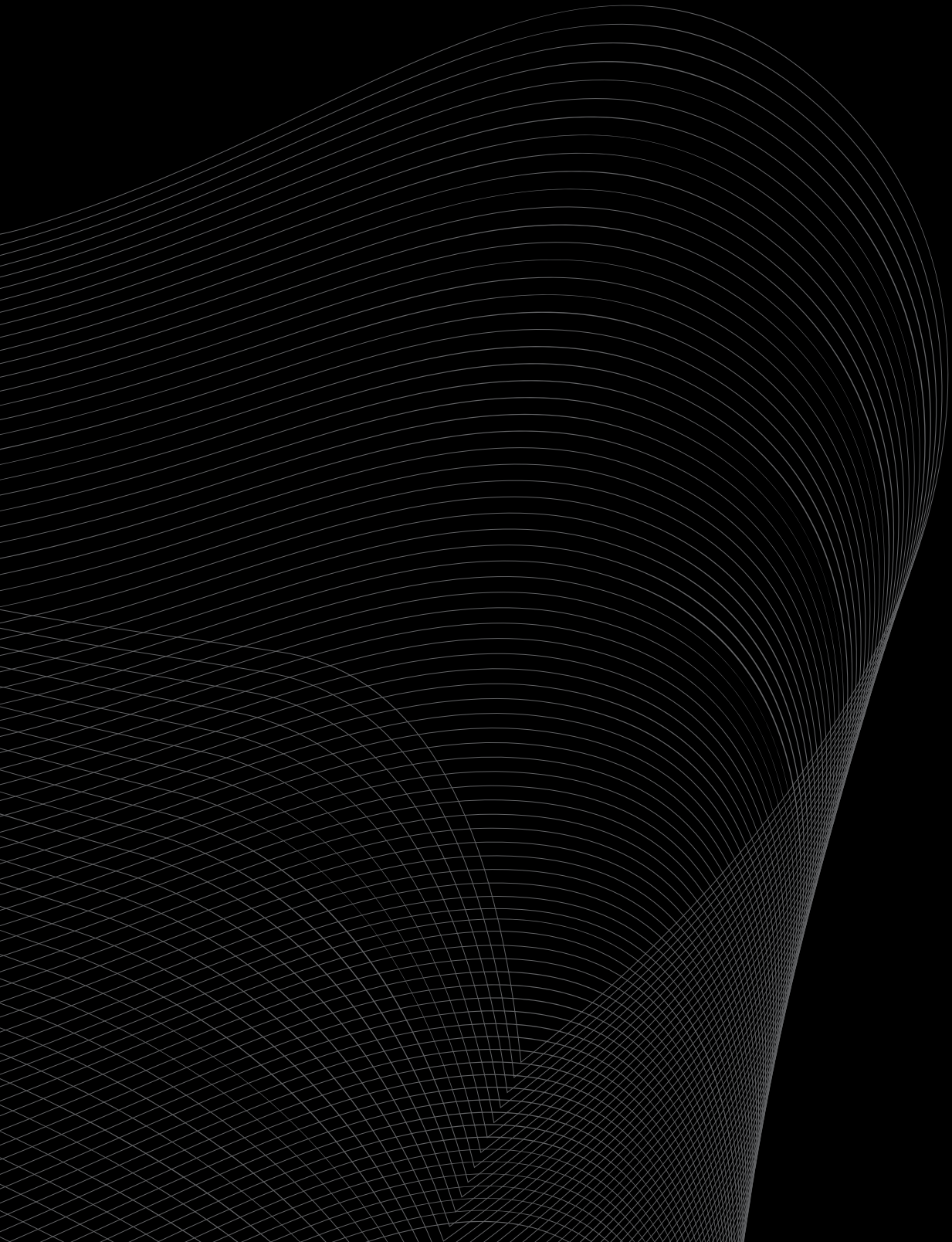

NEW ZEALAND
OIL & GAS
/
INTERIM
REPORT
2015

WHY WE EXPLORE





Interim Report 2015



04 Overview

06 Reserves and Production

08 CEO's Review

Andrew Knight, Chief Executive

10 Permit Progress

12 Permits

13 Permit Maps

15 Condensed Interim
Financial Statements

Condensed Statement
of Comprehensive Income **16**

Condensed Statement
of Financial Position **17**

Condensed Statement
of Changes in Equity **18**

Condensed Statement
of Cash Flows **20**

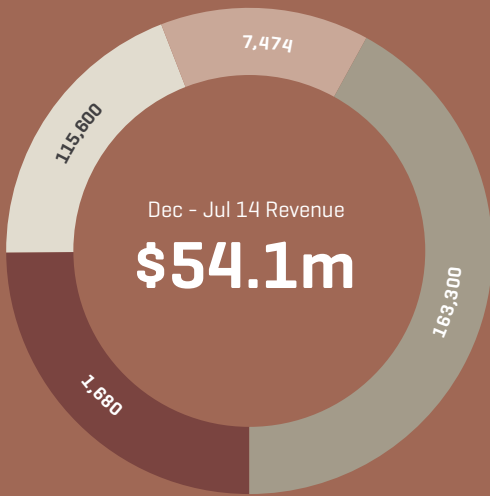
Notes to the Condensed Interim
Financial Statements **22**

29 Independent
Auditor's Report

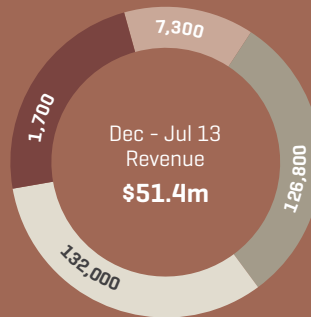
30 Corporate Directory

Overview

Sales revenue was **\$54.1 million** up 5.2%*



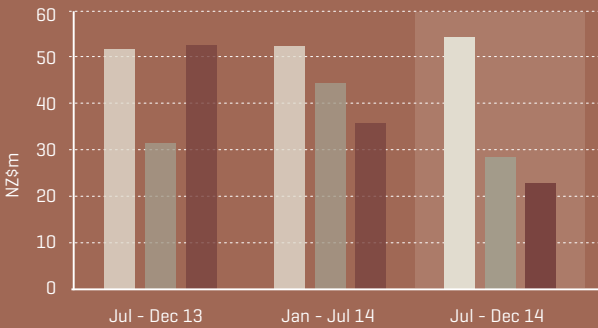
This increase reflected a 19% increase in volumes, which has been largely offset by lower oil prices.



- Kupe Gas [terajoules]
- Kupe Oil [barrels]
- Kupe LPG [tonnes]
- Tui Oil [barrels]

*compared to Jul-Dec 2013

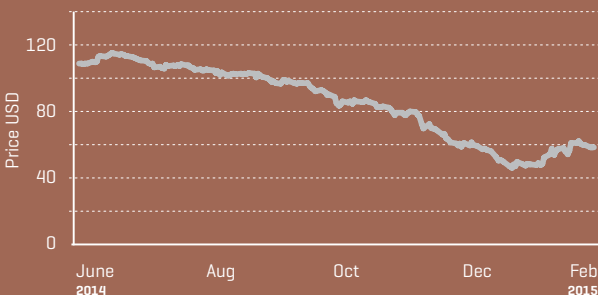
Cash from operations **\$22.7 million**



Down from \$52.3 million in July-December the previous year, due to the timing of shipments and receipts, and the effect of an insurance settlement. Gross margin was lower because the higher share of Tui increased production costs, and the lower New Zealand dollar. Despite lower oil prices, cashflows remain positive.

