

news release

4 December 2014

Special meeting

New Zealand Oil & Gas will hold a special meeting of shareholders on Friday, 19 December to vote on a proposed capital return to shareholders.

The directors announced their resolution to make a capital return of NZ15 cents per share at the Annual Meeting on 4 November.

Chief Executive Andrew Knight says it's important for New Zealand Oil & Gas shareholders to vote on the capital return.

"The capital return requires approval by a majority of all voting rights entitled to be voted on the resolution. It also requires approval by 75 per cent or more of the votes cast by the holders of ordinary shares and approval by 75 per cent or more of the votes cast by the holders of part-paid shares.

"The company has a robust balance sheet with no debt, and in the near term expects increasing cash flows from increased levels of production from the Tui oil fields. Consequently, the company's cash on hand will grow well beyond what the business requires for its planned activities," Andrew Knight says.

The capital return is to take place by means of a Scheme of Arrangement under Part 15 of the Companies Act 1993.

A Notice of Special Meeting is being sent to shareholders this week. Shareholders are able to vote online, appoint a proxy to vote on their behalf, return a postal vote, or attend the meeting in person.

Further details, including the full Notice of Special Meeting, Scheme of Arrangement and Explanatory Notes are now available online at: <http://nzog.today>

The special meeting will be held at the offices of Minter Ellison Rudd Watts, Level 18, 125 The Terrace, Wellington at 10am (New Zealand daylight saving time) on Friday, 19 December 2014.

For further information please contact:

John Pagani, External Relations Manager, DDI: +64 4 471 8333, MOB: +64 21 570 872
Andrew Knight, CEO, PH: +64 4 495 2424, TOLL FREE: 0800 000 594 (NZ)

NZOG stock symbols:

NZX shares – NZO
ASX shares – NZO

NEW ZEALAND OIL & GAS LIMITED

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

Notice is hereby given that a special meeting of shareholders of New Zealand Oil & Gas Limited (the Company) will be held at the offices of Minter Ellison Rudd Watts, Level 18, 125 The Terrace, Wellington at 10am (NZ Daylight Saving Time) on Friday, 19 December 2014.

Resolution

The business of the Special Meeting is to consider and if thought fit pass the following resolution for the purposes of NZX listing rule 7.6.5 and Part 15 of the Companies Act 1993 to be voted on by all shareholders voting together [but subject to the voting thresholds detailed below]:

"THAT the arrangements:

- a) relating to the return of capital to the holders of Ordinary Shares by way of a Scheme of Arrangement; and
- b) relating to the holders of Part-Paid Shares by way of a Scheme of Arrangement;

as set out in this Notice of Special Meeting and the Explanatory Notes, be approved."

Voting eligibility and thresholds

All shareholders are eligible to vote on the resolution [whether holders of Ordinary Shares or Part-Paid Shares] but, as noted, such votes will be counted separately.

Because the Scheme of Arrangement affects holders of Ordinary Shares differently from the holders of Part-Paid Shares, the voting thresholds for approval of the Scheme are:

- a) 75 per cent or more of the votes entitled to be cast, and cast, by holders of Ordinary Shares; and
- b) 75 per cent or more of the votes entitled to be cast, and cast, by holders of Part-Paid Shares; and
- c) a majority of all voting rights entitled to be voted on the resolution.

Each of these requirements must be met for the Resolution to be approved.

Attendance and voting

Your rights to vote may be exercised by:

- **Attending and voting in person;** or
- **Postal voting:** The Board has determined that postal voting is permitted. Postal voting instructions are included in the Voting Card which accompanies this Notice of Special Meeting. You can cast a postal vote online, or complete and send the Voting Card by post, email [as a scanned attachment] or fax so that your vote is received by Computershare Investor Services Ltd no later than 10am on Wednesday, 17 December 2014; or
- **Electronic Voting:** Electronic or online voting instructions accompany this Notice of Special Meeting. Shareholders wishing to vote electronically must do so no later than 10am on Wednesday, 17 December 2014; or
- **Appointing a proxy [or representative] to attend and vote in your place:** The proxy need not be a shareholder of the Company. The form of appointment of a proxy and voting instructions accompany this Notice of Special Meeting. You can appoint a proxy online or complete and send the Voting Card by post, email [as a scanned attachment] or fax so that it is received by Computershare Investor Services Ltd by no later than 10am on Wednesday, 17 December 2014.

