

Notice of Annual Meeting

29 October 2008



Notice

Notice is given that the 2008 Annual Meeting of New Zealand Oil & Gas Limited (NZOG or the Company) will be held at the Holiday Inn (Level 2), 75 Featherston St, Wellington at **10.30am** (NZ Daylight Saving Time) on **Wednesday 29 October 2008**.

A webcast of audio from the proceedings will be available on www.nzog.com and on Thursday 30 October 2008. Investor Briefings will be held in Auckland and Christchurch. (For further details refer to the end of this document.)

Business

CHAIRMAN'S ADDRESS

A report from the Chairman in respect of the financial year ended 30 June 2008. Events occurring after 30 June 2008 will also be covered.

CHIEF EXECUTIVE OFFICER'S PRESENTATION

SHAREHOLDER QUESTIONS

Consideration of shareholder questions including those submitted prior to the Annual Meeting (to the extent these questions have not already been addressed in the Chairman's Address and Chief Executive Officer's Presentation).

For further details, see Explanatory Note 1.

SPECIAL RESOLUTION

To consider and, if thought fit, pass the following special resolution, requiring a majority of 75% of votes by those shareholders entitled to vote and voting:

Constitution

Resolution 1: That the proposed new Constitution tabled at the meeting, and signed by the Chairman of the meeting for the purpose of identification, be and is hereby adopted as the Constitution of the Company, in substitution for the present Constitution of the Company.

An explanation of the proposed amendments to the Constitution is set out in Explanatory Note 2.

ORDINARY RESOLUTIONS

To consider and, if thought fit, pass the following ordinary resolutions, requiring a simple majority of votes by those shareholders entitled to vote and voting:

Auditor's Remuneration

Resolution 2: That the Company's Board of Directors be authorised to fix the auditor's remuneration.

For further details, see Explanatory Note 3.

Re-Election of Directors

Resolution 3: That Prof R F Meyer be re-elected as a Director.

Note: Prof Meyer retires by rotation and offers himself for re-election.

Resolution 4: That Mr S J Rawson be re-elected as a Director.

Note: Mr Rawson retires by rotation and offers himself for re-election.

Resolution 5: That Mr A T N Knight be re-elected as a Director.

Note: Mr Knight was appointed by the Board during the year. He retires and offers himself for re-election.

A biography of each person offering themselves for re-election is contained in Explanatory Note 4.

Ordinary Resolutions (continued)

Directors' Fees

Resolution 6: That Directors' fees be increased to a maximum of \$600,000 per annum being the combined aggregate for all non-executive Directors.

For further details, see Explanatory Note 5.

Participation in Employee Share Ownership Plan by Directors

Resolution 7: That the Board is authorised to issue during the period of 12 months following the date of this resolution up to 150,000 partly paid shares in the Company to Mr Andrew Knight, being a non-executive Director, such issue to occur as a result of the acceptance of an offer of such shares to Mr Knight in accordance with the terms of the Company's Employee Share Ownership Plan and on the terms set out in Explanatory Note 6.

Resolution 8: That the Board is authorised at its discretion to issue during the period of 12 months following the date of this resolution up to 250,000 partly paid shares in the Company to the Company's Managing Director and Chief Executive Officer Mr David Salisbury, such issue to occur as a result of the acceptance of an offer of such shares to Mr Salisbury in accordance with the terms of the Company's Employee Share Ownership Plan following a determination (if any) by the Company's Executive Appointments and Remuneration Committee that such an offer be made and on the terms set out in Explanatory Note 6.

GENERAL BUSINESS

On behalf of the Board



Helen Mackay
GENERAL COUNSEL

7 October 2008

Please Note:

- (1) If you wish to exercise your vote for the above resolutions by proxy please refer to Explanatory Note 7, and use the enclosed proxy voting card.*
- (2) If you are attending the meeting in person, please return the enclosed RSVP form to assist us in our planning.*
- (3) Light refreshments will be served following the meeting.*

Explanatory Notes

NOTE 1 – SHAREHOLDER QUESTIONS

Shareholders may submit written questions to be considered at the Annual Meeting. Written questions should be sent by post to “Annual Meeting” c / - Public Affairs Manager, New Zealand Oil & Gas Limited, PO Box 10725, Wellington or by email to enquiries@nzog.com. The Company reserves the right not to address any questions that, in the Board’s opinion, are not reasonable to address in the context of an Annual Meeting.

NOTE 2 – CONSTITUTION

Resolution 1

It is proposed that the Company replace its existing Constitution with a new Constitution. The new Constitution has been prepared on the basis that a completely new document is adopted but, in substance, only minor changes are being made to the rights and powers of shareholders and the Board.

