ANNUAL REPORT 2018

NEW ZEALAND OIL & GAS

EXPLORERS FROM NEW ZEALAND
NEW ZEALAND OIL & GAS SINCE 1981

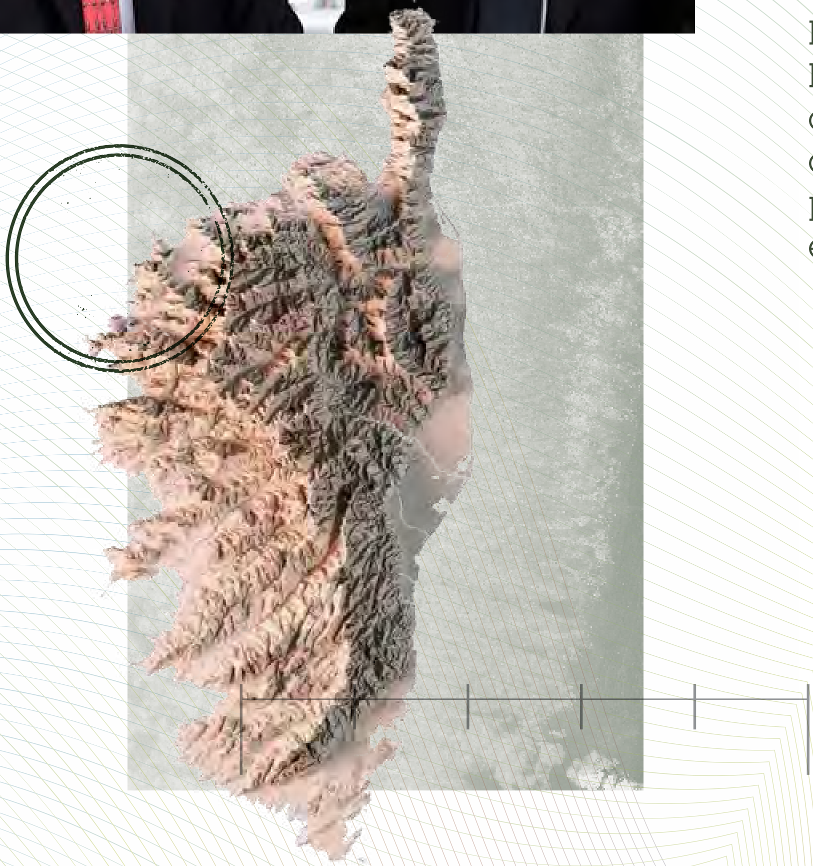
Annual Report 2018

Signed on behalf of the Board of New Zealand Oil & Gas Limited on [date]

Samuel Kellner
Chairman

Rosalind Archer
Director

Chairman & CEO's Report

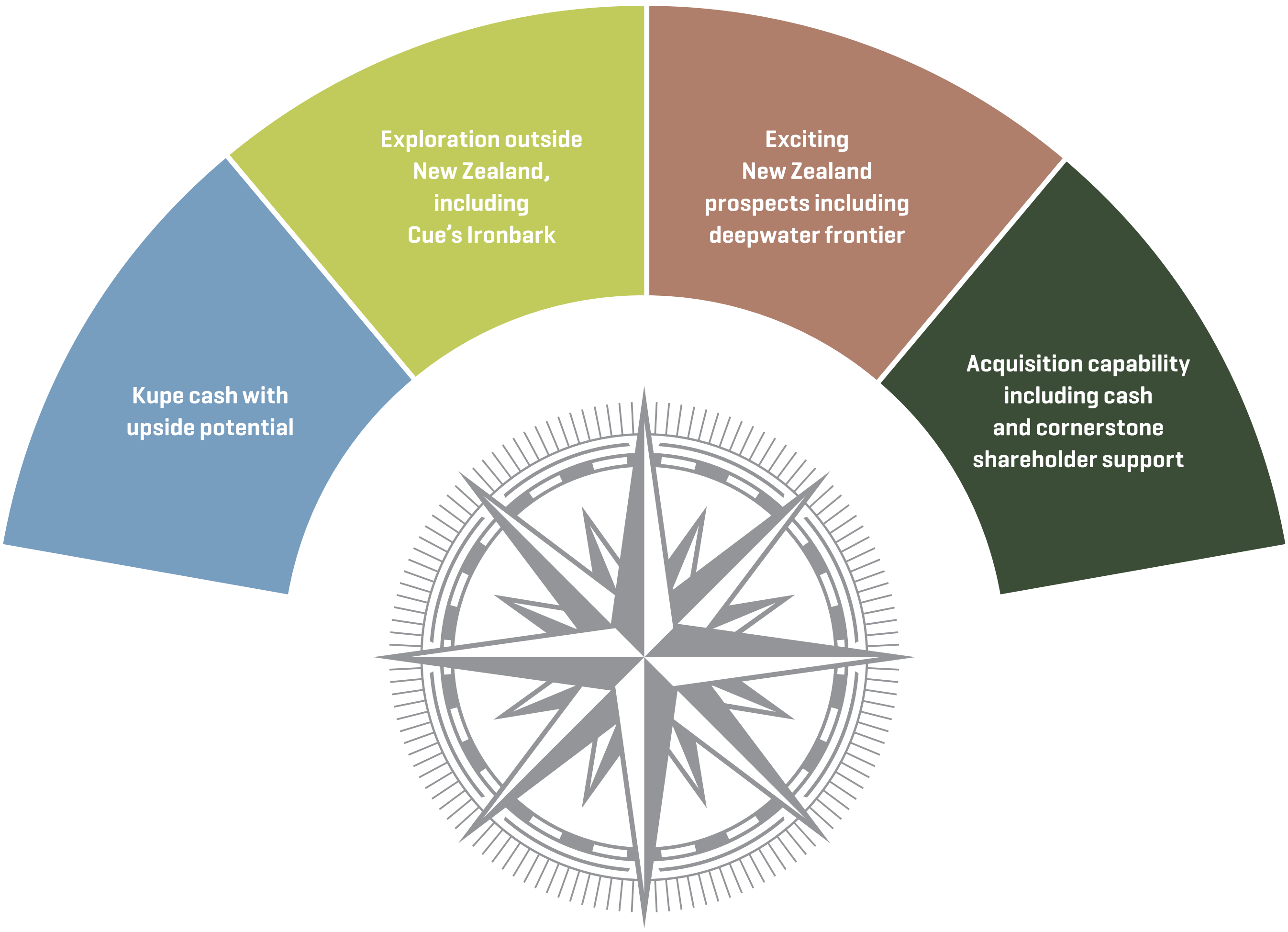


This year's annual report presents modest activities over the 2017–18 year, following the sale in the previous year of our two major producing assets.

The most important activity for the company in the year was the change of major shareholder. Now backed by the Ofer Global Group, New Zealand Oil & Gas has access to significant additional resources and the company is aiming for ambitious changes in scale.

Looking ahead, the Board has tasked us with pursuing acquisitions while we continue to progress potentially transformational exploration opportunities.

With substantial cash resources to hand, we see four foundations for growth:



We see natural gas assets in many markets replacing higher carbon fuel sources as the world undergoes a decades-long energy transformation. The world still needs energy resources of all kinds and we will pursue opportunities in all corners of the energy arena where we identify quality investment opportunities.

Kupe production generates cash with upside

Our investment in the producing Kupe gas field offshore Taranaki is small, but it is a reliable earner sufficient to cover our head office costs. We also continue to see some development upside in the future of the Kupe block.

Exploration outside New Zealand

Cue Energy's revenue is now covering its costs. Its Ironbark prospect off Australia's north west shelf is potentially enormous. BP and Beach Energy have entered into agreements providing them opportunities to acquire equity in the permit, and a decision on whether to commit to a well is drawing near.

Cue continues to cycle its Indonesia portfolio, while we also have a development asset and a drill-ready onshore exploration block there.

> Our growth strategy will likely be capital intensive, and we are planning for acquisition and development costs considerably in excess of our current, substantial, cash reserves. When the time is right, we expect to return to the capital markets, both for debt and equity, to help fund acquisitions.

Exploration in New Zealand

The New Zealand exploration portfolio has been trimmed to a promising core. Around publication date we will begin drilling in onshore Taranaki at Kohatukai in a quality prospect close to existing gas infrastructure.

During the year we published a study that demonstrated compelling commercial potential in the event of a discovery in one of our two deep water prospects east of the South Island of New Zealand.

The job of marketing our offshore acreage has not been made easier by the government's announcement that it won't offer new offshore exploration blocks. But we have received a written assurance from the government that our existing rights will be preserved. In the event of a discovery, development would be assessed under existing rules.

Therefore, we continue to believe New Zealand's deep water Canterbury and Great South basins have world class potential, while we are spreading our focus more widely to reduce our exposure to a single jurisdiction.

Our own capabilities

The other foundation for growth is the capability of our team to identify sound investment opportunities and utilise the company's access to funding.

The opportunities we are screening are non-operated assets where we can add value through our subsurface skill, our corporate values, or through our access to the global resources of our major shareholder.

We see natural gas assets in many markets replacing higher carbon fuel sources as the world undergoes a decades-long energy transformation. The world still needs energy resources of all kinds and we will pursue opportunities in all corners of the energy arena where we identify quality investment opportunities.

We mostly don't get to choose which producing assets come to market, so we are prepared to be opportunistic and agile, leveraging the advantages of having a small, relatively low-cost head office.

We do get more choice about where we explore, and what to target, and so we will be strategic about exploration investment.

In doing so we want to grow our New Zealand investor base. This year we cleaned up very small shareholdings left behind by capital returns and scaled takeovers that left about half of our register with uneconomic holdings or out of date contacts. We are proud of our New Zealand listing and when the time comes, we will be pleased to offer investors exposure to the returns that investment in petroleum assets can provide.

It remains for us to thank our Board colleagues and staff for their work on the journey. A majority of the Board are new to the company in the past year and we are pleased to provide an introduction in the following pages.

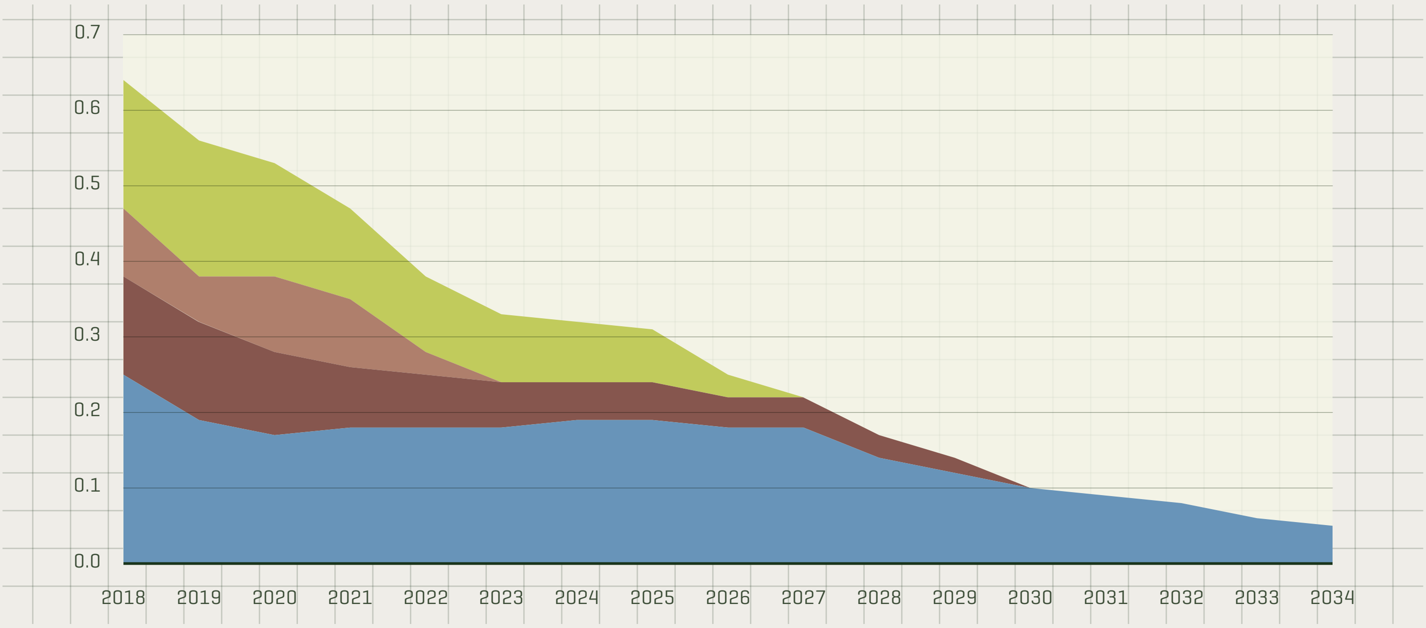
New Zealand Oil & Gas stands at the threshold of an ambitious growth strategy and we look forward to the journey.

Samuel Kellner
Chairman

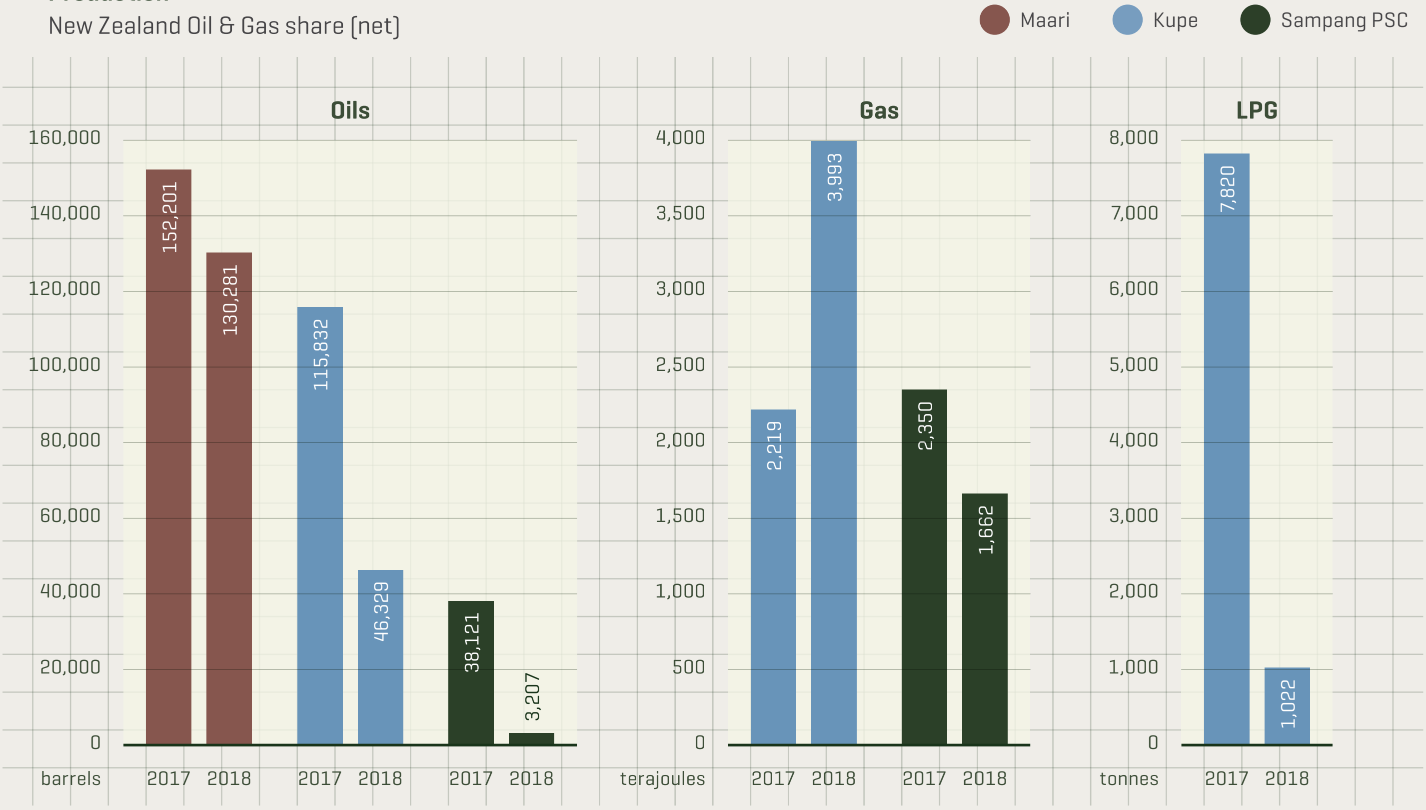
Andrew Jefferies
Chief Executive

Production

Actual and Forecast 2P Production
millions of barrels of oil equivalent



Production
New Zealand Oil & Gas share (net)

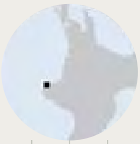


Some rounding. The New Zealand Oil & Gas interest in Maari and Sampang is held through Cue Energy. New Zealand Oil & Gas has a 50.04% interest in Cue. Graphic shows Cue's full interest.

Reserves

Taranaki Basin

- Maari - Cue Energy 5%
- Kupe - New Zealand Oil & Gas 4%

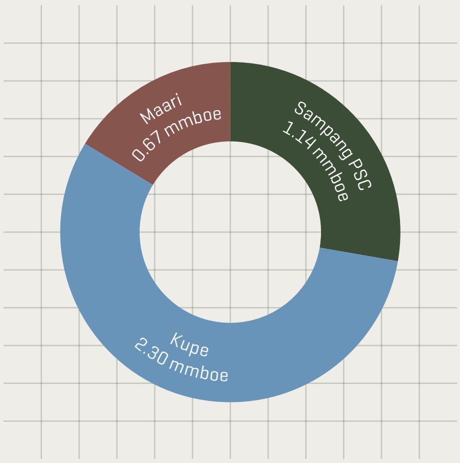


Java

- Sampang PSC - Cue Energy 15%

Remaining Proven and Probable (2P) oil and gas reserves as at 30 June 2018

Geographic area	Oil & Condensate (million barrels)	Natural Gas (petajoules)	LPG (Kilotonnes)	Million Barrels of Oil Equivalent
New Zealand				
Maari	0.67			0.67
Kupe	0.31	10.07	41.93	2.30
Indonesia				
Sampang PSC	0.02	6.85		1.14
Total	**1.01**	**16.91**	**41.93**	**4.11**

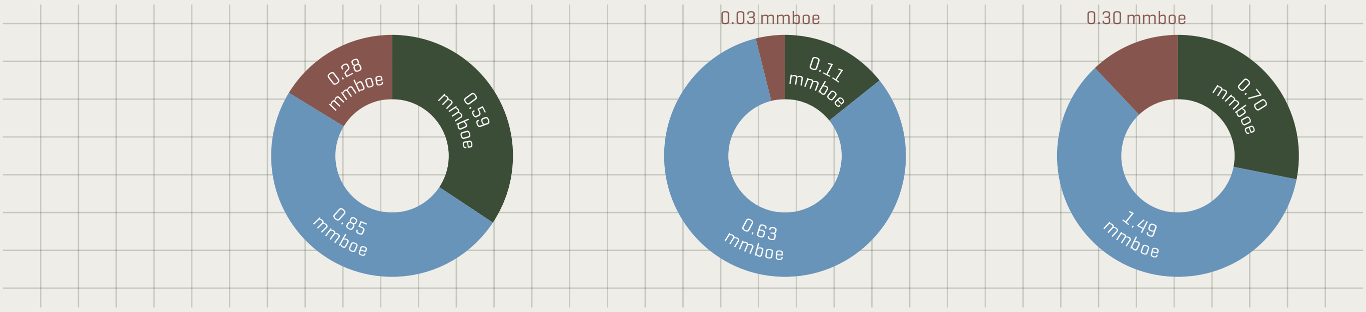


Some rounding. Includes 100 per cent of Cue's reserves. New Zealand Oil & Gas has a 50.04% interest in Cue.

Million 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 the Society of Petroleum Engineers (SPE) guidelines. Conversion factors used were: 163.40 terajoules of natural gas per barrel of oil; 8.15 barrels of oil equivalent per tonne of LPG.

Proved (1P) Reserves at 30 June 2018

Geographic area	Developed				Undeveloped				Total			
	Gas (PJ)	LPG (kt)	Oil & Condensate (mmb)	**Total** (mmboe)	Gas (PJ)	LPG (kt)	Oil & Condensate (mmb)	**Total** (mmboe)	Gas (PJ)	LPG (kt)	Oil & Condensate (mmb)	**Total** (mmboe)
New Zealand												
Maari			0.28	**0.28**			0.03	**0.03**			0.30	**0.30**
Kupe	3.65	15.50	0.13	**0.85**	2.65	10.86	0.11	**0.63**	6.31	26.36	0.24	**1.49**
Indonesia												
Sampang PSC	3.56		0.01	**0.59**	0.65			**0.11**	4.21		0.01	**0.70**

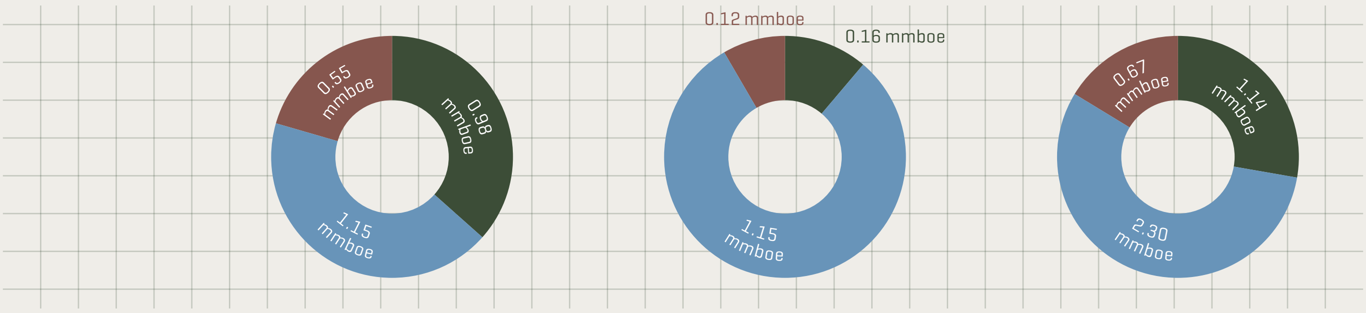


As at evaluation date 30/06/2018. Some rounding. Includes 100 per cent of Cue's interests in Maari and Sampang. New Zealand Oil & Gas has a 50.04% interest in Cue.

Maari Kupe Sampang PSC

Proved + Probable (2P) Reserves at 30 June 2018

Geographic area	Developed				Undeveloped				Total			
	Gas (PJ)	LPG (kt)	Oil & Condensate (mmb)	**Total** (mmboe)	Gas (PJ)	LPG (kt)	Oil & Condensate (mmb)	**Total** (mmboe)	Gas (PJ)	LPG (kt)	Oil & Condensate (mmb)	**Total** (mmboe)
New Zealand												
Maari			0.55	**0.55**			0.12	**0.12**			0.67	**0.67**
Kupe	4.98	20.92	0.16	**1.15**	5.09	21.00	0.15	**1.15**	10.07	41.93	0.31	**2.30**
Indonesia												
Sampang PSC	5.86		0.02	**0.98**	0.98			**0.16**	6.85		0.02	**1.14**



As at evaluation date 30/06/2018. Some rounding. Includes 100 per cent of Cue's interests in Maari and Sampang. New Zealand Oil & Gas has a 50.04% interest in Cue.

