NEW ZEALAND OIL & GAS SHAREHOLDER REPORT 2013

ExplorerReport

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WE ARE EXPLORERS

People came to New Zealand to break the mould. To get away from business as usual. To discover the undiscovered.

They left the old world and the old ways and they came to live under wider skies, and horizons as vast and open as the imagination.

They came to this rocky land in the middle of vast waters to find their dreams.

From the first Polynesians, to the sealers and settlers, to the newest immigrant - every family in these islands has a story of travel, a story of starting over. A story of exploration.

Our land is encircled by some of the wildest and most forbidding waters on the planet. These lands and waters have provided this country with great riches, and many still lie undiscovered.

TO SEEK THE UNDISCOVERED

The ingenuity and optimism of our forebears is why we continue to explore. We keep the flame alive that is at the heart of this country – the impulse to search, to explore, to seek the undiscovered.

We are explorers from New Zealand.

Profile

New Zealand Oil & Gas has an extensive portfolio of exploration acreage around New Zealand, two major producing assets, and interests in international diversification.

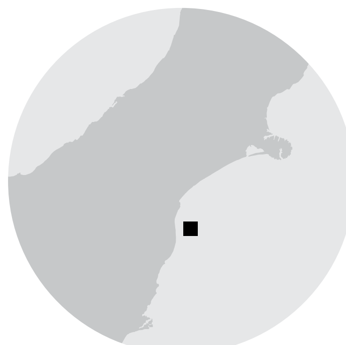
New Zealand

NZ Oil & Gas has interests in 8 exploration permits around New Zealand. It holds nearly 10,000 square kilometres of exploration acreage in offshore Taranaki, New Zealand's only producing basin.

Other New Zealand interests include onshore Taranaki acreage and around three and a half thousand square kilometres in the emerging deepwater frontier basin off Canterbury.

Taranaki
39°18 S 174°8 E

Canterbury
43.6°S 172.0°E



International

The company has diversified internationally, and holds an interest in two onshore production sharing contracts in Sumatra, Indonesia totalling more than seven thousand square kilometres as well as a prospecting permit in Tunisia.

Sumatra
6°10.5 S 106°49.7 E

Tunisia
36°50 N 10°9 E

Highlights

Highlights

$42.2M
Exploration and Evaluation Spend

$158M
Net Cash Balance

$67.8M
EBITDAX (Earnings Before Interest, Tax, Depreciation, Amortisation and Exploration write-offs)

$68.8M
Kupe Revenue

$30.4M
Tui Revenue

14,795
Shareholders

$0.06
Dividend (cents per share)

Operations

International wells drilled

In the Kisaran Production Sharing Contract located in onshore Sumatra, Indonesia:

- Parit Minyak-2 spudded in February.
- Parit Minyak-3 spudded in August.

International oil discovery

Oil has been recovered to the surface in PM-2.

Preparations for new drilling

Plans are advanced for drilling in offshore Taranaki:

- Matuku in late 2013.
- Pateke and Oi (Tui), following Matuku.
- Kaheru, Early 2015.

Exploration

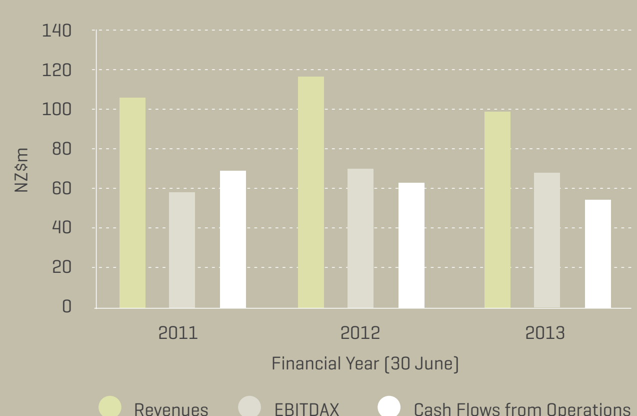
New exploration permits

- Offshore Taranaki: Matuku, Takapou, Taranga & Waru
- Onshore Taranaki: Manaia
- Offshore Canterbury: Clipper
- Reliquished permits: Kakapo (offshore Taranaki), Cosmos (offshore Tunisia).

Seismic acquired

- 595 km² of 3D seismic at Takapou.
- 298 km² of 3D seismic at Taranga.
- 101 km² of 3D seismic at Kanuka.

Performance



Production

2013

2,700
Kupe Gas (TJ)

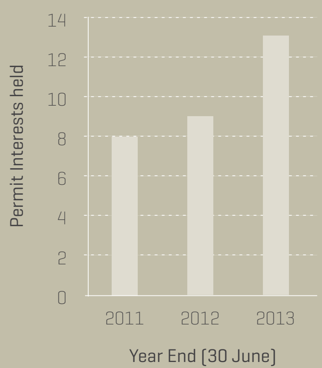
11,600
Kupe LPG (tonnes)

233,500
Kupe Oil (bbls)

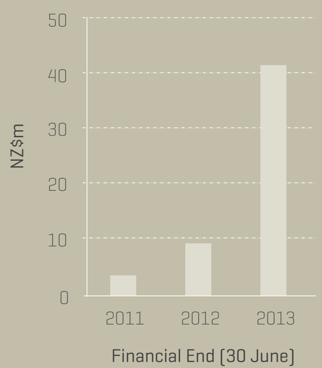
208,500
Tui Oil (bbls)

Kupe Gas · Kupe Oil · Kupe LPG · Tui Oil

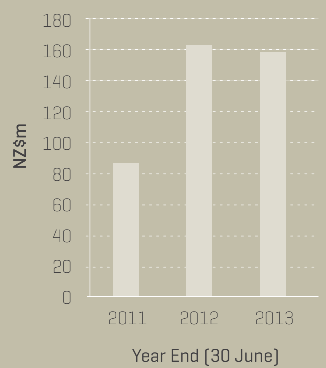
Permit Interests



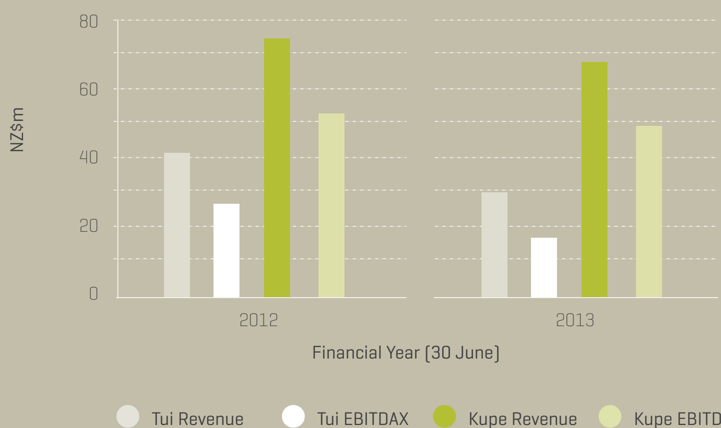
Exploration & Evaluation Expenditure



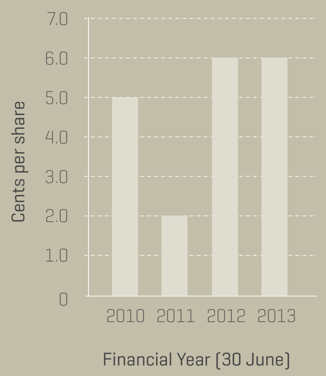
Net Cash Balance



Kupe & Tui Production



Dividend



Chairman's Review

Sustaining returns, participating in success

I am pleased to report the Company is in sound financial condition. It is well positioned to sustain returns to shareholders and to participate in the search for new sources of oil and gas. The company has a long-term focus on replacing its reserves to sustain and grow our income.

