Interim Report

For the six months ended 31 December 2009

Contents

Six Month Highlights

- Kupe production underway
- Tui total production passes 26 million barrels
- Tui near field evaluation for drilling in 2010
- 40% of Albacore permit acquired and Albacore-1 well drilled
- 10% of Hoki permit acquired and Hoki-1 well drilling in 2010
- Mangaa permit awarded to NZOG
- Kaupokonui and Barque farm-out campaigns underway

CEO's Report

The half year ended 31 December 2009 was another active period for NZOG.

A significant milestone was achieved with the first production from the Kupe field in south Taranaki.

The Kupe gas and light oil field was discovered by NZOG and its partners in 1986. In 2006 the investment conditions were right to go ahead with development of the field. On 4 December 2009 the first raw gas stream arrived at the onshore processing station near Hawera.

At a cost of $1.3 billion (NZOG's share $200 million) Kupe has been a major undertaking. Once in permanent production following a comprehensive commissioning process to be completed in 1Q 2010, Kupe will provide around 15 % of the country's annual gas demand, more than 50 % of the country's LPG demand, as well as significant exports of light oil. For NZOG it also provides long-term cash flows from three additional revenue streams.

The Tui area oil fields continue to perform well. On Boxing Day 2009, total Tui production reached 26 million barrels. It is interesting to recall that the investment decision was made on the basis of expected recoverable reserves of 27 million barrels. Since then, the initial proven and probable (2P) reserves have been upgraded to 50.5 million barrels.

The 2010 exploration drilling at Tui provides additional near term upside potential with the possibility of new reserves which could be quickly accessed through the existing facilities.

Financial Performance

For the six month period, NZOG recorded a net loss of NZ$6.5 million. Total revenue was NZ$37.7 million.

The result reflects several key factors. These include:

- Slowly reducing production (as expected) from Tui
- Lower average international oil prices
- Exploration write-off of NZ$10.9 million from the Albacore well
- NZ$4.2 million as an apportioned share of Pike River Coal's reported loss
- NZ$14.0 million in unrealised foreign exchange losses
- No revenue recognised from the Kupe field.

From 1 January 2010 earnings from Kupe have been treated as revenue. Up until 31 December 2009, Kupe earnings were capitalised. Once in permanent production, and dependent on exchange rates and international oil prices, Kupe is expected to provide NZOG with annual operational revenue of ca. NZ$60 million to $65 million over the long term.

The unrealised foreign exchange losses arise from NZOG's large US dollar cash balance and the fluctuating exchange rate. We continue to hold our cash primarily in US dollar accounts, as this is the currency most often used in the petroleum business e.g. paying for oil rigs. We have a long standing policy that NZOG will not engage in discretionary hedging. We have, however, recently taken advantage of the lower NZD/USD cross rate to re-balance our holdings. Further, if the NZD/USD cross rate remains below 72c it is likely that NZOG will report foreign exchange gains in the second half.

Production

In the six months ended 31 December 2009, Tui produced over 2.7 million barrels of oil – NZOG's share 340,000 barrels.

The Tui area oil fields include three separate accumulations – Tui, Amokura and Pateke - with four wells tied into a floating offshore facility, the Umuroa. Reservoir performance continues to be in line with forecasts. However, overall production performance has been slightly impacted by adverse weather conditions and the need to make some technical modifications to the facilities to maximise oil recovery rates. Improvements have been implemented and projects are underway to reduce production interruptions during heavy weather and to improve future performance. Production for the full year is now expected to be around 4.8 million barrels, down from the forecast of 5.1 million barrels at the start of the financial year.

Tui oil shipments during the period sold for between US$66 and US$79 a barrel, while the NZD:USD exchange rate ranged from .66 to .73. NZOG received an average sales price of approximately NZ$104 a barrel. Total production, freight and marketing costs were under budget at approximately NZ$17 a barrel.

Tui remains a very profitable field and the oil is considered a premium product. Shell Australia has contracted to take all of Tui's production in the 2010 calendar year at a premium to the regional Tapis benchmark crude.

Exploration

NZOG is participating in the drilling of at least four exploration and appraisal wells in offshore Taranaki over the 2009/2010 summer/autumn period.

The first well to be drilled, by the jack-up rig ENSCO-107, was the Albacore-1 well in the northern Taranaki Basin. Non-commercial traces of hydrocarbons were found. The results are being evaluated and will add to our understanding of the other leads and prospects in NZOG's acreage in the northern region of the Taranaki Basin.

In early March, the semi-submersible rig the Kan Tan IV arrived in New Zealand. The first well in its programme is Hoki-1. Hoki will be followed by at least two wells in the Tui permit.

Hoki-1 is a relatively high risk prospect targeting a potentially large oil structure. It is further from shore than any previous offshore Taranaki well, in water depth of over 300 metres.

The drilling at Tui is of a different nature. There are at least half a dozen potential drilling targets around the existing oil fields. NZOG and its joint venture partners have devoted considerable resources to evaluating the various targets. Following the reprocessing of 3D seismic and new mapping and interpretations, the joint venture has decided to drill Tui South West, followed by Kahu-1. Further activity will be influenced by the results of these two wells.

NZOG has 100% of an exploration permit which lies to the west and south of Kupe. New and newly re-processed seismic data has been interpreted and a number of attractive prospects have been mapped. NZOG has re-named the primary prospect Kaupokonui (formerly Gamma). NZOG has commenced a process to farm down its interest in the permit.

NZOG is also seeking to farm down some of its 40% interest in the Barque exploration permit in the Canterbury Basin. Mapping and prospect evaluation is largely completed ahead of a drilling commitment required by August 2010.

Investments

In February, NZOG moved to enhance its investment in Pike River Coal through a funding package. Subject to various conditions and approvals, NZOG will participate in a new equity issue, provide short-term funding of up to NZ$15 million and subscribe to new convertible bonds for US$28.9 million. Pike will grant a two year option to NZOG to purchase Pike coking coal at market prices to be negotiated annually.

This package enhances the value of our investment and is value creating for NZOG shareholders. At the same time, with a supportive investor providing the funding it requires, Pike will be able to focus on operations and ramping up to full production.

