Shareholder Report
2012

nzog
New Zealand Oil & Gas Ltd

Contents

Chairman's Message

During the year ended 30 June 2012 NZOG again enjoyed strong performance from its two producing oil and gas fields. The company remained in a very sound financial position throughout the year.

Financial Result

The company posted a net profit after tax of NZ$19.9m for the financial year to 30 June 2012; a pleasing turn around. At financial year-end NZOG had a cash balance of $209.2 million with a net cash position of $162.4 million.

Dividend

Directors declared a fully imputed dividend for the year of 6 cents per ordinary share. The company's dividend re-investment plan remains in place, providing shareholders the opportunity to take shares instead of cash.

Company Operations

The Kupe and Tui projects combined provided the company with NZ$116.4 million in revenues for the financial year. More to the point, the contribution to operating profits was NZ$52.3 million*.

Of these two projects, Kupe was again the main contributor providing profits of $31.9 million*. Its status as a core long-term earnings base for the company was further enhanced in July 2012 with a 13.4% increase in the proved and probable (2P) reserves for gas and oil in the field.

The Tui project generally performed to expectation producing on average 6,000 bopd and contributing operating profits of $20.4 million*. The operator refined its signalled reduction of the estimated proved and probable (2P) reserves in the Tui fields to 41 mmbbls. The resultant production profile would take field life to 2019. However, there is potential, currently being assessed, to add to reserves through additional drilling at Pateke and/or by drilling at least one untested prospect within the permit area.

Taranaki remains the New Zealand focus on the exploration front. A number of prospects exist within the NZOG portfolio and we are developing the portfolio into a set of complementary opportunities with an appropriate risk and reward balance.

Our Kakapo permit remains an exciting prospect and work on drilling options continues. The permit lies between the Kupe and Maari fields and the proposed well will penetrate a stacked series of Miocene sands. There is potential for a sizeable discovery.

New Zealand activities still form the core of NZOG's operations, which have been supplemented with additional interests acquired during the year in Tunisia and Indonesia (onshore Sumatra).

Board and Management

During the year there were a number of changes to NZOG's executive management, the most key of these being the appointment of Andrew Knight as the company's new CEO in December 2011. Andrew had been on the board as a non-executive since January 2008.

At Board level, Mr Steve Rawson retired to concentrate on his other activities. In February 2012, Mr Mark Tume and Mr Rodger Finlay were appointed as directors and bring added breadth and experience to the board as a whole.

Looking ahead I have decided to relinquish the role of Chairman of the Board of NZOG. Mr Peter Griffiths, who joined the board in December 2009, will become Chairman at the end of October 2012.

Outlook

NZOG is the only significant New Zealand- headquartered and listed exploration and production oil company. It is a financially stable company, which continues to generate profits from the Tui and Kupe fields. In addition to these production assets, both of which were discovered through exploration by NZOG and its partners, the company has a range of exploration assets which have potential to deliver further rewards to investors.

NZOG also continues to hold a substantial amount of cash reserves, with the associated challenge to meet investor expectations for these funds to create returns commensurate with the company's risk profile.

Tony Radford
Chairman

* Gross Operating Profit is consistent with the Segment Result in the Consolidated Financial Statements (Refer to note 3 Segment Information).

CEO's Review

The year ended 30 June 2012 has been one of rebuilding and consolidation.

NZOG is generating good cash flows from its interests in the Kupe and Tui fields which are both situated off the Taranaki coast. A cash balance of $209.2 million with a net cash position of $162.4 million and an operating cashflow of $63.2 million show the fundamentals of the company are strong.

NZOG has significantly strengthened its senior management team with the aim of identifying and executing new opportunities. The company has made good progress in diversifying its portfolio of opportunities in New Zealand and has a growing number of opportunities to pursue in Indonesia and Tunisia.

Our objective is to build a suite of opportunities that carry varying degrees of risk, cost exposure and reward. Development of a diversified and sustainable portfolio is progressing, but will take time. NZOG will continue to focus preferentially on New Zealand, but insufficient continuity and impetus means the business cannot be sustained from offshore New Zealand alone. Thus NZOG continues to explore opportunities in Indonesia, Tunisia and onshore New Zealand.

NZOG, like many companies in the sector, is proud of the contribution we make to the health of the economy. This extends beyond thousands of jobs and opportunities for skill development across the sector to a broad contribution to the community and New Zealanders' well-being.

The oil and gas sector has significant untapped potential to contribute further and NZOG is excited about this transformational opportunity for New Zealand.

Production

Operationally it was a solid year, with NZOG's two producing assets, Kupe and Tui, providing more than NZ$100 million in revenue during the financial year.

KUPE (NZOG INTEREST 15%)

The Kupe gas and oil field off the South Taranaki coast continues to underpin NZOG with $74.3 million in revenue for the year. The first quarter set a new production record as Genesis increased its off-take to meet winter electricity demands.

Overall the plant has performed well and reliability has been good. Some issues with the umbilical pipeline that runs from the offshore field to the onshore production station were identified during routine inspection. The umbilical has been stabilised and a long-term solution is being implemented.

NZOG's share of production for the year was 2.86 PJ of sales gas, 12,500 tonnes of LPG and 269,000 barrels of light oil.

Of particular note was a significant increase in the proved and probable (2P) reserves in the Kupe gas and oil field with original 2P reserves (100%) increased by 13.4% to 82.2 million barrels of oil equivalent (mmboe) and are now 25.8% greater than the pre-production estimate.

Remaining reserves are 68.4 mmboe – 277 PJ sales gas, 1.178 million tonnes of LPG and 13.6 million barrels of light oil.

TUI (NZOG INTEREST 12.5%)

The Tui Area Oil Fields in the offshore Taranaki Basin continued to perform in line with expectations producing 2.2 million barrels of oil in the financial year - NZOG's share 276,000 barrels.

NZOG's revenue from Tui for the year was $42.1 million.

Well performance has continued as expected. Feasibility assessment work on accessing additional volumes of oil with new or sidetracked wells into the existing Pateke field, and exploration targets within the licence area, is now at an advanced stage.