The existing Constitution was prepared on the basis that it met all the requirements of the NZSX Listing Rules by repeating the detailed provisions of relevant listing rules in the body of the Constitution. This has meant that subsequently when the listing rules have been amended, a further amendment to the Constitution has been required to keep the document up to date with the listing rules.

The purpose of the proposed amendments is to simplify the format of the document by referring to relevant listing rules, rather than setting them out in full. As the Company is required to comply with the NZSX Listing Rules at all times, this change in drafting approach does not result in a substantive change. Listing Rule 3.1.1(a) permits the Constitution to incorporate the Listing Rules by reference and as a consequence of this change, shareholders will no longer be required to pass a special resolution changing the Constitution to accommodate further changes to the NZSX Listing Rules. In accordance with the Listing Rules, if there is any provision in the proposed new Constitution that is inconsistent with the NZSX Listing Rules relevant to the Company, the NZSX Listing Rules (as amended by any waiver or ruling relevant to the Company) will prevail.

The wording of some sections of the Constitution has been improved, to simplify the relevant provisions. Two references to provisions in the Companies Act have been updated to reflect changes to that Act. The first, clause 28.4(c) has been amended to match the updated wording of s 162(5)(c) of the Companies Act which clarifies that a company may effect insurance for a director or employee of the company for costs incurred in defending criminal proceedings that have been acquitted of, but only if the proceedings have been brought about against them in their capacity as a director or employee. Clause 30.6 removes the reference to s 210 as the regime for sending information to shareholders has been substantially revised and the relevant parts of the original section have been repealed.

All of these changes are available for consideration on review of a “mark-up” that the Company has prepared that compares the existing Constitution and the proposed new document. Full copies of the existing Constitution, the proposed new Constitution and the document showing marked changes between the two documents are available upon request from the Company at no charge or may be downloaded from the Company’s website at www.nzog.com/corporate-governance.

Sections dealing with Bonus Options, Redeemable Shares and the age limitation on directors have been removed as they are

either redundant or have been overtaken by changes in other legislation.

The new Constitution has been approved by NZXR and by ASX. The Constitution continues to provide that while the Company is listed on ASX, it will continue to comply with the ASX Rules as well. The NZSX Listing Rules can be viewed at www.nzx.com and the ASX Rules at www.asx.com.au.

Please note when requesting a copy of the proposed Constitution you should indicate whether you require the existing document, the proposed new document and/or the document showing marked changes between the two documents.

To replace the existing Constitution with the proposed Constitution, a special resolution of shareholders is required. A special resolution requires approval by 75% or more of the votes cast of those shareholders entitled to vote and voting on the resolution.

Board Recommendation

The Board unanimously recommends that shareholders vote in favour of the proposed amendments to the Constitution by adopting the proposed Constitution.

NOTE 3 – AUDITOR’S FEES

Resolution 2

KPMG are automatically reappointed as auditors under section 200 of the Companies Act 1993. This resolution authorises the Board to fix the fees and expenses of the auditors.

NOTE 4 – RE-ELECTION OF DIRECTORS

Resolutions 3, 4 & 5

Under clause 28.1 of the existing Constitution and clause 22.1 of the proposed new Constitution, the number of Directors (other than alternate Directors) must not at any time be less than three nor more than seven and, subject to these limitations, the number of Directors is to be fixed from time to time by the Board. The Board has fixed the number of Directors at the constitutional maximum of seven.

Under clause 28.5 of the existing Constitution and clause 22.5 of the proposed new Constitution, one third of the Directors (i.e. two Directors) are required to retire from office at the Annual Meeting but shall be eligible for re-election at that meeting. The Directors retiring at the 2008 Annual Meeting are Mr Rawson and Prof Meyer. Mr Rawson and Prof Meyer are both standing for re-election.

Under clause 28.3 of the existing Constitution and clause 22.3 of the proposed new Constitution, a person appointed by the Board to hold office as Director until the next annual meeting shall be eligible for re-election at that next meeting. Mr Knight is standing for re-election.

Under clause 28.7 of the existing Constitution and clause 22.7 of the proposed new Constitution, a person (other than a Director retiring at a meeting) may not be elected as a Director at an annual meeting of the Company unless that person has been nominated by a shareholder entitled to attend and vote at the meeting. Pursuant to NZX Listing Rule 3.3.2, on 18 July 2008 the Company issued a notice advising a closing date for Director nominations. Prior to the closing date, a valid nomination was received for Mr C E M Boreham, however he decided not to offer himself for election. No other nominations were received by the Company and consequently no other person is eligible to be

elected as a director at the Annual Meeting.

