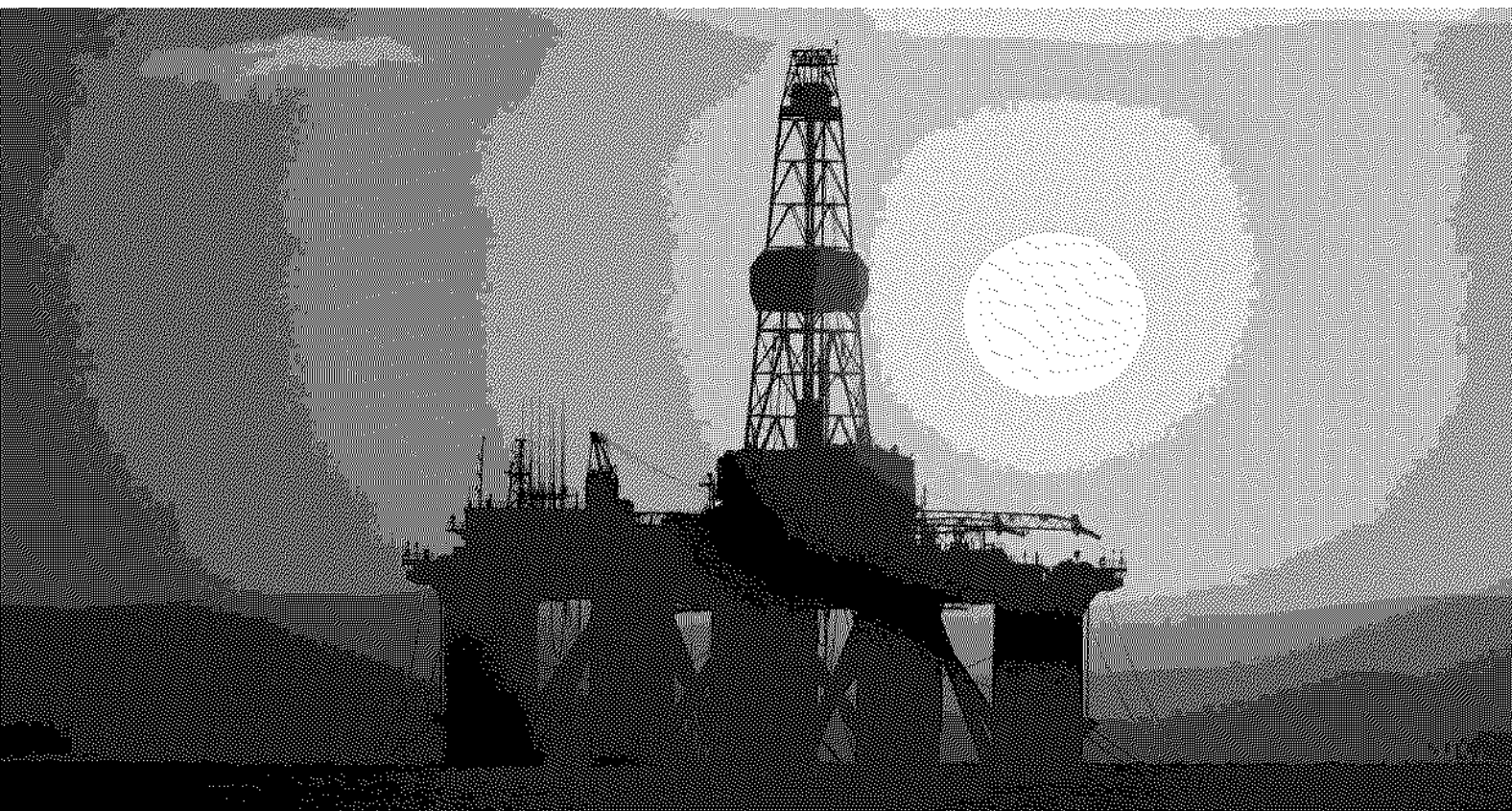


# NEW ZEALAND OIL & GAS LIMITED



## New Zealand Investment Statement and Australian Prospectus

For Issue of One Free 2008 Option For Every Two Shares Held

The 2008 Options described in this document will be issued to all Shareholders on 5 December 2005, unless you advise NZOG in writing to the contrary prior to 2 December 2005. Special provisions apply to Shareholders with registered addresses outside of New Zealand and Australia. Such persons should read sections 3.4 and 8 of Part B of this document.

This document is important and requires your immediate attention. If you do not understand or are in any doubt as to how to deal with this document, you should contact your sharebroker, solicitor, accountant or other professional adviser immediately.

The rights to 2008 Options are non-renounceable.  
This Offer is not underwritten.

THIS OFFER CLOSSES ON 2 DECEMBER 2005\*



# Contents

Section	Page
Directors' letter	2
Part A. New Zealand Investment Statement Dated 22 November 2005 for the Purpose of the New Zealand Securities Act 1978	3
Part B. Prospectus Content for the Purpose of the Australian Corporations Act	8
1. Summary of Important Dates*	8
2. Purpose of the Issue	8
3. Details of Offer	8
4. Current Position, Prospects and Outlook of the NZOG Group	10
5. Rights and Obligations of 2008 Options	12
6. Information About the NZOG Group	13
7. Additional Information	14
8. Shareholders Resident Outside New Zealand and Australia	18
9. Definitions	19
Directory	20



# NEW ZEALAND OIL & GAS LIMITED

New Zealand Registered Company Number WN 037842 Australian Registered Body Number 003 064 962

## New Zealand Investment Statement and Australian Prospectus For the issue of one free 2008 Option for every two Shares held

### Important Notes

This document, called the New Zealand Investment Statement and Australian Prospectus, is issued by NZOG and is dated 22 November 2005 and a copy of this document was lodged as a prospectus with the Australian Securities and Investments Commission ("ASIC") on that date. No 2008 Options will be issued on the basis of this New Zealand Investment Statement and Australian Prospectus after its expiry date of 31 December 2005.

Application has been made to the New Zealand Exchange Limited ("NZX") and the Australian Stock Exchange Limited ("ASX") for permission to list the 2008 Options and all the requirements of NZX and ASX relating thereto that can be complied with on or before the date of the New Zealand Prospectus and the distribution of this New Zealand Investment Statement and Australian Prospectus have been duly complied with. None of NZX, ASX, the New Zealand Registrar of Companies or ASIC takes any responsibility for any statement in, or the contents

of, this New Zealand Investment Statement and Australian Prospectus.

Persons receiving this Offer should read the full text of the New Zealand Investment Statement (Part A) and Australian Prospectus (Part B). Reference is made in the New Zealand Investment Statement to details in Part B. The Directors' letter forms part of this document.

