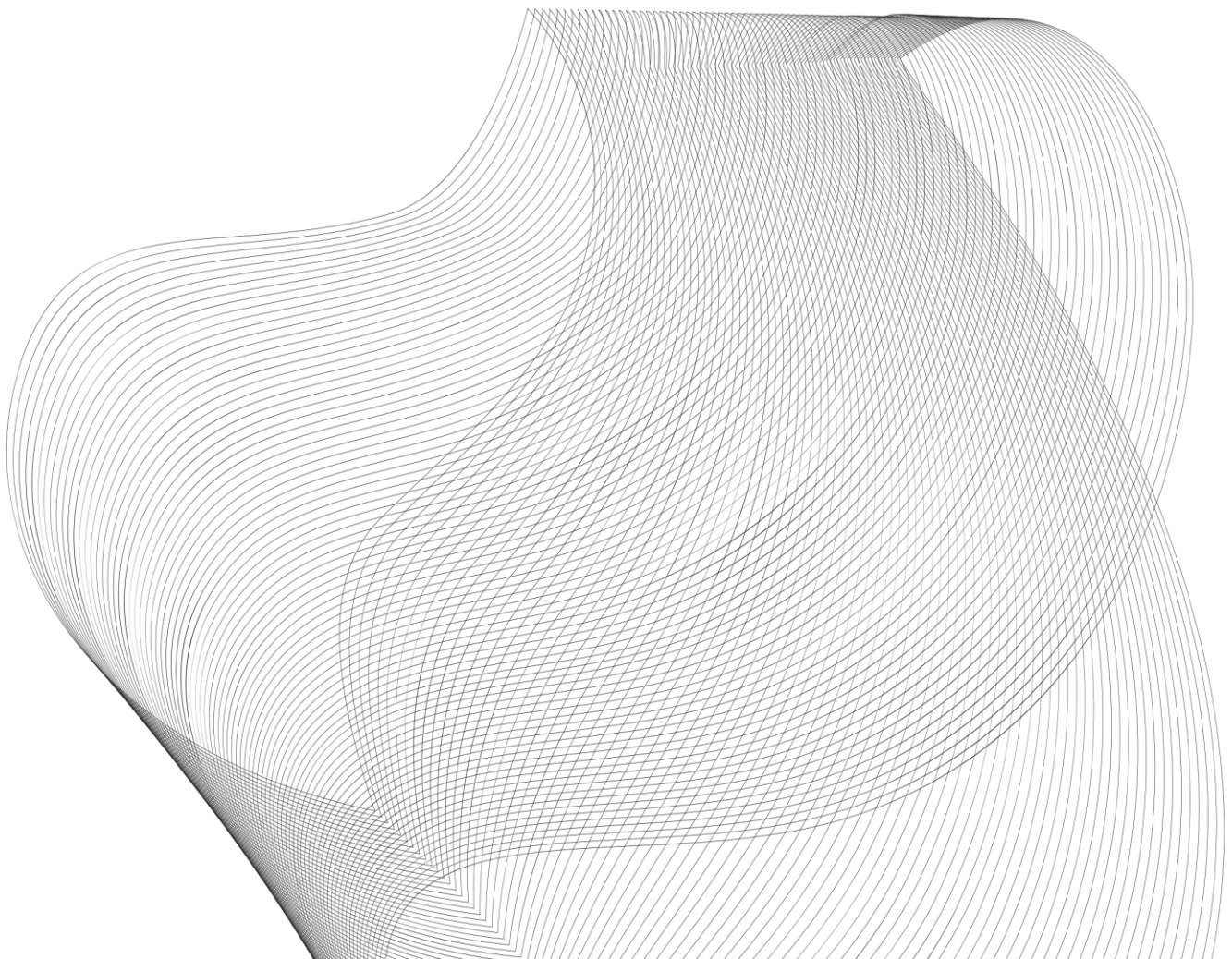


CONDENSED AND CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 31 December 2020



