New Zealand Oil & Gas Ltd

Shareholder Report

2010

Kupe Production Station

CEO's review

In the past year NZOG has worked hard to implement our two-pronged business strategy: to manage and maximise value extraction from our existing asset portfolio; while securing new value-adding business opportunities.

Both aspects of the strategy have posed challenges, seen disappointments and provided rewards.

CEO's review

Getting the most out of what we've got

While NZOG is a minority partner in its two producing assets, Tui and Kupe, we actively manage our interests and contribute strongly to joint venture decision making. The past year has also seen NZOG take a more active role as Pike River Coal's largest shareholder and now largest debt holder.

TUI

The Tui area oil fields produced a further 4.83 million barrels in the 2009/10 financial year; NZOG's share 604,000 barrels. Since the four wells began flowing in July 2007, more than 28 million barrels of oil have been produced.

During the year some technical modifications were made to the facilities to maximise the oil recovery rates, including improvements to the gas lift compression system. Further facility improvements are planned.

As expected, production rates are declining over time, but subject to the future oil price, Tui is expected to keep producing until around 2020.

KUPE

Tui has been the star performer of the last few years, but the long-term importance of Kupe to NZOG should not be underestimated. Kupe began producing in December 2009 and is expected to still be meeting some of New Zealand energy needs in 2025.

Kupe has been a major undertaking for NZOG, requiring patience, perseverance and a significant financial investment. The rewards are now being received.

A project like Kupe, with multiple partners, multiple products and multiple customers, requires complex legal and commercial arrangements. We continue to put considerable effort into ensuring that NZOG's best interests are protected. This includes careful monitoring of the New Zealand Emissions Trading Scheme (ETS), to ensure we can comply with the minimum cost impact for the company.

During the past year, NZOG assisted the Operator to complete a comprehensive remodeling of Kupe reserves, incorporating the latest information acquired during the development and start-up of the field. This review resulted in a significant upgrade of the initial proved and probable (2P) reserves.

PIKE RIVER COAL LIMITED (PRC)

The first shipment of high quality coking coal from the Pike River mine left Port Lyttelton in February 2010. However, production delays required PRC to seek further working capital.

As the largest shareholder in PRC, NZOG moved to protect and enhance its investment by putting together a funding package. This included participation in a PRC share placement and rights issue; issuing a convertible bond for US$28.9m; and acquiring a transferrable option to purchase a quantity of Pike coking coal over the remaining life of the mine. NZOG also provided PRC with a short-term funding facility, which was repaid from the proceeds of the equity issue.

All of these arrangements were entered into on the basis that they were in the best interests of NZOG shareholders. With this support, PRC has been able to focus on addressing operational issues and moving towards steady state production.

Looking for growth opportunities

NZOG is committed to pursuing growth. We have built a team with strong technical and commercial capabilities, which allows us to actively and systematically look for sensible value-adding investments across the spectrum from exploration, to development assets, producing fields and corporate acquisitions.

NEW ZEALAND EXPLORATION

Over the past year NZOG actively pursued exploration opportunities, participating in the drilling of four wells and adding to its exploration acreage.

Unfortunately, none of the four wells drilled in offshore Taranaki - Albacore, Hoki, Tui SW and Kahu - found commercial quantities of oil or gas. That is obviously disappointing. But that does not mean they should not have been drilled.

Working with other skilled and motivated companies, such as Westech, OMV, Todd Energy and AWE, NZOG used the best available science to identify good prospects, which, on a carefully risked basis, were worth drilling.

We remain committed to exploration – while it often comes with high risk, it offers great rewards.

OVERSEAS OPPORTUNITIES

New Zealand remains an attractive investment destination. However, the available opportunities going forward may not provide sufficient depth and breadth for a company of our size to be confident we can meet our growth objectives from New Zealand alone.

Our business strategy includes the goal of establishing one or two new core areas, in addition to offshore Taranaki. During the past year NZOG assessed a range of potential offshore investments. These included corporate deals, asset purchases and exploration acreage. Our very thorough screening process rejected most of these opportunities, generally because the prize was too small, or the risk too great. However, several overseas investment opportunities remain under consideration and we remain hopeful of progressing one or more in the current year.

Sticking to the strategy

NZOG is in the fortunate position of being able to look years into the future and see ongoing revenue streams from Tui and Kupe. These cashflows underpin the company's business strategy.

NZOG is pursuing growth off a solid base – optimising our existing assets and pursuing new opportunities. A clear highlight of the past year was Kupe coming into production with increased reserves. Unfortunately, we didn't have an exploration drilling success or secure a major new asset. But the growth strategy remains sound. We have a continuous screening process that is working well. We are targeting opportunities that are robust and comfortably fit within our financial capability. NZOG has taken a careful, prudent approach, and will continue to do so.

Our criteria for investment remain the same:

- Proven hydrocarbon systems
- Quality business partners with sound technical skills and financial strength
- Suitably attractive fiscal regime
- Access to markets and infrastructure
- Manageable regulatory and political risk
- Manageable financial exposure
- Near term payback as opposed to long term horizons
- Future growth and upside potential

Within these criteria we continue to identify a range of potential investments and we are working hard to secure the best of them.

DIVIDEND

With good current and forecast cashflows and sufficient imputation credits available, NZOG declared an annual dividend of 5 cents per share, fully imputed. This will be paid on 1 October 2010.

NZOG has also announced a share buy-back scheme.

We are acutely aware that NZOG's recent share price performance will have dismayed many of our shareholders. Declining share values around the world – particularly in the oil and gas sector – together with the absence of drilling success, have had an impact. However, the underlying value of the company remains strong. This comes from our revenue producing assets of Kupe and Tui, our investments in Pike River Coal and Pan Pacific Petroleum, our healthy cash balance and the potential upside from our exploration portfolio. This underlying strength is recognised by all the analysts who cover us. While we might all agree that NZOG is currently undervalued, it is impossible to predict how the many vagaries of the market will play out. However, I can assure you that the company will continue to strive to have its real value recognised.

