Discovering Our Energy Future

Interim Results

For the six months ended December 2009

New Zealand Oil & Gas

24 February 2010

Pike River Coal

Funding Package:

- Pike equity issue to raise NZ$50 million. NZOG will subscribe for its 29.5% interest in a fully underwritten NZ$50 million rights issue (subject to any regulatory restraints).
- NZOG to provide new convertible bond facility for US$28.9 million with an interest rate of 10%, to fund the potential redemption of Liberty Harbor convertible bonds.
- Bonds will mature in March 2012 and are convertible into Pike shares at the same conversion price as the Liberty Harbor bonds, subject to adjustment under anti-dilution provisions. Potentially converts into c.a. 35 million shares.
- Pike will grant an option to NZOG, exercisable at any time over the next two years, to enter into an offtake agreement to purchase Pike coking coal at market prices to be negotiated annually. Maximum volumes to be purchased would be the currently uncontracted coal quantities for the first three years and up to 30% of annual coal production for the remaining life of mine.
- The bond facility and coal contract option are conditional on, amongst other things, both being approved by Pike shareholders.
- NZOG to provide interim funding to Pike, on commercial terms, of up to NZ$15 million. To be drawn upon, as necessary, to cover funding requirements until the rights issue proceeds are received.
- The interim funding is conditional on, amongst other things, Pike having a fully underwritten NZ$50 million equity issue.

Pike River Coal

Funding Package Benefits:

- Enhanced position for NZOG, funding certainty for Pike
- Pike will have in NZOG a supportive investor providing the funding it needs, allowing Pike to focus on ramping up to full production
- NZOG will receive an attractive return on its secured convertible bond
- The potential for NZOG to hold a coal contract will enhance NZOG's overall investment in Pike
- Value creating for NZOG and a continuation of our current strategy of managing this investment in the interests of our shareholders
- NZOG's primary focus remains on its portfolio of petroleum exploration and production activities

Six Month Operational Highlights

- Kupe
  - NZOG’s largest asset commenced production 4 December 2009
  - Commissioning activities proceeding well
  - Earnings from Kupe treated as revenue from 1 January 2010
  - Long term annual revenue stream for NZOG of ca. NZ$60-65 million

- Tui
  - Field continues to perform well
  - Further technical improvements to enhance facility availability during high seas
  - FY10 target now 4.8 mmbbls (was 5.1 mmbbls), with production deferred not lost
  - Near field prospects assessed and drilling planned

- Exploration
  - 40% of Albacore permit acquired and Albacore-1 well drilled
  - 10% of Hoki permit acquired and Hoki-1 well planned
  - Mangaa permit awarded to NZOG
  - Gamma and Barque prospects assessed and farm-out campaigns underway

Financial Results Overview

	NZ$ million unless stated	Half Year 31 December 2009	Half Year 31 December 2008
Tui Production	mmbo	0.34	0.70
Average Tui Oil Price	NZ$/bbl	$104	$150
Revenue		**37.7**	103.2
EBITDAX*		**22.6**	65.0
EBIT*		8.3	51.7
NPBT (Loss)**		(10.0)	86.3
NPAT (Loss)		**(6.5)**	54.0

** after royalties expense*

*** after royalties expense, net exchange loss/gain on FX balances, net fair value loss/gain on derivatives, gain/loss on expiry and settlement of derivatives, and share of loss from associates (Pike River Coal)*

Normalised Profit (after tax)

	Half Year 31 December 2009 NZ$ million	Half Year 31 December 2008 NZ$ million
NPAT (Loss)	**(6.5)**	**54.0**
+ **Share of Pike River Coal loss**	**4.2**	2.9
+ **Exploration costs**	**10.9**	4.2
- Tax effect	(4.1)	(1.4)
+ **FX loss** (gain)	**14.0**	(19.4)
- Tax effect	(4.2)	5.8
+ Derivative net fair value loss (gain)	0.2	(12.6)
"Normalised NPAT"	**14.5**	**33.5**