On behalf of the Board:



Ralph Noldan
Company Secretary

25 November 2014

See Explanatory Notes on pages 6 to 9 of this document and the additional information set out below.

IMPORTANT INFORMATION

Contents

In this document we have included:

- A **timetable of important dates** on page 3.
- A **letter from the Chairman** on page 4.
- The **Scheme of Arrangement** on page 5.
- **Explanatory Notes** on pages 6 to 9. This contains an explanation of the Scheme of Arrangement and its effect.
- A copy of the **Application for final orders** on pages 10 to 11.

This document will assist you, as a shareholder of New Zealand Oil & Gas Limited, to decide whether to vote to approve the capital return.

The capital return is to take place by means of a Scheme of Arrangement under Part 15 of the Companies Act 1993.

The directors of New Zealand Oil & Gas Limited unanimously recommend that you vote in favour of the Scheme.

In view of the importance of the Scheme of Arrangement, if you do not plan to attend the Special Meeting you are urged to use the electronic or online voting facility or to complete and return the Voting/Proxy Card as soon as possible.

IF YOU HAVE ANY QUESTIONS, OUR SHAREHOLDER INFORMATION LINES ARE:

Contact Ralph Noldan (Company Secretary)

- From New Zealand: Freephone 0800 000 594
- From overseas: +64 4 495 2424
- or email enquiries to: enquiries@nzog.com

Defined Terms

In this document certain defined terms have been used as follows:

ASX means Australian Stock Exchange Limited.

Board means the board of directors of New Zealand Oil & Gas Limited.

Cancelled Shares means Ordinary Shares to be cancelled by the Company under the Scheme.

Company or New Zealand Oil & Gas means New Zealand Oil & Gas Limited, and its wholly owned subsidiary companies as the context requires.

Employee Share Ownership Plan means the New Zealand Oil & Gas Limited Share Ownership Plan, as more particularly described in the Prospectus for the offer to Employees of Part-Paid Shares in New Zealand Oil & Gas Limited dated 26 February 2008, and amended by a memorandum of amendments to the registered prospectus dated 3 May 2013.

NZX means NZX Limited.

Part-Paid Share means a part paid share issued by the Company pursuant to the Employee Share Ownership Plan.

Plan Rules means the rules that govern the operation of the Employee Share Ownership Plan.

Ordinary Share means a fully paid-up ordinary share in the capital of the Company.

Scheme or Scheme of Arrangement is the Scheme set out on page 5.

Special Meeting means the Special Meeting of shareholders, and any adjournment of that meeting, to be held to consider and, if thought fit, approve the Scheme.

Important Dates

21 November 2014	Initial court order received
17 December 2014	Record date for voting entitlements for the Special Meeting
19 December 2014	Special Meeting of shareholders
19 December 2014*	Final court hearing and receipt of the final court order
19 December 2014*	Receipt of binding ruling from IRD
9 January 2015*	Record date for determining the entitlements of shareholders to participate in the Scheme
16 January 2015*	Date for dispatch of new holding statements reflecting shareholding movements

[All dates given are for New Zealand time]

*All the dates following the special meeting on 19 December 2014 are indicative only and may change. Among other things, the events timetabled are subject to court approval and satisfaction of the conditions to the Scheme of Arrangement.

CHAIRMAN'S LETTER

25 November 2014

Dear shareholder,



On 4 November 2014 the board announced that, with a view to improving the balance sheet performance of New Zealand Oil & Gas, it has resolved to make a capital return of approximately \$60 million to shareholders by distributing the equivalent of 15 cents per share to every shareholder.

