NEW ZEALAND OIL & GAS

Accept

the OGOG Partial Offer

Target Company Statement in response to the OGOG Partial Offer

The Independent Directors of New Zealand Oil & Gas have carefully considered the partial takeover offer from OGOG. They unanimously recommend that you accept the OGOG Offer.

If you have any questions in respect of this document or the OGOG Offer, you should seek advice from your independent financial adviser or legal adviser.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

Contents

CHAIRMAN'S LETTER

Dear fellow New Zealand Oil & Gas Shareholder

The Independent Directors unanimously recommend you accept the enclosed partial offer for your New Zealand Oil & Gas shares.

Together with this document you will find an offer from O.G. Oil & Gas (Singapore) Pte. Ltd. (OGOG). You should read the further details below, in making your personal decision on the offer.

To summarise the main reasons for our recommendation:

- We believe the offer price of 78 cents per share is fair because it is within the range assessed by the Independent Adviser, Northington Partners. A copy of their report is attached.
- OGOG is supportive of the New Zealand Oil & Gas' current strategy and the continued development of the company. All shareholders stand to benefit from the backing of a shareholder such as OGOG, which sits within the Ofer Global Group. OGOG intends to maintain a New Zealand listing for New Zealand Oil & Gas so that existing shareholders (even those who accept the partial offer) have the opportunity to participate in its plans for growth.

There are some other important matters that you should consider:

- The offer is a partial offer. You may accept the offer for any number of your shares, but you are only certain of being able to sell up to 67.55% of your shareholding.
- The offer is conditional on consents from the Overseas Investment Office and the Minister of Energy and Resources.
- If the offer is successful the Company's imputation credits will be lost, tax losses to carry forward may be lost and there is likely to be a less liquid market for your shares.

Taking all of that into account, the Independent Directors believe you should accept the OGOG offer.

The question you will need to consider from your personal perspective, if you are minded to accept the offer, is how many shares to sell. You are able to accept the offer for all or part of your shareholding, but acceptances for more than 67.55% of your shares may be subject to scaling, so may not be taken up in full.

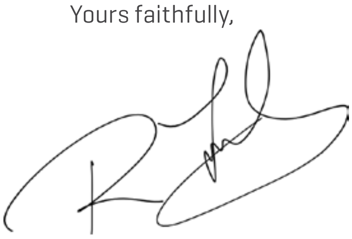
In deciding how many shares to sell into the offer, you should consider your own personal circumstances and investment preferences. If you think the offer price is attractive and wish to reduce your exposure to New Zealand Oil & Gas, you may want to accept for more shares. If you want more exposure to the future strategy of New Zealand Oil & Gas, you may want to accept for less shares.

You may also want to consider how much you want the offer to succeed – if not enough shares are sold into the offer, it will not succeed.

I intend to accept the offer for all of the shares I control, because I think it is important that OGOG's offer succeeds. The other Independent Directors do not hold or control any shares.

Further detail is provided below, and I encourage you to read this document in full before making your decision.

Yours faithfully,



Rodger Finlay, Chairman
New Zealand Oil & Gas Limited

SECTION 1: INDEPENDENT DIRECTORS' UNANIMOUS RECOMMENDATION

For the reasons set out below, the Independent Directors are unanimously recommending that you accept the OGOG Offer.

The Offer

OGOG is offering to buy your Shares for 78 cents each (this is referred to below as the Offer Price). This Offer Price will be reduced by the dividend of 4 cents per Ordinary Share payable on 3 November 2017[1]. This means that, after the 24 October 2017 record date for the dividend, the Offer Price will be reduced by 4 cents per Share[1]. This price reduction is almost certain to occur, as it is very unlikely OGOG will be in a position to declare its Offer unconditional, and take up Shares under the Offer, before 24 October 2017.

OGOG already owns 4.3% of NZO's Ordinary Shares. It is seeking to acquire 67.55% of the Ordinary Shares and Partly Paid Shares it doesn't already hold or control. If the Offer is successful OGOG could control as much as 70% of the voting rights in New Zealand Oil & Gas Limited (NZO or the Company). In any case, if it is successful it will control more than 50% of the voting rights.

Increased Offer Price

Since OGOG announced its notice of intention to make an offer at 77 cents per Share on 18 September 2017, it has increased its Offer Price to 78 cents per Share.

OGOG's Offer is Priced Higher than the Zeta Offer

Recently you received another offer for your Shares from Zeta Energy Pte Limited (Zeta).

The OGOG Offer is priced higher than the Zeta Offer, and seeks more Shares. The Zeta Offer is at 72 cents per Share and only seeks 42% of each class of Shares in NZO that Zeta doesn't already hold or control. The Zeta offer price also reduces by 4 cents per Share[2] when the 24 October 2017 record date for the November dividend passes.

[1] For Partly Paid Shares, the Offer Price will be reduced by the lesser amount of dividend per Share paid on Partly Paid Shares accepted into the Offer. Dividends are paid on Partly Paid Shares in proportion to the amount by which they are paid up.

[2] For Partly Paid Shares, the offer price of the Zeta Offer will be reduced by the lesser amount of dividend per Share paid on Partly Paid Shares accepted into the Zeta Offer.

Factors Considered in Recommendation

The Independent Directors are unanimously recommending that Shareholders accept the OGOG Offer. In arriving at this recommendation the Independent Directors have considered many factors, including price, strategy, the partial nature of the Offer, key conditions of the Offer and the likelihood of a further competing offer. Further details on these factors are set out below.

1. The Offer Price is within the Independent Adviser's valuation range

The Offer Price of 78 cents per Share (including the announced dividend of 4 cents per Share), is within the valuation range assessed by Northington Partners in its Independent Adviser's Report. It is in fact at the bottom of that range. Northington assessed the value range for Shares at between 78 and 93 cents per Share (including the dividend). A copy of the Northington Partners report is included with this Target Company Statement.

(Please note that the effective Offer Price for Ordinary Shares is 74.5 cents per Share payable by OGOG plus the dividend of 4 cents per Share[3], payable by NZO on 3 November 2017.[4])

If the Offer is not successful, then the market price of NZO Shares may reduce, and there is no guarantee Shares will continue to trade at recent price levels.

2. The Offer is a partial offer and is supportive of NZO's strategy

OGOG is part of the Ofer Global Group, which has global reach, significant resources, wide-ranging relationships and a depth of experience in the oil and gas and other industries. OGOG has stated in its Offer Document that it has three fundamental reasons for investing in NZO:

- Now is the right time in the exploration and development cycle to invest in the oil and gas sector.
- Given OGOG's experience in New Zealand, OGOG is confident New Zealand is the right place to invest. OGOG's affiliate, Omni Offshore Terminals, has previously operated in New Zealand.
- NZO has the right leadership team to cultivate the substantial value embedded in the Company.

OGOG has stated that it is not making a full takeover offer because it believes it is important for NZO to maintain its public listing on the NZX Main Board. This will allow NZO to access new capital to fund future growth and give existing shareholders (even those who accept the Offer) the opportunity to participate as the business develops.

OGOG is offering to purchase 67.55% of each class of Shares in NZO that it doesn't already own or control. If OGOG receives acceptances for more than 67.55% in each class, it will scale acceptances in accordance with the Takeovers Code.

You may accept OGOG's Offer for any number of your Shares, but you are only certain of being able to sell 67.55% of your shareholding. If you accept for more than 67.55% of your shareholding, there is no guarantee of how many Shares above 67.55% you will sell, and your acceptance may be subject to scaling. (There is a discussion on deciding how many Shares to sell into the Offer on page 8 below.)

If the OGOG Offer is successful, OGOG will gain control of NZO, and will be able to control NZO's board and strategy. As there is no guarantee you will sell all your Shares, you may be left as a minority shareholder in NZO, with OGOG as a controlling shareholder. You may see this as a positive outcome, given OGOG's views on strategy outlined above, but you are encouraged to consider your own personal circumstances and investment preferences.

[3] This dividend will be fully imputed if sufficient imputation credits are available when the dividend is paid.

[4] For Partly Paid Shares the price paid by OGOG under the Offer will be 78 cents less the amount of dividend paid on the Partly Paid Shares accepted into the Offer. A holder of Partly Paid Shares will also have the benefit of the dividend, so the total effective Offer Price will be the same, at 78 cents.

3. Other key conditions to the Offer

OGOG's Offer is subject to consent from the Overseas Investment Office (OIO). This creates uncertainty for Shareholders who accept the Offer around timing, completion and payment.

Completion of the Offer may be delayed while the OIO consent is processed. The success of the Offer will depend on the OIO consent being granted before the condition date of the Offer (the last date the offer may be declared unconditional). The condition date could be as early as 11 December 2017, if the Offer is not extended, or as late as 7 February 2018, if the Offer is extended as far as possible.

It is also a condition of OGOG's Offer that the Minister of Energy and Resources grants all consents required under the Petroleum Act for its Offer to proceed. This consent is required because NZO has agreed to acquire a 4% interest in Kupe from Mitsui E&P Australia. NZO understands OGOG is seeking this consent, and is not aware of any reasons why it might not be granted.

4. Other impacts if the Offer succeeds

There are other effects of a successful OGOG Offer which should be borne in mind:

- **Imputation credits:** If the Offer is successful, NZO will lose the balance of its imputation credit account. This will reduce its ability to pay dividends to shareholders in a tax effective manner in the short to medium term.
- **Tax Losses:** If the Offer succeeds, then there is a risk that NZO could lose the ability to off-set some or all of its accumulated tax losses against future income. This is because NZO may not meet the required 49% continuity of ownership threshold.
- **Liquidity of Shares:** If the Offer is successful, and particularly if OGOG obtains all the Shares it is seeking, there will be a smaller free float and less liquidity in NZO Shares.

5. It is unlikely there will be further competing offers

The Zeta Offer closes on 18 October 2017, and Zeta has not opted to increase its offer price or extend its offer beyond the current closing date. No party other than OGOG and Zeta has expressed an interest to NZO in making an offer for NZO Shares.

On that basis, to the best of their knowledge, the Independent Directors believe that there is unlikely to be a further competing offer.

On balance and taking account of the above considerations, the Independent Directors unanimously recommend that Shareholders should accept the Offer.

As stated above, NZO's Chairman Rodger Finlay intends to accept the Offer for all of the 836,252 Ordinary Shares that he controls.

The Company's CEO, Andrew Jefferies, proposes to accept the Offer for at least 430,000 (22%) of the 1,937,000 Partly Paid Shares in NZO that he controls.

NZO Shareholders will need to decide how many Shares to sell into the Offer

As noted above, the Offer is partial and enables OGOG to potentially acquire up to 70% of the voting rights in NZO. OGOG may however declare the offer unconditional if it acquires more than 50% of the voting rights in the Company, assuming all other conditions are satisfied or waived.

Shareholders can accept the Offer for all or part of their shareholding.

The Independent Directors believe that the extent to which individual Shareholders choose to accept the Offer should be driven by consideration of their own personal circumstances and investment preferences:

- If you believe the Offer Price is satisfactory and you wish to reduce your exposure to NZO Shares at the Offer Price, you may choose to accept the Offer for a large part, or all, of your shareholding.
- If you want to have an ongoing exposure to NZO and OGOG's strategy, you may choose to accept for a lower proportion of your shareholding.

If accepting, you will also want to consider selling in sufficient shares to assist the Offer to succeed. If not enough Shares are accepted into the Offer, it will fail.

Acceptances and timing

The Offer period runs until at least 9 November 2017 and the Offer is still subject to conditions. There is no benefit in accepting the Offer early and, once given, acceptances cannot be withdrawn (so you would be unable to sell your NZO Shares to any other party once you accept). The Offer Price cannot be reduced, other than for dividends which are declared. If you accept the Offer, you will not be paid for any NZO Shares bought from you by OGOG until after the closing date and the Offer becomes unconditional.

Conclusion

In summary, the Independent Directors believe the Offer from OGOG provides an attractive opportunity for Shareholders to sell part of their shareholding and retain the opportunity to share in the future of the Company.

The decision whether to accept the Offer is an individual decision. The Independent Director's recommend you read this Target Company Statement, including the Independent Adviser's Report, carefully before making a decision. We also encourage you to seek professional advice in relation to your own particular circumstances.

SECTION 2: TAKEOVERS CODE INFORMATION

This target company statement has been prepared by NZO pursuant to rule 46 and Schedule 2 of the Takeovers Code in relation to a partial takeover offer (the **Offer**) made by OGOG.

1. Date

This target company statement (**Statement**) is dated 11 October 2017.

2. Offer

(a) This Statement has been prepared in connection with the OGOG Offer, dated 11 October 2017, that relates to:

(i) all the fully paid ordinary shares in NZO (**Ordinary Shares**); and

(ii) all the partly paid ordinary shares in NZO (**Partly Paid Shares**),

together, the **Shares**.

(b) The Offer is for:

(i) 67.55% of the Ordinary Shares; and

(ii) 67.55% of the Partly Paid Shares,

not already held or controlled by OGOG. When taken together the Ordinary Shares already held or controlled by OGOG, the Offer, if it is successful, will result in OGOG holding or controlling up to 70%, but in any case more than 50%, of the voting rights in NZO.

(c) The consideration payable per Share under the Offer is NZ$0.78 per Share (**Offer Price**). It is a term of the Offer that Partly Paid Shares must be fully paid up on acquisition by OGOG. If Shares are transferred to OGOG under the Offer after the record date for the 4 cent per Ordinary Share 2017 dividend (being 24 October 2017):

(i) the Offer Price for Ordinary Shares will reduce by the amount of the dividend to NZ$0.74 per Share; and

(ii) the Offer Price for Partly Paid Shares will reduce by the amount of the dividend paid on the Partly Paid Shares accepted into the Offer (which will be that portion of the dividend which is proportional to the amount by which the Partly Paid Shares are paid up).

For Shares to be transferred to OGOG under the Offer before 24 October 2017, the Offer would need to become unconditional before that date. This is extremely unlikely, so the price reduction referred to above is almost certain to occur.

(d) The Offer is due to close (subject to any extension) at 11.59 pm on 9 November 2017.

(e) The terms of the Offer are set out in the offer document which is enclosed with this Statement (**Offer Document**).

3. Target Company

The name of the target company is New Zealand Oil & Gas Limited (**NZO**).

4. Directors of NZO

The directors of NZO at the date of this Statement (**Directors** or **Board**) are:

(a) Rodger Finlay (Chairman);

(b) Roderick David Ritchie;

(c) Mark Tume;

(d) Dr Rosalind Archer; and

(e) Duncan Saville.

5. Ownership of Equity Securities of NZO

(a) There are two classes of equity securities in NZO – Ordinary Shares, and Partly Paid Shares which have been issued under NZO's Employee Share Ownership Plan (**ESOP**). As at the date of this Statement, there are 159,528,718 Ordinary Shares and 8,320,000 Partly Paid Shares. The Ordinary Shares are quoted on the NZX Main Board (NZX:NZO), and the Partly Paid Shares are unquoted.

(b) The number, designation and percentage of equity securities held or controlled by each Director or senior officer (**Senior Officer**) of NZO and their associates is set out in Schedule One of this Statement. For the purpose of this Statement, the Board has determined that the Senior Officers of NZO are:

(i) Andrew Jefferies, Chief Executive Officer;

(ii) Catherine McKelvey, Chief Financial Officer;

(iii) Paris Bree, General Counsel;

(iv) Chris McKeown, Vice President Exploration and Production;

(v) John Pagani, External Relations Manager; and

(vi) Michael Wright, GM Commercial.

(c) Except as set out in Schedule One of this Section, no Director or Senior Officer of NZO, or their associates, holds or controls equity securities of NZO of any class.

(d) The number, designation and percentage of any class of equity securities held or controlled by any other person who holds or controls 5% or more of the class, to the knowledge of NZO, is set out in Schedule Two of this Section.

(e) Except as set out in Schedule Two of this Section, no person holds or controls more than 5% of any class of equity securities of NZO, to the knowledge of NZO.

(f) Schedule Three of this Section sets out the number of equity securities in NZO, and the price at which the securities were issued or provided:

(i) that have been issued to Directors and Senior Officers of NZO or their associates; or

(ii) in which the Directors and Senior Officers or their associates have obtained a beneficial interest under any employee share scheme or other remuneration arrangement,

during the 2-year period that ends with the date of this Statement.

6. Trading in equity securities of NZO

(a) The number and designation of any equity securities of NZO acquired or disposed of by a Director or Senior Officer of NZO or their associates during the 6-month period before the latest practicable date before the date of this Statement, being 9 October 2017 (the **Specified Date**), is set out in Part A of Schedule Four of this Section.

(b) The number and designation of any equity securities of NZO acquired or disposed of by any other person holding or controlling 5% or more of any class of equity securities of NZO, to the knowledge of NZO, during the 6-month period before the Specified Date is set out in Part B of Schedule Four of this Section.

(c) Except as set out in Schedule Four of this Section:

(i) no Director or Senior Officer or their associates; nor

(ii) any other person holding or controlling 5% or more of any class of equity security of NZO, to the knowledge of NZO,

has acquired or disposed of equity securities of NZO during the 6-month period before the Specified Date.

7. Acceptance of Offer

The name of every Director or Senior Officer of NZO, or their associates, who has accepted, or intends to accept, OGOG's Offer, and the number of Shares in respect of which that person has accepted, or intends to accept, is set out in the table below:

Name	Description	Number of Shares in respect of which the person has accepted, or intends to accept, OGOG's Offer	Class of Shares in respect of which the person has accepted, or intends to accept, OGOG's Offer
RGH Holdings Limited	Associate of Director (Rodger Finlay)	836,252	Ordinary Shares
Andrew Jefferies*	Senior Officer	430,000**	Partly Paid Shares
Paris Bree*	Senior Officer	146,000	Partly Paid Shares
Michael Wright*	Senior Officer	269,000	Partly Paid Shares
Chris McKeown*	Senior Officer	300,000	Partly Paid Shares
John Pagani*	Senior Officer	166,000	Partly Paid Shares

* Partly Paid Shares are held by NZOG Services Limited, as trustee of the ESOP, on behalf of the relevant officer, but acceptance is under the control of the officer.

** Andrew Jefferies has indicated that he intends to accept for at least this number.

8. Ownership of equity securities of OGOG

Neither NZO, nor any Director or Senior Officer nor any of their associates, hold or control any equity securities of OGOG.

9. Trading in equity securities of OGOG

Neither NZO, nor any Director or Senior Officer nor any of their associates, have acquired or disposed of any equity securities in OGOG during the six months prior to the Specified Date.

10. Arrangements between OGOG and NZO

No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between OGOG or its associates, and NZO or any related company of NZO, in connection with, in anticipation of, or in response to, the Offer.

11. Relationship between OGOG (and OGOG's associates), Directors or Senior Officers of NZO (and NZO's related companies)

(a) No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between OGOG and its associates, and any of the Directors or Senior Officers of NZO or the directors or senior officers of any related company of NZO (including any payment or other benefit proposed to be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office) in connection with, in anticipation of, or in response to, the Offer.

(b) No Director or Senior Officer of NZO is a director or senior officer of OGOG, or any related company of OGOG.

12. Agreements between NZO and its Directors and Senior Officers

No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between NZO and any related company of NZO, and any Directors or Senior Officers (or their associates) of NZO or any of the directors or senior officers (or their associates) of any related company of NZO, under which a payment or other benefit may be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office in connection with, in anticipation of, or in response to, the Offer.

13. Interests of Directors and Senior Officers of NZO in Contracts of OGOG or Related Company

No Director or Senior Officer of NZO or their associates has an interest in any contract to which OGOG, or any related company of OGOG, is a party.

13A. Interests of NZO's Substantial Security Holders in Material Contracts of Zeta Energy or Related Company

No person who, to the knowledge of the Directors and Senior Officers of NZO, holds or controls 5% or more of any class of equity securities of NZO has an interest in any material contract to which OGOG, or any related company of OGOG, is a party.

14. Additional Information

In the opinion of the Independent Directors no additional information, to the knowledge of NZO, is required to make the information in the Offer Document correct or not misleading, except as set out below.

15. Recommendation

(a) The Independent Directors unanimously recommend to Shareholders that they ACCEPT the Offer. The reasons for the recommendation of the Independent Directors are stated in Section 1 of this Statement.

(b) Duncan Saville has abstained from making a recommendation, as he is a director of Zeta and has a conflict of interest.

16. Actions of NZO

(a) There are no material agreements or arrangements (whether legally enforceable or not) entered into by NZO and its related companies as a consequence of, in response to, or in connection with the Offer.

(b) There are no negotiations underway, as a consequence of, in response to, or in connection with, the Offer that relate to, or could result in:

(i) an extraordinary transaction, such as a merger, amalgamation, or reorganisation, involving NZO or any of its related companies; or

(ii) the acquisition or disposition of material assets by NZO or any of its related companies; or

(iii) an acquisition of equity securities by, or of, NZO or any related company of NZO; or

(iv) any material change in the equity securities on issue, or policy relating to distributions, of NZO.

17. Equity Securities of NZO

(a) *Ordinary Shares:* There are currently 159,528,718 Ordinary Shares on issue. The rights of holders of the Ordinary Shares in respect of capital, distributions and voting are as follows. Each ordinary share confers on its holder:

(i) the right to an equal share in the dividends authorised by the Board;

(ii) the right to an equal share in the distribution of the surplus assets of NZO on liquidation; and

(iii) subject to the constitution of NZO, the right to cast one vote on a show of hands, or the right to cast one vote for each share held on a poll, in each case, at a meeting of Shareholders on any resolution, including a resolution:

A. to appoint or remove a director;

B. to alter or revoke the constitution;

C. to approve a major transaction by NZO;

D. to approve an amalgamation involving NZO (other than an amalgamation of a wholly owned subsidiary); and

E. to put NZO into liquidation.

(b) *Partly Paid Shares*: There are currently 8,320,000 unquoted Partly Paid Shares issued under the ESOP. The rights of the holders of Partly Paid Shares in respect of capital, distributions and voting are as follows. Each Partly Paid Share confers on its holder:

(i) the right to a proportionate share (based on the amount paid up) in the dividends authorised by the Board;

(ii) the right to proportionate share (based on the amount paid up) in the distribution of the surplus assets of NZO on liquidation; and

(iii) the right to cast a fraction of the vote (based on the proportion of the share paid up) for each share held on a poll, in each case, at a meeting of Shareholders on any resolution, including a resolution:

A. to appoint or remove a director or auditor;

B. to alter or revoke the constitution;

C. to approve a major transaction by NZO;

D. to approve an amalgamation involving NZO (other than an amalgamation of a wholly owned subsidiary); and

E. to put NZO into liquidation.

18. Financial Information

(a) Every person to whom the Offer is made is entitled to obtain from NZO a copy of its most recent annual report (being an annual report for the period ended 30 June 2017) by making a written request to:

New Zealand Oil & Gas Limited
Level 1, 36 Tennyson Street
Te Aro, Wellington 6011
New Zealand

A copy of the annual report is also available on NZO's website at http://www.nzog.com/investor-information/company-reports/shareholder-reports/.

(b) There are no known material changes to the financial or trading position, or prospects, of NZO since the release of the most recent annual report. Other than set out in this Statement, there is no other information about the assets, liabilities, profitability and financial affairs of NZO that could reasonably be expected to be material to the making of a decision to accept or reject the Offer.

19. Independent Advice on Merits of Offer

Northington Partners, as Independent Adviser, has prepared a report under rule 21 of the Takeovers Code (**Independent Adviser's Report**). A full copy of the Independent Adviser's Report is set out in Appendix 1 to this Statement.

19A. Different classes of securities

Simmons Corporate Finance has prepared a report under rule 22 of the Takeovers Code (the **Rule 22 Report**) to:

(a) compare the consideration and terms offered for the Ordinary Shares and the Partly Paid Shares; and

(b) to certify as to the fairness and reasonableness of that consideration and terms as between the Ordinary Shares and the Partly Paid Shares.

A full copy of the Rule 22 Report is set out in Appendix 2 to this Statement.

20. Asset Valuation

(a) Except as set out below, this Statement does not refer to a valuation of any asset.

(b) The Independent Adviser's Report refers to a valuation of NZO. The basis of computation and the key assumptions on which that valuation is based are set out in that report.