To be re-elected, each Director must receive 50% or more of the votes cast by those shareholders entitled to vote and voting, as required by an ordinary resolution.

Background information about each person offering themselves for election or re-election at this Annual Meeting is set out below. This information has been provided to the Company, or authorised, by the respective person.

Prof R F (Ray) Meyer

Prof Meyer obtained his BE from the University of New Zealand (Canterbury) and his PhD from the University of Manchester. His career includes Professor of Mechanical Engineering and Dean of Engineering at the University of Auckland and he is a past president of the Institution of Professional Engineers New Zealand. He is a past Director of ECNZ, Transpower, Watercare Services Ltd and Auckland UniServices Ltd and is currently a Director of Pike River Coal Ltd and Wellington Drive Technologies Ltd. Prof Meyer joined the NZOG Board in 2000 as Deputy Chairman. He also heads the Executive Appointments and Remuneration Committee.

The Board has determined that Prof Meyer is an independent Director.

Mr S J (Steve) Rawson

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

The Board has determined that Mr Rawson is an independent Director.

Mr A T N (Andrew) Knight

Mr Knight is a Chartered Accountant and graduate of Waikato University with a BMS (Hons). His wide business experience includes leadership of technical businesses, industry change processes and company transformation. Mr Knight was with Vector for over 8 years after being involved in Natural Gas Corporation and Australian Gas Light Company. Mr Knight held senior executive roles across corporate disciplines and was a Director of subsidiary and partly owned companies. Roles included; Divisional CEO Gas (Vector), General Manager Metering (Vector), General Manager Corporate Development (NGC), and General Manager Energy Sales (NGC).

Mr Knight has lead businesses of significance to the energy sector including gas transmission, distribution networks, gas trading and sales, LPG and a world leading advanced metering solutions provider. Mr Knight was responsible for NGC's merger process which resulted in the sale by AGL of its shareholding to Vector in 2005 for \$800m; the strategic restructure of NGC following the 2001 power crisis; the divestment of \$800m of generation assets; and the renegotiation of over \$1.4 billion of gas supply contracts including the industry cornerstone Maui Gas Contract. Prior to joining NGC in 1997, Mr Knight worked with Fletcher Challenge and Coopers and Lybrand. He is a member of the Institute of Chartered Accountants NZ (ICANZ) and a Member of the Institute of Directors.

The Board has determined that Mr Knight is an independent Director.

NOTE 5 – INCREASE IN DIRECTORS' REMUNERATION

Resolution 6

This resolution is sought in accordance with NZX Listing Rule 3.5.1, which requires an ordinary resolution of shareholders to approve remuneration paid to Directors in their capacity as Directors.

The present authorised Directors' fees are \$340,000 in total for all non-executive Directors. This figure is derived from the \$295,000 approved for all non-executive Directors at the 2007 Annual Meeting plus the addition of \$45,000 which was the minimum amount paid to Directors and which in accordance with the previous resolution and Listing Rule 3.5.1 was able to be paid to the additional Director appointed after the 2007 meeting.

Approval is sought to increase the total Directors' fees payable to non-executive Directors to \$600,000. This amount is intended to enable the Company to adequately recognise the additional demands on Directors since 2007 and to generally bring the amounts payable to Directors into line with payments made by other leading listed companies.

NOTE 6 – PARTICIPATION IN EMPLOYEE SHARE OWNERSHIP PLAN BY DIRECTORS

Resolution 7

Shareholder approval is sought to permit Mr Knight, if elected to the Board, to participate in the Company's Employee Share Ownership Plan (ESOP) on terms which are the same as apply to employees and other Directors of the Company generally.

Resolution 8

Shareholder approval is sought to permit the Board, at its discretion, to issue up to 250,000 partly paid shares to Mr Salisbury.

Background

The ESOP was established in 1989, the original terms of which were approved by a resolution of shareholders. The ESOP originally provided for employees to be granted options to purchase ordinary shares that were acquired by the Plan Company (NZOG Nominees Limited) for that purpose.

In 2005, the Company amended the terms of the ESOP to permit the issue of partly paid shares as permitted by NZX Listing Rule 7.3.6. To date approximately 2.6 million partly paid shares have been subscribed for by employees on the terms provided under the amended ESOP.