Exploration

NEW ZEALAND

As stated above New Zealand remains a strong commitment for NZOG. To that end we continue to review our existing opportunities and look for new opportunities that will grow shareholder wealth.

KAKAPO

In PEP 51311 NZOG has identified the Kakapo prospect. The prospect is a stacked series of Motueka coastal sands, which are laterally truncated and considered to be sealed by deep canyons filled with non-reservoir facies rock types. It is potentially a very significant field - estimates of mean prospective resources are over 200 million barrels of oil equivalent. Seismic modelling has upgraded the chance of success through indications that a small gas cap may lie above the main postulated oil column.

KAHERU

NZOG acquired a 60% interest (conditional on a formal commitment to drill a test well in 2013-2014) in the Kaheru Permit in southern Taranaki, immediately to the south of the Rimu/Kauri oil and gas field complex on the South Taranaki coast. Following the unexpected exit of ROC from the permit NZOG also took over as operator.

The Kaheru prospect lies in 25 metres of water, and is 8 kms from shore. Figures released from the joint venture previously have estimated the mean recoverable reserves (unrisked) at 45 million barrels (mmbbls) of oil in an oil case; or 200 billion cubic feet (bcf) of gas and 7.5 mmbbls of condensate in a gas case

NZOG has made rigorous efforts to engage with potential new partners in regard to both Kaheru and Kakapo in order to spread risk and reduce the Company's exposure to a disproportionate share of drilling costs.

BARQUE

NZOG took over as operator of PEP 38259, the Barque permit in the offshore Canterbury Basin, in January 2012. Despite efforts to find a new partner to share the exposure to the high cost of drilling in this challenging environment some factors couldn't be fully addressed. The joint venture parties relinquished the permit in August.

BLOCKS OFFER

In addition to the above, work is well advanced on assessing prospects in the latest blocks offer which was opened by the Crown in June 2012 with bids closing on 15 October 2012.

The company has an objective of being the partner of choice in New Zealand, and believes that, through the active farm-out processes undertaken and increasingly active role in the sector as a permit operator, NZOG is developing solid relationships with potential partners for the future.

INDONESIA

As part of our strategy to broaden the exploration portfolio and its risk profile, NZOG has made strong progress in building a portfolio of interests in onshore Sumatra, Indonesia.

NZOG established a strategic relationship with Bukit Energy, a new company put together by experienced oil industry professionals with a deep understanding of Indonesia, strong local knowledge, and expertise in both conventional and unconventional activities.

Subsequently NZOG secured a 22.5% interest in the Kisaran permit. The Kisaran block is situated in the northern part of the Central Sumatra Basin, the most prolific oil producing basin in SE Asia, with some 14 billion barrels of oil discovered in over 200 fields. Six prospects within the permit have been identified and assessed. Plans are at an advanced stage to drill two wells in late 2012 and early 2013. One is to appraise an undeveloped 2006 oil discovery within sands of the Pematang Group (deposited in the early, lacustrine stage of basin formation in the mid Tertiary); the other will test a prospect with dual targets in shallow marine sands with good reservoir characteristics up-dip of strong oil indications in the same well.

NZOG and its partners were the successful bidders for the Bohorok Block in the North Sumatra Basin following encouraging results from a Joint Study undertaken by an Indonesian university team. During the next three years 200 sq km of 2D seismic data will be acquired to delineate and evaluate the leads and prospects identified during the pre-bid study more accurately.

The North Sumatra Basin is also an established oil and gas producing basin, with the Bohorok Block at the southern end on the outskirts of the major city, Medan. Most of the fields at this end of the basin (which includes the giant Arun gas field and its pioneering LNG export facilities) are in Miocene sands of the Keutapang, Baong and Belumai formations, in anticlinal and combination traps. Fields in proximity to the Bohorok Block include the 23 mmbbl Telaga Said oil field, the oldest discovery in Indonesia, and the Pantai Pakam Timur gas field, with more than 100 BCF gas.

TUNISIA

Solid progress was also made in expanding the portfolio in Tunisia. As previously reported, Tunisia provides a combination of good prospectivity, established and continuous exploration and production activity, reasonable fiscal terms, and relative ease of doing business.

In 2011 NZOG was granted the Diodore permit in the Gulf of Gabes. The 1,200 sq km permit is surrounded by discovered and producing oil and gas fields which produce from carbonate reservoirs of Eocene and Cretaceous age, along a trend from onshore Tunisia across the Gulf of Gabes and into adjacent Libyan waters.

In February 2012 a 467 km 2D seismic survey was conducted over the Diodore permit. Data from that survey has been processed and is being integrated with existing 3D and 2D seismic data (being reprocessed) to define and evaluate prospects. The integration of regional well data with the extensive seismic survey data is directed at identifying the fairways within which viable reservoir character exists, and within those fairways, quantifying the scale of undrilled structural and stratigraphic closures which might then be drilled and tested. A decision will be made by mid 2013 whether to advance to a Production Sharing Contract which would involve drilling an exploration well during its first four-year term.

NZOG has also secured 40% of the Cosmos concession, located in the Gulf of Hammamet.

The concession contains an offshore oil discovery, Cosmos, which is being assessed for development. The oil reservoirs at Cosmos are marine sands of Miocene age, which have produced oil from a number of fields on trend. Per well production rates are typically in the range of 5,000-10,000 barrels of oil per day. An independent review of field reserves has been undertaken by Netherland Sewell Associates Inc and front-end engineering design studies are ongoing. A final investment decision is expected in the last quarter of 2012 and if positive, the Cosmos field will be developed in 2014.

Consolidation

The last year has been one of consolidation and rebuilding for NZOG. We have established a new commercial and operations team. In February industry veteran John Bay was employed to head this team and he was later joined by Chris McKeown and Michael Wright. The establishment of this team complements our strong geotechnical team led by Dr Mac Beggs. CFO Craig Jones returned to Australia and has been replaced by Andre Gaylard as acting CFO. Public Affairs Manager Chris Roberts took up a senior role with Tourism New Zealand, and we recently welcomed John Pagani as External Relations Manager.