Cash Flows

	Half Year 31 December 2009 NZ$ million	Half Year 31 December 2008 NZ$ million
Opening Cash	**174.8**	**256.5**
+ **Operating Cash Flows**	8.3	78.2
+ **Financing Cash Flows**		
Borrowings	57.8	(69.0)
Dividends	(13.7)	(19.8)
Other	0.3	12.7
+ **Investing Cash Flows**		
Exploration	(13.2)	(4.7)
Development	(20.6)	(46.3)
Financial Assets	-	(30.7)
Other	(0.3)	(0.1)
+ FX changes	(17.0)	35.1
Closing Cash	**176.4**	**211.9**

Strong Balance Sheet

	Half Year 31 December 2009 NZ$ million	Half Year 31 December 2008 NZ$ million
Equity	**468.2**	**482.1**
Current liabilities Non-current liabilities **Total Liabilities**	28.8 79.2 **108.0**	37.0 34.3 **71.3**
Total Equity & Liabilities	**576.2**	**553.4**
Cash Other current assets Non-current assets **Total Assets**	176.4 13.2 386.6 **576.2**	211.9 12.8 328.7 **553.4**
NAV per share (incl. partly paids)	NZ$1.19	NZ$1.24

Conservative Capital Management

- Strong cash position
  - NZ$176 million gross cash (NZ$118 million net cash) as at 31 December 2009

- Westpac project debt
  - NZ$75 million facility, $58 million drawn
  - On very attractive margins

- USD Holdings
  - Continue to hold predominantly US dollars
  - Policy of not engaging in discretionary trading
  - US$20 million converted into $NZ to meet $NZ costs and to re-balance currency holdings

- Dividend Reinvestment Plan successfully implemented
  - Established during 2009
  - Taken up by 30% of registered shareholders representing 33% of issued capital