Maari Kupe Sampang PSC

Reserves, Contingent & Prospective Resources Statement

Oil and gas reserves, and contingent and prospective resources, are reported as at 30 June 2018 and follow the SPE PRMS Guidelines (2011).

New Zealand Oil & Gas is not aware of new information or data that materially affects the prospective resource estimates. All material assumptions and technical parameters underpinning the estimate continue to apply and have not materially changed. The estimated quantities of petroleum that may potentially be recovered by the application of the future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

The indicative Kupe reserves estimate is based on production data and a full probabilistic uncertainty analysis of reservoir simulation models provided by the field operator with deterministic cases selected as appropriate.

The Maari and Sampang reserves report is based on information provided by Cue Energy Resources. The Oyong estimates are based on the operator's probabilistic reservoir simulations. Maari is independently assessed using probabilistic well-by-well decline curve analysis. The Wortel estimates are based on deterministic decline curve analysis.

For the conversion to equivalent units, standard industry factors have been used of 6Bcf to 1mmboe, 1Bcf to 1.05PJ, 8.15 tonnes of LPG to 1 boe and 163.4TJ of gas to 1 boe.

Proven (1P) reserves are estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty (90% chance) to be recoverable in future years from known reservoirs, under existing economic and operating conditions. Probable (2P) reserves have a 50% chance or better of being technically and economically producible.

Estimates of Kupe reserves are based on their value in use with a discount rate of 10% applied. The oil price assumptions are based on the Bloomberg consensus mean, with contracted volumes of gas and LPG sold on current contract terms. For volumes in excess of current contracts, a future base market price of $6/gigajoule is assumed for gas sales and LPG prices are linked to the Bloomberg consensus mean forecast for oil.

Known accumulations are reserves or contingent resources that have been discovered by drilling a well and testing, sampling or logging a significant quantity of recoverable hydrocarbons.

Developed reserves are expected to be recoverable from existing wells and facilities. Undeveloped reserves will be recovered through future investments (e.g. through installation of compression, new wells into different but known reservoirs, or infill wells that will increase recovery).

Total reserves are the sum of developed and undeveloped reserves at a given level of certainty.

All reserves and resources reported refer to hydrocarbon volumes post-processing and immediately prior to point of sale. The volumes refer to standard conditions, defined as 14.7psia and 60°F.

This resources statement is approved by, based on, and fairly represents information and supporting documentation prepared by New Zealand Oil & Gas Senior Reservoir Engineer Daniel Leeman. Daniel is a Chartered Professional Engineer with Engineering New Zealand and holds Masters degrees in Petroleum and Mechanical Engineering as well as a Diploma in Business Management and has over 10 years of experience. Daniel is also an active professional member of the Society of Petroleum Engineers, Association of International Petroleum Negotiators and the Royal Society of New Zealand.

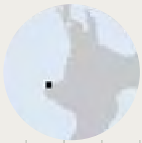
New Zealand Oil & Gas reviews reserves holdings twice a year by reviewing data supplied from the field operator and comparing assessments at scheduled Technical Committee Meetings.

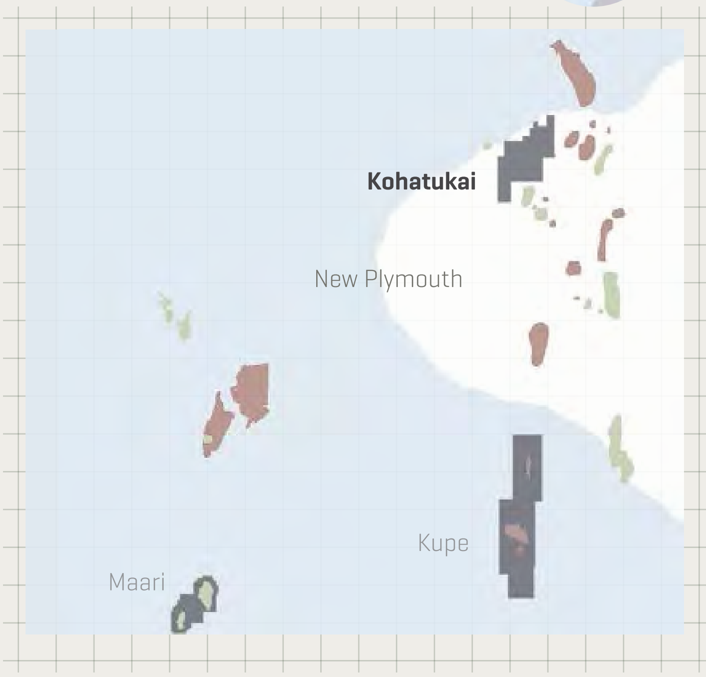
Exploration

New Zealand

Taranaki Onshore

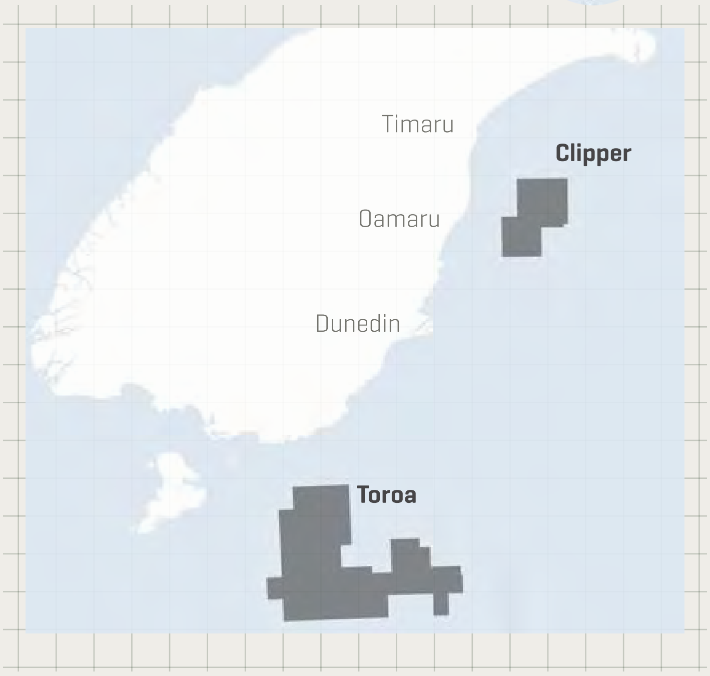
- Kohatukai - New Zealand Oil & Gas 25%





Offshore Canterbury-Great South Basin

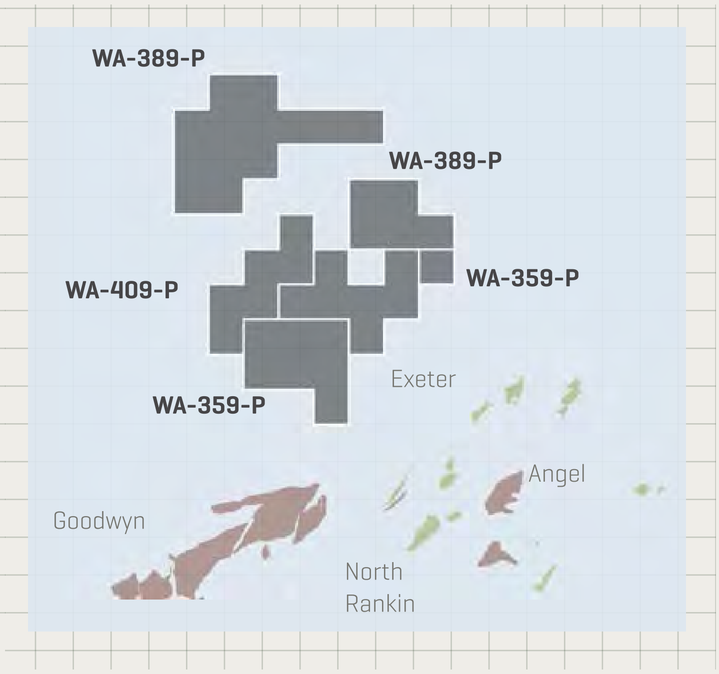
- Clipper - New Zealand Oil & Gas 50%
- Toroa - New Zealand Oil & Gas 100%



Australia

Northwest Shelf

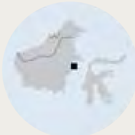
- WA-359-P Ironbark - Cue Energy 100%
- WA-389-P - Cue Energy 100%
- WA-409-P - Cue Energy 20%



Indonesia

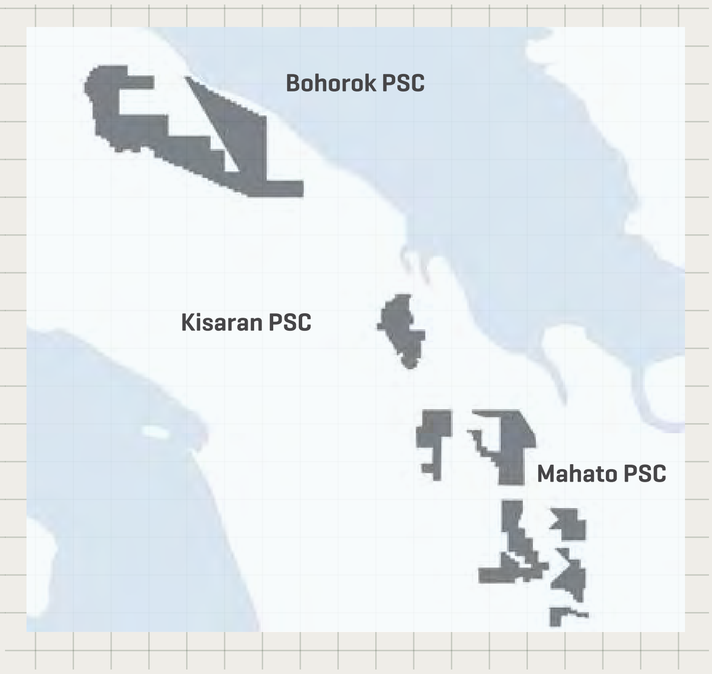
Kalimantan

- Mahakam Hillr PSC - Cue Energy 100%



Sumatra

- Bohorok - New Zealand Oil & Gas 25%
- Kisaran - New Zealand Oil & Gas 22.5%
- Mahato - Cue Energy 12.5%



Sustainability

Our Values

Pono me te Tika
Integrity and Trust

We are honest, transparent and ethical. We respect the culture, values, law and regulation of the countries we operate in.

To maintain a focus on this value we have proactively tried to learn more about different cultures and continue our engagement with Ngai Tahu Runaka around their perspectives on oil and gas exploration.

How we could do better

This year, with an increasingly international focus, we need to maintain our openness to understanding the cultures of new geographic areas we operate in.

Tangata Auaha
People and Passion

We are inclusive, acting with consistency and respecting the opinions of others. We encourage, care for and motivate each other. We have fun and work with passion.

We surveyed staff about their experience of workplace flexibility and family friendly work practices. Based on data gathered, we developed new diversity and flexible working policies.

We have been mindful to celebrate our successes. We have a strong culture and work ethic built on mutual respect and care for our colleagues.

How we could do better

We laid strong foundations for diversity over the year but we need to embed them in practice. For example, adapting our diversity policy to our recruitment practices.

Te Reo Whakawhitiwhiti
Communication

We foster active collaboration and understanding of others. We are open, transparent, and listen. We provide constructive feedback, and receive feedback graciously. We put the big issues on the table so they can be resolved.

Active, open and transparent communication is important to us. We seek feedback from our Community Panels and their networks in an annual Performance Review, and we make the feedback public. The 2016, 2017 and 2018 reports from our Southern Community Panel are available online at **southern.communitypanel.org.nz/our-reports/**

We proactively seek to understand a range of perspectives. We worked closely over the year with NGOs, communities and stakeholders interested in understanding more about the potential economic impact of a commercial development of the Barque prospect off the South Canterbury coast. As a result of these conversations, we are looking at local and international carbon impacts of a discovery.

We also produced a series of environmental information sheets responding to the specific priority questions or themes the Community Panel wanted to know more about. These too are available on the Panel website **southern.communitypanel.org.nz**

How we could do better

We could spend more time exploring and understanding local viewpoints to identify areas of commonality that could be built on. Examples include information sharing, economic opportunities, effects assessment or local investment.

"Consider making more direct approaches to different community groups to see whether they would like to engage directly".

Southern Community Panel feedback 2018

Arumoni Hangai
Commercial Focus

We actively seek out opportunities. We develop mutually beneficial relationships with key stakeholders and partners. We develop and utilise our technical competencies.

We have exposure to some valuable exploration. We plan to make very large acquisitions of producing assets that will transform the scale of our company. We have the capability to make it happen, including the support of our cornerstone shareholder.

How we could do better

We need to grow community acceptance for the contribution we make to affordable energy security, transition to a lower carbon energy system and regional development.

What are our key issues?

How Materiality was Determined.

As in previous years, we sought feedback from a range of stakeholders when considering our material issues.

We discussed our activities and current issues with Community Panel members. Panel members share their views and bring perspectives from their networks to the table.

We also considered feedback received from our shareholders, employees and industry groups, considering issues in terms of business impact and stakeholder concern.

We met with NGOs and engaged more closely with IPIECA, the global oil and gas association for environmental and social issues.

We participated in a large number of industry and business interactions with government and political leaders, and with wider industry and the community.

For this report we provide more detailed responses to the top five material issues:

- Transparency and open communication
- Environment and climate change responsiveness
- Local benefits
- Commercial opportunities, and
- Economic performance.

Materiality Matrix

Materials aspect boundary: Internal ● Internal and External

Summary Response to Material Issues

1

Transparency And Open Communication

- **Address challenging issues – company and sector**
- **Inform, engage, comply**
- **Be proactive**

We are proud of our activities and how we go about them, and we invest in open dialogue and relationships.

We understand communities where we are active legitimately want to know what impacts our activities have, what steps we take to manage risk, and how the benefits will be felt.

We hold regular meetings with the Southern Community Panel and we have formalised relationship agreements with many community interests. These agreements commit us to respectful engagement and to learning from each other.

In addition we engage directly with iwi, with mana whenua and mana moana, in our common areas of interest.

See Our Values for further discussion, and the Community Panel report card on our website for community feedback on our performance last year.

2

Environmental And Climate Change Responsiveness

- **Corporate environmental footprint**
- **Proactive responsibility for environmental impacts**
- **Consideration and communication of climate change issues**
- **Sector leadership**

Our comprehensive response on climate issues is printed on pages 23 and 24.

We support carbon budgets and emissions pricing as the most efficient and effective tools to manage carbon emissions. In our view, an economy-wide response to the global issue of climate is more effective than enterprise level response, but we are responsible about our own carbon footprint, supporting initiatives such as recycling in our head office.

Summary Response to Material Issues

Environmental And Climate Change Responsiveness

We are proactive in studying our environmental impact

We commissioned a detailed study into the carbon impact of a gas discovery at Barque, in the Clipper permit off the east coast of New Zealand's South Island.

We are examining the carbon impact of development and also the carbon effect of using gas from New Zealand in the global energy chain.

New Zealand Oil & Gas is committed to responsible management practices that minimise adverse environmental impacts from our activities, using soundly-based science as the basis for all our environmental decisions. Excellence in environmental performance is essential to our business success.

We comply with all applicable environmental laws and regulations and good practice industry standards. We apply reasonable standards where regulatory legislative requirements and standards do not exist.

We work to minimise pollution and the cumulative environmental impact of our activities at a local, regional and global level, and try to reduce waste and improve resource use.

Our environmental management plans for all our activities identify, assess and manage environmental risks as low as is reasonably practical.

All of these standards, and more, are spelled out in our environment policy, which is available here

www.nzog.com/dmsdocument/313

3

Local Benefits

- **Community Investment**
- **Promote local opportunities**

The best investment we can make in the community is economic activity.

The upstream oil and gas sector contributes over $2.5 billion to New Zealand's Gross Domestic Product (GDP), the Government collects approximately $500 million in royalties and income tax from the sector annually, and oil exports are worth approximately $1.5 billion a year.

Offshore oil and gas is the largest contributor to New Zealand's marine economy, representing 48 percent of the marine economy in 2013. Offshore oil and gas contribute more to New Zealand's GDP than shipping, fisheries and aquaculture combined.

The industry generates over 11,000 jobs nationally, and many of these jobs are highly skilled and specialised. Oil and gas workers earn twice the national average salary and create seven times the average value earned per year, money that is spent in local communities.

Summary Response to Material Issues

Local Benefits continue

Our social investment is guided by our community

Through our social investment we live our values as good partners, committed to enduring relationships with our neighbours and wider community.

We make social investments that make a sustainable difference. Unlike some companies, we don't do social investment as marketing in disguise

At New Zealand Oil & Gas social investment is guided by our Community Panels. We ask for advice about high priority projects, and we report publicly on our performance in meeting the Panel's expectations.

Examples of community investment by New Zealand Oil & Gas as a result of Panel recommendations include:

Helping a local non-profit to fund an electric car

Supporting science education

Helping to keep high needs homes warm

We report in more detail about our community investment on pages 26-31.

Local economic opportunities

Demonstrating the Materiality Matrix in action, we developed and adopted a policy on Capturing Local Economic Benefits.

The policy commits us to promoting local content and capturing local benefits. We commit to studying opportunities for the wider community to participate commercially in our projects, and to producing a local content plan for significant developments.

We also believe our expertise in areas such as health & safety and international business processes can help local enterprise compete on a commercial basis.

We want to find ways to improve entry to our industry for people from diverse backgrounds, including women, and people from cultural and social backgrounds that are under represented in the industry.

A copy of the policy is available here

www.nzog.com/dmsdocument/361

Summary Response to Material Issues

Local Benefits continue

Identifying local economic opportunities in practice

During the financial year we published a detailed study of the regional economic impact of a discovery in the Barque prospect off the east coast of New Zealand's South Island.

It showed the potentially transformational impact for local economies of our activities. While the scenarios explored in the study were conceptual, the study found that piping gas to shore in the South Island has realistic potential to produce jobs, exports, and considerable government royalties and taxes.

Development of Barque could create up to NZD$15 billion in GDP and $32 billion in royalties and taxes over the life of the field. In total, up to 5,740 FTE jobs per year could be created during the construction phase, and around 2,000 enduring jobs in the region.

The Barque study was co-funded by the permit joint venture and New Zealand Trade & Enterprise. It was undertaken by consultancy MartinJenkins, which drew on data from Beca, Methanex, Coogee, Ravensdown, Fonterra, PrimePort Timaru and others.

A copy of the study is available here

www.nzog.com/dmsdocument/download/333

4 5

Economic Performance and Commercial Opportunities

- **Returns to NZ Inc and shareholders**
- **Risk and assurance**

Returns to our shareholders are disclosed in our financial statements on Pages 68-93.

Returns to NZ Inc. are discussed on this page.

In addition, last year the wider community benefitted from NZD$3.2 million in tax and $0.6 million in royalties that we paid as a result of our activities.

We manage risk through a detailed risk management framework, which is outlined in detail on page 58 of this report.

Community Q+A: Climate Change

New Zealand Oil & Gas seeks feedback from our community about our activities and community expectations.

Community Panels bring together perspectives from business, youth, environment, social services and Maori to keep New Zealand Oil & Gas in touch with what is important.

In its Letter of Expectations this year, the Southern Community Panel asked for our response to climate change issues.

http://southern.communitypanel.org.nz/what-you-say/

What is New Zealand Oil & Gas's policy with respect to the Zero Carbon Bill and the government's position relating to carbon neutrality by 2050?

In December 2017, the government initiated a Zero Carbon Bill. The Act will require government to set in law targets to reduce New Zealand's emissions year-on-year. Carbon budgets would work towards a 2050 target of zero net carbon emissions.

We support the Zero Carbon legislation process

Broadly, New Zealand Oil & Gas supports the process for establishing the Zero Carbon legislation, the principle of a carbon budget and the use of an emissions trading scheme as the main policy tool to achieve the net carbon zero policy target.

Oil and gas has an important part to play in the energy transition and will continue to have an important role to play in a carbon neutral economy.

Natural gas remains the best thermal fuel to support renewable electricity generation and the transition to a lower carbon energy system. It provides affordable and reliable baseload supply (to cover shortfalls in generation from hydro, wind, and solar).

For more, see **www.nzog.com/sustainability/materiality/climate-change**

New Zealand Oil & Gas supports the principle that countries should transparently target their total carbon emissions. We support the involvement of the wider community in settling on a target and timetable that is appropriate for New Zealand.

In our view, the best way to reduce carbon emissions is a tradeable emissions price (i.e. Emmisions Trading Scheme). When combined with a carbon budget, a tradeable price incentivises the most economically efficient use of emissions and the lowest cost alternative technologies.

How is New Zealand Oil & Gas supporting the national goal of New Zealand becoming carbon neutral by 2050?

As climate change is a global issue, the response needs to be global. Enterprise-level responses do not reliably allocate resources efficiently, resulting in higher prices for energy, lower economic output (and living standards) and higher total emissions overall.

Global opportunities for New Zealand, and New Zealand Oil & Gas

We have a role in supporting the transition to low-emission energy sources. **Natural gas is a cost-effective alternative to higher emissions fuels** such as coal, bitumen and tar sands for those energy uses where no viable and economic alternative technology currently exists.

Our investment strategy targets a preference for gas assets. This reduces risk from climate effects and policy change, and also provides competitive supply to displace higher emissions energy sources.

Through our participation with Business New Zealand, and our industry group Pepanz, we are advocating for the revised (domestic) Emissions Trading Scheme to allow international trading to achieve emissions reductions.

We are also reviewing new technology solutions that leverage our business expertise. Carbon capture and storage is one existing technology where potential exists.

How we participate in the debate

- We commissioned an assessment of the carbon emission impact from developing a discovery off the South Island.
- We have submitted to government on the potential for carbon capture and storage (CCS) in New Zealand and urged study into providing credits for CCS through the Emissions Trading Scheme.
- We are participating in an industry project, Pepanz's Net-Zero Committee, working on the sector's response to climate change.

How we support local action

We support local communities taking action to reduce their carbon footprint. See pages 28–31.

Examples include partnering with local Trusts in Otago and Southland to insulate homes of families with high health needs, supporting local conservation projects, and supporting local community groups with low emission vehicle goals.

