NEW ZEALAND OIL & GAS LIMITED

annual report 2005

contents

annual general meeting

The 2005 Annual general meeting of shareholders of New Zealand Oil & Gas Limited will be held at the Crowne Plaza Hotel, Ballroom One, 128 Albert Street, Auckland on Friday 28 October 2005 at 10am.

company profile

New Zealand Oil & Gas Limited is an independent company listed on the New Zealand and Australian stock exchanges. Most of New Zealand Oil & Gas Limited's 11,300 shareholders are individual investors.

New Zealand Oil & Gas Limited is actively advancing several oil and gas development and exploration assets in the Taranaki Basin, New Zealand and a coking coal deposit in Westland, South Island of New Zealand.

2005 annual report

The 2005 Annual Report of New Zealand Oil & Gas Limited is approved for and on behalf of the Board.

R F Meyer
Director
26 August 2005

R A Radford
Director
26 August 2005

New Zealand Oil & Gas Limited
NZ Reg. Coy. No.WN 037 842 ARBN 003 064 962

Executive Chairman's Report

Dear Investor,

There was considerable progress during the past year in bringing each of the Kupe, Pike and Tui projects to formal development decisions.

Overall, NZOG invested some $9.3 million, primarily on these three projects, during the year. These amounts have been capitalised. Operating overheads and the cost of drilling the Kiwi exploration well were all written off, contributing to the accounting loss of $2.6 million for the year.

NZOG is certainly not alone with plans to develop energy resources and the high level of activity world-wide has led to high demand for drilling units, structural steel and engineering services, with resultant increases in prices and extended times for deliveries of many services and capital equipment. For this reason, NZOG and its partners in the Tui and Kupe projects are considering, or have already made, sizeable commitments ahead of formal development decisions, in order to contain costs and to mitigate against possible delays in start-up of production.

One of these pre-development commitments is the contracting by the Tui partners of the Ocean Patriot drilling unit, which should enable drilling of the four production wells during 2006.

NZOG's involvement in the development of oil, coking coal and gas reserves at a time of high demand for all these commodities has seen increased investor interest in NZOG – one result was the high conversion rate of the company's options, with a 99% take up by the expiry date of 30th June 2005. The company is heartened by the extent of support provided by many of its longstanding shareholders.

The resultant injection of new equity capital of $43 million will greatly assist funding of the major investments NZOG expects to make in Kupe, Tui, and Pike River over the next 12 months and in exploring for major new oil finds, such as drilling the Taitapa prospect west of the Kupe area.

I expect that investors will value NZOG shares higher as each of our projects passes its formal development stage, and for a further re-rating to occur once production is underway.

On behalf of the Directors

R A Radford *Executive Chairman*
26 August 2005

Operations Report

Operations Report

TUI AREA OIL DEVELOPMENT (PEP 38460 NZOG 12.5%)

> "The Tui Area Oil fields currently comprising Tui, Amokura and Pateke are a substantial asset for the company which have the potential to provide a rapid payback on the initial capital outlay."

Major Offshore Oil Development

A date for the formal decision to develop the Tui Area oil fields is anticipated by NZOG and its partners by 31 October 2005.

The initial engineering design study for the development was completed on schedule and within budget in August 2005. This study confirmed that a combined development of the Tui, Amokura and Pateke fields ("Tui Area") is economically attractive, notwithstanding an increase in capital costs. The development will comprise four sub-sea production wells linked to a floating storage and off loading facility (FPSO). The target date for first oil is the quarter ending March 2007.

While the final investment decision ("FID") is planned for 31 October, NZOG and the other Tui joint venture parties have already entered into a contract for the required drilling rig. Bids have also been received for the provision of a leased FPSO as well as for major items of capital equipment and installation services. Partners are reviewing these bids and may enter into letters of intent or conditional contracts with preferred contractors prior to the formal investment decision. These steps may be necessary to secure critical items at an extremely busy time for the petroleum and resource industries.

Diamond Drilling has been contracted to supply the semi-submersible rig Ocean Patriot which is expected to commence drilling of the production wells in the September 2006 quarter. This drilling programme will take approximately 4-6 months to complete. FPSO oil storage capacity of about 770,000 barrels (without slop and wet oil), a processing capacity of up to 50,000 barrels of oil per day and a fluid handling capacity of 120,000 barrels per day, were specified in the FPSO tender.

Proven and probable ("2P") reserve estimates remain in the previously announced 20-30 million barrels ("mmbbls") range. This estimate will be narrowed prior to FID based on the results from 80 km² of 3D seismic data acquired a few months ago over the northern portion of the area.

The revised costs for development range between US$200 - $225 million, the higher end of the range including two exploration wells. The development cost estimates assume that the FPSO will be leased on a time charter basis. This substantial increase over last year's estimate reflects changes in facilities' design to allow for higher daily production rates and the increased costs currently being experienced in the oil industry.

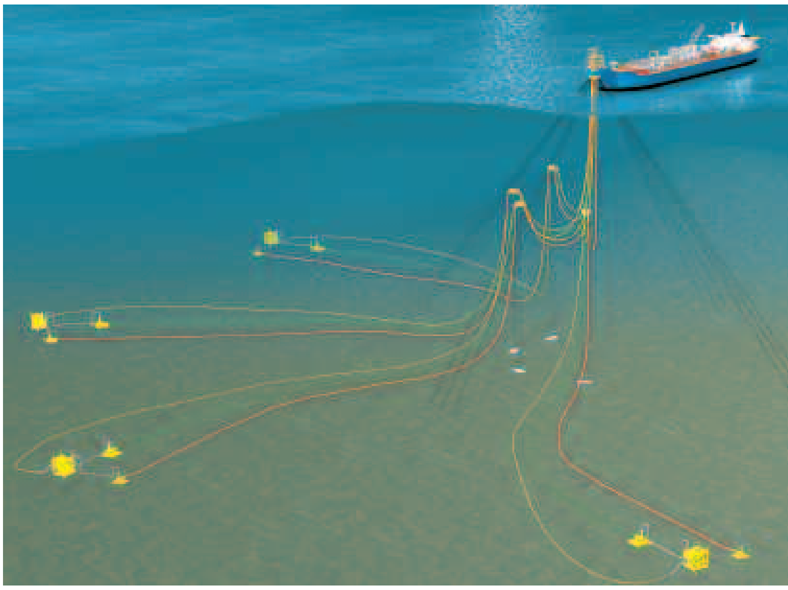
Relatively long horizontal wells will be used to optimise economic recovery and allow high initial oil production – up to 50,000 barrels per day. Production is expected to decline relatively quickly on account of the nature of the thin reservoirs containing the oil, with a corresponding rapid rise in water production. The facilities are therefore being designed to handle large volumes of water.

A petroleum mining permit ("PMP") application was lodged in June 2005 with the Ministry of Economic Development for the development of the Tui Area Oil fields within PEP38460. The Tui Area is likely to be New Zealand's first offshore development solely targeting oil.

Satellite Drilling

In addition to the four development wells, the Tui joint venture has an option to use the Ocean Patriot rig to drill up to three more wells. If exercised, the Ocean Patriot could be used to drill Kapuni 'F' Sand structures, identified from 3D (three dimensional) seismic data, that lie within tieback distance of the envisaged Tui FPSO development.

Several prospects have been identified with individual potential indicatively in the range 10 to 20 mmbbls recoverable oil, but the joint venture has not yet determined which of these will be drilled first.



A schematic illustration of a typical floating production storage and offloading (FPSO) facility

The Tui Area discoveries and the presence of oil shows in the Pukeko well, some 70 km south of Tui, show that there is wider potential for oil discoveries, by demonstrating that oil has been generated and expelled from source rocks in the area west of the Maui field. Such prospective areas lie elsewhere in NZOG's West Maui permit (PEP38460) and in the neighbouring permit PEP38483 where 3D seismic was recently acquired and is now being interpreted. It is expected that plans for drilling will be advanced once interpretation of the new data has been completed.

Financial Impact

The Tui Area Oil fields currently comprising Tui, Amokura and Pateke are a substantial asset for the company which have the potential to provide a rapid payback on the initial capital outlay. Production from the initial four development wells is, however, expected to "tail off" quite rapidly, but hopefully will be offset by bringing new discoveries on-stream from nearby prospects to increase reserves and production cash flow.

KUPE GAS AND OIL DEVELOPMENT (PML 38146 NZOG 15%)

A Major Offshore Gas and Oil Development

On the recommendation of the venture operator (Origin Energy), the current project schedule is targeting all project approvals to be in place by the first quarter 2006. The Kupe field is New Zealand's second largest undeveloped gas field after Pohokura.

The Kupe development will comprise a normally unmanned offshore platform, a 30 km pipeline to shore, an onshore production station, and up to six wellheads. The pipeline will transport the product stream to the onshore production station, 12 km west of Hawera, where the raw gas will be processed and condensate and LPG separated.

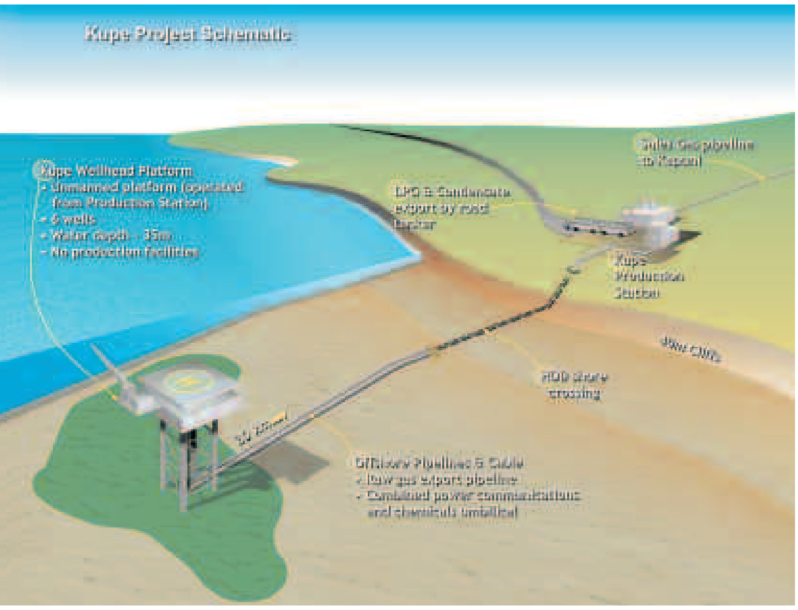
"Kupe is set to provide a substantial long-term cash flow for NZOG once production commences in 2007."

The initial engineering design study for the development was completed on schedule and within budget in November 2004. This study confirmed the technical specifications of the Kupe central area development, which in NZOG's view is economically sound, subject to results of the current construction tendering process.

"Kupe will be a cornerstone project for the company.... At oil prices of US$40/bbl (NZ$60/bbl), NZOG's share of oil reserves has a gross sales value of NZ$130 million."