New Zealand Oil & Gas Limited
Condensed Financial Statements

Condensed Statement of Cash Flows
For the half year ended 31 December 2020

	Unaudited Half Year 31 Dec 2020	Unaudited Half Year 31 Dec 2019	Audited Full Year 30 Jun 2020
\$000			
Cash flows from operating activities			
Customer receipts	15,931	19,979	38,163
Production and marketing payments	(5,262)	(6,463)	(10,724)
Supplier and employee payments (inclusive of GST)	(5,438)	(6,979)	(11,652)
Interest received	100	1,035	1,580
Income taxes paid	(2,169)	(2,385)	(4,555)
Royalties paid	(804)	(1,298)	(3,069)
Other	(26)	479	1,164
Net cash inflow from operating activities	2,332	4,368	10,907
Cash flows from investing activities			
Exploration and evaluation expenditure	(11,847)	(2,857)	(5,458)
Oil and gas asset expenditure	(3,346)	(1,197)	(2,690)
Property, plant and equipment expenditure	(236)	(53)	(199)
Net cash outflow from investing activities	(15,429)	(4,107)	(8,347)
Cash flows from financing activities			
Forfeited Shares	-	(7)	(7)
Lease liabilities principal element payments	(144)	(115)	(242)
Net cash outflow from financing activities	(144)	(122)	(249)
Net (decrease)/increase in cash, cash equivalents and funds held in escrow	(13,241)	139	2,311
Cash, cash equivalents and funds held in escrow at the beginning of the period	110,754	105,586	105,586
Exchange rate effects on cash, cash equivalents and funds held in escrow	(7,743)	(485)	2,857
Cash, cash equivalents and funds held in escrow at end of the period	89,770	105,240	110,754

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

New Zealand Oil & Gas Limited
Condensed Financial Statements

Condensed Statement of Comprehensive Income
For the half year ended 31 December 2020

\$000	Notes	Unaudited Half Year 31 Dec 2020	Unaudited Half Year 31 Dec 2019	Audited Full Year 30 Jun 2020
Revenue		15,994	20,300	37,270
Operating costs	4	(5,033)	(6,772)	(9,894)
Exploration and evaluation expenditure	5	(31,427)	(1,903)	(3,615)
Other income		638	1,279	1,980
Other expenses		(6,549)	(6,705)	(12,241)
(Loss)/income from operating activities excluding amortisation, impairment and net finance costs		(26,377)	6,199	13,500
Amortisation of production assets		(3,688)	(4,252)	(7,956)
Asset impairment		-	-	(2,856)
Net finance (expense)/income	6	(7,358)	581	3,455
(Loss)/profit before income tax and royalties		(37,423)	2,528	6,143
Income tax expense		(3,904)	(2,082)	(4,211)
Royalties expense		(931)	(1,896)	(2,704)
Loss for the period		(42,258)	(1,450)	(772)
Loss for the period attributable to:				
Loss attributable to shareholders		(34,327)	(2,217)	(1,382)
(Loss)/profit attributable to non-controlling interest (NCI)		(7,931)	767	610
Loss for the period		(42,258)	(1,450)	(772)
Other comprehensive loss:				
Items that may be classified to profit or loss:				
Foreign currency translation reserve (FCTR) differences		(1,203)	(204)	1,660
Asset revaluation reserve		935	-	-
Total other comprehensive (loss)/profit for the period		(42,526)	(1,654)	888
Total comprehensive (loss)/profit for the period is attributable to:				
Equity holders of the Group		(34,072)	(2,425)	(68)
Non-controlling interest		(8,454)	771	956
Total comprehensive (loss)/profit for the period		(42,526)	(1,654)	888
Loss per share				
Basic loss per share (cents)		(20.5)	(1.3)	(0.8)
Diluted loss per share (cents)		(19.9)	(1.3)	(0.8)

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

New Zealand Oil & Gas Limited
Condensed Financial Statements

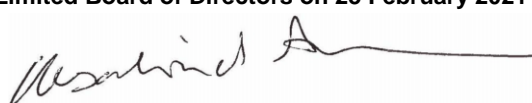
Condensed Statement of Financial Position
For the half year ended 31 December 2020

