Saving Time) on Monday 20 February 2012.

Business

To consider and, if thought fit, pass the following resolution.

ISSUE OF SHARES TO CHIEF EXECUTIVE

Resolution 1: That the Board is authorised to issue 3 million partly paid unlisted ordinary shares to the Company's Chief Executive Mr Andrew Knight, under the terms of his contract with the Company and in accordance with the terms of the Company's Employee Share Ownership Plan.

For further details, see the Explanatory Notes.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Craig Jones', is positioned above the printed name.

Craig Jones

Company Secretary

31 January 2012

Please Note:

- (1) If you wish to exercise your vote for the above resolutions by proxy please refer to Explanatory Note 3 and use the enclosed proxy voting card.
- (2) If you are attending the meeting in person, please bring the voting card with you to the meeting.

EXPLANATORY NOTES

NOTE 1 – ISSUE OF PARTLY PAID UNLISTED SHARES TO CHIEF EXECUTIVE

As was announced to NZX and ASX on 8 December 2011, the terms of employment of Mr Knight as the Company's new CEO provide that he is to be offered up to 3 million partly-paid shares. Shareholder approval is sought to permit the Board, to issue partly paid shares to Mr Knight under the Company's Employee Share Ownership Plan (ESOP).

Requirement for shareholder approval

ASX Listing Rule 10.14 requires shareholders to approve the participation of any director in an employee share scheme. Because Mr Knight is also Managing Director, shareholder approval is required for the issue. Resolution 2 is proposed in compliance with ASX Listing Rule 10.14.

The proposed issue is permitted under NZSX Listing Rules 7.3.6 and 7.3.9.

Offer

Under the proposed offer to Mr Knight, the partly paid shares are to be issued on terms that require a 3 year escrow period to pass before the holder can complete payment for, and thereafter transfer, the shares. There is also a date 5 years after the offer date by which the issue price for the shares must be paid (this is called the "Final Date").

The issue price will be the lesser of

- \$1.00 per share; and
- the last sale price of the Company's ordinary shares on the Trading Day prior to a date 5 years after the date of issue (Final Date) (or such greater amount that represents 85% of the weighted average price of the Company's ordinary shares over the 5 Trading Days prior to the Final Date).

If approved by shareholders, the offer will be made within 7 days of the meeting. Mr Knight will be required to pay 1 cent per share immediately with the balance to be paid in accordance with a) and b) above.

The ESOP allows for the Company to make a loan to or on account of a participant for the purpose of completing the payments required to be made on the Final Date, provided that as soon as practicable thereafter such loan is repaid from the proceeds of sale of all or a portion of the resulting ordinary shares.

The shares will remain unquoted until and unless paid up in full.

The table below shows Mr Knight's current combined direct and indirect relevant interests in shares in the Company, and his combined direct and indirect relevant interests in shares in the Company if the offer of partly paid shares as outlined above, is made and accepted in full.

	Shares currently held	Potential number of shares if proposed offer is made in full and is accepted	Percentage of total shares on issue if proposed offer is made in full and is accepted
Ordinary Shares	12,000	12,000	0.003%
Partly Paid Shares	150,000	3,150,000	0.8%

Rights: The rights attached to partly paid shares issued under the ESOP are the same as those attached to ordinary shares in the Company. The partly paid shares rank equally with the ordinary shares in the Company. However, the rights of each partly paid share to vote on a poll, and to receive dividends or other distributions of the Company, are at a fraction equal to the proportion represented by the amount paid up in respect of the shares as against the issue price set under the ESOP.

Previous issues: In the past 12 months there has been no issue of shares to a director of the Company under the ESOP.

Other current directors who are participants in the scheme as a result of prior issues of shares to them are Messrs Foley, Griffiths, Rawson and Scoffham, none of whom have any additional entitlements to participate.

The Board believes that participation by the Chief Executive in the ESOP is an appropriate mechanism to provide a long term alignment to shareholders' value creation. The pricing mechanism requires a material premium to the current share price to be achieved prior to any benefit accruing for the holder.

NOTE 2 – VOTING EXCLUSIONS

The Company will disregard any votes cast on Resolution 2 by: Mr Knight, any other director eligible to participate in the share scheme; and any associates thereof (as defined in the ASX Listing Rules).

However, the Company need not disregard a vote if:

- it is cast by one of the Company's directors as proxy for a person who is entitled to vote, in accordance with the express directions on the proxy form as to whether to vote in favour of or against the Resolution; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with an express direction on the proxy form to vote as the proxy decides.

NOTE 3 – VOTING BY PROXY

A shareholder entitled to attend and vote at the Special Meeting is entitled to appoint a proxy to attend and vote instead of the shareholder. A proxy need not be a shareholder of the Company.

A shareholder appointing a proxy to attend and vote at the meeting is to give instructions to that proxy by completing either (a) or (b) under Instructions to Proxy on the Voting Card. If a shareholder returns the Voting Card without directing the proxy how to vote on any particular matter, the proxy will vote as he or she thinks fit (unless that proxy is disqualified from voting on that matter).

The Chair of the meeting is willing to act as proxy for any shareholder who may wish to appoint him for that purpose, if so indicated under Appointment of Proxy on the Voting Card. By selecting the Chair of the meeting as your proxy and by marking the box at (a) under Instructions to Proxy on the Voting Card you acknowledge that the Chair of the meeting may exercise your proxy. If you do not provide any instructions under Instructions to Proxy on the Voting Card, the Chair of the meeting will not cast your vote on the Resolution(s).

Proxy forms (or notices of corporate representatives) must be sent by mail to NZOG Share Register, c/- Computershare Investor Services, Private Bag 92119, Auckland 1142, or Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001, or deposited at the New Zealand offices of Computershare (159 Hurstmere Rd, Takapuna, North Shore City) to be received not later than 10am on Saturday 18 February 2012.

Where the proxy is appointed by an Attorney, a copy of the Power of Attorney under which the proxy form is signed should be deposited at one of the addresses above for noting not later than 10am on Saturday 18 February 2012, with evidence of non-revocation of such Power of Attorney.

MINUTES

Following the Special Meeting, the outcome of the resolutions will be posted at www.nzog.com/agm. A range of other information is also available on the Company's website. The minutes may be posted to you on request being made in writing to the Company Secretary, New Zealand Oil & Gas Limited, PO Box 10 725, Wellington 6143.