The company has now obtained initial court orders from the New Zealand High Court which include directions to hold a special meeting of shareholders to consider a resolution to approve the capital return.

THE COMPANY IS RETURNING MONEY TO YOU

The company has a robust balance sheet with no debt, and in the near term expects increasing cash flows from increased levels of production from the Tui oil fields. Consequently, the company's cash on hand will grow well beyond what the business requires for its planned activities.

WHY THE COMPANY IS RETURNING MONEY IN THIS WAY

The board considered a number of ways of returning surplus capital to shareholders, and determined that using a scheme of arrangement best achieves a balance between a range of factors, including shareholder interests, simplicity, timeliness, and achieving the desired outcome of returning \$60 million to shareholders on a proportionate basis.

HOW THE RETURN OF CAPITAL WILL WORK AND HOW YOU ARE AFFECTED

The procedure proposed by the board will result in the company cancelling one in every five ordinary shares at a price of NZ\$0.75 per ordinary share cancelled (which means that shareholders will receive the equivalent of NZ\$0.15 for every ordinary share they now hold).

The result will be that shareholders will hold four ordinary shares for every five ordinary shares held before the scheme.

Part-paid shares which have been issued as part of the company's Employee Share Ownership Plan will not participate in the return of capital, but as those shares would normally participate in distributions from the company in proportion to the amount of capital paid up on them, that outcome is also part of the scheme which shareholders will be asked to vote on.

PLEASE MAKE SURE YOU VOTE

The capital return requires approval by a majority of all voting rights entitled to be voted on the resolution.

It also requires approval by 75 per cent or more of the votes cast by the holders of ordinary shares and by the holders of part-paid shares.

A postal/electronic voting and proxy voting form accompany this letter. If you are not planning to attend the meeting in person, you should vote through one of these methods.

The scheme is conditional upon approval by shareholders at the special meeting, receipt of a final court order approving the scheme, and receipt of an IRD ruling that the return of capital will not be treated under New Zealand tax laws as a payment in lieu of a dividend. Payment of the capital return will be made following the satisfaction of these conditions.

Once these steps have occurred, shareholders will be advised of a record date that will apply to set entitlements to participate in the scheme and receive the relevant amounts.

All directors support the scheme and recommend that you vote in favour of the resolution, as set out in the accompanying Notice of Meeting, at the special meeting on Friday, 19 December 2014.

On behalf of the directors

A handwritten signature in dark ink, appearing to read 'P. Griffiths', written over a light blue horizontal line.

Peter Griffiths

Chairman

PS: Your vote is important. A majority of votes entitled to be cast must be cast or the capital return won't take place.

Please make sure you vote:

- By post
- electronically
- in person
- or by appointing a proxy.

SCHEME OF ARRANGEMENT BETWEEN NEW ZEALAND OIL & GAS LIMITED AND ITS SHAREHOLDERS

INTRODUCTION

- A. New Zealand Oil & Gas Limited [the Company] has proposed an arrangement between it and its shareholders, the terms of which are set out in this document.
- B. The arrangement will take effect only if:
- a) the Company receives a binding ruling from the Commissioner of Inland Revenue that the amount to be paid to shareholders is not in lieu of payment of a dividend;
 - b) the arrangement is approved by shareholders, by a resolution approved by:
 - i) 75% or more of the votes cast by those holders of Ordinary Shares entitled to vote and voting on the resolution [whether in person or by proxy];
 - ii) 75% or more of the votes cast by those holders of Part-Paid Shares entitled to vote and voting on the resolution [whether in person or by proxy]; and
 - iii) shareholders who hold a majority of all voting rights entitled to be voted on the resolution; and
 - c) the arrangement is approved by the Court in accordance with section 236 of the Companies Act 1993 [New Zealand].