There was no change during the six month period to the shareholding in Pan Pacific Petroleum that NZOG acquired in December 2008.

Looking Ahead

The second half of the 2010 financial year will see higher operating revenues from the combined production of Kupe and Tui; opportunities for exploration drilling success at Hoki and Tui; the implementation of the Pike funding arrangements; and the ongoing pursuit of new investments.

NZOG continues to vigorously screen a range of new investment opportunities, to build our portfolio of exploration and production assets both within New Zealand and overseas. Recently two very senior explorationists from the UK and Canada were engaged as our Northern Hemisphere scouts.

The thorough evaluation process that NZOG has in place has seen the Hoki, Albacore and Mangaa permits added to our portfolio in the past six months and we are now seeking new partners for possible drilling programmes in our Kaupokonui and Barque permits.

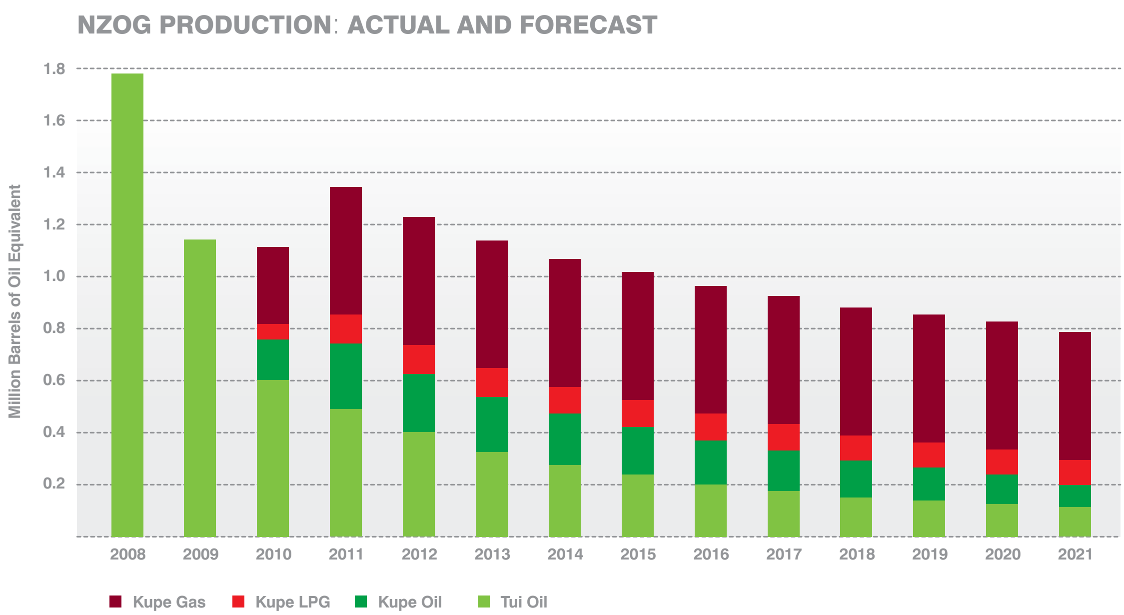
The Emissions Trading Scheme has added some additional costs to operating in the upstream sector in New Zealand. However, export products (such as Tui oil and Kupe condensate) are exempt and NZOG anticipates that the majority of the carbon charges on locally used products (gas and LPG) will be passed through to end users.

The Government's proposed Action Plan for the petroleum sector is to be applauded for showing enthusiastic attention to a sector which is already a major contributer to the country's wealth and has enormous potential for further wealth creation. If the Government improves the investment framework NZOG is well positioned to benefit.

David Salisbury
Chief Executive

Production

NZOG has production from the Tui area oil fields (since July 2007) and the Kupe oil and gas field (since December 2009). NZOG's actual and forecast share of Tui and Kupe production is shown in the graph below.



Oil & Gas Reserves

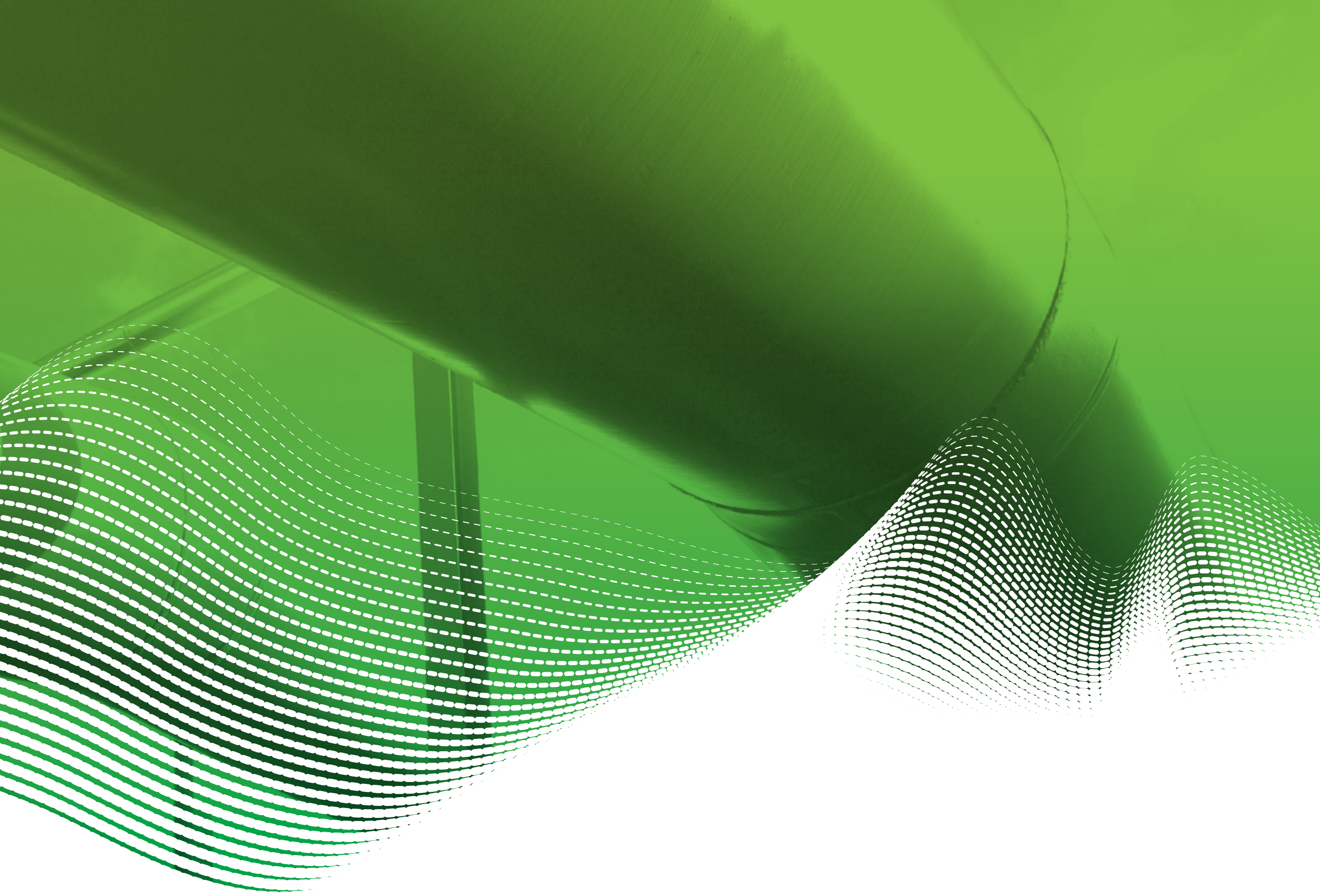
NZOG's remaining Proven and Probable (2P) Reserves as at 31 December 2009 were:

