NEW ZEALAND
OIL & GAS

ANNUAL REPORT 2019

EXPLORERS FROM NEW ZEALAND
NEW ZEALAND OIL & GAS SINCE 1981

Contents

Signed on behalf of the Board of New Zealand Oil & Gas Limited on 26 August 2019.

Samuel Kellner
Chairman

Alastair McGregor
Director

Chairman & CEO's Report

Tēnā koutou

The financial accounts enclosed report steady financial performance, reflecting a year in which the company sought to implement a growth strategy.

Our earnest efforts to grow through transformational deepwater exploration and by acquiring development and production have had to contend with an operating environment for oil and gas investment in New Zealand that deteriorated after April 2018, when the New Zealand government stopped awarding new offshore exploration permits.

With major global companies ending their exploration efforts in New Zealand, the perception of New Zealand as an appealing place to invest has fundamentally changed.

A year ago, we stated, "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." The information we have gathered over the past year has persuaded us that raising the additional capital required on reasonable terms would be a reach in the current environment.

The board has responded to the changed environment by putting a scheme of arrangement to investors.

If the scheme of arrangement is approved, OGOG will buy the 30 per cent of shares in New Zealand Oil & Gas that it does not already own. The scheme has been unanimously recommended to shareholders by the independent directors.

If the scheme is approved, this will be the last annual report in a series that dates back to 1981. We would therefore like to close by acknowledging that the future, one way or another, will look different to the past.

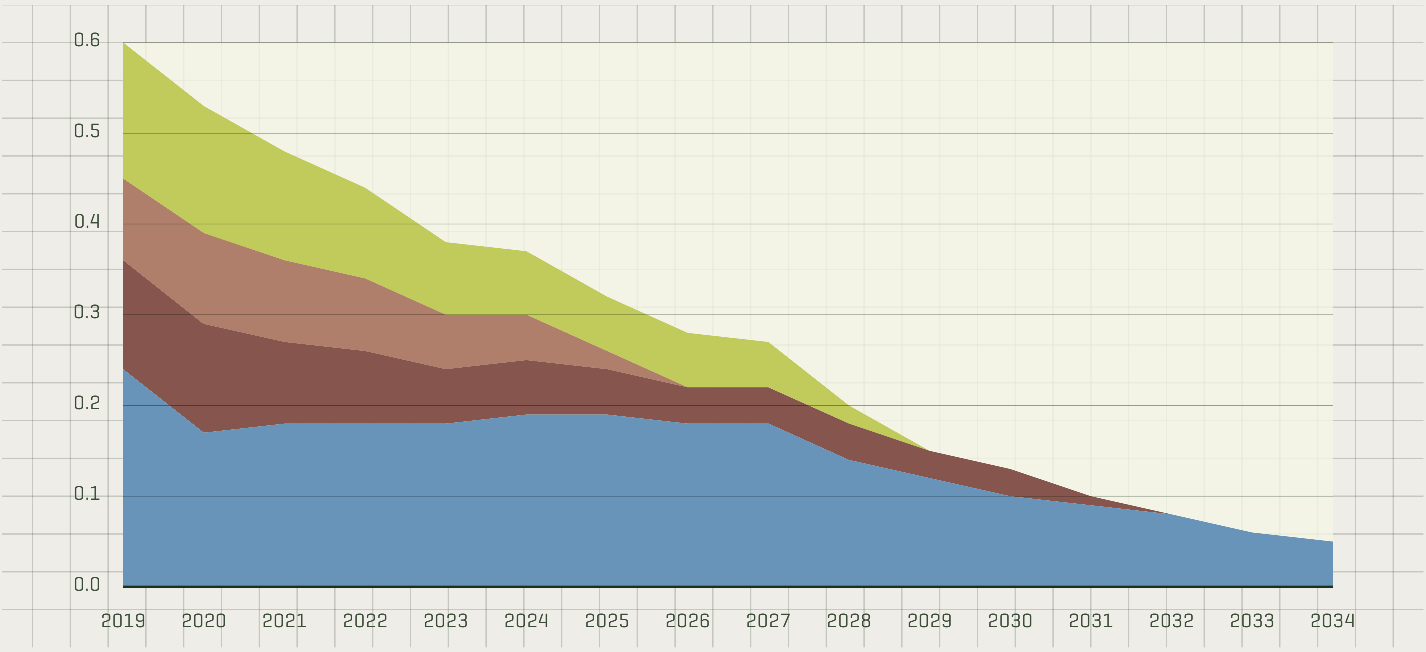
Ka kite anō au i a koutou

Samuel Kellner
Chairman

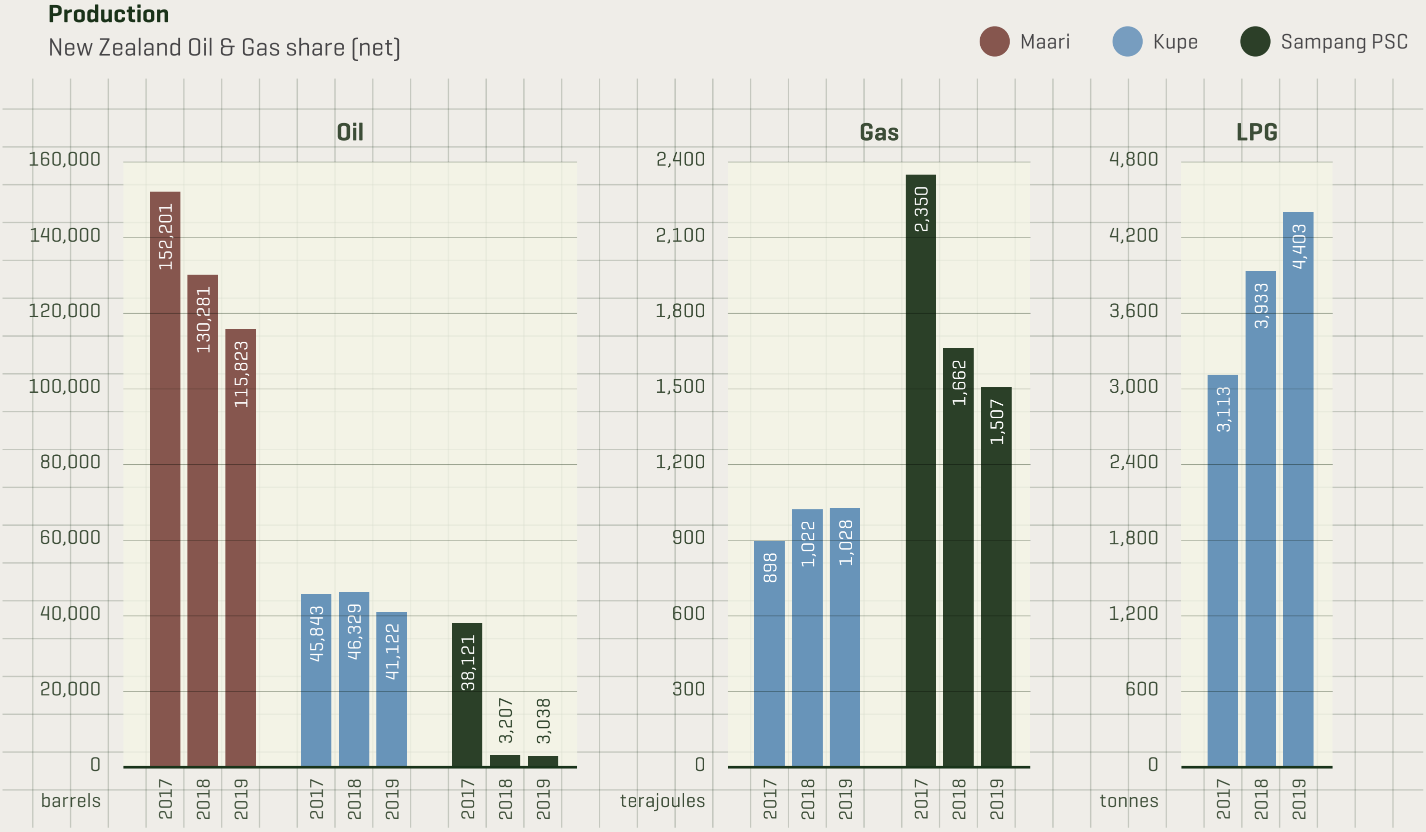
Andrew Jefferies
Chief Executive

Production

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



Production
New Zealand Oil & Gas share (net)

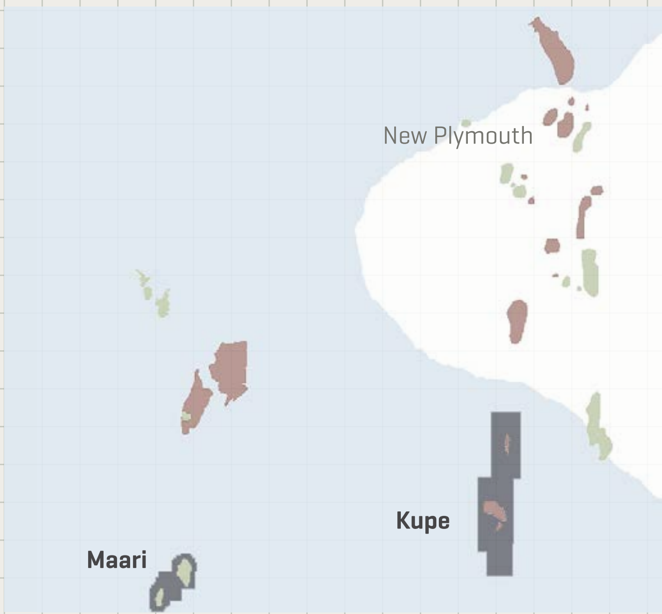


Some rounding. The New Zealand Oil & Gas interest in Maari and Sampang is held through Cue Energy. New Zealand Oil & Gas has a 50.04% interest in Cue. Graphic shows Cue's full interest.