- Revenues
- EBITDAX
- Cash from Operations

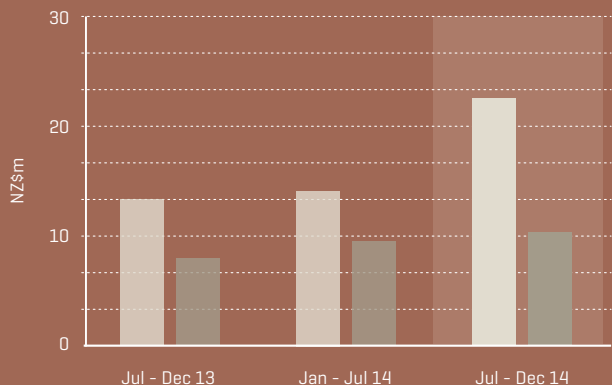
The average oil price realised in the six months was **NZ\$97.41**



This was down 28% on last year.

- Brent Oil Price [USD]

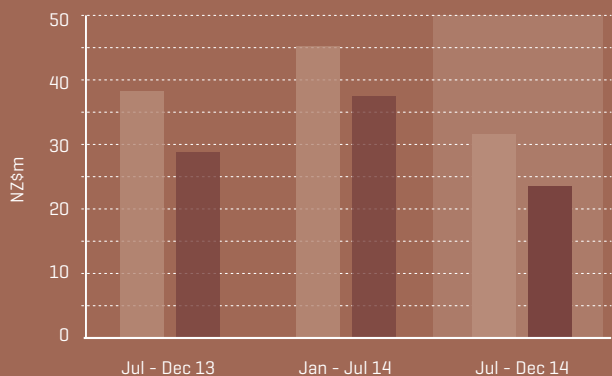
Tui Revenue was \$22.7 million



This was an increase of 69% compared to July-December the previous year, mainly as a result of the timing of shipments and an increased share of the Tui asset from 12.5% to 27.5%, which was only partly reflected in the previous period.

● Tui Revenue ● Tui EBITDAX

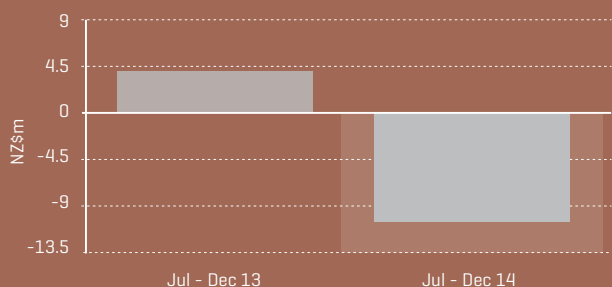
Kupe Revenue was \$31.4 million



This compared to \$38 million in July-December the previous year. This decrease of 17% was driven by lower oil price.

● Kupe Revenue ● Kupe EBITDAX

NPAT -\$10.5 million



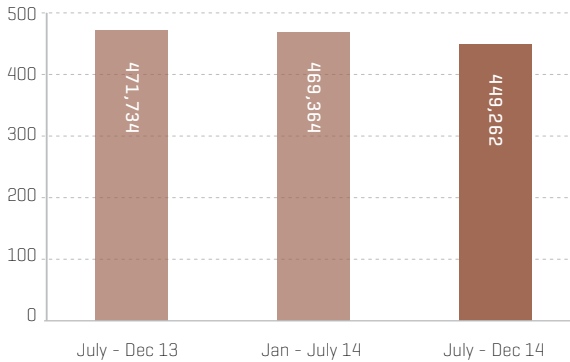
Down from a \$4 million net profit after tax in the same period a year ago, as a result of writing down the book value of Tui by \$13.1 million.

● NPAT [Net Profit After Tax]

Reserves & Production

Kupe production is steady

Total Kupe Production - New Zealand Oil & Gas Share
(000s - Barrels of Oil Equivalent**)

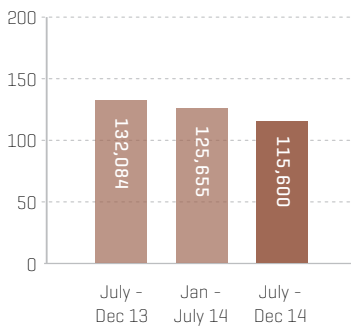


15% NEW ZEALAND OIL & GAS

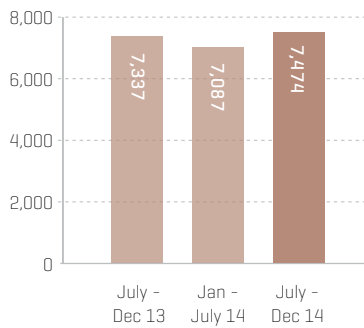
- 50% Origin Energy (Operator)
- 31% Genesis Energy
- 4% Mitsui

Kupe is a gas and light oil/condensate field that lies in the offshore Taranaki basin, New Zealand, approximately 30 kilometres off the coast in water depth of about 35 metres. Production from the field commenced on 4 December 2009. New Zealand Oil & Gas has a 15 per cent interest in Kupe.

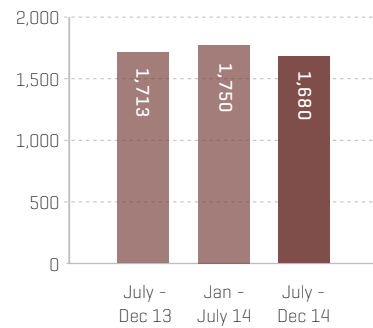
Oil & Condensate (000s barrels)



LPG (tonnes)

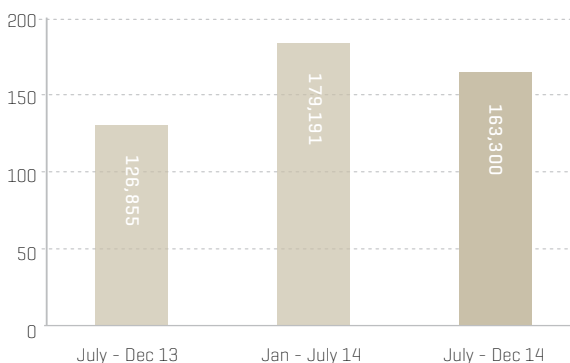


Natural Gas (terajoules)



Tui production shows effect of increased share

Total Production BOE (New Zealand Oil & Gas share - Barrels)

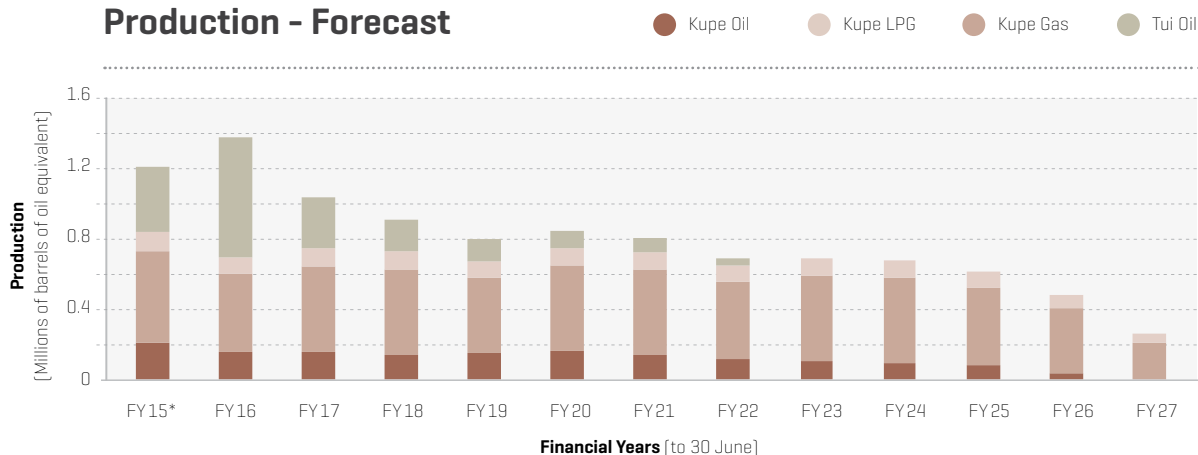


27.5% NEW ZEALAND OIL & GAS

- 57.5% AWE (Operator)
- 15% Pan Pacific Petroleum

Tui was New Zealand's first stand-alone offshore oil development. The Tui area oil fields are located in the offshore Taranaki basin, New Zealand, about 50 kilometres off the coast in water depth of about 120 metres. Production began on 30 July 2007. New Zealand Oil & Gas is a 27.5 per cent partner in Tui.

