



NEW ZEALAND OIL & GAS LIMITED

**New Zealand Investment Statement
and Australian Prospectus**

RENOUNCEABLE RIGHTS ISSUE

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 advisor immediately.

Sponsoring Broker: McDouall Stuart

NEW ZEALAND OIL & GAS LIMITED

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

CONTENTS

Section	Page
DIRECTORS' LETTER	3
PART A. NEW ZEALAND INVESTMENT STATEMENT DATED 30 NOVEMBER 2006 FOR THE PURPOSE OF THE NEW ZEALAND SECURITIES ACT 1978	4
PART B. PROSPECTUS CONTENT FOR THE PURPOSE OF THE AUSTRALIAN CORPORATIONS ACT	15
1. SUMMARY OF IMPORTANT DATES*	15
2. PURPOSE OF THE ISSUE	16
3. DETAILS OF OFFER	16
4. CURRENT POSITION, PROSPECTS AND OUTLOOK OF THE NZOG GROUP	20
5. ACTIONS REQUIRED BY SHAREHOLDERS	24
6. INFORMATION ABOUT NZOG	26
7. ADDITIONAL INFORMATION	28
8. SHAREHOLDERS RESIDENT OUTSIDE NEW ZEALAND AND AUSTRALIA	34
9. DEFINITIONS	35
DIRECTORY	37

IMPORTANT NOTES

This document, called the New Zealand Investment Statement and Australian Prospectus, is issued by NZOG and is dated 30 November 2006. A copy of this document was lodged as a prospectus with the Australian Securities and Investments Commission ("ASIC") on that date. No New Shares or new 2008 Options will be issued on the basis of this New Zealand Investment Statement and Australian Prospectus after its expiry date of 31 March 2007.

Application has been made to New Zealand Exchange Limited ("NZX") for permission to list the Rights and the new 2008 Options and all the requirements of NZX 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. The ordinary Shares (that will be issued from the Rights and the new 2008 Options) have been accepted for listing by NZX and will be quoted upon completion of allotment procedures. However, NZX accepts no responsibility for any statement in this New Zealand Investment Statement and Australian Prospectus. Information as to quotation of the Rights, New Shares and new 2008 Options with the Australian Stock Exchange ("ASX") is set out in section 3.6 of Part B of this document.

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

The renounceable Rights described in this document will be issued to Shareholders on the register at the close of trading on NZSX on the Record Date for this Offer, being 8 December 2006. Entitlement to Rights for Shares traded on ASX will be determined at close of trading on 3 December 2006 as existing Shares will be quoted on ASX as "ex-rights" from 4 December 2006.

Special provisions apply to Shareholders with registered addresses outside of New Zealand and Australia. Such persons should read sections 3.5 and 8 of Part B of this document.

THE OFFER

- One New Share for every ten existing Shares held as at the Record Date
- Issue price of one dollar (NZ\$1.00) per New Share
- Each New Share comes with an attached 2008 Option at no extra cost.

KEY DATES *

Record Date to determine entitlements	8 December 2006
Offer opens	11 December 2006
Offer closes	19 January 2007

*Please refer to Section 1, in Part B of this document for a detailed timetable.



DIRECTORS' LETTER

30 November 2006

Dear NZOG Investor,

Under this Prospectus and Investment Statement, New Zealand Oil & Gas is offering you the opportunity to subscribe for one New Share together with one 2008 Option, for every 10 fully paid Shares you hold.

The price for each New Share, inclusive of a 2008 Option, is one dollar (NZ\$1.00).

You may also apply for additional New Shares (and attached 2008 Options) in excess of your entitlement. The Board will consider all such requests, but granting them is at the Board's sole discretion, and is also dependent on others not taking up their full entitlements.

Full details and conditions of the Offer are set out in this document. Information about NZOG is also contained in NZOG's 2006 Annual Report and continuous disclosure releases to the New Zealand and Australian stock exchanges.

This Rights Issue comes at a time when NZOG is developing its three cornerstone projects and has embarked upon an extensive drilling campaign in its Taranaki Basin permit areas.

Your directors commend this Offer to you.

On behalf of the directors

Tony Radford
Executive Chairman

**PART A. NEW ZEALAND INVESTMENT STATEMENT DATED 30 NOVEMBER 2006
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
<i>What sort of investment is this?</i>	5
<i>Who is involved in providing it for me?</i>	6
<i>How much do I pay?</i>	6
<i>What are the charges?</i>	7
<i>What returns will I get?</i>	8
<i>What are my risks?</i>	9
<i>Can the investment be altered?</i>	9
<i>How do I cash in my investment?</i>	10
<i>Who do I contact with enquiries about my investment?</i>	10
<i>Is there anyone to whom I can complain if I have problems with the investment?</i>	11
<i>What other information can I obtain about this investment?</i>	11

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?

You are being issued the right (a "Right") to subscribe for one New Share for every 10 fully paid Shares you presently hold in New Zealand Oil & Gas Limited ("NZOG").

Each Right entitles you to acquire a new share in NZOG ("New Share") from 11 December 2006 up to 5pm (local time) on 19 January 2007* at which time it lapses. Local time is determined with respect to the place of the share registrar on which the Eligible Shareholder's Shares are registered.

Every application for New Shares will also be an application for one new 2008 Option for every New Share for no additional consideration.

NZOG reserves the right to make allocations and allotments of New Shares and attached new 2008 Options prior to the Closing Date. Where NZOG does so, applications will be processed up to a date determined by NZOG, with allocations and allotments to be made on the following business day in respect of all such applications received and for which payment has cleared prior to the allotment date. The earliest any initial allocation and allotment of New Shares and attached new 2008 Options will be made is on 27 December 2006 based on applications received by 22 December 2006 and for which payment has cleared prior to the allotment date. No allotment will be made in respect of Applications for Additional Shares prior to the Closing Date.

Each New Share will provide the holder with the right to:

- (a) one vote on a poll at a meeting of Shareholders;
- (b) an equal participation with all other Shares in any dividend declared after the issue of the New Shares;
- (c) an equal participation with all other Shares in the residual assets on a liquidation of NZOG;
- (d) be sent reports, notices of meetings and other information sent to Shareholders; and
- (e) any other rights as a Shareholder conferred by the Constitution and the New Zealand Companies Act 1993.

Each 2008 Option:

- (a) provides the right to subscribe for one Share at an Option Exercise Price of NZ\$1.50;
- (b) must be exercised by 30 June 2008 and, if not exercised by that date will expire;
- (c) will not participate in new cash issues of capital and securities of NZOG or of any other company;
- (d) will not carry any right to dividends; and
- (e) will be transferable in its own right.

Full details of the terms of the Rights, the New Shares and the 2008 Options are set out in Sections 5 and 7.9 of Part B of this document.

Special provisions apply to Overseas Persons outside New Zealand and Australia as set out in sections 3.5 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.

Where you hold partly paid Shares the entitlement to New Shares will be determined in proportion to the amount that is paid up on the partly paid existing ordinary Shares.

*NZOG may, subject to the Listing Rules, extend the closing date for the Offer which may have a consequential effect on other dates.

