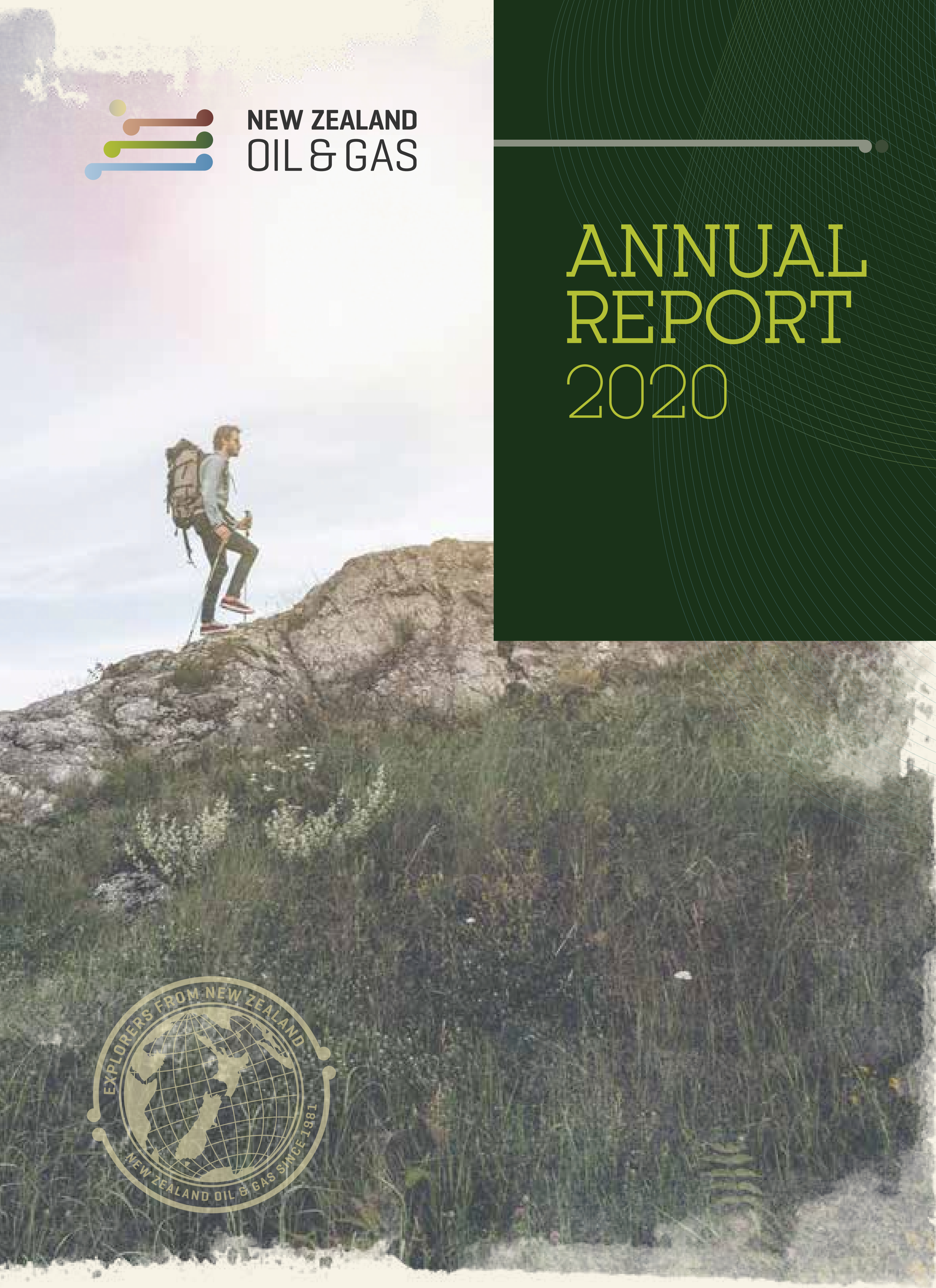
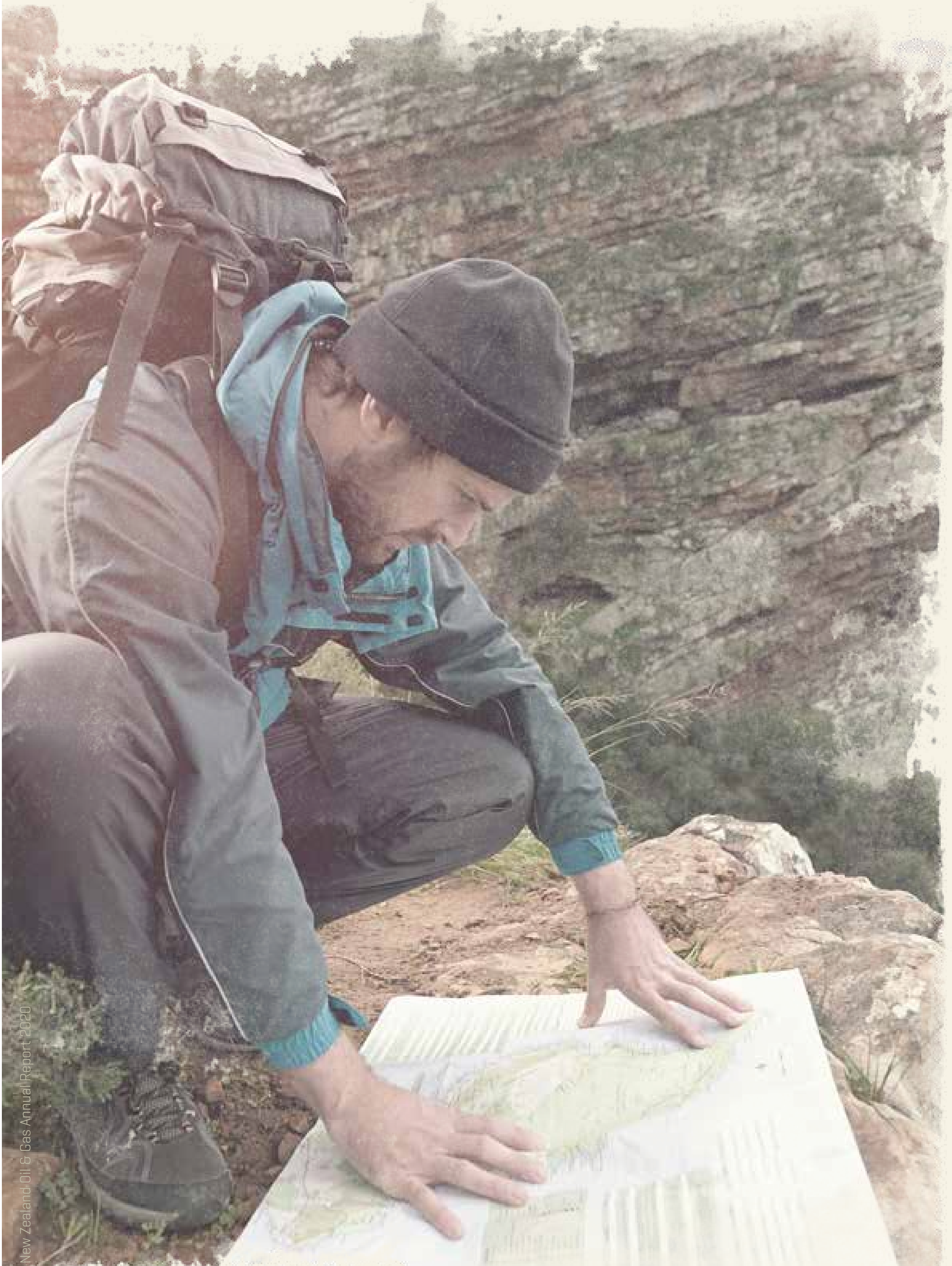
NEW ZEALAND OIL & GAS

ANNUAL REPORT 2020





Contents

Signed on behalf of the board of New Zealand Oil & Gas Limited on 28 August 2020.

Samuel Kellner
Chairman

Alastair McGregor
Director

Chair's Report

Unprecedented challenges, potential opportunities.

