

# ACTIVITIES REPORT

FOR THE QUARTER ENDED 30 JUNE 2008

## KEY POINTS

- Successful capital raising of NZ\$190.8 million
- Tui Reserves upgraded to 50.1 million barrels
- Total Tui Production for FY08 14.23 million barrels
- NZ\$80.9 million in revenue for the quarter
- Kupe Offshore Development successfully completed
- Drilling of Momoho Exploration Well

## DEAR INVESTOR

The last three months of the financial year was another very successful period for New Zealand Oil & Gas Ltd.

The company was once again the best performing stock in the NZX50. The rising share price ensured a very strong uptake of the June 2008 options. NZ\$190.8m was raised, with 91.8% of the options exercised.

NZOG's operating revenue for the quarter was NZ\$80.9m, taking revenue for the full financial year to NZ\$234.6m. This figure includes revenue of NZ\$222.8m from the Tui oilfields.

There were another two reserves upgrades for Tui during the quarter, taking the initial proven and probable (2P) reserves to 50.1 million barrels (mmbbls). The frequency of reserves reassessment at Tui is quite unusual and reflects the unexpected performance of this asset.

Total Tui production for the year ended 30 June 2008 was 14.23 mmbbls. Forecast total production for the 2009 financial year has been increased from around 6 mmbbls to over 9 mmbbls – NZOG's share 1.125 mmbbls. This means we expect to have continuing strong revenue and cash flows ahead of production starting from the Kupe Project.

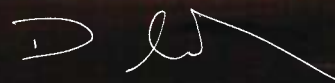
Kupe remains on track for commercial production in mid-2009. The production wells have been successfully completed and all of the offshore facilities are in place. Overall the Kupe Project is more than 80% complete.

In June the rig moved on to drill the Momoho exploration well. The well discovered a small gas condensate pool, the third indication of hydrocarbons in the area. Further studies will be undertaken to determine whether it might be possible to contemplate a development combining these existing and potential hydrocarbon accumulations.

Pike River Coal Ltd (PRC) finalised its first sales contracts during the quarter and enjoyed a strong rise in its share price. First coal is now expected in August. NZOG has a 31% stake in PRC, comprising of shares, convertible notes and options.

The revenue from Tui and the equity injection from the options exercise has put NZOG on a very sound financial footing. We are continuing to focus our time and effort on identifying attractive investments to further build shareholder value. It promises to be a busy and exciting year ahead.

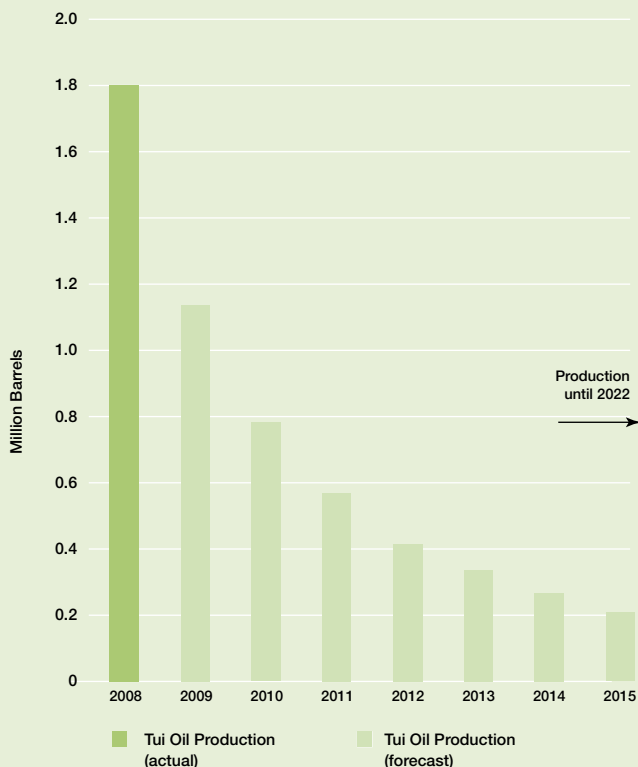
Kupe Production Station



David Salisbury CEO  
24 July 2008

## Activity Review

**Tui Production: Actual and Forecast**  
(NZOG's 12.5% share)



Tui Production Forecast

## Tui Area Oil Fields

(PMP 38158, NZOG INTEREST 12.5%)

In May, the charter on the production vessel, the Umuroa, was extended until 2022, with a fixed term until the end of 2015 followed by seven one-year options. This extension is expected to allow approximately five million barrels of additional oil to be recovered from the known Tui field reservoirs, taking the initial proven and probable (2P) reserves to 47 million barrels (mmbbls).

In June, the 2P reserves were further increased to 50.1 mmbbls, following a detailed field reassessment by the Operator.