Reserves

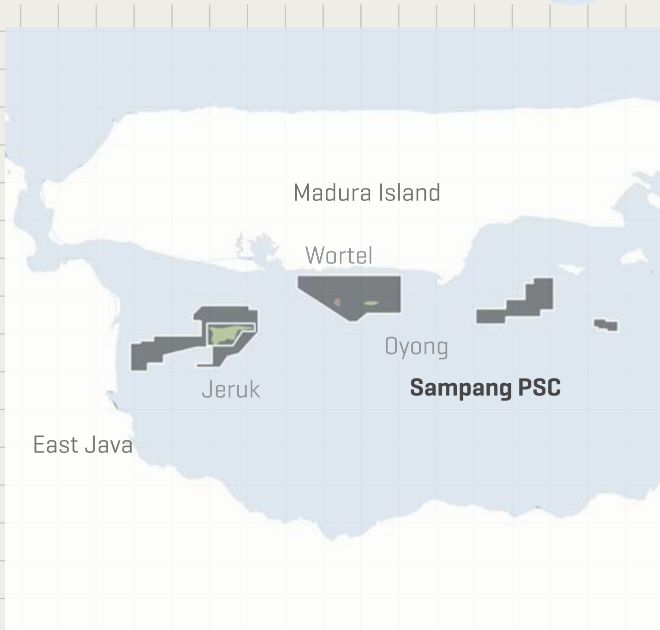
Taranaki Basin

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



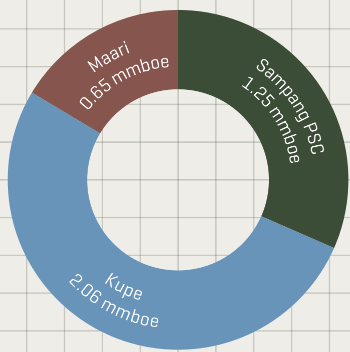
Java

- Sampang PSC - Cue Energy 15%



Remaining Proven and Probable (2P) Oil & Gas Reserves as at 30 June 2019

Geographic area	Oil & Condensate (million barrels)	Natural Gas (Petajoules)	LPG (Kilotonnes)	Million Barrels of Oil Equivalent
New Zealand				
Maari	0.65			0.65
Kupe	0.27	9.04	37.52	2.06
Indonesia				
Sampang PSC	0.02	7.55		1.25
Total	**0.94**	**16.59**	**37.52**	**3.96**

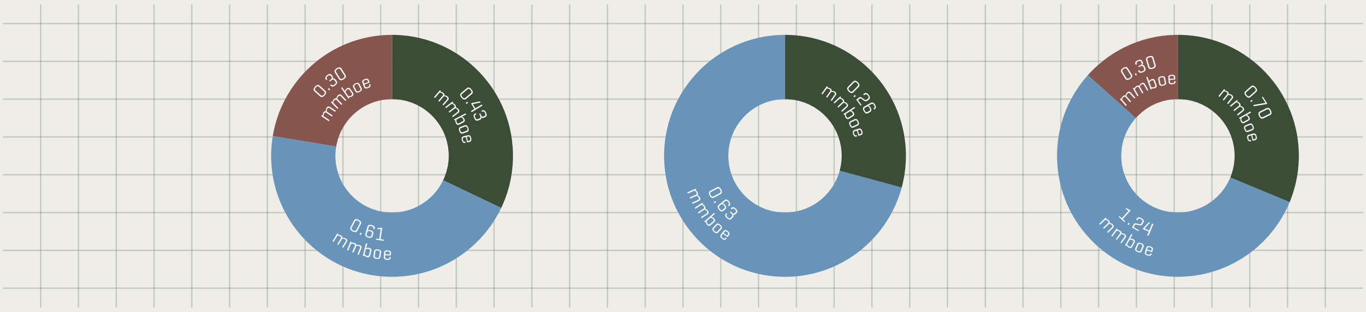


Some rounding. Includes 100 per cent of Cue's reserves. New Zealand Oil & Gas has a 50.04% interest in Cue.

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 2019

Geographic area	Developed Gas [PJ]	Developed LPG [kt]	Developed Oil & Condensate [mmb]	Developed Total [mmboe]	Undeveloped Gas [PJ]	Undeveloped LPG [kt]	Undeveloped Oil & Condensate [mmb]	Undeveloped Total [mmboe]	Total Gas [PJ]	Total LPG [kt]	Total Oil & Condensate [mmb]	Total [mmboe]
New Zealand												
Maari			0.30	**0.30**			0.00	**0.00**	0.00	0.00	0.30	**0.30**
Kupe	2.63	11.10	0.09	**0.61**	2.65	10.86	0.11	**0.63**	5.28	21.96	0.20	**1.24**
Indonesia												
Sampang PSC	2.61		0.01	**0.43**	1.59		0.00	**0.26**	4.20	0.00	0.01	**0.70**

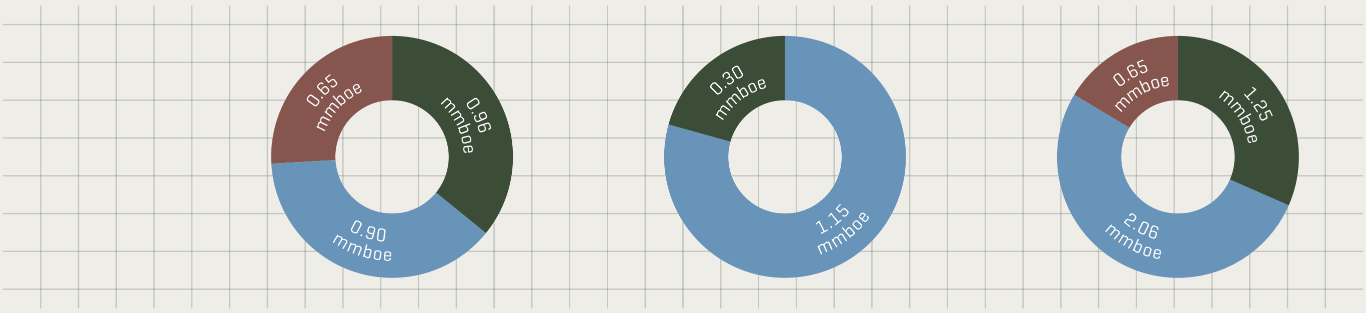


As at evaluation date 30/06/2019. Some rounding. Includes 100 per cent of Cue's interests in Maari and Sampang. New Zealand Oil & Gas has a 50.04% interest in Cue.

Maari Kupe Sampang PSC

Proved + Probable (2P) Reserves at 30 June 2019

Geographic area	Developed Gas [PJ]	Developed LPG [kt]	Developed Oil & Condensate [mmb]	Developed Total [mmboe]	Undeveloped Gas [PJ]	Undeveloped LPG [kt]	Undeveloped Oil & Condensate [mmb]	Undeveloped Total [mmboe]	Total Gas [PJ]	Total LPG [kt]	Total Oil & Condensate [mmb]	Total [mmboe]
New Zealand												
Maari			0.65	**0.65**			0.00	**0.00**	0.00	0.00	0.65	**0.65**
Kupe	3.95	16.52	0.12	**0.90**	5.09	21.00	0.15	**1.15**	9.04	37.52	0.27	**2.06**
Indonesia												
Sampang PSC	5.75		0.02	**0.96**	1.80		0.00	**0.30**	7.55	0.00	0.02	**1.25**



As at evaluation date 30/06/2019. 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 2019 and follow the SPE PRMS Guidelines (2011).

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

The Maari and Sampang reserves report is based on information provided by Cue Energy Resources. Maari is independently assessed using deterministic well-by-well decline curve analysis. The Sampang 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, 1 tonne of LPG to 8.15 boe and 1TJ of gas to 163.4 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, non-operated 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. Some differences may be due to rounding.

This resources statement is approved by, based on, and fairly represents information and supporting documentation prepared by New Zealand Oil & Gas Assets & Engineering Manager Daniel Leeman. Daniel is a Chartered 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 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.

Sustainability Framework 2019 – Value Creation Process

FINANCIAL CAPITAL

Our strong financial position, prudent financial management and ability to attract investment

HUMAN CAPITAL

Expertise, skills and engagement of our people

FIXED CAPITAL

Our physical infrastructure and assets, primarily owned and operated through joint venture or other commercial arrangements, are fundamental to the delivery of our purpose.

OUR INPUTS

INTELLECTUAL CAPITAL

Our technical expertise, data, models, brand and reputation

NATURAL CAPITAL

Inputs from the natural world including access to oil and gas reserves, water, land and minerals/materials required to support infrastructure required in production

SOCIAL & RELATIONSHIP CAPITAL

Relationships are crucial to our success. Within NZOG, with our existing joint venture partners, with our communities, regulators and prospective commercial partners, our social license to operate is key.