We share this annual report at a time of unprecedented challenges. The continued effects of the Covid-19 global health crisis are having a profound impact on the way we live our lives, no matter where we call home. Most importantly, many families are suffering through serious health and economic consequences. Our industry has, of course, been uniquely affected by this crisis. Energy producers throughout the world are dealing with the repercussions of dramatic demand destruction that sent oil prices tumbling to below US$20 per barrel in March. While prices have stabilised to a degree, producers are rethinking their business plans and, in many cases, have been forced to make fundamental changes to their operations as they cope with this new reality.

With this sobering backdrop, we are proud of the way our team has responded. We were able to transition to a fully work-from-home operation with little disruption. Our portfolio, which is weighted towards gas sold on fixed price contracts, is well-insulated from the dramatic price swings that affected many producers. Importantly, here in New Zealand, Kupe was recognised as an essential service, so production continued uninterrupted. The company was well prepared entering this crisis, both financially and operationally, so we remain on solid footing despite the unprecedented turmoil.

The year also saw several tangible developments, including multiple reserve upgrades. The highlight was the recently announced upgrade in Kupe reserves. The reserves upgrade resulted from improved well performance following this year's well perforation campaign, which our team pushed hard for, along with the ongoing well compression project and a clearer picture of future development opportunities. This year, Kupe will surpass the production forecast when its initial development was first approved.

Our Cue subsidiary was also able to announce increased reserves from an intervention programme at Sampang, in Indonesia, and contingent reserves from a discovery at Paus Biru in the same tenement. Cue is targeting a Final Investment Decision on the Paus Biru development later in the new fiscal year and first gas in calendar year 2022.

Later this calendar year we expect to spud the Ironbark-1 exploration well off Western Australia. This is an exciting opportunity for both New Zealand Oil & Gas and Cue, as we work with world class partners to pursue a high-impact prospect located adjacent to existing infrastructure. Regardless of the outcome, we hope to find more opportunities to form strong partnerships like this in the future.

With the proposed scheme of arrangement having been voted down in 2019, the board conducted a listening tour with certain of our larger shareholders. We heard many consistent themes, including a desire to seek new investment opportunities in Australia and New Zealand. With oil and gas producers cutting capital expenditure budgets, tightening their geographical footprints, and faced with a general shortage of available capital, we are optimistic that attractive investment opportunities will present themselves. The team is hard at work targeting new avenues for growth. Having increased our cash balance in FY20, we are well positioned to act opportunistically.

In this annual report we present, for the first time, full Task Force on Climate Related Financial Disclosures reporting that sets out the risks posed by climate change and our response. I am proud of this work and the company's broader community contribution, as outlined in the sustainability section. It reflects our ongoing commitment to being a constructive and reliable partner in the communities in which we operate.

The board looks forward to the coming year, which promises many challenges but also many exciting opportunities. We are confident that the company is well positioned financially and has the right leadership to emerge from the current crisis a stronger, more resilient company.

Samuel Kellner
Chairman

Production and Reserves

Production

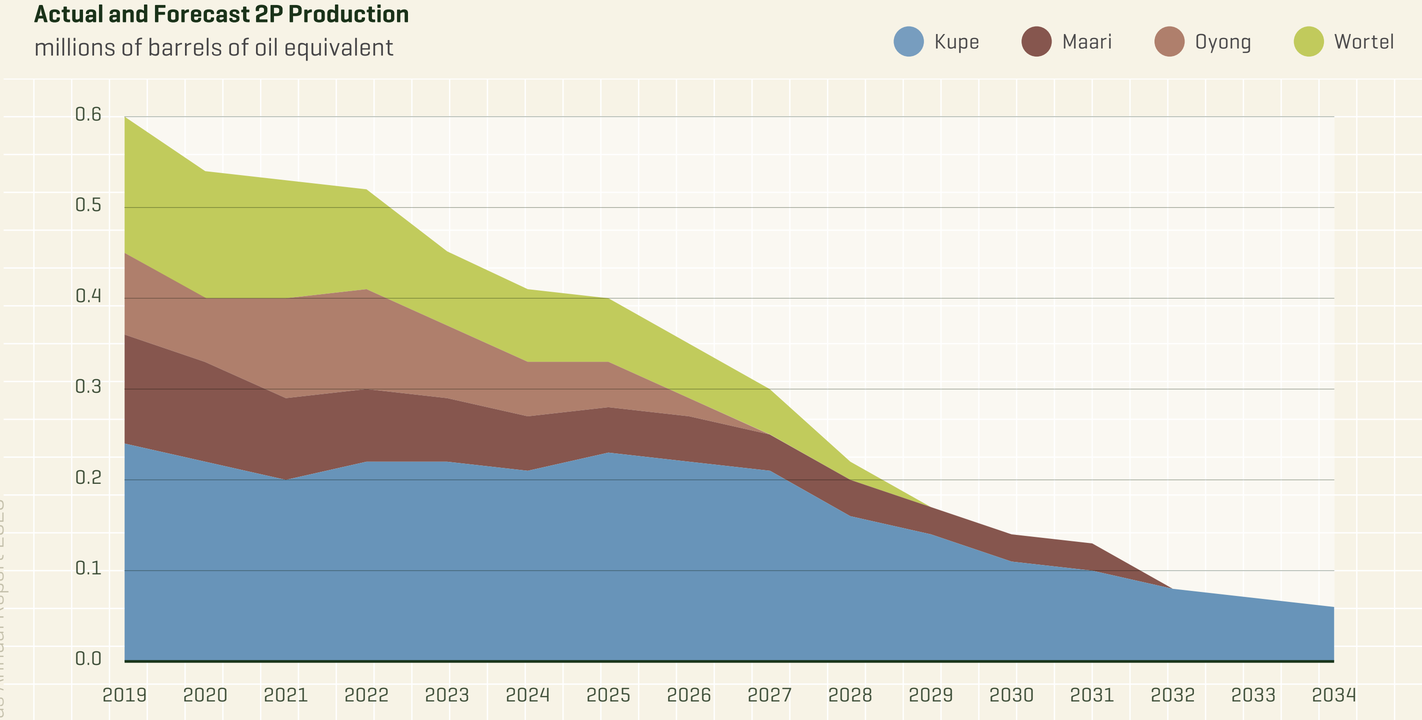
Production in 2019—20 was down moderately from the previous year.

The main cause was the planned month-long maintenance outage at Kupe, as well as a decline in well performance that brought production below plateau.

Production was returned to capacity, 77 terajoules per day, from early March following a successful wireline campaign in February. During the wireline campaign all three Kupe wells were logged with selective additional perforations added.

A compression project has been approved. The pandemic has caused delays to both onsite construction and global logistical paths. Kupe first gas is now expected in the second half of the 2021 calendar year.

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 Upgrade

Following a review by the Kupe joint venture, developed reserves in the Kupe fields were were materially upgraded.

PROVED + PROBABLE (2P) RESERVES

Adjusted net 2P (proven and probable) total reserves were increased by some 23% from 1.84 million barrels of oil equivalent (mmboe) to 2.26 mmboe.