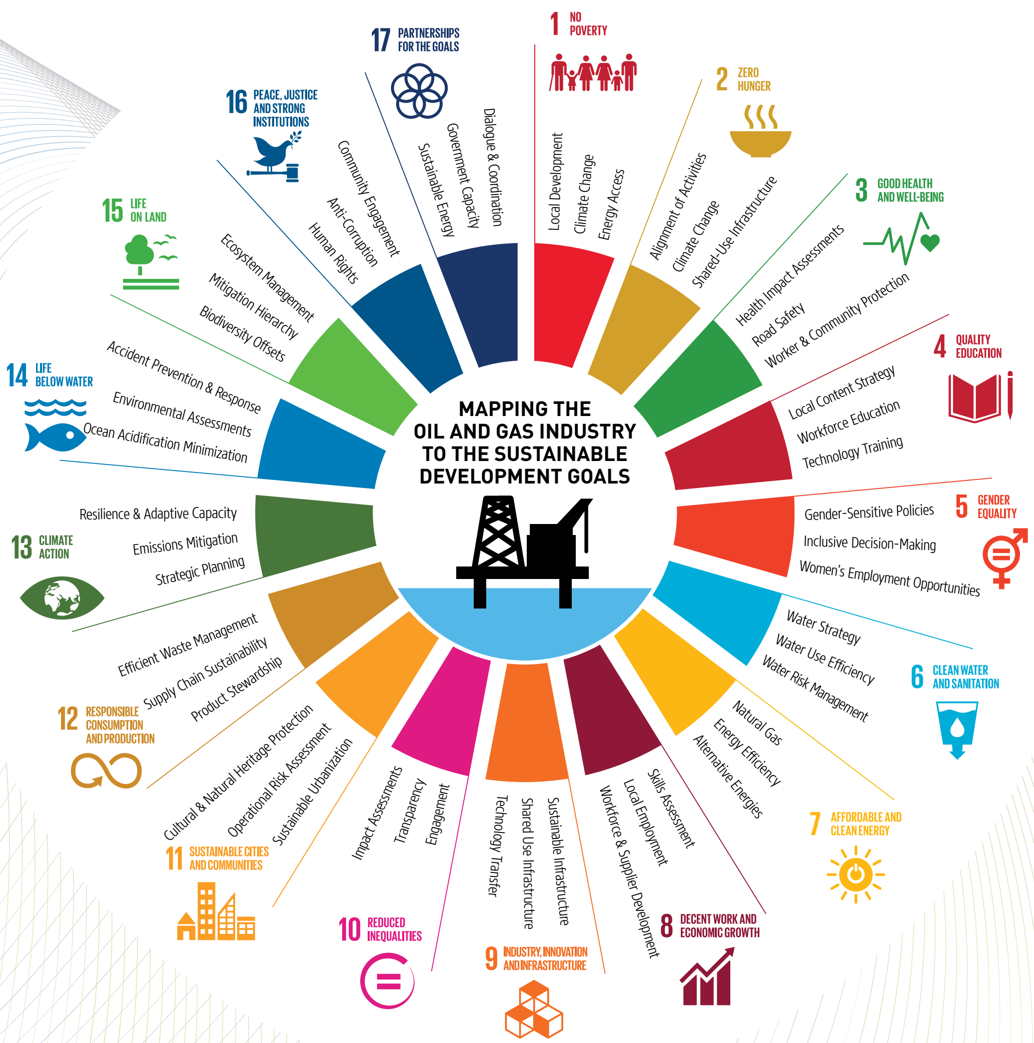
Sustainable Development Goals

Southern Community Panel members asked us to consider the United Nations Sustainable Development Goals (SDGs) in our reporting.

The UN's 2030 Agenda for Sustainable Development represents the world's plan of action to end poverty, protect the planet and ensure prosperity for all. Its 17 Sustainable Development Goals has specific targets to be achieved by 2030.

IPIECA – the Global Oil and Gas Industry Association for Environmental and Social Issues produced a report in 2017: ***Mapping the Oil and Gas industry to the Sustainable Development Goals: An Atlas*** It encourages oil and gas companies to incorporate SDGs into their business and operations, and investigate how the industry can help to achieve the SDGs.

The 17 SDGs relevant to our sector are illustrated below and our activity related to them is shown in the following table.



Our business strategy of responsibly delivering energy to help meet society's energy needs supports the SDGs

Development Goal	Initiatives by New Zealand Oil & Gas	More Information
1 NO POVERTY	The taxes and royalties we pay help the government fund essential social services. Natural gas helps to keep energy costs affordable, and produces less carbon than many alternatives in the global energy system	Pages 68–93
2 ZERO HUNGER	Affordable energy security is a crucial part of New Zealand's agricultural exports to the world	Pages 22–24
3 GOOD HEALTH AND WELL-BEING	Support for Warm Home insulation in Otago and Southland Employee health and well-being checks, safety focus	Pages 28–29
4 QUALITY EDUCATION	Third consecutive year of supporting primary and tertiary Science Fairs in Otago and Southland. Funding of a new website for the Southland Science Fair. Working with O.G. Oil & Gas to deliver scholarships and support industry research in 2019. Support for Engineering New Zealand's Week of Engineering festival.	Page 27–28
5 GENDER EQUALITY	Inclusive decision making through community engagement. Diversity Policy: family -friendly and flexible work place focus.	Pages 20–21
7 AFFORDABLE AND CLEAN ENERGY	Commercial opportunities to help deliver energy to meet societies changing needs	Pages 10–12
8 DECENT WORK AND ECONOMIC GROWTH	Our values - Ethics and Transparency Capturing Local Economic Content Policy New Diversity and Workplace Flexibility corporate policies	www.nzog.com/investor-information/shareholders-information/corporate-governance/ www.nzog.com/sustainability/about-sustainability/our-values/
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Sustainability screening framework for due diligence process Advocate for regulatory change to support a price on carbon and carbon capture and storage	This section See also pages 23–24
13 CLIMATE ACTION	Support for a price on carbon Support for local communities investigating transition to low-emission (e.e. sponsoring community group purchase of an EV, community partnerships to insulate high needs homes. Commissioning research on carbon impact of commercial development of a field in Great South Basin. Industry leadership – PEPANZ Net Zero Carbon Emissions Committee	Pages 23–24 and 30–31
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Our values - Ethics and Transparency Corporate Governance Materiality Matrix and Stakeholder engagement	https://www.nzog.com/sustainability/
17 PARTNERSHIPS FOR THE GOALS	Promote industry sustainability reporting, and industry use of SDGs and IPIECA material	This page

Supporting Local Communities

Southern Community Panel

The New Zealand Oil & Gas Southern Community Panel has been operating for over three years now and has provided a mirror for the company by sharing its perspectives about the potential impact of a discovery off the South Island.

Many of the Panel's questions have been about local economic benefits, environmental impact and climate change. Specifics are outlined in the Panel's annual Letter of Expectations (written from the Panel to New Zealand Oil & Gas), available on the Panel website southern.communitypanel.org.nz.

This year's letter includes a focus on community expectations of how our company cares for our environment, including our climate policy and actions.

SUPPORTING 1 COMMUNITIES

Supporting Science Education

What are the anti-bacterial properties of Manuka?

Coal at School – is it cool?

What is the most efficient ceiling bulk insulation material?

These are some of the questions on the minds of young students from across Otago and Southland. Beginning in 2016 our involvement with the Otago and Southland Science Fairs has helped local students delve in to Earth science, energy efficiency, Mātauranga Māori, marine science, science innovation, science communication and science education.

We also support our partners the Otago Cosy Homes Trust, and the Southland Warm Homes Trust, to sponsor a prize that raises awareness of the importance of Warm and Efficient Homes.

New Zealand Oil & Gas Graduate Geologist Brittany Abels presents the NZ Oil & Gas Energy Efficiency award to Year 8 student Catherine Lund, from Columba College.

Daniel Leeman, Senior Reservoir Engineer from New Zealand Oil & Gas, points out the challenges of operating a drill-pipe constructed from marshmallows and bamboo sticks, at the 2018 Wellington Engineering Expo.

Engineering New Zealand runs Engineering Expo, a free event held in Auckland, Wellington and Christchurch.

The annual event is a showcase for the best of engineering – from robots and machines, to interactive displays, and design and build competitions.

The Expo gives school children a chance to indulge their curiosity, get them thinking creatively and engage in real-world projects and interactive activities.

Popular challenges at the New Zealand Oil & Gas booth included sucking milk up through a timtam biscuit to demonstrate the porosity of reservoir rocks - a skill associated with reservoir engineering. We illustrated mechanical engineering with construction challenges using marshmallows and bamboo sticks.

Warming Southern Homes

Many New Zealanders are living in cold, damp houses and experience associated health issues. This issue was quickly identified by our Southern Community Panel as a key local concern. New Zealand Oil & Gas has been helping since 2015.

We proudly support the Otago Cosy Homes, and Southland Warm Homes Trusts. They are driven to delivering southerners more energy efficient homes, improved living environments, improved well-being, better health, and greater energy efficiency awareness.

This was our third year of support for the Otago Cosy Homes, and Southland Warm Homes Trusts. Over this time our funding, matched by Energy Efficiency and Conservation Authority (EECA) and other third-party funding, has provided insulation for over 150 homes across Otago and Southland. In fact, this year the Cosy Homes and the Otago Community Trust collaborated more closely to extend the programme in to Waitaki District, helping to insulate many of that district's older, colder homes.

"Cold, damp homes are an enormous health risk across Otago. Many people understand the need to insulate their homes, but need a helping hand in getting the work done. New Zealand Oil & Gas assistance with subsidised insulation is a legacy, as these products are now guaranteed for 50 years – that's several generations of children who will grow up in warmer, healthier homes."

Jordan Whyte, Project Manager, Cosy Homes Trust

We helped a local non-profit to fund an electric car

A serendipitous phone call from New Zealand Oil & Gas to local Dunedin EV dealer Gilmour Automotive identified local charitable trust CCT (Community Care Trust) had been making its own enquiries, investigating reducing its environmental footprint and operating costs by introducing an electric vehicle to its fleet.

A few conversations later and CCT is now the proud owner of a 2016 Nissan Leaf, co-funded by New Zealand Oil & Gas.

The Community Care Trust (CCT) is a not-for-profit charitable trust that supports youth and adults with intellectual disabilities and/or autistic spectrum disorders throughout Otago and Southland to live as participating and valued members of their communities.

With over 220 staff supporting over 260 disabled people and their families/whanau across Otago and Southland, CCT's client support ranges from one hour per week through to 24/7 one-on-one support.

The Trust's vehicle fleet is an essential asset. CCT wanted to improve its carbon footprint and make transport cost savings. New Zealand Oil & Gas was interested in whether the full life-cycle costs of the EV result in sustainable savings.

At the same time, the New Zealand Oil & Gas Southern Community Panel provided strong endorsement for supporting local community organisations to achieve their sustainability goals.

> The New Zealand Oil & Gas Southern Community Panel felt that the work and the ethos of Community Care Trust has strong alignment with our company's approach and values and our strong support for New Zealand's regions. We agree! We are pleased to co-fund the first electric vehicle in the CCT fleet, and in this small way, help the Trust continue its work across Otago and Southland. We look forward to hearing the impact the EV has for the Trust

Andrew Jefferies, CEO New Zealand Oil & Gas

CCT staff and management team are excited about the new vehicle. Having completed the Otago Polytechnic training in the Health and Safety aspects of Electric Vehicles, normally reserved for the automotive industry, the team is ready to share the EV experience across their organisation. This will expose a large number of people who may not otherwise experience this new technology. They've also registered with Flip the Fleet, a citizen science project designed to collate and share vehicle performance and economic data.

From left to right –
Alistair Gilmour, Gilmour Automotive EV Dealer; Wayne Cockburn, Business Development Manager, Community Care Trust Dunedin Support Centre; Anna Ririnui, New Zealand Oil & Gas Ltd; Bridget Irving, Partner, Gallaway Cook Allan Lawyers, Chair of the Southern Community Panel

With over 220 staff supporting over 260 disabled people and their families/whanau across Otago and Southland, our vehicle fleet is an essential asset. Any opportunity to reduce our environment footprint and make savings on our bottom line makes complete sense. It's been great to have the support of New Zealand Oil & Gas and the endorsement of the Southern Community Panel, and have our work in the community and efforts to improve our environmental footprint recognised.

Wayne Cockburn, Business Development Manager, Community Care Trust

Corporate Governance Statement

New Zealand Oil & Gas Limited (the Company) is a limited liability company registered under the New Zealand Companies Act 1993.

The Company is listed and its shares quoted on the Main Board equity security market operated by NZX Limited (NZX) under the code "NZO".

This statement sets out the main corporate governance practices adopted by the Company.

It is current to 30 June 2018 (unless a more recent date is expressly stated), and has been approved by the board.

Corporate Governance Best Practice Codes

The Company regularly reviews and assesses the Company's governance processes and policies and monitors its compliance with corporate governance best practice. This includes assessing compliance with the NZX Listing Rules and Corporate Governance Code 2017 (Appendix 16) (NZX Code).

This section of the report is structured to report performance against the principles of the NZX Code. Information presented under each principle is followed by the NZX Corporate Governance checklist.

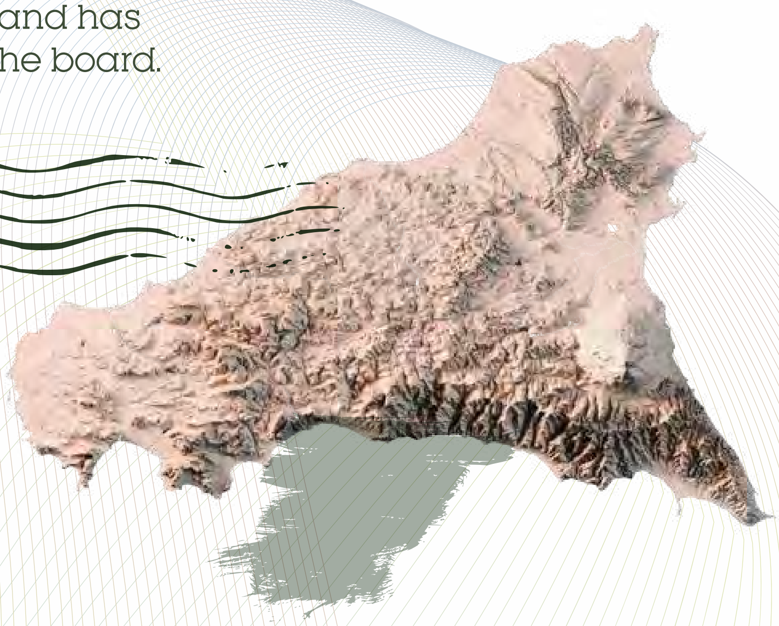
In complying with the NZX Code, the Company's corporate governance outcomes also substantively meet the principles of the FMA Corporate Governance Handbook.

The Company is compliant with these rules and guidelines except as otherwise noted in the following pages.

Detail about the Company's corporate governance, including the constitution, board and committee charters, policies and frameworks is available in the corporate governance section of our website at

www.nzog.com/investor-information/shareholders-information/corporate-governance/

This statement was approved by the board on 23 August 2018.



PRINCIPLE 1

Code of Ethical Behaviour

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

New Zealand Oil & Gas Limited is committed to the highest standards of corporate governance and aspires to continuous improvement in its governance performance.

The board's overarching governance objectives are:

- Ensure solid foundations for management and oversight.
- Deliver high standards of transparency and ethical and responsible decision-making.
- Structure itself to add value.
- Make timely and balanced disclosure.
- Respect the rights of shareholders.
- Safeguard integrity in financial reporting.
- Recognise and manage risks.
- Encourage enhanced performance.
- Promote a corporate culture that upholds agreed Company values.

Code of Business Conduct and Ethics

The Company's Code of Business Conduct and Ethics sets out values and ethics expected of the Company's directors, management, employees and dedicated contractors.

The Company strives to create a strong culture of honesty, integrity, loyalty, fairness, forthrightness and ethical behaviour.

Company representatives are required to:

- act with high standards of honesty, integrity, fairness, and equity in all aspects of their involvement with the Company;
- comply fully with the content and spirit of all laws and regulations which govern the operations of the Company, its business environment, and its employment practices;
- not knowingly participate in illegal or unethical activity;
- actively promote compliance with laws, rules, regulations, and the Company's Code of Business Conduct and Ethics; and
- not do anything that would be likely to negatively affect the Company's reputation.

The Code addresses in detail issues such as:

- conflicts of interest and corporate opportunities;
- protection and proper use of Company assets;
- confidential and proprietary information;
- intellectual property;
- competition and fair dealing;
- business entertainment and gifts;
- anti-bribery and corruption;
- cash koha;
- insider trading or tipping, and
- reporting of Code violations.

The Code of Business Conduct and Ethics is available in the corporate governance section of the Company's website at

www.nzog.com/dmsdocument/188

Securities Trading Policies

The Company's Securities Trading Policies set out procedures about when and how an employee, dedicated contractor or director can deal in Company securities.

These policies are consistent with the Financial Markets Conduct Act 2013 and its insider trading procedures, and they comply with the NZX listing rules.

The board ensures that these policies are up-to-date and compliant at all times with changes to the law and to NZX listing rules.

The Securities Trading Policies are available on the Company's website at:

For directors

www.nzog.com/dmsdocument/196

For employees and contractors

www.nzog.com/dmsdocument/195

Protected Disclosures (Whistleblower) Policy

The Company has a Protected Disclosures (Whistleblower) Policy that provides a procedure for company employees and contractors to raise concerns or make disclosures about what they observe happening at work.

The purpose is to facilitate disclosure and investigation of serious wrongdoing. It provides a mechanism for concerns being raised and dealt with at an early stage and in an appropriate manner. The person making the report is protected from any adverse consequences where the concern is raised in good faith.

The Protected Disclosures (Whistleblower) Policy is available in the corporate governance section of the Company's website at

www.nzog.com/dmsdocument/194

	NZX Code Recommendation	✔ I ✗	Explanation of non-compliance
1.1	The board should document minimum standards of ethical behaviour to which the issuer's directors and employees are expected to adhere (a code of ethics).	✔	
	The code of ethics and where to find it should be communicated to the issuer's employees. Training should be provided regularly. The standards may be contained in a single policy document or more than one policy.	✔	During the reporting period training was not specifically provided to employees on the Company's Code of Business Conduct and Ethics policy, however the policy is readily available to all employees via the intranet system. The company's values are incorporated into employees' short term incentives and relate in nature to the policy. Staff are actively informed about trading blackouts, insider trading obligations and the company's values expectations.
	The code of ethics should outline internal reporting procedures for any breach of ethics, and describe the issuer's expectations about behaviour, namely that every director and employee:	✔	
	a) acts honestly and with personal integrity in all actions;	✔	
	b) declares conflicts of interest and proactively advises of any potential conflicts;	✔	
	c) undertakes proper receipt and use of corporate information, assets and property;	✔	
	d) in the case of directors, gives proper attention to the matters before them;	✔	
	e) acts honestly and in the best interests of the issuer, shareholders and stakeholders and as required by law;	✔	
	f) adheres to any procedures around giving and receiving gifts (for example, where gifts are given that are of value in order to influence employees and directors, such gifts should not be accepted);	✔	
	g) adheres to any procedures about whistle blowing (for example, where actions of a whistle blower have complied with the issuer's procedures, an issuer should protect and support them, whether or not action is taken); and	✔	
	h) manages breaches of the code.	✔	
1.2	An issuer should have a financial product dealing policy which applies to employees and directors.	✔	

Board of Directors

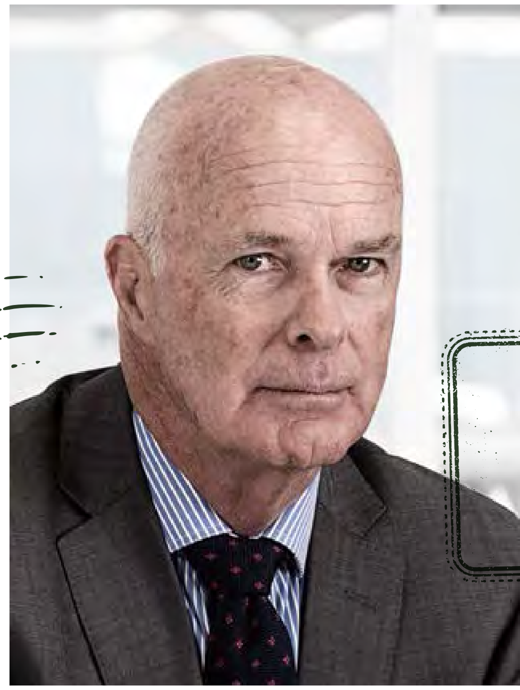
Samuel Kellner – Board Chair

Andrew Jefferies – Managing Director

Dr Rosalind Archer – Independent Director

Rebecca DeLaet – Director

Alastair McGregor – Director



Rod Ritchie – Independent Director

Samuel Kellner

Board Chair

Samuel Kellner has held a variety of senior executive positions with the Ofer Global Group since joining the Group in 1980. He has been deeply involved in various Ofer Global Group's business lines, with a particular emphasis on offshore oil and gas, shipping and real estate, and has advised the Ofer Global Group companies on investments in a variety of investment managers, hedge funds and private equity funds. Most recently, Mr Kellner served as president of Global Holdings Management Group (US) Inc where he led North American real estate acquisition, development and financing activities. Mr Kellner serves as a director of O.G. Energy, O.G. Oil & Gas and Cue Energy Resources. He is also an executive director of the main holding companies for the Zodiac shipping group and Omni Offshore Terminals, a leading provider of floating production, storage and offloading (FSO and FPSO) solutions to the offshore oil and gas industry. As a member of the O.G. Energy Senior Management Committee, he helps drive the strategy for the Ofer Global Group's energy activities. Mr Kellner graduated with a BA degree from Hebrew University in Jerusalem. He has an MBA from the University of Toronto, and taught at the University of Toronto while working toward a PhD in Applied Economics. Mr Kellner was appointed in December 2017. He is the Chairman of the Board of Directors and a member of the Nomination and Remuneration Committee.

Dr Rosalind Archer

Independent Director

Dr Rosalind Archer joined the board of New Zealand Oil & Gas in November 2014. Dr Archer graduated with a BE from University of Auckland. Dr Archer holds a PhD in Petroleum Engineering, and PhD minor in Geological and Environmental Studies from Stanford University. She is a professor at the University of Auckland, and head of its Department of Engineering Science. Rosalind runs a consulting practice as a reservoir engineer with clients locally and internationally. She regularly speaks on reservoir engineering topics at international conferences. Dr Archer is also director of the University of Auckland Geothermal Institute. Dr Archer was appointed to the board in November 2014. She chairs the Nomination and Remuneration Committee and is a member of the Audit Committee and the HSSE Committee.

Marco Argentieri

Director

Marco Argentieri is Senior Vice President and General Counsel for O.G. Energy, and a member of the Board of Directors of both O.G. Energy and O.G. Oil & Gas. As a member of the O.G. Energy Senior Management Committee, he helps drive the strategy for the Ofer Global Group's energy activities. Mr Argentieri serves as the chief legal counsel for the O.G. Energy Group, where he advises on financing activities, acquisitions, and other commercial and corporate matters. Mr Argentieri has worked for the Ofer Global Group since 2006, where he previously served as chief legal counsel responsible for Ofer Global Group finance activities, with a particular focus on the Group's offshore oil services and shipping businesses. Prior to joining Ofer Global, Mr Argentieri was an attorney at the New York offices of Latham & Watkins LLP and Skadden, Arps, Slate, Meagher & Flom LLP. He holds a B.A. from the University of Rochester, a J.D. from New York University and an MBA from Columbia University. Mr Argentieri joined the board in July 2018.

Rebecca DeLaet

Director

Rebecca DeLaet has worked for the Ofer Global Group of companies since 1990. For the last ten years she has overseen the Group's finance activities, including debt and equity financing, treasury operations and risk management. Ms DeLaet was responsible for the initial structuring and capitalisation of Omni Offshore Terminals' assets in 1994, establishing an independent oil and gas arm for the Ofer Global Group. Since then, she has been responsible for all of the financing activities for the Omni organisation.

Ms DeLaet is a director of O.G. Energy, O.G. Oil & Gas and Cue Energy Resources, where she is the chair of the Audit Committee. As a member of the O.G. Energy Senior Management Committee, she helps drive the strategy for the Ofer Global Group's energy activities. She has a Masters in Finance and Bachelor of Science from the Wharton School at the University of Pennsylvania. Rebecca DeLaet joined the board in December 2017. She chairs the Audit Committee.