Production operations performed reliably, costs were steady and exploration expenses rose as our activity stepped up. Our two producing assets have both performed as expected. Tui oil output declined as the field moved into middle age, while the Kupe field had a programmed shutdown resulting in fewer operational days during the year. Consequently our total revenues were lower than 2012.

However, well-managed costs, reduced financing charges, higher interest income and an insurance payment, for the Kupe umbilical, contributed to the improved result. The company posted a net profit after tax of NZ$25.9 million, up 30 per cent from NZ$19.9 million the previous year.

During the year the company increased its in-house capability, bringing a significant number of strong new recruits aboard. Our increased activity level saw exploration and evaluation expenditure up strongly to NZ$42.2 million, from NZ$9.5 million the previous year. In the future I expect our level of exploration investment will be approximately USD30-35 million per annum.

"Our increased activity level saw exploration and evaluation expenditure up strongly to NZ$42.2 million"

The company also paid off the remainder of its Kupe debt and ended the period with a solid cash position of NZ$158 million.

Directors declared a final dividend of three cents making a total dividend payment for the financial year of six cents per share fully imputed. The dividend reinvestment plan remained in place.

Exploration and Operations

We have been busy implementing our exploration strategy. During the year we continued to expand and upgrade our holdings, resulting in a net increase of four new permits.

We now have a comprehensive portfolio that contains a balance of exposures to different play types, geographies and sovereign risks. We will continue to progressively add acreage to ensure we have a broad set of options for future years.

"During the year we continued to expand and upgrade our holdings, resulting in a net increase of four new permits"

We conducted seismic surveys as operator in the Taranga and Takapou permits. High quality 3D data was collected over 893 square kilometres without a safety incident, on time and within budget. This data will be analysed by our in-house geology and geoscience team during the remainder of 2013 and 2014.

We are now starting to see the outcomes of this kind of hard work coming to the drill bit. We participated in drilling an international well, PM-2, in Indonesia. The well was safely drilled, produced oil shows and is undergoing further appraisal. The second well in this permit, PM-3, was spudded on 3 August and at time of writing it had been drilled to close to terminal depth. We will consolidate our position in Indonesia around Kisaran and Bohorok.

We ceased our interests in two permits, Cosmos and Kakapo, during 2013. The Cosmos FID process indicated that returns would not be sufficiently attractive to justify the investment required to bring the field into production. Consequently we have withdrawn from the permit. We were unsuccessful in attracting partners to participate in the Kakapo prospect. We chose to surrender the permit as assumption of 100% of the drilling costs did not meet our risk-reward hurdle.

Looking Forward

Our focus remains solidly on New Zealand, where the upcoming drilling season provides us with further exciting opportunities.

The oil and gas industry in New Zealand is entering a period of increased offshore exploration activity. This is very good news for the country and particularly for our company.

Under-explored basins around New Zealand are excitingly prospective, and even the current accelerated activity will only scratch the surface of their potential.

We are optimistic that encouraging exploration outcomes will result in New Zealand being re-rated as an investment destination for our industry, generating yet more activity and leading eventually to discoveries in new basins.

We are positioned, through our acreage, to benefit either directly through wells in which we have an interest, or by holding areas adjacent to the activity of others. Our profile as the partner of choice for exploration in New Zealand also positions us well for this success case.

We have a full program for the 2013/14 summer. NZOG will participate in the Oi, Pateke and Matuku wells this summer. Success at Pateke or Oi will extend the life of the Tui production facilities. Matuku is a very interesting prospect where we have the opportunity to increase our share from 12.5% to 17.5% depending on the outcome of the first well.

"By the end of 2013 the company is expected to have participated in drilling five wells. A significant uplift in activity, we are looking to continue this level of participation into the future"

By the end of 2013 the company is expected to have participated in drilling five wells. A significant uplift in activity, we are looking to continue this level of participation into the future. This gives us an acceptable spread of exposure to different wells and fits with our current capability to participate.

Conclusion

I believe NZ Oil & Gas has delivered a solid financial result in 2013. It is now in a good position for the coming years to develop as an enduring exploration company.

It has the internal resources and strong balance sheet to deliver on its commitments, take advantage of opportunities and ensure it is resilient in adverse periods.

It is an attractive business partner, actively exploring to find commercial oil and gas production.

I am looking forward to reporting to you our results in the future.

Peter Griffiths
Chairman

CEO's Review

This year our portfolio grew significantly.

New Zealand Oil & Gas is well positioned for growth. A 30 per cent increase in net profit after tax to $25.9 million was recorded, $158 million in cash was on hand at balance date and the company now has no debt.

Our strong balance sheet gives us the opportunity for ongoing development. We need to invest in exploration to deliver sustainable returns to our shareholders.

The cash flows from our producing assets funded $42.2 million of exploration and evaluation expenditure, up from $9.5 million the year before.

Portfolio development

The company aims to sustain and grow returns through development of our exploration portfolio and by investing in opportunities for extension.

Across our industry, the success rate in finding commercial quantities of oil and gas in wells drilled in New Zealand is about one in ten. We therefore aim to build a portfolio in which cost and investment risks are balanced across geographical, geological, market and regulatory play types.

Our portfolio constantly changes.

We drop prospects on the basis of geoscience, economics and fit with our other opportunities. We replace them with others at a level of exposure where investment costs fit our available cash flows and risk criteria.

Production

Cash flows to fund portfolio development depend on the strength of our existing assets.

The company has two producing assets, Kupe and Tui. They produced 1.0 million barrels of oil equivalent. Output was down from 1.1 million the year before, partly because of natural decline, and also because of a planned maintenance outage at the Kupe production facility.

Kupe, where NZ Oil & Gas holds a 15 per cent interest, remains our premier asset. It produced revenue in the year of $68.8 million for the company.

Earnings from the Tui fields were $30.4 million for our 12.5 per cent share, down from $42 million in 2012. With Tui now in its decline phase, we are planning to drill in the Pateke and Oi structures with the aim of extending the fields' life.

With revenues from these two assets beginning to fall the company is focused on investing to replace our reserves.

New Zealand

Our New Zealand portfolio has been built up across multiple Taranaki sub-basins and it is beginning to build outside Taranaki into frontier New Zealand basins.

Drilling is due to begin around publication date in Matuku. With the possibility of a second well there, and then new exploration wells to be drilled at Pateke and Oi in the Tui area fields, we will be involved in three offshore Taranaki wells before the end of 2013.

We took over as operator of the Takapou and Taranga blocks. The two fields are attractive as part of the developing Western Taranaki fairway. They are on trend with Matuku, as well as the producing Tui, Maui and Maari fields. With a 50 per cent interest in these permits, we will look to farm down ahead of any development if prospects are identified.

That has also been our approach to the Kaheru permit, where we farmed down a 25 per cent share in the permit to ASX-listed Beach Energy (subject to Ministerial consent). New Zealand Oil & Gas is the Kaheru operator and arrangements are being made to drill with a jack-up rig in early 2015.

Beach is also our partner in offshore Canterbury, where New Zealand Oil & Gas farmed into the deep water Clipper permit (subject to Ministerial consent). Canterbury is a frontier play and the most promising New Zealand basin outside Taranaki. Two global majors are working there currently. If they have a discovery then New Zealand as a whole will be re-rated by the global industry. By taking a position there we are giving ourselves an opportunity to be part of successes that will come from a frontier discovery.

In the Government's 2012 Block Offer New Zealand Oil & Gas was awarded two Taranaki permits, including one, Manaia, which marked a return to onshore. Onshore Taranaki resources are generally tightly held, but we are continuing to review opportunities to acquire new acreage, especially in permits which can be brought through to production.

We will again bid for new acreage in the 2013 Block Offer.