21. Prospective financial information

Section 3 of the Independent Adviser's Report contains certain prospective financial information relating to NZO. The principal assumptions on which that prospective financial information is based is set out in the Independent Adviser's Report.

22. Sales of Unquoted Equity Securities Under Offer

The Partly Paid Shares are subject to the Offer but are not quoted on any stock exchange. All the information that NZO has as to the number of Partly Paid Shares that have been disposed of in the 12 months ending on the Specified Date, and the consideration for those dispositions, is set out in Schedule Five of this Section.

23. Market prices of quoted equity securities under offer

(a) The closing price on the NZX Main Board of NZO Ordinary Shares on:

(i) 9 October 2017 (being the latest practicable working day before the date this Statement is sent by NZO) was NZ$0.75; and

(ii) 15 September 2017, being the last day on which the NZX Main Board was open for business before the date on which NZO received the Takeover Notice, was NZ$0.725.

(b) The highest and lowest closing market prices on the NZX Main Board of NZO Ordinary Shares, and the relevant dates, during the 6 months before the date on which NZO received the Takeover Notice, were:

(i) NZ$0.725 on 11, 12, 13, 14 and 15 September 2017, being the highest closing market price; and

(ii) NZ$0.58 on 27 March 2017, being the lowest closing market price.

(c) Except as set out below, there were, in the six month period prior to the Specified Date, no issues of equity securities, any changes in equity securities and any distributions that could have affected the market prices referred to in paragraphs 23(a) and 23(b).

(d) On 19 May 2017, NZO returned NZ$100 million of capital to Shareholders by way of a scheme of arrangement under Part 15 of the Companies Act 1993. This involved cancelling one out of every two ordinary Shares on 12 May 2017 for a payment of NZ$0.62724388 per cancelled share – effectively returning the equivalent of approximately 31.4 cents per share to every holder of ordinary Shares. Partly Paid Shares did not participate in the scheme. The return of capital may have had an ongoing effect on the market price in the six month period prior to the Specified Date.

24. Other Information

(a) In preparing this Statement, the Independent Directors have relied on the correctness and accuracy of information provided to them by, or on behalf of, OGOG, Duncan Saville, Zeta, H & G, and the Senior Officers of NZO.

(b) All percentages referred to in this Statement are rounded to two decimal places unless otherwise stated.

25. Approval of Target Company Statement

(a) The contents of this Statement have been unanimously approved by the Independent Response Committee, under delegated authority from the Board. The Independent Response Committee comprises Rodger Findlay, Roderick Ritchie, Mark Tume, and Rosalind Archer.

(b) Duncan Saville has abstained from approving this Statement, as he is a director of Zeta and has a conflict of interest.

26. Certificate

To the best of our knowledge and belief, after making proper enquiry, the information contained in or accompanying this Statement is, in all material respects, true and correct and not misleading, whether by omission of any information or otherwise, and includes all the information required to be disclosed by NZO under the Takeovers Code.

SIGNED BY:

Andrew Jefferies,
Chief Executive Officer, NZO

Catherine McKelvey
Chief Financial Officer, NZO

Rodger Finlay
Director (Chairman), NZO

Roderick Ritchie
Director, NZO

SCHEDULE ONE – DIRECTORS, SENIOR OFFICERS AND ASSOCIATES

Name	Description	Number of Ordinary Shares Held or Controlled	Percentage of Ordinary Shares Held or Controlled	Number of Partly Paid Shares Held or Controlled [6]	Percentage of Partly Paid Shares Held or Controlled
Rodger Finlay [7]	Director	836,252	0.52%	-	-
RGH Holdings Limited	Associate of Director (Rodger Finlay)	836,252	0.52%	-	-
Zeta Energy Pte Limited (**Zeta**) [8]	Associate of Director (Duncan Saville)	27,831,121	17.45%	-	-
Pan Pacific Petroleum NL (**PPP**) [9]	Associate of Director (Duncan Saville)	727,345	0.46%	-	-
Zeta Resources Limited (**Zeta Resources**) [10]	Associate of Director (Duncan Saville)	27,831,121	17.45%	-	-
UIL Limited (**UIL**) [11]	Associate of Director (Duncan Saville)	31,288,697	19.61%	-	-

[5] Unless otherwise indicated, the information in these Schedules is stated as at the Specified Date (9 October 2017), being the latest practicable date before the date of this Statement.

[6] NZOG Services Limited holds these Partly Paid Shares, as trustee, pursuant to the terms of the ESOP, but the ESOP participants on behalf of whom Partly Paid Shares are held are entitled to direct the exercise of voting rights and instruct the trustee to accept the Offer. The NZO constitution provides that on a poll each Partly Paid Share carries only a fraction of the vote which would be exercisable if the Partly Paid Share was fully paid up. The fractional voting entitlement is equivalent to the proportion of the amount paid in respect of that Partly Paid Share to the amounts paid and payable in respect of that Share.

[7] Rodger Finlay is the sole director and is a shareholder of RGH Holdings Limited, and controls the shares held by that company.

[8] The equity securities listed in the above table as being held or controlled by Zeta are the securities held directly by Zeta and those owned by PPP, as Zeta is the parent company of PPP. Zeta has made a partial takeover offer, dated 5 September 2017, to acquire 42% of each class of Shares not already held or controlled by Zeta (the **Zeta Offer**). As at 9 October 2017, Zeta had received acceptances under the Zeta Offer for a total of 22,483,726 Ordinary Shares and zero Partly Paid Shares. When taken together with the Shares already held or controlled by Zeta, this amounts to 49,587,502 of the Ordinary Shares (or 31.08%) and zero Partly Paid Shares (or zero%). The Zeta Offer is subject to a number of conditions, including that the Zeta Offer receives acceptances by no later than the closing date for the Zeta Offer for that number of Shares that would, upon the Zeta Offer being declared unconditional and the relevant Shares being transferred to Zeta, when taken together with the voting securities already held or controlled by Zeta, confer more than 50% of the voting rights in NZO.

[9] Zeta has the benefit of a lock-up agreement with PPP dated 9 August 2017 in respect of all of the Shares in NZO held by PPP. PPP has accepted the Zeta Offer pursuant to this lock-up agreement.

[10] The equity securities listed in the above table as being held or controlled by Zeta Resources are the same securities owned by Zeta and PPP, as Zeta Resources is the parent company of Zeta.

[11] The equity securities listed in the above table as being held or controlled by UIL are the securities held directly by UIL and those owned by Zeta and PPP, as UIL is the parent company of Zeta Resources. Zeta has the benefit of a lock-up agreement with UIL dated 9 August 2017 in respect of all of the Shares in NZO held by UIL. UIL has accepted the Zeta Offer pursuant to this lock-up agreement.

SCHEDULE ONE – DIRECTORS, SENIOR OFFICERS AND ASSOCIATES

Name	Description	Number of Ordinary Shares Held or Controlled	Percentage of Ordinary Shares Held or Controlled	Number of Partly Paid Shares Held or Controlled [6]	Percentage of Partly Paid Shares Held or Controlled
Bermuda Commercial Bank Limited (**BCB**) [12]	Associate of Director (Duncan Saville)	2,514,250	1.58%	-	-
Somers Limited (**Somers**) [13]	Associate of Director (Duncan Saville)	2,514,250	1.58%	-	-
ICM Limited (**ICM**) [14]	Associate of Director (Duncan Saville)	33,802,947	21.19%	-	-
Andrew Jefferies	Senior Officer (Chief Executive Officer)	400	0.00025%	1,937,000	23.28%
Catherine McKelvey	Senior Officer (Chief Financial Officer)	-	-	170,000	2.04%
Paris Bree	Senior Officer (General Counsel)	-	-	238,000	2.86%
Chris McKeown	Senior Officer (Vice President Exploration and Production)	-	-	489,000	5.88%
John Pagani	Senior Officer (External Relations Manager)	-	-	521,000	6.26%
Michael Wright	Senior Officer (GM Commercial)	-	-	636,000	7.64%

[12] Zeta has the benefit of a lock-up agreement in respect of all of the Shares in NZO held by BCB. BCB has accepted the Zeta Offer pursuant to this lock-up agreement.

[13] The equity securities listed in the above table as being held or controlled by Somers are the same securities owned by BCB, as Somers is the parent company of BCB.

[14] The equity securities listed in the above table as being held or controlled by ICM are the same securities held by PPP, Zeta, UIL, and BCB as ICM is the investment adviser to or portfolio manager of Zeta Resources, UIL, and BCB.

SCHEDULE TWO – SUBSTANTIAL SECURITY HOLDERS

Name	Description	Number of Ordinary Shares Held or Controlled	Percentage of Ordinary Shares Held or Controlled	Number of Partly Paid Shares Held or Controlled	Percentage of Partly Paid Shares Held or Controlled
H & G Limited (**H & G**)[15]	Person holding or controlling more than 5% of Class	14,663,357	9.19%	-	-
Zeta[16]	Person holding or controlling more than 5% of Class	27,831,121	17.45%	-	-
Zeta Resources[17]	Person holding or controlling more than 5% of Class	27,831,121	17.45%	-	-
UIL[18]	Person holding or controlling more than 5% of Class	31,288,697	19.61%	-	-
ICM[19]	Person holding or controlling more than 5% of Class	33,802,947	21.19%	-	-
General Provincial Life Pension Fund Limited (**General Provincial**)[20]	Person holding or controlling more than 5% of Class	31,288,697	19.61%	-	-
Union Mutual Pension Fund Limited (**Union Mutual**)[21]	Person holding or controlling more than 5% of Class	31,288,697	19.61%	-	-

[15] On 14 September 2017, H & G accepted the Zeta Offer in respect of all of the Shares in NZO held by H & G pursuant to a lock-up agreement.
[16] See footnote 8.
[17] See footnote 10.
[18] See footnote 11.
[19] See footnote 14.
[20] The equity securities listed in the above table as being held or controlled by General Provincial are the same securities as held or controlled by UIL, as General Provincial is the parent company of UIL.
[21] The equity securities listed in the above table as being held or controlled by Union Mutual are the same securities as held or controlled by General Provincial, as Union Mutual is the parent company of General Provincial.

SCHEDULE TWO – SUBSTANTIAL SECURITY HOLDERS

Name	Description	Number of Ordinary Shares Held or Controlled	Percentage of Ordinary Shares Held or Controlled	Number of Partly Paid Shares Held or Controlled	Percentage of Partly Paid Shares Held or Controlled
Noblehouse International Trust Limited (**Noblehouse**) [22]	Person holding or controlling more than 5% of Class	31,288,697	19.61%	-	-
New Zealand Central Securities Depository Limited	Person holding or controlling more than 5% of Class	45,383,294	28.45%	-	-
NZOG Services Limited	Person holding or controlling more than 5% of Class	8,320,000	-	8,320,000	100.00%
Andrew Jefferies [23]	Person holding or controlling more than 5% of Class	-	-	1,937,000	23.28%
Chris McKeown [24]	Person holding or controlling more than 5% of Class	-	-	489,000	5.88%
John Pagani [25]	Person holding or controlling more than 5% of Class	-	-	521,000	6.26%
Michael Wright [26]	Person holding or controlling more than 5% of Class	-	-	636,000	7.64%

[22] The equity securities listed in the above table as being held or controlled by Noblehouse are the same securities held or controlled by Union Mutual, as Noblehouse holds all of the shares in Union Mutual in its capacity as trustee of the HH Stephens Trust.
[23] NZOG Services Limited holds these Partly Paid Shares, as trustee, pursuant to the terms of the ESOP, but the ESOP participants on behalf of whom Partly Paid Shares are held are entitled to direct the exercise of voting rights and instruct the trustee to accept the Offer.
[24] See footnote 23.
[25] See footnote 23.
[26] See footnote 23.

SCHEDULE THREE – ISSUES TO DIRECTORS AND SENIOR OFFICERS/EMPLOYEE SHARE SCHEME

Senior Officer Name	Title	Total Number of Partly Paid Shares Issued	Designation	Issue Price	Total Amount Paid for Shares Issued [27]
Andrew Jefferies	Chief Executive Officer	215,000	Beneficial Interest in Partly Paid Shares	$0.5950 per share	$2,150
		1,000,000	Beneficial Interest in Partly Paid Shares	$0.7435 per share	$10,000
Total		1,215,000	Beneficial Interest in Partly Paid Shares		$14,300
Chris McKeown	Vice President Exploration and Production	150,000	Beneficial Interest in Partly Paid Shares	$0.5950 per share	$1,500
John Pagani	External Relations Manager	83,000	Beneficial Interest in Partly Paid Shares	$0.5950 per share	$830
Paris Bree	General Counsel	73,000	Beneficial Interest in Partly Paid Shares	$0.5950 per share	$730
Catherine McKelvey	Chief Financial Officer	85,000	Beneficial Interest in Partly Paid Shares	$0.5950 per share	$850
Michael Wright	GM Commercial	142,000	Beneficial Interest in Partly Paid Shares	$0.5950 per share	$1,420

[27] Partly Paid Shares are issued pursuant to the ESOP. Under the ESOP, participants take a beneficial interest in shares issued to NZOG Services Limited, which are held on behalf of the participant. The participant is required to make an initial payment of 1 cent per share at the time of issue, with the balance of the issue price to be paid, at the latest, five years from the allocation date (subject to an escrow period in certain circumstances).

SCHEDULE FOUR – TRADING IN EQUITY SECURITIES

PART A: DIRECTORS AND SENIOR OFFICERS AND ASSOCIATES

Name	Description	Number of Shares Acquired	Number of Shares Disposed of	Date of Acquisition/ Disposal	Designation	Consideration per Share
RGH Holdings Limited	Associate of Director (Rodger Finlay)	-	836,251 [28]	12 May 2017	Ordinary Shares	$0.6272
Zeta [29]	Associate of Director (Duncan Saville)	-	27,103,777 [30]	12 May 2017	Ordinary Shares	$0.6272
PPP	Associate of Director (Duncan Saville)	-	727,346 [31]	12 May 2017	Ordinary Shares	$0.6272
		-	727,345 [32]	6 October 2017	Ordinary Shares	$0.72 [33]
UIL	Associate of Director (Duncan Saville)	-	3,457,576 [34]	12 May 2017	Ordinary Shares	$0.6272
		-	3,457,576 [35]	9 October 2017	Ordinary Shares	$0.72 [36]
BCB	Associate of Director (Duncan Saville)	-	2,514,250 [37]	12 May 2017	Ordinary Shares	$0.6272
		-	2,514,250 [38]	5 October 2017	Ordinary Shares	$0.72 [39]
Andrew Jefferies	Chief Executive Officer	-	400 [40]	12 May 2017	Ordinary Shares	$0.6272

[28] Pursuant to shareholder approved capital return.
[29] Zeta has a conditional right to acquire Shares under the Zeta Offer. See footnote 8.
[30] Pursuant to shareholder approved capital return.
[31] Pursuant to shareholder approved capital return.
[32] Pursuant to a lock-up agreement. See footnote 9.
[33] Payment subject to Zeta Offer becoming unconditional.
[34] Pursuant to shareholder approved capital return.
[35] Pursuant to a lock-up agreement. See footnote 11.
[36] Payment subject to Zeta Offer becoming unconditional.
[37] Pursuant to shareholder approved capital return.
[38] Pursuant to a lock-up agreement. See footnote 12.
[39] Payment subject to Zeta Offer becoming unconditional.
[40] Pursuant to shareholder approved capital return.

PART B: SUBSTANTIAL SECURITY HOLDERS

Name	Description	Number of Shares Acquired	Number of Shares Disposed of	Week of Acquisition/ Disposal (Week Ending)	Designation	Consideration per Share [41]	Total Amount Paid/Received
H & G Limited	Person holding or controlling more than 5% of Class	218,705	-	16 April 2017	Ordinary Shares	$0.6150	-
		372,156	-	23 April 2017	Ordinary Shares	$0.61375	-
		59,139	-	30 April 2017	Ordinary Shares	$0.6250	-
		635,941	-	7 May 2017	Ordinary Shares	$0.62774	-
		-	11,892,970 [42]	14 May 2017	Ordinary Shares	$0.6272	-
		42,480	-	14 May 2017	Ordinary Shares	$0.63	-
		291,914	-	21 May 2017	Ordinary Shares	$0.63	-
		237,531	-	28 May 2017	Ordinary Shares	$0.64168	-
		137,227	-	4June 2017	Ordinary Shares	$0.6425	-
		186,924	-	11 June 2017	Ordinary Shares	$0.637	-
		499,310	-	18 June 2017	Ordinary Shares	$0.640	-
		474,356	-	13 August 2017	Ordinary Shares	$0.68195	-
		250,771	-	20 August 2017	Ordinary Shares	$0.68084	-
		297,523	-	27 August 2017	Ordinary Shares	$0.68168	-
		352,330	-	3 September 2017	Ordinary Shares	$0.6825	-
		-	14,663,357 [43]	17 September 2017	Ordinary Shares	$0.72 [44]	-

[41] In the case of multiple transactions in a week the number is a total for that week and the consideration is the weighted average consideration.
[42] Pursuant to a shareholder-approved capital return.
[43] Pursuant to a lock-up agreement. See footnote 15.
[44] Subject to the Zeta Offer becoming unconditional.

PART B: SUBSTANTIAL SECURITY HOLDERS

Name	Description	Number of Shares Acquired	Number of Shares Disposed of	Week of Acquisition/ Disposal (Week Ending)	Designation	Consideration per Share [41]	Total Amount Paid/Received
Zeta [45]	Person holding or controlling more than 5% of Class	-	27,831,123 [46]	14 May 2017	Ordinary Shares	$0.6272	$17,456,901
UIL	Person holding or controlling more than 5% of Class	-	3,457,576 [47]	14 May 2017	Ordinary Shares	$0.6272	$2,168,743
		-	3,457,576 [48]	9 October 2017	Ordinary Shares	$0.72	Payment subject to Zeta Offer becoming unconditional
Andrew Jefferies		-	400 [49]	14 May 2017	Ordinary Shares	$0.6272	$250.88

[45] Zeta has a conditional right to acquire Shares under the Zeta Offer. See footnote 8.
[46] Pursuant to a shareholder-approved capital return.
[47] Pursuant to a shareholder-approved capital return.
[48] Pursuant to a lock-up agreement. See footnote 11.
[49] Pursuant to a shareholder-approved capital return.

SCHEDULE FIVE – DISPOSALS OF PARTLY PAID SHARES

Description	Number of Shares Disposed of	Designation	Consideration per Share
Forfeited Partly Paid Shares	2,081,000	Partly Paid Shares	$0.01 [50]
Partly Paid Shares bought back by NZO	3,392,000	Partly Paid Shares	$0.62 [51]
Partly Paid Shares bought back by NZO	290,000	Partly Paid Shares	$0.605 [52]
Partly Paid Shares converted to Ordinary Shares	50,000	Partly Paid Shares	$0.5580
Partly Paid Shares converted to Ordinary Shares	50,000	Partly Paid Shares	$0.5850

[50] The 1c per Share paid by the relevant ESOP participant towards the issue price was refunded on forfeiture.
[51] The consideration was applied to pay up the Partly Paid Shares and fund the return of 1c per Share paid towards the issue price by the relevant ESOP participant.
[52] See footnote 51.

SECTION 3: GLOSSARY

BCB means Bermuda Commercial Bank Limited.

Board means the board of Directors of NZO, as set out in paragraph 4 of Section 2 of this Statement.

Company or **NZO** means New Zealand Oil & Gas Limited.

Director means a director of NZO.

ESOP means the employee share ownership plan established by NZO whereby certain employees of NZO (or any company within the NZO group) are offered Partly Paid Shares pursuant to the rules of the plan.

H & G means H & G Limited.

Independent Adviser means Northington Partners Limited.

Independent Adviser's Report means the report by the Independent Adviser for the purposes of Rule 21 of the Takeovers Code set out in Appendix 1 to this Statement.

Independent Directors means Rodger Finlay, Rosalind Archer, Roderick Ritchie and Mark Tume, being the Directors who are independent of OGOG and Zeta.

ICM means ICM Limited.

IRC or **Independent Response Committee** means the committee of the Board overseeing NZO's response to the Offer. The members of the IRC are the Independent Directors.

Kupe means the gas, LPG and light oil/condensate field that lies in the offshore Taranaki basin, in relation to which Petroleum Mining Licence 38146 has been issued.

Northington or **Northington Partners** means the Independent Adviser.

NZO or **Company** means New Zealand Oil & Gas Limited (NZX:NZO).

NZX means NZX Limited.

NZX Main Board means the main board equity security market operated by NZX.

Offer or **Partial Offer** means OGOG's partial offer to acquire 67.55% of each class of Shares not currently held or controlled by OGOG.

Offer Document means the Offer and all accompanying information that was sent to the holders of Shares, other than this Statement.

Offer Price means NZ$0.78 per Share.

OGOG mean O. G. Oil & Gas (Singapore) Pte. Ltd., a wholly owned subsidiary of O. G. Oil & Gas Limited.

OIO means the Overseas Investment Office.

Ordinary Shares means the fully paid ordinary shares of NZO.

Partly Paid Shares means the partly paid ordinary shares issued by NZO under the ESOP.

PPP means Pan Pacific Petroleum NL.

Rule 22 Report means the report prepared by Simmons Corporate Finance under rule 22 of the Takeovers Code set out in Appendix 2 to this Statement.

Section means a section of this Statement.

Senior Officer means the Senior Officers of NZO as set out in paragraph 5(b) of Section 2 of this Statement.

Shareholders means the holders of Shares in NZO.

Shares means the Fully Paid Shares and the Partly Paid Shares in NZO.

Specified Date means the latest practicable date before the date of this Statement, being 9 October 2017.

Statement or **Target Company Statement** or **TCS** means this target company statement.

Takeover Notice means the notice issued by OGOG under rule 41 of the Takeovers Code on 18 September 2017, which stated OGOG's intention to make the Offer.

Takeovers Code means the takeovers code set out in the schedule to the Takeovers Code Approval Order 2000 (SR 2000/210).

UIL means UIL Limited.

Zeta means Zeta Energy Pte Limited.

Zeta Offer means Zeta's partial offer, dated 5 September 2017, to acquire 42% of each class of Shares not currently held or controlled by Zeta.

Zeta Resources means Zeta Resources Limited.

APPENDIX 1: INDEPENDENT ADVISER'S REPORT

APPENDIX 1:
INDEPENDENT ADVISER'S REPORT

Northington Partners

New Zealand Oil & Gas Limited

Prepared Pursuant to Rule 21 of the New Zealand Takeovers Code in Relation to a Partial Takeover Offer from O.G. Oil & Gas (Singapore) Pte. Ltd.

October 2017

Statement of Independence

Northington Partners Limited confirms that it:

- Has no conflict of interest that could affect its ability to provide an unbiased report; and
- Has no direct or indirect pecuniary or other interest in the Offer considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Northington Partners Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.

Northington Partners Limited has engaged RISC Operations Pty Limited to provide valuation services in connection with this report. RISC Operations Pty Limited has been approved by the Panel in relation to the services provided by them in relation to this report.

