New Zealand Oil & Gas Limited

ACTIVITIES REPORT

FOR THE QUARTER ENDED 30 JUNE 2009

KEY POINTS

- **Tui production exceeds forecast**
- **Tui revenue for FY09 of NZ$138.7m**
- **NZOG joins Hoki drilling**
- **Dividend Reinvestment Plan offered to shareholders**
- **Kupe schedule slips**

DEAR INVESTOR

There is no doubt that the performance of the Tui area oil fields and the associated facilities has been outstanding. There has now been two years of production, with oil produced every day other than during six days of planned maintenance late last year.

Tui produced 9.12 million barrels (mmbbls) of oil in the financial year to the end of June 2009; ahead of the production forecast of 9 mmbbls. NZOG's revenue from Tui for the quarter was NZ$13.9m and for the full financial year NZ$138.7 million.

Tui's daily production is, as expected, slowly declining, as more water and less oil is recovered from the wells. However, the forecast for production in the financial year to the end of June 2010 is still a significant 5.1 mmbbls. NZOG is also looking forward to the Tui exploration drilling towards the end of 2009. NZOG will participate in drilling at least two of the promising near-field prospects using the semi-submersible drilling rig, Kan Tan IV.

Ahead of the Tui drilling, the Kan Tan IV will drill the Hoki prospect in exploration permit 38401. NZOG reached agreement in early July to acquire a 10% share of this permit. Hoki is a large untested prospect in the western margin of the Taranaki basin and has the potential to be a large oil-bearing reservoir.

Hoki is the most recent addition to an exploration portfolio which NZOG has built up while at the same time assessing larger asset opportunities. NZOG has developed considerable technical and commercial expertise in screening new ventures – and we make no apologies for walking away from investments that don't make sense.

Considerable focus is also going into completing the various commercial and legal arrangements needed to support production from the Kupe project.

Frustratingly, the final pre-commissioning testing and certification process at the Kupe production station is taking longer than anticipated. Initial production during commissioning is now expected in the last quarter of the calendar year, with full production from early 2010. With three revenue streams – sales gas, LPG and light oil/condensate – Kupe will provide a solid revenue base for NZOG for the next 15 years.

NZOG's Board has decided to offer a Dividend Reinvestment Plan. This gives New Zealand and Australian residents the choice of taking additional shares issued at a small discount and without brokerage charges, instead of cash dividends. A dividend announcement for 2009 will be made in conjunction with the release of our annual results on the 26th of August.

David Salisbury CEO
20 July 2009

The Tui FPSO Umuroa

Tui Area Oil Fields
(PMP 38158, NZOG INTEREST 12.5%)

Total Tui production for the three month period was just over 1.5 mmbbls at an average rate of 16,600 barrels of oil per day. This took total production for the financial year to 9.12 mmbbls – NZOG's share 1.14 mmbbls.

As at 30 June 2009 Tui had produced a total of 23.3 mmbbls and had remaining proved and probable (2P) reserves of 26.8 mmbbls. An annual reserves and production assessment is currently being reviewed by the joint venture partners but reserves and production forecasts are not expected to change significantly.

The facilities at Tui are performing extremely well with an excellent safety performance, despite what are difficult operating conditions at times. For example, in late June the Umuroa continued to process oil – albeit at reduced volumes – during 10 metre swells and 110 knot winds. There is a continued ongoing process to optimise the performance of the facilities.

Kupe Field
(PML 38146, NZOG INTEREST 15%)

Considerable progress was made during the quarter on construction of the two storage tanks and associated facilities at the Omata tank farm and the laying of the light oil export pipeline from the tanks to Port Taranaki was completed. In June, NZOG was advised by the operator of the Kupe Project, Origin Energy, that the first raw gas from the Kupe field would now be brought ashore to the production station near Hawera in the fourth quarter of the calendar year. At the same time, the operator advised that total capital costs for Kupe remained in line with previous expectations.

While there remains a possibility of further schedule delays and some cost movement, the Kupe Project is now almost complete. Soon after the raw gas is introduced to the production station product sales will start and revenue will be generated. At the completion of a commissioning period, Kupe will go into permanent production.

Pike River Coal (PRC)
(NZOG INTEREST 29.6%)

Coking coal production at the Pike River coal mine resumed during the quarter following the completion of repairs to the ventilation shaft. The coal is being stockpiled ahead of the first shipment, which PRC has announced is now scheduled for November.

