

NEW ZEALAND OIL AND GAS LIMITED

EMPLOYEE SHARE OWNERSHIP PLAN ("ESOP")

PLAN RULES

as amended on 4 April 2008

These Plan Rules were formally approved by the Board of New Zealand Oil & Gas Limited on the 4 April 2008, and were adopted by the Plan's Trustee, NZOG Nominees Limited on the same date.



B W Roulston
Director, NZOG Nominees Limited

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DEED POLL dated the 4 April 2008.

PARTIES NZOG Nominees Ltd
New Zealand Oil & Gas Limited
NZOG Employee Number 1 Trust

INTRODUCTION

- A. The NZOG Employee Share Ownership Plan (“ESOP”) (previously the NZOG Employee Share Plan) was established in 1989.
- B. The Trust has acquired Shares in NZOG and holds those Shares for the purpose of the ESOP.
- C. From November 1994 the ESOP was governed by two sets of plan rules, one for New Zealand employees and the other for Australian employees of the NZOG Group. In 1998 the rules applying to Options for Australian employees were amended. The Plan Rules were further amended on 25 February 2002.
- D. The Plan Rules were amended with effect from 14 September 2005 in the manner reflected in this Deed and the amended Plan Rules contained herein replaced the rules mentioned in C above in respect of new allocations of shares or options under the Plan made after the date of this Deed.
- E. The Plan Rules are further amended with effect from 9 August 2006 in the manner reflected in this Deed and the amended Plan Rules contained herein replace the rules mentioned in D above in respect of new allocations of shares or options under the Plan made after the date of this Deed. Under the amended Plan Rules there are two components to the ESOP:
 - (i) Provision to employees of Options over Shares.
 - (ii) Provision for employees to buy Shares (or to receive Bonus Share Payments for the purchase of Shares).
- F. The Plan Rules were subject to further minor administrative amendments on 25 February 2008 and 4 April 2008 in the manner reflected in this Deed.

AGREEMENT

- 1.0 **COMMENCEMENT OF THE ESOP AND TERMINATION OF PREVIOUS RULES**
- 1.1. The ESOP commenced on the Commencement Date.
- 1.2. With effect from 19 December 2000 the Plan Rules for Australian Employees and the Plan Rules for New Zealand Employees, both dated November 1994, and the Option Plan Rules for Australian Employees dated 1 October 1998 were terminated and replaced by these Plan Rules as amended on 25 February 2002, the provisions of which shall continue to apply in respect of any allocation of Options or Shares made prior to 14 September 2005.
- 1.3. These revised Plan Rules as amended on 25 February 2008 and 4 April 2008 have effect from that date for the purpose of any subsequent allocations or sales of Options or Shares to Participants. They will also apply to in respect of any Option or Share allotted or issued prior to that date if the Participant agrees.

2.0 **DEFINITIONS AND INTERPRETATION**

2.1 In these Plan Rules, unless the context or subject matter or otherwise requires:

"Allocation Date" means each date nominated by the Remuneration Committee in respect of each grant of Options or sale of Options or Shares.

"Applicable Terms" means the terms and conditions approved by the Remuneration Committee as applying to each written offer of Options or sale of Options or Shares to an Eligible Employee, such terms to be recorded from time to time as Schedule 1 to this Deed (as replaced from time to time with any replacement schedule provided by the Remuneration Committee to the Plan Company).

"Board" means the board of Directors of NZOG.

"Bonus Share Payment" means a payment authorised by the Remuneration Committee to be made to an Eligible Employee from time to time for the purchase of Shares.

"Change in Effective Control of NZOG" shall include, but not be limited to:

- (a) where a party, other than a subsidiary of NZOG itself, obtains an Interest in 20% or more of the Shares in NZOG which are capable of being voted or has announced its intention to acquire Shares by on-market offer or written takeover offer which would take its Interest to 20% or more; or
- (b) a change or likely change in the majority of the Directors of NZOG (being effected within any 90 day period), at the direction or instigation of any party or parties who at the Commencement Date was not in a position to give effect to such changes; or
- (c) such other circumstances whereby the Plan Company considers it reasonable to so determine and does so by resolution of its directors.

"Commencement Date"

- (a) in respect of the ESOP means March 1989;
- (b) in respect of these amended Plan Rules means 1 August 2005.

"Contributions" means monies received by the Plan Company under Rule 5, to be applied to acquire Shares.

"Director" means a person holding the office of director of NZOG.

"Dollar" or "\$" means New Zealand dollar or Australian dollar as the circumstances require depending on the Shares.

"Eligible Employee" means each person who has been an Employee for at least 90 days unless the Board or the Remuneration Committee determines in a particular instance that a shorter time period will apply.

"Employee" means:

- (a) a person who is in the permanent employment of an Employing Company (whether part-time or full-time) and includes any director holding office in an Employing Company, whether or not they are an executive director;
- (b) a person who provides services to the NZOG Group on a continued basis as an independent contractor who is selected by the Remuneration Committee to participate under the ESOP.