Andrew Jefferies

Managing Director

Mr Jefferies started his career with Shell in Australia after graduating with a BE Hons (Mechanical) from the University of Sydney in 1991, an MBA in technology management from Deakin University in Australia , and an MSc in petroleum engineering from Heriot - Watt University in Scotland. Andrew is also a graduate of the Australian Institute of Company Directors (GAICD), and a Certified Petroleum Engineer with the Society of Petroleum Engineers. He has worked in oil and gas in Australia, Germany, the United Kingdom, Thailand and Holland. He is a director of Cue Energy and the Petroleum Exploration and Production Association of New Zealand (PEPANZ). Andrew Jefferies joined New Zealand Oil & Gas in 2013 and became chief executive in 2016. He joined the board in December 2017. He is a member of the Commercial Committee and the HSSE Committee.

Alastair McGregor

Director

Alastair McGregor has been actively involved in the oil & gas sector since 2003. He is currently chief executive of O.G. Energy, which holds the Ofer Global Group's broader energy intersts, and O.G. Oil & Gas Limited, a company that holds directly or indirectly oil & gas exploration and production interests onshore and offshore. He leads the O.G. Energy Senior Management Committee, driving the strategy for the Ofer Global Group's energy activities. Mr McGregor is also the Chairman of the Board of Directors of Cue Energy Resources.

In addition, Mr McGregor is chief executive of Omni Offshore Terminals Limited, a leading integrated provider of floating production and storage and offloading (FPSO & FSO) solutions to the offshore oil & gas industry. Omni's operations span the globe from New Zealand, Australia, South East Asia, Middle East and South America. Prior to entering the oil & gas industry Alastair spent 12 years as a banker with Citigroup and Salomon Smith Barney. Alastair holds a BEng from Imperial College, London and an MSc from Cranfield University in the UK. Mr McGregor joined the board in October 2017. He is a member of the Commercial Committee, the Nomination and Remuneration Committee and the HSSE Committee.

Rod Ritchie

Independent Director

Rod Ritchie joined the board of New Zealand Oil & Gas in 2013. He graduated with a BSc, from the University of Tulsa. He has 38 years of experience as a line manager and a Health, Safety, Security and Environment executive in the oil and gas industry – including being the corporate senior vice president of HSSE at OMV based in Vienna. He is a member of the Society of Petroleum Engineers. Mr Ritchie joined the board in October 2013. He chairs the HSSE committee and he is a member of the Audit Committee and the Nomination and Remuneration Committee.

PRINCIPLE 2

Board Compostion and Performance

"To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives."

Role of the Board

The board is responsible for the overall corporate governance of the Company including strategic direction, determination of policy, and the approval of significant contracts, capital and operating costs, financial arrangements and investments.

In addition to statutory and constitutional requirements, the board has a formal charter that sets out its functions and structure.

The Board Charter is available in the corporate governance section of the Company's website at

www.nzog.com/dmsdocument/371

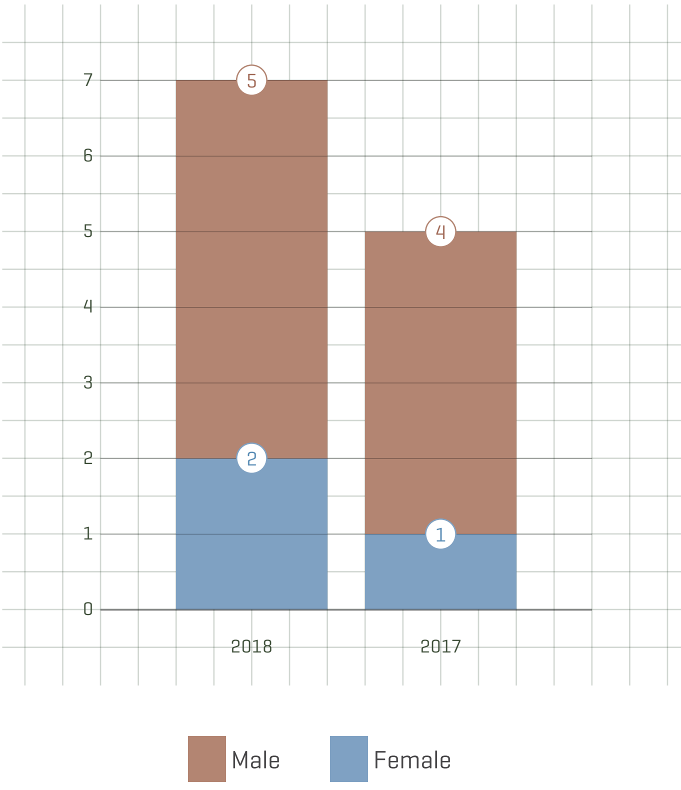
Composition of the Board

The number of directors is specified in the constitution as a minimum of three and up to a maximum of seven. At least two directors must be persons ordinarily resident in New Zealand. Dr Archer, Mr Jefferies and Mr Ritchie are ordinarily resident in New Zealand.

Each year one-third of the directors must retire by rotation.

If eligible, each retiring director may offer themselves for re-election.

Directors holding office during the accounting period	
Rosalind Archer	
Rod Ritchie	
Alastair McGregor	Elected 30 October 2017
Duncan Saville	Resigned 14 December 2017
Rodger Finlay	Resigned 14 December 2017
Mark Tume	Retired 30 October 2017
Samuel Kellner	Appointed 21 December 2017
Rebecca DeLaet	Appointed 21 December 2017
Andrew Jefferies	Appointed 21 December 2017

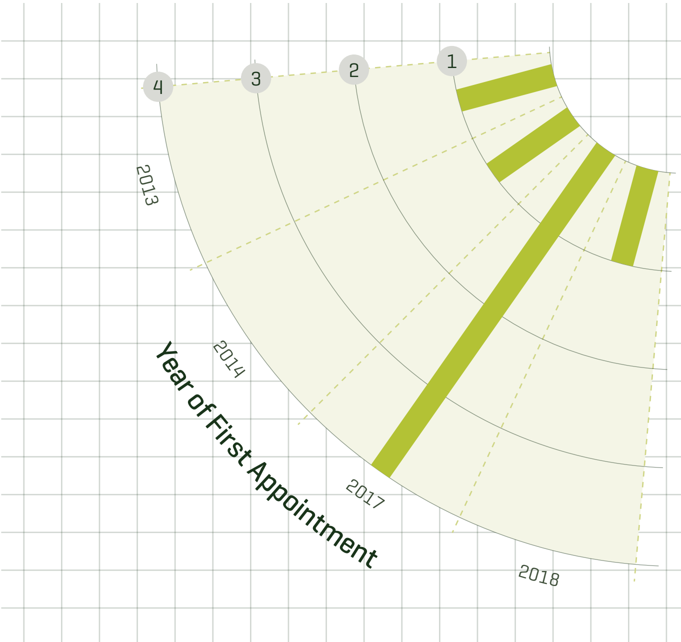


Independent Directors

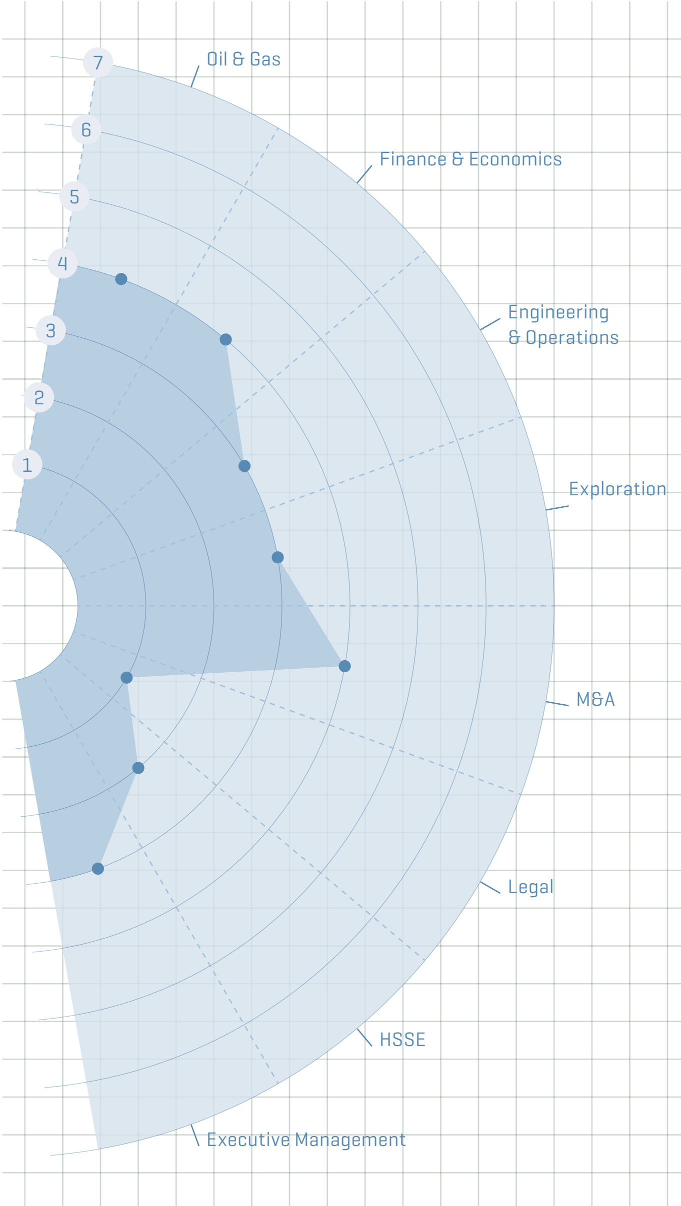
The board has determined in terms of the NZX Listing Rules that as at 30 June 2018, Dr Archer and Mr Ritchie are independent directors.

Mr Kellner, Mr Argentieri, Ms DeLaet, and Mr McGregor are not independent because of their association with O.G. Oil & Gas Limited, which is a substantial shareholder in New Zealand Oil & Gas Ltd.

Mr Jefferies is not independent because he is the managing director of New Zealand Oil & Gas.



Number of Directors with Specific Skillset



Board Proceedings

The board meets on a formal scheduled basis four times per year, and holds other meetings as required. The Commercial Committee establishes the agenda for each board meeting. The chief executive otherwise keeps the board informed of material or potentially material matters between meetings and provides a weekly update on all relevant matters to the board. A report is prepared for each meeting that includes: updates on exploration activities and financial management; summaries of new business opportunities; an update on human resources and facilities; an investor relations report; updates on stakeholder engagement, media and sustainability; and other reports as relevant. Key strategic issues and opportunities are also presented to the board by management as part of each meeting.

To ensure that independent judgement is achieved and maintained in respect of its decision making, the board has adopted a number of processes which includes:

- any director may, with the prior consent of the chair of the Audit Committee (or in the case of the chair of the Audit Committee chair's absence, the prior consent of the chair of the board), obtain independent advice at the Company's expense where the director considers it necessary to carry out their duties and responsibilities as a director. Such consent shall not unreasonably be withheld; and
- directors must comply with the Directors' Interests Policy, which addresses disclosable interests, conflicts of interest, director information obligations, board review and determination obligations, and the rules for participation in board deliberations in the event of a conflict of interest.

On appointment, each director has also acknowledged their individual disclosure obligations.

Responsibilities of the Board

The board is accountable for the performance of the Company. The specific responsibilities of the board include:

- approving corporate strategy and performance objectives;
- establishing policies appropriate for the Company;
- oversight of the Company, including its control and accountability systems
- approving major investments and monitoring the return of those investments;
- the overall risk management and control framework for the Company and ensuring appropriate risk management systems are established and applied;
- appointing, removing and evaluating the performance of the chief executive;
- reviewing the performance of senior management;
- appointing and removing the company secretary;
- setting broad remuneration policy;
- reviewing implementation of strategy and ensuring appropriate resources are available;
- nominating and appointing new directors to the board;
- evaluating the performance of the board, committees of the board, and individual directors;
- reviewing and ratifying systems of risk management, internal compliance and control, codes of conduct, and legal compliance;
- approving and monitoring the progress of any major capital expenditure, capital management and acquisitions and divestitures;
- reviewing and ratifying HSSE Sustainability and Operational Risk policies, the HSSE Sustainability and Operational Risk Management System and monitoring its implementation and performance;
- approving and monitoring financial and other reporting;
- ensuring that the Company provides continuous disclosure of information such that shareholders and the investment community have available all information to enable them to make informed assessments of the Company's prospects;
- overall corporate governance of the consolidated entity;
- determining the key messages that the Company wishes to convey to the market from time to time; and
- monitoring information commitments and continuous disclosure obligations.

Delegation to Management

While the board has overall and final responsibility for the business of the Company, it has delegated substantial responsibility for the conduct and administration of the Company's business and policy implementation to the chief executive and his management team. Board approved policies and procedures are in place to set parameters for the delegated responsibilities, including:

- Health and Safety Policy;
- Environment Policy;
- Capturing Local Economic Benefit Policy;
- Code of Business Conduct and Ethics;
- Communications, Market and Social Media Disclosure Policy;
- Securities Trading Policies for Directors, Employees and Dedicated Contractors;
- Directors' Interests Policy;
- Protected Disclosure (Whistleblower) Policy;
- Diversity Policy;
- Delegated Authorities Manual;
- Remuneration and Performance Appraisal Policy;
- Treasury Policy;
- ETS Obligations and Carbon Liability: Transactions Policy;
- Email and Internet Use Policy;
- Anti-Harassment Policy; and
- Drugs and Alcohol Policy.

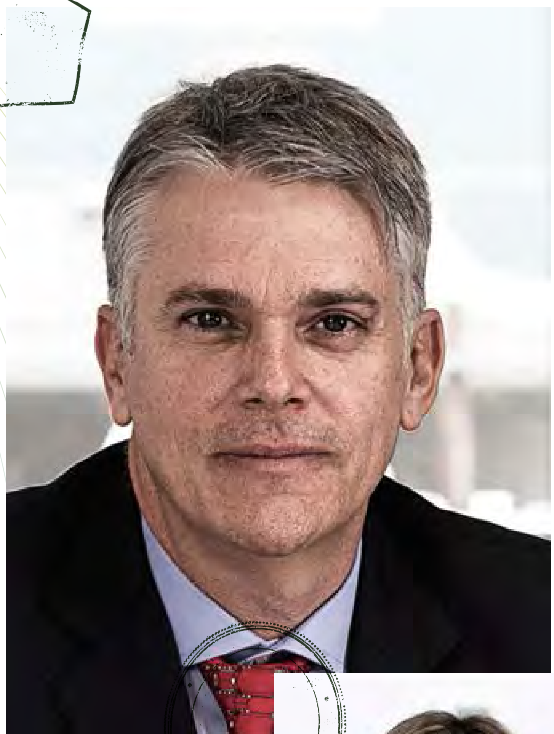
These policies are reviewed regularly.

The board may establish other policies and practices to ensure it fulfils its functions.

Delegated Authorities Manual

The board has established formal limits of authority to provide clarity to the chief executive and management so that they are in a position to carry out the business of the Company efficiently and effectively within the parameters of proper corporate governance. The Delegated Authorities Manual set limits to financial commitments and other decision-making, and is monitored by the board through the audit function.

Management Team


Andrew Jefferies – Chief Executive


Paris Bree – General Counsel


Dr Chris McKeown
Vice President Exploration And Production


Catherine McKelvey – Chief Financial Officer


Michael Wright – General Manager Commercial


John Pagani – External Relations Manager

Andrew Jefferies

Chief Executive

Andrew joined New Zealand Oil & Gas in 2013. He started his career with Shell in Australia after graduating with a BE Hons (Mechanical) from the University of Sydney in 1991, an MBA in technology management from Deakin University in Australia , and an MSc in petroleum engineering from Heriot - Watt University in Scotland. Andrew is also a graduate of the Australian Institute of Company Directors (GAICD), and a Certified Petroleum Engineer with the Society of Petroleum Engineers. He has worked in oil and gas in Australia, Germany, the United Kingdom, Thailand and Holland.

Paris Bree

General Counsel

Paris started as a lawyer with New Zealand Oil & Gas in 2010 after having been a solicitor in the Bell Gully Wellington and Herbert Smith Freehills London litigation departments. Paris has a law degree and an arts degree from Victoria University of Wellington and is admitted to the High Court of New Zealand as a Barrister and Solicitor. She is also a delegate of the University of Dundee Centre for Energy after completing the Petroleum and Mineral Law and Policy course on Petroleum Agreements and a delegate of CWC's Production Sharing Contracts-Advanced Master Class. Paris was appointed General Counsel in 2017.

Catherine McKelvey

Chief Financial Officer

Catherine joined New Zealand Oil & Gas as Financial Controller in 2014 having worked in senior finance roles in Wellington for several years. She started her career in London after graduating with a BA Hons in Economics from the University of Leicester. She is a Chartered Management Accountant (ACMA, CGMA).

Dr Chris McKeown

Vice President Exploration And Production

Chris was previously General Manager, South East Asia. He joined New Zealand Oil & Gas in 2012 following a career which has included being CEO of a start-up oil company, asset manager of a producing oil field, and general manager of a gas exploration company. He has an honours degree and PhD in Geology.

Michael Wright

General Manager Commercial

Michael joined New Zealand Oil & Gas in 2012 having worked in the energy sector for over 30 years. Michael started his career working on gas distribution networks before spending 11 years planning and developing power stations. In 2003 Michael joined OMV and subsequently joined Vector to manage the implementation of pipeline open access. Michael has also worked as a consultant advising companies in various parts of the energy sector. Michael has a Master's degree in Mechanical Engineering from Cranfield University, UK.

John Pagani

External Relations Manager

John has been External Relations Manager since 2012. After working as a news producer at Newstalk ZB in Auckland, he worked as a communications director and senior strategist at Parliament then started a public affairs consultancy specialising in development in 2002. He has a degree in politics from the University of Auckland and a law degree from Victoria University of Wellington. In 2016 he completed an Advanced Development Programme at the University of Chicago Booth School of Business and he is an Associate of the Chartered Management Institute (ACMI).

Diversity Policy

Through its Diversity Policy the company is committed to an inclusive workplace that embraces diversity.

The Company values, respects and leverages the unique contributions of people with diverse backgrounds, experiences and perspectives. Diversity includes, but is not limited to, gender, age, disability, ethnicity, marital or family status, religion, sexual orientation, gender identity and cultural background. The board monitors the scope and currency of the Diversity Policy.

The policy provides that the Company will recruit from a diverse pool of candidates, who will be considered with no conscious or unconscious bias that may discriminate against certain candidates. It takes into account the domestic responsibilities of employees and adopts flexible work practices.

The board establishes measurable objectives for achieving gender diversity, may establish measurable objectives for other aspects of diversity, and will assess annually both the set objectives and the progress in achieving them.

The Nomination and Remuneration Committee is to make an annual assessment of success in achieving and implementing the policy and the set objectives and report to the board with recommendations.

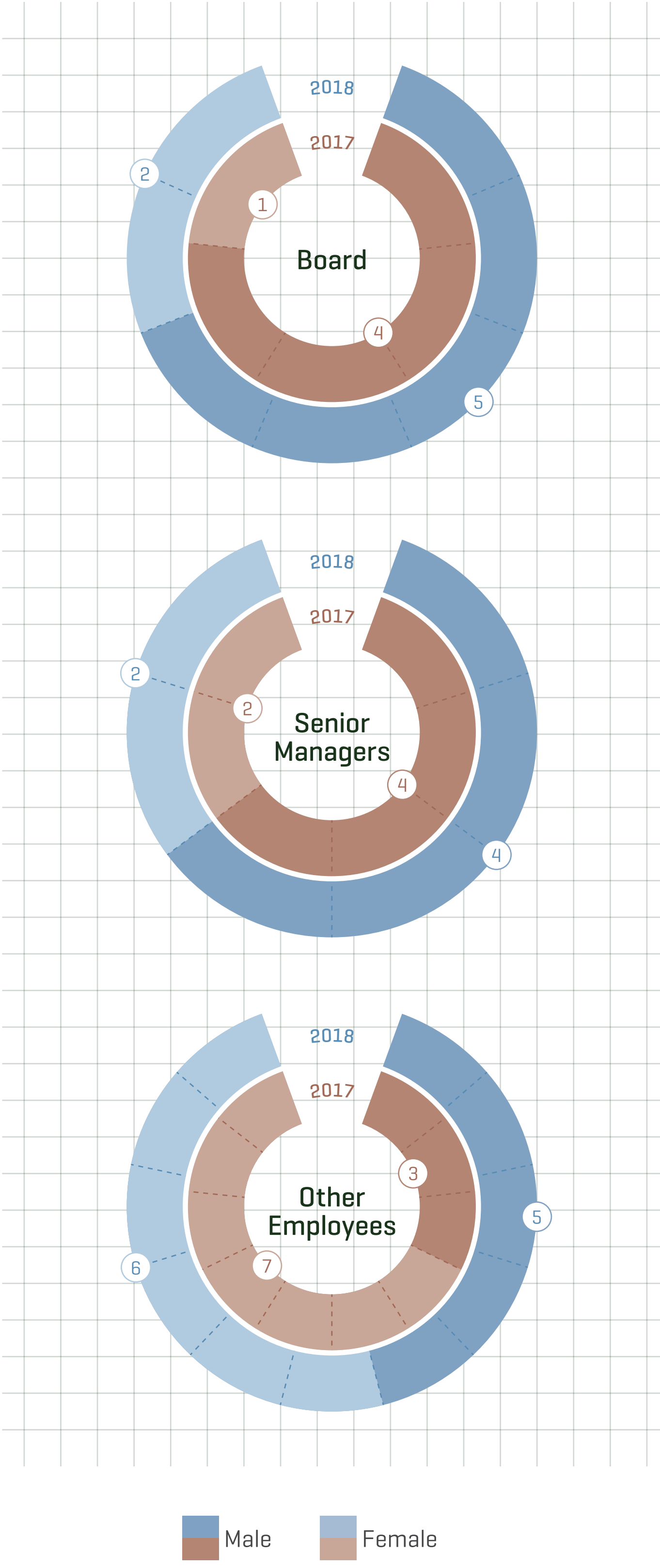
With respect to the provision of the Diversity Policy, the board has determined that the Company has complied with the policy.

The Diversity Policy is available in the corporate governance section of the Company's website at

www.nzog.com/dmsdocument/291

The following chart shows the number of men and women across the organisation (excluding contractors) as at 30 June 2018, and compares that to numbers as at 30 June 2017.