	Oil & Gas Condensate (million barrels)	Natural Gas (petajoules)	LPG (kilotonnes)	Million Barrels of Oil Equivalent*
Tui	3.1			3.1
Kupe	2.2	38	159	9.6
Total				12.7

* Million barrels of oil equivalent has been calculated as the total oil equivalent of the oil, condensate/light oil, natural gas and LPG figures. Proven reserves are the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs, under existing economic and operating conditions. Probable reserves are defined as those which have a 50% chance or better of being technically and economically producible.

Condensed Interim Financial Statements

for the half-year ended 31 December 2009



DIRECTORS' DECLARATION

In the opinion of the Directors of New Zealand Oil & Gas Limited, ("the Company"):

(1) The financial statements and notes, set out in the relevant pages of the Interim Report comply with the accounting standards issued by the New Zealand Institute of Chartered Accountants; and

(2) The financial statements for the six months to 31 December 2009 and notes to those financial statements give a true and fair view of the financial position and performance of the Company; and

(3) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Interim Report of New Zealand Oil & Gas Limited is approved for and on behalf of the Board.

R A Radford
Director
23 February 2010

P G Foley
Director
23 February 2010

Condensed Statement of Income

For the half-year ended 31 December 2009

	Notes	Unaudited Half Year 31 December 2009 $'000	Unaudited Half Year 31 December 2008 $'000	Audited Full Year 30 June 2009 $'000
Revenue	4	**37,745**	103,248	138,669
Operating costs	5	**(9,283)**	(20,138)	(31,776)
Gross profit		**28,462**	83,110	106,893
Other Income	4	**182**	-	220
Exploration and evaluation costs expensed	14	**(10,918)**	(4,237)	(4,237)
Other expenses	6	**(5,086)**	(8,835)	(14,127)
Result from operating activities		**12,640**	70,038	88,749
Finance costs		**(14,720)**	(2,236)	(1,930)
Finance income		**566**	39,783	25,228
Net finance income/(costs)	7	**(14,154)**	37,547	23,298
Share of loss from associates		**(4,156)**	(2,888)	(3,914)
Profit/(loss) before income tax and royalties		**(5,670)**	104,697	108,133
Income tax (expense)/benefit		**3,472**	(32,369)	(31,131)
Royalties expense	8	**(4,291)**	(18,359)	(23,796)
Profit/(loss) for the period		**(6,489)**	53,969	53,206
Profit/(loss) for the period attributable to:				
Equity holders of Parent		**(6,489)**	53,969	53,206
		(6,489)	53,969	53,206
		Cents	Cents	Cents
Earnings per share attributable to shareholders:				
Basic earnings per share	24	**(1.7)**	13.9	13.7
Diluted earnings per share	24	**(1.7)**	13.9	13.7
		Cents	Cents	Cents
Net Tangible Asset Backing per share		**119**	124	128

The above Condensed Statement of Income should be read with the accompanying notes on pages 11 – 23

Condensed Statement of Comprehensive Income

For the half-year ended 31 December 2009

	Notes	Unaudited Half Year 31 December 2009 $'000	Unaudited Half Year 31 December 2008 $'000	Audited Full Year 30 June 2009 $'000
Profit/(loss) for the period		**(6,489)**	53,969	53,206
Other comprehensive income				
Fair value gain (loss) on available for sale financial assets	20	**3,826**	(1,975)	21,279
Foreign currency translation differences	20	**(13,320)**	18,787	9,016
Other comprehensive income for the period		**(9,494)**	16,812	30,295
Total comprehensive income for the period		**(15,983)**	70,781	83,501
Total comprehensive income attributable to:				
Equity holders of Parent		**(15,983)**	70,781	83,501

The above Condensed Statement of Comprehensive Income should be read with the accompanying notes on pages 11 – 23

