NEW ZEALAND OIL & GAS

1999 ANNUAL REPORT

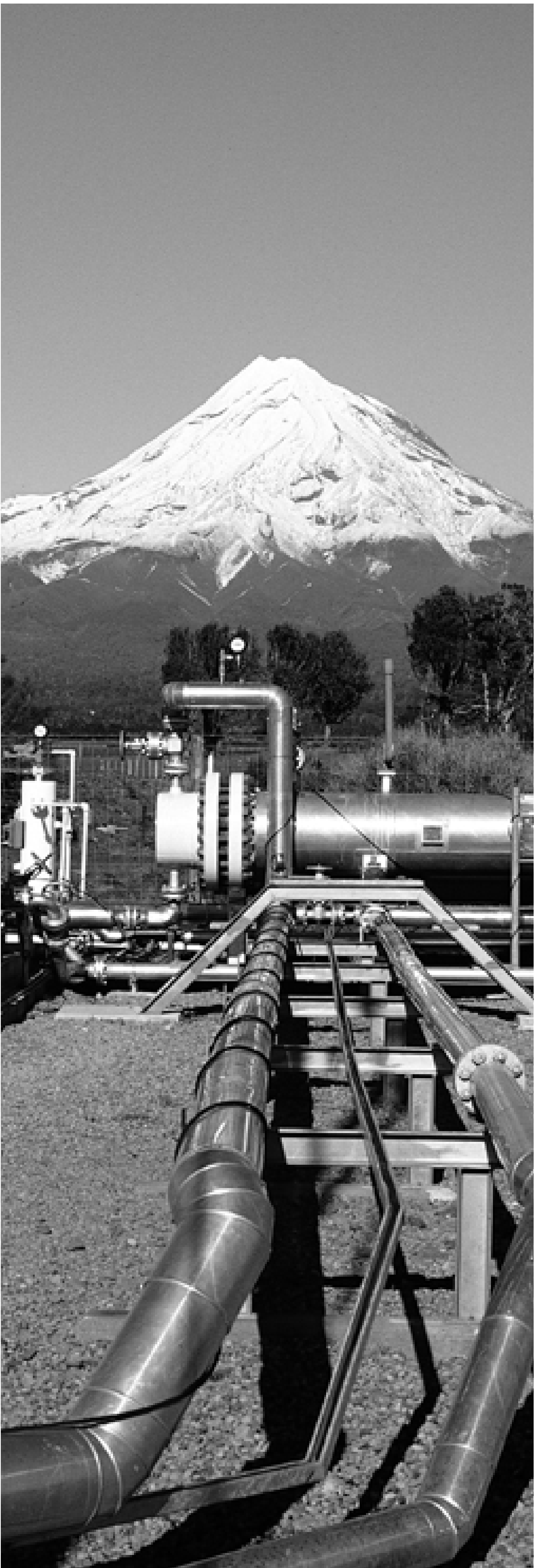
New Zealand Oil & Gas Limited

NZ Reg Co No WN 037842

ARBN 003 064 962

All currency references in this Annual Report are in NZ dollars unless otherwise specified

A full copy of this report and other announcements by the company can be accessed on the Internet at www.nzo.co.nz



Annual General Meeting

The 1999 Annual General Meeting
of the shareholders of
New Zealand Oil & Gas Limited
will commence at 10am
on Wednesday, 24 November 1999
Centra Hotel, 128 Albert Street, Auckland

The Company and Group

The New Zealand Oil & Gas Limited group ("NZ Oil & Gas") is predominantly a petroleum exploration and production group which operates in New Zealand and Australia. Its petroleum interests are in Taranaki, and through 57.8% owned subsidiary, Pan Pacific Petroleum NL, in the Carnarvon, Surat, Gippsland and Otway basins, Australia. NZ Oil & Gas also has a coking coal deposit in Westland, New Zealand.

The board of directors is pleased to present the annual report of NZ Oil & Gas for the year ended 30 June 1999.

For and on behalf of the board

R A Radford
Chairman
20 September 1999

A N Frankham
Director

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CHAIRMAN'S REPORT

The company achieved a group surplus after tax for the year ended 30 June 1999 of $1.4 million after reversing $4.3 million of prior year provisions on the Pike River and Kupe projects.

The impact of significantly lower oil prices, averaging NZ$19/barrel for the year, combined with 18% lower output, meant that the profit contribution from the Ngatoro oilfield was 65% lower than in the prior year. Notwithstanding, Ngatoro still contributed $1.8 million in net cash flow. Australian production (Tubridgi gas and Chervil oil) contributed a net $5 million cash. In light of the result for the year ended 30 June 1999, no dividend has been declared by the board.

Consistent with the company's objective to achieve major increases in reserves through exploration, a number of concepts and prospects were and are being advanced in respect of permits held over the Taranaki, Carnarvon, Surat and Gippsland area. Some, like the West Maui (PEP38460) prospects, have very high upside. Delays in getting a rig to drill the first West Maui well have been outside our control but the plan is to test the first major prospect in November/December.

The Pike River project moved considerably closer to development during the year. Resource consents were granted and funds raised for a feasibility study which is to be completed by the end of 1999. The funds were raised in return for a 25% equity in the project, which values Pike River in total, at $7.5 million. It is our intention over the next few months to secure the necessary sales contracts and arrange funding for the development, which could considerably enhance this value.

Since year end, the Ngatoro field is making an increased contribution to profits, reflecting average oil prices in July/August 1999 of $31/barrel, compared to $19 in the past financial year. We also plan water injection into the reservoir to support production rates and to increase the total amount of oil which will be recovered from the field.

Infill drilling into the Tubridgi field during June to August 1999 has increased gas reserves by 3-10 billion cubic feet. This will enable higher sales of gas and profitability from the field, starting in the current financial year.

Assuming we achieve our objectives for a Pike River development in the near term, it remains the directors intention to deliver shares in that project, direct into the hands of NZOG shareholders, in conjunction with a separate stock exchange listing of Pike River Coal Ltd. This I think would represent a useful way of adding market value and refocussing NZOG entirely on petroleum activities.

Prospects for a near term development at Kupe have been enhanced by the strong improvement in oil prices and the venture is considering liquids based development options.

Realisation of just a part of NZOG's exploration and development potential could rapidly upgrade the company's value and status. Directors believe there is an excellent chance of achieving that during the next 6-12 months.

On behalf of the directors

R A Radford

20 September 1999

KEY FACTS

Financial Summary

Trading Performance

	1999 $'000s	1998 $'000s
Total operating revenues	15,434	25,604
Operating result	(2,884)	4,556
Writeback of prior period costs (Pike & Kupe)	4,190	–
Tax provided (Australia)	(1,492)	–
Group result after tax (before minority interests)	(186)	4,556
Minority interest in results	1,622	(644)
Net surplus after tax and minorities	1,436	3,912
Net operating cash flow	5,500	13,910
Exploration and development costs	7,643	10,534

Financial Position

	1999	1998
Current assets (net of current liabilities)	15,857	17,702
Non-current assets	48,646	40,699
Non-current liabilities	(5,372)	(2,446)
Total equity	59,131	55,955
Less minority interests (Pan Pacific)	(8,757)	(10,089)
NZ Oil & Gas shareholders' equity	50,374	45,866

Capital Structure

	1999	1998
	Ordinary Shares	Ordinary Shares
Gross	137,450,271	160,411,796
Treasury capital	(31,169,200)	(49,461,525)
Net	106,281,071	110,950,271
	Options	Options
Gross	80,204,246	80,204,246
Treasury options	–	(24,730,762)
Net	80,204,246	55,473,484

Market Capitalisation

Market capitalisation at 20 September 1999	$49 million based on price of the ordinary shares at 40 cents and options at 8 cents

The Year in Brief

Surplus of $1.4 million

Oil production 198,000 barrels

Gas sales and tolling of 5.9 billion cubic feet

West Maui drilling expected late 1999

Pike River coal full feasibility study commenced

Low cost development options under review for Kupe field

Additional reserves established at Tubridgi

KEY FACTS

Taranaki Basin

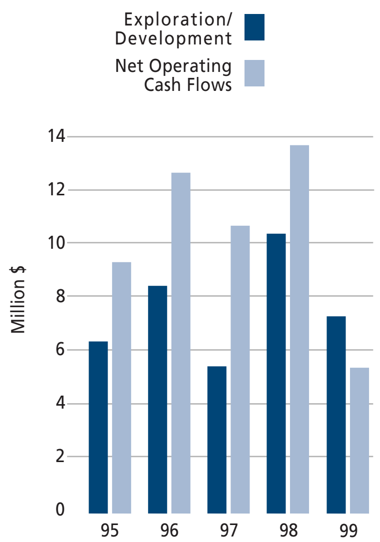
		NZ Oil & Gas Share	Unit of Measure
Ngatoro Field	**100%**	**35.4%**	
Production	390,000	138,000	barrels
NZ Oil & Gas' share of net operating cash flow		$1.8	million
Remaining 2P oil reserves	1.6	0.57	million barrels
Remaining 2P gas reserves	1	0.4	billion cubic feet (BCF)

Kupe Field	**100%**	**16.5%**	
Low cost development under review			
Condensate			
2P reserves	13.9	2.3	million barrels
Gas			
2P reserves	264	44	BCF

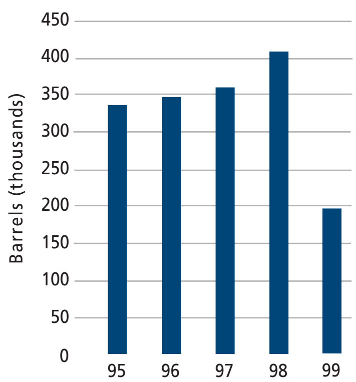
West Coast, South Island

Pike River Coalfield	**100%**	**16.5%**	
Recoverable reserves of coking coal	30	30	million tonnes

25% equity in Pike River Coal Company Ltd
sold post balance date for value $1.9m
Feasibility study to be completed by end 1999
Development decision possible by end 1999



Operating and Exploration Cash Flows



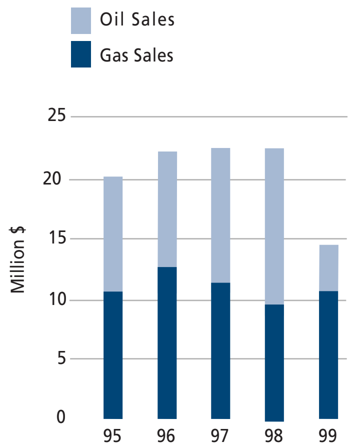
Oil Production

Above information is current at 30 June 1999.