Production Performance

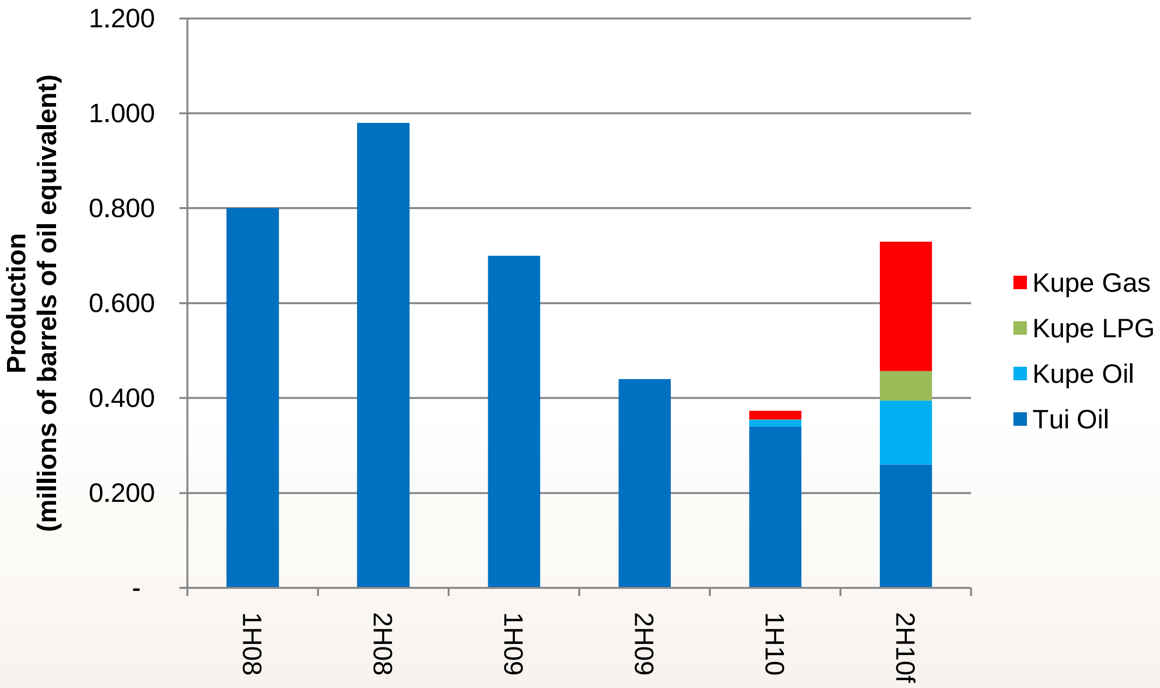
Tui

- Six month production: 2.7 mmbbls
  - NZOG's share 340,000 barrels
- Average sales price: NZ$104 per barrel
  - Production and marketing costs below budget at NZ$17 per barrel
- Shell Australia taking all CY2010 production
  - Premium over Tapis benchmark

Kupe

- Production began 4 December 2009
  - Product sales to 31 December capitalised
- Production to 18 February 2010:
  - 3.1 PJ sales gas (NZOG's share 0.5 PJ)
  - 5,600 tonnes LPG (NZOG's share 840 tonnes). LPG production will increase as CO_2 extraction commissioned
  - 350,000 barrels light oil (NZOG's share 52,000 barrels)