Tenders were requested during the June 2005 quarter for platform fabrication, offshore installation and drilling. Detailed design and tendering for the onshore gas production station is also underway with selected international contractors. Award of tenders is scheduled by the Kupe venture for the December 2005 quarter, although tight petroleum and resource industry conditions internationally have the potential to impact the project development schedule. The joint venture is investigating strategies to mitigate any potential impact that regulatory appeals and industry conditions might have on first gas deliveries.

Earlier this year the reserves within the central area of the Kupe South field ("CFA") were revised upwards by 16%, following a major reinterpretation of the field using reprocessed 3D seismic data. Proven and probable ("2P") reserves now stand at 281 petajoules of gas, 14.7 million barrels of condensate and 627,000 tonnes of LPG. In total, this represents 394 petajoules of energy.



A schematic illustration of the Kupe Development off the Taranaki coast

The regulatory approval process is proceeding to schedule; South Taranaki District Council consents were obtained in May and Taranaki Regional Council consents in June 2005. These consents are subject to public appeal, with one appeal having been lodged in early July. Landholder negotiations continue regarding various easements.

Kupe is set to provide a substantial long-term cash flow for NZOG once production commences in 2007. Project production is expected to be 20 petajoules of gas, 1.7 million barrels of condensate, and 45,000 tonnes of LPG, per annum.

A foundation long-term gas sales and funding contract was signed with Genesis Energy in November 2004 under which NZOG will sell 35 petajoules of gas and secure funding for 85% of development costs, up to a cap of NZ$40 million. As NZOG's level of investment in the Kupe development costs will be considerably higher than the cap, partly due to the Kupe venture decision to build its own onshore production station, NZOG is assessing alternative means of financing.

There is potential to increase reserves within the Kupe mining permit area. The offshore platform facility for the initial CFA development is therefore being designed to accommodate the tie-in of satellite prospects to accommodate production from any further discoveries.

Financial Impact

Kupe will be a cornerstone project for the company. At contracted gas prices (confidential), oil prices of US$40/bbl (NZ$60/bbl) and based on production and cost estimates prepared by the venture operator, NZOG's share of earnings before interest, tax, depreciation and amortisation (EBITDA) is projected to average around NZ$26 million per year for the first ten years of production.

The Kupe project will produce gas, light oil and LPG. At oil prices of US$40/bbl (NZ$60/bbl), NZOG's share of oil reserves (2.2mmbbls) has a gross sales value of NZ$130 million.

PIKE RIVER COAL DEVELOPMENT (MP 41453 NZOG 72%)

New Zealand's Second Largest Coking Coal Mine

The Pike River coal field, New Zealand's largest deposit of coking coal, is set to become the country's second largest export coal mine.

During July 2005 the board of Pike River Coal Company Limited ("PRCC") approved a revised mine plan, production schedule and capital/operating costs budget. Higher steel prices and an extremely tight construction market placed upward pressure on capital costs, in common with other Australasian new mine developments, leading to an upward revision of funds needed for the Pike mine development to approximately NZ$100 million. Working capital of $15 million is also required. The optimal mix of debt to equity remains under consideration by the PRCC Board and the mine will move into the development phase upon these arrangements being finalized.

As with any export commodity, fluctuations in exchange rate and demand for product will affect the ultimate returns from the mine development – they could be higher or lower than the figures currently used. However, the US$65/tonne applied long-term from 2010 onwards is about half the current price for this type of coal. Record worldwide steel production, driven by China and India in particular, is likely to keep pressure on coking coal prices, especially in the next few years.

Transport to and from the point of export from New Zealand is a substantial factor in the development and its economic value. Both Port Taranaki and Port Lyttelton can each provide facilities for the panamax vessels (60,000 to 70,000 tonnes) which will transport coal to customers. Each route requires extensive capital works to transport up to 1.3 million tonnes of coal per annum. To provide flexibility on the method of coal transport, resource consents to truck coal to the Port of Greymouth have been sought. Coal would be shipped from that port to Taranaki or to Lyttelton in either case, as the Midlands railway line does not have sufficient capacity to transport all Pike coal. PRCC intends that a decision on the final coal transport route be made in the September 2005 quarter.

First coal production is scheduled by November 2006 with production building to over 1 million tonnes per annum by 2008.

PRCC has entered preliminary agreements with two major Japanese steel mills, for the sale of a combined 450,000 tonnes per annum of coal, for a minimum four year term. These agreements remain subject to several matters, including price.

"Pike River Coal Company is projected to generate average earnings (EBITDA) ... of approximately NZ$50 million per year for a fifteen year period from 2008."

Negotiations continue for additional coal sales' contracts. Pike River coal is a low ash, low phosphorus and high fluidity coke oven coal, valuable for use in the steel making process.

Key positions of mine manager, project manager, and environmental manager in PRCC have been filled. Recruitment of a mine workforce of 150 personnel for mining operations will commence following the formal investment decision.

Financial Impact

Pike will be a third valuable project for the company. Based on the July 2005 mine plan and budgets, PRCC is projected to generate average earnings before interest, tax, depreciation and amortisation (EBITDA) of approximately NZ$50 million per year for a fifteen year period from 2008. NZOG's share will depend on its eventual shareholding level in PRCC.

Taitapa and Gamma prospects (PEP 38484 NZOG 100%)

Taitapa Prospect to be Drilled

In April 2004, NZOG was awarded a new offshore licence, PEP38484, covering 1682 km^2 in the area west of the Kupe permit, and took full ownership in August 2005.

After completing seismic mapping of 2D seismic data in 2005, two large prospects, Taitapa and Gamma, have been defined by NZOG as worthy of drilling. There are two potential reservoirs at Miocene level in Gamma and both Miocene and Cretaceous reservoirs in Taitapa.

Taitapa is a fault-bound structural closure located about 21 km south of the Kupe central field area and 14 km south of the Kupe South-5 oil discovery which flowed at a daily rate of 1,310 barrels of oil and 3.7 million cubic feet per day of gas when tested in 1990. Good quality sands are expected in Taitapa, as was evident in the Tahi-1 well drilled 8 km to the southeast in 1984, but which lies outside of the Taitapa structure. Taitapa is located in 70 metres of water and could be drilled with a jack-up rig or semi-submersible rig.

NZOG is in the process of securing a rig, having decided to drill an exploration well on the Taitapa prospect and is confident of bringing other companies into the project ahead of drilling.

Felix prospect (PEP 38729 NZOG 75%)

An Offshore Oil Prospect Drillable From Onshore

The Felix prospect lies 60 km northeast of the Pohokura field and is a large closure within the Kapuni 'C' Sands. These are highly productive sands that provide reservoir in both the Maui and Pohokura fields.

The 'C' Sands at Felix (at 2,700 metres) are some 1000 metres shallower than at Pohokura. Therefore, Felix is viewed as an oil prospect, possibly with a gas "cap". Felix lies in about 15 metres of water within 3 km of the shore and can possibly be drilled from onshore.

Mapping and depth conversion studies of reprocessed 2D seismic data over the Felix prospect have recently been completed by the joint venture. There is strong evidence from both the Opito-1 well (drilled by NZOG in 2002) and from modern seismic velocity data, that a trapping structure exists. Further depth conversion studies will be conducted in the near term to increase confidence in the structural closure, ahead of a drilling decision being made.

Mangatoa

Permit Relinquished

In June 2005, NZOG announced that subsidiary Petroleum Resources had relinquished its interest in PEP38478 (Mangatoa prospect). While NZOG was keen to see Mangatoa drilled, and was prepared to contribute some funds for that purpose, the large potential of Mangatoa was offset by expected tight reservoir with consequent significant risks in obtaining adequate gas flow rates and with potentially high development costs.

Hector Prospects (PEP 38483 NZOG 19%)

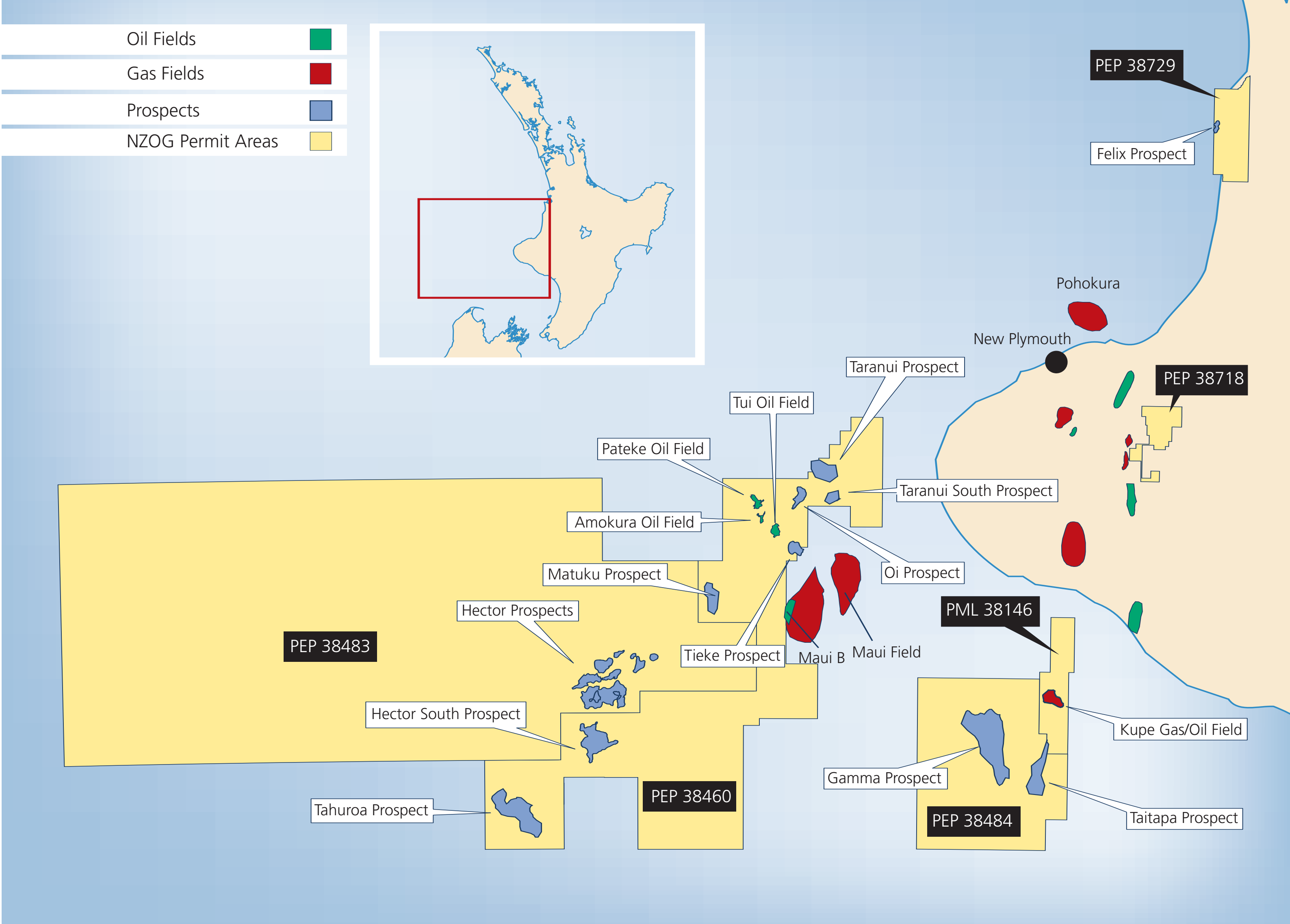
3D Defined Exploration Prospects

The Hector 3D seismic survey was acquired over a series of Kapuni 'F' Sand prospects (the same oil-bearing sand as in the Tui area Maui 'B' oil fields) in April 2005. Processing of the seismic data was completed in August 2005 and interpretation and detailed evaluation of the prospects will follow to enable a decision on drilling to be made.

