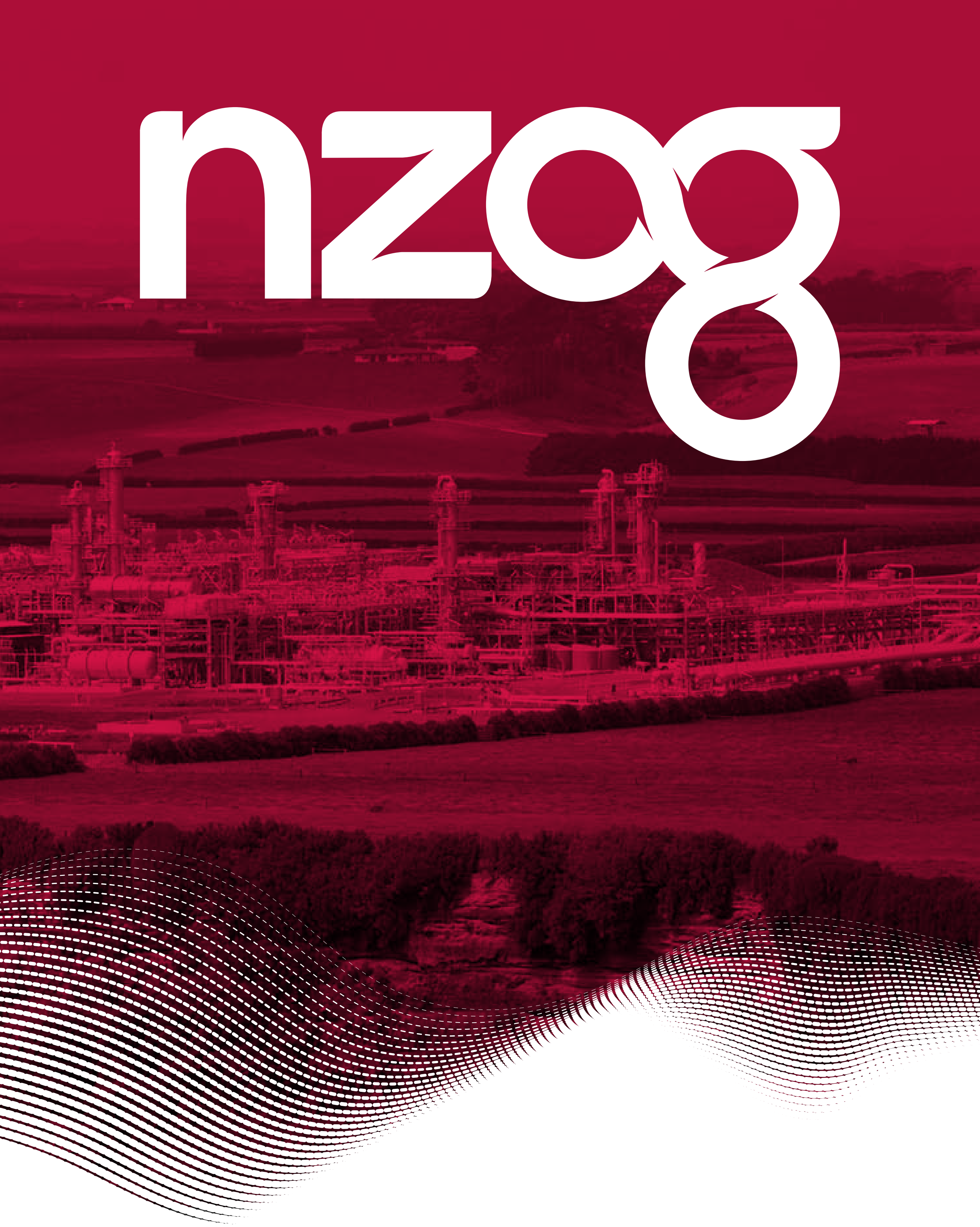


Interim Report

For the six months ended 31 December 2011


Tunisia
Indonesia

Contents

CEO's Report

The six months covered by this report was a period in which NZOG was able to deliver another strong operating performance and take important steps towards achieving its growth strategy.

Our two producing Taranaki fields are continuing to provide steady revenues and sustained operating profits. Revenue from the Kupe and Tui fields contributed to a net operating cash flow of $26.5 million for the first half of the financial year.

As part of the search for the next Tui or Kupe, active campaigns are underway to attract additional partners into the Kakapo permit in the southern offshore Taranaki Basin, and the Barque permit in the Canterbury Basin.

To supplement its New Zealand activities and provide greater diversity, NZOG has successfully established an initial presence in North Africa and South-East Asia. These new country entries have been achieved at minimal cost and very promising opportunities are now opening up. The most significant to date is the potential development of an existing oil discovery in Tunisia.

The challenge ahead for NZOG is to create a significant portfolio across the three core areas, building on the foundations that have been laid. This requires a subtle shift of strategy. NZOG has put a lot of effort into screening numerous opportunities to achieve new country entries. With toeholds now achieved we need to enhance our market positions and sensible acquisitions will be considered. However, we also need to use our knowledge and capabilities to create our own exploration opportunities. Acquiring acreage, identifying prospects, drilling, making discoveries and taking them through to production, has defined NZOG over its 30 year history and it remains the best way to create value.

Financial Results

For the 6 months ended 31 December 2011, NZOG recorded total operating revenue of $54.6 million, compared to operating revenue of $40.5 million in the corresponding six month period a year earlier.

NZOG reported a net profit after tax of $2.3 million, compared to a loss of $99.0 million for the corresponding period a year earlier. The profit was achieved despite taking a further $22.2 million impairment against remaining Pike River Coal Ltd (PRCL) debt.

NZOG had a total cash balance at 31 December 2011 of $191.5 million and a net cash position (cash less debt) of $136.7 million.

Production

NZOG's operating revenue comes from two producing fields in the offshore Taranaki Basin.

The Kupe gas and oil field is NZOG's primary revenue source, contributing $37.1 million in revenue in the six month period.

With a 15% stake, NZOG's share of Kupe production for the period was 1.45 petajoules (PJ) of sales gas; 6,300 tonnes of LPG; and 139,000 barrels of light oil.

A planned two week maintenance shutdown was successfully completed in November 2011. A separate inspection of the pipeline and umbilical line that run from the platform to shore identified issues with the clamps holding the umbilical in place. A new clamping system is to be installed.

The Tui area oil fields, while now in the decline phase, continue to make a valuable contribution, earning NZOG $17.5 million in the six month period.

A planned two week survey shutdown of the production facility was successfully completed in December 2011.

With a 12.5% stake, NZOG's share of Tui production for the period was just under 148,000 barrels of oil.

Abnormal Items

During the period, NZOG received a total of $41.0 million from the Receivers for Pike River Coal Limited (PRCL) following a settlement with PRCL insurers. NZOG advanced $4.6 million to the Receivers to fund ongoing mine stabilisation and the sales process.

Given the increasing uncertainty about any sale of the mine at the time the accounts were prepared, NZOG took an impairment provision of $22.2 million for all its remaining secured PRCL debt.

The other abnormal item during the period was a net foreign currency gain of $4.8 million on the company's US dollar cash holdings.

Personnel Changes

In February 2012, two new directors joined the NZOG Board. Mark Tume and Rodger Finlay bring a wealth of experience and knowledge and will have a great deal to contribute.

John Bay, the former Chairman of the Petroleum Exploration and Production Association of New Zealand (PEPANZ) and a former Managing Director of listed company L&M Energy, has joined NZOG in a senior commercial role.

Former Chief Executive and Managing Director David Salisbury left in December 2011. In January 2012, Steve Rawson stepped down from the Board after more than 10 years of service. I'd like to thank David and Steve for their dedicated service to the company.

Portfolio Development

During the six month period NZOG took further steps to establish new core areas of business with investments in Tunisia and Indonesia, while continuing to focus on its long standing presence in New Zealand.

In the southern offshore Taranaki basin, NZOG is looking to secure an additional joint venture partner ahead of drilling the Kakapo prospect, which, subject to rig availability, could take place over the 2012/13 summer. NZOG is also working on behalf of the Barque joint venture to secure an additional partner for this prospect in the offshore Canterbury Basin.

Two other permits in offshore Taranaki, Albacore and Mangaa, have been relinquished. Our technical team identified a number of leads in these permits but none appeared significant enough on a risked basis to justify further exploration investment. This is a standard outcome from managing a portfolio of opportunities – the less attractive are allowed to fall away and you seek to add new more promising ones. That is why NZOG is taking a close look at the 2012 Blocks Offer announced by the New Zealand Government.