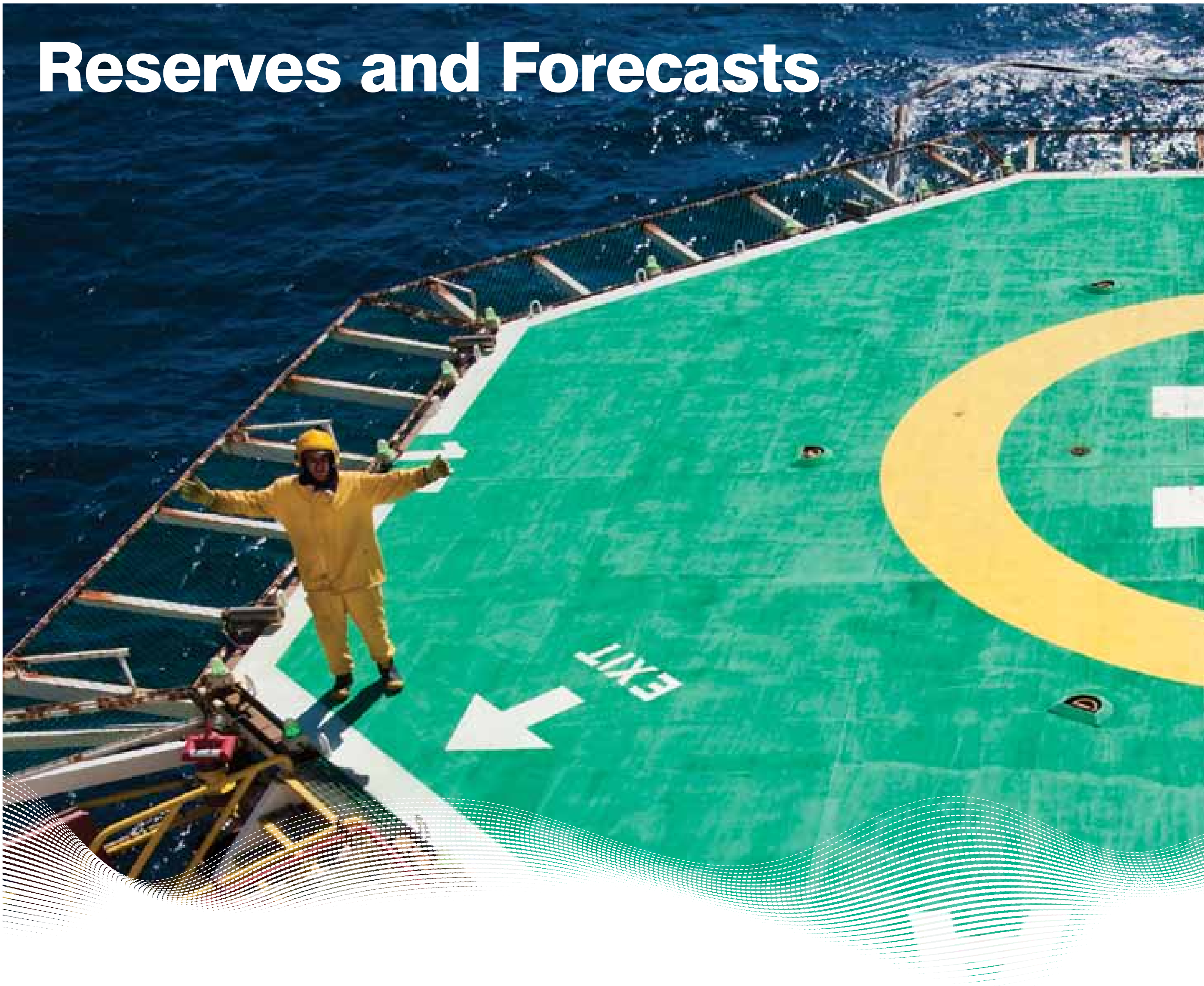
I would like to pay tribute to Tony Radford, who has decided to resign as Chairman. His service to the company began when he founded it in 1981 with a vision for a New Zealand exploration company. As a founding Director, as a former CEO, and as Chairman, he has made an immeasurable contribution to building a company with a market cap of around $330 million. The highest compliment we can pay him is to continue to achieve his vision for success of the New Zealand oil and gas sector.

As already stated, NZOG is committed to New Zealand exploration and production. But at the same time, given the long lead times and the challenges caused by our distance from the main centres of industry activity, we continue to take prudent steps to ensure we have a broad, well-balanced portfolio with new growth opportunities.

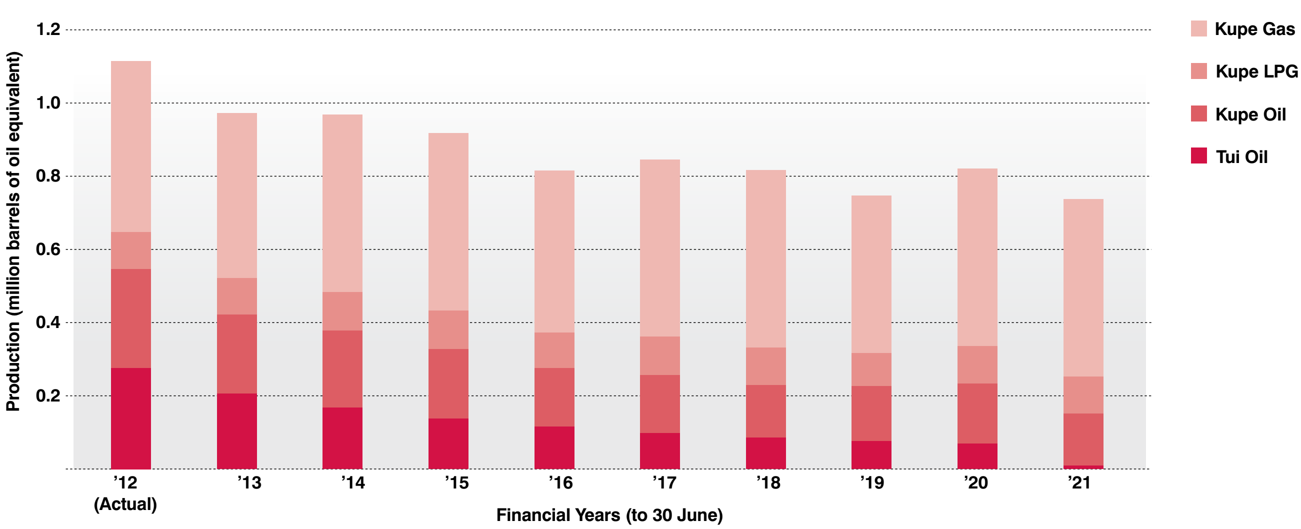
These developing positions combined with strongly performing producing assets mean NZOG is well placed to deliver on its growth strategy.