The company increased its interest in the permit to 19%. The Hector area of the permit was expanded during the year through modification of the permit boundary to include some of the adjacent southern part of the PEP 38460 permit.

The Hector area is considered highly prospective due to the combination of favourable reservoir development in the Kapuni Formation ('F' Sands) and the proximity to the hydrocarbon "kitchen" in the adjacent Kahurangi Trough that could source these reservoir sands.

Taranaki Basin Permits and Prospects



SHARE CAPITAL

The company raised $42.8 million in working capital from the exercise of listed options in June 2005.

In accordance with the terms of issue, unexercised options lapsed on 30 June 2005, except those applied for by mail postmarked on or before the 30 June 2005.

A very high proportion of options was taken up, with 98.74% being exercised, resulting in the issue of 71,270,950 new shares. The company now has 199,507,767 shares on issue (excluding treasury stock of 5,864,515 shares).

The high success rate in option conversion demonstrated strong support for the company and resulted in a broadening in its shareholder base.

Reserves Statement

Oil and Gas Reserves

Oil & Gas Reserves and Resources	Oil and Condensate		Natural Gas		LPG	
Undeveloped – Proven and Probable	2005	2004	2005	2004	2005	2004
Kupe 15%*	2.2mmbbls	2.2mmbbls	42 PJ	40 PJ	94 kt	86 kt
Tui 12.5%*	2.5 to 3.75mmbbls	N/A				

* Joint Venture operator estimates.

Coal Reserves Coal (million tonnes)

Undeveloped – Proved and Probable	2005	2004
Pike River	15.5	15.5

Notes:

(i) Proven oil and gas 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 better than 50% chance of being technically and economically producible.

The group's interests in undeveloped oil and gas reserves are in the Kupe and Tui fields (offshore Taranaki).

(ii) Coal reserves are the estimated quantities of coal which are expected with reasonable certainty to be recoverable based on a financial study (March 2002) and under existing economic and operating conditions. Proved reserves have a higher degree of confidence of economic extraction and have closer drilling or 'observation points' (0.5 km to 1 km apart), than probable reserves which are less well defined and have less dense drilling or observation points (1 km to 2 km apart).

(iii) Oil, gas and coal reserves are reported in accordance with Section 10.11 and Section 10.12 respectively, of the New Zealand Stock Exchange listing rules. Oil and gas reserves accurately reflect information supplied by the respective Joint Venture Operators. Coal reserves accurately reflect information compiled by an engineering consultant, Mr Graeme Duncan, BE Mining (Hon), M. Aus IMM.

(iv) All reserves are unaudited.

Financial Projections

Financial projections are not a guarantee of future performance and have uncertainties as to various factors, including commodity prices, exchange rates and capital and operating costs and other factors that could cause a materially different outcome.

Energy Values

1,000 standard cubic feet of gas yields approximately 1 gigajoule of heat

1 petajoule (PJ) = 1,000,000 gigajoules (GJ) = approximately 1 billion cubic feet (BCF)

1 gigajoule = 947,817 British Thermal Units (BTU)

1 kilotonne (kt) = 1000 tonnes

Gas energy values vary depending on the carbon dioxide, other inert gas and C2+ content of the gas, so is not fixed. Energy values for Taranaki gas are generally around the above levels. For field reserve estimates where the gas quality is known, reserves can be accurately stated in PJ. For prospects where the gas quality is not known, the BCF volume is estimated and the above assumptions are applied in order to use consistent units of PJ. Calorific value is the basis for gas sales: $/GJ.

NZOG Group

Within this annual report reference to NZOG, NZ Oil & Gas and the company are to be read as inclusive of the subsidiary companies within the consolidated group.

Directors and Management

Directors

Mr R A Radford

Tony Radford, ACA (NZ) has spent most of his career in petroleum and mining companies, including senior financial positions in the steel, minerals and oil and gas industries. Tony is a founding director of New Zealand Oil & Gas, of which he is Chairman and CEO.

Prof R Meyer

Ray Meyer obtained his BE from the University of New Zealand (Canterbury) and his PhD from the University of Manchester. A Distinguished Fellow of the Institution of Professional Engineers New Zealand, his careers includes senior positions in Canada and Chair of Mechanical Engineering and Dean of Engineering at the University of Auckland. He was a director of ECNZ, of Transpower and of Watercare Services Ltd and is currently a director of Auckland UniServices Ltd and of Wellington Drive Technologies Ltd. Ray joined the NZOG board in 2000 as Deputy Chairman. He also heads the board's audit and remuneration committees.

Mr P G Foley

Originally from Auckland, Paul Foley is a senior corporate/commercial lawyer based in Wellington, where he is a partner in Minter Ellison Rudd Watts. Paul acts for listed companies operating in the petroleum exploration and minerals fields. He became a director of NZOG in 2000.

Mr S J Rawson

Steve Rawson is originally from Wellington and has a MSc in geophysics from Auckland University. His career started in petroleum geophysics, later followed by managerial positions with Fletcher Energy in trading, logistics and supply. Steve is General Manager New Business Development for Mighty River Power. He joined the board of NZOG in 2000.

Mr D R Scoffham

David Scoffham joined the board of NZOG in June 2003. David took up residence in New Zealand following over 30 years international experience in the oil industry. This included experience in Egypt, Gabon, Oman and Venezuela with Shell, and in exploration management with UK independent Enterprise Oil plc. He played a major role in several important oilfield discoveries in NW Europe which resulted in the major expansion of Enterprise Oil. David is a graduate of Christ Church Oxford (MA Physics) and Imperial College, London (MSc Geophysics).

Management

Mr R A Radford *chief executive*

In addition to holding the position of chairman, Tony Radford is the chief executive of the company.

Mr G A Ward *general manager*

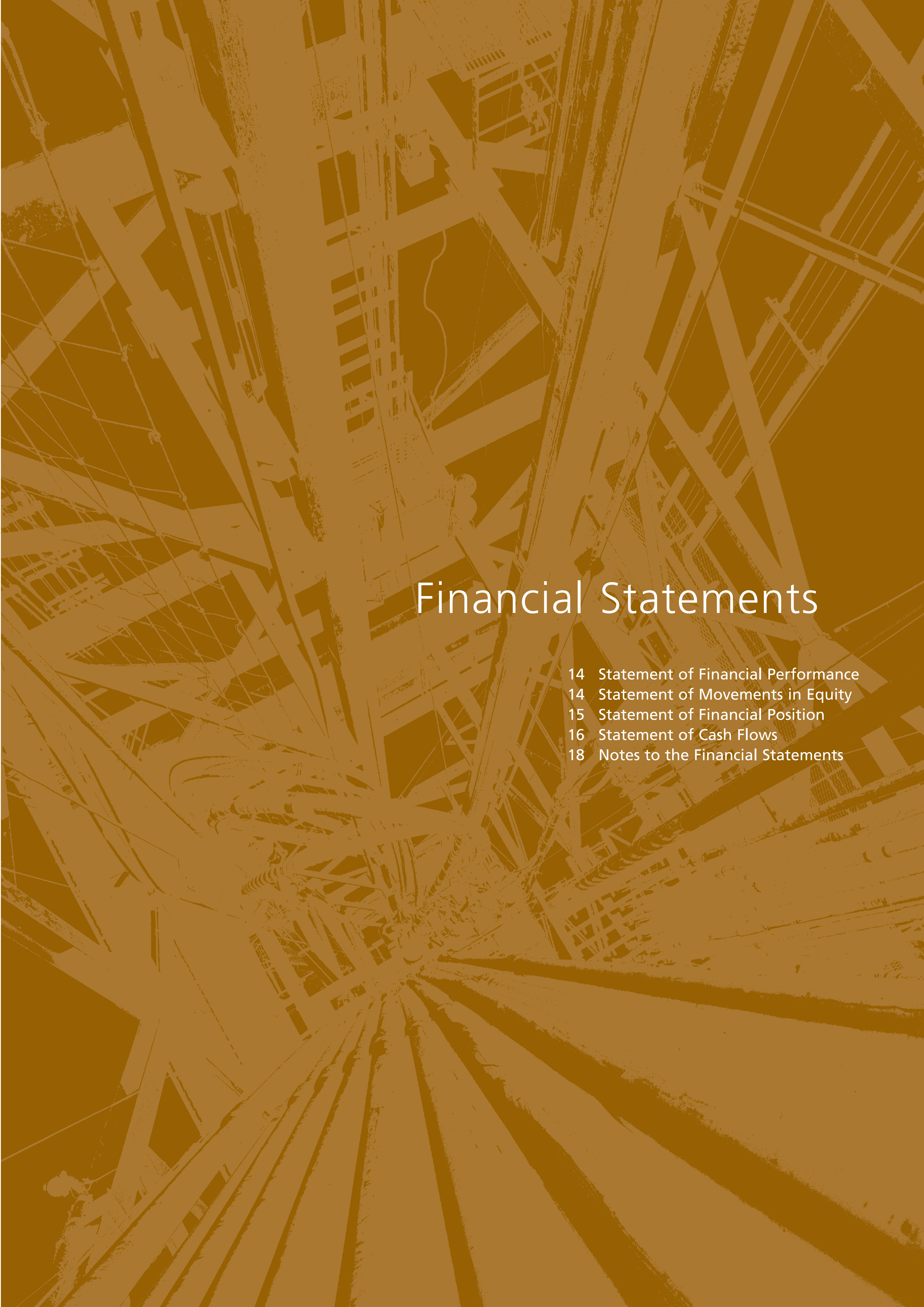
Gordon Ward holds a Bachelor of Business Studies from Massey University (Palmerston North), and obtained his CA qualification whilst a senior auditor with Coopers & Lybrand (now PriceWaterhouseCoopers). He moved into the petroleum sector on joining NZOG's Wellington office in 1987. Gordon is also manager of the company's Pike River project and was appointed NZOG's general manager in February 2004.

Dr Stefan Kleffman *manager, geophysics*

Stefan Kleffmann joined New Zealand Oil & Gas in December 2004 as Manager, Geophysics. Dr Kleffmann has 13 years experience relevant to the petroleum industry. Immediately prior to joining NZOG, he worked with an international consultancy firm on a range of oil and gas projects, both exploration and production, within Australasia.