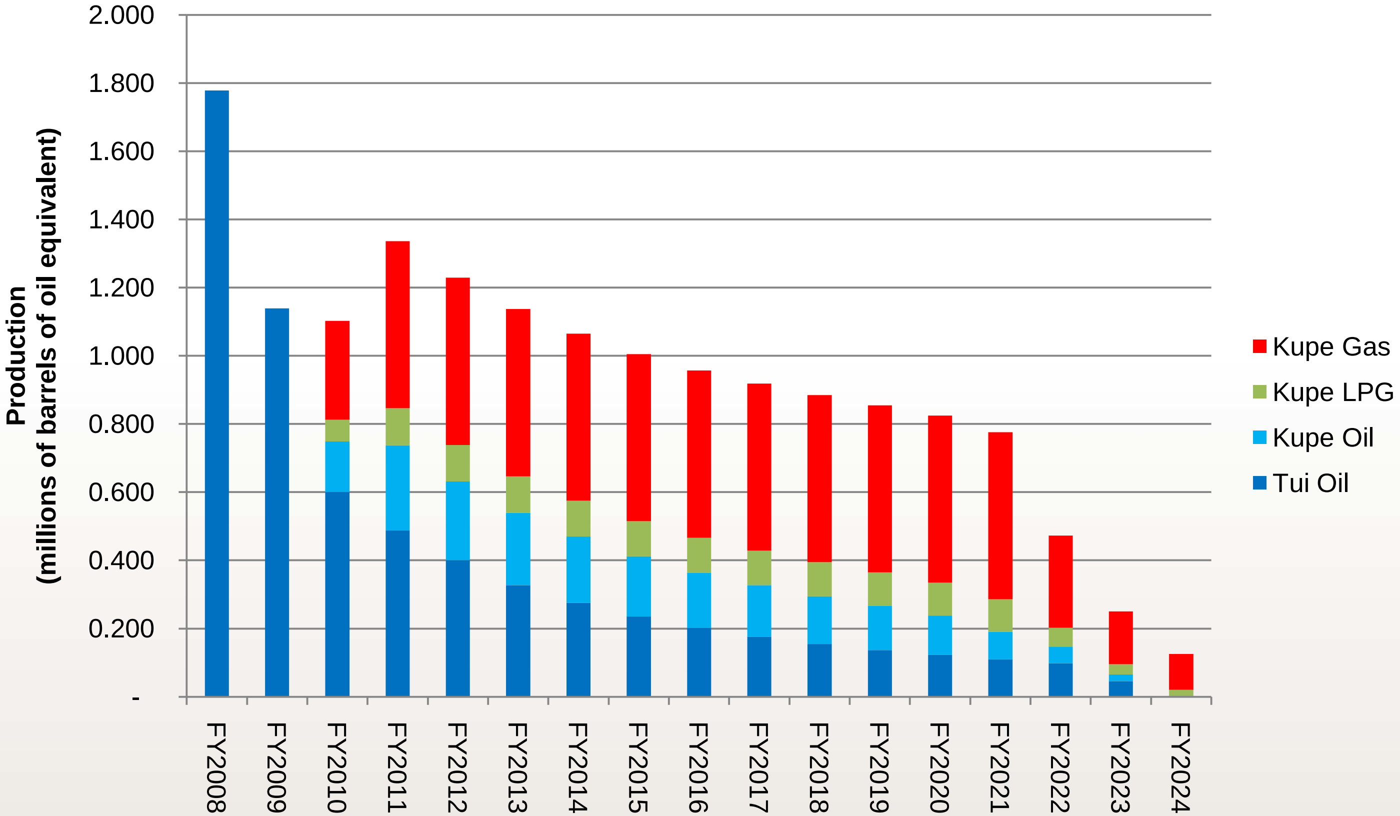
Forecast 2H10 and FY2010 Production



FY10 production forecast of 1.1 mmboe