Andrew Knight
Chief Executive

Reserves and Forecasts



NZOG Production: Actual and Forecast



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

NZOG Reserves

Proven and Probable (2P) Oil & Gas Reserves as at 30 June 2012	Oil & Condensate (million barrels)	Natural Gas (petajoules)	LPG (kilotonnes)	Million Barrels of Oil Equivalent*
Tui	1.0			1.0
Kupe	2.0	41	177	10.2
Total				11.2

*Million barrels of oil equivalent has been calculated as the total oil equivalent of the oil, condensate/light oil, natural gas and LPG figures, using conversion factors consistent with Society of Petroleum Engineers (SPE) guidelines.

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

Oil and gas reserves are reported as at 30 June 2012, and in accordance with Section 10.11 of the NZX Listing Rules. This Reserves Statement has been compiled by NZOG's Vice President and General Manager Commercial and Operations, John Bay - John is a registered Professional Engineer (Petroleum and Natural Gas Engineering) in Texas - and accurately reflects information supplied by the respective joint venture Operators.

NB: Subsequent to the end of the financial year, the Kupe Operator, Origin Energy issued a reserves review. On 10 July 2012 the Kupe joint partners announced they had concluded their independent assessments of the operator's reserve assessment and had agreed on revised reserves. The initial 2P reserves were further increased by 13.4%. Added to the reserves increase announced in July 2010, Kupe ultimate recoverable 2P reserves are now 25.8% greater than the pre-production estimate

Exploration

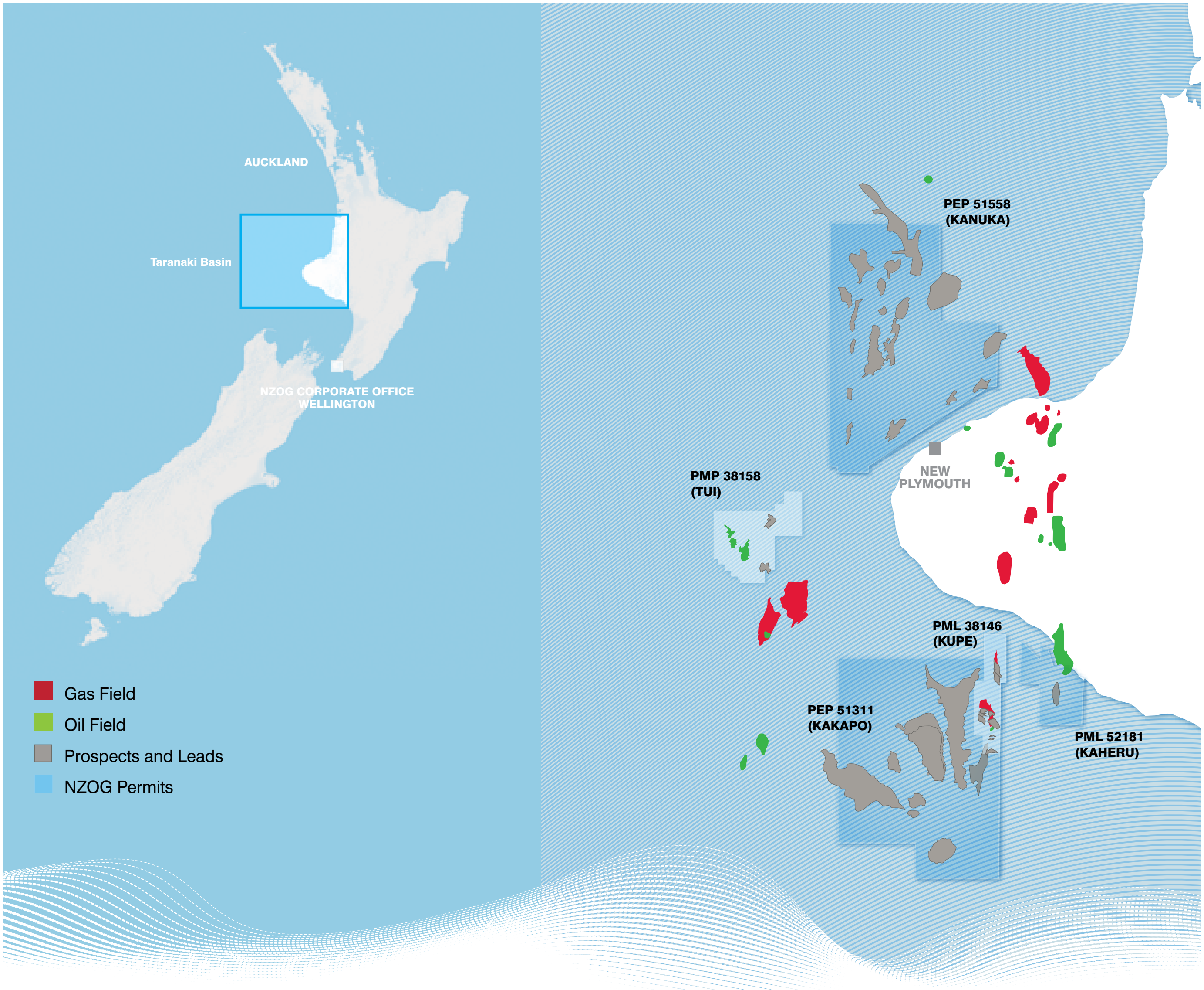
NZOG has set itself an objective of building a suite of opportunities with varying degrees of risk, cost exposure, and therefore reward. This year was one of consolidation as we looked to get a better balance in the portfolio.

New Zealand remains the core focus for developing new opportunities. However, in the last year considerable progress was made in identifying new opportunities in Indonesia and Tunisia.