Condensed Statement of Financial Position

As at 31 December 2009

	Notes	Unaudited Half Year 31 December 2009 $'000	Unaudited Half Year 31 December 2008 $'000	Audited Full Year 30 June 2009 $'000
CURRENT ASSETS				
Cash and cash equivalents	9	**176,405**	211,934	174,753
Receivables and prepayments	10	**10,909**	7,719	10,852
Inventories		**554**	647	637
Current tax receivables		**1,722**	-	-
Derivative financial instruments		**-**	4,430	190
Total current assets		**189,590**	224,730	186,432
NON-CURRENT ASSETS				
Investments in associates	12	**70,756**	64,163	74,781
Evaluation and exploration assets	14	**7,802**	846	5,236
Oil and gas assets	15	**261,328**	232,008	242,281
Property, plant and equipment		**327**	277	245
Intangible assets		**240**	197	105
Other investments	16	**46,120**	31,197	48,872
Total non-current assets		**386,573**	328,688	371,520
Total assets		**576,163**	553,418	557,952
CURRENT LIABILITIES				
Payables	17	**18,277**	23,532	29,353
Borrowings	18	**10,500**	-	-
Current tax liabilities		**-**	13,462	493
Derivative financial instruments		**9**	-	-
Total current liabilities		**28,786**	36,994	29,846
NON-CURRENT LIABILITIES				
Borrowings	18	**47,328**	-	-
Net deferred tax liability		**19,725**	20,552	23,170
Restoration and rehabilitation provision		**12,102**	13,791	8,144
Total non-current liabilities		**79,155**	34,343	31,314
Total liabilities		**107,941**	71,337	61,160
Net assets		**468,222**	482,081	496,792
EQUITY				
Share capital	19	**353,679**	346,090	347,192
Reserves	20	**15,982**	11,810	25,571
Retained earnings		**98,561**	124,181	124,029
Total equity		**468,222**	482,081	496,792

The above Condensed Statement of Financial Position should be read with the accompanying notes on pages 11 – 23

Condensed Statement of Changes in Equity

For the half-year ended 31 December 2009

	Notes	Attributable to equity holders of New Zealand Oil & Gas Limited Issued capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
UNAUDITED					
Balance as 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 on available for sale financial assets	20	-	3,826	-	3,826
Foreign currency translation differences	20	-	(13,320)	-	(13,320)
Total comprehensive income		-	(9,494)	(6,489)	(15,983)
Transactions with owners					
Shares issued	19	6,487	-	-	6,487
Share based payment	20	-	184	-	184
Transfer of expired share based payments during the period	20	-	(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 2008		345,989	(5,002)	90,015	431,002
Comprehensive income					
Profit/(loss) for the period		-	-	53,969	53,969
Other comprehensive income					
Fair value gain (loss) on available for sale financial assets	20	-	(1,975)	-	(1,975)
Foreign currency translation differences	20	-	18,787	-	18,787
Total comprehensive income		-	16,812	53,969	70,781
Transactions with owners					
Shares issued	19	101	-	-	101
Dividend declared (5 cents per Ordinary share)		-	-	(19,803)	(19,803)
Balance at 31 December 2008		346,090	11,810	124,181	482,081
AUDITED					
Balance as at 1 July 2008		345,989	(5,002)	90,015	431,002
Comprehensive income					
Profit/(loss) for the period		-	-	53,206	53,206
Other comprehensive income					
Fair value gain on available for sale financial assets	20	-	21,279	-	21,279
Foreign currency translation differences	20	-	9,016	-	9,016
Total comprehensive income		-	30,295	53,206	83,501
Transactions with owners					
Shares issued	19	1,203	-	-	1,203
Share based payment	20	-	278	-	278
Dividend declared (5 cents per ordinary share)		-	-	(19,192)	(19,192)
Supplementary dividend		-	-	(610)	(610)
Foreign investor tax credit		-	-	610	610
Balance at 30 June 2009		347,192	25,571	124,029	496,792

The above Condensed Statement of Changes in Equity should be read with the accompanying notes on pages 11 – 23

Condensed Statement of Cash Flows

For the half-year ended 31 December 2009

	Notes	Unaudited Half Year 31 December 2009 $'000	Unaudited Half Year 31 December 2008 $'000	Audited Full Year 30 June 2009 $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers		**34,930**	127,727	161,961
Interest received		**756**	6,965	9,242
Dividend income		**3,283**	-	-
Other revenue		**-**	-	220
Production and marketing expenditure		**(5,879)**	(11,690)	(18,659)
Payments to suppliers and employees (inclusive of Goods and Services Tax)		**(5,930)**	(7,309)	(11,292)
Royalties		**(17,284)**	(29,727)	(32,149)
Interest paid		**-**	-	(7)
Income taxes paid		**(1,550)**	(7,800)	(16,300)
Net cash inflow / (outflow) from operating activities	22	**8,326**	78,166	93,016
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of available-for-sale financial assets		**-**	-	3,069
Exploration and evaluation expenditure		**(13,154)**	(4,667)	(8,942)
Oil & gas asset expenditure		**(20,572)**	(46,309)	(68,595)
Purchased of available for sale financial assets		**-**	(30,688)	(30,688)
Purchase of shares in associate company		**-**	-	(11,778)
Purchase property, plant and equipment		**(337)**	(27)	(49)
Net cash inflow / (outflow) from investing activities		**(34,063)**	(81,691)	(116,983)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issues of shares		**225**	103	1,205
Proceeds from exercise of options		**-**	14,163	14,163
Borrowings		**57,829**	-	-
Repayment of borrowings		**-**	(69,048)	(69,048)
Dividend paid		**(13,655)**	(19,789)	(19,789)
Net derivative payments		**-**	(1,551)	(691)
Net cash inflow / (outflow) from financing activities		**44,399**	(76,122)	(74,160)
Net increase (decrease) in cash and cash equivalents		**18,662**	(79,647)	(98,127)
Cash and cash equivalents at the beginning of the period		**174,753**	256,461	256,461
Effects of exchange rate changes on cash and cash equivalents		**(17,010)**	35,120	16,419
Cash and cash equivalents at end of the period	9	**176,405**	211,934	174,753

The above Condensed Statement of Cash Flows should be read with the accompanying notes on pages 11 – 23

Notes to the Condensed Interim Financial Statements

For the half-year ended 31 December 2009

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 2009 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 23 February 2010.

2. Summary of significant accounting policies

This condensed interim financial information for the half year ended 31 December 2009 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 2009.