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Abbreviations and Definitions

1P / P90	Proved reserves with 90% probability of oil/gas recovery exceeding the P90 estimate
2P / P50	Proved plus probable reserves with 50% probability of oil/gas recovery exceeding the P50 estimate
3P / P10	Proved plus probable plus possible reserves with 10% probability of oil/gas recovery exceeding the P10 estimate
Bbl	Barrels, a unit volume of oil
Boe	Barrel of oil equivalent, a measure of energy equivalent to one barrel of oil
Cue	Cue Energy Resources Limited
Code	The Takeovers Code
EMV	Estimated monetary value, a common valuation methodology in the oil and gas industry for exploration interests
EV	Enterprise Value
FY	Financial year ending 30 June
Genesis	Genesis Energy Limited
GJ	Gigajoules (one billion joules)
Independent Adviser's Report	This report prepared by Northington Partners
Joule	A metric measurement of energy
Kupe	The Kupe oil and gas field (Petroleum Mining Lease (PML) 38146) and associated joint venture
Kt	Kilotonnes (1,000 tonnes)
Minimum Acceptance Condition	Total number of voting securities, which when taken together with the voting securities already held or controlled by OGOG, results in OGOG holding more than 50% of the voting rights in NZO
mmBoe	Million Boe
Northington Partners	Northington Partners Limited
$ and NZ$	New Zealand dollars
NZO	New Zealand Oil & Gas Limited
NZX	NZX Limited
NZX Listing Rules	NZX Main Board/Debt Market Listing Rules
NZX Main Board	The main board equity securities market operated by NZX
OGOG	O.G. Oil & Gas (Singapore) Pte. Ltd., a wholly owned subsidiary of O.G. Oil and Gas Limited
OGOG Offer	The Partial Takeover Offer from OGOG dated 11 October 2017 to obtain majority control of the voting rights in NZO at $0.78 per share
OGOG Offer Price	$0.78 per share (reduced to $0.74 per share following payment of the $0.04 dividend which was declared on 29 August 2017.)
PJ	Petajoules (10^{15} joules)
PSC	Production sharing contract
RISC	RISC Operations Pty Limited
Target Shares Sought	108,762,919 shares, being 67.55% of the fully paid and partly paid shares not already held or controlled by OGOG
TJ	Terajoules (10^{12} joules)
US$	United States dollars
Zeta	Zeta Energy Pte Limited
Zeta Offer	The Partial Takeover Offer from Zeta dated 5 September 2017 to obtain majority control of the voting rights in NZO at $0.72 per share

1.0 Overview of the Offer

1.1. Introduction

New Zealand Oil & Gas Limited ("**NZO**" or "**Company**") is a New Zealand based oil and gas exploration and production company. Following the sale of its 15% interest in the Kupe oil, condensate and gas field ("**Kupe**") in January 2017 (and an associated return of capital in May 2017), the Company's assets primarily consist of four components:

- A 50.04% shareholding in Australian Securities Exchange ("**ASX**") listed Cue Energy Resources Limited ("**Cue**"), which has interests in the Maari field in the offshore Taranaki basin as well as interests in Indonesia and Australia;
- A 4% interest in Kupe (conditional on completion of a proposed acquisition from Mitsui E&P Australia). Settlement is expected in October 2017 but with an effective date of 1 January 2017;
- Development and exploration assets in New Zealand and Indonesia; and
- A cash balance of approximately $80 million[1].

NZO is listed on the NZX Main Board, being the main board equity securities market operated by NZX Limited ("**NZX**"). The Company has two classes of equity securities outstanding: there are approximately 160 million fully paid ordinary shares on issue as well as just over 8.3 million partly-paid shares that were issued pursuant to an employee share ownership plan ("**ESOP**").

The Company's ordinary shares are reasonably widely held. While Zeta Energy Pte Limited ("**Zeta**") holds approximately 17.0% of the shares on issue, the remaining shares are held by over 12,000 other shareholders.

1.2. Summary of the Partial Takeover Offer

On 18 September 2017, O.G. Oil & Gas (Singapore) Pte. Ltd. ("**OGOG**") gave notice of its intention to make a partial takeover offer ("**OGOG Offer**") for 67.55% of each class of the shares in NZO that are not currently held or controlled by OGOG. This amounts to an aggregate target of 108,762,919 shares ("**Target Shares Sought**").

Key terms of the OGOG Offer are summarised as follows:

- Accepting shareholders will receive a cash payment of $0.78 for both the fully paid and partly paid shares ("**OGOG Offer Price**")[2].
- Acceptances for the partly paid shares may be withdrawn before the OGOG Offer is declared unconditional. All partly paid shares must however be fully paid before they are acquired by OGOG under the OGOG Offer.
- The OGOG Offer is conditional on OGOG receiving acceptances which, when taken together with the voting securities already held or controlled by OGOG, mean it would hold more than 50% of the voting rights in NZO ("**Minimum Acceptance Condition**")[3].
- Shareholders may accept the OGOG Offer in relation to some or all of their shares.
- However, if acceptances are tendered for more than the Target Shares Sought, then an acceptance for more than 67.55% of a shareholder's holding may be subject to scaling in accordance with the Code.

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[1] After allowance for the settlement payment for the Kupe interest and certain other adjustments detailed in Section 3.8.

[2] Investors who own fully paid NZO shares at 5.00pm on 24 October 2017 will receive a $0.04 dividend per share (declared by the Company on 29 August 2017). As set out in the OGOG Offer document, the OGOG Offer Price will therefore reduce by $0.04 to $0.74 per share.

[3] The Offer is also conditional on a range of other conditions which are relatively standard for this type of offer. Details are provided in the Offer document.

1.3. Previous Takeover Offer

On 5 September 2017, Zeta made a partial takeover offer ("**Zeta Offer**") for 42% of each class of the shares in NZO that are not currently held or controlled by Zeta. If the Zeta Offer is successful, Zeta would end up with over 50% of the voting rights in NZO.

The Zeta Offer is currently scheduled to close on 18 October 2017, and under the rules of the Code can no longer be varied[4]. As at 5 October, acceptances had been received for:

- A total of 18,292,644 fully paid shares; and
- None of the partly paid shares.

When taken together with the shares already held or controlled by Zeta and its associates prior to the Zeta Offer, the acceptances represent approximately 31.1% of the fully paid shares on issue. If acceptances do not reach the required 50% voting rights threshold before the closing date (or any other conditions are not satisfied or waived), then the Zeta Offer will lapse. Under this outcome, all of the shareholders who have accepted the Zeta Offer will be free to then accept the OGOG Offer.

The Zeta Offer document provides an outline of Zeta's intentions if the Zeta Offer is successful (as discussed in more detail in the IAR for that offer). With over 50% of the voting rights, Zeta will be in a position to appoint a majority of directors and thereby control the Company's future strategy. It has indicated that it will seek to reduce NZO's exploration activity, with an immediate focus on reducing on-going overheads, returning a further $50 million to shareholders and then potentially securing investments in more advanced assets.

1.4. Requirements of the Takeovers Code

NZO is a "Code Company" for the purposes of the Takeovers Code ("**Code**"). OGOG's Offer and the Company's response to the offer must therefore comply with the provisions set out in the Code.

Rule 21 of the Code requires that the directors of NZO must obtain a report from an independent adviser on the merits of the OGOG Offer. The Company's directors requested Northington Partners Limited ("**Northington Partners**") to prepare the Rule 21 report, and our appointment was subsequently approved by the Takeovers Panel.

This report will accompany the Target Company Statement to be sent to all NZO shareholders and sets out our opinion on the merits of the OGOG Offer. This report should not be used for any other purpose and should be read in conjunction with the declarations, qualifications and consents set out in Appendix 4.

1.5. Basis of Evaluation

We have evaluated the OGOG Offer by reviewing the following factors:

- the estimated value range of 100% of NZO and the price of the OGOG Offer when compared to that estimated value range;
- a comparison of the key terms of the OGOG and Zeta offers;
- the likely market price and liquidity of NZO shares in the absence of the OGOG Offer;
- any advantages or disadvantages for NZO shareholders of accepting or rejecting the OGOG Offer;
- the current trading conditions for NZO; and
- the attractions and risks of NZO's business.

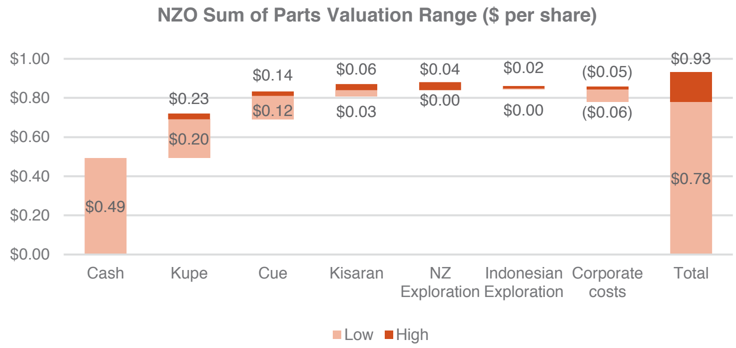
1.6. Summary of our Assessment of the Offer

Our full assessment of the merits of the Offer for NZO shareholders is set out in Section 3.0 and Section 4.0, and summarised below in Table 1.

[4] Rule 29 of the Code states that an offer cannot be varied within 14 days of the end of the offer period.

Table 1: Summary of Merits of the Offer

Item	Key Conclusions	Further Information
Value of the OGOG Offer	▪ We have valued 100% of the equity in NZO in a range between $127 and $152 million, which corresponds to a value of $0.78 to $0.93 per share. This is prior to allowance for the recently declared dividend of $0.04 per share.	**Sections 3.0 and 4.1**



Item	Key Conclusions	Further Information
	▪ As summarised above, our valuation for NZO is based on a sum-of-the parts approach and is dominated by the company's investment in cash ($0.49 per share), Kupe ($0.20 to $0.23 per share) and Cue ($0.12 to $0.14 per share). Consequently, even prior to considering the value of NZO's Kisaran PSC development project and its New Zealand and Indonesian exploration interests, we assess a value of $0.75 to $0.81 per NZO share (after allowance for corporate overheads). ▪ The OGOG Offer Price of $0.78 per share is at the bottom end of our assessed value range and we therefore characterise the offer price as reasonable, but not overly compelling from the NZO shareholders' point of view. However, as discussed further below, there are a range of other key factors that should be considered in conjunction with the price comparison.	
Implications for NZO Shareholders if the OGOG Offer is Successful	▪ OGOG has indicated that it will pursue a similar strategy to that which is currently adopted by NZO. Based on its view that now is a good time to invest in the oil and gas sector, OGOG will direct NZO to continue looking for new investment and exploration opportunities. NZO will also continue to assess the development opportunities already held by the Company. ▪ This strategy is in stark contrast to that proposed by Zeta. If the Zeta Offer is supported, the Company is likely to downsize its existing operations, return excess capital to the shareholders and continue with a limited asset base.	**Section 4.2**
Comparison with the Zeta Offer	▪ NZO Shareholders now have two partial offers to consider. The Zeta Offer is open for acceptance until 18 October 2017, and it is expected that the OGOG Offer will be open for a reasonable period beyond the closing date of the Zeta Offer. ▪ On the face of it, the OGOG Offer is superior to the Zeta Offer in a number of respects. The OGOG Offer Price is $0.06 per share higher (8.3%) than the $0.72 Zeta Offer and OGOG is proposing to acquire a larger number of shares than Zeta. ▪ OGOG is also intending to largely continue with NZO's current strategy, but with a particular focus on exploration and development opportunities. For those shareholders looking to maintain some exposure to an active oil and gas exploration business, the OGOG Offer will be preferred in that respect. ▪ Some shareholders may however favour the alternative strategy proposed by Zeta whereby the exploration and development activities of the Company are wound down in the short term and excess cash returned to the shareholders.	**Section 4.3**

Item	Key Conclusions	Further Information
Potential Outcomes of OGOG Offer	▪ OGOG is seeking a level of acceptances which, when taken together with the shares already held or controlled by OGOG, would provide it with 70% of the total voting rights in NZO. However, the OGOG Offer could be declared unconditional if acceptances were sufficient to provide OGOG with over 50% of the voting rights. ▪ OGOG already directly holds approximately 4.3% of the voting rights. That means that OGOG requires acceptances for approximately 47.8% of the voting rights it doesn't already own or control to meet the Minimum Acceptance Condition. ▪ If the OGOG Offer is accepted by all shareholders in respect of 100% of their shareholding, then acceptances will be scaled to 67.55% of the accepted shares. The final outcome for each individual shareholder is ultimately dependent on both the number of shares that that shareholder sells into the offer and the overall level of acceptances.	**Section 4.3**
Other Merits of the OGOG Offer	▪ While we suggest that the OGOG Offer Price of $0.78 is at the at the bottom end of the underlying value range for the NZO shares, some shareholders may see the OGOG Offer as an opportunity to sell at least some of their shareholding at a guaranteed price (without brokerage costs). ▪ We also suggest that the NZO shares are likely to trade at a value lower than $0.78 over at least the short term, irrespective of whether the OGOG Offer is successful or not.	**Section 4.5**

1.7. Acceptance or Rejection of the OGOG Offer

This report represents one source of information that NZO shareholders may wish to consider when forming their own view on whether to accept or reject the OGOG Offer. It is not possible to contemplate all shareholders' personal circumstances or investment objectives and our assessment is therefore general in nature. The appropriate course of action for each shareholder is dependent on their own unique situation. If appropriate, shareholders should consult their own professional adviser(s).

2.0 Company Overview

The Section provides an overview of NZO's history, performance and capital structure. A brief profile of the oil and gas sector is provided in Appendix 1.

2.1. Overview

NZO is an upstream oil and gas exploration and production business with a current focus on New Zealand, Australia and South East Asia. Having recently divested a number of interests in New Zealand and Indonesia, its primary assets include a 4% interest in the producing Kupe field in New Zealand, oil and gas exploration interests in New Zealand and Indonesia and its 50.04% shareholding in Cue. Cue also owns interests in two producing fields (Maari in New Zealand and Sampang PSC in Indonesia) as well as exploration interests in Australia and Indonesia. Figure 1 provides a summary of NZO's various oil and gas interests, including those indirectly owned through Cue.

Figure 1: NZO Oil and Gas Interests

Source: Northington Partners.

2.2. History

Key milestones in NZO's history are summarised in Table 2.

Table 2: Historical Milestones

Date	Event
1981	NZO founded.
1986	Kupe gas and oil field discovered.
1991	Ngatoro oil field discovered and developed.
2003	Tui oil field discovered.
Jun-06	Development of Kupe started. NZO held a 15% stake in the field at the time.

Jul-07	Tui commences production.
Mar-10	Kupe enters permanent production.
Oct-13	NZO acquires an additional 15% stake in the Tui area oil fields.
Dec-14	NZO acquires a 19.9% stake in Cue.
Feb-15	NZO returns $63.2m through a 1 for 5 share cancellation at $0.75 per share.
Mar-15	NZO acquires an additional 28.12% stake in Cue.
May-15	Kisaran Parit Minyak plan of development approved by SKK MIGAS.
May-16	NZO delists from the ASX.
Sep-16	NZO returns $9.2m through a share buyback at $0.55 per share.
Jan-17	NZO sells its 15% stake in Kupe to Genesis Energy for $168m, with an effective transaction date of January 2017.
Jan-17	NZO increases its stake in ASX-listed Cue from 48.11% to 50.01%.
Feb-17	NZO sells its 27.5% stake in the Tui area oil fields for US$0.75m, with an effective transaction date of 1 January 2017.
May-17	NZO returns $100m of capital to shareholders through a scheme of arrangement, buying back and cancelling half of its outstanding shares at $0.627 per share.
May-17	NZO announces it has agreed to purchase Mitsui E&P Australia's 4% stake in Kupe for NZ$35m. The transaction has an effective date of 1 January 2017.
Aug-17	Zeta issues a partial takeover of NZO.
Sep-17	OGOG issues its intention to make a competing partial takeover of NZO.

Source: NZO announcements, NZO website, Capital IQ.

2.3. Production and Development Oil and Gas Assets

2.3.1. Overview

NZO's oil and gas production and development interests include:

- 4% interest in the Kupe gas and light oil / condensate production field in offshore Taranaki, New Zealand.
- 22.5% interest in the Kisaran condensate and gas development field in onshore Sumatra, Indonesia.
- 5% interest (held through NZO's 50.04% interest in Cue) in the Maari and Manaia producing oil fields in offshore Taranaki, New Zealand.
- 15% interest (held through NZO's 50.04% interest in Cue) in the Sampang oil and gas production field in the Madura Straight, offshore Indonesia.

2.3.2. Kupe PML 38146

NZO has a long historic association with the Kupe field. The Company discovered Kupe in 1986 and has held an interest in the field since commercial production commenced in December 2009. Cumulative production at Kupe since first production has totalled approximately 40.7 million Boe to 1 January 2017. Remaining 2P reserves at Kupe (net to NZO at 4%) as of 1 January 2017 total 11.3PJ gas, 0.4 million bbl and 47.6 Kt of LPG. On this basis, Kupe is New Zealand's fourth largest field by remaining 2P gas and LPG reserves.

In November 2016, NZO received an offer from Genesis to acquire NZO's then 15% interest in Kupe for $168 million. The sale was subsequently approved by shareholders in December 2016 with the sale becoming effective 1 January 2017. However, in May 2017 NZO announced that it had purchased a separate 4% interest in Kupe from Mitsui for $35 million, with an effective transaction date of 1 January 2017. The purchase from Mitsui remains conditional on OIO and ministerial consent, and a number of contractual counterparty consents connected with the Kupe joint venture. Assuming these conditions are met, settlement is expected by October 2017.

The remaining interests in the Kupe field and joint venture are held by Origin Energy (50%) and Genesis Energy (46%). Origin Energy is the operator of the field.

Based on its 4% interest in Kupe, NZO's proven and probable (2P) oil and gas reserves as of 1 January 2017 are summarised in Table 3.

Table 3: NZO Proven and Probable (2P) Oil and Gas Reserves at 1 January 2017

	Oil and Condensate (million bbl)	Natural Gas (PJ)	LPG (Kt)	Total Reserves (mmBoe)
Kupe	0.4	11.3	47.6	2.6

Source: NZO. mmBoe has been calculated as the total oil equivalent of the oil, condensate/light oil, natural gas and LPG figures, using conversion factors consistent with the Society of Petroleum Engineers (SPE) guidelines. Conversion factors used are: 163.4 Boe per TJ of natural gas and 8.15 Boe per tonne of LPG.

In 2016 the Kupe field produced the equivalent of approximately 6 million barrels of oil comprising 24 PJ of gas, 1.4 million barrels of oil and 90,400 tonnes of LPG. Based on current production expectations and anticipated phase 2 development, Kupe is expected to have an economic life until around 2034. NZO's net share of production based on the FY16 year would have been equivalent to approximately 0.24 mmBoe had NZO owned a 4% interest for the full year.

2.3.3. Kisaran PSC

Kisaran is located in the Barumun trough in the northern part of the Central Sumatra Basin - the most prolific oil producing basin in South East Asia. Three wells were successfully drilled in the Parit Minyak prospect in 2013. These wells represented NZO's first drilling activity outside New Zealand with one well presenting oil and another presenting both gas and condensate during flow testing.

NZO owns a 22.5% interest in Kisaran with the remaining interests held by Pacific Oil and Gas (55% and the field operator) and Bukit Energy (22.5%).

A Plan of Development ("**POD**") for the Parit Minyak field was developed in 2014 which received Indonesian government approval in May 2015. The POD involves the development of up to seven wells with development pending stabilisation of market conditions, further refinement of execution plans and final joint venture approvals. NZO's share of the total US$49 million anticipated development costs is expected to be approximately US$11 million with NZO's annual net share of production anticipated to peak at approximately 0.12 million barrels of oil over an estimated 15-year life (based on current expected reserves before any further development or leads).

NZO has also undertaken independent technical work on Kisaran in relation to a higher well density which suggests there may be additional upside in the initial Parit Minyak discovery. NZO's assessment of recoverable reserves under this scenario is considerably higher than under the current seven well POD, albeit at greater capital cost of development. However, the joint venture partners currently lack alignment on development timing due to the prevailing economic conditions, as well as issues around funding, and completion from other projects.

2.4. Exploration Assets

2.4.1. Overview

NZO's exploration interests include a number of interests in New Zealand and Indonesia as well as interests indirectly held through its 50.04% shareholding in Cue. These are summarised in Table 4.

Table 4: NZO Exploration Interests Summary

Name	Permit	Operator	Ownership Interest	Basin	Hydrocarbon Type	Exploration Stage	Unrisked Prospective Resource[1]	Permit Expiry
New Zealand								
Clipper	PEP52717	NZO	50.0%	Canterbury	Conventional oil & gas	Farm-out	733 mmBoe	9-Oct-27

Toroa	PEP55794	Woodside	30.0%	Great South	Conventional oil & gas	Farm-out	149 mmBoe	31-Mar-29
Indonesia								
Kisaran PSC (including Parit Minyak)	NA	Pacific Oil & Gas	22.5%	Central Sumatra	Conventional oil & gas	Approved plan of development	17 mmBoe	17-May-31
Bohorok PSC	NA	Bow Energy	45.0%	North Sumatra	Conventional oil & gas	Drilling	14 mmBoe	20-Jul-18
Palmerah Baru PSC	NA	Bow Energy	36.0%	South Sumatra	Conventional oil & gas	Seismic	24 mmBoe	26-Feb-20
Cue: Australia								
Ironbark	WA-359-P	Cue	100.0%	Carnarvon	Gas	Farm-out		25-Apr-18
Ironbark	WA-409-P	BP	20.0%	Carnarvon	Gas	Farm-out	15 Tcf gas within Ironbark	12-Oct-21
Caterina	WA-389-P	Cue	100.0%	Carnarvon	Gas	Early Exploration	NA	8-Oct-18
Cue: Indonesia								
Mahato PSC	NA	Bow Energy	12.5%	Central Sumatra	Conventional oil & gas	Drilling	NA	20-Jul-18
Mahakam Hilir PSC	NA	Cue	100.0%	Kutei	Conventional oil & gas	Drilling	NA	13-Nov-18

Source: NZO
[1] Best estimate prospective resources net to NZO or Cue.

2.4.2. Clipper PEP 52717

The Barque prospect is NZO's primary target within the Clipper permit. Barque lies in about 800 metres of water, approximately 60 kilometres off-shore east of Oamaru. The target formations lie between 2,500 and 3,000 metres below mean sea level. NZO is the operator and holds a 50% interest in the permit. The other joint venture party is Beach Energy (50%).

Extensive 2D seismic surveys were conducted in the Canterbury Basin in the 1970s and 1980s before the only existing well in the block, Clipper-1, was drilled by BP in 1984. This drilling activity recovered samples of hydrocarbons. 3D seismic surveys of Barque were completed at the end of 2013 and revealed up to three horizons in the structure. Gross, unrisked prospective resources in place in the three horizons are estimated at 11.2 trillion cubic feet of gas and 1.6 billion barrels of liquid (oil or gas condensate) (733 mmBoe net to NZO). If this resource was proven to be economically recoverable, Barque would be larger than Maui, the largest oil and gas field developed in New Zealand.

NZO has undertaken scoping development work on how the Barque prospect may be commercialised and has produced several development concepts. Given the frontier nature of the basin and location, the resource recovery is highly sensitive to the selected development options and the approach eventually chosen will largely depend on interest from partners (including industrial energy users) and investors. The development options broadly include either:

- Off-shore field development involving off-shore production of oil for direct export, or
- Gas to shore facilities to enable development of a long term, reliable gas supply for use in methanol manufacture, fertiliser/urea manufacture, industrial thermal generation and other domestic use. Oil and LPG production could also be exported or used domestically.

NZO is currently in discussions with potential farm-in partners with significant experience and scale to drill the Barque prospect, and is confident of obtaining a commitment to drill during 2018, with the drilling activity to take place in 2019 or 2020. Drilling will ultimately determine the commercial development potential of the Barque prospect.

Although a number of other prospects exist within the Clipper permit, their potential will largely depend on the success or otherwise of the Barque prospect.

2.4.3. Toroa PEP 55794

Toroa is located in the Great South Basin, south east of the South Island of New Zealand with the primary prospect being Kaipatiki. NZO has a 30% interest in Toroa with Woodside Petroleum holding the remaining 70% (and acting as the operator of the permit).

A number of wells were drilled in the Great South Basin during the 1970s and 1980s which showed signs of hydrocarbons, including two within the Toroa permit which discovered hydrocarbon resources that were deemed uneconomic at the time. The Kaipatiki prospect lies further south of previous wells with 3D seismic surveys in 2015 indicating a number of stacked potential reservoir sections and a large potential resource.

Woodside Petroleum is currently farming out the Kaipatiki prospect. NZO currently estimates that a well commitment could be made by 2020, ready for drilling by 2021.

2.4.4. Kisaran PSC

In addition to the Parit Minyak prospect described in Section 2.3.3, Kisaran has a number of other prospects and leads. The prospectivity of follow-up developments will largely depend on the success of the Parit Minyak development and alignment of the joint venture partners on any further appraisal within the permit area.

2.4.5. Bohorok PSC

Bohorok is located in a highly gas-condensate prospective area onshore of the North Sumatra Basin. NZO has a 45% interest in Bohorok with Bow Energy (operator) holding 50% and another party holding the remaining 5%.

Bohorok has drill-ready prospects and the primary Bukit Kaya prospect has been approved for drilling by the regulator, SKKMIGAS. Because of other adjacent oil and gas discoveries in the area, the infrastructure necessary to process and transport the product is also nearby. The recent change of operator at Bohorok PSC could lead to additional activity in the short term.