\$000	Notes	Unaudited Half Year 31 Dec 2020	Audited Full Year 30 Jun 2020
Assets			
Current assets			
Cash and cash equivalents		80,242	97,904
Funds held in escrow		9,528	12,850
Receivables and prepayments		7,147	6,604
Inventories		967	803
Right-of-use assets		149	132
Total current assets		98,033	118,293
Non-current assets			
Exploration and evaluation assets	5	-	6,549
Oil and gas assets	7	54,880	52,237
Property, plant and equipment		250	294
Other intangible assets		2,045	1,713
Other financial assets		5,466	6,123
Right-of-use assets		250	91
Total non-current assets		62,891	67,007
Total assets		160,924	185,300
Liabilities			
Current liabilities			
Payables	8	24,017	5,467
Lease provision		209	217
Current tax liabilities		2,229	2,340
Total current liabilities		26,455	8,024
Non-current liabilities			
Rehabilitation provision	9	26,338	27,909
Other provisions		202	16
Deferred tax liability		3,408	1,793
Total non-current liabilities		29,948	29,718
Total liabilities		56,403	37,742
Net assets		104,521	147,558
Equity			
Share capital		211,901	211,901
Reserves		4,518	4,111
Retained earnings		(115,435)	(80,445)
Attributable to shareholders of the Group		100,984	135,567
Non-controlling interest in subsidiaries		3,537	11,991
Total equity		104,521	147,558
Net asset backing per share (cents)		62.0	87.9
Net tangible asset backing per share (cents)		61.0	83.9

Authorised on behalf of the New Zealand Oil & Gas Limited Board of Directors on 25 February 2021



Samuel Kellner
Chairman



Rosalind Archer
Director

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

Condensed Statement of Changes in Equity
For the half year ended 31 December 2020

\$000	Share capital	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 1 July 2019	211,908	2,460	(79,071)	135,297	11,036	146,333
(Loss)/profit for the year	-	-	(1,382)	(1,382)	610	(772)
Foreign currency translation differences	-	1,315	-	1,315	345	1,660
Partly paid shares issued	(7)	-	-	(7)	-	(7)
Share based compensation expense	-	344	-	344	-	344
Exercised and expired ESOP awards	-	(8)	8	-	-	-
Audited balance as at 30 June 2020	211,901	4,111	(80,445)	135,567	11,991	147,558
Loss for the period	-	-	(34,327)	(34,327)	(7,931)	(42,258)
Foreign currency translation differences	-	(680)	-	(680)	(523)	(1,203)
Share based compensation expense	-	152	-	152	-	152
Asset revaluation reserve	-	935	(663)	272	-	272
Unaudited balance as at 31 December 2020	211,901	4,518	(115,435)	100,984	3,537	104,521

The notes to the financial statements are an integral part of these 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 both the New Zealand Stock Exchange and the Australian Stock Exchange as a foreign exempt listing. The Group is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013.

The condensed and consolidated interim financial statements (financial statements) presented as at and for the half year ended 31 December 2020 are for New Zealand Oil & Gas Limited, its subsidiaries and the interests in associates and jointly controlled operations.

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

These financial statements do not include all the notes normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020.

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current reporting period.

Basis of preparation

The financial statements for the half year ended 31 December 2020 have been prepared in accordance with New Zealand Generally Accepted Accounting Practices (NZ GAAP) and NZ IAS 34 Interim Financial Reporting, as appropriate for profit oriented entities.

2 Critical accounting estimates and judgements

The preparation of the 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 5 and 7).
- * Provision for rehabilitation obligations includes estimates of future costs, timing of required rehabilitation and an estimated discount rate (refer to note 9).

3 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, liquified 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 in New Zealand as well as in 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.

Unaudited Half year to 31 December 2020 \$000	Kupe oil & gas	Oil & gas exploration	Other & unallocated	Cue Energy Resources Ltd	Total
Sales to external customers - NZ	5,164	-	-	-	5,164
Sales to external customers - other countries	733	-	-	10,097	10,830
Total sales revenue	5,897	-	-	10,097	15,994
Other income	-	-	429	209	638
Total revenue and other income	5,897	-	429	10,306	16,632
Segment result	3,076	(20,803)	(3,704)	(8,634)	(30,065)
Other net finance expense					(7,358)
Loss before income tax and royalties					(37,423)
Income tax and royalties expense					(4,835)
Loss for the period					(42,258)
Segment assets	30,569	-	-	24,311	54,880
Unallocated assets					106,044
Total assets					160,924
Included in segment results:					
Depreciation and amortisation expense	1,820	-	81	1,876	3,777