In Tunisia, a 470km 2D seismic survey was conducted in February 2012 over the Diodore permit. The data is being processed and will then be analysed to firm up already identified drilling prospects. NZOG and its partners in the Cosmos concession, which NZOG joined in December 2011, are undertaking the detailed work required ahead of a final investment decision later this year on whether to proceed with a development of the existing oil discovery.

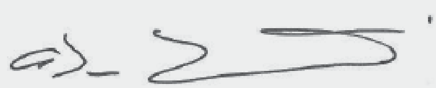
In Indonesia, as well as several study agreements, NZOG has a stake in an exploration permit in central Sumatra where a well is to be drilled in the coming months.

It's a good start but further opportunities need to be identified, developed and secured.

In the year ahead there is the prospect of exploration drilling in Taranaki and Indonesia and a potential commitment to develop an oil field in Tunisia. Further out, there are other drilling prospects. However, NZOG has the resources and capability to do significantly more.

We are very actively pursuing further opportunities in all three of our core areas – New Zealand, South-East Asia and North Africa – ranging from study and permit applications through to drilling, asset deals and corporate acquisitions.

Kupe and Tui are expected to provide ongoing cash flows and we intend to invest a sensible portion of those cash flows in new investments in order to grow the business and provide long-term value for our shareholders.



Andrew Knight
Chief Executive

Production and Reserves

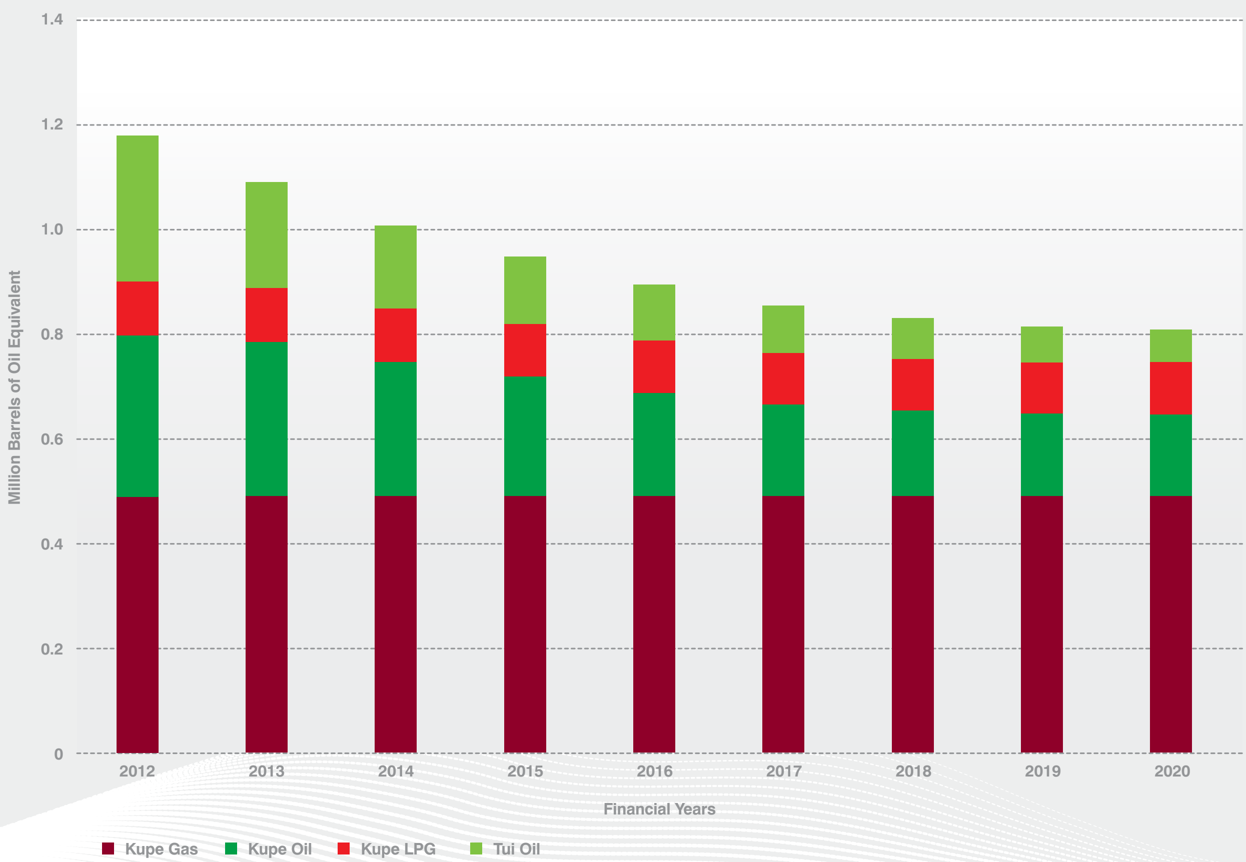
Production

NZOG PRODUCTION JULY-DECEMBER 2011

	Oil & Condensate (barrels)	Natural Gas (gigajoules)	LPG (tonnes)	Barrels of Oil Equivalent*
Kupe	139,050	1,450	6,335	427,660
Tui	147,900			147,900
Total				575,560

* Barrels of oil equivalent have been calculated as the total oil equivalent of the oil, condensate/light oil, natural gas and LPG figures, using conversion factors consistent with Society of Petroleum Engineers (SPE) guidelines.

NZOG FORECAST PRODUCTION 2012-2020



Oil and Gas Reserves

NZOG's remaining Proven and Probable (2P) Oil & Gas Reserves as at 31 December 2011 were:

	Oil & Condensate (million barrels)	Natural Gas (petajoules)	LPG (kilotonnes)	Million Barrels of Oil Equivalent*
Kupe	2.2	35.4	145	9.2
Tui	1.1			1.1
Total				10.3

* Million barrels of oil equivalent have been calculated as the total oil equivalent of the oil, condensate/light oil, natural gas and LPG figures, using conversion factors consistent with Society of Petroleum Engineers (SPE) guidelines.

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.

Oil and gas reserves are reported as at 31 December 2011, and in accordance with Section 10.11 of the NZX Listing Rules. This Reserves Statement has been compiled by NZOG's Vice-President Commercial and Operations John Bay P.E., who is registered in Texas as a Professional Engineer (Petroleum and Natural Gas Engineering), and accurately reflects information supplied by the respective joint venture operators.

Permits

NZOG held the following oil and gas production, exploration, evaluation and appraisal interests as at 31 December 2011:

Name	Region	Type	NZOG Stake
PML 38146 Kupe	Taranaki Basin, NZ	Mining Licence	15%
PMP 38158 Tui	Taranaki Basin, NZ	Mining Permit	12.5%
PEP 51311 Kakapo	Taranaki Basin, NZ	Exploration Permit	100%* Operator
PEP 51558 Kanuka	Taranaki Basin, NZ	Exploration Permit	50%
PEP 38491 Albacore	Taranaki Basin, NZ	Exploration Permit	100%**
PEP 51988 Mangaa	Taranaki Basin, NZ	Exploration Permit	100%**
PEP 38259 Barque	Canterbury Basin, NZ	Exploration Permit	40%***
Diodore	Tunisia	Prospecting Permit	100% Operator
Cosmos	Tunisia	Concession	40%****
Kisaran	Indonesia	Production Sharing Contract	22.5%

* NZOG's stake reduces to 90% under a farm-in agreement with Raisama Ltd.