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 62% interest in the Pike River Coal Development, West Coast, South Island. The number of securities held by NZOG in Pike River Coal Limited ("PRCL") will be adjusted, so that the investments by Gujarat NRE Coke Limited, Saurashtra Fuels Private Limited, NZOG and small shareholders totaling \$60 million, since September 2005, are matched to the initial public offer share price.

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.

Information about the NZOG directors and management team is set out below in sections 12 and 13 of Part A of this document.

3. HOW MUCH DO I PAY?

(a) Rights

Shareholders at the Record Date will be entitled to the Rights at no cost. The Rights will be quoted and may be traded on the ASX and the NZSX.

The price payable for a Right will be quoted on the ASX and the NZSX. The price for the Rights will be affected by a number of factors including the supply and demand for Rights at any particular time.

The entitlement to New Shares under Rights will lapse if the applicant fails to make payment for the New Shares by the closing date of the Offer.

(b) New Shares

New Shares are to be issued for NZ\$1.00 each, which is payable in full on application.

New Shares may be applied for by completing the Entitlement and Acceptance Form attached to or accompanying the New Zealand Investment Statement and sending it, together with payment of NZ\$1.00 per New Share in New Zealand currency by cheque or bank draft made out to "New Zealand Oil & Gas Limited" and crossed "Non-transferable" to reach NZOG's share registrar in New Zealand or Australia. The address of each share registrar is set out in the Directory on page 37. Your completed Entitlement and Acceptance Form and payment must be received by the relevant share registrar by no later than 5pm (local time) on 19 January 2007.

If you do not wish your application to be processed in an allocation prior to the Closing Date you must post date your cheque or bank draft with the Closing Date.

Investors may also apply for New Shares (and attached 2008 Options) in excess of their entitlement by completing the Application for Additional Shares section of the Entitlement and Acceptance Form. The Board of NZOG will consider all such requests, but granting any such requests is at its sole discretion. If it grants such requests, the basis on which this will be done is set out in section 3.1 of Part B below. NZOG may only seek to satisfy such requests for additional New Shares from any rights to New Shares which were not otherwise taken up at the Closing Date. To the extent Applications for Additional Shares are not successful, the relevant application monies will be refunded, without interest.

(c) 2008 Options

Every application for New Shares will also be an application for one new 2008 Option for every New Share for no additional consideration.

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 ("Option 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 37.

4. WHAT ARE THE CHARGES?

You are not required to pay for Rights. The only amount you are required to pay for the New Shares is set out in paragraph 3(b) above.

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

No charges are payable to NZOG in respect of any sale of Rights, Shares (including New Shares) or 2008 Options, although you may be liable to pay charges to other persons, such as brokerage fees.

5. WHAT RETURNS WILL I GET?

(a) Returns on Rights

There are no returns payable to you for holding Rights, 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. There is no guarantee that the Rights will have any value or will be able to be sold.

(b) Returns on Shares

If you were to exercise any Rights to acquire New Shares or exercise any new 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.

(c) 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.

General factors

The factors which may determine your returns on Rights, 2008 Options or Shares (including New Shares) include 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 Rights, 2008 Options or Shares (including New 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 (including New Shares) will be paid is unknown.

Except for the obligation to issue new Shares on exercise of 2008 Options and the obligation to pay dividends, if declared, 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 Rights

The market price of Rights is likely to fluctuate. There is no guarantee that the Rights will have any value or will be able to be sold.

(b) Risks of Investing in New Shares

An investment in New Shares will be speculative.

The risk that could adversely affect your investment in New Shares, is that you could lose some or all of the money you pay to exercise Rights to acquire New 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.

Risks inherent in the oil and gas industry that may affect your investment in New Shares are set out in section 4.7 of Part B. Other factors outside of NZOG's control that may affect your investment in New Shares are economic conditions in New Zealand, investor sentiment and local stock market conditions, changes in law or government policy.

You cannot be forced to exercise Rights, 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 price for any New Shares that you have applied for 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.

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 for the New Shares.

(c) Risks of Investing in 2008 Options

The market price of 2008 Options is likely to fluctuate. The Option 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.

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 Option Exercise Price for any 2008 Options that you have exercised but not paid for.

If you exercise your 2008 Options, each of the risks noted above in relation to New Shares will also apply to the Shares you receive.

7. CAN THE INVESTMENT BE ALTERED?

The rights and obligations attaching to Shares (including New Shares) and new 2008 Options can only be altered by special resolutions passed at a general meeting of Shareholders and 2008 Option holders, respectively.

8. HOW DO I CASH IN MY INVESTMENTS?

The offer of New Shares is renounceable, which means that Shareholders may sell or otherwise transfer their Rights to all or any part of their entitlement. To do so you should complete the steps on the reverse of the Entitlement and Acceptance Form (which for New Zealand and other holders incorporates a security transfer form and which for Australian Shareholders instructs holders how to deal with a broker). If both a renunciation and an acceptance are received in relation to the same Rights, the renunciation will take priority.

You may be able to sell your Rights through the stock exchanges once they are quoted on the NZSX and ASX, depending on the quantity you may want to sell. Rights trading is expected to commence on the ASX and the NZSX on 4 and 11 December 2006 respectively and cease on the ASX and the NZSX on 12 and 17 January 2007 respectively.

There is an established market for Shares and 2008 Options on the NZSX and ASX. The New Shares and attached 2008 Options will also be quoted on these stock exchanges following allotment.

No charges are payable to NZOG in respect of any sale of Rights, Shares (including New Shares) or 2008 Options, although you may be liable to pay charges to other persons, such as brokerage fees.

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.

Under the Companies Act 1993, NZOG may 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 8.

New Shares (together with attached 2008 Options) cannot be applied for prior to 11 December 2006.

9. WHO DO I CONTACT WITH ENQUIRIES ABOUT MY INVESTMENT?

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

Ms Helen Mackay
New Zealand Oil & Gas Limited
Level 20
125 The Terrace
Wellington, New Zealand
Tel: 64 (4) 495 2424
Fax: 64 (4) 495 2422
Email: helen.mackay@nzog.com

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

LINK Market Services Limited
PO Box 384
138 Tancred Street
Ashburton
NEW ZEALAND
Tel: 64 (03) 308 8887
Fax: 64 (03) 308 1311
Email: info@linkmarketservices.co.nz

OR Registries Limited
PO Box R67, Royal Exchange
Level 2, 28 Margaret Street
Sydney NSW 1223
AUSTRALIA
Tel: 61 (02) 9279 9600
Fax: 61 (02) 9279 0664
Email: registries@registries.com.au

10. IS THERE ANYONE TO WHOM I CAN COMPLAIN IF I HAVE PROBLEMS WITH THE INVESTMENT?

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

11. WHAT OTHER INFORMATION CAN I OBTAIN ABOUT THIS INVESTMENT?

More information about the Offer, the Rights, the 2008 Options and the Shares (including New 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 until the Closing Date by contacting Ms Helen Mackay (contact details are set out on page 10 of this document);
- is also available from NZOG's website www.nzog.com;
- 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.

More information about NZOG's activities is contained in:

- 2006 Annual Report (including the financial statements for the year ended 30 June 2006);
- September 2006 Quarterly Activities Report and Quarterly Report of Consolidated Cash Flows;
- Continuous disclosure notices to the NZX and ASX after the date of this document.