2.4.6. Palmerah Baru PSC

Palmerah Baru is located on-shore within the South Sumatra Basin. NZO has a 36% interest in Palmerah Baru with Bow Energy (operator) holding 54% and another party holding the remaining 10%.

Palmerah Baru has a number of firm commitments not yet completed including 2D and 3D seismic surveys and one exploration well. The total net cost to NZO of these commitments is currently a minimum of approximately US$4.4 million. The new operator is working with NZO to refine the work program commitments to reflect current market conditions, while NZO is reviewing its options as part of an on-going strategic review.

2.5. Cue Energy

2.5.1. Overview

Cue is an oil and gas company with a regional focus on South East Asia and Australasia. Current oil and gas interests are located in Indonesia (East Java basin, Kutei basin and Central Sumatra basin), New Zealand (Taranaki basin) and Australia (Carnarvon Basin).

Cue's production assets comprise the Maari / Manaia field in offshore Taranaki, New Zealand and the Sampang PSC offshore field in East Java, Indonesia. Cue's exploration activities comprise three exploration permits in the Carnarvon Basis, north-western Australia and the Jeruk prospect within Sampang PSC, Mahakam Hilir PSC onshore Kalimantan, and Mahato PSC onshore Sumatra within Indonesia.

2.5.2. Maari / Manaia PMP 38160

Cue holds a 5% interest in the permit which hosts the Maari and Manaia producing oil fields located in the Taranaki basin. The fields are located 80 km off-shore the south Taranaki coast in approximately 100 metres of water, sourcing crude oil from several reservoirs hosted by different formations at depths of up to 2,100 metres.

Cue's joint venture partners in the permit are OMV New Zealand Ltd (as operator and 69% interest holder), Todd Exploration Limited (16%), and the ASX listed Horizon Oil Limited (10%).

The infrastructure associated with the Maari and Manaia producing oil fields includes a wellhead platform, a joint venture owned floating production, storage and offloading vessel, seven production and one water injector wells and associated sub-sea flow lines. Oil is loaded onto tankers for delivery to refineries in Australia and South East Asia. The oil is sold at a premium to the Brent Crude oil price benchmark reflecting the high quality of the oil produced.

Cue reported 2P reserves for Maari and Manaia of 0.8 mmBoe as of 1 January 2017. First production from the Maari-Manaia fields occurred in 2009 with Cue's share of production for the last 5 years summarised below.

Table 5: Maari-Manaia Production (Cue Share)

Oil and Condensates Produced (million bbl)	FY13	FY14	FY15	FY16	FY17
Cue's Interest in Production	0.16	0.09	0.23	0.23	0.15
NZO's shareholding in Cue[1]	0.00%	0.00%	48.1%	48.1%	49.6%
NZO's Economic Interest in Production	**-**	**-**	**0.11**	**0.11**	**0.08**

Source: NZO and Cue Annual Reports.
[1] Average shareholding over period. *NZO's ownership in Cue is 50.04% since January 2017.*

Production at Maari-Manaia reflects the natural decline of the field as well as interruptions to existing production through development drilling during FY14, which resulted in the loss of five months of production due to unplanned repairs and maintenance.

The Maari joint venture completed the Maari Growth project in 2015 at a cost of over $500 million, resulting in four new wells connected into the production network. This has extended the life of the field and resulted in increased production, although FY17 production was impacted by planned maintenance and a crack in the well head platform jacket, resulting in 7 weeks lost production while repairs were carried out.

2.5.3. Sampang PSC

The Sampang PSC is located in the Madura Straight off-shore Madura Island in East Java, Indonesia. It is composed of two producing fields: Oyong oil and gas field and Wortel gas field. Cue reported 2P reserves for Sampang PSC of 1.4 mmBoe as of 1 January 2017.

Gas produced from Oyong is transported via a 60 kilometre pipeline to the Grati Onshore Gas Facility and sold to PT Indonesia. Oil is piped to a floating storage and offloading vessel for storage and export.

Oil production from the Oyong field commenced in 2007, followed by gas production in 2009. The oil field is in natural decline, although a programme of well interventions and recompletions extended Oyong oil production and field life until 2018.

Wortel gas production commenced in 2012. Gas is transported through a 7 kilometre pipeline to the Oyong platform then piped to on-shore facilities.

Table 6: Sampang PSC Production (Cue Share)

Barrels of Oil Equivalent Produced (mmBoE)	FY13	FY14	FY15	FY16	FY17
Cue's Interest in Production	0.75	0.56	0.89	0.59	0.47
NZO's shareholding in Cue[1]	0.00%	0.00%	48.11%	48.11%	49.61%
NZO's Economic Interest in Production	**-**	**-**	**0.43**	**0.28**	**0.23**

Source: NZO and Cue Annual Reports.
[1] Average shareholding over period

2.5.4. Australian Exploration

Cue holds interests in three licences located in the Carnarvon Basin off-shore Western Australia, comprising WA-359-P, WA-389-P and WA-409-P. These fields are located in an extensive gas region near the operational North West Shelf, Wheatstone and Pluto gas fields which include a number of oil and gas wells, pipelines and supporting on-shore production and export facilities.

Cue completed a comprehensive regional study using 15,000km2 of 3D and 2D seismic data and 17 well ties to map the area and identified the Ironbark prospect, which straddles WA-359-P and WA-409-P in moderate water depths, as a drillable target. Ironbark is a giant Mungaroo Formation prospect that is mapped with an area of up to 400km^2, with a best technical estimate of 15 Trillion cubic feet (Tcf) of prospective recoverable gas resource based on an internal technical assessment performed by Cue. Ironbark has been identified as the primary candidate for drilling. Cue owns 100% of WA-359-P and 20% of WA-409-P, with BP (80%) being the operator of that permit.

BP is funding 100% of the work programme required under the WA-409-P permit for the next three years. BP also has an option through to the end of October 2017 to acquire 42.5% of the equity in WA-359-P from Cue. If BP exercise this option, 50% of the cost of drilling a well in WA-359-P will also be funded. Cue is seeking to secure a partner or partners to join themselves and BP in WA-359-P to drill an exploration well in 2018 to test the Ironbark prospect.

WA-389-P contains the Caterina prospect, with Cue now owning 100% following the previous owner's (BHP) withdrawal from the permit. It is located near Cue's WA-359-P and WA-409-P permits and is considered analogous to Ironbark. Cue has applied for a suspension and extension application to request further time to review the prospectivity of the Caterina prospect before making any commitments to well drilling.

2.5.5. Indonesian Exploration

The Jeruk PSC is located approximately 50 km west of the Sampang PSC. The Sampang PSC joint venture continues to investigate the potential for development of the Jeruk oilfield which is technically challenging due to high formation pressures, fractured reservoirs and impurities in the hydrocarbons. The main technical issues to be resolved are the range of uncertainty in the size of the accumulation, and the connectivity of the fracture network which will control the quantity of oil which may be recovered by each well and the flow rates that can be achieved. Work is currently being carried out by the operator on possible development scenarios that can maximize the amount of reservoir information obtained from early production.

Cue has a 100% interest in the Mahakam Hilir PSC in on-shore East Kalimantan. Cue acquired its initial 40% stake in the PSC in 2011 and acquired the remaining 60% from the previous operator in October 2014. The area is prospective for oil with several parallel geological trends hosting several large oil fields in the area. The previous operator drilled three wells in 2011 and 2012 which did not yield significant results and decided to exit the area. A four year extension to the exploration phase of the Mahakam Hilir PSC was received in 2016. The extension includes two contingent wells in the first two years which Cue can elect to drill, or it can decide to withdraw from the PSC.

Cue acquired a 12.5% interest in the 5,600 km^2 Mahato PSC in on-shore Central Sumatra in November 2014. The Mahato PSC covers a highly prospective area close to several large producing oil fields and multiple appraisal and exploration opportunities have been mapped. A well is being planned for Mahato by the operator but no commitments have yet been made.

2.6. Summary Financial Results

2.6.1. Production

A summary of NZO's production for the five year period between FY13 and FY17 is set out in Table 7 below, including the consolidation of Cue's production for the fourth quarter of FY15 onwards.

Table 7: NZO Historical Production by Field

Million Barrels of Oil Equivalent (mmBoE)	FY13	FY14	FY15	FY16	FY17
Kupe	0.77	0.95	0.96	0.91	0.44
Tui	0.21	0.30	0.40	0.38	0.14
Maari (via Cue) [1]	-	-	0.06	0.23	0.15
Sampang PSC (via Cue) [1]	-	-	0.02	0.59	0.47
Pine Mills (via Cue) [1]	-	-	-	0.02	0.01
Total Production (mmBoe)	**0.98**	**1.25**	**1.91**	**1.69**	**0.90**

Source: NZO and Cue Annual Reports, NZO and Cue Quarterly Activities Reports.
[1] Includes 100% of Cue's interest from the date where Cue's financials have been consolidated, being the last 3 months of FY15 and the entirety of FY16 and FY17.

2.6.2. Financial Performance

A summary of NZO's financial performance for the five year period between FY13 and FY17 is set out in Table 8 below.

Table 8: Historical Financial Performance

For the year ended 30 June ($m)	FY13	FY14	FY15	FY16	FY17
Petroleum sales	**99.3**	**103.6**	**116.2**	**119.0**	**37.1**
Operating costs	(21.6)	(22.0)	(36.9)	(48.3)	(15.9)
Exploration and evaluation expenses	(15.1)	(29.5)	(24.1)	(21.5)	(12.3)
Other expenses	(10.2)	(10.0)	(13.5)	(17.1)	(14.2)
Other income	9.6	11.8	2.5	6.6	0.8
Operating earnings before depreciation, amortisation and net finance costs	**62.1**	**53.9**	**44.3**	**38.8**	**(4.4)**
Amortisation of production assets	(22.3)	(25.8)	(39.6)	(48.9)	(8.3)
Other depreciation and amortisation	(0.1)	(0.6)	(0.5)	(0.5)	(0.5)
Operating earnings before net finance costs	**39.6**	**27.5**	**4.2**	**(10.6)**	**(13.2)**
Net finance (costs) / income	5.9	(2.4)	2.9	(3.8)	1.4
Operating earnings after net finance costs	**45.6**	**25.1**	**7.1**	**(14.4)**	**(11.8)**
Asset impairments	-	-	(36.3)	(26.6)	(15.3)
Gain on acquisition of subsidiary	-	-	15.4	-	-
Profit before tax and royalties	**45.6**	**25.1**	**(13.8)**	**(41.0)**	**(27.1)**
Income tax (expense)/credit	(10.2)	(7.3)	5.0	(3.4)	(5.1)
Royalties expense	(9.4)	(7.7)	(6.7)	(4.0)	(0.6)
Profit (loss) after tax from continuing operations	**25.9**	**10.1**	**(15.5)**	**(48.5)**	**(32.7)**
Profit (loss) after tax from discontinued operations	-	-	-	(3.3)	85.3
Profit (loss for the year	**25.9**	**10.1**	**(15.5)**	**(51.8)**	**52.6**
Profit (loss) attributable to non-controlling interests	-	-	(1.1)	(22.0)	(10.1)
Profit (loss) attributable to NZO shareholders	**25.9**	**10.1**	**(14.4)**	**(29.8)**	**62.7**
Earnings per share (cents)	6.5	2.4	(3.6)	(8.6)	20.1
Dividend per share (cents)	6.0	6.0	0.0	4.0	4.0

Source: NZO Annual Reports (FY13-FY17). Totals may not sum due to rounding.

The main features of NZO's historical performance over the five year period to FY2017 can be summarised as follows:

- Revenue and operating earnings over the FY13 to FY16 period were volatile and generally reflect declining oil prices. The FY17 result represents partial contributions from NZO's historic production interests in Kupe and Tui, but with no contribution from NZO's recent 4% interest in Kupe purchased effective 1 January 2017.
- NZO acquired a controlling interest in Cue in FY15 when it purchased an additional 28.1% stake in that business. Cue's financial results have been consolidated into NZO's results from 1 April 2015. Additionally, a non-cash gain of $15.4m was recorded in FY15 to reflect the purchase price of that interest.
- Asset impairments in FY15 were related to NZO's Tui oil asset. Impairments in FY16 and FY17 relate to Cue's Maari interests. FY17 impairments also included a $7.6m write down of NZO's exploration and evaluation assets relating to Kisaran.

2.6.3. Financial Position

A summary of NZO's financial position for the last five years is set out in Table 9.

Table 9: Historical Financial Position

As at 30 June ($m)	FY13	FY14	FY15	FY16	FY17
Assets					
Cash and cash equivalents	158.0	135.1	83.7	96.8	125.1
Receivables, Prepayments and other current assets	30.8	28.9	29.6	13.2	6.5
Inventory	1.3	6.9	8.8	9.2	1.5
Assets Held for Sale	-	-	-	2.1	-
Evaluation and exploration assets	44.5	54.9	15.3	14.6	6.7
Oil and gas assets	198.6	223.8	289.4	207.9	32.0
Other non-current assets	12.6	11.7	3.7	3.1	0.9
Total Assets	**445.8**	**461.2**	**430.4**	**346.9**	**172.6**
Liabilities					
Payables and other current liabilities	18.6	32.7	31.4	17.4	5.8
Borrowings	0.2	0.8	1.0	1.1	1.1
Tax Liabilities	38.9	44.5	30.3	21.8	6.3
Rehabilitation and other provisions	30.2	41.2	85.8	85.4	10.3
Liabilities associated with assets held for sale	-	-	-	-	-
Liabilities	**87.9**	**119.1**	**148.5**	**125.7**	**23.5**
Equity					
Share capital	370.7	377.7	319.1	318.1	208.6
Retained earnings and Reserves	(12.7)	(35.5)	(72.7)	(110.3)	(62.4)
Profit (loss) attributable to non-controlling interests	-	-	(1.1)	(22.0)	2.8
Total Equity	**358.0**	**342.1**	**281.8**	**221.2**	**149.1**

Source: NZO Annual Reports (FY13-FY17). Totals may not sum due to rounding.
Note: NZO's accounting standard for the treatment of exploration and evaluation assets changed in 2016. FY15 to FY17 are based on NZO's current accounting treatment whereas FY13 and FY14 are based on the prior standard.

The main features of NZO's historical financial position over the five year period to FY2017 can be summarised as follows:

- Asset sales and asset impairments in NZO's oil and gas production and exploration interests have seen NZO's operating assets decline significantly with total assets excluding cash declining from $288m in FY13 to $48m in FY17.
- Following the sale of Kupe and Tui, the majority of NZO's oil and gas assets relate to Maari and Sampang which are consolidated within Cue.
- NZO's share buyback in FY15 and capital return in FY17 have reduced NZO's share capital over the period.

2.6.4. Cashflow Movements

A summary of the movements in NZO's cash balances over the last five years is set out in Table 10.

Table 10: Historical Movements in Cash

As at 30 June ($m)	FY13	FY14	FY15	FY16	FY17
Receipts from customers	98.0	108.6	120.6	136.8	73.4
Supplier payments and other expenditure	(33.1)	(21.8)	(51.7)	(67.4)	(46.1)

Other	(10.7)	1.2	(9.6)	(13.3)	(10.2)
Operating cash flow	**54.3**	**88.0**	**59.3**	**56.2**	**17.1**
Exploration and evaluation expenditure	(42.2)	(74.9)	(31.9)	(23.5)	(17.3)
Oil and gas asset expenditure	(5.2)	(1.4)	(19.3)	(11.5)	(5.2)
Related party loan advances and repayments	13.0	-	1.4	-	-
Proceeds from sale of oil and gas interests	-	-	-	-	158.9
Other	0.5	(10.3)	(2.9)	(0.2)	(0.4)
Investing cash flow	**(34.0)**	**(86.6)**	**(52.6)**	**(35.1)**	**136.0**
Repayment of borrowings	(46.6)	-	-	-	-
Return of capital to shareholders	-	-	(63.2)	(1.0)	(109.4)
Dividends paid	(28.2)	(18.8)	(8.9)	-	(13.5)
Other	3.1	0.5	0.9	0.0	(0.0)
Financing cash flow	**(71.7)**	**(18.3)**	**(71.2)**	**(1.0)**	**(123.0)**
Net cash movement before exchange rate effects	**(51.4)**	**(16.9)**	**(64.5)**	**20.0**	**30.1**

Sources: NZO Annual Reports (FY13-FY17). Totals may not sum due to rounding.

The main features of NZO's historical cash movements over the five year period to FY2017 can be summarised as follows:

- NZO's oil and gas exploration and evaluation expenditure has averaged approximately $40m per annum, although it has been significantly reduced in the current oil price climate with only $17.3m spent in FY17. However, US$6.8 million of this related to an on-going dispute relating to Cue's Sampang PSC in Indonesia which was settled in FY17. Backing this out along with Cue's other exploration and evaluation cash expenditure, NZO's cash exploration and evaluation expenditure was approximately $3m.
- NZO has returned a total of approximately $243m in dividends, capital returns and buybacks over the last 5 years to FY2017, including the recent $100m capital return in May 2017.

2.7. Corporate Overheads

Given NZO's controlling position in Cue, the corporate costs of Cue are consolidated into NZO's financial results. Backing out Cue's corporate overheads and a number of one-off costs, NZO's corporate overheads were approximately $7.3 million in FY17 and represent the cost of maintaining a management team, travel costs, director fees and other administrative costs relating to NZO's shareholder communications and NZX listing.

NZO has recently reduced its staff count to better reflect its reduced size following the sale of its interests in Kupe and Tui, and has moved the head office to lower cost accommodation. The Company has reduced its staff count from 23 as of 1 July 2016 to 14 as of September 2017. Cue has been undertaking a similar program of cost reduction and ongoing cost control is expected to be a feature of both NZO and Cue over FY18.

Given the significant overlap in services provided by the respective head offices of each of NZO and Cue, NZO was considering a number of additional cost-cutting initiatives prior to the Zeta Offer. This included a management services agreement between NZO and Cue, where NZO would perform many of the duplicated corporate services for Cue in exchange for a service fee. Under this scenario, Cue could be significantly scaled down but with limited or no marginal cost to NZO (after accounting for the addition of the management service income). The net result would be a substantial cost saving across the combined NZO and Cue head offices.

2.8. Capital Structure and Ownership

As at 21 September 2017, NZO had 159,528,718 fully paid ordinary shares on issue. NZO's shares are largely held by custodial entities on behalf of a range of investors, the largest of which is Zeta. The top five shareholders as at 21 September 2017 are set out in Table 11.

Table 11: Top 5 Shareholders in NZO

Shareholder	Shares Held	Shareholding Percentage
Zeta Energy Pte Ltd	27,103,776	17.0%
H & G Limited	14,663,357	9.2%
O.G. Oil and Gas Singapore Pte Ltd	6,841,384	4.3%
Citibank Nominees (New Zealand) Ltd	5,593,391	3.5%
Resource Nominees Limited	4,745,643	3.0%
Top 5 Shareholders	**53,660,816**	**37.0%**
Other Minority Shareholders	100,581,167	63.0%
	159,528,718	**100.0%**

Source: IRESS, Company Filings

OGOG had been acquiring NZO shares since July 2017 through associated companies and custodial accounts. As its shareholding does not exceed 5.0% (being the substantial shareholder threshold), it did not have to declare its shareholding until the announcement of its offer.

In addition to the 17.0% shareholding directly held by Zeta, its associates hold another 4.2% for a total shareholding of 21.2% of the fully paid shares on issue. The second largest shareholder (H & G Limited) has accepted all its shareholding into the Zeta Offer, as have approximately 400 other shareholders representing a combined 2.28% of the fully paid shares[5]. None of these acceptances will transfer to Zeta unless the Zeta Offer reaches the 50% voting rights acceptance threshold (and other conditions are met).

NZO also has 8,320,000 partly paid shares issued to employees (and former employees) under the ESOP, as summarised in Table 12. Of the partly paid shares, only approximately 6.2 million remain exercisable by participants in the ESOP because just over 2 million shares have been forfeited.

Table 12: NZO Partly Paid Shares

Issue Date	Final Date	Partly Paid Shares	Initial Issue Price	Paid up Amount	Outstanding Amount Payable
24 Feb 2017	24 Feb 2022	1,000,000	$0.7435	$0.0100	$0.733
21 Sep 2016	01 Sep 2021	1,187,000	$0.5950	$0.0100	$0.585
30 Sep 2015	01 Sep 2020	1,182,000	$0.5680	$0.0100	$0.558
30 Sep 2015	02 Sep 2019	681,000	$0.9400	$0.0100	$0.930
15 Nov 2013	27 Aug 2018	58,000	$1.0100	$0.0100	$1.000
10 Sep 2013	27 Aug 2018	492,000	$1.0100	$0.0100	$1.000
30 May 2013	08 May 2018	700,000	$1.1300	$0.0100	$1.120
Unchanged Final Date		**5,300,000**	**$0.7751**	**$0.0100**	**$0.7651**
30 Sep 2015	06 May 2018	183,000	$0.5680	$0.0100	$0.558
30 Sep 2015	13 Feb 2018	184,000	$0.5680	$0.0100	$0.558
30 Sep 2015	29 Apr 2018	75,000	$0.5680	$0.0100	$0.558
30 Sep 2015	06 May 2018	122,000	$0.9400	$0.0100	$0.930
30 Sep 2015	13 Feb 2018	123,000	$0.9400	$0.0100	$0.930
30 Sep 2015	29 Apr 2018	50,000	$0.9400	$0.0100	$0.930
10 Sep 2013	06 May 2018	46,000	$1.0100	$0.0100	$1.000
10 Sep 2013	13 Feb 2018	123,000	$1.0100	$0.0100	$1.000

[5] Acceptances as at 5 October, including Bermuda Commercial Bank Limited, an associate of Zeta.

10 Sep 2013	29 Apr 2018	33,000	$1.0100	$0.0100	$1.000
Revised Final Date		**939,000**	**$0.8250**	**$0.0100**	**$0.8150**
Total / Ave		**6,239,000**	**$0.7844**	**$0.0100**	**$0.7744**
Forfeited		2,081,000			
Total		**8,320,000**			

Source: Northington Partners.

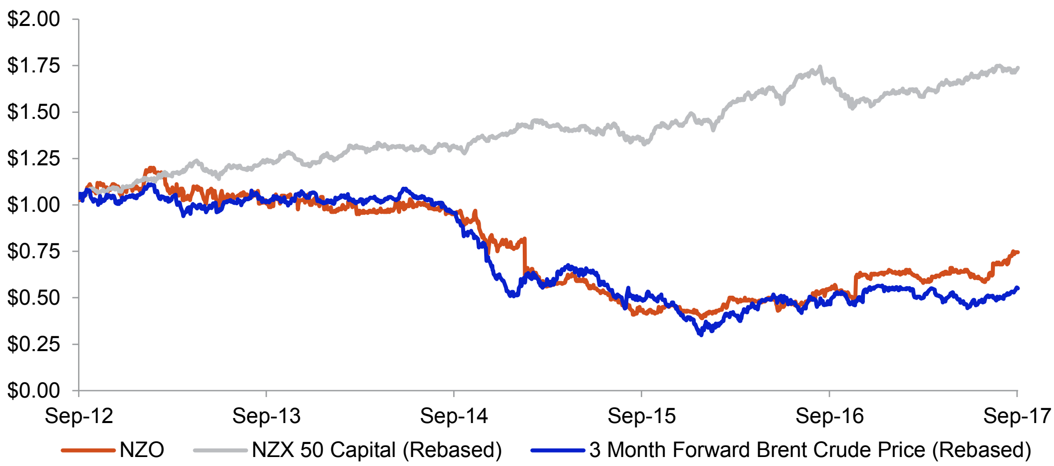
Under the ESOP, employees are effectively issued an option to fully pay for the shares up to the issue price after a 2-year vesting period. Because Zeta and its associates have increased their shareholding in NZO to over 20% and triggered a change in effective control, the vesting period has been removed and all participating employees now have the option to immediately convert their partly paid shares into fully paid shares by paying the outstanding amount.

At the OGOG Offer Price of $0.78, a number of the partly paid shares are "in the money" (the offer price exceeds the issue price). The OGOG Offer also provides a mechanism whereby partly paid shareholders do not have to fully pay for their shares but can instead elect to sell into the OGOG Offer and receive the net proceeds (after paying up the outstanding issue price). Consequently, we think that it is reasonable to assume that if the OGOG Offer is successful, all of the partly paid shares that are in-the-money will accept into the offer[6].