Mr Peter Whittall *mine manager, Pike River Coal Company*

Peter Whittall is highly experienced in the coal sector, having substantial experience with BHP Billiton as a manager of underground coal mines in NSW. This experience included the development of the greenfield Dendrobium Mine for Illawarra Coal in NSW, Australia. Peter holds a Bachelor of Engineering (Mining) and a Masters of Business Administration, both from the University of Wollongong, NSW.



Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2005

	Note	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	PARENT COMPANY 2005 $000	PARENT COMPANY 2004 $000
Total revenue	2(i)	584	14,461	948	966
Operating surplus/(deficit) before taxation	2(ii)	(2,463)	7,772	22,281	(3,221)
Taxation benefit/(expense)	17	(103)	34	-	-
Net surplus/(deficit) for the year		(2,566)	7,806	22,281	(3,221)
Net surplus/(deficit) comprises:					
Parent interest		(2,555)	7,941		
Minority interest	3	(11)	(135)		
		(2,566)	7,806		

STATEMENT OF MOVEMENTS IN EQUITY
for the year ended 30 June 2005

	Note	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	PARENT COMPANY 2005 $000	PARENT COMPANY 2004 $000
Equity at beginning of year		49,556	41,302	1,876	5,089
Total recognised revenue and expenses					
Net surplus/(deficit) for the year		(2,555)	7,941	22,281	(3,221)
Movement in minority interest during the year		(11)	(135)	-	-
Contributions from owners					
Shares issued in subsidiary company to minority interest		1,099	440	-	-
Shares issued		89	-	89	-
2005 share options exercised	4(i)	42,738	8	42,738	8
Equity at end of year		90,916	49,556	66,984	1,876

The notes on pages 18 to 31 form part of and are to be read in conjunction with these financial statements.

STATEMENT OF FINANCIAL POSITION
as at 30 June 2005

		CONSOLIDATED		PARENT COMPANY	
	Note	2005 $000	2004 $000	2005 $000	2004 $000
Current Assets					
Short term securities and cash deposits	5	49,663	17,695	48,269	16,459
Receivables	6	1,739	635	1,551	276
Inventories	7	116	100	-	-
Total Current Assets		51,518	18,430	49,820	16,735
Non-Current Assets					
Receivables	6	-	-	-	419
Investment in associate company	9	2,603	2,719	2,603	2,719
Investment in subsidiaries	9	-	-	62,060	64,699
Investments in listed resource companies	8	1,463	1,463	541	541
Fixed assets	10	277	188	198	69
Petroleum and coal interests	12	37,994	29,308	-	-
Other	13	55	188	-	-
Total Non-Current Assets		42,392	33,866	65,402	68,447
Total Assets		93,910	52,296	115,222	85,182
Current Liabilities					
Creditors	14	2,891	2,352	794	367
Provisions	15	103	346	103	92
Total Current Liabilities		2,994	2,698	897	459
Non-Current Liabilities	15	-	42	47,341	82,847
Total Liabilities		2,994	2,740	48,238	83,306
NET ASSETS		90,916	49,556	66,984	1,876
EQUITY					
Attributable to Shareholders of the company	4	86,539	46,266	66,984	1,876
Attributable to Minority Shareholders of the group	3	4,377	3,290	-	-
TOTAL SHAREHOLDERS' EQUITY		90,916	49,556	66,984	1,876

On behalf of the Board of Directors

R F Meyer
Director
26 August 2005

R A Radford
Director
26 August 2005

The notes on pages 18 to 31 form part of and are to be read in conjunction with these financial statements.

STATEMENT OF CASH FLOWS
for the year ended 30 June 2005

	CONSOLIDATED		PARENT COMPANY	
	2005 $000	2004 $000	2005 $000	2004 $000
Cash Flows From Operating Activities				
Cash was received from:				
Interest received	537	325	496	389
Petroleum sales	-	1,467	-	-
	537	1,792	496	389
Cash was paid for:				
Production expenses	113	(752)	-	-
Other payments to suppliers and employees	(2,551)	(2,676)	(2,055)	(2,027)
	(2,438)	(3,428)	(2,055)	(2,027)
Net cash flows from operating activities	(1,901)	(1,636)	(1,559)	(1,638)
Cash Flows From Investing Activities				
Cash was received from:				
Sale of investment in associate company	996	-	1,148	-
Sale of investment in subsidiary	-	-	4,539	-
Sale of licence interests	-	17,535	-	-
	996	17,535	5,687	-
Cash was paid for:				
Petroleum and coal expenditures	(9,252)	(6,524)	-	-
Purchase of other fixed assets	(261)	(12)	(248)	(9)
Purchase of shares in listed resource company	-	(501)	-	(501)
Purchase of shares in unlisted resource company	-	-	(1,481)	-
	(9,513)	(7,037)	(1,729)	(510)
Net cash flows from investing activities	(8,517)	10,498	3,958	(510)
Cash Flows From Financing Activities				
Cash was received from:				
Issue of shares in partly owned subsidiary	1,093	438	-	-
Issue of shares from exercise of 2005 options	41,430	8	41,430	8
Issue of shares	90	-	90	-
Proceeds from repayments of loans	150	172	5,793	25,573
Security deposit	-	19	-	-
Other	-	54	(1)	54
	42,763	691	47,312	25,635
Cash was paid for:				
Repayment of borrowings	-	(360)	(17,959)	(14,449)
	-	(360)	(17,959)	(14,449)
Net cash flows from financing activities	42,763	331	29,353	11,186

The notes on pages 18 to 31 form part of and are to be read in conjunction with these financial statements.

STATEMENT OF CASH FLOWS (continued)

	Note	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	PARENT COMPANY 2005 $000	PARENT COMPANY 2004 $000
Net increase in cash		32,345	9,193	31,752	9,038
Cash at beginning of year		17,695	7,904	16,459	6,823
Effect of exchange rate changes on cash		(377)	598	58	598
CASH AT END OF YEAR		49,663	17,695	48,269	16,459
Made up as follows:					
Short term securities and cash deposits	5	49,663	17,695	48,269	16,459

RECONCILIATION OF NET SURPLUS/(DEFICIT) FOR THE YEAR WITH NET CASH FLOWS FROM OPERATING ACTIVITIES

	Note	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	PARENT COMPANY 2005 $000	PARENT COMPANY 2004 $000
Net surplus/(deficit) after taxation		(2,555)	7,941	22,281	(3,221)
Adjust for non-cash items in operating surplus/(deficit)	2	-	-	(23,190)	-
Provision against investment in subsidiaries		(1,031)	-	(1,031)	2,074
Provision against advances to associate companies		152	-	-	-
Depreciation		66	54	50	-
Loss/(gain) on disposal of fixed asset		38	-	-	-
Provision for income tax		134	(59)	-	-
Write-off of exploration, development, petroleum and coal expenditure		931	3,917	-	-
Movement in minority interest		(12)	(133)	-	-
Changes in assets and liabilities:					
(Increase)/decrease in debtors		72	749	(81)	60
(Decrease)/increase in creditors		211	(645)	470	47
(Decrease)/increase in provisions		(284)	108	-	-
Items included in other cash flow categories:					
Exchange (gains)/losses		377	(598)	(58)	(598)
Sale of licence interests		-	(12,970)	-	-
Net cash flows from operating activities		(1,901)	(1,636)	(1,559)	(1,638)

Notes to the Financial Statements

1 STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The reporting entity is New Zealand Oil & Gas Limited ('the company' or 'NZOG') and its subsidiary companies ('the group').

Statutory Base

The financial statements have been prepared in accordance with generally accepted accounting practice and in compliance with the Companies Act 1993 and the Financial Reporting Act 1993. The company is an issuer under the Financial Reporting Act 1993.

Measurement Base

The measurement base adopted is historical cost adjusted by the revaluation of certain assets.

Changes in Accounting Policies

There have been no material changes in accounting policies. All policies have been applied on bases consistent with those used in the previous period.

Summarised hereafter are the significant accounting policies adopted.

Basis of Consolidation

(a) Principles of Consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the company together with the financial statements of its subsidiary companies.

The financial statements of subsidiaries are included in the consolidated financial statements using the purchase method. All significant intercompany transactions have been eliminated on consolidation.

Where subsidiaries are acquired during the period, their results are included only from the date of acquisition, while for subsidiaries disposed of during the period, their results are included to the date of disposal.

(ii) Associate Companies

Where material, associate companies are equity accounted and investments in associate companies are shown at cost plus the share of movement in net assets since acquisition. Where, in the opinion of the directors, a permanent diminution in value has occurred, investments in associate companies are written down to their recoverable amount.

(iii) Treasury Capital

The treasury stock accounting method is used to remove the company's interest in shares held directly or indirectly in its own capital ('treasury capital'). The effect is to reduce the company's externally available capital and reserves and to eliminate the investment in the company.

(b) Balance on Acquisition

On the acquisition of a subsidiary, the fair value of net identifiable assets is ascertained. The difference between the fair value and the cost of investment is brought to account either as a premium (goodwill) or discount on acquisition.

Goodwill is amortised by systematic charges against income over the appropriate periods in which benefits are expected to be realised, but not exceeding twenty years. The periods over which the amounts are to be amortised are subject to annual review.

Any discount on acquisition remaining after elimination against the fair value of the non-monetary assets of the subsidiary is taken to the statement of financial performance as a gain.

Production, Development, Exploration and Evaluation Expenditure

Expenditure incurred on petroleum and coal 'areas of interest' is accounted for using the successful efforts method. An area of interest is defined by the group as a licence or permit area. Exploration and evaluation expenditure (together with certain inter-group advances relative to these expenditures), is written off 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.

Where expenditure carried forward in an area of interest or any part thereof, exceeds the directors' valuation of that area of interest the costs are written down to the directors' valuation.

Directors' valuations of areas of interest, especially projects at a pre-development stage, are dependent upon a number of factors that are uncertain or tentative at the time of valuation and which may be subject to change. Such factors include the ability to secure sales contracts, levels of reserves, production profiles, estimates of future product sales prices, operating costs, capital expenditures, availability of financing and tax losses and legislative changes.

(a) Production interests

Production interests comprise exploration, evaluation and development costs (excluding fixed asset expenditure) incurred in relation to areas of interest in which petroleum production has commenced. Expenditure on production interests is amortised using the production output method resulting in an amortisation charge proportional to the depletion of economically recoverable proven reserves. Where such costs are considered not to be fully recoverable under existing conditions, an amount is provided to cover the shortfall.

Notes to the Financial Statements (continued)

(b) Development interests

Development interests comprise costs incurred on areas of interest which are being developed for production.

No amortisation is provided in respect of development areas of interest until they are reclassified as production areas following commencement of petroleum production.

(c) Exploration and Evaluation interests

Exploration and evaluation interests comprise costs incurred in areas of interest for which rights of tenure are current and:

(i) such costs are expected to be recouped through successful development and exploitation of the area, or alternatively, by its sale; or

(ii) exploration and/or evaluation activities in the area 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, these areas are continuing.