David Salisbury CEO
10 September 2010

Highlights of the year

July 2009

- New brand introduced
- NZOG named best on-line communicator in NZX50
- 10% stake in Hoki permit acquired

August

- 40% stake in Albacore permit acquired

November

- Northern Hemisphere scouts engaged

December

- First Kupe production
- Albacore well drilled

March

- Kupe officially opened and in permanent production

April

- Hoki well drilled

September

- Revised NZ$75m funding facility agreed with Westpac

October

- 5c dividend paid

January

- Mangaa permit (100%) granted

February

- Pike funding support package announced – equity issue, convertible bond and coal contract option

May

- Taranaki Regional Seismic Survey
- Tui SW drilled
- Canterbury Basin Permit applied for
- Pike funding support finalised

June 2010

- 20% stake in Parihaka permit acquired
- Kahu well drilled
- Tui production reaches revised annual target of 4.8mmbbls
- Significant increase in Kupe Reserves
- Total investment of NZ$120m for FY10 in exploration, Kupe and Pike

NZOG Management

David Salisbury
Chief Executive and Managing Director

David Salisbury joined NZOG in April 2007. He obtained his LLB and BCA from Victoria University in Wellington. His career includes senior commercial positions with Petrocorp Exploration, Fletcher Challenge Energy, Preussag Energie and OMV. Before joining NZOG he was Vice President Business Development for OMV based in Vienna, with responsibility for OMV's worldwide business development activities.

Mac Beggs
Exploration Manager

Mac Beggs joined NZOG in May 2009. He was founder and Managing Director for 12 years 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.

Craig Jones
Chief Financial Officer

Craig Jones joined NZOG in April 2009. He has 20 years broad experience in the corporate and financial management of listed companies. Craig joined NZOG from Petsec Energy Ltd, a Sydney-based ASX listed oil & gas exploration and production company with interests in the USA and China. He is a Fellow of both the Australian Society of CPAs and the Institute of Chartered Secretaries and has a business degree from the University of Southern Queensland.

Ralph Noldan
General Counsel

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 eight years. He then moved into private legal practice, working in the resources group of one of Australia's pre-eminent law firms, Mallesons Stephen Jaques. Prior to returning to New Zealand, Ralph was a partner at another Australian national law firm, Holding Redlich.

Chris Roberts
Corporate Affairs Manager

Chris Roberts joined NZOG in September 2007. After graduating with a BA in Politics and History from University of Waikato, Chris worked as a journalist for more than ten years, becoming a senior editor at Radio NZ. He then spent three years as a Parliamentary Press Secretary followed by five years in senior public affairs roles at Transpower NZ Ltd. Chris is on the Executive Committee of the Petroleum Exploration and Production Association of New Zealand (PEPANZ).

Markus Schuh
Reservoir Engineering Manager

Markus Schuh joined NZOG in November 2007 after working with companies across Central Europe, Asia and New Zealand. He started his career with ExxonMobil and subsequently joined OMV where he was responsible for OMVs' assets in Pakistan as Chief Reservoir Engineer. Before joining NZOG he was working for Shell Todd Oil Services in New Zealand. Markus holds a MSc. in Reservoir Engineering from Mining University Leoben, Austria.

Hugh Steed
New Ventures Manager

Hugh Steed joined NZOG in August 2008. He obtained a joint honours degree in Physics and Geology from Manchester University, a PhD in Geophysics from Cambridge University, and attended the Executive Development Program at Northwestern University, Chicago. He has 30 years of international experience in the energy industry covering exploration, production, business development and strategic planning with BP, Fletcher Challenge Energy, Shell and Transpower.

Reserves and Production

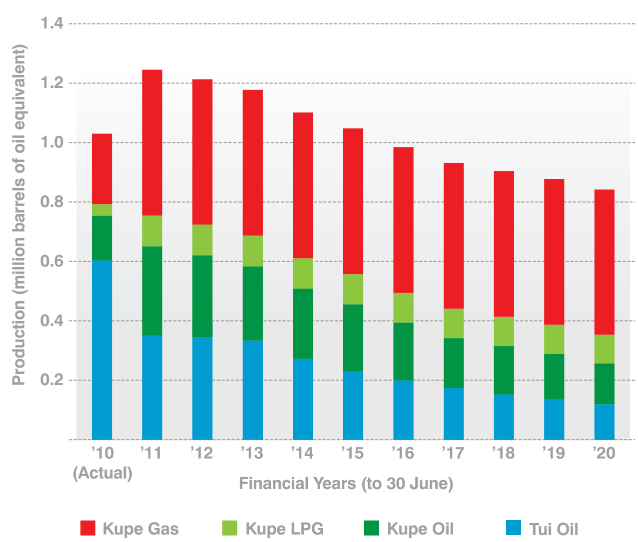
NZOG Reserves

Proven and Probable (2P) Oil & Gas Reserves as at 30 June 2010	Oil & Condensate (million barrels)	Natural Gas (petajoules)	LPG (kilotonnes)	Million Barrels of Oil Equivalent*
Tui	2.8			2.8
Kupe	2.6	39.5	162	10.2
Total				**13.0**

**Million barrels of oil equivalent (mmboe) indicates the total oil equivalent of the oil, condensate/light oil, natural gas and LPG reserves, with the calculations used consistent with Society of Petroleum Engineers (SPE) guidelines.*

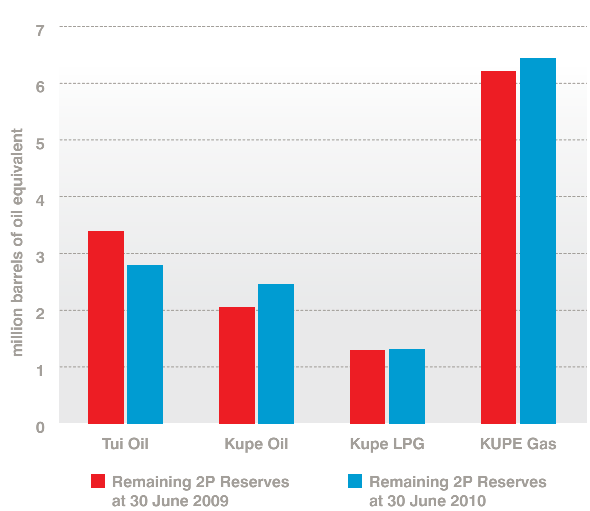
Proven reserves are the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs, under existing economic and operating conditions. Probable reserves are defined as those which have a 50% chance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

NZOG PRODUCTION FORECAST



Source: Production forecasts have been derived from information provided by the Tui and Kupe Operators. Barrels of oil equivalent calculations have been made consistent with Society of Petroleum Engineers (SPE) guidelines.