NZOG is also taking a more active role as a permit operator as it seeks to rebuild its profile in the sector.

The company continues to generate excellent cash flows from our interests in the Kupe and Tui fields, which provides the foundation for growth.


Indonesia
Taranaki



New Zealand

PEP 51311 (Kakapo)
NZOG 90% (Operator), Raisama 10%

The Kakapo oil prospect (previously called Kaupokonui) is ready to drill and NZOG is investigating possible drilling rig options.

The prospect is a stacked series of Motueka coastal sands, which are laterally truncated and thought to be sealed by deep canyons filled with non-reservoir facies rock types. It is potentially a very significant field - estimates of prospective resources lie in the range of 200 million barrels of oil equivalent. Seismic modelling has upgraded the chance of success through indications of a small gas cap on the main postulated oil column.

NZOG has a farm-out arrangement with ASX-listed Raisama Ltd, under which Raisama earns a 10% stake in the permit by paying 20% of the first well costs, capped at US$3m.

PEP 52181 (Kaheru)
NZOG (Operator) 60%**, TAG Oil 40%

The permit lies to the east of NZOG's Kupe gas and oil field and is on trend with the onshore Rimu and Kauri fields. The Kaheru prospect lies in 25 metres of water, and is 8 kms from shore. Figures released from the joint venture previously have estimated the mean recoverable reserves (unrisked) at 45 million barrels (mmbbls) of oil in an oil case; or 200 billion cubic feet (bcf) of gas and 7.5 mmbbls of condensate in a gas case.

NZOG continues to engage with potential new partners for both Kaheru and Kakapo in order to spread risk and reduce exposure to a disproportionate share of drilling costs.

PEP 51558 (Kanuka)
NZOG 50%, Todd Energy (Operator) 50%

In 2011, NZOG and Todd Energy have both increased their stakes to 50% in this northern offshore Taranaki Basin permit and renamed it Kanuka. Subject to government approval for a change to the work programme, a large 3D seismic survey acquired by a

previous venture will be reprocessed to improve definition of deep targets within the Kapuni sandstones, which have proven effective reservoirs in onshore Taranaki.

PML 38146 (Kupe)
NZOG 15%, Origin Energy 50% (Operator), Genesis 31%, Mitsui 4%

This Petroleum Mining Licence area includes the producing Kupe Central Field. The permit area also contains a number of other potential structures containing oil or gas. The joint venture is conducting further detailed geological and geophysical assessment of those structures, with the possibility of drilling one or more prospects in conjunction with second stage development drilling which is currently scheduled for 2013/14.

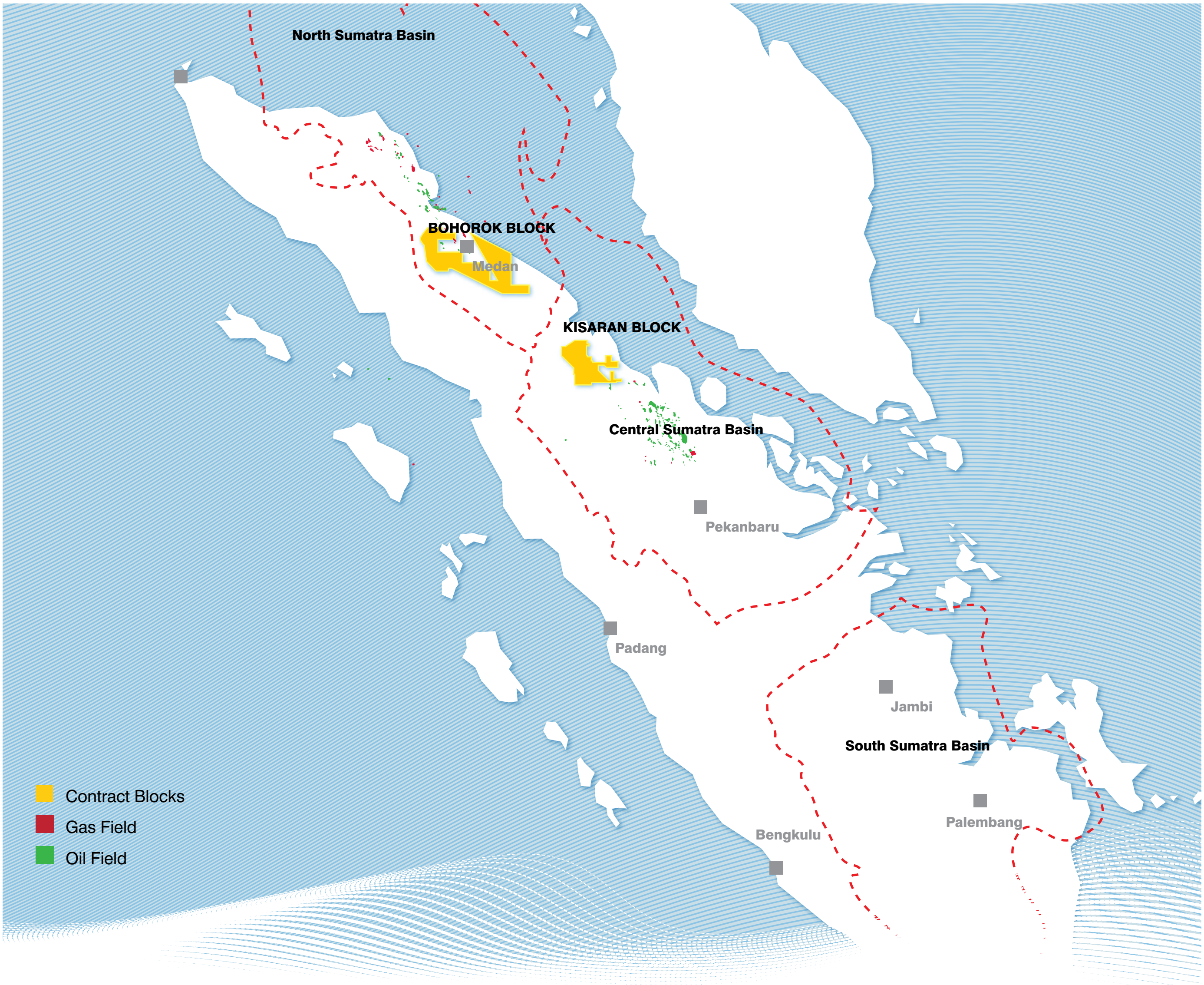
PMP 38158 (Tui)
NZOG 12.5%, AWE 42.5% (Operator), Mitsui 35%,
Pan Pacific Petroleum 10%

This Petroleum Mining Permit includes the producing Tui area oil fields. The permit area also contains a number of undrilled prospects and leads. The 3D seismic data covering most of the permit area has been reprocessed including pre-stack depth migration. Un-drilled prospects are undergoing further evaluation incorporating the latest seismic reprocessing and modelling work.