OUR MAGIC

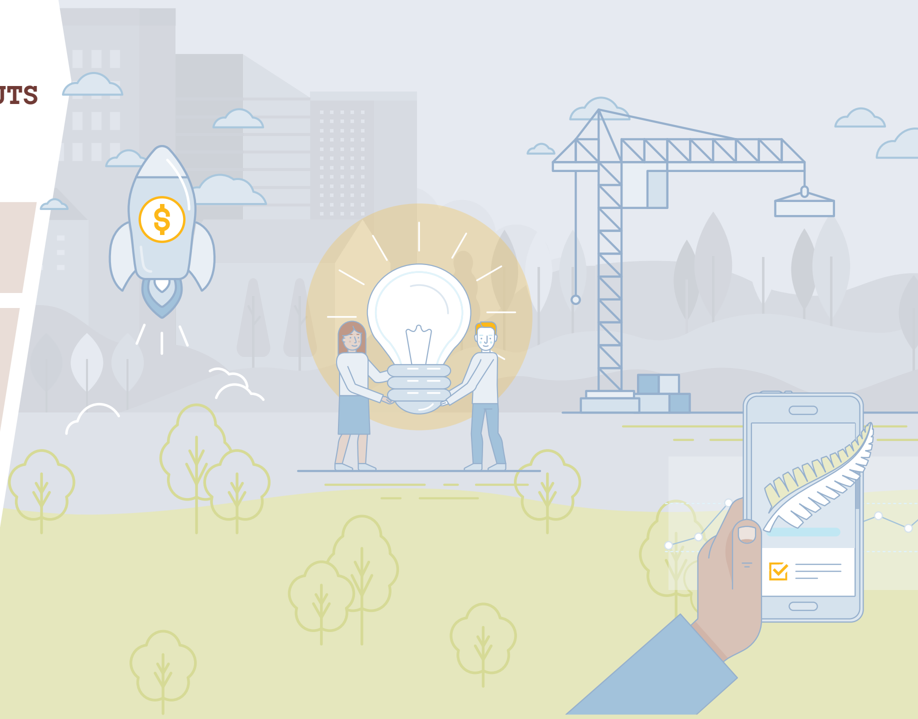
Bringing En

Helping to meet the world's energy needs in a

OUR VALUES

Respect | Collaboration & Communication

Our team of technical and commer
to exploration and production oppor
under safe, environmentally sound and c
with long-term values-driv



OUTPUTS

$43.3 **million** revenue	2,535 **TJ** of **NATURAL GAS**	4,403 **tonnes** of **LPG**	7 **AWARDS** for **YOUNG SCIENTISTS**

ergy

safe & responsible way

People & Passion | Commercial Focus

cial experts add value
tunities, to deliver energy
ommercially successful terms,
en partnerships

VALUE THROUGH OUTCOMES

$10,000 for **CURTAINS** for low income homes

1,800 **Trees** Planted

UN Sustainable Development Goals (UNSDGs)

ENERGY SECURITY AND AFFORDABILITY

We help deliver energy value through the supply of natural gas in New Zealand, which supports renewable energy electricity (especially in dry years), and internationally, by providing supply, price stability, and affordability.

- Leadership through industry, policy and regulatory forums
- Delivering gas to market, in NZ, Australia and beyond

A CLEAN AND LOWER-CARBON ECONOMY

We help deliver gas and light oil into the energy system, bringing health and lower carbon benefits.

- Reporting commercial and non-commercial value transparently

WEALTH CREATION & PRODUCTIVITY

Gas and light oil energy inputs help to produce goods and services society needs to prosper.

We contribute to New Zealand's wealth and productivity through royalties and tax contributions that help to fund hospitals, schools and other essential social services.

- Delivering commercial value via annual taxes and royalties, job creation, shareholder value

COMMUNITY WELLBEING

Through our support and actions, local environments and communities are strengthened through open engagement, and contributions particularly relating to STEM education, energy efficiency/low carbon behaviour change and conservation.

- Community and Iwi Engagement
- Community Partnerships and Investment

A GREAT PLACE TO WORK

We are a highly engaged, skilled, safe, sustainable, diverse and inclusive workplace

- Proactive diversity and inclusion practices
- Greater environmental contributions

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 2019 (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 1 January 2019 (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 26 August 2019.

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, as required by law, and takes account of the interests of shareholders and other stakeholders;	✔	
	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.	✔	

PRINCIPLE 2

Board Composition 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.

Currently, under the Company's constitution, one third of the directors must retire by rotation each year. However, this is scheduled to be updated at the next Annual Meeting to align with new NZX Listing Rules, which require directors to retire at the third Annual Meeting since their last appointment, or every three years (whichever is longer).

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

Directors holding office during the accounting period	
Dr Rosalind Archer	Elected 2 November 2018
Marco Argentieri	Elected 2 November 2018
Rebecca DeLaet	Elected 2 November 2018
Andrew Jefferies	Elected 2 November 2018
Samuel Kellner	Elected 2 November 2018
Alastair McGregor	Elected 30 October 2017
Rod Ritchie	Elected 28 October 2016

Board of Directors

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. Dr Archer 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 a Chartered Member of the Institute of Directors, a director of the University of Auckland Geothermal Institute, and Vice President of Engineering New Zealand. 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.

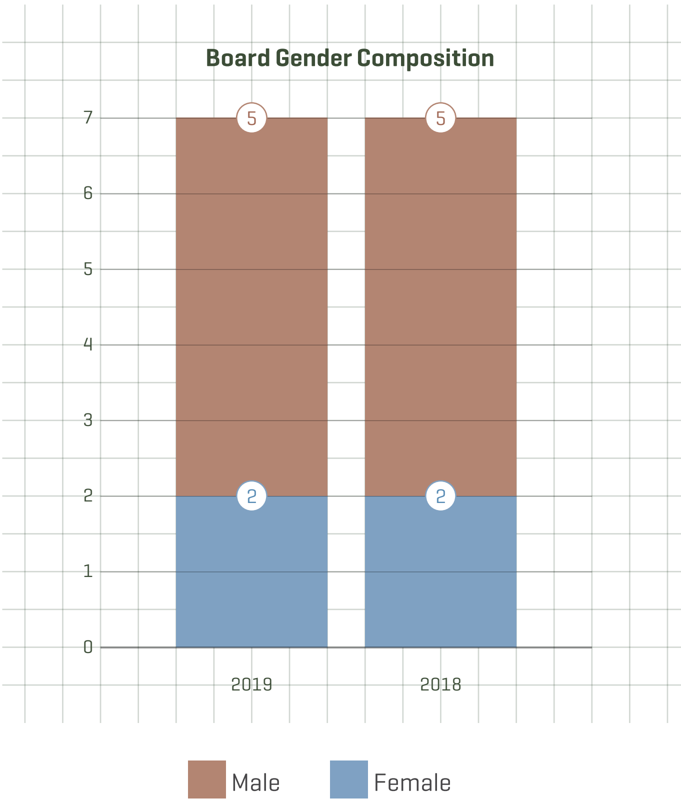
Alastair McGregor Director

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 interests, 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.

