

New Zealand Oil & Gas Ltd
Discovering Our Energy Future



Interim Report

For the six months ended 31 December 2008

Six Month Highlights

\$103.2M

Revenue

\$54M

Net profit

700,000

Number of oil barrels produced

90%

Kupe project complete

2

New exploration permits added to portfolio

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CEO's Report

The half year ended 31 December 2008 was a very successful period for New Zealand Oil & Gas Ltd.

Tui has been a stellar performer and continues to provide significant cash flows. Kupe will provide a major new source of revenue from later this calendar year. The planned exploration drilling at Tui provides the possibility of new reserves which could be quickly accessed through the existing facilities. Our exploration portfolio has been expanded and we continue to consider further opportunities.

NZOG has a strong balance sheet, positive operating cash flows and no debt, and is well positioned to secure new opportunities to further build shareholder value.

Financial Performance

For the six month period, NZOG recorded a net profit of NZ\$54.0 million and total revenue of NZ\$103.2 million. Revenue was up 8% on the corresponding six month period a year earlier while net profit was up 30%. The profit result includes recognition of a net foreign exchange gain of NZ\$19.4m.

Net Profit for the six months – NZ\$54.0m

The New Zealand tax base benefited from NZOG's success. NZOG incurred payments to the Crown of over NZ\$50m in the six month period – NZ\$18.4m in royalties and NZ\$32.4m in corporate tax.

With the rapid fall in international oil prices and Tui production trending lower as expected, NZOG expects revenue to be lower in the second half of this financial year. However, this will be a temporary reduction. The Kupe field is on schedule for full production from the 3rd quarter of 2009, which will result in a significant increase in NZOG's revenue.

Dividend

The NZOG Board has determined a dividend policy that a reasonable proportion of profit will be distributed by way of an annual dividend, subject to the need to retain sufficient capital to meet investment requirements.

The Board intends to announce an annual dividend in August 2009 in conjunction with the annual results.

Tui Production

The Tui area oil fields, in which NZOG holds a 12.5% stake, are an ongoing success story.

The fields are located 50kms off the coast of Taranaki. Production began on 30 July 2007 and in 2008 the proven and probable (2P) reserves were upgraded to 50.1 million barrels (mmbbls).

By 31 December 2008 total production had reached 19.8 mmbbls. For the six month period total production was approximately 5.6 mmbbls; NZOG's share being 700,000 barrels.

International oil prices and exchange rates were extremely volatile during the six month period. Tui oil is sold against the regional Tapis benchmark crude, which ranged from US\$152 to US\$40 a barrel. The NZ dollar/US dollar cross rate ranged from 0.77 to 0.57. In this period of volatility NZOG achieved an average sales price of approximately NZ\$150 a barrel.

Total production, freight and marketing costs were under budget at approximately NZ\$16 a barrel.

Tui oil sold for an average of NZ\$150 a barrel

Tui is on track to meet or exceed the operator's production forecast for the full financial year of 9 mmbbls (NZOG's share 1.125 mmbbls).

The drilling rig Kan Tan IV has been secured for a drilling campaign in New Zealand waters in late 2009 and is expected to drill at least two exploration wells within the Tui permit area. Any new discoveries could be tied back into the existing facility.

Kupe Development

NZOG is a 15% partner in the Kupe Project, which will produce gas, condensate (light oil) and LPG from a field 30kms off the coast of south Taranaki. Kupe made considerable progress during the period.

Overall, the project is now over 90% complete. The principal construction work remaining is installation of the final equipment at the Production Station near Hawera, and construction of two oil storage tanks at Omata, near New Plymouth. Commissioning of the production facilities is expected to begin mid-year with commercial production underway in the 3rd quarter of 2009.

Kupe project over 90% complete

NZOG's Kupe gas is sold to Genesis Energy through a long-term take or pay contract, providing significant and stable cashflows. In November 2008 a long-term agreement was signed with Vector to purchase NZOG's share of the LPGs that will be produced from Kupe. The light oil/condensate will be exported from Port Taranaki. With the three products Kupe will provide NZOG with a diversified revenue stream for the next 20 years.

Exploration

In addition to the planned drilling at Tui, NZOG has been successful in broadening its exploration portfolio and important new data has been gathered on potential targets.

In October 2008, a 40% stake was acquired in Canterbury Basin permit PEP 38259, which contains the promising Barque prospect. A marine seismic survey was undertaken in February 2009.

In January 2009, NZOG was awarded 100% of a new Taranaki exploration permit which lies to the west and south of Kupe. The permit area contains a fairway of structures that NZOG has labelled the Gamma prospects. NZOG was able to secure the services of the Pacific Titan to conduct a marine seismic survey just a few weeks after being awarded the permit.

A marine seismic survey has also been carried out over another Taranaki permit, PEP 38483 (NZOG's share 18.9%).

Promising new exploration prospects identified

After the information collected from the three permits is processed, interpretation of the data will be carried out with the initial results expected mid-year, after which decisions will be made in respect of further exploration drilling.