2.9. Share Price Performance and Liquidity

Figure 2 summarises NZO's share price performance over the last five years to 27 September 2017, relative to the NZX50 Capital Index and the 3-month forward Brent Crude oil futures price. This illustrates that NZO has underperformed the wider New Zealand market over the period, falling from a high of $1.20 in February 2013 to a low of $0.39 in January 2016. However, its performance has been consistent with the difficult global macroeconomic conditions for oil and gas companies over the last five years, as shown by the strong correlation between NZO's share price and oil price expectations. The recent difference between NZO's share price movements and oil price expectations have been due to two distinguishable events. First, the announcement of NZO's sale of its 15% stake in Kupe in November 2016, and second, the announcement of the Zeta Offer in August 2017.

Figure 2: NZO Share Price Performance Relative to NZX50 Capital Index and 3 Month Fwd Brent Oil Price



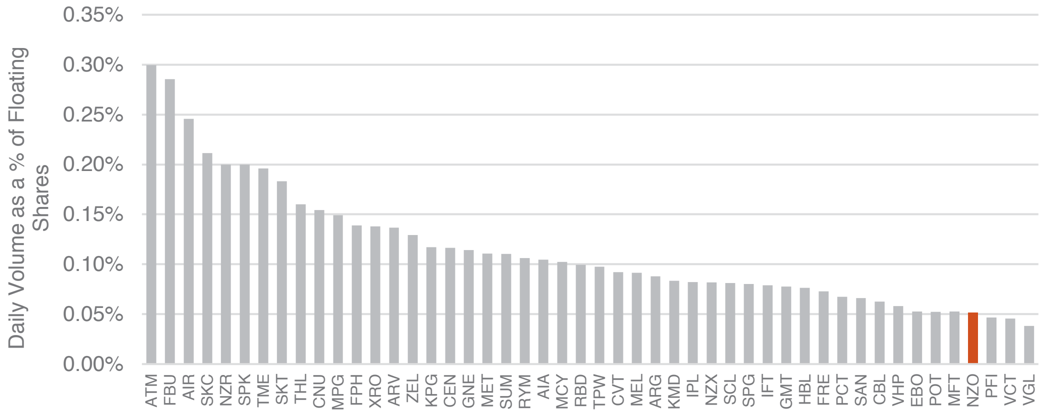
Source: Capital IQ, Northington Partners. 3-month forward Brent Oil price rebased to NZO share price and based on the S&P GSCI 3 Month Forward Brent Oil Index.

Figure 3 presents the daily trading volume relative to the level of the free float shares for NZO compared to companies in the NZX50 Index. Free float represents the number of shares freely available to trade, and generally excludes strategic shareholdings in each company (such as Zeta's

[6] Although forfeited shares that are now held by the trustee of the ESOP scheme could technically be accepted into the OGOG Offer by the trustee, we have assumed no action is taken in this respect.

stake in NZO). This measure shows that NZO is highly illiquid relative to New Zealand companies in the NZX50 Index.

Figure 3: Median Daily Trading Volume Relative to Free Float



Source: Capital IQ.

3.0 Valuation of New Zealand Oil & Gas

3.1. Summary

We have valued 100% of the equity in NZO in a range between $127 and $152 million, which corresponds to a value of $0.78 to $0.93 per share. This represents our valuation range prior to the payment of NZO's recently declared 4 cent per share dividend, payable in November 2017, and is therefore directly comparable to the Offer Price of $0.78 per fully paid NZO share.[7]

The valuation also represents the full underlying value of NZO assuming 100% of the company was available to be acquired and includes a premium for control. The value exceeds the price at which, based on current market conditions, we would expect NZO to trade on the NZX in the absence of a takeover offer.

Given the nature of the Company and its assets, we have valued NZO on a sum-of-the-parts basis. This requires an estimate of the value of NZO's producing assets, assets in development, investment in Cue and an estimate of the value of each of NZO's exploration permits, with adjustments for corporate overheads, working capital, net cash and partly paid shares. As detailed in Section 3.2.3, we have engaged RISC Operations Pty Limited ("**RISC**") to provide specialist valuation advice in connection with NZO's New Zealand and Indonesian exploration interests[8].

Table 13 below provides a summary of the aggregate sum-of-the-parts valuation.

Table 13: NZO Valuation Summary

		Value Range (NZ$m)		Value Range (NZ$ per share)	
	Report Section Reference	Low	High	Low	High
Kupe	3.4.1	$32.0	$37.0	$0.20	$0.23
Kisaran	3.4.2	$5.0	$10.0	$0.03	$0.06
NZ Exploration	3.5.1	$0.0	$6.6	$0.00	$0.04
Indonesian Exploration	3.5.2	$0.6	$2.8	$0.00	$0.02
Cue Shareholding	3.6	$19.4	$23.3	$0.12	$0.14
Corporate Overheads	3.7	($10.4)	($8.2)	($0.06)	($0.05)
Enterprise Value		$46.6	$71.5	$0.29	$0.44
Adjusted Net Cash	3.8	$80.8	$80.8	$0.49	$0.49
Value of Equity		$127.4	$152.3	$0.78	$0.93
Assumed Shares on Issue		163.3m	163.3m	163.3m	163.3m

Source: Northington Partners analysis. Values may not sum due to rounding.

3.2. Valuation Methodology

We have used a variety of valuation methods in our assessment, reflecting the varying characteristics of each asset component owned by NZO. Our selected methods are summarised in Table 14.

Table 14: Valuation Methods for Sum-of-the-Parts Valuation

Asset	Valuation Method
Kupe	Transactional Evidence / Discounted Cash Flow
Kisaran	EMV
NZ Exploration	Various (see Section 3.2.3)

[7] If the OGOG Offer is successful and the shares taken up under the offer are not transferred to OGOG by 24 October 2017 (being the record date for NZO's recently declared dividend), the OGOG Offer Price will reduce by $0.04 to $0.74 per NZO share and our assessed valuation range will also reduce by $0.04 to $0.74 to $0.89 per NZO share.

[8] RISC is an independent oil and gas advisory firm. It routinely provides independent expert opinions in relation to a wide range of exploration and production assets. The company has completed assignments in more than 70 countries for over 500 clients.

Indonesian Exploration	Various (see Section 3.2.3)
Cue Shareholding	Market Capitalisation Value Range
Corporate Overheads	Discounted Cash Flow
Cash	Balance on Hand (with Adjustments)

A brief discussion of the key methods is set out below.

3.2.1. Discounted Cash Flow

For most assets, value should be determined as a function of the estimated level of cash returns that the assets are expected to generate in the future. The specific approach that is used to estimate this value is dependent on the nature of the asset and the expectations regarding future performance. The two main approaches usually adopted in the valuation of larger assets and companies are summarised as follows:

- Earnings Multiple: This method determines value by applying a valuation multiple to the assessed level of maintainable annual earnings (or cash flows), where the multiple is chosen to reflect the risk associated with the future performance of the asset. Depending on the nature of the business, earnings can be appropriately measured at the EBITDA, EBITA, EBIT, or NPAT levels.
- Discounted Cash flows ("**DCF**"): A DCF approach is based on an explicit forecast of the annual cash flows that will be generated over a specified forecast period (typically between 5 and 10 years). The value of cash flows that may occur after the end of the explicit forecast period is incorporated into the valuation process by capitalising an estimate of maintainable cash flows for the terminal period. A DCF model is therefore usually made up of two components:

  (i) The present value of the projected cash flows during the forecast period; and

  (ii) The present value of all other cash flows projected to occur after the explicit forecast period. This component is commonly referred to as the terminal value.

Given the nature of oil and gas assets, a DCF approach is clearly most appropriate for NZO's production assets and has been adopted as our primary valuation method. However, given the expected finite life of oil and gas assets, our valuation models only incorporate the present value of the projected cash flows over the economic life of the asset (with no allowance for a terminal value). This approach is standard in the oil and gas industry.

For NZO's producing and development oil and gas interests (Kupe and Kisaran), we have adopted a standard DCF approach based on 2P reserves and 2P production profiles. However, for NZO's exploration oil and gas interests, a risked expected monetary value ("**EMV**") approach has generally been adopted in assessing the underlying value of each prospect with further adjustment for NZO's final assumed participating interest in the field.

3.2.2. Risked Expected Monetary Value

The EMV is essentially a probability weighted NPV of an exploration prospect. The NPV is estimated using a DCF model whereby the EMV is equal to:

- the success case NPV multiplied by the probability of success, less
- the NPV of the failure case multiplied by the probability of failure.

This valuation methodology is relatively common in the oil and gas industry. It provides a more representative estimate of value for prospects in proven commercial hydrocarbon basins areas with a statistically significant number of mature assets, where the chance of success and potential volumes can be assessed with a reasonable degree of predictability.

For relatively less developed regions with no commercial production and fewer exploration drill wells (e.g. the Canterbury and Great South Basins), determining the probability of success relies more on technically obtained information about the basin. This includes an assessment of seismic results, the likelihood the permit operator will be able to farm-out the prospect, consideration of geographical, commercial and technical factors and the level of scoping development work undertaken. Consequently, the EMV for these assets requires considerable judgement in estimating future cash flows and the probability of achieving commercial success.

The valuation of NZO's exploration assets also considers the likely participating interest in each exploration prospect once commercialised. This largely depends on the size and likely development costs for the field. It is common for smaller oil and gas companies to bring in new partners to de-risk the development, reduce the overall financial contribution during development and introduce additional resources and expertise to the field. For NZO's current exploration prospects, it is generally assumed that NZO will retain less than a 20% participating interest if the field is commercially successful.

3.2.3. RISC Valuation Inputs

We have engaged RISC to provide valuation advice in deriving a market value range for each of NZO's individual exploration interests. RISC has provided valuation input based on a variety of approaches generally accepted for the public reporting of valuations of petroleum assets. These include comparable transaction metrics, work programme costs (the amount of expenditure committed for a permit, adjusted for risk and time value) and EMV. In preparing our report, we have reviewed the assumptions and approaches taken by RISC and believe they are reasonable.

RISC's valuation advice has been used in deriving valuations for NZO's New Zealand and Indonesian (excluding Parit Minyak within Kisaran) exploration interests as well as other valuation considerations for Cue's interest in the Ironbark prospect.

3.3. Framework and Assumptions for DCF Valuations

3.3.1. Overview

The DCF and EMV framework for the Kupe, Kisaran and corporate overheads components are based on cash flow models prepared by NZO, with a range of modifications to reflect our views on the key input parameter values and a range of valuation scenarios.

Details of the general model structure are set out in Table 15, and a summary of the input parameters is presented in the following section.

Table 15: DCF Model Structure

Assumption	Discussion
Valuation Date	30 September 2017
Model Term	Production assets: Based on the expected life of the asset given its assumed 2P production profile and 2P reserves. Development and Exploration assets: Based on the expected timing of well development, subsequent capital investment period and production profile based on current best estimates of prospective resources (unrisked in place).
Cash Flow Basis	Post-tax nominal
Cash Flow Timing	Mid-period discounting

3.3.2. Key Cash Flow Assumptions

Table 16 below summarises the key universal assumptions and variables used to forecast future cash flows. We note that many of the assumptions are commercially sensitive and full details cannot be disclosed in our report.

Table 16: Universal Cash Flow Assumptions

Assumption	Discussion
Currency	Other than Kupe, all of the forecast cash flows and valuations are based on US$ translated to NZ$ at the assumed spot NZ$/US$ spot rate of 0.727.

Assumption	Discussion
Fuel Prices	We have reviewed a range of independent forecasts for crude oil and have adopted a forecast price path based on broker consensus forecasts and forward market contracts. This generally reflects a long-run oil price of US$56 per barrel in real terms. For each field, the crude oil price path is adjusted with a discount or premium to the reference crude oil price depending on the geographic region and expected quality of product output (generally supported by production from adjoining productive basins). Gas and LPG prices are based on prevailing long-run gas prices in the relevant region, generally US$3.50 to US$5.00 per GJ (real).
Tax	Applicable tax, royalties and tariffs relevant in each tax jurisdiction.

3.3.3. Required Rate of Return

A nominal discount rate in the range of 9.5% to 10.5% has been adopted for NZO's oil and gas interests. This assessment is based on comparable market evidence and estimates of the costs of capital for investors in the oil and gas sector. A summary of the key inputs to our assessment are set out in Appendix 3.

3.4. Valuation of NZO's Production and Development Assets

3.4.1. Kupe PML 38146

The most reliable evidence as to value of an asset is the price at which the asset or a directly comparable asset has been bought and sold in an arm's length transaction. For Kupe, there have been two recent transactions which provide directly relevant evidence for the value of NZO's 4% interest in the asset. NZO was a counter-party in both transactions, and the most recent transaction relates to its acquisition of the interest under consideration. Both transactions are summarised in Table 17 below.

Table 17: Kupe Transaction Values

Effective Transaction Date	Buyer	Vendor	Value (NZ$m)	Kupe Interest %	Implied Kupe Value for 4% Interest
1 Jan 2017	NZO	Mitsui	$35.0	4%	$35.0
1 Jan 2017	Genesis	NZO	$168.0	15%	$44.8

Source: Northington Partners.

We note that the sale of NZO's interest to Genesis included overriding royalty payments and contracted gas and LPG sales at prices higher to those under the Mitsui interest. In addition, the 15% interest provided Genesis with more influence over the Kupe JV than a 4% interest would confer. Consequently, we would expect to observe the value premium evident in the Genesis transaction.

We have valued NZO's 4% interest in Kupe in a range between $32 million and $37 million. Apart from the transaction evidence set out in Table 17, our assessed value is also consistent with the following:

- The estimated depletion in field reserves and operating cash flow from 1 January 2017 until the assumed valuation date of 30 September 2017 which would all else equal, have a negative impact on value (but a positive contribution to cash).
- A DCF valuation of Kupe based on a number of scenarios, including a 2P reserves and 2P production profile, as well as the potential upside from better field reservoir performance.

3.4.2. Kisaran PSC

The recent focus for the Kisaran prospect has been on the development of the Parit Minyak discovery. This field now has three wells and considerable seismic results and test information that has led to approved plans to commercially develop the field. While the operator (Pacific Oil and Gas) has generated a plan of development with up to seven production wells, NZO has completed independent technical work to suggest that there is additional value upside in the prospect through higher well density (up to 29 wells).

Given the approved plan of development and relatively near term start date, we have valued Kisaran on an EMV basis utilising the approved development plan as the base case. We have also considered the potential upside from higher well density and increased recoverable resources.

Using this framework, we have valued NZO's 22.5% interest in the Kisaran (Parit Minyak) development at $5 to $10 million.

3.5. Valuation of NZO's Exploration Assets

3.5.1. New Zealand Exploration Assets

As detailed in Section 2.4, NZO's New Zealand exploration assets comprise:

i. the Clipper permit, including the Barque prospect and Clipper discovery in the Canterbury basin; and

ii. the Toroa permit, including the Kaipatiki and Kehe prospects in the Great South basin.

Utilising RISC's valuation inputs, we have attributed a value of $0 to $6.6 million to NZO's New Zealand exploration interests. This represents an estimate of the price that an acquirer would be willing to pay for the New Zealand exploration portfolio as a whole. Table 18 below provides a summary of our valuation relative to NZO's internal EMV, representing the risk-weighted expected NPV of the permits (after adjustment for expected probability of farm-out and NZO's assumed final participating interest).

Table 18: New Zealand Exploration Interest Valuation

	Value Range (NZ$m)		NZO EMV
Exploration Asset	**Low**	**High**	**(NZ$m)[1]**
Clipper PEP 52717	$0.0	$4.1	$33.9
Toroa PEP 55794	$0.0	$2.5	$13.1
Total	**$0.0**	**$6.6**	**$47.0**

Source: Northington Partners analysis.
[1] NZO EMV risk weighted for estimated probability of success, probability of farm-out and estimated final participating interest.

The assessed current market value for the assets reflects the difficult investment environment for exploration properties, particularly in frontier basins which provide significant opportunities but at very high risk.

In contrast, NZO has assessed an EMV for its New Zealand exploration interests at approximately $47 million. This alternative value reflects NZO's assessment of the chances of the prospects being drilled (i.e. identifying a farm-in party who will drill the prospects in exchange for an interest in the permits), the chance of discovering commercial quantities of petroleum and NZO's likely participating interest in any commercially developed fields. The EMV value also accounts for the probability of cash loss if exploration proves unsuccessful. The large difference between the EMV and current market values reflects the on-going negative sentiment that investors are applying to exploration assets.

We note that if any one of the New Zealand exploration interests were to be successful, the realised value may be many magnitudes higher than NZO's EMV. With no further well or seismic commitments, there is also limited cost to NZO of holding the permits. Consequently, the eventual value of NZO's New Zealand exploration interests are highly sensitive to long-run oil prices and the outcome of any initial drilling which is yet to occur.

3.5.2. Indonesian Exploration Assets

NZO's Indonesian exploration assets comprise the Bohorok PSC and Palmerah Baru PSC prospects, as well as potential adjacent prospects and leads at Kisaran PSC. Further details on each asset is set out in Section 2.4.

Utilising RISC's valuation inputs, we have attributed a value of $0.6 to $2.8 million to NZO's Indonesian exploration interests (excluding Parit Minyak at Kisaran), which represents our estimate of the price that an acquirer would be willing to pay for the Indonesian exploration portfolio as a whole. Table 19 below provides a summary of our valuation relative to NZO's internal EMV values.

Table 19: Indonesian Exploration Interest Valuation

	Value Range (NZ$m)		NZO EMV (NZ$m)[1]
Exploration Asset	**Low**	**High**	
Kisaran PSC (ex Parit Minyak)	$0.0	$0.0	$7.5
Bohorok PSC	$1.7	$2.8	$30.2
Palmerah Baru PSC	$(1.0)	$0.0	$12.5
Total	**$0.6**	**$2.8**	**$50.3**

Source: Northington Partners analysis.
[1] NZO EMV risk weighted for estimated probability of success, probability of farm-out and estimated final participating interest.

NZO has assessed an EMV for its Indonesian exploration interests at approximately $50 million. Our assessed market value partly reflects the seismic and well exploration commitments within Palmerah Baru with limited consideration to the field's chance of commercial success. This is largely a factor of the current market environment.

In considering the market value of NZO's Indonesian exploration interests, we note that Bow Energy, a Canadian listed oil and gas exploration company, purchased interests in five Indonesian exploration permits common to NZO or Cue for US$1.8 million in May 2017. Summarised in Table 20 is an overview of the interests purchased by Bow Energy relative to NZO's and Cue's interest in each.

Table 20: Bow Energy Exploration Interests Purchased May 2017

Exploration Permit	Bow Energy Interest	NZO Interest	Cue Interest
Bohorok PSC	50.0%	45.0%	NA
MNK Bohorok PSC[1]	20.3%	20.3%	NA
Palmerah Baru PSC	54.0%	36.0%	NA
MNK Palmerah PSC[1]	69.4%	15.8%	NA
Mahato PSC	20.0%	NA	12.5%

Source: NZO, Bow Energy.
[1] NZO has conditionally sold these permits.

Given NZO's conditional sale of its unconventional Indonesian assets (MNK Kisaran and MNK Palmerah) at a net cost outlay, the Bow Energy implied valuation for the Bohorok, Palmerah Baru and Mahato assets may be higher than the overall US$1.8 million purchase price for the five interests in total. While it is therefore not possible to determine how value was attributed across the interests purchased, we suggest that this evidence is broadly consistent with our assessed value range.

3.6. Valuation of Cue

Similar to NZO, Cue's assets comprise production assets (Maari and Sampang PSC), a number of exploration prospects in Australia and Indonesia, and cash of A$12.4 million (as at 30 June 2017). Given Cue's relatively small market capitalisation and NZO's 50.04% shareholding, Cue's shares are illiquid and the prevailing market value is not necessarily a true reflection of underlying value. Cue's market capitalisation as of 27 September 2017 was A$38.4 million (NZ$42.6 million), implying the market is attributing A$26.0 million of value to Cue's production and exploration assets (excluding its net cash position).

We have valued NZO's 50.04% shareholding in Cue at NZ$19.4 million to NZ$23.3 million, representing a value per share of A$0.05 to A$0.06 (relative to a 30-day volume weighted average market price ("**VWAP**") of A$0.055 as of 27 September 2017). Our assessed value range reflects and considers:

- The illiquid nature of Cue's shares and relative share price volatility.

- NZO's average purchase price of A$0.099 since launching its partial takeover for Cue in February 2015. This includes the most recent share purchases at a VWAP of A$0.091 during January 2017.
- An allowance for the value upside in relation to Cue's exploration and production assets.

3.7. Valuation of Corporate Overheads

NZO incurred total overhead costs of approximately $7.4 million in FY17 (excluding Cue). However, as discussed in Section 2.7, NZO is implementing a range of initiatives to bring its administration costs more in line with its current size and activities. As a result of these changes, overheads are now budgeted at approximately $6.0 million per annum.

NZO's assets consist mainly of minority interests in non-operated assets, and it is unlikely that the current level of overheads would be incurred indefinitely. While NZO is continuing to evaluate new investment opportunities, the objective is that head office costs will be offset by new income generating assets in the short-medium term. Alternatively, if NZO is unsuccessful in commercialising new opportunities, head office costs will be reduced to the minimum level needed to maintain NZO's residual assets.

We note that Cue also incurred approximately A$5.4 million of overheads and administration costs in FY17. Given the similarity of services and strong relationship between Cue and NZO, there is clearly potential scope to reduce the collective overheads of both companies.

Taking these factors into account, we have valued NZO's future head office costs at $8.2 to $10.4 million based on an NPV approach. Key assumptions in our assessment are as follows:

- Current expected overheads of $6.0 million are maintained at the current level for 12 to 18 months (adjusted for inflation).
- Annual costs are then reduced to $2.5 million (in 2017 terms) for a further 3.5 – 4 years, reflecting the minimum head office staff needed to maintain administration functions, with no further exploration or corporate development related expenditure.
- NZO has sufficient taxable income from its other assets (primarily Kupe at present) to realise the tax benefit of the corporate overheads.
- No allowance for potential synergies from a prospective acquirer of NZO or potential cost savings between NZO and Cue.
- A discount rate of 10%.

In essence, our approach assumes that unless NZO can generate new offsetting revenue streams (by investing its available cash in higher yielding assets), it will look to reduce operations in the short term and then potentially eliminate all costs in the medium term via a liquidation process.

3.8. Adjusted Net Cash and Other Assets and Liabilities

We have adopted a forecast net cash position for valuation purposes of $80.8 million as of 30 September 2017. In determining this estimate, we have made a number of adjustments to NZO's 30 June 2017 balance of $112.1 million (excluding cash held by Cue):

- Reduction of $1.6 million of estimated net cash outflows for the 30 June to 30 September 2017 quarter.
- Reduction of $31.6 million to reflect the estimated net purchase price for Kupe, which is expected to be settled in October 2017. The net cost reflects the $35 million purchase price less accumulated operating cash flows from 1 January to October 2017.
- Reduction of $1.5 million to reflect NZO's estimated share of commitments for the Indonesian exploration permits it has conditionally sold.
- Addition of $1.1 million in foreign currency translation from cash balances held in currencies other than NZ$.
- Addition of $2.3 million in cash from the assumed exercise of in-the-money partly paid shares as detailed in Section 2.8. This also results in an increase of 3.8 million fully paid

shares on issue. We note that while only a proportion of in-the-money partly paid shares may be accepted into the OGOG Offer, even if scaled, the overall value range per share is not impacted.

NZO has available imputation credits which can be attached to potential future dividend payments. While imputation credits may have some value to shareholders if distributed and assuming the shareholders can utilise them, they do not affect the underlying value of NZO itself. Consequently, we have attributed nil value to the imputation credits. We also note that in the event the OGOG Offer is successful, it may result in a breach of the shareholder continuity rules in which case the imputation credits will be lost.

3.9. Liquidation Valuation

In considering the merits of the OGOG Offer we have also considered the potential value of NZO if its production and exploration interests were liquidated and the residual cash returned to shareholders. In effect, this may be practically achieved through the sale of all of NZO's assets and the distribution of the net proceeds through a capital return, or the sale of all of NZO's assets other than Cue which could be distributed to NZO shareholders in-specie (in order to avoid potential value reduction from a large placement of shares in a relatively illiquid listed company). Table 21 below summarises the key assumptions used in evaluating the liquidation scenario.