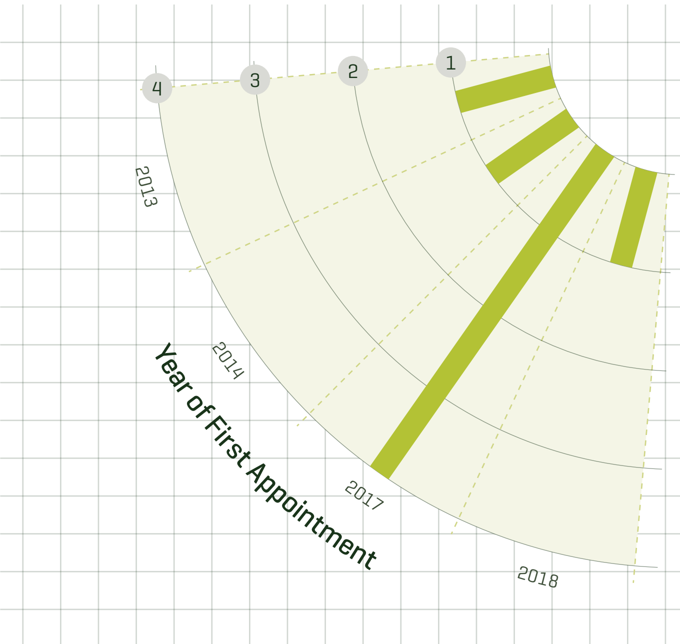


Independent Directors

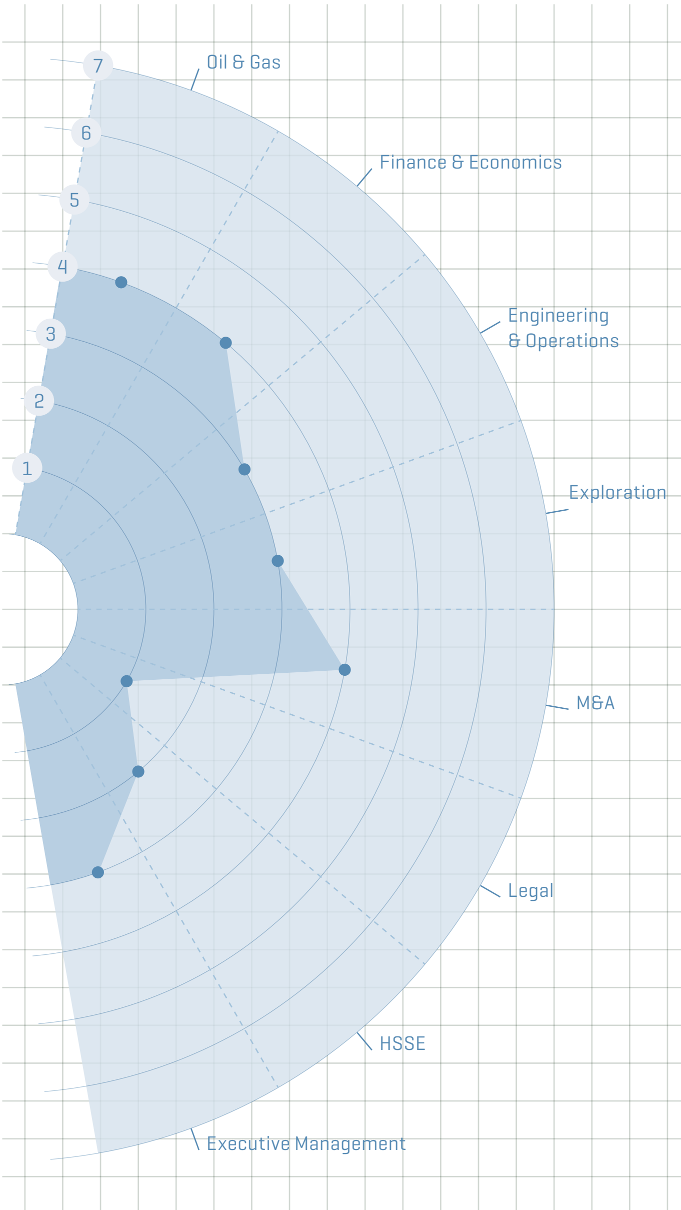
In terms of the NZX Listing Rules and NZX Code as at 30 June 2019, Dr Archer and Mr Ritchie are independent directors as there is a complete absence of factors described in the NZX Code that may impact independence.

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 and production 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 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.

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.

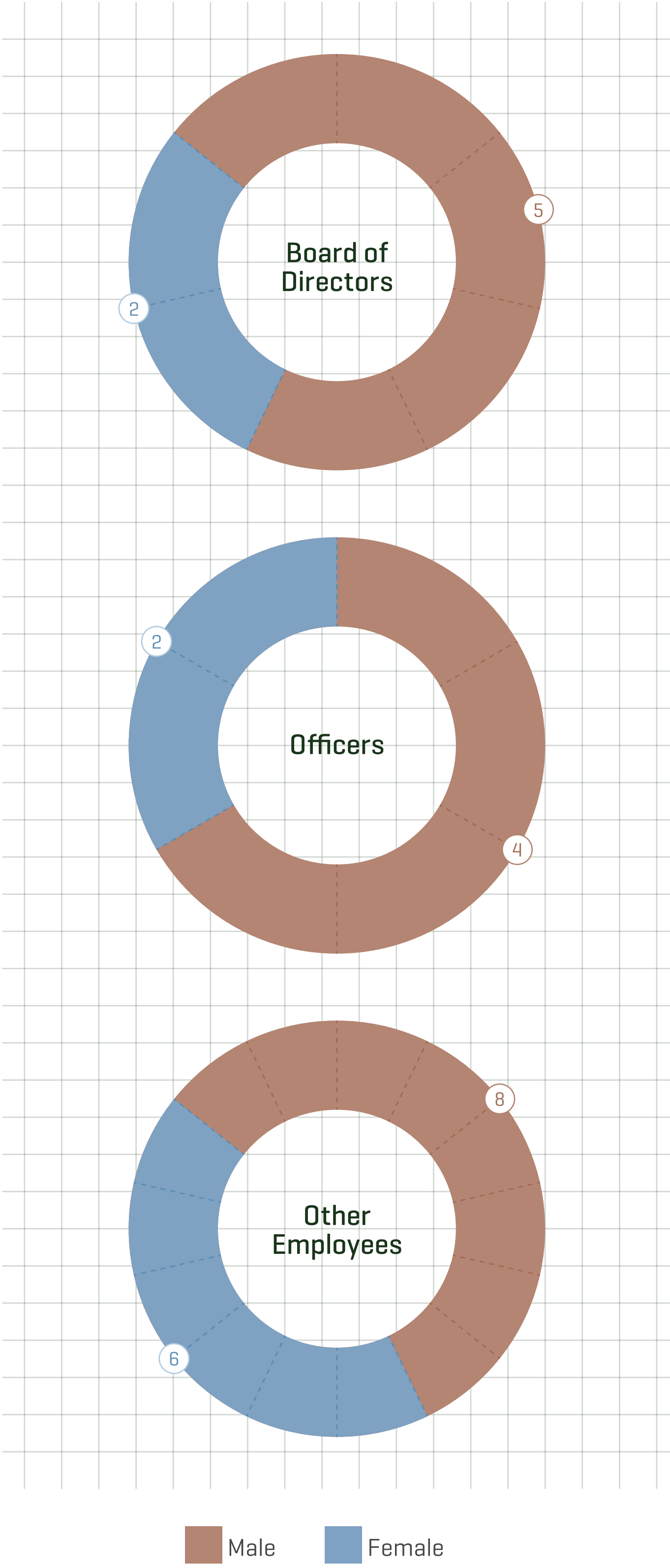
The board has determined that the Company has complied with the Diversity Policy.

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 2019.

Diversity 2019



No.	NZX Code Recommendation	✔ / ✗	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 and director attendance at board meetings.	✔	
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 charter 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. For this financial year the above process has been followed, led by the chair of the Nominations and Remuneration Committee.
2.8	A majority of the board should be independent directors.	✗	Two out of seven directors are independent. The board composition is a consequence of the Company's ownership structure.
2.8	An issuer should have an independent chair of the board. If the chair is not independent the chair and the CEO should be different people.	✔	The chair is not independent but the chair and CEO are 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 and other 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
Dr 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 2018 to 30 June 2019.

Director	Board Meeting	Audit Committee	Nominations & Remuneration Committee	HSSE Sustainability and Operational Risk Committee
Samuel Kellner	4 / 4		3 / 3	
Dr Rosalind Archer	4 / 4	2 / 2	3 / 3	1 / 1
Marco Argentieri	4 / 4			
Rebecca DeLaet	4 / 4	2 / 2		
Andrew Jefferies	4 / 4			1 / 1
Alastair McGregor	4 / 4	2 / 2	3 / 3	1 / 1
Rod Ritchie	4 / 4	2 / 2	3 / 3	1 / 1

The Commercial Committee generally met weekly or twice per week depending on travel arrangements.

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.	✔	
3.6	The board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer, including any communication between insiders and the bidder. The board should disclose the scope of independence advisory reports to shareholders. These protocols should include the option of establishing an independent takeover committee, and the likely composition and implementation of an independent takeover committee.	✗	Given the Company's shareholder structure, the chance of further takeover proposals in respect of the Company is extremely low. The Company and its staff are highly familiar with the processes and appropriate protocols to follow.

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 36

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 once per year.

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 Framework is shown at page 8.

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. Non-financial reporting should be informative, include forward-looking assessments, and align with key strategy and metrics monitored by the board.	✔	

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 and short-term incentive payments (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 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 2019 was:

Dr R Archer	$70,000
Mr M Argentieri	-
Ms R DeLaet	-
Mr A Jefferies[1]	$848,096
Mr S Kellner	-
Mr A McGregor	-
Mr R Ritchie	$70,000

Mr Kellner, Mr Argentieri, Ms DeLaet, and Mr McGregor have chosen not to accept payment.

[1] Includes remuneration as chief executive

Directors' Securities Interests

The interests of directors in securities of the Company at 30 June 2019 were:

	Direct Interest	Indirect Interest
Mr A Jefferies	-	1,130,000 (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/190

Directors' Interests Register

Directors' interests recorded in the Interests Register of the Company as at 30 June 2019 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
	Engineering New Zealand	Vice President
	University of Auckland Geothermal Institute	Director
Mr M Argentieri	O.G. Energy Holdings Ltd	Director
	O.G. Oil & Gas Ltd	Director
	OGOG (Otway) Holdings Pty Ltd	Director
	OGOG (Otway) Pty Ltd	Director
	OGOG (Kohatukai) Ltd	Director
Ms R DeLaet	O.G. Oil & Gas Ltd	Director
	O.G. Energy Holdings Ltd	Director
	OGOG (Otway) Holdings Pty Ltd	Director
	OGOG (Otway) Pty Ltd	Director
	Cue Energy Resources Ltd	Director
Mr A Jefferies	Petroleum Exploration and Production Association of New Zealand	Director
	CGX Energy	Shareholder
	PureVida	Shareholder
	Petrel	Shareholder
	SacGasCo	Shareholder
	First Australia Resources	Shareholder
	Tuatara Energy Ltd	Director
	Cue Energy Resources Ltd	Director & Shareholder
	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
	Cue Kalimantan Pte 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
	SacGasCo	Shareholder

Short Term Incentive

Officers of the company may receive payments under a short term incentive scheme.