The ultimate value of areas of interest is contingent upon the results of further exploration and agreements entered into with other parties and also upon meeting commitments under the terms of permits granted and joint venture agreements.

Sales of prospecting and mining permit rights are shown as revenue in the period earned.

Restoration and Rehabilitation Expenditure

Significant restoration and rehabilitation expenditure to be incurred subsequent to the cessation of production from production areas of interest is provided for and expensed in the statement of financial performance based on best estimates of the expenditure required to settle the present obligation at balance date.

Joint Ventures

Where material the group consolidates its interest in the assets, liabilities, revenues and expenses of unincorporated joint ventures under appropriate headings in the financial statements using the proportionate method of consolidation.

Petroleum Sales Revenue

Petroleum sales represent the group's share of invoiced sales following delivery of oil and gas products.

Unearned Income

Payments received under 'take or pay' sales contracts where gas is not yet delivered, are treated as unearned income. The payments are recognised as income in the statement of financial performance once the gas is delivered.

Administration and Operating Expenses

The group incurs certain administration and operating expenses, which are recovered in the normal course of operations. A proportion of those expenses which relate to the group are reflected in the current year's accumulated production, development and exploration expenditure. In terms of the group's accounting policy, certain amounts of the accumulated expenditure may be written off each year. As a result, it is not possible to identify those individual administration and operating expenses, which have been charged to the statement of financial performance.

Trade Receivables

Trade receivables are stated at their estimated net realisable value.

Inventories

Field operation consumables and finished goods are valued at the lower of cost and net realisable value.

Fixed Assets

Fixed assets are stated at cost less an allowance for depreciation.

Depreciation has been provided for on a straight line basis so as to charge the cost of fixed assets over their estimated economic lives assessed as follows:

Office partitions, furniture & fittings	5-6 years
Technical & computer equipment	2-5 years

Pipelines and associated production facilities are depreciated over their economic life on a basis consistent with the recognition of revenue over their economic life or straight line basis whichever is more appropriate. Thus, the economic life of such equipment is dependent on future production and remaining reserves, and therefore varies from project to project. Where such costs are not considered to be fully recoverable under existing conditions, an amount is provided to cover the shortfall.

Investments in Short Term Securities

Investments in short term securities are recorded at cost, or at cost adjusted for premium or discount amortisation. Premiums and discounts are capitalised and amortised from the date of purchase to maturity.

Investments in Listed Resource Companies

Investments in listed resource companies are recorded at the lower of cost and net realisable value.

Investments in Wholly Owned Subsidiaries

In the parent company's financial statements, investments in wholly owned subsidiaries are recorded at cost or directors' valuation, except where, in the opinion of the directors, there is a permanent diminution in value, in which case they are written down to their estimated recoverable amount.

Notes to the Financial Statements (continued)

Where wholly owned subsidiary companies have sold petroleum or coal prospecting permit rights and have advanced the net sale proceeds to the parent company, the directors of the parent company have revalued the investment in those companies to an amount not exceeding their underlying net assets.

Foreign Currencies

Transactions in foreign currencies are translated at the New Zealand rate of exchange ruling at the date of the transaction. At balance date foreign monetary assets and liabilities, including those of integrated foreign operations, are translated at the closing rate, and exchange variations are included in the statement of financial performance as operating items.

Financial Instruments

The group is a party to financial instruments as part of its day to day operating activities. Financial instruments, as defined under the Financial Reporting Standard issued by the Institute of Chartered Accountants of New Zealand, include short term securities and cash deposits, investments in listed resource companies, receivables, creditors and borrowings, certain non current assets and non current liabilities as well as certain off balance sheet instruments entered into in order to manage the fluctuation in oil prices.

Revenues and expenses (including gains and losses) in relation to all financial instruments are recognised in the statement of financial performance. All financial instruments other than off balance sheet instruments are recognised in the statement of financial position.

Statement of Cash Flows

(a) Cash includes cash on hand and at bank, short term deposits, bank bills and government stock less any overdraft.

(b) Operating cash flows represents cash received from customers and paid to suppliers and employees including production operating expenses and royalties.

(c) Investing cash flows represents cash flows arising from the acquisition and divestment of investment and productive assets. Productive assets comprise fixed assets and accumulated petroleum and coal expenditure.

(d) Financing cash flows represents cash flows arising from cash transactions affecting the capital structure of the group and cash flows from debt financing activities excluding interest on debt finance which is included in operating cash flows.

Certain cash flows are netted in order to provide more meaningful disclosure.

Taxation

Income tax is recognised on the operating surplus/(deficit) before taxation adjusted for permanent differences between taxable and accounting income. Deferred tax is calculated using the comprehensive basis under the liability method. This method involves recognising the tax effect of all timing differences between accounting and taxable income as a deferred tax asset or liability in the statement of financial position. The future tax benefit or provision for deferred tax is stated at the income tax rates prevailing at balance date.

However, the net future income tax benefit relating to timing differences and tax losses is not carried forward as an asset in the statement of financial position unless the benefit is virtually certain of being realised.

Comparative Figures

Where necessary, the amounts for the previous year are reclassified to facilitate comparison.

Notes to the Financial Statements (continued)

2 TOTAL REVENUE AND OPERATING SURPLUS/(DEFICIT) BEFORE TAXATION

Operating surplus/(deficit) before taxation has been determined after:

	Note	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	PARENT COMPANY 2005 $000	PARENT COMPANY 2004 $000
(a) **Crediting as income:**					
Sales revenue					
Petroleum sales	(i)	-	1,113	-	-
Other revenue					
Sale of licence and royalty rights		-	12,409	-	-
Interest received		538	335	498	366
Other (including unrealised exchange gains)		46	604	450	600
Total revenue		584	14,461	948	966

	Note	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	PARENT COMPANY 2005 $000	PARENT COMPANY 2004 $000
(b) **Charging as expenses:**					
Amortisation of development expenditure		-	126	-	-
Directors' fees		160	113	140	113
Exchange losses		377	-	377	-
Fees paid to parent company auditors		47	68	47	66
Fees paid to parent company auditors for other services		18	41	12	41
Fixed asset depreciation		66	54	50	-
Operating expenditure		2,228	2,496	2,262	1,894
Petroleum and coal exploration expenditure written off or down to valuation		1,030	3,791	-	-
Provision/(release) against investment in associate		(1,031)	-	(1,031)	2,074
Provision against advances to associate companies		152	-	-	-
Write off/(back) provision against investment in subsidiary (Curdridge)	(ii)	-	-	(23,190)	-

Note

(i) Petroleum sales revenue of Nil (2004: $1,113,000) represents the group's share of revenue from the Ngatoro oil and gas field (onshore Taranaki). The group's interest in Ngatoro (PMP 38148) was sold on 11 February 2004.

(ii) As a result of the liquidation of wholly owned subsidiary company Curdridge Investments Limited, the parent company realised a gain of $23,190,00 on the investment in Curdridge that was previously provided against. There is no effect on the consolidated financial statements.

3 MINORITY INTEREST

The amount attributable to minority interest in the statement of financial position at 30 June 2005 represents a 27.9% (2004: 28.8%) minority interest in Pike River Coal Company Limited ('PRCC') and a 40% (2004: 40%) minority interest in Pafule Pty Limited ('Pafule').

Notes to the Financial Statements (continued)

4 SHAREHOLDERS' EQUITY

	Note	CONSOLIDATED 2005 Number of Shares 000s	2005 $000	2004 Number of Shares 000s	2004 $000	PARENT COMPANY 2005 Number of Shares 000s	2005 $000	2004 Number of Shares 000s	2004 $000
Reported paid in share Capital									
Paid in share capital – opening balance		133,964	58,564	133,951	58,556	133,964	58,564	133,951	58,556
Shares issued		150	90	-	-	150	90	-	-
Options exercised	(i)	71,258	42,738	13	8	71,258	42,738	13	8
		205,372	101,392	133,964	58,564	205,372	101,392	133,964	58,564
Options issued		-	1,443	-	1,443	-	1,443	-	1,443
Treasury share elimination		(5,865)	(2,794)	(5,865)	(2,794)	(5,865)	(2,794)	(5,865)	(2,794)
Paid in share capital-closing balance		199,507	100,041	128,099	57,213	199,507	100,041	128,099	57,213
Reserves									
Retained reserves/(deficit) brought forward			(13,838)		(21,779)		(61,802)		(58,581)
Net surplus/(deficit) for the year			(2,555)		7,941		22,280		(3,221)
Retained reserves/(deficit) carried forward			(16,393)		(13,838)		(39,522)		(61,802)
Share revaluation reserve:									
Opening and closing balance			-		-		6,465		6,465
Asset revaluation reserve:									
Opening and closing balance			2,891		2,891		-		-
Total shareholders' equity			86,539		46,266		66,984		1,876

As at 30 June 2005, the remuneration committee of the board had under consideration a proposal to amend the company's employee share ownership plan to provide an ability to issue unlisted partly-paid shares to employees, with the first tranche of such securities envisaged as being 1.26 million shares.

Note:

(i) During the year 71,258,045 of the 2005 options were exercised by option holders resulting in the issue of 71,258,045 new ordinary shares at a price of $0.60 each, for cash consideration of $42,738,000. The options expired 30 June 2005. All shares issued are fully paid and rank equally with regard to the company's residual assets. Each issued share is entitled to one vote.

5 SHORT TERM SECURITIES AND CASH DEPOSITS

	CONSOLIDATED 2005 $000	2004 $000	PARENT COMPANY 2005 $000	2004 $000
Bank	13,553	1,298	12,160	613
Cash on deposit	36,110	16,397	36,109	15,846
	49,663	17,695	48,269	16,459

Included in cash on deposit are US dollar balances of US$5,832,000; NZ$8,262,000 (2004: US$3,650,000; NZ$5,705,000).

Notes to the Financial Statements (continued)

6 RECEIVABLES

		CONSOLIDATED		PARENT COMPANY	
		2005	2004	2005	2004
	Note	$000	$000	$000	$000
Current receivables					
Trade receivables		396	478	208	119
Interest receivable		-	7	-	7
Option conversion receivable	(i)	1,343	-	1,343	-
Advances to associates		-	150	-	150
		1,739	635	1,551	276
Non-current receivables					
Advances to subsidiaries	(ii)	-	-	-	419

Notes:

(i) Monies for 2005 options mailed prior to 30 June 2005 and received after that date amounted to $1,343,000.

(ii) Inter-group advances between wholly owned subsidiaries and the parent are on interest free terms and no repayment terms have been arranged.