TERMS

1. Definitions

1.1 In this Scheme:

Business Day means any day [other than a Saturday, Sunday, a public holiday in New Zealand] on which banks are open for business in Wellington, New Zealand and Sydney, Australia.

Ordinary Share means a fully paid-up ordinary share in the capital of the Company.

Part-Paid Shares means the part paid shares issued by the Company pursuant to the New Zealand Oil & Gas Limited Share Ownership Plan, as more particularly described in the Prospectus for the offer to Employees of Part-Paid Shares in New Zealand Oil & Gas Limited dated 26 February 2008, and amended by a memorandum of amendments to the registered prospectus dated 3 May 2013.

Record Date means 10th Business Day after the date on which the fact that the final order from the High Court of New Zealand has been made pursuant to section 236[1] of the Companies Act 1993 sanctioning the arrangement is notified to NZX Limited.

Scheme means this Scheme of Arrangement.

Special Meeting means the Special Meeting of Shareholders, and any adjournment of that meeting, to be held to consider and, if thought fit, approve the Scheme.

2. Scheme

- 2.1 One Ordinary Share for every five Ordinary Shares registered in the name of each shareholder of the Company at 5.00pm [New Zealand time] on the Record Date will be cancelled [together with all the rights attaching to those Ordinary Shares]. For this purpose, no action will be taken in respect of any fractional calculation or entitlement.
- 2.2 Within 5 Business Days after the Record Date, the Company will pay to each shareholder of Ordinary Shares NZ\$0.75 for each Ordinary Share registered in the name of the shareholder that has been cancelled in accordance with clause 2.1.
- 2.3 Shareholders of Part-Paid Shares will not participate in the return of capital set out in clauses 2.1 and 2.2 in respect of those Part-Paid Shares. The original terms of issue of each Part-Paid Share will not change.

3. Amendment

- 3.1 The Company reserves the right to amend this Scheme at any time and from time to time provided that any such amendment must be contained in a written document which is filed with the Court and, if made following the Special Meeting, approved by the Court and communicated to shareholders in the manner required by the Court [if so required].
- 3.2 Any amendment to this Scheme may be proposed by the Company at any time prior to or at the Special Meeting with or without any other prior notice or communication and, if so proposed and accepted by the persons voting at the Special Meeting will become part of this Scheme for all purposes.

EXPLANATORY NOTES

Resolution for Approval of Scheme of Arrangement

1. SUMMARY OF SCHEME OF ARRANGEMENT

On 4 November 2014 the Board of the Company announced that, with a view to improving the balance sheet performance of the Company, the Board has resolved to make a capital return of approximately \$60 million to shareholders.

The Board has determined that the most appropriate means of effecting the proposal is by means of a scheme of arrangement under Part 15 of the Companies Act 1993. A scheme of arrangement is fair to all shareholders as it enables a return of capital on a pro-rata basis, and does not alter the relative voting and distribution rights of shareholders.

Under the Scheme, the Company will cancel one in every five of your Ordinary Shares (on a pro-rata basis) in consideration of the payment of NZ\$0.75 per Ordinary Share cancelled.

Part-Paid Shares which have been issued as part of the Employee Share Ownership Plan will not participate in the return of capital.

The Company obtained from the court on 21 November 2014 an initial court order approving the Scheme, subject to (amongst other requirements) a direction that the Scheme must be approved by a resolution of shareholders.

The Company therefore calls a special meeting of shareholders for 19 December 2014 to consider a resolution to approve the Scheme. The resolution requires approval by:

- 75 per cent or more of the votes entitled to be cast, and cast, by holders of Ordinary Shares; and
- 75 per cent or more of the votes entitled to be cast, and cast, by holders of Part-Paid Shares; and
- a majority of all voting rights entitled to be voted on the resolution.

Unlike a standard special resolution, this resolution must also be passed by a majority of all voting rights (including voting rights of shareholders who do not vote). It is therefore important that all shareholders cast their vote using one of the methods set out in the Notice of Meeting.

