

NEW ZEALAND OIL & GAS LIMITED	
NZ Reg. Coy. No. 037842 ARBN 003 064 962 www.nzog.com	
Results for announcement to the market	
Reporting Period	6 months to 31 December 2010
Previous Reporting Period	12 months to 30 June 2010
Comparative Reporting Period	6 months to 31 December 2009

	Amount (NZ\$ 000s)		Increase / (decrease)
	6 months to 31 Dec 2010	6 months to 31 Dec 2009	%
Revenue from ordinary activities	40,482	37,745	7%
Surplus / (deficit) from ordinary activities after tax attributable to security holders	(98,950)	(6,489)	1,425%
Net profit / (loss) attributable to security holders	(98,950)	(6,489)	1,425%
	NZ\$	NZ\$	%
Net Tangible Assets per share	0.82	1.19	(31%)

Interim/Final Dividend	Amount per security	Imputed amount per security
N/A	N/A	N/A

Record Date	N/A
Dividend Payment Date	N/A

Comments:	Accompanying this announcement are the company's condensed interim financial statements that have been prepared in accordance with generally accepted accounting practice and give a true and fair view of the matters to which the statements relate. These financial statements provide the balance of information required in accordance with Listing Rule 10.4.2, Appendix 1.
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New Zealand Oil & Gas Limited Condensed Interim Financial Statements for the half-year ended 31 December 2010

The condensed interim financial statements of New Zealand Oil & Gas Limited, presented on pages 2 to 26, are approved for and on behalf of the Board:



PWT Griffiths
Director

22 February 2011



ATN Knight
Director

22 February 2011

New Zealand Oil & Gas Limited
Condensed Statement of Income
For the half-year ended 31 December 2010

		Unaudited Half Year 31 December 2010 \$'000	Unaudited Half Year 31 December 2009 \$'000	Audited Full Year 30 June 2010 \$'000
	Notes			
Revenue	4	40,482	37,745	99,374
Operating costs	5	(29,429)	(9,283)	(31,804)
Gross profit		<u>11,053</u>	<u>28,462</u>	<u>67,570</u>
Other Income	4	1,559	182	736
Exploration and evaluation costs expensed	15	(2,618)	(10,918)	(30,697)
Other expenses	6	(6,880)	(5,086)	(11,998)
Result from operating activities		<u>3,114</u>	<u>12,640</u>	<u>25,611</u>
Finance costs		(107,229)	(14,720)	(11,276)
Finance income		5,187	566	2,263
Net finance income/(costs)	7	<u>(102,042)</u>	<u>(14,154)</u>	<u>(9,013)</u>
Share of loss from associates	13	-	(4,156)	(11,470)
Profit/(loss) before income tax and royalties		(98,928)	(5,670)	5,128
Royalties expense	8	(2,201)	(4,291)	(7,457)
Income tax (expense)/benefit		2,179	3,472	(926)
Profit/(loss) for the period		<u>(98,950)</u>	<u>(6,489)</u>	<u>(3,255)</u>
Profit/(loss) for the period attributable to:				
Equity holders of Parent		<u>(98,950)</u>	<u>(6,489)</u>	<u>(3,255)</u>
		<u>(98,950)</u>	<u>(6,489)</u>	<u>(3,255)</u>
Earnings per share attributable to shareholders:		Cents	Cents	Cents
Basic earnings per share	25	(25.0)	(1.7)	(0.8)
Diluted earnings per share	25	(25.0)	(1.7)	(0.8)
Net Tangible Asset Backing per share		Cents 82	Cents 119	Cents 114

The above condensed statement of income should be read in conjunction with the accompanying notes on pages 8 to 26.

New Zealand Oil & Gas Limited
Condensed Statement of Comprehensive Income
For the half-year ended 31 December 2010

		Unaudited Half Year 31 December 2010 \$'000	Unaudited Half Year 31 December 2009 \$'000	Audited Full Year 30 June 2010 \$'000
	Notes			
Profit/(loss) for the period		(98,950)	(6,489)	(3,255)
Other comprehensive income				
Fair value gain/(loss) on financial assets	21	(3)	-	-
Fair value gain/(loss) on available for sale financial assets	21	-	3,826	(25,396)
Foreign currency translation differences	21	(5,423)	(13,320)	(8,960)
Other comprehensive income for the period		<u>(5,426)</u>	<u>(9,494)</u>	<u>(34,356)</u>
Total comprehensive income for the period:				
Attributable to equity holders of the Parent		<u>(104,376)</u>	<u>(15,983)</u>	<u>(37,611)</u>

The above condensed statement of comprehensive income should be read in conjunction with the accompanying notes on pages 8 to 26.

New Zealand Oil & Gas Limited
Condensed Statement of Financial Position
As at 31 December 2010

		Unaudited Half Year 31 December 2010 \$'000	Unaudited Half Year 31 December 2009 \$'000	Audited Full Year 30 June 2010 \$'000
	Notes			
Current assets				
Cash and cash equivalents	9	111,832	176,405	142,404
Receivables and prepayments	10	19,918	10,909	20,794
Inventories		1,516	554	140
Current tax receivables		1,582	1,722	1,842
Total current assets		<u>134,848</u>	<u>189,590</u>	<u>165,180</u>
Non-current assets				
Convertible Bond	11	33,968	-	39,933
Investments in associates	13	-	70,756	77,088
Evaluation and exploration assets	15	7,075	7,802	6,641
Oil and gas assets	16	244,401	261,328	257,673
Property, plant and equipment		308	327	336
Intangible assets		102	240	166
Other financial assets	17	17,097	46,120	19,687
Total non-current assets		<u>302,951</u>	<u>386,573</u>	<u>401,524</u>
Total assets		<u>437,799</u>	<u>576,163</u>	<u>566,704</u>
Current liabilities				
Payables	18	12,619	18,277	20,797
Borrowings	19	2,150	10,500	3,217
Derivative financial instruments		-	9	-
Total current liabilities		<u>14,769</u>	<u>28,786</u>	<u>24,014</u>
Non-current liabilities				
Borrowings	19	60,945	47,328	59,588
Restoration and rehabilitation provision		11,712	12,102	11,998
Net deferred tax liability		21,173	19,725	24,265
Total non-current liabilities		<u>93,830</u>	<u>79,155</u>	<u>95,851</u>
Total liabilities		<u>108,599</u>	<u>107,941</u>	<u>119,865</u>
Net assets		<u>329,200</u>	<u>468,222</u>	<u>446,839</u>
Equity				
Share capital	20	359,675	353,679	353,741
Reserves	21	(13,988)	15,982	(8,697)
Retained earnings/(deficit)		<u>(16,487)</u>	<u>98,561</u>	<u>101,795</u>
Total equity		<u>329,200</u>	<u>468,222</u>	<u>446,839</u>

The above condensed statement of financial position should be read in conjunction with the accompanying notes on pages 8 to 26.