(a) Standards, amendments, and interpretations effective in 2009

The Group has adopted the following new and amended International Financial Reporting Standards as at 1 July 2009:

- *NZ IFRS 2, Share Based Payments Vesting Conditions and Cancellations (Amended)*
- *NZ IFRS 3, Business Combinations (revised)*
- *NZ IFRS 4, Insurance Contracts (amended)*
- *NZ IFRS 7, Financial Instruments - Improved disclosure about financial instruments*
- *NZ IFRS 8, Operating Segments*
- *NZ IAS 1, Presentation of Financial Statements (revised)*
- *NZ IAS 23, Borrowing costs (revised)*
- *NZ IAS 27, Consolidated and Separate Financial Statements (amended)*
- *NZ IAS 32 and NZ IAS 1, Financial Instruments Presentation (amended) and Presentation of Financial Statements (amended) - Puttable Financial Instruments and obligations arising on liquidation*
- *NZ IAS 39, Financial Instruments - Eligible Hedged items (Amended)*
- *NZ IAS 39, Financial Instruments - Embedded derivatives (Amended)*

(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 2009 or later periods but which the Company has not early adopted:

- *NZ IFRS 2, Share Based Payments* - Group cash-settled share-based payment transactions - (effective from annual periods beginning on or after 1 January 2010)
- *NZ IFRS 9, Financial Instruments* - (effective from annual periods beginning on or after 1 January 2013)
- *NZ IAS 24, Related Party Disclosures (revised 2009)* - (effective from annual periods beginning on or after 1 July 2011)
- *NZ IAS 32, Amendment: Financial Instruments: Presentation* - Classification of Rights Issues - (effective from annual periods beginning on or after 1 July 2011)
- *NZ IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments* - (effective from annual periods beginning on or after 1 July 2010)

(c) Changes in accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2009.

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.

Kupe: Development, production, sale of natural gas, liquefied petroleum gas 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 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 2009	Oil & Gas - Tui $'000	Oil & Gas - Kupe $'000	Oil & Gas - Exploration $'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 - Net finance income/(costs)						(14,154)
Profit before income tax						(9,961)
Income tax expense						3,472
Profit for the year						(6,489)
Segment assets	29,466	231,862	7,802	116,833	-	385,963
Other reconciling items						190,200
Total assets						576,163
Included in segment assets:						
Investments in associates accounted for using the equity method	-	-	-	70,756	-	70,756

Unaudited

Half year to 31 December 2008	Oil & Gas - Tui $'000	Oil & Gas - Kupe $'000	Oil & Gas - Exploration $'000	Investments $'000	Other and unallocated $'000	Total $'000
Sales to external customers - NZ	-	-	-	-	-	-
Sales to external customers - other countries	103,248	-	-	-	-	103,248
Total sales revenue	103,248	-	-	-	-	103,248
Other income	-	-	-	-	-	-
Total revenue and other income	103,248	-	-	-	-	103,248
Segment result	64,751	-	(4,237)	(2,888)	(8,835)	48,791
Other reconciling items - Net finance income/(costs)						37,547
Profit before income tax						86,338
Income tax expense						(32,369)
Profit for the year						53,969
Segment assets	40,471	191,537	846	95,317	-	328,171
Other reconciling items - Net finance income/(costs)						225,247
Total assets						553,418
Included in segment assets:						
Investments in associates accounted for using the equity method	-	-	-	64,163	-	64,163

Audited

Full year to 30 June 2009	Oil & Gas - Tui $'000	Oil & Gas - Kupe $'000	Oil & Gas - Exploration $'000	Investments $'000	Other and unallocated $'000	Total $'000
Sales to external customers - NZ	2,993	-	-	-	-	2,993
Sales to external customers - other countries	135,676	-	-	-	-	135,676
Total sales revenue	138,669	-	-	-	-	138,669
Other income	-	-	-	-	220	220
Total revenue and other income	138,669	-	-	-	220	138,889
Segment result	83,097	-	(4,237)	(3,914)	(13,907)	61,039
Other reconciling items - Net finance income/(costs)						23,298
Profit before income tax						84,337
Income tax expense						(31,131)
Profit for the year						53,206
Segment assets	35,141	207,140	5,236	123,610	-	371,127
Other reconciling items						186,825
Total assets						557,952
Included in segment assets:						
Investments in associates accounted for using the equity method	-	-	-	74,781	-	74,781

4. Income

	Unaudited Half Year 31 December 2009 $'000	Unaudited Half Year 31 December 2008 $'000	Audited Full Year 30 June 2009 $'000
Revenue			
Petroleum sales	**37,745**	103,248	138,669
Other income			
Rental income	**51**	-	-
Gain on investment held in associate	**131**	-	-
Other income	**-**	-	220
Total Income	**37,927**	103,248	138,889

5. Operating costs

	Unaudited Half Year 31 December 2009 $'000	Unaudited Half Year 31 December 2008 $'000	Audited Full Year 30 June 2009 $'000
Production and sales marketing costs	**5,880**	11,453	18,539
Amortisation of production asset	**3,215**	8,923	13,529
Movement in inventory	**188**	(238)	(292)
Total operating costs	**9,283**	20,138	31,776

6. Other Expenses

	Unaudited Half Year 31 December 2009 $'000	Unaudited Half Year 31 December 2008 $'000	Audited Full Year 30 June 2009 $'000
CLASSIFICATION OF OTHER EXPENSES BY NATURE			
Audit fees	**64**	66	115
Director fees	**250**	210	472
Legal fees	**104**	665	910
Consultants' fees	**150**	1,527	2,197
Employee expenses	**1,991**	1,641	3,355
Depreciation	**51**	50	103
Amortisation of intangible assets	**109**	105	199
Share based payment expense	**184**	-	278
Loss on investment held in associate	**-**	2,639	2,773
Other	**2,183**	1,932	3,725
Total other expenses	**5,086**	8,835	14,127

7. Net finance costs/ (income)

	Unaudited Half Year 31 December 2009 $'000	Unaudited Half Year 31 December 2008 $'000	Audited Full Year 30 June 2009 $'000
FINANCE COSTS			
Interest and finance charges paid/payable	**68**	189	304
Net exchange losses on foreign currency balances	**13,960**	-	-
Net loss on available for sale investments	**-**	12	-
Net fair value loss on derivatives	**199**	-	-
Expiry and settlement of derivatives	**493**	2,035	1,626
Total finance costs	**14,720**	2,236	1,930
FINANCE INCOME			
Interest income	**(566)**	(7,811)	(9,391)
Net exchange gains on foreign currency balances	**-**	(19,389)	(3,697)
Net gain on available for sale assets	**-**	-	(589)
Net fair value gain on derivatives	**-**	(12,583)	(8,268)
Dividend income	**-**	-	(3,283)
Total finance income	**(566)**	(39,783)	(25,228)
Net finance costs/(income)	**14,154**	(37,547)	(23,298)

8. Royalties expense

Royalty expenses incurred by the Group relate to payments to the New Zealand Government in respect of the Tui oil field.