Investments

In December 2008, NZOG acquired a 15% shareholding in Pan Pacific Petroleum, one of NZOG's partners in the Tui area oil fields. This is a strategic stake. NZOG identified a value creating opportunity and now has a cornerstone shareholding in a successful business, whose main asset is well understood by NZOG. NZOG continues to keep this investment under review.

NZOG retains a significant shareholding of just under 30% in Pike River Coal Ltd (PRC), which operates a coking coal mine on the West Coast of the South Island. On 31 December 2008, 3.3 million PRC convertible notes held by NZOG were converted to 3.6m shares, giving NZOG 85.4 million PRC shares.

In March 2009, PRC announced a Rights Issue to provide additional funds until the first coal revenues are received later in 2009. NZOG has agreed to partly underwrite the new issue.

The Future Outlook

The combination of a strong balance sheet, ongoing production revenue and a diverse portfolio places NZOG in a very strong position compared to many of its peers, who have been hit by the double whammy of falling oil prices and the global credit crunch.

As a result, NZOG is being frequently approached with new business opportunities. These cover the full range from exploration activity, to asset sales, to corporate acquisitions.

New investment opportunities being carefully assessed

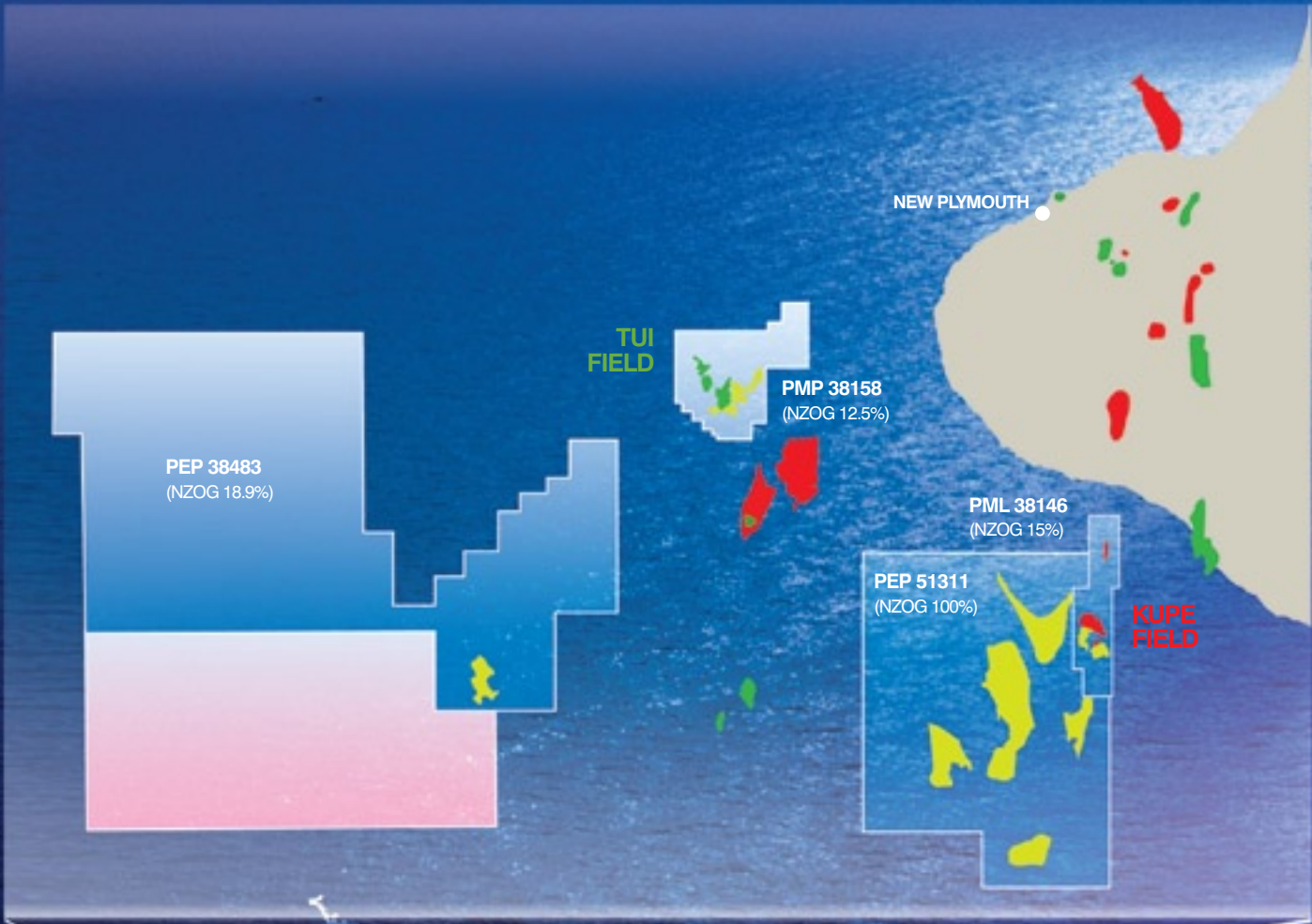
The best of these opportunities are being fully assessed against technical and commercial parameters. We make no apologies for taking our time to ensure this assessment is carried out thoroughly. We are determined to build further value for our shareholders and we will not be taking undue risk or overpaying for any investment.