"Employing Company" means NZOG or any company within the NZOG Group.

"Escrow Period" has the meaning given to that term in clause 3 of Schedule 1, as amended from time to time.

"Exercise Price" means the price, in New Zealand (as the circumstances require), payable by a Participant to convert Options to Shares as set by the Applicable Terms.

"Exchanges" means the NZX Limited or the ASX Limited as applicable to the NZOG at the relevant time or any successor body of either or both exchanges upon amalgamation or otherwise.

"Final Date" in respect of a Part-Paid Share means, subject to clause 4.2.6, the Final Date referred to in the terms of issue of that Part-Paid Share, or if none is, then the date by which all amounts payable in respect of that Part-Paid Share must be paid.

"Interest" shall include a relevant interest as defined by the New Zealand Companies Act 1993 or the New Zealand Securities Amendment Act 1988.

"Market Value" shall be calculated by the Plan Company from the prices recorded on NZSX during the 20 trading days prior to the relevant Allocation Date, weighted for volume and adjusted for any change in entitlements (e.g. shares going ex-dividend) provided that where the Shares are not listed on NZSX at that time, the Remuneration Committee may determine such value by such means as it reasonably determines).

"NZOG" means New Zealand Oil & Gas Limited. NZ Reg. Co. No. WN037841, A.R.B.N 003 064 962.

"NZOG Group" means NZOG and its subsidiary companies (as defined in the *New Zealand Companies Act 1993*).

"Option" means an option to purchase a Share, which is granted by the Plan Company to an Eligible Employee in accordance with the Plan Rules.

"Ordinary Share" means a fully paid ordinary share in the capital of NZOG or any successor company and any other securities accruing to those shares.

"Part-Paid Share" means a part-paid ordinary share in the capital of NZOG or any successor company and any other securities accruing to those Shares.

"Participant" means an Eligible Employee or former Eligible Employee who:

- (a) has completed an application to participate in the ESOP and who has Shares under the ESOP; or
- (b) has accepted an offer of Options and who holds Options under the ESOP,

and, as applicable, includes a person to whom the beneficial interest in any Shares or Options has been transferred as permitted by clause 4.2.4(a) or clause 4.2.5(a).

"Plan Company" means NZOG Nominees Limited or any assignee or successor thereof.

"Plan Expenses" means all expenses, costs and charges incurred in the operation of the Plan Company referable to the ESOP, including any premiums for directors and officers liability insurance as may be authorised by the directors of the Plan Company, legal, advisory, audit costs, or otherwise in accordance with the constitution of the Plan Company.

"Plan Rules" means these Rules which govern the operation of the ESOP.

"Remuneration Committee" means the remuneration committee of the Board or any successor to such committee.

"Rules" means the numbered rules contained within the body of this document.

"Salary" means the annual salary receivable by the Employee from the Employing Company, together with other fixed or variable emoluments.

"Salary Payment Date" means the date on which the Employing Company makes its Salary payments to Employees which is generally on or about the 15th day of each month.

"Saving Share" means an Ordinary Share held in the name of a Participant under the ESOP.

"Share" means an Ordinary Share or a Part-Paid Share (as applicable).

"Tax Charges" means any tax which is payable or would be payable by the Plan Company or an Employing Company in connection with the disposal of Shares allocated to the Participant.

"Termination of Employment" in respect of a Participant means the later of:

- (a) the date on which employment within the NZOG Group actually ceases, extended by any notice period required of the Company and/or Employing Company;
- (b) the date to which a contract of employment extends;
- (c) a date determined by the Remuneration Committee (which in the case of an independent contractor may not be earlier than 6 months after that person last provided services to any member of the NZOG Group),

provided that in the case of a non-executive director, it will be the last date on which the person ceases to hold office as a director of any member of the NZOG Group.

“Term Payment Shares” has the meaning given to that term in clause 4.5.

"Trust" means the NZOG Employee Number 1 Trust established by trust deed dated 7 April 1988.

"Trustee" means the trustee or trustees from time to time of the Trust.

“Withdrawal Period” has the meaning given to that term in clause 9.3.

2.2 Unless the context or subject matter indicates otherwise:

- (a) words importing the singular include the plural and vice versa;
- (b) words importing a gender include any other gender;
- (c) references to the Plan Rules, or any particular Rule of the Plan Rules, means the Plan Rules or the relevant Rule as amended from time to time; and
- (d) references to a person include references to an individual, firm, body corporate, association, government or governmental authority.

2.3 Headings inserted in any Rule are for convenience only and shall not affect the interpretation of that Rule.

3.0 **RELATIONSHIP OF PARTICIPANTS**

3.1 **Relationship of Company, Plan Company and Participants**

3.1.1 The Plan Company acts as principal in the operation of the ESOP and not as an agent of NZOG or, subject to Rule 3.1.2, of the Participants.