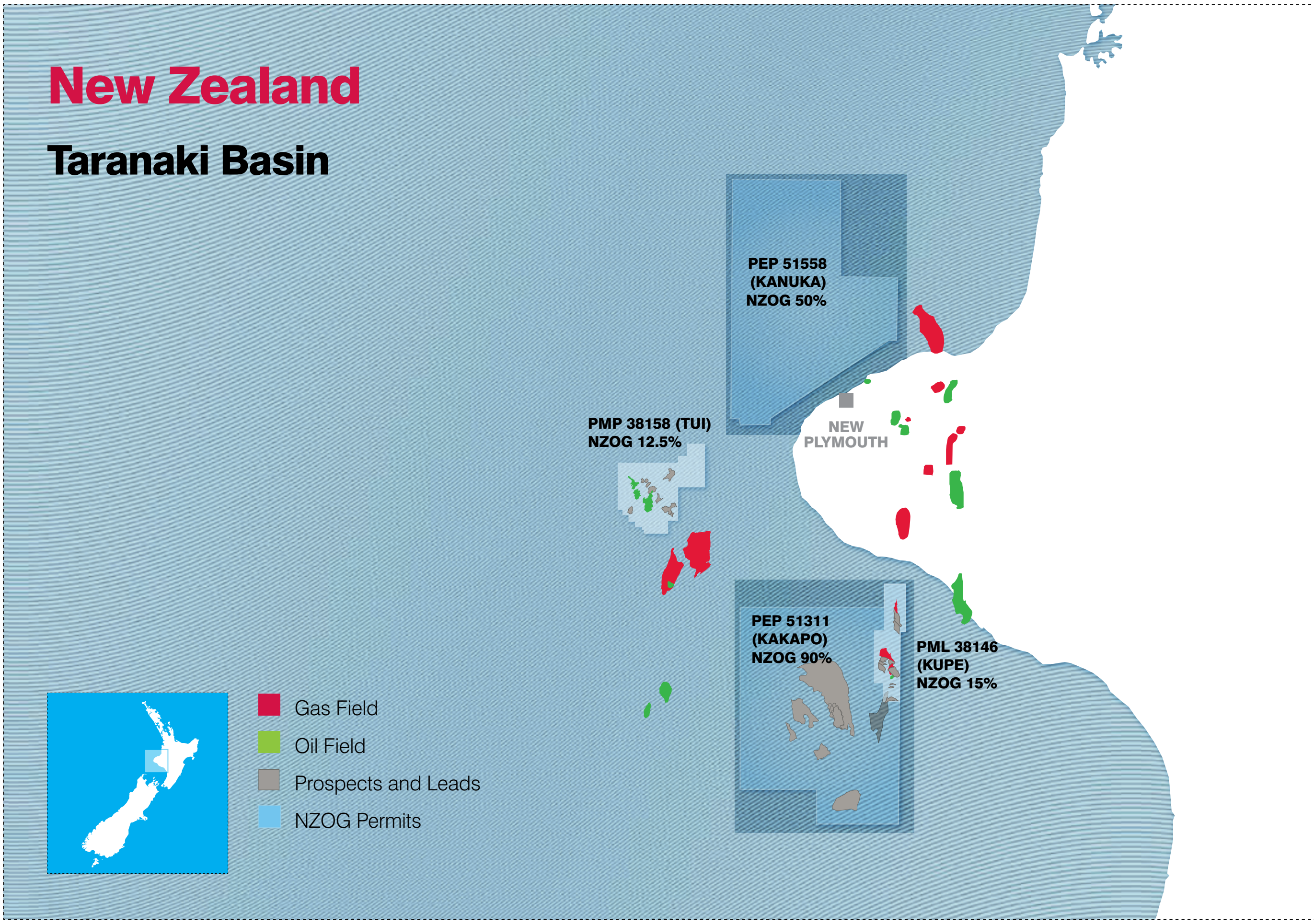
** Albacore and Mangaa were relinquished to the Crown on 20 January 2012.

*** Subject to government ratification, the joint venture partners agreed in December 2011 to transfer Operatorship of the permit to NZOG.

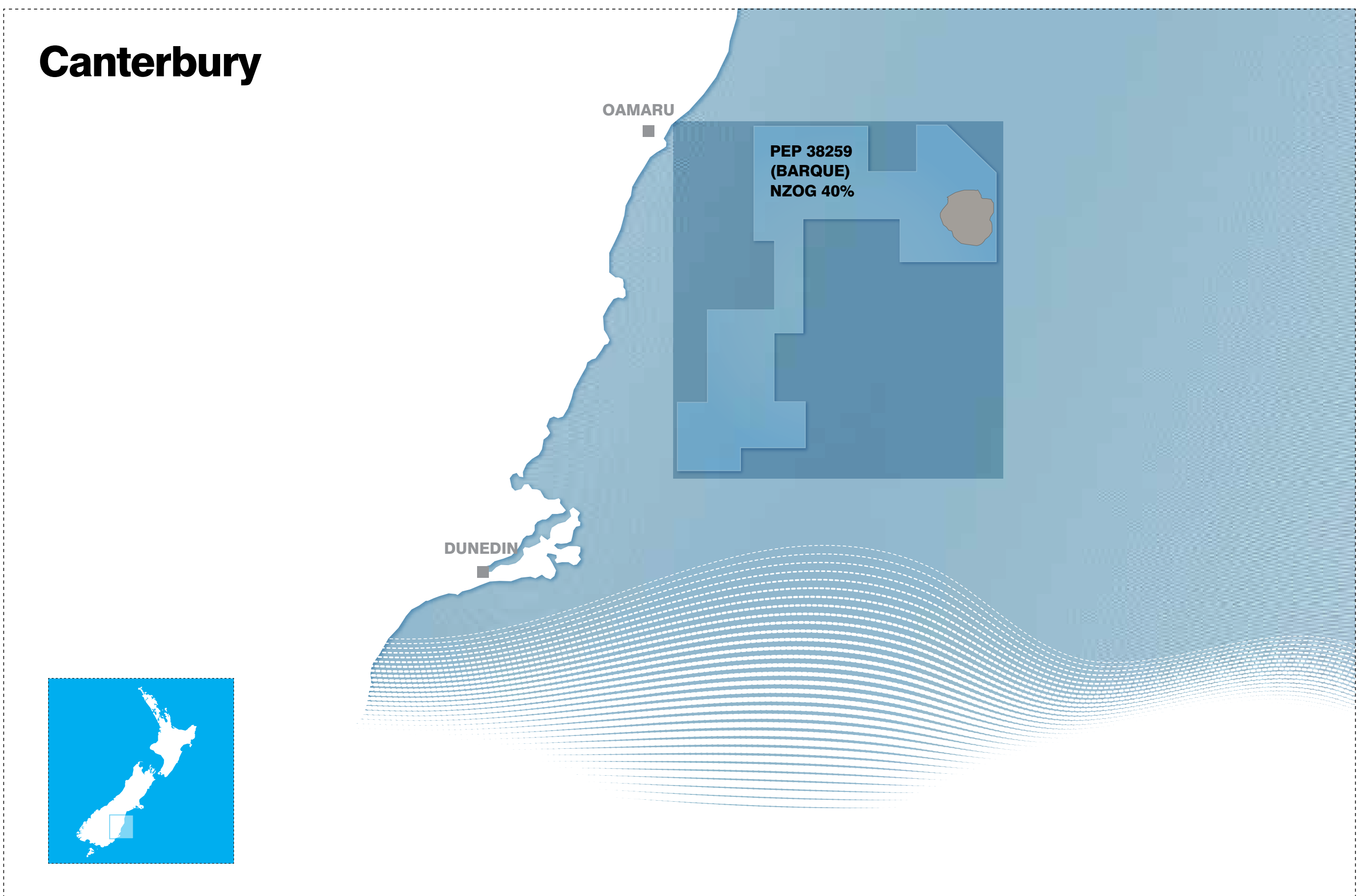
**** Subject to government ratification.