New Zealand Oil & Gas Limited
Condensed Statement of Changes in Equity
For the half-year ended 31 December 2010

		Attributable to equity holders of New Zealand Oil & Gas Limited			
	Notes	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
UNAUDITED					
Balance at 1 July 2009		347,192	25,571	124,029	496,792
Comprehensive income					
Profit/(loss) for the period		-	-	(6,489)	(6,489)
Other comprehensive income					
Fair value gain/(loss) on available for sale financial assets	21	-	3,826	-	3,826
Foreign currency translation differences	21	-	(13,320)	-	(13,320)
Total comprehensive income		-	(9,494)	(6,489)	(15,983)
Transactions with owners					
Shares issued	20	6,487	-	-	6,487
Share based payment	21	-	184	-	184
Transfer of expired share based payments during the period	21	-	(279)	279	-
Dividend declared (5 cents per Ordinary share)		-	-	(19,258)	(19,258)
Supplementary dividend		-	-	(665)	(665)
Foreign investor tax credit		-	-	665	665
Balance at 31 December 2009		353,679	15,982	98,561	468,222
UNAUDITED					
Balance as at 1 July 2010		353,741	(8,697)	101,795	446,839
Comprehensive income					
Profit/(loss) for the period		-	-	(98,950)	(98,950)
Other comprehensive income					
Fair value gain/(loss) on financial assets		-	(3)	-	(3)
Foreign currency translation differences	21	-	(5,423)	-	(5,423)
Total comprehensive income		-	(5,426)	(98,950)	(104,376)
Transactions with owners					
Shares issued	20	6,808	-	-	6,808
Buy back of issued shares	20	(874)	-	-	(874)
Share based payment	21	-	266	-	266
Transfer of expired share based payments during the period	21	-	(131)	131	-
Dividend declared (5 cents per ordinary share)		-	-	(19,463)	(19,463)
Supplementary dividend		-	-	(665)	(665)
Foreign investor tax credit		-	-	665	665
Balance at 31 December 2010		359,675	(13,988)	(16,487)	329,200

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes on pages 8 to 26.

New Zealand Oil & Gas Limited
Condensed Statement of Changes in Equity
For the half-year ended 31 December 2010
(continued)

		Attributable to equity holders of New Zealand Oil & Gas Limited			
	Notes	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
AUDITED					
Balance at 1 July 2009		347,192	25,571	124,029	496,792
Comprehensive income					
Profit/(loss) for the period		-	-	(3,255)	(3,255)
Other comprehensive income					
Fair value gain/(loss) on available for sale financial assets	21	-	(25,396)	-	(25,396)
Foreign currency translation differences	21	-	(8,960)	-	(8,960)
Total comprehensive income		-	(34,356)	(3,255)	(37,611)
Transactions with owners					
Shares issued	20	6,549	-	-	6,549
Transfer of expired share based payments during the period	21	-	(280)	280	-
Share based payment	21	-	368	-	368
Dividend declared (5 cents per ordinary share)		-	-	(19,259)	(19,259)
Supplementary dividend		-	-	(665)	(665)
Foreign investor tax credit		-	-	665	665
Balance at 30 June 2010		353,741	(8,697)	101,795	446,839

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes on pages 8 to 26.

New Zealand Oil & Gas Limited
Condensed Statement of Cash Flows
For the half-year ended 31 December 2010

	Unaudited Half Year 31 December 2010 \$'000	Unaudited Half Year 31 December 2009 \$'000	Audited Full Year 30 June 2010 \$'000
Notes			
Cash flows from operating activities			
Receipts from customers	55,719	34,930	88,949
Interest received	2,370	756	2,421
Dividend income	-	3,283	3,283
Other revenue	1,303	-	600
Production and marketing expenditure	(20,739)	(5,879)	(13,943)
Payments to suppliers and employees (inclusive of Goods and Services Tax)	(7,729)	(5,930)	(12,469)
Royalties	(6,778)	(17,284)	(18,955)
Interest paid	(1,054)	-	(941)
Income taxes paid	(2)	(1,550)	(1,550)
Net cash inflow / (outflow) from operating activities	23 23,090	8,326	47,395
Cash flows from investing activities			
Repayment of loans by related parties	-	-	6,000
Exploration and evaluation expenditure	(2,514)	(13,154)	(28,604)
Oil & gas asset expenditure	(3,212)	(20,572)	(34,859)
Purchase of financial assets	-	-	(741)
Purchase of shares in associate company	-	-	(13,921)
Issue of convertible bond	-	-	(42,144)
Purchase property, plant and equipment	(29)	(337)	(445)
Loan to related party	(25,000)	-	(6,000)
Net cash inflow / (outflow) from investing activities	(30,755)	(34,063)	(120,714)
Cash flows from financing activities			
Issues of shares	188	225	287
Borrowings	-	57,829	63,049
Buyback of issued shares	(874)	-	-
Dividend paid	(13,503)	(13,655)	(13,655)
Net cash inflow / (outflow) from financing activities	(14,189)	44,399	49,681
Net increase (decrease) in cash and cash equivalents	(21,854)	18,662	(23,638)
Cash and cash equivalents at the beginning of the period	142,404	174,753	174,753
Effects of exchange rate changes on cash and cash equivalents	(8,718)	(17,010)	(8,711)
Cash and cash equivalents at end of the half-year	9 111,832	176,405	142,404

The above condensed statement of cash flows should be read in conjunction with the accompanying notes on pages 8 to 26.

1 General information

New Zealand Oil & Gas Limited (the "Company") is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange ("NZX") and Australian Stock Exchange ("ASX"). The Company is an issuer in terms of the Financial Reporting Act 1993.

The condensed interim financial statements (hereafter referred to as the "financial statements") presented herewith as at and for the half year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

These financial statements have been approved for issue by the Board of Directors on 22 February 2011.

2 Summary of significant accounting policies

This condensed interim financial information for the half year ended 31 December 2010 has been prepared in accordance with Accounting Standard NZ IAS 34 *Interim Financial Reporting*.

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010.