3.1.2 When acquiring Shares, the Plan Company may act as agent for the relevant Participant.

3.1.3 The Plan Company is not a trustee for NZOG or for the Participants (except as specifically provided in relation to any Part-Paid Shares).

3.2 **Protection of Plan Company in respect of Part-Paid Shares**

The Plan Company is not required to subscribe for any Part-Paid Shares under this ESOP unless the Plan Company’s liability in respect of such amounts is as provided in the terms of issue for such shares set out in Schedule 2 (as amended from time to time with the consent of the Plan Company, such consent not to be unreasonably withheld).

4.0 **PARTICIPATION**

4.1 **General**

4.1.1 The Remuneration Committee may in its absolute discretion, determine the extent of participation in the ESOP of each Eligible Employee and may from time to time establish guidelines for such participation. The Remuneration Committee shall by

notice in writing to the Plan Company instruct that an allocation or an offer be made to an Eligible Employee to participate in the ESOP.

- 4.1.2 No policy or guideline, nor any previous allocation or offer, will create any right or expectation for any person to participate in any future allocation or offer.
- 4.1.3 The Plan Company shall advise the Remuneration Committee of all participation acceptances.
- 4.1.4 The Remuneration Committee may not instruct the Plan Company to offer Options to Eligible Employees or Participants unless the Trust has sufficient Shares available for transfer in the event of exercise of those Options after allowing for actual or potential exercise of all previous unexpired offers of Options.
- 4.1.5 The Remuneration Committee may not instruct the Plan Company to allocate Shares to Eligible Employees or Participants unless the Plan Company has sufficient Shares available or NZOG has committed to make such Shares available to the Plan Company.

4.2 **Allocations**

- 4.2.1 An Eligible Employee may have more than one offer or allocation of Options or Shares. Each offer or allocation of Options or Shares may have a different Allocation Date and/or different Applicable Terms.

4.2.2 **Acceptance of Offer or Allocation**

- (a) Acceptance of any offer of Options to an Eligible Employee shall be notified by the Eligible Employee to the Plan Company in writing.
- (b) An allocation of Shares to an Eligible Employee may only be made if the Eligible Employee has notified the Plan Company in writing that the terms of that allocation and the issue of the Shares are accepted.
- (c) Acceptance of an offer of Options does not create an obligation on the Participant to exercise any or all of the Options.

4.2.3 **Lapse of Options**

Subject to Rule 4.2.2, Options held by a Participant will lapse five years after the relevant Allocation Date if not previously exercised, or lapsed under Rule 4.2.6(a);

4.2.4 **Transfer of Options**

- (a) A Participant may from time to time transfer his or her beneficial interest in all or some of the Options allocated to the Participant to a spouse, child, or to a trust or private company in which a spouse or child is a beneficiary or shareholder. Notification of a transfer shall be given to the Plan Company and the Plan Company shall acknowledge such transfer whereupon the Participant's rights and obligations shall apply to such transferee to the extent said rights and obligations are capable of transfer but such transfer will be treated as effective from the date the Participant execute the relevant securities transfer document. To the extent that the Plan Rules relate to actions taken by a Participant or made by the Board, the Remuneration Committee or the Plan Company in respect of a Participant which are not capable of transfer (including without limitation Rules 4.2.3(b) and 10), the consequences specified in the Plan Rules shall apply to the transferee.
- (b) Options may not otherwise than in accordance with Rule 4.2.4(a) be assigned, transferred, or disposed of, unless such action is first approved by the Remuneration Committee, such consent not to be unreasonably withheld.

4.2.5 **Transfer of Shares**

- (a) A Participant may from time to time transfer his or her beneficial interest in all or some of the Shares allocated to the Participant to a spouse, child, or to a trust or private company in which a spouse or child is a beneficiary or shareholder. Notification of a transfer shall be given to the Plan Company and the Plan Company shall acknowledge such transfer whereupon the Participant's rights and obligations shall apply to such transferee to the extent said rights and obligations are capable of transfer but such transfer will be treated as effective from the date the Participant execute the relevant securities transfer document. To the extent that the Plan Rules relate to actions taken by a Participant or made by the Board, the Remuneration Committee or the Plan Company in respect of a Participant which are not capable of transfer (including without limitation Rules 4.2.3(b) and 10), the consequences specified in the Plan Rules shall apply to the transferee.
- (b) Once the issue price of a Part-Part Share is paid in full, then unless the Participant has failed to pay any part of that amount, the Part-Paid Shares will be transferred by the Plan Company to the Participant or such other person to whom the beneficial interest in those Shares has been transferred as permitted under Rule 4.2.5(a).
- (c) Part Paid Shares may not otherwise than in accordance with Rule 4.2.5(a) or (b) be assigned, transferred, or disposed of, unless such action is first approved by the Remuneration Committee, such consent not to be unreasonably withheld.