Permit	NZOG Stake
Taranaki Basin	
PMP 38158 Tui	12.5%
PML 38146 Kupe	15%
PEP 51311 Kakapo	100%*
PEP 51558 Kanuka	50%
PEP 52181 Kaheru	60%**

* Reducing to 90% under a conditional farm-in agreement with Raisama Ltd.

** Conditional agreement to take 60% stake – if drilling commitment made September 2012.



Indonesia

The strategic relationship we formed in 2011 with Bukit Energy – a company formed by experienced oilmen with a deep understanding of Indonesia – started to prove its worth over the last year. NZOG made strong progress in building a portfolio of interests in onshore Sumatra, Indonesia.

NZOG secured a 22.5% interest in the Kisaran permit. Six prospects within the block have been identified and assessed. Plans are at an advanced stage to drill two wells late in 2012 and early 2013. One is to appraise an undeveloped oil discovery made in 2006; the other to test a prospect with dual targets up-dip of strong oil indications in the same well.

NZOG and its partners were also the successful bidder for the Bohorok Block in the North Sumatra Basin following encouraging results from a joint study undertaken by an Indonesian university team. During the next three years 200 sq km of 2D seismic data will be acquired to delineate and evaluate the leads and prospects identified during the pre-bid study more accurately. The block is close to a number of large oil and gas fields.

A number of other opportunities in Sumatra will be considered over the next year as the company looks to grow a strong portfolio of interests in Indonesia.

Tunisia

As NZOG looked to diversify its exploration portfolio, Tunisia repeatedly identified itself as having the right combination of good prospectivity, established exploration and production activity levels, and as being reasonably business friendly.

In 2011 NZOG was granted the Diodore permit in the Gulf of Gabes. The 1,200 sq km permit is surrounded by discovered and producing oil and gas fields.

This year a 467 km 2D seismic survey was conducted over the Diodore permit. Data from that survey has been processed and is being integrated with existing 3D and 2D seismic data (being reprocessed) to define and evaluate prospects. A decision will be made by mid 2013 whether to advance to a Production Sharing Contract which would involve drilling an exploration well during its first four-year term.

The Diodore permit provided an initial foot hold in Tunisia and the ability to start looking for further opportunities.

NZOG also secured 40% of the Cosmos concession, located in the Gulf of Hammamet.

The concession contains an offshore oil discovery, Cosmos, which is being assessed for development. An independent review of field reserves has been undertaken by Netherland Sewell Associates Inc and front-end engineering design studies are ongoing. A final investment decision is expected in the last quarter of 2012 and if positive, the Cosmos field will be developed in 2014.

NZOG hopes to build a significant Tunisian portfolio to complement its New Zealand holdings.

Production

Kupe

NZOG has a 15% stake in the Kupe gas and oil field, which lies 30kms off the south Taranaki coast of New Zealand. It produces sales gas, LPG and light oil.

NZOG's Kupe partners are Origin Energy (50%), Genesis Energy (31%), and Mitsui (4%).

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

PRODUCTION

Kupe began commissioning in December 2009 and went into permanent production in March 2010. In November 2010 the production plant passed a rigorous regulatory inspection requiring a three week shutdown. Since then the field has performed well.

Production for the year ended 30 June 2012	Total	NZOG's 15% Share
Sales Gas	19.1 PJ	2.86 PJ
LPG	83,300 tonnes	12,500 tonnes
Light Oil	1.80 mmbbls	270,000 barrels

For the financial year ended 30 June 2013, NZOG is forecasting its share of Kupe production to be approximately 2.8 PJ of sales gas, 216,000 barrels of oil and 12,300 tonnes of LPG.

RESERVES

The proven and probable reserves (2P) of the Kupe gas and oil field were increased in July 2012 following a detailed reserves review. The review increased 2P reserves by 13.4% from the initial 2P reserves.

As at 30 June 2012, the remaining 2P reserves, prior to the increase in July 2012, are estimated to have been:

- 226 petajoules of sales gas (NZOG's share 34 petajoules)
- 3.9 mmbbls of light oil/condensate (NZOG's share 2.1 mmbls)
- 0.9 million tonnes of LPG (NZOG's share 135,000 tonnes)

The remaining 2P reserves at 30 June 2012 based on the revised 2P reserves estimates at July 2012 are estimated to have been:

- 277 petajoules of sales gas (NZOG's share 41 petajoules)
- 13.6 mmbbls of light oil/condensate (NZOG's share 2.0 mmbls)
- 1.2 million tonnes of LPG (NZOG's share 177,000 tonnes)

FINANCIAL

In the financial year ended 30 June 2012 NZOG received $74.3m in revenue from Kupe.

		NZ$m
Kupe Sales Revenue		**74.3**
Production and Marketing Costs	14.22	
Depreciation and Amortisation	21.19	
Insurance expenditure	1.24	
Royalties and net emission charges	5.83	
Cost of Sales		42.48
Kupe Gross Operating Profit*		**31.86**

* Gross Operating Profit is consistent with the Segment Result in the Consolidated Financial Statements (Refer to note 3 Segment Information).

Tui

NZOG has a 12.5% stake in the Tui Area Oil Fields, which lie 50kms off the Taranaki coast of New Zealand and have now produced more than 31 million barrels of oil.

NZOG's Tui partners are AWE (42.5%), Mitsui (35%) and Pan Pacific Petroleum (10%).