(a) Standards, amendments, and interpretations effective in 2011

The Group has adopted the following new and amended New Zealand equivalents to International Financial Reporting Standards:

- NZ IFRS 2, Share Based Payments - Group cash settled share based payment transactions (Amendment) - (effective from annual periods beginning on or after 1 January 2010)
- NZ IFRS 5, Non Current Assets Held for Sale and Discontinued Operations (Improvements to NZ IFRSs 2009) - (effective from annual periods beginning on or after 1 January 2010)
- NZ IFRS 9 (2009), Financial Instruments – (adopted from 1 July 2010)
- NZ IAS 1, Presentation of Financial Statements (Improvements to NZ IFRSs 2009) - (effective from annual periods beginning on or after 1 January 2010)
- NZ IAS 7, Statement of Cash Flows (Improvements to NZ IFRSs 2009) - (effective from annual periods beginning on or after 1 January 2010)
- NZ IAS 17, Leases (Improvements to NZ IFRSs 2009) - (effective from annual periods beginning on or after 1 January 2010)
- NZ IAS 24, Related Party Disclosures (revised 2009) - (effective from annual periods beginning on or after 1 July 2011)
- NZ IAS 32, Financial Instruments: Presentation - Classification of Rights Issues (Amendment) - (effective from annual periods beginning on or after 1 February 2010)
- NZ IAS 36, Impairment of Assets (Improvements to NZ IFRSs 2009) - (effective from annual periods beginning on or after 1 January 2010)
- NZ IAS 39, Financial Instruments: Recognition and Measurement (Improvements to NZ IFRSs 2009) - (effective from annual periods beginning on or after 1 January 2010)
- NZ IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments - (effective from annual periods beginning on or after 1 July 2010)

(b) Standards, amendments and interpretations to existing standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 July 2010 or later periods but which the Company has not early adopted:

- NZ IFRS 7, Financial Instruments: Disclosures - Transfer of financial assets (Amendments) - (effective from annual periods beginning on or after 1 July 2011)
- NZ IFRS 9 (2010), Financial Instruments - (effective from annual periods beginning on or after 1 January 2013)
- NZ IAS 12, Income Taxes (Amendments) - (effective from annual periods beginning on or after 1 January 2011)

2 Summary of significant accounting policies (continued)

- NZ IAS 24, Related Party Disclosures (revised 2009) - (effective from annual periods beginning on or after 1 January 2011)

(c) Changes in accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2010 other than the early adoption of NZ IFRS 9 (2009), *Financial Instruments* (and its accompanying amendments to other NZ IFRS) which has been adopted effective from 1 July 2010.

NZ IFRS 9 (2009) applies only to financial assets and specifies that financial assets should be measured at either amortised cost or fair value on the basis of both the business model for managing the financial asset and the nature of any contractual cash flows. At the date of initial application, 1 July 2010, the adoption has the following effect on the classification of the material financial assets:

	Previous classification	New classification	Carrying amount under NZ IAS 39	Carrying amount under NZ IFRS 9
Convertible Bond – fixed interest	Loans and receivables	Fair value through profit or loss (as a single instrument)	36,016	39,933
Convertible Bond – equity option	Derivative – held for trading	Fair value through profit or loss (not separated and aggregated into a single financial asset)	3,917	n/a
Investment in Pan Pacific Petroleum NL	Available for sale	Fair value through other comprehensive income	18,923	18,923

The new accounting policies for these assets are as follows:

Financial assets at fair value through other comprehensive income

Investments in equity instruments that are not held for trading can be held at fair value through other comprehensive income when an irrevocable election to do this is made at initial recognition. Such assets are measured upon initial recognition at fair value. Subsequent fair value movements are presented in other comprehensive income and recognised in the revaluation reserve. Dividends on investments held at fair value through other comprehensive income, are recognised in profit or loss when the right to receive payment is established, unless the dividend represents a return of capital. If the investment is derecognised the cumulative gain or loss may be transferred within equity reserves.

Financial assets at Fair Value through Profit or Loss

Financial assets that are not classified and measured at amortised cost, or designated at fair value through other comprehensive income, are classified as fair value through profit or loss.

As allowed by the transitional provisions of NZ IFRS 9, the Group has elected not to retrospectively apply this standard and as such has not restated the prior periods.

3 Segment information

For management purposes, the Group's activities are organised into a number of different segments based on the nature of the venture or investment.

Management monitors operating results and technical data associated with these segments separately for the purposes of making decisions about resource allocation and performance assessment. The financial performance of each segment is evaluated based on profit before tax and net finance costs (profit before tax and interest) and is measured in accordance with the Group's accounting policies. The Group's financing requirements, finance income, finance costs, taxes and other corporate activities are managed at a Group level.

The following summaries describe the activities within each of the reportable operating segments:

Oil and gas

Tui

Development, production and sale of crude oil in the petroleum mining permit area of PMP 38158 located in the offshore Taranaki basin, New Zealand.

2 Summary of significant accounting policies (continued)

Kupe

Development, production, sale of natural gas, liquefied petroleum gas (LPG) and condensate (light oil) in the petroleum mining permit area of PML 38146 located in the offshore Taranaki basin, New Zealand.

Exploration

Exploration and evaluation of hydrocarbons in offshore Taranaki basin and offshore Canterbury basin, New Zealand.

Investments

Investments held by the Group are in resource companies listed on the New Zealand and Australian stock exchanges. At balance date the investments held were in Pike River Coal Limited (In Receivership) and Pan Pacific Petroleum NL.

Other and unallocated

This segment comprises corporate costs and incidental costs of the Group.

No operating segments have been aggregated to form the above reportable segments.

Segment revenues are allocated based on whether the customer is located in New Zealand or overseas. All segment assets are based in New Zealand with the exception of the investment in Pan Pacific Petroleum NL, which is an Australian listed company.

Unaudited

Half year to 31 December 2010

	Oil & Gas - Tui \$'000	Oil & Gas - Kupe \$'000	Oil & Gas - Explor ation \$'000	Investments \$'000	Other and unallocated \$'000	Total \$'000
Sales to external customers - NZ	-	15,657	-	-	-	15,657
Sales to external customers - other countries	13,080	11,745	-	-	-	24,825
Total sales revenue	13,080	27,402	-	-	-	40,482
Other income	-	-	-	-	1,559	1,559
Total revenue and other income	13,080	27,402	-	-	1,559	42,041
Segment result	(1,190)	10,042	(2,618)	(91,158)	(4,992)	(89,916)
Other reconciling items - other net finance income/(costs)						(11,213)
Profit before income tax						(101,129)
Income tax (expense)/benefit						2,179
Profit/(loss) for the period						(98,950)
Segment assets	26,252	218,149	7,075	63,022	-	314,498
Other reconciling items						123,301
Total assets						437,799
Included in segment assets:						
Investments in associates accounted for using the equity method	-	-	-	-	-	-
Included in segment results:						
Depreciation and amortisation expense	1,701	10,049	-	-	136	11,886

3 Segment information (continued)

Unaudited Half year to 31 December 2009	Oil & Gas - Tui \$'000	Oil & Gas - Kupe \$'000	Oil & Gas - Explor ation \$'000	Investments \$'000	Other and unallocated \$'000	Total \$'000
Sales to external customers - NZ	-	-	-	-	-	-
Sales to external customers - other countries	37,745	-	-	-	-	37,745
Total sales revenue	37,745	-	-	-	-	37,745
Other income	-	-	-	131	51	182
Total revenue and other income	37,745	-	-	131	51	37,927
Segment result	24,171	-	(10,918)	(4,025)	(5,035)	4,193
Other reconciling items - other net finance income/(costs)						(14,154)
Profit before income tax						(9,961)
Income tax (expense)/benefit						3,472
Profit/(loss) for the period						(6,489)
Segment assets	29,466	231,862	7,802	116,833	-	385,963
Other reconciling items - Net finance income/(costs)						190,200
Total assets						576,163
Included in segment assets:						
Investments in associates accounted for using the equity method	-	-	-	70,756	-	70,756
Included in segment results:						
Depreciation and amortisation expense	2,705	-	-	-	160	2,865