New Zealand

Taranaki Basin



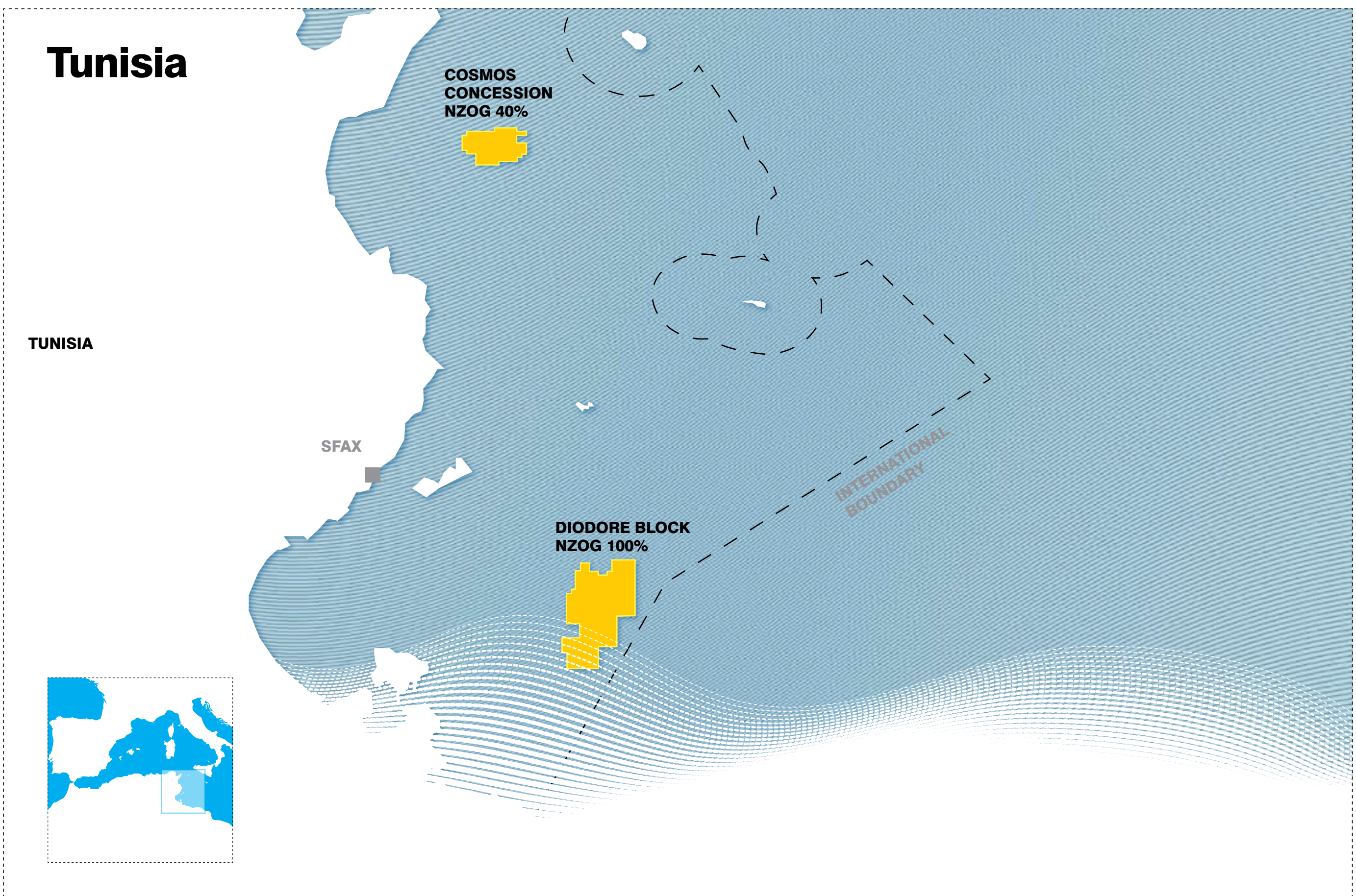
Canterbury



International

Indonesia

Tunisia



Condensed Interim Financial Statements

For the half-year ended 31 December 2011

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 2011 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.

A R Radford
Director

22 February 2012

P G Foley
Director

22 February 2012

Condensed Statement of Income

For the half year ended 31 December 2011

	Notes	Unaudited Half Year 31 December 2011 $'000	Unaudited Half Year 31 December 2010 $'000	Audited Full Year 30 June 2011 $'000
Revenue	4	**54,639**	40,482	106,473
Operating costs	5	**(26,317)**	(30,294)	(53,805)
Gross profit		**28,322**	10,188	52,668
Other Income	4	**549**	1,559	2,430
Exploration and evaluation costs expensed	15	**(579)**	(2,618)	(3,434)
Other expenses	6	**(4,033)**	(5,686)	(11,058)
Results from operating activities		**24,259**	3,443	40,606
Finance costs		**(24,191)**	(107,558)	(113,861)
Finance income		**12,425**	5,187	10,628
Net finance income/(costs)	7	**(11,766)**	(102,371)	(103,233)
Profit/(loss) before income tax and royalties		**12,493**	(98,928)	(62,627)
Royalties expense	8	**(5,084)**	(2,201)	(7,981)
Income tax (expense)/benefit		**(5,142)**	2,179	(5,279)
Profit/(loss) for the period		**2,267**	(98,950)	(75,887)
Profit/(loss) for the period attributable to:				
Equity holders of Parent		**2,267**	(98,950)	(75,887)
		2,267	(98,950)	(75,887)
		Cents	Cents	Cents
Earnings per share attributable to shareholders:				
Basic earnings per share	22	**0.6**	(25.0)	(19.1)
Diluted earnings per share	22	**0.6**	(25.0)	(19.1)
		Cents	Cents	Cents
Net Tangible Asset Backing per share		**86**	82	87

The above Condensed Statement of Income should be read with the accompanying notes on pages 15-31

Condensed Statement of Comprehensive Income

For the half year ended 31 December 2011

	Notes	Unaudited Half Year 31 December 2011 $'000	Unaudited Half Year 31 December 2010 $'000	Audited Full Year 30 June 2011 $'000
Profit/(loss) for the period		**2,267**	(98,950)	(75,887)
Fair value loss through other comprehensive income				
Attributable to equity holders of the Parent	21	**(969)**	(3)	(150)
Foreign currency translation differences	21	**2,834**	(5,423)	(9,252)
Other comprehensive income for the period		**1,865**	(5,426)	(9,402)
Total comprehensive income for the period		**4,132**	(104,376)	(85,289)

The above Condensed Statement of Comprehensive Income should be read with the accompanying notes on pages 15-31

Condensed Statement of Financial Position

As at 31 December 2011

	Notes	Unaudited Half Year 31 December 2011 $'000	Unaudited Half Year 31 December 2010 $'000	Audited Full Year 30 June 2011 $'000
ASSETS				
Current assets				
Cash and cash equivalents	9	**191,456**	111,832	149,360
Receivables and prepayments	10	**11,399**	19,918	23,733
Inventories		**2,878**	1,516	869
Current tax receivables		**4,910**	1,582	1,980
Convertible bond	11	**-**	-	35,103
Total current assets		**210,643**	134,848	211,045
Non current assets				
Convertible bond	11	**-**	33,968	-
Evaluation and exploration assets	15	**12,470**	7,075	7,322
Oil and gas assets	16	**221,050**	240,645	232,579
Plant, property and equipment		**250**	308	281
Intangible assets		**38**	102	41
Other financial assets	17	**17,116**	17,097	15,705
Total non current assets		**250,924**	299,195	255,928
Total assets		**461,567**	434,043	466,973
LIABILITIES				
Current liabilities				
Payables	18	**14,277**	12,619	15,319
Borrowings	19	**18,580**	2,150	14,644
Total current liabilities		**32,857**	14,769	29,963
Non current liabilities				
Borrowings	19	**36,220**	60,945	48,680
Restoration and rehabilitation provision		**17,070**	11,712	15,715
Net deferred tax liability		**33,289**	20,046	28,176
Total non current liabilities		**86,579**	92,703	92,571
Total liabilities		**119,436**	107,472	122,534
Net assets		**342,131**	326,571	344,439
EQUITY				
Share capital	20	**359,484**	359,675	358,233
Reserves	21	**(16,341)**	(13,988)	(17,766)
Retained earnings		**(1,012)**	(19,116)	3,972
Total equity		**342,131**	326,571	344,439

The above Condensed Statement of Financial Position should be read with the accompanying notes on pages 15-31

Condensed Statement of Changes in Equity

For the half year ended 31 December 2011

	Notes	Issued capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
		Attributable to equity holders of New Zealand Oil & Gas Limited			
UNAUDITED					
Balance as at 1 July 2011		358,233	(17,766)	3,972	344,439
Comprehensive income					
Profit/(loss) for the period		-	-	2,267	2,267
Other comprehensive income					
Fair value gain/(loss) on financial assets		-	(969)	-	(969)
Foreign currency translation differences		-	2,834	-	2,834
Total comprehensive income		-	1,865	2,267	4,132
Transactions with owners					
Shares issued		2,399	-	-	2,399
Buy back of issued shares		(1,148)	-	-	(1,148)
Share based payment		-	153	-	153
Transfer of expired share based payments during the period		-	(593)	593	-
Dividend declared (2 cents per ordinary share)		-	-	(7,844)	(7,844)
Supplementary dividend		-	-	(240)	(240)
Foreign investor tax credit		-	-	240	240
Balance as at 31 December 2011		359,484	(16,341)	(1,012)	342,131

	Notes	Issued capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
		Attributable to equity holders of New Zealand Oil & Gas Limited			
UNAUDITED					
Balance as at 1 July 2010		353,741	(8,697)	99,164	444,208
Comprehensive income					
Profit/(loss) for the period		-	-	(98,950)	(98,950)
Other comprehensive income					
Fair value loss through other comprehensive income		-	(3)	-	(3)
Foreign currency translation differences		-	(5,423)	-	(5,423)
Total comprehensive income		-	(5,426)	(98,950)	(104,376)
Transactions with owners					
Shares issued		6,808	-	-	6,808
Buy back of issued shares		(874)	-	-	(874)
Share based payment		-	266	-	266
Transfer of expired share based payments during the period		-	(131)	131	-
Dividend declared (5 cents per Ordinary share)		-	-	(19,461)	(19,461)
Supplementary dividend		-	-	(665)	(665)
Foreign investor tax credit		-	-	665	665
Balance as at 31 December 2010		359,675	(13,988)	(19,116)	326,571

The above Condensed Statement of Changes in Equity should be read with the accompanying notes on pages 15-31

