New Zealand Oil & Gas Limited

ACTIVITIES REPORT

FOR THE QUARTER ENDED 31 MARCH 2008

KEY POINTS

- Dividend declared: 5 cents per ordinary share
- Tui production continues to exceed predictions
- NZ$58.2 million in revenue for the quarter
- Kupe Project over two-thirds complete
- Commitment to drill Momoho
- Pike River Coal funding secured

DEAR INVESTOR

In a three month period that included a number of achievements for New Zealand Oil & Gas Ltd, of particular note was the declaration of a dividend – the first for ten years and only the second in the company's history.

The Board of NZOG resolved to pay a fully imputed dividend for the 2007/08 financial year of 5.0c per ordinary share. This recognises an extremely successful period and provides shareholders with an immediate share of that success.

NZOG's total revenue for the quarter was NZ$58.2 million, taking revenue for the first nine months of the financial year to NZ$153.7m, including Tui revenue of NZ$141.8m.

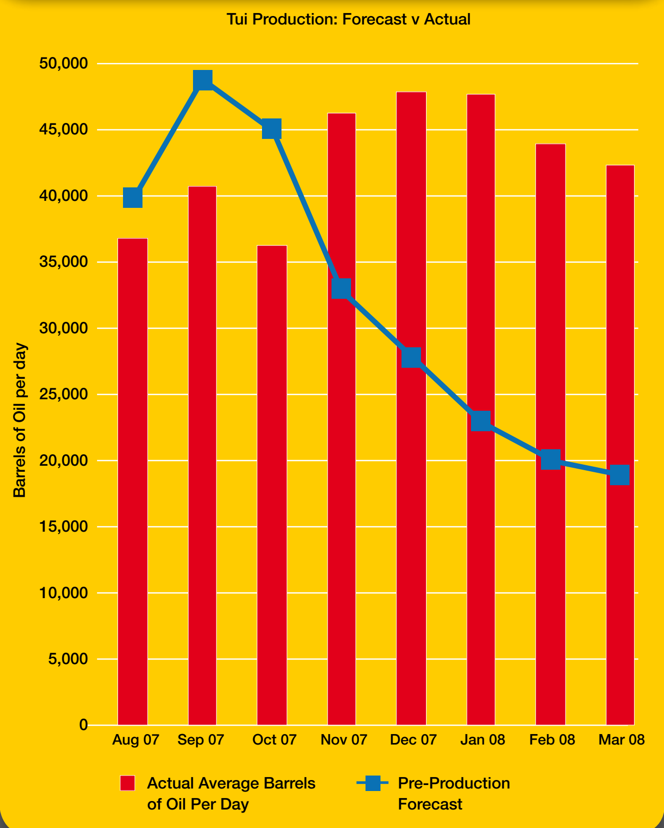
The Tui Area Oil Fields have continued to produce at a rate well above the pre-production modelling predictions. Total production for the three month period was over four million barrels, taking production since start-up to 10.46 million barrels – NZOG's share over 1.3 million barrels.

The Kupe Project has made significant progress and is now over two-thirds complete. Two of the three development wells had reached their final depths by the end of the quarter and the nearby Momoho prospect will be drilled once the development wells are completed. Momoho has the 'right address' and if a commercial gas discovery could be developed via the Kupe facilities.

Pike River Coal Ltd (PRC) successfully completed a rights and convertible bond issue, to secure funding for the mine development through to commercial production. Good progress has been made with the mine development and PRC's market value has been boosted by high coking coal prices.

NZOG has been devoting considerable time and energy to answering the "what's next" question (see the back page for more on our growth strategy) and to ensuring the value of the company is recognised in the market. During the quarter three broker research notes were issued with buy recommendations and most of the major New Zealand brokerage firms now have analysts covering NZOG.

David Salisbury CEO
24 April 2008



Tui Production Forecast

An LPG 'bullet' is delivered to the Kupe Production Station

Tui Area Oil Field

(PMP 38158, NZOG INTEREST 12.5%)

Tui continues to provide the sort of results that you would love to have from every oil field. The combination of record international oil prices, outstanding production performance and increased reserves has made Tui a very profitable investment for NZOG.

