



c/o Global Holdings Management Group S.A.M.  
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8 September 2017

Rodger J. Finlay, Chairman  
New Zealand Oil & Gas Limited  
Level 1, 36 Tennyson Street  
Wellington 6011, New Zealand

Dear Rodger,

### **Indicative non-binding proposal**

I am pleased to present on behalf of O.G. Oil & Gas Limited (“OGOG”) our proposal to acquire (through a wholly owned subsidiary) control of New Zealand Oil & Gas Limited (“NZOG”) (the “Proposal”). The Proposal would be implemented by way of a partial takeover offer under the New Zealand Takeovers Code. As set out below, we intend to offer NZ\$0.77 per share. The OGOG group currently owns approximately 4.3% of NZOG. If the Proposal is successful, the additional shares acquired will result in the OGOG group holding up to 70% of NZOG’s ordinary shares (and, in any event, more than 50% of the shares in NZOG).

### **Rationale**

OGOG is making this Proposal for three reasons. First, we believe now is the right time in the exploration and development cycle to invest in the oil and gas sector. After many years of lean investment, we feel there is a unique opportunity for companies that are willing and able to prudently deploy resources towards new exploration.

Second, we think New Zealand is the right place to make this investment. We are excited to have another opportunity to invest meaningfully in New Zealand, an area where our group has had success in the past. As you will recall, through our affiliate Omni Offshore Terminals, a global leader in the provision of FSO and FPSO units to the offshore oil and gas industry (“Omni”), we invested more than US\$300,000,000 in an FPSO unit for the Maari oil field. Our group is eager to return to doing business in New Zealand. Geographically, NZOG’s Wellington headquarters fits well within our group’s global footprint, which includes a significant presence throughout Asia. We have been present for more than 30 years in Tokyo, for more than 25 years in Singapore and for more than 10 years in Shanghai and we are excited about making Wellington our entry point into Australasia. In addition, we have noted NZOG’s commitment to working closely with local communities in the areas where they operate, an approach that we share. Each of the businesses in the Ofer Global Group has been built on investments in long-term relationships in the communities where they are based.

Third, we believe NZOG has the right leadership to cultivate the substantial value embedded in the company. It was through the Maari FPSO project that we first met members of NZOG's management and executive team and came to appreciate their values and capabilities. Our experience on the Maari project and our more recent opportunities to work in conjunction with the NZOG team have affirmed our belief that OGOG can work successfully with NZOG in the future.

Given our excitement about NZOG's current and prospective opportunities, we were disappointed to learn that NZOG's largest shareholder, Zeta Resources Limited, views the company as "essentially a cash box." While Zeta's proposal to return NZ\$50,000,000 to shareholders is conditional on both shareholder approval and a binding ruling from the Inland Revenue (and thus far from certain), if successful it would leave NZOG without the means to attract the high-quality partners necessary for sustainable growth or to execute on the opportunities before it today. We believe the company is appropriately capitalized for the exciting opportunities at its disposal. To put it simply, we think Zeta's stated focus on reducing NZOG's financial resources and reducing headcount is in direct conflict with enhancing shareholder value, puts the company at risk of losing its valuable foothold in New Zealand and does little or nothing to increase private-sector investment in the New Zealand economy.

In contrast, OGOG believes that NZOG's current resources should be retained and focused on responsibly pursuing attractive investment opportunities in the E&P sector. To take one example, OGOG believes that a suitable farm-in partner will be found for the Clipper exploration permit. Following the establishment of such a joint venture, OGOG is very optimistic about, and strongly supportive of, the Clipper exploration. We likewise believe that NZOG's interest in the Toroa prospect should be diligently pursued. We expect our group's many relationships will be valuable in finding suitable farm-in partners for these prospects.

### **Intended offer**

Based on the information currently available to it, OGOG intends to offer NZ\$0.77 per fully paid ordinary share of NZOG. The price will be adjusted for any distribution paid by NZOG prior to closing. This price represents a premium to the price under the proposed partial takeover by Zeta Resources Limited of NZ\$0.72 per share. Given our smaller current shareholding, and higher percentage of shares sought, OGOG will be able to accept a higher percentage of the offered-in shares relative to the Zeta offer. Thus shareholders who would like to sell their shares will likely be able to sell a larger percentage of their shares by accepting our Proposal than they would with the Zeta offer.

### **Financing**

The Proposal would be entirely funded by the Ofer Global Group's existing cash reserves.

### **Conditions**

Our Proposal will contain conditions standard for an offer of this nature. We do not expect it to contain certain of the conditions found in the Zeta offer. The Proposal will not contain a financing condition.

### **Timing**

We are currently working with our advisers Bell Gully and First NZ Capital to prepare the relevant documentation required to implement the Proposal. We expect to finalise a Takeover Notice under the Takeovers Code in respect of the Proposal within the next two weeks.

## About OGOG

OGOG is the oil and gas arm of the Ofer Global Group, a private portfolio of international businesses chaired by Eyal Ofer. In addition to our oil and gas activities, the Ofer Global Group has interests globally in shipping, real estate, hospitality, banking and financial investments. Omni is just one of the many businesses in the Ofer Global Group that is complementary to NZOG's activities.

We are proud that for more than 50 years Eyal Ofer and his family have established an impressive track record of building and growing thriving operating businesses over multiple decades and in diverse industries. During that time, the family has developed experience in nearly every aspect of the oil and gas industry, including exploration, production, oil services and distribution. We are confident that by supplementing NZOG's expertise and opportunities with the Ofer Global Group's global reach, significant resources and depth of experience, we will create an extremely attractive proposition for shareholders.

More information about the Ofer Global Group can be found at [www.oferglobal.com](http://www.oferglobal.com).

At this stage our Proposal is indicative, incomplete and non-binding. This letter does not constitute a Takeover Notice under the Takeovers Code.

We look forward to discussing our Proposal with you at your earliest convenience.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'AM', written over a faint circular stamp or watermark.

Alastair McGregor  
Chief Executive Officer  
O.G. Oil & Gas Limited

cc: Andrew Jefferies, CEO, New Zealand Oil & Gas Limited