Production - Forecast



Total Reserves

	As at 31 Dec 2014	As at 31 Dec 2013
Oil & Condensate (million barrels)	9.8	10.5

Kupe Reserves

	As at 31 Dec 2014	As at 31 Dec 2013
Condensate (million barrels)	1.5	1.7
Natural Gas (petajoules)	35.2	37.0
LPG (kilotonnes)	150.1	157.8
Million Barrels of Oil Equivalent**	8.1	9.0

Tui Reserves

	As at 31 Dec 2014	As at 31 Dec 2013
Oil (million barrels)	1.7	1.5

* FY15 includes actual production for period July 14 to Dec 14.

** 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, as provided below. Conversion factors used were: 163.40 barrels of oil equivalent per terajoule of natural gas, 8.15 barrels of oil equivalent per tonne of LPG.

Proven reserves (1P) are the estimated quantities of oil and gas which the geological and engineering data demonstrate with reasonable certainty (90% chance) to be recoverable in future years from known reservoirs, under existing economic and operation conditions. Probable reserves (2P) are those additional reserves which are as likely as not (50% chance) to be technically and economically producible. Reserves for Kupe and Tui have been evaluated immediately prior to the point of sale using deterministic methods based on operator supplied well performance and sales data.

Oil and gas reserves are reported as at 31 December 2013. This reserves Statement has been compiled by New Zealand Oil & Gas Vice-President Operations and Engineering Andrew Jefferies BEng (Mech Hons), Msc Pet.Eng., MBA, a Society of Petroleum Engineers Certified Petroleum Engineer with over 23 years of industry experience, and accurately reflects the most current information - at the reporting date - supplied by the respective joint venture operators.

CEO's Report

Since our annual report was sent to you six months ago we have returned capital to shareholders, refined the strategy for the company, and responded to challenging external conditions where the oil price has been much lower than we have been used to in recent years.

The current market conditions and the issues being experienced by some segments of the industry present both challenges and valuable opportunities. We enter this phase with a sound balance sheet and strong, positive cashflows.

Our strategy sees growth initiatives in the portfolio being pursued through acquisition, maximising value from existing fields and - to a lesser extent than previously - exploration.

We believe that the current exploration portfolio provides a good balance of exposure to different technical and commercial risk profiles.

Our focus in 2015 is to make the most of opportunities that are being presented by current industry conditions.

Over \$63 million was distributed to shareholders in February following overwhelming approval at a special meeting in December 2014. The basis of the capital return was that we seek to manage an efficient capital structure and that we expect that we have sufficient cash and future cashflow to cover the expected cash requirements.

There remains sufficient cash on the balance sheet, and this will increase when the Pateke-4H well is connected into Tui for production late in the current financial year.

We are also spending less cash by pulling back on exploration expenses because the current oil price affects the economics of potential prospects and - with fewer potential partners around in tighter conditions - current market conditions are presenting opportunities to use some of our capital to acquire oil that is already being produced.

We have been screening quality petroleum companies and assets looking for opportunities where an investment can be made at value, where assets are in territories we understand and with sufficient scale to be material.

Shortly before Christmas we took a stake in the first acquisition target, ASX-listed Cue Energy. We have now moved to a full takeover offer, although we would be comfortable with the level of influence we could achieve if we secure 30 per cent of it.

I expect other opportunities to become available this year as a result of the effect the oil price is having on cashflows and projects across the industry.

The declining oil price affected our Tui asset, and we wrote down its book value by \$13 million. This resulted in a net loss for the six months of \$10 million, compared to a net profit after tax last year of \$4 million.

However, our other major asset, Kupe, generates 75% of its volumes in gas and LPG, where pricing has been largely unaffected by the oil price decline.

So, despite the effects of lower oil prices, the underlying business is sound with positive cash flows from a quality asset mix.

Looking ahead, the business's performance is fundamentally sound and stable.

I expect gas sales volumes and prices to sustain revenues and the extra revenue from Pateke-4H will offset some of the oil price decline.

The portfolio contains some promising prospects. The most exciting news came from work done to assess the ongoing performance of the Kupe field. The tests by the Kupe operator, Origin Energy, were completed in January.

Early results were positive with increased gas and condensate rates and wellhead pressures, suggesting more resource may be recoverable than previously forecast. Origin have advised that they expect to have the analysis of these results completed around mid year.

Meanwhile, we are looking at the potential for further development in the Kupe field.

The company will continue to pursue these promising opportunities while our gas contracts provide steady revenue. We will respond to current conditions by being cost effective and looking for asset acquisitions where we can see value.

I look forward to reporting to you favourably on the successful outcome of this work.