The above information can be obtained free of charge from NZOG until the Closing Date by contacting Ms Helen Mackay or by internet access at NZOG's website on: www.nzog.com.

In addition, a copy of NZOG's:

- Financial Statements for the year ended 30 June 2006 (being an excerpt from the 2006 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.

Those documents and a copy of NZOG's September 2006 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.

Subscribers who hold Shares or 2008 Options will be given a copy of NZOG's annual report, including its financial statements and a copy of the notice of annual meeting on an annual basis in accordance with the New Zealand Companies Act 1993.

12. DIRECTORS

Mr R A Radford Executive Chairman and Chief Executive

Tony Radford, CA (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.

Prof R F Meyer Deputy Chairman

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, Auckland UniServices Ltd, Transpower and Watercare Services Ltd and is currently a director 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 an 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 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).

13. MANAGEMENT TEAM

Gordon Ward (General Manager)

Gordon Ward has 19 years experience in the resource sector with NZOG. He was appointed NZOG's General Manager in 2004. Gordon has had particular responsibility for the Pike River Coal project. Gordon holds a Bachelor of Business Studies from Massey University (Palmerston North) and obtained his Chartered Accountant qualification whilst a senior auditor with Coopers & Lybrand (now PricewaterhouseCoopers). He was appointed to the Pike River Board in July 2006.

Dr Jonathan Salo (Senior Manager Geology)

Jonathan Salo joined NZOG in January 2006 as Senior Manager, Geology. Dr Salo has 20 years petroleum industry experience in the USA, Africa, Middle East, Asia, and Australia. Jonathan has numerous professional and industry awards (including exploration awards), and a PhD in Petroleum Geology from the University of Adelaide.

Helen Mackay (General Counsel)

Helen Mackay joined NZOG in July 2006 as General Counsel. Helen was previously in legal and commercial roles with Vector, NGC and ECNZ and has practised as an in-house lawyer in New Zealand and England. She has an LLB and BCA from Victoria University of Wellington.

Andrew Stewart (Manager Accounting and Compliance)

Andrew Stewart joined New Zealand Oil & Gas Limited in April 2004. Andrew has 20 years business experience with various financial institutions in New Zealand, UK, Ireland and Australia as well as large multi-nationals. Andrew holds MBA, BCA and CA (ICANZ) qualifications.

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 on a range of exploration and production oil and gas projects within Australasia.

**PART B. PROSPECTUS CONTENT FOR THE PURPOSE OF THE AUSTRALIAN
CORPORATIONS ACT**

1. SUMMARY OF IMPORTANT DATES*

Announcement of Offer	15 November 2006
New Zealand Prospectus registered with New Zealand Companies Office and New Zealand Investment Statement and lodgement of Australian Prospectus with ASIC	30 November 2006
Ordinary Shares quoted "ex-Rights basis" by the ASX and Rights trading commences on ASX	4 December 2006
Record Date for the Rights Issue (to determine entitlements)	8 December 2006
Opening date and despatch of New Zealand Investment Statement and Australian Prospectus (together with Entitlement and Acceptance Form) to Shareholders at the Record Date	11 December 2006
Rights trading commences on NZSX	11 December 2006
Overseas Persons to advise if Offer can be made to them	22 December 2006
First Possible Allocation Date**	22 December 2006
First Possible Allotment of New Shares and new 2008 Options and despatch of Holding Statements**	27 December 2006
Rights trading on ASX ends	12 January 2007
New Shares and new 2008 Options quoted on ASX on a deferred settlement basis	15 January 2007
Rights trading on NZSX ends	17 January 2007
Closing date for receipt of acceptances and renunciations with payment due (5.00pm) Friday	19 January 2007
Final Allotment of New Shares and new 2008 Options and despatch of Holding Statements	23 January 2007
Normal trading commences for New Shares and new 2008 Options on ASX	24 January 2007
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.

** At NZOG's discretion it may allocate and allot New Shares and new 2008 Options prior to the Closing Date. Normal trading of New Shares and new 2008 Options allotted to Shareholders on the New Zealand Share register prior to the Closing Date may take place on the NZSX from allotment. Shareholders wishing to trade before receiving Holding Statements should check their holdings with their broker prior to doing so. However, New Shares and new 2008 Options allotted to Shareholders on the Australian Share register prior to the Closing Date will (notwithstanding the despatch of Holding Statements) be quoted on ASX on a deferred settlement basis from 15 January 2007 and will only commence normal trading on ASX on 24 January 2007.

2. PURPOSE OF THE ISSUE

If all the offered New Shares are subscribed for (and all the new 2008 Options are exercised by 30 June 2008), approximately NZ\$57.6 million less the estimated cost of the issue of NZ\$120,000 would be raised. Any funds raised from the Offer will be applied to the further development of NZOG's ongoing oil/gas exploration and development activities described in section 4 below or for other opportunities as may be relevant at the time.

3. DETAILS OF OFFER

3.1 RIGHTS ISSUE

This Prospectus relates to a pro rata renounceable Rights Issue by NZOG of up to approximately 23,036,150 New Shares at an Issue price of NZ\$1.00 per share to Eligible Shareholders (together with approximately 23,036,150 new 2008 Options for no additional consideration). The Issue price for the Rights is payable in full by Eligible Shareholders on acceptance of the Offer. There is no consideration payable for the 2008 Options, which are issued for no additional consideration.

The New Shares are being offered to Eligible Shareholders on the basis of 1 New Share for every 10 fully paid existing ordinary Shares held on the Record Date. Where an Eligible Shareholder holds partly paid existing ordinary Shares the entitlement to New Shares will be determined in proportion to the amount that is paid up on the partly paid existing ordinary Shares. Every application for New Shares will also be an application for one new 2008 Option for every New Share for no additional consideration.

The number of New Shares (and attached new 2008 Options) offered may be increased from the number specified above if the 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 Rights.

The number of New Shares (and attached new 2008 Options) to which each Shareholder is entitled is shown on the personalised Entitlement and Acceptance Form, which accompanies or is attached to the New Zealand Investment Statement and the Australian Prospectus. Fractional entitlements will be rounded down to the nearest whole number of New Shares (and attached new 2008 Options) when calculating entitlements.

The actual maximum number of New Shares (and attached new 2008 Options) available for subscription will be set at the Record Date.

Investors may also apply for New Shares (and attached 2008 Options) in excess of their entitlement by completing the Application for Additional Shares section of the Entitlement and Acceptance Form. The Board of NZOG will consider all such requests, but granting any such requests is at its sole discretion. NZOG may only seek to satisfy such requests for additional New Shares from any rights to New Shares which were not otherwise taken up at the Closing Date.

If all Rights to New Shares are exercised all application monies from Applications for Additional Shares will be refunded to the relevant investor. If all Rights to New Shares are not exercised, but the Applications for Additional Shares exceed the number of Rights to New Shares that are not taken up at the Closing Date ("Unsubscribed New Shares Balance") and NZOG exercises its discretion to grant requests in respect of Applications for Additional Shares NZOG will give priority to those Applications for Additional Shares in respect of Shareholders with a small holding of Shares who are seeking to increase that holding to a level which NZOG's directors considers is equitable within the requirements of NZSX Listing Rule 7.3.4(c). Applications for Additional Shares may also be scaled back to ensure that the allocation of New Shares under all Applications for Additional Shares does not exceed the Unsubscribed New Shares Balance. To the extent Applications for Additional Shares are not successful, the relevant application monies will be refunded, without interest.

