

New Zealand Oil & Gas Limited
Annual Report
2008

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Chairman and CEO Review

The 2008 financial year was a year of many successes for New Zealand Oil & Gas Ltd. The portfolio of significant production, development, exploration and investment assets has begun to pay dividends, quite literally. As well as paying out the first dividends for 10 years, NZOG has a very healthy cash balance and is well positioned to pursue new investment opportunities.

Performance

For the 2008 financial year, NZOG had total revenue from ordinary activities of \$234.1 million. Earnings before interest, tax, depreciation, amortisation and royalties were \$187.7 million. NZOG made a net profit after tax of \$97.2 million.

This outstanding result was built on a combination of high oil prices and higher than expected production from Tui.

NZOG's total revenue from Tui was \$222.8m. There was also a gain of \$10.8m recognised from the successful float of Pike River Coal Ltd and some other revenue of a minor nature.

NZOG received a major boost to cash reserves through the exercise of options which had been issued to shareholders in December 2005. These options were convertible to ordinary shares for \$1.50 each by 30 June 2008. 92% of the share options on issue were exercised, raising \$190.8 million. This was the largest capital raising on the NZX for the year.

Dividend

In April 2008, a fully imputed dividend of 5 cents per share was paid to shareholders. The timing recognised a successful period and a desire to provide shareholders with an immediate share of that success.

Following the outstanding full year result, the Board resolved to pay a further fully imputed dividend of 5 cents per ordinary share, to be paid on 1 October 2008.

Going forward, the Board's policy is to distribute a reasonable proportion of profit by way of an annual dividend. Future dividends are expected to be announced to coincide with release of the annual results.

Operational Achievements

Tui

A standout achievement was the performance of the Tui Area Oil Fields, which began production on 30 July 2007. 11 months later, at the end of the financial year, reserves had been upgraded by 80%, production was 42% ahead of forecast and returns had been boosted by record international oil prices.

Pre-production the proven and probable (2P) reserves were estimated to be 27.9 million barrels (mmbbls). With the additional information that comes from a producing field and Tui's production performance exceeding expectations, these initial reserves were revised upwards and the field life 2P reserves are now 50.1 mmbbls – NZOG's share 6.26 mmbbls.

Total production from Tui for the 2008 financial year was 14.2 mmbbls. NZOG's share was 1.78 mmbbls and the average net sales price was just under US\$100 a barrel. Tui oil is a light sweet crude that is generally sold, with freight and quality differentials, against the regional Tapis benchmark crude. It has been very well received by refineries on the east coast of Australia, in south-east Asia and in Hawaii and is considered a top quality product.

NZOG achieved project 'payback' - recovery of all exploration and development costs for the Tui Area Oil Project – by December 2007 – just four and a half months from production start-up.

A disappointing incident was the discharge of oil contaminated water from the Tui facility, the Umuroa, in October 2007. The Operator AWE, and the owner of the Umuroa, Prosafe have accepted responsibility and measures have been put in place to prevent a recurrence. Apart from this one incident, the performance of the facility has been commendable. Production was halted for just 17 hours in the entire year and the facilities have consistently been operated above their design capacity, allowing more oil to be recovered sooner.

Plans are being developed to increase the fluid (water and oil) handling capacity of the Umuroa to 180,000 barrels of fluid per day and the lease of the Umuroa has been extended to 2015, with seven further one year rights of renewal. This allows more oil to be recovered from the existing reservoirs and provides the flexibility to tie in any future nearby discoveries.

Kupe

A less visible success, but very important to NZOG's future, was the significant progress made on the Kupe Project during the year.

In October 2007 the ENSCO-107 drilling rig arrived from Singapore to drill the three Kupe development wells and install the offshore platform. The 30 km of offshore pipeline was welded together at a base in Picton and in early January 2008 the specialist vessel Apache arrived to lay the pipeline and the associated umbilical, which supplies power and chemicals to the platform. The Apache completed its work in late January.

The three development wells were completed in early June 2008 and were safely suspended, awaiting start-up. Preliminary analysis of the well results confirms that the wells and the reservoir have met expectations. The three wells are able to exceed the deliverability requirements of the Kupe gas contracts. A preliminary reserves review has concluded that at this stage there is no change to the proven and probable (2P) reserves. From the drilling we do have more certainty and this has resulted in a narrowing of the range of expected outcomes. The 1P reserves (90% likelihood of being exceeded) have increased and the 3P reserves (10% likelihood of being exceeded) have been reduced.

With all of the offshore facilities now in place the focus is on the onshore production station near Hawera and the condensate storage facilities in New Plymouth.

In July 2007, it was announced that the expected completion cost of the Kupe Project had increased by around 10%. Following completion of the offshore drilling and construction programme the Operator advised that the expected completion cost has risen by around a further 10%.

About 40% of the cost increases since project sanction are the result of enhancements to the original project scope. Other factors include weather downtime and increases in equipment, material and labour costs. Over the same period, liquids prices (oil and LPG) have risen strongly. Kupe will produce a mix of gas, LPG and light oil/condensate. Given current prices, over three-quarters of the value of this field lies in the liquids and the expected return on NZOG's investment in Kupe has increased significantly since the project was sanctioned.

The Kupe project is due to commence commercial production in mid 2009.

Exploration

NZOG and its Kupe joint venture partners drilled the Momoho exploration prospect in June/July 2008. The Momoho-1 exploration well was plugged and abandoned after discovering a small gas condensate pool, the third indication of hydrocarbons along this structural trend. Potential remains for hydrocarbons to be trapped within a large closure to the northeast. Further studies will be undertaken to determine whether it may be possible to contemplate a development combining these existing and potential hydrocarbon accumulations.

NZOG and its Tui joint venture partners are discussing a possible drilling campaign within the Tui permit. The geological structures are promising and the final decision will depend on the economics and drilling rig availability.

NZOG is also a partner in two other permits in off-shore Taranaki, where potential leads and prospects are being assessed.

Investments

In July 2007 Pike River Coal Ltd (PRC) was successfully floated as a separate company listed on the NZX and ASX. In March 2008, PRC completed a NZ\$60m rights issue and an associated US\$30m convertible bond issue, which provide the necessary funding for the mine development through to commercial coal production.

International prices for coking coal soared during the year. The PRC initial public offer (IPO) prospectus had forecast an initial price of US\$96 per tonne. However, PRC was able to settle the first sales contracts at US\$300 per tonne.

In November 2007 PRC announced new and more favourable transport arrangements, which will see the coking coal taken by rail to Port Lyttleton. A long term road transport agreement has also been signed to get the coal from the mine to the rail head, and development of the rail head loading facilities is underway. At year end, the Pike tunnel was only a few hundred metres from reaching its target of high value coking coal. In FY09 PRC is forecasting production of 200,000 tonnes, before moving to 1 million tonnes per annum from FY10.

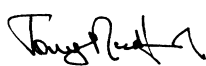
NZOG retains a stake of over 30% in PRC, through 82m shares, 11m options and 3.5m convertible notes, and has two directors on the seven member PRC Board.

Positioned for Growth

The expansion of Tui reserves and higher rates of production, together with Kupe coming on stream in mid-2009, provide a very sound outlook for continued profitability for the medium term. The Company has a strong cash and asset position, which the Board and executive are determined to utilise by adding new exploration and production projects.

The Board has backed an aggressive growth strategy and the Company is determined to build on the achievements of the past year. We have been systematically screening opportunities, both in New Zealand and overseas, and we look forward to bringing the best of those opportunities into our portfolio.

It's been an exciting and rewarding year for NZOG and its shareholders, and we are well positioned for further success in the year ahead.



Tony Radford
Chairman

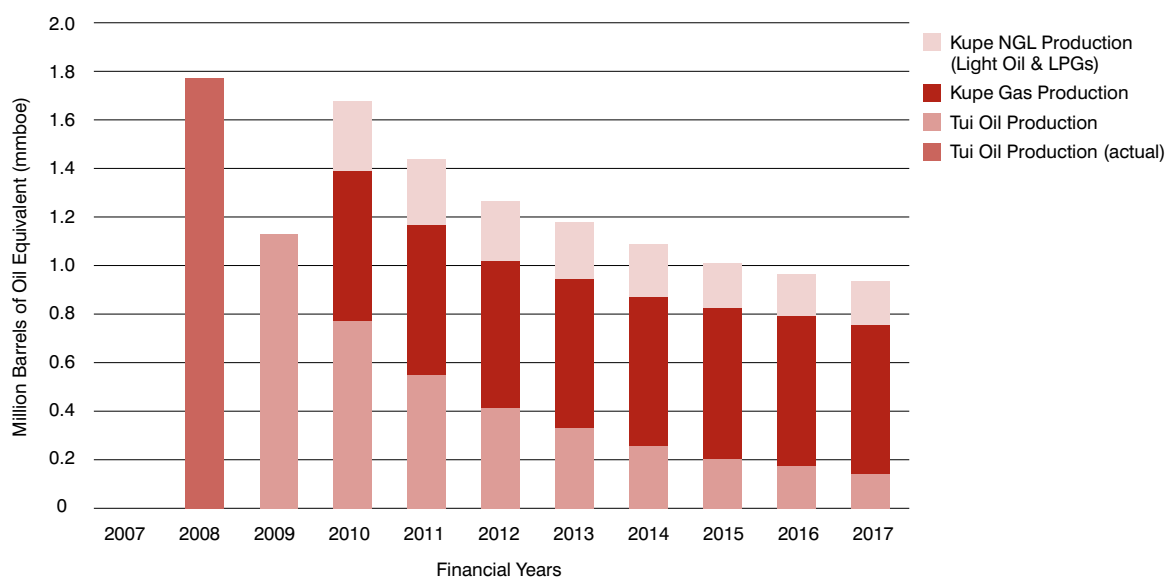


David Salisbury
Chief Executive

Source: Production forecasts have been calculated from information provided by the Tui and Kupe Operators.

Reserves and Resources Statement

NZOG Production Forecast



NZOG Reserves Statement

Proven and Probable (2P) Oil & Gas Reserves as at 30 June 2008	Oil & Condensate (million barrels)	Natural Gas (petajoules)	LPG (kilotonnes)	Million Barrels of Oil Equivalent*
Tui	4.5	-	-	4.5
Kupe	2.2	38	159	9.9
Total				14.4

*Million barrels of oil equivalent has been calculated as the total oil equivalent of the oil, condensate/light oil, natural gas and LPG figures.

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.

Oil and gas reserves are reported as at 30 June 2008, and in accordance with Section 10.11 of the NZX Listing Rules. This Reserves Statement has been compiled by NZOG's Reservoir Engineering Manager Markus Schuh (who has a MSc. in Reservoir Engineering from Mining University, Leoben, Austria) and accurately reflects information supplied by the respective joint venture operators.

New Zealand Oil & Gas Limited

Financial Statements

for the year ended 30 June 2008

Statement of Financial Performance

For the year ended 30 June 2008

	Notes	Group		Parent	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue from continuing operations	6	234,109	4,234	551	11,131
Expenses, excluding finance costs	7	(61,841)	(10,692)	(8,205)	(4,966)
Net finance (costs)/income	7	(7,372)	9,472	40,366	6,896
Total expenses		(69,213)	(1,220)	32,161	1,930
Share of net loss of associate		(351)	-	-	-
Profit/(loss) before income tax and royalties		164,545	3,014	32,712	13,061
Royalties expense		(26,412)	-	-	-
Income tax (expense)/benefit	8	(40,890)	3,747	(6,847)	407
Profit for the year		97,243	6,761	25,865	13,468
Attributable to:					
Equity holders of Parent		97,243	7,059		
Minority interest		-	(298)		
		97,243	6,761		

		Cents	Cents	Cents	Cents
Earnings per share attributable to shareholders:					
Basic earnings per share	32	36.7	2.9	9.8	5.6
Diluted earnings per share	32	24.1	1.9	6.4	3.7

	Cents	Cents
Net Tangible Asset Backing per share	112	73

The above statement of financial performance should be read in conjunction with the accompanying notes on pages 9 to 40

Statement of Financial Position

As at 30 June 2008

	Notes	Group		Parent	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets					
Cash and cash equivalents	10	256,461	35,383	219,232	18,485
Receivables and prepayments	11	55,692	2,669	52,115	50,416
Inventories	12	398	32	-	-
Derivative financial instruments		-	372	-	-
Current tax receivable		2,324	-	-	-
Deferred expenditure	13	-	3,999	-	-
Total current assets		314,875	42,455	271,347	68,901
Non-current assets					
Investments in subsidiaries	14	-	-	73,455	75,680
Investment in associates	15	68,670	2,280	2,280	2,280
Exploration and evaluation, development and production assets	17	204,714	221,670	-	-
Property, plant and equipment	18	306	394	306	162
Deferred tax assets	19	3,802	27,509	60	6,907
Intangible assets	20	297	93	297	93
Other financial assets	21	3,543	5,537	3,500	3,500
Total non-current assets		281,332	257,483	79,898	88,622
Total assets		596,207	299,938	351,245	157,523
Current liabilities					
Payables	22	67,773	26,464	1,067	1,584
Borrowings	23	-	39,236	-	10,000
Derivative financial instruments		6,146	-	-	-
Current tax payable		-	459	-	-
Total current liabilities		73,919	66,159	1,067	11,584
Non-current liabilities					
Borrowings	24	63,958	16,261	-	-
Deferred tax liabilities	25	16,006	14,543	-	-
Restoration and rehabilitation provision	26	11,322	13,930	-	-
Total non-current liabilities		91,286	44,734	-	-
Total liabilities		165,205	110,893	1,067	11,584
Net assets		431,002	189,045	350,178	145,939
Equity					
Share capital	27	345,989	154,457	345,989	154,457
Reserves	28	(5,002)	(5,454)	6,465	6,465
Retained earnings		90,015	5,930	(2,276)	(14,983)
Parent entity interest		431,002	154,933	350,178	145,939
Minority interest		-	34,112	-	-
Total equity		431,002	189,045	350,178	145,939