Andrew Knight
Chief Executive



Permit Progress

PRODUCING ASSETS

Taranaki

KUPE
15%

PRODUCING

Work is underway to assess further development opportunities

TUI
27.5%

PRODUCING

Pateke-4H production expected to begin in April 2015

EVALUATION

SEISMIC

FURTHER EVALUATION

DRILLING

APPRAISAL

DEVELOPMENT

VULCAN
30%

SEISMIC SURVEY

3D Seismic underway early 2015

MATUKU
12.5%

FURTHER EVALUATION

3D Seismic Processing

WARU
100%

SEISMIC SURVEY COMPLETED

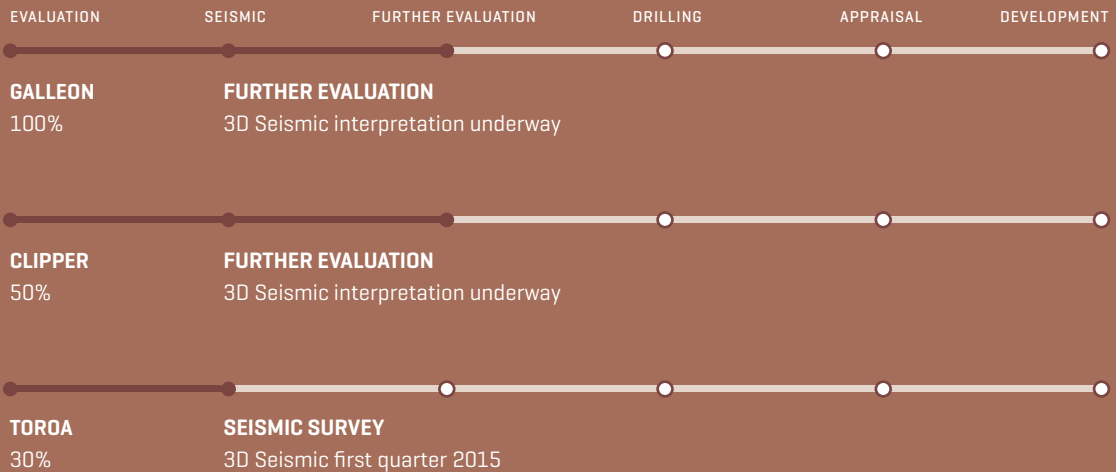
2D Seismic Interpretation

KAHERU
35%

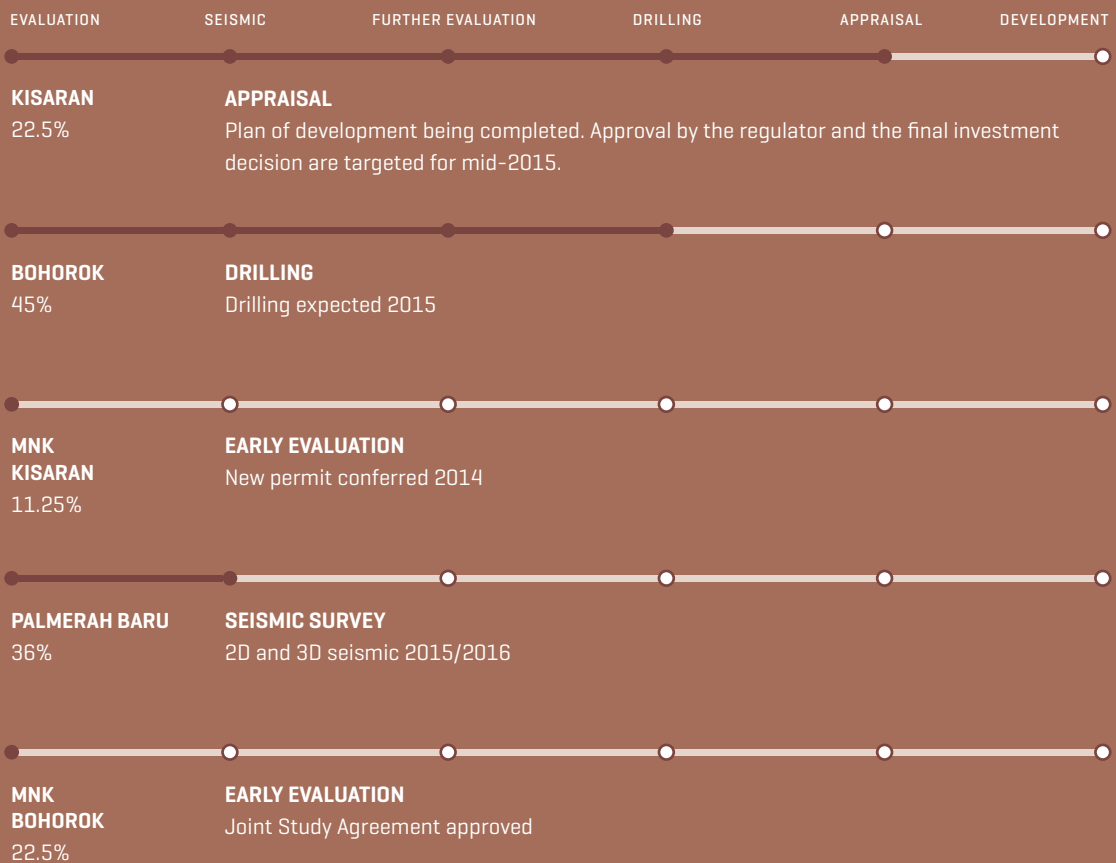
DRILLING

Planning for drilling underway

Canterbury-Great South Basin



Indonesia



Permits

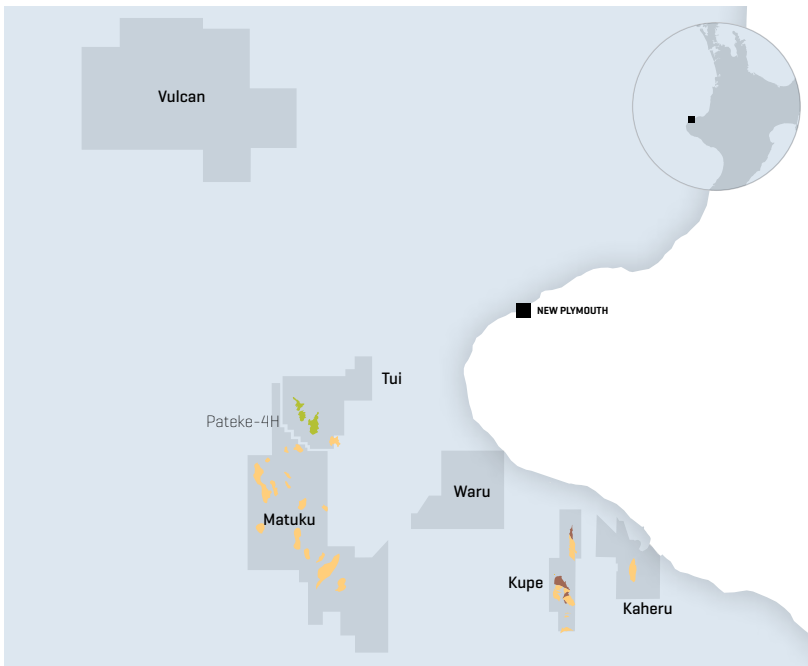
New Zealand Oil & Gas held the following oil and gas production, appraisal, exploration and evaluation interests as at 31 December 2014:

Name	Region	Type	New Zealand Oil & Gas Stake
Kupe PML 38146	Taranaki Basin, New Zealand	Mining Licence	15%
Tui PMP 38158	Taranaki Basin, New Zealand	Mining Permit	27.5%
Matuku PEP 51906	Taranaki Basin, New Zealand	Exploration Permit	12.5%
Kaheru PEP 52181	Taranaki Basin, New Zealand	Exploration Permit	35%
Waru PEP 54857	Taranaki Basin, New Zealand	Exploration Permit	100% Operator
Clipper PEP 52717	Canterbury Basin, New Zealand	Exploration Permit	50% Operator
Galleon PEP 55792	Canterbury Basin, New Zealand	Exploration Permit	100% Operator
Vulcan PEP 55793	Taranaki Basin, New Zealand	Exploration Permit	30%
Toroa PEP 55794	Great South Basin, New Zealand	Exploration Permit	30%
MNK Bohorok	Indonesia	Joint Study Agreement*	20.25%
MNK Kisanan	Indonesia	Exploration Permit	11.25%
Bohorok PSC	Indonesia	Production Sharing Contract	45%
Kisanan PSC	Indonesia	Production Sharing Contract	22.5%
Palmerah Baru PSC	Indonesia	Production Sharing Contract	36%

These permits were relinquished in 2014:

Takapou, and Taranaga permits offshore Taranaki, New Zealand;
 Manaia permit, onshore Taranaki, New Zealand;
 Diodore, offshore Tunisia.

* Award of the MNK Bohorok Joint Study Agreement was announced in 2014, and formally confirmed in early 2015.