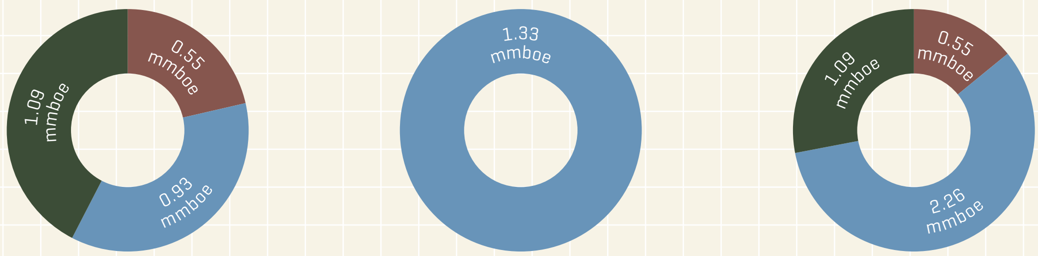
Kupe 2P Reserves increased

23%

- Developed 2P reserves increased 37%
- Undeveloped 2P reserves increased 16%

Proved + Probable (2P) Reserves at 30 June 2020

	Developed				Undeveloped				Total			
Geographic area	Gas (PJ)	LPG (kt)	Oil & Condensate (mmb)	Total (mmboe)	Gas (PJ)	LPG (kt)	Oil & Condensate (mmb)	Total (mmboe)	Gas (PJ)	LPG (kt)	Oil & Condensate (mmb)	Total (mmboe)
New Zealand												
Maari			0.55	**0.55**			0.00	**0.00**	0.00	0.00	0.55	**0.55**
Kupe	4.05	17.83	0.12	**0.93**	5.86	25.77	0.16	**1.33**	9.91	43.60	0.29	**2.26**
Indonesia												
Sampang PSC	6.58		0.02	**1.09**	0.00		0.00	**0.00**	6.58	0.00	0.02	**1.09**



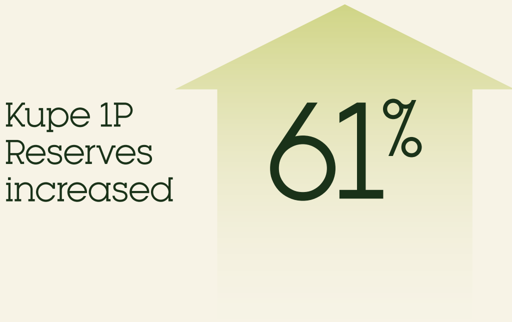
As at evaluation date 30/06/2020. Some rounding. Includes 100 per cent of Cue's interests in Maari and Sampang. New Zealand Oil & Gas has a 50.04% interest in Cue. See statement Page 11.

Maari · Kupe · Sampang PSC

PROVED (1P) RESERVES

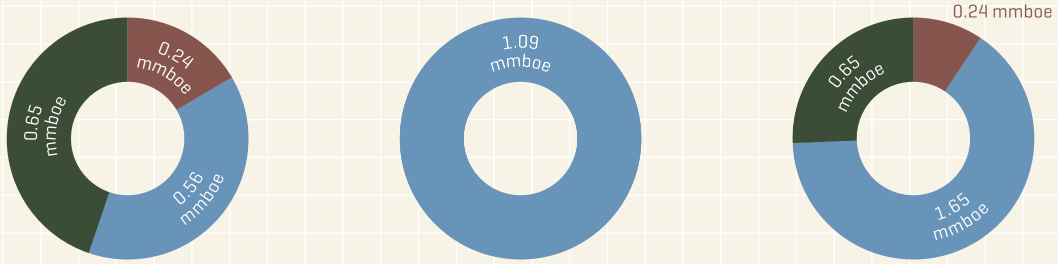
1P (proven) total production adjusted reserves associated with Kupe increased by 61%, from 1.02 to 1.65 mmboe.

This reserve increase provides additional volume from within the existing development as well as from the planned further development, including onshore compression and future well(s).



Proved (1P) Reserves at 30 June 2020

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 Total (mmboe)
New Zealand												
Maari			0.24	**0.24**			0.00	**0.00**	0.00	0.00	0.24	**0.24**
Kupe	2.40	10.55	0.08	**0.56**	4.84	21.29	0.13	**1.09**	7.24	31.84	0.21	**1.65**
Indonesia												
Sampang PSC	3.91		0.01	**0.65**	0.00		0.00	**0.00**	3.91	0.00	0.01	**0.65**

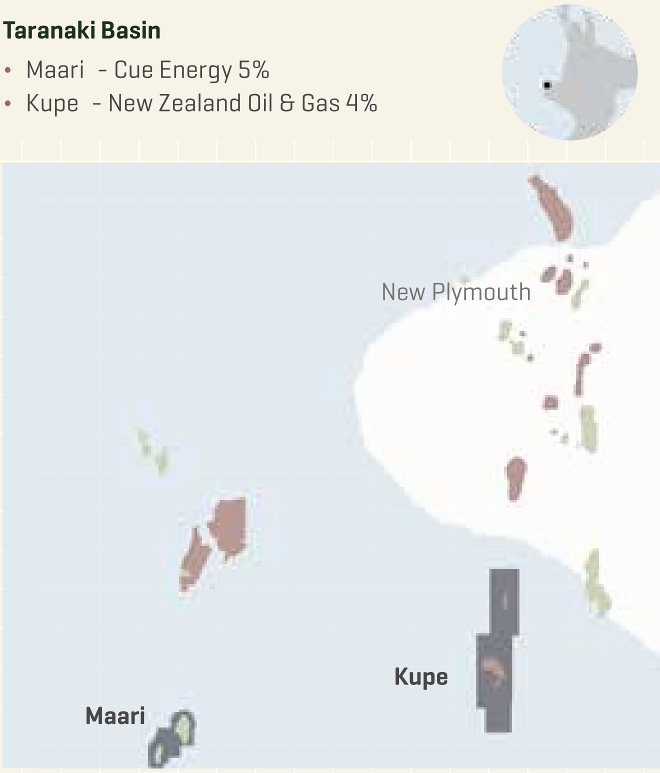


As at evaluation date 30/06/2020. Some rounding. Includes 100 per cent of Cue's interests in Maari and Sampang. New Zealand Oil & Gas has a 50.04% interest in Cue. See statement Page 11.

Maari Kupe Sampang PSC

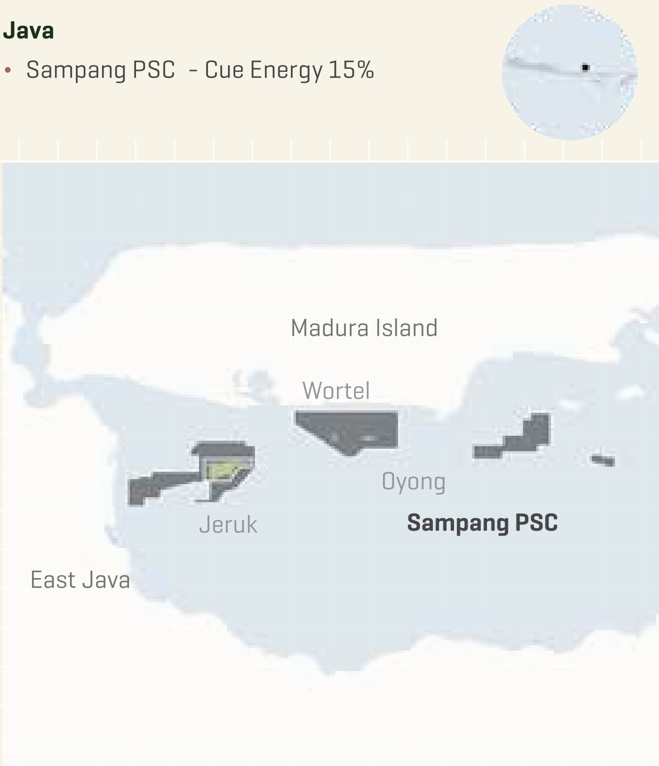
Taranaki Basin

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



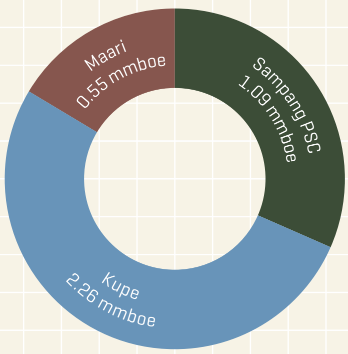
Java

- Sampang PSC - Cue Energy 15%



Remaining Proven and Probable (2P) Oil & Gas Reserves as at 30 June 2020

Geographic area	Oil & Condensate (million barrels)	Natural Gas (Petajoules)	LPG (Kilotonnes)	Million Barrels of Oil Equivalent
New Zealand				
Maari	0.55			0.55
Kupe	0.29	9.91	43.60	2.26
Indonesia				
Sampang PSC	0.02	6.58		1.09
Total	**0.86**	**16.49**	**43.60**	**3.91**



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.