3 Segment information (continued)

Audited Full year to 30 June 2010	Oil & Gas - Tui \$'000	Oil & Gas - Kupe \$'000	Oil & Gas - Explor ation \$'000	Investments \$'000	Other and unallocated \$'000	Total \$'000
Sales to external customers - NZ	-	15,331	-	-	-	15,331
Sales to external customers - other countries	67,915	16,128	-	-	-	84,043
Total sales revenue	67,915	31,459	-	-	-	99,374
Other income	-	-	-	-	736	736
Total revenue and other income	67,915	31,459	-	-	736	100,110
Segment result	44,038	16,075	(30,697)	(11,470)	(11,262)	6,684
Other reconciling items - other net finance income/(costs)						(9,013)
Profit before income tax						(2,329)
Income tax (expense)/benefit						(926)
Profit/(loss) for the period						(3,255)
Segment assets	29,517	228,156	6,641	136,665	-	400,979
Other reconciling items						165,725
Total assets						566,704
Included in segment assets: Investments in associates accounted for using the equity method	-	-	-	77,088	-	77,088
Included in segment results: Depreciation and amortisation expense	5,856	9,518	-	-	294	15,668

4 Income

	Unaudited Half Year 31 December 2010 \$'000	Unaudited Half Year 31 December 2009 \$'000	Audited Full Year 30 June 2010 \$'000
Revenue			
Petroleum sales	40,482	37,745	99,374
Other income			
Rental income	72	51	136
Gain on investment held in associate	-	131	-
Carbon emission expenditure recovered	796	-	-
Other income	691	-	600
Total other income	1,559	182	736
Total Income	42,041	37,927	100,110

5 Operating costs

	Unaudited Half Year 31 December 2010 \$'000	Unaudited Half Year 31 December 2009 \$'000	Audited Full Year 30 June 2010 \$'000
Production and sales marketing costs *	18,619	5,880	15,234
Amortisation of production asset	11,750	3,215	15,376
Movement in inventory	(1,159)	188	597
Movement in stock over/(under) lift	(933)	-	597
Carbon emission expenditure	1,152	-	-
Total operating costs	<u>29,429</u>	<u>9,283</u>	<u>31,804</u>

* Operating costs for the half year to 31 December 2010 includes expenditure of NZ\$8.5 million for the repair of the Pateke well in the producing Tui oil field.

6 Other Expenses

	Unaudited Half Year 31 December 2010 \$'000	Unaudited Half Year 31 December 2009 \$'000	Audited Full Year 30 June 2010 \$'000
Classification of other expenses by nature			
Classification of other expenses by nature			
Audit fees	82	64	125
Director fees	254	250	541
Legal fees	248	104	137
Consultants' fees	811	150	1,727
Employee expenses	2,137	1,991	4,289
Bad debt expense (note 10)	329	-	-
Depreciation	54	51	101
Amortisation of Intangibles	67	109	192
Share based payment expense	265	184	368
Loss on dilution of investment in associate	-	-	144
Donations	503	-	-
Other	2,130	2,183	4,374
Total other expenses	<u>6,880</u>	<u>5,086</u>	<u>11,998</u>

Donations during the half year include \$500,000 contribution to the Pike River Miners' Relief Trust Fund.

7 Net finance costs/ (income)

	Unaudited Half Year 31 December 2010 \$'000	Unaudited Half Year 31 December 2009 \$'000	Audited Full Year 30 June 2010 \$'000
Finance costs			
Interest and finance charges	(1,467)	(68)	(896)
Exchange losses on foreign currency balances	(7,398)	(13,960)	(8,010)
Impairment of loans and receivables* (note 10)	(13,000)	-	-
Fair value adjustment of financial asset* (note 17)	(742)	-	-
Impairment of investment in associate* (note 13)	(77,088)	-	-
Net fair value loss on convertible bond* (note 11)	(7,534)	-	-
Net fair value loss on derivatives	-	(199)	(1,576)
Expiry and settlement of derivatives	-	(493)	(794)
Total finance costs	<u>(107,229)</u>	<u>(14,720)</u>	<u>(11,276)</u>
Finance income			
Interest income	<u>5,187</u>	<u>566</u>	<u>2,263</u>
Total finance income	<u>5,187</u>	<u>566</u>	<u>2,263</u>
Net finance income/(costs)	<u>(102,042)</u>	<u>(14,154)</u>	<u>(9,013)</u>

* These items relate to the Group's investment in and loans to Pike River Coal Limited (PRCL) which was placed into receivership on 13 December 2010. This followed the tragic events triggered by the explosion at the mine on 19 November 2010. Further details on the Group's investment in and loans to PRCL are contained in notes 10, 11, 13 and 17.

8 Royalties expense

Royalty expenses incurred by the Group relate to payments to the New Zealand Government in respect of the Tui area oil fields and Kupe gas & oil field.

9 Cash and cash equivalents

	Unaudited Half Year 31 December 2010 \$'000	Unaudited Half Year 31 December 2009 \$'000	Audited Full Year 30 June 2010 \$'000
Cash at bank and in hand	50,920	9,883	22,661
Deposits at call	21,860	18,423	17,913
Short term deposits	<u>39,052</u>	<u>148,099</u>	<u>101,830</u>
Total cash and cash equivalents	<u>111,832</u>	<u>176,405</u>	<u>142,404</u>

10 Receivables and prepayments

	Unaudited Half Year 31 December 2010 \$'000	Unaudited Half Year 31 December 2009 \$'000	Audited Full Year 30 June 2010 \$'000
Net trade receivables			
Trade receivables	4,473	9,962	19,564
Interest receivable	1,498	103	251
Less: Provision for doubtful receivables	(329)	-	-
	<u>5,642</u>	<u>10,065</u>	<u>19,815</u>
Net receivables from related parties			
Short term loan facility to PRCL	25,000	-	-
Less: Provision for impairment of short term loan facility to PRCL	(13,000)	-	-
	<u>12,000</u>	<u>-</u>	<u>-</u>
Other			
Prepayments	1,576	842	627
Stock under lift	336	-	-
Other	364	2	352
Total receivables and prepayments	<u>19,918</u>	<u>10,909</u>	<u>20,794</u>

Provision for impairment of short term loan facility to PRCL

On 13 December 2010 Pike River Coal Limited ("PRCL") was placed in receivership. This follows the tragic events triggered by the explosion at the mine on 19 November 2010.