This document is for an offer of options over continuously quoted securities (as defined in the Australian Corporations Act) of NZOG and has been prepared in accordance with section 713 of the Australian Corporations Act.

\*This Offer closes and entitlements to receive 2008 Options will be calculated at the close of business on 2 December 2005.

# Directors' Letter

22 November 2005

Dear NZOG Investor,

On 28 October 2005, NZOG announced that it would make a 1 for 2 issue of "bonus" share options to all of its Shareholders.

Through this Prospectus, you are offered one free 2008 Option for each two Shares held. The 2008 Options will be exercisable to 30 June 2008.

No payment is required to receive your bonus options.

If you do not want the 2008 Options you must advise NZOG prior to **2 December 2005**.

If you take up the 2008 Options you may exercise them at any time prior to **30 June 2008 upon payment of NZ\$1.50 each**.

Full details of the Offer are set out in this document. Up to date information on NZOG is also contained in the 2005 Annual Report and in NZOG's continuous disclosure releases to NZX and ASX.

On behalf of the directors



R A Radford

Executive Chairman

# Part A

## New Zealand Investment Statement Dated 22 November 2005 for the Purpose of the New Zealand Securities Act 1978

### Important Information

(The information in this section is required under the New Zealand Securities Act 1978)

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

### Choosing an investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

	Page
What sort of investment is this?	4
Who is involved in providing it for me?	4
How much do I pay?	4
What are the charges?	4
What returns will I get?	5
What are my risks?	5
Can the investment be altered?	6
How do I cash in my investment?	6
Who do I contact with enquiries about my investment?	6
Is there anyone to whom I can complain if I have problems with the investment?	7
What other information can I obtain about this investment?	7

In addition to the information in this document, important information can be found in Part B of this document and in the current registered New Zealand prospectus for the investment, a copy of which you are entitled to on request.

### Choosing an investment adviser

You have the right to request from any investment adviser a written disclosure statement stating his or her experience and qualifications to give advice. That document will tell you:

- whether the adviser gives advice only about particular types of investments; and
- whether the advice is limited to the investments offered by 1 or more particular financial organisations; and
- whether the adviser will receive a commission or other benefit from advising you.

You are strongly encouraged to request that statement. An investment adviser commits an offence if he or she does not provide you with a written disclosure statement within 5 working days of your request. You must make the request at the time the advice is given or within one month of receiving the advice.

In addition:

- if an investment adviser has any conviction for dishonesty or has been adjudged bankrupt, he or she must tell you this in writing; and
- if an investment adviser receives any money or assets on your behalf, he or she must tell you in writing the methods employed for this purpose.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes.

## 1. What sort of investment is this?

Options are speculative in nature.

You are being offered one new option (a "2008 Option") for every two Shares you presently hold in New Zealand Oil & Gas Limited ("NZOG"). An option is a right to acquire a share for a set price.

Each 2008 Option will entitle you to acquire a share ("Share") in NZOG at any time up close of business, 30 June 2008 at which time they expire.

Full details of the terms of the 2008 Options are set out in Section 5 of Part B of this document.

Special provisions apply to Overseas Persons outside New Zealand and Australia as set out in sections 3.4 and 8 of Part B of this document.

For more information on the purpose and details of the Offer, see sections 2 and 3 of Part B of this document.

## 2. Who is involved in providing it for me?

The Offer is being made by New Zealand Oil & Gas Limited, whose registered office is Level 20, 125 The Terrace, Wellington, New Zealand. No one has guaranteed that the Offer will be successful.

The Offer is not underwritten.

The principal activities of NZOG are the conduct of petroleum (oil and gas) exploration and production in New Zealand. NZOG has:

- a 12.5% interest in the Tui Area Oil Development, offshore Taranaki
- a 15% interest in the Kupe Gas and Oil Development, offshore Taranaki
- a significant holding of exploration permits, on and offshore Taranaki.

NZOG also holds a 71% interest in the Pike River Coal Development, West Coast, South Island.

NZOG has been conducting oil and gas activities since 1981.

Exploration is a high risk activity. NZOG does not presently pay dividends.

For more information about NZOG and its current position and trading prospects, see sections 4 and 6 of Part B of this document.

## 3. How much do I pay?

### (a) To take up the 2008 Options

The 2008 Options are issued to Shareholders fully paid and free of charge.

### (b) Payment to Convert 2008 Options to Shares

There is no obligation to convert your 2008 Options to Shares. However, if you do exercise them, which can be done any time up to 30 June 2008, you will have to pay **NZ\$1.50 per Share** ("Exercise Price").

2008 Options may be exercised by giving notice to NZOG together with payment of \$1.50 per share in New Zealand currency by cheque or bank draft made out to "New Zealand Oil & Gas Limited" and crossed "Non-transferable" and mailing or delivering to NZOG's share registrar in New Zealand or Australia. The address of each share registrar is set out in the Directory on page 20.

## 4. What are the charges?

The only amount you are required to pay for the 2008 Options or to convert the 2008 Options to Shares is set out in paragraph 3(b) above.

## 5. What returns will I get?

### (a) Returns on 2008 Options

There are no returns payable to you for holding 2008 Options, other than the market price which may be available to you from time to time if you decide to sell them on a stock exchange.

### (b) Returns on Shares

If you were to exercise any 2008 Options, to acquire Shares, your returns will be:

- dividends or other distributions, if any, that may subsequently be made by NZOG. NZOG does not currently pay dividends;
- the market price which may be available to you from time to time if you decide to sell them on a stock exchange; and
- the right to participate in all new cash issues of securities and bonus shares which are granted to the Shareholders.

The factors which will determine your returns on 2008 Options or Shares is the success or otherwise of NZOG's oil and gas exploration activities, the commercial exploitation of new discoveries and/or existing undeveloped reserves, and the commercial development of existing discoveries.

No amount of returns on 2008 Options or Shares has been promised by NZOG.

At the date of this document, the dates on which, or frequency with which, the returns (if any) on Shares will be paid is unknown.

Except for the obligation to issue Shares and other securities and the obligation to pay dividends, NZOG is not responsible for the returns noted above. If payable, dividends may be affected by taxation. A brief taxation summary is contained in section 7.10 of Part B of this document.

## 6. What are my risks?

### (a) Risks of Investing in 2008 Options

The market price of 2008 Options is likely to fluctuate.

The cost of converting a 2008 Option into a Share (the "Exercise Price") is fixed. The cost of converting 2008 Options to Shares is more than the market price of Shares at the date of this document.

### (b) Risks of Investing in Shares

An investment in Shares will be speculative.