Reserves Compliance Statements

Oil and gas reserves, and contingent and prospective resources, are reported as at 30 June 2020 and follow the SPE PRMS Guidelines (2018).

The Kupe reserves estimate is based on approximately ten years of production data, the results of the wireline intervention campaign conducted in 2H FY20, reprocessing of seismic data, analytical and numerical analysis methods and deterministic reservoir simulation models provided by the field operator, Beach Energy.

The Maari and Sampang reserves report is based on information provided by Cue Energy Resources. Maari is 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. The oil price assumptions are based on the Bloomberg broker consensus mean (excluding forecasts less than 90 days old), followed by a flat real price, 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 $7/gigajoule, real terms, is assumed for gas sales and LPG prices are linked to the 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. Tables combining reserves have been done arithmetically and some differences may be present 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 with this and other information supplied at scheduled technical committee meetings.

Sustainability, social responsibility and climate change report

New Zealand Oil & Gas Compass & Values

WHO WE ARE

We are a New Zealand oil and gas business with a global outlook. We are ethical, values-based, and nimble.

WHERE WE ARE GOING

We are creating a lean, Wellington-based exploration and production business, managing a portfolio of oil and gas assets, mostly as a non-operated partner in production that has development upside, and exploration that fits our asset base, in markets where our expertise can add value.

HOW WE WILL GET THERE

We use our technical capability, relationships, values, shareholder support and flexibility to create opportunities, execute reliably and in a way that makes us proud so that high quality people want to work with us.

OUR VALUES

Respect

- We operate safely without harm to people or environment
- We display respect and understanding for other people, opinions and cultures
- We respect the values, laws and tikanga of the places where we work
- We are reliable. We do what we say we will do

Collaboration & Communication

- We listen, we are open, honest and transparent
- We collaborate actively
- We provide constructive feedback and accept feedback graciously
- We put big issues on the table so they can be resolved

People & Passion

- We are inclusive
- We encourage, care for, and motivate each other
- We actively seek out and deliver ways to pitch in or help
- We have fun and work with passion

Commercial Focus

- We are flexible and nimble
- We work with initiative and imagination
- We develop mutually beneficial relationships with key stakeholders and partners
- Our technical competencies are a source of advantage that we continually seek to improve

Sustainability Framework 2020 – 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.

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 INPUTS

OUR MAGIC

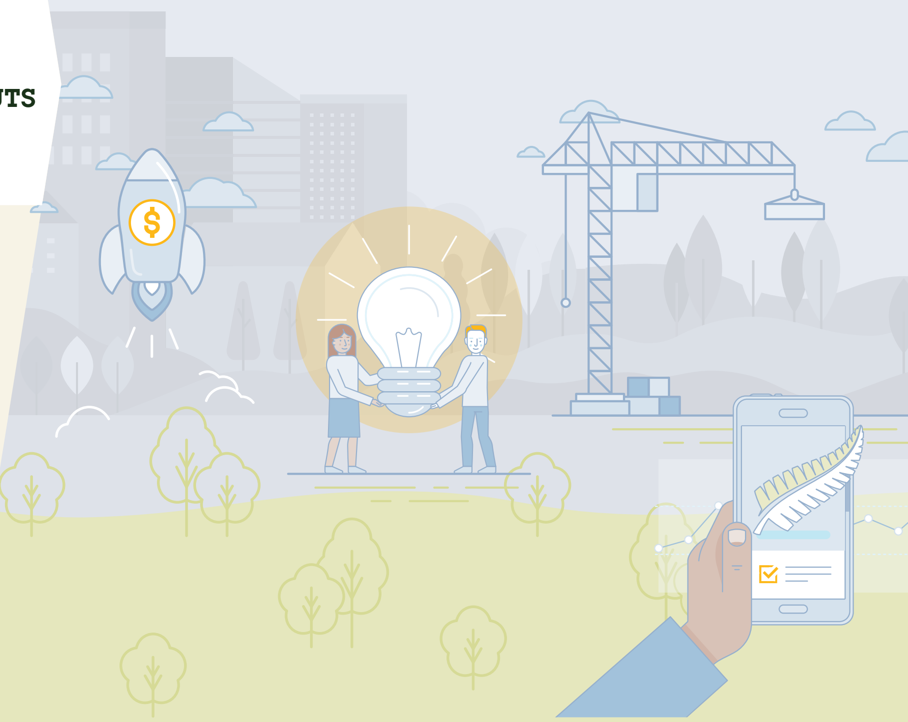
Bringing En

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

$37.4 **million** revenue

2,214 **TJ** of **NATURAL GAS**

146,000 **barrels** of **oil**

ergy

safe & responsible way

People & Passion

Commercial Focus

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

VALUE THROUGH OUTCOMES

$40,000 for **COMMUNITY PROJECTS**

3,564 **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

Local environments and communities are strengthened through open engagement and contributions particularly relating to science education, energy efficiency 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

Materiality

How Materiality was Determined.

We sought feedback from a range of stakeholders to identify our material issues.

COMMUNITY PANELS

Our Southern Community Panels members are drawn from a cross-section of the southern community where we have an interest in two offshore permits and bring perspectives from their networks to the table. No work is progressing in those permits, but we discussed our activities and current issues with Panel members to gain an understanding of community perspectives.

INVESTORS

Our board conducted a listening tour with larger shareholders during the year.

STAFF

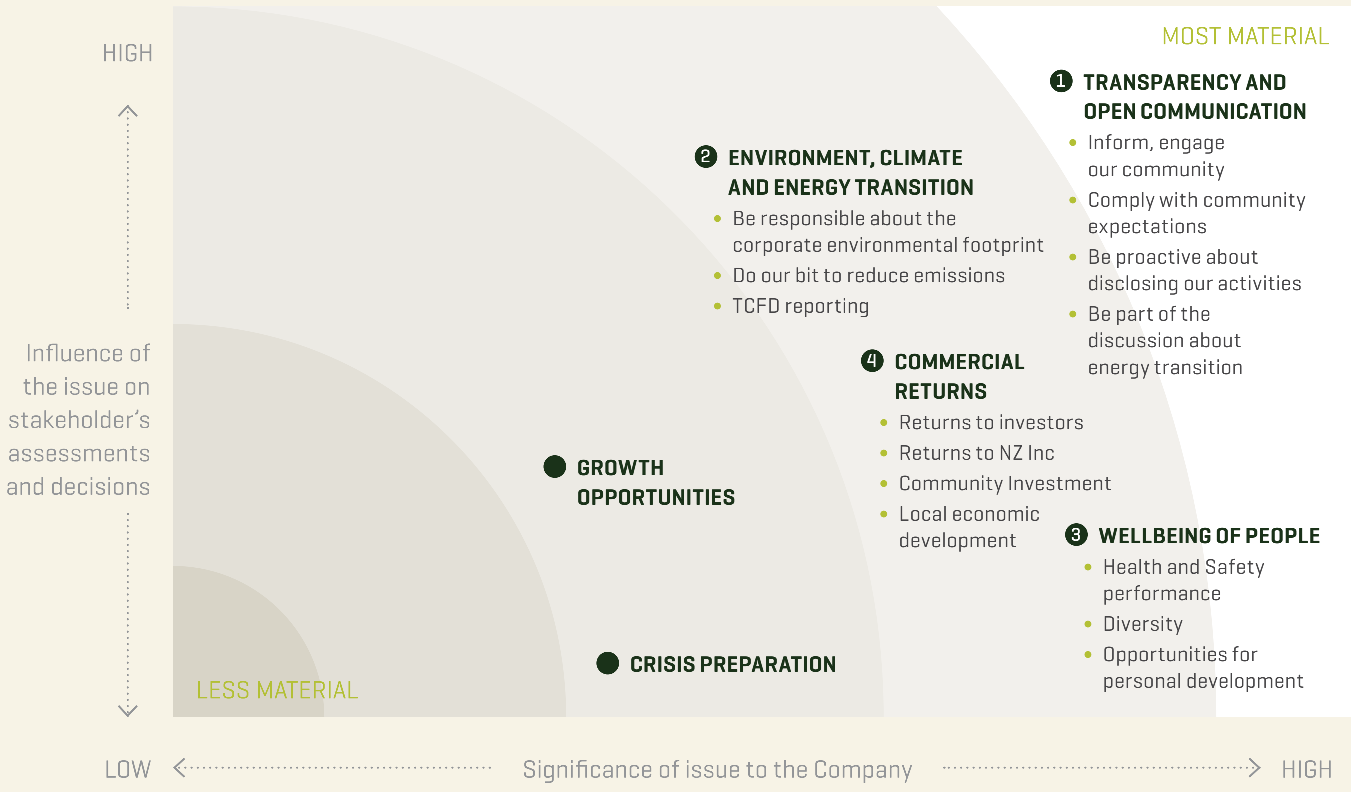
The Company surveyed staff to measure engagement and attitudes to key issues, including sustainability.