9. Cash and cash equivalents

	Unaudited Half Year 31 December 2009 $'000	Unaudited Half Year 31 December 2008 $'000	Audited Full Year 30 June 2009 $'000
Cash at bank and in hand	**9,883**	13,553	12,253
Deposits at call	**44,805**	47,568	42,187
Short term deposits	**121,717**	150,813	120,313
Total cash and cash equivalents	**176,405**	211,934	174,753

10. Receivables and prepayments

	Unaudited Half Year 31 December 2009 $'000	Unaudited Half Year 31 December 2008 $'000	Audited Full Year 30 June 2009 $'000
Trade receivables	**9,962**	4,938	9,936
Interest receivable	**103**	990	294
Prepayments	**842**	1,563	486
Other	**2**	228	136
Total receivables and prepayments	**10,909**	7,719	10,852

11. 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 2009 %	Equity holding December 2008 %
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 38494 Limited	New Zealand	Ordinary	**100**	100
NZOG 38483 Limited	New Zealand	Ordinary	**100**	100
NZOG Deepwater Limited	New Zealand	Ordinary	**100**	100
NZOG Development Limited	New Zealand	Ordinary	**100**	100
NZOG Energy Limited	New Zealand	Ordinary	**100**	100
NZOG Offshore Limited	New Zealand	Ordinary	**100**	100
NZOG 38259 Limited	New Zealand	Ordinary	**100**	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 involved in the petroleum exploration industry.

12. Investments in associates

(a) Carrying amounts

Information relating to associates is set out below.

Name of company	Principal activity	Ownership interest 31 Dec 2009 %	Ownership interest 31 Dec 2008 %	Ownership interest 30 Jun 2009 %	As at Unaudited Half Year 31 Dec 2009 $'000	As at Unaudited Half Year 31 Dec 2008 $'000	As at Audited Full Year 30 Jun 2009 $'000
Pike River Coal Limited (PRCL)	Coal mine development and operations	**30**	30	30	**70,756**	64,163	74,781
					70,756	64,163	74,781

PRCL is incorporated in New Zealand with a balance date of 30 June.

The Group's holding in PRCL comprises 102.6 million ordinary shares and 17.3 million options that are exercisable on or before 24 April 2011 at $1.25. The market value of the Group's investment in PRCL as at 31 December 2009 was $104 million.

During the half year ended 31 December 2008 the Group disposed of all the ordinary shares held in NZOG Nominees Limited and the redeemable preference shares held by the Group were reclassified as available-for-sale financial asset before being redeemed.

(b) Movements in carrying amounts

	Unaudited Half Year 31 December 2009 $'000	Audited Full Year 31 December 2008 $'000	Audited Full Year 30 June 2009 $'000
Carrying amount at the beginning of the period	**74,781**	68,670	68,670
Share of net loss of associate	**(4,156)**	(2,888)	(3,914)
Acquired associate shares on maturity of convertible note	**-**	3,300	3,300
Reclassification on NZOG Nominees Limited shares to available-for-sale financial asset	**-**	(2,280)	(2,280)
Gain/(loss) on investment held in associate	**131**	(2,639)	(2,773)
Purchase of shares in associate	**-**	-	11,778
Carrying amount at the end of the period	**70,756**	64,163	74,781

13. 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:

		Interests held by the group		
Name of permit	Date new permits were granted in the half year	Unaudited Half Year 31 December 2009 %	Unaudited Half Year 31 December 2008 %	Audited Full Year 30 June 2009 %
PML 38146 - Kupe		**15.0**	15.0	15.0
PMP 38158 - Tui		**12.5**	12.5	12.5
PEP 38483 - Aihe		**18.9**	18.9	18.9
PEP 38483 - Aihe Extension		**12.5**	12.5	12.5
PEP 38259 - Barque	13 August 2009	**40.0**	40.0	40.0
PEP 51311 - Gamma		**100.0**	-	100.0
PEP 51321 - Kahurangi		**18.9**	-	18.9
PEP 38401 - Hoki	2 December 2009	**10.0**	-	-
PEP 38491 - Albacore	19 October 2009	**40.0**	-	-

	Unaudited Half Year 31 December 2009 $'000	Unaudited Half Year 31 December 2008 $'000	Audited Full Year 30 June 2009 $'000
Share of oil and gas joint ventures' assets and liabilities			
Cash and cash equivalents	**9,791**	12,843	11,997
Trade receivables *	**559**	373	904
Inventory	**555**	647	637
Prepayments	**-**	230	-
Petroleum interests **	**293,814**	257,811	269,985
Total current and non-current assets	**304,719**	271,904	283,523
Current liabilities	**12,075**	7,399	10,190
Non-current liabilities	**-**	-	-
Total liabilities	**12,075**	7,399	10,190
Net assets held in oil and gas joint ventures	**292,644**	264,505	273,333
Share of oil and gas joint ventures' revenue, expenses and results			
Revenues *	**17**	1,922	328
Expenses	**(17,947)**	(15,516)	(24,206)
Profit before income tax	**(17,930)**	(13,594)	(23,878)

* Revenue receivable from Tui petroleum sales (see Note 4) is not included as it is earned directly by wholly owned subsidiary Stewart Petroleum Company Limited.

** Prior to amortisation of production assets.

14. Exploration and evaluation assets

	Unaudited Half Year 31 December 2009 $'000	Unaudited Half Year 31 December 2008 $'000	Audited Full Year 30 June 2009 $'000
Opening balance	**5,236**	215	215
Expenditure capitalised	**13,626**	4,783	9,338
Revaluation of USD exploration and evaluation assets	**(142)**	85	(80)
Expenditure written off	**(10,918)**	(4,237)	(4,237)
Closing balance	**7,802**	846	5,236

During December 2009 exploration and evaluation expenditure that relates to the Albacore permit area, PEP 38491, was written off as a result of the Albacore well encountering only non-commercial traces of hydrocarbons.