Table 21: Liquidation Value Assumptions

Asset	Value Assumption
Kupe	Going concern value range less 5% disposal costs.
Kisaran	Going concern value range less 5% disposal costs.
NZ Exploration	Assessed market value range.
Indonesian Exploration	Assessed market value range.
Cue	Value consistent with going concern value range.
Corporate Overheads & Wind-up Costs	12 – 18 months corporate overhead to reflect assumed period to realise the sale of NZO's oil and gas interests and the likely redundancy costs, committed leases and estimated wind-up costs ($2 million assumed wind-up costs for legal, tax advisory, NZX de-listing, and registry costs). Given the limited taxable income while realising assets, it is also assumed that NZO would not receive a tax benefit from these costs.
Cash	Same methodology as for the going concern valuation with adjustment for in-the-money partly paid shares (as determined by the implied net realisable value per share) and net interest income estimated over the assumed realisation period. We note that we have not adjusted NZO's assumed cash balance for NZO's $0.04 per share dividend payable in November 2017 in order to allow for a valid comparison of our standalone valuation to a liquidation value.

Source: Northington Partners.

Table 22 summarises the liquidation valuation scenario based on these assumptions. After allowing for discounting to reflect our assumption that NZO shareholders will receive the net proceeds of liquidation in 12 months (high end of liquidation value range) to 18 months (low end of liquidation range), we estimate a value of $0.67 to $0.84 per NZO share under a liquidation scenario.

Table 22: Liquidation Valuation Summary

	Value Range (NZ$m)		Value Range (NZ$ per share)	
	Low	High	Low	High
Kupe	$30.4	$35.2	$0.19	$0.22
Kisaran	$4.8	$9.5	$0.03	$0.06
NZ Exploration	$0.0	$6.6	$0.00	$0.04
Indonesian Exploration	$0.6	$2.8	$0.00	$0.02
Cue	$19.4	$23.3	$0.12	$0.14
Corporate Overheads & Wind-up Costs	($11.0)	($8.0)	($0.07)	($0.05)
Adjusted Net Cash	$81.8	$81.8	$0.50	$0.50

Net Realisable Value	$126.0	$151.2	$0.77	$0.93
Net Present Value	**$109.2**	**$137.5**	**$0.67**	**$0.84**
Shares on Issue (million)	163.3	163.3	163.3	163.3

Source: Northington Partners.

4.0 Assessment of the Merits of the OGOG Offer

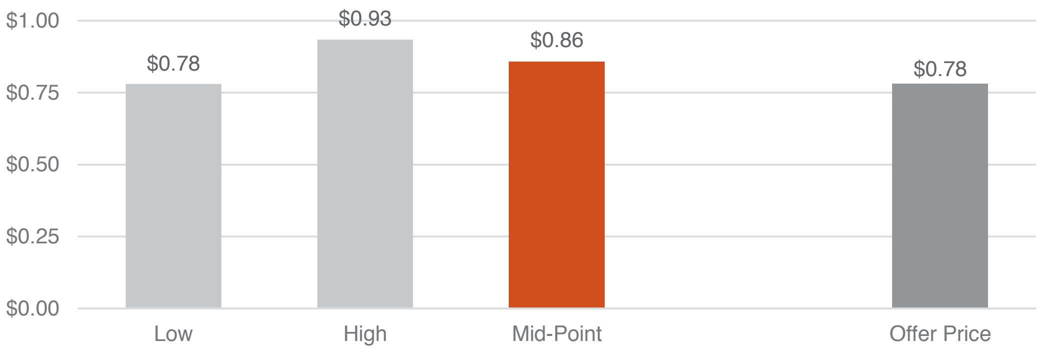
4.1. Comparison of OGOG Offer Relative to Assessed Value

As set out in Section 3.0, we have assessed the full underlying value of NZO shares in a range between $0.78 and $0.93 per share, with a mid-point of $0.86 per share.

The full underlying value is the price a person or entity would be expected to pay to acquire the company as a whole and accordingly includes a premium for control. The price offered by OGOG should be compared to the full underlying value of NZO given that, if the OGOG Offer is successful, OGOG will control greater than 50% of the voting rights in NZO and will have effective control over the business.

The OGOG Offer Price of $0.78 matches the bottom end of our assessed value range for the NZO shares. Figure 4 below compares the OGOG Offer Price (prior to the recently declared $0.04 per share dividend)[9] with our assessment of the full underlying value of NZO's shares.

Figure 4: Comparison of the OGOG Offer Price to Assessed Value Range



Source: Northington Partners.

We note that our assessed value range is based on the estimated market value of NZO's exploration permits today, in what is a largely subdued market environment. Notwithstanding the current exploration market value range, the ultimate value of NZO's exploration interests could fall outside this range. Exploration outcomes are typically binary, with successful outcomes generating substantial value but failure effectively resulting in zero value. Accordingly, the value of NZO's exploration interests (and more broadly the overall exploration program, including the expenditure commitments) could ultimately be significantly greater than the current estimates of value. On the other hand, it is also possible that the ultimate value will be far less than current estimates.

Based on a success case for one of NZO's exploration interests such as the Barque prospect, the value to NZO could be many magnitudes higher than the value incorporated into our value range. Furthermore, based on NZO's EMV's for its exploration interests (which reflects the probability of identifying farm-out partners, the probability of geological and commercial success and NZO's estimated final participating interest), the value to NZO of the exploration interests may be >$0.50 per NZO share higher than the value range above.

On the basis of our assessed value range and the potential value upside in relation to NZO's exploration assets, we therefore conclude the OGOG Offer Price of $0.78 is reasonable, but not overly compelling, from the NZO shareholders' point of view.

[9] Investors who own fully paid NZO shares at 5.00pm on 24 October 2017 will receive a $0.04 dividend per share (declared by the Company on 29 August 2017). As set out in the OGOG Offer document, the OGOG Offer Price will therefore reduce by $0.04 to $0.74 per share.

4.2. Implications for NZO Shareholders if the OGOG Offer is Successful

The OGOG Offer document sets out a summary of OGOG's intended strategy for NZO if its offer is successful. With a controlling position in the Company, OGOG has indicated that it will continue with a similar strategy to that currently adopted by NZO:

- In line with the view that now is a good time to invest in the oil and gas sector, the Company will look to pursue new investment and exploration opportunities which align with the Company's strategy;
- NZO will also continue to assess the development opportunities already held by the Company, with the aim of engaging with potential farm-out partners to potentially advance each prospect;
- OGOG has indicated that it has no current plans for NZO to return capital to shareholders.

As discussed further in Section 4.3 below, OGOG's intentions are quite different to those signalled by Zeta.

Other matters to consider if the OGOG Offer is successful include:

- NZO will remain a listed company with OGOG as a controlling shareholder.
- Under the creep provisions of the Code, OGOG may acquire up to a further 5% per annum of NZO starting 12 months after the completion of the OGOG Offer.
- the attraction of NZO as a takeover target could be impacted both positively and negatively if the OGOG Offer is successful. The presence of a single controlling shareholder is likely to dissuade any other party from making a competing offer. For any subsequent takeover offer for 100% of NZO from another party to be successful, it would require OGOG to sell its current, or any increased shareholding, in NZO to the new offeror. However, if that controlling shareholding were able to be acquired, control of NZO would pass directly to the new acquirer.

4.3. Comparison with the Zeta Offer

The Zeta Offer was made on 5 September 2017 and will remain open until 18 October 2017. Because the OGOG Offer will open before the Zeta Offer closes, NZO shareholders therefore effectively have three main choices:

i. accept the Zeta Offer for some or all of their shares; or

ii. accept the OGOG Offer for some or all of their shares; or

iii. do nothing in relation to both offers.

Based on the information provided by both bidders, the immediate and potential future outcomes for NZO shareholders will be quite different depending on which offer is successful. Table 23 summarises the key terms of each offer.

Table 23: Key Offer Terms

Key Term	OGOG Offer	Zeta Offer
Offer Price	$0.78 per share ($0.74 after payment of the $0.04 dividend)	$0.72 per share ($0.68 after payment of the $0.04 dividend)
Acceptances Target	67.55% of each class of share not already held or controlled by OGOG	42.0% of each class of share not already held or controlled by Zeta
NZO Strategy if Offer Successful	Invest in new and existing exploration and development opportunities	Wind-down exploration and development activity, return at least $50m to shareholders and reduce overheads

On the face of it, the OGOG Offer is superior to the Zeta Offer in a number of respects. Notably, the OGOG Offer Price is $0.06 per share higher and for those shareholders looking to realise some of their investment in NZO, the OGOG Offer provides an opportunity to sell a higher proportion of their shareholding. However, each shareholder's view of the offers will also be dependent on their assessment of the preferred strategy for the Company after completion of the respective offer periods. For those shareholders who want to retain an active exposure to the oil and gas sector, the better outcome would be for either the OGOG Offer to succeed or for both offers to fail. In both cases, NZO is likely to continue under the existing strategy; the major difference being that if the OGOG Offer is successful, then the minority shareholders' will have realised a portion of their existing investment and will have a lower on-going exposure to the Company.

However, if shareholders believe that the optimum strategy is to wind-down NZO's operations and return excess cash as quickly as possible, then the Zeta Offer may be preferred. The trade-off for shareholders under the Zeta Offer is that they will receive less for the shares accepted into the offer, but potentially receive a further capital return of approximately $0.31 per share in the short term (based on Zeta's plan to return another $50m).

4.4. Potential Outcomes of the OGOG Offer

OGOG is seeking a level of acceptances which, when taken together with the shares already held or controlled by OGOG, would provide it with 70% of the total voting rights in NZO. However, the OGOG Offer could be declared unconditional if acceptances were sufficient to provide OGOG with over 50% of the voting rights.

OGOG already directly owns 4.29% of the fully paid shares in NZO. There is also a total of 8.32 million partly paid shares on issue. This includes about 2.1 million of shares that have been forfeited by previous participants of the ESOP scheme and which are now held by the trustee of the scheme. All shares have been paid-up to $0.01 but have a range of issue prices. We suggest that only those holders of partly-paid shares which have an issue price lower than $0.78 per share should consider accepting the OGOG Offer. If the issue price of a tranche of partly paid shares is higher than $0.78, it would make no sense to accept the OGOG Offer because if the offer is declared unconditional, the shares would then need to be paid up to the issue price. This would result in a payment by the partly paid shareholder that is higher than the $0.78 payment that would be received.

On that basis, the total number of shares that are effectively subject to the Offer ("**Assumed Offer Shares**") is summarised in Table 24.

Table 24: Shares Subject to the Offer

	Number	Proportion of Current Voting Rights
Fully Paid Shares – Excluding OGOG	152,587,334	95.6%
Partly Paid Shares – Effectively Subject to OGOG Offer	3,811,000	2.4%
Assumed Offer Shares	**156,398,334**	**98.1%**

Source: NZO, OGOG *Offer Document, Northington Partners' Analysis*. Assumes forfeited partly paid shares do not participate.

There are obviously two broad outcomes under the OGOG Offer. Assuming all other relevant conditions are met, the offer will proceed if OGOG receives sufficient acceptances such that it will hold more than 50% of the total voting rights in NZO. If acceptances do not meet that threshold, the OGOG Offer will not proceed. Further discussion on each outcome is set out below.

4.4.1. Offer is Successful

In order for the OGOG Offer to meet the Minimum Acceptance Condition, we estimate that OGOG needs to receive acceptances for at least 47% of the Assumed Offer Shares. Acceptances for about 69% are needed to reach OGOG's 70% ownership target.

However, because OGOG has made a partial offer, the number of shares acquired from each accepting shareholder is dependent on the overall level of acceptances for each of NZO's share classes (fully paid and partly paid). If acceptances exceed the required level, then the number of shares that will be acquired from each shareholder may be subject to scaling, in accordance with the two-step process prescribed by the Code. Although the scaling process technically applies to both classes of shares, we note that in this case there will be no scaling for the partly paid shares because the 3.8 million shares that are effectively subject to the OGOG Offer represent less than 67.55% of the total partly paid shares on issue. That means that 100% of the partly paid shares that are accepted into the OGOG Offer are likely to be acquired by OGOG.

The scaling process for the fully paid shares is stipulated by Rule 12 of the Code, whereby OGOG would be required to firstly take up from each offeree the lesser of:

- 67.55% of a shareholder's shares accepted into the OGOG Offer; and
- all of the shares in respect of which the shareholder has accepted into the OGOG Offer.

If the number of Target Shares Sought has not been obtained following this process, OGOG will acquire further shares from accepting shareholders to bring the total voting rights acquired under the OGOG Offer up to the total voting rights conferred by the Target Shares Sought. In this calculation, only the proportional voting rights attached to the partly paid shares sought under the offer are counted towards the total voting rights conferred by the Target Shares Sought.

If OGOG receives acceptances that would confer more than the total voting rights conferred by the Target Shares Sought, then accepting shareholders who accept for more than 67.55% of their shares may have their acceptances scaled such that at the completion of the OGOG Offer, OGOG holds no more than the total voting rights conferred by the Target Shares Sought. Under this outcome, NZO shareholders who accept the OGOG Offer for more than 67.55% will not be able to sell all of the accepted shares.

Table 25 below shows examples of various levels of total acceptances of the OGOG Offer and the implications for OGOG's final position.

Table 25: Potential Scaling Under the OGOG Offer[1]

% of Assumed Offer Shares Accepted into the Offer[2]	% of Total Acceptances Acquired by OGOG	OGOG Shareholding at the Completion of the Offer
20.00%	0.0%	4.3%
30.00%	0.0%	4.3%
40.00%	0.0%	4.3%
50.00%	100.0%	52.1%
60.00%	100.0%	61.7%
67.55%	100.0%	68.9%
70.00%	97.6%	69.7%
80.00%	85.4%	69.7%
90.00%	75.9%	69.7%

Source: Northington Partners analysis.
[1]Assumes that all in-the-money partly paid shares issued at $0.78 per share or less are accepted into the OGOG Offer and converted to fully paid shares. This amounts to 3.8 million or 46% of all partly paid shares. No other partly paid shares are assumed to convert or accept into the OGOG Offer.
[2]Total Acceptances include assumed acceptances by partly paid shareholders as above.

Potential outcomes for individual shareholders are summarised in Table 26, showing the level of scaling that may be applied to each shareholder as a function of that shareholder's level of acceptances. This scaling regime applies to all shareholders, meaning that all shareholders are treated equally in a partial offer regardless of their shareholding level.

Table 26: Potential Scaling Outcomes for Individual Shareholders[1]

% of Assumed Offer Shares Accepted into the Offer	Individual Shareholder Accepts for 20% of Total Shareholding	Individual Shareholder Accepts for 67.55% of Total Shareholding	Individual Shareholder Accepts for 75% of Total Shareholding	Individual Shareholder Accepts for 100% of Total Shareholding
20.00%	0%	0%	0%	0%
30.00%	0%	0%	0%	0%
40.00%	0%	0%	0%	0%
50.00%	100%	100%	100%	100%
60.00%	100%	100%	100%	100%
67.55%	100%	100%	100%	100%
70.00%	100%	100%	100%	99%
80.00%	100%	100%	92%	72%
90.00%	100%	100%	91%	70%

Source: Northington Partners analysis.

Table 26 illustrates that if acceptances are greater than 67.55% of NZO's shares not already owned or controlled by OGOG, then a shareholder who accepts all of their shares into the OGOG Offer will only have certainty that 67.55% of their shares would be acquired. The level of scaling beyond that point increases as the overall acceptance level increases (e.g. in the unlikely case all shareholders accepted the OGOG Offer for all of their shares, OGOG will only acquire 67.55% of each shareholder's shares). Accordingly, there is no certainty as to the proportion of shares an accepting shareholder will be able to sell if the OGOG Offer is successful.

4.4.2. Offer is Unsuccessful

If acceptances do not reach the required level, the OGOG Offer will lapse and OGOG will obviously reconsider its options. While it may decide to increase its offer price during the offer period, there is no certainty it would do so.

4.5. Other Considerations as to the Merits of the OGOG Offer

The OGOG Offer Price of $0.78 matches the bottom end of our assessed underlying value range for the NZO shares. Even if they believed that the price was not compelling, some shareholders may see the OGOG Offer as an opportunity to sell at least some of their shareholding at a guaranteed price (without brokerage costs). As summarised in Section 2.9, the NZO shares are relatively illiquid and are likely to become even more illiquid in the event that the OGOG Offer is successful.

We also suggest that the NZO shares are likely to trade at a value lower than $0.78 over at least the short term, irrespective of whether the OGOG Offer is successful or not. Again, for those shareholders who are seeking to realise some cash from their NZO investment, accepting the OGOG Offer for part of their shareholding could be considered even if the OGOG Offer Price was perceived to be lower than the underlying value of the shares.

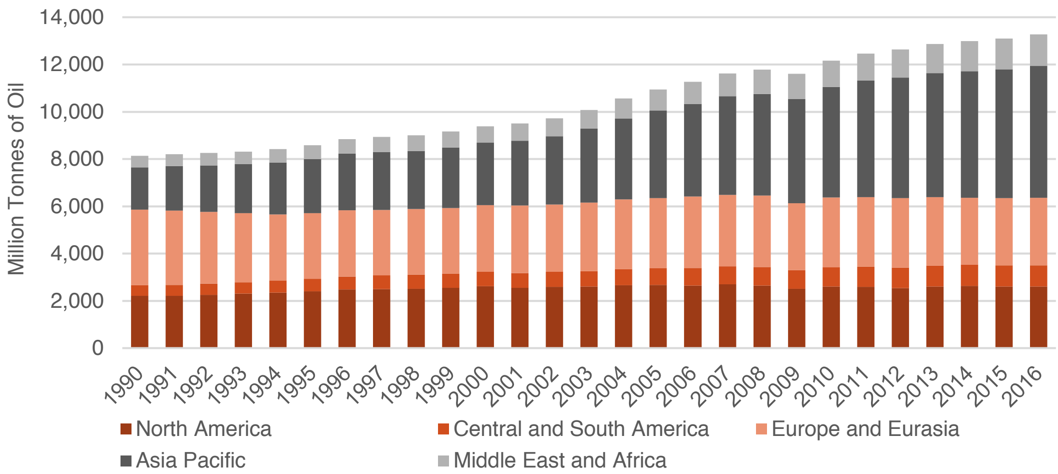
Appendix 1. Industry Profile

1.0 Global Context

1.1 Global Energy Market

Figure 5 summarises global energy consumption by geographic region since 1990, and shows annual total consumption growth of 1.9% over the 27 year period. The majority of the growth has been driven by China and other developing economies. Consumption briefly declined in 2009 due to the impact of the global financial crisis, and since then the level of consumption growth has slowed. In 2016, the world consumed energy equivalent to 13,300 million tonnes of oil.

Figure 5: Global Energy Consumption by Geographic Region



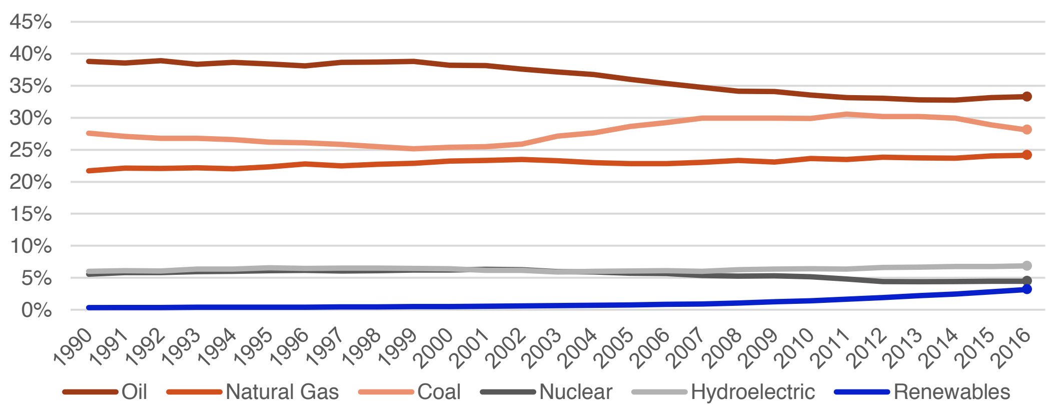
Source: BP Statistical Review of World Energy 2017 (note that 1 tonne of oil is equivalent to 7.33 barrels).

1.2 Consumption by Fuel Source

Sources of energy can be generally classified into 6 major types: oil, natural gas, coal, nuclear, hydroelectric and renewables. In recent years, there has been increasing concern regarding the sustainability of traditional fuel sources and their impact on climate change. As such, both the business and government sectors have made conscious efforts to move consumption and production to renewables, natural gas and other more environmentally friendly fuel sources. This shift has been aided by volatile market prices for traditional fuels.

Oil has been the most impacted by this shift, with its share of global consumption falling from 39% in 1990 to 33% in 2016. Nonetheless, it remains the single largest fuel source. In contrast, renewables and natural gas have increased their share by 2.8% and 2.4% respectively since 1990. Figure 6 shows the share of energy consumption by fuel source since 1990.

Figure 6: Share of Global Energy Consumption by Fuel Source

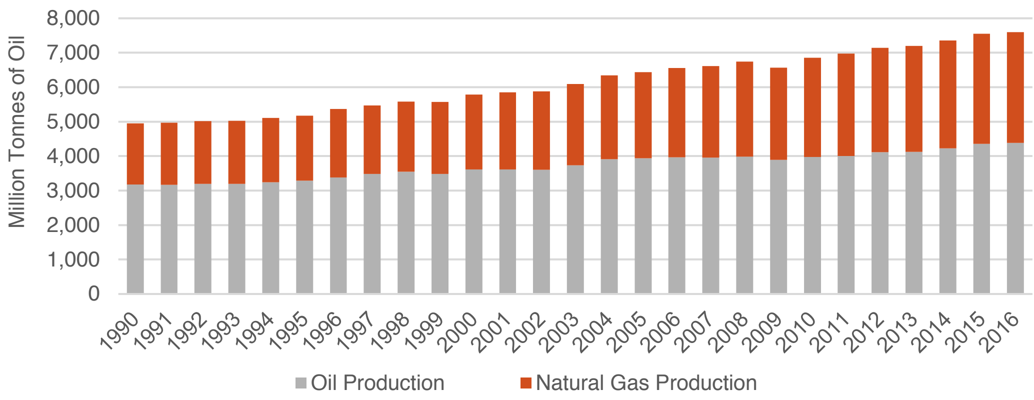


Source: BP Statistical Review of World Energy 2017. 1 tonne of oil is equivalent to 7.33 barrels.

1.3 Production of Hydrocarbons

Hydrocarbons refer to oil and gas together. Both fuel types are closely associated because they represent deposits beneath the Earth's surface, and are often explored for, developed and produced together. Figure 7 shows the global production of oil and gas since 1990. To meet changing demand favouring cleaner fuels, producers have increased natural gas production at a greater rate than oil. Natural gas production has grown by 2.3% annually since 1990, compared to 1.2% for oil.

Figure 7: Global Production of Hydrocarbons



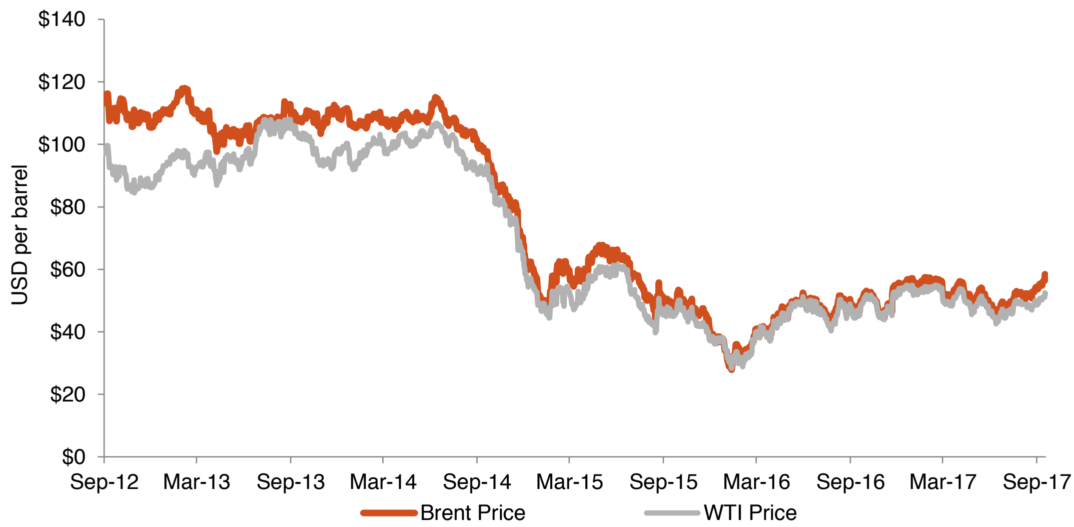
Source: BP Statistical Review of World Energy 2017.