CHANGE IN REMAINING PROVED AND PROBABLE (2P) RESERVES



While just over 1 million barrels of oil equivalent was produced in the year ended 30 June 2010, NZOG's remaining 2P reserves increased slightly as a result of an upgrade in Kupe reserves.

Tui

The Tui area oil fields, 50kms off the Taranaki coast of New Zealand, have now produced more than 28 million barrels of oil.

NZOG has a 12.5% share in the Tui joint venture. The other partners are AWE (42.5%), Mitsui (35%) and Pan Pacific Petroleum (10%).

Tui is actually three separate oil accumulations: Tui, Amokura and Pateke, which lie at a depth of over 3,500m.

Tui began production in July 2007, with estimated proven and probable (2P) reserves at the time of 27.9 mmbbls.

The current assessment puts initial 2P reserves at 50.5 mmbbls.

Tui oil is processed through a floating production storage and offtake (FPSO) vessel, the Umuroa. In just the first three years of operation, production has already exceeded the original estimate of the total recoverable oil in the fields. Around 22 million barrels in proved and probable (2P) reserves remain.

NZOG's sales revenue from Tui for the past year was NZ$67.9 million. The average sales price was NZ$104 per barrel.

Production to 30 June 2010	Total	NZOG Share
Financial year	4.83 million barrels	604,000 barrels
Since start up in July 2007	28.17 million barrels	3.52 million barrels

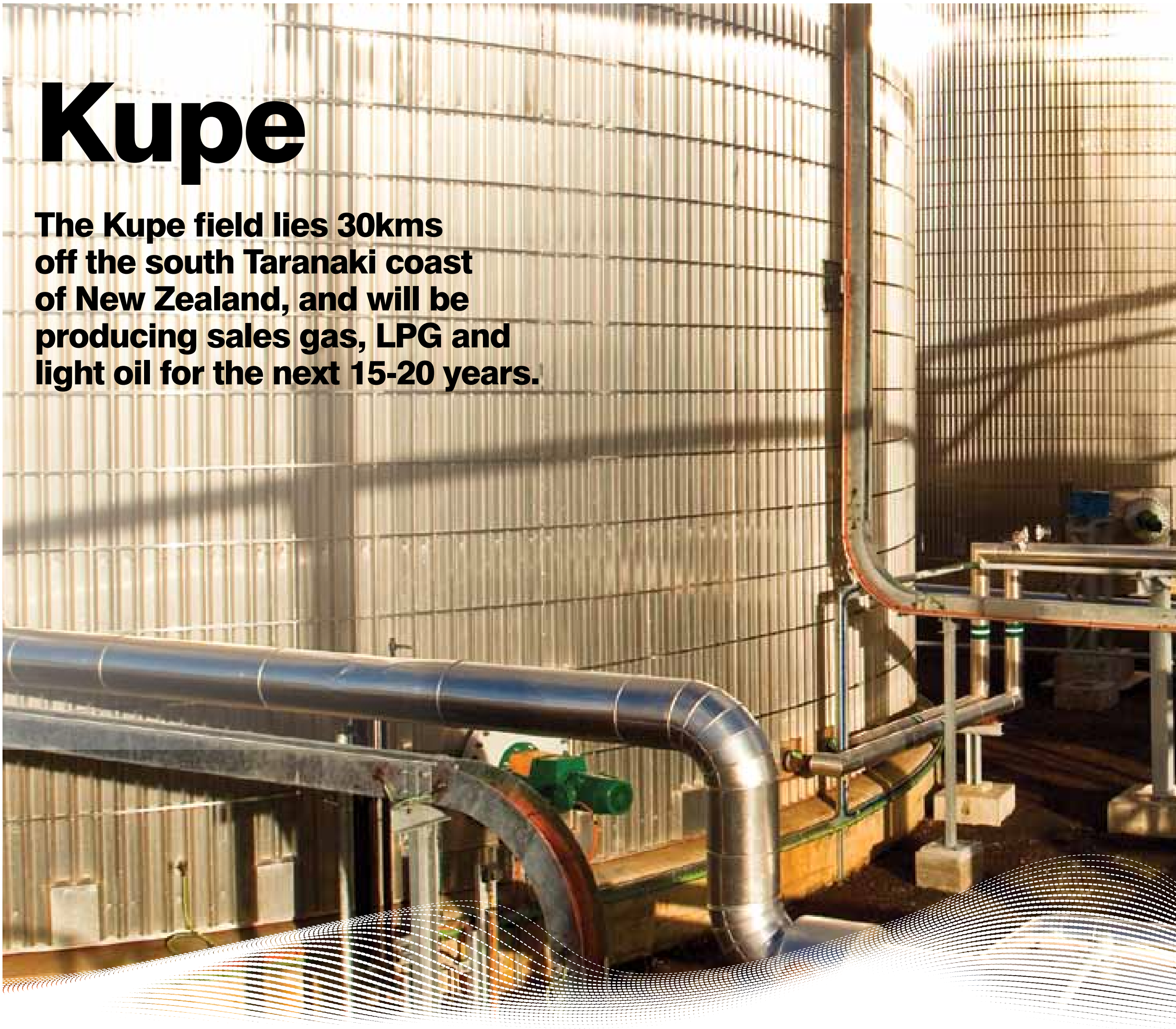
The Tui area oil fields have four producing wells – Tui 2-H, Tui 3-H, Amokura 2-H and Pateke 3-H. In June 2010, production performance from Pateke 3-H declined and it was identified that repairs were needed to the artificial lift system. A workover to bring this well back into production got underway in August. Subject to the timing of Pateke's return, total field production for the 2011 financial year is forecast to be around 2.8 million barrels.

Within the Tui permit a number of other oil prospects have been identified. Between May and July 2010 two of these were drilled – Tui Southwest and Kahu. Tui SW-2 encountered oil but in non-commercial quantities. Kahu-1 located the targeted Kahu valley feature but it contained no significant hydrocarbons.

The results were disappointing. In each case key geological risks that had been identified in advance of drilling were borne out. Despite the commercial failure, the wells have added to our geological knowledge of the greater Tui area. A number of other prospects and leads remain within the permit block and site surveys have been completed over three potential future drilling targets.

Kupe

The Kupe field lies 30kms off the south Taranaki coast of New Zealand, and will be producing sales gas, LPG and light oil for the next 15-20 years.