4.2.6 Effect of Termination of Employment

The Termination of Employment of a Participant will have the following effect on any Options or Part-Paid Shares held by, or on behalf of, that Participant:

- (a) Options shall lapse after the relevant following period:
 - (i) 90 days after a Participant voluntarily leaves the employment or is validly dismissed for wilful misconduct; and
 - (ii) 24 months after a Participant is dismissed without cause or made redundant;
 - (iii) on Termination of Employment if at that date the Options are within their Escrow Period.
- (b) Options shall not lapse where the Termination of Employment is occasioned by retirement of a Participant, including but not limited to, as a result of disablement or other medical condition and including retirement resulting from non-renewal of a fixed term contract of employment, or cessation of employment following death.
- (c) The Final Date in respect of any relevant Part-Paid Shares or Term Payment Shares will be amended to be:
 - (i) where a Participant voluntarily leaves the employment or is validly dismissed for wilful misconduct; the date 90 days after the date of Termination of Employment (or the Final Date if it falls within that 90 day period); and
 - (ii) where a Participant is dismissed without cause or made redundant, the date 24 months after the date of Termination of Employment; or
 - (iii) in any case, a later date that is agreed between the Participant, NZOG and the Plan Company;
- (d) Where a participant voluntarily leaves his or her employment or is validly dismissed for willful misconduct and the participant holds Partly Paid Shares which would otherwise remain within their Escrow period on the Termination of Employment:
 - (i) the Participant shall forfeit any interest that he or she has in respect of such Partly Paid Shares and the provisions of the constitution of NZOG excluding 13.1 (b) shall apply, and
 - (ii) for the purpose of the sale of Partly Paid shares forfeited under rule 4.2.6 (d) (i) the Issue Price will be deemed to be the net price at which the Shares are sold.
- (e) Where the Termination of Employment is occasioned by the retirement of a Participant, including but not limited to, as a result of disablement or other

medical condition and including retirement resulting from non-renewal of a fixed term contract of employment, or cessation of employment following death, the Final Date in respect of any relevant Part-Paid Shares or Term Payment Shares will not be altered.

- (f) Nothing in this Rule shall extend the term of any Options or the Final Date of any Part-Paid Share.
- (g) The Remuneration Committee may with the agreement of the participant change or modify any of the conditions in clause 4.2.6 with respect to a participant on Termination of Employment as the Remuneration Committee exercising its absolute discretion so decides.

4.3 **Saving Shares**

- 4.3.1 (a) An Eligible Employee may be offered more than one Bonus Share Payment.
- (b) An offer to participate in the Saving Shares component of the ESOP, once accepted by the Eligible Employee, remains available to the Eligible Employee so long as the Saving Shares component of the ESOP remains in the Plan Rules.

4.3.2 **Acceptance of Offer**

An Eligible Employee may accept an offer to participate in the Saving Shares component of the ESOP or an offer of a Bonus Share Payment by delivering to the Plan Company a notice in writing accordingly.

4.4 **Part-Paid Shares**

If the relevant Participant has not paid the amount payable on the Final Date in respect of any Part-Paid Shares to NZOG or to the Plan Company by the day prior to the relevant Final Date:

- (a) the Plan Company and NZOG may agree that the Final Date applicable to those Part-Paid Shares will be deferred to a later date agreed between them; and
- (b) the relevant Participant will forfeit any interest that he or she has in respect of such Part-Paid Shares and the Plan Company may sell such shares without requirement to provide any compensation for any amount paid by the Participant in respect of such Shares.

4.5 **Sale of Shares**

The Remuneration Committee may require the Plan Company to sell to a Participant a number of Ordinary Shares held by the Plan Company (which are not then subject to any Option) (“**Term Payment Shares**”) such sale to be on terms set by the Remuneration Committee but which at least provide that:

- (a) ownership of a Term Payment Share will not pass to the Participant until the purchase price for that share has been paid in full; and

- (b) if the Participant defaults in his or her obligations under those terms the Participant will forfeit all rights to the relevant Term Payment Shares and the Plan Company may sell such shares without requirement to provide any compensation for any amount paid by the Participant in respect of such Shares.

5.0 CONTRIBUTIONS AND EXERCISE OF OPTIONS

5.1 Options

5.1.1 A Participant or an Employing Company may make Contributions from time to time to the Plan Company to fund the Exercise Price of Options.

5.1.2 Contributions made by a Participant for the exercise of Options may be

- (a) in the form of salary sacrifice in accordance with Rule 6.1 in which case the Contribution will represent and be part of the Participant's remuneration arrangements with the Employing Company.
- (b) from any other source.

