Six months ended 30 September 2010

Bondholders' Report

We would like to thank you for your investment in our business. We'd also like for you to get to know us a bit better.

This short report summarises Greenstone's first six months of operation as a New Zealand-owned company. It summarises the company's operational and financial achievements over the period and how that performance is evolving relative to what was expected when the Bond Investment Statement was prepared.

At the end of this report we provide ways in which you can get in touch with us and provide feedback – as an investor in our business we'd be delighted to hear from you. In particular, we would welcome views about what information we can provide in future to help our bondholders better understand Greenstone's performance and its risks.

In addition to information the company regularly releases – which can be accessed via its website **www.greenstoneenergy.co.nz** – another of these reports will be provided for bondholders after the completion of the 31 March 2011 financial year and annually thereafter.

THE FIRST SIX MONTHS: TRANSITION

Following the acquisition of Shell's New Zealand 'downstream' fuel business in April 2010, Greenstone Energy's priority has been on maintaining reliable, safe operations while developing local management and systems.

There are significant differences in terms of how a business operates as an independent, Kiwi-owned operation compared with being a very small part of a multi-national oil company.

The transition project involved all aspects of operations, affecting people and systems.

Top level jobs have been created in New Zealand with Greenstone now employing a local CEO and an experienced executive and leadership team with significant experience in this industry as well as across other sectors. Other great news for local jobs is the relocation of the client service centre from Manila to New Zealand.

Systems have had a makeover with the modernising of information technology and various company processes.

In addition, Greenstone has established a stand-alone treasury function, as the company is now entirely responsible for its own funding arrangements, foreign exchange, oil price hedging, and managing its responsibilities under the Emissions Trading Scheme.

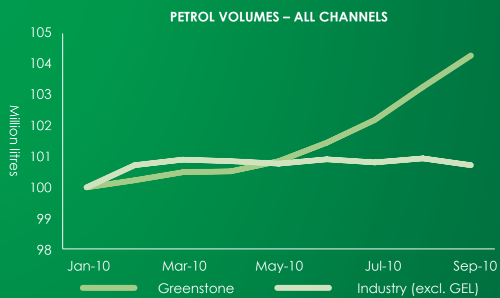
Being able to make quick decisions locally, rather than consulting offshore management and dealing with a global decision-making process, has already enabled Greenstone to secure rights to develop a retail site near Tauranga.

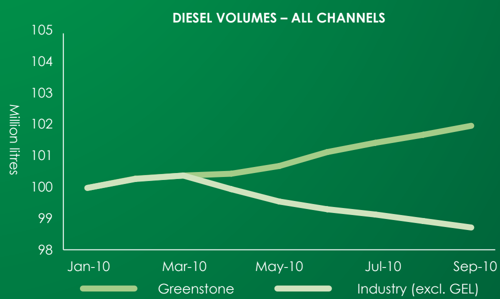
ABOVE: LESS THAN FOUR MONTHS AFTER WE PURCHASED SHELL NEW ZEALAND, THE SHELL CLIENT SERVICE CENTRE IN THE PHILIPPINES HAD BEEN SUCCESSFULLY MOVED TO NEW ZEALAND SAVING SIGNIFICANT OPERATIONAL COSTS ON AN ANNUAL BASIS.

We have increased our market share in a flat to declining market.

SALES

In simple terms, the success of Greenstone's operation depends on its ability to reliably maintain the supply of fuels to customers on a national basis and the willingness of customers to buy those fuels. From whom a customer chooses to purchase fuel is largely a function of price competitiveness, convenience and quality.





*Indexed back to 100 in January 2010

There are two elements to a successful retail operation – sales and margins.

On the former metric, Greenstone had a very successful first half. Sales volumes were up approximately four per cent relative to the same period last year. Because this increase occurred in a market in which total fuel consumption actually fell slightly, Greenstone's market share rose by around 1.5 per cent.

Organic market share movement in the fuels industry typically occurs at a much slower rate, with a one per cent gain in market share historically representing a marked shift.

Over the six months in review, growth in sales to commercial customers – fishing companies, freight carriers, contractors – was slightly stronger than in the retail market.

On the second element of a successful retail operation, margins, progress is being made but the industry as a whole is continuing to receive a return on investment which is not commercially acceptable and which does not encourage or facilitate re-investment.