STAKEHOLDERS

We considered feedback received from industry groups, officials, business representatives at national and regional level, and community groups. We participated in industry and business interactions with government and political leaders. We also have signed relationship agreements with a range of community organisations and we periodically meet them to determine key issues.

For this report we provide more detailed responses to the top four material issues: Transparency and open communication; Environment, climate and energy transition; Wellbeing of People; Commercial opportunities.

Materiality Matrix



1

Transparency And Open Communication

- Inform, engage our community
- Comply with community expectations
- Be proactive about disclosing our activities
- Be part of the discussion about energy transition.

Informing and engaging

We are proud of our activities and how we go about them, and we invest in open dialogue and relationships. We understand communities where we are active legitimately want to know what impacts our activities have, what steps we take to manage risk, and how the benefits will be felt.

Our activities in New Zealand are currently limited. In the South Island, no further progress is being made on two deepwater permits there, but we keep in touch with community interests there, including through our Community Panel. We have formalised relationship agreements with many community interests. These agreements commit us to respectful engagement and to learning from each other. In addition, we engage directly and early with iwi, with mana whenua and mana moana, in our common areas of interest as they arise.

We report openly on all of our activities, both to investors and to the wider community, and we seek opportunities to keep the industry, investors and the public informed.

We participate in discussions about energy transition in business and industry forums, as well as directly with government and political parties at ministerial and officials levels. We make submissions on relevant legislation and policy. We are members of reputable national business representative groups such as Business New Zealand and PEPANZ. We pay for research and analysis on transition issues. All of our advocacy documents are published on our website.

2

Environment, Climate and Energy Transition

- Be responsible about the corporate environmental footprint
- Do our bit to reduce emissions
- TCFD reporting

See our TCFD report on Page 27 for detailed reporting.

In summary: We support carbon budgets and emissions pricing as the most efficient and effective tools to manage carbon emissions. In our view, an economy-wide response to the global issue of climate is more effective than enterprise-level response, but we are responsible about our own carbon footprint, supporting initiatives such as recycling in our head office. The Company has reduced or offset our emissions from corporate travel and certain other office-related activities at our corporate HQ. We have participated in a carbon-reducing tree planting programme to offset our head office emissions.

In this year’s annual report, we have responded to shareholder and community expectations of comprehensive TCFD reporting, and we have arranged training for executive management in TCFD compliance.

We are committed to responsible management practices that minimise adverse environmental impacts from our activities, using soundly-based science as the basis for all our environmental decisions.

Excellence in environmental performance is essential to our business success. We comply with all applicable environmental laws and regulations and good practice industry standards. We apply reasonable standards where regulatory legislative requirements and standards do not exist. We work to minimise pollution and the cumulative environmental impact of our activities at a local, regional and global level, and try to reduce waste and improve resource use.

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

3

Wellbeing of People

— Health and Safety performance

— Diversity

— Opportunities for personal development

Well-being of people regularly features higher in internal materiality surveys than in feedback from outside. Nevertheless, we make safe operating and the health of our workforce our top priority.

Staff incentives are linked directly to corporate health and safety performance. Health and safety reporting includes both our own sites, and non-operated sites where we have an interest, and our supplier code sets out requirements for companies that do business with us. Performance is monitored daily and reported through to an HSE weekly meeting, as well as to weekly executive management meetings. The ORS committee reviews performance and policies and reports on performance to the board.

During the pandemic lockdown, we quickly implemented initiatives to keep people safe. Our corporate office adjusted successfully to working from home. On returning to the office we adopted bespoke protocols complying with the guidelines for each alert level that involved social distancing measures, hand sanitising, and travel restrictions. We have had no exposure to Covid-19. The Kupe production station maintained operations through lockdown as an essential service, and had no incidences.

We have a diversity committee focused on improving diversity in our workplace. We have achieved a Rainbow Tick, diversity initiatives are reported at all staff meetings, staff attitudes to diversity initiatives are surveyed, and we regularly engage in cultural activities that are meaningful to our staff.

We invest in the development of all our staff. Certain training activities were cancelled or postponed because of the pandemic this year, however some were able to proceed online or re-scheduled. Regular coaching and training opportunities continue to be provided across the business.

4

Commercial returns

- — Returns to investors
- — Returns to NZ Inc
- — Community Investment
- — Local economic development

Returns to investors are set out in the financial statement in this report, from page 84.

Our social investment is guided by our community, following recommendations by our Community Panel. We ask for advice about high priority projects, and we report publicly on our performance in meeting the Panel's expectations.

Through our social investment we live our values as good partners, committed to enduring relationships with our neighbours and wider community. We make social investments that make a sustainable difference. Unlike some companies, we don't do social investment as marketing in disguise.

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

- The Cosy Homes Trust
- Dunedin Curtain Bank
- School Science Fairs.

We report in more detail about our community investment on pages 24–25.

The best investment we can make in the community is economic activity. The upstream oil and gas sector contributes over $2.5 billion to New Zealand's Gross Domestic Product (GDP), the Government collects approximately $500 million in royalties and income tax from the sector annually, and oil exports are worth approximately $1.5 billion a year. Oil and gas workers earn twice the national average salary and create seven times the average value earned per year, money that is spent in local communities.

The Company adopted a policy on Capturing Local Economic Benefits in response to an earlier materiality survey.

The policy commits us to promoting local content and capturing local benefits. We commit to studying opportunities for the wider community to participate commercially in our projects, and to producing a local content plan for significant developments. We also believe our expertise in areas such as health & safety and international business processes can help local enterprise compete on a commercial basis.