3.2 RIGHTS ARE RENOUNCEABLE

The Rights are renounceable, which means that Eligible Shareholders who do not wish to subscribe for some or all of the New Shares (and attached new 2008 Options) may sell or otherwise transfer their Rights to all or any part of their entitlement (being both the New Shares and the new 2008 Options together). To do so you should complete the steps set out on the reverse of the Entitlement and Acceptance Form (which for New Zealand and other holders incorporates a security transfer form and which for Australian Shareholders instructs holders how to deal with a broker).

Rights trading is expected to commence on the ASX and the NZSX on 4 and 11 December 2006 respectively and cease on the ASX and the NZSX on 12 and 17 January 2007 respectively.

If both a renunciation and an acceptance are received in relation to the same Rights, the renunciation will take priority.

3.3 RANKING AND ALLOTMENT

The New Shares will be issued fully paid and will rank equally in respect of all other Shares. A summary of the rights and liabilities attaching to the New Shares is set out in section 7.9. The new 2008 Options which are attached to each New Share will also be issued fully paid and will rank equally in respect of all existing 2008 Options. A summary of the rights and liabilities attaching to the new 2008 Options is set out in section 5.9.

NZOG reserves the right to make allocations and allotments of New Shares and attached new 2008 Options prior to the Closing Date. Where NZOG does so, applications will be processed up to a date determined by NZOG, with allocations and allotments to be made on the following business day in respect of all such applications received and for which payment has cleared prior to the allotment date. The earliest any initial allocation and allotment of New Shares and attached new 2008 Options will be made is on 27 December 2006 based on applications received by 22 December 2006 and for which payment has cleared prior to the allotment date. No allotment will be made in respect of Applications for Additional Shares prior to the Closing Date.

Normal trading of New Shares and new 2008 Options allotted to Shareholders on the New Zealand Share register prior to the Closing Date may take place on the NZSX from allotment. Shareholders wishing to trade before receiving Holding Statements should check their holdings with their broker prior to doing so. However, New Shares and new 2008 Options allotted to Shareholders on the

Australian Share register prior to the Closing Date will (notwithstanding the despatch of Holding Statements) be quoted on ASX on a deferred settlement basis from 15 January 2007 and will only commence normal trading on ASX on 24 January 2007.

It is expected that the final allotment of New Shares and new 2008 Options will occur on 23 January 2007.

Until the New Shares are allotted, NZOG will hold the application monies on trust for each applicant in a bank account maintained solely for that purpose. Any interest accrued on application monies will be retained by NZOG.

3.4 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 shareholdings in NZOG ("Holding Statement"). Entitlement and Acceptance Forms will be sent to Eligible Shareholders outlining their entitlement to Rights.

It is the responsibility of Shareholders to determine their shareholding prior to trading in Rights. Applicants who sell their Rights before receiving their Entitlement and Acceptance Form do so at their own risk. If you are in any doubt, please call NZOG's Share Registrar Registries Limited on + 61 2 9279 9600 or LINK Market Services Limited on + 64 3 308 8887.

3.5 OVERSEAS PERSONS

This New Zealand Investment Statement and Australian Prospectus and the accompanying Entitlement and Acceptance Form do not constitute an offer in any jurisdiction in which, or to any persons to whom, it would not be lawful to make such an offer.

In accordance with NZSX Listing Rule 7.3.4(g), NZOG is not required to offer or issue the Rights, the New Shares or the new 2008 Options to Shareholders in a jurisdiction outside of New Zealand and Australia ("Overseas Persons") if the legal requirements of that jurisdiction are such that it is unduly onerous for NZOG to make the offer in that jurisdiction. In the case of Rights, this Listing Rule requires NZOG to arrange the sale of such Rights and to account to the holders in that jurisdiction for the proceeds.

In accordance with that Listing Rule, the following process applies:

- (a) NZOG will issue all Rights to which Overseas Persons would otherwise be entitled to an NZOG nominee.
- (b) 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.
- (c) If Overseas Persons are satisfied that the Offer may legally be made to them, they can notify NZOG, who will arrange for the Rights to which that the Overseas Person is entitled to be transferred to them. All notifications must be provided to NZOG by 22 December 2006. Notifications may not be given by persons with registered addresses in the United States of America.

- (d) Promptly after 22 December 2006, NZOG's nominee will make arrangements to sell all remaining Rights held by it, provided that 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. NZOG will not be liable for a failure to sell Rights or to sell Rights at any particular price.
- (e) The net proceeds of the sale will be distributed to the Shareholders for whose benefit the Rights 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. NZOG expects that the costs involved in any sale of Rights will be a minimum of NZ\$20 per Overseas Person. Where the gross proceeds of the sale are less than the actual costs there will be no distributable amount.

In countries where such an invitation or offer is unlawful, this document and the Entitlement and Acceptance Form are provided strictly for information purposes only. Return of a duly completed Entitlement and Acceptance Form will be taken by NZOG to constitute a representation that there has been no breach of such laws.

3.6 STOCK EXCHANGE QUOTATION

Application has been made to NZX for permission to list the Rights and the new 2008 Options and all the requirements of NZX 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. The ordinary Shares (that will be issued from the Rights and the new 2008 Options) have been accepted for listing by NZX and will be quoted upon completion of allotment procedures. However, NZX accepts no responsibility for any statement in this New Zealand Investment Statement and Australian Prospectus.

Application has been made to NZX for permission to list the Rights and the New Shares (and attached 2008 Options) and all the requirements of 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 ASX, the New Zealand Registrar of Companies or ASIC takes any responsibility for any statement in, or the consent of, this New Zealand Investment Statement and Australian Prospectus.

Quotation of the Rights is expected to occur on the NZSX on 11 December 2006 and on the ASX on 4 December 2006.

Normal trading of New Shares and new 2008 Options allotted to Shareholders on the New Zealand Share register prior to the Closing Date may take place on the NZSX from allotment. Shareholders wishing to trade before receiving Holding Statements should check their holdings with their broker prior to doing so. However, New Shares and new 2008 Options allotted to Shareholders on the Australian Share register prior to the Closing Date will (notwithstanding the despatch of Holding Statements) be quoted on ASX on a deferred settlement basis from 15 January 2007 and will only commence normal trading on ASX on 24 January 2007. Application will be made to ASX for quotation of the Shares allotted upon any subsequent exercise of the new 2008 Options within 3 business days of allotment of those Shares. No such application for quotation is required in respect of the NZSX.

3.7 PRIVACY ACT

By returning an Entitlement and Acceptance Form, each Eligible Shareholder will be providing personal information to NZOG (directly or through NZOG's share registries). NZOG and the share registries collect, hold and will use that information to assess applications, service Shareholders' needs, facilitate corporate communications to Shareholders and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for securities in the context of takeovers, regulatory bodies, including the New Zealand Inland Revenue and the Australian Taxation Office, authorised securities brokers, print service providers and mail houses.