The Tui development includes four production wells from three separate oil accumulations; Tui, Pateke and Amokura. The oil is processed through a floating production, storage and offtake vessel (FPSO), the Umuroa, before being loaded into oil tankers for shipment to Australia or Asia.

PRODUCTION

The Tui Area Oil Fields began producing in July 2007.

Production for the year ended 30 June 2012	Total	NZOG's 12.5% Share
Oil	2.2 mmbbls	275,000 barrels

November-December 2011 saw a successful shutdown for maintenance work to be carried out. Subsea maintenance utilising a specialist vessel was also successfully carried out in January. Well performance throughout the year was as expected and field production has typically been in the range of 7,000 to 8,000 barrels per day.

For the financial year ended 30 June 2013, NZOG is forecasting its share of Tui production to be approximately 206,000 barrels of oil.

RESERVES

In July 2011, the Company announced that proven and probable reserves (2P) of the Tui Area Oil Fields were between 40 and 42 mmbbls based on an assessment by the Operator, AWE. Following a review completed by an independent expert the 2P reserves adopted for the Tui Area Oil Fields were confirmed as being 41 mmbbls.

As at 30 June 2012, the remaining 2P reserves are estimated to have been 7.8 mmbbls (NZOG's share 1.0 mmbls).

REVENUE

In the financial year ended 30 June 2012 NZOG received $42.0m in revenue from Tui. NZOG's share of oil in stock at the end of the year was approximately 39,000 barrels.

		NZ$m
Tui Sales Revenue		**42.00**
Production and Marketing Costs	7.95	
Depreciation and Amortisation	6.77	
Insurance expenditure	0.42	
Royalties and emmision charges	6.47	
Cost of Sales		21.61
Tui Gross Operating Profit		**20.43**

* Gross Operating Profit is consistent with the Segment Result in the Consolidated Financial Statements (Refer to note 3 Segment Information).

SARINZ is New Zealand's international training centre of search and rescue excellence.

The focus is on both training and on undertaking research to develop internationally credible, effective and efficient search and rescue capabilities, which can be used in New Zealand and around the world.

As a non-profit charitable organisation, SARINZ works in partnership with search and rescue agencies in assisting with their training and participating in research that further enables more effective search and rescue operations. SARINZ is respected internationally and in turn is able to draw on overseas experience.

Supporting the Community

Search and Rescue Institute New Zealand

NZOG is the corporate partner of SARINZ.

TRAINING

In 2011 SARINZ delivered training to more than 2600 students from across the Search and Rescue sector.

This included but was not limited to members of: NZ Police, NZ Fire Service, NZ Defence, LandSAR, Civil Defence, Coastguard, Rural Fire, Youth SAR, Joint Search and Rescue Team (JSART - Antarctica), Australia Antarctic Division, Fonterra's Emergency Rescue Teams, Victoria Police, Victoria Alpine Club, Bush SAR Victoria, State Emergency Service Victoria, Teachers, Caregivers, District Health Board staff, Glacier Guides and the NZ public.

This was a considerable achievement given the impacts that the February earthquake and Rugby World Cup had on delivery. It highlighted the desire of practitioners to attend SARINZ training when training events did occur, with almost all courses exceeding capacity.

SARINZ/NZOG RESEARCH AND DEVELOPMENT

SARINZ is unable to meet the needs of the sector without investing in ensuring the information and tools being provided are the best on the planet. NZOG helps SARINZ achieve just that. Notable Research and Development (R&D) projects completed in the past year with NZOG's funding support included:

- **A Coordinated Incident Management Systems (CIMS) project** - This research drew attention to the growing need for CIMS training across a wide range of organisations including emergency and support services, central government agencies and the corporate sector.
- **SAR 2030 project** - This project identified foreseeable patterns and trends in NZ SAR incidents and operational responses through to 2030 and will assist in critical strategic planning by the sector.

SARINZ, with support from NZOG, is now working on another two major R&D projects:

- Working with Eagle Technology to use their technology mixed with the International Search and Rescue Incident Database around Lost Person Behaviour (LPB) to create a usable tool for Search and Rescue practitioners that will revolutionise the use of LPB information.
- Implementing the recommendations of the CIMS project and creating training solutions that meet the sector needs. This will bridge a gap between theory and application that has hindered the sector's implementation of best practice emergency management.

By supporting and working with each other SARINZ and NZOG will help others save lives.

Kupe

The Kupe joint venture supported a number of community initiatives in South Taranaki in the year ended June 2012.

Manaia Primary School was the focus of Kupe Project community investment with support given to leasing and running a van for school use. The decision was then made to purchase the van. The joint venture is working with the school on how they might cover running costs from next year.

Some support was also given to the schools – Duffy Books in Homes Programme.

Other recipients of Kupe joint venture funding included: St Johns Hawera, Taranaki Community Rugby Trust field day, Manaia Christmas Parade, Surf Lifesaving – Beach Education Programme, and Hawera Volunteer Fire Brigade.

Tui

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

The Big Brothers Big Sisters programme in Taranaki continued to be the major focus for the Tui joint venture in the year ended 30 June, 2012. Over 100 Taranaki young people plus their volunteer mentors have benefitted from this youth mentoring programme, which is run in conjunction with the New Zealand Police.

The Tui JV partners are renewing their partnership with the New Plymouth District Council to make water safety tuition available to all Year 6 children in the district.

The environment was again a strong focus with continued support of the Waikirikiri Lagoon project. Here, the Tui JV partners have worked with schools, iwi, the regional council and Okato Community to continue planting of native plants, sand dune restoration and on-going maintenance of fences.

The Tui JV partners also support the Cape Egmont Rescue Vessel and a number of other school and youth initiatives.

Total community support provided by the Tui joint venture in the 2012 financial year was over $300,000.