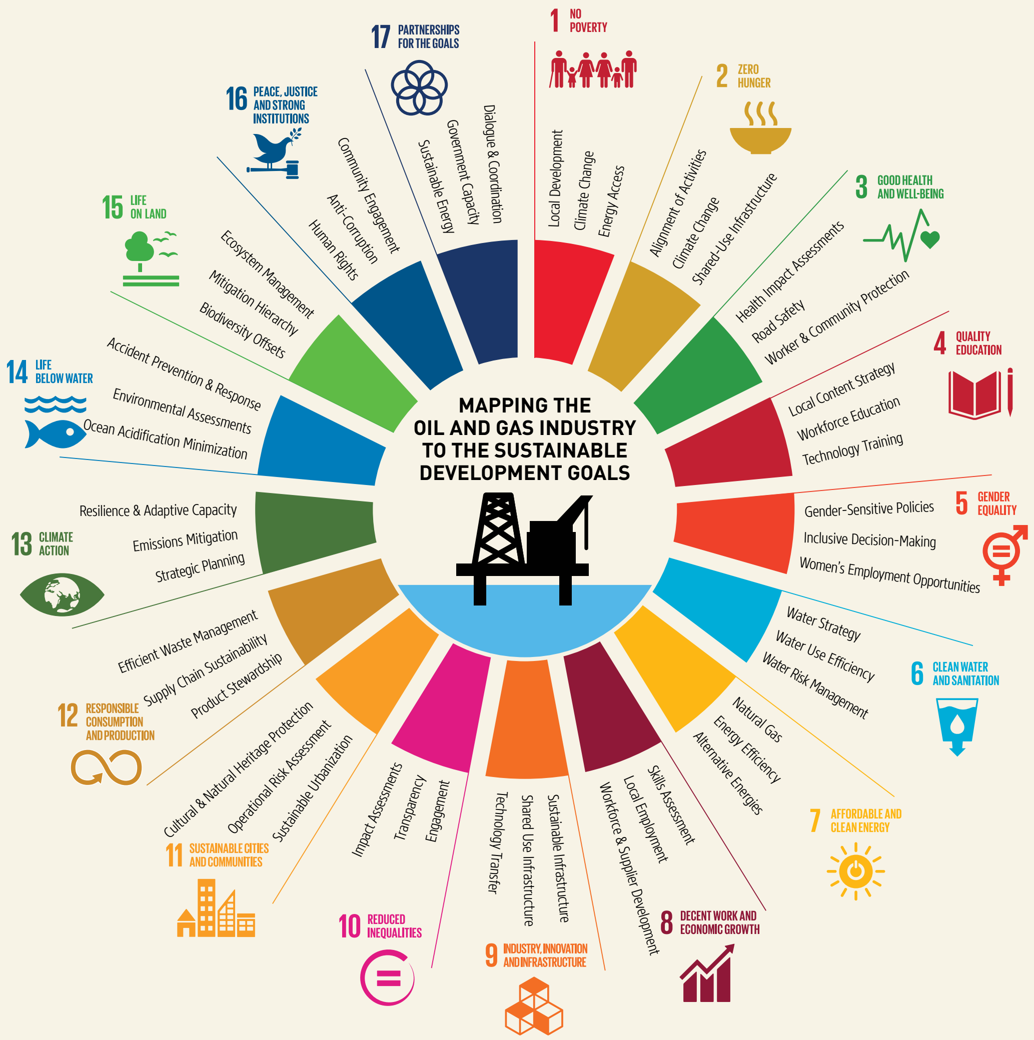
We want to find ways to improve entry to our industry for people from diverse backgrounds, including women, and people from cultural and social backgrounds that are under represented in the industry.

Sustainable Development Goals

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

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

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



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

Development Goal	Initiatives by New Zealand Oil & Gas	More Information
1 NO POVERTY	The taxes and royalties we pay help the government fund essential social services. Natural gas helps to keep energy costs affordable, and produces less carbon than many alternatives in the global energy system	Pages 84–112
2 ZERO HUNGER	Affordable energy security is a crucial part of New Zealand's agricultural exports to the world	Pages 6–11
3 GOOD HEALTH AND WELL-BEING	Support for warm homes. Employee health and well-being checks, safety focus	Pages 20, 24–25, 65, 76 www.nzog.com/dmsdocument/492
4 QUALITY EDUCATION	Support for primary and tertiary Science Fairs in Otago and Southland. Working with O.G. Oil & Gas to deliver scholarships and support industry research in 2019.	www.nzog.com/our-story/communities/nzog-scholarships/the-eyal-and-marilyn-ofer-family-foundation-scholarship-program/
5 GENDER EQUALITY	Inclusive decision making through community engagement. Diversity Policy, family-friendly and flexible work place focus. Seeking Rainbow Tick	Pages 58–59
7 AFFORDABLE AND CLEAN ENERGY	Commercial opportunities to help deliver energy to meet societies changing needs	Pages 28–31
8 DECENT WORK AND ECONOMIC GROWTH	Our values - Ethics and Transparency Capturing Local Economic Content Policy	Pages 14–15 www.nzog.com/dmsdocument/486
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Socially responsible production Advocate for regulatory change to support a price on carbon and carbon capture and storage	Pages 12–47
13 CLIMATE ACTION	Support for a price on carbon TCFD reporting Corporate office emissions reductions and offsets	Page 38 Pages 27–47 Pages 44–46
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Our values - Ethics and Transparency Corporate Governance Materiality Matrix and Stakeholder engagement	Pages 14–15 Pages 48–81 Page 18
17 PARTNERSHIPS FOR THE GOALS	Promote industry sustainability reporting, and industry use of SDGs and IPIECA material	This page and section from page 18

Supporting Our Community

Southland Warm Homes Trust

$70,000

over past four years towards insulating

150+ houses

Dunedin Curtain Bank

$10,000

to date, and

$40,000

more over the next 2 years

Southern Wildlife Hospital

$10,000

Dog Island Motu Piu Trust

$10,000

Support for annual

Science fairs

in Dunedin and Invercargill

We funded the planting of

3,564 trees

Warmer homes through

Curtains in Dunedin

The Dunedin Curtain Bank up-cycles unwanted and unused curtains, lines them, and distributes them to those in need in our community.

Curtains make a significant difference to the warmth of a home. A third of all heat loss in an uninsulated home occurs through windows.

Over 7 years Dunedin Curtain Bank has given out 3,000 pairs of curtains. Last year it provided more than 450 pairs of curtains throughout Dunedin and its greater area.

On the recommendation of the Southern Community Panel, New Zealand Oil & Gas proudly supported the curtain bank with a grant of $10,000 with another $40,000 committed over the next two years.

Warmer homes through

Cosy Homes Trusts

Many New Zealanders are living in cold, damp houses and experience associated health issues.

Since 2015 New Zealand Oil & Gas has been helping South Island warm homes trusts, after a recommendation from our Southern Community Panel.

The trusts are delivering more energy efficient homes and healthier living environments.

Our support was matched by the Energy Efficiency and Conservation Authority (EECA) and other third-party funding to provide insulation for over 150 homes across Otago and Southland.

Supporting science education through

School Science Fairs

Since 2016 New Zealand Oil & Gas has supported southern science fairs to help students understand more about earth science, energy efficiency, Mātauranga Māori, marine science, and much more.