The Group has provided for a likely loss of \$13.0 million in respect of the unsecured portion of the \$25.0 million short term facility advanced to PRCL and loss of accrued interest of \$0.329 million during the half year ended 31 December 2010. The Group has recognised no impairment loss in respect of the \$12.0 million secured portion of the short term facility or loss in respect of interest accruing on this portion of the loan.

The provision for impairment of the unsecured portion of the short term facility has been recognised based on a best estimate of the likely outcome of the receivership. Following discussions with the Receivers, the Group determined the best estimate by applying a range of probabilities to the estimated future cash flows from the assets based on the estimates of the potential recoverable values of the mine, equipment, other associated assets and insurance proceeds. While the Group has recognised an impairment loss based on a best estimate of the discounted value of expected future cash flows, the outcome of the receivership is highly uncertain at this time and significant changes in the assessment of recoveries may occur in subsequent reporting periods.

The impairment loss recognised on the short term loan facility to PRCL has been included in 'net finance income/(expense)' in the income statement. The loss recognised on the accrued interest on this portion of the loan has been included in 'Other expense – bad debt expense' in the income statement.

11 Convertible bond

	Unaudited Half Year 31 December 2010 \$'000	Unaudited Half Year 31 December 2009 \$'000	Audited Full Year 30 June 2010 \$'000
Convertible Bond – recoverable fair value	33,968	-	-
Convertible Bond - fixed interest (amortised cost)	-	-	36,016
Convertible Bond - equity option	-	-	3,917
Total convertible bond	<u>33,968</u>	<u>-</u>	<u>39,933</u>

11 Convertible bond (continued)

During the year ended 30 June 2010 the Group entered into an agreement with Pike River Coal Limited (In Receivership) ("PRCL") to subscribe for a convertible bond facility with a face value of US\$28.9 million. The facility in place is a first ranking secured debt that under the terms of a Deed of Priority and a Pari Passu Deed ranks equally with the loans issued by the BNZ (other than first ranking securities held by BNZ in respect of specific mining equipment) and any distribution of proceeds must be on a pro rata basis.

Following discussions with the Receiver, the Group determined the best estimate of the recoverable fair value by applying a range of probabilities to the estimated future cash flows from the assets based on the estimates of the potential recoverable values of the mine, equipment, other associated assets and insurance proceeds. As at 31 December 2010 the Group's assessment is that the recoverable value/fair value of the convertible bond is \$33.968 million.

On adoption of NZ IFRS 9 (2009) from 1 July 2010 the convertible bond in its entirety is recorded at fair value through profit or loss.

12 Investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following entities:

Name of entity	Country of incorporation	Classes of shares	Equity holding	
			December 2010 %	December 2009 %
ANZ Resources Pty Limited	Australia	Ordinary	100	100
Australia and New Zealand Petroleum Limited	New Zealand	Ordinary	100	100
Kupe Royalties Limited	New Zealand	Ordinary	100	100
National Petroleum Limited	New Zealand	Ordinary	100	100
Nephrite Enterprises Limited	New Zealand	Ordinary	100	100
NZOG 38259 Limited	New Zealand	Ordinary	100	100
NZOG 38494 Limited	New Zealand	Ordinary	100	100
NZOG 38483 Limited	New Zealand	Ordinary	100	100
NZOG Canterbury Limited (previously NZOG Deepwater Limited)	New Zealand	Ordinary	100	100
NZOG Developments Limited	New Zealand	Ordinary	100	100
NZOG Devon Limited	New Zealand	Ordinary	100	-
NZOG Egmont Limited	New Zealand	Ordinary	100	-
NZOG Energy Limited	New Zealand	Ordinary	100	100
NZOG Offshore Limited	New Zealand	Ordinary	100	100
NZOG Pacific Limited	New Zealand	Ordinary	100	-
NZOG Services Limited	New Zealand	Ordinary	100	100
NZOG Taranaki Limited	New Zealand	Ordinary	100	100
Oil Holdings Limited	New Zealand	Ordinary	100	100
Petroleum Resources Limited	New Zealand	Ordinary	100	100
Petroleum Equities Limited	New Zealand	Ordinary	100	100
Resource Equities Limited	New Zealand	Ordinary	100	100
Stewart Petroleum Company Limited	New Zealand	Ordinary	100	100
New Zealand Oil & Gas employee benefit trust	New Zealand	Trustee	-	-

All subsidiary companies have a balance date of 30 June. All wholly owned subsidiaries are predominantly involved in the petroleum exploration industry, other than NZOG 38483 Limited which is the issuer of debt to Pike River Coal Limited (In Receivership).

All subsidiaries within the Group have a functional currency of New Zealand dollars, except the following:

- Stewart Petroleum Company Limited - United States dollars (USD)
- ANZ Resources Pty Limited - Australian dollars (AUD)

13 Investments in associates

(a) Carrying amounts

Information relating to associates is set out below.

Name of company	Principal activity	Ownership interest			Group carrying amount		
		31 Dec 2010	31 Dec 2009	30 Jun 2010	Unaudited Half Year 31 Dec 2010	Unaudited Half Year 31 Dec 2009	Audited Full Year 30 Jun 2010
		%	%	%	\$'000	\$'000	\$'000
Pike River Coal Limited (In Receivership)	Coal mining	29.4	29.6	29.4	-	70,756	77,088

On 13 December 2010 Pike River Coal Limited ("PRCL") was placed into receivership. The investment in PRCL was carried at the equity accounted value recognised by the Group at 30 June 2010 and based on a review of the available information, as previously referred to, has been impaired down to a nil value.

From the date of receivership the Group recognised that PRCL is no longer an associate investment and reclassified the investment as an investment asset carried at fair value. Due to the receivership there are no financial statements of the performance of PRCL to the date of receivership and as such no share of results has been taken up for the period.

The Group's holding in PRCL comprises 119.0 million ordinary shares and 17.3 million options.

Unaudited Half Year 31 December 2010	Audited Full Year 31 December 2009	Audited Full Year 30 June 2010
\$'000	\$'000	\$'000

(b) Movements in carrying amounts

Carrying amount at the beginning of the period	77,088	74,781	74,781
Share of net loss of associate	-	(4,156)	(11,470)
Impairment of investment in associate	(77,088)	-	-
Gain/(loss) on investment held in associate	-	131	(144)
Purchase of shares in associate	-	-	13,921
Carrying amount at the end of the period	-	70,756	77,088

14 Interests in oil and gas joint ventures

NZOG group interests held at balance date in significant unincorporated oil and gas joint ventures established to explore, develop and produce petroleum:

Name of entity	Interests held by the group		
	Unaudited Half Year 31 December 2010 %	Unaudited Half Year 31 December 2009 %	Audited Full Year 30 June 2010 %
PML 38146 - Kupe	15.0%	15.0%	15.0%
PMP 38158 - Tui	12.5%	12.5%	12.5%
PEP 38483 - Bahamas (formerly Aihe) (i)	18.9%	18.9%	18.9%
PEP 38483 - Aihe Extension (i)	- %	12.5%	- %
PEP 38259 - Barque	40.0%	40.0%	40.0%
PEP 51311 - Kaupokonui(formerly Gamma) (ii)	100.0%	100.0%	100.0%
PEP 51321 - Kahurangi (iii)	18.9%	18.9%	18.9%
PEP 38401 - Hoki (iv)	- %	10.0%	10.0%
PEP 38491 - Albacore (v)	44.4%	40.0%	40.0%
PEP 51988 - Mangaa	100.0%	- %	100.0%
PEP 51558 - Parihaka	20.0%	- %	- %

(i) PEP 38483 (Bahamas) was relinquished in January 2011.