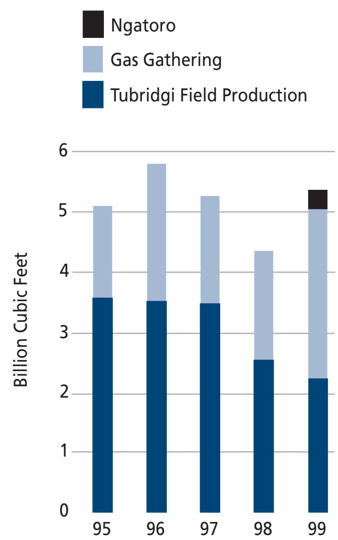
Australian interests are held through 57.8% subsidiary, Pan Pacific Petroleum NL

Carnarvon Basin

		NZ Oil & Gas Share	Unit of Measure
Chervil Field	**100%**	**23%**	
Production	258,000	60,000	barrels
NZ Oil & Gas group's share of net operating cash flow		$0.6	NZ million
Remaining 2P oil reserves	360,000	83,000	barrels
Tubridgi Gas Project	**100%**	**43%**	
Field production	5.1	2.2	BCF
Contract with AlintaGas to September 2001			
Remaining 2P reserves	15.0	6.5	BCF
Gas gathering	5.1	2.2	BCF
Contracted to 2004			
NZ Oil & Gas group share of net operating cash flow		$4.4	NZ million
including gas production and gas gathering			

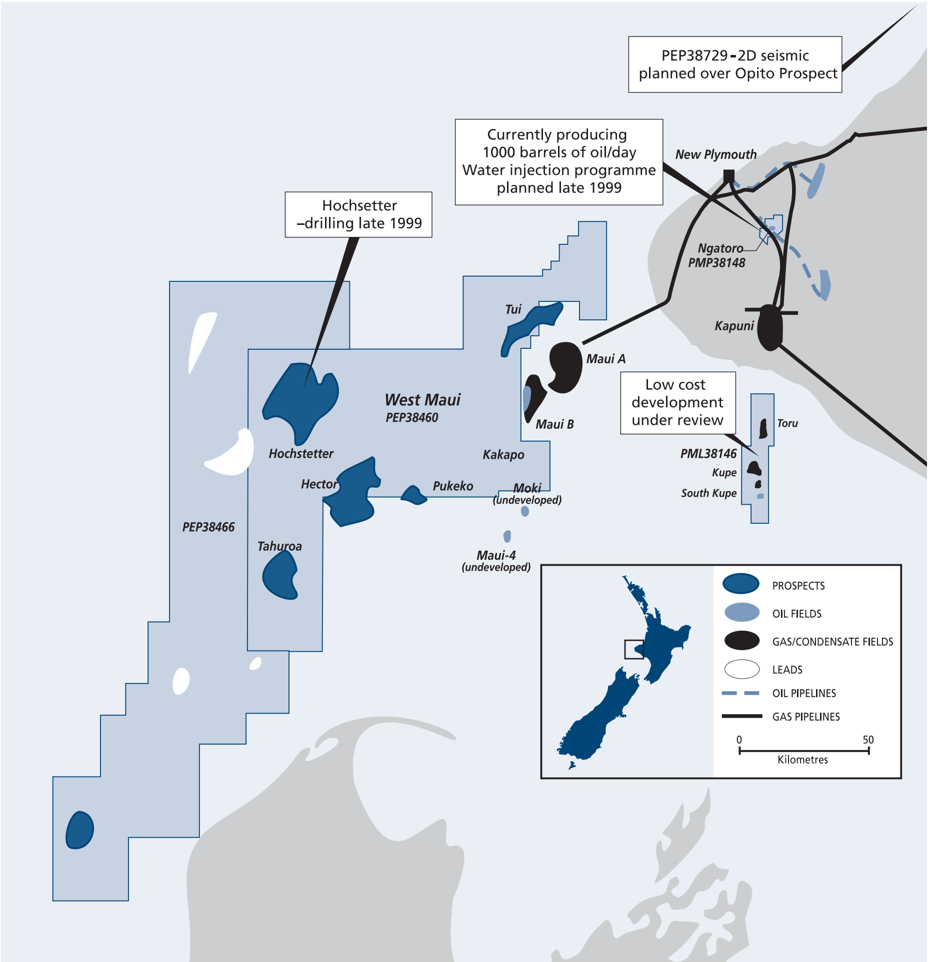


Oil and Gas Sales Revenue



Gas Sales

Above information is current at 30 June 1999.



Taranaki Basin, New Zealand

Taranaki Production, Development and Exploration

Ngatoro Oil Field

35.4% equity

The Ngatoro field located near New Plymouth is operated by NZ Oil & Gas. During the year ended 30 June 1999 the field produced 138,000 barrels of oil for the group and despite lower oil prices , yielded $1.8 million in net operating cashflow. Production is currently running at approximately 1,000 barrels of oil per day (NZOG share 350 barrels/day).

During the year, the company has optimised production by adding perforations in the Ngatoro-1 well which added 200 barrels of oil per day. This largely offset the field's natural decline, and similar opportunities to produce higher levels of oil from other Ngatoro wells will be addressed during 1999/2000. A programme of water injection into the main Ngatoro oil pool is planned for late 1999 to support production rates and increase total oil recoveries over the field's life.

Outlook

At current oil prices Ngatoro is expected to make a substantially higher contribution to operating cashflow in the year ended 30 June 2000, compared to the 30 June 1999 year.

Kupe Field

16.5% equity

The Kupe field is New Zealand's largest undeveloped oil and gas field, containing proven and probable recoverable reserves of 264 billion cubic feet of gas and 13.9 million barrels of oil and condensate. The field is located in 30 metres of water depth, about 35 kilometres south of Hawera.

In late 1998, oil prices dropped to twenty year lows of US$10 per barrel, leading the Kupe joint venture to defer development activities. The improvement in oil prices over recent months to more than US$20 per barrel, has encouraged the joint venture to again consider a low cost capital development.

This type of development would comprise minimal offshore production facilities and a single pipeline to transport the liquids and gas streams to shore. Provisional estimates of capital costs approximate NZ$150 million.

Outlook

Improved oil prices give a strong impetus to a liquids based, low cost development of Kupe which could be brought into production within two

years of a development decision.

West Maui Exploration

100% equity

The company holds two permit interests in the western offshore portion of the Taranaki Basin. The West Maui permit (PEP38460), adjacent to the giant Maui gas condensate field, has the potential to be a major fairway of oil, with overall potential totalling billions of barrels of oil.

In order to test this fairway, drilling of Hochstetter-1 is planned for late 1999. Drilling engineering services have been contracted to manage the project.

Hochstetter is one of four main prospects developed within the permit area. Hochstetter has structural potential for recovery of 150 million barrels of oil at each of two levels. Stratigraphic potential is substantially larger. In the event of success at Hochstetter, there is immediate follow-up drilling potential in the Hector and Tahuroa prospects, each of which could hold 500 million barrels of recoverable oil. Tui is an exciting prospect, independent of Hochstetter, on the northern flank of the Maui field, with structural potential of 50 million barrels of oil and enormous stratigraphic upside, several times the size of the Maui field.

Onshore Taranaki: Opito Prospect

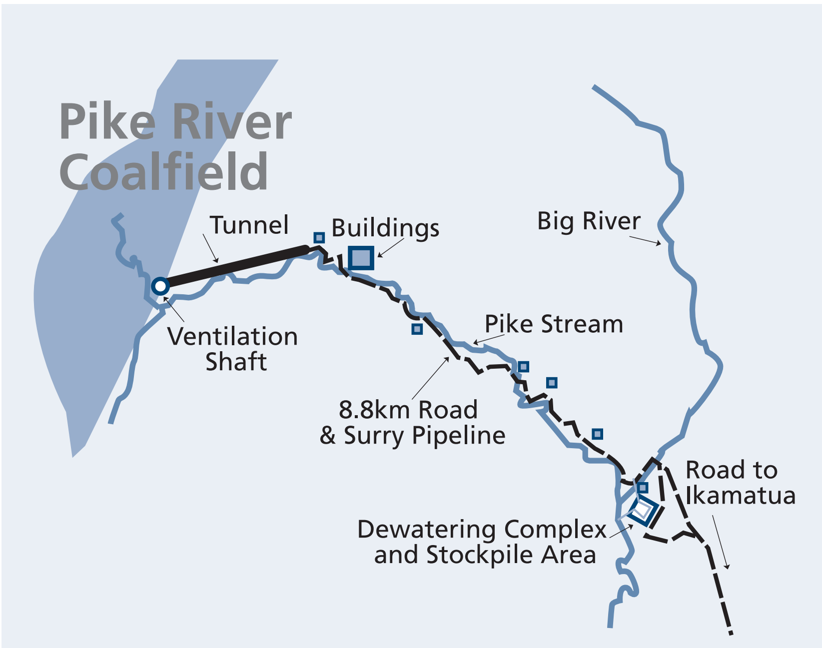
100% equity

The Opito Prospect has been recognised as a result of the company's mapping of the distribution of favourable reservoir rocks beyond the area of the Maui field. By using amplitude techniques in the PEP38729 area, good quality sands have been defined at two levels. The ultimate updip termination of this trend lies within PEP38729 where the sands are truncated by the Taranaki Fault. Target horizons lie at about 3,000m and to better define these, seismic is planned for this summer, with drilling possible later in 2000.

Pike River Coal

75% equity

Pike River coalfield is New Zealand's largest discovered deposit of high fluidity coking coal. The field is



located on the West Coast of the South Island, approximately 40 kilometres northeast of Greymouth.

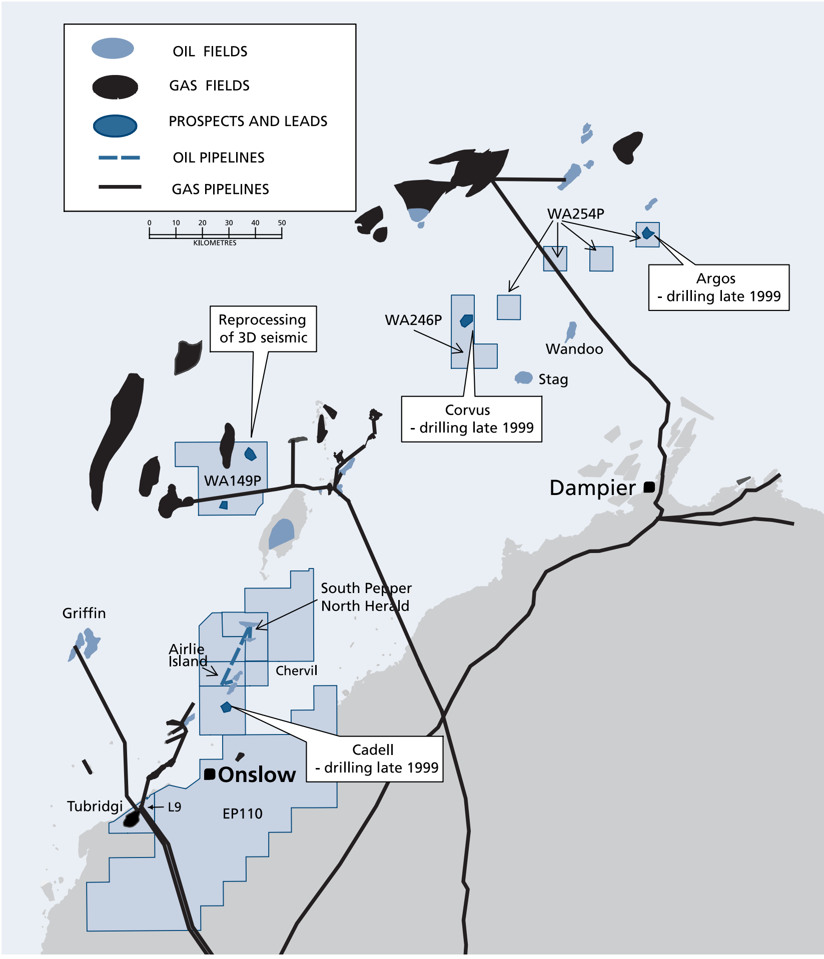
Pike River coal has high fluidity and low ash qualities which are sought after by Japanese steel mills and coke makers. With an ash content half that of Australian coking coals, Pike River coal may have the competitive advantage needed to secure sales contracts in a difficult market.