Requirement for shareholder approval: Executive Directors are excluded from participating in the Issue of Shares under Rule 7.3.6 in the absence of shareholder approval. Similarly, non-executive Directors are excluded from participation in an Issue under Rule 7.3.6. Accordingly, the Company seeks shareholder approval under Rule 7.3.1 for the Issue of Shares to executive and non-executive Directors. ASX Listing Rule 10.14 also requires shareholders to approve the participation of any Director in an employee share scheme. This resolution is also proposed in compliance with ASX Listing Rule 10.14.

The Company sought a waiver from NZX Regulation from the requirement set out in NZSX Listing Rule 6.2.2 that an appraisal report accompany this Notice of Meeting as it contains a

Explanatory Notes (continued)

resolution proposing an issue of securities where the issue will result in more than 50% of the shares to be issued being acquired by a Director of the Issuer. The waiver was granted on the condition that the members of the Company's Executive Appointments and Remuneration Committee certify to NZX Regulation that the terms of the offer to Mr Knight and the level of participation are consistent with other offers made to non-executive directors under the ESOP and that the offer is in the best interests of the Company. The Executive Appointments and Remuneration Committee provided such certification to NZX Regulation as the amounts and terms of the proposed issue to Mr Knight have been determined according to criteria applying generally to all employees eligible to participate in the ESOP, are in line with the issues to other non-executive Directors approved at last year's annual meeting and the offer is held to be in the best interests of the Company.

Terms of the ESOP

Participation in the ESOP is open to any employee (including a non-executive Director) of the Company to whom an offer to participate is made by the Executive Appointments and Remuneration Committee. The Executive Appointments and Remuneration Committee, in its complete discretion, is responsible for determining which employees are to be offered the right to participate in the ESOP, and the number of partly paid shares that can be offered to each participating employee.

Previous offers: In the last three years, the Executive Appointments and Remuneration Committee has made offers of between 100,000 and 250,000 partly paid shares to various senior managers within the Company and an offer of 500,000 partly paid shares was made to Mr Salisbury on his being employed as CEO and prior to his appointment to the Board. At the 2007 Annual Meeting, shareholders approved the allocation of 150,000 partly paid shares to Mr Rawson, Prof. Meyer, Mr Foley and Mr Scoffham, which in each case were subsequently taken up. At the 2007 Annual Meeting, shareholders also approved the allocation of up to 250,000 partly paid shares to Mr Salisbury following a determination (if any) by the Company's Remuneration Committee. The Committee determined to make an offer to Mr Salisbury of 200,000 partly paid shares on 2 July 2008.

Restriction periods: Each partly paid share is issued on terms that require an Escrow Period to pass before the holder can complete payment for, and thereafter transfer, the shares. This has usually been 2 years and that period will apply to any shares offered under the authority of these resolutions. There is also a date 5 years after the offer date by which the issue price for the shares must be paid (this is called the "Final Date").

Issue price: The issue price of each partly paid share is set at the time the offer is made to the participant and is set at the lesser of:

- a 20% premium to the Average Market Price on the date of the offer (being the volume weighted average market price over the previous 20 business days); and
- the last sale price of the Company's ordinary shares on the Business Day prior to the Final Date (or such greater amount that represents 90% of the weighted average price of the Company's ordinary shares over the 20 Business Days prior to the Final Date).

The pricing model ensures that the participant does not receive a share at a discount to market price at the time the final payment is made but does provide some protection if the market price reduces after the original offer date.

Participants are required to pay \$0.01 per share at the time of issue.

Rights: The rights attached to partly paid shares issued under the ESOP are the same as those attached to ordinary shares in the Company. The partly paid shares rank equally with the ordinary shares in the Company. However, the rights of each partly paid share to vote on a poll, and to dividends or other distributions of the Company, are a fraction equal to the proportion represented by the amount paid up in respect of the shares as against the issue price set under the ESOP.

Proposed offers to Mr Knight and Mr Salisbury

If resolutions 7 and 8 are approved by shareholders, an offer, on the same terms as those offered to employees and other Directors of the Company under the ESOP, will be made to Mr Knight of up to 150,000 partly paid shares in the Company and an offer of up to 250,000 partly paid shares will be authorised to be made to Mr Salisbury. Resulting offers must be made within 12 months of the date of the relevant resolution being passed.

The table below shows each of Mr Knight's and Mr Salisbury's current combined direct and indirect relevant interests in shares in the Company, and their combined direct and indirect relevant interests in shares in the Company if offers of partly paid shares to Mr Knight and Mr Salisbury are accepted in full:

Director	Shares currently held	Potential number of shares held if proposed offer is made and accepted	Percentage of total shares on issue if proposed offers accepted
Mr D Salisbury	500,000	750,000	0.19%
Mr A Knight	12,500	162,500	0.04 %

Level of participation: If shareholders approve participation by Mr Knight in the ESOP, Mr Knight will not necessarily participate to the extent of 150,000 partly paid shares. Mr Knight will be entitled to decide the extent to which he accepts the offer. The amount stated above represents the maximum number of partly paid shares to which Mr Knight may become entitled if an offer is made.