7 INVENTORIES

	CONSOLIDATED		PARENT COMPANY	
	2005	2004	2005	2004
	$000	$000	$000	$000
Field operation consumables	116	100	-	-

8 INVESTMENTS IN RESOURCE COMPANIES

	CONSOLIDATED		PARENT COMPANY	
	2005	2004	2005	2004
	$000	$000	$000	$000
Non-current				
Shares in a listed company at book value (Pan Pacific)	1,463	1,463	541	541
Market value based on listed share price (Pan Pacific)	2,117	2,117	578	578

9 INVESTMENTS IN SUBSIDIARY AND ASSOCIATE COMPANIES

	CONSOLIDATED		PARENT COMPANY	
	2005	2004	2005	2004
	$000	$000	$000	$000
Investment in subsidiaries	-	-	72,661	75,300
Provision for diminution	-	-	(10,601)	(10,601)
Investment in subsidiary companies	-	-	62,060	64,699
Investment in associate - unlisted shares (NZOG Nominees)	2,603	2,719	2,603	2,719

Note:

(i) A list of the parent company's subsidiary and associate companies is set out in note 22.

(ii) Equity accounting for associate companies has not been applied as the amounts involved are not material.

Notes to the Financial Statements (continued)

10 FIXED ASSETS

		CONSOLIDATED		PARENT COMPANY	
		2005	2004	**2005**	2004
	Note	**$000**	$000	**$000**	$000
Other fixed assets					
Cost	(i)	327	520	248	69
Accumulated depreciation		(50)	(332)	(50)	-
Book value of fixed assets		277	188	198	69

Note:
(i) Other fixed assets includes land of $65,000.

11 JOINT VENTURES

NZOG group interests held at 30 June 2005, in significant unincorporated joint ventures established to explore, develop and produce petroleum:

			CONSOLIDATED		PARENT COMPANY	
			Percentage Interest		Percentage Interest	
			2005	2004	**2005**	2004
Licence	**Prospect name**	**Note**	%	%	%	%
PML 38146	Kupe		15.0	15.0	-	-
PEP 38460	West Maui – Tui, Amokura, Pateke		12.5	12.5	-	-
PEP 38484	West Kupe	(i)	50.0	50.0	-	-
PEP 38478	Mangatoa	(ii)	-	50.0	-	-
PEP 38483	West Maui Deep - Hector	(iii)	18.9	15.0	-	-
PEP 38718	Tuihu	(iv)	28.6	25.0	-	-
PEP 38728	Makino	(v)	-	56.0	-	-
PEP 38729	Felix		75.0	75.0	-	-

The financial statements of all joint ventures are unaudited.

Notes:
(i) A further 50% was aquired in PEP 38484 after balance date on 5 August 2005.
(ii) Permit relinquished 10 June 2005.
(iii) A further 3.864% was acquired in PEP 38483 as a result of a merger of part of the adjacent PEP38460 permit into PEP38483.
(iv) A further 3.6% was acquired in PEP 38718 due to the withdrawal of a joint venture party from the permit.
(v) Permit relinquished 16 August 2004.

The contribution made by joint ventures to group results was to increase revenues by $Nil (2004: $1,113,000) and expenses by $917,206 (2004: $6,888,000).

Notes to the Financial Statements (continued)

The following joint venture assets and liabilities are included in the assets and liabilities of the NZOG group.

	CONSOLIDATED		PARENT COMPANY	
	2005	2004	**2005**	2004
	$000	$000	**$000**	$000
Current Assets				
Short term securities and cash deposits	1,395	1,096	-	-
Trade receivables	75	102	-	-
Field operation consumables	116	100	-	-
Non-Current Assets				
Petroleum interests	23,091	17,959	-	-
Total Assets	24,677	19,257	-	-
Current Liabilities				
Creditors and borrowings	567	1,611	-	-
Total Liabilities	567	1,611	-	-
Net Assets held in Joint Ventures	24,110	17,646	-	-

12 PETROLEUM AND COAL INTERESTS

		CONSOLIDATED		PARENT COMPANY	
		2005	2004	**2005**	2004
		$000	$000	**$000**	$000
Petroleum production – *Ngatoro PMP38148*					
Accumulated expenditure brought forward		-	1,475	-	-
Charge to operating surplus		-	(1,475)	-	-
Accumulated petroleum production expenditure carried forward		-	-	-	-
Petroleum and coal exploration and evaluation expenditure					
Accumulated expenditure brought forward		29,308	30,073	-	-
Expenditure capitalised during the year:					
Petroleum mining licence – *Kupe PML38146*	(i)	2,684	955	-	-
Petroleum exploration permit – *Tui PEP38460*	(i)	2,384	1,425		
Petroleum exploration permits	(ii)	1,150	3,145	-	-
Coal mining licence – *Pike River MP41453*	(iii)	3,544	535	-	-
Charge to operating surplus		(1,086)	(6,825)	-	-
Total accumulated exploration and evaluation expenditure carried forward		37,994	29,308	-	-
Total accumulated expenditure		37,994	29,308	-	-

Notes:

(i) Costs are carried forward in respect of the Kupe project (PML 38146) and Tui project (PEP 38460). The actual amount recoverable is dependent upon a number of factors which are uncertain or tentative at balance date and which may be subject to change. Such factors include the level of petroleum reserves, estimates of future petroleum sale prices, operating costs and capital expenditures and of tax losses and legislative changes. The directors believe that accumulated petroleum exploration and evaluation expenditure is recoverable through these projects proceeding to development.

(ii) Expenditure in relation to petroleum exploration permits is net of amounts written off. Petroleum expenditure includes amounts relating to PEP 38460 (West Maui), which contains the successful Tui, Amokura and Pateke wells. A provision of $836,000 in respect of the Kiwi well was charged against the operating surplus during the financial year.

Notes to the Financial Statements (continued)

(iii) Coal exploration and evaluation expenditure relates to partly owned subsidiary PRCC. The amount carried in the financial statements is supported by financial studies and pricing of equity issued by PRCC to third party investors during the year ended 30 June 2005. The directors believe that the carried costs are recoverable through the Pike River project proceeding to development.

13 OTHER NON-CURRENT ASSETS

		CONSOLIDATED		PARENT COMPANY	
		2005	2004	2005	2004
	Note	$000	$000	$000	$000
Deferred tax asset	17	-	100	-	-
Taxation receivable/payable		(10)	23	-	-
Security deposits	21	65	65	-	-
		55	188	-	-

Notes:

(i) The future income tax benefit arises solely from consolidation of Pafule.

(ii) Security deposits are held by government agencies subject to licensed work programme commitments being met.

14 CREDITORS

	CONSOLIDATED		PARENT COMPANY	
	2005	2004	2005	2004
	$000	$000	$000	$000
Trade creditors	2,891	2,352	794	367

15 PROVISIONS AND NON-CURRENT LIABILITIES

		CONSOLIDATED		PARENT COMPANY	
		2005	2004	2005	2004
	Note	$000	$000	$000	$000
Current					
Employee leave entitlements	(i)	12	254	12	-
Other		91	92	91	92
		103	346	103	92
Non-Current					
Employee leave entitlements	(i)	-	42	-	-
Advances from wholly owned subsidiary companies to parent		-	-	47,341	82,847
		-	42	47,341	82,847

Notes:

(i) Movements in employee provision				
Opening balance	296	187	-	-
Charge/(release) to operating surplus	(284)	109	-	-
Closing balance	12	296	-	-

Notes to the Financial Statements (continued)

The provision for employee entitlements relates to employee benefits such as accrued annual leave, long service leave, retirement and redundancy provisions.

	CONSOLIDATED		PARENT COMPANY	
	2005	2004	**2005**	2004
	$000	$000	**$000**	$000
(ii) Movements in restoration provision				
Opening balance	-	562	-	-
Charge/(release) to operating surplus	-	(562)	-	-
Closing balance	-	-	-	-

The provision for restoration related to Ngatoro production and the group's commitment to rehabilitate the site. The sale of the group's interest in Ngatoro in February 2004 resulted in the provision being released.

16 FINANCIAL INSTRUMENTS

Foreign Exchange Risk

The group operates United States dollar bank accounts for oil sales and certain permit interest sales proceeds.

Credit Risk

Financial instruments which potentially subject the group to credit risk consist primarily of short term securities and cash deposits, investments in listed resource companies, trade debtors and certain non current assets.

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 may possibly be realised, is the carrying value of the financial instrument.

Fair Values

The carrying amount of short term securities and cash deposits, trade receivables and creditors approximates fair value due to the short maturity of these instruments. Adequate provision is held in respect of trade receivables.

Estimated fair values, based upon net realisable value, of the group's remaining financial instruments at 30 June are as follows:

	Carrying Value 2005 $000	**Fair Value 2005 $000**	**Carrying Value 2004 $000**	**Fair Value 2004 $000**
Consolidated				
Investments in resource companies (Pan Pacific)	1,463	2,268	1,463	2,117
Security deposits	65	65	65	65
Parent Company				
Investments in resource companies (Pan Pacific)	541	619	541	578

Interest Rate Risk

The interest rate spread and the contractual maturity dates of the group's short-term securities and cash deposits are as follows:

	Maturity Date	**Interest Rate**
Short Term Securities and Cash Deposits:		
New Zealand dollar bank and cash on deposit	At call	6.75%
United States dollar bank and cash on deposit	At call	3.30%
Security deposits	June 2006	5.00%

All other financial instruments are non-interest bearing.

Notes to the Financial Statements (continued)

17 TAXATION

(a) New Zealand Oil & Gas Limited and wholly owned subsidiaries

New Zealand Oil & Gas Limited and wholly owned subsidiaries have tax losses carried forward at 30 June 2005 of $54,850,000 (2004: $47,231,000). The net future income tax benefit of these tax losses is not included as an asset in the statement of financial position as the benefit is not virtually certain of being realised.

		CONSOLIDATED		PARENT COMPANY	
		2005	2004	**2005**	2004
	Notes	**$000**	**$000**	**$000**	**$000**
(b) Consolidated and Parent					
i) Income tax expense					
Operating surplus/(deficit) before taxation		(2,463)	7,772	22,281	(3,221)
Income tax expense/(benefit) at 33%		(813)	2,565	7,352	(1,063)
Adjusted for tax effect of:					
Permanent differences - New Zealand		836	(2,658)	(7352)	1,063
		23	(93)	-	-
Consolidated from Pafule:					
Net timing differences		-	-		
Permanent differences		45	1		
Difference in foreign tax rates		(2)	8		
Income tax expense/(benefit) on operating surplus before tax items		66	(84)		
Tax losses not bought to account		37	48		
Income tax under/(over) provided in prior year		-	2		
Income tax expense/(benefit) attributable to operating surplus/(deficit)		103	(34)		
Future income tax benefit (consolidated from Pafule)					
Opening balance		100	68		
Movement during the year		(100)	32		
Exchange movement during the year			-		
Closing balance		-	100		
ii) Taxation losses not taken into account					
Taxation losses not recognised					
New Zealand	(i) (ii)	54,850	47,231	22,398	27,342

Notes:

(i) The value of taxation losses not brought to account at 30 June 2005 is conditional on the relevant group companies continuing to meet the requirements of New Zealand tax legislation.

