

PRELIMINARY HALF YEAR REPORT ANNOUNCEMENT

NEW ZEALAND OIL & GAS LIMITED

FOR THE HALF YEAR ENDED 31 DECEMBER 2004

Preliminary half year report on consolidated results (including results for the previous corresponding half year) in accordance with Listing Rule 10.4.2

This report has been prepared in accordance with generally accepted accounting practice and gives a true and fair view of the matters to which the report relates and is based on unaudited financial statements and reviewed by the company's auditors.

New Zealand Oil & Gas Limited has a formally constituted Audit Committee of the Board of Directors.

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE		
2004 Current half year \$NZ'000	Up/ (Down) %	2003 Previous corresponding half year \$NZ'000
1 CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE		
1.1 OPERATING REVENUE		
(a) Sales revenue	-	1,094
(b) Other revenue	319	761
(c) Total operating revenue	319	1,855
1.2 OPERATING SURPLUS/(DEFICIT) BEFORE UNUSUAL ITEMS AND TAX		
(a) Plus/(less) tax (i) - on operating profit	(103)	(12)
1.3 OPERATING SURPLUS/(DEFICIT) AFTER TAX		
(a) Extraordinary items after tax	-	-
(b) Unrealised net change in value of investment properties	-	-
1.4 OPERATING SURPLUS/(DEFICIT) AFTER TAX		
(a) Minority Interests	17	8
1.5 NET SURPLUS/(DEFICIT) AFTER TAX ATTRIBUTABLE TO MEMBERS OF LISTED ISSUER		
	(1,406)	(2,844)

2. DETAILS OF SPECIFIC RECEIPTS/OUTLAYS REVENUES/EXPENSES FOR THE HALF YEAR

2.1 INCLUDED IN CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE HALF YEAR

- (a) Interest revenue included in Item 1.1(b) above
- (b) Unusual items for separate disclosure
- (c) Equity earnings
- (d) Interest expenses included in Item 1.2 above (include all forms of interest, lease, finance charges etc.)
- (e) Leasing and renting expenses
- (f) Depreciation
- (g) Diminution in the value of assets (other than depreciation)
Write off of capitalised exploration expenditure
Write back of former provision for impairment of investment
- (h) Amortisation of goodwill
- (i) Amortisation of other intangibles
- (j) Amortisation of other intangibles
- (k) Amortisation of other intangibles

2.2 SUPPLEMENTARY ITEMS

- (a) Interest costs excluded from 2.1(d) and capitalised
- (b) Outlays capitalised in intangibles
- (c) Unrecognised differences between carrying value and market value of publicly traded investments
(Relating to New Zealand Oil & Gas Limited's holding of Pan Pacific Petroleum NL)

GROUP	
2004	2003
Current half year NZ\$'000	Previous Corresponding half year NZ\$'000
286	177
-	-
-	-
-	-
86	16
35	133
790	2,426
(1,031)	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
652	307

3 DISCONTINUED UNUSUAL & EXTRAORDINARY ITEMS OF THE GROUP

Details & Comments

- Discontinued Activities
- Material unusual included in 1.2
- Extraordinary items (ref 1.3(1))
- Total Extraordinary Items

GROUP - CURRENT HALF YEAR		
2004 Before Tax \$NZ'000	2004 Related income tax \$NZ'000	2004 After Tax \$NZ'000
-	-	-
-	-	-
-	-	-
-	-	-

4 STATEMENT OF MOVEMENTS IN EQUITY

4.1 NET SURPLUS/(DEFICIT) ATTRIBUTABLE TO MEMBERS

(a) Net Surplus/(Deficit) attributable to minority interest

4.2 OTHER RECOGNISED REVENUE AND EXPENSES

(a) Increases/(decreases) in revaluation reserves

(b) Currency translation differences

(c) Minority interest in other recognised revenue and expenses

4.3 TOTAL RECOGNISED REVENUE AND EXPENSES

4.4 OTHER MOVEMENTS

(a) Contributions by owners

(b) Distributions to owners

(c) Other - Shares issued by subsidiary to minority interests

4.5 EQUITY AT BEGINNING OF THE HALF YEAR

4.6 EQUITY AT END OF THE HALF YEAR

STATEMENT OF MOVEMENTS IN EQUITY	
2004	2003
Current half year NZ\$'000	Previous Corresponding half year NZ\$'000
(1,406)	(2,844)
(17)	(8)
(1,423)	(2,852)
103	
1,121	238
49,566	41,302
49,367	38,688