If the resolution of shareholders is passed, the Company will then seek final orders from the High Court sanctioning the Scheme. These are expected on 19 December 2014.

In the event that the resolution of shareholders is not passed, the Scheme will not proceed (although the Company may consider alternative arrangements which it would notify to shareholders).

The carrying out of the Scheme is dependent on receiving a binding ruling from Inland Revenue that the return of capital is not a payment in lieu of a dividend. Reference should also be made to the proviso regarding the Company's taxation position as stated in Section 12 of this Explanatory Memorandum.

2. WHAT IS THE SCHEME OF ARRANGEMENT?

Subject to approval by shareholders, the receipt of final orders from the High Court sanctioning the Scheme, and a binding ruling from the Commissioner of Inland Revenue that the Scheme is not in lieu of payment of a dividend, the Scheme will operate as follows:

a) Ordinary Shares

The Scheme would involve the Company cancelling one out of every 5 Ordinary Shares on issue in consideration of the payment of NZ\$0.75 per cancelled share, with the resulting effect that a shareholder will:

- hold 4 Ordinary Shares for every 5 Ordinary Shares held before the Scheme; and
- have in effect received a payment equivalent to NZD\$0.15 for each Ordinary Share held before the Scheme.

In total, the holders of the Ordinary Shares will have received approximately \$63.2 million while the resulting number of Ordinary Shares on issue will be reduced from 421 million to 337 million.

b) Part-Paid Shares

The Scheme would involve no action being taken in respect of any Part-Paid Share with the effect that holders will retain the same number of such shares and the issue price to be paid will not be affected. The number of Part-Paid Shares on issue will remain as 8,983,000.

The Scheme of Arrangement is set out in greater detail on page 5.

3. WHY IS THE BOARD RECOMMENDING THE SCHEME?

The Board considered a number of ways of returning surplus capital to shareholders, and determined that using a scheme of arrangement best achieves a balance between a range of factors, including shareholder interests, simplicity, timeliness, and achieving the desired outcome of returning approximately \$60 million to shareholders on a proportionate basis.

4. HOW MANY OF MY SHARES WILL BE CANCELLED?

Holders of Ordinary Shares will have one in every five Ordinary Shares they hold cancelled.

Holders will receive an updated holding statement from the Company's share registry, which will show the reduction of your shareholding following the share cancellation, together with a statement showing:

- the payment you have received for the cancellation of 1 in 5 shares; and
- the reduction of your shareholding following the share cancellation.

Fractional calculations will be ignored.

5. WHAT PRICE WILL I RECEIVE FOR CANCELLED SHARES?

You will receive NZ\$0.75 for every Ordinary Share that is cancelled.

6. WILL I STILL BE ABLE TO TRADE MY SHARES?

If you wish, you may buy or sell your Ordinary Shares. However, Part-Paid Shares are subject to the restrictions on transfer as set out in the Plan Rules. A Record Date will be announced in the future which will set the date on which entitlements to participate in the Scheme will be determined.

7. DOES THE SCHEME APPLY TO ALL SHAREHOLDERS?

Yes, but holders of Part-Paid Shares do not receive any payment under the Scheme.

8. IS THERE AN INDEPENDENT REPORT ADVISING ON THE SCHEME?

The Board has not commissioned an independent report as it was not considered necessary to do so as the Scheme simply involves distributing cash pro-rata to all holders of Ordinary Shares and makes no change to the Part-Paid Shares.