Shareholders can access, correct and update their personal information held by NZOG. Please contact your relevant share registry to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the New Zealand Privacy Act 1993, the Australian Privacy Act 1988 (Cth) (as amended), the Australian Corporations Act and certain rules including the ASTC Settlement Rules. Shareholders should note that if they do not provide the information required on the application for New Shares, NZOG may not be able to accept or process the application.

4. CURRENT POSITION, PROSPECTS AND OUTLOOK OF THE NZOG GROUP

4.1 OVERVIEW

NZOG's trading prospects depend on the successful development of existing reserves of petroleum or coal currently underway and on the results of NZOG's oil and gas exploration activities and commercial exploitation of new discoveries. NZOG believes exploration can achieve future major success and create large value increases for its Shareholders.

NZOG has had exploration successes over the years, discovering the Kupe Gas and Oil field in 1986, and the Tui Oil fields in 2003 & 2004 both of which are currently under development. NZOG is the major shareholder in Pike River Coal Limited which is currently developing the Pike River coking coal mine.

4.2 TUI OIL FIELD

NZOG and its Tui joint venture partners made a unanimous decision to fast-track the development of the Tui Area oil fields in November 2005. First oil production from the Tui Area oil fields is projected to flow in the June 2007 quarter. A combination of initial high flow rates and high oil prices is expected to generate strong front end cashflow for NZOG. The Tui Area oil development encompasses the Tui, Amokura and Pateke oil accumulations. The development of the fields, in water depths of 120m, will be undertaken via four horizontally drilled and subsea completed wells, each of which will be individually tied back to a leased Floating Production Storage and Offloading vessel ("FPSO").

The project facilities are designed for a maximum initial oil flow rate of 50,000 barrels of oil per day. Due to the nature of the reservoirs, well productivity is expected to remain high, but with a relatively rapid rise in water production and associated decline in oil rate. The FPSO storage capacity will be approximately 600,000 barrels, which will enable the efficient use of a range of differently sized off-take oil tankers for transport to market. Recoverable oil reserves for the Tui Area oil fields are estimated to be 27.9 million barrels.

The Tui joint venture signed a contract with Diamond Offshore in May 2005 for the use of the *Ocean Patriot* semi submersible rig for its six month drilling campaign which commenced with the Tieke-1 exploration well on 23 November 2006. Drilling of the Tui production wells is designed to tie in with the scheduled FPSO arrival date in the March 2007 quarter.

In March 2006 NZOG arranged a \$60 million finance facility to cover its entire share of the budgeted Tui development costs and associated contract deposits. Since then, due to cost increases typical in the current heated oil and gas construction market, the total development budget has been increased by 11% including a contingency provision.

4.3 KUPE FIELD

On 29 June 2006, NZOG and its Kupe joint venture partners made the formal investment decision to proceed with the significant Kupe project.

The Kupe development, in a water depth of 32 metres, involves an offshore unstaffed platform, three initial production wells, a 30 kilometre pipeline for transport of gas and condensate to shore and a new onshore production station. During November 2006, ground was broken at the site of the production station as earthworks commence in the first phase of construction.

The final investment decision was based on a construction budget of NZ\$980 million (NZOG share NZ\$147 million), which includes a substantial allowance for contingencies such as weather downtime during offshore installation activities. A key element for NZOG was a renegotiated gas supply contract with Genesis Energy, executed in June 2006. Higher gas prices, coupled with higher condensate and LPG prices and increased reserves have, to a substantial extent, offset increased project capital costs.

Construction management of the project will be through an alliance arrangement with the major contractor, Technip, whereby a single owner/contractor team will manage all major elements of the development, other than drilling of the production wells. This alliance approach is considered internationally to be the optimal way to achieve the effective and efficient execution of this type of project as it operates on a risk/reward share basis and aligns interests of the project owner and construction contractor. Construction works including wellhead fabrication are under way and drilling of the three Kupe production wells is scheduled for mid 2007. ENSCO Oceanics International has been contracted for the drilling using a newly built jack-up rig, the ENSCO 107.

Kupe production is on schedule to commence by mid 2009, delivering around 20 petajoules per annum of sales gas – approximately 15% of New Zealand's current annual demand. Kupe will also produce a light oil (condensate) and LPG, commencing at 1.9 million barrels per annum and 90,000 tonnes (765,000 barrels of oil equivalent) per annum, respectively. NZOG's share of Kupe proven and probable reserves is 9.9 million barrels of oil equivalent.

In November 2006, NZOG agreed a mandate with Westpac New Zealand Limited to provide project funding on agreed terms, subject to usual conditions precedent, for the majority of NZOG's 15% investment in the Kupe project. Under these terms, Westpac will provide a \$125 million term loan facility together with a \$10 million letter of credit facility to support contractor guarantees. These bank facilities are additional to the \$20 million tail gas loan which will be available under gas sale arrangements with Genesis Energy. These financings, together with a further minimum \$25 million contribution by NZOG, will fully fund the company's budgeted share of the Kupe development.

4.4 PIKE RIVER COAL

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 Limited ("PRCL"), acquiring a 10.6% stake in PRCL by investing \$17 million. At the same time NZOG and minority shareholders invested a further \$23 million.

In June 2006 Gujarat NRE Coke Limited agreed to become a second cornerstone trade investor investing \$20 million, at the same time contracting to purchase 40% of Pike River's production for the life of the mine at market prices. The number of securities acquired by Gujarat for its \$20 million investment will be matched to the initial public offer share price, on the same basis as the \$40 million invested during the year ended 30 June 2006 by NZOG, small shareholders and Saurashtra Fuels.

First production of high quality coking coal from the Pike River coal mine on the West Coast of the South Island is scheduled for the December 2007 quarter. Production is scheduled to rise to 1.1 million tonnes per annum in the year ending December 2009. Pike River coal has unique properties such as low ash levels and high fluidity that are highly valued by international coke and steel companies.

Due to strong international demand for its high quality coals, all production from Pike is expected to be exported internationally by ship. The Pike development involves construction of a tunnel to access the coal deposit, installation of a coal slurry pipeline and coal preparation plant and establishment of a new coal transport chain from mine to export port.

The new equity raised during the year allowed mine access and construction works to commence in October 2005. The eight kilometre access road has been completed and seven bridges have been constructed. Final design on the coal slurry pipeline was completed and the pipeline is currently being milled in Japan. Work on the 2.3 kilometre tunnel by internationally experienced contractor, McConnell Dowell commenced in September 2006 and installation of power supply to the mine and selection of mining equipment is underway. Tunnel excavation is being progressed on a 24 hour 7 day a week operation and is projected to be completed in the fourth quarter of 2007.

A long term transport contract was executed in December 2005 by PRCL and the West Coast Coal Company ("WCCC"); a consortium comprising Port Taranaki Limited, TNL Group Limited, Wendell Group and Jepsens International. The contract is conditional on the parties concluding the financing arrangements. WCCC will invest \$90 million in port and shipping facilities under an 18 year contract with an annual delivery and export capability considerably in excess of the average 1.0 million tonnes expected from the Pike mine.