Total Tui production for the three month period was 3.77 mmbbls of oil at an average rate of 41,500 barrels a day. There has been a gradual increase in associated water. Operationally the Umuroa's expected fluid handling capacity of 120,000 barrels a day has been exceeded, helping to maintain a high oil production rate for much longer than anticipated. The joint venture is looking at modifications to the Umuroa to increase water handling capacity to 150,000 barrels a day.

By the end of June, Tui's total production since start up on 30 July 2007 had reached 14.23 mmbbls. NZOG's share was 1.78 mmbbls. Production rates did fall in late June predominantly due to extremely bad weather. However, the facilities had a total outage time of just 17 hours for the year – an outstanding performance for which credit must go to the Operator, AWE and the Umuroa's owner, Prosafe.

## Kupe Project

(PML 38146, NZOG INTEREST 15%)

The Kupe Project is now over 80% complete.

Drilling of the three Kupe development wells was completed in early June. The three wells were safely suspended and all of the offshore work has now been completed, awaiting start-up. Preliminary analysis of the well results, and in particular the well testing, confirms that the wells and the reservoir have met expectations.

From this initial analysis there is no change to the published proven and probable (2P) reserves. NZOG's share of these 2P reserves remain at 38 PJ sales gas, 2.2 mmbbls of condensate/light oil and 159,000 tonnes of LPG. However, the analysis has provided more certainty and resulted in a narrowing of the range of expected outcomes. The 1P reserves (90% likelihood) have increased and the 3P reserves (10% likelihood) have been reduced.

With all of the offshore work now completed, attention is focused onshore, at the onshore production station near Hawera and the condensate storage facilities in New Plymouth. Commissioning is expected in early 2009, with the start of commercial production in mid-2009.

## Pike River Coal Limited

(NZOG INTEREST 31%)

During the quarter Pike River Coal announced that the tunnel had reached the Hawera fault zone. To meet safety and construction requirements the schedule for completing the final 200 metre drive to the Brunner coal seam was pushed back to the end of August. There was no impact on the expected coal production of 200,000 tonnes in the period ending 30 June 2009.

Pike announced it had settled the first sales contracts for its premium hard coking coal at US\$300 per tonne – three times the price expected when Pike was floated. Pike's transport arrangements also progressed well, with a long term road transport agreement signed and resource consents obtained for its rail loading facility.

On 1 July 2008 Pike was admitted to the NZX50.

Further details of the status of the Pike project can be obtained at [www.pike.co.nz](http://www.pike.co.nz)



Delivery of a pipe rack to the Kupe Production Station

## Exploration

### PERMIT PML38146 (KUPE) (NZOG INTEREST 15%)

In June the ENSCO 107 drilling rig was moved from the Kupe central field area to drill the Momoho prospect, 6km to the southeast.

On 7 July the Momoho-1 well encountered good gas shows after penetrating the primary Farewell Formation reservoir target. The total target depth was reached on 14 July. The well, which has now been plugged and abandoned, discovered a gross gas condensate column of up to 25 metres. Given this discovery, the previous nearby discoveries of gas at Kupe South 4 and oil at Kupe South 5, potential remains for further exploration in the area.

### PERMIT PMP38158 (TUI) (NZOG INTEREST 12.5%)

Evaluation of near-field exploration opportunities is ongoing. The joint venture has pre-invested in some long lead items, and is looking to secure a drilling rig, while continuing to refine evaluations ahead of any final drilling commitments.

### PERMIT PEP38499 (NZOG INTEREST 12.5%)

NZOG and its Tui area partners acquired offshore block PEP38499 in mid 2007. It lies to the south of the producing Tui fields and west of the producing Maui field. Marine seismic survey shot in June/July 2007 has been processed and evaluated, to further delineate and define the leads. The joint venture is awaiting the Operator's recommendations.

### PERMIT PEP38483 (NZOG INTEREST 18.9%)

Work on this permit continues to focus on remodeling and reviewing a number of prospects and leads with a view to proving these up to drillable prospects.

## New Website

New Zealand Oil & Gas Ltd has a new website. The address is the same: [www.nzog.com](http://www.nzog.com) ([www.nzog.net](http://www.nzog.net) also takes you there) but the content has been improved and the new layout is fresh, modern and easy to navigate. There are also interactive graphs where you can work out the value of your own investment. Take a look at the new website and use the Contact Us page to send us your feedback directly. You can also use the Email Alerts to subscribe for personalised website updates.

## NZOG stock symbols

NZX SHARES – NZO ASX SHARES – NZO

## Financial Update

NZOG's revenue for the quarter was NZ\$80.9m, taking total revenue for the full financial year to NZ\$234.6m. This includes NZ\$222.8m from Tui, along with a gain recognised from the successful float of Pike River Coal Ltd and other non-Tui revenue.