The above statement of financial position should be read in conjunction with the accompanying notes on pages 9 to 40

Statement of Changes in Equity

For the year ended 30 June 2008

Group	Notes	Attributable to members of New Zealand Oil & Gas Limited			Minority interest \$'000	Total equity \$'000
		Issued capital \$'000	Reserves \$'000	Retained earnings \$'000		
Balance at 1 July 2006		111,879	3,743	(1,129)	38,335	152,828
Changes in fair value of available for sale financial assets, net of tax	28	-	(3,256)	-	-	(3,256)
Foreign currency translation differences	28	-	(5,941)	-	-	(5,941)
Profit for the year		-	-	7,059	(298)	6,761
Total recognised income and expense for the year		-	(9,197)	7,059	(298)	(2,436)
Shares issued	27	42,562	-	-	-	42,562
Options exercised	27	5	-	-	-	5
Partly paid shares issued	27	11	-	-	-	11
Gain on issue of shares to minorities		-	-	-	(3,925)	(3,925)
		42,578	-	-	(3,925)	38,653
Balance at 30 June 2007		154,457	(5,454)	5,930	34,112	189,045
Foreign currency translation differences	28	-	452	-	-	452
Dividend declared (5 cents per ordinary share)		-	-	(13,158)	-	(13,158)
Profit for the year		-	-	97,243	-	97,243
Total recognised income and expense for the year		-	452	84,085	-	84,537
Shares issued	27	679	-	-	-	679
Options exercised	27	190,843	-	-	-	190,843
Partly paid shares issued	27	10	-	-	-	10
Minority interest reduced on deconsolidation		-	-	-	(34,112)	(34,112)
		191,532	-	-	(34,112)	157,420
Balance at 30 June 2008		345,989	(5,002)	90,015	-	431,002

Parent	Notes	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2006		111,879	9,034	(28,451)	92,462
Changes in fair value of available for sale financial assets, net of tax	28	-	(2,569)	-	(2,569)
Profit for the year		-	-	13,468	13,468
Total recognised income and expense for the year		-	(2,569)	13,468	10,899
Shares issued	27	42,562	-	-	42,562
Options exercised	27	5	-	-	5
Partly paid shares issued	27	11	-	-	11
		42,578	-	-	42,578
Balance at 30 June 2007		154,457	6,465	(14,983)	145,939
Dividend declared (5 cents per ordinary share)		-	-	(13,158)	(13,158)
Profit for the year		-	-	25,865	25,865
Total interest recognised and expense for the year		-	-	12,707	12,707
Shares issued	27	679	-	-	679
Options exercised	27	190,843	-	-	190,843
Partly paid shares issued	27	10	-	-	10
		191,532	-	-	191,532
Balance at 30 June 2008		345,989	6,465	(2,276)	350,178

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 9 to 40

Cash Flow Statement

For the year ended 30 June 2008

	Group		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash flows from operating activities				
Receipts from customers	193,726	-	-	-
Interest received	2,713	2,147	1,737	1,092
Other revenue	447	114	447	707
Production expenditure	(14,003)	-	-	-
Payments to suppliers and employees (inclusive of Goods and Services Tax)	(7,335)	(6,392)	(5,787)	(4,141)
Interest paid	(2,834)	(12)	(851)	(12)
Income taxes paid	(18,770)	-	-	-
Net cash inflow / (outflow) from operating activities	153,944	(4,143)	(4,454)	(2,354)
Cash flows from investing activities				
Proceeds from sale of available-for-sale financial assets	-	12,550	-	9,890
Repayment of loans by related parties	16,264	-	16,264	-
Sale of investment in listed resource company	119	-	119	-
Exploration and evaluation expenditure	(14,499)	(8,353)	-	-
Development expenditure	(90,087)	(106,633)	-	-
Purchase of shares in listed resource company	(17,506)	-	-	-
Purchase property, plant and equipment	(572)	(171)	(572)	(147)
Loan to other entities and wholly owned subsidiaries	-	-	34,363	(48,399)
Security deposits	-	(2,914)	-	-
Convertible notes	-	-	-	(3,500)
Net cash inflow / (outflow) from investing activities	(106,281)	(105,521)	50,174	(42,156)
Cash flows from financing activities				
Issues of shares	695	42,567	695	42,567
Issue of shares to minority interests	-	19,400	-	-
Proceeds from exercise of options	176,680	5	176,680	5
Borrowings	77,365	39,045	5,000	10,000
Convertible notes issued	-	7,500	-	-
Repayment of borrowings	(59,735)	(2,404)	(15,000)	-
Dividend paid	(13,143)	-	(13,143)	-
Derivative payment	(2,016)	-	-	-
Other	-	(35)	-	(35)
Net cash inflow / (outflow) from financing activities	179,846	106,078	154,232	52,537
Net increase / (decrease) in cash and cash equivalents	227,509	(3,586)	199,952	8,027
Cash and cash equivalents at the beginning of the year	35,383	41,712	18,485	10,846
Cash decrease from deconsolidation of subsidiary company	(7,406)	-	-	-
Effects of exchange rate changes on cash and cash equivalents	975	(2,743)	795	(388)
Cash and cash equivalents at end of the year	256,461	35,383	219,232	18,485

The above cash flow statement should be read in conjunction with the accompanying notes on pages 9 to 40

Notes to the Financial Statements

30 June 2008

1. General information

New Zealand Oil and Gas Limited (the “Company”) is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand (“NZX”) and Australian Stock Exchanges (“ASX”). The Company is an issuer in terms of the Financial Reporting Act 1993.

The financial statements presented herewith as at and for the year ended 30 June 2008 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and jointly controlled entities.

These financial statements have been approved for issue by the Board of Directors on 28 August 2008.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements include separate financial statements for New Zealand Oil & Gas Limited as an individual entity and the consolidated entity consisting of New Zealand Oil & Gas Limited and its subsidiaries.

These are the Group’s first NZ IFRS financial reports and NZ IFRS 1, First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards, has been applied.

(A) Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (“NZ GAAP”). They comply with New Zealand equivalents to International Financial Reporting Standards (“NZ IFRS”), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures that the financial statements also comply with International Financial Reporting Standards (“IFRS”).

Basis of measurement

These financial statements have been prepared under the historical cost basis, except that the following assets and liabilities are stated at their fair value: derivative financial instruments and available-for-sale assets.

Functional and presentation currency

These financial statements are presented in New Zealand dollars (NZD or \$), which is the Company’s functional and presentation currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

Application of NZ IFRS 1

These financial statements are the first New Zealand Oil & Gas Limited financial statements to be prepared in accordance with NZ IFRS. NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of New Zealand Oil & Gas Limited until 30 June 2007 had been prepared in accordance with previous New Zealand Financial Reporting Standards (NZ FRS). NZ FRS differs in certain respects from NZ IFRS. When preparing New Zealand Oil & Gas Group 2008 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the NZ FRS financial statements to comply with NZ IFRS. Comparative figures in respect of 2007 have been restated to reflect these adjustments.

Reconciliation’s and descriptions of the effect of transition from previous NZ FRS to NZ IFRS on the Company’s equity and its net income are given in note 33.

In preparing these financial statements in accordance with NZ IFRS 1 the Company and Group have applied certain optional exemptions from full retrospective application of NZ IFRS. Further details are given in note 3.

Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The most significant estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to the recoverability of evaluation and exploration & development assets, the provision for restoration and rehabilitation obligations and the recoverability of deferred tax assets.

The assumptions required to be made in order to assess the recoverability of exploration and evaluation and development assets include the future commodity prices, future cash flows, an estimated discount rate and estimates of reserves.

The assumptions made in respect of restoration and rehabilitation obligations include an estimate of future costs, timing of required restoration and an estimated discount rate.

The key assumptions concerning the recoverability of deferred tax assets is the certainty of entity's in the Group to generate future taxable income.

(B) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of financial performance.

Intercompany transactions, balances and unrealised gains on transactions between companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidation statement of financial performance and statement of financial position respectively.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates, except for the Employee Share Ownership Plan ("ESOP"), are accounted for using the equity method (equity accounted investees). The financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. (refer to note 15).

When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Oil and gas joint ventures

Oil and gas joint ventures are those entities where the Group financial statements, established by contractual agreement, includes a proportional share of the ventures assets, liabilities, revenue and expenses with items of a similar nature on a line by line basis, from the date that control commences until the date that control ceases.

(C) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated and parent financial statements are presented in New Zealand dollars, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at balance date;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a component of equity.

Exchange differences arising from the translation of any net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the statement of financial performance as part of the gain or loss on sale.

(D) Financial Instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through statement of financial performance, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Available-for-sale financial assets

The Group's investments in equity securities and certain joint ventures where the Group does not have joint control are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the statement of financial performance.

Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

Interest-bearing borrowings

Interest-bearing borrowings are classified as other non-derivative financial instruments.

Trade and other payables

Trade and other payables are stated at cost.

Other

Cash and cash equivalents in the statement of financial position comprise cash at bank and deposits at call with an original maturity of three months or less. Cash also includes the Group's share of cash held as participant of joint ventures and cash held in a pre-completion reserve under the Group's interest bearing borrowing arrangements.

Accounting for finance income and expense is discussed in note 2(O).

Subsequent to initial recognition, other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment loss.

(ii) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to commodity risks and foreign exchange risks arising from operational and financing activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Trading instruments

These derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the statement of financial performance.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the statement of financial performance.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously

recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the statement of financial performance in the same period that the hedged item affects the financial performance.

Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in the statement of financial performance as part of foreign currency gains and losses.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in the statement of financial performance.

(iii) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognised in the statement of financial performance. Distributions to the equity holders are recognised against equity, net of any tax benefit.

(iv) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised in equity.

(E) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Development assets

The cost of tangible assets involved in development are capitalised as development assets under property, plant and equipment and are depreciated over their estimated useful lives.

(iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of financial performance as incurred.

(iv) Depreciation

Depreciation is recognised in the statement of financial performance on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvements	18 years
Plant and equipment	4-18 years
Motor vehicles	5 years
Furniture and fittings	5-8 years
Technical and computer equipment	2-5 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Once production commences, production assets are amortised over the earlier of their useful life and the life of the proved and probable reserves on a units of production basis. Thus, the economic life of such equipment is dependent on future production and remaining reserves, and therefore varies from project to project.

(F) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in the statement of financial performance.

Acquisitions of minority interests

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

(ii) Research, exploration and evaluation expenditure and development expenditure

Research

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the statement of financial performance as an expense when it is incurred.

Exploration and evaluation

Exploration and evaluation expenditure costs capitalised represents an accumulation of costs incurred in relation to separate areas of interest for which rights of tenure are current and in respect of which: (i) Such costs are expected to be recouped through successful development of the area of interest, or alternatively, by its sale; or (ii) Exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment and/or evaluation of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the areas of interest are continuing.

Exploration and evaluation expenditure are impaired in the statement of financial performance under the successful efforts method of accounting, in the period that exploration work demonstrates that an area of interest or any part thereof, is no longer prospective for economically recoverable reserves or when the decision to abandon an area of interest is made. An area of interest is defined by the Group, as being a permit area, where rights of tenure are current.

Upon technical feasibility and commercial viability of an area of interest, Exploration and Evaluation assets for the area of interest is transferred to Development assets.

The recoverability of Exploration and Evaluation assets is contingent upon facts, such as technical success and commercial development, sale of the area of interest, the results of further exploration, agreements entered into with other parties, and also upon meeting commitments under the terms of permits granted and joint venture agreements.

Development

Development assets include construction, installation and completion of infrastructure facilities such as pipelines and the cost of development wells or mines.

Production assets

Production assets capitalised represent the accumulation of all development expenditure incurred by the Group in relation to areas of interest in which petroleum or coal production has commenced. Expenditure on production areas of interest and any future estimated expenditure necessary to develop proven and probable reserves to meet current commitments under sales contracts, are amortised using the production output method or on a basis consistent with the recognition of revenue. The carrying value is assessed for impairment.

Subsequent costs

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the statement of financial performance during the financial period, in which they are incurred.

Amortisation

No amortisation is provided, in respect of development assets, until they are reclassified as Production assets.

(iii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

(G) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first in first out principle, and includes expenditure incurred in acquiring the inventories and bringing them to

their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(H) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the statement of financial performance.

(i) Impairment of equity instruments.

Equity instruments are deemed to be impaired whenever there is a significant or prolonged decline in fair value below the original purchase price. For this purpose prolonged is regarded as any period longer than nine months and significant as more than 20 percent of the original purchase price of the equity instrument.