Coal will be trucked from the Pike mine to the Greymouth port and shipped by two purpose built coastal ships to Port Taranaki. From Port Taranaki, coal will be shipped in Panamax size vessels carrying loads of up to 65,000 tonnes to export markets in Asia, India, South America and Europe.

A prospectus for the public offering of PRCL securities will be registered in early February 2007. It is expected that NZOG shareholders will receive entitlements to a substantial portion of the float, at a ratio of 1 PRCL security priced at \$1.00 per share for each 8 NZOG shares held at the relevant date. In October 2006, Westpac Banking Corporation (New Zealand branch, which from 1 November 2006 became Westpac New Zealand Limited) was mandated to arrange a \$65 million project loan of which \$60 million is to be available for capital expenditures.

4.5 EXPLORATION PROSPECTS

PMP 38158

The Tieke and Taranui prospects are in relatively close proximity to the Tui Area oil fields which would provide an opportunity to quickly bring to production any discoveries made. Tieke-1 is currently being drilled at the time of writing in November 2006 and Taranui is scheduled to be drilled following the Tui development wells in second quarter of 2007.

PEP 38483

NZOG holds an 18.9% interest in the major Hector oil prospect and a 12.5% interest in the Hector South sub-block extension area. The Hector-1 exploration well will test a dip-closed structure at the Kapuni-C level that has potential recoverable oil of 50-60 million barrels. While this is considered a good exploration prospect, it should be noted that it carries with it exploration risk.

Hector-1 will be drilled using the *Ocean Patriot* drilling rig as part of the offshore Taranaki drilling campaign that has commenced in November 2006. The drilling window for Hector-1 will be defined as the campaign progresses, with exact timing subject to finalisation of the Tui development installation schedule, which takes precedence.

4.6 DIVIDENDS

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.

4.7 OTHER RISKS

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 ability to agree work programmes with joint venture participants, availability of adequate funding, achieving discoveries, developing reserves, oil and gas prices, supply and demand conditions for oil and gas, field operating costs and production rates, capital expenditures, competition, exchange rate movements, compliance with environmental laws and any unforeseen circumstances. Legal risks could also impact on NZOG's prospects. These could include for instance, litigation risk, professional liability claims, health and safety issues, industrial action and legal compliance.

4.8 FURTHER INFORMATION

From the date of 30 June 2006 (being the date of NZOG's 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 share price-sensitive information to both NZX and ASX on a continuous basis.

5. ACTIONS REQUIRED BY SHAREHOLDERS

5.1 Choices available

If you are an Eligible Shareholder, you may take any of the following actions:

- take up all of your Rights;
- sell all of your Rights;
- sell part of your Rights on ASX or NZSX and take up the balance;
- transfer all or part of your Rights to another person, other than via ASX or NZSX; or
- do nothing.

5.2 If you wish to take up all of your Rights

If you wish to take up all of your Rights, complete the Entitlement and Acceptance Form and then forward the completed Entitlement and Acceptance Form, together with payment of NZ\$1.00 per New Share in New Zealand currency by cheque or bank draft made out to “New Zealand Oil & Gas Limited” and crossed “Non-transferable” to reach NZOG’s share registrar in New Zealand or Australia. The address of each share registrar is set out in the Directory on page 37. Your completed Entitlement and Acceptance Form and payment must be received by the relevant share registrar by no later than 5pm (local time) on 19 January 2007.

If you do not wish your application to be processed in an allocation prior to the Closing Date you must post date your cheque or bank draft with the Closing Date.

Rights not exercised up to and including the Closing Date, 5pm 19 January 2007, will lapse. Eligible Shareholders who do not take up their Rights will continue to own the same number of ordinary Shares as they did prior to the Rights Issue, but their respective holdings in NZOG will be diluted.

5.3 If you wish to sell all of your Rights on ASX or NZSX

If you wish to sell all of your Rights on ASX or NZSX, complete the panel headed “instructions to your stockbroker” on the back of the Entitlement and Acceptance Form and lodge the Entitlement and Acceptance Form with your stockbroker as soon as possible. You can sell your Rights on ASX or NZSX from 4 or 11 December 2006 respectively. All sales of Rights on ASX or NZSX must be completed by 12 or 17 January 2007 respectively when Rights trading ends.

5.4 If you wish to sell part of your Rights on ASX or NZSX and take up the balance

If you wish to sell part of your Rights and take up the balance, complete the panel headed “instructions to your stockbroker” on the back of the Entitlement and Acceptance Form and lodge the form together with payment to your stockbroker as soon as possible. You can sell your Rights on ASX or NZSX from 4 or 11 December 2006 respectively and any sale must be completed by 12 or 17 January 2007 respectively when Rights trading ends. To take up the remaining part of your Rights, your stockbroker will need to ensure that the completed Entitlement and Acceptance Form reaches the relevant share registrar by no later than 19 January 2007.

5.5 If you wish to transfer all or part of your Rights to another person other than on ASX or NZSX

If you wish to transfer all or part of your Rights to another person other than on ASX, complete the security transfer form portion of the Entitlement and Acceptance Form and send it together with payment to reach the relevant share registrar by no later than 19 January 2007. If you wish to sell all or part of your Rights on the NZSX you will need to get the Entitlement and Acceptance Form together with payment to your stockbroker as soon as possible. You can sell your Rights on NZSX from 11

December 2006 and any sale must be completed by 17 January 2007 when Rights trading ends. In such a case, your stockbroker will need to ensure that the completed Entitlement and Acceptance Form reaches the relevant share registrar by no later than 19 January 2007.

5.6 Rights not taken up - If you do nothing

If you decide not to take up all or part of your entitlement to New Shares (and attached 2008 Options), you should consider whether to sell your Rights rather than allow your Rights to lapse. Rights not taken up will lapse and you will not receive any payment for your Rights. It is therefore important that you consider whether to take action to either take up or sell your Rights.

Shareholders will need to ensure they comply with all relevant laws before exercising their Rights (or, if acquired, new 2008 Options). For instance, holders of a substantial number of Shares and/or Rights 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.

Rights cannot be exercised prior to 11 December 2006.

5.7 Terms of Rights

Each Right permits the holder to subscribe for one New Share at a New Share Exercise Price of NZ\$1.00.

Rights will not carry any right to dividends.

Subject to the Listing Rules, the rights and obligations attaching to Rights can only be altered by special resolutions of Rights holders and Shareholders of NZOG, respectively.

5.8 Exercise of new 2008 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 register in New Zealand or Australia. The address of each share register is set out in the Directory on page 37. 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 (being that minimum number of Shares as is specified in the NZSX Listing Rules as a "Minimum Holding", currently 200 Shares where the market price of a Share is between NZ\$1 and NZ\$2).

2008 Options not exercised up to and including the Expiry Date (being the close of business on 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 the ASX within 3 business days of allotment. No such application for quotation is required in respect of the NZSX.

5.9 Rights attaching to new 2008 Options

The rights attaching to the new 2008 Options are the same as the rights attaching to the existing 2008 Options. Those rights are:

- (i) Each 2008 Option carries the right to subscribe for one Share at an Option 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 Option 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 Options 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 5.8(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 Option Exercise Price of the 2008 Options will be adjusted as permitted or required by the NZSX or 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 NZOG

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 (as defined in the Australian Corporations Act), 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.