OFFSHORE TARANAKI BASIN
NEW PLYMOUTH

Vulcan [PEP 55793]
30% New Zealand Oil & Gas

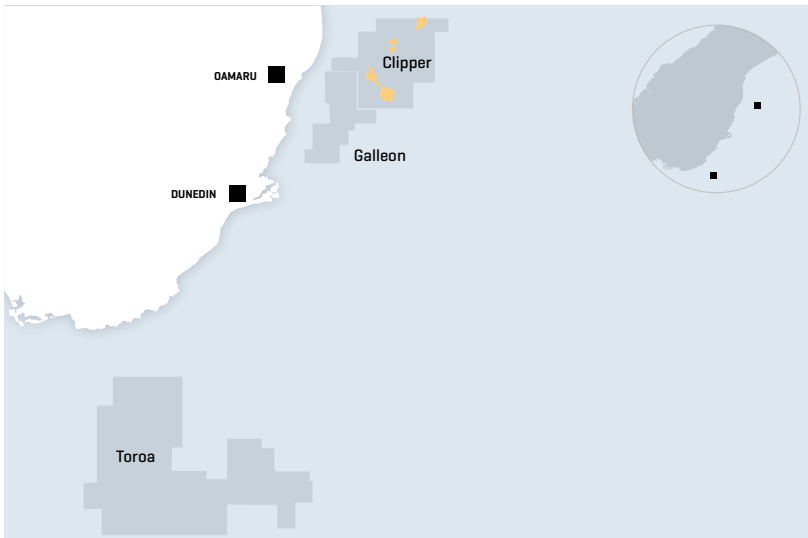
Matuku [PEP 51906]
12.5% New Zealand Oil & Gas

Tui [PMP 38158]
27.5% New Zealand Oil & Gas

Kaheru [PEP 52181]
35% New Zealand Oil & Gas

Waru [PEP 54857]
100% New Zealand Oil & Gas

Kupe [PML 38146]
15% New Zealand Oil & Gas



OFFSHORE CANTERBURY - GREAT SOUTH BASIN
CANTERBURY

Clipper [PEP 52717]
50% New Zealand Oil & Gas

Galleon [PEP 55792]
100% New Zealand Oil & Gas

Toroa [PEP 55794]
30% New Zealand Oil & Gas



INDONESIA

Bohorok Production Sharing Contract
45% New Zealand Oil & Gas

MNK Bohorok
20.25% New Zealand Oil & Gas

Kisan Production Sharing Contract
22.5% New Zealand Oil & Gas

MNK Kisan Production Sharing Contract
11.25% New Zealand Oil & Gas

Palmerah Baru Production Sharing Contract
36% New Zealand Oil & Gas

● Gas ● Oil ■ Permits ● Prospects & Leads



Condensed Interim Financial Statements

For the half year ended 31 December 2014

The condensed interim financial statements of
New Zealand Oil & Gas Limited, presented on pages
16 to 28, are approved for and on behalf of the Board:



P W Griffiths
Chairman
17 February 2015



M Tume
Director
17 February 2015

Condensed Statement of Comprehensive Income

For the half year ended 31 December 2014

	Notes	Unaudited Half Year 31 December 2014 \$'000	Unaudited Half Year 31 December 2013 \$'000	Audited Full Year 30 June 2014 \$'000
Revenue	3	54,092	51,419	103,622
Operating costs	4	(33,195)	(24,706)	(47,733)
Gross profit		20,897	26,713	55,889
Other income		1,316	171	11,758
Exploration and evaluation costs expensed	6	(13,461)	(12,553)	(29,529)
Asset impairment	7	(13,116)	-	-
Other expenses		(6,639)	(4,510)	(10,638)
Results from operating activities		(11,003)	9,821	27,480
Finance costs		(980)	(2,770)	(6,566)
Finance income	8	3,824	2,568	4,200
Net finance income/(costs)		2,844	(202)	(2,366)
(Loss)/profit before income tax and royalties		(8,159)	9,619	25,114
Income tax credit/(expense)	9	975	(1,201)	(7,310)
Royalties expense		(3,284)	(4,415)	(7,726)
Net (loss)/profit for the period		(10,468)	4,003	10,078
Other comprehensive income:				
Items that will not be reclassified to profit and loss				
Fair value (loss)/gain through other comprehensive income		(5,172)	480	(2,091)
Items that may be classified to profit and loss				
Foreign currency translation differences		10,768	(2,537)	(6,770)
Other comprehensive income/(loss) for the period, net of tax		5,596	(2,057)	(8,861)
Total comprehensive (loss)/income for the period, net of tax		(4,872)	1,946	1,217
Basic earnings per share attributable to shareholders		(2.5)	1.0	2.4
Net tangible asset backing per share (cents)		76	84	81

The above condensed statement of income should be read in conjunction with the accompanying notes on pages 22 to 28

Condensed Statement of of Financial Position

As at 31 December 2014

	Notes	Unaudited Half Year 31 December 2014 \$'000	Unaudited Half Year 31 December 2013 \$'000	Audited Full Year 30 June 2014 \$'000
ASSETS				
Current assets				
Cash and cash equivalents		115,177	164,211	135,075
Receivables and prepayments		30,160	9,998	27,102
Inventories		3,196	2,019	6,930
Current tax receivables		8,234	1,502	1,752
Total current assets		156,767	177,730	170,859
Non current assets				
Evaluation and exploration assets	6	51,744	54,959	54,927
Oil and gas assets	7	210,143	201,550	223,801
Plant, property and equipment		409	865	1,095
Intangible assets		1,651	242	724
Other financial assets	8	20,388	12,239	9,842
Total non current assets		284,335	269,855	290,389
Total assets		441,102	447,585	461,248
LIABILITIES				
Current liabilities				
Payables		19,798	16,436	32,349
Other current liabilities		-	-	304
Total current liabilities		19,798	16,436	32,653
Non current liabilities				
Borrowings		902	545	776
Restoration and rehabilitation provision		48,224	39,950	41,173
Deferred tax liability		43,462	38,355	44,507
Total non current liabilities		92,588	78,850	86,456
Total liabilities		112,386	95,286	119,109
Net assets		328,716	352,299	342,139
EQUITY				
Share capital		381,572	374,556	377,662
Reserves		(19,938)	(18,507)	(25,566)
Retained earnings		(32,918)	(3,750)	(9,957)
Total equity		328,716	352,299	342,139

The above condensed statement of financial position should be read in conjunction with the accompanying notes on pages 22 to 28

Condensed Statement of Changes in Equity

For the half year ended 31 December 2014

	Attributable to equity holders of New Zealand Oil & Gas Limited			
	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 1 July 2013	370,711	[16,539]	3,822	357,994
Comprehensive income				
Profit for the period	-	-	4,003	4,003
Other comprehensive income, net of tax				
Fair value gain through other comprehensive income	-	480	-	480
Foreign currency translation differences	-	[2,537]	-	[2,537]
Total comprehensive income	-	[2,057]	4,003	1,946
Transactions with owners				
Shares issued	3,845	-	-	3,845
Share based payment	-	107	-	107
Transfer of expired share based payments during the period	-	[18]	18	-
Dividend paid [3 cents per ordinary share]	-	-	[11,593]	[11,593]
Supplementary dividend	-	-	[1,246]	[1,246]
Foreign investor tax credit	-	-	1,246	1,246
Unaudited balance as at 31 December 2013	374,556	[18,507]	[3,750]	352,299
Balance as at 1 January 2014	374,556	[18,507]	[3,750]	352,299
Comprehensive income				
Profit for the period	-	-	6,075	6,075
Other comprehensive income, net of tax				
Fair value loss through other comprehensive income	-	[2,571]	-	[2,571]
Foreign currency translation differences	-	[4,233]	-	[4,233]
Total comprehensive income	-	[6,804]	6,075	[729]
Transactions with owners				
Shares issued	3,106	-	-	3,106
Share based payment	-	47	-	47
Transfer of expired share based payments during the period	-	[302]	302	-
Dividend paid [3 cents per ordinary share]	-	-	[12,584]	[12,584]
Supplementary dividend	-	-	223	223
Foreign investor tax credit	-	-	[223]	[223]
Audited balance as at 30 June 2014	377,662	[25,566]	[9,957]	342,139