In July we handed the Kakapo permit back to the Crown. We marketed Kakapo all over the world but it's a play type that has never been proven in New Zealand. The play type has been drilled successfully elsewhere, but until someone sees it in New Zealand it is a higher investment risk for many companies. In addition the lack of drilling between Kupe and Maui means there are a lack of reference wells for people to correlate the data to, which also increased the investment risk. Kakapo was an example of the Company being flexible enough to drop prospects that no longer fit the portfolio. With a full pipeline of work, our 100 per cent exposure to Kakapo put it outside our risk profile.

International

Our international diversification into Sumatra, Indonesia has provided a significant addition to our portfolio. The lower risk and reward profile of the onshore basin opportunities balance higher risk offshore New Zealand activities.

During 2013 two wells have been drilled in the Kisaran Production Sharing Contract in onshore Sumatra. While drilling and testing is continuing at the Parit Minyak-3 well, oil was recovered to the surface in PM-2 where further testing is underway. Initial flow rates were modest and the most promising zone was fracture stimulated to test whether production rates could be improved. We don't yet know if commercial production is viable from PM-2, but it has shown that an active petroleum system exists in the area.

The company has learned a lot from our involvement in Indonesia. Our understanding and the relationships we have built up are valuable. New Zealand has signed a trade agreement with Indonesia, which provides greater stability and certainty over the investment environment and adds to the attractiveness of the country as we continue to develop our position there.

In contrast we took a decision to reduce our involvement in Tunisia, where we exited our involvement in the Cosmos concession. Although there was a proven oil resource there, when we conducted a careful analysis the economics didn't stack up in current market conditions primarily because we could not obtain a FPSO at economic costs.

Modest international diversification remains important to reduce the potential impact if the coming two years of exploration in New Zealand are disappointing for the wider industry, or if the regulatory environment changes to become less favourable. Although we are positive about New Zealand's prospectivity, it is prudent to keep the portfolio balanced.

Oil Prices

The average price achieved over the year for oil and light oil was US$108.8 per barrel, down from US$114.8 in 2012.

Forecasts of oil prices over the next few years vary in both directions depending on which analyst you ask.

A good case can be made that oil prices will increase because of ongoing supply constraints. Production from Iraq and Libya is still not restored and instability elsewhere in the Middle East could drive prices further upward. Meanwhile, it's not getting cheaper or easier to find new sources of oil. The prospect of the New Zealand dollar falling against the US Dollar could also increase our revenues.

On the other hand, the shale gas boom in the US is putting downward pressure on energy prices. There are signs of an economic slowdown in Asia, which could reduce demand.

Although there is uncertainty I expect our NZD oil prices over the next year to remain in a similar range to last year.

No matter which scenario plays out, oil prices are likely to remain at a level that in the longer term makes our forward exploration path look encouraging.

Conclusion

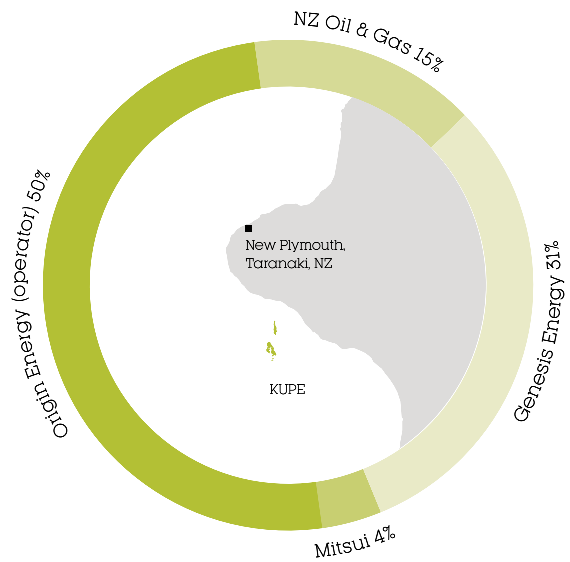
The company has moved to an operating phase, with our increased drilling programme, more permits and more capability.

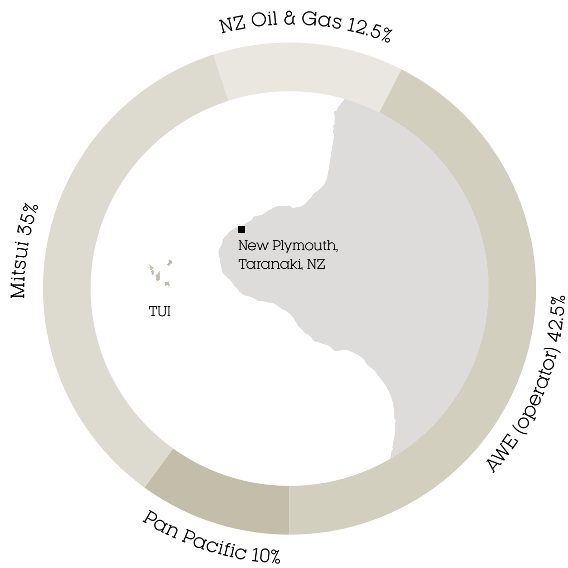
In future we will aim to be involved in drilling around three to five permits a year, and we maintain a suite of opportunities capable of delivering those objectives. That is our forward strategy for growing the value of the company and ensuring we can continue to provide an attractive dividend to shareholders.

With sufficient cash reserves to fund this programme, and one of the best yields in our sector, your company is in a sound position.

Andrew Knight
Chief Executive

Reserves & Production





Kupe

Kupe is a gas and light oil/condensate field that lies in the offshore Taranaki basin, New Zealand, approximately 30km off the coast in water depth of about 35m. Production from the field commenced on 4 December 2009. The field has an expected life of 15-20 years. NZ Oil & Gas has a 15 per cent interest in Kupe.

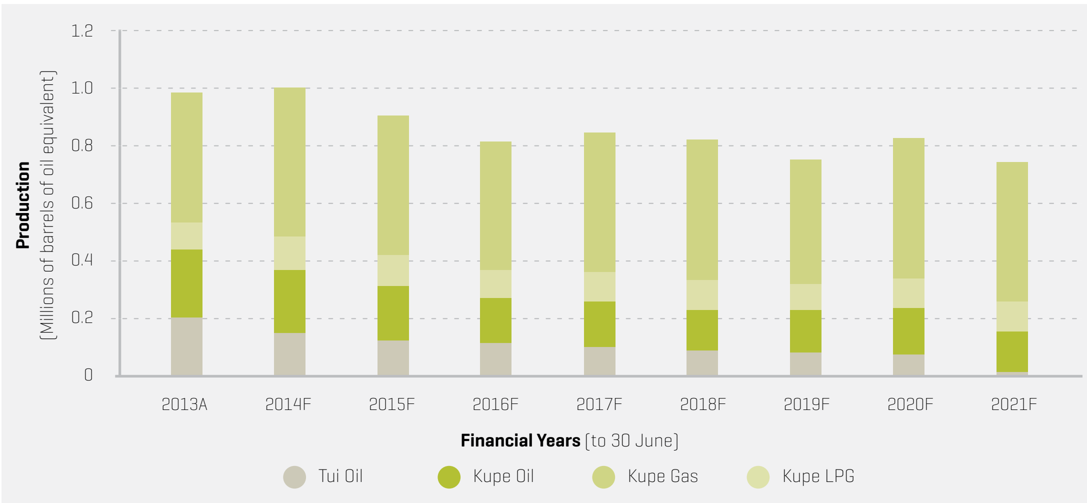
Tui

Tui was New Zealand's first stand-alone offshore oil development. The Tui area oil fields are located in the offshore Taranaki basin, New Zealand, about 50km off the coast in water depth of about 120m. Production began on 30 July 2007 - and is expected to continue until around 2020. NZ Oil & Gas is a 12.5 per cent partner in Tui.