1.4 Oil Prices

There are two international benchmarks for oil prices: Brent Crude (**"Brent"**) and West Texas Intermediate ("**WTI**"). Brent is a light, sweet (or low sulphur) crude representing a blend of North Sea oils and is used as a price reference for roughly two-thirds of global crude oil contracts. WTI is also a light, sweet crude that reflects a blend of various oils delivered at Cushing, Oklahoma in the United States. Globally, Brent is increasingly being favoured as a reference price over WTI. Light, sweet crudes are suitable for gasoline and diesel production and trade at a premium.

Figure 8 shows the spot prices for Brent and WTI over the last 5 years. The Brent price has more than halved since its high of US$118 per barrel in February 2013. After a slight rise in 2015 and a short dip in 2016, the price appears to have stabilised over 2017. WTI typically tracks closely to Brent and has followed similar price movements. The divergence between Brent and WTI in 2012 and 2013 was due to WTI being more tied to US production. High levels of production in the US created excess supply, and as Cushing is land-locked, its transferability to international markets is limited.

Figure 8: Historical Benchmark Oil Spot prices



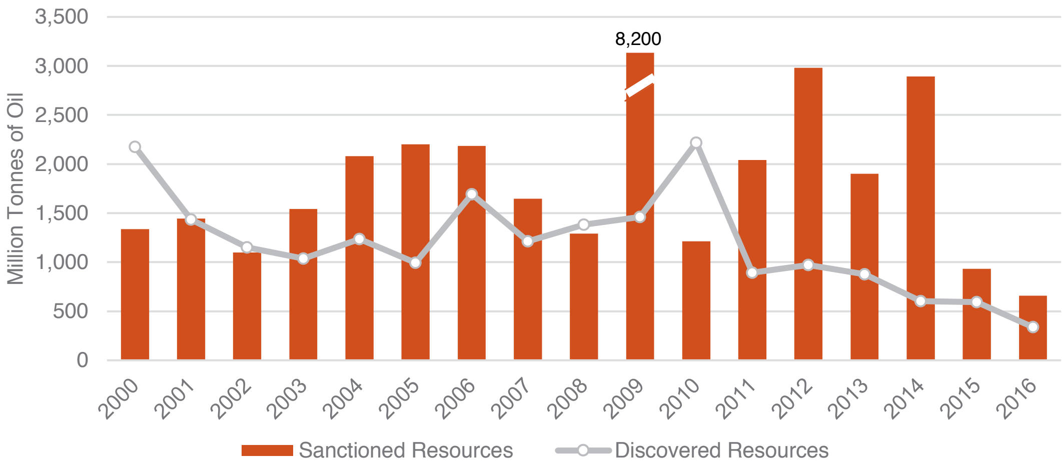
Source: Capital IQ.

1.5 Oil Exploration

Oil and gas exploration firms typically commit investment to initially explore for and discover hydrocarbon deposits, followed by a growing focus on developing the deposit such that the resources can be extracted and produced. The level of investment by oil and gas exploration firms is largely driven by expected achievable prices. The low oil price sustained over the last two to three years has resulted in an extended period of limited investment, driving the amount of oil discovered and projects sanctioned to record lows in 2016. Sanctioned resources are sites that have been given government consent for development and which have passed the final investment hurdles by the permit holder to develop the site.

Figure 9 shows discovered resources and the level of projects sanctioned for the development of conventional crude oil globally since 2000. In 2016, only 340 million tonnes of oil were discovered, representing just 27% of the average discoveries over the last 15 years. Furthermore, the level of conventional projects sanctioned fell to 660 million tonnes, the lowest level in over 70 years. Exploration investment is anticipated to further decline over 2017, which would result in another year of low oil discoveries.

Figure 9: Global Conventional Crude Oil Discovered and Sanctioned



Source: International Energy Agency, Rystad Energy.

2.0 Petroleum Reserves and Resources

In hydrocarbon exploration, an opportunity's resource potential is broadly conveyed through a two-way classification that describes the probability of extracting oil and gas from each opportunity. This framework has been established by the Society of Petroleum Engineers and is typically used to comply with stock exchange reporting requirements for oil and gas exploration companies.

The first classification differentiates between reserves, contingent resources and prospective resources:

- **Reserves** are the discovered petroleum quantities that are commercially feasible to develop and extract under defined (typically existing) economic and technical conditions.
- **Contingent resources** are the discovered petroleum quantities where commercial development is not yet feasible due to one or more contingencies. Contingencies may include a lack of viable markets or extraction which relies on technology currently under development.
- **Prospective resources** are the estimated undiscovered petroleum quantities that may be potentially recoverable.

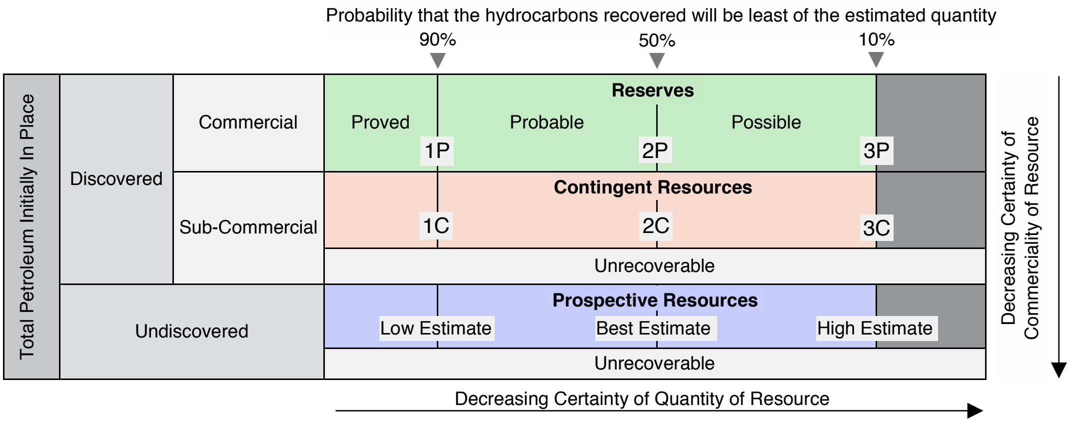
Petroleum resources are then further categorised according to the technical uncertainty in the estimates of quantities of recoverable, or potentially recoverable, petroleum. This is established by deterministic or probabilistic methods, and is applied to reserves, contingent resources and prospective resources to categorise each of them into three groups:

- Where there is at least a 90% probability that quantities actually recovered will exceed the estimated quantity. This is known as Proved (1P), 1C and Low Estimate for reserves, contingent resources and prospective resources respectively.
- Where there is at least a 50% probability that quantities actually recovered will exceed the estimated quantity. This is known as Probable (2P), 2C and Best Estimate.

- Where there is at least a 10% probability that quantities actually recovered will exceed the estimated quantity. This is known as Possible (3P), 3C and High Estimate.

Figure 10 summarises the classification of petroleum in exploration.

Figure 10: Classification of Hydrocarbon Resources

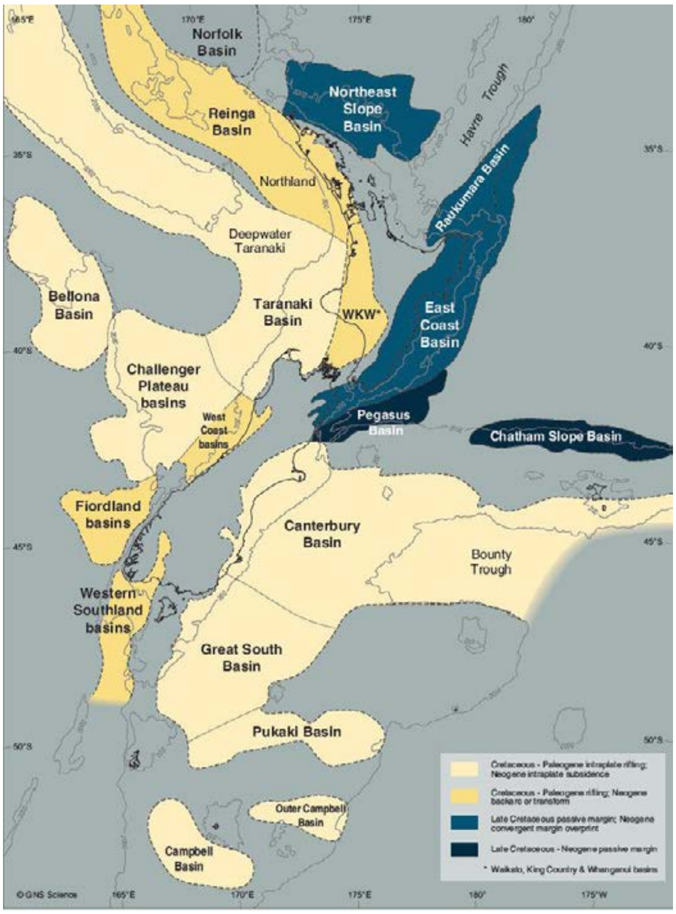


Source: Society of Petroleum Engineers

3.0 New Zealand Hydrocarbon Basins

New Zealand has 19 sedimentary basins with known or potential hydrocarbon deposits covering an area of approximately 2,000,000 km^2, predominately located off-shore. These basins are outlined in Figure 11.

Figure 11: New Zealand Hydrocarbon Basins



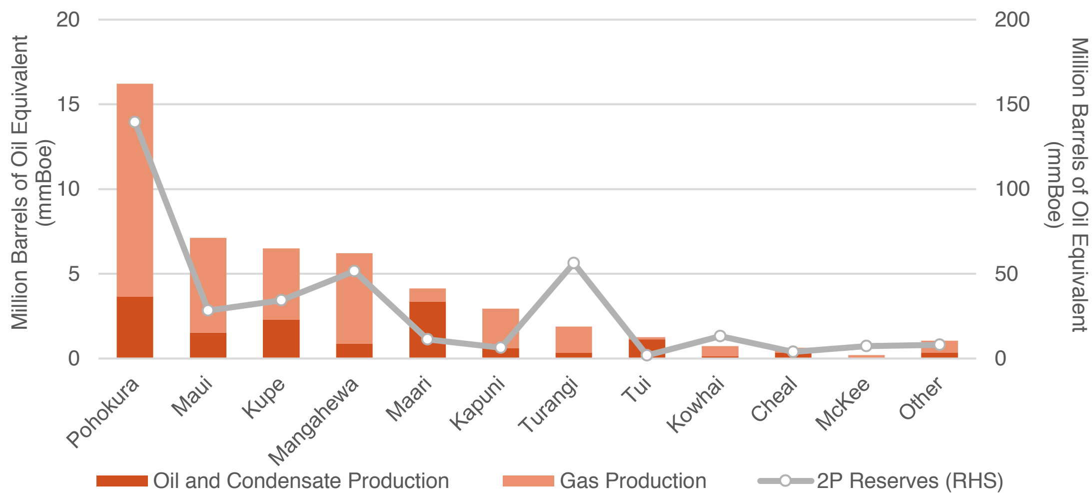
Source: New Zealand Ministry of Economic Development.

Exploration and production activity in New Zealand has traditionally been concentrated in the 330,000 km^2 Taranaki Basin, the only location to have had commercial production to date. The Taranaki Basin was first drilled in 1865 and has continuously produced since 1900. The basin was spurred by large discoveries in the 1960s, including the Maui gas-condensate field which was at the time classified as one of the world's large gas fields.

In 2016, the Taranaki Basin produced an equivalent of 48.9 million barrels of oil (or 134,000 barrels per day) across 20 fields. Gas production contributed 70% of this total, with oil and liquids making up the remaining 30%. While Maui historically contributed most of the reserves, the field is now in decline. The largest current fields are the Pohokura and Turangi fields, which contain 52% of New Zealand's total current 2P reserves.

The top producing fields in New Zealand are outlined in Figure 12 ranked by 2016 production and illustrating current 2P reserves.

Figure 12: New Zealand Producing Oil and Gas (Including LPG) Fields

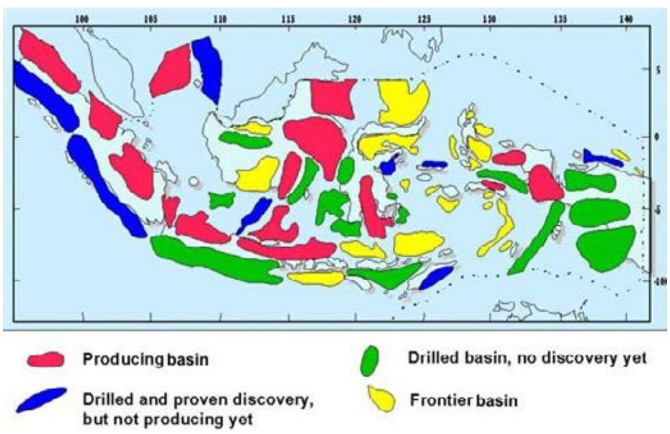


Source: New Zealand Ministry of Business, Innovation and Employment – Energy in New Zealand 2016.
2P Reserves are at 1 January 2017 and have been estimated by subtracting 2016 production from published reserves as at 1 January 2016.

4.0 Indonesian Hydrocarbon Basins

Indonesia is the world's 22'nd largest producer of oil and the 12'th largest producer of gas, with total production in 2016 of 40 and 63 million tonnes of oil equivalent respectively. The country has 60 sedimentary basins with known or potential hydrocarbon deposits, of which 38 have been explored. Of these 38 explored basins, 15 are producing oil and gas. Exploration and production is heavily concentrated in Western Indonesia, with the region containing 75% of all activity, including 11 of the 15 producing basins. Western Indonesia has been favoured as its basins are mostly on-shore or in shallow water and are relatively large. In contrast, Eastern Indonesia's basins are smaller and 80% of them are deep-sea basins. Figure 13 summarises the hydrocarbon basins across the region.

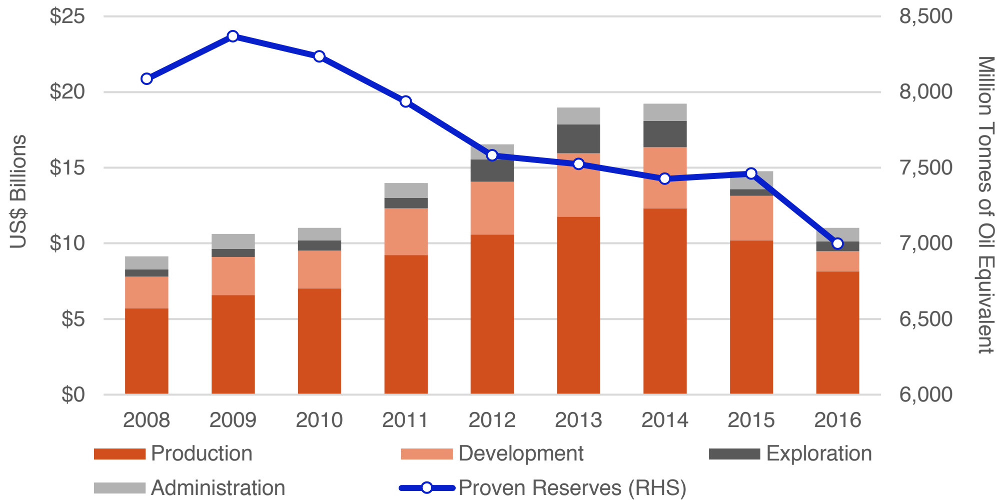
Figure 13: Indonesian Hydrocarbon Basins



Source: Coordinating Committee for Geoscience Programmes in East and Southeast Asia

As at 1 January 2016, there are total recoverable oil reserves of 3.1 billion Boe and gas reserves of 8.3 billion Boe across these 60 basins. The Indonesian government has therefore been actively promoting and incentivising investment in oil and gas exploration and development. It has created tax incentives and simplified permit regulations in order to increase the rate at which new proven oil and gas reserves are established relative to its increasing production levels. Figure 14 shows the investment in upstream oil and gas operations in Indonesia and the level of proven reserves; this illustrates that low oil prices have impacted heavily on exploration and development investment over the last few years. Consequently, Indonesia's level of proven reserves has declined due to current production greatly exceeding new discoveries.

Figure 14: Indonesian Upstream Oil and Gas Investment and Proven Reserves



Source: SKK Migas, Directorate General of Oil and Gas of Indonesia

5.0 Indonesia Oil and Gas Production Sharing Contract Regime

Petroleum projects under the Indonesian production sharing contract ("**PSC**") regime are subject to certain terms. The following generally apply to NZO's production sharing contracts:

- First Tranche Petroleum: the Indonesian government receives 37.5% of the first 20% of gas produced and 64.3% of the first 20% of oil produced. The contractor retains the balance;
- Cost recovery: the contractor recovers operating costs and depreciation of capital expenditure from petroleum revenue;
- Gas Domestic Market Obligation: the contractor's share of gas is sold on the domestic market at a price negotiated between the contractor and the customer;
- Oil Domestic Market Obligation: the contractor's share of 25% of gross production is sold at a 15% discount to the market price. There are no restrictions in relation to the balance of the contractor's share of oil production;
- Profit share: the remaining petroleum after the deductions above is split between the Government of Indonesia and the contractor at the same rates as those applicable to the First Tranche Petroleum;
- the contractor's profits are taxed at the corporate tax rate of 44%; and
- no withholding taxes apply to cash repatriated to the contractor's home tax domicile.

Appendix 2. Sources of Information Used in this Report

Other than the information sources referenced directly in the body of the report, this assessment is also reliant on the following sources of information:

- Annual reports for NZO for 2013, 2014, 2015, 2016 and 2017
- Discussions with senior management personnel of NZO and its advisers
- The NZO website
- A final Draft Target Company Statement to be sent to NZO shareholders, containing details of the OGOG Offer
- Independent Report from RISC for the benefit of Northington Partners in relation to certain exploration interests of NZO
- Various other documents that we considered necessary for the purposes of our analysis

Appendix 3. Input Parameters for Required Rate of Return

Assumption	Discussion
Risk Free Rate	Estimated at 2.5%, based on the current yield to maturity for 5-year NZ Government Bonds.
Market Risk Premium	7% based on a range of market-based observations including the Commerce Commission's market risk premium applied to regulated industries in New Zealand.
Asset Beta	Considering asset betas for comparable companies, we have adopted an asset beta of 1.0 to 1.2 for NZO.
Debt/Equity Mix	Oil and gas companies either have cash reserves or relatively low gearing. Those companies with significant exploration activities and little if any production usually hold cash to fund those activities. Companies with substantial production businesses and greater certainty of cash flow often do carry debt. However, on balance we have assumed no gearing (i.e. the required rate of return for NZO reflects the cost of equity).

Appendix 4. Declarations, Qualifications and Consents

Declarations

This report is dated 10 October 2017 and has been prepared by Northington Partners at the request of the directors of NZO to fulfil the reporting requirements pursuant to Rule 21 of the Code. This report, or any part of it, should not be reproduced or used for any other purpose. Northington Partners specifically disclaims any obligation or liability to any party whatsoever in the event that this report is supplied or applied for any purpose other than that for which it is intended.

Prior drafts of this report were provided to NZO for review and discussion. Although minor factual changes to the report were made after the release of the first draft, there were no changes to our methodology, analysis, or conclusions.

This report is provided for the benefit of all of the shareholders of NZO (other than OGOG or any entity associated with OGOG) that are subject to the OGOG Offer, and Northington Partners consents to the distribution of this report to those people. The engagement terms did not contain any term which materially restricted the scope of our work.

Qualifications

Northington Partners provides an independent corporate advisory service to companies operating throughout New Zealand. The company specialises in mergers and acquisitions, capital raising support, expert opinions, financial instrument valuations, and business and share valuations. Northington Partners is retained by a mix of publicly listed companies, substantial privately held companies, and state owned enterprises.

The individuals responsible for preparing this report are Greg Anderson B.Com, M.Com (Hons) and Ph.D and Jonathan Burke B.Com (Hons), BCM. Each individual has a wealth of experience in providing independent advice to clients relating to the value of business assets and equity instruments, as well as the choice of appropriate financial structures and governance issues.

Northington Partners has been responsible for the preparation of numerous independent reports in relation to takeovers, mergers, and a range of other transactions subject to the Takeovers Code and NZX Listing Rules.

Independence

Northington Partners has not been previously engaged on any matter by NZO, OGOG or any other party to the OGOG Offer that could affect our independence. None of the Directors or employees of Northington Partners have any other relationship with any of the directors or substantial security holders of the parties involved in the OGOG Offer.

The preparation of this Rule 21 report will be Northington Partners' only involvement in relation to the OGOG Offer. Northington Partners will be paid a fixed fee for its services which is in no way contingent on the outcome of our analysis or the content of our report.

Northington Partners does not have any conflict of interest that could affect its ability to provide an unbiased report.

Disclaimer and Restrictions on the Scope of Our Work

In preparing this report, Northington Partners has relied on information provided by NZO. Northington Partners has not performed anything in the nature of an audit of that information, and does not express any opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

Northington Partners has used the provided information on the basis that it is true and accurate in material respects and not misleading by reason of omission or otherwise. Accordingly, neither Northington Partners nor its directors, employees or agents, accept any responsibility or liability for any such information being inaccurate, incomplete, unreliable or not soundly based or for any errors in the analysis, statements and opinions provided in this report resulting directly or indirectly from any such circumstances or from any assumptions upon which this report is based proving unjustified.

We reserve the right, but will be under no obligation, to review or amend our report if any additional information which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.

Indemnity

NZO has agreed to indemnify Northington Partners (to the maximum extent permitted by law) for all claims, proceedings, damages, losses (including consequential losses), fines, penalties, costs, charges and expenses (including legal fees and disbursements) suffered or incurred by Northington Partners in relation to the preparation of this report, except to the extent resulting from any act or omission of Northington Partners finally determined by a New Zealand Court of competent jurisdiction to constitute negligence or bad faith by Northington Partners.

NZO has also agreed to promptly fund Northington Partners for its reasonable costs and expenses (including legal fees and expenses) in dealing with such claims or proceedings upon presentation by Northington Partners of the relevant invoices.

APPENDIX 2: SIMMONS CORPORATE FINANCE REPORT ON FAIRNESS BETWEEN CLASSES

SIMMONS CORPORATE FINANCE

O. G. Oil & Gas (Singapore) Pte. Ltd.

Independent Adviser's Report

Prepared Pursuant to Rule 22 of the Takeovers Code in Relation to a Partial Takeover Offer for New Zealand Oil & Gas Limited

October 2017

Purpose of the Report

This report is **not** a report on the merits of the offer.

This report has been commissioned by the offeror, O. G. Oil & Gas (Singapore) Pte. Ltd.

The purpose of this report is solely to compare the consideration and terms offered for the different classes of voting securities and to certify as to the fairness and reasonableness of that consideration and terms as between the different classes of voting securities.

A separate Independent Adviser's Report on the merits of the offer, commissioned by the directors of New Zealand Oil & Gas Limited, must accompany New Zealand Oil & Gas Limited's target company statement.

The offer should be read in conjunction with this report and the separate Independent Adviser's Report on the merits of the offer.

Statement of Independence

Simmons Corporate Finance Limited confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased report
- has no direct or indirect pecuniary or other interest in the proposed transaction considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Simmons Corporate Finance Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Takeovers Panel, that it is independent under the Takeovers Code for the purposes of preparing this Independent Adviser's Report.