Diversity



No.	NZX Code Recommendation	✔ I ✗	Explanation of non-compliance
2.1	The board of an issuer should operate under a written charter which sets out the roles and responsibilities of the board. The board charter should clearly distinguish and disclose the respective roles and responsibilities of the board and management.	✔	
2.2	Every issuer should have a procedure for the nomination and appointment of directors to the board.	✔	
2.3	An issuer should enter into written agreements with each newly appointed director establishing the terms of their appointment.	✗	Upon appointment directors are advised of salient requirements. Obligations such as disclosure of interests, managing conflicts, and share trading are managed through policies. A majority of the board are non-independent and governance arrangements reflect this.
2.4	Every issuer should disclose information about each director in its annual report or on its website, including a profile of experience, length of service, independence and ownership interests.	✔	
2.5	An issuer should have a written diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them. The issuer should disclose the policy or a summary of it.	✔	
2.6	Directors should undertake appropriate training to remain current on how to best perform their duties as directors of an issuer.	✗	Training for directors was not facilitated by the Company during the reporting period, however the Company has robust policies around director duties. The Company's ongoing skills assessment has determined the board's skills are appropriate .
2.7	The board should have a procedure to regularly assess director, board and committee performance.	✔	The board has adopted a strengthened charter that states: The board shall undertake regular reviews of the operations and performance of the board, its committees and individual directors. Where appropriate, the board may engage external consultants to conduct this review. In addition to compliance with each committee's individual charter, the review shall consider: • the skills required by the board, including processes to satisfy any skill-gaps; • how the required skills are best represented on the board; and • the process for identifying suitable candidates for appointment to the board. Reviews are undertaken by way of a questionnaire submitted to directors. Responses are collated and reviewed by the chair of the Nominations and Remuneration Committee or delegated representative. The chair of the Nominations and Remuneration Committee (or delegated representative) then undertakes an overall review on the outcomes and produces a written report which is reviewed by the full board. Individual director performance is addressed by one-on-one review with the chair of the Nominations and Remuneration Committee (or delegated representative). The chair of the board will conduct the review of the chair of the Nominations and Remuneration Committee. This process was not been undertaken this year as the composition of the board changed significantly.
2.8	The chair and the CEO should be different people.	✔	

PRINCIPLE 3

Board Committees

"The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility."

Board Committees

The board has four formally constituted committees to provide specialist assistance with defined aspects of governance:

- the Audit Committee;
- the Commercial Committee;
- the Health, Safety, Security, Environment, Sustainability and Operational Risk Committee (the HSSE Committee); and
- the Nomination and Remuneration Committee

Each committee has a written charter setting out its roles and responsibilities, which is available from the Company's website at

www.nzog.com/investor-information/corporate-governance

Audit Committee

Rebecca DeLaet (Chair)
Dr Rosalind Archer
Rod Ritchie

What the Committee does

The Audit Committee, together with the chief executive, is responsible to the board for overseeing the financial and internal controls, financial reporting and audit practices of the Company.

The chair of the Audit Committee also oversees and authorises any trading in securities by directors, employees or contractors.

Restrictions on trading are outlined in the Securities Trading Policy and Guidelines for Directors, and in the Securities Trading Policy and Guidelines for Employees and Dedicated Contractors.

Committee meetings

Meetings of the Audit Committee are held at least twice a year.

The chair of the board, directors, the chief executive and other staff may be invited by the Audit Committee to attend these meetings.

The Audit Committee can meet with the external auditors and senior management in separate sessions. As outlined in the Audit Committee Charter, there is an annual process to consider engagement of auditors, having regard to the auditors' independence and policies for rotation of partners.

Requirements for the composition of the committee, and how the requirements are satisfied:

Three non-executive directors	Ms DeLaet (Chair), Dr Archer and Mr Ritchie are non-executive directors
Majority of members must be independent	Two of three members of the committee, Dr Archer and Mr Ritchie, are independent.
Chair of the board is not to also be the chair of the Audit Committee	Ms DeLaet is the chair and is not the chair of the board.
At least one member is to have an accounting or financial background.	Ms DeLaet has a finance background

Read the Audit Committee charter here

www.nzog.com/dmsdocument/372

The Nominations and Remuneration Committee

Dr Rosalind Archer (Chair)
Alastair McGregor
Samuel Kellner
Rod Ritchie

What the Committee does

The Nomination and Remuneration Committee is responsible to the board for:

- providing recommendations to the board in relation to the director selection and appointment practices of the Company;
- evaluation and remuneration of directors and board succession;
- Chief executive remuneration, appointment, performance criteria and review;

Reviewing and providing recommendations to the board in relation to:

- senior executive and key staff succession plans;
- the Company's remuneration, recruitment, retention and termination policies and procedures for all employees;
- implementing the Company's Diversity Policy and achieving any associated measurable objectives; and
- other relevant matters identified from time to time by the board

Committee composition

The committee is to comprise at least three non-executive directors of the board. The chair is to be an independent director. The chair, Dr Archer, is independent.

The committee meets as required, at least twice per year, and it may invite executive directors or management to participate in all or part of meetings.

Read the committee's charter here

www.nzog.com/dmsdocument/373

HSSE Committee

Rod Ritchie (Chair)
Andrew Jefferies
Rosalind Archer
Alastair McGregor

What the Committee does

The HSSE Committee's role is to advise and support the board in meeting its responsibilities in relation to health, safety, security, environment, sustainability, operational risk and community engagement matters arising out of the activities and operations of the Group.

The committee's responsibilities include:

- monitoring the performance and effectiveness of the Company's Risk Management Framework and reviews the adequacy of risk controls.
- setting and reviewing Health, Safety Security, Sustainability and Operational Risk (HSSSOR) policies, practices, frameworks and targets, including sustainability, engagement, environmental policies and climate change responses.
- seeking assurance of the Company's compliance with all HSSSOR legislative requirements, licence conditions and stakeholder commitments.
- defining the Company's HSSSOR objectives and monitoring performance.
- supporting a culture of continuous improvement by reviewing significant incidents and system failures and monitoring actions and measures to minimise recurrence.
- ensuring the necessary skills are obtained and maintained within the Group to achieve HSSSOR objectives.
- providing leadership to the Board and support the Company in aspiring to proactively manage HSSSOR issues.
- and bringing significant issues to the attention of the full board.

Company policies, frameworks and strategies relevant to this committee:

- Health and Safety Policy
- Environment Policy
- Capturing Local Economic Benefits Policy
- Community Engagement Policy
- HSSE Management Framework and Management System
- Risk Register
- Risk Management Procedure
- Sustainability Framework.

Committee composition

The Committee is to comprise at least three board members. The chair is to be a non-executive director, although interim arrangements may differ from time to time.

Read the committee's charter here

www.nzog.com/dmsdocument/370

Commercial Committee

Alastair McGregor Andrew Jefferies

What the Committee does

The committee exists to allow management to bring commercial opportunities to a state that they can be brought to the full board for final investment decision.

The committee may approve routine budgets and contracts, including due diligence budgets, for such projects and opportunities.

The committee includes, at a minimum, the chief executive and one director appointed by the board. Other directors may be invited to join the committee from time to time with the approval of the board.

The committee meets as required, and generally resolves its business by email or teleconference.

Read the committee's charter here

www.nzog.com/investor-information/shareholders-information/corporate-governance/

Board and Committee meeting attendance

From 1 July 2017 to 30 June 2018.

Director	Board Meeting	Audit Committee	Nominations & Remuneration Committee	HSSE Sustainability and Operational Risk Committee
Samuel Kellner	3 / 3		1 / 1	
Dr Rosalind Archer	8 / 9	1 / 1	2 / 2	1 / 1
Marco Argentieri[1]				
Rebecca DeLaet	3 / 3	1 / 1		
Andrew Jefferies	3 / 3			
Alastair McGregor	5 / 5		1 / 1	
Rod Ritchie	8 / 9	1 / 2	2 / 2	2 / 2
Rodger Finlay[2]	5 / 5	1 / 1	1 / 1	1
Duncan Saville[2]	5 / 5	1 / 1		
Mark Tume[3]	3 / 4	1 / 1		

The Commercial Committee met weekly.

[1] Mr Argentieri joined the board following period end, on 20 July 2018. [2] Resigned 14 December 2017. [3] Retired 30 October 2017.

No.	NZX Code Recommendation	✔ I ✗	Explanation of non-compliance
3.1	An issuer's audit committee should operate under a written charter. Membership on the audit committee should be majority independent and comprise solely of non-executive directors of the issuer. The chair of the audit committee should not also be the chair of the board.	✔	
3.2	Employees should only attend audit committee meetings at the invitation of the audit committee.	✔	
3.3	An issuer should have a remuneration committee which operates under a written charter (unless this is carried out by the whole board). At least a majority of the remuneration committee should be independent directors. Management should only attend remuneration committee meetings at the invitation of the remuneration committee.	✔	
3.4	An issuer should establish a nomination committee to recommend director appointments to the board (unless this is carried out by the whole board), which should operate under a written charter. At least a majority of the nomination committee should be independent directors.	✗	Half of the committee is independent, and the committee is chaired by an independent director. A majority of the board is not independent and the composition of the committee also reflects this.
3.5	An issuer should consider whether it is appropriate to have any other board committees as standing board committees. All committees should operate under written charters. An issuer should identify the members of each of its committees, and periodically report member attendance.	✔	

PRINCIPLE 4

Reporting & Disclosure

"The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures."

The Company is committed to maintaining a high standard of communication and to providing timely, full and accurate information to shareholders and other stakeholders.

The Company is committed to compliance at all times with its obligations, as an NZX listed Company, to provide continuous disclosure to the market and strives to make those disclosures in a way that is clear, concise and effective.

Communications, Market and Social Media Disclosure Policy

The Communications, Market Disclosure and Social Media Policy's purpose is to:

- reinforce the Company's commitment to the continuous disclosure obligations imposed by law and stock exchange rules,
- describe the processes to ensure compliance,
- outline the Company's general communications approach aimed at ensuring timely and accurate information is provided to shareholders, market participants and market observers, and
- provide ground rules for the use of social media.

The Communications, Market and Social Media Disclosure Policy is available in the corporate governance section of the Company's website at

www.nzog.com/dmsdocument/189

See also Principle 8, Shareholders' Rights, on Page 62

Reports and policies are easily available

The Company publishes annual, interim, and quarterly reports. Security holders can elect to receive the annual and interim reports in printed or electronic format. Security holders can elect to receive quarterly reports in electronic format.

These documents are also posted on the Company's website in a clearly marked Company Reports section which is located within the investor section (www.nzog.today). A link to the latest quarterly and annual reports is provided prominently on the front page of the website

The company's Code of Business Conduct and Ethics, board and committee charters and the policies recommended in the NZX Code are published in the Corporate Governance section of the website

www.nzog.com/investor-information/shareholders-information/corporate-governance/

Continuous Disclosure

New Zealand Oil & Gas is committed to meeting the continuous disclosure obligations required by the Listing Rules.

The Listing Rules contain general and continuous disclosure requirements based on principles which encompass investor protection, the need to protect the reputation of the market and the interests of listed entities.

The Company immediately releases to the market information that a reasonable person would expect to have a material effect on the price of its securities. The only exceptions to this disclosure principle are those permitted under the Listing Rules.

The board is responsible for monitoring commitments and continuous disclosure obligations and initiating action as warranted to ensure reporting is fair and reasonable.

The chief executive is accountable for the release of information.

Non-financial reporting

The Company reports on sustainability as part of the Annual Report.

Aspects of sustainability reported include:

- a summary of the Company's values, including analysis of our performance living up to them;
- a summary of the Company's approach to stakeholder engagement, including formal feedback from the Company's Southern Community Panel;
- summary of the Company's contribution to local communities;
- a materiality matrix

The Sustainability section of this report is on pages 16-31.

Regular updates are made to the website with information about the Company's sustainability activities. This is available at

www.nzog.com/sustainability

No.	NZX Code Recommendation	✔ I ✗	Explanation of non-compliance
4.1	An issuer's board should have a written continuous disclosure policy.	✔	
4.2	An issuer should make its code of ethics, board and committee charters and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.	✔	
4.3	Financial reporting should be balanced, clear and objective. An issuer should provide non financial disclosure at least annually, including considering material exposure to environmental, economic and social sustainability risks and other key risks. It should explain how it plans to manage those risks and how operational or non-financial targets are measured.	✔	

PRINCIPLE 5

Remuneration

"The remuneration of directors and executives should be transparent, fair and reasonable."

New Zealand Oil & Gas aims to attract, retain and motivate professional staff capable of achieving the goals of the Company.

The Company wants to encourage and reward its staff fairly and appropriately within the market to reflect performance and contribution

Remuneration and Performance Appraisal Policy

The Remuneration Policy sets out a process to assess the competitiveness of remuneration level.

The Nomination and Remuneration Committee is responsible for receiving and making recommendations on remuneration policies for the chief executive and senior managers based on assessment of relevant market conditions and linking remuneration to the Company's financial and operational performance and individual performance.

Executive remuneration may comprise salary, short-term incentive payments and share participation in accordance with the Company's Employee Share Ownership Plan (as approved by shareholders).

Director's remuneration

At the 2008 Company Annual Meeting, shareholders approved a resolution that director's fees be set at a maximum of $600,000 per annum, being the combined total for all non-executive directors. There has been no increase in the fee level since 2008 and in March 2016 the board and directors volunteered a reduction in their fees.

Directors do not receive any performance-based remuneration.

Mr Kellner, Mr Argentieri, Ms DeLaet and Mr McGregor have opted not to accept directors' fees for two years from December 2017.

Mr Jefferies does not receive fees because he is the chief executive.

Directors' Remuneration

The total remuneration and other benefits to directors for services in all capacities during the year ended 30 June 2018 was:

Dr R Archer	$80,000
Mr R Ritchie	$80,000
Mr A Jefferies[1]	$898,905
Mr S Kellner	-
Ms R DeLaet	-
Mr A McGregor	-
Mr R Finlay[2]	$70,000
Mr D Saville[2]	$27,228
Mr M Tume[3]	$33,333

Mr Kellner, Ms DeLaet, and Mr McGregor have chosen not to accept payment for two years from the date of appointment.

[1] Includes remuneration as chief executive

[2] Resigned 14 December 2017

[3] Retired 30 October 2017

Directors' Securities Interests

The interests of directors in securities of the Company at 30 June 2018 were:

	Direct Interest	Indirect Interest
Mr A Jefferies	30 (ordinary shares)	1,507,000 (partly paid ESOP shares)

Directors' Interests Policy

The directors are required to recognise that the possibility of conflict of interest exists, and are expected to declare potential conflict of interest situations to the board and manage conflicts of interest in accordance with the Directors' Interests Policy, the Code of Business Conduct and Ethics, and the Company's Constitution. The Company maintains an interests register in compliance with the Companies Act 1993, which records particulars of certain transactions and matters involving directors.

The Director's Interests Policy is available in the corporate governance section of the Company's website at

www.nzog.com/dmsdocument/188

Directors' Interests Register

Directors' interests recorded in the Interests Register of the Company as at 30 June 2018 are detailed below. Each such director will be regarded as interested in all transactions between the Company and the disclosed entity.

Dr R Archer	Capricorn Solutions Ltd	Director
	University of Auckland Geothermal Institute	Director
Mr M Argentieri	O.G. Energy Holdings Ltd	Director
	O.G. Oil & Gas Ltd	Director
	OGOG (Kohatukai) Ltd	Director
Ms R DeLaet	O.G. Oil & Gas Ltd	Director
	O.G. Energy Holdings Ltd	Director
	Cue Energy Resources Ltd	Director
Mr A Jefferies	Petroleum Exploration and Production Association of New Zealand	Director
	Tuatara Energy Ltd	Director
	Cue Energy Resources Ltd	Director
	Cue (Ashmore Cartier) Pty Ltd	Director
	Cue Exploration Pty Ltd	Director
	Cue Mahakam Hilir Pty Ltd	Director
	Cue Mahato Pty Ltd	Director
	Cue Sampang Pty Ltd	Director
	Cue Taranaki Pty Ltd	Director
Mr S Kellner	O.G. Oil & Gas Ltd	Director
	O.G. Energy Holdings Ltd	Director
	Omni Holdings Ltd	Director
	Cue Energy Resources Ltd	Director
Mr A McGregor	Omni Offshore Terminals Pte Ltd	Director
	Omni Offshore Terminals (Operations) Pte Ltd	Director
	Omni Offshore Terminals (Manora) Pte Ltd	Director
	Omni Offshore Terminals (Nong Yao) Pte Ltd	Director
	Omni Offshore Terminals Malaysia Sdn Bhd	Director
	Gading Megah Sdn Bhd	Director
	Omni Offshore Terminals (Operations) (Thailand) Co Ltd	Director
	Aurora FSO Ltd	Director
	Manora FSO Ltd	Director
	Omni Holdings Limited	Director
	O.G. Oil & Gas (Singapore) Pte Ltd	Director
	O.G. Oil & Gas Ltd	Director
	O.G. Energy Holdings Ltd	Director
	Cue Energy Resources Ltd	Director
	OGOG (Kohatukai) Ltd	Director
Mr R Ritchie	Cue Energy Resources Ltd	Director
	SPARC NZ consulting	Director
	Coromandel Pure Honey	Director
	Sparc (Aust) Pty Ltd	Shareholder

Cue Directors' Remuneration

Directors	$AUD
Alastair McGregor (i)	-
Koh Ban Heng	$47,500
Andrew Jefferies (i)	-
Peter Hood (i)	$13,151
Rebecca DeLaet (ii)	-
Richard Malcolm (i)	$13,151
Rod Ritchie (i)	$13,151
Samuel Kellner (i)	-
Grant Worner (iii)	$60,976
Melanie Leydin (iv)	$7,400
Duncan Saville (v)	$17,018

Alastair McGregor, Andrew Jefferies, Rebecca DeLaet and Samuel Kellner have elected not to accept fees.

(i) Alastair McGregor, Andrew Jefferies, Peter Hood, Richard Malcolm, Rod Ritchie and Samuel Kellner were appointed on 23 February 2018.

(ii) Rebecca DeLaet was appointed on 11 April 2018.

(iii) Grant Worner resigned on 23 April 2018.

(iv) The balance disclosed represents the director fees paid to Melanie Leydin in her compancity as an Executive Director between 14 December 2017 and 23 February 2018. The Company also paid $108,000 for the year ended 30 June 2018 to Leydin Freyer Corp Pty Ltd (of which Melanie Leydin is a Director) in respect of Company Secretarial and Accounting services. This has not been disclosed in the remuneration table.

(v) Duncan Saville resigned on 14 December 2017.

Directors' and Officers' Liability Insurance

The Company and its subsidiaries have arranged policies of directors' and officers' liability insurance, which, together with a deed of indemnity, seek to ensure to the extent permitted by law that directors and officers will incur no monetary loss as a result of actions legitimately taken by them as directors and officers.

Chief Executive's Remuneration

Salary paid	$573,279
Benefits[4]	$112,826
Cash STI[5]	$212,800
Total	**$898,905**

[4] Benefits include Kiwisaver at 3%, health insurance and share based payment costs

[5] STI for 2017-18 period, to be paid in August 2018

Employees Remuneration

During the year ended 30 June 2018, 13 New Zealand Oil & Gas employees (including the chief executive) received individual remuneration over $100,000.

$100,000- $110,000	1
$110,001 - $120,000	1
$140,001 - $150,000	1
$160,001 - $170,000	1
$220,001 - $230,000	2
$280,001 - $290,000	1
$320,001 - $330,000	2
$330,001 - $340,000	1
$400,001 - $410,000	1
$550,001 - $560,000	1
$890,001 - $900,000	1

Employee Remuneration does not include Cue staff.

Officers' Securities Interests

The interests of the current Company Officers in securities of the Company at 30 June 2018 were:

No. of shares at -	30 June 2018	30 June 2017
Andrew Jefferies[6]	30 ordinary shares and 1,507,000 unlisted partly paid shares	400 ordinary shares and 1,937,000 unlisted partly paid shares
Paris Bree	92,000 unlisted partly paid shares	238,000 unlisted partly paid shares
Dr Chris McKeown	189,000 unlisted partly paid shares	480,000 unlisted partly paid shares
Catherine McKelvey	-	170,000 unlisted partly paid shares
John Pagani	355,000 unlisted partly paid shares	521,000 unlisted partly paid shares
Michael Wright	367,000 unlisted partly paid shares	636,000 unlisted partly paid shares

2,811,000 ESOP shares were exercised during the year.
2,081,000 were expired/forfeited.

[6] Following year end, Mr Jefferies' ordinary shares were sold as part of the Company's sale of holdings totalling fewer than 500 shares.

ESOP

The Company formerly operated an Employee Share Option Plan (ESOP), under which options to purchase shares were granted to employees at the discretion of the board.

In 2017–18 the Company did not allocate any shares under the plan. Certain features of the plan and changes to tax legislation make changes to the plan necessary before further allocations can be made. The board intends to replace the ESOP with a new Long Term Incentive plan.

No.	NZX Code Recommendation	✔ I ✗	Explanation of non-compliance
5.1	An issuer should recommend director remuneration to shareholders for approval in a transparent manner. Actual director remuneration should be clearly disclosed in the issuer's annual report.	✔	
5.2	An issuer should have a remuneration policy for remuneration of directors and officers, which outlines the relative weightings of remuneration components and relevant performance criteria.	✔	
5.3	An issuer should disclose the remuneration arrangements in place for the CEO in its annual report. This should include disclosure of the base salary, short term incentives and long term incentives and the performance criteria used to determine performance based payments.	✔	

PRINCIPLE 6

Risk Management

"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."

Recognising and Managing Risk

The Company has a risk management system framework, which outlines the Company's approach to risk management. It provides a framework on how to apply consistent and comprehensive risk management practices across all functional areas of the Company's business.

The Risk Management System Framework is available in the corporate governance section of the Company's website at

www.nzog.com/dmsdocument/1

A central Company risk register, which considers the risks, reviews the controls, assigns ownership of a risk and tracks treatment plans, is maintained. Risk assurance is provided through a prioritised programme of audits and internal review.

The board's accountabilities include overseeing the effectiveness of the Risk Management System framework, monitoring compliance and approving polices and systems for the ongoing identification and management of risks. The board's responsibilities include approving the Company's risk capacity and appetite, reviewing material risks and reviewing the risk register. The board allocates oversight of risk management in relation to health, safety and environment and company operations to the HSSE Committee and oversight in relation to accounting standards and principles, financial statement compliance and reliability and the audit process to the Audit Committee.

Responsibility for identifying, documenting and managing risks and opportunities is delegated to the appropriate level of management. The chief executive is responsible for such things as integrating risk management into core business processes, managing the Company's corporate strategic risks and opportunities, and regularly reviewing the Company's risk profile. The Vice President Exploration and Production has ultimate responsibility to the board for design, development and improvement of the risk management framework system and maintains the Company's risk register.

The Company does not have an internal audit function. The process employed for evaluating and improving the effectiveness of risk management and internal control processes is:

- risks are formally reviewed by risk owners;
- management regularly reviews the risk register to ensure adherence and continuous improvement;
- the HSSE Committee regularly reviews the risk register, with a particular emphasis on reducing key risks to as low as reasonably practicable;
- for specific operational activities (including seismic acquisition campaigns), the board reviews the intended operational activity against activities related to elements of the Company's HSSE management framework to ensure a compliant work programme, achieving desired objectives safely; and
- after action reviews (AAR) of an operational phase of a project are undertaken by the HSSE Advisor and project team, to identify improvement in control processes. The AAR is then reviewed by the HSSE Committee.

The HSSE Committee reviews specific risks at each meeting of the committee and, at least annually, reviews the risk register and framework document to satisfy itself that the system continues to be sound.

The board HSSE Committee charter, is available in the corporate governance section of the Company's website at

www.nzog.com/dmsdocument/370

Health and Safety

The Company is fully committed to the provision of a safe and healthy work environment. The Company aspires to a 'no one gets hurt plus no incidents' standard under its Health and Safety Policy.

All employees, contractors and joint venture parties engaged in activities under the Company's operational control are responsible for the application of the Health and Safety Policy.

All employees are responsible for taking all practicable steps to avoid harm being caused to themselves or to others in the work place. They must report any potentially hazardous situations, maintain good housekeeping in all areas and comply with safe work practices and procedures.

The Company's managers are responsible for promoting the Health and Safety Policy in non-operated joint ventures.