Production Summary

NZOG share	2013	2012	Change on pcp
Tui (Oil - bbls)	208,500	275,700	(24.4%)
Kupe (Oil - bbls)	233,500	269,400	(13.3%)
Kupe (Gas - TJ)	2,700	2,900	(6.9%)
Kupe (LPG - tonnes)	11,600	12,500	(7.2%)

Production - Actual & Forecast



Reserves

NZOG's remaining Proven and Probable (2P) Oil & Gas Reserves as at 30 June 2013:	Oil & Condensate (million barrels)	Natural Gas (petajoules)	LPG (kilotonnes)	Million Barrels of Oil Equivalent*
Kupe	1.8	39	165	9.5
Tui	0.8			0.8
Total				**10.3**

* Million barrels of oil equivalent have 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.

Proven reserves are the estimated quantities of oil and gas which the geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs, under existing economic and operating conditions. Probable reserves are defined as those which have a 50% chance or better of being technically and economically producible.

Oil and gas reserves are reported as at 30 June 2013, and in accordance with Section 10.11 of the NZX Listing Rules. This Reserves Statement has been compiled by New Zealand Oil and Gas Vice-President Operations and Engineering Andrew Jefferies BEng (Mech Hons), Msc Pet.Eng., MBA, a member of the Society of Petroleum Engineers with over 22 years of industry experience, and accurately reflects information supplied by the respective joint venture operators.

Exploration

Offshore Taranaki Basin

New Zealand Oil & Gas acquired interests in the Matuku, Takapou and Taranga permits in November 2012 from the Australian Stock Exchange listed company Octanex NL.

These new acquisitions sit well within the company's New Zealand exploration portfolio, as they build on the knowledge base developed from our Taranaki history and provide increased exposure to the developing western fairway being explored by the drilling campaign.

MATUKU (PEP 51906)

NZOG 12.5%, **OMV** 65% (Operator), **Octanex** 22.5%

The Matuku permit covers 1,613 square kilometres and is adjacent to three producing fields, with the Maui gas/condensate field to the east, Tui oil fields to the north and Maari to the south.

The operator, OMV, has publicly estimated mean recoverable resource for the Matuku prospect of around 65 million barrels.

The permit also covers several additional prospects and leads, some of which are similar to the Matuku prospect and others more closely related to the Maari and Manaia fields to the south-east.

Drilling of the Matuku-1 well in the permit is expected to commence around publication date using the semi-submersible drilling rig Kan Tan IV. The well is expected to take 40 days to drill to a target depth of 4756 metres.

If the joint venture decides to drill Matuku-2, a follow-up well, then either NZ Oil & Gas or Octanex can exercise an option for NZ Oil & Gas to acquire a further 5 per cent from Octanex, which would equalise each company's interest at 17.5 per cent, by funding Octanex's share of a follow up well to be drilled in 2014.

TAKAPOU (PEP 53473)

NZOG 50% (Operator), **Octanex** 50%

This 853km^2 permit is situated in relatively shallow water depths (120m - 135m), immediately adjacent to the Tui oil fields, which produce from the same Paleocene age 'F' Sands that are expected in the south-east part of the permit.

Two wells have been drilled in the permit previously, Kopuwai-1 and Takapou-1. Both encountered oil shows, as did the nearby Taranui-1 well.

The permit is covered by a dense grid of 2D seismic data, which has been reprocessed and re-mapped.

In early 2013 a 595km^2 3D seismic survey was acquired over the Kokako and Toutouwai leads.

The goals of the survey were to better define trap closure and size and to mature the leads to drillable prospect status.

The data is currently being processed and is expected to be available to commence mapping in September, with results available in November 2013.

Preliminary trap definition indicates three structures with a total area of some 128 km^2 with an average vertical relief of 35m.

The Kokako structure is closely analogous to the Oi prospect in the adjacent Tui PMP and the JV is hopeful that it contains similar volumes of oil as the structures in the Tui PMP. The Tui joint venture will be drilling the 'F' Sands oil prospect, Oi-1, in the next few months.

Toutouwai, with a deeper primary reservoir target, has the potential to hold greater volumes of hydrocarbons than the Kokako structure.

The joint venture is undertaking a farm-out campaign to bring in a new partner prior to making a drilling commitment in March 2014.

New Plymouth, New Zealand

TUI [PEP 38158]

NZOG 12.5%, **AWE** 42.5% (Operator), **Mitsui** 35%, **Pan Pacific Petroleum** 10%*

The Tui Mining Permit covers 467 square kilometres.

Two wells will be drilled within the Tui permit with the Kan Tan IV, immediately following Matuku-1.

One of these, Oi-1, will test an independent structural closure to the northeast of the producing Tui, Amokura and Pateke oil fields.

The other, Pateke 4H, is a northern extension of the field that is not being fully exploited by the current producing well, Pateke 3H.

*Pan Pacific Petroleum will increase its participation in the Oi well to 50% under the sole risk provisions of the Tui Joint Venture Operating Agreement. AWE and Mitsui have elected to participate in the Oi exploration well at reduced equities of 25% and 12.5% respectively, with the option to restore their full equities in any development subject to their reimbursement of pro-rata costs and payment of a buy back premium. NZ Oil & Gas will participate at its existing 12.5% unchanged equity level.