NZOG has a 15% share in the Kupe joint venture. The other partners are Origin Energy (50%), Genesis Energy (31%) and Mitsui (4%).

Following a reserves upgrade, the initial proven and probable (2P) reserves of the central field area are now estimated to be:

- **273 petajoules of sales gas (NZOG's share 41 PJ).**
- **18.6 million barrels of light oil/ condensate (NZOG's share 2.8 mmbbls).**
- **1.11 million tonnes of LPG (NZOG's share 167,000 tonnes).**

The Kupe development comprises three production wells, a normally unmanned offshore platform, a 30km pipeline and associated umbilical to shore, an onshore production facility near Hawera, and oil storage facilities at New Plymouth.

Kupe began producing in December 2009 and following a comprehensive commissioning period went into permanent production in March 2010.

NZOG received $31.4 million in revenue from Kupe in the second half of the financial year.

Production to 30 June 2010	Total	NZOG Share
Sales Gas	10 PJ	1.5 PJ
LPG	32,000 tonnes	4,800 tonnes
Light Oil	1 million barrels	150,000 barrels

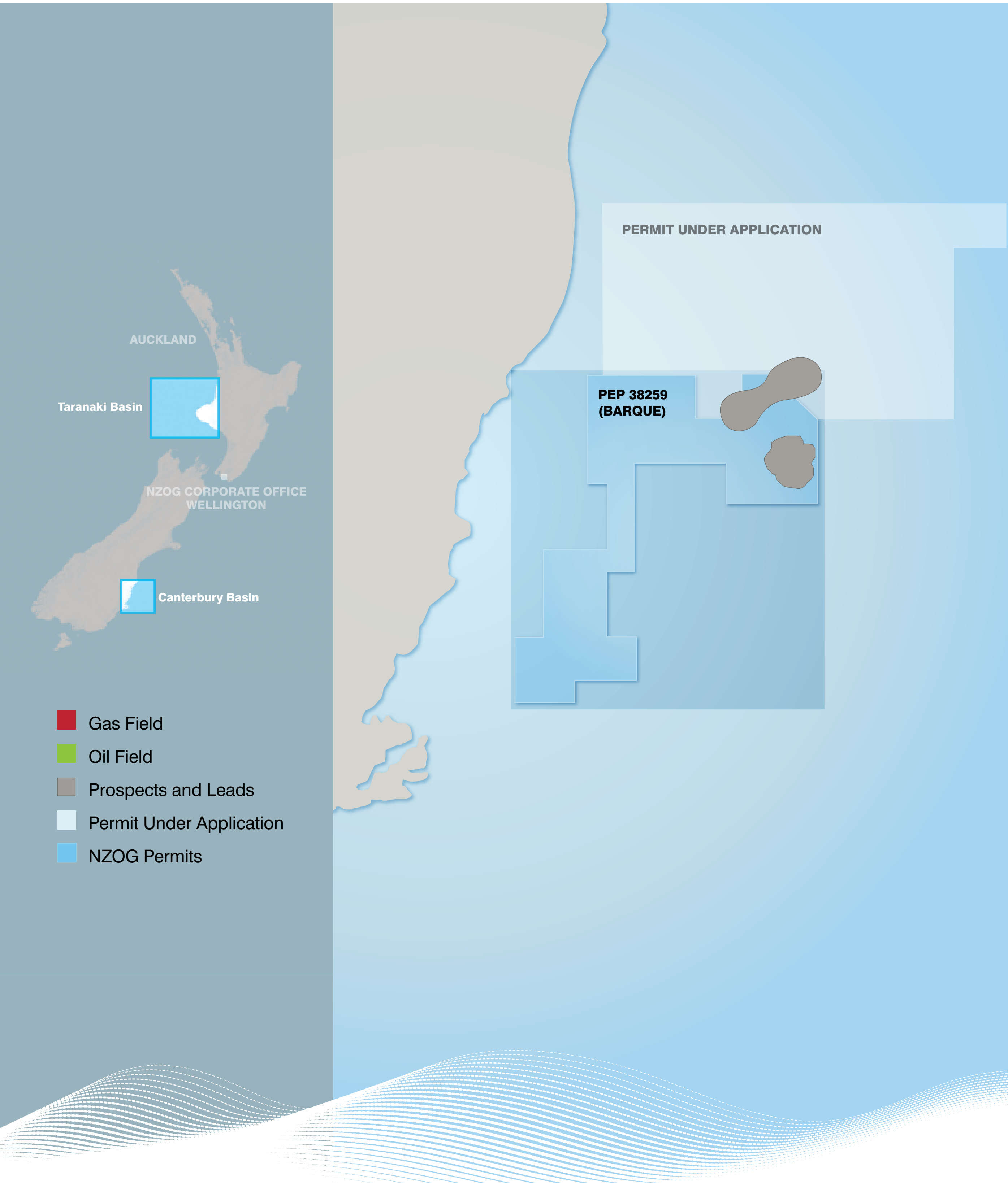
For the financial year ended 30 June 2011, NZOG is forecasting its share of Kupe production to be approximately 3 PJ of sales gas, 320,000 barrels of oil and 12,800 tonnes of LPG.

NZOG's share of the LPG is sold to Vector subsidiary, On Gas. The sales gas is sold to Genesis Energy and the light oil is exported through the Port of Taranaki. The average sales price for the light oil was NZ$104 per barrel. The prices received for the sales gas and LPG are confidential at the request of the purchasers.

Following a detailed reserves review, the initial proved and probable (2P) Kupe reserves were upgraded. Gas reserves were increased by 8%, LPG reserves by 5% and light oil reserves by 27%. The oil is the most valuable of the three products, so this large increase in recoverable oil is particularly significant.

The reserves figures apply only to the developed Kupe Central Field Area. NZOG holds the view that there are promising additional prospects within the Kupe permit area. NZOG is now working with the Operator on further geological and geophysical assessments of these structures, with the possibility that one or more could be drilled in the next few years.

NZOG's Assets


PERMIT UNDER APPLICATION
PEP 38259 (BARQUE)
AUCKLAND
Taranaki Basin
NZOG CORPORATE OFFICE WELLINGTON
Canterbury Basin
Gas Field
Oil Field
Prospects and Leads
Permit Under Application
NZOG Permits

Exploration

NZOG has exploration acreage in New Zealand's only hydrocarbon-producing region, the Taranaki Basin, and in the offshore Canterbury Basin.