(ii) The taxation losses above include timing differences of $4,785,000 (2004: $2,652,000) primarily relating to exploration, evaluation and development expenditures which are expected to become available as deductions in future years.

18 RELATED PARTY DISCLOSURES

Related parties of the company include those entities identified in note 11 and 22 as subsidiaries, joint ventures and associates.

Material transactions with related parties during the year are set out in Notes 6,9,11,12,15,19,and 22. There are no material balances due to or from related parties at 30 June 2005, except for, in regards to the parent company, inter-company borrowings with wholly owned subsidiary companies.

There are no additional related parties with whom material transactions have taken place.

Notes to the Financial Statements (continued)

19 EMPLOYEE SHARE OWNERSHIP PLAN

(a) Description of Employee Share Ownership Plan (ESOP)

NZOG Nominees Limited ('Nominees') held the following securities in the company in its capacity of plan company and trustee of the company's ESOP.

	NZOG SHARES		2005 OPTIONS	
	2005 Number 000	2004 Number 000	**2005 Number 000**	2004 Number 000
Allocated to employees				
Options to purchase shares	4,403	5,148	-	-
Savings shares	721	763	-	-
Unallocated (*1 million reserved for allocation)	1,086*	1,143	-	1,355
	6,210	7,054	-	1,355
As a percentage of total reported capital	3.1%	5.5%		

Notes:

1. Other than the above option allocations, 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 NZOG group or any other person.
2. The NZOG board'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.
3. As at 30 June 2005, the remuneration committee of the board had under consideration a proposal to amend the company's employee share ownership plan to provide an ability to issue unlisted partly-paid shares to employees, with the first tranche of such securities envisaged as being 1.26 million shares. In addition the remuneration committee had under consideration allocations of options over 1 million of existing shares held by Nominees.
4. Shares in Pan Pacific Petroleum NL (PPP) numbering 4,604,000 were subject to employee option rights at 30 June 2005 (2004: 5,084,000). 1,440,845 unallocated PPP shares were held by the ESOP at 30 June 2005 (2004: 1,342,593).

(b) Funding

NZOG group holds redeemable preference shares in Nominees at a book value of $2,602,500 (2004: $2,719,000) which can be redeemed upon the company giving 60 days notice, from uncommitted funds held by Nominees from the exercise of options or other available sources which Nominees determines is reasonably available.

No advances are due to the NZOG group from Nominees (2004: $150,000).

Funding made by employees to acquire saving shares amounts to $297,595 (2004: $297,595).

	CONSOLIDATED		PARENT COMPANY	
	2005 $000	2004 $000	**2005 $000**	2004 $000
Investment and advances				
Investment in shares	2,603	2,719	2,603	2,719
Advances	-	150	-	150
	2,603	2,869	2,603	2,869

(c) Control

Nominees is an associate company of NZOG. Voting rights in respect of NZOG shares vest in Nominees as to unallocated shares and to the respective employees in the case of allocated shares. The shareholders of Nominees hold the right to appoint the directors of Nominees.

Notes to the Financial Statements (continued)

	CONSOLIDATED MARKET VALUES		CONSOLIDATED COSTS	
	2005 $000	2004 $000	2005 $000	2004 $000
(d) Financial Position and Performance of the ESOP				
(i) Financial Position				
Equity				
Share capital			2,603	3,750
Retained deficit			(416)	(1,313)
			2,187	2,437
Assets				
Securities:				
• Allocated	5,047	4,264	1,902	1,924
• Unallocated	1,288	1,248	404	722
	6,335	5,512	2,306	2,646
Less provision for diminution in value	-	-	(153)	(153)
	6,335	5,512	2,153	2,493
Bank	47	107	47	107
Total Assets	6,382	5,619	2,200	2,600
Less Liabilities				
Advances to NZOG	-	(150)	-	(150)
Creditors	(13)	(13)	(13)	(13)
	(13)	(163)	(13)	(163)
Net Assets	6,369	5,456	2,187	2,437
(ii) Financial Performance				
Interest income			7	-
Accounting and legal fees			17	7
Loss/(gain) on sale of securities			(908)	(21)

The ESOP financial statements are unaudited at the date of these NZOG financial statements.

20 GEOGRAPHICAL SEGMENTS

The company operates in the petroleum and coal industry in New Zealand.

21 COMMITMENTS

Capital Expenditure Commitments

At 30 June 2005 the group has no capital expenditure commitments (2004: $40,000).

Exploration Commitments

(a) 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.

(b) Security deposits of $65,000 (2004: $65,000) are held subject to licensed work programme commitments being met.

(c) The PEP38460 joint venture has contracted with Diamond Drilling for a semi-submersible drilling rig to drill four wells in PEP38460. The maximum contingent liablility at balance date to the group under this contract is estimated at US$1.06 million (NZ$1.5 million).

Notes to the Financial Statements (continued)

22 SUBSIDIARY COMPANIES AND ASSOCIATES

Wholly Owned Subsidiary Companies:

ANZ Resources Pty Limited [see note (i)]
Australia and New Zealand Petroleum Limited
Delta Petroleum Limited
National Petroleum Limited
Nephrite Enterprises Limited
NZOG Services Limited
Oil Holdings Limited
Petroleum Equities Limited
Petroleum Resources Limited
Resource Equities Limited
Stewart Petroleum Company Limited

		GROUP INTEREST	
		2005	**2004**
	Note	**%**	**%**
Partly Owned Subsidiaries			
Pafule Pty Limited	(i)	60	60
Pike River Coal Company Limited	12	72	71
Associate Companies			
NZOG Nominees Limited	19	50	50

Notes:

(i) Australian registered company.

(ii) All subsidiary and associate companies have a balance date of 30 June. All wholly owned subsidiaries are involved in the petroleum exploration industry. The associate company is an investment company. Partly owned subsidiary Pafule Pty Limited is an administration services company. Pike River Coal Company is involved in the coal mining industry.

23 EARNINGS PER SHARE

	2005	**2004**
	Cents	**Cents**
Basic earnings per share	(1.9)	5.9
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	135,071,958	133,952,582
Diluted earnings per share	0.2	5.1
Weighted average number of ordinary shares and options outstanding during the year used in the calculation of diluted earnings per share	206,184,152	206,129,084

24 INTERNATIONAL FINANCIAL REPORTING STANDARDS

New Zealand International Financial Reporting Standards ("NZIFRS") apply to all New Zealand reporting entities for the periods commencing on or after 1 January 2007. Entities will also have the option of voluntarily early adopting NZIFRS for periods beginning on or after 1 January 2005.

Transition to NZ IFRS will affect a number of the group's accounting policies and procedures. In particular, deferred taxation, financial instruments and accounting for joint ventures are some of the significant areas that are likely to be affected by the changes.

The company will work through a process to identify the accounting policies, disclosure, presentation and classification differences that would affect the manner in which transactions or events are presented. This process entails assessing the impacts of changes in financial reporting standards on NZOG's financial reporting and other related activities, then designing and implementing processes to deliver financial reporting on an NZIFRS compliant basis, as well as dealing with any related business impacts.

The board of directors has not quantified the effects of the differences. Accordingly, there can be no assurances that the consolidated financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with NZIFRS.

Once NZOG has completed transition to NZIFRS, it will also be in compliance with international Reporting Standards (IFRS).

KPMG

AUDIT REPORT

To the shareholders of New Zealand Oil & Gas Limited

We have audited the financial statements on pages 14 to 31. The financial statements provide information about the past financial performance and financial position of the company and group as at 30 June 2005. This information is stated in accordance with the accounting policies set out on pages 18 to 20.

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 2005 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 accounting 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 14 to 31:
  - 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 2005 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 26 August 2005 and our unqualified opinion is expressed as at that date.

KPMG

Wellington

Corporate Governance Statement

The board of New Zealand Oil & Gas Limited recognises the need for good corporate governance practice, and keeps the issues relevant to a company of its size and nature under review.

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. The board has a formal charter whereby it has set out its functions as follows.

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

The board currently has a policy of having five directors, with a majority of independent non-executive directors. The board has determined that all of the existing non-executive directors are independent directors.

DIRECTOR	POSITION	EXPERTISE
Mr R A Radford *ACA(NZ)*	Executive chairman and managing director	Resource company management
Prof R F Meyer *ONZM, BE, PhD, DistFIPENZ*	Deputy chairman (non-executive)	Engineering and energy
Mr P G Foley *BCA, LLB*	(non-executive)	Legal
Mr S J Rawson *BSc, MSc*	(non-executive)	Energy, Trading
Mr D R Scoffham *MA, MSc*	(non-executive)	Worldwide oil & gas exploration

Each director has the right to seek independent professional advice in relation to matters arising in the conduct of his duties, at the company's expense, subject to prior approval of the chairman of the audit committee, which is not to be unreasonably withheld.

Because of the compact size of the board there is no formally constituted nomination committee. The board as a whole undertakes the responsibility for the 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, and from time to time reviews its committees and their charters.

The board evaluates its effectiveness as a whole, and the performance and contributions of its individuals and its committees as to attendance, preparedness, participation, and candour, on an annual basis. The board has regular meetings, scheduled on a monthly basis, and holds other meetings as required.

Mr Radford is a founding executive director of the company. The board considers that Mr Radford's responsibilities as chief executive are fully compatible with leadership of the board and facilitation of the effective contributions of all directors and that the company benefits from Mr Radford's experience in these roles. The board has elected a deputy chairman, Prof R F Meyer, who also chairs the remuneration and audit committees of the board, thus ensuring a spread of key responsibilities. The chief executive is not a member of those committees.

RESPONSIBILITIES OF THE BOARD

The board operates under the powers provided in the company's constitution, the Companies Act, and generally by law.

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 and 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
- overall corporate governance of the consolidated entity.

Responsibility for the conduct of the company's business is delegated to management.

The board has delegated limits of authority which define matters delegated to management and those requiring board approval.

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 disclosures and financial results.

The board has established several formal policies for management, which include:

- securities trading policy
- funds investment policy
- health, safety and environment policy

CORPORATE GOVERNANCE STATEMENT (continued)

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 two formally constituted committees to provide specialist assistance with defined aspects of governance; the audit committee and the remuneration committee. Each committee is comprised of three non-executive directors and 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 members of the audit committee are Prof. R F Meyer (chairman), Mr D R Scoffham, and Mr P G Foley. 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 chief executive, and other senior executives attend these meetings.

The members of the remuneration committee are Prof. R F Meyer (chairman), Mr P G Foley, and Mr S J Rawson. 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.

The audit committee and remuneration committee charters setting out roles and responsibilities are available on the company's website at www.nzog.net.

SHAREHOLDER REPORTING

The company complies with the continuous disclosure and other listing requirements of the NZX and ASX relating to shareholder reporting. The company provides security holders with interim and annual reports, which are also posted on the company's website. Shareholders and interested parties can subscribe to enquiries@nzog.net to receive the company's market announcements by email.