The last 18 months have been very successful for NZOG and we intend to continue on a considered and strategic growth path.



David Salisbury
Chief Executive

NZOG Assets



-  NZOG Permits
-  Gas Fields
-  Oil Fields
-  Prospects
-  Under Application

WELLINGTON
CORPORATE
OFFICE



Oil & Gas Reserves

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

	Oil & Gas Condensate (million barrels)	Natural Gas (petajoules)	LPG (kilotonnes)	Million Barrels of Oil Equivalent*
Tui	3.7			3.7
Kupe	2.2	38	159	9.9
Total				13.6

*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.

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 2008 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
25 February 2009



P G Foley
Director
25 February 2009

Condensed Statement of Financial Position

As at 31 December 2008

	Notes	Unaudited Half Year 31 December 2008 \$'000	Unaudited Half Year 31 December 2007 \$'000	Audited Full Year 30 June 2008 \$'000
Current assets				
Cash and cash equivalents	7	211,934	60,064	256,461
Receivables and prepayments	8	7,719	26,500	55,692
Inventories		647	499	398
Derivative financial instruments		4,430	-	-
Current tax receivables		-	-	2,324
Total current assets		224,730	87,063	314,875
Non-current assets				
Investments in associates	10	64,163	51,810	68,670
Exploration and evaluation, development and production assets	12	232,854	164,057	204,714
Property, plant and equipment		277	325	306
Deferred tax assets		4,204	15,576	3,802
Intangible assets		197	86	297
Other financial assets	13	31,197	3,543	3,543
Total non-current assets		332,892	235,397	281,332
Total assets		557,622	322,460	596,207
Current liabilities				
Payables	14	23,532	26,101	67,773
Borrowings	15	-	42,819	-
Current tax liabilities		13,462	-	-
Derivative financial instruments		-	1,676	6,146
Total current liabilities		36,994	70,596	73,919
Non-current liabilities				
Borrowings	16	-	23,219	63,958
Restoration and rehabilitation provision		13,791	15,137	11,322
Deferred tax liabilities		24,756	18,479	16,006
Total non-current liabilities		38,547	56,835	91,286
Total liabilities		75,541	127,431	165,205
Net assets		482,081	195,029	431,002
Equity				
Share capital	17	346,090	154,777	345,989
Reserves	18	11,810	(7,084)	(5,002)
Retained earnings		124,181	47,336	90,015
Total equity		482,081	195,029	431,002

The above statement of should be read in conjunction with the accompanying notes on pages 11 to 19

Condensed Statement of Changes in Equity

For the half-year ended 31 December 2008

	Attributable to equity holders of New Zealand Oil & Gas Limited				Total equity \$'000
	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Minority interest \$'000	
Balance as at 1 July 2007	154,457	(5,454)	5,930	34,112	189,045
Foreign currency translation differences	-	(1,630)	-	-	(1,630)
Net income directly recognised in equity	-	(1,630)	-	-	(1,630)
Profit for the period	-	-	41,406	-	41,406
Total recognised income and expense for the period	-	(1,630)	41,406	-	39,776
Shares issued	318	-	-	-	318
Partly paid shares issued	2	-	-	-	2
Minority interest reduction on deconsolidation	-	-	-	(34,112)	(34,112)
Balance as at 31 December 2007	154,777	(7,084)	47,336	-	195,029

	Attributable to equity holders of New Zealand Oil & Gas Limited				Total equity \$'000
	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Minority interest \$'000	
Balance as at 1 July 2008	345,989	(5,002)	90,015	-	431,002
Foreign currency translation differences	-	18,787	-	-	18,787
Dividend declared (5 cents per ordinary share)	-	-	(19,803)	-	(19,803)
Available for sale reserve movement	-	(1,975)	-	-	(1,975)
Net income directly recognised in equity	-	16,812	(19,803)	-	(2,991)
Profit for the period	-	-	53,969	-	53,969
Total recognised income and expense for the period	-	16,812	34,166	-	50,978
Shares issued	102	-	-	-	102
Partly paid shares exercised	(1)	-	-	-	(1)
Balance as at 31 December 2008	346,090	11,810	124,181	-	482,081

	Attributable to equity holders of New Zealand Oil & Gas Limited				Total equity \$'000
	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Minority interest \$'000	
Balance as at 1 July 2007	154,457	(5,454)	5,930	34,112	189,045
Foreign currency translation differences	-	452	-	-	452
Dividend declared (5 cents per ordinary share)	-	-	(13,158)	-	(13,158)
Net income directly recognised in equity	-	452	(13,158)	-	(12,706)
Profit for the year	-	-	97,243	-	97,243
Total recognised income and expense for the year	-	452	84,085	-	84,537
Shares issued	679	-	-	-	679
Options exercised	190,843	-	-	-	190,843
Partly paid shares issued	10	-	-	-	10
Minority interest reduction on deconsolidation	-	-	-	(34,112)	(34,112)
Balance as at 30 June 2008	345,989	(5,002)	90,015	-	431,002