5 EARNINGS PER SECURITY

Calculation of basic and diluted EPS in accordance with IAS33: Earnings per security

(a) Basic EPS

(b) Diluted EPS

EARNINGS PER SECURITY	
2004	2003
Current half year NZ cents per security	Current half year NZ cents per security
(1.10)	(1.60)
0.68	(0.02)

6 MATERIAL ACQUISITIONS OF SUBSIDIARIES

N/A

(a) Name of subsidiary or group of subsidiary

(b) Percentage of ownership acquired

(c) Contribution to consolidated net surplus/(deficit)

(d) Date from which such contribution has been calculated

7 MATERIAL DISPOSALS OF SUBSIDIARIES

N/A

(a) Name of subsidiary or group of subsidiary

(b) Contribution of subsidiaries to consolidated net surplus/(deficit)

(c) Date from which such contribution has been calculated

(d) Contribution to consolidated net surplus/(deficit) for the previous corresponding year

(e) Contribution to consolidated net surplus/(deficit) from sale of subsidiary

8. REPORTS FOR INDUSTRY AND GEOGRAPHICAL SEGMENTS**SEGMENTS**

Operating revenue

Sales to customers outside the group

Interest and other revenue

Total revenue (consolidated total equal to 1.1(c))

Segment result – surplus

Unallocated expenses

Operating surplus/deficit after tax (item 1.3)

Segment assets

Unallocated assets

Total assets (equal to 9.3)

Geographic NZ 2004 Current half year \$NZ'000	Industry Petroleum and coal exploration and production 2004 Current half year \$NZ'000
-	-
319	319
319	319
(1,423)	(1,423)
-	-
(1,423)	(1,423)
51,047	51,047
-	-
51,047	51,047

Notes:

(i) The Company operates in one geographical segment – New Zealand

(ii) The Company operates in the petroleum and coal production and exploration industry.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
	At end of 31-Dec-04 Current half year report \$NZ'000	As Shown in 30-Jun-04 Last Annual Report \$NZ'000	At end of 31-Dec-03 Previous half year report \$NZ'000
9 CURRENT ASSETS			
(a) Cash	11,805	17,695	4,738
(b) Receivables	258	635	837
(c) Investments	-	-	-
(d) Inventories	150	100	423
(e) Other – advances to associate company	-	-	-
TOTAL CURRENT ASSETS	12,213	18,430	5,998
9.1 NON-CURRENT ASSETS			
(a) Receivables	-	-	-
(b) Investments	5,213	4,182	3,681
(c) Inventories	-	-	-
(d) Property, plant and equipment	252	188	306
(e) Goodwill	-	-	-
(f) Deferred taxation asset	-	100	-
(g) Other intangible assets	-	-	-
(h) Other Non current assets			
- Other	85	88	117
- Petroleum and Coal interests	33,284	29,308	31,869
9.2 TOTAL NON-CURRENT ASSETS	38,834	33,866	35,973
9.3 TOTAL ASSETS	51,047	52,296	41,971
9.4 CURRENT LIABILITIES			
(a) Accounts payable	1,506	2,352	2,523
(b) Income in advance	-	-	-
(c) Secured loans	-	-	-
(d) Unsecured loans	-	-	-
(e) Provisions - current	184	346	124
(d) Other current liabilities	-	-	-
TOTAL CURRENT LIABILITIES	1,690	2,698	2,647
9.5 NON-CURRENT LIABILITIES			
(a) Accounts payable	-	-	-
(b) Secured loans	-	-	-
(c) Unsecured loans	-	-	-
(d) Provisions - non current	-	42	638
(e) Deferred taxation liability	-	-	-
(f) Other non current liabilities	-	-	-
9.6 TOTAL NON-CURRENT LIABILITIES	-	42	638
9.7 TOTAL LIABILITIES	1,690	2,740	3,285
9.8 NET ASSETS	49,357	49,556	38,686
9.9 SHAREHOLDERS' EQUITY			
(a) Share capital (reported paid in)	57,317	57,213	57,205
(b) Reserves:			
(i) Revaluation reserve	2,891	2,891	2,891
(ii) Other reserves	-	-	-
(c) Retained surplus (accumulated deficit)	(15,243)	(13,838)	(24,623)
9.10 SHAREHOLDERS – EQUITY ATTRIBUTABLE TO MEMBERS OF THE COMPANY	44,965	46,266	35,473
(a) Minority equity interests in subsidiaries	4,393	3,290	3,213
9.11 TOTAL SHAREHOLDERS – EQUITY	49,358	49,556	38,686
(a) Return on assets	-3%	14%	-2%
(b) Return on equity	-3%	17%	-2%
(c) Debt to equity ratio	4%	6%	9%