The full Health and Safety Policy is available in the corporate governance section of the Company's website at

www.nzog.com/dmsdocument/314

Environment

The Company values the environment and is committed to responsible management practices that minimise environmental impacts arising from our activities, using soundly-based science as the basis for all of our environmental decisions.

All employees, contractors and joint venturers engaged in activities under the Company's operational control are responsible for applying the Environment Policy. The Company's managers are responsible for promoting the policy in non-operated joint ventures.

The full Environment Policy is available in the corporate governance section of the Company's website at

www.nzog.com/dmsdocument/313

No.	NZX Code Recommendation	✔ I ✗	Explanation of non-compliance
6.1	An issuer should have a risk management framework for its business and the issuer's board should receive and review regular reports. A framework should also be put in place to manage any existing risks and to report the material risks facing the business and how these are being managed.	✔	
6.2	An issuer should disclose how it manages its health and safety risks and should report on their health and safety risks, performance and management.	✔	

PRINCIPLE 7

Auditors

"The board should ensure the quality and independence of the external audit process."

Oversight of the Company's external audit is the responsibility of the Board Audit Committee, which also oversees financial and internal controls and financial reporting.

The external auditor of New Zealand Oil & Gas is KPMG. The Audit Committee reviewed the appointment in February 2018. A new External Auditor Independence Policy was adopted by Board in June 2018.

Total fees paid to KPMG in its capacity as auditor in FY 2018 is $105,000.

Total fees paid to KPMG for other professional services were $276,000. Other services included:

- Tax advice.
- Tax compliance.

The NZX and New Zealand Oil & Gas require rotation of Lead Audit Partners every five years. In 2018 the lead partner is in his fourth year.

KPMG has supplied the Company with a written statement confirming its independence, and systems use to ensure independence is maintained.

No.	NZX Code Recommendation	✔ I ✗	Explanation of non-compliance
7.1	The board should establish a framework for the issuer's relationship with its external auditors. This should include procedures:	✔	
	a) for sustaining communication with the issuer's external auditors;	✔	
	b) to ensure that the ability of the external auditors to carry out their statutory audit role is not impaired, or could reasonably be perceived to be impaired;	✔	
	c) to address what, if any, services (whether by type or level) other than their statutory audit roles may be provided by the auditors to the issuer; and	✔	
	d) to provide for the monitoring and approval by the issuer's audit committee of any service provided by the external auditors to the issuer other than in their statutory audit role.	✔	
7.2	The external auditor should attend the issuer's Annual Meeting to answer questions from shareholders in relation to the audit.	✔	
7.3	Internal audit functions should be disclosed.	✗	The Company does not have an internal audit function. The process employed for evaluating and improving the effectiveness of risk management and internal control processes is: • risks are formally reviewed by risk owners; • management regularly reviews the risk register to ensure adherence and continuous improvement; • the HSSE Committee regularly reviews the risk register, with a particular emphasis on reducing key risks to as low as reasonably practicable; • for specific operational activities (including seismic acquisition campaigns), the board reviews the intended operational activity against activities related to elements of the Company's HSSE management framework to ensure a compliant work programme, achieving desired objectives safely; and • after action reviews (AAR) of an operational phase of a project are undertaken by the HSSE Advisor and project team, to identify improvement in control processes. The AAR is then reviewed by the HSSE Committee.

PRINCIPLE 8

Shareholder Rights & Relations

"The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."

New Zealand Oil & Gas welcomes shareholder participation, aims to provide regular update of useful information about its activities and seeks opportunities to engage with shareholders directly.

Shareholder participation

The Company encourages shareholder participation at the annual meeting by inviting questions in advance and discussion from the floor. Materials are posted on the Company's website.

Shareholders who cannot be physically present can participate by following the meeting on a live webcast.

Shareholders can directly message at any time through the website, and the Company aims to respond to queries within a single working day.

Website

The Company maintains a website, **nzog.com**, where comprehensive information about its activities is available.

Shareholders and interested parties can subscribe via the website to receive notice of the Company's market announcements by email.

The dedicated investor relations section of the website makes available share price information, detail about shareholdings, statutory reports, corporate governance information and details about the Company's activities.

No.	NZX Code Recommendation	✔ | ✗	Explanation of non-compliance
8.1	An issuer should have a website where investors and interested stakeholders can access financial and operational information and key corporate governance information about the issuer.	✔	
8.2	An issuer should allow investors the ability to easily communicate with the issuer, including providing the option to receive communications from the issuer electronically.	✔	
8.3	Shareholders should have the right to vote on major decisions which may change the nature of the company in which they are invested in.	✔	
8.4	Each person who invests money in a company should have one vote per share of the company they own equally with other shareholders.	✔	
8.5	The board should ensure that the annual shareholders notice of meeting is posted on the issuer's website as soon as possible and at least 28 days prior to the meeting.	✔	

Shareholder Information

Stock Exchange Listing

The Company's securities are listed on the Main Board equity security market operated by NZX Limited.

Securities On Issue

As at 15 August 2018 New Zealand Oil & Gas Limited had the following securities:

Listed Ordinary Shares	Unlisted Partly Paid Shares
164,420,718	3,428,000

Top 20 Shareholders

As at 17 September 2018

	Security Holder	Units	%
1	O.G. Oil And Gas Singapore Pte. Ltd	114,876,016	69.87
2	Accident Compensation Corporation - NZCSD <ACCi40>	2,455,000	1.49
3	Sik-On Chow	2,140,000	1.30
4	Resource Nominees Limited	2,000,000	1.22
5	Radford Associates Pty Limited	1,309,195	0.80
6	Riuo Hauraki Limited	1,250,000	0.76
7	Citibank Nominees (New Zealand) Limited - NZCSD <CNOM90>	828,148	0.50
8	Clinton John Trass + Kasturi Chitranjali Trass	765,000	0.47
9	ANZ Custodial Services New Zealand Limited - NZCSD <PBNK90>	764,235	0.46
10	First NZ Capital Securities Limited	760,765	0.46
11	Amalgamated Dairies Limited	706,334	0.43
12	Moon Chul Choi + Keum Sook Choi	618,750	0.38
13	HSBC Nominees (New Zealand) Limited - NZCSD <HKBN90>	535,074	0.33
14	Murray Ion Denholm	515,500	0.31
15	Nicholas Theobald Sibley + Sally Gay Sibley	500,000	0.30
16	Chin-Yi Lin + Yu-Ching Lin-Chao	430,000	0.26
17	Sheng-Fei Wang	400,000	0.24
18	Roy Anthony Radford	392,000	0.24
19	Jbwere (NZ) Nominees Limited <A/C 31192>	390,000	0.24
20	Richard Bruce Lees	384,000	0.23
	Totals: Top 20 Holders Of Ordinary Shares	**132,020,017**	**80.29**
	Total Remaining Holders Balance	**32,410,701**	**19.71**

Distribution of Security Holders

As at 31 August 2018

Range	Total holders	Units	% of Issued Capital
1 – 99	1	9	0.00
100 – 199	1	130	0.00
500 – 999	1,485	1,036,092	0.63
1,000 – 1,999	1,180	1,629,572	0.99
2,000 – 4,999	1,229	3,802,575	2.31
5,000 – 9,999	552	3,715,979	2.26
10,000 – 49,999	524	10,137,916	6.17
50,000 – 99,999	69	4,725,310	2.87
100,000 – 499,999	47	8,966,219	5.45
500,000 – 999,999	6	3,889,834	2.37
Over 1,000,000	6	126,527,082	76.95
Rounding			**0.00**
Total	**5,100**	**164,430,718**	**100.00**

Following notice to affected holders, on 20 July 2018 the company transferred holdings of fewer than 500 securities to a broking account to enable them to be sold on-market.

5,272 holders were affected, and a total of 1,034,489 securities.

The sales process was concluded in August 2018.

Substantial Shareholders

Substantial Product Holder Notices are received pursuant to the Financial Markets Conduct Act 2013. Shareholders are required to disclose their holding to the issuer and the issuer's registered exchanges when:

- they have a substantial holding (5% of more of the listed voting securities);
- subsequent movements of 1% or more in a substantial holding from prior notification;
- any change is made in the nature of any relevant interest in the substantial holding; and
- they cease to have a substantial holding.

According to the company's records and Substantial Product Holding Notices previously released to NZX, as at 30 June 2018, the following Substantial Product Holder Notices were received since the date of the last Annual Report, in respect of holdings of ordinary shares of New Zealand Oil & Gas Limited:

Date	Shareholder	Shares Held	% of Issued Capital
4/09/17	Duncan Saville (Zeta Energy Pte Limited)	47,091,304	29.538
14/09/17	Zeta Energy Pte Ltd (a subsidiary of Zeta Resources Limited)	48,549,504	30.433
21/09/17	Duncan Saville (Zeta Energy Pte Limited)	48,466,304	
28/09/17	Duncan Saville (Zeta Energy Pte Limited)	49,130,607	
4/10/17	Duncan Saville (Zeta Energy Pte Limited)	49,346,664	
5/10/17	Zeta Energy Pte Ltd (a subsidiary of Zeta Resources Limited)	49,581,341	31.08
9/10/17	Zeta Energy Pte Ltd (a subsidiary of Zeta Resources Limited)	49,587,502	31.084
12/10/17	Duncan Saville (Zeta Energy Pte Limited)	49,578,057	
17/10/17	O.G. Oil & Gas (Singapore)	8,333,381	5.223
19/10/17	Zeta Energy Pte Ltd (a subsidiary of Zeta Resources Limited)	33,802,947	21.189
19/10/17	H&G Limited	14,663,357	9.192
19/10/17	Duncan Saville (Zeta Energy Pte Limited)	49,717,693	
24/10/17	Rodger Finlay	836,252	
24/10/17	O.G. Oil & Gas (Singapore)	24,332,992	15.253
25/10/17	H&G Limited	14,663,357	9.192
25/10/17	O.G. Oil & Gas (Singapore)	25,169,244	15.777
27/10/17	O.G. Oil & Gas (Singapore)	28,676,960	17.976
30/10/17	O.G. Oil & Gas (Singapore)	31,095,651	17.976
31/10/17	O.G. Oil & Gas (Singapore)	34,661,585	21.727
2/11/17	O.G. Oil & Gas (Singapore)	39,053,457	24.481
6/11/17	O.G. Oil & Gas (Singapore)	40,664,314	25.49
8/11/17	O.G. Oil & Gas (Singapore)	44,564,394	27.935
13/11/17	O.G. Oil & Gas (Singapore)	54,804,437	34.354
15/11/17	O.G. Oil & Gas (Singapore)	57,093,388	35.789
16/11/17	O.G. Oil & Gas (Singapore)	58,736,631	36.819
21/11/17	O.G. Oil & Gas (Singapore)	61,107,385	38.305
24/11/17	O.G. Oil & Gas (Singapore)	63,827,880	40.01
30/11/17	O.G. Oil & Gas (Singapore)	65,703,841	41.186
6/12/17	O.G. Oil & Gas (Singapore)	74,022,613	46.401
8/12/17	O.G. Oil & Gas (Singapore)	76,264,862	47.806
12/12/17	O.G. Oil & Gas (Singapore)	99,946,444	62.651
18/12/17	O.G. Oil & Gas (Singapore)	159,528,718	65.062
21/12/17	O.G. Oil & Gas (Singapore)	106,145,611	66.537
27/12/17	O.G. Oil & Gas (Singapore)	108,198,860	67.824
5/01/18	O.G. Oil & Gas (Singapore)	109,903,580	68.893
9/01/18	O.G. Oil & Gas (Singapore)	117,604,221	73.72
11/01/18	O.G. Oil & Gas (Singapore)	117,663,883	73.757
17/01/18	H&G Limited	14,663,357	9.192
19/01/18	O.G. Oil & Gas (Singapore)	114,876,016	69.867
24/01/18	Zeta Energy Pte Ltd (a subsidiary of Zeta Resources Limited)	2,513,397	1.576
16/03/18	Duncan Saville	55,816	

Trading Statistics

For the 12 months ended 30 June 2018	High	Low
NZX (Trading Code NZO)	0.77	0.57

Share Buy-backs

No shares were bought back in the period.

NZX Waiver

On 14 June 2017, the Company received an NZX Waiver from NZX Listing Rule 9.2.1 in relation to its Kupe acquisition transaction with Mitsui E & P Australia Pty Limited (Mitsui) (the Transaction). Mitsui was considered to be a related party of the Company's for the purposes of NZX Listing Rule 9.2.3(c) as both parties were parties to the Kupe Joint Venture within six months of the Transaction.

The waiver was provided on the conditions that:

1) the directors of the Company certified, via an approved directors' certificate, that the Transaction has been negotiated, agreed and entered into on an arm's length and commercial basis, in their opinion the Transaction represents fair value and is fair and reasonable to the Company and its shareholders who are not related to or associated persons of Mitsui; and Mitsui did not influence the final decision of the board to enter into the Transaction; and

2) The waiver, its conditions and the implications of the waiver are disclosed in the Company's next annual report.

Receiving this waiver means the Company did not have to seek shareholder approval for the transaction with a related party (Mitsui).

Dividend Payments and Reinvestment Plan Dividend Payments

Dividend Payments

The company paid a fully imputed final dividend for the 2017 year of 4 cents per share, on 3 November 2017. No further dividend payments have been made during the financial year.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan will not apply to future dividends until advised otherwise.

Direct Crediting of Dividends Payments

To minimise the risk of fraud and misplacement of dividend cheques shareholders are strongly recommended to have all payments made by way of direct credit to their nominated New Zealand or Australian bank account. This can be done by simply giving written notice to the share registry, Computershare Investor Services Ltd, Private Bag 92119, Auckland, New Zealand. Email: enquiry@computershare.co.nz

Share Registries

Details of the company's share registry are given in the Corporate Directory on the inside back cover of this report. Shareholders with enquiries about share transactions, changes of address or dividend payments should contact the share registry.

Donations

There were no donations during the year.

Consolidated Financial Statements

For the year ended 30 June 2018

The Board of Directors of New Zealand Oil & Gas Limited authorise these consolidated Financial Statements for issue on 27 August 2018.

For and on behalf of the Board.

Samuel Kellner
Chairman

27 August 2018

Rosalind Archer
Director

27 August 2018

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	Notes	2018 $000	2017 $000
Cash flows from operating activities			
Receipts from customers		**36,519**	73,446
Production and marketing expenditure		**(15,926)**	(30,317)
Supplier and employee payments (inclusive of GST)		**(8,126)**	(15,831)
Interest received		**1,713**	2,650
Income taxes paid		**(3,214)**	(11,242)
Royalties paid		**(603)**	(1,979)
Other		**200**	400
Net cash inflow from operating activities		**10,563**	17,127
Cash flows from investing activities			
Purchase of oil and gas interest net of cash acquired	12	**(29,654)**	-
Exploration and evaluation expenditure		**(5,420)**	(17,302)
Oil and gas asset expenditure		**(3,422)**	(5,235)
Purchase of shares in subsidiary		**-**	(1,251)
Proceeds from sale of oil and gas interests or subsidiaries		**-**	158,891
Purchase of property, plant and equipment		**(306)**	(12)
Return of security deposit		**-**	870
Net cash (outflow)/inflow from investing activities		**(38,802)**	135,961
Cash flows from financing activities			
Issue of shares		**3,291**	(10)
Buyback of NZO shares		**-**	(9,447)
Capital return		**-**	(99,999)
Forfeited shares		**(4)**	-
Dividends paid		**(6,805)**	(13,512)
Net cash outflow from financing activities		**(3,518)**	(122,968)
Net (decrease)/increase in cash and cash equivalents		**(31,757)**	30,120
Cash and cash equivalents at the beginning of period		**125,103**	96,811
Exchange rate effects on cash and cash equivalents		**4,664**	(1,828)
Cash and cash equivalents at end of the year		**98,010**	125,103

The notes to the financial statements are an integral part of these financial statements

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

Reconciliation of profit for the year to net cash inflow from operating activities

	Notes	2018 $000	2017 $000
Profit for the year		**4,830**	52,558
Depreciation and amortisation		**8,724**	7,804
Deferred tax		**(2,767)**	1,633
Exploration expenditure included in investing activities		**4,650**	12,273
Asset impairment		**-**	15,261
Net foreign exchange differences		**(4,062)**	(1,371)
Unwind of discount on provision		**203**	-
Net surplus from discontinued operations after tax		**-**	(85,301)
Cash from discontinued operations relating to operating activities		**-**	20,482
Stock movement		**11**	(680)
Other		**(302)**	(301)
Change in operating assets and liabilities			
Movement in trade debtors		**(4,705)**	6,633
Movement in trade creditors		**1,616**	(11,615)
Movement in tax payable		**2,365**	(249)
Net cash inflow from operating activities		**10,563**	17,127

The notes to the financial statements are an integral part of these financial statements

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018

	Notes	2018 $000	2017 $000
Revenue	5	**35,811**	37,058
Operating costs	6	**(12,625)**	(15,882)
Exploration and evaluation expenditure		**(4,650)**	(12,273)
Other income	5	**542**	807
Other expenses	7	**(11,376)**	(14,622)
Results from operating activities excluding amortisation, impairment and net finance costs		**7,702**	(4,912)
Amortisation of production assets		**(8,287)**	(8,271)
Production asset impairment		**-**	(7,694)
Exploration and evaluation asset impairment		**-**	(7,567)
Net finance income	8	**5,763**	1,371
Profit/(loss) before income tax and royalties		**5,178**	(27,073)
Income tax credit/(expense)	9	**1,197**	(5,095)
Royalties expense	10	**(1,545)**	(575)
Profit/(loss) for the year from continuing operations		**4,830**	(32,743)
Net surplus from discontinued operations after tax	11	**-**	85,301
Profit for the year		**4,830**	52,558
Profit for the year attributable to:			
Profit attributable to shareholders		**762**	62,695
Profit/(loss) attributable to non-controlling interest		**4,068**	(10,137)
Profit for the year		**4,830**	52,558
Other comprehensive income:			
Items that may be classified to profit or loss			
Foreign currency translation reserve (FCTR) differences		**1,179**	(1,244)
Total other comprehensive income for the year		**6,009**	51,314
Total comprehensive income for the year is attributable to:			
Equity holders of the Group		**2,125**	61,193
Non-controlling interest (NCI)		**3,884**	(9,879)
Total comprehensive income for the year		**6,009**	51,314
Income per share			
Basic and diluted (dollars per share)	24	**0.005**	0.200

The notes to the financial statements are an integral part of these financial statements

Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	2018 $000	2017 $000
ASSETS			
Current assets			
Cash and cash equivalents	13	**98,010**	125,103
Receivables and prepayments	14	**11,772**	6,523
Inventories		**2,253**	1,450
Total current assets		**112,035**	133,076
Non-current assets			
Exploration and evaluation assets	17	**7,243**	6,692
Oil and gas assets	12, 18	**64,848**	31,957
Plant, property and equipment		**217**	185
Other intangible assets		**487**	650
Other financial assets	19	**16**	16
Total non-current assets		**72,811**	39,500
Total assets		**184,846**	172,576
LIABILITIES			
Current liabilities			
Payables	20	**8,546**	6,930
Current tax liabilities		**5,291**	2,926
Total current liabilities		**13,837**	9,856
Non-current liabilities			
Rehabilitation provision	21	**18,642**	10,304
Deferred tax liability	9	**797**	3,360
Total non-current liabilities		**19,439**	13,664
Total liabilities		**33,276**	23,520
Net assets		**151,570**	149,056
EQUITY			
Share capital	22	**211,917**	208,630
Reserves		**7,561**	6,198
Retained earnings		**(74,578)**	(68,558)
Attributable to shareholders of the Group		**144,900**	146,270
Non-controlling interest in subsidiaries		**6,670**	2,786
Total equity		**151,570**	149,056
Net asset backing per share (cents per share)		**90**	89
Net tangible asset backing per share (cents per share)		**86**	84

The notes to the financial statements are an integral part of these financial statements

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Issued capital $000	Reserves $000	Retained earnings $000	Total $000	Non-controlling interest $000	Total equity $000
Balance as at 1 July 2016	**318,089**	**1,051**	**(111,382)**	**207,758**	**13,442**	**221,200**
Profit/(loss) for the year	-	-	62,695	62,695	(10,137)	52,558
Foreign currency translation differences	-	(1,244)	-	(1,244)	-	(1,244)
Shares issued	1	-	-	1	-	1
Buy back of issued shares	(109,433)	-	-	(109,433)	-	(109,433)
Partly paid shares issued	(27)	-	-	(27)	-	(27)
Share based payment	-	32	-	32	-	32
Dividends declared	-	-	(13,512)	(13,512)	-	(13,512)
Change in share of non-controlling interest	-	-	-	-	(1,168)	(1,168)
Derecognition of FCTR on disposal of Tui	-	6,359	(6,359)	-	-	-
NCI adjustment on disposal of Pine Mills	-	-	-	-	649	649
Balance as at 30 June 2017	**208,630**	**6,198**	**(68,558)**	**146,270**	**2,786**	**149,056**
Profit for the year	-	-	762	762	4,068	4,830
Foreign currency translation differences	-	1,338	-	1,338	(184)	1,154
Shares issued	3,313	-	-	3,313	-	3,313
Partly paid shares issued	(26)	-	-	(26)	-	(26)
Share based compensation expense	-	47	-	47	-	47
Exercised and expired ESOP awards	-	(47)	47	-	-	-
Dividends declared	-	-	(6,804)	(6,804)	-	(6,804)
FCTR on disposals	-	25	(25)	-	-	-
Balance as at 30 June 2018	**211,917**	**7,561**	**(74,578)**	**144,900**	**6,670**	**151,570**

The notes to the financial statements are an integral part of these financial statements

Notes to Financial Statements

1 Basis of accounting

Reporting entity

New Zealand Oil & Gas Limited (the Group) is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX). The Group is an FMC reporting entity for the purposes of the Financial Reporting Act 2013 and Financial Markets Conduct Act 2013. The financial statements presented are for New Zealand Oil & Gas Limited, its subsidiaries and interests in associates and jointly controlled operations (together referred to as the "Group").

The ultimate parent company is O.G. Oil & Gas (Singapore) Pte. Ltd. (OGOG), a company incorporated in Singapore and forms part of the Ofer Global Group.

Basis of preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZ GAAP') and the Financial Reporting Act 2013. They comply with the NZ equivalents to International Financial Reporting Standards ('NZ IFRS') as appropriate for profit-oriented entities, and with International Financial Reporting Standards ('IFRS').

The presentation and reporting currency used in the preparation of the financial statements is New Zealand dollars (NZD or $) rounded to the nearest thousand unless otherwise stated. The financial statements are prepared on a goods and services tax (GST) exclusive basis except billed receivables and payables which include GST.

These financial statements are prepared on the basis of historical cost except where otherwise stated in specific accounting policies contained in the accompanying notes.

Basis of consolidation

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that control ceases. Consistent accounting policies are employed in the preparation and presentation of the Group financial statements. Intra-group balances, transactions, unrealised income or expenses arising from intra-group transactions and dividends are eliminated in preparing the Group financial statements. A list of subsidiaries and associates is shown in notes 15 and 16.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in the statement of comprehensive income and held in equity reserves as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary items, such as equities classified as fair value through other comprehensive income, are included in the statement of comprehensive income and held in the fair value reserves in equity.