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Section **Page**

1. Introduction

1.1 Background

O. G. Oil & Gas (Singapore) Pte. Ltd. (**OGOG** or the **Company**) is a wholly owned subsidiary of O. G. Oil & Gas Limited, which is the oil and gas arm of Ofer Global Group (**Ofer**). Ofer is a private portfolio of international businesses chaired by Eyal Ofer. In addition to its oil and gas activities, Ofer has interests globally in shipping, real estate, hospitality, banking and financial investments. O. G. Oil & Gas Limited was established to hold Ofer's oil and gas exploration and production interests.

New Zealand Oil & Gas Limited (**NZOG**) is a New Zealand based oil and gas exploration and production company. Its subsidiary has entered into a conditional agreement to acquire a 4% interest in the Kupe oil and gas field located in the offshore Taranaki basin and is participating in 2 deep water prospects off the South Island (including the Barque prospect). NZOG holds a 50.04% shareholding in ASX listed Cue Energy Resources Limited.

NZOG's fully paid ordinary shares (the **Fully Paid Shares**) are listed on the main equities security market (the **NZX Main Board**) operated by NZX Limited (**NZX**). NZOG had a market capitalisation of $119 million as at 6 October 2017.

1.2 OGOG Offer

Takeover Notice

OGOG issued a notice of its intention to make a partial takeover offer for the equity securities on issue in NZOG on 18 September 2017 (the **Takeover Notice**) which, if successful, will result in OGOG holding or controlling a majority of the voting rights in NZOG (the **OGOG Offer**).

NZOG Capital Structure

NZOG's share capital consists of:

- 159,528,718 Fully Paid Shares
- 8,320,000 partly paid shares (the **Partly Paid Shares**).

Fully Paid Shares

NZOG completed a return of capital by way of a court-approved scheme of arrangement on 12 May 2017, whereby it cancelled one in every 2 Fully Paid Shares. 159,426,525 Fully Paid Shares were cancelled and a total of $99,999,317 was paid to shareholders.

Partly Paid Shares

NZOG operates an employee share ownership plan (the **ESOP**) which is open to nominated employees (the **Participants**), under which Partly Paid Shares are issued to the Participants.

The Partly Paid Shares are not listed on the NZX Main Board.

The Partly Paid Shares constitute a separate class of voting securities for the purposes of the Takeovers Code (the **Code**).

OGOG Shareholding in NZOG

OGOG currently holds or controls 6,841,384 Fully Paid Shares, representing 4.29% of the Fully Paid Shares.

OGOG currently does not hold or control any Partly Paid Shares.

Terms of OGOG Offer

Partial Offer

The OGOG Offer is for 67.55% of the Fully Paid Shares and Partly Paid Shares that it currently does not hold or control (the **Specified Percentage**).

When added to the 6,841,384 Fully Paid Shares which OGOG currently holds or controls, the Specified Percentage would result in OGOG holding or controlling 70.00% of all of the Fully Paid Shares if the OGOG Offer becomes unconditional.

Consideration

OGOG will offer cash of $0.78 for each Fully Paid Share (the **Offer Price**).

OGOG is not offering to purchase any Partly Paid Shares on the basis they remain partly paid. As discussed below, it is a term of the OGOG Offer that any Partly Paid Shares accepted into the offer must be fully paid (the **Fully Paid Term**).

Conditions

The OGOG Offer is conditional upon OGOG receiving acceptances that would, when taken together with the voting securities already held or controlled by OGOG, confer more than 50% of the voting rights in NZOG (the **Minimum Acceptance Condition**).

The Fully Paid Term requires that any holder of Partly Paid Shares who wishes to accept the offer must pay up in full those Partly Paid Shares that are accepted into the offer. However, holders of Partly Paid Shares may accept their Partly Paid Shares into the OGOG Offer pending a determination as to whether the offer is successful and is declared unconditional (the **Unconditional Offer Provision**). If the offer is not declared unconditional, all Partly Paid Shares will remain subject to the ESOP and the original terms of their issue. At any time prior to the offer being declared unconditional any such acceptances may be withdrawn by notice in writing.

If the OGOG Offer is declared unconditional, acceptances by holders of Partly Paid Shares may not be withdrawn and will be taken into account for the purposes of scaling (if required). At that point, the Partly Paid Shares must be fully paid in accordance with the Fully Paid Term. For this purpose such holders will be notified of that number of shares (after scaling) which will be acquired by OGOG under the holder's acceptance.

Where the issue price of the relevant Partly Paid Shares (the **Issue Price**) proposed to be accepted exceeds the Offer Price, the relevant shareholder must pay the excess to Computershare Investor Services Limited (the **Registrar**) within 5 days of being so notified in order to satisfy the Fully Paid Term.

In all cases the relevant holder of Partly Paid Shares will be deemed to have directed OGOG to pay the Offer Price on behalf of the shareholder to the Registrar for on-payment to the Company in satisfaction of the Issue Price to the extent necessary. Where the Issue Price is less than the Offer Price, the Registrar will pay the balance to the relevant holder of the Partly Paid Shares.

The OGOG Offer is also conditional on a series of other conditions that are standard for an offer of this type.

1.3 Regulatory Requirements

NZOG is a listed company on the NZX Main Board and is a *code company* as defined by Rule 3 of the Code. The takeover process contemplated by OGOG must therefore comply with the provisions set out in the Code.

Rule 9(2) of the Code prescribes that a partial offer must be extended to all holders of voting securities of the target company other than the offeror.

Furthermore, Rule 9(4) of the Code prescribes that if there is more than one class of voting securities of the target company, a partial offer must be made for a specified percentage of the voting securities of each class not already held or controlled by the offeror, and such specified percentage must be the same percentage in respect of each class.

Rule 9(5) of the Code prescribes that the consideration and terms offered for each class of voting securities of the target company must be fair and reasonable as between classes of voting securities.

In this particular case, the Code requires that the consideration and terms offered for the Partly Paid Shares must be fair and reasonable compared with the consideration and terms offered for the Fully Paid Shares.

As the offeror, OGOG must obtain a report pursuant to Rule 22 of the Code from an independent adviser which certifies that, in the adviser's opinion, the offer complies with Rule 9(5).

1.4 Purpose of the Report

OGOG's board of directors (the **Board**) has engaged Simmons Corporate Finance Limited (**Simmons Corporate Finance**) to prepare an Independent Adviser's Report to opine on whether the consideration and terms offered for the Fully Paid Shares and the Partly Paid Shares are fair and reasonable as between the 2 classes of voting securities under the OGOG Offer in accordance with Rule 22 of the Code.

A Rule 22 Independent Adviser's Report is not required to consider the merits of the OGOG Offer and we offer no opinion on whether the Offer Price is fair and reasonable.

Simmons Corporate Finance was approved by the Takeovers Panel on 13 September 2017 to prepare the Independent Adviser's Report.

This report replaces our previous report dated 18 September 2017 and has been amended to reflect the revised terms of the OGOG Offer announced on 9 October 2017.

The Independent Adviser's Report is not to be used for any other purpose without our prior written consent.

2. Evaluation of the Offer as Between Classes of Voting Securities

2.1 Basis of Evaluation

Rule 22 of the Code requires that the Independent Adviser's Report certifies that the consideration and terms offered for the Fully Paid Shares and the Partly Paid Shares are *fair and reasonable* as between the 2 classes of voting securities.

There is no legal definition of the term *fair and reasonable* in either the Code or in any New Zealand statute dealing with securities or commercial law.

In the absence of an explicit definition of *fair and reasonable*, guidance can be taken from:

- the Takeovers Panel *Guidance Note on Independent Advisers and the Takeovers Code* dated 20 June 2017
- definitions designed to address similar issues within New Zealand regulations which are relevant to the proposed transaction
- overseas precedents
- the ordinary meaning of the term *fair and reasonable*.

Our assessment of whether the consideration and terms offered for the Fully Paid Shares and the Partly Paid Shares are fair and reasonable as between the 2 classes of voting securities is as follows:

- firstly, the assessment of the **consideration** offered under the OGOG Offer relating to the Fully Paid Shares in comparison with the Partly Paid Shares is irrelevant in this case due to the Fully Paid Term. All shareholders are being offered cash of $0.78 per Fully Paid Share. There is no consideration offered for the Partly Paid Shares
- secondly, with regard to the assessment of the **terms** of the OGOG Offer relating to the Fully Paid Shares in comparison with the Partly Paid Shares, all of the terms are identical other than the Fully Paid Term and the Unconditional Offer Provision. Accordingly, our assessment focusses on whether the Fully Paid Term and the Unconditional Offer Provision are fair and reasonable from the perspective of:
  - the holders of Partly Paid Shares
  - the holders of Fully Paid Shares
- we then conclude as to whether the Fully Paid Term and the Unconditional Offer Provision are fair and reasonable as between the 2 classes of voting securities.

2.2 Summary of Evaluation

The main difference between the terms offered to the 2 classes of voting securities is that in the case of the Partly Paid Shares, acceptances may be tendered subject to the proviso that the OGOG Offer is declared unconditional. The Unconditional Offer Provision means that holders of Partly Paid Shares are not required to fully pay up their shares until they have certainty that the OGOG Offer will proceed and that their shares will be accepted into the offer. Once the offer is unconditional, the holders of Partly Paid Shares must arrange for the tendered and accepted Partly Paid Shares to be paid up, but this may occur through the application of the Offer Price.

We are of the view that the Unconditional Offer Provision in conjunction with the Fully Paid Term places the holders of the Partly Paid Shares in the same position as the holders of the Fully Paid Shares:

- the Unconditional Offer Provision ensures that there is no financial outlay for the holders of Partly Paid Shares until they are certain that their Partly Paid Shares will be accepted into the offer
- the Fully Paid Term ensures that the holders of Partly Paid Shares will receive the same consideration as the holders of Fully Paid Shares, from which the amounts outstanding on the Partly Paid Shares (the **Unpaid Amounts**) will be deducted.

2.3 Opinion

In our opinion, the consideration and terms offered for the Fully Paid Shares and the Partly Paid Shares are fair and reasonable as between the 2 classes of voting securities.

We certify that in our opinion, the OGOG Offer complies with Rule 9(5).

2.4 Partly Paid Shares

Key Terms

Partly Paid Shares are issued to the Participants at a specified issue price based on a 20% premium to the 20 trading days volume weighted average share price (**VWAP**) prior to the date on which the Partly Paid Shares are allocated (the **Initial Issue Price**).

The Participants pay $0.01 per share when the Partly Paid Shares are issued.

The Partly Paid Shares are held for the Participants' beneficial interest by NZOGG Services Limited (the **Plan Company**) in its capacity as trustee of the ESOP.

After a 2 year escrow period, and under certain conditions, the Participant has the option to fully pay for the shares. The option lasts for 3 years.

The Partly Paid Shares' voting rights and rights to dividends or other distributions by NZOG are proportionate to the amount paid compared with the Initial Issue Price.

Subject to limited exceptions set out in the ESOP rules, the Partly Paid Shares cannot be assigned, transferred or disposed of without the approval of NZOG's nomination and remuneration committee.

The actual issue price payable by a Participant (the **Final Issue Price**) is the lower of:

- the Initial Issue Price, and
- the higher of:
  - the last sale price of the Fully Paid Shares on the date when the final payment of the Final Issue Price must be paid (the **Final Date**) and
  - 85% of the 5 trading days VWAP prior to the Final Date, and
- where the Partly Paid Shares are held by the Plan Company at the time the final portion of the Issue Price is paid, the amount that the Plan Company is able to obtain as payment for the shares from the Participant or by the then sale of those shares.

If a Participant wishes to pay up the balance of the Issue Price prior to the Final Date, then the Participant must pay the balance of the Initial Issue Price.

Upon the payment of the Unpaid Amounts, the shares become Fully Paid Shares and are transferred from the Plan Company to the Participant.

If there has been a change in effective control of NZOG (which includes a party announcing its intention to acquire an interest of 20% or more of NZOG's shares by way of a written takeover offer) (the **Change in Effective Control Provision**), then each Participant may require the Plan Company to:

- sell any shares held in the ESOP for the Participant and forward the net proceeds of the sale to the Participant, or
- subject to payment of any amount outstanding in respect of such Partly Paid Shares, transfer those resultant shares to the Participant.

Our interpretation of the ESOP rules is that if a Participant elects to pay the Unpaid Amounts to receive Fully Paid Shares under the Change in Effective Control Provision, then the Unpaid Amounts are calculated by reference to the Initial Issue Price.

NZOG announced on 20 July 2017 that as OGOG and its associates collectively hold or control more than 20% of the voting rights in NZOG, the Change in Effective Control Provision had been triggered. The announcement confirmed that if a Participant elected to immediately pay the Unpaid Amounts to receive Fully Paid Shares, then the Unpaid Amounts are calculated by reference to the Initial Issue Price.

Number of Partly Paid Shares on Issue

An analysis of the 8,320,000 Partly Paid Shares currently on issue is set out below, based on the NZOG Rule 42A Class Notice dated 14 August 2017 and the NZOG Target Company Statement dated 15 September 2017.

These consist of:

- 5,300,000 Partly Paid Shares which have been issued in 7 tranches and remain fully beneficially owned by the relevant Participant
- 939,000 Partly Paid Shares which remain fully beneficially owned by the relevant Participant but have a revised final date, being 24 months after the relevant Participant was dismissed without cause or made redundant
- 2,081,000 Partly Paid Shares that have been forfeited by their holders.

Partly Paid Shares

Issue Date	Final Date	No. of Shares	Initial Issue Price	Paid Up Amount
24 Feb 2017	24 Feb 2022	1,000,000	$0.7435	$0.01
21 Sep 2016	1 Sep 2021	1,187,000	$0.5950	$0.01
30 Sep 2015	1 Sep 2020	1,182,000	$0.5680	$0.01
30 Sep 2014	2 Sep 2019	681,000	$0.9400	$0.01
15 Nov 2013	27 Aug 2018	58,000	$1.0100	$0.01
10 Sep 2013	27 Aug 2018	492,000	$1.0100	$0.01
30 May 2013	8 May 2018	700,000	$1.1300	$0.01
Fully beneficially owned by Participants		5,300,000	$0.7751[1]	$0.01[1]
30 Sep 2015	6 May 2018[2]	183,000	$0.5680	$0.01
30 Sep 2015	13 Feb 2018[2]	184,000	$0.5680	$0.01
30 Sep 2015	29 Apr 2018[2]	75,000	$0.5680	$0.01
30 Sep 2014	6 May 2018[2]	122,000	$0.9400	$0.01
30 Sep 2014	13 Feb 2018[2]	123,000	$0.9400	$0.01
30 Sep 2014	29 Apr 2018[2]	50,000	$0.9400	$0.01
10 Sep 2013	6 May 2018[2]	46,000	$1.0100	$0.01
10 Sep 2013	13 Feb 2018[2]	123,000	$1.0100	$0.01
10 Sep 2013	29 Apr 2018[2]	33,000	$1.0100	$0.01
Revised final dates		939,000	$0.7800[1]	$0.01[1]
21 Sep 2016	1 Sep 2021	359,000	$0.5950	$0.01
30 Sep 2015	1 Sep 2020	355,000	$0.5680	$0.01
30 Sep 2014	29 May 2017[2]	110,000	$0.6400[3]	$0.01
30 Sep 2014	23 Apr 2017[2]	110,000	$0.6230[3]	$0.01
30 Sep 2014	31 Aug 2017[2]	143,000	$0.9400	$0.01
10 Sep 2013	29 May 2017[2]	107,000	$0.6400[3]	$0.01
10 Sep 2013	23 Apr 2017[2]	107,000	$0.6230[3]	$0.01
10 Sep 2013	31 Aug 2017[2]	140,000	$1.0100	$0.01
30 May 2013	23 Apr 2017[2]	250,000	$0.6230[3]	$0.01
22 May 2012	16 Mar 2017	150,000	$0.6230[3]	$0.01
8 Mar 2012	1 May 2017	250,000	$0.6230[3]	$0.01
Forfeited shares		2,081,000	$0.6584 [1]	$0.01[1]
Total		8,320,000	$0.7464[1]	$0.01[1]

1 Weighted average
2 Revised final date
3 Revised issue price

Source: NZOG Rule 42A Class Notice and Target Company Statement

2.5 OGOG Offer Consideration

OGOG will offer cash of $0.78 for each Fully Paid Share.

OGOG is not offering to purchase any Partly Paid Shares on the basis they remain partly paid. Under the Fully Paid Term, any Partly Paid Shares accepted into the offer must be fully paid.

2.6 OGOG Offer Terms

The terms of the OGOG Offer are identical for the holders of Fully Paid Shares and Partly Paid Shares, other than:

- the Fully Paid Term
- the Unconditional Offer Provision.

Details of the Fully Paid Term and the Unconditional Offer Provision are set out on page 2.

2.7 Is the Fully Paid Term and the Unconditional Offer Provision Fair and Reasonable to the Holders of Partly Paid Shares?

ESOP Change in Effective Control Provision

The Change in Effective Control Provision in the ESOP removes all restrictions on the transfer or paying up of the Partly Paid Shares (including the 2 year escrow period). A Participant is able to participate in a takeover offer by requiring the Plan Company to:

- sell any shares held in the ESOP for the Participant and forward the net proceeds of the sale to the Participant, or
- subject to the payment of the Unpaid Amounts, transfer the resultant Fully Paid Shares to the Participant.

The Change in Effective Control Provision provides a favourable opportunity to the Participants, enabling them to exit the ESOP and take their shares out as fully paid.

Exiting the ESOP and paying up the shares is not mandatory. Each Participant is able to make an election whether to continue to hold their Partly Paid Shares or accept their shares into the OGOG Offer.

In our view, a Participant will rationally only choose to accept their Partly Paid Shares into the offer if the Offer Price exceeds the Unpaid Amounts.

The Offer Price of $0.78 is higher than the Unpaid Amounts for some of the tranches of the Partly Paid Shares and lower than the Unpaid Amounts for other tranches.

Unconditional Offer Provision

The Unconditional Offer Provision ensures that the Fully Paid Term does not place the holders of Partly Paid Shares in a financially less advantaged position than the holders of Fully Paid Shares.

Without the Unconditional Offer Provision, holders of Partly Paid Shares wishing to accept the OGOG Offer would need to finance and pay up the Unpaid Amounts. However, in doing so, there would be no guarantee as to whether the offer would be successful and, if it were successful, how many of their shares would be accepted (if scaling of acceptances was required). Thus, the holders of Partly Paid Shares would face the risk of financing and paying the Unpaid Amounts without the certainty of knowing that they would receive the Offer Price.

The holders of Fully Paid Shares do not face such financial risk. The only uncertainty for them arises from whether the offer will be declared unconditional, and if so, the degree to which there is scaling of acceptances.

The Unconditional Offer Provision therefore places the holders of Partly Paid Shares in the same position as the holders of Fully Paid Shares.

Fully Paid Term

The Fully Paid Term requires all Partly Paid Shares accepted into the OGOG Offer to be fully paid up, upon which they will receive the Offer Price.

In practical terms, this will result in the holders of the Partly Paid Shares:

- receiving the excess of the Offer Price over the Unpaid Amount if the Offer Price exceeds the Unpaid Amount
- having to pay the excess of the Unpaid Amount over the Offer Price if the Offer Price is less than the Unpaid Amount. However, we do not consider this to be a likely scenario as a rational Participant would not accept their shares into the offer under these circumstances as it would crystalise a financial loss for them.

The Fully Paid Term therefore places the holders of Partly Paid Shares in the same net financial position as the holders of Fully Paid Shares.

Conclusion

Accordingly, we are of the view that the Fully Paid Term and the Unconditional Offer Provision are fair and reasonable to the holders of Partly Paid Shares.

2.8 Is the Fully Paid Term and the Unconditional Offer Provision Fair and Reasonable to the Holders of Fully Paid Shares?

The Fully Paid Term and the Unconditional Offer Provision effectively place the holders of Partly Paid Shares in the same financial position as the holders of Fully Paid Shares:

- they receive the same level of consideration (being the Offer Price)
- they are not required to pay up the Partly Paid Shares without certainty that their resultant Fully Paid Shares will be accepted into the offer.

The Fully Paid Term and the Unconditional Offer Provision does not confer any additional benefits or advantages to the holders of Partly Paid Shares:

- if the offer is not declared unconditional, then no shares will be accepted and all shareholders will remain in the same financial position that they were in before the Takeover Notice was issued
- if the offer is declared unconditional, then all shares accepted into the offer will be paid the same consideration (ie the Offer Price)
- if the level of acceptances received is more than the Specified Percentage, then acceptances will be scaled in accordance with the provisions of the Code.

Accordingly, we are of the view that the Fully Paid Term and the Unconditional Offer Provision are fair and reasonable to the holders of Fully Paid Shares.

3. Sources of Information, Reliance on Information, Disclaimer and Indemnity

3.1 Sources of Information

The statements and opinions expressed in this report are based on the following main sources of information:

- the OGOG Takeover Notice
- the NZOG Target Company Statement dated 15 September 2017
- the NZOG annual report for the year ended 30 June 2016 and interim report for the 6 months ended 31 December 2016
- the NZOG Rule 42A Class Notice
- the NZOG ESOP amended prospectus dated 3 May 2013
- the NZOG ESOP amended plan rules dated 3 May 2013
- data in respect of OGOG and NZOG from NZX Company Research and S&P Capital IQ.

During the course of preparing this report, we have had discussions with and / or received information from OGOG's financial and legal advisers.

The Board has confirmed that we have been provided for the purpose of this Independent Adviser's Report with all information relevant to the OGOG Offer that is known to them and that all the information is true and accurate in all material aspects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is desirable for the purpose of preparing this Independent Adviser's Report.

3.2 Reliance on Information

In preparing this report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by OGOG and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this report but we have not verified the accuracy or completeness of any such information or conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of OGOG or NZOG. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

3.3 Disclaimer

It is not intended that this report should be used or relied upon for any purpose other than as an expression of our opinion as to whether the consideration and terms offered for the Fully Paid Shares and the Partly Paid Shares are fair and reasonable as between the 2 classes of voting securities.

This report is not a valuation of the Fully Paid Shares or the Partly Paid Shares. We expressly disclaim any liability to any NZOG shareholder that relies or purports to rely on this report for any other purpose and to any other party who relies or purports to rely on this report for any purpose.

We have prepared this report with care and diligence and the statements in the report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way do we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of OGOG or NZOG will be achieved. Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of OGOG and NZOG and their directors and management teams. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of the report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the report or assumptions reasonably taken as implicit, provided that this shall not absolve Simmons Corporate Finance from liability arising from an opinion expressed recklessly or in bad faith.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this report. Such conditions may change significantly over relatively short periods of time. We have no obligation or undertaking to advise any person of any change in circumstances which comes to our attention after the date of this report or to review, revise or update this report.

We have had no involvement in the preparation of the Takeover Notice and have not verified or approved the contents of the Takeover Notice. We do not accept any responsibility for the contents of the Takeover Notice except for this report.

3.4 Indemnity

OGOG has agreed that, to the extent permitted by law, it will indemnify Simmons Corporate Finance and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. OGOG has also agreed to indemnify Simmons Corporate Finance and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Simmons Corporate Finance or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, Simmons Corporate Finance shall reimburse such costs.

4. Qualifications and Expertise, Independence, Declarations and Consents

4.1 Qualifications and Expertise

Simmons Corporate Finance is a New Zealand owned specialist corporate finance advisory practice. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice.

The person in the company responsible for issuing this report is Peter Simmons, B.Com, DipBus (Finance), INFINZ (Cert).

Simmons Corporate Finance and Mr Simmons have significant experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of the transactions.

4.2 Independence

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with OGOG or NZOG or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to the OGOG Offer.

Simmons Corporate Finance has not had any part in the formulation of the OGOG Offer or any aspects thereof. Our sole involvement has been the preparation of this report.

Simmons Corporate Finance will receive a fixed fee for the preparation of this report. This fee is not contingent on the conclusions of this report or the outcome of the OGOG Offer. We will receive no other benefit from the preparation of this report.

4.3 Declarations

An advance draft of this report was provided to the Board for its comments as to the factual accuracy of the contents of the report. Changes made to the report as a result of the circulation of the draft have not changed the methodology or our conclusions.

Our terms of reference for this engagement did not contain any term which materially restricted the scope of the report.

4.4 Consents

We consent to the issuing of this report in the form and context in which it is to be included in the Takeover Notice to be sent to NZOG's shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.

Peter Simmons
Director
Simmons Corporate Finance Limited
11 October 2017

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