(ii) The Group has signed a farm-out arrangement with Peak Oil & Gas Ltd for 10% in PEP 51311 (Kaupokonui). At 31 December 2010 the transfer of the interest was still conditional.

(iii) PEP 51321 (Kahurangi) was relinquished in January 2011.

(iv) PEP 38401 (Hoki) was relinquished in November 2010.

(v) Subsequent to reporting date and conditional on consent from the Minister of Energy the Group will hold 100% interest in PEP 38491 (Albacore).

	Unaudited Half Year 31 December 2010 \$'000	Unaudited Half Year 31 December 2009 \$'000	Audited Full Year 30 June 2010 \$'000
Share of oil and gas joint ventures' assets and liabilities			
Cash and cash equivalents	6,193	9,791	6,547
Trade receivables *	618	559	2,453
Inventory	1,515	555	139
Petroleum interests **	296,551	293,814	298,522
Total assets	304,877	304,719	307,661
Current liabilities	6,373	12,075	11,678
Non-current liabilities	-	-	-
Total liabilities	6,373	12,075	11,678
Net assets	298,504	292,644	295,983

Share of oil and gas joint ventures' revenue, expenses and results

Revenues *	46	17	355
Expenses	(11,622)	(17,947)	(44,814)
Profit before income tax	(11,576)	(17,930)	(44,459)

* Revenue receivable from Tui & Kupe petroleum sales (see Note 4) is not included as it is earned directly by wholly owned subsidiaries that hold the permit interests.

** Prior to amortisation of production assets.

15 Exploration and evaluation assets

	Unaudited Half Year 31 December 2010 \$'000	Unaudited Half Year 31 December 2009 \$'000	Audited Full Year 30 June 2010 \$'000
Opening balance	6,641	5,236	5,236
Expenditure capitalised	3,178	13,626	32,044
Revaluation of USD exploration and evaluation assets	(126)	(142)	58
Expenditure written off	(2,618)	(10,918)	(30,697)
Closing balance	<u>7,075</u>	<u>7,802</u>	<u>6,641</u>

16 Oil and gas assets

(a) Development assets

	Unaudited Half Year 31 December 2010 \$'000	Unaudited Half Year 31 December 2009 \$'000	Audited Full Year 30 June 2010 \$'000
Opening balance	-	207,140	207,140
Expenditure capitalised	-	20,787	27,747
Borrowing costs capitalised	-	1,106	1,210
Expiry of commodity premium	-	(227)	(410)
Abandonment provision	-	3,508	-
Commissioning revenue and expense capitalised	-	(452)	(573)
Transferred to production assets	-	-	(235,114)
Closing balance	<u>-</u>	<u>231,862</u>	<u>-</u>

Included borrowing costs capitalised 31 December 2009 of \$10.4 million.

(b) Production assets

	Unaudited Half Year 31 December 2010 \$'000	Unaudited Half Year 31 December 2009 \$'000	Audited Full Year 30 June 2010 \$'000
Opening balance	257,673	35,141	35,141
Expenditure capitalised	991	468	1,462
Amortisation for the period	(11,750)	(3,215)	(15,376)
Revaluation of USD production assets	(2,854)	(3,649)	(2,453)
Expiry of commodity premium	-	(266)	(383)
Abandonment provision	341	987	4,168
Transfer from development assets	-	-	235,114
Closing balance	<u>244,401</u>	<u>29,466</u>	<u>257,673</u>

Includes borrowing costs capitalised of \$11.1 million at 31 December 2010 (2009: \$1.8 million).

Total oil and gas assets	<u>244,401</u>	<u>261,238</u>	<u>257,673</u>
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17 Other financial assets

	Unaudited Half Year 31 December 2010 \$'000	Unaudited Half Year 31 December 2009 \$'000	Audited Full Year 30 June 2010 \$'000
Pan Pacific Petroleum NL – Shares:			
Investment assets (fair value through other comprehensive income)	17,054	-	-
Available for sale financial assets	-	46,077	18,923
	<u>17,054</u>	<u>46,077</u>	<u>18,923</u>
Pike River Coal Limited (In Receivership) - financial assets (fair value through profit or loss):			
Shares and options	-	-	-
Coal Contract Option	742	-	721
Less: Fair value adjustment to profit or loss	<u>(742)</u>	<u>-</u>	<u>-</u>
	-	-	721
Other			
Refundable security deposits	43	43	43
Total other financial assets	<u>17,097</u>	<u>46,120</u>	<u>19,687</u>

(a) Investment assets

Shares held in Pan Pacific Petroleum NL

The investment of 87.5 million shares in Pan Pacific Petroleum NL is measured at fair value at reporting date of \$17.1 million and is classified as an investment asset at fair value in accordance with NZ IFRS 9 (2009) (previously classified as available for sale financial asset). The Group has designated the investment asset as fair value with movements through other comprehensive income as this best matches the Group's holding intention for this investment. Under the previous standard, NZ IAS 39, the Group was required to determine whether investments were impaired, with any impairment being recognised through profit or loss. No such impairment existed at the date of initial application of NZ IFRS 9 (2009). Under NZ IFRS 9 (2009) there is no requirement to determine if investments are impaired, with all gains and losses being recognised in other comprehensive income.

Accordingly, the previous available for sale reserve of \$4.12 million has been transferred to a Revaluation Reserve. The cost of this investment was the equivalent of NZ\$23.1 million (US\$17.8 million) and is held by Stewart Petroleum Co Limited.

Shares and options held in Pike River Coal Limited (In Receivership)

On the 13 December 2010 Pike River Coal Limited ("PRCL") was placed into receivership. This followed the tragic events triggered by the explosion at the Pike mine on 19 November 2010. From the date of receivership the Group recognised that PRCL is no longer an associate investment and reclassified the investments as a financial asset at fair value through profit or loss. This transfer occurred at the estimated fair value which was nil. The Group's holding in PRCL comprises 119.0 million ordinary shares and 17.3 million options.