5.1.3 Exercise of Options

- (a) Notice of exercise of Options shall be accompanied by payment in full of the Exercise Price or shall specify an alternative method of payment.
- (b) Upon exercise of an Option the resultant Share may be immediately sold or transferred. If the Share is not immediately sold or transferred then the Share will be held in the ESOP in accordance with the Plan Rules.

5.2 Saving Shares

5.2.1 The Employing Company may pay Contributions from time to time to the Plan Company to fund the acquisition of Shares:

- (a) by the Eligible Employee in the form of Salary sacrifice (in accordance with Rule 6.2); or
- (b) by the Remuneration Committee in the form of a Bonus Share Payment (and notified to the Employing Company and the Plan Company).

and in both cases the Contribution will represent and be part of the Participant's remuneration arrangements with the Employing Company.

5.2.2 Any Contribution specified by an Eligible Employee must be at least \$500.

5.3 **Part-Paid Shares**

5.3.1 A Participant may pay Contributions from time to time to the Plan Company to fund any payment due or that may become due in respect of a Part-Paid Share held by the Plan Company on behalf of that Participant or a person to whom the Part-Paid Share has been transferred as permitted by Rule 4.2.5(a):

- (a) by the Participant in the form of Salary sacrifice (in accordance with Rule 6.2); or
- (b) by the Remuneration Committee in the form of a Bonus Share Payment (and notified to the Employing Company and the Plan Company).

6.0 **SALARY SACRIFICE**

6.1 **Exercise of Options**

6.1.1 A Participant may at any time notify the Plan Company and the Employing Company of the amount of sacrifice from Salary to become owing to them in the next one or more months that is to be applied by the Plan Company in exercise of Options held by the Participant.

6.1.2 Upon receipt of notice from the Participant in accordance with Rule 6.1.1 the Employing Company will on the next Salary Payment Date following receipt of notice (and on each successive Salary Payment Date until the full amount specified is paid) pay the amount specified to the Plan Company.

6.1.3 Upon receipt of notice from a Participant in accordance with Rule 6.1.1 the Plan Company will acquire Shares (to the extent that funds are received), to satisfy the exercise of Options by the Participant and in accordance with Rule 8.

6.2 **Saving Shares Purchase**

6.2.1 A Participant or Eligible Employee (as the case may be) may, at any time notify the Plan Company and the Employing Company:

- (a) of the amount of sacrifice from Salary to become owing to them in the next one or more months that is to be applied by the Plan Company in purchase of Ordinary Shares on their behalf or the payment of unpaid amounts in respect of Part-Paid Shares;
- (b) if they wish, a maximum \$ price per Share above which the Plan Company is not to apply such moneys in the purchase of Ordinary Shares or payment of unpaid amounts in respect of Part-Paid Shares.

- 6.2.2 Upon receipt of notice from the Participant or Eligible Employee in accordance with Rule 6.2.1 the Employing Company will on the next Salary Payment Date following receipt of notice (and on each successive Salary Payment Date until the full amount specified is paid) pay the amount specified to the Plan Company.
- 6.2.3 Upon receipt of notice from a Participant or Eligible Employee in accordance with Rule 6.2.1 the Plan Company will acquire Shares or pay the unpaid amounts in respect of Part-Paid Shares (to the extent that funds are received) in accordance with Rule 8.
- 6.2.4 If a Participant or Eligible Employee has made an election under Rule 6.2.1(b) above and, as a result, the amount specified by them has not been fully paid by the Employing Company to the Plan Company as and to the extent it could not be applied in the purchase of Shares (or payment of unpaid amounts in respect of Part-Paid Shares) in the month or months specified, any amount outstanding shall be deemed to be income to be received by them in the next month; provided that any such amount outstanding as at the end of a financial year shall constitute Salary income received by that Participant or Eligible Employee on 30 June of that year.
- 6.2.5 If a Participant or Eligible Employee has made an election under Rule 6.2.1 above, they may at any time subsequently give notice to the Plan Company and the Employing Company ceasing or varying those contributions or the maximum price (as applicable) to the extent that Shares have not already been acquired by the Plan Company on the basis of the previous notification.

7.0 LOANS

- 7.1 The Employing Company or any NZOG Group company may make loans from time to time to the Plan Company or a Participant for the acquisition of Shares.
- 7.2 The Plan Company may not make loans or provide guarantees or security to any Employing Company.
- 7.3 If so instructed by the Remuneration Committee, the Plan Company shall sell Shares to a Participant on payment terms consistent with the Applicable Terms applicable to that Participant.
- 7.4 The Plan Company may make a loan to or to the account of a Participant for the purpose of completing the payments required to be made on the Final Date in respect of any Part-Paid Share that are held by the Plan Company on behalf of a Participant provided that as soon as practicable thereafter such loan is repaid from the proceeds of sale of all or a portion of the then resulting Ordinary Shares received by the Plan Company.