The risk that could adversely affect your investment in Shares, is that you could lose some or all of the money you pay to exercise 2008 Options to acquire Shares, if NZOG is not successful in its oil and gas exploration activities, commercial exploitation of new discoveries and/or existing undeveloped reserves, or the commercial development of existing discoveries.

You cannot be forced to exercise 2008 Options, it is entirely at your discretion.

You will not be liable to pay any money to any person if NZOG becomes insolvent other than the exercise price for any 2008 Options that you have exercised but not paid for. Claims of NZOG's Shareholders would rank behind all of NZOG's secured and unsecured creditors and preferential claims provided by the Companies Act 1993 and other legislation. NZOG currently has no debt financing, but may borrow funds during the currency of the 2008 Options.

If NZOG was to be liquidated after a period of losses, it is reasonably foreseeable that you will receive less money than you paid to NZOG to exercise 2008 Options.

## 7. Can the investment be altered?

The rights and obligations attaching to 2008 Options and/or Shares can only be altered by special resolutions passed at a general meeting of 2008 Option holders and Shareholders of NZOG, respectively.

## 8. How do I cash in my investment?

You should be able to sell your 2008 Options through the stock exchanges once they are quoted on the NZSX and ASX, depending on the quantity you may want to sell.

The issue of 2008 Options is non-renounceable, meaning that you are not able to transfer your entitlement to the 2008 Options to any other person (whereas 2008 Options will be freely transferable after they are allotted). While you may decline to accept your entitlement by so advising NZOG in writing no later than Friday 2 December 2005, your directors advise that the 2008 Options will be issued free of charge and are expected to have value when quoted on the NZSX and ASX.

There is an established market for Shares on the NZSX and ASX.

No charges are payable to NZOG in respect of any sale of 2008 Options or Shares, although a Share or Option holder may be liable to pay charges to other persons, such as brokerage fees to the Share or Option holder's broker.

While there is no present intention to do so, NZOG's listing on the ASX could in the future be discontinued by the directors without any requirement for prior approval by Shareholders or 2008 Option holders.

Under the Companies Act 1993, NZOG can cancel its Shares under a reduction of capital, Share buy-back or other form of capital reconstruction. Subject to this, none of NZOG's Shareholders, NZOG, or any other person has any right to terminate, cancel, surrender, or otherwise make or obtain payment of the returns from those Shares, other than as referred to under the section titled "What returns will I get?" on page 5.

2008 Options cannot be exercised prior to 9 December 2005.

## 9. Who do I contact with enquiries about my investment?

### (a) Enquiries as to activities of NZOG and generally:

Mr Brian Roulston  
 New Zealand Oil & Gas Limited  
 Level 20, 125 The Terrace  
 Wellington, New Zealand  
 Tel: 64 (4) 495 2424      Fax: 64 (4) 495 2422      Email: brianr@nzog.net

### (b) Enquiries as to a transfer, or other questions about your holdings, contact the Share Registrar:

BK Registries Limited	OR	Registries Limited
PO Box 384		PO Box R67, Royal Exchange 1223
138 Tancred Street		Level 2, 28 Margaret Street
Ashburton		Sydney NSW 2000
NEW ZEALAND		AUSTRALIA
Tel: 64 (03) 308 8887		Tel: 61 (02) 9279 0677
Fax: 64 (03) 308 1311		Fax: 61 (02) 9279 0664
Email: info@bkregistries.co.nz		Email: registries@registriesltd.com.au

## 10. Is there anyone to whom I can complain if I have problems with the investment?

Please contact any of the people set out in section 9 above, with your concerns. There is no ombudsman to whom complaints about the 2008 Options or the Shares can be made.

## 11. What other information can I obtain about this investment?

More information about the 2008 Options and the Shares is contained and referred to in Part B of this document.

Most of the information set out in sections 1 to 9 of Part B of this document is drawn from the prospectus prepared in accordance with the New Zealand Securities Act 1978 ("NZ Prospectus") that has been registered with the Registrar of Companies.

A full copy of the NZ Prospectus:

- can be obtained free of charge from NZOG during currency of the 2008 Options by contacting Mr Brian Roulston (contact details are set out on page 6 of this document);
- is also available from NZOG's website: [www.nzog.net](http://www.nzog.net);
- is filed on a public register at the Companies Office of the Ministry of Economic Development and is available for public inspection, or by internet access at the website: [www.companies.govt.nz](http://www.companies.govt.nz).

More information about NZOG's activities are contained in:

- 2005 Annual Report (including the financial statements for the year ended 30 June 2005);
- September 2005 Quarterly Activities Report and Quarterly Report of Consolidated Cash Flows;

- Continuous disclosure notices to the NZX and ASX since the date of this document.

The above information can be obtained free of charge from NZOG during the currency of the 2008 Options by contacting Mr Brian Roulston or by internet access at NZOG's website on: [www.nzog.net](http://www.nzog.net).

In addition, a copy of NZOG's:

- Financial Statements for the year ended 30 June 2005 (being an excerpt from the 2005 Annual Report);
- Other Company Statutory Records,

are filed on a public register at the Companies Office of the Ministry of Economic Development and are available for public inspection, or by internet access at the website: [www.companies.govt.nz](http://www.companies.govt.nz).

Those documents are available for public inspection at ASIC, or by internet access at the website: [www.asx.com.au](http://www.asx.com.au).

While you continue to hold 2008 Options you will receive copies of NZOG's annual report (incorporating its financial statements), half yearly and quarterly reports, notices of general meetings and any other notices or documents in the same manner as Shareholders in NZOG.

# Part B

## Prospectus Content for the purpose of the Australian Corporations Act

### 1. Summary of important dates\*

Announcement of Issue	28 October 2005
Application for official quotation of 2008 Options made to NZX and ASX	28 October 2005
New Zealand Prospectus registered with New Zealand Companies Office and New Zealand Investment Statement and Australian Prospectus lodged with ASIC	22 November 2005
New Zealand Investment Statement and Australian Prospectus and Entitlement Letter sent to all existing Shareholders	23 November 2005
Shares quoted "ex-basis" by the ASX and 2008 Option trading commences on a deferred settlement basis	28 November 2005
<b>Record Date for the 2008 Option Issue (to determine entitlements)</b>	<b>2 December 2005</b>
2008 Options quoted on NZSX	5 December 2005
Despatch of holding statements	by 5 December 2005
Normal 2008 Option trading on ASX commences on "T+3" settlement basis	6 December 2005
Earliest date for exercise of 2008 Options	9 December 2005
Last date for exercise of 2008 Options	30 June 2008

\* All dates are indicative only and may be varied by NZOG without prior written notice, subject to the Listing Rules, although an announcement of any changes will be made on ASX and the NZSX.