Continued growth in both retail and commercial markets will depend on reliable supply and maintaining a competitive, convenient customer offer. To deliver growth in market share, investment will be required in supply and storage infrastructure, as well as high growth retail outlets.

RIGHT: A PRIORITY FOR GREENSTONE IN 2011 WILL BE BUILDING MORE RESILIENCE INTO THE COMPANY'S SUPPLY CHAIN.

MAINTAINING SUPPLY

All energy supply companies need to be able to ensure reliable supply during peak periods. Electricity networks are built to carry the load of the coldest day in winter and to be able to cope with storms and occasional damage.

Greenstone's supply infrastructure has the same requirements. Fuel use is seasonal and prone to occasional disruption. Over the six months to 30 September 2010 Greenstone had the additional challenge of coping with significant growth.

LEFT: GREENSTONE'S BULK FUEL STORAGE TANKS AT THE PORT OF LYTTELTON

The most notable test of Greenstone's infrastructure came from the initial Christchurch earthquake on 4 September. This caused superficial damage to a number of service stations, power was off to many sites but, otherwise, the company's infrastructure fared well. The same cannot be said for the homes of some of our Christchurch staff, which were lost in the quake.

Once the safety of our people was accounted for, the point of greatest concern was around fuel import and storage facilities at the Port of Lyttelton, but testing showed these were also sound. Until this was established through testing, Greenstone put in place a backup plan based on landing fuels at Timaru and trucking it to central and northern Canterbury.

The Christchurch quake and the immediate focus on business continuity was managed by Greenstone's crisis management team.

Outside of crisis-type events, the company's main supply challenge is the normal exercise of maintaining sufficient regional inventory to meet demand. For example, over the last three months of 2010, Greenstone's South Island fuel position, particularly in diesel, was tighter than the company likes. This situation was the result of failing to anticipate particularly strong demand growth, delays to shipping and refining schedules, and tight storage in the South Island.

A priority for Greenstone in 2011 will be building more resilience into the company's supply chain.

INVESTMENT IN INFRASTRUCTURE

Over recent decades the overriding management objective of New Zealand fuel supply companies has been cost minimisation.

That is naturally desirable when it means efficient operations, but this focus can have negative consequences when it equates to reducing investment.

It has jokingly been said that the ultimate outcome of the New Zealand fuel supply model is that the country ends up with one service station located by the Marsden Point Refinery. The industry would be magnificently efficient and low cost, but also rather inconvenient for motorists.

Over the last two decades, on average a service station has closed every week, a reduction of over 2,000 in total. This is a direct result of the pursuit of a low margin, low cost industry.

Supply infrastructure consists of the Marsden Point Refinery, product pipelines, coastal ships, and port storage terminals. These assets have become increasingly efficient over time but, again, this has in part been achieved through reduced investment and downsizing. Whereas once four fuel companies may have had facilities at a port, now only two may be represented with the other two leasing capacity.

This rationalising within the industry is continuing, culminating with Shell selling and completely exiting its retail operations in New Zealand and reports of further oil majors also looking to exit New Zealand in search of growth markets.

Obviously the Shell business was deemed an attractive investment for the company's shareholders and the first six months of Greenstone's operations support that. However, historically the industry has delivered rates of return of between six and eight per cent, which is commercially unacceptable. Greenstone is committed to delivering much better returns, which will also be required to enable the investment which is required in the country's fuel infrastructure.

TOP LEFT: TANKS BEING LOWERED INTO POSITION AT A NEW RETAIL SERVICE STATION.

LEFT: MARSDEN POINT REFINERY.

TOP RIGHT: SIGNING OF THE CONTRACT TO REPLACE ALL POINT OF SALE SYSTEMS.

RIGHT: OPENING OF A NEW $3m SERVICE STATION AT BETHLEHAM.

Greenstone management see a number of opportunities to achieve growth in returns. There are efficiencies and cost savings which are already being gained through not being subject to rigid international models of operation, and in the absence of active investors in the industry, there are growth development opportunities across the commercial and retail sectors, as well as through the supply chain, which Greenstone will continue to focus on.

INVESTMENT IN SERVICE STATIONS AND TRUCK STOPS

The opportunities for growth are illustrated by Greenstone's expansion of its retail and truck stop network. Since 1 April 2010, Greenstone has instigated the construction of three brand new retail service stations and two truck stops. The company has development plans for further retail assets in 2011.

As an example of a growth opportunity, Greenstone's first development was a $3 million service station at Bethlehem near Tauranga.