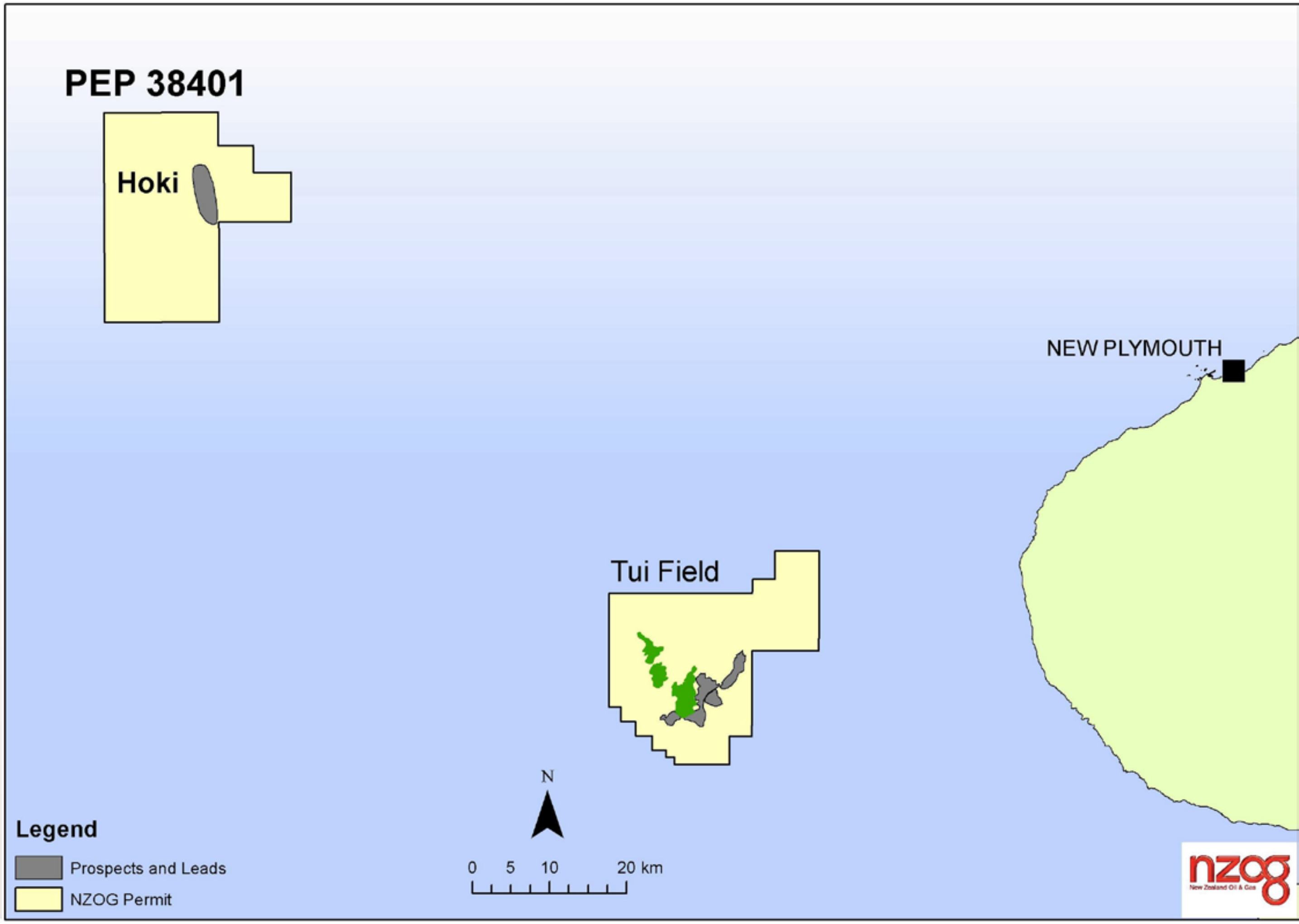
- Tui 0.60 mmbo
- Kupe 0.16 mmbo, 1.8 PJ and 8.0 kt LPG