The above statement of should be read in conjunction with the accompanying notes on pages 11 to 19

Condensed Cashflow Statement

For the half-year ended 31 December 2008

Notes	Unaudited Half Year 31 December 2008 \$'000	Unaudited Half Year 31 December 2007 \$'000	Audited Full Year 30 June 2008 \$'000
Cash flows from operating activities			
Receipts from customers	127,727	62,143	193,726
Interest received	6,965	1,382	2,713
Other revenue	-	-	447
Production and marketing expenditure	(11,690)	(7,221)	(14,003)
Payments to suppliers and employees (inclusive of Goods and Services Tax)	(7,309)	(4,442)	(7,335)
Royalties	(29,727)	-	-
Interest paid	-	(660)	(2,834)
Income taxes paid	(7,800)	(312)	(18,770)
Net cash inflow / (outflow) from operating activities	20	50,890	153,944
Cash flows from investing activities			
Sale of available for sale asset	-	-	119
Repayment of loans by related parties	-	16,264	16,264
Exploration and evaluation expenditure	(4,667)	(4,308)	(14,499)
Development expenditure	(46,309)	(51,856)	(90,087)
Purchased shares in listed resource company	(30,688)	-	(17,506)
Purchase property, plant and equipment	(27)	(241)	(572)
Net cash inflow / (outflow) from investing activities	(81,691)	(40,141)	(106,281)
Cash flows from financing activities			
Issues of shares	103	41	695
Proceeds from exercise of options	14,163	-	176,680
Borrowings	-	37,725	77,365
Repayment of borrowings	(69,048)	(17,650)	(59,735)
Dividend paid	(19,789)	-	(13,143)
Derivative payments	(1,551)	-	(2,016)
Net cash inflow / (outflow) from financing activities	(76,122)	20,116	179,846
Net increase (decrease) in cash and cash equivalents	(79,647)	30,865	227,509
Cash and cash equivalents at the beginning of the period	256,461	35,383	35,383
Cash decrease from deconsolidation of subsidiary company	-	(7,406)	(7,406)
Effects of exchange rate changes on cash and cash equivalents	35,120	1,222	975
Cash and cash equivalents at end of the period	7	60,064	256,461

The above statement of should be read in conjunction with the accompanying notes on pages 11 to 19

Notes to the Condensed Interim Financial Statements

31 December 2008

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 2008 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 25 February 2009.

2. Summary of significant accounting policies

This condensed interim financial information for the half year ended 31 December 2008 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 2008.

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

- **NZ IFRS 2**, Share Based Payments - Vesting Conditions and Cancellations (Amended) (effective from annual periods beginning on or after 1 January 2009).
- **NZ IFRS 3**, Business Combinations (revised 2008) - (effective from annual periods beginning on or after 1 July 2009).
- **NZ IFRS 4**, Insurance Contracts (amended) - (effective from annual periods beginning on or after 1 January 2009).
- **NZ IFRS 8**, Operating Segments - (effective from annual periods beginning on or after 1 January 2009).
- **NZ IAS 1**, Presentation of Financial Statements (revised 2007) - (effective from annual periods beginning on or after 1 January 2009).
- **NZ IAS 23**, Borrowing Costs (revised 2007) - (effective from annual periods beginning on or after 1 January 2009).
- **NZ IAS 27**, Consolidated and Separate Financial Statements (amended 2008) - (effective from annual periods beginning on or after 1 July 2009).
- **NZ IAS 32** and **NZ IAS 1**, Financial Instruments Presentation (amended) and Presentation of Financial Statements (revised) - (effective from annual periods beginning on or after 1 July 2009).

(b) Changes in accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2008.

3. Segment information

The Group's primary operations are in the petroleum industry in New Zealand, with the exception of the Group's investment in associate company Pike River Coal Limited that operates in the coal industry in New Zealand.

4. Revenue

	Unaudited Half Year 31 December 2008 \$'000	Unaudited Half Year 31 December 2007 \$'000	Audited Full Year 30 June 2008 \$'000
Petroleum sales	103,248	84,213	222,765
Gain on dilution of investment in subsidiary	-	11,201	10,793
Other income	-	76	551
Total revenue	103,248	95,490	234,109

5. Finance income

	Unaudited Half Year 31 December 2008 \$'000	Unaudited Half Year 31 December 2007 \$'000	Audited Full Year 30 June 2008 \$'000
Interest income	7,811	1,162	2,554
Exchange gains on foreign currency balances	25,229	1,452	1,277
Net gain on available-for-sale investments	-	-	119
Net fair value gain on derivatives	12,583	-	-
Total finance income	45,623	2,614	3,950