50% of the STI is based on company performance and 50% on personal performance. Half of the personal performance criteria is determined by behaviours, and half by performance measures agreed at periodic intervals throughout the year between the CEO and direct reports, and between the CEO and the Nominations and Remunerations committee for his performance.

In 2018-19 the company factors affecting short term incentive payments were:

Acquisitions	37.5%
Financial Performance	7.5%
Reserves Replacement	20.0%
Exploration	15.0%
HSSE	20.0%

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	$587,446
Benefits[4]	$32,170
Cash STI[5]	$228,480
Total	$848,096

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

[5] STI for 2018-19 to be paid August 2019

Employees Remuneration

During the year ended 30 June 2019, 16 New Zealand Oil & Gas employees (including the chief executive) received individual remuneration over $100,000.

$100,001- $110,000	2
$150,001 - $160,000	3
$180,001 - $190,000	1
$190,001 - $200,000	1
$210,001 - $220,000	1
$220,001 - $230,000	1
$240,001 - $250,000	1
$260,001 - $270,000	1
$310,001 - $320,000	2
$450,001 - $460,000	1
$510,001 - $520,000	1
$840,000 - $850,000	1

Officers' Securities Interests

The interests of the current Company Officers in securities of the Company at 30 June 2019 were:

No. of shares at -	30 June 2018	30 June 2019
Andrew Jefferies	30 ordinary shares and 1,507,000 unlisted partly paid shares	1,130,000 unlisted partly paid shares
Paris Bree	92,000 unlisted partly paid shares	48,000 unlisted partly paid shares
Dr Chris McKeown	189,000 unlisted partly paid shares	95,000 unlisted partly paid shares
Catherine McKelvey	-	7,500 directly held ordinary shares
John Pagani	355,000 unlisted partly paid shares	55,000 unlisted partly paid shares and 12,000 directly held ordinary shares
Michael Wright	367,000 unlisted partly paid shares	84,000 unlisted partly paid 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.

Since February 2017 the Company has not allocated any shares.

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 chief executive 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. An issuer should 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 its 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 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 2019 is $110,000.

Total fees paid to KPMG for other professional services were $184,000. Other services included:

- Tax advice.
- Tax compliance.

The NZX and New Zealand Oil & Gas require rotation of Lead Audit Partners every five years. In 2019 the lead partner is in his fifth year.

KPMG has supplied the Company with a written statement confirming its independence, and systems used 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 updates 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. For significant events the company operates a dedicated investor information line, which can be reached by phone or text message.

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	✔ I ✗	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.	✔	
8.4	If seeking additional equity capital, issuers of quoted equity securities should offer further equity securities to shareholders of the same class on a pro rata basis, and on no less favourable terms, before further equity securities are offered to other investors.	✔	
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 12 August 2019 New Zealand Oil & Gas Limited had the following securities:

Listed Ordinary Shares	Unlisted Partly Paid Shares
164,430,718	3,418,000

Top 20 Shareholders As at 12 August 2019

	Security Holder	Units	%
1	O.G. Oil And Gas Singapore Pte. Ltd	114,876,016	69.86
2	Accident Compensation Corporation - NZCSD <ACCi40>	2,999,970	1.82
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	Clinton John Trass + Kasturi Chitranjali Trass	777,000	0.47
8	Amalgamated Dairies Limited	706,334	0.43
9	ASB Nominees Limited <414354 ML - A/C>	644,943	0.39
10	Moon Chul Choi + Keum Sook Choi	618,750	0.38
11	Richard Bruce Lees	564,000	0.34
12	Nicholas Theobald Sibley + Sally Gay Sibley	539,049	0.33
13	Murray Ion Denholm	515,500	0.31
14	ASB Nominees Limited <A/C 317253>	514,585	0.31
15	New Zealand Oil & Gas Limited - GNA Trustee <GNA Trustee>	497,651	0.30
16	ANZ Custodial Services New Zealand Limited - NZCSD <PBNK90>	466,028	0.28
17	Chin-Yi Lin + Yu-Ching Lin-Chao	415,000	0.25
18	JPMorgan Chase Bank NA NZ Branch-Segregated Clients ACCT - NZCSD <CHAM24>	414,854	0.25
19	HSBC Nominees (New Zealand) Limited - NZCSD <HKBN90>	404,251	0.25
20	Roy Anthony Radford	392,000	0.24
	Totals: Top 20 Holders Of Ordinary Shares	**132,045,126**	**80.30**
	Total Remaining Holders Balance	**32,385,592**	**19.70**

Distribution of Security Holders As at 31 July 2019

Range	Total holders	Units	% of Issued Capital
1 – 99	2	40	0.00
100 – 199	2	320	0.00
200 – 499	2	703	0.00
500 – 999	1,241	867,063	0.53
1,000 – 1,999	1,020	1,414,194	0.86
2,000 – 4,999	1,099	3,397,928	2.07
5,000 – 9,999	503	3.378,574	2.05
10,000 – 49,999	514	10,111,407	6.15
50,000 – 99,999	73	4,837,251	2.94
100,000 – 499,999	52	9,665,539	5.88
500,000 – 999,999	8	4,789,757	2.91
Over 1,000,000	6	125,967,942	76.61
Rounding			**0.00**
Total	**5,100**	**164,430,718**	**100.00**

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 2019, no 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.

Share Buy-backs

No shares were bought back in the period.

NZX Waiver

On 7 November 2018 the Company received an NZX waiver from NZX Main Board Listing Rule (Rule) 9.2.1 in relation to its farm in to exploration permit WA-359-P (Ironbark I):

- the associated entry into a joint operating agreement in respect of Ironbark I (JOA I) between New Zealand Oil & Gas, Cue, BP Developments Australia Pty Limited (BP) and Beach;
- the acquisition of a call option in relation to a 5.36% participating interest in exploration permit WA-409-P (Ironbark II);
- the option to enter a joint operating agreement in respect of Ironbark II.

In the absence of a waiver, Rule 9.2.1(a) requires shareholder approval for the transactions because the Company and Beach Energy are likely to be "Associated Persons" because:

(i) in terms of Rule 1.8.2, they have an historic relationship through the Clipper and Kupe joint ventures; and

(ii) Rule 1.8.3(d) deems two persons to be "Associated Persons" if they are "acting jointly or in concert". Each of the Clipper and Kupe joint ventures could be considered an example of Beach and New Zealand Oil & Gas "acting jointly or in concert".

The waiver was provided on conditions that:

a) the directors of the Company who are not also directors of Cue certify, in a form acceptable to NZX, that:

    (i) they believe the terms of the transactions have been negotiated, agreed and are to be entered into on an arm's length and commercial basis;

    (ii) they believe the terms of the transactions represent fair value and are fair and reasonable to the Company and its shareholders; and

    (iii) Beach did not influence the final decision of the Company's board to enter into the transactions.

b) The waiver, its conditions and the implications of this waiver are disclosed in NZO's next annual report.

Receiving this waiver means the Company did not have to seek shareholder approval for the transaction with the related party, Beach.

Dividend Payments and Reinvestment Plan Dividend Payments

Dividend Payments

No dividend payments were 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

Donations

The company made a donation of $1,100 to Victim Support following the mosque shootings in Christchurch in March 2019.

The donation was a matched giving programme, where the company matched staff donations.

Consolidated Financial Statements

For the year ended 30 June 2019

The Board of Directors of New Zealand Oil & Gas Limited authorise these consolidated Financial Statements for issue on 26 August 2019.

For and on behalf of the Board.

Samuel Kellner
Chairman

26 August 2019

Rosalind Archer
Director

26 August 2019

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

$000	Notes	2019	2018
Cash flows from operating activities			
Receipts from customers		**46,570**	36,519
Production and marketing expenditure		**(10,968)**	(12,551)
Supplier and employee payments (inclusive of GST)		**(11,744)**	(11,501)
Interest received		**2,297**	1,713
Income taxes paid		**(4,131)**	(3,214)
Royalties paid		**(2,506)**	(603)
Other		**1,787**	200
Net cash inflow from operating activities		**21,305**	10,563
Cash flows from investing activities			
Purchase of oil and gas interest net of cash acquired		**-**	(29,654)
Exploration and evaluation expenditure		**(12,115)**	(5,420)
Oil and gas asset expenditure		**(1,740)**	(3,422)
Purchase of property, plant and equipment		**(87)**	(306)
Net cash outflow from investing activities		**(13,942)**	(38,802)
Cash flows from financing activities			
Issue of shares		**6**	3,291
Forfeited shares		**(17)**	(4)
Dividends paid		**-**	(6,805)
Net cash outflow from financing activities		**(11)**	(3,518)
Net increase/(decrease) in cash, cash equivalents and funds held in escrow		**7,352**	(31,757)
Cash and cash equivalents at the beginning of the year		**98,010**	125,103
Exchange rate effects on cash, cash equivalents and funds held in escrow		**224**	4,664
Cash, cash equivalents and funds held in escrow at end of the year	11	**105,586**	98,010