Production Profile: Actual and Forecast



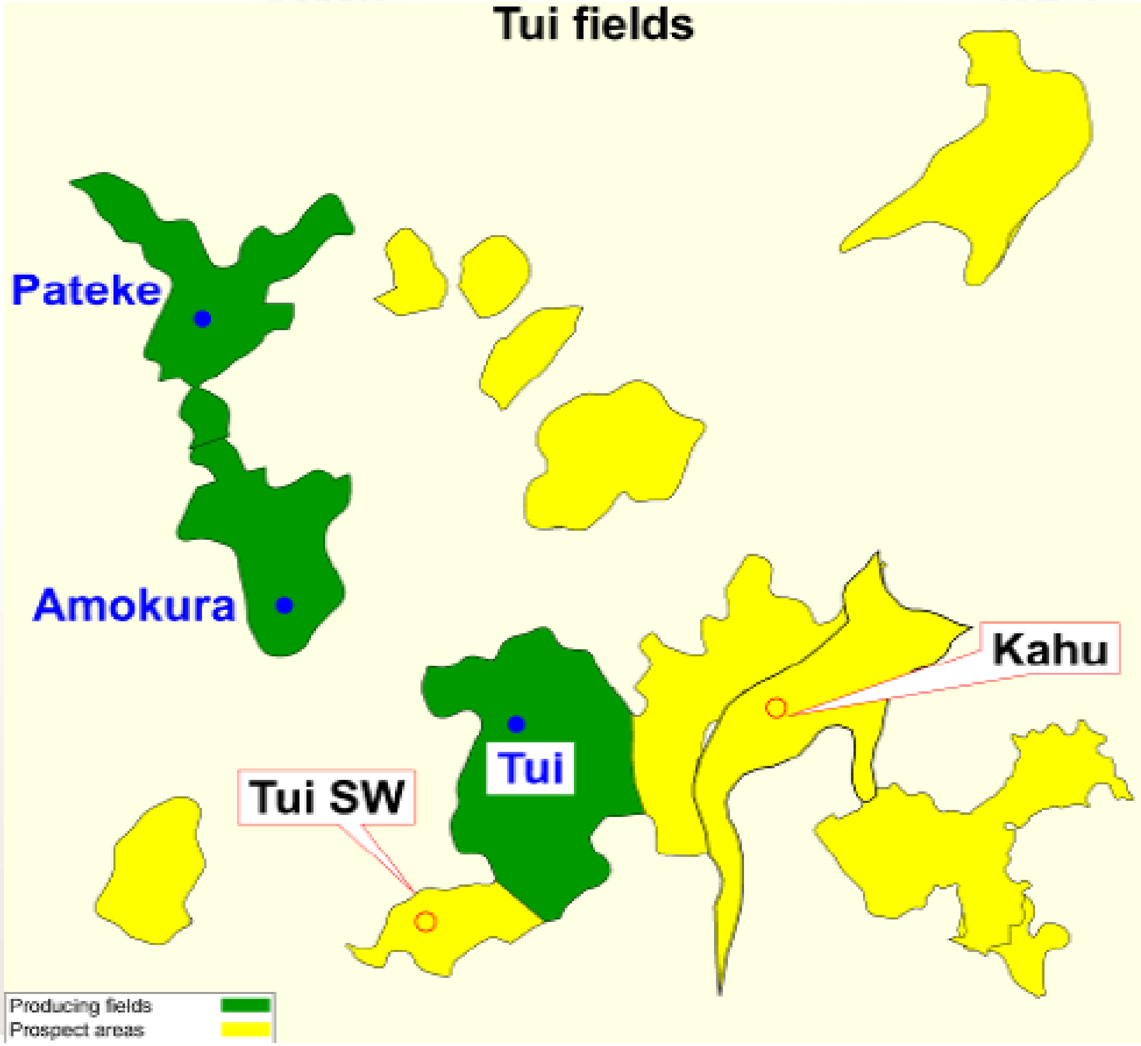
Looking Ahead: Drilling

- Hoki
  - High risk high impact well
  - Spudding in early March



Looking Ahead: Drilling

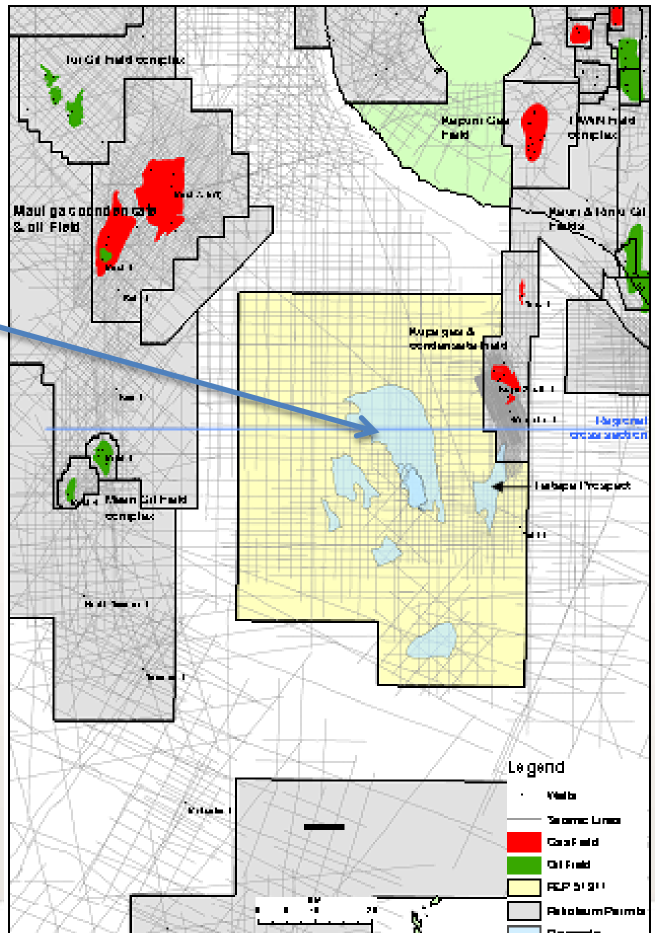
- Tui
  - At least two wells to be drilled, starting in April
  - Tui SW with potential quick tie-in to Tui facilities if successful
  - Kahu a larger target and will provide important information on possible accumulations to the east