### 2. Purpose of the issue

If all the offered 2008 Options are issued and then exercised by 30 June 2008, approximately NZ\$150.5 million less the estimated cost of the issue of NZ\$90,000 would be raised. Any funds raised from exercise of 2008 Options will be applied to further development of NZOG's ongoing oil and gas exploration and development activities or for other opportunities as may be relevant at the time.

number of Shares in NZOG increases prior to the Record Date, or if there is any change to the number of treasury shares held by NZOG. There is no consideration payable for the 2008 Options, which are issued fully paid. Shareholders are being offered one 2008 Option for every two Shares they presently hold in New Zealand Oil & Gas Limited ("NZOG").

An option is a right to acquire a share for a set price. Options are speculative in nature. Each 2008 Option will entitle the holder to acquire a share ("Share") in NZOG at any time up to the close of business, 30 June 2008 at which time the 2008 Options will expire.

The number of 2008 Options to which each Shareholder is entitled is shown on the

### 3. Details of Offer

#### 3.1 Entitlement to 2008 Options

This Prospectus relates to the offer by NZOG of approximately 100,384,259 bonus options (called "2008 Options"). The number of 2008 Options offered may be increased from that number if the

personalised Entitlement Letter, which accompanies the New Zealand Investment Statement and Australian Prospectus sent to such persons.

The actual number of 2008 Options will be set at the Record Date.

Fractional entitlements have been rounded down when calculating entitlements.

To receive your 2008 Options **YOU NEED NOT TAKE ANY ACTION**. Shareholders having registered addresses in New Zealand or Australia, will be deemed to have accepted this offer of 2008 Options, **unless** you advise NZOG in writing to the contrary, no later than Friday, 2 December 2005.

Oversubscriptions are not permitted.

### 3.2 Issue is non-renounceable

The offer of 2008 Options is non-renounceable, which means that Shareholders may not sell or otherwise transfer their "rights" to all or any part of their entitlement.

While you may decline to accept your entitlement by so advising NZOG in writing no later than Friday, 2 December 2005, your Directors advise that the 2008 Options will be issued free of charge and are expected to have value when quoted on the NZSX and ASX.

**Directors recommend that you do not decline your entitlement. Holders of 2008 Options are not obliged to exercise them. Accepting this issue does not commit holders to any payment to NZOG. If not exercised by the Expiry Date, the 2008 Options will lapse.**

### 3.3 CHESS

NZOG participates in the Clearing House Electronic Subregister System ("CHESS") of securities transfer in Australia. CHESS is operated by ASX Settlement and Transfer Corporations Pty Limited ("ASTC") and another ASX subsidiary in accordance with the Australian Corporations Act.

As a CHESS participant, NZOG maintains uncertificated sub-registers only and will not issue certificates to Australian Shareholders or 2008 Option holders. Instead, each Australian Shareholder will be provided with a statement of their option holdings in NZOG ("Holding Statement").

*It is the responsibility of holders of 2008 Options to determine their holding prior to trading in 2008 Options. Applicants who sell 2008 Options before receiving their Holding Statement do so at their own risk. If you are in any doubt, please call NZOG's Share Registrar BK Registries on + 64 3 308 8887.*

### 3.4 Overseas Persons

Shareholders with registered addresses outside of New Zealand and Australia ("Overseas Persons") are required to ensure that the Offer may legally be made to them in accordance with the applicable securities laws of that jurisdiction, including ensuring any governmental or other consents or formalities which may be required are obtained or observed in such country.

In countries where such an invitation or offer is unlawful, this document and the Entitlement Letter are sent for information only. In such a case, you must advise NZOG prior to 2 December 2005 that you are unable to receive an offer of 2008 Options.

In every case where an Overseas Person advises NZOG that he or she is unable to receive an offer of 2008 Options, or NZOG considers that the Offer cannot be made to that Shareholder, arrangements will be made to transfer to a nominee the 2008 Options to which the Shareholder would otherwise be entitled. Arrangements will then be made to sell such 2008 Options if there is a viable market for them. Any such sales will be at such prices and

otherwise in such manner as NZOG may in its absolute discretion determine, although the current intention is to sell within 90 days of issue. NZOG will not be liable for a failure to sell 2008 Options or to sell 2008 Options at any particular price. The net proceeds of the sale will be distributed to the Shareholders for whose benefit the 2008 Options have been sold in proportion to their respective entitlements (after deducting costs involved in the sale).

Any such distribution of the proceeds of sale will be remitted in New Zealand dollars to the Overseas Person. If NZOG is of the view that the expenses of sale will exceed the sale proceeds such 2008 Options will not be sold.

In this regard NZOG has determined that 2008 Options having a market price of NZ\$100 or less will have no net value and such 2008 Options will not be sold. Any 2008 Options not sold will be held by the nominee and allowed to lapse.

NZX has granted NZOG a waiver from the requirement in NZSX Listing Rule 7.3.4(b) to the extent that that Listing Rule would require the Offer to be made to Shareholders resident outside of New Zealand and Australia. This waiver enables NZOG to deal with Overseas Persons in the manner set out in this section and section 8 of this document.

### 3.5 Stock exchange quotation

Application has been made to NZX and ASX for permission to list the 2008 Options and all the requirements of the NZX and ASX relating thereto that can be complied with on or before the date of the New Zealand Prospectus and the distribution of this New Zealand Investment Statement and Australian Prospectus have been duly complied with.

Quotation of the 2008 Options is expected to occur on the NZSX on 5 December 2005 and on the ASX on 28 November 2005 on a deferred

settlement basis. None of the NZX, ASX, the New Zealand Registrar of Companies or ASIC takes any responsibility for any statement in, or the content of, this New Zealand Investment Statement and Australian Prospectus.

Application will be made for quotation of the Shares allotted upon any subsequent exercise of the 2008 Options within 3 business days of allotment of those Shares.

## 4. Current position, prospects and outlook of the NZOG Group

NZOG's trading prospects depend on the success, or otherwise, of NZOG's oil and gas exploration activities and commercial exploitation of new discoveries and/or existing undeveloped reserves of petroleum or coal. NZOG sees exploration as the way to achieve major success and create large value increases for its Shareholders.

NZOG and the Tui project partners made the Formal Investment Decision on the Tui Area oil field development on 19 November 2005. Several significant commitments have already been made by the joint venture partners, including the contract for drilling the four development wells which is firmly in place, and other contracts, such as the leasing of an FPSO (Floating Production Storage and Offloading vessel), are either nearly in final form or will be negotiated by the operator in short order.