6. Expenses

	Unaudited Half Year 31 December 2008 \$'000	Unaudited Half Year 31 December 2007 \$'000	Audited Full Year 30 June 2008 \$'000
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Expenses, excluding finance costs, comprises the following classified by nature:

Audit fees	66	25	97
Director fees	210	136	274
Legal fees	665	169	293
Employee expenses	1,641	1,300	2,980
Production and sales marketing costs (excluding amortisation)	11,453	7,221	15,666
Depreciation and amortisation expense	8,840	9,237	22,321
Petroleum and coal exploration expenditure provided for or written off	4,237	10,632	14,706
Loss on dilution of investment in associate	2,639	-	-
Expiry and settlement of derivatives	2,035	764	2,016
Other expenses	3,459	1,478	3,488
Total expenses, excluding finance costs	35,245	30,962	61,841

Profit before income tax and royalties includes the following specific expenses:

<i>Depreciation</i>			
Leasehold improvements	6	6	12
Furniture and fittings	7	15	21
Computer hardware & technical equipment	37	30	66
Total depreciation	50	51	99
<i>Amortisation</i>			
Computer software	105	33	124
Production asset	8,685	9,153	22,098
Total amortisation	8,790	9,186	22,222
Total depreciation and amortisation	8,840	9,237	22,321
Finance costs			
Interest and finance charges paid/payable	189	897	3,393
Exchange losses on foreign currency balances	5,840	432	1,435
Net loss on available-for-sale investments	12	-	-
Net fair value loss on derivatives	-	2,048	6,494
Total finance costs	6,041	3,377	11,322

7. Cash and cash equivalents

	Unaudited Half Year 31 December 2008 \$'000	Unaudited Half Year 31 December 2007 \$'000	Audited Full Year 30 June 2008 \$'000
Cash at bank and in hand	13,553	9,960	47,680
Deposits at call	47,568	50,104	153,477
Term deposits	150,813	-	55,304
Total cash and cash equivalents	211,934	60,064	256,461

8. Receivables and prepayments

	Unaudited Half Year 31 December 2008 \$'000	Unaudited Half Year 31 December 2007 \$'000	Audited Full Year 30 June 2008 \$'000
Trade debtors	4,938	24,882	31,377
Interest receivable	990	82	140
Share option proceeds receivable	-	-	14,163
Prepayments	1,563	1,224	9,892
Other	228	312	120
Total receivables and prepayments	7,719	26,500	55,692

9. Investments in subsidiaries

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

Name of entity	Country of incorporation	Classes of shares	Equity holding	
			December 2008 %	December 2007 %
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 (previously NZOG 38484 Ltd)	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 (previously NZOG Resources Ltd)	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

All subsidiary companies have a balance date of 30 June and are involved in the petroleum exploration industry.

10. Investments in associates

(a) Carrying amounts

Information relating to associates is set out below.

Name of company	Principal activity	Ownership interest			As at		
		31 Dec 2008 %	31 Dec 2007 %	30 Jun 2008 %	Unaudited Half Year 31 Dec 2008 \$'000	Unaudited Half Year 31 Dec 2007 \$'000	Audited Full Year 30 Jun 2008 \$'000
<i>Listed</i>							
Pike River Coal Limited (PRCL)	Coal mine development	30	31	31	64,163	49,530	66,390
<i>Unlisted</i>							
NZOG Nominees Limited	Investment	-	50	50	-	2,280	2,280
					64,163	51,810	68,670

Each of the above associates is incorporated in New Zealand and have a balance date of 30 June.

For associate company NZOG Nominees Ltd equity accounting has not been applied as the amounts involved are not material. During the half year the Group disposed of all the ordinary shares held in NZOG Nominees Limited.

The Group still holds redeemable preference shares of NZOG Nominees Limited, which were reclassified as an available-for-sale investment from the sale date of the ordinary shares.

On 20 July 2007 the group's investment in PRCL was diluted from 54% to 31%, as a consequence of the investment in PRCL being floated on the NZSX and ASX and the introduction of new equity. From that date the investment in PRCL has been shown as an associate.

NZOG's holding in PRCL comprises 85 million ordinary shares and 11 million options that are exercisable on or before 30 June 2009 at \$1.30. The market value of NZOG's investment in PRCL at 31 December 2008 was \$77 million.