The Pike River coalfield moved considerably closer to a development decision during the year. Coal marketing is well advanced, resource consents granted and funds raised for a bankable feasibility study to be completed by December 1999. A 25% equity in Pike River Coal Company Limited was sold shortly after balance date to a private investor group to fund the bankable feasibility study and other related costs at a value of approximately $1.9 million. This places a current value on the entire Pike River project of approximately $7.5 million.

The underground coalfield development is being designed to have minimal environmental impact. The planned layout of facilities is shown in the Pike River coalfield diagram above.

Outlook

The feasibility study is expected to establish the technical and commercial viability of the project to produce 650,000 to 1 million tonnes of coal per annum. Provided sufficient sales contracts and funding is secured, a decision to develop the Pike River coalfield could be made by December 1999.



Carnarvon Basin, Western Australia

Carnarvon Production and Exploration

Chervil Oil Field

23% equity

The Chervil oil field is located approximately 50 km off the northwest coast of Western Australia. Oil produced from the field's sole operating well, Chervil-6, is piped to Airlie Island where it is stored pending transfer to tanker.

Chervil-6 produced 60,000 barrels of oil for the group in the year to 30 June 1999. After commencing the year at 1200 barrels per day, output from Chervil-6 followed a natural decline before levelling off at 620 barrels per day at year end.

Net operating cash flow of $0.6 million was received from sales of 51,000 barrels. Oil held in storage at year end of 40,000 barrels was sold after balance date for NZ$1.6 million.

Outlook

The Chervil field is now approaching the end of its productive life, but timing depends on production performance and oil prices, both of which are uncertain. After Chervil is depleted, the Airlie Island facilities owned by the joint venture may have ongoing value as a storage and loadout facility for any nearby developments.

Tubridgi Gas Project

43% equity

The Tubridgi project has three components: gas production, gas resale and gas tolling. All project gas is transported through two 90 km pipelines which commence at the Tubridgi plant and link up with the Dampier – Bunbury pipeline.

The Tubridgi joint venture has contracted the sale of all gas produced from the Tubridgi field until September 2001 and tolling of Thevenard Island gas runs until 2000. The arrangements to purchase and resell gas from the offshore Griffin field will continue at least until March 2004.

During the year the Tubridgi project contributed $4.4 million in net operating cash flow to the group from a production average of 14 terajoules per day and tolling/resale which averaged 18 terajoules per day. Three production wells drilled during June to August 1999, are expected to increase reserves by between 3 to 10 billion cubic feet on the reserves as at 30 June 1999, quoted on page 28.

Outlook

Tubridgi will continue to produce a significant cash flow for the group at least until 2004 and possibly much longer given the potential of the pipelines to be profitably utilised under new access arrangements with third parties.

Carnarvon Exploration

The group has focussed its Australian exploration in the offshore Carnarvon Basin, where Australian explorers have generally had the most consistent exploration success in recent years.

Two exploration wells were drilled offshore Carnarvon during the year. Bennet-1 intersected hydrocarbons but is unlikely to be economic. On the other hand, Sage-1 encountered three oil bearing zones, the largest of which was in the Saffron Sandstone.

A substantial oil column of some 35 metres was established here and was tested at rates better than 2000 barrels per day. The potential discovery size is in the range of 3–18 million barrels of oil. However, reservoir complexity means that development will likely be deferred until there is an adjacent development that will allow mutual cost reduction.

Some of the benefits of complete 3D seismic coverage over several of the group's permits will be realised over the coming year, with drilling of Corvus in WA246P, and Argos in WA-254P.

prospect will be drilled in late 1999 to target a structure having 4 to 12 million barrels potential in the same early Cretaceous sandstone present in the nearby Legendre field.

Also planned for this year is the Cadell-1 well in TP/7. Recent drilling of the Gypsy/Rose/Lee series of wells to the north of TP/7 has significantly upgraded the Cadell prospect. Cadell-1 will target similar Triassic and Cretaceous objectives to those in Gypsy/Rose/Lee. The potential is very large – several hundred million barrels of recoverable oil.

The Corvus Prospect has two objectives – a large deep structure comparable to that hosting the nearby Reindeer-Caribou field, and a shallower Base Cretaceous structure. While yet to be fully defined, these structures show potential for large accumulations – of order 50 million barrels of recoverable oil at Base Cretaceous level, and even more at the deeper Triassic level.

Subject to re-evaluation, the Argos

Surat Exploration

The group has earned a 20% interest in the Glen-1 well being drilled at time of writing. This prospect is 25 km north of the Moonie oil field. The Glen structure is a dip closure in a structure analogous in style to the 35 million barrel Moonie oil field, where the objective Precipice Sandstone also provides reservoir.

Gippsland Exploration

The group's exploration position in the Gippsland Basin is focussed on the relatively unexplored landward margins, in a comparable geological setting to the margins of the Carnarvon and Browse basins where significant oil discoveries have been made.

The group has two permits in Gippsland. Two leads, identified in the north of VIC/P36, updip of the Dolphin and Tarwhine oil fields are under review. In VIC/P40, further north, the Orca/Cuttlefish prospect has potential to recover over 20 million barrels of oil at Top Latrobe level, and 500 million barrels of oil at intra-Latrobe level. This prospect is a simple dip and fault closed structure, directly updip from the Sweetlips field some 8 km to the south. 3D seismic is planned for the first quarter of 2000, prior to planned drilling in late 2000.

Otway Exploration

In the company's onshore Otway Basin permit, the new operator (Boral) is re-mapping the Taurus and Tower prospects, which together have the potential to recover 100 billion cubic feet of gas.

Exploration Overview

The group's exploration portfolio is dominated by the enormous potential of the West Maui area, where drilling is planned late 1999.

In the Carnarvon Basin the group is expecting to see the benefits of 3D seismic coverage which has increased exploration success rates here, from an industry ratio of around 1 in 10, to closer to 1 in 3. In the coming year two wells based on 3D seismic, Corvus-1 and Argos-1 are expected. A third prospect, Cadell-1, while based on 2D seismic, is comparable to the Gypsy/Rose/Lee complex further north and provides further upside. Drilling in the Surat Basin is in progress at time of writing and prospects in Gippsland and Otway are expected to be advanced to drilling stage over the coming year.

This drilling programme offers a range of attractive exploration opportunities representing the culmination of several years work and offering a good chance of a substantial exploration success.

Exploration – Drilling Schedule as at 20 September 1999

Prospects	Location	Likely Drill Date	Potential (millions of barrels)	Present Equity
Hochstetter	PEP38460, Taranaki	Late 1999	300+	100%
Opito	PEP38729, Taranaki	2000	40	100%
Glen	ATP244P, Surat	spudded 20 September 1999	10	20%
Argos	WA254P, Carnarvon	Late 1999	4 to 12	3%
Corvus	WA246P, Carnarvon	Late 1999	50+	10%
Cadell	TP/7, Carnarvon	Late 1999	140	4%
Orca/Cuttlefish	VIC/P40, Gippsland	2000	500	25%
Taurus/Tower	PEP111, Otway	2000	100 billion cubic feet of gas	26%

Hydrocarbon Reserves Statement

All references in the annual report relating to hydrocarbon reserves accurately reflect information compiled by the Exploration Manager, Dr Eric Matthews a member of the American Association of Petroleum Geologists.

Pike River Reserves

Pike River coal reserves are based on information compiled by Mr P Gunn – Coal Marketing Services Limited – a member of the Australasian Institute of Mining and Metallurgy.

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 1999

		CONSOLIDATED		PARENT COMPANY	
		1999	1998	1999	1998
	Note	$'000	$'000	$'000	$'000
Total revenue	2(i)	15,434	25,604	465	4,468
Operating surplus/(deficit) before taxation	2	1,306	4,556	(301)	3,111
Taxation	16	(1,492)	–	–	–
Operating (deficit)/surplus after taxation		(186)	4,556	(301)	3,111
Minority interest in result for the year	3	1,622	(644)	–	–
Net surplus/(deficit) for the year		1,436	3,912	(301)	3,111

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 1999

		CONSOLIDATED		PARENT COMPANY	
		1999	1998	1999	1998
	Note	$'000	$'000	$'000	$'000
Equity at beginning of year		55,955	51,247	27,611	28,394
Net surplus/(deficit) for the year		1,436	3,912	(301)	3,111
Movement in foreign currency translation reserve	4	433	1,034	–	–
Total recognised revenues and expenses		1,869	4,946	(301)	3,111
Movement in minority interest during the year		(1,332)	1,162	–	–
Distributions to shareholders		–	(2,657)	–	(3,894)
Increase in asset revaluation reserve	4, 23	4,391	–	–	–
Repurchase and cancellation of shares		(15,353)	–	(7,577)	–
Decrease/(increase) in treasury capital elimination		13,601	1,257	(1,755)	–
Equity at end of year		59,131	55,955	17,978	27,611

The notes on pages 18 to 37 form part of and are to be read in conjunction with these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 1999

		CONSOLIDATED		PARENT COMPANY	
		1999	**1998**	**1999**	**1998**
	Note	**$'000**	**$'000**	**$'000**	**$'000**
EQUITY					
Shareholders' Equity	4	50,374	45,866	17,978	27,611
Other Equity					
Minority interest in subsidiary companies		8,757	10,089	–	–
TOTAL EQUITY		**59,131**	**55,955**	**17,978**	**27,611**
Represented by:					
Current Assets					
Short term securities and cash deposits	5	10,318	17,120	2,706	10,283
Investments in listed resource companies	6	2,519	2,588	2,519	–
Other	7	5,245	5,414	1,507	1,312
		18,082	25,122	6,732	11,595
Non-Current Assets					
Investments in associate and subsidiary companies	8	2,583	2,918	70,605	86,845
Fixed assets	9	7,908	9,753	–	–
Petroleum and coal interests	11, 20, 23	34,933	27,558	–	–
Other	12	3,222	470	880	–
		48,646	40,699	71,485	86,845
Total Assets		66,728	65,821	78,217	98,440
Less:					
Current Liabilities	13	2,225	7,420	310	4,439
Non-Current Liabilities	14	5,372	2,446	59,929	66,390
Total Liabilities		7,597	9,866	60,239	70,829
NET ASSETS		**59,131**	**55,955**	**17,978**	**27,611**

The notes on pages 18 to 37 form part of and are to be read in conjunction with these financial statements.