9. WHAT IS THE EFFECT ON THE COMPANY'S SHAREHOLDERS' EQUITY AND ASSET BASE?

1. Summary

To show the financial effects of the Scheme, an abbreviated statement of financial position for the New Zealand Oil & Gas Group based on the financial statements at 30 June 2014 (the end of the most recent audited financial year of the Company), as if the return of capital has been completed by that date, is set out below:

AS AT 30 JUNE 2014	ACTUAL (\$MILLIONS)	ADJUSTED TO SHOW EFFECT OF RETURN OF \$63.2M CAPITAL (\$MILLIONS)
Total assets	461	398
Current Assets	171	108
Non-Current Assets	290	290
Current Liabilities	33	33
Non-Current Liabilities	86	86
Total Liabilities	119	119
Working Capital	138	75
Shareholders' Funds/ Equity	342	279

2. Effect on shareholders' equity and NAV

The net financial effect of the Scheme on the Company will be to reduce New Zealand Oil & Gas Group Shareholders' Equity (and net assets) by approximately \$63 million to approximately NZ\$279 million.

Based on the 30 June 2014 Financial Statements, the Net Asset Value per Share will change from NZ\$0.8123 to NZ\$0.8279.

3. Effect on holders of Part-Paid Shares

Because they do not receive any return of capital and therefore do not have any of their shares cancelled, the holders of Part-Paid Shares will, on payment of the balance of the issue price of their shares, hold a greater proportion of the capital of the Company than they would if the Scheme did not occur.

This proportionate increase in ownership (8,983,000 of 346 million shares as an increase from 8,983,000 of 430 million) is equivalent to the cost to them of not participating in the capital return. The simplest way to illustrate this effect is to consider the NAV/share where the Part-Paid Shares are fully paid with, or without, the Scheme.

NAV/SHARE WITHOUT SCHEME BUT POST RECEIPT OF BALANCE OF ISSUE PRICE OF PART-PAID SHARES	NAV/SHARE IF SCHEME IS APPROVED BUT POST RECEIPT OF BALANCE OF ISSUE PRICE OF PART-PAID SHARES
NZ\$0.8337	NZ\$0.8546

If the holders of Part-Paid Shares were able to participate in the capital distribution in the same proportion that they participate in other distributions made by the Company (being in proportion to the amount paid up on their shares), they would in total receive approximately \$12,500 from the approximately 9 million shares they hold.

The Board considers that the structure of the Scheme is fair to the holders of Part-Paid Shares even though they do not receive any cash return under it.

10. WHAT IS THE EFFECT ON DIRECTORS' HOLDINGS?

Directors of the Company and associated persons of directors who legally and/or beneficially own Ordinary Shares or Part-Paid Shares will participate in the Scheme in exactly the same way as all other shareholders in the Company. The number of Ordinary Shares or Part-Paid Shares in which directors and/or their associated persons have relevant interests as at 25 November 2014 and the dollar amounts they will receive if their holdings do not change prior to the Record Date, are noted below.

DIRECTOR	NATURE OF HOLDING	NUMBER AND CLASS OF SHARES HELD (AS AT 25 NOVEMBER 2014)	NZ\$ RECEIVED THROUGH SCHEME
Mr P W Griffiths	Direct interest	65,280 Ordinary Shares	\$9,792
	Indirect interest	150,000 Part-Paid Shares	nil
Mr A T N Knight	Direct interest	37,000 Ordinary Shares	\$5,550
	Indirect interest	3,000,000 Part-Paid Shares	nil
Mr D Saville	Indirect interest [as director of Zeta Energy Pte Ltd]	76,403,800 Ordinary Shares	\$11,460,570
	Indirect interest [Bermuda Commercial Bank Ltd - as director and shareholder of ICM Limited - investment advisor of Bermuda Commercial Bank Ltd]	7,274,488 Ordinary Shares	\$1,091,173

Directors and/or their associated persons are entitled to vote on the resolution to approve the Scheme. The directors intend to vote their own Ordinary Shares and Part-Paid Shares in favour of the Scheme.

11. WHAT IS THE TIMING FOR THE DISTRIBUTION?

There is a timetable set out on page 3 of this document. The actual record date is likely to change depending on the date the Court makes its determination on the Scheme and issues the final court order approving the Scheme and when the IRD Ruling is obtained. The timetable indicatively anticipates a final court order on 19 December 2014 and the return of capital to occur on 9 January 2015 [with new holding statements sent to shareholders by 16 January 2015].