Located in a rapidly growing area that was not serviced by a retail service station, Greenstone secured this site through being able to make a swift decision locally.

The average volume across the New Zealand industry is around 2.5 million litres of fuel pumped through a retail service station. Greenstone's retail network is strong and efficient, pumping an average of around five million litres per annum. The Bethlehem development, which was opened in October, is already pumping an equivalent of eight million litres per annum after just three months of operation.

Greenstone remains focused on identifying and executing similar high value developments.

FUEL PRICES

As the world emerges from the Global Financial Crisis and economic growth resumes, so too has demand for fuel and oil. This is particularly true for the emerging economies of China and India.

Over the last quarter of 2010, the price of oil rose steadily to almost US$100 per barrel. With higher international fuel prices most of the world, including New Zealand, has seen corresponding increases in fuel prices.

The challenge for Greenstone in a higher priced fuel market is to continue to deliver value for customers and to be transparent as to the reasons why prices have increased.

FINANCIAL PERFORMANCE

For the six months to 30 September 2010 Greenstone's earnings were $100 million, against $71 million for the comparable period in 2009[1].

Earnings are before interest, tax, depreciation and fair value adjustments measured on a current cost basis. The earnings include the contribution from the Company's 17 per cent shareholding in the New Zealand Refining Company.

The net surplus attributable to shareholders was $26 million.

The below table summarises key financial data for the six months to 30 September 2010 and 12 months to 31 December 2009.

	30 September 2010 6 months	31 December 2009 12 months
Revenue	$1,240m	$2,152m
Gross Margin	$213m	$368m
Operating Costs	($122m)	($230m)
Operating EBITDAF	$91m	$138m
NZRC Contribution	$9m	$3m
Earning EBITDAF[2]	**$100m**	**$141m**
Stock Value Adjustment	($19m)	$38m
Earning EBITDAF[3]	**$81m**	**$179m**
Bank and Bond Interest	($15m)	N/A[4]
Tax	($27m)	N/A[4]
Depreciation	($13m)	($25m)
Shareholder Surplus	$26m	N/A[4]

	30 September 2010	31 December 2009
Bond Debt	$147m	-
Term Bank Debt	$203m	-

An increased number of retail customer visits (up one per cent) helped drive the volume of fuel sold and the amount each client spent in retail stores increased almost four per cent from the year before.

Investment of over $8 million in three new service stations and one truck stop is also helping drive revenue and volume.

Gross margin increased due to fuel margin improving from previously low levels (by almost two cents per litre) and higher refinery processing margins.

Operating costs have been kept under control with better use of infrastructure, more efficient procurement, contracting and systems upgrades. A further $12 million has been invested in new IT infrastructure to improve service delivery.

1. Figures are unaudited. Greenstone Energy has a 31 March financial year end where Shell had a 31 December year end.
2. Calculated on current cost of sales methodology (industry measure).
3. Calculated on historic cost methodology.
4. No comparable numbers.

OPERATING PERFORMANCE

Overall fuel volumes grew four per cent relative to the same period in 2009. The following table shows sales and other key operating variables relative to comparatives for the full year to 31 December 2009.

	30 September 2010 6 Months	31 December 2009 12 months
Market Share	31.1%	29.6%
Sales (litres)	1,244m	2,508m
Average Crude Price	NZ$107/bbl	NZ$95/bbl
Sourced from Refinery	71%	70%
Av. Refinery Margin	US$6.40/bbl	US$5.17/bbl
Distributed to Retail	49%	50%
Average Site Volume (litres)	5.7m	5.2m
Inventory (litres)	461m	428m

FEEDBACK PLEASE

FEEL FREE TO GET IN TOUCH WITH US AND SHARE ANY THOUGHTS, COMMENTS OR OBSERVATIONS. IN PARTICULAR, AS AN INVESTOR IN OUR BUSINESS, WE WANT TO KNOW WHAT FURTHER INFORMATION YOU MIGHT LIKE.

1. EMAIL US AT YOURVIEWS@GREENSTONEENERGY.CO.NZ

2. CALL GREENSTONE'S CORPORATE COMMUNICATIONS MANAGER DIRECTLY ON 04 498 0212

3. OR, IF YOU PREFER, YOU CAN ENGAGE WITH US THROUGH FACEBOOK AT WWW.FACEBOOK.COM/GREENSTONEENERGY

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