On behalf of the board of directors

A N Frankham
Director
13 September 1999

R A Radford
Director
13 September 1999

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 1999

	CONSOLIDATED		PARENT COMPANY	
	1999	**1998**	**1999**	**1998**
	$'000	**$'000**	**$'000**	**$'000**
Cash Flows From Operating Activities				
Cash was received from:				
Interest received	649	850	322	609
Petroleum sales	14,924	21,610	–	–
Other	1	–	–	–
	15,574	22,460	322	609
Cash was paid for:				
Interest and other costs of finance paid	12	60	–	–
Production expenses	8,130	7,488	–	–
Other payments to suppliers and employees	1,932	1,002	1,612	949
	10,074	8,550	1,612	949
Net cash flows from operating activities	5,500	13,910	(1,290)	(340)
Cash Flows From Investing Activities				
Cash was received from:				
Repayment of advance from associate companies	70	208	–	1,212
Receipts from sale of shares in listed company	43	–	–	–
	113	208	–	1,212
Cash was paid for:				
Advances to subsidiary and associate companies	–	–	1,828	–
Petroleum and coal expenditures	7,643	10,534	–	–
Purchase of production assets	–	1,041	–	–
Decommissioning	28	2,253	–	–
Purchase of other fixed assets	89	48	–	–
Purchase of shares in subsidiary and associate companies	31	363	–	–
Purchase of shares in listed resource companies	–	447	–	–
	7,791	14,686	1,828	–
Net cash flows from investing activities	(7,678)	(14,478)	(1,828)	1,212
Cash Flows From Financing Activities				
Cash was received from:				
Realisation of security deposits	10	67	–	–
	10	67	–	–
Cash was paid for:				
Dividend payments	2,612	–	2,612	–
Repayment of borrowings	100	–	–	–
Share buy-back	1,755	–	1,755	–
	4,467	–	4,367	–

The notes on pages 18 to 37 form part of and are to be read in conjunction with these financial statements.

FOR THE YEAR ENDED 30 JUNE 1999

		CONSOLIDATED		PARENT COMPANY	
		1999	1998	1999	1998
	Note	$'000	$'000	$'000	$'000
Net cash flows from financing activities		(4,457)	67	(4,367)	–
Net (decrease)/increase in cash		(6,635)	(501)	(7,485)	872
Cash at beginning of year		17,120	15,738	10,283	8,613
Effect of exchange rate changes on cash		(167)	1,883	(92)	798
CASH AT END OF YEAR		**10,318**	**17,120**	**2,706**	**10,283**
Made up as follows:					
Short term securities and cash deposits	5	10,318	17,120	2,706	10,283

RECONCILIATION OF OPERATING (DEFICIT)/SURPLUS AFTER TAXATION WITH NET CASH FLOWS FROM OPERATING ACTIVITIES

	1999	1998	1999	1998
Operating (deficit)/surplus after taxation	(186)	4,556	(301)	3,111
Adjust for non-cash items in operating (deficit)/surplus:				
Amortisation of development expenditure over production	3,260	3,771	–	–
Charges to provisions	255	670	11	12
(Deficit)/increase in value of subsidiary & associate company shares and advances	(195)	447	(195)	(1,442)
Depreciation	2,734	2,235	–	–
Decrease in value of investments in listed entities	–	377	–	–
Deferred income tax liability	2,548	–	–	–
Future income tax benefit	(990)	–	–	–
Loss on sale of investment	25	–	–	–
Loss on sale of plant and equipment	12	1	–	–
Write-down of oil inventory	288	–	–	–
Write-off/(back) of petroleum and coal expenditure	(408)	3,750	–	–
Write-off/(back) preference shares in unlisted resource company	(1,760)	–	(880)	–
Changes in assets and liabilities:				
Decrease/(increase) in debtors	604	(123)	31	(1,297)
Decrease/(increase) in field operation consumables and finished goods	(412)	475	–	–
Increase/(decrease) in creditors	(628)	(316)	(11)	87
Increase/(decrease) in unearned income	–	(668)	–	–
(Decrease) in provisions	–	(13)	(37)	(13)
Items included in other cash flow categories:				
Exchange rate fluctuation on income tax expense	(66)	–	–	–
Exchange losses/(gains)	419	(1,252)	92	(798)
Net cash flows from operating activities	5,500	13,910	(1,290)	(340)

The notes on pages 18 to 37 form part of and are to be read in conjunction with these financial statements.

1 Statement of Accounting Policies

Reporting Entity

The reporting entity is New Zealand Oil & Gas Limited ("the company") and all its subsidiary companies (together "the group").

Statutory Base

The financial statements have been prepared in accordance with generally accepted accounting practice and in compliance with the Companies Act 1993 and the Financial Reporting Act 1993. The company is an issuer under the Securities Act 1978.

Measurement Base

The measurement base adopted is historical cost adjusted by the revaluation of certain assets.

Summarised hereafter are the significant accounting policies adopted.

Basis of Consolidation

(a) Principles of Consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the parent company (New Zealand Oil & Gas Limited ("NZOG")) together with the financial statements of all its subsidiary companies.

The financial statements of subsidiaries are included in the consolidated financial statements using the purchase method. All significant intercompany transactions have been eliminated on consolidation.

Where subsidiaries are acquired during the year, their results are included only from the date of acquisition, while for subsidiaries disposed of during the year, their results are included to the date of disposal.

(ii) Associate Companies

Where material, associate companies are equity accounted and investments in associate companies are shown at cost plus the share of movement in net assets since acquisition. Where, in the opinion of the directors, a permanent diminution in value has occurred, investments in associate companies are written-down to their recoverable amount.

(iii) Treasury Capital

The treasury stock accounting method is used to remove the company's interest in shares held directly or indirectly in its own capital ("treasury capital"). The effect is to reduce the company's externally available capital and reserves and to eliminate the investment in the company.

(b) Balance on Acquisition

On the acquisition of a subsidiary, the fair value of net identifiable assets is ascertained. The difference between the fair value and the cost of investment is brought to account either as a premium (goodwill) or discount on acquisition.

Goodwill is amortised by systematic charges against income over the appropriate periods in which benefits are expected to be realised, but not exceeding twenty years. The periods over which the amounts are to be amortised are subject to annual review.

Any discount on acquisition remaining after elimination against the fair value of the non-monetary assets of the subsidiary is taken to the statement of financial performance as a gain.

Production, development, exploration and evaluation expenditure

Production, development, exploration and evaluation expenditure is accounted for using the successful efforts method.

(i) *Petroleum Production Expenditure*

Production expenditure carried forward represents the accumulation of exploration, evaluation and development expenditure (excluding fixed asset expenditure) incurred by the group in relation to areas of interest in which petroleum production has commenced. Production expenditure is amortised using the production output method, the straight line method or on a basis consistent with the recognition of revenue, whichever is the more appropriate. The production output method results in an amortisation charge proportional to the depletion of economically recoverable proven reserves. The straight line method results in an amortisation charge over time based on current sales contracts in place. Where such costs are considered not to be fully recoverable under existing conditions, an amount is provided to cover the shortfall.

The effective remaining life of the production assets has been assessed at between 1 and 9 years.

(ii) *Petroleum Development Expenditure*

Development expenditure carried forward represents the accumulation of exploration, evaluation and development expenditure incurred by the group in relation to areas of interest which are being developed for production.

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

(iii) *Petroleum and Coal Exploration and Evaluation Expenditure*

Petroleum and coal exploration and evaluation expenditure carried forward 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:

(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.

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. An area of interest is defined by the group as a licence or permit area.

A further write-down is made where the accumulated expenditure in an area of interest exceeds the directors' valuation of that area of interest. The directors' valuations of areas of interest, especially projects at a pre-development stage, are dependent upon a number of factors which 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 and capital expenditures, availability of financing and of tax losses and legislative changes.

The ultimate value to the group of areas of interest and accumulated expenditures is contingent upon the results of further exploration and agreements entered into with other parties and also upon meeting commitments under the terms of licences or 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 expensed in the statement of financial performance in proportion to production, when its extent can be reasonably estimated.

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.

Petroleum Sales Revenue

Petroleum sales represent the group's share of invoiced sales following delivery of oil and gas products.

Unearned Income

Payments received under "take or pay" sales contracts where gas is not yet delivered, are treated as unearned income. The payments are recognised as income in the statement of financial performance once the gas is delivered.

Administration and Operating Expenses

The group incurs certain administration and operating expenses which are recovered in the normal course of operations. A proportion of those expenses which relate to the group are reflected in the current year's accumulated production, development and exploration expenditure. In terms of the group's accounting policy, certain amounts of the accumulated expenditure may be written-off each year. As a result, it is not possible to identify those individual administration and operating expenses which have been charged to the statement of financial performance.

Trade Debtors

Trade debtors are stated at their estimated net realisable value.

Field Operation Consumables and Finished Goods

Field operation consumables and finished goods are valued at the lower of cost and net realisable value.

Fixed Assets

Fixed assets are stated at cost less an allowance for depreciation.

Depreciation has been provided for on a straight line basis so as to charge the cost of fixed assets over their estimated economic lives assessed as follows:

Office partitions, furniture & fittings	5-6 years
Motor vehicles	5-7 years
Technical & computer equipment	2-5 years

Pipelines and associated production facilities are depreciated over their economic life on a basis consistent with the recognition of revenue over their economic life or straight line basis whichever is more appropriate. Thus, the economic life of such equipment is dependent on future production and remaining reserves, and therefore varies from project to project. Where such costs are not considered to be fully recoverable under existing conditions, an amount is provided to cover the shortfall.

The effective remaining life of pipelines and associated production facilities has been assessed at between 1 and 9 years.

Investments in Short Term Securities

Investments in short term securities are recorded at cost, or at cost adjusted for premium or discount amortisation. Premiums and discounts are capitalised and amortised from the date of purchase to maturity.

Short Term Investments in Listed Resource Companies

Short term investments in listed resource companies are recorded at the lower of cost and net realisable value.

Long Term Investments in Unlisted Resource Companies

Long term investments in unlisted resource companies are recorded at cost, except where in the opinion of the directors, there is a permanent diminution in value, in which case they are recorded at their estimated recoverable amount.

Investments in Wholly Owned Subsidiaries

In the parent company's financial statements, investments in wholly owned subsidiaries are recorded at cost or directors valuation, except where in the opinion of the directors there is a permanent diminution in value, in which case they are written-down to their estimated recoverable amount.

Where wholly owned subsidiary companies have sold petroleum or coal prospecting permit rights and have advanced the net sale proceeds to the parent company, the directors of the parent company have revalued the investment in those companies to an amount not exceeding their underlying net assets.

Foreign Currencies

Transactions in foreign currencies are translated at the New Zealand rate of exchange ruling at the date of the transaction. At balance date foreign monetary assets and liabilities, including those of integrated foreign operations, are translated at the closing rate, and exchange variations are included in the statement of financial performance as operating items.

The group has independent foreign operations in Australia through Pan Pacific Petroleum NL ("Pan Pacific"). The statement of financial position of independent foreign operations is translated at the closing rate at balance date. The statement of financial performance and cash flows of independent foreign operations is translated at the average rate for the year. The exchange difference arising from the translation of the opening net investment at an exchange rate different from that at which it was previously reported is taken to the foreign currency translation reserve.

Financial Instruments

The group is a party to financial instruments as part of its day to day operating activities. Financial instruments, as defined under the Financial Reporting Standard issued by the Institute of Chartered Accountants of New Zealand, include short term securities and cash deposits, investments in listed resource companies, debtors, creditors and borrowings, certain non current assets and non current liabilities.