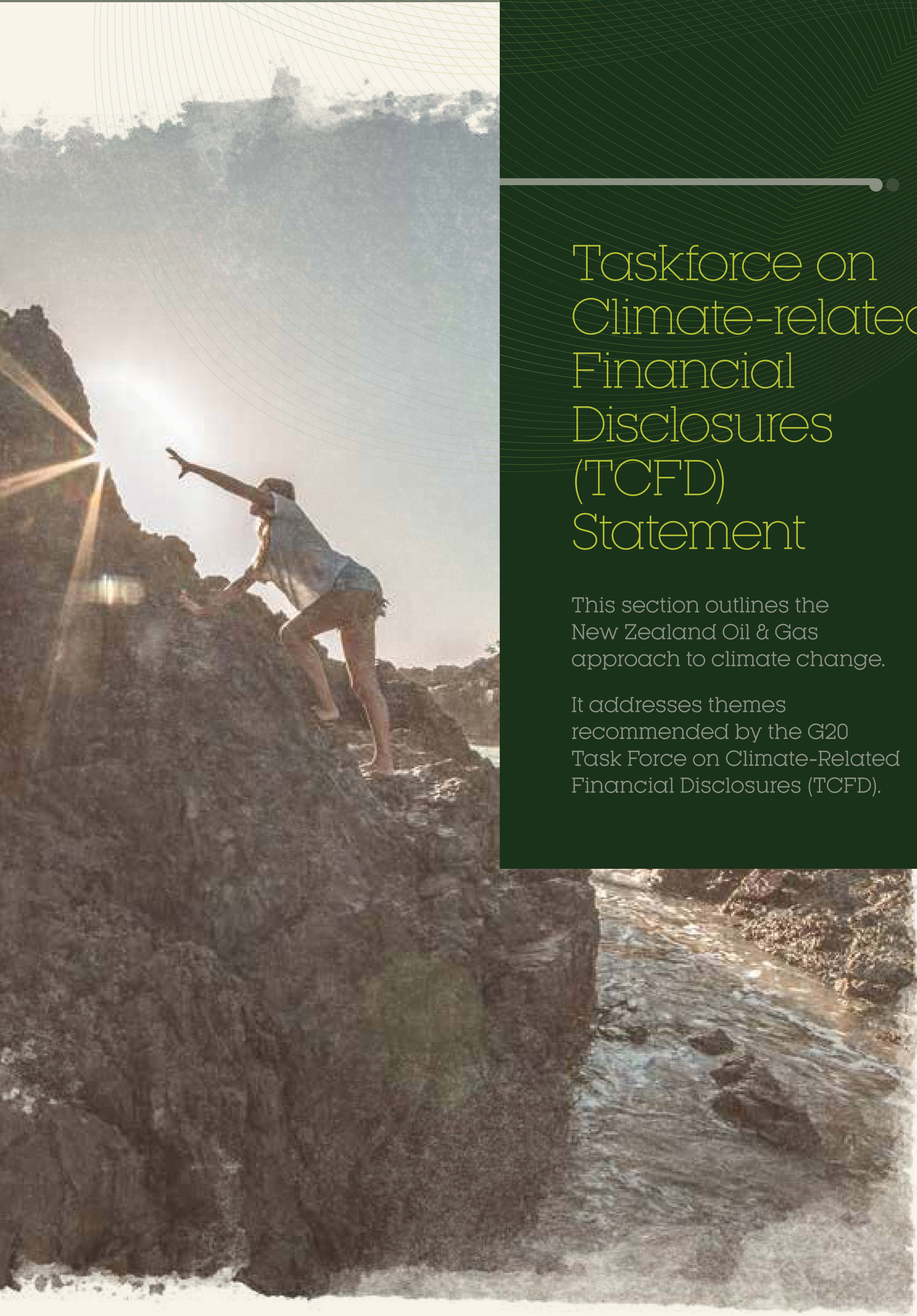
Recognition for our staff

New Zealand Oil & Gas congratulates Paris Bree, New Zealand young in-house lawyer of the year.

New Zealand Oil & Gas General Counsel Paris Bree was recognised at the 2019 New Zealand Law Awards for New Zealand Young In-House Lawyer of the Year.

In a busy year of achievement, her work included pulling together the complex Ironbark joint venture. Supporting her nomination, Nick Baker, from leading Australian firm Herbert Smith Freehills, said: “The transaction involved a number of complex features and counter-parties working across jurisdictions (including two ASX-listed companies and UK-based BP, one of the world’s energy super-majors). Paris Bree led the legal work and significant components of the commercial negotiations. Her strong understanding of commercial drivers, knowledge of the full range of material issues, and her ability to negotiate delicate and intricate issues with multiple counter-parties set her apart. In our view Paris rates among the best in- house lawyers we deal with at any age and stage of their careers.”

All this, and much more, was accomplished while taking time out from parental leave with her baby, then aged seven months.



Taskforce on Climate-related Financial Disclosures (TCFD) Statement

This section outlines the New Zealand Oil & Gas approach to climate change.

It addresses themes recommended by the G20 Task Force on Climate-Related Financial Disclosures (TCFD).

Statement from the managing director on TCFD and sustainability

New Zealand Oil & Gas is guided in everything we do by our values. We believe we can help to meet New Zealand's energy needs and run our business in a responsible, ethical way.

We are proud to set a standard for our industry among smaller cap companies, responding to climate challenges, and working on relationships in our community to develop our energy needs for the future.

This report sets out our progress.

In 2019 we completed a review of Taskforce on Climate related Financial Disclosures (TCFD) recommendations. As result, we have made changes to our governance approach to climate-related risks and opportunities. These changes have resulted in key climate risks and opportunities being considered in a structured way. We now provide for review at board-level through the board Operational Risk and Sustainability Committee (ORS).

Specific changes made as a result of this review include:

- Staff regularly consider climate issues in monthly HSSE meetings;
- Climate risk and opportunities are a standing item on the ORS Committee agenda;
- Executive management received TCFD specific training
- Changes were made to the corporate risk register to more clearly identify climate-related risk.
- We made reporting more transparent by changing to follow the TCFD structure where applicable.

The changes are outlined in more detail below following the TCFD structure: Governance, Strategy, Risk Management and Metrics and Targets. The structure is set out in the accompanying table.

New Zealand Oil & Gas accepts the science of climate change, and the role we have in helping to reduce global emissions. The world needs us to reduce the emission of carbon dioxide and methane from human activity.

In our own operations, we are taking steps to reduce our environmental footprint, but there is limited difference we can make. Direct emissions are produced from our small head office in Wellington, where we have reduced our carbon footprint, and we paid for 3,564 trees to be planted - enough to remove about 811 tonnes of carbon.

The broader challenge is around emissions from production of oil and gas, and use of the products themselves. The division between our use, and use by others are known in climate policy as Scope 1, 2 and 3 emissions. We can affect our Scope 1 emissions; we have less influence over ultimate uses, and less visibility over whether emissions are offset by the consumer and which alternative fuels are displaced. For example, gas exported to Asia as methanol may substitute for coal in the manufacture of petrochemicals or electricity generation, or it might be purchased because it provides cheaper baseload than a renewable alternative. Some of our production is re-sold in international markets, which sets a boundary to emissions reporting in this document.

We are pleased to set out in this section of our annual report the targets we adopted this year for climate-related performance and our performance metrics.

Our review of climate risk indicated that relevant risks were already carefully considered as part of our previous risk management framework. For example, risks of increasingly severe and frequent weather events are routinely considered in asset management risk plans. Risks of long term changes in demand and prices, access to investment capital and risks of regulatory responses to climate, have long been a standard feature of sensitivity testing in our economic models. However, as a result of the TCFD process, we have explicitly identified these risks as climate-related.

Caution is needed in giving undue weight to specific causes of risk.
A couple of examples

— A pandemic was a predictable (and predicted) event, even if the particular covid-19 outbreak was not. The resulting general impact on demand is predictable as well. However, unlike climate-related risk, there is no clamour to highlight health-related risks within our risk reporting.

— As there is no feasible path to transition without gas substituting for coal in global energy systems, this strategy offsets financial risk, if any, from disinvestment in the sector.

We weigh risks methodically, and we caution readers that the introduction of a special section emphasising climate-related risk in this report reflects regulatory trends more than changes in the underlying weighting of particular categories of risk for our Company.

We have responded to climate risk also by supporting our industry and business groups to promote economically efficient carbon trading because a trading scheme is the fairest, most effective and responsible policy for reducing carbon emissions.

In forecasting demand, we have been guided by International Energy Agency reports, which find the demand for natural gas is growing and will reach a market share of about a quarter of all global energy demand.

Natural gas and LNG are crucial to reducing carbon emissions. Emerging economies are looking to substitute lower carbon alternatives like natural gas for higher emission coal. To illustrate: If we can locate more natural gas at Ironbark in Western Australia later this year, and develop a discovery, we may be able to export LNG into Asian markets. Experts believe Australian LNG exports could reduce global emissions of CO^2 by up to 300 million tonnes a year. That's three times as much as Australia's annual emissions reduction target under the Paris Agreement. A big natural gas discovery could materially reduce global carbon emissions.

Natural gas is the best form of thermal back up for renewables - renewable energy systems literally cannot meet modern energy needs without them.

Just as importantly, plants such as Kupe in south Taranaki, New Zealand, produce natural gas as ethically as just about anywhere on Earth. Labour standards and environmental performance compare favourably to third world coal mines, or the world's lithium and cobalt sources (key ingredients in batteries).