Our technical team is experienced and highly capable. NZOG is an active participant in the scientific analysis of all of the permit areas in which we have an interest. Our team is also actively assessing further opportunities in New Zealand and overseas.

NZOG has established a considerable presence in the southern offshore Taranaki Basin. A primary focus for us here is permit PEP 51311, which we hold at 100%. This permit contains a number of leads and prospects, including the Kaupokonui prospect, with mean prospective resources of over 200 million barrels.

In May 2010, the seismic vessel Reflect Resolution acquired for NZOG over 600km of new seismic lines across the southern offshore Taranaki Basin, tied into previous wells. The new data will help us evaluate some of the key petroleum system elements.

This comprehensive approach has not been carried out by any other company in New Zealand and gives NZOG an advantage in assessing the prospectivity of the area, including the Kaupokonui permit.

NZOG has also established a strong presence in the northern region of the offshore Taranaki Basin, picking up the new Mangaa permit at 100% and 20% of the Parihaka permit. In the Albacore permit, the Albacore-1 well was drilled in December 2009. While only traces of hydrocarbons were found we believe there is good remaining prospectivity in the region and further focused mapping work is underway.

NZOG also has interests in the offshore Canterbury Basin, an area with proven hydrocarbon systems but no commercial discoveries to date. NZOG has a 40% stake in the Barque permit and a Priority In Time (PIT) application has been made for the area immediately to the north of Barque.

NZOG's portfolio now includes 10 permits, plus the PIT application:

Permit	NZOG Stake
Taranaki Basin	
PMP 38158 Tui	12.5%
PML 38146 Kupe	15%
PEP 51311 Kaupokonui	100%
PEP 51988 Mangaa	100%
PEP 38491 Albacore	44%
PEP 51558 Parihaka	20%
PEP 38401 Hoki	10%
PEP 38483 Bahamas	18.9%
PEP 51321 Kahurangi	18.9%
Canterbury Basin	
PEP 38259 Barque	40%
PIT Application	40%

TARANAKI BASIN

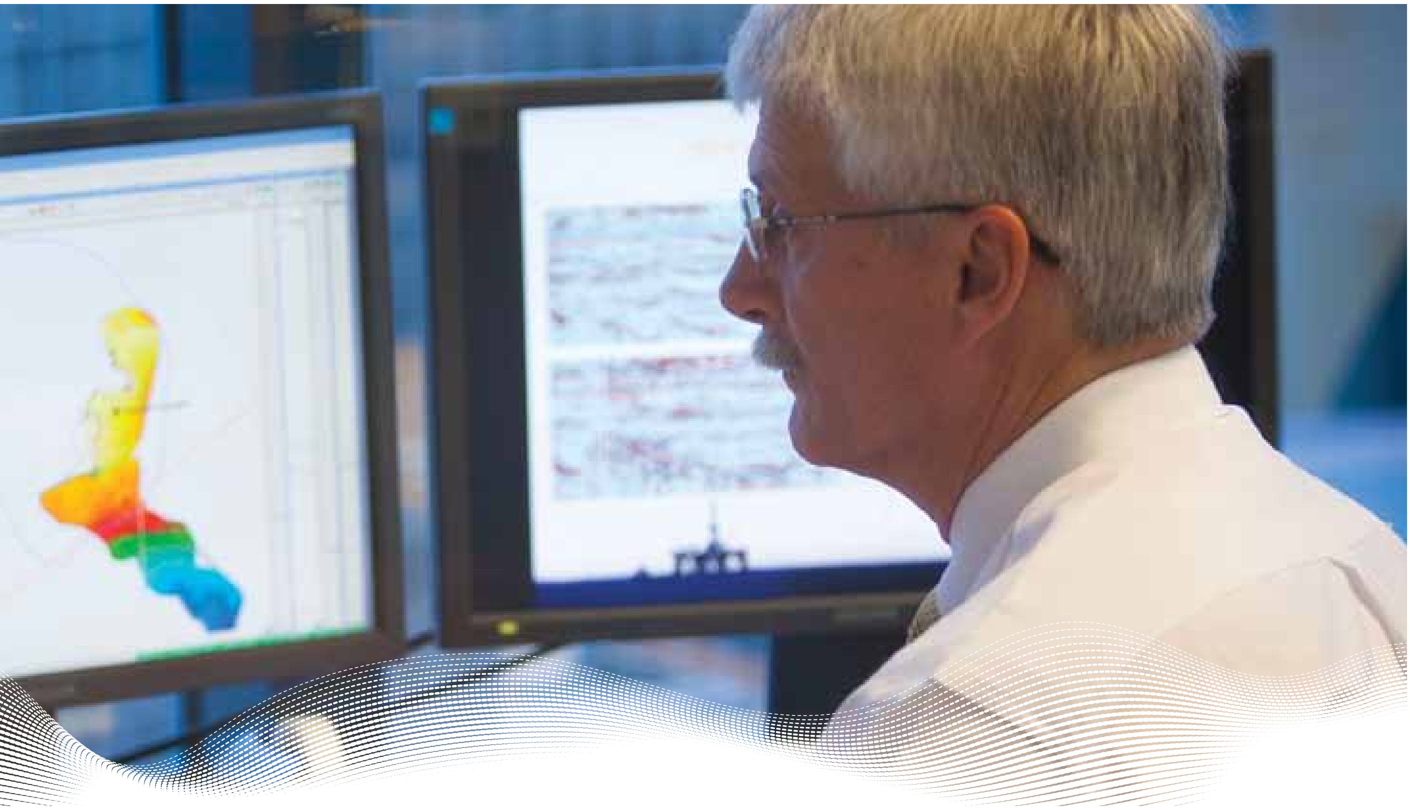
PEP 51311 (Kaupokonui)
NZOG Interest 100%

In 2009 NZOG was awarded a new exploration permit which lies to the west and south of the Kupe field. 500km of new 2D seismic shot in February 2009 has been comprehensively interpreted and a number of leads and prospects have been mapped including Kaupokonui. The Kaupokonui prospect is a stacked series of Motueka coastal sands, which are laterally truncated and prognosed to be sealed by deep canyons.

A site survey has been undertaken over the proposed Kaupokonui drilling location. NZOG is seeking to farm-out some of its 100% stake in PEP 51311. A commitment is required by January 2011 to drill a well within the following 12 months.