In the case of Mr Salisbury, an offer will only be made if, as part of the periodic review of his remuneration, the Executive Appointments and Remuneration Committee decides that an offer of that number, or a lesser number, of partly paid shares is warranted. Shareholder approval is sought at this time, in advance, so that the decision of the Executive Appointments and Remuneration Committee can be made without having to seek subsequent approval of shareholders.

Offer to other Directors: If shareholders approve the offer to Mr Knight, it would be the intention of the Board to in future make like offers to any person who is subsequently appointed as a non-executive Director of the Company. NZX Listing Rules and ASX Listing Rules do not permit an approval to be obtained generally - shareholders must approve the individual participation of each named Director and the number of

shares to which that Director will be entitled. As a result, if a new Director is appointed, or if any additional participation in the ESOP by any Director of the Company is proposed, the Company will be required to obtain a further resolution of shareholders at a future annual meeting. In accordance with ASX Listing Rule 10.15.4A, persons entitled to participate in the ESOP, for whom shareholder approval for such participation would be required, are the Chairman Mr Tony Radford and the other Directors named in this Explanatory Note.

Voting exclusions

The Company will disregard any votes cast on resolutions 3, 4, 5, 6, 7 and 8 by:

- the Company's Directors; and
- any "Associated Person" (as defined in the NZX Listing Rules) and any "Associate" (as defined in the ASX Listing Rules) of the Company's Directors.

However, the Company need not disregard a vote if:

- it is cast by one of the Company's Directors as proxy for a person who is entitled to vote, in accordance with the express directions on the proxy form as to whether to vote in favour of or against the resolution; or
- it is cast by the person chairing the Annual Meeting as proxy for a person who is entitled to vote, in accordance with an express direction on the proxy form to vote as the proxy decides.

NOTE 7 – VOTING BY PROXY

A shareholder entitled to attend and vote at the Annual Meeting is entitled to appoint a proxy to attend and vote instead of the shareholder. A proxy need not be a shareholder of the Company.

If a shareholder returns this form without directing the proxy how to vote on any particular matter, the proxy will vote as he or she thinks fit (unless that proxy is disqualified from voting on that matter). The Chairman of the meeting is willing to act as proxy for any shareholder who may wish to appoint him for that purpose, if so indicated in Appointment of Proxy (a) above. The Chairman intends to vote undirected proxies in favour of all resolutions. By marking the box at (a) on the voting card under Instructions to Proxy if you do not wish to direct your proxy how to vote, you acknowledge that the Chairman of the meeting may exercise your proxy even if he has an interest in the outcome of the resolution/s and that votes cast by the Chairman of the meeting for those resolutions other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

Proxy forms (or notices of corporate representatives) must be sent by mail to NZOG Share Registrar, c/- Computershare Investor Services, Private Bag 92119, Auckland, or deposited at the offices of Computershare (159 Hurstmere Road, Takapuna, North Shore) to be received not later than 10.30am on Monday 27 October 2008. (NB 27 October is a public holiday with no mail deliveries).

Where the proxy is appointed by an Attorney, a copy of the Power of Attorney under which the proxy form is signed should be deposited at the registered office of the Company (above) for noting not less than 48 hours before the Annual Meeting with evidence of non-revocation of such Power of Attorney.

MINUTES

Following the Annual Meeting, the minutes will be posted at www.nzog.com/agm. A range of other information is also available on the Company's website. The minutes may be posted to you on request being made in writing to the General Counsel, New Zealand Oil & Gas Limited, PO Box 10 725, Wellington.

WEBCAST

Live audio of the Annual Meeting will be available on NZOG's website at www.nzog.com/agm.

INVESTOR BRIEFINGS

Chief Executive Officer David Salisbury will repeat his AGM presentation at Investor Briefings the following day in Auckland and Christchurch.

Auckland Investor Briefing

Venue: Crowne Plaza, 128 Albert St
Time: 10am

Christchurch Investor Briefing

Venue: The George, 50 Park Terrace
Time: 6pm

These are open meetings and there is no requirement to RSVP.

AGM ATTENDANCE

Please fill out and return the RSVP Card if you are planning to attend the Annual Meeting in Wellington on 29 October 2008.