Any subsequent recovery of an impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through the statement of financial performance.

(ii) Impairment of receivables

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

(iii) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date. For exploration and evaluation intangible assets the method for reviewing for impairment is described in 2H(iv).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the statement of financial performance. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iv) Exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when either the period of the exploration right has expired or will expire in the near future, substantive expenditure on further exploration for and evaluation in the specific area is neither budgeted or planned, exploration for and evaluation in the specific area have not led to the discovery of commercially viable quantities and the Group has decided to discontinue such activities in the area or there is sufficient data to indicate that the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Any impairment loss is recognised as an expense in the statement of financial performance in the period.

(I) Goods and Services Tax (GST)

The statement of financial performance has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(J) Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(K) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the

obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Make good provision

A make good provision is recognised in respect of the Group's obligation in relation to its leased buildings.

(ii) Restoration and rehabilitation provision

The restoration and rehabilitation provision is measured at the present value of the expected future cash flows as a result of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation is incurred. The nature of the restoration activities includes the removal of facilities, abandoning of wells, abandoning of mines and restoring the affected areas.

(L) Borrowing costs

Borrowing costs relating to assets under development up to the date that substantially all activities necessary to prepare assets under development for intended use are complete, are capitalised as a cost of the development. Where funds are borrowed specifically for qualifying projects the actual borrowing costs incurred are capitalised. Where the projects are funded through general borrowings the borrowing costs are capitalised based on the weighted average borrowing rate.

(M) Revenue recognition

Revenues are recognised at the fair value of the consideration received net of the amount of goods and services tax (GST).

(i) Sales of goods

Sales comprise revenue earned from the provision of petroleum products. Revenue is recognised when the significant risks and rewards of ownership of the petroleum products have been transferred to the buyer.

(ii) Royalty income

Royalty income is recognised on the date the Company's right to receive payment is established.

(N) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position. Payments made under operating leases are recognised in the statement of financial performance on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(O) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, foreign currency gains, gains on hedging instruments that are recognised in the statement of financial performance and changes in the fair value of available for sale assets transferred from equity. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Company's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, impairment losses recognised on financial assets (except for trade receivables), losses on the disposal of available-for-sale financial assets, and losses on hedging instruments that are recognised in the statement of financial performance. All borrowing costs are recognised in the statement of financial performance using the effective interest method.

(P) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the statement of financial performance except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable

profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Royalties

Government royalties are treated as taxation arrangements when they are imposed under Government authority and when the calculation of the amount payable falls within the definition of "taxable profit". Royalty arrangements that do not meet the criteria for treatment as a tax are recognised on an accruals basis.

(Q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the financial performance attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the financial performance attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprises issued convertible notes and granted share options.

(R) Segment reporting

A segment is a separately identifiable component of the Group that is engaged in providing related products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

(S) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

The fair value of trade and other receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

(T) Standards, amendments and interpretations to existing standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but which the Group has not early adopted.

The adoption of these standards are not expected to have a material impact on the Group's financial statements

- NZ IFRS 2, Share Based Payments – Vesting Conditions and Cancellations (Amended) (effective from annual periods beginning on or after 1 July 2009)
- NZ IFRS 3, Business Combinations (revised 2008) – (effective from annual periods beginning on or after 1 July 2009).
- NZ IFRS, Insurance Contracts (amended) – (effective from annual periods beginning on or after 1 January 2009).
- NZ IFRS 8, Operating Segments – (effective from annual periods beginning on or after 1 January 2009)
- NZ IAS 1, Presentation of Financial Statements (revised 2007) – (effective from annual periods beginning on or after 1 January 2009).
- NZ IAS 23, Borrowing Costs (revised 2007) – (effective from annual periods beginning on or after 1 January 2009).
- NZ IAS 27, Consolidated and Separate Financial Statements (amended 2008) – (effective from annual periods beginning on or after 1 July 2009).
- NZ IAS 32 and NZ IAS 1, Financial Instruments Presentation (amended) and Presentation of Financial Statements (revised) – (effective from annual periods beginning on or after 1 July 2009).

3. Transition to NZ IFRS

Basis of transition to NZ IFRS

Application of NZ IFRS 1

The Group's financial statements for the year ended 30 June 2008 are the first annual financial statements that comply with NZ IFRS. These financial statements have been prepared as described in note 2(A). The Company has applied NZ IFRS 1 in preparing these financial statements.

The Group's transition date is 1 July 2006. The Group prepared its opening NZ IFRS financial position at that date. The reporting date of these financial statements is the 30 June 2008.

In preparing these financial statements in accordance with NZ IFRS 1, the Company has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of NZ IFRS.

Exemptions from full retrospective application elected by the Group

The Group has elected to apply the following optional exemptions from full retrospective application:

(a) Business combinations

The Group has applied the business combinations exemption in NZ IFRS 1. It has not restated business combinations that took place prior to the 1 July 2006 transition date.

(b) Employee benefits

The Group has elected to recognise all cumulative actuarial gains and losses as at 1 July 2006.

(c) Cumulative translation differences exemption

The Group has elected to set the previously accumulated cumulative translation to zero at 1 July 2006. This exemption has been applied to all subsidiaries in accordance with NZ IFRS 1.

(d) Designation of financial assets and financial liabilities

The Group reclassified various securities as available-for-sale investments and as financial assets at fair value through profit and loss. The adjustments relating to NZ IAS 32 and NZ IAS 39 at the opening balance sheet date of 1 July 2007, the NZ IAS 32 and NZ IAS 39 transition date, are detailed in note 33.

(e) Insurance contracts exemption

The Company does not issue insurance contracts; this exemption is not applicable.

(f) Decommissioning liabilities included in the cost of property, plant and equipment (PPE)

The Group recognises a provision in respect of environmental liabilities relating to contamination caused to land from the installation of assets and from its production processes. The exemption provided in NZ IFRS 1 from the full retrospective application of NZ IFRIC 1 has been applied to determine the adjustment required to PPE in respect of the obligation to decommission existing production facilities.

Reconciliation's between NZ IFRS and previous GAAP

The reconciliation's in note 33 provide a quantification of the effect of the transition to NZ IFRS. The first reconciliation provides an overview of the impact on equity of the transition at 1 July 2006 and 30 June 2007.

4. Financial risk management

Exposure to credit, interest rate, foreign currency, equity price, commodity price and liquidity risks arises in the normal course of the Group's business.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign currency risk on cash and cash equivalents, oil sales, capital commitments and borrowings that are denominated in a currency other than the Company's functional currency, New Zealand dollars (\$), which is the presentation currency of the Group. The currencies in which transactions are primarily denominated are United States dollars (USD). The Group manages its foreign currency risk by monitoring its USD cash balances generated from USD revenue for repayment of its USD loan and USD commitments.

The Group's exposure to foreign currency risk has been disclosed in notes 10, 11, 22, 23 and 24.

(ii) Commodity price risk

Commodity price risk is the risk that the Group's sales revenue will be impacted by fluctuations in world commodity prices. The Group is exposed to commodity prices through its petroleum interests. Bank facility agreements require the Group to hedge a portion of its exposure to oil price risk. The premiums paid in relation to oil price hedging are included in the carrying value of development and production assets at a cost of \$1.5 million (2007: \$2.0 million). Fair value of these oil price options at balance date is a liability of \$6.1 million (2007: Asset of \$0.4 million).

(iii) Concentrations of interest rate exposure

The Group's main interest rate risk arises from short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

(iv) Repricing schedule

The table on the following page summarises the Group's exposure to interest rate risks. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of their contractual repricing or maturity dates.

GROUP 30 June 2008	Weighted average effective interest rate %	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000	Non interest bearing ** \$'000	Total \$'000
Financial assets								
Cash and cash equivalents	6.51	213,277	-	-	-	-	43,184	256,461
Receivables	-	-	-	-	-	-	45,800	45,800
Other financial assets	9.49	3,500	-	-	-	43	-	3,543
		216,777	-	-	-	43	88,984	305,804
Financial liabilities								
Borrowings	7.28	63,958	-	-	-	-	-	63,958
Payables	-	-	-	-	-	-	67,773	67,773
Derivative financial instruments	-	-	-	-	-	-	6,146	6,146
		63,958	-	-	-	-	73,919	137,877
Net effective interest rate gap		152,819	-	-	-	43	15,065	167,927

GROUP 30 June 2007								
Financial assets								
Cash and cash equivalents	7.01	35,314	-	-	-	-	69	35,383
Receivables	-	-	-	-	-	-	2,266	2,266
Derivative financial instruments	-	-	-	-	-	-	372	372
Other financial assets	6.70	627	-	-	-	2,661	2,249	5,537
		35,941	-	-	-	2,661	4,956	43,558
Financial liabilities								
Borrowings	7.37	47,997	-	7,500	-	-	-	55,497
Payables	-	-	-	-	-	-	26,464	26,464
		47,997	-	7,500	-	-	26,464	81,961
Net effective interest rate gap		(12,056)	-	(7,500)	-	2,661	(21,508)	(38,403)

PARENT 30 June 2008	Weighted average effective interest rate %	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000	Non interest bearing ** \$'000	Total \$'000
Financial assets								
Cash and cash equivalents	7.12	176,048	-	-	-	-	43,184	219,232
Receivables	-	-	-	-	-	-	52,096	52,096
Other financial assets	9.50	3,500	-	-	-	-	-	3,500
		179,548	-	-	-	-	95,280	274,828
Financial liabilities								
Payables	-	-	-	-	-	-	1,067	1,067
		-	-	-	-	-	1,067	1,067
Net effective interest rate gap		179,548	-	-	-	-	94,213	273,761

PARENT 30 June 2007								
Financial assets								
Cash and cash equivalents	6.78	18,416	-	-	-	-	69	18,485
Receivables	13.25	16,264	-	-	-	-	33,871	50,135
Other financial assets	8.50	-	-	3,500	-	-	-	3,500
		34,680	-	3,500	-	-	33,940	72,120
Financial liabilities								
Borrowings	9.00	10,000	-	-	-	-	-	10,000
Payables	-	-	-	-	-	-	1,584	1,584
		10,000	-	-	-	-	1,584	11,584
Net effective interest rate gap		24,680	-	3,500	-	-	32,356	60,536

** Non-Interest bearing cash and cash equivalents at 30 June 2008 represents cash received from the exercise of 2008 options on the 30th June 2008 after 5pm.

(b) Credit risk

Financial instruments which potentially subject the Group to credit risk consist primarily of short term securities and cash deposits, trade receivables and convertible notes.

No collateral is required by the Group to support financial instruments subject to credit risk. The Group places its cash and short-term investments with and through financial institutions with the intention of limiting the amount of credit exposure to any one financial institution.

The Group has no reason to believe credit losses will arise from any of the above financial instruments. However, the maximum amount of loss, which might possibly be realised, is the carrying value of the financial instrument.

The carrying amount of financial assets represents the Group's maximum credit exposure.

The Group has not renegotiated the terms of any financial assets which would result in the carrying amount no longer being past due or avoid a possible past due status.

The Group's maximum exposure to credit risk for trade and other receivables is its carrying value.

(c) Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls. It is the Group's policy to provide credit and liquidity enhancement only to wholly owned subsidiaries.

The following table sets out the contractual cash flows for all financial liabilities and for derivatives that are settled on a gross cash flow basis:

GROUP 30 June 2008	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000	Contractual cash flows \$'000
Secured borrowings	-	-	19,019	44,939	-	63,958
Payables	67,773	-	-	-	-	67,773
Total non-derivative liabilities	67,773	-	19,019	44,939	-	131,731
Commodity price contracts						
Net (outflow)/inflow	(2,701)	(1,576)	(1,998)	-	-	(6,275)

GROUP 30 June 2007	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000	Contractual cash flows \$'000
Secured borrowings	27,000	10,000	8,761	-	-	45,761
Unsecured borrowings	2,236	-	7,500	-	-	9,736
Payables	26,464	-	-	-	-	26,464
Total non-derivative liabilities	55,700	10,000	16,261	-	-	81,961
Commodity price contracts						
Net (outflow)/inflow	-	-	-	-	-	-

PARENT 30 June 2008	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000	Contractual cash flows \$'000
Payables	1,067	-	-	-	-	1,067
Total non-derivative liabilities	1,067	-	-	-	-	1,067

PARENT 30 June 2007	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000	Contractual cash flows \$'000
Secured borrowings	10,000	-	-	-	-	10,000
Payables	1,584	-	-	-	-	1,584
Total non-derivative liabilities	11,584	-	-	-	-	11,584

(d) Capital management

The Group's capital includes share capital, reserves, retained earnings and minority interests.

The Group is not subject to any externally imposed capital requirements.

There have been no material changes in the Group's management of capital during the period.

(e) Sensitivity analysis

The Group's reporting result at the end of each year is sensitive to financial risks from fluctuations in interest rates, commodity pricing and currency risks. The Group's exposure to these risks is described in note 4(a).

The Group's estimated short term impact of fluctuations in these areas of risk are summarised below:

An increase in the value of the New Zealand dollar against the United States dollar by 5% would be a decrease of \$0.7 million in Group profit before tax and an increase by \$2.6 million in the foreign currency translation reserve in equity (2007: nil effect on profit and \$1.7 million decrease in the foreign currency translation reserve).