	Notes	Issued capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
		Attributable to equity holders of New Zealand Oil & Gas Limited			
AUDITED					
Balance as at 1 July 2010		353,741	(8,697)	99,164	444,208
Comprehensive income					
Profit/(loss) for the year		-	-	(75,887)	(75,887)
Other comprehensive income					
Fair value loss through other comprehensive income		-	(150)	-	(150)
Foreign currency translation differences		-	(9,252)	-	(9,252)
Total comprehensive income		-	(9,402)	(75,887)	(85,289)
Transactions with owners					
Shares issued		7,009	-	-	7,009
Buy back of issued shared		(2,517)	-	-	(2,517)
Share based payment		-	488	-	488
Transfer of expired share based payments during the year		-	(155)	155	-
Dividend declared (5 cents per ordinary share)		-	-	(19,460)	(19,460)
Supplementary dividend		-	-	(663)	(663)
Foreign investor tax credit		-	-	663	663
Balance as at 30 June 2011		358,233	(17,766)	3,972	344,439

The above Condensed Statement of Changes in Equity should be read with the accompanying notes on pages 15-31

Condensed Statement of Cash Flows

For the half year ended 31 December 2011

	Notes	Unaudited Half Year 31 December 2011 $'000	Unaudited Half Year 31 December 2010 $'000	Audited Full Year 30 June 2011 $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers		**52,241**	55,719	119,353
Interest received		**4,931**	2,370	3,196
Other revenue		**25**	1,303	1,490
Production and marketing expenditure		**(14,948)**	(20,739)	(31,829)
Payments to suppliers and employees (inclusive of Goods and Services Tax)		**(4,936)**	(7,729)	(12,783)
Royalties		**(6,656)**	(6,778)	(8,265)
Interest paid		**(1,506)**	(1,054)	(2,557)
Income taxes paid		**(2,690)**	(2)	(3)
Net cash inflow / (outflow) from operating activities	24	**26,461**	23,090	68,602
CASH FLOWS FROM INVESTING ACTIVITIES				
Repayment of loans to related party	23	**36,305**	-	-
Exploration and evaluation expenditure		**(4,816)**	(2,514)	(3,768)
Oil & gas asset expenditure		**(246)**	(3,212)	(4,106)
Refundable bonds		**(1,255)**	-	-
Purchase of property, plant and equipment		**(51)**	(29)	(48)
Loan to related party	23	**(4,593)**	(25,000)	(25,000)
Net cash inflow / (outflow) from investing activities		**25,344**	(30,755)	(32,922)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issues of shares		**2**	188	387
Borrowings		**-**	-	182
Buyback of issued shares		**(1,103)**	(874)	(2,517)
Repayment of borrowings		**(8,525)**	-	-
Dividend paid		**(5,685)**	(13,503)	(13,503)
Net cash inflow / (outflow) from financing activities		**(15,311)**	(14,189)	(15,451)
Net increase (decrease) in cash and cash equivalents		**36,494**	(21,854)	20,229
Cash and cash equivalents at the beginning of the period		**149,360**	142,404	142,404
Effects of exchange rate changes on cash and cash equivalents		**5,602**	(8,718)	(13,273)
Cash and cash equivalents at end of the half year	9	**191,456**	111,832	149,360

The above Condensed Statement of Cash Flows should be read with the accompanying notes on pages 15-31

Notes to the Condensed Interim Financial Statements

For the half year ended 31 December 2011

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 2011 comprise the Company and its subsidiaries and the Group's interest in associates and jointly controlled entities (together referred to as the "Group").

These financial statements have been approved for issue by the Board of Directors on 22 February 2012.

2. Summary of significant accounting policies

This condensed interim financial information for the half year ended 31 December 2011 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 2011.

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

The Group has adopted the following new and amended International Financial Reporting Standards:

- NZ IAS 1, Presentation of Financial Statements (Improvements to IFRSs 2010) (effective from annual periods beginning on or after 1 January 2011)
- NZ IAS 24, Related Party Disclosures (revised 2009) (effective from annual periods beginning on or after 1 January 2011)
- NZ IAS 34, Interim Financial Reporting (Improvements to IFRSs 2010) (effective from annual periods beginning on or after 1 January 2011)
- NZ IFRS 7, Financial Instruments: Disclosures (Improvements to IFRSs 2010) (effective from annual periods beginning on or after 1 January 2011)
- NZ IFRS 7, Financial Instruments: Disclosures Transfer of financial assets (Amendments) (effective from annual periods beginning on or after 1 July 2011)

(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 2012 or later periods but which the Company has not early adopted:

- NZ IFRS 9, Financial Instruments (2010) (effective from annual periods beginning on or after 1 January 2015)
- NZ IFRS 10, Consolidated Financial Statements (effective from annual periods beginning on or after 1 January 2013)
- NZ IFRS 11, Joint Arrangements (effective from annual periods beginning on or after 1 January 2013)
- NZ IFRS 12, Disclosure of Interests in Other Entities (effective from annual periods beginning on or after 1 January 2013)
- NZ IFRS 13, Fair Value Measurement (effective from annual periods beginning on or after 1 January 2013)
- NZ IAS 1, Presentation of Financial Statements (Amendments) Presentation of Items of Other Comprehensive Income (effective from annual periods beginning on or after 1 July 2012)
- NZ IAS 12, Income Taxes (Amendment) Deferred Tax: Recovery of Underlying Assets (effective from annual periods beginning on or after 1 January 2012)
- NZ IAS 19, Employee Benefits (Amended 2011) (effective from annual periods beginning on or after 1 January 2013)
- NZ IAS 27, Separate Financial Statements (2011) (effective from annual periods beginning on or after 1 January 2013)
- NZ IAS 28, Investments in Associates and Joint Ventures (2011) (effective from annual periods beginning on or after 1 January 2013)

(c) Changes in accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2011.

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 (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 the Taranaki basin and Canterbury basin, New Zealand, Indonesia and Tunisia.

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.

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, investment in prospecting permit in Tunisia and exploration permit in Indonesia.

Unaudited Half year to 31 December 2011	Oil & Gas assets – Tui $'000	Oil & Gas assets – Kupe $'000	Oil & Gas assets – Exploration $'000	Investments $'000	Other and unallocated $'000	Total $'000
Sales to external customers NZ	-	17,845	-	-	-	17,845
Sales to external customers other countries	17,530	19,264	-	-	-	36,794
Total sales revenue	**17,530**	**37,109**	**-**	**-**	**-**	**54,639**
Other income	-	524	-	-	25	549
Total revenue and other income	**17,530**	**37,633**	**-**	**-**	**1,135**	**55,188**
Segment result	9,370	14,392	(579)	(18,079)	(4,008)	1,096
Other reconciling items - other net finance income/(costs)						6,313
Profit before income tax						**7,409**
Income tax expense						(5,142)
Profit for the year						**2,267**
Segment assets	22,387	198,663	12,470	15,750	-	249,270
Other reconciling items						212,297
Total assets						**461,567**
Included in segment results:						
Depreciation and amortisation expense	2,844	10,326	-	-	127	13,297
Impairment of loan to related party	-	-	-	(18,079)	-	(18,079)

Unaudited Half year to 31 December 2010	Oil & Gas assets – Tui $'000	Oil & Gas assets – Kupe $'000	Oil & Gas assets – Exploration $'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**	**46,718**
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						2,179
Profit for the year						**(98,950)**
Segment assets	24,462	216,183	7,075	63,022	-	310,742
Other reconciling items						123,301
Total assets						**434,043**
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
Impairment of loan to related party	-	-	-	(13,329)	-	(13,329)
Impairment of investment in associate	-	-	-	(77,088)	-	(77,088)

Audited Full year to 30 June 2011	Oil & Gas assets – Tui $'000	Oil & Gas assets - Kupe $'000	Oil & Gas assets – Exploration $'000	Investments $'000	Other and unallocated $'000	Total $'000
Sales to external customers NZ	-	32,504	-	-	-	32,504
Sales to external customers other countries	40,140	33,829	-	-	-	73,969
Total sales revenue	**40,140**	**66,333**	**-**	**-**	**-**	**106,473**
Other income	-	1,353	-	-	1,077	2,430
Total revenue and other income	**40,140**	**67,686**	**-**	**-**	**1,077**	**108,903**
Segment result	16,433	29,607	(3,434)	(92,379)	(9,981)	(59,754)
Other reconciling items - other net finance income/(costs)						(10,854)
Profit before income tax						**(70,608)**
Income tax expense						(5,279)
Profit for the year						**(75,887)**
Segment assets	23,689	208,890	7,322	62,765	-	302,666
Other reconciling items						164,307
Total assets						**466,973**
Included in segment assets:						
Investments in associates accounted for using the equity method	-	-	-	-	-	-
Included in segment results:						
Depreciation and amortisation expense	3,335	18,839	-	-	228	22,402
Impairment of loan to related party	-	-	-	(14,550)	-	(14,550)
Impairment of investment in associate	-	-	-	(77,088)	-	(77,088)