PEP 38491 (Albacore)
NZOG Interest 44%

This permit in the northern offshore Taranaki Basin contains a number of identified oil and gas prospects. The first of these, Albacore, was drilled in December 2009 by the jack-up drilling rig, ENSCO-107. Only traces of hydrocarbons were found. The results are being evaluated to help assess remaining prospectivity of the northern graben region of the Taranaki Basin.



PEP 51988 (Mangaa)
NZOG Interest 100%
NZOG was granted this block in January 2010. The permit work programme requires NZOG to undertake technical studies during the first 24 months of the permit term. Technical studies are underway in conjunction with evaluation of the Albacore-1 well results in the adjacent permit.

PEP 51558 (Parihaka)
NZOG Interest 20%
In June 2010, NZOG acquired a 20% interest in this large offshore Taranaki permit, which enhances our northern Taranaki Basin position. The block comes with the results of a 1500 sq km 3D seismic survey acquired under a previous permit. A drilling commitment to one well is required by September 2011.

PMP 38158 (Tui)
NZOG Interest 12.5%
This permit includes the producing Tui area oil fields. The Tui Southwest prospect was drilled in May/June 2010. Tui SW-1 was plugged following upper hole instability. The adjacent Tui SW-2 well encountered oil shows in the target sands but in non-commercial quantities. Tui SW-2 was cased and suspended for possible future use as a gas injection well.

In June/July 2010 the Kahu-1 well to the east of the Tui field was drilled. This well located the targeted Kahu valley feature but no significant hydrocarbons. The well was plugged and abandoned.

A number of other prospects and leads remain within the permit block and site surveys have been completed over three of the potential drilling targets.

PML 38146 (Kupe)
NZOG Interest 15%
This permit includes the Kupe Central Field and also contains a number of other potential structures containing oil or gas. The joint venture is conducting further geological and geophysical assessment of those structures.

PEP 38483 (Bahamas)
NZOG Interest 18.9%
The permit contains the large Bahamas biogenic gas play. In March 2010 Crown Minerals approved a change of conditions to allow more time to complete the evaluation of the Bahamas gas play and make a decision in relation to drilling.

PEP 51321 (Kahurangi)
NZOG Interest 18.9%
Vintage seismic data has been reprocessed using modern analysis techniques and 200km of new 2D seismic was acquired in May 2010. Once processed, this data will be integrated with the existing data for the mapping of structures.

PEP 38401 (Hoki)
NZOG Interest 10%
The wildcat well Hoki-1, drilled in March/April 2010, did not find any significant hydrocarbons.

CANTERBURY BASIN

PEP 38259 (Barque)
NZOG Interest 40%
This permit contains the Barque prospect. The permit also contains the Galleon well, which was drilled in 1986 and discovered what was at the time considered to be sub-commercial quantities of gas and light oil. The Barque prospect is considered to be structurally similar to, but larger and more favourably located for oil and gas charge, than Galleon.

NZOG is considering a farm-out of some of its 40% stake in the permit. In July 2010 the joint venture applied for a six month extension on the decision whether or not to commit to drilling an exploration well.

PIT Application
In May 2010 NZOG lodged a Priority In Time application with Crown Minerals for an area immediately to the north of PEP 38259. The application was not subject to any competing bids and is currently being processed by Crown Minerals.

Investments

Pike River Coal

Pike River is on the South Island's West Coast, 45km northeast of Greymouth. The coal mine holds New Zealand's largest deposit of high quality coking coal.

NZOG formed PRC in 1988, retained a 30% shareholding when it was floated in 2007, and has continued to support the mine through development and into initial production. This includes supporting a further equity issue in 2010.

NZOG also holds US$29 million of debt through convertible bonds. NZOG earns an interest rate of 10% p.a. on these bonds.

PRC faced construction and commissioning delays during the year, reflecting a higher degree of project complexity than was originally anticipated. However, NZOG has commissioned its own technical and management reviews and believes that, despite the delays in the mine reaching full production, the fundamental value of the project remains intact.

With the mine now almost fully developed, the key success factor is operational performance. The original coal resource, reserves and forecast production levels have not significantly changed. The forecast annual production rates of approximately 1 million tonnes per annum remain achievable and the coal remains a highly attractive product in the global market. While the Pike

River mine faces some further operational challenges before it achieves its potential, NZOG considers that it has a positive long term outlook.

NZOG has previously stated that when it is judged to be in the best interests of NZOG shareholders, NZOG will look to divest itself of its holding in PRC and redeploy the capital in its core business in the oil and gas sector. At this point no decision to sell has been made and any sales process, if initiated, is likely to take up to 9 months.

In the meantime, NZOG is committed to its investment in PRC and believes that PRC is taking the operational decisions necessary to get the mine operating at full production.

Pan Pacific Petroleum

In December 2008, NZOG acquired on market a strategic stake of just under 15% in Pan Pacific Petroleum (PPP), one of NZOG's partners in the Tui area oil fields.

NZOG identified a value creating opportunity to acquire a cornerstone stake in a successful business, whose main asset is well understood by NZOG.

The investment is regularly reviewed, but there were no changes to the holding in the past year.

Supporting the Community

NZOG is the corporate partner of SARINZ: the Search and Rescue Institute New Zealand.

Our call to action is 'helping others save lives', says David Shearer, chief executive of SARINZ.

SARINZ trains volunteers from LandSAR, Coastguard, Surf Lifesaving, emergency response professionals from New Zealand Police, Fire Service, Civil Defence, and other individuals or organisations committed to saving lives in New Zealand and around the world.

"We provide outdoor enthusiasts and emergency response professionals with the skills, knowledge and capabilities to avoid becoming a search and rescue statistic and to help bring the lost, missing, injured or deceased home safely, sooner and with increased probability of success."

Research

In 2010, SARINZ completed its first NZOG-funded research examining the impact that population trends will have on search and rescue (SAR) resources and operations in the next 20 years.

"We owe it to New Zealanders (both current and future generations) to get the best information we can, to respond appropriately to the current and future demands for search and rescue. Pivotal to this is getting as clear a picture as possible of what lies ahead.

"The research project could only occur because of our partnership with NZ Oil & Gas. Their investment will continue to make an enormous difference for the SAR sector into the future and will assist to help others save lives".