2 Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and assumptions that have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to:

- recoverability of evaluation and exploration assets and oil and gas assets. Assessment includes future commodity prices, future cash flows, an estimated discount rate and estimates of reserves. Management performs an assessment of the carrying value of investments at each reporting date and considers objective evidence for impairment on each investment taking into account observable data on the investment, the fair value, the status or context of capital markets, its own view of investment value and its long term intentions (refer to note 17, 18 and 25(a)(ii)).
- provision for rehabilitation obligations includes estimates of future costs, timing of required restoration and an estimated discount rate (refer to note 21).
- recoverability of deferred tax asset. Assessment of the ability of entities in the Group to generate future taxable income (refer to note 9).

3 Adoption status of relevant new financial reporting standards and interpretations

The following new standards, amendments to standards and interpretations are issued but not yet effective and have not been applied in preparation of these consolidated financial statements.

NZ IFRS 9 Financial Instruments, published in July 2014, replaces the existing guidance in NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from NZ IAS 39. NZ IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. NZ IFRS 9 is not expected to have a material impact on the Group's financial statements.

NZ IFRS 15 Revenue from Contracts with Customers, establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including NZ IAS 18 Revenue, NZ IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. NZ IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. Management have commenced a project to review the impact of NZ IFRS 15 and are currently in the process of quantifying any potential impact of NZ IFRS 15.

NZ IFRS 16 Leases, removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating. The standard is effective for annual reporting periods beginning on or after 1 January 2019. The likely impact of this standard has not yet been assessed.

4 Segment information

All operating segments' operating results are reviewed regularly by the Group's chief executive officer (CEO), the entity's chief decision maker, and have discrete financial information available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, office expenses, and income tax assets and liabilities.

The following summaries describe the activities within each of the reportable operating segments:

- **Kupe oil and gas field (Kupe):** development, production and sale of natural gas, liquefied petroleum gas (LPG) and condensate (light oil) in the petroleum mining permit area of PML 38146 located in the offshore Taranaki basin, New Zealand. The Group's 15% interest was sold to Genesis Energy effective 1 January 2017. Subsequently the Group purchased a 4% interest from Mitsui E&P Australia Pty Limited with an acquisition date of 8 December 2017 (refer to note 12). The segment report discloses both holdings within the Kupe segment however the 15% is reported as discontinued operations in prior year comparatives.
- **Oil & gas exploration:** exploration and evaluation of hydrocarbons in the offshore Taranaki basin and offshore Canterbury basin, New Zealand and in Indonesia.
- **Cue Energy Resources Limited (Cue):** the Group acquired a controlling interest in Cue during the 2015 financial year. Management have treated this as a separate operating segment.
- **Tui area oil field:** development, production and sale of crude oil in the petroleum mining permit area of PMP 38158 located in the offshore Taranaki basin, New Zealand. This asset was sold during the 2017 financial year and is reported as discontinued operations in prior year comparatives.

4 Segment information (continued)

2018 $000	Kupe oil & gas	Oil & gas exploration	Other & unallocated	Cue Energy Resources Ltd	Total
Sales to external customers - New Zealand	**6,052**	**-**	**-**	**-**	**6,052**
Sales to external customers - other countries	**3,114**	**-**	**-**	**26,645**	**29,759**
Total sales revenue	**9,166**	**-**	**-**	**26,645**	**35,811**
Other income	**(22)**	**-**	**282**	**282**	**542**
Total revenue and other income	**9,144**	**-**	**282**	**26,927**	**36,353**
Segment result	**5,589**	**(1,649)**	**(9,755)**	**5,229**	**(586)**
Other net finance income					**5,764**
Profit before income tax and royalties					**5,178**
Income tax and royalties expense/(credit)					**(348)**
Profit for the year					**4,830**
Segment assets	**35,432**	**7,243**	**-**	**29,416**	**72,091**
Unallocated assets					**112,755**
Total assets					**184,846**
Included in segment results:					
Depreciation and amortisation expense	**2,144**	**-**	**422**	**6,158**	**8,724**

2017 $000	Tui oil	Kupe oil & gas	Oil & gas exploration	Other & unallocated	Cue Energy Resources Ltd	Total
Sales to external customers - New Zealand	-	-	-	-	22,861	22,861
Sales to external customers - other countries	-	-	-	-	14,196	14,196
Total sales revenue	-	-	-	-	37,057	37,057
Other income	-	-	-	736	-	736
Total revenue and other income	-	-	-	736	37,057	37,793
Impairment of oil and gas assets	-	-	(7,567)	-	(7,694)	(15,261)
Segment result	-	-	(11,117)	(8,454)	(8,873)	(28,444)
Other net finance costs						1,371
Loss before income tax and royalties						(27,073)
Income tax and royalties expense						(5,669)
Loss for the year from continuing operations						(32,742)
Profit/(Loss) after tax from discontinuing operations	(14,742)	102,390	-	-	(2,347)	85,301
Profit for the year						52,558
Segment assets	-	-	6,692	-	31,957	38,649
Unallocated assets						133,927
Total assets						172,576
Included in segment results:						
Depreciation and amortisation expense	-	-	-	433	8,305	8,738
Depreciation and amortisation expense from discontinuing operations	8,105	6,961	-	-	-	15,066

5 Revenue and other income

Sales comprise revenue earned from the sale of petroleum products, when the significant risks and rewards of ownership of the petroleum products have been transferred to the buyer. Revenue is recognised at the fair value of the consideration received net of the amount of GST.

$000	2018	2017
REVENUE		
Petroleum sales	**35,811**	37,058
Total revenue	**35,811**	37,058
OTHER INCOME		
Insurance proceeds	**-**	541
Other income	**542**	266
Total other income	**542**	807
Total income	**36,353**	37,865

6 Operating costs

$000	2018	2017
Production and sales marketing costs	**(11,949)**	(14,571)
Carbon emission expenditure	**(391)**	(139)
Insurance expenditure	**(274)**	(45)
Movement in inventory	**(11)**	(1,127)
Total operating costs	**(12,625)**	(15,882)

7 Other expenses

$000	2018	2017
CLASSIFICATION OF OTHER EXPENSES BY NATURE		
Audit fees paid to the Group auditor - KPMG	**105**	120
Audit fees paid to other auditors - BDO	**113**	193
Directors' fees	**476**	609
Legal fees	**821**	1,032
Consultants' fees	**999**	981
Employee expenses (i)	**5,142**	8,034
Depreciation	**71**	69
Amortisation of intangible assets	**366**	398
Share based payment expense	**47**	32
IT and software expenses	**628**	800
Pre-permit expenditure	**127**	445
Registry and stock exchange fees	**261**	241
Other	**2,220**	1,668
Total other expenses	**11,376**	14,622

(i) Employee expenses are net of $0.2 million (2017: $0.2 million) recharged to exploration and evaluation expense and recharged to operated joint ventures.

A number of one-off expenses were incurred during the year relating to due diligence on potential acquisitions.

$000	2018	2017
FEES PAID TO THE GROUP AUDITOR		
Audit and review of financial statements	**105**	120
Tax compliance services	**20**	49
Tax advisory services	**256**	227
Total fees paid to Group auditor	**381**	396
FEES PAID TO THE OTHER AUDITORS (FOR THE YEAR) - BDO		
Audit and review of subsidiary financial statements	**113**	193
Tax compliance services	**22**	53
Tax advisory services	**-**	3
Total fees paid to other auditors	**135**	249

8 Net finance income and costs

$000	2018	2017
Bank fees	(4)	(12)
Unwinding of discount on provisions	(203)	(2)
Total finance costs	**(207)**	(14)
Interest income	1,908	2,334
Exchange gains on foreign currency balances	4,062	(949)
Total finance income	**5,970**	1,385
Net finance income	**5,763**	1,371

9 Taxation

Current and deferred tax is calculated on the basis of the laws enacted or substantively enacted at balance date.

Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Current and deferred tax are recognised in profit or loss except when the tax relates to items recognised in other comprehensive income, in which case the tax is also recognised in other comprehensive income.

$000	2018	2017
INCOME TAX EXPENSE		
Current tax	1,570	6,728
Deferred tax	(2,767)	(1,633)
a) Total income tax (credit)/expense	**(1,197)**	5,095
INCOME TAX EXPENSE CALCULATION		
Profit/(loss) before income tax expense and royalties from continuing operations	5,178	(27,073)
Less: royalties expense	(1,545)	(574)
Profit/(loss) before income tax expense	3,632	(27,647)
Tax at the New Zealand tax rate of 28%	1,017	(7,741)
TAX EFFECT OF AMOUNTS WHICH ARE NOT DEDUCTIBLE/(TAXABLE):		
Difference in overseas tax rate	628	3,722
Non-deductible write off	247	2,849
Foreign exchange adjustments	(182)	-
Unrealised timing differences	(2,036)	4,164
Historical tax losses forfeited due to continuity breach on takeover	1,591	-
Other expenses/(income)	328	(299)
	1,592	**2,695**
Adjustment recognised for current tax in prior periods (i)	(2,790)	2,400
b) Income tax (credit)/expense	**(1,197)**	**5,095**

(i) Cue has an ongoing Indonesian tax matter relating to a notice of amended assessment which is being disputed by Cue Kalimantan Pte Ltd on behalf of SPC E&P Ltd (SPC). Cue is indemnified by SPC for any losses arising from this dispute and has recognised a tax liability as well as a receivable in the Consolidated Statement of Financial Position.

9 Taxation (continued)

$000	2018	2017
c) Imputation credits available for subsequent reporting periods (ii)	**-**	**3,543**

(ii)With the OGOG shareholding reaching 69.87% the New Zealand shareholder continuity test threshold (as set out by the Inland Revenue Department) was breached resulting in the forfeiture of the Group's imputation credit balance. The previous balance reported was $3.543 million.

d) Deferred tax

Deferred taxation is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets and future tax benefits are recognised where realisation of the asset is probable. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse.

The utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing temporary differences. As at 30 June 2018 Cue have accumulated losses in New Zealand of $35.6 million (30 June 2017: $29.1 million), together with unclaimed tax deductions for production and development expenditure incurred previously. The Group has not recognised a New Zealand deferred tax asset as under current oil price assumptions it is not expected that sufficient future taxable profits will be generated. The future availability of accumulated tax losses remains subject to Cue satisfying the relevant business and shareholder continuity requirements for each jurisdiction.

During the year there was a change in New Zealand tax laws which now allow a refundable credit for activities to restore certain sites to their original condition. The deferred tax asset of $2.9 million relating to the Maari restoration provision, which was previously not recognised in the financial statements, has been recognised as at 30 June 2018.

$000	2018	2017
THE BALANCE COMPRISES TEMPORARY DIFFERENCES ATTRIBUTABLE TO:		
Deferred Tax Assets		
Non-deductible provisions	**5,329**	145
	5,329	145
Deferred Tax Liabilities		
Oil & gas assets	**(6,126)**	(3,505)
	(6,126)	(3,505)
Net deferred tax liabilities	**(797)**	(3,360)
MOVEMENTS:		
Net deferred tax liability at 1 July	**(3,360)**	(18,597)
Derecognised deferred tax balances from discontinued operations	**-**	19,581
Recognised in profit or loss	**2,767**	(4,291)
Recognised in other comprehensive income	**(204)**	(53)
Closing balance at end of year	**(797)**	(3,360)

10 Royalties expense

Royalty expenses incurred by the Group relate to petroleum royalty payments to the New Zealand Government in respect of the Kupe and Maari oil and gas fields, and are recognised on an accrual basis.

11 Discontinued operations

A discontinued operation is a component of an entity, being a cash-generating unit that either has been disposed of, or is classified as held for sale and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or;
- is a subsidiary acquired exclusively with the view to resale.

There are no discontinued operations in the current year. The information below relates to prior year comparatives.

On 14 December 2016, the Group approved the sale of its 15 per cent interest in the Kupe gas and oil field off Taranaki basin. The sale was subsequently finalised on 1 January 2017 with the risk and rewards of the permit passing on that date. Genesis Energy paid $168 million for the Group's shares in three entities that hold its Kupe interest and included the Group's entitlement to overriding royalty interests.

On 14 February 2017, the Group accepted an offer from Tamarind for its 27.5 per cent interest in the Tui oil fields off Taranaki basin. The sale became effective from 1 January 2017. Tamarind paid the Group US dollars $0.75 million in exchange for all shares in its Tui holding Company, Stewart Petroleum. Stewart Petroleum's assets and liabilities include a 27.5 per cent interest in the Tui field, and inventory of US dollars $4.7 million of oil. A working capital adjustment of US dollars $6.0 million was also transferred to Tamarind. Tamarind will also assume all field retirement obligations.

In addition, Cue Energy announced on 10 November 2016 the sale of its 80 per cent interest in Pine Mills to Mosman Oil and Gas for US dollars $0.975 million.

The results were presented as discontinued in the Consolidated Statement of Comprehensive Income. The impact on the Group following the sale of these components is available in the 2017 Annual Report.

12 Business acquisitions

In May 2017 the Group agreed to purchase Mitsui's 4 per cent interest in the Kupe gas and light oil field (Kupe) for $35 million with an effective economic date of 1 January 2017. The transaction required significant conditions to be met, the last of which occurred on 8 December 2017 when the Group received approval from the Overseas Investment Office (OIO). On 13 December 2017 consideration of $30 million was paid to Mitsui which included adjustments for the movement in net working capital and net revenues between effective economic date (1 January 2017) and date of acquisition (8 December 2017).

The acquisition of a business combination is accounted for using the acquisition method as defined in IFRS 3. At the acquisition date, both the consideration transferred and the identifiable assets acquired and liabilities assumed, are measured and recognised at fair value. If the initial accounting for a business acquisition is incomplete at reporting date, the Group reports provisional amounts but is able, under certain conditions, to make adjustments within one year from acquisition date.

The acquisition date is considered the date on which the Group obtained control of the business. One of the significant conditions which allowed completion to occur was OIO approval which was granted on 8 December 2017. At this date control effectively passed to the Group giving it the power to direct the relevant activities so as to affect its returns from Kupe. Acquisition related costs amounting to $0.2 million are expensed in the profit or loss within 'other operating expenses'.

12 Business acquisitions (continued)

$000	
NET CASH OUTFLOW ON ACQUISITION	
Purchase price at 1 January 2017	35,000
Net revenue received by Mitsui between 1 January 2017 and 8 December 2017	(6,186)
Working capital adjustment	1,186
Total consideration transferred	**30,000**
ASSETS ACQUIRED AND LIABILITIES RECOGNISED AT THE DATE OF ACQUISITION	
Cash and cash equivalents	346
Receivables	28
Inventories	847
Oil and gas assets (i)	29,379
Payables and accruals	(600)
Net assets acquired	**30,000**

(i) Fair value of oil and gas asset

Market value was set in May 2017, when the sale was agreed between two unrelated highly knowledgeable investors. The purchase price of $35 million related to the asset value at 1 January 2017, the effective economic date. By adjusting this for cash flows to 8 December 2017, and with no other market factors changing materially, a reasonable estimate of fair value can be made at 8 December 2017.

13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank, short-term deposits and deposits on call with an original maturity of three months or less.

$000	2018	2017
Cash at bank and in hand	**19,978**	13,350
Deposits at call	**1,914**	3,331
Short term deposits	**75,190**	108,357
Share of oil and gas interests' cash	**928**	65
Total cash and cash equivalents at end of year	**98,010**	125,103

Cash and cash equivalents denominated by currency $000	Base Currency	NZD Equivalent
2018		
NZ dollar	**33,489**	**33,489**
US dollar	**40,868**	**60,411**
AU dollar	**3,755**	**4,100**
ID rupiah	**84,822**	**9**
Total cash and cash equivalents at end of year		**98,010**
2017		
NZ dollar	81,988	81,988
US dollar	31,388	42,868
AU dollar	236	247
Total cash and cash equivalents at end of year		125,103

Deposits at call and short-term deposits

The deposits at call and short term deposits are currently bearing interest rates between 1.00% and 2.85% (2017: 0.2% and 2.2%).

14 Receivables and prepayments

$000	2018	2017
Trade receivables	**6,657**	864
Provision for doubtful debts	**272**	-
Share of oil and gas interests' receivables	**4,590**	5,625
Prepayments	**65**	34
Other	**188**	-
Total receivables and prepayments at end of year	**11,772**	6,523

Receivables and prepayments denominated by currency $000	Base Currency	NZD Equivalent
2018		
NZ dollar	**3,025**	**3,025**
US dollar	**5,701**	**8,695**
AU dollar	**34**	**37**
ID rupiah	**148,642**	**15**
Total receivables and prepayments at end of year		**11,772**
2017		
NZ dollar	1,803	1,803
US dollar	3,242	4,627
AU dollar	89	93
Total receivables and prepayments at end of year		6,523

15 Investments in subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it has power over the entity, has exposure or rights to variable returns from this involvement and when it has the ability to use its power to affect the amount of the returns.

At 30 June 2018 the Group holds a 50.04 per cent interest in Cue Energy Resources Limited (30 June 2017: 50.04 per cent). Cue entities below reflect the Group's 50.04 per cent interest in Cue subsidiaries.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position respectively.

The financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the subsidiaries within the Group are shown below.

15 Investments in subsidiaries (continued)

The consolidated financial statements incorporate the assets, liabilities and results of the following entities:

Name of entity	Country of incorporation	Equity Holding 2018	Equity Holding 2017	Functional Currency
NEW ZEALAND OIL & GAS				
ANZ Resources Pty Limited *	Australia	**0%**	100%	AUD
Australia and New Zealand Petroleum Limited	New Zealand	**100%**	100%	NZD
NZOG 54867 Limited	New Zealand	**100%**	100%	NZD
NZOG 38483 Limited ***	New Zealand	**0%**	100%	NZD
NZOG 2013 O Limited	New Zealand	**100%**	100%	NZD
NZOG Asia Pty Limited	Australia	**100%**	100%	USD
NZOG Bohorok Pty Limited	Australia	**100%**	100%	USD
NZOG 54857 Limited	New Zealand	**100%**	100%	NZD
NZOG Developments Limited ***	New Zealand	**0%**	100%	NZD
NZOG Devon Limited	New Zealand	**100%**	100%	NZD
NZOG 2013T Limited	New Zealand	**100%**	100%	NZD
NZOG Energy Limited	New Zealand	**100%**	100%	NZD
NZOG Palmerah Baru Pty Limited **	Australia	**0%**	100%	USD
NZOG Offshore Limited	New Zealand	**100%**	100%	NZD
NZOG Pacific Holdings Pty Limited	Australia	**100%**	100%	USD
NZOG Pacific Limited	New Zealand	**100%**	100%	NZD
NZOG Services Limited	New Zealand	**100%**	100%	NZD
NZOG Taranaki Limited	New Zealand	**100%**	100%	NZD
NZOG Tunisia Pty Limited *	Australia	**0%**	100%	USD
Oil Holdings Limited ***	New Zealand	**100%**	100%	NZD
Pacific Oil & Gas (North Sumatera) Limited	Bermuda	**90%**	90%	USD
Petroleum Resources Limited	New Zealand	**100%**	100%	NZD
Resource Equities Limited ***	New Zealand	**0%**	100%	NZD
NZOG MNK Kisaran Pty Limited **	Australia	**0%**	100%	USD
NZOG MNK Bohorok Pty Limited	Australia	**100%**	100%	USD
NZOG MNK Palmerah Pty Limited **	Australia	**0%**	100%	USD
CUE ENERGY RESOURCES				
Cue Energy Resources Limited	Australia	**50.04%**	50.04%	AUD
Cue Mahakam Hilir Pty Limited	Australia	**50.04%**	50.04%	AUD
Cue (Ashmore Cartier) Pty Ltd	Australia	**50.04%**	50.04%	AUD
Cue Sampang Pty Limited	Australia	**50.04%**	50.04%	AUD
Cue Taranaki Pty Limited	Australia	**50.04%**	50.04%	AUD
Cue Resources Inc *	USA	**0%**	50.04%	USD
Cue Kalimantan Pte Ltd	Singapore	**50.04%**	50.04%	USD
Cue Mahato Pty Ltd	Australia	**50.04%**	50.04%	AUD
Cue Exploration Pty Limited	Australia	**50.04%**	50.04%	AUD
Cue Cooper Pty Ltd *	Australia	**0%**	50.04%	AUD

* These companies have been deregistered during the 2018 financial year
** These companies have been sold during the 2018 financial year subject to regulatory approval
*** These companies have been liquidated during the 2018 financial year

All subsidiary companies have a balance date of 30 June with the exception of Pacific Oil & Gas (North Sumatera) Limited which has a 31 December balance date. All subsidiaries are predominantly involved in the petroleum exploration and production industry.

16 Oil and gas interests

The Group has interests in a number of joint arrangements which are classified as joint operations. The Group financial statements include a proportional share of the oil and gas interests' assets, liabilities, revenue and expenses with items of a similar nature on a line by line basis, from the date that joint control commences until the date that joint control ceases.

The Group held the following oil and gas production, exploration, evaluation and appraisal interests at the end of the year.

			Ownership	
Name	**Type**	**Country**	**2018**	**2017**
NEW ZEALAND OIL & GAS				
PML 38146 – Kupe (i)	Mining Licence	New Zealand	**4.0%**	0.0%
PEP 52717 – Clipper	Exploration Permit	New Zealand	**50.0%**	50.0%
PEP 55794 - Toroa	Exploration Permit	New Zealand	**30.0%**	30.0%
Kisaran PSC	Production Sharing Contract	Indonesia	**22.5%**	22.5%
Bohorok PSC	Production Sharing Contract	Indonesia	**25.0%**	45.0%
Palmerah Baru PSC (ii)	Production Sharing Contract	Indonesia	**0%**	36.0%
MNK Kisaran PSC (iii)	Production Sharing Contract	Indonesia	**0%**	11.3%
MNK Palmerah PSC (iii)	Production Sharing Contract	Indonesia	**0%**	15.8%
MNK Bohorok	Joint Study Agreement	Indonesia	**20.3%**	20.3%
CUE ENERGY RESOURCES *				
WA-359-P	Exploration Permit	Australia	**100.0%**	100.0%
WA-389-P	Exploration Permit	Australia	**100.0%**	40.0%
WA-409-P	Exploration Permit	Australia	**20.0%**	20.0%
Mahakam Hilir PSC	Production Sharing Contract	Indonesia	**100.0%**	100.0%
PMP 38160 – Maari	Mining Permit	New Zealand	**5.0%**	5.0%
Sampang PSC	Production Sharing Contract	Indonesia	**15.0%**	15.0%
Mahato PSC	Production Sharing Contract	Indonesia	**12.5%**	12.5%

(i) Acquisition of 4% interest in Kupe completed on 8 December 2017 (refer to note 12).

(ii) In June 2018 an agreement was signed to sell the interest in Palmerah Baru to Bow Energy International Holdings Inc. subject to regulatory approval.

(iii) In August 2017 an agreement was signed to sell the interests in MNK Kisaran PSC and MNK Palmerah PSC to Bukit Energy Asia Pte. Limited.

* represents the percentage interest held by Cue Energy Resources Limited. The Group interest is 50.04% (2017: 50.04%) of the Cue interest.