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 2019

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

$000	Notes	2019	2018
(Loss)/Profit for the year		**(2,889)**	4,830
Depreciation and amortisation		**8,818**	8,724
Deferred tax		**559**	(2,767)
Exploration expenditure included in investing activities		**8,224**	4,650
Evaluation and exploration asset impairment		**7,202**	-
Net foreign exchange differences		**(1,217)**	(4,062)
Unwind of discount on provision		**221**	203
Stock movement		**(529)**	11
Carbon emission inventory		**215**	-
Other		**364**	(302)
Change in operating assets and liabilities			
Movement in trade debtors		**3,777**	(4,705)
Movement in trade creditors		**(2,462)**	1,616
Movement in tax payable		**(977)**	2,365
Net cash inflow from operating activities		**21,305**	10,563

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 2019

$000	Notes	2019	2018
Revenue	5	**43,323**	35,811
Operating costs	6	**(9,305)**	(12,625)
Exploration and evaluation expenditure	15	**(8,224)**	(4,650)
Other income	5	**2,450**	542
Other expenses	7	**(12,389)**	(11,376)
Results from operating activities excluding amortisation, impairment and net finance costs		**15,855**	7,702
Amortisation of production assets	16	**(8,457)**	(8,287)
Exploration and evaluation asset impairment	15	**(7,202)**	-
Net finance income	8	**3,162**	5,763
Profit before income tax and royalties		**3,358**	5,178
Income tax (expense)/credit	9	**(3,674)**	1,197
Royalties expense	10	**(2,573)**	(1,545)
(Loss)/profit for the year		**(2,889)**	4,830
(Loss)/profit for the year attributable to:			
(Loss)/profit attributable to shareholders		**(7,480)**	762
Profit attributable to non-controlling interest		**4,591**	4,068
(Loss)/profit for the year		**(2,889)**	4,830
Other comprehensive income:			
Items that may be classified to profit or loss			
Foreign currency translation reserve (FCTR) differences		**(5,262)**	1,179
Total other comprehensive (loss)/income for the year		**(8,151)**	6,009
Total comprehensive (loss)/income for the year is attributable to:			
Equity holders of the Group		**(12,517)**	2,125
Non-controlling interest (NCI)		**4,366**	3,884
Total comprehensive (loss)/income for the year		**(8,151)**	6,009
(Loss)/Income per share			
Basic and diluted (cents per share)	22	**(4.5)**	0.5

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

Consolidated Statement of Financial Position

As at 30 June 2019

$000	Notes	2019	2018
ASSETS			
Current assets			
Cash and cash equivalents	11	**93,540**	98,010
Funds held in escrow	11	**12,046**	-
Receivables and prepayments	12	**7,996**	11,772
Inventories		**2,595**	2,253
Total current assets		**116,177**	112,035
Non-current assets			
Exploration and evaluation assets	15	**3,646**	7,243
Oil and gas assets	16	**58,507**	64,848
Property, plant and equipment		**374**	217
Other intangible assets		**47**	487
Other financial assets	17	**9**	16
Total non-current assets		**62,583**	72,811
Total assets		**178,760**	184,846
LIABILITIES			
Current liabilities			
Payables	18	**5,975**	8,546
Current tax liabilities		**4,314**	5,291
Total current liabilities		**10,289**	13,837
Non-current liabilities			
Rehabilitation provision	19	**20,829**	18,642
Deferred tax liability	9	**1,309**	797
Total non-current liabilities		**22,138**	19,439
Total liabilities		**32,427**	33,276
Net assets		**146,333**	151,570
EQUITY			
Share capital	20	**211,908**	211,917
Reserves	21	**2,460**	7,561
Retained earnings		**(79,071)**	(74,578)
Attributable to shareholders of the Group		**135,297**	144,900
Non-controlling interest in subsidiaries		**11,036**	6,670
Total equity		**146,333**	151,570
Net asset backing per share (cents per share)		**87**	90
Net tangible asset backing per share (cents per share)		**85**	86

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 2019

$000	Issued capital	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 1 July 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**
(Loss)/profit for the year	-	-	(7,480)	(7,480)	4,591	(2,889)
Foreign currency translation differences	-	(2,132)	-	(2,132)	(225)	(2,357)
Shares issued	8	-	-	8	-	8
Partly paid shares issued	(17)	-	-	(17)	-	(17)
Share based compensation expense	-	18	-	18	-	18
Exercised and expired ESOP awards	-	(82)	82	-	-	-
FCTR on disposals	-	(2,905)	2,905	-	-	-
Balance as at 30 June 2019	**211,908**	**2,460**	**(79,071)**	**135,297**	**11,036**	**146,333**

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 13 and 14.

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 exploration and evaluation 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 notes 15, 16 and 23(a)(ii)).
- provision for rehabilitation obligations includes estimates of future costs, timing of required restoration and an estimated discount rate (refer to note 19).
- 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

NZ IFRS 9 Financial Instruments

This standard 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 Financial Instruments: Recognition and Measurement, which NZ IFRS 9 replaces. The adoption of this accounting standard has had no impact on the financial statements.

NZ IFRS 15 Revenue from Contracts with Customers

This standard 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. The adoption of this accounting standard has had no impact on the financial statements.

The accounting policies for revenue recognition are as follows:

- **Production revenue**
  The consolidated entity generates production revenue from its interest in producing crude oil and gas fields. Revenue from oil production is recognised at a point in time when crude oil is delivered to the buyer. Revenue from gas production is recognised during the month when gas is delivered to the buyer.

Adoption status of relevant new financial reporting standards and interpretations

The following new standard, amendment to standards and interpretations is issued but not yet effective and has not been applied in preparation of these financial statements.

NZ IFRS 16 Leases

This standard 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 purchased a 4% interest from Mitsui E&P Australia Pty Limited with an acquisition date of 8 December 2017.
- **Oil & gas exploration:** exploration and evaluation of hydrocarbons in the offshore Taranaki basin and offshore Canterbury basin, New Zealand, Australia and 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.

4 Segment information (continued)

2019 $000	Kupe oil & gas	Oil & gas exploration	Other & unallocated	Cue Energy Resources Ltd	Total
Sales to external customers - New Zealand	**11,933**	**-**	**-**	**-**	**11,933**
Sales to external customers - other countries	**3,928**	**-**	**-**	**27,462**	**31,390**
Total sales revenue	**15,861**	**-**	**-**	**27,462**	**43,323**
Other income	**58**	**-**	**239**	**2,153**	**2,450**
Total revenue and other income	**15,919**	**-**	**239**	**29,615**	**45,773**
Segment result	**10,267**	**(12,960)**	**(10,349)**	**13,238**	**196**
Other net finance income					**3,162**
Profit before income tax and royalties					**3,358**
Income tax and royalties expense					**(6,247)**
Loss for the year					**(2,889)**
Segment assets	**32,712**	**90**	**-**	**29,351**	**62,153**
Unallocated assets					**116,607**
Total assets					**178,760**
Included in segment results:					
Depreciation and amortisation expense	**3,798**	**-**	**351**	**4,669**	**8,818**

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					(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

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	2019	2018
REVENUE		
Petroleum sales	**43,323**	35,811
Total revenue	**43,323**	35,811
OTHER INCOME		
Insurance proceeds	**1,125**	-
Reimbursement of Ironbark back costs	**947**	-
Other income	**378**	542
Total other income	**2,450**	542
Total income	**45,773**	36,353

6 Operating costs

$000	2019	2018
Production and sales marketing costs	**(8,965)**	(11,949)
Carbon emission expenditure	**(413)**	(391)
Insurance expenditure	**(456)**	(274)
Movement in inventory	**529**	(11)
Total operating costs	**(9,305)**	(12,625)

7 Other expenses

$000	2019	2018
CLASSIFICATION OF OTHER EXPENSES BY NATURE		
Audit fees paid to the Group auditor - KPMG	**110**	105
Audit fees paid to other auditors - BDO	**124**	113
Directors' fees	**294**	476
Legal fees	**878**	821
Consultants' fees	**1,515**	999
Employee expenses (i)	**6,229**	5,142
Depreciation	**120**	71
Amortisation of intangible assets	**241**	366
Share based payment expense	**17**	47
IT and software expenses	**557**	628
Pre-permit expenditure	**-**	127
Registry and stock exchange fees	**143**	261
Other	**2,161**	2,220
Total other expenses	**12,389**	11,376

(i) Employee expenses are net of $0.1 million (2018: $0.2 million) recharged to exploration and evaluation expense and recharged to operated joint ventures.