The findings from the research include:

1. Larger urban populations, especially in Auckland, will increase the number of urban and close-to-home SAR operations.
2. An aging population which is accentuated in certain regions, such as Marlborough, will pose issues in terms of a diminishing population base for volunteers and growth in the number of aged related incidents, such as Alzheimer's and Dementia.
3. Growth of tourism will result in greater occurrence of certain SAR incident types, like tramping, often in regions that will be least resourced to respond, such as the West Coast.
4. Future strains on volunteer supply, both in terms of numbers of volunteer prospects and also regional imbalances – i.e. local population versus numbers of incidents. This may require SAR agencies to review funding models.

With search and rescue being so people-focused, partnerships are central to successful operations and the ongoing collegial nature of the sector, says David Shearer.

"SARINZ is indebted to New Zealand Oil & Gas for their generous support."

New Plymouth Water Safety Training Programme

Tui

The Tui joint venture looks to support projects that meet community needs, have a measurable positive impact and that deliver sustainable long-term benefits.

NZOG and its partners in the Tui area oil fields have successfully sponsored Big Brothers Big Sisters of Taranaki for three years. There are now over 80 young people on the programme, which is managed by the NZ Police's Youth Development section.

In 2010 a new partnership was established with the New Plymouth District Council to develop a water safety training programme for the region's youth. The programme aims to reach 1000 students from the 40 primary schools in the district in the first year.

In addition to supporting these major programmes, in the past year the Tui joint venture has also supported the Coastal School Sustainability project, Waikirikiri Lagoon & Beach Restoration Project, Nga Motu Marine information centre, Pukekura Park Festival of the Lights, Taranaki Children's Book Festival, Women's World Tour Surf Festival, and sponsored the Taranaki secondary school representative rugby team.

Kupe

The Kupe joint venture has a Community Grants Programme which supports projects or activities that benefit or support the long term wellbeing of the South Taranaki community.

In the past year 49 applications were received and 29 grants between $200 and $50,000 were approved.

The successful applicants included Taiohi Oranga (see side column), Manaia School, Manaia Lions Club, Surf Life Saving Taranaki Beach Education Programme, Ngati Tu hapu, Ngati Manuhiakia hapu, South Taranaki District Council, South Taranaki Emerald Foundation and South Taranaki Secondary Schools Kapa Haka Festival.

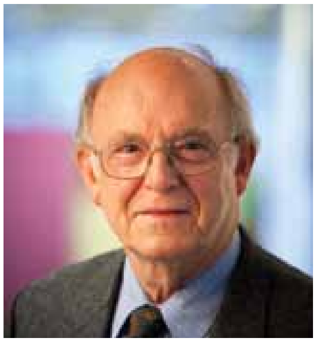
Taiohi Oranga

Taiohi Oranga, a Youth Social Services Centre, is a partnership with the Bishops Action Foundation which provides a centre for Youth and Family Social Service Agencies servicing the South Taranaki Community. Previously there was no facility and many agencies operated out of the back of cars or only by phone. The total funding is $100,000 over two years and provides for the conversion and renovation of a building donated by the Methodist Church. This facility now acts as the location for the provision of integrated Social Services for the South Taranaki Community.

Directors

R A (Tony) Radford
Chairman

Tony Radford CA, 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 has continued as non-executive Chairman of the company. He is also a director of Pike River Coal and Pan Pacific Petroleum. Tony is a fellow of the Australian Institute of Company Directors.



Prof Ray F Meyer ONZM
Deputy Chairman

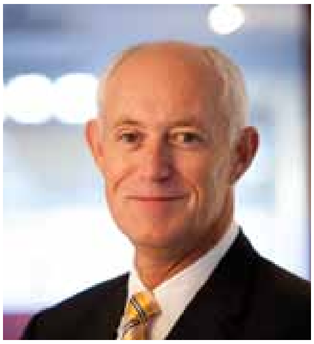
Ray Meyer's distinguished career includes Professor of Mechanical Engineering and Dean of Engineering at the University of Auckland. He is a past president of the Institution of Professional Engineers New Zealand and a former director of ECNZ, Transpower, Watercare Services Ltd and Auckland UniServices Ltd. He is currently a director of Pike River Coal. Ray joined the NZOG Board in 2000 as Deputy Chairman. He is also chair of the Executive Appointments and Remuneration committee. Ray is retiring from the NZOG Board at the 2010 AGM.

David J Salisbury
Chief Executive and Managing Director

David Salisbury joined NZOG in April 2007. He obtained his LLB and BCA from Victoria University in Wellington. His career includes senior commercial positions with Petrocorp Exploration, Fletcher Challenge Energy, Preussag Energie and OMV. Before joining NZOG he was Vice President Business Development for OMV based in Vienna, with responsibility for OMV's worldwide business development activities.

Paul G Foley
Independent Director

Paul Foley became a director of NZOG in 2000. He is a senior corporate/commercial lawyer based in Wellington, where he is a partner at Minter Ellison Rudd Watts. He has over 20 years experience working with companies in the financial services, manufacturing and energy fields, with significant involvement with major petroleum exploration and production companies. He was appointed as a member of the Board of the National Provident Fund in 2008. Paul is chair of the NZOG Audit committee and a member of the Executive Appointments and Remuneration committee.



Peter W Griffiths
Independent Director

Peter Griffiths joined the Board of NZOG in December 2009, having recently retired after 21 years with BP, the last 10 years of which he was Managing Director of BP New Zealand Ltd. 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 Wanganui Gas Ltd, New Zealand Diving and Salvage Ltd and Greenstone Energy Ltd. He holds a BSc (Hons) from Victoria University in Wellington. Peter is a member of the NZOG Audit committee.

Andrew T N Knight
Independent Director

Andrew Knight joined the Board of NZOG in January 2008. He has his own consultancy business and previously held executive management roles with Vector and NGC. He has worked in New Zealand and Australia with The Australian Gas Light Company, Fletcher Challenge Energy and Coopers & Lybrand. Andrew is a member of the NZOG Audit committee and the Executive Appointments and Remuneration committee.

Steve J Rawson
Independent Director

Steve Rawson joined the Board of NZOG in 2000. His career started in petroleum geophysics, later followed by managerial positions with Fletcher Energy in trading, logistics and supply. Steve is a senior executive at Mighty River Power.

David R Scoffham
Independent Director

David Scoffham joined the Board of NZOG in June 2003. He 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 member of the NZOG Audit committee.