NZOG will provide a copy of the following documents free of charge to any person who requests them in the period starting from the date of this Prospectus and ending on the Closing Date:

- the annual financial report most recently lodged with ASIC by NZOG, being the annual report for the year ended 30 June 2006;
- any continuous disclosure notices given by NZOG to the NZX and ASX after the lodgement of that annual financial report and before the lodgement of this Prospectus with ASIC, being the following documents:

Date	Description of announcement
16 October 2006	Activities Report for quarter ended 30 September 2006
26 October 2006	AGM Presentation 26 October 2006
26 October 2006	Chairman's Address AGM 26 October 2006
26 October 2006	2006 AGM Voting Results
27 October 2006	Kupe Drilling Rig Arrival Date Confirmed
31 October 2006	Quarterly Cash Flows Report to 30 September 2006
13 November 2006	NZOG Launches its Taranaki Drilling Programme
15 November 2006	NZOG Announces Major Funding Initiatives
15 November 2006	ASX Appendix 3B notice
22 November 2006	NZOG's Tieke-1 Exploration Well Commences Drilling
23 November 2006	ASX Appendix 3B notice
23 November 2006	Amended ASX Appendix 3B notice
24 November 2006	ASX Appendix 3B notice
24 November 2006	NZSX Appendix 7 Notice
28 November 2008	NZOG's Tieke-1 Drilling Update

The above information can be obtained free of charge from NZOG until the Closing Date by contacting Ms Helen Mackay (contact details are set out on page 10 of this document).

The above information is also available from NZOG's website on: www.nzog.com or otherwise viewed at www.asx.com.au.

In addition, a copy of NZOG's:

- Financial Statements for the year ended 30 June 2006 (being an excerpt from the 2006 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.

Those documents and a copy of NZOG's September 2006 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.

7. ADDITIONAL INFORMATION

7.1 PROSPECTUS FOR CONTINUOUSLY QUOTED SECURITIES

This Prospectus is issued in Australia under the special prospectus content rules for continuously quoted securities pursuant to section 713 of the Australian Corporations Act.

Section 713 of the Australian Corporations Act enables companies to issue a prospectus with modified disclosure requirements if the securities offered by the prospectus are in a class of securities that have been quoted securities at all times in the 12 months before the date of this Prospectus and the company is not subject to certain exemptions and modifications under the Australian Corporations Act. Securities are quoted securities if NZOG is included in the official list of the ASX and the ASX Listing Rules apply to those securities.

The information in this Australian Prospectus concerns the terms and conditions of the Rights Issue and all of the information that investors and their professional advisers would reasonably require to make an informed assessment of:

- the effect of the Rights Issue on NZOG; and
- the rights and liabilities attaching to New Shares and the new 2008 Options offered pursuant to this Prospectus.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to NZOG which has been notified to the ASX and does not include all of the information that would otherwise be included in a prospectus for an entity that cannot rely on section 713 of the Australian Corporations Act. Shareholders should therefore also have regard to the other publicly available information in relation to NZOG before making a decision whether or not to invest in the New Shares and the new 2008 Options.

7.2 EXPENSES OF OFFER

The total expenses payable by NZOG in connection with the Offer are estimated to be approximately NZ\$120,000, including approximately NZ\$60,000 for legal expenses. A further commission of 1% of the value of any New Shares subscribed for by an investor is payable by NZOG to brokers who lodge acceptances or renunciations on behalf of that investor. No part of this commission is payable by investors.

7.3 INTERESTS OF DIRECTORS

Other than as set out below or 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 Rights 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	Deputy Chairman	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	18 Kaha Place, Te Wahapu RD 1, 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 the Offer 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 Rights in respect of securities held for the ESOP, over which they hold purchase rights. The entitlement of Mr Radford through the ESOP to Rights is 440,000.

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 guarantees the Rights, the 2008 Options or any Shares in NZOG.

7.4 INTERESTS OF PROFESSIONALS, ADVISERS AND PROMOTERS

Other than as set out below or 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:

Legal Advisers

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\$40,000 (plus disbursements but excluding GST) and Minter Ellison approximately NZ\$20,000 (plus disbursements but excluding GST) for these services.

7.5 CONSENTS AND DISCLAIMERS

New Zealand legal adviser

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 legal adviser

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' AUTHORISATION AND CONSENT TO LODGEMENT

This Prospectus is issued by NZOG and its issue has been authorised by a resolution of the Directors. 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.

In accordance with the requirements of section 720 of the Australian Corporations Act, each Director has given and has not withdrawn, their consent to the lodgement of this Prospectus with ASIC.

7.7 CAPITAL STRUCTURE

There are no restrictions in the Constitution that would affect the issue of New Shares on exercise of the Rights or the issue of Shares on the exercise of any new 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) an option in respect of 150,000 Shares held by NZOG's production consultant;
- (b) the 2008 Options issued pursuant to a Prospectus dated 22 November 2005.

The following table sets out the issued and paid in share capital at 30 November 2006 (being the latest practicable date before the printing and dispatch of this document) and as it will be, assuming all Rights are exercised in due course and all new 2008 Options are exercised.

NUMBER	ISSUED CAPITAL	SHARE CAPITAL (NZ\$000)
232,179,889	Shares as at 30 November 2006 (excluding treasury stock and 2008 Options)	129,111
23,036,150	Maximum number of New Shares to be issued and maximum capital raised if all Rights (excluding held in treasury) to be issued are exercised	23,036
23,036,150	Maximum number of Shares to be issued and maximum capital raised if all new 2008 Options (excluding held in treasury and existing 2008 Options) to be issued are exercised	34,554
278,252,189	ISSUED CAPITAL AFTER EXERCISE OF ALL RIGHTS AND NEW 2008 OPTIONS	186,701

Note: NZOG share capital as at 30 November 2006 comprises 230,344,889 fully paid shares, 1,835,000 partly paid shares and 5,864,515 treasury shares. NZOG will decline to accept its entitlement to Rights attaching to treasury shares held by it at the Record Date.

To give investors a better indication of the impact of the Rights Issue on NZOG's financial position, the following pro-forma financial information has been included. This information is not a true reflection of NZOG's financial position, which has been affected by its normal trading activities since the 30 June 2006 financial statements were prepared.

The pro-forma financial information has been determined by taking the NZOG Group consolidated statement of financial position from the 2006 Annual Report and adding:

- the share capital raised from the issue of Shares since 30 June 2006, being approximately \$5,000
- the share capital raised from a private placement of 17,500,000 Shares which took place on 20 November 2006, being \$17,500,000
- the additional share capital that would be raised if all Rights are exercised in due course (but not the new 2008 Options), being \$23,036,150

and then deducting transaction costs associated with the Offer, which for this purpose are assumed to be NZ\$120,000. Brokerage is assumed to be nil for this purpose.