15. Oil and gas assets

(a) Development assets

	Unaudited Half Year 31 December 2009 $'000	Unaudited Half Year 31 December 2008 $'000	Audited Full Year 30 June 2009 $'000
Opening balance	**207,140**	166,257	166,257
Expenditure capitalised	**20,787**	21,784	42,425
Revaluation of USD development assets	**-**	295	-
Borrowing costs capitalised	**1,106**	1,844	2,367
Expiry of commodity premium	**(227)**	-	(75)
Abandonment provision	**3,508**	1,357	(3,834)
Commissioning revenue and expense capitalised	**(452)**	-	-
Closing balance	**231,862**	191,537	207,140

Includes borrowing costs capitalised of $10.4 million at 31 December 2009 (2008: $9.2 million).

All development assets relate to the Kupe field. On 4 December 2009 the Kupe field commenced production of gas, LPG and light oil as part of the commissioning of the facility. During the initial part of the commissioning period, income and expenditure from the production of gas, LPG and light oil is capitalised. The operating revenue and expenditure will be recorded in the profit and loss account once the plant is consistently operating within its maximum and minimum daily gas design parameters. At 31 December 2009 the Kupe facility had not been fully commissioned.

(b) Production assets

	Unaudited Half Year 31 December 2009 $'000	Unaudited Half Year 31 December 2008 $'000	Audited Full Year 30 June 2009 $'000
Opening balance	**35,141**	38,242	38,242
Expenditure capitalised	**468**	389	3,895
Amortisation for the period	**(3,215)**	(8,685)	(13,529)
Revaluation of USD production assets	**(3,649)**	11,312	7,566
Expiry of commodity premium	**(266)**	(484)	(860)
Abandonment provision	**987**	(303)	(173)
Closing balance	**29,466**	40,471	35,141
Includes borrowing costs capitalised of $1.8 million at 31 December 2009 (2008: $3.6 million).			
All production assets relate to the Tui field.			
Total oil and gas assets	**261,328**	**232,008**	**242,281**

16. Other financial assets

	Unaudited Half Year 31 December 2009 $'000	Unaudited Half Year 31 December 2008 $'000	Audited Full Year 30 June 2009 $'000
Available-for-sale investments (a)	**46,077**	31,154	48,829
Refundable security deposits (b)	**43**	43	43
Total other financial assets	**46,120**	31,197	48,872

(a) Pan Pacific Petroleum NL

The investment of 87.5 million shares in Pan Pacific Petroleum NL is recorded at market value of $46.1 million and is classified for accounting purposes as an available-for-sale financial asset. The cost of purchasing this investment was $30.7 million.

(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.

17. Payables

	Unaudited Half Year 31 December 2009 $'000	Unaudited Half Year 31 December 2008 $'000	Audited Full Year 30 June 2009 $'000
Trade payables	**12,438**	7,902	10,721
Employee entitlements	**231**	219	172
Accrued expenses	**524**	349	384
Royalties payable	**5,001**	14,980	17,995
Other payables	**83**	82	81
Total payables	**18,277**	23,532	29,353

18. Borrowings

	Unaudited Half Year 31 December 2009 $'000	Unaudited Half Year 31 December 2008 $'000	Audited Full Year 30 June 2009 $'000
Secured - Current			
Bank loans	**10,500**	-	-
Total current borrowings	**10,500**	-	-
Secured - Non-current			
Bank loans	**47,328**	-	-
Total non-current borrowings	**47,328**	-	-
(a) Total secured borrowings			
Bank loans	**57,828**	-	-
Total secured borrowings (current and non-current)	**57,828**	-	-

(b) Assets pledged as security

As at 31 December 2009 the Group has a Letter of Credit facility of US$6.7 million (31 December 2008: US$8.9 million) in respect of the Tui oil fields. The Letter of Credit facility expires on 31 December 2015.

The Letter of Credit facility for the Tui oil fields are secured over the Group's assets other than those primarily relating to Kupe, investment in Pike River Coal Limited, and a number of exploration assets.

At 31 December 2009 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 2009 NZ$57.8 million of the project facility was drawn and the Letter of Credit was fully drawn.

This Kupe project facility is secured over the Group's Kupe assets. The facility amortises progressively with final payment due by 31 March 2015.

19. Contributed equity of the Group and Parent

(a) Share capital

	Unaudited Half Year 31 December 2009 Shares 000s	Unaudited Half Year 31 December 2008 Shares 000s	Audited Full Year 30 June 2009 Shares 000s	Unaudited Half Year 31 December 2009 $'000	Unaudited Half Year 31 December 2008 $'000	Audited Full Year 30 June 2009 $'000
Ordinary shares						
Fully paid shares	**389,038**	383,892	384,931	**353,636**	346,055	347,163
Partly paid shares	**4,320**	3,466	2,927	**43**	35	29
	393,358	387,358	387,858	**353,679**	346,090	347,192

(b) Movements in ordinary share capital

	Unaudited Half Year 31 December 2009 Shares 000s	Unaudited Half Year 31 December 2008 Shares 000s	Audited Full Year 30 June 2009 Shares 000s	Unaudited Half Year 31 December 2009 $'000	Unaudited Half Year 31 December 2008 $'000	Audited Full Year 30 June 2009 $'000
Opening	**387,858**	387,358	387,358	**347,192**	345,989	345,989
Movement						
Shares issued	**3,919**	-	-	**6,262**	-	-
Partly paid shares issued	**1,581**	-	500	**225**	101	1,203
Closing balance	**393,358**	387,358	387,858	**353,679**	346,090	347,192

(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.