4. Income

	Unaudited Half Year 31 December 2011 $'000	Unaudited Half Year 31 December 2010 $'000	Audited Full Year 30 June 2011 $'000
Revenue			
Petroleum sales	**54,639**	40,482	106,473
Other income			
Rental income	**25**	72	137
Carbon emission expenditure recovered	**524**	796	1,353
Other income	**-**	691	940
Total other income	**549**	1,559	2,430
Total Income	**55,188**	42,041	108,903

5. Operating costs

	Unaudited Half Year 31 December 2011 $'000	Unaudited Half Year 31 December 2010 $'000	Audited Full Year 30 June 2011 $'000
Production and sales marketing costs	**11,080**	10,164	20,875
Amortisation of production asset	**13,170**	11,750	22,175
Repairs and maintenance	**1,969**	8,454	8,352
Carbon emission expenditure	**578**	1,152	1,983
Insurance expenditure	**776**	866	1,608
Movement in inventory	**(1,337)**	(1,159)	(603)
Movement in stock over/(under) lift	**81**	(933)	(585)
Total operating costs	**26,317**	30,294	53,805

6. Other Expenses

	Unaudited Half Year 31 December 2011 $'000	Unaudited Half Year 31 December 2010 $'000	Audited Full Year 30 June 2011 $'000
Classification of other expenses by nature			
Audit fees	**44**	82	139
Director fees	**235**	254	487
Legal fees	**229**	248	244
Consultants' fees	**393**	811	1,523
Employee expenses	**1,648**	2,137	4,674
Depreciation	**80**	54	100
Amortisation of Intangible assets	**47**	67	128
Share based payment expense	**153**	265	488
Donations	**-**	500	500
Other	**1,204**	1,268	2,775
Total other expenses	**4,033**	5,686	11,058

Donations during the half year 31 December 2010 represented a $500,000 contribution to the Pike River Disaster Relief Trust.

7. Net finance costs/ (income)

	Unaudited Half Year 31 December 2011 $'000	Unaudited Half Year 31 December 2010 $'000	Audited Full Year 30 June 2011 $'000
Finance costs			
Interest and finance charges	**(2,021)**	(1,467)	(4,077)
Exchange losses on foreign currency balances	**-**	(7,398)	(11,005)
Impairment of loan to related party – principal*(note 10)	**(13,943)**	(13,000)	(13,000)
Impairment of loan to related party – interest*(note 10)	**(4,136)**	(329)	(1,550)
Fair value adjustment of financial asset* (note 17)	**-**	(742)	(742)
Impairment of investment in associate* (note 13)	**-**	(77,088)	(77,088)
Net fair value loss on convertible bond* (note 11)	**(4,091)**	(7,534)	(6,399)
Total finance costs	**(24,191)**	(107,558)	(113,861)
Finance income			
Interest income	**5,797**	5,187	10,614
Net exchange gains on foreign currency balances	**6,628**	-	14
Total finance income	**12,425**	5,187	10,628
Net finance costs	**(11,766)**	(102,371)	(103,233)

* 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 at the request of its directors. 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, 17, 23 and 25(d).

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 and oil field.

9. Cash and cash equivalents

	Unaudited Half Year 31 December 2011 $'000	Unaudited Half Year 31 December 2010 $'000	Audited Full Year 30 June 2011 $'000
Cash at bank and in hand	**30,104**	50,920	24,167
Deposits at call	**12,932**	21,860	25,452
Short term deposits	**148,420**	39,052	99,741
Total cash and cash equivalents	**191,456**	111,832	149,360

10. Receivables and prepayments

	Unaudited Half Year 31 December 2011 $'000	Unaudited Half Year 31 December 2010 $'000	Audited Full Year 30 June 2011 $'000
Net trade receivables			
Trade receivables	**9,025**	4,473	6,371
Interest receivable	**579**	12	187
	9,604	4,485	6,558
Net receivables from related parties			
Short term facility loan to related party - principal	**26,943**	25,000	25,000
Interest receivable on short term loan to related party	**5,583**	510	2,848
Interest receivable on convertible bond issued to related party	**104**	976	3,062
Less: Provision for impairment of related party receivables	**(32,630)**	(13,329)	(14,550)
	-	13,157	16,360
Other			
Prepayments	**1,795**	1,576	714
Stock under lift	**-**	336	-
Other	**-**	364	101
Total receivables and prepayments	**11,399**	19,918	23,733

Provision for impairment of receivables to related party

On 13 December 2010 Pike River Coal Limited ("PRCL") was placed into receivership at the request of its directors. This follows the tragic events triggered by the explosion at the mine on 19 November 2010. At the time of the explosion, $13.0 million was drawn, on an unsecured basis, under a $25.0 million short term loan facility to PRCL. The remaining $12.0 million was advanced to PRCL on a secured basis shortly after the explosion, and a further payment of $4.9 million was advanced in the half year to 31 December 2011.

During the period the Group recovered $2.7 million of unsecured debt and $38.3 million of secured debt (Convertible Bond). These funds were received from the Receivers following a settlement with PRCL's insurers. An impairment provision has been taken in respect of all remaining PRCL debt and accrued interest.

The impairment position was reached after discussions with the Receivers, review of a range of scenarios of potential outcomes from the PRCL Receivership and consideration of a best estimate of the likely recoverable value by applying a range of probabilities to the estimated future cash flows from the sale of mine assets. The outcome of the Receivers efforts to sell PRCL assets is highly uncertain, and it is now expected that any transaction would be on highly conditional terms, with considerable uncertainty as to the timing and quantum of any further return to NZOG.

The impairment loss recognised on the outstanding principal and interest receivable with PRCL has been included in 'net finance income/(expense)' in the income statement.

11. Convertible bond

	Unaudited Half Year 31 December 2011 $'000	Unaudited Half Year 31 December 2010 $'000	Audited Full Year 30 June 2011 $'000
Current			
Convertible Bond recoverable fair value	**-**	-	35,103
Non Current			
Convertible Bond fixed interest (amortised cost)	**-**	33,968	-
Convertible Bond equity option	**-**	-	-
Total convertible bond	**-**	33,968	35,103

During the period the Group recovered $2.7 million of unsecured debt and $38.3 million of secured debt (Convertible Bond). These funds were received from the Receivers following a settlement with PRCL insurers. An impairment provision has been taken in respect of all remaining debt and accrued interest.

The impairment position was reached after discussions with the Receivers, review of a range of scenarios of potential outcomes from the PRCL Receivership and consideration of a best estimate of the likely recoverable value by applying a range of probabilities to the estimated future cash flows from the sale of mine assets. The outcome of the Receivers efforts to sell PRCL assets is highly uncertain, and it is now expected that any transaction would be on highly conditional terms, with considerable uncertainty as to the timing and quantum of any further return to NZOG.

12. Investments in subsidiaries

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

			Equity holding	
Name of entity	**Country of incorporation**	**Classes of shares**	**December 2011 %**	**June 2011 %**
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 38483 Limited	New Zealand	Ordinary	**100**	100
NZOG 38494 Limited	New Zealand	Ordinary	**100**	100
NZOG Asia Pty Limited	Australia	Ordinary	**100**	-
NZOG Canterbury Limited	New Zealand	Ordinary	**100**	100
NZOG Developments Limited	New Zealand	Ordinary	**100**	100
NZOG Devon Limited	New Zealand	Ordinary	**100**	100
NZOG Egmont Limited	New Zealand	Ordinary	**100**	100
NZOG Energy Limited	New Zealand	Ordinary	**100**	100
NZOG Hammamet Pty Limited	Australia	Ordinary	**100**	-
NZOG Offshore Limited	New Zealand	Ordinary	**100**	100
NZOG Pacific Limited	New Zealand	Ordinary	**100**	100
NZOG Pacific Holdings Pty Limited	Australia	Ordinary	**100**	-
NZOG Services Limited	New Zealand	Ordinary	**100**	100
NZOG Taranaki Limited	New Zealand	Ordinary	**100**	100
NZOG Tunisia Pty Ltd	Australia	Ordinary	**100**	100
Oil Holdings Limited	New Zealand	Ordinary	**100**	100
Pacific Oil & Gas (North Sumatera) Limited *	Bermuda	Ordinary	**90**	-
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	**-**	-

* In December 2011 the Group acquired an interest in the Kisaran production sharing contract in Indonesia with the purchase of a 90% shareholding in Pacific Oil & Gas (North Sumatera) Limited.