(b) Movements in carrying amounts

	Unaudited Half Year 31 December 2008 \$'000	Unaudited Half Year 31 December 2007 \$'000	Audited Full Year 30 June 2008 \$'000
Carrying amount at the beginning of the period	68,670	2,280	2,280
Share of net loss of associate	(2,888)	(112)	(351)
Acquired associate shares on maturity of convertible note	3,300	-	-
Purchase of shares in associate	-	-	17,506
Reclassification of investment to available-for-sale asset	(2,280)	-	-
Recognition of PRCL as an associate investment	-	49,642	49,235
Loss on dilution of investment in associate	(2,639)	-	-
Carrying amount at the end of the period	64,163	51,810	68,670

11. Interests in oil and gas joint ventures

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

Name of entity	Notes	Interests held by the group		
		Unaudited Half Year 31 December 2008 %	Unaudited Half Year 31 December 2007 %	Audited Full Year 30 June 2008 %
PML 38146 - Kupe		15.0	15.0	15.0
PMP 38158 - Tui		12.5	12.5	12.5
PEP 38483 - Hector		18.9	18.9	18.9
PEP 38483 - Hector South Sub Block		12.5	12.5	12.5
PEP 38729 - Felix	(i)	-	-	-
PEP 38499 - Toke	(ii)	-	12.5	12.5
PEP 38259 - Barque	(iii)	40.0	-	-

(i) PEP 38729 Felix was relinquished on the 7 November 2007.

(ii) PEP 38499 Toke was relinquished on the 7 November 2008.

(iii) The Group acquired 40% interest in PEP 38259 (Barque) on 12 November 2008, which is conditional on the receipt of consent from the Minister of Energy.

	Unaudited Half Year 31 December 2008 \$'000	Unaudited Half Year 31 December 2007 \$'000	Audited Full Year 30 June 2008 \$'000
Share of oil and gas joint ventures' assets and liabilities			
Short term securities and cash deposits	12,843	9,458	4,300
Trade receivables *	373	2,724	2,319
Inventory	647	32	398
Prepayments	230	-	9,430
Petroleum interests **	257,811	156,662	215,484
Total current and non-current assets	271,904	168,876	231,931
Current liabilities	7,399	17,972	39,437
Non-current liabilities	-	-	-
Total current and non-current liabilities	7,399	17,972	39,437
Net assets held in oil and gas joint ventures	264,505	150,904	192,494

* 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.

12. Exploration and evaluation, development and production assets

(a) Exploration and evaluation assets

	Unaudited Half Year 31 December 2008 \$'000	Unaudited Half Year 31 December 2007 \$'000	Audited Full Year 30 June 2008 \$'000
Opening balance	215	2,570	2,570
Expenditure capitalised	4,784	8,278	13,145
Revaluation of USD exploration and evaluation assets	85	-	(13)
Expenditure written off	(4,238)	(10,631)	(14,705)
Transferred to development assets	-	-	(782)
Closing balance	846	217	215

(b) Development assets

	Unaudited Half Year 31 December 2008 \$'000	Unaudited Half Year 31 December 2007 \$'000	Audited Full Year 30 June 2008 \$'000
Opening balance	166,257	219,100	219,100
Expenditure capitalised	21,784	44,550	102,348
Revaluation of USD development assets	295	-	123
Borrowing costs capitalised	1,844	3,026	5,642
Abandonment provision	1,357	2,081	(2,360)
Deconsolidation of subsidiary assets	-	(100,014)	(100,014)
Transferred from exploration and evaluation assets	-	-	782
Transferred to production assets	-	(53,744)	(59,364)
Closing balance	191,537	114,999	166,257

Includes borrowing costs capitalised of \$9.2 million at 31 December 2008 (31 December 2007: \$5.0 million).

(c) Production assets

	Unaudited Half Year 31 December 2008 \$'000	Unaudited Half Year 31 December 2007 \$'000	Audited Full Year 30 June 2008 \$'000
Opening balance	38,242	-	-
Expenditure capitalised	389	3,052	732
Borrowing costs capitalised	-	67	236
Amortisation for the period	(8,685)	(8,022)	(22,098)
Revaluation of USD production assets	11,312	-	(16)
Expiry of commodity premium	(484)	-	(538)
Abandonment provision	(303)	-	562
Transfer from development assets	-	53,744	59,364
Closing balance	40,471	48,841	38,242

Includes borrowing costs capitalised of \$3.6 million at 31 December 2008 (31 December 2007: \$4.4 million).

Total exploration and evaluation development and production assets	232,854	164,057	204,714
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During the period there has been a change in estimated future expenditure on the Tui production asset held by the company with the joint venture partners' decision in October 2008 to defer the proposed addition development well.

Amortisation expenditure for the period reflects a change in the amortisation rate prospectively from the date of the change in estimate.

13. Other financial assets

	Unaudited Half Year 31 December 2008 \$'000	Unaudited Half Year 31 December 2007 \$'000	Audited Full Year 30 June 2008 \$'000
Held-to-maturity investments (a)	-	3,500	3,500
Available-for-sale investments (b)	31,154	-	-
Refundable security deposits	43	43	43
Total other financial assets	31,197	3,543	3,543

(a) Pike River Coal Limited

At 31 December 2008, the held-to-maturity investments converted into shares in Pike River Coal Limited. (see Note 19)

(b) Pan Pacific Petroleum NL

The investment of 87.5 million shares in Pan Pacific Petroleum NL is recorded at market value of \$28.9 million and is classified for accounting purposes as an available-for-sale investment.