$000	2019	2018
FEES PAID TO THE GROUP AUDITOR		
Audit and review of financial statements	**110**	105
Tax compliance services	**98**	20
Tax advisory services	**86**	256
Total fees paid to Group auditor	**294**	381
FEES PAID TO THE OTHER AUDITORS (FOR THE YEAR) - BDO		
Audit and review of subsidiary financial statements	**124**	113
Tax compliance services	**10**	22
Total fees paid to other auditors	**134**	135

8 Net finance income and costs

$000	2019	2018
Bank fees	**(9)**	(4)
Unwinding of discount on provisions	**(221)**	(203)
Total finance costs	**(230)**	(207)
Interest income	**2,175**	1,908
Exchange gains on foreign currency balances	**1,217**	4,062
Total finance income	**3,392**	5,970
Net finance income	**3,162**	5,763

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	2019	2018
INCOME TAX EXPENSE		
Current tax	**3,115**	1,570
Deferred tax	**559**	(2,767)
a) Total income tax expense/(credit)	**3,674**	(1,197)
INCOME TAX EXPENSE CALCULATION		
Profit before income tax expense and royalties	**3,358**	5,178
Less: royalties expense	**(2,573)**	(1,545)
Profit before income tax expense	**785**	3,633
Tax at the New Zealand tax rate of 28%	**220**	1,017
Tax effect of amounts which are not deductible/(taxable):		
Difference in overseas tax rate	**(445)**	628
Non-deductible write off	**2,475**	247
Foreign exchange adjustments	**(198)**	(182)
Unrealised timing differences	**433**	(2,036)
Unrecognised tax losses	**1,645**	1,591
Other expenses	**298**	328
	4,429	1,593
Adjustment recognised for current tax in prior periods (i)	**(755)**	(2,790)
b) Income tax expense/(credit)	**3,674**	(1,197)

(i) During the prior year Cue had an Indonesian tax matter relating to a notice of amended assessment which was 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.

At 30 June 2019 no imputation credits were held for subsequent reporting periods (2018: nil).

9 Taxation (continued)

c) 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 2019 the Group have accumulated losses in New Zealand of $41.7 million (30 June 2018: $35.6 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 the Group satisfying the relevant business and shareholder continuity requirements for each jurisdiction.

$000	2019	2018
THE BALANCE COMPRISES TEMPORARY DIFFERENCES ATTRIBUTABLE TO:		
Deferred Tax Assets		
Non-deductible provisions	**5,645**	5,329
	5,645	5,329
Deferred Tax Liabilities		
Oil & gas assets	**(6,954)**	(6,126)
	(6,954)	(6,126)
Net deferred tax liabilities	**(1,309)**	(797)
MOVEMENTS:		
Net deferred tax liability at 1 July	**(797)**	(3,360)
Recognised in profit or loss	**(559)**	2,767
Recognised in other comprehensive income	**47**	(204)
Closing balance at end of year	**(1,309)**	(797)

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 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	2019	2018
Cash at bank and in hand	**12,006**	19,978
Deposits at call	**4,590**	1,914
Short term deposits	**76,602**	75,190
Share of oil and gas interests' cash	**342**	928
Funds held in escrow - WA-359-P Drilling Programme Account	**12,046**	-
Total cash and cash equivalents at end of year	**105,586**	98,010

Cash and cash equivalents denominated by currency $000	Base Currency	NZD Equivalent
2019		
NZ dollar	**32,439**	**32,439**
US dollar	**45,635**	**68,032**
AU dollar	**4,774**	**4,990**
ID rupiah	**1,187,789**	**125**
Total cash and cash equivalents at end of year		**105,586**
2018		
NZ dollar	33,489	33,489
US dollar	40,868	60,412
AU dollar	3,755	4,100
ID rupiah	84,822	9
Total cash and cash equivalents at end of year		98,010

Deposits at call and short-term deposits

The deposits at call and short term deposits are currently bearing interest rates between **1.60% and 2.70%** (2018: 1.00% and 2.85%).

The WA-359-P Drilling Programme Account represents cash held under the Ironbark funding arrangement of the WA-359-P joint agreement and is not available as free cash for the purposes of the Group's operations until BP Developments Australia Pty Limited, as the operator, draws down on the balance for the purposes of the drilling work programme agreed by all parties.

12 Receivables and prepayments

$000	2019	2018
Trade receivables	**6,492**	6,657
Provision for doubtful debts	**-**	272
Share of oil and gas interests' receivables	**1,328**	4,590
Prepayments	**124**	65
Other	**52**	188
Total receivables and prepayments at end of year	**7,996**	11,772

Receivables and prepayments denominated by currency $000	Base Currency	NZD Equivalent
2019		
NZ dollar	**2,322**	**2,322**
US dollar	**3,776**	**5,617**
AU dollar	**20**	**37**
ID rupiah	**181,098**	**20**
Total receivables and prepayments at end of year		**7,996**
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

13 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 2019 the Group holds a 50.04 per cent interest in Cue Energy Resources Limited (30 June 2018: 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.

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

Name of entity	Country of incorporation	Equity Holding 2019	Equity Holding 2018	Functional Currency
NEW ZEALAND OIL & GAS				
Australia and New Zealand Petroleum Limited	New Zealand	**100%**	100%	NZD
NZOG Onshore Limited (i)	New Zealand	**100%**	100%	NZD
NZOG Canterbury Limited (ii)	New Zealand	**100%**	100%	NZD
NZOG 2013 O Limited	New Zealand	**100%**	100%	NZD
NZOG Bohorok Pty Limited	Australia	**100%**	100%	USD
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 (iii)	Australia	**100%**	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
Petroleum Resources Limited	New Zealand	**100%**	100%	NZD
NZOG MNK Bohorok Pty Limited	Australia	**100%**	100%	USD
NZOG Asia Pty Limited (iv)	Australia	**100%**	100%	USD
Pacific Oil & Gas (North Sumatera) Limited (iv)	Bermuda	**90%**	90%	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 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

(i) Company name changed from "NZOG 54867 Limited" during the year.
(ii) Company name changed from "NZOG 54857 Limited" during the year.
(iii) This company was sold during the 2018 financial year subject to regulatory approval.
(iv) These companies are consolidated to 18 March 2019 after which control was relinquished (see note 15).

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.

14 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**	**2019**	**2018**
NEW ZEALAND OIL & GAS				
PML 38146 – Kupe	Mining Licence	New Zealand	**4.0%**	4.0%
PEP 52717 – Clipper	Exploration Permit	New Zealand	**50.0%**	50.0%
PEP 55794 - Toroa	Exploration Permit	New Zealand	**100.0%**	30.0%
Palmerah Baru PSC (i)	Production Sharing Contract	Indonesia	**36.0%**	36.0%
Kisaran PSC (ii)	Production Sharing Contract	Indonesia	**22.5%**	22.5%
Bohorok PSC (iii)	Production Sharing Contract	Indonesia	**25.0%**	25.0%
MNK Bohorok	Joint Study Agreement	Indonesia	**0.0%**	20.3%
WA-359-P	Exploration Permit	Australia	**15.0%**	0.0%
CUE ENERGY RESOURCES *				
WA-359-P	Exploration Permit	Australia	**21.5%**	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) On 12 December 2018 an agreement was signed to sell the entity which held the Palmerah Baru PSC to Bow Energy Limited replacing a prior agreement of 23 April 2018. The sale remains subject to regulatory approval.
(ii) On 18 March 2019 an option agreement was signed which in effect relinquished control of the interests in the Kisaran PSC to Pacific Oil & Gas (Kisaran) Limited (refer to note 15).
(iii) On 12 December 2018 an option agreement was signed to sell the Group's interest in the Bohorok PSC to Bukit Energy Bohorok Pte Ltd (an entity now owned by Bow Energy) (refer to note 15).

* represents the percentage interest held by Cue Energy Resources Limited. The Group interest is 50.04% (2018: 50.04%) of the Cue interest.

15 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. Therefore, 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 then 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 the development project.

Exploration and evaluation expenditure includes the drilling costs associated with the Kohatukai well. On 15 November 2018 the Group announced that the well was to be plugged and abandoned as the joint venture's view was that no economically viable gas reserves had been encountered in the well. The Group's policy is to expense costs at this point.

Paus Biru-1 (Sampang PSC) drilling costs have been capitalised as an exploration and evaluation asset pending the determination of the success of the well. If the well does not result in a successful commercial discovery, the previously capitalised costs will be immediately expensed.

In December 2018 a sales and purchase agreement was signed to dispose of the Group's interest in the Bohorok PSC, to Bukit Energy Bohorok Pte Limited an entity owned by Bow Energy. This agreement remains subject to regulatory approval. The terms will see the Group receive a cash payment of US$2 million if production commences following the first well, with a further US$1 million from production from a second well. The Group will not contribute any further to the costs of the PSC.

At the half year the Kisaran exploration and evaluation asset (US$4.9 million) was fully impaired following an assessment that the carrying value was unlikely to be recovered by future development or sale. NZ$7.2 million has been expensed in the profit and loss. On 18 March 2019 the Group entered into an option agreement with Pacific Oil & Gas Ltd (PO&G) providing PO&G with an option to acquire the holding company of the Indonesian Kisaran PSC interests. Sales prices ranging from US$1.0 million to US$2.5 million were agreed and depend on the timing of the option being called by PO&G. The agreement also includes a put option for the Group to elect to sell the holding company of the Kisaran PSC for US$1. The terms of the agreement include an immediate transfer of liabilities and assets to PO&G which has been determined to constitute a loss of control of the asset. As such the Kisaran legal entities are no longer consolidated in the Group financial statements. The impact on the financial statements is not material other than the derecognition of the Foreign currency translation reserve of $2.9 million. The Group is not exposed to any further costs relating to the Kisaran PSC.