The expected initial rates of oil production are 50,000 barrels/day, with a price of US\$50 per barrel when Tui starts up in early 2007 seen as a possibility. Tui proven and probable reserves are within the range 20-30 million barrels. There are several as yet undrilled oil prospects in the vicinity of the Tui Area oil fields, each of which may contain 10-20 million barrels of oil. Any discoveries here would be tied into the Tui development.

It is anticipated that the Kupe Gas and Oil Development project will be ready for the joint venture partners to make the Final Investment

Decision sometime during the first quarter of 2006, with an anticipated on-stream date in 2008. The Kupe field is New Zealand's second largest undeveloped gas field after Pohukura.

The Kupe project comprises a normally unmanned offshore platform, a 30 kilometre pipeline to the onshore facilities, a new onshore production station producing sales quality gas, LPG and condensate, and tie-in to the existing south Taranaki infrastructure. Kupe is set to provide a substantial long-term cash flow for NZOG once production commences in 2007. The Kupe project is important to New Zealand's future security of gas supply and there is significant potential for additional gas resources close to the initial development.

In September 2005 the decision to proceed with the Pike River coking coal mine was announced. This followed introduction of Indian coking coal company Saurashtra Fuels Private Limited, as a major new investor into Pike River Coal Company ("PRCC"), acquiring a 10.6% stake in PRCC by investing \$17 million prior to the IPO (defined below). NZOG and minority shareholders will invest a further \$23 million over the same period.

Planning is in progress for an Initial Public Offering ("IPO") by PRCC by March 2006. Preferred contractors for the road, bridge and tunnel construction have been appointed with construction expected to commence in the quarter ending December 2005. Finalisation of a contract for the transport of coal to point of export is nearing conclusion, following extended negotiations.

NZOG currently holds interests in major oil prospects Hector and Taitapa. The joint venture partners have signalled their intention to drill the Hector prospect in permit 38483 during 2006, after having reviewed the results of 3-D seismic carried out earlier in the year. Importantly, a drilling rig slot is available for this well, which is something not easily achieved in the very tight rig market that now exists. Hector would be drilled into the Kapuni C sands with the primary target being

clearly delineated by the recent 3D seismic. Hector is a structural closure at the Kapuni C sand level and in a similar setting to Tui. The Hector structure has in the order of 50 million barrels potential. While this is considered a good exploration prospect, it should be noted that it carries with it exploration risk.

NZOG presently does not pay dividends. However, when sufficient sustainable post-tax profits are established, it is the Directors' intention to recommend the payment of dividends to Shareholders of approximately fifty per cent (50%) of such profits subject to any cash flow requirements relating to development projects.

Directors are not aware of any "special factors or risks" which impact materially on NZOG's prospects other than those inherent in the oil and gas industry, such as achieving discoveries, developing reserves, oil and gas prices, field operating costs and production rates, capital expenditures, exchange rate movements and compliance with environmental laws.

From the date of 30 June 2005 (being the date up to which the latest financial statements included by reference in this New Zealand Investment Statement and Australian Prospectus) to the date of this New Zealand Investment Statement and Australian Prospectus, there have not arisen, in the opinion of the directors after due enquiry by them, any circumstances that materially adversely affect the trading or profitability of NZOG and its subsidiaries or the value of NZOG's or its subsidiaries' assets, or the ability of NZOG and its subsidiaries to pay their liabilities when due within the next twelve (12) months.

As NZOG's business is dynamic Shareholders are encouraged to keep themselves fully informed by reading all information that NZOG releases to the market. NZOG is presently required to disclose relevant information to both NZX and ASX on a continuous basis.

## 5. Rights and obligations of 2008 Options

### 5.1 Exercise of Options

2008 Options may be exercised by giving notice to NZOG together with payment of NZ\$1.50 per Share in New Zealand currency by cheque or bank draft made out to "New Zealand Oil & Gas Limited" and crossed "Non-transferable" and mailing or delivering same to NZOG's share registrar in New Zealand or Australia. The address of each share registrar is set out in the Directory on page 20. Option holders must exercise a minimum number of 2008 Options which either by themselves or when counted together with Shares already held will result in the holder having a marketable parcel of Shares.

2008 Options not exercised up to and including the Expiry Date, close of business, 30 June 2008 will lapse. Option holders will be reminded of their right to exercise their 2008 Options at least 20 business days prior to the Expiry Date. The reminder notice will be accompanied by a 'notice of exercise' form.

Shares allotted on exercise of 2008 Options will rank equally from the date of their issue with existing issued Shares. NZOG will apply for quotation of Shares so allotted on each exchange on which its Shares are then quoted within 3 business days of allotment.

2008 Options holders will need to ensure they comply with all relevant laws before exercising 2008 Options. For instance, holders of a substantial number of Shares and/or 2008 Options will need to ensure they comply with any requirements under the Overseas Investment Act 2005, Securities (Substantial Security Holders)

Regulations 1997, and the Takeovers Code Approval Order 2000. 2008 Options cannot be exercised prior to 9 December 2005.

### 5.2 Rights attaching to Options

- (i) Each 2008 Option carries the right to subscribe for one Share at an Exercise Price of NZ\$1.50.
- (ii) 2008 Option holders will not participate in new cash issues of capital and securities of NZOG or of any other company. 2008 Option holders will however be given sufficient advance notice to allow 2008 Options to be exercised prior to the record date for any such new issue. The exercise price for the 2008 Options will not be adjusted for new cash issues.
- (iii) 2008 Options will not carry any right to dividends.
- (iv) 2008 Option holders will, in the event NZOG makes any pro rata bonus issue of Shares during the currency of the 2008 Options (but not other securities), be entitled to receive such issue on the same basis as Shareholders, but only upon exercise of their 2008 Options. The entitlement of 2008 Option holders will be determined as if their 2008 Options had been exercised immediately prior to the date on which entitlements to such new issue are determined.
- (v) The 2008 Options are transferable.
- (vi) 2008 Option holders will receive reports, financial statements and notices as are sent to Shareholders. 2008 Option holders may attend but not vote at general meetings of Shareholders.

(vii) In the event of any reorganisation other than a bonus issue per 5.2 (iv) above, (including consolidation, subdivision, or cancellation) of the share capital of NZOG on or prior to the Expiry Date, the number of 2008 Options to which each holder is entitled and/or the Exercise Price of the 2008 Options will be adjusted as permitted or required by the NZSX and ASX Listing Rules, as applicable, and which will not result in any additional benefits being conferred on 2008 Option holders which are not conferred on Shareholders.

(viii) Subject to the Listing Rules, the rights and obligations attaching to 2008 Options can only be altered by special resolutions of 2008 Option holders and Shareholders of NZOG, respectively.