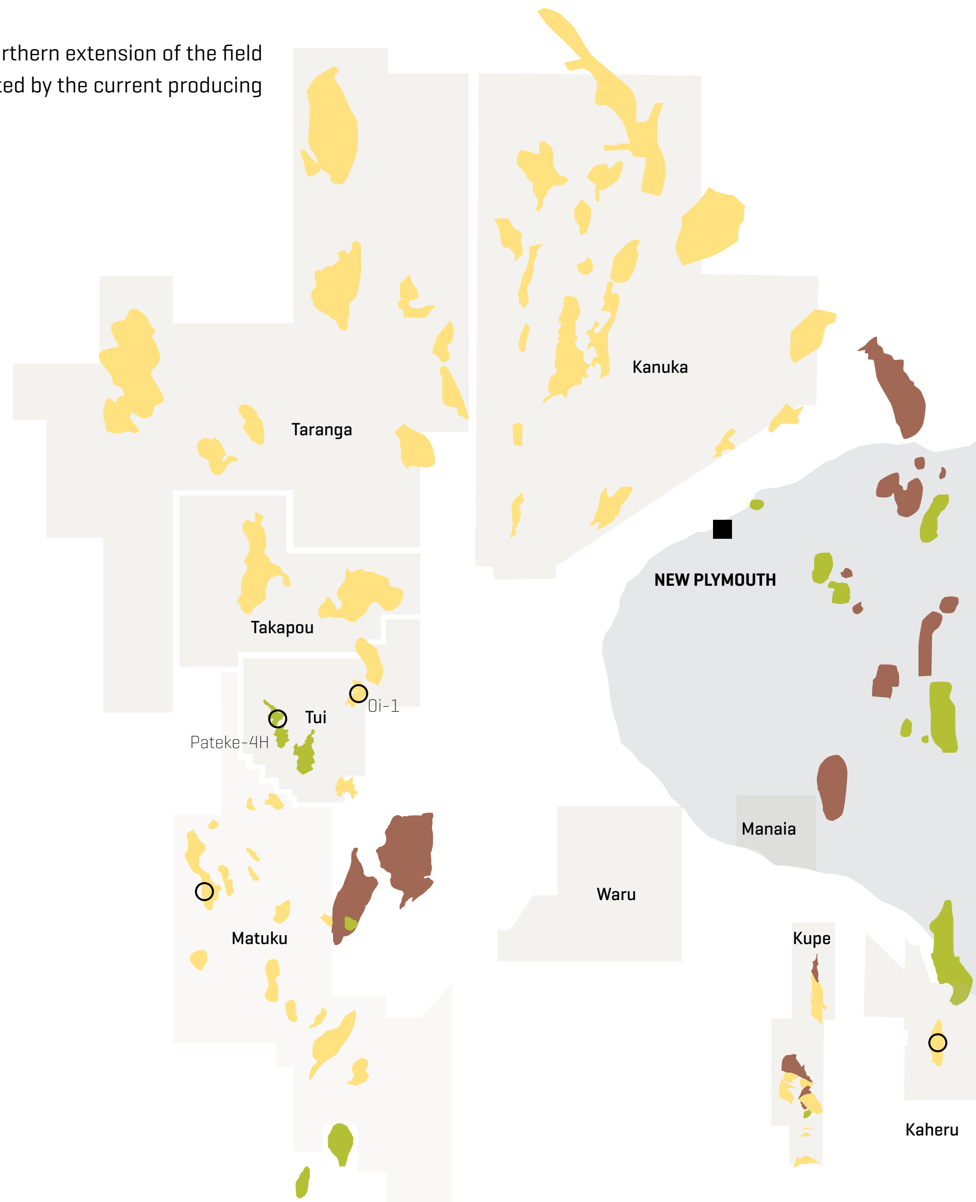
Gas

Oil

Prospects & Leads

NZOG Permits

Wells



TARANGA (PEP 52593)

NZOG 50% (Operator), **Octanex** 50%

This permit covers 3,509 square kilometres in offshore Taranaki lying immediately adjacent to the north of the Takapou permit (PEP 53473) and north of the producing Tui fields in the developing western Taranaki fairway.

In early 2013 the company aquired a 298 km² 3D seismic survey over the Karoro lead. This structure is mapped from existing 2D seismic. The joint venture is hopeful that Karoro holds similar volumetric potential as the main target in the Matuku permit.

The main goal of the 3D seismic survey was to better define structural closure at the North Cape Formation reservoir interval. The new seismic will also allow for detailed evaluation of reservoir properties with the aim of elevating the Karoro lead to drillable prospect status.

In addition to Karoro there are several other follow up leads in the permit, including the large North Cape Formation onlap feature, Lead "F", and the basement drapes encapsulated by the "Cetus" lead. These follow up targets are not the current focus of the permit work programme but provide exploration running room for future exploration in the permit.

The new 3D seismic data is currently being processed and is expected to be available to commence interpreting and mapping in September, with results available in November 2013. As with Takapou, the joint venture is undertaking a farm-out campaign to bring in a new partner prior to making a drilling commitment in March 2014.

KANUKA (PEP 51558)

NZOG 50%, **Todd Energy** 50% (Operator)

This block is in the northern offshore Taranaki basin, west of the Pohukura gas/condensate field and northeast of the Maui and Tui oil and gas/condensate fields, and covers 2,850 square kilometres.

Interpretation of reprocessed 3D seismic has been completed to refine the evaluation of the extensive prospect portfolio. This has resulted in the upgrade of the Mensa prospect, where the operator indicates a mid-range estimate of recoverable resources of 105 million barrels of oil.

New Zealand Oil & Gas is intending to farm out part of its interest, ahead of drilling, which is subject to a commitment from the joint venture by December 2013 (for a well to be drilled before September 2014).

In addition 101 square kilometres of 3D seismic over the Waitara lead in the eastern part of the permit was obtained in early 2013.

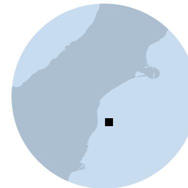
WARU PEP 54857

NZOG 100% (Operator)

Waru was awarded in December 2012 in the New Zealand Government's Block Offer.

It is offshore on Taranaki's south coast covering around 525 square kilometres. No wells have been drilled in this permit. The block lies within the source kitchen for the Maui and Maari oil and gas fields.

Work has begun to re-interpret extensive existing seismic data and design a 400 kilometre 2D seismic survey, which is scheduled to be shot within a two-year period. A well is to be drilled within five years, subject to a commitment to be made by December 2016.



Canterbury, New Zealand

KAHERU (PEP 52181)

NZOG 35% (Operator), **TAG Oil** 40%, **Beach Energy** 25%*

*Subject to Ministerial consent

The Kaheru prospect lies in 25 metres of water, 8 kilometres from shore to the east of the Kupe gas and oil field in an exploration permit which covers 312 square kilometres. It is located on a prolific hydrocarbon trend, with multiple oil and gas fields located to the north, with the closest of those being the Kauri, Rimu & Manutahi fields 10 km away. Multiple reservoir targets are identified and have been significantly de-risked following extensive study including reverse time migration reprocessing, structural modeling and detailed sedimentological analysis.

Preparations are well underway for an exploration well to be drilled in the Kaheru prospect using a jack-up rig. The earliest opportunity to secure such a rig appears to be early 2015.

The Kaheru prospect is a long-recognised structure with the potential to extend the producing trend southward. 3D seismic coverage and advanced processing undertaken by the joint venture has enhanced the structural imaging.

Mean recoverable resources (unrisked) are estimated at 45 million barrels (mmbbls) of oil in an oil case; or 200 billion cubic feet (bcf) of gas and 7.5 mmbbls of condensate in a gas case.

Onshore Taranaki

MANAIA (PEP 54867)

NZOG 40%, **New Zealand Energy Corp** 60% (Operator)

The permit was awarded in the New Zealand Government's 2012 Block Offer. It covers 111 square kilometres in the central part of South Taranaki onshore and is adjacent to the coast.

There has been only limited exploration in this extensive tract and no wells have been drilled in it.

The joint venture is planning to acquire 70 kilometres of 2D seismic data.

Offshore Canterbury Basin

CLIPPER (PEP 52717)

NZOG 50%* (Operator), **Beach Energy** 50%

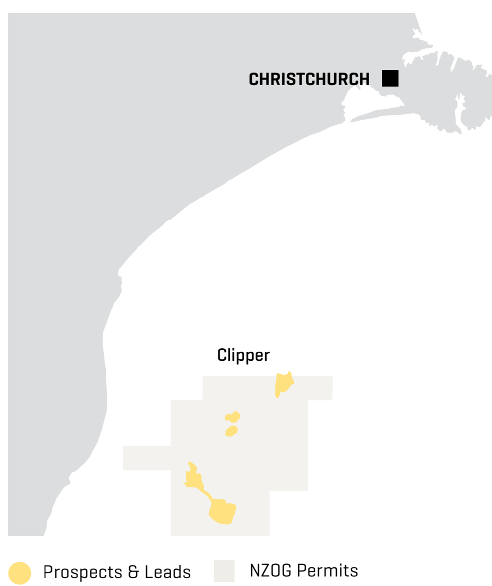
*Subject to Ministerial consent

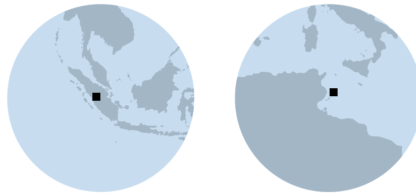
This permit is off the Canterbury coast and covers 3,423 square kilometres. Today the Canterbury and Great South Basin systems are the major focus for frontier conventional oil and gas exploration in New Zealand, with drilling in an adjacent permit scheduled for early next year.

The former PEP 38259, containing the Barque prospect, was relinquished by NZ Oil & Gas and Beach in August 2012 ahead of a drilling commitment. In 2013 Beach was granted an extension to PEP 52717 that largely incorporates the Barque structure and a related lead, which is mapped to extend across the previous southern boundary of the permit. An area of low prospectivity in the northwest of the original permit was surrendered so as to approximately maintain the overall area of the permit.