All subsidiary companies have a balance date of 30 June with the exception of Pacific Oil & Gas (North Sumatera) Limited which has a 31 December balance date. All wholly owned subsidiaries are predominantly involved in the petroleum exploration industry.

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

United States dollar functional currency companies:

- Stewart Petroleum Company Limited
- NZOG Tunisia Pty Limited
- NZOG Asia Pty Limited
- NZOG Hammamet Pty Limited
- NZOG Pacific Holding Pty Limited
- Pacific Oil & Gas (North Sumatera) Limited

Australian dollar functional currency company:

- ANZ Resources Pty Limited Australian dollars (AUD)

13. Investments in associates

(a) Carrying amounts

Information relating to associates is set out below.

		Ownership interest			Group carrying amount		
Name of company	Principal activity	31 Dec 2011 %	31 Dec 2010 %	30 Jun 2011 %	Unaudited Half Year 31 Dec 2011 $'000	Unaudited Half Year 31 Dec 2010 $'000	Audited Full Year 30 Jun 2011 $'000
Pike River Coal Limited (In Receivership)	Coal mining	29.4	29.4	29.4	-	-	-

On 13 December 2010 Pike River Coal Limited ("PRCL") was placed into receivership at the request of its directors. 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.

	Unaudited Half Year 31 December 2011 $'000	Unaudited Full Year 31 December 2010 $'000	Audited Full Year 30 June 2011 $'000
(b) Movements in carrying amounts			
Carrying amount at the beginning of the period	-	77,088	77,088
Impairment of investment in associate	-	(77,088)	(77,088)
Carrying value at the end of the period	-	-	-

14. Oil and gas interests

The NZOG Group held the following oil and gas production, exploration, evaluation and appraisal interests at period end:

Name	Country	Type	Interests held by the group Unaudited Half Year 31 December 2011 %	Unaudited Half Year 31 December 2010 %	Audited Full Year 30 June 2011 %
PML 38146 Kupe	New Zealand	Mining Licence	**15.0%**	15.0%	15.0%
PMP 38158 Tui	New Zealand	Mining Permit	**12.5%**	12.5%	12.5%
PEP 38483 Bahamas	New Zealand	Exploration Permit	**-%**	18.9%	-%
PEP 38491 Albacore *	New Zealand	Exploration Permit	**100.0%**	44.4%	100.0%
PEP 38259 Barque	New Zealand	Exploration Permit	**40.0%**	40.0%	40.0%
PEP 51311 Kakapo (formerly Kaupokonui)	New Zealand	Exploration Permit	**100.0%**	100.0%	100.0%
PEP 51321 Kahurangi	New Zealand	Exploration Permit	**-%**	18.9%	18.9%
PEP 51988 Mangaa *	New Zealand	Exploration Permit	**100.0%**	100.0%	100.0%
PEP 51558 Kanuka	New Zealand	Exploration Permit	**50.0%**	20.0%	20.0%
Diodore	Tunisia	Prospecting Permit	**100.0%**	-%	100.0%
Kisaran	Indonesia	Production Sharing Contract	**22.5%**	-%	-%
Cosmos	Tunisia	Concession	**40.0%**	-%	-%

* PEP 38491 (Albacore) and PEP 51988 (Mangaa) were relinquished to the Crown on 20 January 2012.

	Unaudited Half Year 31 December 2011 $'000	Unaudited Half Year 31 December 2010 $'000	Audited Full Year 30 June 2011 $'000
Share of oil and gas interests' assets and liabilities			
Cash and cash equivalents	**3,933**	6,193	3,635
Trade receivables *	**520**	618	738
Inventory	**2,681**	1,515	868
Prepayments	**28**	-	-
Petroleum interests **	**301,719**	296,551	299,500
Total assets	**308,881**	304,877	304,741
Current liabilities	**5,594**	6,373	5,510
Non current liabilities	**-**	-	-
Total liabilities	**5,594**	6,373	5,510
Net assets	**303,287**	298,504	299,231
Share of oil and gas interests' revenue, expenses and results			
Revenues *	**381**	46	94
Expenses	**(9,680)**	(11,622)	(21,926)
Profit before income tax	**(9,299)**	(11,576)	(21,832)

* 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 2011 $'000	Unaudited Half Year 31 December 2010 $'000	Audited Full Year 30 June 2011 $'000
Opening balance	**7,322**	6,641	6,641
Expenditure capitalised	**5,757**	3,178	4,334
Revaluation of USD exploration and evaluation assets	**(30)**	(126)	(219)
Expenditure written off	**(579)**	(2,618)	(3,434)
Closing balance	**12,470**	7,075	7,322

16. Oil and gas assets

Production assets	Unaudited Half Year 31 December 2011 $'000	Unaudited Half Year 31 December 2010 $'000	Audited Full Year 30 June 2011 $'000
Opening balance	**232,579**	253,917	253,917
Expenditure capitalised	**179**	991	1,622
Amortisation for the period	**(13,170)**	(11,750)	(22,175)
Revaluation of USD production assets	**1,462**	(2,854)	(4,217)
Abandonment provision	**-**	341	3,432
Closing balance	**221,050**	240,645	232,579

Includes borrowing costs capitalised of $10.0 million at 31 December 2011 (30 June 2011: $10.5 million and 31 December 2010: $11.1 million).

17. Other financial assets

	Unaudited Half Year 31 December 2011 $'000	Unaudited Half Year 31 December 2010 $'000	Audited Full Year 30 June 2011 $'000
Pan Pacific Petroleum NL Shares:			
Investment assets (fair value through other comprehensive income)	**15,750**	17,054	15,662
Pike River Coal Limited (In Receivership) :			
Shares	**-**	-	-
Coal Contract Option	**-**	742	-
Less: Provision for impairment of available for sale financial assets	**-**	(742)	-
	-	-	-
Other			
Performance bonds	**1,323**	-	-
Refundable security deposits	**43**	43	43
Total other financial assets	**17,116**	17,097	15,705

(a) Available for sale financial 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 $15.7 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.

Shares held in Pike River Coal Limited (In Receivership)

On 13 December 2010 Pike River Coal Limited ("PRCL") was placed into receivership at the request of its directors. 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 investment 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.

(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.

(c) Performance bonds

Performance bonds include amounts held as a bond under the terms of entering a joint study agreement in Indonesia. The performance bond is refundable at the completion of the evaluation as set out under the terms of the joint study agreement.

18. Payables

	Unaudited Half Year 31 December 2011 $'000	Unaudited Half Year 31 December 2010 $'000	Audited Full Year 30 June 2011 $'000
Trade payables	**7,364**	6,904	6,372
Employee entitlements	**240**	328	284
Accrued expenses	**1,674**	1,258	1,647
Interest payable	**180**	610	413
Royalties payable	**4,641**	1,920	6,211
Stock overlift liability	**94**	-	13
Other payables	**84**	1,599	379
Total payables	**14,277**	12,619	15,319

19. Borrowings

	Unaudited Half Year 31 December 2011 $'000	Unaudited Half Year 31 December 2010 $'000	Audited Full Year 30 June 2011 $'000
Secured – Current			
Bank loans	**18,580**	2,150	14,644
Secured – Non current			
Bank loans	**36,220**	60,945	48,680
Total borrowings	**54,800**	63,095	63,324

Assets pledged as security

At period end the Group has a Letter of Credit facility in respect of the Tui Area Oil Fields. At 31 December 2011 the Letter of Credit facility was US$4.0 million (31 December 2010: US$5.5 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, investments in Pike River Coal Limited (In Receivership), and a number of exploration assets.