On 23 May 2019, Cue announced that approval was received for the title transfers of exploration permit WA-359-P, which contains the Ironbark gas prospect, to new joint venture partners BP Developments Australia Pty Ltd (BP), Beach Energy Limited (Beach) and New Zealand Oil & Gas (NZO). Completion of the agreements occurred in June 2019 and included A$1.54 million of past cost reimbursement to Cue from Beach and NZO. The A$0.6 million payment from NZO is considered an inter company transaction and is eliminated on consolidation. Under the agreements, NZO has a participating interest of 15% and Cue has a participating interest of 21.5%. Cue will be carried by NZO up to 2.85% of US$90 million well cost spend. BP is operator and continues with planning and execution of the Ironbark-1 exploration well, which will be drilled late 2020.

15 Exploration and evaluation (continued)

$000	2019	2018
Opening balance	**7,243**	6,692
Impairment of exploration asset	**(7,202)**	-
Capitalised exploration costs	**3,646**	-
Revaluation of USD exploration and evaluation assets	**(41)**	551
Closing balance at end of year	**3,646**	7,243

16 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	2019	2018
Opening balance	**64,848**	31,957
Acquisition	**-**	29,379
Expenditure capitalised	**1,702**	3,272
Amortisation for the year	**(8,475)**	(8,308)
Revaluation of USD production assets	**(1,204)**	1,254
Abandonment provision	**1,636**	7,294
Closing balance at end of year	**58,507**	64,848

At 30 June 2019 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 2018: nil).

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.

17 Other financial assets

$000	2019	2018
Security deposits	**9**	16
Total other financial assets at end of year	**9**	16

18 Payables

$000	2019	2018
Trade payables	**1,573**	2,697
Kisaran borrowings	**-**	1,274
Royalties payable	**909**	-
Share of oil and gas interests' payable	**2,568**	3,822
Other payables	**925**	753
Total payables at end of year	**5,975**	8,546

Payables denominated by currency $000	**Base Currency**	**NZD Equivalent**
2019		
NZ dollar	**4,627**	**4,627**
US dollar	**695**	**977**
AU dollar	**346**	**361**
ID rupiah	**100,035**	**10**
Total payables at end of year		**5,975**
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

19 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 2.16% 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	2019	2018
Carrying amount at start of year	**18,642**	10,304
Addition/(Reduction) in provision recognised	**1,643**	7,095
Foreign currency revaluation of provisions	**130**	712
Unwinding of discount	**414**	531
Carrying amount at end of year	**20,829**	18,642

20 Share capital

	Number of shares 000s	$000
Balance at 30 June 2017	167,849	208,630
Shares issued during the year	4,992	3,313
Forfeited partly paid ESOP shares converted and sold	(2,081)	-
Partly paid ESOP shares exercised	(2,911)	(26)
Balance at 30 June 2018	**167,849**	**211,917**
Shares issued during the year	10	8
Partly paid ESOP shares exercised	(10)	-
Partly paid ESOP shares expired	-	(17)
Balance at 30 June 2019	**167,849**	**211,908**
Composed of:		
Fully paid shares	**164,431**	**211,925**
Partly paid shares	**3,418**	**(17)**
Balance at 30 June 2019	**167,849**	**211,908**

During the year 10,000 partly paid shares were exercised and converted to ordinary shares (2018: 2.9 million partly paid shares converted to fully paid shares and sold for the benefit of ESOP participants).

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 25.

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

21 Reserves

a) Reserves

$000	2019	2018
Share based payments reserve	**83**	147
Foreign currency translation reserve	**2,377**	7,414
Total reserves at end of year	**2,460**	7,561

Movements:

$000	2019	2018
SHARE-BASED PAYMENTS RESERVE		
Opening balance at 1 July	**147**	147
Share based payment expense for the year	**18**	47
Exercised and expired ESOP awards	**(82)**	(47)
Closing balance at end of year	**83**	147
FOREIGN CURRENCY TRANSLATION RESERVE		
Opening balance at 1 July	**7,414**	6,051
Impact on foreign currency translation reserve of disposals	**(2,905)**	25
Other foreign currency translation differences for the year	**(2,132)**	1,338
Closing balance at end of year	**2,377**	7,414

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.

22 Income per share

	2019	2018
Profit attributable to shareholders ($000)	(7,479)	762
Weighted average number of ordinary shares (000)	167,849	167,849
Basic and diluted earnings per share (cents)	(4.5)	0.5

23 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 call option contracts at 30 June 2019 (2018: 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.

23 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 2019						
Payables	**5,975**	**-**	**-**	**-**	**-**	**5,975**
Total non-derivative liabilities	**5,975**	**-**	**-**	**-**	**-**	**5,975**
30 JUNE 2018						
Payables	8,546	-	-	-	-	8,546
Total non-derivative liabilities	8,546	-	-	-	-	8,546

At 30 June 2019 the Group had no derivatives to settle (2018: 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.

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	2019	2018
Impact on Group profit before tax	Exchange rate	+5%	**(2.1)**	(2.2)
		-5%	**2.4**	2.2
Impact on foreign currency translation reserves in equity	Exchange rate	+5%	**(1.5)**	(1.2)
		-5%	**1.7**	1.2
Impact on interest income	Interest rate	+1%	**0.5**	0.5
		-1%	**(0.5)**	(0.5)

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	2019 Carrying value	2018 Carrying value
ASSETS		
Cash and cash equivalents	**93,540**	98,010
Funds held in escrow	**12,046**	-
Trade and other receivables	**7,871**	11,435
	113,457	109,445
LIABILITIES		
Payables	5,975	8,546
	5,975	8,546

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

24 Related party transactions

Related parties of the Group include those entities identified in notes 13 and 14 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 certain activities were undertaken between the Group and OGOG. On 21 June 2019, an inter-group services agreement was entered into by the independent directors of the Group and OGOG for certain services to be provided by the Group to OGOG. For the year ended 30 June 2019 $0.03 million of income has been included in the profit and loss. No other transactions for services have occurred.

On 23 May 2019 NZO farmed into the WA-359-P permit forming a joint venture with Cue, BP and Beach (refer to note 15). NZO immediately reimbursed Cue for back costs totalling $0.7 million and will carry Cue up to $3.7 million. Transactions related to Cue have been eliminated from the Group financial statements.

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. No directors fees are charged for the four representatives of OGOG who are directors 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	2019	2018
Short term employee benefits	**3,516**	3,317
Share based payments	**11**	308
Post employment benefits	**45**	-
Total	**3,572**	3,625

25 Share-based payments

The Employee Share Ownership Plan (ESOP) was terminated in 2017. No allocations of new ESOP shares were made in the financial year ending 30 June 2019 (2018: nil). The details below relate to the old scheme which will end 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 (2018: 3.4 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 2019 $0.02 million (2018: $0.05 million) was expensed through the Consolidated Statement of Comprehensive Income. 10,000 shares were exercised in the year ending June 2019 (2018: 2.9 million) and no expired/forfeited shares were converted to ordinary shares and sold (2018: 2.1 million converted to ordinary shares and sold).

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").

25 Share-based payments (continued)

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.

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 30 June 2017	8,420	$0.74
Exercised	(2,911)	$0.58
Forfeited and sold	(2,081)	$0.66
Balance at 30 June 2018	3,428	$0.94
Exercised	**(10)**	**$0.57**
Balance at 30 June 2019	**3,418**	**$0.91**

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 10,000 ESOP shares were exercised (2018: 2.9 million) resulting in no payments to management and staff (2018: $0.5 million).

26 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.

Commitments relating to Australian permit WA-359-P, which contains the Ironbark prospect, consist of $19.8 million from NZO and $28.3 million from Cue. Of Cue's commitment, approximately $16.4 million will be funded by a free carry arrangement, including $3.7 million from NZO. The remaining $11.9 million will be funded from Cue's cash reserves which have been escrowed for this purpose (refer to note 11).

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	2019	2018
Within one year	**232**	271
Later than one year and not later than five years	**242**	2
	474	273

Operating leases relate to property leases for the Group.

c) Contingent assets and liabilities

Cue Energy Resources Limited and Cue Resources Inc. were named as defendants, along with a number of other companies, in litigation pending in Texas, USA in relation to the Pine Mills oilfield. On March 27, 2019 the court dismissed the claims against Cue in their entirety. On April 26, 2019, the plaintiff filed an amended lawsuit against Cue and the other defendants. Cue has filed a motion to dismiss, which is now pending in U.S. court.

27 Events occurring after balance date

On 9 July 2019 the Group and O.G. Oil & Gas (Singapore) Pte. Ltd. (OGOG) entered into a scheme implementation agreement under which OGOG is seeking, via a scheme of arrangement, to acquire all of the fully paid ordinary shares of New Zealand Oil & Gas that it does not already own for NZ$0.62 per share.

To the shareholders of New Zealand Oil and Gas Limited

Report on the audit of 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 41 to 63:

i. present fairly in all material respects the Group's financial position as at 30 June 2019 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 2019;

— 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. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. 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 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, in addition to the Kupe asset held by the parent company.

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 (2018: $1.3 million determined with reference to a benchmark of group total assets.

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
RECOVERABILITY OF OIL AND GAS ASSETS	
Refer to Note 16 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	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

KPMG
Wellington
26 August 2019

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Corporate Directory

Registered and Head Office

Level 1, 36 Tennyson Street
Wellington 6011, New Zealand

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

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

Auditors

KPMG

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

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

www.nzog.com