International oil prices remained high throughout the quarter. The average price per barrel, net of freight and quality adjustments, since the start of Tui production increased to almost $US91 a barrel.

Total production for the three month period was 4.08 million barrels of oil at an average rate of over 44,000 barrels a day. Associated water is being produced from the field, but this continues to be at lower rates than expected from original field simulation models, allowing the higher oil production rate to continue for longer than anticipated. By the end of the quarter the daily water volume was exceeding the oil volume. With a fluid handling capacity of up to 120,000 barrels a day, the Floating Production Storage and Offloading (FPSO) vessel, Umuroa, was still able to process over 40,000 barrels of oil a day, but this is expected to decline in the next quarter.

By the end of March Tui's total production since start up on 30 July 2007 had reached 10.46 million barrels. The continuing strong field performance led to a further upwards revision of Tui's production target for the financial year, to 13 million barrels. NZOG's share of this expected production is 1.625 million barrels.

Based on the continued performance of the reservoirs, the Operator (AWE) is conducting a further reserves review to match field performance against actual and expected production.

Kupe Gas, Condensate and LPG Field

(PML 38146, NZOG INTEREST 15%)

The Kupe project is now over two-thirds complete.

The 30 km of offshore pipeline was laid by the specialist vessel Apache in January, along with the umbilical which supplies power and chemicals to the offshore platform. The Rockwater II is completing post-lay stabilisation works.

Batch drilling of the three Kupe development wells proceeded throughout the quarter. Two of the wells, Kupe South 6 and Kupe South 8, encountered elevated gas shows after entering the reservoir, reached their target depths, and were suspended. The third well, Kupe South 7, also encountered elevated gas shows after intersecting the reservoir but in early April became stuck. The drill string could not be recovered and the well was subsequently sidetracked. This delayed the drilling campaign by about two weeks but will not have any impact on the overall project timeline.

At the on-shore production station near Hawera, detailed engineering is almost complete and construction work is progressing well. A number of significant items such as LPG bullets have already been received on site and during the next quarter a large number of major equipment deliveries are expected. For the remainder of 2008, most of the project expenditure and focus will be on this processing facility.

Pike River Coal Limited

(NZOG INTEREST 31%)

In early March, PRC successfully completed a NZ$60m rights issue and an associated US$30m convertible bond issue, which will provide funding for the mine development through to commercial coal production. The rights issue was well received and was oversubscribed by 5%. NZOG has maintained a stake of just under 31% of the ordinary shares in PRC, together with options and NZ$3m of convertible notes.

At the West Coast mine site, the excavation of pit bottom is largely complete, with the final section of straight-line tunnelling to be drilled.

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

Exploration

PERMIT PML38146 (KUPE)
(NZOG INTEREST 15%)

During the quarter NZOG and its Kupe joint venture partners confirmed plans to drill the Momoho prospect after the Kupe development drilling is completed. This is expected to be around late May. Momoho is 6km south of the Kupe development. The Momoho-1 well will target a complex structural high situated between two previous discoveries: the Kupe South 4 gas discovery (2.5km to the North), and the Kupe South 5 oil discovery (1.2km to the South). In the event that Momoho is a commercial discovery it is possible that a development may be able to be connected to the Kupe platform, which would save cost and time.

PERMIT PMP38158 (TUI)
(NZOG INTEREST 12.5%)

3D marine seismic is being remapped to incorporate the results from the 2006-2007 Tui drilling campaign. The remapping of the entire permit is expected to better define leads such as Oi and Kahu. Drill-mature prospects could be targeted in a potential 2009 drilling campaign. Any future discoveries could be tied-back directly to the FPSO vessel Umuroa, which is processing oil from the Tui fields.