14. Payables

	Unaudited Half Year 31 December 2008 \$'000	Unaudited Half Year 31 December 2007 \$'000	Audited Full Year 30 June 2008 \$'000
Trade payables	7,902	18,043	39,717
Employee entitlements	219	123	201
Accrued expenses	349	1,065	771
Interest payable	-	290	604
Royalties payable	14,980	6,528	26,412
Other payables	82	52	68
Total payables	23,532	26,101	67,773

15. Borrowings – current

	Unaudited Half Year 31 December 2008 \$'000	Unaudited Half Year 31 December 2007 \$'000	Audited Full Year 30 June 2008 \$'000
Secured			
Bank loans	-	42,819	-
Total secured current borrowings	-	42,819	-
Total current borrowings	-	42,819	-

16. Borrowings – non-current

	Unaudited Half Year 31 December 2008 \$'000	Unaudited Half Year 31 December 2007 \$'000	Audited Full Year 30 June 2008 \$'000
Secured			
Bank loans	-	23,219	63,958
Total secured non-current borrowings	-	23,219	63,958
Total non-current borrowings	-	23,219	63,958

(a) Total secured borrowings

	Unaudited Half Year 31 December 2008 \$'000	Unaudited Half Year 31 December 2007 \$'000	Audited Full Year 30 June 2008 \$'000
Bank loans	-	66,038	63,958
Total secured borrowings (current and non-current)	-	66,038	63,958

(b) Assets pledged as security

As at 31 December 2008 the Group has a Letter of Credit facility in respect of the Tui oil field. At 31 December 2008 the Letter of Credit facility was US\$8.9 million (31 December 2007: US\$12.5 million). The Term Debt facility had been cancelled and repaid (31 December 2007: US\$27.5 million). The Letter of Credit facility expires on 31 December 2015.

This Letter of Credit facility is secured over the Group's assets other than those relating to PEP 38483 Hector, PML 38146 Kupe and the investments in Pike River Coal Limited.

During the year ended 30 June 2008 the Group established loan facilities of NZ\$147.5 million available to fund the Kupe development. The facilities are a project facility of NZ\$125 million, cost overrun facility of NZ\$12.5 million and a letter of credit facility of NZ\$10 million. Drawings from the facility can be in NZD, AUD or USD. At 31 December 2008 all drawings on the project facility had been repaid (31 December 2007: \$23 million NZD equivalent drawn), while the NZ\$10 million Letter of Credit was fully drawn. The facilities at balance date are available in respect of Kupe expenses to draw upon, with exception to the cost overrun facility that was cancelled on 11 July 2008.

This facility is secured over the Group's Kupe assets. The facility is repayable prior to 31 March 2015.

17. Contributed equity of the Group and Parent

(a) Share capital

	Unaudited Half Year 31 December 2008 Shares 000s	Unaudited Half Year 31 December 2007 Shares 000s	Audited Full Year 30 June 2008 Shares 000s	Unaudited Half Year 31 December 2008 \$'000	Unaudited Half Year 31 December 2007 \$'000	Audited Full Year 30 June 2008 \$'000
<i>Ordinary shares</i>						
Fully paid shares	383,892	262,181	389,654	346,055	157,543	348,747
Partly paid or term paid shares	3,466	2,789	3,569	35	28	36
Treasury shares	-	(5,865)	(5,865)	-	(2,794)	(2,794)
	387,358	259,105	387,358	346,090	154,777	345,989
Options on issue	-	138,838	-	-	-	-

(b) Movements in ordinary share capital:

	Unaudited Half Year 31 December 2008 Shares 000s	Unaudited Half Year 31 December 2007 Shares 000s	Audited Full Year 30 June 2008 Shares 000s	Unaudited Half Year 31 December 2008 \$'000	Unaudited Half Year 31 December 2007 \$'000	Audited Full Year 30 June 2008 \$'000
Opening	387,358	258,630	258,630	345,989	154,457	154,457
Movement						
Shares issued	-	295	539	102	318	679
Exercise of options	-	-	127,229	-	-	190,843
Partly paid shares issued/(exercised)	-	180	960	(1)	2	10
Closing	387,358	259,105	387,358	346,090	154,777	345,989

(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.

(e) Options

During the year ended 30 June 2008 127,228,716 of the 30 June 2008 options (exercise price of NZ\$1.50) and 150,000 unlisted options, issued as part of an incentive program, were exercised.

(f) Treasury shares elimination

Treasury shares are the Company's interest in shares held in its own capital. The elimination represents the cost of these shares held within the Group. On the 25 July 2008 the Board of New Zealand Oil & Gas Limited cancelled all the treasury shares held in its own capital.

18. Reserves

	Unaudited Half Year 31 December 2008 \$'000	Unaudited Half Year 31 December 2007 \$'000	Audited Full Year 30 June 2008 \$'000
Available-for-sale investments revaluation reserve	(1,975)	-	-
Foreign currency translation reserve	13,785	(7,084)	(5,002)
Total reserves	11,810	(7,084)	(5,002)

19. Related party transactions

At 31 December 2008, the convertible notes the Group held with Pike River Coal Limited (PRCL), converted into shares. Before the conversion date the Group sold 0.2 million convertible notes. The remaining 3.3 million notes converted at a conversion price of \$0.91. After the issue of the new shares the Group's interest in PRCL reduced from 31% to 30%.