In late June, PRC shareholders voted overwhelmingly to allow NZOG to exercise its 2011 options, if it chooses. This gives NZOG the same rights as other option holders. No decision has been made as to when or if the 17.3m options held by NZOG will be exercised. On 30 June 2009, 11 million unlisted options held by NZOG that were 'out of the money' were allowed to lapse. The exercise price was $1.30 and the PRC share price at the time was below $1.20.

Further details of the status of the Pike coal mine can be obtained at www.pike.co.nz

Pan Pacific Petroleum (PPP)
(NZOG INTEREST 14.9%)

There was no change during the quarter to the shareholding in Pan Pacific Petroleum that NZOG acquired in December 2008. However, the value of the stake increased substantially as PPP's share price climbed on the back of promising drilling results in Vietnam. In late June NZOG received a dividend payment of NZ$3.3m. This strategic investment is kept under review.

Financial Update

NZOG's operating revenue from Tui for the June quarter was NZ$13.9m, taking oil sales revenue for the full financial year to NZ$138.7m. During the quarter a NZ$3.3m dividend payment was received from the investment in Pan Pacific Petroleum.

At 30 June 2009, NZOG's total cash on hand was NZ$174.8m. The majority of this cash was held in US-denomination accounts with NZ based banks. Cash outgoings during the quarter included NZ$3 million on exploration prospects, NZ$11 million on the Kupe development and NZ$12 million participation in the Pike River Coal Limited Rights Issue.

NZOG had no debt at 30 June.

More financial information is contained in the June 2009 Quarterly Cash Flows Report, which has been released to the NZX and ASX.

Share Registrars Contact

For information about your share holding or to change your address, please contact the share registrars as follows:

NEW ZEALAND

Computershare Investor Services Limited
Private Bag 92119
Auckland
New Zealand

Freephone: 0800 467 335
Telephone: +64 9 488 8777

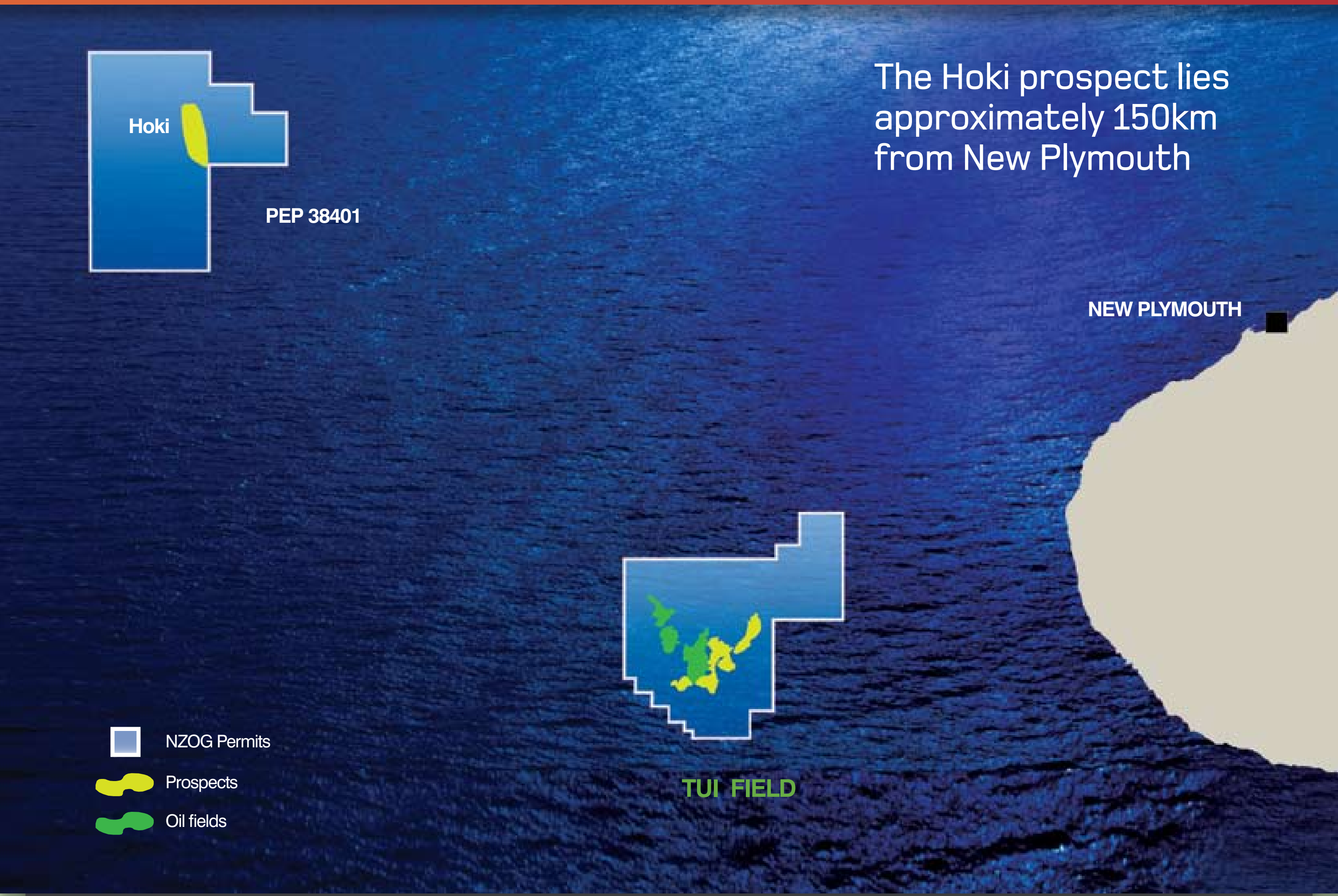
AUSTRALIA

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne
Victoria 3001
Australia

Freephone: 1 800 501 366
Telephone: +61 3 9415 4083

NZOG stock symbols

NZX SHARES – NZO ASX SHARES – NZO



Exploration

PEP 38401 (HOKI)
(NZOG INTEREST 10%)

In July, NZOG acquired a 10% stake in this permit, subject to joint venture partner and government consent. The permit is in the offshore Taranaki Basin, approximately 150km northwest of New Plymouth. It contains the large Hoki oil prospect, which is scheduled to be drilled by the Kan Tan IV around September/October. The Hoki-1 well will test both the primary Island Sandstone reservoir and a secondary target in the North Cape formation.

PEP 51311 (GAMMA)
(NZOG INTEREST 100%)

500km of new 2D seismic shot over this permit in February 2009 has been processed and evaluation of the data is underway. The permit area contains a fairway of structures that NZOG has labelled the Gamma prospects. The permit conditions allow two years for data analysis with a decision on drilling an exploration well to be made by January 2011.

PEP 51321 (KAHURANGI)
(NZOG INTEREST 18.9%)

This permit was awarded to NZOG and its Tui joint venture partners in March 2009. Historic seismic data is now being reprocessed using modern analysis techniques, and geological and geophysical studies are planned.

PEP38483 (AIHE)
(NZOG INTEREST 18.9%)

New 2D seismic shot in late 2008 has been processed and is now being evaluated. The operator, AWE, has identified a biogenic gas play. The joint venture is reviewing the Bermuda prospect.

PML38146 (KUPE)
(NZOG INTEREST 15%)

The Kupe joint venture has agreed to an exploration work programme for the next year that involves further desktop assessment of prospects within the permit.

PMP38158 (TUI)
(NZOG INTEREST 12.5%)

The Kan Tan IV will be available to the Tui partners following the Hoki drilling. At least two exploration/appraisal wells will be drilled during the 57 days of rig time that the joint venture has secured.

PEP38259 (BARQUE)
(NZOG INTEREST 40%)

Crown Minerals has granted an extension to the permit conditions, which will allow time for the results of the 2D seismic survey that was undertaken in February 2009 to be fully evaluated. The deadline for deciding whether or not to commit to drilling an exploration well has been extended to August 2010.

FOR FURTHER INFORMATION PLEASE CONTACT:

David Salisbury, Chief Executive Officer
Chris Roberts, Public Affairs Manager

Call +64 4 495 2424
Toll free 0800 000 594
Email enquiries@nzog.com
Visit www.nzog.com