10. CASH FLOWS RELATED TO OPERATING ACTIVITIES

- (a) Receipts from customers
- (b) Interest received
- (c) Dividends received
- (d) Payments to suppliers and employees
- (e) Interest paid
- (f) Income taxes paid
- (g) Other operating cash flows

NET OPERATING CASH FLOWS**11. CASH FLOWS RELATED TO INVESTING ACTIVITIES**

- (a) Cash proceeds from sale of property, plant and equipment
- (b) Cash proceeds from sale of equity investments
- (c) Loans repaid by other entities
- (d) Cash paid for purchases of property, plant and equipment
- (e) Interest paid – capitalised
- (f) Cash paid for purchase of equity investments (Listed Resource Company)
- (g) Loans to other entities
- (h) Other expenditure:
 - production, development & exploration permits

NET INVESTING CASH FLOWS**12. CASH FLOWS RELATED TO FINANCE ACTIVITIES**

- (a) Cash proceeds/(outlays) from sale, buy back of shares, options etc
- (b) Borrowings
- (c) Repayment of borrowings
- (d) Dividends paid
- (e) Other - Shares issued by subsidiary to minority interests

NET FINANCING CASH FLOWS**13. NET INCREASE (DECREASE) IN CASH HELD**

- (a) Cash at beginning of half year
- (b) Exchange rate adjustments to item 16(a) above
- (c) CASH AT END OF HALF YEAR

14. NON CASH FINANCING AND INVESTING ACTIVITIES**15. RECONCILIATION OF CASH**

- Cash on hand and at bank
- Deposits at call
- Bank Overdraft
- Other:
 - Cash held by joint ventures

TOTAL = "CASH" AT END OF HALF YEAR [Item 13(c) above]

2004 Current half Year \$NZ'000	2003 Previous Corresponding half Year \$NZ'000
-	1,328
289	230
-	-
(1,304)	(2,106)
-	-
-	-
-	-
(1,015)	(548)
-	-
-	-
-	-
(206)	-
-	-
-	-
-	-
(5,533)	(2,813)
(5,739)	(2,813)
103	236
150	-
-	-
-	-
1,120	-
1,373	236
(5,381)	(3,125)
17,696	7,904
(510)	(41)
11,805	4,738

n/a

n/a

As at 31-Dec-04 Current half year \$NZ'000	As at 31-Dec-03 Previous half year \$NZ'000
264	345
10,055	4,130
-	-
1,486	263
11,805	4,738

16. MATERIAL INTEREST IN CORPORATIONS NOT BEING SUBSIDIARIES

n/a

n/a

17. ISSUED AND QUOTED SECURITIES AT END OF CURRENT HALF YEAR

Category	Issued	Quoted		
Ordinary shares	133,964,238			
less treasury stock	(5,864,515)			
Issued during the current half year	173,097			
Total	128,272,820	128,272,820		
	Issued	Quoted	Exercise Price	Expiry date
Options	72,164,846			
Converted to ordinary shares during the current half year	(173,097)			
Total	71,991,749	71,991,749	0.6	30/06/2005

18. COMMENTS BY DIRECTORS

- (a) Material factors affecting the revenue and expenses of the group for the current half year
- Exploration write offs for the current period include \$800k in relation to the unsuccessful Kiwi-1 well in PEP38460.
 - Net deficit for the year includes writing back \$1,031,000 of a former provision for impairment of investment.