Condensed Statement of
Changes in Equity (continued)
For the half year ended 31 December 2014

	Attributable to equity holders of New Zealand Oil & Gas Limited			
	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 1 July 2014	377,662	[25,566]	[9,957]	342,139
Comprehensive income				
Loss for the period	-	-	[10,468]	[10,468]
Other comprehensive income, net of tax				
Fair value loss through other comprehensive income	-	[5,172]	-	[5,172]
Foreign currency translation differences	-	10,768	-	10,768
Total comprehensive income	-	5,596	[10,468]	[4,872]
Transactions with owners				
Shares issued	3,910	-	-	3,910
Share based payment	-	32	-	32
Transfer of expired share based payments during the year	-	-	-	-
Dividends paid [3 cents per ordinary share]	-	-	[12,493]	[12,493]
Supplementary dividend	-	-	-	-
Foreign investor tax credit	-	-	-	-
Unaudited balance as at 31 December 2014	381,572	[19,938]	[32,918]	328,716

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes on pages 22 to 28

Condensed Statement of Cash Flows

For the half year ended 31 December 2014

	Notes	Unaudited Half Year 31 December 2014 \$'000	Unaudited Half Year 31 December 2013 \$'000	Audited Full Year 30 June 2014 \$'000
Cash flows from operating activities				
Receipts from customers		53,490	63,035	108,560
Interest received		2,140	1,889	4,170
Insurance proceeds received		-	9,000	-
Other revenue		-	120	9,992
Production expenditure		(13,642)	(8,031)	(19,574)
Payments to suppliers and employees (inclusive of GST)		(8,968)	(5,579)	(2,198)
Interest paid		(10)	-	-
Income taxes paid		(6,535)	(2,001)	(2,510)
Royalties		(3,764)	(6,159)	(10,487)
Net cash inflow/(outflow) from operating activities		22,711	52,274	87,953
Cash flows from investing activities				
Exploration and evaluation expenditure		(18,359)	(23,747)	(74,883)
Oil and gas asset expenditure		(5,343)	(1,356)	(1,384)
Refund/(deposit) of performance bond		-	(465)	(1,097)
Purchase of oil and gas interest		-	(7,733)	(7,733)
Purchase of property, plant and equipment		(448)	(462)	(1,486)
Purchase of available for sale investments		(14,718)	-	-
Other		(159)	-	-
Net cash (outflow)/inflow from investing activities		(39,027)	(33,763)	(86,583)
Cash flows from financing activities				
Issues of shares		37	437	20
Proceeds from sale of forfeited shares		274	-	506
Repayment of borrowings		-	-	-
Dividends paid		(8,894)	(9,432)	(18,776)
Other		-	-	(1)
Net cash (outflow)/inflow from financing activities		(8,583)	(8,995)	(18,251)
Net (decrease)/increase in cash and cash equivalents		(24,899)	9,516	(16,881)
Cash and cash equivalents at the beginning of the period		135,075	158,018	158,018
Effects of exchange rate changes on cash and cash equivalents		5,001	(3,323)	(6,062)
Cash and cash equivalents at end of the period		115,177	164,211	135,075

Condensed Statement
of Cash Flows (continued)

For the half year ended 31 December 2014

Reconciliation of profit for the period to net cash flows from operating activities

	Unaudited Half Year 31 December 2014 \$'000	Unaudited Half Year 31 December 2013 \$'000	Audited Full Year 30 June 2014 \$'000
(Loss)/profit for the period	[10,468]	4,003	10,078
Depreciation and amortisation	14,659	13,455	28,563
Deferred Tax	[1,045]	1,201	7,401
Exploration expenditure and asset impairment	26,577	12,553	30,036
Share based payment expense	32	107	154
Net foreign exchange differences	[770]	2,417	4,438
Other	2,143	628	1,763
Change in operating assets and liabilities			
(Decrease)/increase in trade debtors	[431]	14,397	5,526
(Decrease)/increase in trade creditors	[1,504]	3,513	8,998
(Decrease)/increase in inventory	-	-	[5,490]
(Decrease)/increase in tax payable	[6,482]	-	[3,514]
Net cash inflow from operating activities	22,711	52,274	87,953

Notes to the Condensed Interim Financial Statements

For the half year ended 31 December 2014

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 for the purposes of the Financial Reporting Act 2013 and Financial Markets Conduct Act 2013.

The condensed interim financial statements (hereafter referred to as the “financial statements”) presented herewith as at and for the half year ended 31 December 2014 comprise the Company and its subsidiaries and the Group’s interest in associates and jointly controlled entities (together referred to as the “Group”).

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 2014.

These financial statements have been approved for issue by the Board of Directors on 17 February 2015.

2. Summary of significant accounting policies

This condensed interim financial information for the half year ended 31 December 2014 has been prepared in accordance with New Zealand Generally Accepted Accounting Practices (NZ GAAP) and the NZ IAS 34 Interim Financial Reporting, as appropriate for profit oriented entities.

Foreign currency translation reserve

Some of the subsidiaries of the Group have USD functional currencies that are different to the presentation currency. Upon translation to presentation currency these give rise to foreign exchange differences which are recognised as a component of equity.

Changes in accounting policies

There have been no changes in accounting policies during the current year. The adoption of the accounting standards effective during the period have not resulted in a significant change to the Group accounting policies from prior years. All other accounting policies have been applied on a basis consistent with the prior year.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2014.

Notes to the Condensed Interim
Financial Statements (continued)
For the half year ended 31 December 2014

3. Segment information

UNAUDITED Half year to 31 December 2014	Oil & Gas Tui \$'000	Oil & Gas Kupe \$'000	Oil & Gas Exploration \$'000	Other & Unallocated \$'000	Total \$'000
Sales to external customers – NZ	-	20,963	-	-	20,963
Sales to external customers – other countries	22,659	10,470	-	-	33,129
Total sales revenue	22,659	31,433	-	-	54,092
Other income	-	1,179	-	137	1,316
Total revenue and other income	22,659	32,612	-	137	55,408
Impairment of oil and gas assets	[13,116]	-	-	-	[13,116]
Segment result	[7,115]	15,241	[13,242]	[5,887]	[11,003]
Reversal of impairment on other financial assets	-	-	-	1,700	1,700
Other reconciling items – other net finance costs					1,144
Loss before income tax and royalties					[8,159]
Income tax and royalties expense					[2,309]
Loss for the period					[10,468]
Segment assets	58,016	152,127	51,744	17,722	279,609
Other reconciling items					161,493
Total assets					441,102
Included in segment results: Depreciation and amortisation expense	3,902	10,549	-	208	14,659

Notes to the Condensed Interim
Financial Statements (continued)