CONDUCT

Compliance with legislative requirements and acting with a high level of integrity has always been expected of all directors and employees. The company has formalised its policy on business ethics. This policy records the existing high standards of ethical conduct which all directors and employees are to comply with, and addresses such matters as:

- conflicts of interest
- corporate opportunities
- confidentiality, receipt and use of corporate information
- fair dealing
- protection of and proper use of company assets
- compliance with laws & 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 business conduct & ethics is available on the company's website.

The board has a securities trading policy which sets out procedures as to when and how an employee or director can deal in company securities. This policy is consistent with the Securities Markets Act and its insider trading procedures and complies with the NZX and ASX rules.

The company maintains an interests register in compliance with the Companies Act 1993 which records particulars of certain transactions and matters involving directors. Information from this register in respect of the year ended 30 June 2005 is reported in page 36 of this annual report.

HEALTH, SAFETY AND ENVIRONMENT POLICY

The company's health, safety and environment policy is as follows;

- the company's board, management and employees are committed to providing a safe and healthy workplace and environment for all employees, authorised visitors and general public;
- through competent engineering practice, training, risk identification, assessment and control process, the company addresses hazard, incident and injury prevention and conservation of the environment in respect of projects under the company's management;
- appropriate resources are made available to comply with all relevant legislation to ensure that safety in design, safe systems and places of work are maintained to high standards and that all reasonable steps are taken to ensure no individual or the environment is placed in a situation of endangerment;
- a safe environment is the individual and shared responsibility of the company and all its employees;
- this OSH&E management policy is based on a commitment that the well-being of all associated personnel is a major consideration of all operations.

INDEPENDENT DIRECTORS

The board has determined in terms of NZX listing rules that as at 30 June 2005 Prof R F Meyer, Mr P G Foley, Mr S J Rawson, and Mr D R Scoffham are independent directors; and that Mr R A Radford is not an independent director.

CORPORATE GOVERNANCE STATEMENT (continued)

CORPORATE GOVERNANCE BEST PRACTICE CODES

The company complies with the NZX and ASX Best Practice recommendations, excepting in the areas set out below. Further details are contained in the company's corporate governance statement (preceding).

NZX LISTING RULE & CODE OF BEST PRACTICE	ASX RECOMMENDATIONS ASX Corporate Governance Council Best Practice Recommendations	REASONS WHY NZOG DOES NOT COMPLY
Roles of chairperson & chief executive should not be exercised by the same individual	Roles of chairperson and chief executive should not be exercised by the same individual	Refer to corporate governance statement
Establish a board nomination committee (unless constrained by size)	Establish a board nomination committee	NZOG benefits from having the whole board involved in the selection process for any new board members
Have formal and transparent methods for the nomination & appointment of directors		NZOG is too small to benefit from this recommendation
	Written policies to ensure compliance with ASX listing rule disclosure requirements	NZOG is considered too small to benefit from a written policy
Directors encouraged to take a portion of their remuneration under a performance-based equity plan; or re-investment in equity securities of the company		A proposed allocation of share options to NZOG directors is to be considered at a future meeting of shareholders
	Establish a code of conduct to guide obligations to legitimate stakeholders	NZOG is too small to benefit from a formal code
	Chairperson should be an independent director	Refer to corporate governance statement

Shareholder Information

TOP 20 SHAREHOLDERS ON THE REGISTER AS AT 26 AUGUST 2005

Name of Shareholder	Shareholding	% of Reported Capital*
Resources Trust Limited	11,068,325	5.5%
NZOG Nominees Limited	6,153,674	3.1%
ANZ Nominees	4,399,572	2.2%
Sik-On Chow	4,300,000	2.2%
Accident Compensation Corporation	3,532,748	1.8%
Leveraged Equities Finance Limited	3,231,144	1.6%
Kum Hing So	2,802,318	1.4%
First NZ Capital Custodians Limited	2,102,072	1.1%
National Nominees NZ Ltd	2,052,248	1.0%
Robert Albert Boas	1,900,000	1.0%
Macquarie Equities Custodians Limited	1,824,300	0.9%
Charles Elwyn Boreham & Denise Phyllis Boreham	1,719,484	0.9%
Citibank Nominees (NZ) Ltd	1,559,222	0.8%
Westpac Banking Corp - Client Assets a/c	1,438,974	0.7%
Chung King Tan	1,400,000	0.7%
Oxley Graeme Maley	1,231,152	0.6%
Ming Chow & Fook Kom Wong	1,200,000	0.6%
Peter Edward Radford	1,182,122	0.6%
Mehasu Pty Limited	1,078,005	0.5%
Andrew Trott Hopkins & Adrienne Janet Hopkins	900,000	0.5%
Held in Treasury		
New Zealand Oil & Gas Limited	5,864,515	

* Reported capital represents shares held by the public and therefore excludes 5,864,515 shares held by NZOG as treasury stock.

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

SHAREHOLDER INFORMATION (continued)

SECURITIES ON ISSUE

At 30 June 2005 New Zealand Oil & Gas Limited had the following securities on issue:

Reported Capital	205,372,282
Treasury Stock	5,864,515
Total Ordinary Shares on issue	**199,507,767**

VOTING RIGHTS

Article 26 of the company's constitution provides that on a show of hands every shareholder present in person or by representative shall have one vote, and upon a poll, shall have one vote for each share held.

ON-MARKET BUY-BACK

The company is not involved in an on-market buy-back.

TRADING STATISTICS

The company's securities are officially quoted on the New Zealand Exchange and the Australian Stock Exchange.

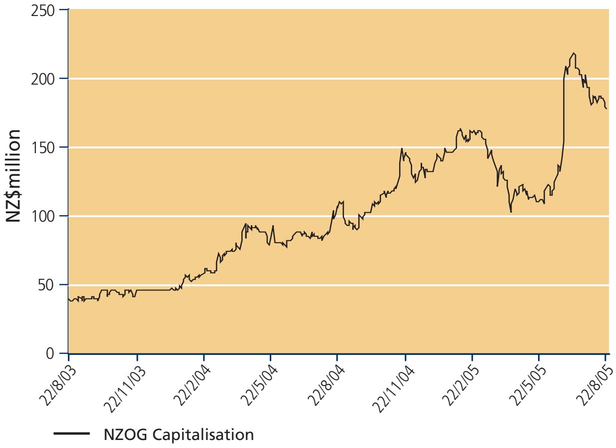
TRADING – 12 MONTHS ENDED 26 AUGUST 2005

NZX NOG*		ASX NZO*		Combined Volume
High	Low	High	Low	
NZ$ 1.31	0.65	A$ 1.19	0.59	**57,550,314**

*Trading codes

NZOG MARKET CAPITALISATION

Two years ending 26 August 2005



DISTRIBUTION OF HOLDINGS

Ordinary Shares as at 26 August 2005

Holding	No. of Shareholders	Total Shares
1-1,000	3,055	2,087,067
1,001-5,000	4,451	11,595,612
5,001-10,000	1,509	11,868,765
10,001-100,000	2,054	60,729,769
100,001 plus	249	119,091,069
Totals	**11,318**	**205,372,282**

A minimum holding is 499 NZOG shares or less based on market prices on 26 August 2005. There were 309 shareholders with less than 500 shares as at 26 August 2005.

Statutory and Other Information

DIRECTORS' REMUNERATION

The total remuneration and other benefits to directors for services to all group companies (including payments made by partly owned and wholly owned subsidiary companies) in all capacities during the year ended 30 June 2005 was $617,998 being to or in respect of Messrs R A Radford $457,997; S J Rawson $42,917; P G Foley $32,917; R F Meyer $51,250 and D R Scoffham $32,917.

EMPLOYEES' REMUNERATION

During the year ended 30 June 2005, two group employees (not including directors) received remuneration (including payments made by partly owned and wholly owned subsidiary companies) of at least $100,000, one employee being in each of the following income bands: $140,000-$149,999; $240,000-$249,999.

DIRECTORS' SECURITIES INTERESTS AND DEALINGS

The interests of directors in equity securities of the company at 30 June 2005 were:

Mr R A Radford in respect of 4,909,909 shares.
Mr P G Foley in respect of 50,000 shares.
Mr D R Scoffham in respect of 100,000 shares.

ACQUISITION/DISPOSITION OF RELEVANT INTERESTS IN SECURITIES OF THE COMPANY

During the year Mr Foley exercised 50,000 listed options; Mr Scoffham exercised 50,000 listed 2005 options; and Mr Radford exercised 622,782 listed options.

TRANSACTIONS IN WHICH DIRECTORS WERE INTERESTED

Nil

INTEREST DISCLOSURES

There were no new disclosures of interest by directors entered into the Interests Register during the year ended 30 June 2005.

DIRECTORS' & 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.

STATUTORY AND OTHER INFORMATION (continued)

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder notices as at 26 August 2005

Name of Shareholder	Shareholding
New Zealand Oil & Gas Limited*	12,018,189
Resources Trust Limited	11,068,325
Total Issued Capital**	205,372,282

* This incorporated NZOG's treasury stock and NZOG Nominees Limited shareholding.

** Total issued capital includes treasury stock.

Substantial shareholder notices are received pursuant to the Securities Markets Act 1988. Under the provisions of that Act substantial shareholders are only required to notify changes in relevant interests when those changes exceed 1% of the total issued voting securities; and more than one party can hold a relevant interest in the same shares. For that reason the number of shares stated in substantial shareholder notices can differ from the numbers showing in the share register.

Corporate Directory

DIRECTORS

Tony Radford, ACA (NZ)
executive chairman and managing director

Ray Meyer, ONZM, BE, PhD, DistFIPENZ
deputy chairman

Paul Foley, BCA, LLB

Steve Rawson, BSc, MSc

David Scoffham, MA, MSc

MANAGEMENT

Tony Radford *chief executive*

Gordon Ward BBS, CA (NZ) *general manager*

Stefan Kleffman *manager geophysics*

Peter Whittall *mine manager, Pike River Coal Company*

REGISTERED AND HEAD OFFICE

Level 20
125 The Terrace
PO Box 10725 Wellington, New Zealand
Telephone:+64 4 495 2424
Facsimile: +64 4 495 2422

AUDITORS

KPMG
KPMG Centre
135 Victoria Street, Wellington
New Zealand

SHAREHOLDER INFORMATION

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

NEW ZEALAND
BK Registries
PO Box 384
Ashburton, New Zealand
Telephone: 64 3 308 8887
Facsimile: 64 3 308 1311
info@bkregistries.co.nz

AUSTRALIA
Registries Limited
PO Box R67, Royal Exchange
Sydney NSW 1223
Telephone: 61 2 9279 0677
Facsimile: 61 2 9279 0664
www.registriesltd.com.au

FOR COMPANY INFORMATION CONTACT THE COMPANY

Toll free 0800-000-594 (within New Zealand)

Website: www.nzog.net

E-mail enquiries: enquiries@nzog.net

www.nzog.net

E-mail enquiries: enquiries@nzog.net

Shareholders are encouraged to receive company announcements directly via the internet at the above website.