

PRELIMINARY HALF YEAR REPORT ANNOUNCEMENT

NEW ZEALAND OIL & GAS LIMITED

FOR THE HALF YEAR ENDED 31 DECEMBER 2005

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.

1 CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
1.1 OPERATING REVENUE

(a) Sales revenue

-

-

(b) Other revenue

4,021

319

(c) Total operating revenue

4,021

319

1.2 OPERATING SURPLUS/(DEFICIT) BEFORE UNUSUAL ITEMS AND TAX

2,282

(1,320)

(a) Plus/(less) tax (i) - on operating profit

10

(103)

1.3 OPERATING SURPLUS/(DEFICIT) AFTER TAX

2,292

(1,423)

(a) Extraordinary Items after tax

-

-

(b) Unrealised net change in value of investment properties

-

-

1.4 OPERATING SURPLUS/(DEFICIT) AFTER TAX

2,292

261%

(1,423)

(a) Minority Interests

(37)

17

1.5 NET SURPLUS/(DEFICIT) AFTER TAX ATTRIBUTABLE TO MEMBERS OF LISTED ISSUER

2,255

260%

(1,406)

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE		
2005 Current half year \$NZ'000	Up/ (Down) %	2004 Previous corresponding half year \$NZ'000
(a) Sales revenue	-	-
(b) Other revenue	4,021	319
(c) Total operating revenue	4,021	319
1.2 OPERATING SURPLUS/(DEFICIT) BEFORE UNUSUAL ITEMS AND TAX	2,282	(1,320)
(a) Plus/(less) tax (i) - on operating profit	10	(103)
1.3 OPERATING SURPLUS/(DEFICIT) AFTER TAX	2,292	(1,423)
(a) Extraordinary Items after tax	-	-
(b) Unrealised net change in value of investment properties	-	-
1.4 OPERATING SURPLUS/(DEFICIT) AFTER TAX	2,292	(1,423)
(a) Minority Interests	(37)	17
1.5 NET SURPLUS/(DEFICIT) AFTER TAX ATTRIBUTABLE TO MEMBERS OF LISTED ISSUER	2,255	(1,406)

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

2.1 INCLUDED IN CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR 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 / (back) of former provision for impairment of investment
Write off of capitalised exploration expenditure
- (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

GROUP	
2005 Current half year NZ\$'000	2004 Previous Corresponding half year NZ\$'000
1,327	286
2,522	-
-	-
-	-
58	86
38	35
-	790
(18)	(1,031)
-	-
-	-
-	-
-	-
-	-
-	-
239	652

Note 2.1(b): Gain on reduction in interest in subsidiary

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		
2005 Before Tax \$NZ'000	2005 Related Income tax \$NZ'000	2005 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 (PRCC)

4.5 EQUITY AT BEGINNING OF THE HALF YEAR

4.6 EQUITY AT END OF THE HALF YEAR

STATEMENT OF MOVEMENTS IN EQUITY	
2005	2004
Current half year NZ\$'000	Previous Corresponding half year NZ\$'000
2,255	(1,406)
37	(17)
2,292	(1,423)
11,834	103
8,156	1,121
90,918	49,556
113,198	49,357

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	
2005	2004
Current half year NZ cents per security	Current half year NZ cents per security
1.08	(0.19)
1.75	1.21

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**

	Geographic NZ 2005 Current half year \$NZ'000	Industry Petroleum and coal exploration and production 2005 Current half year \$NZ'000
Operating revenue		
Sales to customers outside the group	-	-
Interest and other revenue	4,021	4,021
Total revenue (consolidated total equal to 1.1(c))	4,021	4,021
Segment result – surplus / (deficit)	2,292	2,292
Unallocated expenses	-	-
Operating surplus/deficit after tax (item 1.3)	2,292	2,292
Segment assets	117,069	117,069
Unallocated assets	-	-
Total assets (equal to 9.3)	117,069	117,069

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-05 Current half year report \$NZ'000	As Shown in 30-Jun-05 Last Annual Report \$NZ'000	At end of 31-Dec-04 Previous half year report \$NZ'000
9 CURRENT ASSETS			
(a) Cash	33,416	49,663	11,805
(b) Receivables	881	1,739	258
(c) Investments	-	-	-
(d) Inventories	116	116	150
(e) Other	-	-	-
TOTAL CURRENT ASSETS	34,413	51,518	12,213
9.1 NON-CURRENT ASSETS			
(a) Receivables	-	-	-
(b) Investments	6,863	4,066	5,213
(c) Inventories	-	-	-
(d) Property, plant and equipment	316	277	252
(e) Goodwill	-	-	-
(f) Deferred taxation asset	-	-	-
(g) Other intangible assets	-	-	-
(h) Other Non current assets			
- Other (security bond)	20,314	55	85
- Petroleum and Coal interests	55,163	37,994	33,284
9.2 TOTAL NON-CURRENT ASSETS	82,656	42,392	38,834
9.3 TOTAL ASSETS	117,069	93,910	51,047
9.4 CURRENT LIABILITIES			
(a) Accounts payable	3,769	2,891	1,506
(b) Income in advance	-	-	-
(c) Secured loans	-	-	-
(d) Unsecured loans	-	-	-
(e) Provisions - current	102	103	184
(d) Other current liabilities	-	-	-
TOTAL CURRENT LIABILITIES	3,871	2,994	1,690
9.5 NON-CURRENT LIABILITIES			
(a) Accounts payable	-	-	-
(b) Secured loans	-	-	-
(c) Unsecured loans	-	-	-
(d) Provisions - non current	-	-	-
(e) Deferred taxation liability	-	-	-
(f) Other non current liabilities	-	-	-
9.6 TOTAL NON-CURRENT LIABILITIES	-	-	-
9.7 TOTAL LIABILITIES	3,871	2,994	1,690
9.8 NET ASSETS	113,198	90,916	49,357
9.9 SHAREHOLDERS' EQUITY			
(a) Share capital (reported paid in)	111,878	100,041	57,317
(b) Reserves:			
(i) Revaluation reserve	2,891	2,891	2,891
(ii) Other reserves	-	-	-
(c) Retained surplus (accumulated deficit)	(14,138)	(16,393)	(15,244)
9.10 SHAREHOLDERS – EQUITY ATTRIBUTABLE TO MEMBERS OF THE COMPANY	100,631	86,539	44,964
(a) Minority equity interests in subsidiaries (PRCC)	12,567	4,377	4,393
9.11 TOTAL SHAREHOLDERS – EQUITY	113,198	90,916	49,357
(a) Return on assets	1%	-3%	-3%
(b) Return on equity	2%	-3%	-3%
(c) Debt to equity ratio	4%	3%	4%