PERMIT PEP38499
(NZOG INTEREST 12.5%)

NZOG and its Tui area partners acquired offshore block PEP38499 in mid 2007. It lies to the south of the producing Tui fields and west of the producing Maui field. The permit contains numerous leads including Toke, Matuku and Kakapo. Marine seismic survey shot in June/July 2007 has been processed and is now being evaluated, to further delineate and define the leads. Drill-mature prospects could be drilled in a potential 2009 drilling campaign. The targets for this area are oil prospects which could potentially be developed using a FPSO similar to that used for the Tui fields.

PERMIT PEP38483
(NZOG INTEREST 18.9%)

Work on this permit continues to focus on remodeling and reviewing a number of prospects and leads with a view to proving these up to drillable prospects. In March, a western deepwater portion of the permit area was handed back to Crown Minerals, as part of a negotiated amendment to the permit work obligations. The revised permit area and obligations have allowed the joint venture to retain the more prospective areas of the permit.

Financial Update

NZOG's total revenue for the quarter was NZ$58.2m. Total revenue for the first nine months of the financial year, including a gain recognised from the successful float of Pike River Coal Ltd, interest income and other non-Tui revenue, was NZ$153.7m.

During the quarter we invested a further NZ$31.1m in the Kupe development, all of which was funded from the Westpac debt facility. We also fully repaid the outstanding balance of the Tui facility with CBA, of US$21.6m, while retaining the ability to draw from the facility.

At 31 March 2008 NZOG's cash balance was NZ$45.9 million; NZOG's share of Tui oil inventory was 51,184 barrels and total debt was NZ$47.3m.

Share registrars contact

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

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2008 options

Options were issued to NZOG shareholders in December 2005, on the basis of one free option for every two shares held. The options are exerciseable to 30 June 2008, upon payment of NZ$1.50 each.
An exercise form is available from www.nzog.com

NZOG stock symbols

NZX SHARES – NZO, OPTIONS - NZOOD

ASX SHARES – NZO, OPTIONS – NZOO

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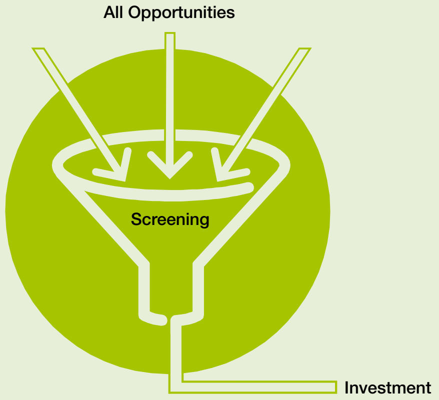
Looking for Growth



A challenge for a company like NZOG is to define itself clearly in the market and to play to its strengths. In the numerous discussions we have had in recent times with analysts, investors, fund managers, bankers, industry members and the media, our message has hopefully been very clear – our focus is on growth through petroleum exploration and production. That is where our knowledge and experience lies.

The NZOG board has set ambitious reserve and production targets, which effectively require us to double production and double reserves by 2012. The precise targets themselves are not so important – in the end, they will be either missed or exceeded. Of more importance is the signal that they send, about a company that is well resourced and firmly focused on a growth path.

An undoubted strength for NZOG is its people. In a highly competitive sector, we have been able to retain and attract experienced and motivated professionals. We now have a business development team. The skills and abilities covered include geology, geo-physics and reservoir engineering – to ensure we have the best possible science to evaluate opportunities; working in tandem with commercial, financial, legal and negotiating skills – to ensure we make the best possible deals. All of this overseen by an experienced board of directors.

Those 'deals' are many and varied. We are looking at exploration opportunities within our existing permit holdings; opportunities to 'farm-in' to permits held by other companies; new exploration permits; asset purchases; and corporate acquisitions.

NZOG believes there are further opportunities to be exploited in the Taranaki Basin. But a logical development for the company is to also look at other basins around New Zealand and we have been doing so.

All of the potential opportunities are carefully screened – and most will be screened out. We are not going to invest for investment's sake. Growing the company is about having the basics in place and going after those opportunities that make sense.

What's Coming Up:

OPTIONS EXPIRY DATE 30 JUNE

4Q QUARTERLY REPORT JULY

ANNUAL REPORT SEPTEMBER