Prior to the adoption of NZ IFRS 9 (2009) an impairment of the shares and options was recognised based on a best estimate of the likely outcome of the receivership. Following discussions with the Receivers, the Group determined the best estimate by applying a range of probabilities to the estimated future cash flows from the assets based on the estimates of the potential recoverable values of the mine, equipment, other associated assets and insurance proceeds. While the Group has recognised a loss based on a best estimate of the discounted value of expected future cash flows, the outcome of the receivership is highly uncertain at this time and significant changes in the assessment of recoveries may occur in subsequent reporting periods.

The impairment loss recognised on the shares and options has been included in 'net finance income/(expense)' in the income statement.

Coal Contract Option with Pike River Coal Limited (In Receivership)

The coal contract option issued by PRCL to the Group for the year ended 30 June 2010 is recorded at a nil market value (30 June 2010: NZ\$0.7 million). The cost of the coal contract option to the group was NZ\$0.7 million (US\$0.5 million). The Group has determined the coal contract option has become fully impaired.

The fair value adjustment recognised on the coal contract option has been included in 'net finance income/(expense)' in the income statement.

(b) Refundable security deposits

Security deposits include amounts held by key suppliers as bonds for work to be undertaken and deposits with government agencies subject to license work programme commitments being met.

18 Payables

	Unaudited Half Year 31 December 2010 \$'000	Unaudited Half Year 31 December 2009 \$'000	Audited Full Year 30 June 2010 \$'000
Trade payables	6,904	12,438	12,472
Employee entitlements	328	231	286
Accrued expenses	1,258	524	572
Interest payable	610	-	289
Royalties payable	1,920	5,001	6,497
Stock overlift	-	-	598
Other payables	1,599	83	83
Total payables	<u>12,619</u>	<u>18,277</u>	<u>20,797</u>

19 Borrowings

	Unaudited Half Year 31 December 2010 \$'000	Unaudited Half Year 31 December 2009 \$'000	Audited Full Year 30 June 2010 \$'000
Secured - Current			
Bank loans	2,150	10,500	3,217
Secured - Non-current			
Bank loans	60,945	47,328	59,588
Total borrowings	<u>63,095</u>	<u>57,828</u>	<u>62,805</u>

Assets pledged as security

At balance date the Group has a Letter of Credit facility in respect of the Tui area oil fields. At 31 December 2010 the Letter of Credit facility was US\$5.5 million (31 December 2009: US\$6.7 million). The Letter of Credit facility expires on 31 December 2015.

The Letter of Credit facility for the Tui area oil fields is secured over the Group's assets other than those primarily relating to the Kupe field, investments in Pike River Coal Limited (In Receivership), and a number of exploration assets.

At 31 December 2010 the Group has a project facility in respect of Kupe of NZ\$75 million and a Letter of Credit facility of NZ\$10 million with Westpac Banking Corporation. Drawings from the facility can be in NZD, AUD or USD. At 31 December 2010 NZ\$63.0 million (31 December 2009: NZ\$57.8 million) of the project facility was drawn and the Letter of Credit was fully drawn.

The Kupe project facility is secured over the Group's Kupe assets. The facility is repaid progressively over the life until the facility is fully repaid by 31 March 2015.

20 Contributed equity of the Group and Parent

	Unaudited Half Year 31 December 2010 Shares 000s	Unaudited Half Year 31 December 2009 Shares 000s	Audited Full Year 30 June 2010 Shares 000s	Unaudited Half Year 31 December 2010 \$'000	Unaudited Half Year 31 December 2009 \$'000	Audited Full Year 30 June 2010 \$'000
(a) Share capital						
Ordinary shares						
Fully paid shares	393,713	389,038	389,093	359,620	353,636	353,697
Partly paid shares	5,540	4,320	4,415	55	43	44
	<u>399,253</u>	<u>393,358</u>	<u>393,508</u>	<u>359,675</u>	<u>353,679</u>	<u>353,741</u>
(b) Movements in ordinary share capital:						
	Unaudited Half Year 31 December 2010 Shares 000s	Unaudited Half Year 31 December 2009 Shares 000s	Audited Full Year 30 June 2010 Shares 000s	Unaudited Half Year 31 December 2010 \$'000	Unaudited Half Year 31 December 2009 \$'000	Audited Full Year 30 June 2010 \$'000
Opening	393,508	387,858	387,858	353,741	347,192	347,192
Issues of ordinary shares during the year						
Shares issued	5,236	3,919	3,919	6,620	6,262	6,263
Buy back of issued shares	(766)	-	-	(874)	-	-
Partly paid shares issued	1,275	1,581	1,731	188	225	286
Closing balance of ordinary shares issued	<u>399,253</u>	<u>393,358</u>	<u>393,508</u>	<u>359,675</u>	<u>353,679</u>	<u>353,741</u>

(c) Ordinary shares

Apart from the partly paid shares issued, all shares issued are fully paid. Each fully paid share issued is entitled to one vote.

(d) Partly paid shares

Partly paid shares issued by the company to participants of the ESOP are paid up to NZ\$0.01 per share on issue. Partly paid shares are entitled to a vote in proportion to the amount paid up.

21 Reserves

	Unaudited Half Year 31 December 2010 \$'000	Unaudited Half Year 31 December 2009 \$'000	Audited Full Year 30 June 2010 \$'000
Reserves			
Revaluation reserve	(4,120)	-	-
Available for sale financial asset reserve	-	25,105	(4,117)
Share-based payments reserve	501	183	366
Foreign currency translation reserve	(10,369)	(9,306)	(4,946)
Total reserves	<u>(13,988)</u>	<u>15,982</u>	<u>(8,697)</u>
Movements			
<i>Revaluation reserve</i>			
Balance 1 July	-	-	-
Transfer from available for sale reserve on adoption of NZ IFRS 9	(4,120)	-	-
Balance at period end	<u>(4,120)</u>	-	-
<i>Available for sale reserve</i>			
Balance 1 July	(4,117)	21,279	21,279
Fair value gain/(loss) on available for sale for the period	(3)	3,826	(25,396)
Transfer of available for sale reserve to revaluation reserve	(4,120)	-	-
Balance at period end	<u>-</u>	<u>25,105</u>	<u>(4,117)</u>
<i>Share-based payments reserve</i>			
Balance 1 July	366	278	278
Share based payment expense for the period	266	184	368
Transfer of expired share based payments during the period	(131)	(279)	(280)
Balance at period end	<u>501</u>	<u>183</u>	<u>366</u>
<i>Foreign currency translation reserve</i>			
Balance 1 July	(4,946)	4,014	4,014
Foreign currency translation differences for the period	(5,423)	(13,320)	(8,960)
Balance at period end	<u>(10,369)</u>	<u>(9,306)</u>	<u>(4,946)</u>

(Nature and purpose of reserves)

(i) Previous Available for sale reserve

This reserve relates to the equity investment in Pan Pacific Petroleum NL, equity investments in Pike River Coal Limited (In Receivership) and coal contract option with Pike River Coal Limited (In Receivership) that were classified as available for sale assets. The reserve represents changes in the fair value of the investment from the original cost. Amounts are recognised in the income statement when the associated assets are sold or impaired.