At 31 December 2011 the Group has a project facility in respect of Kupe of NZ$55 million with Westpac Banking Corporation that 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

(a) Share capital

	Unaudited Half Year 31 December 2011 Shares 000s	Unaudited Half Year 31 December 2010 Shares 000s	Audited Full Year 30 June 2011 Shares 000s	Unaudited Half Year 31 December 2011 $'000	Unaudited Half Year 31 December 2010 $'000	Audited Full Year 30 June 2011 $'000
Ordinary shares						
Fully paid shares	**394,045**	393,713	392,114	**359,427**	359,620	358,178
Partly paid shares	**5,670**	5,540	5,470	**57**	55	55
	399,715	399,253	397,584	**359,484**	359,675	358,233

(b) Movements in ordinary share capital:

	Unaudited Half Year 31 December 2011 Shares 000s	Unaudited Half Year 31 December 2010 Shares 000s	Audited Full Year 30 June 2011 Shares 000s	Unaudited Half Year 31 December 2011 $'000	Unaudited Half Year 31 December 2010 $'000	Audited Full Year 30 June 2011 $'000
Opening	**397,584**	393,508	393,508	**358,234**	353,741	353,741
Issues of ordinary shares during the period						
Shares issued	**3,561**	5,236	5,236	**2,397**	6,620	6,622
Buy back of issued shares	**(1,630)**	(766)	(2,585)	**(1,148)**	(874)	(2,517)
Partly paid shares issued	**200**	1,275	1,425	**2**	188	387
Closing balance of ordinary shares issued	**399,715**	399,253	397,584	**359,485**	359,675	358,233

(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 2011 $'000	Unaudited Half Year 31 December 2010 $'000	Audited Full Year 30 June 2011 $'000
Reserves			
Revaluation Reserve	**(5,236)**	(4,120)	(4,267)
Share based payments reserve	**259**	501	699
Foreign currency translation reserve	**(11,364)**	(10,369)	(14,198)
Total reserves	**(16,341)**	(13,988)	(17,766)
Movements:			
Revaluation reserve			
Balance 1 July	**(4,267)**	-	-
Transferred available for sale reserve to revaluation reserve on 1 July 2010	**-**	(4,117)	(4,117)
Fair value gain/(loss) on available for sale financial asset for the period	**(969)**	(3)	(150)
Balance at period end	**(5,236)**	(4,120)	(4,267)
Available for sale financial asset reserve			
Balance 1 July	**-**	(4,117)	(4,117)
Transferred available for sale reserve to revaluation reserve on 1 July 2010	**-**	4,117	4,117
Balance at period end	**-**	-	-
Share based payments reserve			
Balance 1 July	**699**	366	366
Share based payment expense for the period	**153**	266	488
Transfer of expired share based payments during the period	**(593)**	(131)	(155)
Balance at period end	**259**	501	699
Foreign currency translation reserve			
Balance 1 July	**(14,198)**	(4,946)	(4,946)
Foreign currency translation differences for the period	**2,834**	(5,423)	(9,252)
Balance at period end	**(11,364)**	(10,369)	(14,198)

22. Earnings per share

	Unaudited Half Year 31 December 2011 Cents	Unaudited Half Year 31 December 2010 Cents	Audited Full Year 30 June 2011 Cents
(a) Basic earnings per share			
Basic earnings per share	**0.6**	(25.0)	(19.1)
(b) Diluted earnings per share			
Diluted earnings per share	**0.6**	(25.0)	(19.1)

(c) Reconciliations of earnings used in calculating earnings per share	Unaudited Half Year 31 December 2011 $'000	Unaudited Half Year 31 December 2010 $'000	Audited Full Year 30 June 2011 $'000
Profit/(loss) for the period	**2,267**	(98,950)	(75,887)
Profit attributed to non controlling interest	**-**	-	-
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**2,267**	(98,950)	(75,887)

(d) Weighted average number of shares used as the denominator	Unaudited Half Year 31 December 2011 Number 000s	Unaudited Half Year 31 December 2010 Number 000s	Audited Full Year 30 June 2011 Number 000s
Weighted average number of ordinary shares used in calculating basic earnings per share	**399,115**	396,627	397,451
Adjustments for calculation of diluted earnings per share:			
Options	**-**	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**399,115**	396,627	397,451

23. Related party transactions

During the half year to 31 December 2011 the Group had the following transactions with related party Pike River Coal Limited (In Receivership) ("PRCL"):

Short Term Funding

The Group advanced PRCL NZ$4.9 million under the short term funding arrangement and received NZ$2.7 million for part repayment of outstanding debt. The advance of short term funds during the period was secured debt and on commercial terms.

At 31 December 2011 the outstanding balance of the short term facility with PRCL was NZ$26.9 million of principal and NZ$5.6 million of accrued interest. The Group earned NZ$2.7 million during the period from interest on the short term facility.

At 31 December 2011 a provision has been made against the balance of the outstanding short term debt principal and accrued interest. Refer to notes 7 and 11 for details of impairment of the short term debt and interest accrued.

Convertible Bond

During the period PRCL repaid the Group US$29.3 million of the outstanding principal and interest on the convertible bond facility. The Group earned US$1.1 million interest income during the period from the convertible bond facility. At 31 December 2011, US$3.2 million of principal and accrued interest were outstanding. Refer to notes 7 and 11 for details of impairment of the short term debt and interest accrued.

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

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

	Unaudited Half Year 31 December 2011 $'000	Unaudited Half Year 31 December 2010 $'000	Audited Full Year 30 June 2011 $'000
Profit/(loss) for the period	**2,267**	(98,950)	(75,887)
Depreciation and amortisation	**13,297**	11,871	22,403
Deferred Tax	**5,113**	(3,092)	4,751
Net fair value loss on convertible bond	**4,091**	7,534	6,399
Fair value adjustment of financial asset	**-**	742	742
Impairment of loans to related party – principal	**13,943**	13,000	13,000
Impairment of loans to related party – interest	**4,136**	-	1,550
Impairment of investment in associate	**-**	77,088	77,088
Exploration and evaluation costs expensed	**579**	2,618	3,434
Share based payment expense	**153**	265	488
Net foreign exchange differences	**(6,628)**	7,398	11,005
Other	**79**	(1,570)	249
Change in operating assets and liabilities			
(Increase)/decrease in trade debtors	**(8,988)**	11,445	9,270
Increase/(decrease) in trade creditors	**(1,581)**	(5,259)	(5,890)
Net cash inflow from operating activities	**26,461**	23,090	68,602

25. Commitments and contingent assets & liabilities

(a) Evaluation and Exploration expenditure commitments

In order to maintain the various permits and concessions in which the Group is involved the Group has ongoing operational expenditure as part of its normal 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 2011 $'000	Unaudited Half Year 31 December 2010 $'000	Audited Full Year 30 June 2011 $'000
Within one year	**339**	174	339
Later than one year and not later than five years	**1,355**	-	1,355
Later than five years	**137**	-	308
	1,831	174	2,002

During the period ended 31 December 2011 $171,000 was recognised as an expense in the income statement in respect of operating leases (31 December 2010: $220,000).

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$12.1 million.

(c) Kupe overriding royalty interest

The Group has an overriding royalty in relation to production from the Kupe field. As at balance date the Group was in dispute with the parties that have an obligation to pay the overriding royalty with respect to the basis of the calculation. At balance date the Kupe overriding royalty interest was a contingent asset as a reliable estimate of the economic inflow from the overriding royalties was not able to be determined.

(d) Pike River Coal Limited (In Receivership) (PRCL)

NZOG wholly owned subsidiary NZOG 38483 Limited has provided two indemnities in favour of the receivers in connection with the receivership of PRCL. The first indemnity, given on appointment, essentially covers liability suffered by the receivers due to any defect in their appointment. The second indemnity, given at the time of handover of the PRCL mine by NZ Police to the receivers, indemnifies the receivers in respect of all costs and liability incurred in implementation of the PRCL mine stabilisation plan.
The receivers also have a priority entitlement to claim their costs and liabilities against the assets of PRCL. At balance date the indemnities provided to the receivers of PRCL are contingent liabilities.

(e) Other contingent liabilities

As at 31 December 2011 the Company had no other contingent liabilities (30 June 2011:$Nil).

Auditors' review report

KPMG

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

We have reviewed the attached condensed interim financial statements (the '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 2011.

Directors' responsibilities

The Directors of the Group are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company as at 31 December 2011 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 financial statements presented by the Directors and report our opinion to you.

Basis of opinion

A review is limited primarily to enquiries of Group 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 financial statements do not give a true and fair view of the financial position of the Group as at 31 December 2011, 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 2012 and our opinion is expressed as at that date.

KPMG

Wellington

Corporate Directory

DIRECTORS

Tony Radford
Chairman

Rodger Finlay*

Paul Foley

Peter Griffiths

Andrew Knight
*Managing Director***

Steve Rawson***

David Salisbury****

David Scoffham

Mark Tume*

*Appointed 28 February 2012
**Managing Director from 8 December 2011
***Resigned 27 January 2012
****Resigned 23 December 2011

MANAGEMENT

Andrew Knight
Chief Executive & Managing Director

John Bay
Vice-President and General Manager
Commercial and Operations

Mac Beggs
Vice- President and General Manager
Exploration

Craig Jones
Chief Financial Officer and Company Secretary

Ralph Noldan
General Counsel

Chris Roberts
Corporate Affairs Manager

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Managing your shareholding online

To change your address, update your payment instructions and to view your registered details including transactions, please visit www.computershare.co.nz/investorcentre

General enquiries can be directed to: enquiry@computershare.co.nz

Please assist our registry by quoting your CSN or shareholder number when making enquiries.