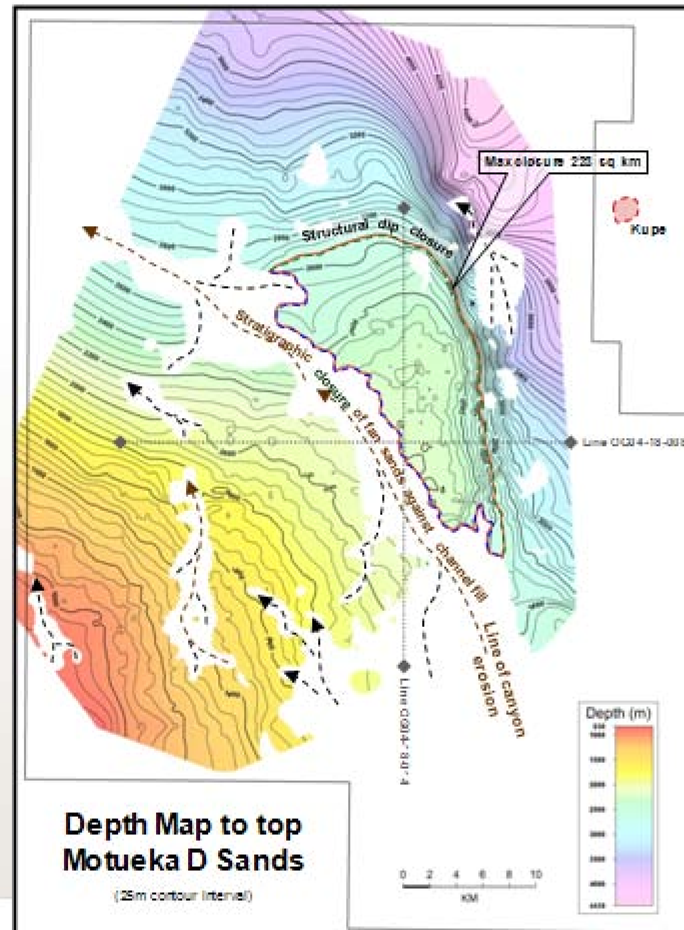


Looking ahead: Farm outs

- Kaupokonui
  - Prospect between Kupe and Maari fields, testing “channel structure” play concept
  - NZOG looking to farm down its 100% permit stake