Revenues and expenses (including gains and losses) in relation to all financial instruments are recognised in the statement of financial performance. All financial instruments are recognised in the statement of financial position.

Statement of Cash Flows

(i) **Cash** includes bank bills, cash on hand and at bank, short term deposits and government stock less any overdraft.

(ii) **Operating cash flows** represents cash received from customers and paid to suppliers and employees including production operating expenses and royalties.

(iii) **Investing cash flows** represents cash flows arising from the acquisition and divestment of investment and productive assets. Productive assets comprise fixed assets and accumulated petroleum and coal expenditure.

(iv) **Financing cash flows** represents cash flows arising from cash transactions affecting the capital structure of the group and cash flows from debt financing activities excluding interest on debt finance which is included in operating cash flows.

(v) Certain cash flows are netted in order to provide more meaningful disclosure.

Taxation

Income tax is calculated on operating surplus/(deficit) adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences which arise from items being brought to account in different periods for income tax and accounting purposes, are brought to account as either provision for deferred income tax or an asset described as "future income tax benefit" at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Tax effect accounting procedures are applied on a comprehensive basis under the liability method to all timing differences. The net future income tax benefit relating to timing differences and tax losses is not carried forward as an asset in the statement of financial position unless the benefit is virtually certain of being realised.

Change in Accounting Policy – Amortisation of Petroleum Production Expenditure and Depreciation of Production Assets

The basis of amortisation and depreciation for petroleum production expenditures and plant and equipment of the Tubridgi Gas Project has changed. The production output method was the basis previously applied in respect of these assets. Effective 1 October 1998, amortisation and depreciation is calculated on a basis consistent with the recognition of revenue. This method ensures appropriate matching of the cost of these assets to the benefits derived therefrom.

The impact in the current period of this change in accounting policy, which has been prospectively applied, is an increased depreciation and amortisation charge of approximately $727,000 before income tax.

All other policies have been applied on bases consistent with those used in the previous year.

Comparative Figures

Where necessary, the amounts for the previous year are reclassified to facilitate comparison.

2 Total Revenue and Operating Surplus/(Deficit) Before Taxation

	Note	CONSOLIDATED 1999 $'000	CONSOLIDATED 1998 $'000	PARENT COMPANY 1999 $'000	PARENT COMPANY 1998 $'000
Operating surplus/(deficit) before taxation has been determined after					
(i) **Crediting as income:**					
Sales revenue					
Petroleum sales	19	14,621	22,514	–	–
Other revenue					
Interest received from:					
– Other short term securities		598	897	252	621
– Associate and other companies		190	39	190	–
Exchange gains		18	1,901	18	1,168
Increase in value of subsidiary and associate company shares and advances		–	–	–	1,442
Dividends received or receivable from subsidiaries		–	–	–	1,237
Other income		7	253	5	–
Total revenue		15,434	25,604	465	4,468

Petroleum sales revenue of $14,621,000 (1998: $22,514,000) represents the group's share of revenue from the Chervil oil field (offshore Western Australia), the Tubridgi gas field (onshore Western Australia) and the Ngatoro oil field (onshore Taranaki).

	Note	CONSOLIDATED 1999 $'000	CONSOLIDATED 1998 $'000	PARENT COMPANY 1999 $'000	PARENT COMPANY 1998 $'000
(ii) **Charging as expenses:**					
Amortisation of development expenditure over production		3,260	3,771	–	–
Decrease in value of subsidiary and associate company shares and advances		–	447	14	–
Directors' fees		112	75	75	75
Exchange losses		436	–	111	–
Fees paid to parent company auditors		116	108	66	55
Fees paid to parent company auditors for other services		95	60	82	–
Fixed asset depreciation		2,734	2,235	–	–
Petroleum and coal exploration expenditure written-off/(back) or down to valuation	(a)	(408)	3,750	–	–
Provision for restoration		226	654	–	–
Write-off/(back) of preference shares in unlisted petroleum company	(b)	(1,760)	–	(880)	–

Notes:

(a) Includes a write-back of $2.43 million of coal exploration and evaluation expenditure within Pike River Coal Company previously written-off (refer note 23 for further details).

(b) In addition to its direct interest the group holds an indirect interest in the Kupe field through preference shares. At balance date a previous write-down of the preference shares has been written-back in accordance with the current valuation model for the Kupe field. The revalued carrying amount is less than the original cost of the preference shares.

3 Minority Interest

The group operating deficit after taxation (prior to elimination of minority interests) of $186,000 (1998: $4,556,000 surplus) includes Pan Pacific's deficit for the year of $3,346,000 (1998: $1,891,000 surplus) which is consolidated in full in the statement of financial performance.

The minority interest, or non-NZOG share of Pan Pacific's operating deficit is removed from the net (deficit)/surplus for the year attributable to the group.

4 Shareholders' Equity

		CONSOLIDATED				PARENT COMPANY			
		1999 Number of Shares	1999	1998 Number of Shares	1998	1999 Number of Shares	1999	1998 Number of Shares	1998
	Notes	000's	$'000	000's	$'000	000's	$'000	000's	$'000
Reported paid in share capital									
Paid in share capital – opening balance		160,412	95,979	160,412	95,979	160,412	95,979	160,412	95,979
Shares cancelled during year	(iii)	(22,962)	(13,739)	–	–	(22,962)	(13,739)	–	–
		137,450	82,240	160,412	95,979	137,450	82,240	–	95,979
Treasury share elimination	(i)	(4,669)	(2,794)	(49,462)	(29,594)	(4,669)	(2,794)	–	–
Treasury capital elimination	(iii)	(26,500)	(15,855)	–	–	–	–	–	–
Closing balance		106,281	63,591	110,950	66,385	132,781	79,446	160,412	95,979
Reserves									
Retained (deficit) reserves brought forward			(19,830)		(20,397)		(69,919)		(69,136)
Net surplus (deficit) for year			1,436		3,912		(301)		3,111
Elimination of accumulated losses on treasury shares acquired during year			1,042		(688)		1,042		–
Elimination of accumulated losses on shares cancelled during year			–		–		6,159		–
Provision for dividend			–		(2,657)		–		(3,894)
Retained (deficit) reserves carried forward (v)			(17,352)		(19,830)		(63,019)		(69,919)
Share revaluation reserve:									
Opening and closing balance			–		–		1,551		1,551
Asset revaluation reserve:									
Opening balance			–		–		–		–
Revaluation of coal interests			4,391		–		–		–
Closing balance			4,391		–		–		–
Foreign currency translation reserve:									
Opening balance			(689)		(1,723)		–		–
Effect of exchange rate change on opening balance of Australian subsidiary			433		1,034		–		–
Closing balance			(256)		(689)		–		–
Total shareholders' equity			**50,374**		**45,866**		**17,978**		**27,611**

Notes:

(i) In July 1998, the company, through an on-market share buyback, repurchased 4,669,200 shares at an average price of approximately 38 cents each, for a total cost of $1,755,000. The repurchase decreased total equity by $2,794,000. The shares are held as Treasury Shares and are accounted for using the "treasury stock" method.

(ii) In October 1998, subsidiary company, Resource Equities Limited ("REL") sold 24.7 million NZOG options to associate company, Oil Holdings Limited ("OHL") in return for redeemable shares in OHL.

(iii) On 30 June 1999, REL made an in-specie distribution of 22,961,525 NZOG shares to NZOG as its ultimate parent company. These shares were cancelled upon receipt by NZOG, reducing the company's issued capital to 137,450,271 ordinary shares. Immediately following the in-specie distribution, the company reclassified 26,500,000 ordinary shares in REL as "Non Equity B Shares" and sold the remaining ordinary shares in REL to 50% owned Mineral Holdings Limited ("MHL") group. While REL is not a subsidiary by virtue of the Companies Act 1993, NZOG continues to hold the economic interest in the 26.5 million NZOG shares held by REL. Acccordingly REL is accounted for as an in-substance subsidiary using the "treasury stock" method.

Neither transaction (ii) and (iii) above had any economic effect on the existing group financial statements.

(iv) Through its shareholdings in the MHL group and the Treasury Shares acquired by share buyback, the company retains the economic interest in 31,169,200 shares which is offset against paid in share capital to leave reported capital of 106,281,071 (1998: 110,950,271) shares.

Treasury Capital	
Shares acquired by share buyback	4,669,200
Shares held by REL	26,500,000
	31,169,200

(v) Consolidated retained (deficit) reserves carried forward at balance date, are after a treasury capital elimination of reserves of $824,000 (1998 $3,477,000). Parent retained (deficit) reserves carried forward at balance date are after a treasury capital elimination of reserves of $1,042,000 (1998 $nil).

(vi) A total of 80,204,246 NZOG options are on issue at 30 June 1999 (1998: 80,204,246). Each NZOG option entitles the holder to subscribe for one share in the capital of the company at a price of $0.70, exercisable by 31 October 2001. Included within total options on issue at 30 June 1999 are 24.7 million options held by OHL.

(vii) Each issued share is entitled to one vote.

5 Short term Securities and Cash Deposits

	CONSOLIDATED		PARENT COMPANY	
	1999	**1998**	**1999**	**1998**
	$'000	**$'000**	**$'000**	**$'000**
Bank	537	1,735	105	18
Bank bills	989	3,979	989	3,979
Cash on deposit	8,792	11,406	1,612	6,286
	10,318	17,120	2,706	10,283

6 Investment in Listed Resource Companies

Shares at book value	2,519	2,588	2,519	–
Market value at balance date	3,133	4,367	3,133	–

7 Other Current Assets

	CONSOLIDATED		PARENT COMPANY	
	1999	**1998**	**1999**	**1998**
	$'000	**$'000**	**$'000**	**$'000**
Advances to associate companies	1,463	1,268	1,463	–
Accrued interest	22	79	1	71
Dividends receivable from subsidiary companies	–	–	–	1,237
Trade debtors	1,693	2,218	43	4
Field operation consumables	909	1,354	–	
Finished goods (oil stock)	1,158	495	–	–
	5,245	5,414	1,507	1,312

8 Investments in Associate and Subsidiary Companies

	Notes				
Subsidiaries:					
Shares	(i)	–	–	59,425	65,595
Advances to wholly owned subsidiaries from parent	(ii)	–	–	2,617	12,419
		–	–	62,042	78,014
Associate Companies:					
Listed shares		–	–	6,112	6,112
Unlisted shares	(iii)	2,451	2,719	2,451	2,719
Advances		132	199	–	–
		2,583	2,918	8,563	8,831
		2,583	2,918	70,605	86,845
Associate Companies					
Listed Shares – market value at balance date		–	–	4,352	5,580

Notes:

(i) On 30 June 1999, the company sold its ordinary shareholding in REL to the MHL group as referred to in note 4. However, the company retains the economic interest in the assets held by REL and accordingly, for financial reporting purposes, REL is accounted for as an in-substance subsidiary.

(ii) Inter-group advances between the parent and wholly owned subsidiaries are on interest free terms and no repayment terms have been arranged.

(iii) Equity accounting for associate companies has not been applied on the basis that the amounts involved are not material.