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

At 31 July 2010 New Zealand Oil & Gas Ltd had the following securities:

Listed Ordinary Shares

389,092,572

Unlisted Partly Paid Shares

4,415,000

TOP 20 SHAREHOLDERS

Top 20 registered holders of Ordinary Shares as at 31 July 2010:

NAME OF REGISTERED SHAREHOLDER	SHAREHOLDING	% OF ISSUED CAPITAL
NATIONAL NOMINEES (NEW ZEALAND) LTD	23,076,308	5.93
ACCIDENT COMPENSATION CORPORATION	20,092,215	5.16
HSBC NOMINEES (NEW ZEALAND) LTD	12,216,089	3.14
RESOURCES TRUST LTD	11,730,812	3.01
NEW ZEALAND SUPERANNUATION FUND	11,104,895	2.85
CITIBANK NOMINEES (NEW ZEALAND) LTD	7,042,707	1.81
LEVERAGED EQUITIES FINANCE LTD	6,185,109	1.59
SIK-ON CHOW	5,802,672	1.49
NZ GUARDIAN TRUST INVESTMENT NOMINEES LTD	5,333,245	1.37
AMP INVESTMENTS STRATEGIC EQUITY GROWTH FUND	4,942,768	1.27
KEVIN GLEN DOUGLAS AND MICHELLE MCKENNEY DOUGLAS	4,544,500	1.17
TEA CUSTODIANS LTD	4,357,858	1.12
ASTERON LIFE LTD	4,246,502	1.09
RIUO HAURAKI LTD	3,621,570	0.93
FNZ CUSTODIANS LTD	3,074,440	0.79
EXPLORATION NOMINEES LTD	2,899,820	0.75
CUSTODIAL SERVICES LTD	2,878,019	0.74
CUSTODY AND INVESTMENT NOMINEES LTD	2,856,590	0.73
HSBC NOMINEES (NEW ZEALAND) LTD	2,841,056	0.73
ANZ NOMINEES LTD	2,791,398	0.72

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

VOTING RIGHTS

Article 22 of the Company's Constitution provides that on a show of hands at a general meeting, every shareholder present in person or by representative shall have one vote, and upon a poll, shall have one vote for each ordinary share held. The Board may determine ahead of a shareholder meeting that postal voting will be allowed.

SHARE PERFORMANCE

NZOG's share performance on the NZX in the year ended 30 June 2010.

FOR THE 12 MONTHS ENDED 30 JUNE 2010	HIGH	LOW
NZX (Trading Code NZO)	NZ$1.77 on 12/10/09	NZ$1.26 on 29/06/10
ASX (Trading Code NZO)	A$1.45 on 09/10/09	A$1.00 on 30/06/10
Combined Volume of Shares Traded: 71,370,891		

DIVIDEND

On 26 August 2010, the Board of NZOG declared that a fully imputed annual dividend of 5c per share would be paid to shareholders. The record date for the dividend was announced as 17 September 2010, with dividend payments to be made on 1 October 2010.

A Dividend Reinvestment Plan (DRP) was introduced in 2009, providing shareholders with the option of choosing additional shares instead of a cash dividend. The shares are issued at a discount of 2.5% and with no brokerage costs. Shareholders can enter or leave the DRP at any time by contacting the share registry, Computershare.

Financial Summary

All numbers are quoted in NZ dollars and millions

Summary of Financial Performance	FYE10	FYE09	FYE08
Revenue from continuing operations	100.1	138.9	234.1
Royalties expense	(7.5)	(23.8)	(26.4)
Earnings before interest, tax, depreciation, amortisation and exploration	**64.5**	**83.0**	**185.7**
Exploration Expenditure	(30.7)	(4.2)	(14.7)
Earnings before tax, interest, depreciation and amortisation	**33.8**	**78.8**	**171.0**
Depreciation and Amortisation	(15.7)	(13.8)	(23.1)
Earnings before tax and interest	**18.1**	**65.0**	**147.9**
Net finance income/(costs)	(9.1)	23.2	(9.4)
Share of associate after tax result	(11.4)	(3.9)	(0.4)
Net profit before tax	(2.4)	84.3	138.1
Tax	(0.9)	(31.1)	(40.9)
Net Profit after tax	**(3.3)**	**53.2**	**97.2**

Summary of Financial Position	FYE10	FYE09	FYE08
ASSETS			
Cash and cash equivalents	142.4	174.8	256.5
Other current assets	22.8	11.7	58.4
Convertible Bond	39.9	0.0	0.0
Investments in associates	77.1	74.8	68.7
Exploration and evaluation assets	6.6	5.2	0.2
Oil and gas assets	257.7	242.2	204.5
Fixed Assets, including intangibles	0.5	0.3	0.6
Deferred tax asset	7.4	2.5	3.8
Available for sale assets	19.7	48.8	0.0
Other non-current assets	0.0	0.1	3.5
Total Assets	**574.0**	**560.4**	**596.2**
LIABILITIES			
Current liabilities	20.8	29.8	73.9
Borrowings	62.8	0.0	64.0
Restoration and rehabilitation provision	12.0	8.1	11.3
Deferred tax liability	31.7	25.7	16.0
Total Liabilities	**127.3**	**63.6**	**165.2**
EQUITY			
Share capital	353.7	347.2	346.0
Reserves and retained earnings	93.1	149.6	85.0
Total Equity	**446.8**	**496.8**	**431.0**

Statement of Cash flow	FY10	FYE09	FYE08
Net cash inflow/(outflow) from operating activities	47.4	93.0	153.9
Net cash inflow/(outflow) from investing activities	(120.7)	(116.9)	(106.3)
Net cash inflow/(outflow) from financing activities	49.6	(74.2)	179.9
Net increase/(decrease) in cash and cash equivalents	**(23.7)**	**(98.1)**	**227.5**
Cash and cash equivalents at the beginning of the year	174.8	256.5	35.4
Cash increase/(decrease) with exchange rate change	(8.7)	16.4	1.0
Cash decrease with deconsolidation of subsidiary	0.00	0.0	(7.4)
Cash and cash equivalents at the end of the year	**142.4**	**174.8**	**256.5**

FYE = Financial Year End

NZOG's full financial results are published in the 2010 Annual Report.

REGISTERED AND HEAD OFFICE

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Emai: enquiries@nzog.com
Website: www.nzog.com

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.

SHARE REGISTRAR

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