For the half year ended 31 December 2014

3. Segment information (continued)

UNAUDITED Half year to 31 December 2013	Oil & Gas Tui \$'000	Oil & Gas Kupe \$'000	Oil & Gas Exploration \$'000	Other & Unallocated \$'000	Total \$'000
Sales to external customers – NZ	-	21,692	-	-	21,692
Sales to external customers – other countries	13,385	16,342	-	-	29,727
Total sales revenue	13,385	38,034	-	-	51,419
Other income	-	45	-	126	171
Total revenue and other income	13,385	38,079	-	126	51,590
Segment result	6,937	19,826	[12,553]	[4,389]	9,821
Other reconciling items – other net finance costs					[202]
Profit before income tax and royalties					9,619
Income tax and royalties expense					[5,616]
Profit for the period					4,003
Segment assets	31,510	170,040	54,959	10,412	266,921
Other reconciling items					180,664
Total assets					447,585
Included in segment results: Depreciation and amortisation expense	2,459	10,913	-	83	13,455
AUDITED Full year to 30 June 2014	Oil & Gas Tui \$'000	Oil & Gas Kupe \$'000	Oil & Gas Exploration \$'000	Other & Unallocated \$'000	Total \$'000
Sales to external customers – NZ	-	46,615	-	-	46,615
Sales to external customers – other countries	27,700	32,307	-	-	60,007
Total sales revenue	27,700	75,922	-	-	103,622
Other income	139	10,720	-	899	11,758
Total revenue and other income	27,839	86,642	-	899	115,380
Segment result	14,752	51,585	[29,529]	[9,328]	27,480
Other reconciling items – other net finance costs					[2,366]
Profit before income tax and royalties					25,114
Income tax and royalties expense					[15,036]
Profit for the year					10,078
Segment assets	64,351	159,450	54,927	7,437	286,165
Other reconciling items					175,083
Total assets					461,248
Included in segment results: Depreciation and amortisation expense	6,249	21,924	-	390	28,563

Notes to the Condensed Interim
Financial Statements (continued)
For the half year ended 31 December 2014

4. Operating costs

	Unaudited Half Year 31 December 2014 \$'000	Unaudited Half Year 31 December 2013 \$'000	Audited Full Year 30 June 2014 \$'000
Production expenditure	12,721	9,997	22,669
Amortisation of production asset	14,451	13,372	27,935
Carbon emission expenditure	13	13	33
Insurance expenditure	1,081	932	1,772
Movement in inventory	4,600	(1,212)	(6,355)
Movement in stock over/(under) lift	329	1,604	1,679
Total operating costs	33,195	24,706	47,733

5. Oil and gas interests

	Unaudited Half Year 31 December 2014 \$'000	Unaudited Half Year 31 December 2013 \$'000	Audited Full Year 30 June 2014 \$'000
Share of oil and gas interests' assets and liabilities			
Current assets			
Cash and cash equivalents	9,370	9,936	7,527
Trade receivables *	2,082	636	3,848
Inventory	465	2,008	581
Non current assets			
Petroleum interests **	431,005	393,025	426,480
Total assets	442,922	405,605	438,436
Current liabilities			
Short-term liabilities	8,760	9,708	17,410
Total liabilities	8,760	9,708	17,410
Net assets	434,162	395,897	421,026
Share of oil and gas interests' revenue, expenses and results			
Revenues *	179	33	218
Expenses	(11,706)	(19,579)	(19,410)
Profit before income tax	(11,527)	(19,546)	(19,192)

* Trade receivables and revenues above do not include petroleum sales in relation to the Tui and Kupe fields, as the Group's share of production volumes are transferred from the Joint Venture to wholly owned subsidiaries and invoiced directly by the subsidiaries to third parties.

** Prior to amortisation of production assets and borrowings.

Notes to the Condensed Interim
Financial Statements (continued)

For the half year ended 31 December 2014

6. Exploration and evaluation assets

Exploration and evaluation expenditure costs capitalised represents an accumulation of costs incurred in relation to separate areas of interest for which rights of tenure are current and in respect of which: (i) Such costs are expected to be recouped through successful development of the area of interest, or alternatively, by its sale; or (ii) Exploration and/or evaluation activities in the area of interest 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, the areas of interest are continuing.

Capitalised exploration and evaluation expenditure are impaired and an impairment loss is recognised in the income statement 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. An area of interest is defined by the Group as being a permit area where rights of tenure are current.

Upon determining technical feasibility and commercial viability of an area of interest exploration and evaluation assets for the area of interest in question is transferred to development assets. No amortisation is provided for in respect of exploration and evaluation assets.

The recoverability of exploration and evaluation assets is contingent upon facts, such as technical success and commercial development, sale of the area of interest, the results of further exploration, agreements entered into with other parties, and also upon meeting commitments under the terms of permits granted and joint venture agreements.

Expenditure incurred prior to obtaining the rights of tenure in relation to separate areas of interest are expensed in the period in which they are incurred.

	Unaudited Half Year 31 December 2014 \$'000	Unaudited Half Year 31 December 2013 \$'000	Audited Full Year 30 June 2014 \$'000
Opening balance	54,927	44,480	44,480
Expenditure capitalised	7,799	24,327	81,292
Revaluation of USD exploration and evaluation assets	2,479	[1,295]	[4,393]
Expenditure written off*	[13,461]	[12,553]	[29,529]
Transfer of exploration and evaluation assets to development	-	-	[36,923]
Closing balance	51,744	54,959	54,927

* The expenditure written off during the year relates to the following relinquished permits:

PEP 52593 [Taranga]

PEP 53473 [Takapou]

Notes to the Condensed Interim
Financial Statements (continued)
For the half year ended 31 December 2014

7. Oil and gas assets

	Unaudited Half Year 31 December 2014 \$'000	Unaudited Half Year 31 December 2013 \$'000	Audited Full Year 30 June 2014 \$'000
Opening balance	223,801	198,634	198,634
Expenditure capitalised	4,239	6,707	8,796
Impairment*	(13,116)	-	(857)
Amortisation for the period	(14,432)	(13,372)	(27,935)
Depreciation for the period	(19)	-	(238)
Revaluation of USD production assets	7,596	(934)	(2,759)
Abandonment provision	2,074	10,515	11,237
Transfer from exploration and evaluation assets	-	-	36,923
Closing balance	210,143	201,550	223,801

*At 31 December 2014 the Group assessed each asset to determine whether an indicator of impairment existed. Indicators of impairment include changes in future selling prices, future costs and reserves. As a result, the recoverable amounts of oil and gas assets were estimated resulting in an impairment loss of \$13.1 million (31 December 2013: nil, 30 June 2014: nil) in relation to the Tui oil and gas asset. The associated impairment was included in Asset impairment in the Condensed Statement of Comprehensive Income.

Estimates of recoverable amounts of oil and gas assets are based on their value in use with a discount rate of 10% applied.

8. Other financial assets

On 22 December 2014 the Group purchased a 19.99% shareholding in ASX-listed exploration and production company Cue Energy Resources Limited for A\$13.96 million. The investment is classified as available for sale and as such is recognised at fair value.

An impairment reversal of \$1.7 million has been recognised in relation to a distribution expected from the receivers of Pike River Coal Limited (in receivership). The impairment reversal is included in Finance income in the Condensed Statement of Comprehensive Income.

9. Related parties

Mr Duncan Saville, a director of the Company, is a director and shareholder of Zeta Energy PTE which has shareholdings in Cue Energy Resources Limited and Pan Pacific Petroleum NL.

Certain directors of the Company have relevant interests in companies with which the Company has transactions in the normal course of business.

A number of directors are also non-executive directors of other companies. Any transactions undertaken with these entities have been entered into as part of the ordinary business of the Company.

There have been no other material transactions or changes in activities in the period.

Notes to the Condensed Interim
Financial Statements (continued)
For the half year ended 31 December 2014

10. Commitments and contingent assets and liabilities

(a) Evaluation and Exploration expenditure commitments

In order to maintain the various permits in which the Group is involved the Group has ongoing operational expenditure 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.