8.0 ACQUISITION OF SHARES

8.1 Acquisition of Shares upon Exercise of Options

The Plan Company must use Contributions received in accordance with Rule 5.1 to acquire from the Trust the number of Shares specified in the notice provided by the Participant pursuant to Rule 5.1.3 at the relevant Exercise Price.

8.2 **Acquisition of Shares from Saving Share Contributions**

Subject to Rules 8.3 the Plan Company must use Contributions received in accordance with Rule 5.2 to acquire Shares as specified in the notice provided by the Eligible Employee or the Employing Company pursuant to Rule 5.2.1 from the Trust at the market price, subject to the maximum price that may have been specified by the Eligible Employee in accordance with Rule 6.2.

8.3 **Purchase of New Issues of Shares or Shares on-market**

In the event that the Trust has no further Shares available the Plan Company may use Contributions received in accordance with Rule 5.2 to acquire for Eligible Employees:

- (a) new issues of Shares at the issue price designated by the Directors of NZOG subject to any maximum price specified by an Eligible Employee in accordance with Rule 6.2.
- (b) Shares on-market, subject to any maximum price specified by an Eligible Employee in accordance with Rule 6.2.

8.4 **Registration of Shares**

Shares acquired under the ESOP for a Participant pursuant to Rule 8.1, 8.2 or 8.3 are to be registered by the Plan Company in the name of the Participant in a sub-account of the Plan Company and are to be held in accordance with the ESOP.

8.5 **Shareholding Statements**

The Plan Company shall, each year, provide to each Participant a statement of Shares and Options held by the Participant in the ESOP as at 30 June of that year.

8.6 **Obligation on Trust to provide Shares**

- 8.6.1 The Trust must hold all Shares owned by it for the future benefit of the ESOP.
- 8.6.2 The Trust must not sell, assign or transfer any Shares to any party other than the Plan Company or, if directed by the Plan Company, a Participant.
- 8.6.3 Upon receiving notice from the Plan Company in accordance with Rules 8.1 or 8.2 the Trust must transfer the Shares as specified in the notice in exchange for the price specified in Rule 8.1 or 8.2.

9.0 DISPOSAL/WITHDRAWAL OF SHARES

- 9.1 Subject to the Plan Rules, Shares acquired and held under the ESOP for a Participant may be disposed of or withdrawn from the ESOP at the request of the Participant.
- 9.2 A request pursuant to Rules 9.1 or 9.3 shall be in writing to the Plan Company and dealt with by the Plan Company within 5 business days.

Neither the Plan Company, NZOG Group, an Employing Company or the respective directors and officers of those entities will be responsible or liable to any Participant for movements in the value of Shares between the time when the notice of request for disposal or withdrawal of Shares is received by the Plan Company and the time when the Shares are disposed or withdrawn from the ESOP.

- 9.3 In the event of Termination of Employment of a Participant, the Participant or his successors/assigns must within twelve (12) months thereof (unless the period is extended by the Plan Company in its discretion) ("the Withdrawal Period") request to have all of the Participant's Saving Shares (whether held directly or by a third party pursuant to Rule 4.2.4) transferred to the Participant following the completion of any payments then outstanding in respect of those Shares or to have those shares sold by the Plan Company and the net proceeds, if any, from sale of those shares paid to the Participant.
- 9.4 If, upon expiry of the Withdrawal Period, the Participant subject to Termination of Employment has not complied with Rule 9.3, the Plan Company will:
- (a) sell any Saving Shares held in the ESOP for the Participant and forward the net proceeds of sale to the Participant; or
 - (b) subject to payment of any amount outstanding in respect of such Saving Shares, transfer those Shares into the name of the Participant.

10.0 **FINANCIAL HARDSHIP**

- 10.1 Notwithstanding any applicable restriction, where the Plan Company is satisfied in its discretion that a Participant is suffering from financial hardship it may approve:
- (a) the exercise of Options held by that Participant outside the periods specified in Rule 4.2.3.
 - (b) in respect of Shares held in the ESOP by the Participant, the disposal or the withdrawal of those Shares from the ESOP notwithstanding that an Escrow Period applicable to such Shares has not expired.

11.0 **DISTRIBUTION OF DIVIDENDS, BONUS ISSUE AND OTHER BENEFITS**

- 11.1 Any dividends paid in respect of the Shares held by the ESOP (including Shares held by the Employee Number One Trust ["ESOP Trust"]) for purposes of the ESOP) less any Tax Charges payable thereon shall be dealt with as follows:-
- (a) in the case of Shares which are fully paid, the dividend shall be retained by the ESOP Trust for its own account, in which case the amount payable by the Participant in respect of the subject Shares shall be reduced by a like amount; or
 - (b) if the Participant so elects in writing prior to the record date set for payment of any dividend, or if the Shares are partly-paid shares, the dividend shall be received for the account of and paid to the Participant, net of any Tax Charges, notwithstanding that the Shares remain subject to the Plan Rules.