An increase in the value of a barrel of oil at balance date by 10% would be an increase of approximately \$2.4 million in Group profit before tax for the year ended 30 June 2008 (2007: \$nil).

An increase in interest rates at balance date by 1% would increase the Group's expected interest income for the following financial year by \$2.1 million (2007: \$0.4 million), based on maintaining current cash balances.

The Group has an equity price risk in respect of the share price of Pike River Coal Limited. The equity price risk has no impact on either equity or the Group's profit before tax as the investment in Pike River Coal Limited is recorded as an investment in an Associate.

(f) Recognised assets and liabilities

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Derivative contracts classified as held for trading are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity.

The fair value of forward exchange contracts used as economic hedges of oil sales at 30 June 2008 was a liability of \$6.1 million (2007: Asset of \$0.4 million) recognised in fair value derivatives.

(g) Financial instruments by category

GROUP At 30 June 2008	Held for trading \$'000	Loans and receivables \$'000	Held to maturity investments \$'000	Other amortised cost \$'000	Total fair value and carrying value \$'000
Assets					
Cash and cash equivalents	-	256,461	-	-	256,461
Receivables	-	45,800	-	-	45,800
Other financial assets	-	43	3,500	-	3,543
	-	302,304	3,500	-	305,804
Liabilities					
Payables	-	-	-	67,773	67,773
Derivative financial instruments	6,146	-	-	-	6,146
Borrowings	-	-	-	63,958	63,958
	6,146	-	-	131,731	137,877
GROUP At 30 June 2007					
Assets					
Cash and cash equivalents	-	35,383	-	-	35,383
Derivative financial instruments	372	-	-	-	372
Receivables	-	2,266	-	-	2,266
Other financial assets	-	2,037	3,500	-	5,537
	372	39,686	3,500	-	43,558
Liabilities					
Payables and provisions	-	-	-	26,464	26,464
Borrowings	-	-	-	55,497	55,497
	-	-	-	81,961	81,961

Parent At 30 June 2008	Loans and receivables \$'000	Held to maturity investments \$'000	Other amortised cost \$'000	Total fair value and carrying value \$'000
Assets				
Cash and cash equivalents	219,232	-	-	219,232
Receivables	52,096	-	-	52,096
Other financial assets	-	3,500	-	3,500
	271,328	3,500	-	274,828
Liabilities				
Payables	-	-	1,067	1,067
	-	-	1,067	1,067
Parent At 30 June 2007				
Assets				
Cash and cash equivalents	18,485	-	-	18,485
Receivables	50,135	-	-	50,135
Other financial assets	-	3,500	-	3,500
	68,620	3,500	-	72,120
Liabilities				
Payables	-	-	1,584	1,584
	-	-	1,584	1,584

5. Segment information

The Group's primary operations are in the petroleum industry in New Zealand, with the exception to the Group's investment in associate company Pike River Coal Limited that operates in the coal industry in New Zealand.

6. Revenue

	Group		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Petroleum sales	222,765	-	-	-
Gain on dilution of investment in subsidiary (see note 14)	10,793	-	-	-
Gain on issue of shares in subsidiary	-	3,924	-	-
Write back of provision for subsidiary	-	-	-	9,698
Other income	551	310	551	1,433
Total revenue	234,109	4,234	551	11,131

7. Expenses

	Group		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Expenses, excluding finance costs, comprises the following classified by nature:				
Audit fees	97	100	97	81
Director fees	274	443	274	210
Legal fees	293	495	258	168
Employee expenses	2,980	2,509	2,980	2,455
Production and sales marketing costs (excluding amortisation)	15,666	-	-	-
Depreciation and amortisation expense	22,321	206	223	107
Petroleum expenditure provided for or written off	14,706	3,699	-	-
Investment in subsidiary provided for or written off	-	-	2,226	60
Expiry and settlement of derivatives	2,016	693	-	-
Other expenses	3,488	2,547	2,147	1,885
Total expenses, excluding finance costs	61,841	10,692	8,205	4,966
Profit before income tax includes the following specific expenses:				
<i>Depreciation</i>				
Leasehold improvements	12	1	12	1
Furniture and fittings	21	12	21	9
Computer hardware & technical equipment	66	135	66	43
Motor Vehicles	-	4	-	-
Total depreciation	99	152	99	53
<i>Amortisation</i>				
Computer software	124	54	124	54
Production asset	22,098	-	-	-
Total amortisation	22,222	54	124	54
Total depreciation and amortisation	22,321	206	223	107
<i>Finance costs</i>				
Interest and finance charges paid/payable	3,393	591	1,083	265
Exchange losses on foreign currency balances	1,395	879	-	388
Net fair value loss on derivatives	6,494	-	-	-
	11,282	1,470	1,083	653
<i>Finance income</i>				
Interest income	2,554	2,259	1,550	1,321
Exchange gains on foreign currency balances	1,237	88	794	-
Net gain on available for sale assets	119	7,966	119	6,228
Net fair value gain on derivatives	-	629	-	-
Dividend income	-	-	38,986	-
	3,910	10,942	41,449	7,549
Net finance cost/(income)	7,372	(9,472)	(40,366)	(6,896)
Remuneration of auditors				
<i>Auditor's remuneration to KPMG comprises:</i>				
Audit of financial statements	97	100	97	81
<i>Non-audit related services</i>				
Tax services	206	160	206	160
Other services	57	69	57	27
	360	329	360	268

Other audit-related services include services for the audit or review of financial information other than financial reports including prospectus reviews and other audits required for local regulatory purposes.

Development expenditure in 2007 includes certain costs for financing development projects and includes \$80,000 paid to the parent company auditors for services related to obtaining financing.

8. Income tax expense

	Group		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(a) Income tax expense				
Current tax	16,027	521	-	-
Deferred tax	24,964	(4,146)	6,847	(407)
Under (over) provided in prior years	(101)	(122)	-	-
	40,890	(3,747)	6,847	(407)
Deferred income tax included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets (note 19)	23,502	(7,532)	6,847	(407)
(Decrease)/increase in deferred tax liabilities (note 25)	1,462	3,386	-	-
	24,964	(4,146)	6,847	(407)
(b) Income tax expense calculation				
Profit before income tax expense and royalties	164,545	3,014	32,712	13,061
Less: royalties expense	(26,412)	-	-	-
Profit before income tax expense	138,133	3,014	32,712	13,061
Tax at the New Zealand tax rate of 33% (2007 - 33%)	45,584	995	10,795	4,310
Tax effect of a change in tax rates	(1,220)	(52)	6	-
Tax effect of amounts which are not deductible(taxable):				
Share of net profit of associates	116	-	-	-
Foreign exchange adjustments	(204)	(3,460)	-	-
Other permanent adjustments	(3,320)	(23)	(12,221)	(3,046)
Under/(over) provision in prior years	(101)	(105)	17	13
Prior year losses utilised	-	-	8,250	-
Current year deferred tax not recognised	-	955	-	-
Prior year deferred tax not previously recognised	35	(2,057)	-	(1,684)
Income tax expense	40,890	(3,747)	6,847	(407)

On 21 May 2007, the Taxation (KiwiSaver and Company Tax Rate Amendments) Act 2007 was given royal assent meaning that for the 2008/09 income tax year the New Zealand company tax rate will change from 33% to 30%. The effect of the reduction in the tax rate on the measurement of deferred tax assets and liabilities has been shown in the table above.

	Group		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(c) Amounts recognised directly in equity				
Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Current tax - debited/(credited) directly to equity	-	-	-	-
Net deferred tax - debited/(credited) directly to equity (note 25)	-	(1,576)	-	(1,265)
	-	(1,576)	-	(1,265)

9. Imputation credits

	Group		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Imputation credit account				
Balance at beginning of year	-	-	-	-
Tax payments, net of refunds	18,350	-	-	-
Credits attached to dividend distributions	(5,941)	-	(5,941)	-
Credits attached to dividends received	-	-	6,705	-
Balance at end of year	12,409	-	764	-
Dividend withholding payment account				
Balance at beginning of year	-	-	-	-
Withholding tax paid on dividends received	1,458	-	1,458	-
Withholding tax attached to dividend distributions	(1,458)	-	(1,458)	-
Balance at end of year	-	-	-	-

10. Cash and cash equivalents

	Group		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash at bank and in hand	47,680	5,178	43,184	75
Deposits at call	153,477	28,243	120,744	16,448
Term Deposits	55,304	1,962	55,304	1,962
Total cash and cash equivalents	256,461	35,383	219,232	18,485

Cash and cash equivalents denominated in currencies other than the presentation currency comprise \$49 million denominated in US dollars; NZ dollar equivalent \$64 million (2007: US dollars \$10 million; NZ dollar equivalent \$13 million).

(a) Deposits at call and term deposits

The deposits at call and term deposits are bearing interest rates between 2.00% and 8.65% (2007: 5.2% and 8.0%).

(b) Restriction of use

In respect of the Kupe project finance facility, the Company has agreed that deposits of NZ\$17.5 million are held in escrow by Westpac Banking Corporation until the project completion is achieved. These funds can be committed to the Kupe project earlier should certain conditions be met.

11. Receivables and prepayments

	Group		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade receivables	31,377	1,558	11	167
Interest receivable	140	162	42	229
Advances to related parties	-	-	37,758	33,110
Loans to associates	-	-	-	16,264
Share option proceeds receivable	14,163	-	14,163	-
Prepayments	9,892	403	19	281
Other	120	546	122	365
Total receivables and prepayments	55,692	2,669	52,115	50,416

Trade receivables denominated in currencies other than the presentation currency comprise \$22 million denominated in US dollars; NZ dollar equivalent \$29 million (2007: \$nil denominated in US dollars).

The ageing of the trade receivables is as follows:

	Group		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Less than three months	31,377	1,558	11	167
Three to six months	-	-	-	-
Greater than six months	-	-	-	-
	31,377	1,558	11	167

12. Inventories

	Group		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Oil stock, at cost	366	-	-	-
Field operation consumables, at cost	32	32	-	-
Total inventories	398	32	-	-

13. Deferred expenditure

Deferred expenditure in 2007 relates to IPO costs for PRCL and includes \$89,000 paid to the parent company auditors for services related to the IPO.

14. Investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(B):

Name of entity	Country of incorporation	Classes of shares	Equity holding	
			2008 %	2007 %
ANZ Resources Pty Limited	Australia	Ordinary	100	100
Australia and New Zealand Petroleum Limited	New Zealand	Ordinary	100	100
Kupe Royalties Limited	New Zealand	Ordinary	100	100
National Petroleum Limited	New Zealand	Ordinary	100	100
Nephrite Enterprises Limited	New Zealand	Ordinary	100	100
NZOG 38483 Limited	New Zealand	Ordinary	100	100
NZOG 38484 Limited	New Zealand	Ordinary	100	100
NZOG Deepwater Limited	New Zealand	Ordinary	100	100
NZOG Development Limited	New Zealand	Ordinary	100	100
NZOG Energy Limited	New Zealand	Ordinary	100	100
NZOG Offshore Limited	New Zealand	Ordinary	100	100
NZOG Resources Limited	New Zealand	Ordinary	100	100
NZOG Services Limited	New Zealand	Ordinary	100	100
NZOG Taranaki Limited	New Zealand	Ordinary	100	100
Oil Holdings Limited	New Zealand	Ordinary	100	100
Petroleum Resources Limited	New Zealand	Ordinary	100	100
Petroleum Equities Limited	New Zealand	Ordinary	100	100
Pike River Coal Limited (PRCL) (Note (ii))	New Zealand	Ordinary	31	54
Resource Equities Limited	New Zealand	Ordinary	100	100
Stewart Petroleum Company Limited	New Zealand	Ordinary	100	100

	Group		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Investments in subsidiaries	-	-	73,455	75,680

Notes:

(i) All subsidiary and associate companies have a balance date of 30 June. All wholly owned subsidiaries are involved in the petroleum exploration industry.

(ii) From the 20 July 2007 the Group's investment in PRCL has changed from a subsidiary to an associate (see note 15 for details).

15. Investments in associates

(a) Carrying amounts

Information relating to associates is set out below.

Name of Company	Principal activity	Ownership interest		Group At		Parent At	
		2008 %	2007 %	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<i>Listed</i>							
Pike River Coal Limited (PRCL)	Coal mine development	31	54	66,390	-	-	-
<i>Unlisted</i>							
NZOG Nominees Limited	Investment	50	50	2,280	2,280	2,280	2,280
				68,670	2,280	2,280	2,280

Each of the above associates is incorporated in New Zealand and have a balance date of 30 June.

For associate company NZOG Nominees Ltd equity accounting has not been applied as the amounts involved are not material. NZOG Nominees Ltd is the trustee company of the Company's Employee Share Ownership Plan (ESOP) and all directors are independent.

On the 20 July 2007 the Group's investment in PRCL was diluted from 54% to 31% with PRCL being floated on the NZSX and ASX. From that date the investment in PRCL is shown as an associate.

The Group's holding in PRCL comprises 82 million ordinary shares, 11 million options that are exercisable on or before 30 June 2009 and a \$3.5 million convertible note that matures on the 31 December 2008 (see note 21). The market value of the Group's investment in PRCL as listed on the New Zealand Stock Exchange as at 30 June 2008 was \$200.2 million.