9 Fixed Assets

	CONSOLIDATED		PARENT COMPANY	
	1999	**1998**	**1999**	**1998**
	$'000	**$'000**	**$'000**	**$'000**
(i) **Production assets:**				
Cost	23,345	22,220	–	–
Accumulated depreciation	(15,701)	(12,719)	–	–
Book value	7,644	9,501	–	–
(ii) **Other fixed assets:**				
Cost	558	448	–	–
Accumulated depreciation	(294)	(196)	–	–
Book value	264	252	–	–
Book value of fixed assets	7,908	9,753	–	–

10 Joint Ventures

NZOG group interests held at balance date, in significant unincorporated joint ventures established to explore, develop and produce petroleum products and the contributions made by those joint ventures to group results are as follows:

	CONSOLIDATED		PARENT COMPANY	
	Percentage Interest		Percentage Interest	
Licence (Joint Ventures)	**1999**	**1998**	**1999**	**1998**
	%	%	%	%
PML 38146 (Kupe)*	16.5	16.5	–	–
PMP 38148 (Ngatoro)*	35.4	35.4	–	–
TL2 (Chervil)*	23.2	23.2	–	–
L9 (Tubridgi)	43.0	43.0	–	–
PEP 38460 (West of Maui – group company Joint Venture)*	100.0	100.0	–	–

The contribution made by joint ventures to group results was to increase revenues by $14,621,000 (1998: $22,514,000) and expenses by $13,181,000 (1998: $18,692,000).

The parent company has no direct interest in any joint venture.

* The financial statements of these joint ventures are unaudited.

Included in the assets and liabilities of the NZOG group are the following joint venture assets and liabilities.

	CONSOLIDATED		PARENT COMPANY	
	1999	**1998**	**1999**	**1998**
	$'000	**$'000**	**$'000**	**$'000**
Current Assets				
Short term securities and cash deposits	227	1,467		–
Trade debtors	45	1,379	–	–
Field operation consumables	909	1,354	–	–
Finished goods (oil stock)	1,158	495	–	–
Non-Current Assets				
Fixed assets	7,644	9,501	–	–
Petroleum interests	34,933	27,558	–	–
Total Assets	44,916	41,754	–	–
Current Liabilities				
Creditors and borrowings	1,187	3,321	–	–
Provisions	145	245	–	–
Non-Current Liabilities				
Provisions	2,824	2,446	–	–
Total Liabilities	4,156	6,012	–	–
Net Assets	40,760	35,742	–	–

11 Petroleum and Coal Interests

	Notes	CONSOLIDATED 1999 $'000	CONSOLIDATED 1998 $'000	PARENT COMPANY 1999 $'000	PARENT COMPANY 1998 $'000
Accumulated petroleum production expenditure		7,890	8,837	–	–
Accumulated petroleum exploration and evaluation expenditure					
– Petroleum mining licences	(i)	12,318	12,186	–	–
– Petroleum prospecting licences	(ii)	7,290	6,307	–	–
Accumulated coal exploration and evaluation expenditure	(iii)	7,435	228	–	–
Total accumulated exploration and evaluation expenditure		27,043	18,721	–	–
Total accumulated expenditure		34,933	27,558	–	–

Notes:

(i) The Kupe field interest included in petroleum exploration and evaluation expenditure above, is carried at directors valuation, in accordance with the company's accounting policy for petroleum exploration and evaluation expenditure. This valuation is based on the project proceeding to development and is dependent upon a number of factors which 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 and capital expenditures, availability of financing and of tax losses and legislative changes.

(ii) Included in accumulated petroleum and evaluation expenditure – petroleum prospecting licences of $7.29 million, is the amount of $5.68 million carried forward in respect of the West Maui permit (refer note 20 for further details).

(iii) Accumulated coal exploration and evaluation expenditure represents the group's interest in the Pike River coal field. At balance date the directors have reinstated coal expenditure of $6.82 million written-off in prior years (refer note 23 for further details).

NZOG group's Proven and Probable oil & gas reserves

(All figures are unaudited)

	Crude Oil & Natural Gas Liquids (Million Barrels) 1999	Crude Oil & Natural Gas Liquids (Million Barrels) 1998	Natural Gas (Billion Cubic Feet) 1999	Natural Gas (Billion Cubic Feet) 1998
(a) **Undeveloped**				
NEW ZEALAND: Net proven and probable reserves	2.7	2.3	44.3	43.5
(b) **Developed**				
NEW ZEALAND: Net proven and probable reserves	0.6	0.7	0.4	1.4
AUSTRALIA: Net proven and probable reserves	0.1	0.3	6.5	11.0
Total Developed Reserves	0.7	1.0	6.9	12.4

The group's interests in undeveloped proven and probable oil and gas reserves are in the Kupe Field (offshore South Taranaki). The group's interests in developed proven and probable oil and gas reserves are in the Ngatoro oil field (onshore Taranaki), the Chervil project (offshore Western Australia) and the Tubridgi gas field (onshore Western Australia).

Notes:

(i) 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 better than 50% chance of being technically and economically producible.

(ii) Reserves estimates are based on calculations prepared by either independent petroleum consultants or the operators of the respective licences and have not been audited.

(iii) Oil and gas reserves cannot be measured exactly since estimation of reserves involves substantive judgement. Therefore all estimates are subject to revision.

12 Other Non-Current Assets

		CONSOLIDATED		PARENT COMPANY	
		1999	**1998**	**1999**	**1998**
	Note	**$'000**	**$'000**	**$'000**	**$'000**
Security deposits	20	472	470	–	–
Investments in unlisted resource companies		1,760	–	880	–
Future income tax benefit	16	990	–	–	–
		3,222	470	880	–

13 Current Liabilities

		CONSOLIDATED 1999 $'000	CONSOLIDATED 1998 $'000	PARENT COMPANY 1999 $'000	PARENT COMPANY 1998 $'000
Advance from associate company		–	267	–	267
Creditors		1,995	4,106	310	278
Dividend payable		–	2,657	–	3,894
Loan – secured	(i)	–	100	–	–
Other provisions		85	45	–	–
Restoration provision		145	245	–	–
		2,225	7,420	310	4,439

(i) The loan was repaid on 10 August 1998.

14 Non-Current Liabilities

	Notes	CONSOLIDATED 1999 $'000	CONSOLIDATED 1998 $'000	PARENT COMPANY 1999 $'000	PARENT COMPANY 1998 $'000
Provisions	(i)	2,824	2,446	11	48
Deferred income tax liability	16	2,548	–	–	–
Advances from wholly owned subsidiary companies to parent	(ii)	–	–	59,918	66,342
		5,372	2,446	59,929	66,390

Notes:

(i) The provision of $2,824,000 (1998: $2,446,000) relates to NZOG group's share of estimated costs for the rehabilitation of various production assets.

(ii) Inter-group advances between wholly owned subsidiaries and the parent are on interest free terms and no repayment terms have been arranged.

15 Financial Instruments

Foreign Exchange Risk

The group operates United States dollar bank accounts for oil sales proceeds. Foreign exchange risk in respect of oil sales is not hedged.

The group has significant exploration and mining activities in Australia giving rise to Australian dollar currency risk. In particular the operations of subsidiary, Pan Pacific Petroleum NL involve cash deposits, short term securities, investment expenditures and revenues being denominated in Australian dollars.

Unhedged monetary assets of NZ$9.25 million (A$7.46 million) were denominated in Australian dollars, NZ$8.79 million (A$7.09 million) of this amount were current assets. Unhedged monetary liabilities of NZ$1.31 million (A$1.06 million) were denominated in Australian dollars, all of which were current liabilities.

Credit Risk

Financial instruments which potentially subject the group to credit risk consist primarily of short term securities and cash deposits, investments in listed resource companies, trade debtors and certain non-current assets.

No collateral is required by the group to support financial instruments subject to credit risk. The group places its cash and short-term investments with and through financial institutions with the intention of limiting the amount of credit exposure to any one financial institution.

In New Zealand there is a concentration of credit risk in respect of trade debtors for petroleum sales. All oil extracted from the Ngatoro field is presently sold to Fletcher Challenge Energy Taranaki Limited under a nine month contract.

All gas sales from the Tubridgi field are to AlintaGas and Alcoa of Australia Limited, although future gas sales to other parties are possible.

Investments in shares are generally restricted to companies listed on a stock exchange.

The group has no reason to believe credit losses will arise from any of the above financial instruments. However, the maximum amount of loss which may possibly be realised, is the carrying value of the financial instrument.

Fair Values

The carrying amount of short-term securities and cash deposits, trade debtors and creditors and borrowings approximates fair value due to the short maturity of these instruments. Adequate provision is held in respect of trade debtors.

Estimated fair values based on net realisable value of the group's remaining financial instruments at 30 June are as follows:

	1999 Carrying Value $'000	1999 Fair Value $'000	1998 Carrying Value $'000	1998 Fair Value $'000
Consolidated				
Investments in listed resource companies	2,519	3,133	2,588	4,367
Security deposits	472	472	470	470
Term loan – current	–	–	100	100
Investments in unlisted resource companies	1,760	1,760	–	–
Parent company				
Investments in listed resource companies	2,519	3,133	–	–
Investments in unlisted resource companies	880	880	–	–

Interest Rate Risk

The interest rate spread and the contractual maturity dates of the group's short term securities and cash deposits are as follows:

	MATURITY DATE	INTEREST RATE
Short Term Securities and Cash Deposits:		
Bank bills	Sep 1999	4.7%
Bank and cash on deposit	At call	4%
Security deposits	July 1999	2.7% to 5%

All other financial instruments are non-interest bearing.

16 Taxation

		CONSOLIDATED		PARENT COMPANY	
		1999	**1998**	**1999**	**1998**
		$'000	**$'000**	**$'000**	**$'000**
a)	**Income tax expense**				
	Operating surplus/(deficit) before taxation	1,306	4,556	(301)	3,111
	Income tax expense/(benefit) at 33%	431	1,503	(99)	1,027
	Adjusted for tax effect of:				
	Net timing differences not recognised	(1,043)	(1,390)	99	(1,027)
	Permanent differences	(8)	–	–	–
	Benefit of tax losses of prior years recouped	(212)	(113)	–	–
	Difference in foreign tax rates	(76)	–	–	–
	Income tax expense on operating surplus before prior period tax items	(908)	–	–	–
	Item of income tax relating to prior periods	2,089	–	–	–
		1,181	–	–	–
	Add income tax under provided in prior year	311	–	–	–
	Income tax expense attributable to operating surplus	1,492	–	–	–
	Income tax expense attributable to operating surplus is made up of:				
	Deferred income tax provision – prior period	2,949	–	–	–
	Future income tax benefit – prior period	(860)	–	–	–
		2,089	–	–	–
	Deferred income tax provision – current period	(837)	–	–	–
	Future income tax benefit – current period	(71)	–	–	–
	Under provision in prior year	311	–	–	–
		1,492	–	–	–
b)	**Deferred taxation**				
	Opening balance	–	–	–	–
	Movement during the year	2,548	–	–	–
	Closing balance	2,548	–	–	–
c)	**Future income tax benefit**				
	Opening balance	–	–	–	–
	Provision for restoration and accrued employee entitlements not currently deductible	990	–	–	–
	Closing balance	990	–	–	–
d)	**Future income tax benefit not taken into account**				
	Taxation losses not recognised	(50,790)	(46,650)	(23,865)	(23,533)

Notes:

(i) The taxation losses carried forward at 30 June 1999 of $50,790,000 (1998: $46,650,000) are available to various companies within the group and are conditional on the group continuing to meet the loss carry forward requirements of New Zealand and Australian tax legislation. Of the taxation losses carried forward at 30 June 1999 $5,740,000 (1998: $5,098,000) is attributable to Pan Pacific.