(b) 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 Floating Production Storage and Offtake (FPSO) vessel until 31 December 2015 with an option to extend to 31 December 2022 via one year renewal terms. The total committed by the Company to the FPSO charter and operating and maintenance contracts for the initial period to 31 December 2015 is currently estimated to be US\$9.3 million.

(c) Contingent liabilities

As at 31 December 2014 the Company had no contingent liabilities [30 June 2014: nil].

11. Events after balance date

On 29 January 2015 the Company announced that it had received final High Court orders approving a return of capital by way of a Scheme of Arrangement under Part 15 of the Companies Act 1993. The Company will cancel 1 in every 5 ordinary shares and pay \$0.75 per ordinary share cancelled. Payments will be made within five business days of the date for determining the entitlements of shareholders to participate in the Scheme (13 February 2015). In total, shareholders will receive approximately \$63.2 million.

On 12 February 2015 the Company announced that it is making an unconditional takeover offer for ASX-listed Cue Energy Resources Limited. The on-market cash offer of A\$0.10 per share expires at the end of trading on the ASX on 27 March 2015.

Auditors' review report

To the shareholders of New Zealand Oil & Gas Limited

We have completed a review of the condensed interim financial statements (the "financial statements") of New Zealand Oil & Gas Limited ("the Group") on pages 16 to 28 which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, and a summary of significant accounting policies and other explanatory information.

Directors' responsibilities

The Directors of the Group are responsible for the preparation and fair presentation of the financial statements in accordance with NZ IAS 34 Interim Financial Reporting and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibilities

Our responsibility is to express a conclusion on the financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared, in all material respects, in accordance with the NZ IAS 34 Interim Financial Reporting. As the auditor of the Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

Our firm has also provided other services to the Group in relation to taxation, general accounting and advisory services. These matters have not impaired our independence as assurance practitioners of the Group. The firm has no other relationship with, or interest in, the Group.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and of its financial performance and its cash flows for the period ended on that date, in accordance with NZ IAS 34 Interim Financial Reporting.



17 February 2015

KPMG

Corporate Directory

Management

Andrew Knight

Chief Executive & Managing Director

John Bay

Vice President and General Manager Commercial

Andre Gaylard

Chief Financial Officer

Andrew Jefferies

Vice President Exploration & Production

Dr Chris McKeown

General Manager, Southeast Asia

Ralph Noldan

General Counsel and Company Secretary

John Pagani

External Relations Manager

Registered and Head Office

Level 20, 125 The Terrace
PO Box 10725
Wellington 6143
New Zealand

Telephone: + 64 4 495 2424
Freephone: 0800 000 594 [within NZ]
Facsimile: + 64 4 495 2422
Email: enquiries@nzog.com
Website: www.nzog.com

Auditors

KPMG

KPMG Centre
10 Customhouse Quay
Wellington 6011
New Zealand

Share Registrar

New Zealand

Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
Level 2, 159 Hurstmere Road
Takapuna, Auckland 0622

Freephone: 0800 467 335 [within New Zealand]
Telephone: + 64 9 488 8777
Facsimile: + 64 9 488 8787

Australia

Computershare Investor Services Pty Limited
GPO Box 3329
Melbourne VIC 8060
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067

Freephone: 1800 501 366 [within Australia]
Telephone: + 61 3 9415 4083 [overseas]
Facsimile: + 61 3 9473 2500

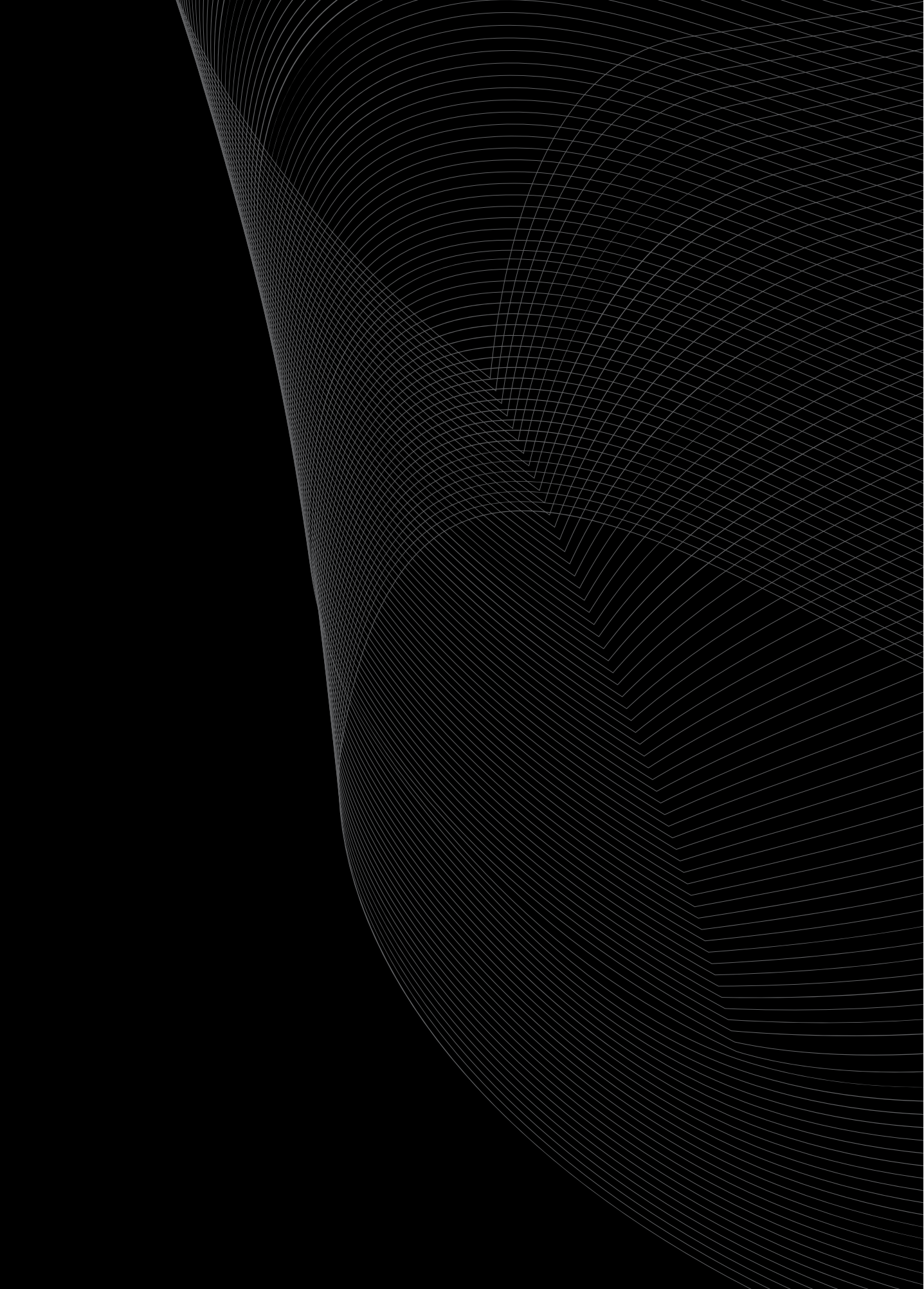
Managing your shareholding online

To change your address, update your payment instructions and to view your registered details including transactions, please visit

www.investorcentre.com/nz

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

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





THE EXPLORERS
NEW ZEALAND OIL & GAS