20. Reserves

	Unaudited Half Year 31 December 2009 $'000	Unaudited Half Year 31 December 2008 $'000	Audited Full Year 30 June 2009 $'000
RESERVES			
Available-for-sale financial asset reserve	**25,105**	(1,975)	21,279
Share-based payments reserve	**183**	-	278
Foreign currency translation reserve	**(9,306)**	13,785	4,014
Total reserves	**15,982**	11,810	25,571
MOVEMENTS:			
Available-for-sale financial asset reserve (i)			
Balance 1 July	**21,279**	-	-
Fair value gain/(loss) on available for sale financial asset for the period	**3,826**	(1,975)	21,279
Balance 31 December	**25,105**	(1,975)	21,279
Share-based payments reserve			
Balance 1 July	**278**	-	-
Share based payment expense for the period	**184**	-	278
Transfer of expired share based payments during the period	**(279)**	-	-
Balance 31 December	**183**	-	278
Foreign currency translation reserve (ii)			
Balance 1 July	**4,014**	(5,002)	(5,002)
Foreign currency translation differences for the period	**(13,320)**	18,787	9,016
Balance 31 December	**(9,306)**	13,785	4,014

Nature and purpose of reserves

(i) Available-for-sale financial asset reserve

This reserve relates to the equity investment in Pan Pacific Petroleum NL that is classified as an available-for-sale financial asset. 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) 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.

21. Related party transactions

During the six months to 31 December 2009 there were no significant transactions with related parties.

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

	Unaudited Half Year 31 December 2009 $'000	Unaudited Half Year 31 December 2008 $'000	Audited Full Year 30 June 2009 $'000
Profit/(loss) for the period	**(6,489)**	53,969	53,206
Depreciation and amortisation	**3,375**	8,841	13,632
Deferred Tax	**(3,444)**	8,350	11,403
Fair value (gain)/loss on derivatives	**199**	(12,584)	(8,268)
Loss/(gain) on investment held in associate	**(131)**	2,639	2,773
Exploration and evaluation costs expensed	**10,918**	4,237	4,237
Items classified as financing activities	**493**	2,035	1,626
Items classified as investing activities	**-**	12	(589)
Share of net loss of associate	**4,156**	2,888	3,914
Share based payment expense	**184**	-	278
Net foreign exchange differences	**13,960**	(19,390)	(3,697)
Change in operating assets and liabilities			
Increase/(decrease) in trade creditors	**(15,265)**	4,567	(5,084)
(Increase)/decrease in trade debtors	**217**	22,602	19,585
Decrease/(increase) in inventories	**153**	-	-
Net cash inflow from operating activities	**8,326**	78,166	93,016

23. Commitments and contingent liabilities

(a) Capital expenditure commitments

As at 31 December 2009 the Group had certain capital expenditure commitments in relation to the participation in the Kupe development. The actual costs will be dependent on a number of factors such as joint venture decisions including final scope and timing of operations.

(b) 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. At the 31 December 2009 the Group had exploration expenditure commitments of approximately NZ$16 million (US$12 million) which include the Tui and Hoki exploration activity.

(c) 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 2009 $'000	Unaudited Half Year 31 December 2008 $'000	Audited Full Year 30 June 2009 $'000
Within one year	**431**	189	189
Later than one year and not later than five years	**176**	266	172
Later than five years	**-**	-	-
	607	455	361

During the period ended 31 December 2009 $171,000 was recognised as an expense in the statement of financial performance in respect of operating leases (31 December 2008: $99,000).

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$23.7 million.

(d) Contingent liabilities

During the half year to 31 December 2009 the Operator of the Kupe oil and gas field received claims from a subcontractor regarding work performed as part of the Kupe facility construction. Counter claims were submitted by the Operator during the half year. At 31 December 2009 the parties had entered into dialogue over the claims and were in the early stages of negotiation over the matter. The Group's share of any potential settlement would be 15% of the total amount settled.

The Group had no other contingent liabilities at 31 December 2009 (30 June 2009:$Nil).

24. Earnings per share

	Unaudited Half Year 31 December 2009 Cents	Unaudited Half Year 31 December 2008 Cents	Audited Full Year 30 June 2009 Cents
(a) Basic earnings per share	**(1.7)**	13.9	13.7
(b) Diluted earnings per share	**(1.7)**	13.9	13.7

(c) Reconciliations of earnings used in calculating earnings per share

	Unaudited Half Year 31 December 2009 $'000	Unaudited Half Year 31 December 2008 $'000	Audited Full Year 30 June 2008 $'000
Profit for the period	**(6,489)**	53,969	53,206
Profit attributable to the ordinary equity holders of the company	**(6,489)**	53,969	53,206

(d) Weighted average number of shares used as the denominator

	Unaudited Half Year 31 December 2009 Number 000s	Unaudited Half Year 31 December 2008 Number 000s	Audited Full Year 30 June 2009 Number 000s
Weighted average number of ordinary shares used in calculating basic earnings per share	**393,343**	387,362	387,903
Adjustments for calculation of diluted earnings per share:			
Options	**-**	-	-
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	**393,343**	387,362	387,903

25. Events subsequent to balance date

Pike River Coal Funding Package

Subsequent to balance date, the Group has entered into a conditional arrangement to support Pike River Coal Limited (of which it is a 29.5% shareholder) with the following funding package:

a. The Group will subscribe for its 29.5% interest ($14.75 million) in a proposed NZ$50m fully underwritten pro rata rights issue to be made by Pike.

b. The Group agrees to subscribe to a new convertible bond facility with Pike for US$28.9 million with an interest rate of 10% which matures in March 2012. The new convertible bond facility will replace an existing bond facility (subject to its redemption terms being met).

c. Pike will grant to the Group a two year option to purchase Pike coking coal at market prices negotiated annually. The maximum volumes are the currently uncontracted coal quantities (of 18 to 23%) for the first three years and up to 30% of annual coal production for the remaining life of mine. The option is assignable to third parties.

The bond facility and coal contract option are conditional on a number of terms including approval by Pike shareholders. In addition, the Group has also agreed to provide interim funding, on commercial terms, of up to NZ$15 million to Pike, if necessary, to cover its funding requirements during the rights issue offer period.

Auditors' Review Report

KPMG

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 2009.

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 2009 and the results of its operations and cash flows for the six months 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 the Group as at 31 December 2009 the results of its operations and cash flows for the six months ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting*.

Our review was completed on 23 February 2010 and our opinion is expressed as at that date.

KPMG

Wellington

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ACA, FAICD

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Deputy Chairman
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D R Scoffham
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