(ii) Revaluation reserve

This reserve relates to the residual reserve held in respect to the Pan Pacific Petroleum NL investment as at 31 December 2010 on adoption of NZ IFRS 9 which was reclassified to Revaluation Reserve.

(iii) Foreign currency translation reserve

Exchange differences arising on translation of companies within the Group with a different functional currency to the Group are taken to the foreign currency translation reserve. Subsidiary companies with a functional currency different to the Group are Stewart Petroleum Company Limited (USD) and ANZ Resources Pty Limited (AUS). Stewart Petroleum Company Limited holds the Tui asset and the investment in Pan Pacific Petroleum NL. The reserve is recognised in the income statement when the net investment is disposed of.

22 Related party transactions

During the half year to 31 December 2010 the Group had the following transactions with related party Pike River Coal Limited (In Receivership) ("PRCL"):

Short Term Funding

The Group provided short term funding to Pike, on commercial terms, of NZ\$25 million that was drawn at 31 December 2010. The Group received NZ\$0.6 million in fees and earned interest of NZ\$0.6 million during the half year. At 31 December 2010 NZ\$0.5 million of accrued interest is outstanding.

Convertible Bond

During the half year to 31 December the Group earned US\$1.5 million of interest owing on the US\$28.9 million convertible bond facility that was fully drawn by PRCL in May 2010. At 31 December 2010, US\$0.8 million of the interest earned was outstanding.

There have been no other material transactions with related parties during the period.

23 Reconciliation of profit(loss) after income tax and royalties to net cash inflow from operating activities

	Unaudited Half Year 31 December 2010 \$'000	Unaudited Half Year 31 December 2009 \$'000	Audited Full Year 30 June 2010 \$'000
Profit/(loss) for the period	(98,950)	(6,489)	(3,255)
Depreciation and amortisation	11,871	3,375	15,670
Deferred Tax	(3,092)	(3,444)	1,041
Net fair value loss on convertible bond	7,534	199	1,576
Impairment of loans and receivables	13,000	-	-
Fair value adjustment of financial asset	742	-	-
Impairment of investment in associate	77,088	-	-
Loss/(gain) on investment held in associate	-	(131)	144
Exploration and evaluation costs expensed	2,618	10,918	30,697
Items classified as financing activities	-	493	794
Share of net loss of associate	-	4,156	11,470
Share based payment expense	265	184	368
Net foreign exchange differences	7,398	13,960	8,010
Other	(1,570)	-	(367)
Change in operating assets and liabilities			
Increase/(decrease) in trade creditors	(5,259)	(15,112)	(11,410)
(Increase)/decrease in trade debtors	11,445	217	(7,343)
Net cash inflow from operating activities	23,090	8,326	47,395

24 Commitments and contingent liabilities

(a) Exploration expenditure commitments

In order to maintain the various permits in which the Group is involved the Group has ongoing operational expenditure as part of its normal operations. The actual costs will be dependent on a number of factors such as joint venture decisions including final scope and timing of operations.

(b) Operating leases and commitments

Operating leases held over premises give the Group the right to renew the lease subject to a redetermination of the lease rental by the lessor.

	Unaudited Half Year 31 December 2010 \$'000	Unaudited Half Year 31 December 2009 \$'000	Audited Full Year 30 June 2010 \$'000
Within one year	174	431	388
Later than one year and not later than five years	-	176	-
Later than five years	-	-	-
	174	607	388

During the period ended 31 December 2010 \$220,000 was recognised as an expense in the income statement in respect of operating leases (31 December 2009: \$171,000).

Production commitments

The Company is committed to certain operational commitments in respect of the Tui Joint Venture. These operational commitments relate to costs that are integral parts of the FPSO lease until 31 December 2015 with an option to extend to 31 December 2022 via one year renewal terms. The total committed by NZOG to the FPSO charter and operating and maintenance contracts for the initial period to 31 December 2015 is currently estimated to be US\$16.6 million.

(c) Contingent assets

The Group has overriding royalties in relation to production from the Kupe field. As at balance date the Group was in discussions with the parties that have an obligation of paying the overriding royalties to agree the basis of the calculation. At balance date a reliable estimate of the economic inflow from the overriding royalties was not able to be determined.

(d) Contingent liabilities

As at 31 December 2010 the Company had no contingent liabilities (30 June 2010:\$Nil).

25 Earnings per share

	Unaudited Half Year 31 December 2010 Cents	Unaudited Half Year 31 December 2009 Cents	Audited Full Year 30 June 2010 Cents
(a) Basic earnings per share			
Basic earnings per share	(25.0)	(1.7)	(0.8)
(b) Diluted earnings per share			
Diluted earnings per share	(25.0)	(1.7)	(0.8)
(c) Reconciliations of earnings used in calculating earnings per share			
	Unaudited Half Year 31 December 2010 \$'000	Unaudited Half Year 31 December 2009 \$'000	Audited Full Year 30 June 2009 \$'000
Profit for the period	(98,950)	(6,489)	(3,255)
Profit attributable to the ordinary equity holders of the company	(98,950)	(6,489)	(3,255)
(d) Weighted average number of shares used as the denominator			
	Unaudited Half Year 31 December 2010 Number 000s	Unaudited Half Year 31 December 2009 Number 000s	Audited Full Year 30 June 2010 Number 000s
Weighted average number of ordinary shares used in calculating basic earnings per share	396,627	393,343	392,052
<i>Adjustments for calculation of diluted earnings per share:</i>			
Options	-	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	396,627	393,343	392,052

The earnings per share calculation was not impacted by changes in accounting policies.

26 Subsequent events

There have been no material subsequent events since 31 December 2010.



Auditors' review report

TO THE SHAREHOLDERS OF NEW ZEALAND OIL & GAS LIMITED ("THE GROUP")

We have reviewed the attached condensed interim financial statements in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand. The financial statements provide information about the past financial performance of the Group and its financial position as at 31 December 2010.

Directors' responsibilities

The Directors of the Group are responsible for the preparation of condensed interim financial statements which give a true and fair view of the financial position of the Group as at 31 December 2010 and the results of its operations and cash flows for the six month period ended on that date.

Reviewers' responsibilities

It is our responsibility to express an independent opinion on the condensed interim financial statements presented by the Directors and report our opinion to you.

Basis of opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to the financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Our firm has also provided other services to the Group in relation to taxation and general accounting services. These matters have not impaired our independence as auditors of the Group. The firm has no other relationship with, or interest in, the Group.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the attached condensed interim financial statements do not give a true and fair view of the financial position of New Zealand Oil & Gas Limited as at 31 December 2010, the results of its operations and cash flows for the six month period ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting*.

Our review was completed on 22 February 2011 and our opinion is expressed as at that date.

A handwritten signature in blue ink that reads 'KPMG' with a horizontal line underneath.

Wellington