(Clause 11.1 amended on 4 April 2008)

- 11.2 A Participant shall be entitled to acquire any rights to new issues or offers of securities that accrue in relation to any Shares held by or for that Participant or that relate to Shares that are the subject of Options held by or for that Participant.
- 11.3 The benefit of any pro rata bonus issue or in specie distribution of securities in NZOG, or distribution of assets by NZOG, or sale of pro rata rights to new issues shall attach to the Shares (including Shares over which Options are held).
- 11.4 In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of NZOG:
- 11.4.1 the number of Options or the Exercise Price of those Options or both, shall be recalculated (as appropriate) by the Plan Company in its absolute discretion, having regard to the rules of the Exchanges, in a manner which will not result in any benefit being conferred on Participants which are not conferred on shareholders of the Company and advised to Participants; and
- 11.4.2 except for Rule 11.5.1 above and subject to the provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital, in all other respects the terms for the exercise of Options shall remain unchanged.
- 11.5 The Trust is authorised to transfer any securities received in the Trust under Rule 11.4 to the Participant if the Plan Company makes a determination that such securities may be transferred.
- 11.6 Any securities received in the Trust under Rule 11.4 and authorised to be transferred under Rule 11.7.1 must be transferred in accordance with clause 9 as if a reference in these Rules to "Share" includes the security."

12.0 VOTING RIGHTS OF SHARES

- 12.1 A Participant may exercise any voting rights attaching to Shares (including Shares over which Options are held) held in the ESOP by instructing the Plan Company in writing how to vote the Shares. The Plan Company will advise the Trustee, and the Trustee will vote, those Shares accordingly.
- 12.2 The Trust may exercise voting rights in respect of Shares held by the Trust provided they are not Shares that have not been reserved for or allocated to Participants.
- 12.3 The Plan Company shall provide a copy of NZOG's annual report and notice of all shareholder meetings of NZOG to each Participant.
- 12.4 The Plan Company may not in its own right exercise any voting rights attaching to Shares held by a Participant in the ESOP but shall act in the capacity of proxy if appointed to do so by the Participant.
- 12.5 The Plan Company may exercise any voting rights attaching to Shares which are held by the Plan Company (excluding Shares held on behalf of a Participant and Shares over which Options are held). In exercising voting rights the Plan Company shall take account of the interests of Participants as a whole but otherwise shall have absolute discretion in determining how votes will be cast.

13.0 TAKEOVERS AND MERGERS

- 13.1 Notwithstanding any other Rule, if there has been a Change in Effective Control of NZOG, then each Participant may immediately or at any time thereafter require the Plan Company to :
- (a) sell any Shares held in the ESOP for the Participant and forward the net proceeds of sale to the Participant; or
 - (b) subject to payment of any amount outstanding in respect of such Shares, transfer those Shares into the name of the Participant.
- 13.2 Upon the Plan Company becoming aware of or determining there has been a Change in Effective Control of NZOG the Plan Company must immediately notify each Participant of that event.
- 13.3 Where Shares are subject to compulsory acquisition under any law, the Participants may require the Plan Company to dispose of their Shares to the person entitled at law to acquire them.

14.0 AMENDMENT OF THE ESOP PLAN RULES

- 14.1 Subject to Rule 14.2 and 14.3, the Board may, subject to the agreement of the Plan Company, the Trustee on behalf of the Trust and each Employing Company, with or without the recommendation of the Remuneration Committee, by resolution amend all or any of the provisions of these Plan Rules, including this Rule 14.1.
- 14.2 No amendment to these Plan Rules may be made which reduces the rights of Participants in respect of Shares or Options held by them prior to the date of the amendment unless all affected Participants have given their prior written consent to such amendment.
- 14.3 Without limiting Rule 14.1, amendments to Plan Rules of a minor nature which do not alter the substance of the ESOP or the rights or interests of Participants, including amendments made to accommodate the interests of overseas Employees who wish to participate in the ESOP and which are determined by the Board to be necessary to comply with jurisdictional requirements in the relevant overseas locations, may be made by resolution of the Board.

15.0 TERMINATION OF ESOP

- 15.1 The ESOP will terminate 70 years from the Commencement Date unless earlier terminated pursuant to Rule 15.2.
- 15.2 If at any time there have been no Participants (including transferees or assignees of Participants holding Options under the ESOP) for at least 12 months then the Remuneration Committee must advise the Board accordingly and the Board may notify the Plan Company in writing that the ESOP shall terminate and the date upon which such termination will occur, being at least 180 days from the date of notice to the Plan Company.

16.0 MISCELLANEOUS PROVISIONS

16.1 Non-Exclusivity

The ESOP is not and shall not be deemed an exclusive method of providing incentive remuneration for Employees, nor shall it preclude the Remuneration Committee or an Employing Company from authorising or approving other forms of incentive remuneration for Employees.