If the IRD Ruling is not obtained by the time proposed for the Shareholders' Meeting, the Board will make an announcement to that effect. If the application for the IRD Ruling is rejected, the Scheme will not proceed [and the Company may consider alternative arrangements which would be notified to shareholders].

12. WHAT ARE THE TAX IMPLICATIONS?

The Company is seeking from the Commissioner of Inland Revenue a binding ruling [IRD Ruling] that the Commissioner is satisfied under section CD 22 of the Income Tax Act 2007 that the amount that will be paid [approximately \$63.2 million] to shareholders on the share cancellation is not in lieu of payment of a dividend. Regardless of whether the shareholder resolution is passed by shareholders, whether the Scheme proceeds will be dependent on obtaining this ruling.

Shareholders' position

The following comments, which are based on current legislation and practice, summarise advice received by directors on the taxation position for shareholders resident in New Zealand for tax purposes. This comment is a guide only and is not exhaustive. All shareholders, including shareholders outside of New Zealand are recommended to immediately obtain and rely upon independent advice from their own professional tax advisers as is applicable to their particular circumstances.

The "Cancelled Shares" will be treated as a disposal by you for taxation purposes in New Zealand and Australia.

New Zealand resident shareholders

The binding ruling from the Inland Revenue Department will confirm that the amounts paid to shareholders should not be treated as a dividend.

Any profit [or loss] realised on the cancellation of the Cancelled Shares should be tax free if the shares are held on capital account. If the shares are held on revenue account, the profit [or loss] should be assessable income [or a deduction] to the recipient.

Australian resident shareholders

If held on revenue account, any profit [or loss] realised by an Australian resident shareholder in connection with the Company's share cancellation should be assessable income [or a deduction].

The cancellation of Ordinary Shares which are held on capital account and were acquired before 20 September 1985 should not be subject to the Australian CGT rules and any gain or loss realised by a particular shareholder should be disregarded.

The cancellation of Ordinary Shares which were acquired on capital account after 20 September 1985 will be subject to the Australian CGT rules. The capital proceeds received in respect of the share cancellation will likely be the \$0.75 received in consideration for the cancellation of the share. A taxable capital gain will arise to shareholders to the extent that the capital proceeds received in consideration for the cancellation of a share exceed the CGT cost base of the share.

The consideration for the share cancellation will be met by the Company entirely from paid-in capital. The Company has accumulated losses and the Company expects that there will be zero deemed dividend element.

Tax implications will depend on the circumstances of each shareholder, noting that the applicable tax rules will vary depending on the tax profile of the relevant shareholder [e.g. individual, company, superannuation fund, etc]. Shareholders should seek their own professional taxation advice in relation to their personal tax position.

13. WHAT IS THE RECOMMENDATION OF THE BOARD?

The Board unanimously recommends the Scheme and encourages all shareholders to vote on the resolution to approve the Scheme. In the Board's view the Scheme is in the best interests of the Company and shareholders.

14. HOW DO I MAKE MY VIEWS KNOWN?

You can make your views count by voting, either for or against the resolution. You may cast your vote in one of four ways:

1. by attending the Special Meeting on Friday, 19 December 2014;
2. by electronic voting;
3. by completing and mailing your postal vote;
4. by appointing a proxy to vote on your behalf at the Special Meeting.

If you do not attend the meeting, exercise your vote by postal vote, vote electronically or appoint a proxy, then no vote will be exercised in respect of your shareholding.

If the resolution is passed, but you still object to the Scheme being implemented, you will have the right to be heard at the hearing for the final court order.

As the Scheme will not result in a "major transaction" for the Company, as defined by the NZX Listing Rules, no appraisal or minority buy-out rights will apply to shareholders who vote against the Scheme or otherwise.