Directors

Tony Radford
Independent Chairman

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

Andrew Knight
Chief Executive and Managing Director

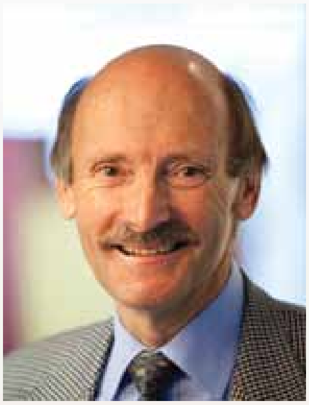
Andrew Knight joined the Board of NZOG in January 2008. He is a Chartered Accountant and graduate of Waikato University with a BMS (Hons). Andrew has his own consultancy business and previously held executive management roles with Vector and NGC and worked in New Zealand and Australia with The Australian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

Paul Foley
Independent Director

Paul Foley became a director of NZOG in 2000. He obtained an LLB and BCA from Victoria University of Wellington and is a senior corporate/commercial lawyer based in Wellington, where he is a partner in Minter Ellison Rudd Watts. Paul has over 20 years experience working with companies in the financial services, manufacturing and energy fields, with significant involvement with major petroleum exploration and production companies. He is chair of the Audit Committee and a member of the HSE and Operational Risk Committee.

Peter Griffiths
Independent Director

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



David Scoffham
Independent Director

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

Rodger J Finlay
Independent Director

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

Mark Tume
Independent Director

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

Management

Andrew Knight
Chief Executive and Managing Director

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

Mac Beggs
Vice President and General Manager Exploration

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

John Bay
Vice President and General Manager Commercial and Operations

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

Ralph Noldan
General Counsel and Company Secretary

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

Andre Gaylard
Acting Chief Financial Officer

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

John Pagani
External Relations Manager

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

Shareholder Information

STOCK EXCHANGE LISTING

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

SECURITIES ON ISSUE

As at 22 August 2012 New Zealand Oil & Gas Ltd had the following securities:

LISTED ORDINARY SHARES:

392,787,795
shares

14,940
holders

UNLISTED PARTLY PAID SHARES:

9,520,000
shares

32
holders

TOP 20 SHAREHOLDERS

Top 20 registered holders of Listed Ordinary Shares as at 22 August 2012:

	Name	Shares Held	% of Issued Capital
1	JPMorgan Chase Bank NA	40,366,191	10.28%
2	Accident Compensation Corporation	20,032,388	5.10%
3	National Nominees New Zealand Ltd	14,299,501	3.64%
4	Citibank Nominees (New Zealand) Ltd	12,215,148	3.11%
5	Resources Trust Ltd	10,472,932	2.67%
6	BNP Paribas Nominees (NZ) Ltd	10,385,940	2.64%
7	HSBC Nominees (New Zealand) Ltd A/C State Street	8,077,012	2.06%
8	AMP Investments Strategic Equity Growth Fund	7,203,683	1.83%
9	New Zealand Superannuation Fund Nominees Ltd	5,714,654	1.45%
10	Sik-On Chow	5,500,000	1.40%
11	Resource Nominees Ltd	4,595,281	1.17%
12	Custodial Services Ltd <A/C 3>	4,020,547	1.02%
13	Riuo Hauraki Ltd	3,758,793	0.96%
14	NZGT Nominees Ltd	3,431,010	0.87%
15	FNZ Custodians Ltd	3,029,590	0.77%
16	Leveraged Equities Finance Ltd	2,856,277	0.73%
17	ASB Nominees Ltd <414354 MI	2,510,000	0.64%
18	NZPT Custodians (Grosvenor) Ltd	2,389,718	0.61%
19	New Zealand Depository Nominee Ltd <A/C 1> Cash Account	2,175,006	0.55%
20	Tea Custodians Ltd	2,096,601	0.53%

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

SUBSTANTIAL SHAREHOLDERS

As at 22 August 2012 the substantial security holders in the Company and their relevant interests are noted below:

Substantial Security Holder	Number of Listed Ordinary Shares	% of Issued Capital
Utilico Investments Limited	25,510,167	6.50%
Accident Compensation Corporation (ACC)	23,862,604	6.07%
Blair Tallot [1]	23,876,348	6.08%
Total Listed Ordinary Shares	**392,787,795**	

[1] Blair Tallot held 13,744 shares (0.0035%) as beneficial owner, while also managing the holdings of Accident Compensation Corporation (ACC) of 23,862,604.

DIVIDEND PAYMENTS AND REINVESTMENT PLAN

On 22 August 2012 the NZOG Board declared that a fully imputed final dividend of 6 cents per ordinary share would be paid. The entitlement date was 14 September 2012 with the dividend paid on 28 September 2012. The existing Dividend Reinvestment Plan provided the option of investing in existing shares instead of a cash dividend.

SHARE BUYBACK

A share buy-back scheme was announced by NZOG on 1 November 2011 with shares able to be acquired from 7 November 2011. This involved a broker purchasing shares, within prescribed limits, on NZOG's behalf through the NZX market. The shares acquired were immediately cancelled. The share buy-back may continue up until 31 October 2012, unless a maximum of 10,000,000 shares are acquired beforehand.

The total number of shares acquired and cancelled under the share buyback was 2,887,001; at an average price of NZ0.72c per share and a total cost (including brokerage) of NZ$2,075,938.

NZOG did not make any direct purchases from shareholders and the identity of the seller or sellers of the securities is not known to NZOG.

VOTING RIGHTS

Article 16 of the Company's Constitution states that a shareholder may exercise the right to vote at a meeting of shareholders either in person or through a representative. Where voting is by show of hands or by voice every shareholder present in person or by representative has one vote. In a poll every shareholder present in person or by representative has one vote for each fully paid share. Unless the Board determines otherwise, shareholders may not exercise the right to vote at a meeting by casting postal votes.

ANNUAL MEETING

The 2012 NZOG Annual Meeting is being held at the InterContinental Hotel in Wellington on Tuesday 30 October 2012, starting at 9.30AM.

Financial Summary

All numbers are quoted in NZ dollars and millions

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

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

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

FYE = Financial Year End

* *The 2009-2011 comparative years have been restated to correct an error relating to the restoration and rehabilitation provision. Details of the restatement are disclosed in the 2012 Annual Report.*

Contact Information

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Website: www.nzog.com

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North Shore City 0622

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Abbotsford VIC 3067

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(within Australia)
Telephone: + 61 3 9415 4083
(overseas)
Facsimile: + 61 3 9473 2500

Managing your shareholding online

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

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

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

www.nzog.com