(ii) The taxation losses above includes timing differences of $9,546,000 (1998: $11,711,000) primarily relating to exploration, evaluation and development expenditures which will become deductible upon relinquishment of the permit area, or upon commencement of commercial production from a discovery.

(iii) Following a review of Pan Pacific's carry forward tax losses and available exploration expenditure a one-off change of income tax expense of $2,089,000 has been recognised in the financial statements at 30 June 1999.

17 Related Party Disclosures

Except for the information disclosed in Notes 2, 4, 8, 10, 14, 18 and 21 there were no material transactions with related parties during the year and no material balances due to or from related parties at balance date.

18 Employee Share Ownership Plan

Investments and advances to associate company and trustee of employee share ownership plans:

	CONSOLIDATED		PARENT COMPANY	
	1999	**1998**	**1999**	**1998**
	$'000	**$'000**	**$'000**	**$'000**
Investment in associate company	2,451	2,719	2,451	2,719
Advance to associate company	1,463	1,268	1,463	–
	3,914	3,987	3,914	2,719

(a) Description of Employee Share Ownership Plan

The company operates an employee share ownership plan under which NZOG Nominees Limited ("Nominees") holds as Custodian and Trustee of several trusts, ordinary fully paid NZOG shares for the benefit of NZOG group employees.

The Trusts were established in 1989 and Nominees holds 9,094,000 (1998: 8,554,000) NZOG shares and 4,327,000 NZOG options (1998: 4,327,000) for the benefit of employees and nil (1998: 100,000) NZOG shares for other persons.

The NZOG board nominates employees who can participate in the ESOP and determines the acquisition price of the shares which is at a premium to market value of the shares at the date of granting options to employees.

The number of NZOG shares and NZOG options held are as follows:

	1999	**1998**
	Number	**Number**
	000s	**000s**
NZOG Options:		
Allocated	1,190	–
Unallocated	3,137	4,327
	4,327	4,327
NZOG Shares:		
Allocated	2,380	965
Unallocated	6,714	7,689
	9,094	8,654
As a percentage of total reported capital	8.6%	7.8%

Other than the above allocations no shares are subject to put or call options, nor are the NZOG shares and NZOG options used as security for borrowings by the NZOG group.

(b) Investment in the Trustee of the ESOP

NZOG group has subscribed to redeemable preference shares in Nominees. The subscribed shares of $3,750,000 can be redeemed upon NZOG giving 60 days notice, from uncommitted funds held by Nominees from exercise of options or other available sources which the board of Nominees determines is reasonably available. No demand for redemption has been made and the shares are still on issue at balance date.

(c) Advances to the Trustee of the ESOP

Advances of $1,463,000 (1998: $1,268,000) have been made by the NZOG group to Nominees at a market rate of interest and are repayable on demand. No demand for repayment of these advances has been made and the advances are still owing at balance date. The company has agreed to convert the advance into redeemable preference shares in Nominees, such that all proceeds from exercise of the options will be delivered to the company.

(d) Control

The Trustee and Custodian of the ESOP is Nominees, an associate company of NZOG. Voting rights attaching to 8,648,000 shares held by the ESOP are exercisable by the Trustee/Custodian and 446,000 are exercisable by employees.

(e) Financial Position and Performance of the ESOP

	1999 $'000	1998 $'000
(i) Financial Position		
Employee contributions	171	–
Assets		
NZOG Shares and NZOG options held	5,338	5,167
Less provision for diminution in value	(1,645)	(1,447)
	3,693	3,720
Bank	147	–
Debtors	73	–
Dividend receivable from NZOG	–	216
	3,913	3,936
Less Liabilities		
Advances due to the Trustee	(5,385)	(5,167)
	(5,385)	(5,167)
Net Assets (Deficit)	(1,643)	(1,231)
(ii) Cost of NZOG Shares and NZOG Options		
NZOG Options:		
Allocated	36	–
Unallocated	94	130
	130	130
NZOG Shares:		
Allocated	1,300	724
Unallocated	4,038	4,313
	5,338	5,037
	5,468	5,167

	1999	1998
Assets	**$'000**	**$'000**
Market value of NZOG shares and NZOG options held		
NZOG Options:		
Allocated	83	–
Unallocated	220	346
	303	346
NZOG Shares:		
Allocated	785	333
Unallocated	2,216	2,652
	3,001	2,985
	3,304	3,331
Dividend receivable from NZOG	–	216
Less Liabilities		
Advances due to the Trustee	(5,385)	(5,167)
	(5,385)	(5,167)
(Deficit) based on market value at balance date	(2,081)	(1,620)

(iii) Financial Performance

	1999	1998
Interest income	4	–
Dividend receivable from NZOG	–	216
Interest expense	190	–
Management fee	5	–

Certain administration expenses of the ESOP are paid for by the Trustee.

The ESOP financial statements are unaudited.

19 Geographical Segments

	NEW ZEALAND		AUSTRALIA		CONSOLIDATED	
	1999	**1998**	**1999**	**1998**	**1999**	**1998**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Sales revenue (gross)	2,887	4,349	11,734	18,165	14,621	22,514
Net surplus/(deficit) for the year	3,611	3,044	(2,175)	868	1,436	3,912
Total assets	38,575	36,302	28,153	29,519	66,728	65,821

The company operates predominantly in the petroleum and coal industries in New Zealand and the petroleum industry in Australia.

20 Commitments and Contingencies

Contingent Asset

The L9 Joint Venture (Tubridgi – Western Australia) has commenced legal proceedings to claim payment from the Griffin Joint Venture for its failure to meet contractual obligations when gas deliveries from the offshore Griffin field were disrupted from November 1997 to April 1998. The group's share of this claim is approximately $751,000.

Capital Expenditure Commitments

At balance date the group has capital expenditure commitments of $960,000 payable within one year (1998: $1,008,000).

Exploration Commitments

(a) General

In order to maintain the various permits in which the group and its respective joint venture partners are involved, the group has ongoing commitments as part of its normal operations to meet various operational expenditures.

(b) PEP 38460 (West Maui)

Included in exploration commitments is a requirement to drill an exploration well in the West Maui permit (PEP 38460) by 22 September 1999. Given the extended time taken to secure a suitable drilling rig, that requirement will not be met and an application will be made to the licencing authority to extend this time. The company considers such an extension to be fully justified in the circumstances but the outcome cannot be guaranteed. Exploration costs of $5.68 million are carried forward in the statement of financial position at 30 June 1999 in respect of this permit.

(c) Security Deposits

Security deposits of $472,000 (1998: $470,000) have been deposited with the Australian and the New Zealand Governments in accordance with licence conditions of those countries. In the event licence work programme commitments are not met, the deposits may be forfeited.

Other Contingencies

The group may be required to undertake additional restoration works of approximately $1,054,000 in addition to that provided at 30 June 1999 (1998: $1,020,000). This obligation has not been recognised in the financial statements as it is anticipated that it is unlikely to be incurred.

21 Subsidiary Companies and Group Interests of the New Zealand Oil & Gas Limited Group

Wholly Owned Subsidiary Companies	**Notes**	
Altan Petroleum Limited		NZOG Investments Limited
ANZ Petroleum Limited		NZOG Services Limited
ANZ Resources Pty Limited	(i)	Oil Fields Limited
Australia and New Zealand Petroleum Limited		Pakawau Oil & Gas Limited
Australia & New Zealand Petroleum Limited	(i)	Petroleum Equities Limited
Curdridge Investments Limited		Petroleum Resources Limited
Darlot Enterprises Limited		Petroleum Royalties Limited
Mahoenui Petroleum Limited		Pike River Coal Company Limited
National Petroleum Limited		Stewart Petroleum Company Limited
Nephrite Enterprises Limited		

In-Substance Subsidiary Companies

Oil Holdings Limited	(ii)	
Resource Equities Limited	(ii)	

		GROUP INTEREST	
		1999	**1998**
		%	**%**
Partly Owned Subsidiary			
Pan Pacific Petroleum NL (group)	(i)	57.86	57.74
Associate Companies			
NZOG Nominees Limited		50.00	50.00
Mineral Holdings Limited		50.00	50.00

Notes:

(i) Australian registered company.

(ii) In-substance subsidiary for accounting purposes, but not by legal definition.

(iii) All subsidiary, in-substance subsidiary and associate companies have balance dates of 30 June and are involved in the petroleum and/or coal exploration industries.

22 Earnings per Share

	CONSOLIDATED	
	1999	**1998**
Basic earnings per share – cents	1.4	3.5
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	106,281,071	110,950,271
Diluted earnings per share – cents	2.3	3.5
Weighted average number of ordinary shares and options outstanding during the year used in the calculation of diluted earninges per share	186,485,317	191,154,517

23 Material Subsequent Event

On 15 July 1999, the company entered into an agreement to sell a 25% equity in Pike River Coal Company Limited ("PRCC") at a value of $1.875 million to a private investor group. This transaction valued the company's interest in PRCC, which holds a mining permit over the Pike River coalfield, at approximately $7.5 million as at 30 June 1999. In accordance with the company's accounting policies, directors have accordingly written-back coal expenditures of $2.43 million previously written-off in the statement of financial performance and written-back an asset revaluation reserve of $4.39 million, previously written-down. The carrying value of the interest in PRCC does not exceed the likely value based on the arms-length sale.

KPMG

To the Shareholders of New Zealand Oil & Gas Limited

We have audited the financial statements on pages 14 to 37. The financial statements provide information about the past financial performance and financial position of the company and the group as at 30 June 1999. This information is stated in accordance with the accounting policies set out on pages 18 to 22.

Directors' responsibilities

The directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company and group as at 30 June 1999 and the results of their operations and cash flows for the year ended on that date.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the directors and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm carries out other assignments for the company and its subsidiaries in the areas of accounting and taxation advice. The firm has no other interest in the company or any of its subsidiaries.

Unqualified opinion

We have obtained all the information and explanations we have required.
In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 18 to 37.
  - comply with generally accepted accounting practice;
  - give a true and fair view of the financial position of the company and group as at 30 June 1999 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 13 September 1999 and our unqualified opinion is expressed as at that date.

KPMG

Wellington

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices that were in place during the financial year unless otherwise stated.

Board of Directors and its Committees

The board is responsible for the overall corporate governance of the company including the strategic direction, determination of policy and matters of finance, approval of contracts and expenditures and monitoring of management's achievement of the board's instructions. To give further effect, the board has established two committees to assist in the execution of its responsibilities.

Composition of the Board

The directors of the company in office at the date of this annual report (20 September 1999) are:

Name	Age	Position	Expertise
R A Radford	61	chief executive and managing director	resource company management
A K R Watson	70	non-executive director	banking and finance
A N Frankham	59	non-executive director	chartered accountancy and company directorships
P Liddle	47	executive director	accounting and resource company management

Mr Griffin resigned as a director on 30 June 1999 being of retirement age. Mr Liddle was appointed to the board effective 1 July 1999 and in accordance with provision 34.3 of the constitution offers himself for re-election. In accordance with provisions 34.5 and 36.2 of the company's constitution, Mr Watson retires by rotation and being eligible, offers himself for re-election.