## 6. Information about the NZOG Group

### 6.1 ASX and NZSX Listing

NZOG was incorporated in New Zealand on 12 June 1981. NZOG is admitted to both the official list of the NZSX and the official list of ASX and is subject to the rules that govern those exchanges.

### 6.2 Continuous Disclosure

As a listed company, NZOG is subject to the Listing Rules that require it to immediately notify ASX and NZX of any information of which it is, or becomes, aware concerning the activities and operations of NZOG which a reasonable person would expect to have a material effect on the price or value of its listed securities.

### 6.3 Documents available for inspection

As a disclosing entity, NZOG is subject to regular reporting and disclosure requirements and copies of documents lodged (filed) with ASIC in relation to NZOG may be obtained from, or inspected at, an ASIC office.

More information about NZOG's activities are contained in NZOG's:

- 2005 Annual Report (including the financial statements for the year ended 30 June 2005);
- September 2005 Quarterly Update and Quarterly Report of Consolidated Cash Flows;
- Continuous disclosure notices to the NZX and the ASX since the date of this document.

The above information can be obtained free of charge from NZOG during currency of the 2008 Options by contacting Mr Brian Roulston (contact details are set out on page 6 of this document).

The above information is also available from NZOG's website on: [www.nzog.net](http://www.nzog.net).

In addition, a copy of NZOG's:

- Financial Statements for the year ended 30 June 2005 (being an excerpt from the 2005 Annual Report)
- New Zealand Prospectus for this Offer
- Other Company Statutory Records,

are filed on a public register at the Companies Office of the Ministry of Economic Development and are available for public inspection, or by internet access at the website:

[www.companies.govt.nz](http://www.companies.govt.nz).

Those documents and a copy of NZOG's September 2005 Quarterly Update and Quarterly Report of Consolidated Cash Flows are available for public inspection at ASIC, or by internet access at the website: [www.asx.com.au](http://www.asx.com.au).

### 6.4 Right to obtain copies

You have the right to obtain from NZOG (free of charge during the Offer period):

- the annual financial report most recently lodged with ASIC by NZOG;
- any half-year financial report lodged with ASIC

by NZOG after the lodgment of that annual financial report and before the lodgment of the copy of this document with ASIC; and

- any continuous disclosure notices given by NZOG after the lodgment of that annual financial report and before the lodgment of the copy of this document with ASIC.

While you continue to hold 2008 Options you will receive copies of NZOG's annual report (incorporating its financial statements), half yearly and quarterly reports, notices of general meetings and any other notices or documents in the same manner as Shareholders in NZOG.

## 7. Additional information

### 7.1 Prospectus for continuously quoted securities

This Prospectus is issued in Australia pursuant to section 713 of the Australian Corporations Act as a transaction specific prospectus.

Section 713 of the Australian Corporations Act enables companies to issue transaction specific prospectuses where those companies are, and have been for a period of 12 months, disclosing entities. The Shares underlying the 2008 Options offered pursuant to this New Zealand Investment Statement and Australian Prospectus are of a class that has been continuously quoted on ASX for at least 12 months prior to the date of this document.

As the 2008 Options will be issued with disclosure to investors under Part 6D.2 of the Australian Corporations Act, the on-sale restrictions in section 707(3) of the Australian Corporations Act will not apply to the 2008 Options themselves and ASX quotation of the 2008 Options should be able to be obtained (subject to ASX Listing Rule requirements for the 2008 Options terms and spread of holdings).

ASIC Class Order 04/671 (Category 3) should also afford on-sale relief from section 707(3) of the Australian Corporations Act to Shares issued by NZOG by reason of the exercise of Options (as there will have been the Prospectus for the 2008 Options).

### 7.2 Expenses of offer

The total expenses payable by NZOG in connection with the Offer are estimated to be approximately NZ\$90,000, including approximately NZ\$25,000 for legal expenses.

### 7.3 Interests of directors

Other than as set out elsewhere in this Prospectus, no Director, or proposed director, of NZOG holds, or during the two (2) years before the date of this Prospectus, has held, an interest in:

- the formation or promotion of NZOG; or
- any property acquired or proposed to be acquired by NZOG in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offer; or
- the Offer,

and no amount (whether in cash or shares or otherwise) has been paid or agreed to be paid, and no-one has given or agreed to give a benefit, to any Director, or proposed director, of NZOG, either to induce them to become, or to qualify as, a director of NZOG, or otherwise for services provided by them in connection with:

- (a) the formation or promotion of NZOG; or
- (b) the Offer.

No Director, or proposed director, of NZOG, no firm in which a Director of NZOG is a partner, has an interest in or will obtain any benefit from the Issue, except as set out in Part B of this Prospectus.

The Directors of NZOG are:

Name	Position	Address
Roy Antony Radford	Executive Chairman	11A Milner Crescent, Wollstonecraft Sydney, Australia
Raymond Francis Meyer	Director	53 Aberdeen Road, Castor Bay Auckland, New Zealand
Paul Gerard Foley	Director	10 Sefton Street, Wadestown Wellington, New Zealand
Stephen John Rawson	Director	150 Bleakhouse Road Howick, Auckland, New Zealand
David Robert Scoffham	Director	30 Hope Avenue, Russell, New Zealand

The relevant interests of Directors in NZOG Shares as would be required to be disclosed in an Annual Report in accordance with NZSX Listing Rule 10.5.3 are set out in the following table:

Director	Relevant Interest in Shares
R A Radford	5,959,909
P G Foley	50,000
D R Scoffham	100,000

Directors and senior managers who are Shareholders will be entitled to participate in this issue in the same manner as other Shareholders.

The executive chairman (Mr Radford) and other group employees who are participants in the NZOG Employee Share Ownership Plan ("ESOP") will receive 2008 Options in respect of securities held for the ESOP, over which they hold purchase rights. The entitlement of Mr Radford through the ESOP to 2008 Options is 2,534,415.

Mr Foley is a partner in the law firm Minter Ellison Rudd Watts, which firm has provided New Zealand law related advice to NZOG on the preparation of the New Zealand Investment Statement and the New Zealand Prospectus. None of the Directors listed above guarantee the 2008 Options or any Shares in NZOG.

#### 7.4 Interests of professionals, advisers and promoters

Other than as set out elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus and no promoter of NZOG:

(a) holds or has held in the two (2) years before the date of this Prospectus, any interest in:

- the formation or promotion of NZOG; or
- any property acquired or proposed to be acquired by NZOG in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offer; or
- the Offer,

(b) has been paid or agreed to be paid (whether in cash or shares or otherwise), and no value or benefit has been given or agreed to be given for services provided in connection with:

- the formation or promotion of NZOG; or
- the Offer.