16.2 Relationship To Other Plans

Participation in this ESOP shall not affect or be affected by any participation in any other incentive or other plan of NZOG Group, except as otherwise specifically provided in the terms of that other plan.

16.3 Employment Rights Of Participants

Nothing in these Plan Rules:

- (a) confers upon any Participant the right to continue as an Employee;
- (b) affects any rights which an Employing Company may have to terminate the employment of any Employee.

16.4 Notices

Any notices or direction to be given under these Rules will be deemed to have been validly given if handed to the party or Participant to be served or transmitted by facsimile or if posted by ordinary prepaid post and duly addressed to the party or Participant to be served at the current address of such party.

16.5 Employing Company to remain in NZOG Group

Ahead of any change in status of an Employing Company whereby it will no longer be a subsidiary of NZOG, NZOG shall ensure an ongoing subsidiary assumes the employment role of Employing Company affected.

16.6 Administration – Forms and Procedures

To facilitate the operation of the Plan, the Remuneration Committee or Plan Company may adopt standard forms for the giving of instructions or notices under these Rules. Notwithstanding this, the Plan Company shall be entitled to act on any instruction from the Remuneration Committee that is sufficiently stated to enable it to be understood in the context of these Rules.

17.0 PLAN EXPENSES

- 17.1 Plan Expenses will be met by the Employing Companies at such intervals and in such amounts as reasonably required by the Plan Company from time to time.

EXECUTION

Signed as a deed by
New Zealand Oil & Gas Limited by:

Director

Director

Confirmation of agreement to amendments to the Plan Rules

Signed
Signed for and on behalf of the Employer Company
New Zealand Oil & Gas Limited by:

Director

Signed for and on behalf of the Plan Company
NZOG Nominees Limited by:

Director

Signed for and on behalf of
NZOG Employee Number 1 Trust by
NZOG Nominees Ltd as Trustee:

Director

Schedule 1

Applicable Terms (as at 4 April 2008)

1. Term of option (subject to earlier expiry pursuant to the Plan Rules): 5 years from the Allocation Date. [Refer Rule 4.2.3]
2. Time allowed for a participant to elect to pay
 - a) a call on a Partly-paid share: 5 years from the Allocation Date
 - b) the balance of the purchase price of a Share: 5 years from the Allocation Date
3. Escrow Period : the time which must elapse before
 - a) an Option may be exercised;
 - b) a Partly-paid Share may be fully paid up;
 - c) a loan or other amount payable for a Share may be paid up:

shall in each case be 2 years from the Allocation Date, subject to any earlier release from escrow pursuant to the Plan Rules.
4. Premiums to be applied to Market Value at Allocation Date; to determine the exercise/purchase price of:-

a) Options	20%
b) Partly-paid Shares	20%
c) Fully paid Shares sold on terms payment	15%
5. These terms will apply to the issue of Part-Paid Shares after 14 September 2005 as modified by the Remuneration Committee, which in the case of a portion of the allocations made to certain employees on or about 14 September 2005 has required that a portion of the allocations occur at a 25% premium to Market Price at a prior date notified by the Remuneration Committee and that the Escrow Period in respect of such shares is reduced to 12 months from the relevant prior date.

Schedule 2

Terms of Issue of Part-Paid Shares

The following terms will form part of the principal terms of issue of any Part- Paid Shares

1. The issue price for the Part-Paid Shares (“Issue Price”) will be the lesser of:
 - (a) the amount set at the time of issue;
 - (b) the last sale price of the Company’s ordinary shares on the Business Day prior to a date 5 years after the date of issue (“Final Date”) (or such greater amount that represents 90% of weighted average price of the Company’s ordinary shares over the 20 Business Days prior to the Final Date);
 - (c) where the Part-Paid Shares are held by the Plan Company at the time the final portion of the Issue Price is paid, the amount that the trustee is able to obtain as payment for the shares from the relevant employee on whose behalf the Part-Paid Shares are held or by the then sale of those shares (to the intent that the liability of the trustee will be limited to the assets of the trust that exists in respect of those New Shares).

2. The Issue Price for the Part-Paid Shares must be paid as follows:
 - (a) as to 1 cent, at the time of issue; and
 - (b) as to the balance, when called by the Company, provided that neither the Company nor any person acting on its behalf, will be able to make such call until on or after the Final Date,

but any amount paid by, or on behalf of an employee with the direction that it is credited to the Issue Price will be received by the Company accordingly (and thereafter the Company will be treated as having made a call for the amount of the payment so received).

3. If the Participant has not paid the amount payable on the Final Date in respect of any Part-Paid Shares to NZOG or to the Plan Company by the day prior to the relevant Final Date, the Participant will forfeit any interest that he or she has in respect of such Part-Paid Shares and the Plan Company may sell such shares without any requirement to provide any compensation for any amount paid by the Participant in respect of such Shares.