(b) Movements in carrying amounts

	Group At	
	2008 \$'000	2007 \$'000
Carrying amount at the beginning of the year	2,280	2,280
Recognition of PRCL as an associate investment	49,235	-
Purchase of shares in associate	17,506	-
Share of surplus/(deficit) after income tax for the year	(351)	-
Carrying amount at the end of the year	68,670	2,280

(c) Summarised financial information of associates

	Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit/(Loss) \$'000
2008				
Pike River Coal Limited	265,040	47,187	10	(1,144)
NZOG Nominees Limited	4,911	2,671	78	38
2007				
NZOG Nominees Limited	4,704	2,502	287	155

(d) Nominees trustee of company's ESOP

NZOG Nominees Limited ('Nominees') holds New Zealand Oil & Gas Limited (NZOG) securities in its capacity of plan company and trustee of the Company's ESOP.

Other than the option allocations under the ESOP, no NZOG securities held in the ESOP are subject to put or call options, nor are the NZOG securities used as security for borrowings by the Group or any other person.

The Company's Remuneration Committee (which comprises only non-executive directors) nominates employees to participate in the ESOP and determines the numbers and exercise prices of options to be granted. Exercise prices are set at no less than market value at date of granting, to which an escalation factor generally applies.

16. Interests in oil and gas joint ventures

Group interests held at balance date, in significant unincorporated oil and gas joint ventures established to explore, develop and produce petroleum:

Name of entity	Notes	Interests held by the Group	
		2008	2007
PML 38146 - Kupe		15.0%	15.0%
PMP 38158 - Tui		12.5%	12.5%
PEP 38483 - Hector		18.9%	18.9%
PEP 38483 - Hector South Sub Block		12.5%	12.5%
PEP 38729 - Felix	(i)	-%	75.0%
PEP 38499 - Toke	(ii)	12.5%	12.5%

(i) PEP 38729 Felix was relinquished on the 7 November 2007.

(ii) PEP 38499 was granted by the Ministry of Economic Development on 16 May 2007 over part of the former Tui PEP 38460 exploration acreage.

	Group	
	2008 \$'000	2007 \$'000
Share of oil and gas joint ventures' assets and liabilities		
Short term securities and cash deposits	4,300	5,034
Trade receivables	2,319	1,386
Inventory	398	32
Prepayments	9,430	-
Petroleum interests	215,484	112,731
Total current and non-current assets	231,931	119,183
Current liabilities	39,437	9,556
Non-current liabilities	-	-
Total liabilities	39,437	9,556
Net assets held in oil and gas Joint Ventures	192,494	109,627
Share of oil and gas joint ventures' revenue, expenses and results		
Revenues **	1,011	834
Expenses	(30,284)	(621)
Profit/(loss) before income tax	(29,273)	213

** Revenue from Tui petroleum sales (see note 6) is not included as it is earned directly by wholly owned subsidiary Stewart Petroleum Company Limited.

17. Exploration and evaluation, development and production assets

	Group		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(a) Exploration and evaluation assets				
Opening balance	2,570	1,339	-	-
Expenditure capitalised	13,145	4,968	-	-
Revaluation of USD exploration and evaluation assets	(13)	-	-	-
Expenditure written off	(14,705)	(3,737)	-	-
Transferred to development asset	(782)	-	-	-
Closing balance	215	2,570	-	-
(b) Development assets				
Opening balance	219,100	102,249	-	-
Expenditure capitalised	102,348	110,343	-	-
Revaluation of USD development assets	123	-	-	-
Borrowing costs capitalised	5,642	5,101	-	-
Expiry of commodity premium	-	(693)	-	-
Abandonment provision	(2,360)	2,100	-	-
Deconsolidation of subsidiary assets	(100,014)	-	-	-
Transferred from exploration assets	782	-	-	-
Transferred to production assets	(59,364)	-	-	-
Closing balance	166,257	219,100	-	-
Includes borrowing costs capitalised of \$6.9 million at 30 June 2008 (2007: \$4.4 million).				
(c) Production assets				
Opening balance	-	-	-	-
Expenditure capitalised	732	-	-	-
Borrowing costs capitalised	236	-	-	-
Amortisation for the year	(22,098)	-	-	-
Revaluation of USD production assets	(16)	-	-	-
Expiry of commodity premium	(538)	-	-	-
Abandonment provision	562	-	-	-
Transfer from development assets	59,364	-	-	-
Closing balance	38,242	-	-	-
Includes borrowing costs capitalised of \$2.5 million at 30 June 2008 (2007: \$nil).				
Total exploration and evaluation, development and production assets	204,714	221,670	-	-

18. Property, plant and equipment

GROUP	Land & Leasehold improvement \$'000	Fixtures and fittings \$'000	Motor vehicles \$'000	Computer Hardware & Technical Equipment \$'000	Total \$'000
At 1 July 2006					
Cost	65	107	18	364	554
Accumulated depreciation	-	(16)	(2)	(97)	(115)
Net book value	65	91	16	267	439
Year ended 30 June 2007					
Opening net book value	65	91	16	267	439
Additions	24	7	-	76	107
Depreciation charge	(1)	(12)	(4)	(135)	(152)
Closing net book value	88	86	12	208	394
At 30 June 2007					
Cost	89	114	18	434	655
Accumulated depreciation	(1)	(28)	(6)	(226)	(261)
Net book value	88	86	12	208	394
Year ended 30 June 2008					
Opening net book value	88	86	12	208	394
Additions	121	42	-	79	242
Deconsolidation of subsidiary assets	(65)	(19)	(12)	(135)	(231)
Depreciation charge	(12)	(21)	-	(66)	(99)
Closing net book value	132	88	-	86	306
At 30 June 2008					
Cost	145	132	-	248	525
Accumulated depreciation	(13)	(44)	-	(162)	(219)
Net book value	132	88	-	86	306
PARENT	Leasehold improvement \$'000	Fixtures and fittings \$'000	Computer Hardware & Technical Equipment \$'000	Total \$'000	
At 1 July 2006					
Cost	-	84	124	208	
Accumulated depreciation	-	(13)	(62)	(75)	
Net book amount	-	71	62	133	
Year ended 30 June 2007					
Opening net book value	-	71	62	133	
Additions	24	5	54	83	
Depreciation charge	(1)	(9)	(44)	(54)	
Closing net book value	23	67	72	162	
At 30 June 2007					
Cost	24	90	172	286	
Accumulated depreciation	(1)	(23)	(100)	(124)	
Net book value	23	67	72	162	
Year ended 30 June 2008					
Opening net book value	23	67	72	162	
Additions	121	43	80	244	
Disposals	-	(1)	-	(1)	
Depreciation charge	(12)	(21)	(66)	(99)	
Closing net book value	132	88	86	306	
At 30 June 2008					
Cost	145	132	248	525	
Accumulated depreciation	(13)	(44)	(162)	(219)	
Net book value	132	88	86	306	

19. Deferred tax assets

	Group		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
The balance comprises temporary differences attributable to:				
Employee benefits	60	25	60	25
Non-deductible provisions	3,396	4,335	-	17
Production assets	346	-	-	-
Tax losses to carry forward	-	23,128	-	6,844
Other temporary differences	-	21	-	21
Net deferred tax assets	3,802	27,509	60	6,907
Movements:				
Opening balance at 1 July	27,509	20,613	6,907	6,500
Credited/(charged) to the income statement (note 8)	(23,502)	7,532	(6,847)	407
Foreign exchange differences	(205)	(636)	-	-
Closing balance at 30 June	3,802	27,509	60	6,907

The utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

20. Intangible assets

	Group		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Opening net book value	93	83	93	83
Additions	328	64	328	64
Amortisation charge	(124)	(54)	(124)	(54)
Closing net book value	297	93	297	93

Intangible assets recognised are computer software licences that have been capitalised based on costs incurred to acquire and bring the specific software to use. These costs are amortised over their useful lives.

21. Other financial assets

	Group		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Held-to-maturity investments	3,500	-	3,500	3,500
Refundable security deposits	43	5,537	-	-
Total other financial assets	3,543	5,537	3,500	3,500

(a) Held-to-maturity investments

The held-to-maturity investments carry a fixed interest rate of 9.5% and have a maturity date of 31 December 2008.

On maturity the held to maturity investment converts to shares in Pike River Coal Limited at \$1.09 per share, being 3,211,009 shares. The market value of these shares on the New Zealand Stock Exchange as at 30 June 2008 was \$7.9 million.

(b) Refundable security deposits

Security deposits include amounts held by key suppliers as bonds for work to be undertaken and deposits with government agencies subject to license work program commitments being met.

22. Payables

	Group		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade payables	39,717	12,927	280	578
Employee entitlements	201	156	201	78
Accrued expenses	771	12,450	518	847
Interest payable	604	878	-	28
Royalties payable	26,412	-	-	-
Other payables	68	53	68	53
Total payables	67,773	26,464	1,067	1,584

Payables denominated in currencies other than the presentation currency comprise \$2.1 million of payables denominated in US dollars; NZ dollar equivalent \$2.7 million. (2007: US dollars \$3.0 million; NZ dollar equivalent \$3.9 million)

23. Borrowings - current

	Group		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Secured				
Bank loans	-	37,000	-	10,000
Unsecured				
Short term loans	-	2,236	-	-
Total current borrowings	-	39,236	-	10,000

24. Borrowings - non-current

	Group		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Secured				
Bank loans	63,958	8,761	-	-
Unsecured				
Convertible notes	-	7,500	-	-
Total non-current borrowings	63,958	16,261	-	-

Further information relating to maturity dates and contractual repayment terms of the borrowings is set out in note 4.

(a) Total secured borrowings

	Group		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Bank loans	63,958	45,761	-	10,000
Total secured borrowings (current and non-current)	63,958	45,761	-	10,000

(b) Assets pledged as security

At balance date the Group has a Letter of Credit facility of US \$12.5 million in respect of the Tui oil field. At balance date the Letter of Credit facility was fully drawn (2007: US\$12.5 million) and the Term Debt facility had been cancelled and repaid (2007: US\$27.5 million). The Letter of Credit facility expires on 31 December 2015.

This facility is secured over the Group's assets other than those relating to PEP 38483 Hector, PML 38146 Kupe, the investments in Pike River Coal Limited and NZOG Nominees Limited.

During the year the Group established loan facilities of NZ\$147.5 million available to fund the Kupe development. The facilities are a project facility of NZ\$125 million, cost overrun facility of NZ\$12.5 million and a letter of credit facility of NZ\$10 million. Drawings from the facility can be in NZD, AUD or USD. At balance date the NZD equivalent of the project facility drawn was NZ\$64 million and the NZ\$10 million Letter of Credit was fully drawn. The cost overrun facility was undrawn and subsequently cancelled on 11 July 2008.

This facility is secured over the Group's Kupe assets. The facility is repayable prior to 31 March 2015.

(c) Convertible notes

At 30 June 2007 borrowings included convertible notes, that mature on 31 December 2008, issued by Pike River Coal Limited (PRCL) to third parties.

(d) Other borrowings

At 30 June 2007 the Group had a short term revolving credit facility of \$15.0 million, of which \$10 million was drawn. The facility was fully repaid during the year.

At 30 June 2007 PRCL had short term loans of \$2.2 million from minority interest shareholders.

25. Deferred tax liabilities

	Group		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
The balance comprises temporary differences attributable to:				
Exploration assets	65	848	-	-
Development assets	13,128	12,230	-	-
Deferred expenditure	2,813	1,465	-	-
Net deferred tax liabilities	16,006	14,543	-	-
Movements:				
Opening balance at 1 July	14,543	12,733	-	1,265
Charged/(credited) to the income statement (note 8)	1,462	3,386	-	-
Charged/(credited) to equity (notes 27 and 28)	-	(1,576)	-	(1,265)
Foreign exchange differences	1	-	-	-
Closing balance at 30 June	16,006	14,543	-	-

26. Restoration and rehabilitation provision

	Group		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Restoration and rehabilitation provision	11,322	13,930	-	-
Total non-current provisions	11,322	13,930	-	-

The restoration and rehabilitation provision is measured at the present value of the expected future cash flows as a result of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation is incurred. The nature of the restoration activities includes the removal of facilities, abandoning of wells, abandoning of mines and restoring the affected areas.

Movements in provisions

Group	2008 \$'000	2007 \$'000
Carrying amount at start of year	13,930	11,618
Additional/(reduction) in provisions recognised	9,345	2,312
Increase/(decrease) provision due to revision of passage of time	(11,116)	-
Decrease with deconsolidation of subsidiary	(844)	-
Revaluation of USD provisions	7	-
Carrying amount at end of year	11,322	13,930

27. Contributed equity of the Group and Parent

(a) Capital on issue

	2008 Shares 000s	2007 Shares 000s	2008 \$'000	2007 \$'000
Ordinary shares				
Fully paid shares	389,654	261,886	348,747	157,225
Partly paid or term paid shares	3,569	2,609	36	26
Treasury shares elimination	(5,865)	(5,865)	(2,794)	(2,794)
	387,358	258,630	345,989	154,457
Options on issue	-	138,988	-	-

(b) Movements in ordinary share capital:

	2008 Shares 000s	2007 Shares 000s	2008 \$'000	2007 \$'000
Opening	258,630	214,378	154,457	111,879
Movement				
Shares issued	539	43,174	679	42,562
Exercise of options	127,229	4	190,843	5
Partly paid or term paid shares issued	960	1,074	10	11
Closing	387,358	258,630	345,989	154,457

(c) Ordinary shares

Apart from the partly paid shares issued, all shares issued are fully paid. Each fully paid share issued is entitled to one vote.