20. Reconciliation of profit after income tax to net cash inflow from operating activities

	Unaudited Half Year 31 December 2008 \$'000	Unaudited Half Year 31 December 2007 \$'000	Audited Full Year 30 June 2008 \$'000
Profit for the period	53,969	41,406	97,243
Depreciation and amortisation	8,841	8,255	22,321
Deferred tax	8,350	15,868	25,165
Fair value (gain)/loss on derivatives	(12,584)	2,048	6,493
Gain on dilution of investment in subsidiary	-	(11,201)	(10,793)
Loss on dilution of investment in associate	2,639	-	-
Petroleum exploration expenditure provided for or written off	4,237	10,632	14,706
Items classified as financing activities	2,035	982	2,543
Items classified as investing activities	12	-	1,544
Share of net loss of associate	2,888	112	351
Net foreign exchange differences	(19,390)	(1,019)	(548)
Change in operating assets and liabilities			
Increase/(decrease) in other provisions	-	-	(797)
Increase/(decrease) in trade creditors	4,567	7,433	26,204
(Increase)/decrease in trade debtors	22,602	(23,626)	(28,851)
Decrease in operating assets due to deconsolidation of subsidiary	-	-	(1,637)
Net cash inflow from operating activities	78,166	50,890	153,944

21. Commitments and contingent liabilities

(a) Capital expenditure commitments

As at 31 December 2008 the Group had certain capital expenditure commitments in relation to the participation in the Kupe development and Tui production and 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 various ongoing operational expenditure commitments 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.

(c) Operating leases and commitments

The Group leases premises, plant and equipment. Operating leases held over properties 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 2008 \$'000	Unaudited Half Year 31 December 2007 \$'000	Audited Full Year 30 June 2008 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:			
Within one year	189	153	189
Later than one year and not later than five years	266	368	361
Later than five years	-	-	-
	455	521	550

During the period ended 31 December 2008 \$99,000 was recognised as an expense in the statement of financial performance in respect of operating leases (31 December 2007: \$76,000).

Production commitments

The Company is committed to certain operational commitments, in respect of the Tui Joint Venture agreement. 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\$44.3 million.

(d) Contingent liabilities

As at 31 December 2008 the company had no contingent liabilities (31 December 2007:\$Nil).

22. Earnings per share

	Unaudited Half Year 31 December 2008 Cents	Unaudited Half Year 31 December 2007 Cents	Audited Full Year 30 June 2008 Cents
(a) Basic earnings per share			
Basic earnings per share	13.9	15.7	36.7
(b) Diluted earnings per share			
Diluted earnings per share	13.9	10.3	24.1

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

	Unaudited Half Year 31 December 2008 \$'000	Unaudited Half Year 31 December 2007 \$'000	Audited Full Year 30 June 2008 \$'000
Profit for the period	53,969	41,406	97,243
Profit attributable to the ordinary equity holders of the Company	53,969	41,406	97,243

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

	Unaudited Half Year 31 December 2008 Number 000s	Unaudited Half Year 31 December 2007 Number 000s	Audited Full Year 30 June 2008 Number 000s
Weighted average number of ordinary shares used in calculating basic earnings per share	387,362	264,618	265,321
Adjustments for calculation of diluted earnings per share:			
Options	-	138,965	138,684
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	387,362	403,583	404,005



Auditors' review report

To the shareholders of New Zealand Oil & Gas Limited ("the Company")

We have reviewed the attached condensed interim financial statements on pages 7 to 19 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants. The condensed interim financial statements provide information about the past financial performance of the Company and its financial position as at 31 December 2008.

Directors' responsibilities

The Directors of the Company are responsible for the preparation of condensed interim financial statements which give a true and fair view of the financial position of the Company as at 31 December 2008 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 company in relation to taxation and general accounting services. These matters have not impaired our independence as auditors of the Company. The firm has no other relationship with, or interest in, the Company.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the attached condensed interim financial statements on pages 7 to 19 do not give a true and fair view of the financial position of the Company as at 31 December 2008, 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 25 February 2009 and our opinion is expressed as at that date.

Wellington

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Wellington KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Corporate Directory

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R F Meyer

Deputy Chairman
ONZM, BE, PhD, DistFIPENZ

P G Foley

BCA, LLB

A T N Knight

BMs, CA(NZ)

S J Rawson

BSc, MSc

D J Salisbury

Managing Director
BCA, LLB

D R Scoffham

MA, MSc

Management

David Salisbury

CEO & Managing Director
BCA, LLB

David Pay

General Counsel
BA, LLB

Kaye Pailthorpe

Office Manager

Chris Roberts

Public Affairs Manager
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Shareholding Information

For information on number of shares held, holding statements and changes of address contact the registrars:

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