Voting By Proxy

If you do not attend the meeting, you may appoint a proxy. The Chairman of the meeting is willing to act as proxy for any shareholder who may wish to appoint him for that purpose.

If you select a proxy to vote on your behalf (including the Chairman), and you either (i) confer on the proxy a discretion on the Voting Card or (ii) do not provide any instructions on the voting card about how the proxy should vote, you acknowledge that the proxy may exercise your right to vote at his or her discretion and may vote as he or she thinks fit or abstain from voting. In so doing you acknowledge that the proxy may exercise your right to vote even if he or she has an interest in the outcome of the resolution that does not disqualify him or her from voting under the NZX Listing Rules.

WITHOUT NOTICE ORIGINATING APPLICATION FOR ORDER APPROVING ARRANGEMENT UNDER PART 15 OF THE COMPANIES ACT 1993

IN THE HIGH COURT OF NEW ZEALAND
WELLINGTON REGISTRY

CIV 2014-485-11462

TO: The Registrar of the High Court at Wellington

This document notifies you that –

1. The applicant, New Zealand Oil & Gas Limited (**NZOG**), applies for orders:
 - (a) Approving a scheme of arrangement between NZOG and its shareholders for the return of capital (the **Arrangement**), a copy of which is annexed to this originating application marked “**A**”.
 - (b) Declaring the Arrangement to be binding upon NZOG, all of its shareholders, and all such other persons necessary, with (amongst other things) the effect that:
 - (i) one Ordinary Share for every five NZOG Ordinary Shares registered in the name of each shareholder at 5:00 p.m. on the Record Date, together with all rights attaching to those shares, will be cancelled;
 - (ii) within 5 Business Days after the Record Date, NZOG will pay to each shareholder NZD\$0.75 for each share, registered in the name of the shareholder, which has been cancelled in accordance with paragraph (i) above;
 - (iii) NZOG will not take any action in respect of any fractional calculation or entitlement;
 - (iv) no Part-Paid Share will participate in the return of capital; and
 - (v) the original terms of issue of each Part-Paid Share will not change.
 - (c) Dispensing with formal service of this application, or any other application made by NZOG in this proceeding, on any person.
2. The grounds upon which each order is sought are as follows:
 - (a) the board of directors of NZOG has resolved to seek the approval of NZOG’s shareholders in respect of (and to apply to this Court for approval

of) a scheme of arrangement under Part 15 of the Companies Act 1993 (the **Act**);

- (b) if approved by the shareholders of NZOG, final orders in terms of section 236(1) of the Act will be required so as to make the Arrangement binding;
 - (c) by the date on which this originating application is determined, NZOG will have complied with the initial interlocutory orders made by this Court and the requirements of Part 15 of the Act;
 - (d) all persons who might be affected by the Arrangement will receive notice of and be entitled to vote at the proposed meeting seeking the approval of shareholders to the Arrangement; and as such it is in the interests of justice for this application to proceed on a without notice basis;
 - (e) the Arrangement is such that an intelligent and honest person of business acting in respect of his or her own interest would reasonably approve it;
 - (f) the Arrangement will not adversely impact NZOG's creditors or shareholders; and
 - (g) as set out in the affidavit of Andre Gaylard sworn and filed in support of this application.
3. This application is made in reliance upon sections 236 and 237 of the Companies Act 1993, and Rules 7.19, 7.20, 7.23, 19.2(c) and 19.10 of the High Court Rules.

I certify that this application complies with the Rules.

Dated at Wellington this 19th day of November 2014.

R J Gordon
Solicitor for the applicant

This originating application is filed by **RICHARD JAMES GORDON**, solicitor for the applicant, of the firm Minter Ellison Rudd Watts. The address for service of the applicant is at the offices of Minter Ellison Rudd Watts, Level 18, 125 The Terrace, Wellington.



THE EXPLORERS
NEW ZEALAND OIL & GAS