(d) Partly paid shares

During the year to 30 June 2008 the Company issued 960,000 partly paid shares (2007: 1,074,000), paid to NZ\$0.01 each, to participants in the ESOP. Partly paid shares are entitled to a vote in proportion to the amount paid up.

(e) Options

During the year 127,228,716 of the 30 June 2008 options (exercise price of NZ\$1.50) and 150,000 unlisted options, issued as part of an incentive program, were exercised.

(f) Treasury shares elimination

Treasury shares are the Company's interest in shares held in its own capital. The elimination represents the cost of these shares held within the Group.

28. Reserves

	Group		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Reserves				
Foreign currency translation reserve	(5,002)	(5,454)	-	-
Share revaluation	-	-	6,465	6,465
Total reserves	(5,002)	(5,454)	6,465	6,465
Movements:				
<i>Available-for-sale investments revaluation reserve</i>				
Balance 1 July	-	3,256	-	2,569
Transfer to profit, net of tax	-	(3,256)	-	(2,569)
Balance 30 June	-	-	-	-
<i>Foreign currency translation reserve</i>				
Balance 1 July	(5,454)	487	-	-
Currency translation differences arising during the year	452	(5,941)	-	-
Balance 30 June	(5,002)	(5,454)	-	-
<i>Share revaluation reserve</i>				
Balance 1 July	-	-	6,465	6,465
Balance 30 June	-	-	6,465	6,465

29. Related party transactions

(a) Parent entity

The parent entity within the Group is New Zealand Oil & Gas Limited.

(b) Directors

The names of persons who were directors of the Company at any time during the financial year are as follows: R A Radford; R F Meyer; P G Foley; A T N Knight; S J Rawson; D J Salisbury and D R Scoffham. Except for A T N Knight, who was appointed in January 2008, all of these persons were also directors during the year ended 30 June 2007.

(c) Key management and personnel compensation

Key management personnel compensation for the years ended 30 June 2008 and 30 June 2007 is set out below. The key management personnel are all the directors of the Company.

	Short-term benefits \$'000	Post-employment benefits \$'000	Other long-term benefits \$'000	Termination benefits \$'000	Share-based payments \$'000	Total \$'000
2008	1,765	-	-	-	-	1,765
2007	2,054	-	-	-	-	2,054

(d) Other transactions with key management personnel or entities related to them

Information on transactions with key management personnel or entities related to them, other than compensation, are set out below.

Key management personnel in their capacity as shareholders subscribed in cash for new ordinary shares issued by the Company during the year. The shares were acquired on the same terms and conditions that applied to other shareholders.

Mr R A Radford and R F Meyer hold shares in and are directors on the Board of New Zealand Oil & Gas Limited associate company Pike River Coal Limited (PRCL). During the year transactions with PRCL included the underwriting of \$17.5 million for the \$60 million rights issue and repayment of a short term advance of \$16 million. The Group holds a convertible note issued by PRCL that matures on 31 December 2008.

A Director, Mr R A Radford, is a Director, the Chief Executive Officer and chairman of Pan Pacific Petroleum NL (PPP). The Group sold all shares and options held in PPP during June 2007.

A Director, Mr P F Foley, is a partner in the firm of Minter Ellison Rudd Watson, Solicitors. Minter Ellison provides legal services to the Group on normal commercial terms and conditions.

(e) Subsidiaries, Associates and Joint Ventures

Related parties of the Company include those entities identified in note 14, 15 and 16 as subsidiaries, joint ventures and associates.

All transactions and outstanding balances with these related parties are priced on an arm's length basis and none of the balances are secured.

At 30 June 2007 PRCL had a short term advance from the Company of \$16 million and had issued a convertible note of \$3.5 million to the Company.

During the year ended 30 June 2008 PRCL repaid the short term advance in full, the Group participated in the PRCL rights issue and charged PRCL for management services, underwriting of the rights issue and interest costs of \$878,000. The convertible note matures on the 31 December 2008.

During the year the parent company charged at cost \$59,000 (2007: \$196,000) to operated joint ventures in relation to management and technical services provided.

There has been no other material transactions with related parties during the year.

(f) Directors and specified executives

Disclosures relating to directors and specified executives are set out in the statutory information.

All transactions and outstanding balances with these related parties are priced on an arm's length basis and none of the balances are secured.

30. Reconciliation of profit after income tax to net cash inflow from operating activities

	Group		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Profit for the year	97,243	6,761	25,865	13,468
Depreciation and amortisation	22,321	207	223	108
Deferred tax	25,165	(4,267)	6,847	(407)
Fair value gain/(loss) on options	6,493	(629)	-	-
Gain on dilution of investment in subsidiary	(10,793)	-	-	-
Gain on issue of shares in subsidiary	-	(3,924)	-	-
Gain on available for sale assets	-	(7,966)	-	(6,228)
Petroleum and coal exploration expenditure provided for or written off	14,704	3,698	-	-
Write-off/(back) or provision for investment in subsidiaries	-	-	2,226	(9,638)
Share of losses of associates	351	-	-	-
Net foreign exchange differences	(548)	791	(795)	388
Non-cash dividend	-	-	(38,986)	-
Items classified as financing activities	2,543	366	-	-
Items classified as investing activities	1,544	-	(119)	-
Change in operating assets and liabilities				
Increase/(decrease) in trade creditors	26,204	(1,582)	(701)	68
Increase (decrease) in other provisions	(797)	-	123	(26)
(Increase)/decrease in trade debtors	(28,849)	2,402	863	(87)
Decrease in operating assets due to deconsolidation of subsidiary	(1,637)	-	-	-
Net cash inflow/(outflow) from operating activities	153,944	(4,143)	(4,454)	(2,354)

31. Commitments and contingent liabilities

(a) Capital expenditure commitments

As at 30 June 2008 the Group had certain capital expenditure commitments in relation to the participation in the Kupe development and Tui production and development. The actual costs will be dependent on a number of factors such as joint venture decisions including final scope and timing of operations.

(b) Exploration expenditure commitments

In order to maintain the various permits, in which the Group is involved, the Group has ongoing commitments as part of its normal operations to meet various operational expenditures. The actual costs will be dependent on a number of factors such as joint venture decisions including final scope and timing of operations.

(c) Operating leases and commitments

The Group leases premises, plant and equipment. Operating leases held over properties give the Group the right to renew the lease subject to a redetermination of the lease rental by the lessor.

	Group		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	189	59	189	-
Later than one year and not later than five years	361	93	361	-
Later than five years	-	-	-	-
	550	152	550	-

During the year ended 30 June 2008 \$153,000 was recognised as an expense in the statement of financial performance in respect of operating leases (\$2007: \$104,000).

Production commitments

The Company is committed to certain operational commitments, in respect of the Tui Joint Venture agreement. These operational commitments relate to costs that are integral parts of the FPSO lease until 31 December 2015 with an option to extend to 31 December 2022 via one year renewal terms. The total committed by NZOG to the FPSO charter and operating and maintenance contracts for the initial period to 31 December 2015 is currently estimated to be US\$44.3 million.

(d) General commitments

The Company agreed to underwrite \$17.5 million of the \$60 million rights issue of shares announced by Pike River Coal Limited on 16 January 2008. The obligation of providing up to \$25 million equity funding or other financial support pursuant to a letter agreement dated 17 July 2007 was satisfied in full by taking up the rights under offer.

(e) Contingent liabilities

As at 30 June 2008 the Company had no contingent liabilities (2007:\$Nil).

32. Earnings per share

	Group		Parent	
	2008 Cents	2007 Cents	2008 Cents	2007 Cents
(a) Basic earnings per share				
Basic earnings per share	36.7	2.9	9.8	5.6
(b) Diluted earnings per share				
Diluted earnings per share	24.1	1.9	6.4	3.7

	Group		Parent	
	2008 000s	2007 000s	2008 000s	2007 000s
(c) Reconciliations of earnings used in calculating earnings per share				
Profit for the period	97,243	6,761	25,865	13,468
Profit attributed to minority interest	-	298	-	-
Profit attributable to the ordinary equity holders of the Company	97,243	7,059	25,865	13,468

	Group		Parent	
	2008 Number 000s	2007 Number 000s	2008 Number 000s	2007 Number 000s
(d) Weighted average number of shares used as the denominator				
Weighted average number of ordinary shares used in calculating basic earnings per share	265,321	242,526	265,321	242,526
Adjustments for calculation of diluted earnings per share:				
Options	138,684	121,977	138,684	121,977
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	404,005	364,503	404,005	364,503

33. Explanation of transition to New Zealand equivalents to IFRSs

(1) Reconciliation of equity reported under previous New Zealand Generally Accepted Accounting Principles (NZ GAAP) to equity under New Zealand equivalents to IFRSs (NZ IFRS)

(a) At the date of transition to NZ IFRS: 1 July 2006

	Group			Parent		
	Previous NZ GAAP \$'000	Effect of transition to NZ IFRS \$'000	NZ IFRS \$'000	Previous NZ GAAP \$'000	Effect of transition to NZ IFRS \$'000	NZ IFRS \$'000
Current assets						
Cash and cash equivalents	41,713	-	41,713	10,846	-	10,846
Receivables and prepayments	21,515	1	21,516	1,896	4	1,900
Inventory	116	-	116	-	-	-
Deferred expenditure	1,339	-	1,339	-	-	-
Total current assets	64,683	1	64,684	12,742	4	12,746
Non-current assets						
Investments in associates	2,280	-	2,280	2,280	-	2,280
Investment in subsidiaries	-	-	-	66,043	-	66,043
Petroleum and coal interests	90,266	(90,266)	-	-	-	-
Exploration and evaluation assets	-	1,339	1,339	-	-	-
Development assets	-	103,860	103,860	-	-	-
Deferred expenditure	1,815	(1,815)	-	-	-	-
Plant, property and equipment	521	(82)	439	215	(83)	132
Deferred tax asset	-	20,519	20,519	-	6,500	6,500
Intangible assets	-	83	83	-	83	83
Other financial assets	7,205	4,776	11,981	3,661	3,834	7,495
Total non-current assets	102,087	38,414	140,501	72,199	10,334	82,533
Total assets	166,770	38,415	205,185	84,941	10,338	95,279
Current liabilities						
Payables	10,009	49	10,058	1,503	49	1,552
Derivative financial instruments	-	322	322	-	-	-
Total current liabilities	10,009	371	10,380	1,503	49	1,552
Non-current liabilities						
Borrowings	16,982	-	16,982	-	-	-
Deferred tax liabilities	122	12,611	12,733	-	1,265	1,265
Restoration and rehabilitation provision	643	11,619	12,262	-	-	-
Total non-current liabilities	17,747	24,230	41,977	-	1,265	1,265
Total liabilities	27,756	24,601	52,357	1,503	1,314	2,817
Net assets	139,014	13,814	152,828	83,438	9,024	92,462
Equity						
Share capital	111,879	-	111,879	111,879	-	111,879
Reserves	2,891	852	3,743	6,465	2,569	9,034
Retained earnings	(14,091)	12,962	(1,129)	(34,905)	6,454	(28,451)
Parent entity interest	100,679	13,814	114,493	83,439	9,023	92,462
Minority interest	38,335	-	38,335	-	-	-
Total equity	139,014	13,814	152,828	83,439	9,023	92,462

(b) At the end of the last reporting period under previous NZ GAAP: 30 June 2007

	Group			Parent		
	Previous NZ GAAP \$'000	Effect of transition to NZ IFRS \$'000	NZ IFRS \$'000	Previous NZ GAAP \$'000	Effect of transition to NZ IFRS \$'000	NZ IFRS \$'000
Current assets						
Cash and cash equivalents	35,383	-	35,383	18,485	-	18,485
Receivables and prepayments	2,677	(8)	2,669	50,416	-	50,416
Inventories	32	-	32	-	-	-
Derivative financial instruments	-	372	372	-	-	-
Deferred expenditure	3,999	-	3,999	-	-	-
Total current assets	42,091	364	42,455	68,901	-	68,901
Non-current assets						
Investments in subsidiaries	-	-	-	75,680	-	75,680
Investments in associates	2,280	-	2,280	2,280	-	2,280
Petroleum and coal interest	212,658	(212,658)	-	-	-	-
Exploration and evaluation assets	-	2,570	2,570	-	-	-
Development assets	-	219,100	219,100	-	-	-
Deferred expenditure	3,547	(3,547)	-	-	-	-
Property, plant and equipment	487	(93)	394	255	(93)	162
Deferred tax assets	-	27,509	27,509	-	6,907	6,907
Intangible assets	-	93	93	-	93	93
Other financial assets	5,536	1	5,537	3,500	-	3,500
Total non-current assets	224,508	32,975	257,483	81,715	6,907	88,622
Total assets	266,599	33,339	299,938	150,616	6,907	157,523
Current liabilities						
Payables	26,428	36	26,464	1,550	34	1,584
Borrowings	39,236	-	39,236	10,000	-	10,000
Current tax liabilities	521	(62)	459	-	-	-
Total current liabilities	66,185	(26)	66,159	11,550	34	11,584
Non-current liabilities						
Borrowings	16,261	-	16,261	-	-	-
Deferred tax liabilities	-	14,543	14,543	-	-	-
Restoration and rehabilitation provision	844	13,086	13,930	-	-	-
Total non-current liabilities	17,105	27,629	44,734	-	-	-
Total liabilities	83,290	27,603	110,893	11,550	34	11,584
Net assets	183,309	5,736	189,045	139,066	6,873	145,939
Equity						
Share capital	154,457	-	154,457	154,457	-	154,457
Reserves	2,891	(8,345)	(5,454)	6,465	-	6,465
Retained earnings	(7,464)	13,394	5,930	(21,856)	6,873	(14,983)
Parent entity interest	149,884	5,049	154,933	139,066	6,873	145,939
Minority interest	33,425	687	34,112	-	-	-
Total equity	183,309	5,736	189,045	139,066	6,873	145,939