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, recovering samples of hydrocarbon gas during wireline logging from a depth of over 4,000m.

The joint venture will acquire at least 600 square kilometres of 3D seismic by October 2014.





Indonesia Tunisia

Indonesia

Indonesia is S. E. Asia's largest oil and gas producer and has a long history of production.

Indonesia's contract terms and business climate have been improving as it looks to encourage petroleum activity, and New Zealand has signed a free trade agreement there.

NZ Oil & Gas is pursuing opportunities primarily in onshore Sumatra.

KISARAN PRODUCTION SHARING CONTRACT

NZOG 22.5%, **Pacific Oil & Gas** 55% (Operator), **Bukit Energy** 22.5%.

This block is located in the Central Sumatra Basin and covers an area of 2,196 square kilometres.

The exploration well Parit Minyak-2 (PM-2) spudded on 11 February 2013. The well was to assess an undeveloped oil discovery made by Chevron in 2006 and to explore zones not present in that well. Drilling reached a total depth of 9,225 feet (2,812 metres) on 8 April 2013. Four Drill Stem Tests (DST's) were conducted and all produced light crude without water. One interval flowed at 200-400 barrels of oil per day. The effectiveness of hydraulic fracturing in enhancing reservoir productivity is currently being assessed in the PM-2 well as part of an ongoing evaluation of the Parit Minyak Field.

Parit Minyak-3 (PM-3) spudded on 3 August 2013 and will test a prospect up-dip of strong oil indications in the same 2006 (PM-1) well. PM-3 is expected to take 40 days to drill to an expected depth of between 8,520 feet and 9,000 feet.

BOHOROK PRODUCTION SHARING CONTRACT

NZOG 45%, **Bukit Energy** 45% (Operator), **Surya Buana Lestarijaya** 10%

This block in the Northern Sumatra Basin, covers an area of 5,048 square kilometres and is adjacent to a number of oil and gas fields and a recent wet gas discovery drilled by Pertamina, the national oil company.

Planning is progressing well around a 2D seismic survey which, in combination with ongoing technical work, will allow the ranking of potential drilling targets.

Tunisia

DIODORE PROSPECTING PERMIT

NZOG 100% (Operator)

This offshore permit covers an area of 1,248 square kilometres in relatively shallow (less than 100 metres) water depth and is in the southern part of the Gulf of Gabes, an established oil and gas producing region off the coast of Tunisia. It was originally granted for a two year term from September 2011, which was extended for a third year due to delays in accessing existing seismic data for reprocessing.

It is a very productive region and adds diversity to the New Zealand Oil & Gas exploration portfolio through access to lower risk opportunities.

UNDER WIDER SKIES & HORIZONS

as vast and open as the imagination,
we seek to explore the unexplored.

Directors

Peter Griffiths – Independent Chairman

Peter Griffiths joined the Board of NZOG in December 2009, having retired after 21 years with BP, the last 10 years of which he was Managing Director of BP NZ. Peter was previously involved in offshore oil and gas field operations in Australasia, Malaysia and the United Kingdom. He has served on the boards of New Zealand Refining Company Ltd, Liquigas Ltd and Bitumix Ltd and is currently a director of the Civil Aviation Authority, Northland Port Corporation, Wanganui Gas Ltd, New Zealand Diving and Salvage Ltd and Z Energy. He holds a BSc (Hons) from Victoria University in Wellington.

Rodger J Finlay – Independent Director

Rodger Finlay joined the Board of NZOG in February 2012. Rodger has more than thirty years experience in the financial services industry including senior investment banking and funds management positions with a range of major institutions, specialising in the global natural resource sectors. Rodger has a Bachelor of Commerce (Accounting and Finance) from the University of Otago. He is a member of the NZ Institute of Chartered Accountants and the NZ Institute of Directors. He is currently Chairman of Mundane Asset Management, Deputy Chairman of Rural Equities Limited, a Board Member of Public Trust and a Director of Moeraki Limited.

Andrew Knight – Chief Executive and Managing Director

Andrew Knight joined the Board of NZOG in January 2008. He is a Chartered Accountant and graduate of Waikato University with a BMS (Hons). Andrew had his own consultancy business and previously held executive management roles with Vector and NGC and worked in New Zealand and Australia with The Australian Gas Light Company, Fletcher Challenge Energy and Coopers & Lybrand.

David Scoffham – Independent Director

David Scoffham joined the Board of NZOG in 2003. David is a geophysicist with more than 40 years international experience in the upstream oil and gas industry; including Egypt, Gabon, Oman and Venezuela with Shell; and in exploration management with both Shell International and UK independent Enterprise Oil plc. David is a graduate of Christ Church Oxford (MA Physics) and Imperial College, London (MSc Geophysics).

Paul Foley – Independent Director

Paul Foley became a director of NZOG in 2000. He obtained an LLB and BCA from Victoria University of Wellington and is a senior corporate/commercial lawyer based in Wellington, where he is a partner in Minter Ellison Rudd Watts. Paul has over 25 years experience working with companies in the financial services, manufacturing and energy fields, with significant involvement with major petroleum exploration and production companies. He is currently Chairman of the Board of Grosvenor Financial Services Group Limited, Deputy Chairman of the Board of the National Provident Fund and a director of Racing Integrity Unit Limited.

Tony Radford – Independent Director

Tony Radford ACA is a founding director of New Zealand Oil & Gas Limited, which was established in 1981. Tony used his accounting background to build a career in the petroleum and mining industries. Since retiring as CEO of NZOG in 2007 he continued as non-executive Chairman of the company. He is also a director of Pan Pacific Petroleum. Tony is a fellow of the Australian Institute of Company Directors.

Mark Tume – Independent Director

Mark joined the Board of NZOG in February 2012. Over a 20-year career in infrastructure and finance, Mark has held a variety of senior roles in areas such as investment banking, capital markets, asset and liability management, and risk control. Mark is now a full time director and is also on the Boards of the New Zealand Refining Company, Infratil, KiwiRail, and the Guardians of New Zealand Superannuation. Mark holds a Bachelor of Business Studies and a Diploma in Banking Studies (Treasury Management) from Massey University and was awarded the Hunter Fellowship from Victoria University in 2008.

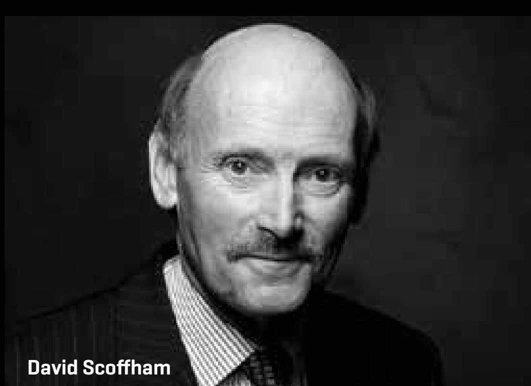
Peter Griffiths

Rodger J Finlay

Paul Foley

Andrew Knight

Tony Radford



David Scoffham

Mark Tume

Management

Andrew Knight - Chief Executive and Managing Director

Andrew Knight joined the Board of NZOG in January 2008. He is a Chartered Accountant and graduate of Waikato University with a BMS (Hons). Andrew had his own consultancy business and previously held executive management roles with Vector and NGC and worked in New Zealand and Australia with The Australian Gas Light Company, Fletcher Challenge Energy and Coopers & Lybrand.

John Bay - Vice President and General Manager Commercial

John joined NZOG in a permanent role in February 2012 after a period working as a consultant to the company. John has over 30 years international oil and gas experience. He was Managing Director of L&M Energy Ltd and held senior management positions with Mighty River Power and Fletcher Challenge Energy. Before immigrating to New Zealand in 1990, John worked in the United States in various petroleum engineering assignments for Tenneco Oil and Gulf Oil. He is a past chairman of the Petroleum Exploration and Production Association of New Zealand (PEPANZ) and is currently a non-executive director of the industry training organisation, EXITO. John is a registered Professional Engineer (Petroleum and Natural Gas Engineering) in Texas.