The following persons have interests in the Offer which require disclosure under section 711 of the Australian Corporations Act:

#### *Solicitors*

Minter Ellison Rudd Watts and Minter Ellison have acted for NZOG as its legal advisor in New Zealand and Australia respectively in relation to the Offer and this Prospectus and will be paid legal fees and disbursements in accordance with

their usual rates for their work in connection with the Offer and this Prospectus. NZOG has agreed to pay Minter Ellison Rudd Watts approximately NZ\$18,000 (plus disbursements) and Minter Ellison approximately NZ\$7,000 (plus disbursements) for these services.

### 7.5 Consents and disclaimers

#### *New Zealand solicitors*

Minter Ellison Rudd Watts has given and has not withdrawn its consent to be named in this Prospectus (in both paper and electronic form) as New Zealand legal adviser to the Offer, in each case in the form and context in which they are included. Minter Ellison Rudd Watts has not authorised or caused the issue of this Prospectus and does not make, or purport to make, any statement that is included in this Prospectus which is based on any statement by Minter Ellison Rudd Watts.

To the maximum extent permitted by law, Minter Ellison Rudd Watts expressly disclaims and takes no responsibility for any part of this Prospectus other than the references to its name.

#### *Australian solicitors*

Minter Ellison has given and has not withdrawn its consent to be named in this Prospectus (in both paper and electronic form) as Australian legal adviser to the Offer, in each case in the form and context in which they are included. Minter Ellison has not authorised or caused the issue of this Prospectus and does not make, or purport to make, any statement that is included in this Prospectus which is based on any statement by Minter Ellison.

To the maximum extent permitted by law, Minter Ellison expressly disclaims and takes no responsibility for any part of this Prospectus other than the references to its name.

### 7.6 Directors' consents to lodgment

The Directors state that they have made all reasonable enquiries and have reasonable

grounds to believe that all statements made by the Directors in this Prospectus are true and not misleading.

Each Director has consented to the lodgment of this Prospectus with ASIC.

### 7.7 Capital structure

There are no restrictions in NZOG's Constitution that would affect the issue of Shares on exercise of the 2008 Options.

No unissued share capital of NZOG (or any of its subsidiaries) is under option or has been agreed, conditionally or unconditionally, to be put under option other than pursuant to:

- (a) this Offer;
- (b) an option in respect of 150,000 Shares held by NZOG's production consultant.

The following table sets out the issued and fully paid share capital at 18 November 2005 (being the latest practicable date before the printing and dispatch of this document) and as it will be, assuming all 2008 Options are exercised in due course.

NUMBER	ISSUED CAPITAL	SHARE CAPITAL (NZ\$000)
200,768,517	Shares as at 18 November 2005 (excluding treasury stock)	100,050
100,384,259	Maximum number of Shares to be issued and maximum capital raised if all 2008 Options (excluding held in treasury) to be issued are exercised	150,576
301,152,776	Issued Capital After Exercise Of 2008 Options	250,626

Note: NZOG will decline to accept its entitlement to 2008 Options attaching to treasury shares held by it at the Record date.

## 7.8 Substantial shareholders

NZOG's register of substantial Shareholders maintained in accordance with Section 26 of the New Zealand Securities Amendment Act 1988 records as at 18 November 2005 the following:

Name of Substantial Shareholder	Relevant Interest in Shares	As a % of total Voting Shares on issue at the time of the notice
Resources Trust Limited	11,068,325	5.42%
New Zealand Oil & Gas Limited	12,018,189*	7.57%

\* NZOG's substantial shareholding comprises NZOG's treasury stock of 5,864,515 shares and NZOG Nominees Limited's holding of 6,153,674 shares.

None of the substantial Shareholders listed above guarantees the 2008 Options or any Shares in NZOG.

## 7.9 Rights and liabilities attaching to Shares

The following is a summary of the rights, privileges and restrictions which attach to existing issued Shares and which (in the absence of any amendment of applicable law or NZOG's Constitution) will attach to Shares allotted on exercise of 2008 Options issued pursuant to this Offer. For full details, reference should be made to NZOG's Constitution, a copy of which can be obtained free of charge from NZOG.

### *Meetings and Voting*

Each Shareholder is entitled to notice of, and to attend and vote at, general meetings. At a general meeting every Shareholder present in person or by proxy or in the case of a corporation by its duly authorised representative has (subject to the Listing Rules) one vote on a show of hands and, on a poll, one vote for each Share held.

### *Dividends*

Subject to the rights of the persons entitled to Shares with special rights as to dividends (at present there are none), the profits of NZOG which the Directors from time to time may determine to distribute by way of dividends are divisible amongst the Shareholders in proportion to the amount of Shares held by them and the amounts paid up or credited as paid up on those Shares.

### *Issue of further Shares*

Except where required by law or the Constitution and subject to the Listing Rules, the directors may allot or otherwise dispose of further shares on such terms and conditions as they see fit.

### *Transfer of Shares*

Except where required by law or the Constitution and subject to the Listing Rules, there are no restrictions on the transfer of Shares.

### *Buyback of Shares*

Subject to the Companies Act 1993, the Constitution and the Listing Rules, NZOG may repurchase its Shares from Shareholders.

### *Variation of Rights Attaching to Shares (and other securities)*

The rights attaching to a class of Shares can only be varied with the sanction of a special resolution passed at a separate general meeting of the holders of that class of Shares and any other class of securities (for example 2008 Options) which are affected. It is not a variation of the rights of the ordinary Shares to issue securities of another class. Such issues may occur subject to the requirements of the Constitution and the Listing Rules. A variation of the rights attached to the 2008 Options will be treated as also affecting the rights attached to the Shares.

### *Rights on Liquidation*

If NZOG is liquidated, the liquidator may, with the approval of Shareholders and any other sanction required by the New Zealand Companies Act

1993, and after all the liabilities of NZOG are satisfied, divide the remaining assets of NZOG amongst the Shareholders, and may determine how the division shall be carried out as between Shareholders or different classes of Shareholders.

#### *Alteration of Constitution*

The Constitution can only be amended by a special resolution passed by at least three-quarters of Shareholders present and voting in general meeting. At least 10 business days written notice specifying the intention to propose the resolution as a special resolution must be given. In any case where the relative rights as between shareholders and option holders may be amended, special resolutions of both classes of security holders to amend the Constitution will be required.

#### **7.10 Taxation**

The following brief taxation summary is a guide only and is not exhaustive. All Shareholders including Shareholders outside New Zealand and Australia are recommended to immediately obtain and rely upon independent advice from their own professional tax advisers as is referable to their particular circumstances.