- (b) Significant trends or events since the end of the current half year
- Nil

- (c) Changes in accounting policies since the last Annual Report and / or last half year report.
- Nil

- (d) Critical accounting policies

Production, Development, Exploration and Evaluation Expenditure

Expenditure incurred on petroleum and coal 'areas of interest' is accounted for using the successful efforts method. An area of interest is defined by the group as a licence or permit area. Exploration and evaluation expenditure (together with certain inter-group advances relative to these expenditures), is written off in the statement of financial performance under the successful efforts method of accounting in the period that exploration work demonstrates that an area of interest or any part thereof, is no longer prospective for economically recoverable reserves or when the decision to abandon an area of interest is made.

Where expenditure carried forward in an area of interest or any part thereof, exceeds the directors' valuation of that area of interest the costs are written down to the directors' valuation.

Directors' valuations of areas of interest, especially projects at a pre-development stage, are dependent upon a number of factors that are uncertain or tentative at the time of valuation and which may be subject to change. Such factors include the ability to secure sales contracts, levels of reserves, production profiles, estimates of future product sales prices, operating costs, capital expenditures, availability of financing and tax losses and legislative changes.

(i) Production interests

Production interests comprise exploration, evaluation and development costs (excluding fixed asset expenditure) incurred in relation to areas of interest in which petroleum production has commenced. Expenditure on production interests is amortised using the production output method resulting in an amortisation charge proportional to the depletion of economically recoverable proven reserves. Where such costs are considered not to be fully recoverable under existing conditions, an amount is provided to cover the shortfall.

(ii) Development interests

Development interests comprise costs incurred on areas of interest which are being developed for production.

No amortisation is provided in respect of development areas of interest until they are reclassified as production areas following commencement of petroleum production.

(iii) Exploration and Evaluation interests

Exploration and evaluation interests comprise costs incurred in areas of interest for which rights of tenure are current and:

- such costs are expected to be recouped through successful development and exploitation of the area, or alternatively, by its sale; or
- exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment and/or evaluation of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, these areas are continuing.

The ultimate value of areas of interest is contingent upon the results of further exploration and agreements entered into with other parties and also upon meeting commitments under the terms of permits granted and joint venture agreements.

Sales of prospecting and mining permit rights are shown as revenue in the period earned.

Restoration and Rehabilitation Expenditure

Significant restoration and rehabilitation expenditure to be incurred subsequent to the cessation of production from production areas of interest is provided for and expensed in the statement of financial performance based on best estimates of the expenditure required to settle the present obligation at balance date.

Joint Ventures

Where material the group consolidates its interest in the assets, liabilities, revenues and expenses of unincorporated joint ventures under appropriate headings in the financial statements using the proportionate method of consolidation.

(e) Managements discussion and analysis of financial condition, result and/or operations

New Zealand Oil & Gas Limited reports a small loss of \$1.4 million for the 6 months to 31 December 2004, compared to a \$2.8 million loss for the same period last year. The loss included a write-off of \$800,000 on the Kiwi exploration well and reversal of a \$1.1 million former provision for impairment against investments.

During the half year to 31 December 2004 the Company invested \$5.5 million in the key development projects: Kupe gas, Pike River coal and Tui oil. All three projects remain on track for final investment decisions during the course of this year.

(f) Other comments

19. DIVIDEND

(a) Dividend yield as at balance date	0%	0%
(b) Tax adjusted dividend yield as at balance date	0%	0%