Mac Beggs - Vice President and General Manager Exploration

Mac Beggs joined NZOG in May 2009. He was founder and Managing Director of GeoSphere Ltd, an exploration geoscience consultancy. Prior to that he was Group Manager Resources with GNS Science and a petroleum geologist with its predecessor DSIR divisions from 1988 to 1997. Earlier he worked as a petroleum exploration geologist for the US affiliate of BP in Texas. Mac has BSc and MSc degrees in geology from the University of Otago and a PhD in geological sciences from the University of California.

Andre Gaylard - Chief Financial Officer

Andre Gaylard joined NZOG in May 2012. He is a Chartered Accountant (South Africa) and graduate of the University of Cape Town. Since arriving in New Zealand in 2006 Andre has held CFO positions in two listed companies. Prior to that he worked in senior finance roles at a number of global investment banks in the United Kingdom, including Deutsche Bank, Credit Suisse and Barclays Capital.

Andrew Jefferies - Vice President and General Manager Operations and Engineering

Andrew Jefferies started his career with Shell in Australia after graduating with a BEng (Mechanical Hons) from the University of Sydney in 1991. He has worked in Australia, Germany, the United Kingdom, Thailand and Holland, in Operations and Petroleum Engineering – gaining an MBA (technology management) from Deakin University in Australia, and an MSc (Petroleum Engineering) from Heriot-Watt University in Scotland. He joined Austrian Company OMV in New Zealand in 2007 and took up his current role with NZ Oil & Gas in early 2013.

Ralph Noldan - General Counsel and Company Secretary

Ralph Noldan joined NZOG in November 2009. After graduating with a BCA from Victoria University of Wellington, Ralph worked as an accountant in the petroleum industry in New Zealand and the UK. In Sydney, Ralph graduated as a lawyer and was Company Secretary for an ASX listed petroleum exploration company for over 8 years. He then moved into private legal practice, working in the resources group of one of Australia's preeminent law firms, Mallesons Stephen Jaques. Prior to returning to New Zealand, Ralph was a partner at another Australian national law firm, Holding Redlich.

John Pagani - External Relations Manager

John Pagani joined NZOG in September 2012. He has a degree in politics from the University of Auckland and a law degree from Victoria University of Wellington. After working as a news producer at Newstalk ZB in Auckland, he moved to Parliament where he worked as a communications director and senior strategist, taking time out to start a public affairs consultancy specialising in development in 2002.


Andrew Knight


John Bay


Andrew Jefferies


Mac Beggs


Ralph Noldan


Andre Gaylard


John Pagani

Shareholder Information

Stock Exchange Listing

The Company's securities are listed on the New Zealand Stock Exchange (NZX) and the Australian Stock Exchange (ASX).

Securities On Issue

As at 28 August 2013 New Zealand Oil & Gas Ltd had the following securities:

Listed Ordinary Shares:

407,251,675 shares, 14,795 holders

Unlisted Partly Paid Shares:

7,005,000 shares, 23 holders

Top 20 Shareholders

Top 20 registered holders of Listed Ordinary Shares as at 28 August 2013:

	Shareholder Name	Shares held	% of Issued Capital
1	HSBC Nominees (New Zealand) Limited A/C State Street	44,528,876	10.93%
2	Accident Compensation Corporation	23,849,709	5.86%
3	BNP Paribas Nominees (NZ) Limited	16,818,229	4.13%
4	JPMorgan Chase Bank NA	14,850,915	3.65%
5	Citibank Nominees (New Zealand) Limited	13,206,862	3.24%
6	National Nominees New Zealand Limited	12,212,142	3.00%
7	Resources Trust Limited	10,472,932	2.57%
8	Resource Nominees Limited	5,664,161	1.39%
9	Sik-On Chow	5,500,000	1.35%
10	New Zealand Superannuation Fund Nominees Limited	4,729,017	1.16%
11	FNZ Custodians Limited	4,312,914	1.06%
12	Riuo Hauraki Limited	4,042,059	0.99%
13	Custodial Services Limited	3,612,181	0.89%
14	Citicorp Nominees Pty Limited	3,250,460	0.80%
15	TEA Custodians Limited	3,074,198	0.75%
16	Leveraged Equities Finance Limited	2,840,566	0.70%
17	HSBC Nominees (New Zealand) Limited	2,377,688	0.58%
18	NZPT Custodians (Grosvenor) Limited	2,188,900	0.54%
19	ASB Nominees Limited	2,171,054	0.53%
20	Chung King Tan	2,034,000	0.50%

In the above table the holdings of New Zealand Central Securities Depository Limited have been reallocated to the applicable members.

Substantial Shareholders

As at 28 August 2013 substantial shareholders in the company were as follows:

Date	Shareholder Name	Shares held	% of Issued Capital
23 August 2012	Accident Compensation Corporation (ACC)	19,859,642	5.06%
23 August 2012	Blair Tallott[1]	19,873,386	5.06%
14 September 2012	Accident Compensation Corporation (ACC)	19,620,619	5.00%
14 September 2012	Blair Tallott[2]	19,634,363	5.00%
25 September 2012	Accident Compensation Corporation (ACC)	19,764,086	5.03%
25 September 2012	Blair Tallott[3]	19,777,830	5.04%
27 November 2012	Accident Compensation Corporation (ACC)	24,423,374	6.05%
27 November 2012	Blair Tallott[4]	24,438,073	6.06%
10 June 2013	Utilico Investments Limited[5]	3,248,878	0.01%
13 June 2013	Zeta Resources Limited[5]	32,588,122	8.00%

1. Blair Tallot held 13,744 shares (0.004%) as a beneficial owner, while also managing the holdings of Accident Compensation Corporation (ACC) 19,859,642.
2. Blair Tallot held 13,744 shares (0.004%) as a beneficial owner, while also managing the holdings of Accident Compensation Corporation (ACC) 19,620,619.
3. Blair Tallot held 13,744 shares (0.004%) as a beneficial owner, while also managing the holdings of Accident Compensation Corporation (ACC) 19,764,086.
4. Blair Tallot held 14,699 shares (0.004%) as a beneficial owner, while also managing the holdings of Accident Compensation Corporation (ACC) 24,423,374.
5. Disclosure by Utilico Investments Limited of it ceasing to be a substantial shareholder and the sale of its holding as part of a Scheme of Arrangement through which Zeta Resources Limited became a substantial shareholder.

At 28 August 2013 there were no other substantial shareholders with 5% or more of the company's ordinary shares. (HSBC Nominees (New Zealand) Limited A/C State Street is above 5% but holds the shares on behalf of a number of beneficial shareholders).

Distribution Of Security Holders

As at 28 August 2013:

Number of Shares	Holders of Listed Ordinary Shares	Holding Quantity of Listed Ordinary Shares %	Holders of Unlisted Partly Paid Shares	Holding Quantity of Unlisted Partly Paid Shares %
1 to 99	144	0.0%		
100 to 199	64	0.0%		
200 to 499	220	0.0%		
500 to 999	1,803	0.3%		
1,000 to 1,999	2,550	0.8%		
2,000 to 4,999	3,268	2.5%		
5,000 to 9,999	2,409	4.0%		
10,000 to 49,999	3,500	17.2%	2	0.7%
50,000 to 99,999	433	6.9%	6	4.4%
100,000 to 499,999	345	15.6%	12	35.0%
500,000 to 999,999	29	4.8%	2	15.0%
1,000,000 to 999,999,999	30	47.9%	1	45.0%
Total	14,795	100.0%	23	100.0%

Share Buyback

A share buy-back scheme was announced by NZOG on 1 November 2011 with shares able to be acquired from 7 November 2011. This involved a broker purchasing shares, within prescribed limits, on NZOG's behalf through the NZX market. The shares acquired were immediately cancelled. The share buy-back closed on 31 October 2012. There were no shares bought back by the company in the year ended 30 June 2013.