#### *New Zealand Shareholders*

Any profit (or loss) realised on the sale of 2008 Options or Shares received upon exercise of 2008 Options, should be tax neutral if the securities are held on capital account. If held on revenue account the profit (or loss), should be assessable income (or a deduction).

#### *Australian Shareholders*

If the securities are held on revenue account, any profit (or loss) on the sale of 2008 Options or Shares received upon exercise of 2008 Options should be assessable income (or a deduction).

For Shares or Options held on capital account the capital gains taxation provisions will apply to the sale.

## **8. Shareholders resident outside New Zealand and Australia**

**This Offer is subject to the laws of any foreign jurisdiction outside of New Zealand and Australia in which a Shareholder is resident and is only made to such Overseas Person where NZOG is legally able to do so in that country.**

Overseas Persons should consult their professional advisers as to whether any government or other consents are required or whether any formalities need to be observed to enable them to be issued 2008 Options. The entitlement of Overseas Persons who notify NZOG by 2 December 2005 that they may not legally receive the issue of 2008 Options will be treated in the manner described in section 3.4 above. No such notifications will be accepted from any person resident in the United States of America.

NZOG shall have full discretion in deciding whether any Overseas Persons may lawfully receive the Offer and/or be issued 2008 Options. In this regard NZOG deems persons resident in the United States of America as being unable to receive the Offer and their entitlement to receive the issue of 2008 Options will be treated in the manner described in section 3.4 above.

In particular, where this document has been sent to persons resident in the United States of America or any other country where the Offer cannot be lawfully made, this document and any accompanying Entitlement Letter are provided for information purposes only.

Shareholders holding Shares on behalf of Overseas Persons are responsible for ensuring that receiving their entitlement does not breach regulations in the relevant overseas jurisdiction.

## 9. Definitions

The following definitions apply throughout this document unless the context otherwise requires.

<b>ASIC</b>	means the Australian Securities and Investments Commission.	<b>NZOG</b>	means New Zealand Oil & Gas Limited (New Zealand Registered Company Number WN 037842, Australian Registered Body Number 003 064 962) and includes its subsidiaries as the context requires.
<b>ASX</b>	means the Australian Stock Exchange Limited ACN 008 624 691.	<b>NZX</b>	means the New Zealand Exchange Limited.
<b>Australian Corporations Act</b>	means the <i>Corporations Act 2001</i> (Cth).	<b>NZSX</b>	means the main board equity security market operated by NZX.
<b>Australian Prospectus or Prospectus</b>	means, depending on the context, either Part B of this document, or this document as a whole as lodged with ASIC as a prospectus.	<b>Offer</b>	means the offer constituted by this New Zealand Investment Statement and Australian Prospectus.
<b>Constitution</b>	means the constitution of NZOG as amended from time to time.	<b>Overseas Persons</b>	means Shareholders who are subject to the laws of a country other than New Zealand and Australia.
<b>Directors</b>	means the directors of NZOG.	<b>New Zealand Investment Statement and Australian Prospectus</b>	means this document
<b>\$</b>	means New Zealand dollars.	<b>New Zealand Prospectus</b>	means the prospectus registered with the New Zealand Registrar of Companies relating to the Offer.
<b>Entitlement Letter</b>	means the Entitlement Letter which accompanies this New Zealand Investment Statement and Australian Prospectus for Shareholders whose address is in New Zealand and Australia or such other jurisdiction as this Offer may legally be made.	<b>Record date</b>	means 2 December 2005.
<b>Expiry Date</b>	in respect of 2008 Options means 30 June 2008.	<b>Share</b>	means a fully paid ordinary share in NZOG.
<b>Group</b>	means NZOG and its subsidiaries.	<b>Shareholder</b>	means a holder of Shares.
<b>Issue</b>	means the issue of 2008 Options to be made under this Offer.	<b>2008 Options</b>	means Options to be allotted pursuant to the Offer, having the rights set out in section 5.2.
<b>Listing Rules</b>	means the listing rules of the NZSX or ASX, as the context requires, as amended from time to time and for so long		

as NZOG is admitted to the official list of such stock exchange.

## Directory

### Directors

R A Radford	CA (NZ), executive chairman and managing director
R F Meyer	ONZM, BE, PhD, DistFIPENZ deputy chairman
P G Foley	BCA, LLB
S J Rawson	BSc, MSc
D R Scoffham	MA MSc

### Solicitors for the Issue

Minter Ellison Rudd Watts Level 17 125 The Terrace Wellington New Zealand	Minter Ellison Aurora Place 88 Phillip Street Sydney NSW 2000 Australia
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### Registered and Head Office

Level 20  
125 The Terrace  
P O Box 10725  
Wellington, New Zealand  
Telephone: 04 495 2424  
Facsimile: 04 495 2422  
Email: enquiries@nzog.net

### Share and Option Registrars

#### New Zealand:

BK Registries  
P O Box 384  
138 Tancred Street  
Ashburton  
New Zealand  
Telephone: 64 3 308 8887  
Facsimile: 64 3 308 1311  
Email: info@bkregistries.co.nz

#### Australia:

Registries Limited  
P O Box R67, Royal Exchange  
Sydney NSW 1223  
Telephone: 61 2 9279 0677  
Facsimile: 61 2 9279 0664  
Email: registries@registriesltd.com.au



[www.nzog.net](http://www.nzog.net)

E-mail enquiries: [enquiries@nzog.net](mailto:enquiries@nzog.net)

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



23 November 2005

Mr John Smith  
3002 Mitchell Hwy  
Wellington, NSW 2820  
Australia

Dear John Smith

### BONUS 2008 OPTIONS ENTITLEMENT

Your entitlement is 250,000 2008 Options.

Enclosed is a copy of the New Zealand Investment Statement & Australian Prospectus for the bonus issue of 2008 Options. The entitlement showing above is based on one option for every two New Zealand Oil & Gas Limited shares held in your name at the date of this letter. The actual allotment will be based on the shareholding showing on the share register at 5pm on Friday 2 December 2005 (The record date).

The New Zealand Investment Statement and Australian Prospectus sets out important information on the 2008 Options, including how they can be exercised. Please retain this document along with the Transaction Statement you will receive from the Share Registry after Friday 2 December 2005, and which will show the number of 2008 Options you have been allotted.

We are pleased to be able to offer this opportunity to enhance the value of your interest in New Zealand Oil & Gas Limited, and which hopefully in due course will enable you to increase your participation in the company.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'R A Radford', written in a cursive style.

R A Radford.  
Executive Chairman