(2) Reconciliation of profit for the year ended 30 June 2007

	Group			Parent		
	Previous NZ GAAP \$'000	Effect of transition to NZ IFRS \$'000	NZ IFRS \$'000	Previous NZ GAAP \$'000	Effect of transition to NZ IFRS \$'000	NZ IFRS \$'000
Revenue	4,922	(688)	4,234	11,131	-	11,131
Expenses, excluding finance costs	(10,710)	18	(10,692)	(4,978)	12	(4,966)
Net finance (costs)/income	12,516	(3,044)	9,472	6,896	-	6,896
Profit/(loss) before income tax	6,728	(3,714)	3,014	13,049	12	13,061
Income tax (expense)/benefit	(399)	4,146	3,747	-	407	407
Profit/(loss) for the year	6,329	432	6,761	13,049	419	13,468
Profit attributable to minority interest	298	-	298	-	-	-
Profit/(loss) attributable to equity holders of the parent	6,627	432	7,059	13,049	419	13,468

(3) Reconciliation of cash flow statement for the year ended 30 June 2007

The adoption of NZ IFRSs has not resulted in any material adjustments to the cash flow statement.

(4) Notes to the reconciliations

(a) Available for sale investments

Under NZ IFRS the investment in Resource Investments has been classified as an available-for-sale financial asset, which is remeasured at fair value. Changes in fair value are recognised as a movement in the Available for Sale Reserve. Subsequent disposal of the Resource Investment will result in the change in fair value, previously recognised in equity, being recycled through to the profit and loss.

(b) Change in Functional Currency

On transition to NZ IFRS the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). From the entities within the Group in functional currency used is New Zealand dollars, with exception to the following:

- Stewart Petroleum Company Ltd – United States dollars (USD)
- ANZ Resources Pty Ltd – Australian dollars (AUD)

The results and financial position of foreign operations that have a functional currency different from the presentation currency have been translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented were translated at the closing rate at balance date;
- income and expenses for each income statement were translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences were recognised as a separate component of equity.

Exchange differences arising from the translation of any net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity.

(c) Reclassification of Exploration, Development and Production assets

Under NZ IFRS Petroleum and Coal interest are classified according to the phase of the research and development project.

- Expenditure on research activities undertaken with the prospect of obtaining new scientific or technical knowledge and understanding is expensed to the statement of financial performance.
- Exploration and evaluation expenditure are capitalised as incurred in relation to separate areas of interest such as costs are expected to be recouped through successful development of the area of interest, or alternatively, by its sale; or Exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment and/or evaluation of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the areas of interest are continuing.
- Upon technical feasibility and commercial viability of an area of interest, Exploration and Evaluation assets for the area of interest is transferred to Development assets.
- No amortisation is provided, in respect of development assets, until they are reclassified as Production assets.

(d) Restatement of Asset Revaluation Reserve

With the transition to NZ IFRS the asset revaluation reserve in relation to Pike River Coal Ltd (PRCL) is no longer recognised. The impact of this change in treatment at 1 July 2006 is to reverse it out of equity and the related investment in the Statement of Financial Position, therefore restating the development asset to historical cost, and reserve out any impairment in retained earnings.

(e) Provision for Abandonment

Under previous GAAP, provisions were made for restoration and environmental rehabilitation on an incremental basis during the course of the field or asset life. Under NZ IFRS the restoration and rehabilitation provision is measured at the present value of the expected future cash flows as a result of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation is incurred. The nature of the restoration activities included are the removal of facilities, abandoning of wells, abandoning of mines and restoring the affected areas.

(f) Derivative financial instruments

Under NZ IFRS derivative financial instruments, that do not qualify for hedge accounting, are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the statement of financial performance.

(g) Deferred tax liability

Under NZ IFRS deferred tax is provided using the balance sheet approach rather than the income statement approach currently applied. The balance sheet approach provides for all temporary differences between the carrying amount of assets and liabilities for accounting and tax purposes. Deferred tax has been recognised in the statement of financial performance except to the extent that it relates to items recognised directly in equity or as part of a business combination.

The amount of deferred tax provided for is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

34. Events subsequent to balance date

(a) Exploration drilling of Momoho

Momoho 1 exploration well drilling was complete in July 2008. A small gas condensate pool was discovered and the well was plugged and abandoned. The investment in Momoho by the Company of \$4.6 million to balance date was written off in the current financial year due to this drilling result. The Company's share of the remaining costs incurred in drilling the well is estimated to be \$4.1 million, which will be expensed in the 2009 financial year. Momoho is part of the PML 38146 Kupe permit.

(b) Cancellation of Treasury Stock

At a meeting held on Friday 25 July 2008, the Board of New Zealand Oil & Gas Ltd resolved to cancel the shares the Company held in itself as treasury stock. New Zealand Oil & Gas Ltd held 5,864,515 shares as treasury stock. The shares were non-voting and were not included in the issued capital figure for New Zealand Oil & Gas Ltd quoted on the NZX and ASX. The treasury stock was deemed to be cancelled immediately upon the making of the resolution.

Annual Report – Director's Declaration

In the opinion of the Directors of New Zealand Oil & Gas Limited, ("the Company"):

- (1) The financial statements and notes, set out in the relevant pages of the Annual Report comply with the accounting standards issued by the New Zealand Institute of Chartered Accountants; and
- (2) The financial statements for the year to 30 June 2008 and notes to those financial statements give a true and fair view of the financial position and performance of the Company; and
- (3) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

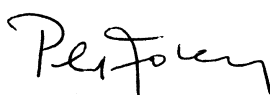
The Annual Report of New Zealand Oil & Gas Limited is approved for and on behalf of the Board.



Prof R F Meyer

Director

04 September 2008



P G Foley

Director

04 September 2008

Auditors Report



To the shareholders of New Zealand Oil & Gas Limited

We have audited the financial statements on pages 5 to 40. The financial statements provide information about the past financial performance and financial position of the Company and group as at 30 June 2008. This information is stated in accordance with the accounting policies set out on pages 9 to 16.

Directors' responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the Company and group as at 30 June 2008 and the results of their operations and cash flows for the year ended on that date.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the Company's and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided other services to the Company and certain of its subsidiaries in relation to taxation and general assurance services. These matters have not impaired our independence as auditors of the Company and group. The firm has no other relationship with, or interest in, the Company or any of its subsidiaries.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Company as far as appears from our examination of those records;
- the financial statements on pages 5 to 40:
 - comply with New Zealand generally accepted accounting practice;
 - give a true and fair view of the financial position of the company and group as at 30 June 2008 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 28 August 2008 and our unqualified opinion is expressed as at that date.

Wellington

Corporate Governance

New Zealand Oil & Gas Limited is a limited liability company registered under the New Zealand Companies Act 1993. The Company is listed, and its shares quoted, on both the New Zealand Stock Exchange (NZX) and the Australian Stock Exchange (ASX) under the code "NZO".

Board of Directors

The Board is responsible for the overall corporate governance of the Company, including strategic direction, determination of policy, and the approval of significant contracts, capital and operating costs, financial arrangements and investments. In addition to statutory and constitutional requirements, the Board has a formal charter that sets out its functions as well as a number of Board approved policies and protocols.

The number of Directors is specified in the constitution as a minimum of three and up to a maximum of seven. At least two Directors must be persons ordinarily resident in New Zealand. Each year one-third of the Directors, other than the Managing Director, must retire by rotation. If eligible each retiring Director may offer themselves for re-election.

Director	Appointed	Position	Expertise
Mr R A Radford ACA	June 1981	Chairman	Resource company management
Prof R F Meyer ONZM, BE, PhD, DistFIPENZ	February 2000	Deputy Chairman (Independent)	Engineering and energy
Mr P G Foley BCA, LLB	July 2000	(Independent)	Legal
Mr A T N Knight BMS(Hons)	January 2008	(Independent)	Energy operations and finance
Mr S J Rawson BSc, MSc	July 2000	(Independent)	Energy and trading
Mr D J Salisbury BCA, LLB	April 2007	CEO and Managing Director	Worldwide oil & gas exploration
Mr D R Scoffham MA, MSc	June 2003	(Independent)	Worldwide oil & gas exploration

Independent Directors

The Board has determined in terms of the NZX Listing Rules that as at 30 June 2008 Prof. R F Meyer, Mr P G Foley, Mr A T N Knight, Mr S J Rawson and Mr D R Scoffham are independent Directors; and that Mr R A Radford and Mr D J Salisbury are not independent Directors.

Board Proceedings

The Board meets on a formal, scheduled basis, generally on a monthly basis, and holds other meetings as required. The Chairman and the Managing Director establish the agenda for each Board meeting. As a regular item for each Board meeting, the Managing Director prepares an Operations Report that includes a Health, Safety and Environment report, a summary of the Company's exploration, development and production operations together with key financial and other reports. Key strategic issues and opportunities are also presented to the Board by management as part of each Board meeting.

Directors' Remuneration

At the 2007 NZOG AGM, shareholders approved a resolution that Directors' fees be set at a maximum of \$295,000, being the combined total for all non-executive Directors at that time. In accordance with NZX Listing Rule 3.5.1, the appointment of a new Director in January 2008 required total Directors' remuneration to be increased to \$340,000 to enable the payment of fees to the new Director equal to the average fees received by the present non-executive members of the Board.

Meeting Attendance:

Director	Board Meeting	Audit Committee	Executive Appointments & Remuneration Committee	Corporate Governance & Public Affairs Committee
Mr R A Radford	20	1*	4*	6
Prof R F Meyer	20	2	4	6
Mr P G Foley	20	2	4	6
Mr A T N Knight	8	2*		
Mr S J Rawson	18	2#	4#	
Mr D J Salisbury	20	1*	1*	
Mr D R Scoffham	17	2	1*	

* Ex-officio attendance.

In June 2008 Mr A T N Knight replaced Mr S J Rawson on the Audit Committee and Executive Appointments and Remuneration Committee.

Board Charter

The Directors of New Zealand Oil & Gas Limited (NZOG) have been elected by the shareholders and are accordingly authorised to manage the business of the Company in accordance with the Constitution and the law.

Responsibilities of the Board

The Board is accountable for the performance of the Company and the specific responsibilities of the Board include:

- approving corporate strategy and performance objectives;
- establishing policies appropriate for the Company;
- oversight of the Company, including its control and accountability systems;
- approving major investments and monitoring the return of those investments;
- evaluating the performance of the Chief Executive;
- setting broad remuneration policy including approving allocations under the Company's employee share ownership plan;
- reviewing senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- reviewing and ratifying systems of risk management, internal compliance and control, codes of conduct, and legal compliance;
- approving and monitoring financial and other reporting;
- ensuring that the Company provides continuous disclosure of information such that shareholders and the investment community have available all information to enable them to make informed assessments of the Company's prospects; and
- overall corporate governance of the consolidated entity.

The Board has overall responsibility for the Company's system of risk management and internal control, and has established procedures designed to provide effective control within the management and reporting structure. Management representations with respect to half-year and annual financial reporting provide accountability on disclosure and financial results.

Delegation of Authority

While the Board has overall and final responsibility for the business of NZOG, it has delegated responsibility for the conduct of the Company's business and policy implementation to the Managing Director and his management team. The Board has established formal limits of authority to provide clarity to the Managing Director and management so that they are in a position to carry out the business of NZOG in an efficient and effective manner within the parameters of proper corporate governance. The delegated authorities set limits to financial commitments and other decision making, and are monitored by the Board through its audit function. These formal authorities and other policies and procedures for management and compliance include:

- Delegated Authorities Manual
- Securities Trading policies and protocols for employees and Directors
- Oil Hedging policy
- Funds Investment policy and guidelines
- Foreign Exchange policy
- Health, Safety and Environment policy
- Whistleblower policy
- Directors' Conflict of Interest protocol

These policies are reviewed on a regular basis. The Board may establish other policies and practices to ensure it fulfills its functions and remains an effective decision making body.

Board Committees

The Board has three formally constituted committees to provide specialist assistance with defined aspects of governance; the Audit Committee, the Executive Appointments and Remuneration Committee and the Corporate Governance and Public Affairs Committee. Each committee has a written charter setting out its respective roles and responsibilities.