3 Segment information (continued)

Audited Full year to 30 June 2020 \$000	Kupe oil & gas	Oil & gas exploration	Other & unallocated	Cue Energy Resources Ltd	Total
Sales to external customers - NZ	9,884	-	-	-	9,884
Sales to external customers - other countries	2,150	-	-	25,236	27,386
Total sales revenue	12,034	-	-	25,236	37,270
Other income	198	-	1,282	500	1,980
Total sales revenue and other income	12,232	-	1,282	25,736	39,250
Impairment of oil and gas assets	-	-	-	(2,856)	(2,856)
Segment result	6,439	(2,064)	(8,132)	6,445	2,688
Other net finance income					3,455
Profit before income tax and royalties					6,143
Income tax and royalties expense					(6,915)
Loss for the year					(772)
Segment assets	32,245	1,622	-	24,919	58,786
Unallocated assets					126,514
Total assets					185,300
Included in segment results:					
Depreciation and amortisation expense	3,451	-	341	4,618	8,410

Unaudited Half year to 31 December 2019 \$000	Kupe oil & gas	Oil & gas exploration	Other & unallocated	Cue Energy Resources Ltd	Total
Sales to external customers - NZ	4,477	-	-	-	4,477
Sales to external customers - other countries	1,080	-	-	14,743	15,823
Total sales revenue	5,557	-	-	14,743	20,300
Other income	50	-	535	694	1,279
Total revenue and other income	5,607	-	535	15,437	21,579
Segment result	3,060	(694)	(5,013)	4,594	1,947
Other net finance income					581
Profit before income tax and royalties					2,528
Income tax and royalties expense					(3,978)
Loss for the period					(1,450)
Segment assets	31,816	946	-	27,045	59,807
Unallocated assets					115,106
Total assets					174,913
Included in segment results:					
Depreciation and amortisation expense	1,583	-	119	2,669	4,371

4 Operating costs

\$000	Unaudited Half Year 31 Dec 2020	Unaudited Half Year 31 Dec 2019	Audited Full Year 30 Jun 2020
Production and sales marketing costs	(4,016)	(5,483)	(8,221)
Carbon emission expenditure	(202)	(262)	(476)
Insurance expenditure	(474)	(293)	(626)
Movement in inventory	(341)	(734)	(571)
Total operating costs	(5,033)	(6,772)	(9,894)

5 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.

	Unaudited Half Year 31 Dec	Audited Full Year 30 Jun 2020
\$000		
Opening balance	6,549	3,646
Expenditure capitalised	-	2,820
Expenditure transferred to oil and gas assets relating to Sampang PSC and Mahato PSC	(4,927)	-
Expenditure expensed to profit and loss relating to Ironbark permit	(1,622)	-
Revaluation of foreign currency exploration and evaluation assets	-	83
Closing balance at end of period	-	6,549

On 29 December 2020, the Group announced the drilling results of the Ironbark-1 exploration well in WA-359-P in the Carnarvon Basin, offshore Western Australia. The primary target interval was intersected at a depth of 5,275 metres, with no significant hydrocarbon shows encountered in any of the target sands. The well was plugged and abandoned. The Group's share of costs to 31 December 2020, and costs in January 2021 to complete the plug and abandon of the well, have been recognised in the profit and loss. Exploration and evaluation expenditure of \$31.4 million has been recognised in the period and the unpaid portion of the exploration costs are disclosed as a payable in note 8. As a result of the Ironbark exploration costs, the Group incurred a tax loss estimated to be \$32 million in Australia. The Group has not recognised the deferred tax asset of \$9.6 million related to these losses as it is not probable that there will be sufficient future taxable income in Australia to utilise them.

During the period, the Paus Biru gas field Plan of Development, in the Sampang PSC, was approved by the Indonesian Government. The Group subsequently reclassified and transferred the Exploration and evaluation assets to Oil and gas assets.

The Mahato PSC Exploration and evaluation assets included the PB-1 and PB-2 wells which were drilled as exploration wells in late 2019 and early 2020. The Group has now reclassified and transferred the Exploration and evaluation assets to Oil and gas assets. Subsequent to the half year ending 31 December 2020, the PB-1 well commenced production.

6 Net finance expense

Net finance expense includes a foreign exchange loss of \$7.3 million the period. This is mostly a result of the strengthening New Zealand dollar, reducing US dollar-denominated cash balances when translated to NZ dollars.