PRO-FORMA STATEMENT OF FINANCIAL POSITION – CONSOLIDATED

	Audited 30 June 2006 NZ\$000s	Adjustments NZ\$000s	Unaudited Pro-Forma NZ\$000s
Current Assets			
Short term securities and cash deposits	41,712	40,421	82,133
Receivables	21,264		21,264
Deferred expenses	1,543		1,543
Inventories	116		116
Total Current Assets	64,635	40,421	105,056
Non-Current Assets			
Prepayments	3,007		3,007
Deferred expenses	1,611		1,611
Investments in listed resource companies	4,583		4,583
Investment in associated company	2,280		2,280
Fixed assets	521		521
Petroleum and coal interests	87,510		87,510
Other	2,622		2,622
Total Non-Current Assets	102,134	-	102,134
Total Assets	166,769	40,421	207,190
Current Liabilities			
Creditors	9,788		9,788
Provisions	221		221
Total Current Liabilities	10,009	-	10,009
Non-Current Liabilities			
Borrowings	16,982		16,982
Provisions	643		643
Deferred tax	122		122
Total Non-Current Liabilities	17,747	-	17,747
Total Liabilities	27,756	-	27,756
NET ASSETS	139,013	40,421	179,434
EQUITY			
Attributable to Shareholders of NZOG	100,678	40,421	141,099
Attributable to Minority Shareholders of the NZOG Group	38,335		38,335
TOTAL SHAREHOLDERS' EQUITY	139,013	40,421	179,434

The above Pro-forma Statement of Financial Position – Consolidated has not been audited by a registered company auditor.

NZOG's September 2006 Quarterly Update and Quarterly Report of Consolidated Cash Flows, which provides more up-to-date information on NZOG's financial position is available from NZOG's website on: www.nzog.com.

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 30 November 2006 the following:

Name of Substantial Shareholder	Relevant Interest in Shares	As a % of total Voting Shares on issue at the time of the notice
Accident Compensation Corporation	15,326,307	6.49%

The substantial Shareholder listed above does not guarantee the Rights, the 2008 Options or any Shares in NZOG.

7.9 RIGHTS AND LIABILITIES ATTACHING TO SHARES (INCLUDING NEW 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 the Constitution) will attach to New Shares allotted on exercise of Rights issued pursuant to this Offer and which will attach to Shares allotted on exercise of new 2008 Options. For full details, reference should be made to the 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 Rights) which are affected. It is not a variation of the rights of the Shares to issue securities of another class. Such issues may occur subject to the requirements of the Constitution and the Listing Rules.

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

Eligible Shareholders should be aware that there are taxation implications for subscribing for the New Shares (and new 2008 Options) pursuant to the Prospectus or dealing in Rights. These taxation implications will vary between different Shareholders and Shareholders should consult their professional advisers in connection with the taxation implications of the New Shares, the new 2008 Options or disposal of Rights.

NZOG does not propose to give any taxation advice and neither NZOG or any of its officers, employees, agents and advisers accept any responsibility or liability in respect of any taxation consequences in connection with participation in the Rights Issue under this Prospectus.

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 participate in the Offer and/or take up their Rights. The entitlement of Overseas Persons will be treated in the manner described in section 3.5 above.

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 and Acceptance Form are provided for information purposes only.

Shareholders holding Shares on behalf of Overseas Persons are responsible for ensuring that taking up the Rights and/or participating in the Offer does not breach applicable laws in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by NZOG to constitute a representation that there has been no breach of such laws.

9. DEFINITIONS

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

"2008 Options" means options to acquire Shares, having the rights set out in section 4.2 of the Prospectus dated 22 November 2005 (which rights are repeated in section 5.9 of this document).

"Application for Additional Shares" means, in respect of an Eligible Shareholder, an application for New Shares (together with attached new 2008 Options) in excess of the entitlement specified on the Eligible Shareholder's Entitlement and Acceptance Form.

"ASIC" means the Australian Securities and Investments Commission.

"ASX" means Australian Stock Exchange Limited ACN 008 624 691 or the financial market operated by Australian Stock Exchange Limited, as the context requires.

"Australian Corporations Act" means the *Corporations Act 2001* (Cth).

"Australian Prospectus" or **"Prospectus"** means, depending on the context, either Part B of this document, or this document as a whole as lodged with ASIC as a prospectus.

"business day" means a day of the week other than a Saturday, Sunday or national public holiday in New Zealand.

"Closing Date" means 19 January 2007.

"Constitution" means the constitution of NZOG as amended from time to time.

"Directors" means the directors of NZOG.

"\$" means New Zealand dollars.

"Eligible Shareholder" means a Shareholder as at the Record Date, excluding Overseas Persons (other than Overseas Persons who have notified NZOG that they are able to take up their Rights and otherwise participate in the Offer).

"Entitlement and Acceptance Form" means the personalised entitlement and acceptance form which accompanies this New Zealand Investment Statement and Australian Prospectus for Eligible Shareholders whose address is in New Zealand and Australia or such other jurisdiction as this Offer may legally be made.

"Expiry Date" in respect of 2008 Options means 30 June 2008.

"Group" means NZOG and its subsidiaries.

"Issue" means the issue of New Shares (together with attached new 2008 Options) to be made under this Offer.

"Listing Rules" 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.

“New Shares” means the Shares to be Issued on the exercise of Rights.

“New Zealand Investment Statement and Australian Prospectus” means this document.

“New Zealand Prospectus” means the prospectus registered with the New Zealand Registrar of Companies relating to the Offer.

“NZOG” means New Zealand Oil & Gas Limited (New Zealand Registered Company Number 037842, Australian Registered Body Number 003 064 962) and includes its subsidiaries as the context requires.

“NZX” means the New Zealand Exchange Limited.

“NZSX” means the main board equity security market operated by NZX.

“Offer” or **“Rights Issue”** means the offer of New Shares (together with attached new 2008 Options) to Shareholders as at the Record Date, pursuant to this New Zealand Investment Statement and Australian Prospectus.

“Option Exercise Price” means the NZ\$1.50 per Share cost of converting a 2008 Option into a Share.

“Overseas Persons” means Shareholders who are subject to the laws of a country other than New Zealand and Australia.

“Record Date” means 8 December 2006.

“Rights” means the renounceable rights to subscribe for New Shares (together with attached new 2008 Options) pursuant to the Rights Issue.

“Share” means an ordinary share in NZOG.

“Shareholder” means a registered holder of Shares on issue.

DIRECTORY

Directors

R A Radford	<i>CA (NZ), Executive Chairman and Managing Director</i>
R F Meyer	<i>ONZM, BE, PhD, DistFIPENZ Deputy Chairman</i>
P G Foley	<i>BCA, LLB</i>
S J Rawson	<i>BSc, MSc</i>
D R Scoffham	<i>MA MSc</i>

Registered and Head Office

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

Sponsoring Broker

McDouall Stuart Securities Limited
Level 6
28 Brandon Street
PO Box 1886
Wellington
New Zealand

Solicitors for the Issue

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

Share and Option Registrars

New Zealand:

LINK Market Services Limited
PO Box 384
138 Tancred Street
Ashburton
Telephone: 64 3 308 8887
Facsimile: 64 3 308 1311
Email: info@linkmarketservices.co.nz

Australia:

Registries Limited
PO Box R67
Royal Exchange
Sydney NSW 1223
Telephone: 61 2 9279 9600
Facsimile: 61 2 9279 0664
Email: registries@registries.com.au