The Audit Committee is required to contain one member with an accounting or financial background. The Board has determined that Mr P G Foley has the requisite financial background for this requirement. The current members of the Audit Committee are Mr P G Foley (Chairman), Mr A T N Knight, Prof. R F Meyer and Mr D R Scoffham. The Committee is responsible to the Board for overseeing the financial control, financial reporting, and audit practices of the Company. Meetings are held at least twice a year, and at the discretion of the Committee the external auditors, the Managing Director, the Chief Financial Officer and other senior executives attend these meetings.

The current members of the Executive Appointment and Remuneration Committee are Prof. R F Meyer (Chairman), Mr P G Foley, and Mr A T N Knight. Meetings are held at least twice a year. The Committee is responsible to the Board for recommending the remuneration policies and packages for the Chief Executive and senior executives, including allocations under the employee share ownership plan and amendments to plan rules. The Committee operates independently of management and executive directors.

The Corporate Governance and Public Affairs Committee is responsible for monitoring the Company's compliance with continuous disclosure obligations and overseeing the public profile of the Company. The current members of the Corporate Governance and Public Affairs Committee are Mr P G Foley (Chairman), Prof. R F Meyer and Mr R A Radford. At the discretion of the Committee, the Managing Director, Public Affairs Manager and General Counsel attend these meetings.

The Audit Committee, Executive Appointment and Remuneration Committee and Corporate Governance and Public Affairs Committee charters setting out respective roles and responsibilities are available on the Company's website at www.nzog.com.

Shareholder Reporting

The Company complies with the continuous disclosure requirements and all other listing requirements of the NZX and ASX relating to shareholder reporting which enables the Company to ensure high quality and uniform disclosure of market sensitive information. Shareholders and interested parties can subscribe via the website www.nzog.com to receive the Company's market announcements by email. The Company issues annual, interim and quarterly reports, which security holders can elect to receive in paper or electronic format. These documents are also posted on the Company's website. The Company has also commenced providing a Shareholder Review to shareholders on an annual basis as a companion document to the Annual Report.

Conduct

NZOG's Code of Conduct sets out the ethical standards expected of the Company's Directors, management, employees and dedicated contractors. NZOG strives to create a strong culture of honesty, integrity, loyalty, fairness, forthrightness and ethical behaviour. The Code addresses matters of:

- conflicts of interest
- corporate opportunities
- intellectual property
- confidentiality, receipt and use of corporate information
- competition and fair dealing
- protection of and proper use of Company assets
- compliance with laws and regulations
- a general obligation to act honestly and in the best interests of the Company as required by law
- encouraging the reporting of unlawful or unethical behaviour.

The Code of Conduct is available on the Company's website www.nzog.com.

The Company also has a Whistleblower policy on the making and handling of complaints relating to business and personal ethics. This policy aims to encourage employees and others to raise serious concerns for resolution, and to facilitate impartial investigation of any serious wrongdoing. The policy sets out the Company procedures for receiving and dealing with such disclosures and complaints.

The Company has Securities Trading policies which set out procedures as to when and how an employee or Director can deal in Company securities. These policies are consistent with the Securities Markets Act 1998 and its insider trading procedures and comply with the NZX and ASX rules. The Board ensures that these policies are up to date and compliant at all times with any changes to the law and to NZX and ASX listing rules.

The Company maintains an interest's register in compliance with the Companies Act 1993 which records particulars of certain transactions and matters involving Directors.

Health and Safety Policy

NZOG is firmly committed to the provision and progressive improvement of a safe and healthy work environment. The Company's health and safety policy has the overriding objective that everyone who works with NZOG should return home in good mental and physical health.

NZOG policy is to:

- Provide a safe and healthy work environment
- Prevent exposure to unnecessary risks and to operate in a way that minimises health and safety hazards
- Actively monitor and continuously improve health and safety performance
- Encourage safe and healthy lifestyles.

Corporate Governance Best Practice Codes

The Company's compliance with Corporate Governance Best Practice is actively monitored. This includes assessing compliance with the NZX Listing Rules and Corporate Governance Best Practice Code; and the ASX Listing Rules and Corporate Governance Best Practice Principles and Recommendations. NZOG is compliant with these rules and guidelines except as otherwise noted below.

The Board of NZOG does not have a separate nominations committee. The Board as a whole undertakes the responsibility for the recruitment and appointment of Directors, benefiting from the contribution of all its members in discussing the need for and identifying any new candidates for the Board. The Board aims to have a reasonable diversity of backgrounds and skills within its ranks as is relevant to the nature of the Company's activities.

NZOG does not currently have a formal training programme in respect of Directors or a formal method of Director performance assessment. There is no formal process for Directors to take independent professional advice at the expense of the Company.

NZOG does not encourage its Directors to take part of their remuneration by way of equity. However, Directors do participate in the NZOG Employee Share Ownership Scheme as detailed in this Annual Report.

The Chairman is not an independent Director by virtue of him having been employed in an executive capacity by the Company and there not having been a period of at least three years between ceasing such employment and serving on the Board.

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 2008 New Zealand Oil & Gas Ltd had the following securities:

Total Ordinary Shares on Issue	383,789,859
Unlisted Partly Paid Shares	3,568,500

Top 20 Shareholders

Top 20 holders of Ordinary Shares as at 31 Jul 2008

Name of Registered Shareholder	Shareholding	% of Issued Capital
Accident Compensation Corporation	22,350,024	5.82
National Nominees New Zealand Limited	12,788,007	3.33
Resources Trust Limited	11,630,170	3.03
ANZ Nominees Limited	9,278,560	2.42
HSBC Nominees (New Zealand) Limited	8,189,097	2.13
NZ Guardian Trust Investment Nominees Limited	6,043,100	1.57
Sik-On Chow	5,880,000	1.53
Tea Custodians Limited	5,390,680	1.40
Nzog Nominees Limited	5,295,000	1.38
Forsyth Barr Custodians Limited	5,254,457	1.37
Archibald Geoffrey Loudon	4,676,760	1.22
New Zealand Superannuation Fund Nominees Limited	4,396,388	1.15
Citibank Nominees (New Zealand) Limited	4,053,848	1.06
Asteron Life Limited	3,946,981	1.03
Macquarie Equities Custodians Limited	3,840,100	1.00
FNZ Custodians Limited	3,487,448	0.91
AMP Investments Strategic Equity Growth Fund	2,937,488	0.77
Leveraged Equities Finance Limited	2,808,400	0.73
Riuo Hauraki Limited	2,700,000	0.70
ASB Nominees Limited	2,567,347	0.67

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

Distribution Of Listed Holdings

Ordinary Shares as at 31 July 2008

Holding Range	Holders	Holders %	Quantity	Quantity %
1 to 99	54	0.38	2,795	0
100 to 199	48	0.34	6,025	0
200 to 499	219	1.55	71,512	0.02
500 to 999	1,735	12.26	1,104,265	0.29
1,000 to 1,999	2,546	17.98	3,352,900	0.87
2,000 to 4,999	3,218	22.73	10,100,024	2.63
5,000 to 9,999	2,202	15.55	14,703,360	3.83
10,000 to 49,999	3,181	22.47	63,354,443	16.51
50,000 to 99,999	491	3.47	32,329,084	8.42
100,000 to 499,999	404	2.85	74,341,588	19.37
500,000 to 999,999	31	0.22	21,537,064	5.61
1,000,000 plus	28	0.2	162,886,799	42.44
Total	14,157	100	383,789,859	100

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.

Trading Statistics

For the 12 months ended 30 June 2008	High	Low
NZX (Trading Code NZO)	NZ\$1.78 on 30/6/08	NZ\$0.99 on 20/11/07
ASX (Trading Code NZO)	A\$1.42 on 30/6/08	A\$0.82.5 on 5/10/07
Combined Volume of Shares Traded: 171,078,800		

Directors' Remuneration

The total remuneration and other benefits to Directors for services in all capacities during the year ended 30 June 2008 was:

Mr RA Radford	\$248,333*
Prof RF Meyer	\$58,333
Mr PG Foley	\$51,667
Mr ATN Knight	\$22,500
Mr SJ Rawson	\$41,667
Mr DJ Salisbury	\$450,000#
Mr DR Scoffham	\$41,667

*Includes \$180,000 for consultancy services.

#Remuneration received as Chief Executive.

Employees Remuneration

During the year ended 30 June 2008 nine employees (excluding the Chief Executive) received individual remuneration over \$100,000.

\$100,001 - \$110,000	
\$110,001 - \$120,000	3
\$120,001 - \$130,000	
\$130,001 - \$140,000	1
\$140,001 - \$150,000	1
\$150,001 - \$160,000	1
\$160,001 - \$170,000	1
\$170,001 - \$180,000	
\$180,001 - \$190,000	1
\$190,001 - \$200,000	
\$200,001 - \$210,000	
\$210,001 - \$220,000	
\$220,001 - \$230,000	1

Directors' Securities Interests

The interests of Directors in securities of the Company at 30 June 2008 were:

Mr RA Radford in respect of 8,921,054 shares (indirect and direct interests)
Prof RF Meyer in respect of 150,000 shares (indirect interest)
Mr PG Foley in respect of 223,000 shares (indirect and direct interests)
Mr ATN Knight in respect of 12,000 shares (direct interest)
Mr SJ Rawson in respect of 157,000 shares (indirect and direct interests)
Mr DJ Salisbury in respect of 500,000 shares (indirect interest)
Mr DR Scoffham in respect of 335,000 shares (indirect and direct interests)

During the year, Mr Radford disposed of 2,600,000 options and acquired an indirect interest in 2,300,000 ordinary shares. Prof Meyer took up 150,000 partly paid shares allocated under the Employee Share Ownership Plan (ESOP).

Mr Foley took up 150,000 partly paid shares allocated under the ESOP, exercised 30,000 options (and so acquired 30,000 ordinary shares) and disposed of 12,000 ordinary shares. Mr Knight acquired 12,000 ordinary shares. Mr Rawson took up 150,000 partly paid shares allocated under the ESOP and exercised 7,500 options (and so acquired 7,500 ordinary shares). Mr Scoffham acquired 15,000 ordinary shares, took up 150,000 partly paid shares allocated under the ESOP and exercised 60,000 options (and so acquired 60,000 ordinary shares).

Directors' Interests In Transactions

As at 30 June 2008, the following Directors had interests recorded in the Interests Register of the Company. Notices given or adjusted during the financial year ended 30 June 2008 are marked with an asterisk (*). Each such Director will be regarded as interested in all transactions between the Company and the disclosed entity.

RA Radford	Pan Pacific Petroleum NL (and subsidiaries)	Chief Executive Officer & Director (Chairman)
	Pike River Coal Limited	Director
RF Meyer	Pike River Coal Limited	Director
PG Foley	Minter Ellison Rudd Watts	Partner
ATN Knight	Vector Limited *	Divisional CEO Gas/Metering Business General Manager of Vector Limited (and Director of Vector subsidiaries)
SJ Rawson	Mighty River Power Limited	General Manager New Business Development
DJ Salisbury	Petroleum Exploration and Production Association of New Zealand*	Board member

Directors' And Officers' Liability Insurance

The Company and its subsidiaries have arranged policies of Directors' and Officers' liability insurance, which, together with a deed of indemnity, seek to ensure to the extent permitted by law that Directors and Officers will incur no monetary loss as a result of actions legitimately taken by them as Directors and Officers.

Substantial Shareholders

On 1 July 2008 a Substantial Shareholder Notice was issued in respect of the Accident Compensation Corporation; namely that ACC held over 5% of the Ordinary Shares in New Zealand Oil & Gas Ltd. As at 31 July 2008 there were no other current Substantial Shareholder notices.

Substantial Shareholder Notices are received pursuant to the Securities Markets Act 1988. Shareholders are required to notify changes in relevant interests when those changes exceed 1% of the total issued voting securities.

NZOG Group

Within this Annual Report reference to NZOG, New Zealand Oil & Gas Ltd and "the Company" are to be read as inclusive of the subsidiary companies within the consolidated group.

Currency

All amounts are New Zealand dollars unless otherwise specified. The NZD/USD exchange rate was 0.76 as at 30 June 2007.

Corporate Directory

Directors

R A Radford *Chairman* ACA

R F Meyer *Deputy Chairman* ONZM, BE, PhD, DistFIPENZ

P G Foley BCA, LLB

A T N Knight BMs, CA(NZ)

S J Rawson BSc, MSc

D J Salisbury *Managing Director* BCA, LLB

D R Scoffham MA, MSc

Management

David Salisbury *CEO & Managing Director* BCA, LLB

Helen Mackay *General Counsel* BCA, LLB

Kaye Pailthorpe *Office Manager*

Chris Roberts *Public Affairs Manager* BA

Jonathan Salo *Exploration Manager* PhD, BA, BAsC

Markus Schuh *Reservoir Engineering Manager* MSc

Andrew Stewart *Chief Financial Officer* MBA, BCA, BA, CA(NZ)

Registered and Head Office

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Wellington

New Zealand

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Facsimile + 64 4 495 2422

Email: enquiries@nzog.com

Auditors

KPMG

KPMG Centre

10 Customhouse Quay

Wellington

New Zealand

Shareholder Information

For information on number of shares or options held, holding statements and changes of address contact the registrars:

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Private Bag 92119

Auckland

New Zealand

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New Zealand Freephone 0800 467 335

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