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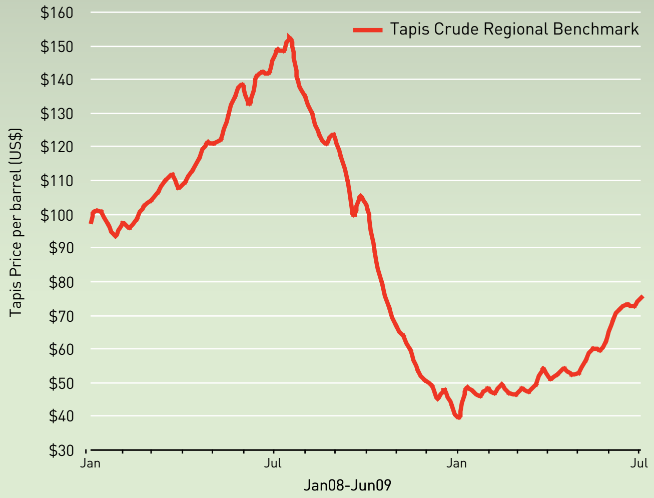
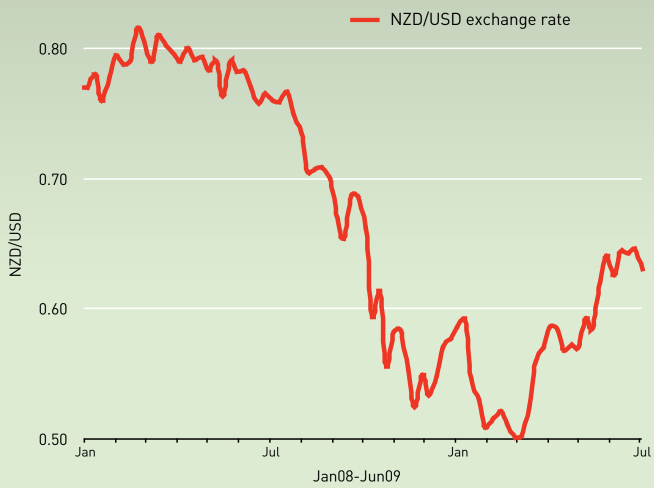
What's Coming Up?

- Annual Results and Dividend Announcement 26 August 2009
- Annual General Meeting and Investor Briefings 28/29 October 2009

Oil Prices and Exchange Rates





Like all oil producers, NZOG's value and profitability are very strongly affected by changes in the oil price. In addition, because we report in New Zealand dollars, our results are also strongly affected by movements in the US dollar/NZ dollar exchange rate.

As the two graphs show, over the past 18 months there has been huge fluctuation in both the international oil price and the US dollar/NZ dollar exchange rate. This has seen our sale returns on shipments of Tui oil fluctuate between NZ$65 a barrel and NZ$190 a barrel.

We are frequently asked: do we engage in forward sales to manage earnings volatility and protect returns? As part of past financing arrangements NZOG has had some oil hedging in place over a small portion of production. This has involved 'calls' at US$86 and US$100 a barrel (NZOG has to sell some oil at those prices when the price goes higher) and 'puts' at US$50 a barrel (NZOG can sell oil at that price when the price goes lower). Quite unusually, with the big swings in oil prices, both the calls and puts were activated at different points during the past year.

The remainder of this oil hedging will expire over the next nine months. The company policy is that NZOG will not hedge either the oil price or the currency, other than to meet financing requirements.

If we were to actively engage in hedging it would presuppose that we can predict where oil prices and exchange rates are going to go. NZOG takes the view that, while we have educated opinions on medium and long term oil price trends, we are not traders. Shareholders will have their own views on short-term trends and can manage their own risk, rather than us speculating on their behalf.

When the Kupe field comes into production, NZOG will have a more diversified income stream that is less exposed to oil price and exchange rate movements. The pipeline gas from Kupe will be sold locally on a long-term 'take or pay' contract to Genesis Energy and NZOG's share of the Kupe LPG will be sold through Vector's subsidiary, On-Gas. The light oil/condensate from Kupe will most likely be exported.

An exploration and production company like NZOG will always have some exposure to the vagaries of international markets. But with our diversity of income streams and balance sheet strength, NZOG is well placed to prosper.

Annual General Meeting

This year's Annual General Meeting will be held in Wellington on Wednesday 28 October. Following on from the success of last year's initiative, investor briefings will also be held in Christchurch and Auckland.

AGM

Date: 28 October

Time: 10.30am

Venue:
Intercontinental
2 Grey St
Wellington

Investor Briefing

Date: 28 October

Time: 6pm

Venue:
The George
50 Park Terrace
Christchurch

Investor Briefing

Date: 29 October

Time: 11am

Venue:
Waipuna Hotel
58 Waipuna Rd
Panmure
Auckland