During the quarter NZOG's share of the Kupe development continued to be funded from the Westpac debt facility. Going forward, we will also meet some of our Kupe commitments from cash funds in place of the debt facility. The Tui facility with CBA, which had been fully repaid in the previous quarter, was wound-up. At 30 June 2008 NZOG's total debt was NZ\$64.0m.

More financial information is contained in the June 2008 Quarterly Cash Flow Report which has been released to the NZX and ASX.

## Share Registrars Contact

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

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**New Zealand Oil & Gas Ltd**  
Discovering Our Energy Future

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New Zealand Oil & Gas Ltd is listed on the NZX and ASX, with significant oil and gas holdings, exploration permits and investments. Find out more about us

CURRENT SHARE PRICE	
NZX	ASX
Code: NZO	Code: NZO
Last: \$1.79	Last: \$1.98
Change: 0.00+	Change: 0.00+

Last updated: 18 Jul 2008 at 10:06 AM

**WHAT'S NEW**

**Annual General Meeting**  
11 JULY 2008  
The 2008 Annual General Meeting of New Zealand Oil & Gas Ltd will be held in Wellington on Wednesday 29 October. Read more >

**Top 20 Shareholders**  
16 JULY 2008  
Following the exercising of the June 2008 Options Plan, there have been some changes to the largest shareholders of New Zealand Oil & Gas Ltd. Read more >

**Options Exercise Results**  
06 JULY 2008  
Over \$420 million has been raised from the exercising of June 2008 Options. Read more >

**Tui Oil Reserves Increased Again**  
20 JUNE 2008  
Tui's proved and probable (2P) reserves have been increased again to 55.1 terralitres. Read more >

**Kupe Drilling Summary**  
23 JUNE 2008  
The drilling and testing of the first Kupe Development Well has been successfully completed. Preliminary analysis of the well results indicates that the well is a gas condensate producer. Read more >

**INVESTOR INFORMATION**

- Company Reports
- Analyst Coverage
- Investment Calculator
- Update Your Details

See More Investor Information >

**SITE HIGHLIGHTS**

- Tui Area Oil Fields**  
NZOG has a 10.8% stake in the producing Tui Oil Fields.
- Kupe Project**  
NZOG has a 10% stake in the Kupe gas and condensate project.
- Pike River Coal**  
NZOG is the largest shareholder in this exciting coal mine development.

Receive NZOG updates via email

## FOR FURTHER INFORMATION PLEASE CONTACT:

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Chris Roberts, Public Affairs Manager

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This report has been printed on FSC certified paper.

## Annual General Meeting

The date, time and venue have been set for this year's Annual General Meeting. As well as the AGM in Wellington, we have decided this year to hold investor briefings the following day in Auckland and Christchurch, to allow as many shareholders as possible to hear the company's story in person.

### AGM

Date: 29 October  
Time: 10.30am  
Venue: Holiday Inn  
75 Featherston St  
Wellington

### Investor Briefing

Date: 30 October  
Time: 10am  
Venue: Crowne Plaza  
128 Albert St  
Auckland

### Investor Briefing

Date: 30 October  
Time: 6pm  
Venue: The George  
50 Park Terrace  
Christchurch

## Investing Wisely

New Zealand Oil & Gas Ltd is obviously delighted with the outcome of the options exercise, which has provided a capital injection of more than NZ\$190 million. We see it as a clear statement of faith in the company.

At no time did we take for granted that option holders would choose to exercise their options. We have worked hard to ensure that the market is well-informed and understands the company's underlying value and its potential for further growth.

The successful capital raising – the largest on the NZX this year – now allows us to raise our sights and increase the scale of the new opportunities we are pursuing. Together with the strong revenue flows coming from the Tui fields, we have the opportunity – and the challenge – of aggressively pursuing sensible investments in the exploration and production sector.

We are very focused on maximising value from our existing assets – and we see considerable potential upside around our existing Tui and Kupe projects – as well as identifying new, value adding investments. But every potential investment is being thoroughly assessed before any commitment is made.

We have almost completed a comprehensive look at all the potential exploration and production opportunities in New Zealand. Some of those remain live and some have been screened out. We are now looking further afield because the opportunities currently available in New Zealand are too few to confidently satisfy our growth targets.

In the interim, the funds raised through the options exercise have been invested in short-term banking facilities with a number of S&P AA or better-rated institutions. We are not in the business of financial speculation with shareholder funds.



## What's Coming Up

ANNUAL GENERAL MEETING  
OCTOBER 29 WELLINGTON

SHAREHOLDER BRIEFINGS  
OCTOBER 30 AUCKLAND & CHRISTCHURCH