Independent Professional Advice

Each director has the right to seek independent professional advice, in relation to matters arising in the conduct of his duties, at the company's expense, subject to prior approval of the chairman, which is not to be unreasonably withheld.

Audit Committee

The role of the audit committee is documented in terms of reference which are approved by the board of directors, pursuant to which all members of the committee are members of the board. The quorum is two. The chairman of the committee is a non-executive director. The objectives and functions of the committee are:

- to ensure that the requirement of the board for full and appropriate reporting by the company is in accordance with financial reporting legislation, generally accepted accounting practice and stock exchange listing requirements;
- to review the adequacy of administrative, operating and accounting control systems maintained by management and monitor their appropriateness;
- to provide an avenue of communication between auditors and the board, in particular in relation to matters which relate to financial reporting and require consideration by the directors;
- to act as a delegate of the board on financial reporting issues.

The external auditors are invited to audit committee meetings at the discretion of the committee and also have direct access to the committee's chairman.

Remuneration Committee

The remuneration committee is chaired by a non-executive director. The role of the committee is:

- to approve the remuneration and employment terms and conditions of all senior executives of NZ Oil & Gas group companies, including the chief executive;
- to approve allocations of shares and options to group staff under the company's employee share plan;

- to recommend to the board, any amendments to the employee share plan;
- to approve general policies regarding employment, performance and remuneration of staff of group companies.

Directors' Securities Interests

The interests of directors (and associated persons of directors) in office on 30 June 1999 in equity securities of the company are set out in the following table pursuant to New Zealand Stock Exchange Listing Rules. The term "associated persons", as defined by those Rules, has changed since last year and accordingly comparative figures have been adjusted to conform to the new definition.

	SHARES		OPTIONS	
	1999	**1998**	**1999**	**1998**
A N Frankham	20,000	20,000	10,000	10,000
R A Radford	12,070,909	10,930,909	5,666,004	5,316,004

Remuneration

The total remuneration and other benefits to directors for services to all group companies (including payments made by partly owned and wholly owned subsidiary companies) in all capacities during the year ended 30 June 1999 was $444,376 being to or in respect of Messrs R A Radford $279,595; A K R Watson $48,140; D J Griffin (retired) $85,758 (including retirement benefit of $60,625) and A N Frankham $30,883.

Employees' Remuneration

During the year the number of group employees who received remuneration of at least $100,000 were:

Income Band	**Number of Employees**
130,000-139,999	1
140,000-149,999	1
180,000-189,999	1
200,000-209,999	1

Retirement Benefits

The aggregate amount accrued by the company to provide retirement benefits to directors was $11,250 at 30 June 1999 ($48,250 at 30 June 1998).

Membership of Board Committees (1 July 1999)

Remuneration Committee	A N Frankham (chairman), R A Radford*
Audit Committee	A N Frankham (chairman), R A Radford, A K R Watson, P Liddle

* (excluding participation in matters in which he has a direct personal interest)

Disclosures of Interest

During the year the following disclosures of interest by directors were entered into the Interests Registers maintained by the company and group.

Remuneration and other Benefits

In addition to disclosures made above in respect of remuneration, the following entries were made in respect of other benefits:

(i) Directors and Officers Liability Insurance. The company made payment of $34,269 for directors' and officers' liability insurance covering the company, its directors and officers for a two year period to 30 September 2000.

(ii) Indemnity. In keeping with usual practice a deed of indemnity was granted to Mr Liddle upon his being appointed a director of the company (effective 1 July 1999).

Acquisition/Disposition of Relevant Interests in Securities of the Company

Mr Radford acquired interests in a further 1,140,000 shares, being:

(i) 440,000 shares purchased on-market, being 43,900 shares on 12 October 1998 at 37.3 cents each; 75,000 shares on 17 November 1998 at 38.3 cents each; 281,100 shares on 18 November 1998 at 39.2 cents each; and 40,000 shares on 1 December 1998 at 39.2 cents each.

(ii) On 27 April 1999, an interest in 700,000 shares (and 350,000 options) pursuant to options granted at exercise prices exceeding market value by NZOG Nominees Limited, as Trustee and Custodian of the NZOG Employee Share Plan.

Transactions in which directors were interested

(i) Mr Radford declared his interest in the implementation of the NZOG Employee Share Plan "Savings Shares" whereby salary can be forgone to purchase company shares at market prices.

(ii) Mr Radford declared his interest in the implementation of amendments to the NZOG Employee Share Plan ("Plan") and the allocation to him by NZOG Nominees Limited of 700,000 options to acquire company shares (and 350,000 options) at premiums to market price on date of grant of the option, pursuant to the Plan rules.

(iii) Under the general notice provisions of the Companies Act 1993, Messrs Frankham and Radford advised that they were directors of Resource Equities Limited.

SHAREHOLDER AND OPTIONHOLDER INFORMATION

Top 20 Shareholders on the register as at 20 September 1999

Name of Shareholder	Shareholding	%
NZOG Nominees Limited	8,654,000	8.1
ANZ Nominees Limited	7,327,726	6.9
Westpac Nominees NZ Limited	6,525,065	6.1
M W Daniel	2,923,415	2.8
C Chan	1,903,246	1.8
Portfolio Custodian Limited	1,600,000	1.5
ANZ MAC Securities (NZ)	1,561,315	1.5
C Tan	1,180,000	1.1
Radford Resources Holdings Limited	1,173,845	1.1
Mehasu Pty Ltd	1,048,900	1.0
National Nominees New Zealand Limited	1,042,805	1.0
P A Bradley, G M Robinson & D J Bradley	1,000,000	0.9
K Gosling	839,700	0.8
F A & S M Buchler	800,000	0.8
Tyrannus Holdings Ltd	689,100	0.6
R A Radford	650,588	0.6
Citibank Nominees (NZ) Limited	564,010	0.5
S L Lai	525,625	0.5
H B Erickstad	500,258	0.5
R A Boas	500,000	0.5

Resource Equities Limited holds 26,500,000 shares and New Zealand Oil & Gas Limited holds 4,669,200 shares in the company, accounted for as treasury capital and excluded from the above analysis.

Top 20 Optionholders on the register as at 20 September 1999

Name of Optionholder	Optionholding	%
Oil Holdings Limited	24,730,762	30.8
NZOG Nominees Limited	4,327,000	5.4
ANZ Nominees Limited	3,230,783	4.0
Westpac Nominees NZ Limited	2,400,958	3.0
M W Daniel	1,042,744	1.3
W R Treuren	1,000,000	1.2
Frater Williams Custodial Services Ltd	864,100	1.1
Portfolio Custodian Limited	800,000	1.0
Mehasu Pty Ltd	750,000	0.9
S J Bryson	586,100	0.7
Debenture Nominees Limited	536,466	0.7
R A Boas	507,700	0.6
J A Nelson	501,479	0.6
P A Bradley	500,000	0.6
M B Fouhy	500,000	0.6
Amalgamated Dairies Limited	484,850	0.6
P B Riley	475,000	0.5
J L Hughes	430,000	0.5
J E Calvert	400,000	0.5
M D Green	400,000	0.5

In the above tables, the holdings of New Zealand Central Securities Depositary Limited have been reallocated to its applicable members.

Trading Statistics

The company's securities are quoted on the New Zealand and Australian Stock Exchanges.

	NZSE Shares (NOG)*	NZSE Options (NOGOB)*	ASX Shares (NZO)*	ASX Options (NZOO)*
Year's low – high to 20 September 1999	32 – 43c	5.5 – 12c	A27 – 40c	A3 – 6c
Total volume traded to 20 September 1999	19.7 million	10.2 million	2.4 million	0.02 million

*Trading codes

Distribution of Holdings at 20 September 1999

Ordinary Shares

Holding	No. of Shareholders	Total Shares
1 – 1,000	5,022	2,949,922
1,001 – 5,000	4,049	9,741,585
5,001 – 10,000	928	7,587,259
10,001 – 100,000	998	28,930,984
100,001 and over	95	57,071,321
	11,092	106,281,071

2001 Options

Holding	No. of Optionholders	Total Options
1 – 1,000	7,176	3,083,012
1,001 – 5,000	2,115	4,842,667
5,001 – 10,000	303	2,,296,918
10,001 – 100,000	389	12,478,942
100,001 and over	83	57,502,707
	10,066	80,204,246

Substantial Shareholders as at 20 September 1999

Name of Shareholder	Shareholding	%
Resource Equities Limited	26,500,000	19.3
New Zealand Oil & Gas Limited	13,323,200	9.7
Otter Gold Mines Limited	13,149,243	9.6
NZOG Nominees Limited	8,654,000	6.3
Radford Resources Holdings Limited	7,631,610	5.6

The above substantial shareholder notices were received pursuant to the Securities Amendment Act 1988. Under the provisions of that Act more than one party can hold an interest in the same shares.

Takeover Provisions

The constitution of the company contains standard "notice and pause" provisions under New Zealand Stock Exchange Listing Rules, in respect of acquisition of shares in the company. The acquisition of interests in shares of NZOG's listed Australian subsidiary, Pan Pacific Petroleum NL (either directly, or via the holding of share interests in NZOG) are governed by the Australian Corporations Law.

For Further Information

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

- **New Zealand**

  BK Registries
  Telephone: 64 3 308 5104
  Facsimile: 64 3 308 1311

- **Australia**

  Registries Limited
  Telephone: 61 2 9279 0677
  Facsimile: 61 2 9279 0664

For company information contact:
Peter Liddle, company secretary on: 64 9 300 5495
The website at: www.nzo.co.nz

CORPORATE DIRECTORY

Directors

R A Radford	ACA (NZ) chairman and managing director
A N Frankham	FCA (NZ), AC Inst Arb UK AAMINZ
A K R Watson AM	AAIB
P Liddle	BCom, CA (NZ), company secretary

Management

R A Radford	Chief Executive
E R Matthews	PhD, MSc, Bsc, exploration manager
G A Ward	BBS, CA (NZ), finance manager
P Liddle	BCom, CA (NZ), company secretary

Registered and Head Office

6th Floor, Tower 2
Shortland Centre
55 Shortland Street
PO Box 3198
Auckland, New Zealand
Telephone: 64 9 300 5495
Facsimile: 64 9 300 5499

Sydney Branch Office

3rd Floor, Tandem House
76 Berry Street
North Sydney, NSW 2060
Telephone: 61 2 9957 2177
Facsimile: 61 2 9925 0564

Auditors

KPMG
KPMG Centre, 135 Victoria Street
Wellington, New Zealand

Share Registrars

New Zealand	*Australia*
BK Registries	Registries Limited
144 Tancred Street	PO Box R67, Royal Exchange
Ashburton, New Zealand	Sydney NSW 1225
Telephone: 64 3 308 5104	Telephone: 61 2 9279 0677
Facsimile: 64 3 308 1311	Facsimile: 61 2 9279 0664

Internet Site

www.nzo.co.nz

All current stock exchange releases and public reports by the company are maintained on this site.