16 Oil and gas interests (continued)

Share of oil and gas interests' assets and liabilities

$000	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	**928**	65
Trade receivables	**617**	806
Inventory	**957**	779
NON-CURRENT ASSETS		
Petroleum interests (ii)	**74,259**	53,911
Total assets	**76,761**	55,560
CURRENT LIABILITIES		
Short-term liabilities	**3,822**	2,437
Total liabilities	**3,822**	2,437
Net Assets	**72,939**	53,123
SHARE OF OIL AND GAS INTERESTS' LOSS		
Revenue (i)	**-**	-
Expenses	**(11,945)**	(14,559)
Loss before income tax	**(11,945)**	(14,559)

Interests relating to the Tui, Kupe and Pine Mills discontinued operations (refer note 11) are not included in 2017 comparatives, however the 4% participating interest in Kupe acquired December 2017 (refer note 12) is shown in the current year.

(i) Revenues above do not include petroleum sales in relation to the Kupe, Maari and Sampang 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.

(ii) Petroleum interests are prior to amortisation of production assets and borrowings.

17 Exploration and evaluation

The Group uses the successful efforts method of accounting for oil and gas exploration costs. All general exploration and evaluation costs are expensed as incurred except the direct costs of acquiring the rights to explore, drilling exploratory wells and evaluating the results of drilling. These direct costs are capitalised as exploration and evaluation assets pending the determination of the success of the well. If a well does not result in a successful discovery, the previously capitalised costs are immediately expensed.

Key judgement: recoverability of exploration and evaluation assets

Assessment of the recoverability of capitalised exploration and evaluation expenditure requires certain estimates and assumptions to be made as to future events and circumstances, particularly in relation to whether economic quantities of reserves have been discovered. Such estimates and assumptions may change as new information becomes available. If it is concluded that the carrying value of an exploration and evaluation asset is unlikely to be recovered by future development or sale, the relevant amount will be expensed in the profit and loss.

Capitalised exploration and evaluation assets, including expenditure to acquire mineral interests in oil and gas properties, related to wells that find proven reserves are classified as development assets within oil and gas assets at the time of sanctioning of the development project.

$000	2018	2017
Opening balance	**6,692**	14,580
Impairment of exploration asset	**-**	(7,567)
Revaluation of USD exploration and evaluation assets	**551**	(321)
Closing balance at end of year	**7,243**	6,692

18 Oil and gas assets

Development

Development assets include construction, installation and completion of infrastructure facilities such as pipelines and development wells. No amortisation is provided in respect of development assets until they are reclassified as production assets.

Production assets

Production assets capitalised represent the accumulation of all development expenditure incurred by the Group in relation to areas of interest in which petroleum production has commenced. Expenditure on production areas of interest and any future estimated expenditure necessary to develop proven and probable reserves are amortised using the units of production method or on a basis consistent with the recognition of revenue.

Subsequent costs

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Impairment

The carrying value is assessed for impairment each reporting date. An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the profit or loss and in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are reassessed at each reporting date and the loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously.

$000	2018	2017
Opening balance	**31,957**	207,937
Acquisition (i)	**29,379**	-
Expenditure capitalised	**3,272**	5,012
Impairment (ii)	**-**	(7,694)
Amortisation for the year	**(8,308)**	(24,880)
Revaluation of USD production assets	**1,254**	3,066
Abandonment provision	**7,294**	(3,808)
Disposals (iii)	**-**	(147,676)
Closing balance at end of year	**64,848**	31,957

(i) In May 2017 the Group agreed to purchase Mitsui's 4 per cent interest in the Kupe gas and light oil field for $35 million. The Group previously held a 15 per cent share in Kupe, which was sold to Genesis Energy in the last financial year.

(ii) At 30 June 2018 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. The recoverable amount of each oil and gas asset was estimated and compared to its carrying amount, which has resulted in no impairment (30 June 2017: $7.7 million). Estimates of recoverable amounts of oil and gas assets are based on their value in use with a discount rate of 10% applied. The oil price assumptions used are based on forward prices, rising to consensus mean after 4 years.

(iii) In the previous period the Groups' interest in the Kupe, Tui and Pine Mills assets were sold (refer note 11).

19 Other financial assets

$000	2018	2017
Security deposits	**16**	16
Total other financial assets at end of year	**16**	16

20 Payables

$000	2018	2017
Trade payables	**2,697**	2,328
Kisaran borrowings	**1,274**	1,146
Royalties payable	**-**	174
Share of oil and gas interests' payable	**3,822**	2,437
Other payables	**753**	845
Total payables at end of year	**8,546**	6,930

Payables denominated by currency $000	**Base Currency**	**NZD Equivalent**
2018		
NZ dollar	**4,471**	**4,471**
US dollar	**2,421**	**3,578**
AU dollar	**400**	**437**
GB pound	**8**	**15**
ID rupiah	**439,231**	**45**
Total payables at end of year		**8,546**
2017		
NZ dollar	3,581	3,581
US dollar	1,482	2,023
AU dollar	1,247	1,310
GB pound	-	-
ID rupiah	146,376	16
Total payables at end of year		6,930

21 Rehabilitation Provision

Provisions for restoration have been recognised where the Group has an obligation, as a result of its operating activities, to restore certain sites to their original condition. There is uncertainty in estimating the timing and amount of the future expenditure. The provision is estimated based on the present value of the expected expenditure. The discount rate used is the risk-free interest rate obtained from the country related to the currency of the expected expenditure. In the current year, the discount rate used to determine the provision was 2.88% from the United States. The initial provision and subsequent re- measurement are recognised as part of the cost of the related asset. The unwinding of the discount is recognised as finance costs in profit or loss.

$000	2018	2017
Carrying amount at start of year	**10,304**	79,006
Addition/(Reduction) in provision recognised	**7,095**	(2,302)
Foreign currency revaluation of provisions	**712**	-
Unwinding of discount	**531**	-
Reduction in provision due to disposal of Tui and Kupe assets	**-**	(66,400)
Carrying amount at end of year	**18,642**	10,304

22 Share capital

	Number of shares 000s	$000
Balance at 1 July 2016	345,513	318,089
Shares issued during the year	-	1
Partly paid shares issued	2,596	(27)
Shares cancelled as part of buyback program	(17,151)	(9,434)
Shares cancelled as part of capital return	(159,427)	(99,999)
Partly paid shares forfeited, converted to fully paid and cancelled	(3,682)	-
Balance at 30 June 2017	**167,849**	**208,630**
Shares issued during the year	**4,992**	**3,313**
Forfeited partly paid ESOP shares converted	**(2,081)**	**-**
Partly paid shares exercised	**(2,911)**	**(26)**
Balance at 30 June 2018	**167,849**	**211,917**
Composed of:		
Fully paid shares	**164,421**	**211,883**
Partly paid shares	**3,428**	**34**
Balance at 30 June 2018	**167,849**	**211,917**

During the year 2.9 million partly paid shares were exercised, converted to fully paid shares and sold for the benefit of Employee Share Ownership Plan (ESOP) participants (June 2017: nil). In addition, 2.9 million of forfeited partly paid shares were converted to fully paid shares and sold with the proceeds returning to the Group in the form of share capital (June 2017: 3.7 million partly paid shares were forfeited and converted into fully paid shares and immediately cancelled).

Partly paid shares are entitled to a vote in proportion to the amount paid up. Information relating to the ESOP, including details of shares issued under the scheme, is set out in note 27.

All fully paid shares have equal voting rights and share equally in dividends and equity.

During the year there was a dividend payment of 4c per share (fully imputed) paid on 3 November 2017.

23 Reserves

a) Reserves

$000	2018	2017
Share based payments reserve	**147**	147
Foreign currency translation reserve	**7,414**	6,051
Total reserves at end of year	**7,561**	6,198

Movements:

$000	2018	2017
SHARE-BASED PAYMENTS RESERVE		
Opening balance at 1 July	**147**	115
Share based payment expense for the year	**47**	32
Exercised and expired ESOP awards	**(47)**	-
Closing balance at end of year	**147**	147
FOREIGN CURRENCY TRANSLATION RESERVE		
Opening balance at 1 July	**6,051**	936
Impact on foreign currency translation reserve of disposals	**25**	-
Other foreign currency translation differences for the year	**1,338**	5,115
Closing balance at end of year	**7,414**	6,051

b) Nature and purpose of reserves

i) Foreign currency translation reserve

Exchange differences arising on translation of companies within the Group with a different functional currency to the Group are taken to the foreign currency translation reserve. The reserve is recognised in other comprehensive income when the net investment is disposed of.

24 Income per share

	2018	2017
Profit attributable to shareholders ($000)	**762**	62,695
Weighted average number of ordinary shares (000)	**167,849**	311,450
Basic and diluted earnings per share (dollars)	**$0.005**	$0.20

25 Financial risk management

Exposure to credit, interest rate, foreign currency, equity price, commodity price and liquidity risk arises in the normal course of the Group's business.

a) Market risk

i) Foreign exchange risk

The Group is exposed to foreign currency risk on cash and cash equivalents, oil sales, recoverable value of oil and gas assets and capital commitments that are denominated in foreign currencies. The Group manages its foreign currency risk by monitoring its foreign currency cash balances and future foreign currency cash requirements. The Group may enter into foreign currency hedge transactions in circumstances where the risk-adjusted returns to shareholders are enhanced as a consequence.

ii) Commodity price risk

Commodity price risk is the risk that the Group's sales revenue and recoverable value of oil and gas assets will be impacted by fluctuations in world commodity prices. The Group is exposed to commodity prices through its petroleum interests. The Group may enter into oil price hedge transactions in circumstances where the risk-adjusted returns to shareholders are enhanced as a consequence. The Group had no option call contracts at 30 June 2018 (2017: nil).

iii) Concentrations of interest rate exposure

The Group has no external bank debt and therefore its main interest rate risk arises from short-term deposits held.

b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral where appropriate as a means of minimising the risk of financial defaults. Financial instruments which potentially subject the Group to credit risk consist primarily of securities and short-term cash deposits, trade receivables and short-term funding arrangements. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings, with funds required to be invested with a range of separate counterparties. The Group's maximum exposure to credit risk for trade and other receivables is its carrying value.

The Group may be exposed to financial risk if one or more of their joint venture partners is unable to meet their obligation in relation to the abandonment costs for jointly owned oil and gas assets. Under the joint venture operating agreement if one or more partners fails to meet their financial obligation, the other partners may become proportionately liable for their share of the financial obligations but would have contractual rights of recovery against the defaulting party.

c) Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has liquid funds to cover potential shortfalls.

25 Financial risk management (continued)

The following table sets out the contractual cash flows for all non-derivative financial liabilities and for derivatives that are settled on a gross cash flow basis:

$000	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years	Contractual cash flows
30 JUNE 2018						
Payables	**8,546**	**-**	**-**	**-**	**-**	**8,546**
Tax liabilities	**5,291**	**-**	**-**	**-**	**-**	**5,291**
Total non-derivative liabilities	**13,837**	**-**	**-**	**-**	**-**	**13,837**
30 JUNE 2017						
Payables	6,930	-	-	-	-	6,930
Tax liabilities	2,926	-	-	-	-	2,926
Total non-derivative liabilities	9,856	-	-	-	-	9,856

At 30 June 2018 the Group had no derivatives to settle (2017: Nil).

d) Capital management

The Group manages its capital through the use of cash flow and corporate forecasting models to determine its future capital requirements and maintains a flexible capital structure which allows access to debt and equity markets to draw upon and repay capital as required. In July 2009 the Group established a Dividend Reinvestment Plan which applies to dividends declared after 29 July 2009. The Group has an adequate capital base and significant cash reserves from which it can pursue its growth aspirations.

e) Sensitivity analysis

The Group's reporting result at the end of each year is sensitive to financial risks from fluctuations in interest rates, commodity prices and foreign currency exchange rates. The sensitivity table below shows the impact of exchange rate changes on current assets and liabilities and the impact of interest rate changes on current cash balances.

	Risk area	Sensitivity	2018	2017
Impact on Group profit before tax	Exchange rate	+5%	**(2.2)**	(2.1)
		-5%	**2.2**	2.1
Impact on foreign currency translation reserves in equity	Exchange rate	+5%	**(1.2)**	(0.7)
		-5%	**1.2**	0.7
Impact on interest income	Interest rate	+1%	**0.5**	1.2
		-1%	**(0.5)**	(1.2)

25 Financial risk management (continued)

f) Recognised assets and liabilities

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes.

g) Financial instruments by category

$000	2018 Carrying value	2017 Carrying value
ASSETS		
Cash and cash equivalents	**98,010**	125,103
Trade and other receivables	**11,435**	6,489
	109,445	131,592
LIABILITIES		
Payables	8,546	6,930
	8,546	6,930

The fair value and amortised cost of financial instruments is equivalent to their carrying value.

26 Related party transactions

Related parties of the Group include those entities identified in notes 15 and 16 as subsidiaries and oil and gas interests. All transactions and outstanding balances with these related parties are in the ordinary course of business on normal trading terms.

During the year OGOG completed a partial take over of the Group. On 19 January 2018, OGOG announced that their shareholding of the Group stood at 69.87% and they became the ultimate controlling party of the Group. The costs associated with the takeover incurred by the Group were reimbursed by OGOG.

The Group was also subject to a takeover offer from Zeta Energy (Pte) Ltd (Zeta) which was unsuccessful. The costs incurred by the Group in relation to this takeover were reimbursed by Zeta.

A number of directors are also directors of other companies and any transactions undertaken with these entities have been entered into as part of the ordinary business of the Group.

Key management personnel have been defined as the directors, the chief executive and the executive team for the Group. Cue management personnel have been included.

$000	2018	2017
Short term employee benefits	**3,317**	4,594
Share based payments	**308**	18
Termination benefits	**-**	1,620
Total	**3,625**	6,232

During the year certain activities were undertaken between the Group and OGOG. For the year ended 30 June 2018 no costs have been on-charged to the Group.

No directors fees are charged for the four representatives of OGOG who are directors of the Group.

27 Share-based payments

A decision was made in 2017 to discontinue the current ESOP. No allocations of new ESOP shares were made in the financial year ending 30 June 2018. The details below relate to the old scheme which will be phased out as final dates are reached and shares expire. A new long term incentive plan is in the process of being finalised.

The Group's ESOP was open to nominated employees. Under the plan there are currently 3.4 million (June 2017: 8.4 million) partly paid shares for which employees have paid $0.01 per share. After 2 years, and under certain conditions, the employee has the option to fully pay for the shares. This option lasts for 3 years. The cost of the ESOP to the Group is calculated using the Black Scholes option pricing model and in the year ended June 2018 $0.05 million (June 2017: $0.03 million) was expensed through the Consolidated Statement of Comprehensive Income. No shares were awarded in 2018 (June 2017: 2.6 million), 2.9 million shares were exercised in the year ending June 2018 (June 2017: nil) and expired/forfeited shares totalling 2.1 million were converted to ordinary shares and sold (June 2017: 3.7 million converted to ordinary shares and cancelled).

Participation in the ESOP was open to any employee (including a non-executive director) of the Group to whom an offer to participate was made by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee, in its discretion, was responsible for determining which employees were to be offered the right to participate in the ESOP, and the number of partly paid shares that could be offered to each participating employee. Under the ESOP partly paid shares were issued on the following terms:

Restriction periods

Each partly paid share was issued on terms that require an escrow period to pass before the holder can complete payment for, and thereafter transfer, the shares. This was usually 2 years. There was also a date 5 years after the offer date by which the issue price for the shares must be paid (this is called the "Final Date"). During the financial year ending 30 June 2018, the plan administrators became aware of a change of control in the Group. Under the plan rules, a change of control provides ESOP holders with additional options including the option to effectively end the escrow period.

Issue price

This was set for each partly paid share at the time the offer was made to the participant and was the lesser of:

i) 20% premium to the average market price on the date of the offer (being the volume weighted average market price over the previous 20 business days); and

ii) The last sale price of the Group's ordinary shares on the business day prior to the Final Date (or such greater amount that represents 90% of the weighted average price of the Group's ordinary shares over the 20 Business Days prior to the Final Date).

The pricing model ensures that the participant does not receive a share at a discount to market price at the time the final payment is made but does provide some protection if the market price reduces after the original offer date.

Participants were required to pay $0.01 per share at the time of issue.

Rights

The rights attached to partly paid shares issued under the ESOP are the same as those attached to ordinary shares in the Group. The partly paid shares rank equally with the ordinary shares in the Group. However, the rights of each partly paid share to vote on a poll, and to dividends or other distributions of the Group, are a fraction, equal to the proportion represented by the amount paid up in respect of the share as against the issue price set under the ESOP.

The table below provides a reconciliation of outstanding ESOP shares and their weighted average price.

	Number outstanding	Weighted average issue price
Balance at 1 July 2016	9,506	$0.89
Granted	2,596	$0.65
Forfeited	(3,682)	$0.96
Balance at 30 June 2017	8,420	$0.74
Exercised (i)	**(2,911)**	**$0.58**
Forfeited and sold	**(2,081)**	**$0.66**
Balance at 30 June 2018	**3,428**	**$0.94**

(i) The weighted average exercise price was $0.78 per share

27 Share-based payments (continued)

A share based payment expense is recognised based on the fair value of partly paid shares offered to employees at the issue date. The fair value at issue date is determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the partly paid shares, the vesting criteria, the non-tradable nature of the partly paid shares, the share price at issue date and expected price volatility of the underlying share (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the expected dividend yield and the risk free interest rate for the term of the issued partly paid share. This value is amortised over the escrow period of the plan, or sooner if the escrow period is reduced.

The fair value of partly paid shares issued to employees is recognised as an employee expense, with a corresponding increase in equity over the period in which the employees become unconditionally entitled to the partly paid shares. The amount recognised as an expense is adjusted to reflect the actual number of partly paid shares that vest.

As there was no allocation of ESOP shares during the year, no new valuation took place.

During the year 2.9 million partly paid shares were exercised resulting in payments to management and staff of $0.5 million.

28 Commitments and contingent assets and liabilities

a) 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.

Cue's exploration portfolio includes a commitment of AU$34.8 million which includes Australian permit WA359P containing the Ironbark prospect. This permit is currently being marketed and a farm out process is ongoing.

b) Operating leases and commitments

The Group leases premises, plant and equipment. Operating leases held over properties give the Group the right to renew the lease subject to a redetermination of the lease rental by the lessor.

$000	2018	2017
Within one year	**271**	519
Later than one year and not later than five years	**2**	280
	273	799

Operating leases relate to property leases for the Group.

c) Contingent assets and liabilities

Cue Energy Resources Limited and Cue Resources Inc. have been named as defendants, along with a number of other companies, in litigation pending in Texas, USA in relation to the Pine Mills oil field. The Pine Mills oil field was sold on 10 November 2016. Cue Energy Resources Limited and Cue Resources Inc. believe the suit has no merit and have filed motions to dismiss the proceedings.

29 Events occuring after balance date

There are no material events that have occurred after balance date.

Independent Auditor's Report

To the shareholders of New Zealand Oil and Gas Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of New Zealand Oil and Gas Limited (the company) and its subsidiaries (the group) on pages 68 to 93:

i. present fairly in all material respects the Group's financial position as at 30 June 2018 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 30 June 2018;

— the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the group in relation to tax compliance and advisory services. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Scoping

The context for our audit is set by the major activities in the financial year ended 30 June 2018. In December 2017 the Group completed an agreement to buy a 4% interest in the Kupe gas and oil fields and production station ('Kupe') from Mitsui E&P Australia. The consolidated financial statements includes the 50.04% shareholding in Cue Energy Limited ('Cue') and its two production assets, Sampang PSC in Indonesia and Maari oil in New Zealand.

The scope of our audit is designed to ensure that we perform adequate work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the financial reporting systems, processes and controls, and the industry in which it operates.

In establishing the scope of audit work to be performed by the Component auditor for Group consolidation purposes, we determined the nature and extent of work to be performed would be a full scope audit. We kept in regular communication with component audit team throughout the year with discussions and formal instructions, including review of work performed, where appropriate. We also ensured that the component audit team had the appropriate skills and competencies which are needed for the audit.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $1.3 million (2017: $2.3 million) determined with reference to a benchmark of group total assets. We chose total assets as the benchmark, compared to profit before tax, due to the change in Group's operating activities in the current year.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
MAJOR TRANSACTIONS – ACQUISITION OF KUPE	
Refer to Note 12 of the Financial Report. In December 2017 the Group completed an agreement to buy a 4% interest in the Kupe gas and oil fields and production station ('Kupe') from Mitsui E&P Australia for $35 million. The acquisition of a business is complex and the accounting standards require the Group to identify all assets and liabilities acquired and estimate the fair value for each item. The acquisition is a key audit matter given its significance to the Group and the significant judgement involved in assessing the fair value of assets and liabilities acquired. Cash and cash equivalents	As part of our audit procedures over the acquisition of Kupe, we obtained key transaction documents and assessed the Group's fair value estimates of the assets and liabilities acquired. In particular our audit procedures focussed on significant judgements made by directors, including: — Evaluating the accounting treatment adopted by management, specifically assessing the determination of joint control and acquisition date. — Assessing the reasonableness of the fair value of Oil and gas assets by reviewing the key model assumptions in Group's fair value model. Given the inherent uncertainty associated with a value in use model, we also compared the fair value to acquisition price. — Assessing the fair value of the rehabilitation provision by comparing key assumptions such as expected timing and quantum of cash flows to third party operator reports.

KPMG

The key audit matter	How the matter was addressed in our audit
RECOVERABILITY OF OIL AND GAS ASSETS	
Refer to Note 18 to the Financial Report. The recoverability of oil and gas assets is a key audit matter due to the judgement involved in the assessing the recoverable value of the oil and gas assets. Key judgements include: — Future oil and gas prices; — Oil and Gas reserves and forecast production levels; — Discount rate; and — Future operating costs and capital costs Payables	The procedures performed to assess the reasonableness of the recoverable value of the oil and gas assets included: — comparing future oil price assumptions with third party forecasts and publicly available forward price curves; — comparing future gas price assumptions to either contracted gas or third party forecasts; — comparing the production profiles and proved and probable reserves to third party reserve reports. Reviewing the reserve report to determine if the assumptions were reasonable and in line with our understanding and expectations; — challenging the discount rate used by comparing it to market participants and industry research; and — assessing estimated future costs by comparing to approved budgets and where applicable, third party data and historical trends.

Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's review, Chief Executive's report, disclosures relating to production and reserves, corporate governance and statutory information. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Directors.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

— the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;

— implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

— to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is David Gates.

For and on behalf of

KPMG
Wellington
27 August 2018

Corporate Directory

Registered and Head Office

Level 1, 36 Tennyson Street
Wellington 6011, New Zealand

Telephone +64 4 495 2424
Email enquiries@nzog.com

Auditors

KPMG

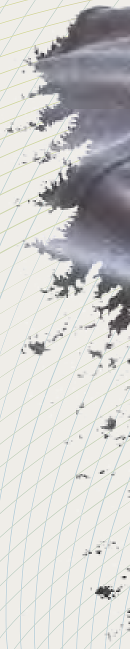
KPMG Centre, 10 Customhouse Quay
PO Box 996
Wellington, New Zealand

Share Registrar

Computershare Investor Services Ltd
Level 2, 159 Hurstmere Road
Takapuna
Private Bag 92119
Auckland 1142
New Zealand

Telephone +64 9 488 8777
Freephone 0800 467 335 (within NZ)
Facsimile +64 9 488 8787
Email enquiry@computershare.co.nz

Get the
latest investor
news at
nzog.today



New Zealand Oil & Gas Ltd
Level 1, 36 Tennyson Street
Wellington 6011, New Zealand
+64 4 495 2424

www.nzog.com