7 Oil and gas assets

	Unaudited Half Year 31 Dec 2020	Audited Full Year 30 Jun 2020
\$000		
Opening balance	52,237	58,609
Expenditure capitalised	3,467	2,760
Expenditure transferred from Exploration and evaluation (see note 5)	4,927	-
Impairment	-	(2,856)
Amortisation for the period	(3,713)	(7,956)
Revaluation of foreign currency oil and gas assets	(1,164)	1,391
Rehabilitation provision	(874)	289
Closing balance at end of period	54,880	52,237

8 Payables

	Unaudited Half Year 31 Dec 2020	Audited Full Year 30 Jun 2020
\$000		
Trade payables	2,406	1,451
Royalties payable	985	703
Share of oil and gas interests' payable	19,773	2,577
Other payables	853	736
Total payables at end of year	24,017	5,467

The unpaid portion of the Ironbark Exploration and evaluation expenditure of \$19.0 million is included in Share of oil and gas interests' payable.

9 Rehabilitation provision

Provisions for rehabilitation 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 period, the discount rate used to determine the provision was 1.19%. The initial provision and subsequent re-measurement are recognised as part of the cost of the related asset. The unwind of the discount is recognised in finance costs in profit and loss.

	Unaudited Half Year 31 Dec 2020	Audited Full Year 30 Jun 2020
\$000		
Carrying amount at start of period	27,909	26,449
Reduction in provision recognised	(503)	(25)
Unwind of discount on provision	82	414
Revaluation of foreign currency rehabilitation provision	(1,150)	1,071
Total rehabilitation provision at end of period	26,338	27,909

10 Related party transactions

All transactions and outstanding balances with related parties are in the ordinary course of business on normal trading terms. Any transactions within the Group are eliminated.

On 23 May 2019 New Zealand Oil & Gas Limited farmed into the WA-359-P permit forming a joint venture with Cue, BP and Beach. Transactions related to Cue have been eliminated from the Group financial statements.

During the period certain activities were undertaken between the Group and OGOG. The inter-group services agreement, which was entered into on 21 June 2019, allows the Group to provide technical services and related activities to OGOG. For the period ended 31 December 2020 \$0.4 million (31 December 2019: \$0.4 million) of income has been included in Other income in the profit and loss.

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 three representatives of OGOG who are directors of the Group. Directors' expenses are reimbursed and are not separately disclosed as they are not material.

11 Events occurring after balance date

On 15 January 2021, the Company announced that commercial production of oil had commenced from the PB field in the Mahato PSC in Indonesia and the dispute between Cue and the Joint Venture partners had been settled.

Cue and the Mahato PSC joint venture partners agreed on a settlement to the dispute relating to the PB-1 and PB-2 wells. As part of the settlement, the operator issued Cue with a cash call for approximately US\$0.3 million for the PB-2 exploration well. Additionally, Cue paid US\$0.4 million to the joint venture partners, of which US\$0.1 million was paid from Cue's cash reserves, with the remainder paid from Cue's share of the PSC performance bond, which was being held by the operator. All payments were settled by the end of January 2021.

On 16 February 2021, New Zealand Oil & Gas and partner Beach Energy applied to relinquish Petroleum Exploration Permit 52717 (Clipper), which contains the Barque prospect.



Independent Review Report

To the shareholders of New Zealand Oil & Gas Limited

Report on the condensed and consolidated interim financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed and consolidated interim financial statements of New Zealand Oil & Gas Limited ("the company") and its subsidiaries ("the Group") on pages 2 to 11 do not:

- i. present, in all material respects the Group's financial position as at 31 December 2020 and its financial performance and cash flows for the six-month period ended on that date;
- ii. comply with NZ IAS 34 Interim Financial Reporting.

We have completed a review of the accompanying condensed and consolidated interim financial statements which comprise:

- the condensed statement of financial position as at 31 December 2020;
- the condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for conclusion

A review of condensed and consolidated interim financial statements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of New Zealand Oil & Gas Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

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



Use of this Independent Review Report

This report is made solely to the shareholders as a body. Our review work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent Review 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 review work, this report, or any of the opinions we have formed.



Responsibilities of the Directors for the condensed and consolidated interim financial statements

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

- the preparation and fair presentation of the condensed and consolidated interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting;
- implementing necessary internal control to enable the preparation of the condensed and consolidated interim financial statements that is 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 review of the condensed and consolidated interim financial statements

Our responsibility is to express a conclusion on the condensed and consolidated interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed and consolidated interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting.

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

This description forms part of our Independent Review Report.



KPMG
Wellington

25 February 2021