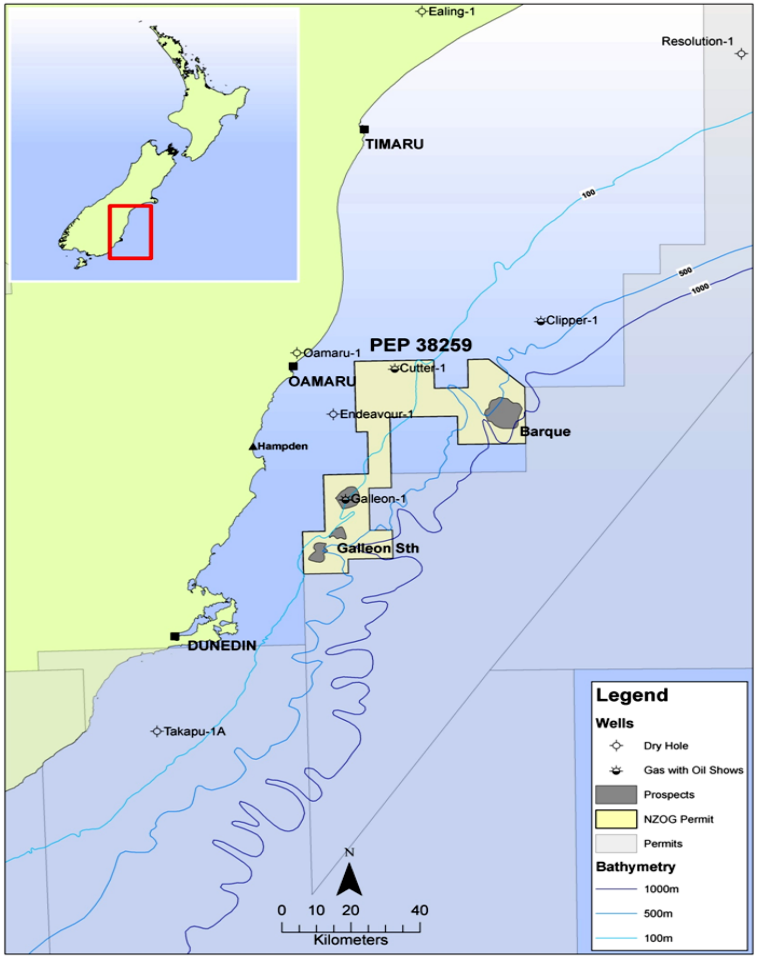
Kaupokonui Prospect

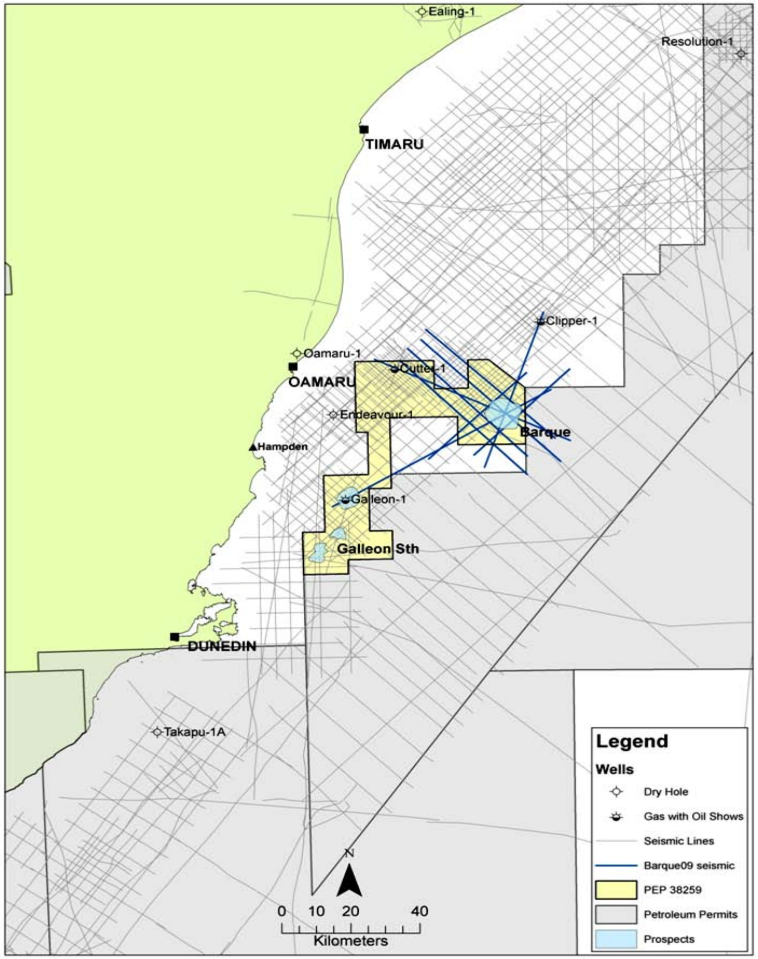




Looking ahead: Farm outs

- Barque
  - Canterbury Basin gas condensate prospect
  - NZOG looking to farm down its 40% permit stake





Looking Ahead: Summary

- Higher operating revenues from the combined production of Kupe and Tui
- Opportunities for exploration drilling success at Hoki and Tui
- Implementation of Pike funding arrangements
- Pursuing new investments
- Continue to target opportunities to build core businesses of oil and gas exploration and production, while sensibly managing existing portfolio to ensure shareholder value is maximised

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