

NEW ZEALAND OIL & GAS LIMITED

AUDIT COMMITTEE CHARTER

Role

The audit committee is a committee of the board and reports on matters related to NZOG and its subsidiaries (“NZOG Group”).

The primary responsibility for implementation of financial and other reporting, risk oversight and management, internal control, and compliance with laws and regulations by the company rests with executive management.

However, the board has the ultimate responsibility in these areas, and the audit committee supports the board in fulfilling certain of these functions by way of its delegated responsibility.

Composition

The audit committee shall be comprised of three non-executive members of the NZOG board, with a majority of members being independent directors. Committee appointments shall be approved by the board. At least one member of the audit committee shall have an accounting or financial background. The committee chairman shall be an independent director.

The chairman of the board shall not be the chairman of the audit committee.

Administration & Procedures

The quorum shall be two.

The audit committee has the ability to obtain independent advice if thought necessary to adequately perform its role.

The audit committee has the authority to conduct or authorise investigations into any matters within the committee’s scope of responsibility.

The audit committee will have unrestricted access to all company information, including documents and personnel, and shall have adequate resources in order to fulfil its overview responsibilities.

The audit committee will appoint a suitable person as secretary of the audit committee.

The secretary will call a meeting of the audit committee if so requested by any committee member, or the auditors.

The secretary will prepare agendas for each meeting of the committee in consultation with the committee chairman.

The chairman of the board, the chief executive and other executives may be invited to attend meetings of the committee.

The auditors will be given notice of all meetings of the audit committee, and relevant extracts of minutes.

The committee will meet as required to consider, review, and approve half yearly and annual financial statements; and discuss planning, strategy and costs for the upcoming audits.

The committee will report to the board on its activities including its recommendations.

Objectives & Responsibilities

The objectives and responsibilities of the Audit Committee are as follows:

(a) To ensure that the requirements of the NZOG board for full and appropriate reporting by NZOG is in accordance with financial reporting legislation, generally accepted accounting practice and stock exchange listing requirements. Assistance will be sought from the auditors in meeting this objective.

(b) Review of half year and full year financial statements and consideration of whether the information contained in those documents is consistent with financial and other information provided.

(c) Review and approve significant accounting policy changes and evaluate the appropriateness of the company's accounting policies.

(d) To review the internal control systems instituted by management for the NZOG Group and monitor their appropriateness.

(e) To provide an avenue of communication between auditors and the board, in particular in relation to matters requiring consideration by directors which relate to financial reporting.

(f) Relations with external auditors including:

- selection of external auditors
- approval of the auditors engagement letter;
- ensuring that the lead audit partner is changed every five years
- pre and post audit meetings;
- review of the NZOG Group's annual audit plan;
- review of the audit timetable;
- review of the management letter (a copy of which will be sent by the auditors directly to the address of the chairman of the audit committee);
- the setting of audit fees;
- determine the non-audit functions that the external auditors may provide;
- annually review the performance (effectiveness, independence and objectivity) of the external auditors.

- (g) To meet with the auditors and management in separate sessions to discuss any matters that the Audit Committee or these parties believe should be discussed privately with the Audit Committee.
- (h) To monitor NZOG's compliance with significant laws and regulations relating to financial reporting.
- (i) To ensure that any solvency certificate in the event of distributions to shareholders, is able to be given.
- (j) Review legal and regulatory matters that may have a material impact on the financial statements and related accounting policies.

Review of Charter

The audit committee will review its charter from time to time to ensure its relevance and the effectiveness of the audit committee. Any changes are to be recommended to the board for approval.

Adopted by the board of New Zealand Oil & Gas Limited.
26 August 2004.



B W Roulston