Dividend Payments and Reinvestment Plan

Dividend Payments

The Company declared a fully imputed final dividend for the year of 3 cents per share, which was paid 27 September 2013 to shareholders on records as at 13 September 2013. A fully imputed interim dividend of 3 cents per share was paid to shareholders in April 2013.

Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan (Plan) remains in operation for shareholders resident in New Zealand and Australia. These shareholders can choose to invest all or part of their future dividends in taking up additional shares, instead of receiving cash. New shares issued under the Plan will be offered at the weighted average sale price for shares sold on each of the first five business days immediately following the dividend record date. Shareholders who wish to participate in the Plan or amend previous participation instructions may do so by completing a Participation Notice. Full Terms and Conditions of the Plan and the Participation Notice are available on the Company's website at www.nzog.com/drp

Direct Crediting of Dividends Payments

To minimise the risk of fraud and misplacement of dividend cheques shareholders are strongly recommended to have all payments made by way of direct credit to their nominated New Zealand or Australian bank account. This can be done by simply giving the share registry written notice.

Voting Rights

Article 16 of the Company's Constitution states that a shareholder may exercise the right to vote at a meeting of shareholders either in person or through a representative. Where voting is by show of hands or by voice every shareholder present in person or by representative has one vote. In a poll every shareholder present in person or by representative has one vote for each fully paid share. The Board has determined, for the purpose of the 2013 Annual Meeting, that postal voting will be permitted.

NZ Oil & Gas Annual Meeting date

The 2013 Annual Meeting of New Zealand Oil & Gas will be held on Tuesday, 29 October 2013 at the InterContinental Hotel in Wellington, commencing at 9.30AM.

The Annual Meeting will be followed by investor briefings in Auckland, Christchurch and Dunedin.

Annual Meeting
9.30AM Tuesday, 29 October 2013
InterContinental Hotel, 2 Grey St, Wellington.

Auckland Investor Briefing
3.00PM Tuesday, 29 October 2013
Great Northern Room, Ellerslie Event Centre, Auckland.

Christchurch Investor Briefing
12 Noon Wednesday, 30 October 2013
Balmerino Room, Riccarton Park, Christchurch.

Dunedin Investor Briefing
6.00PM Wednesday, 30 October 2013
Scenic Hotel, Cnr Princes and Dowling Street, Dunedin.

Financial Summary

All numbers are quoted in NZ dollars and millions

Summary of Financial Performance	FYE13	FYE12	FYE11	FYE10	FYE09
Revenue from continuing operations	108.9	117.3	108.9	100.1	138.9
Royalties expense	(9.4)	(12.1)	(8.0)	(7.5)	(23.8)
Earnings before interest, tax, depreciation, amortisation and exploration	**67.8**	**70.5**	**58.5**	**64.5**	**83.0**
Exploration Expenditure	(15.1)	(2.4)	(3.4)	(30.7)	(4.2)
Earnings before tax, interest, depreciation and amortisation	**52.7**	**68.1**	**55.0**	**33.8**	**78.8**
Depn & Amort	(22.4)	(28.1)	(23.7)	(17.4)	(16.6)
Earnings before tax and interest	**30.3**	**40.0**	**31.3**	**16.4**	**62.2**
Net finance income/(costs)	5.9	(7.7)	(102.7)	(9.8)	23.5
Share of associate after tax result	0.0	0.0	0.0	(11.5)	(3.9)
Net profit before tax	**36.2**	**32.4**	**(71.4)**	**(4.9)**	**81.8**
Tax	(10.2)	(12.5)	(5.1)	(0.2)	(30.4)
Net Profit after tax	**25.9**	**19.9**	**(76.5)**	**(5.1)**	**51.4**

Financial Summary (continued)

Summary of Financial Position	FYE13	FYE12	FYE11	FYE10	FYE09
Assets					
Cash and cash equivalents	158.0	209.2	149.4	142.4	174.8
Other current assets	32.1	21.4	26.5	22.8	11.7
Convertible Bond	0.0	2.5	35.1	39.9	0.0
Investments in associates	0.0	0.0	0.0	77.1	74.8
Exploration and evaluation assets	44.5	14.9	7.3	6.6	5.2
Oil and gas assets	198.6	218.5	238.8	267.6	253.3
Fixed Assets, including intangibles	0.7	0.4	0.3	0.5	0.3
Other financial assets	11.9	18.1	15.7	19.7	48.9
Total Assets	**445.8**	**485.0**	**473.2**	**576.6**	**569.0**
Liabilities					
Current liabilities	20.3	19.1	15.3	20.8	29.8
Borrowings	0.2	46.8	63.3	62.8	0.0
Restoration and rehabilitation provision	30.2	32.4	25.6	29.2	22.3
Deferred tax liability	37.2	31.8	27.1	22.1	22.5
Total Liabilities	**87.9**	**130.0**	**131.4**	**134.9**	**74.6**
Equity					
Share capital	370.7	358.6	358.2	353.7	347.2
Reserves and retained earnings	(12.7)	(3.6)	(16.4)	88.0	147.2
Total Equity	**358.0**	**355.0**	**341.8**	**441.7**	**494.4**

Statement of Cash flow	FYE13	FYE12	FYE11	FYE10	FYE09
Net cash inflow/(outflow) from operating activities	54.3	63.2	68.6	47.4	93.0
Net cash inflow/(outflow) from investing activities	(34.0)	17.5	(32.9)	(120.7)	(116.9)
Net cash inflow/(outflow) from financing activities	(71.7)	(24.3)	(15.5)	49.6	(74.2)
Net increase/(decrease) in cash and cash equivalents	**(51.4)**	**56.4**	**20.2**	**(23.7)**	**(98.1)**
Cash and cash equivalents at the beginning of the year	209.2	149.4	142.4	174.8	256.5
Cash increase/(decrease) with exchange rate change	0.2	3.4	(13.2)	(8.7)	16.4
Cash and cash equivalents at the end of the year	**158.0**	**209.2**	**149.4**	**142.4**	**174.8**

FYE – Financial Year End

Corporate Directory

Registered and Head Office

Level 20,
125 The Terrace,
PO Box 10725,
Wellington 6143,
New Zealand

Telephone: + 64 4 495 2424
Freephone: 0800 000 594 (within NZ)
Facsimile: + 64 4 495 2422
Email: enquiries@nzog.com
Website: www.nzog.com

Auditors

KPMG
KPMG Centre
10 Customhouse Quay
Wellington 6011
New Zealand

Share Registrar - New Zealand

Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
Level 2
159 Hurstmere Road
Takapuna
North Shore City 0622

Freephone: 0800 467 335 (within NZ)
Telephone: + 64 9 488 8777
Facsimile: + 64 9 488 8787

Share Registrar - Australia

Computershare Investor Services Pty Limited
GPO Box 3329
Melbourne VIC 8060
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067

Freephone: 1800 501 366 (within Australia)
Telephone: + 61 3 9415 4083 (overseas)
Facsimile: + 61 3 9473 2500

Managing your shareholding online

To change your address, update your payment instructions and to view your registered details including transactions, please visit www.computershare.co.nz/investorcentre

General enquiries can be directed to: enquiry@computershare.co.nz

Please assist our registry by quoting your CSN or shareholder number when making enquiries.

THE EXPLORERS
NEW ZEALAND OIL & GAS