Note 9.1(d) includes land of \$65,000.

	2005 Current half Year \$NZ'000	2004 Previous Corresponding half Year \$NZ'000
10. CASH FLOWS RELATED TO OPERATING ACTIVITIES		
(a) Receipts from customers	-	-
(b) Interest received	1,120	289
(c) Dividends received	-	-
(d) Payments to suppliers and employees	(1,570)	(1,304)
(e) Interest paid	-	-
(f) Income taxes paid	-	-
(g) Other operating cash flows	-	-
NET OPERATING CASH FLOWS	(450)	(1,015)
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	323	-
(c) Loans repaid by other entities	-	-
(d) Cash paid for purchases of property, plant and equipment	(77)	(205)
(e) Interest paid – capitalised	-	-
(f) Cash paid for purchase of equity investments (Listed Resource Company)	(3,120)	-
(g) Loans to other entities / Security deposits / Licence Bonds (note 15(i) below)	(20,249)	-
(h) Other expenditure: - production, development & exploration permits	(18,680)	(5,534)
NET INVESTING CASH FLOWS	(39,803)	(5,739)
12. CASH FLOWS RELATED TO FINANCE ACTIVITIES		
(a) Cash proceeds/(outlays) from sale, buy back of shares, options etc	13,157	104
(b) Borrowings	-	150
(c) Repayment of borrowings	-	-
(d) Dividends paid	-	-
(e) Other - Shares issued by subsidiary to minority interests (PRCC)	10,677	1,120
NET FINANCING CASH FLOWS	23,834	1,374
13. NET INCREASE (DECREASE) IN CASH HELD	(16,419)	(5,380)
(a) Cash at beginning of half year	49,663	17,695
(b) Exchange rate adjustments to item 16(a) above	172	(510)
(c) CASH AT END OF HALF YEAR	33,416	11,805

14. NON CASH FINANCING AND INVESTING ACTIVITIES

n/a

n/a

15. RECONCILIATION OF CASH

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

As at 31-Dec-05 Current half year \$NZ'000	As at 30-Dec-04 Previous half year \$NZ'000
68	264
31,475	10,055
-	-
1,873	1,486
33,416	11,805

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

Note (l):

Total cash held in security deposits (including Tui development security deposits of \$18 million)
Total cash including security deposits

20,314

53,730

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
<i>Ordinary shares</i>	205,372,263	
less treasury stock	(5,864,515)	
issued during the current half year	13,335,023	
Total	212,842,791	212,842,791
<i>Partly paid shares</i>		
issued during the current half year	1,260,000	-
Total	1,260,000	-
Grand Total	214,102,791	212,842,791

Note: Partly paid shares are paid up to \$0.01 and have various exercise prices between \$0.87 and \$1.34.

	Issued	Quoted	Exercise Price	Expiry date
<i>Options</i>	107,201,259	107,051,259		
Converted to ordinary shares during the current half year	(273)	(273)		
Total	107,200,986	107,050,986	\$ 1.50	30/06/2008

18. COMMENTS BY DIRECTORS

- (a) Material factors affecting the revenue and expenses of the group for the current half year
During the half year the company recorded a \$2.5 million gain on the effective reduction of NZOG's interest in Pike River Coal Company Limited resulting from the introduction of a new investor.
- (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:

- (a) such costs are expected to be recouped through successful development and exploitation of the area, or alternatively, by its sale; or
- (b) 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 reports a surplus of \$2.3 million for the 6 months ended 31 December 2005. Total revenues of \$4 million included interest income of \$1.3 million and a \$2.5 million gain from the effective reduction of NZOG's shareholding in Pike River Coal Company Limited as a result of the introduction of a new investor into that company.

NZOG invested \$16.7 million in cash during the half year ended 31 December 2005, in its three development projects; Kupe gas/oil, Tui oil and Pike River coal. First production from the Tui and Pike River projects is scheduled to occur during the first half of 2007, with the Kupe gas/oil field expected to be in production during 2008.

(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%