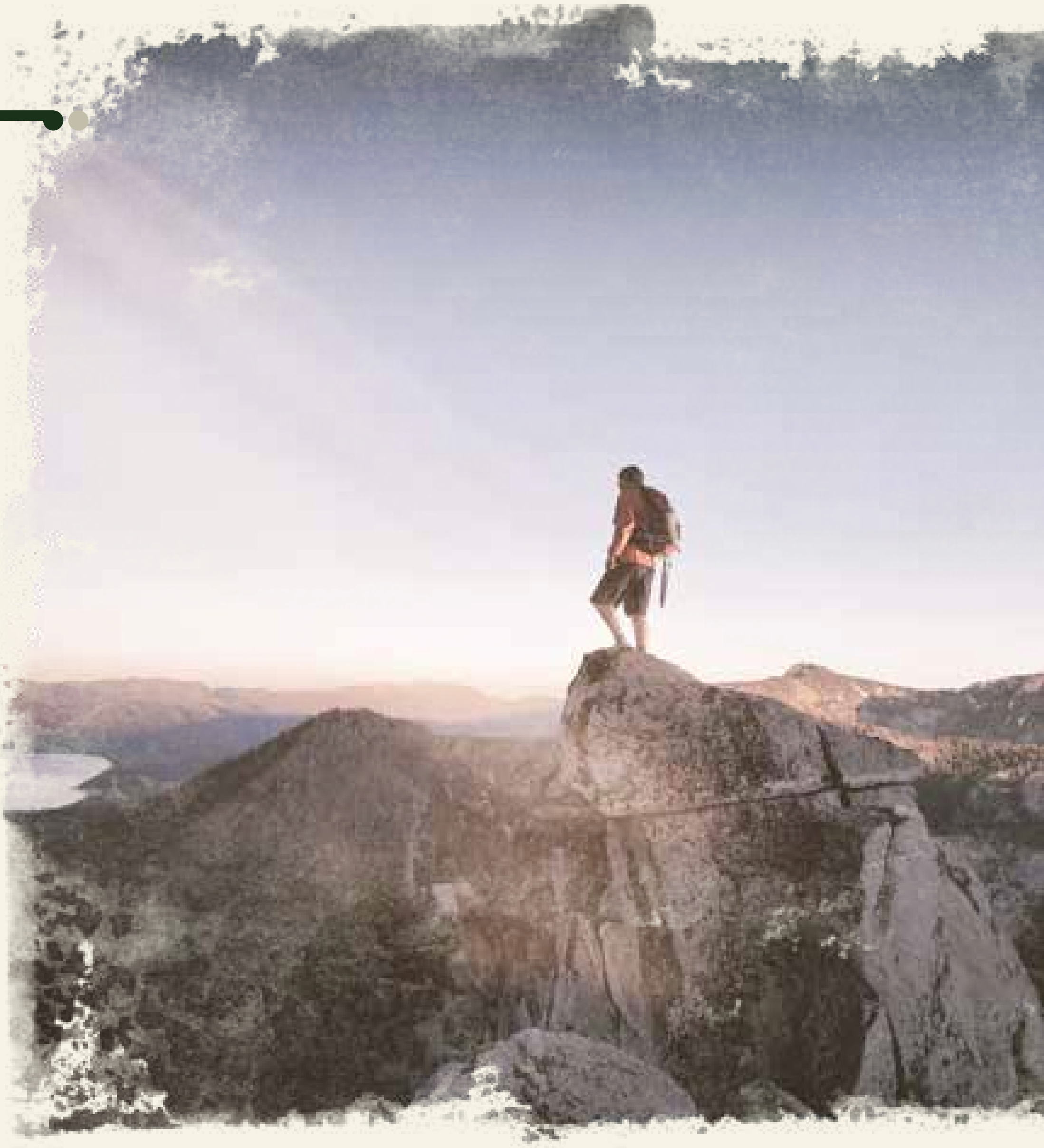
Unlike some of the oil that comes from the world's largest producing jurisdictions, revenues from Kupe do not fund terrorism, criminal enterprises or political corruption. We pay our taxes and we observe the rules and laws of the places we work.

Our activities help to make the world a better place. We do our work by a set of values that make us proud, and which contribute to a healthier, wealthier, more sustainable world. I am pleased to commend our activities to you and set out our approach below.

Andrew Jefferies
Chief Executive

Executive Summary

TCFD report



Our Climate Commitment

We recognise that climate change is a significant issue affecting society, which demands a transition to a low-carbon economy, global political collaboration and citizen action.

We believe that we help the world move towards a low-carbon economy by being part of the energy mix that is required to deliver secure, reliable, sustainable and affordable energy.

We recognise and support global efforts to reduce climate change through clear and meaningful policy and market settings.

Our Climate Change policy

</> www.nzog.com/dmsdocument/493

Our Action

WE WILL

Actively identify, manage and mitigate material climate risk to our business, and report our governance, strategy, risk management and targets and metrics transparently

Meet the carbon reporting requirements of the regions we operate in

Actively promote the benefits of gas as a lower-emitting transition fuel that supports energy reliability and affordability, and is a strong companion for the uptake of renewables

Actively review and implement opportunities to reduce the carbon impact of our own operations

Support our joint venture partners to look for and implement low carbon solutions

Respond meaningfully to stakeholder views and expectations around climate change as it pertains to our activities

WHAT WE HAVE DONE

Aligned risk management processes, governance and reporting with Taskforce for Climate Financial Disclosures framework. Include TCFD statements in Sustainability/ Annual Report

Commenced analysis of an internal price on carbon to inform TCFD risk and commercial decisions

Developed and adopted a climate policy

We planted 3,564 trees to offset our Scope 1 emissions

Governance

Disclose the organisation's governance around climate-related risks and opportunities.

Recommended Disclosures

A Describe the board's oversight of climate-related risks and opportunities.

B Describe management's role in assessing and managing climate-related risks and opportunities.

See our response **pages 36—37**

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

Recommended Disclosures

A Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

B Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning.

C Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Our responses **pages 38—40**

Risk Management

Disclose how the organisation identifies, assesses, and manages climate-related risks.

Recommended Disclosures

- A Describe the organisation's processes for identifying and assessing climate-related risks.
- B Describe the organisation's processes for managing climate-related risks.
- C Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

See **pages 41—43** →

Metrics & Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunitieswhere such information is material.

Recommended Disclosures

- A Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
- B Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
- C Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Pages 44—47 →

Governance

Climate risks are understood and managed.

Ultimately, the board has responsibility for reviewing all risks, including climate-related risk and opportunities, and ensuring these are appropriately managed to support delivery of our business strategy. The board's charter requires it to:

"Understand the material risks faced by the Company and ensure the Company has appropriate risk management strategies and control measures in place and is actively managing these."

The process for considering risks is set out in the risk management system framework. The framework aligns with International Standard ISO 31000 Risk Management - Principles and Guidelines and meets the requirements of the ASX Corporate Governance Principles and Recommendations, Principle 7: Recognise and Manage Risk.

This governance process is outlined in the graphic below.

BOARD OF DIRECTORS

- Board Charter
- New Zealand Oil & Gas Risk Management System
- ISO 31000 Risk Management
- NZX Listing Rules and Corporate Governance Code eg. principle 6 - Risk Management
- ASX Corporate Goverance Principles eg. 7 Recognise and Manage Risk
- Reviews Risk analysis received from ORSC and adjusts strategy accordingly

BOARD OPERATIONAL RISK AND SUSTAINABILITY COMMITTEE (ORS)

- Reviews risks annually including changes derived from Risk Owners and the management team
- Reports risk and opportunites to board

MANAGEMENT TEAM

- Regularly to review risks and update Risk Register
- Report Risk Register to ORS Committee

STAFF HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

- Meets weekly and monthly to identify and review HSE incidents (actual or potential) and where appropriate, feed these into the Risk Register

The board Operational Risk and Sustainability Committee monitors risk and reviews the Company's policies, including its response to climate change, and climate-related risk.

A series of formal policies and risk management processes relate to climate issues, including the climate change policy, environment policy, risk management framework and sustainability framework.

The Company's risk register assesses climate impacts, both as stand alone risks, and as risks embedded in individual management plans. For example, asset management plans assess risks of increased severe weather impacts and coastal erosion effects that are forecast effects of climate change.

As outlined here, the Company adopted specific measurable targets in support of climate policy. These include:

- Making climate risks that were implicit in the risk register identifiable as climate-related risks.
- Assessing the Company's emissions and purchasing trees that offset carbon emitted by the Company's activities.
- Emphasising natural gas and LPG in its strategy. As gas emits much less carbon than coal, the IEA and other forecasters expect robust demand for gas for decades.

Management is responsible for identifying, assessing and managing risk and reporting this to the board through the ORS committee. Management risk owners continuously identify and manage risks. Management reviews the corporate risk framework including the risk register, regularly. The ORS committee receives a report on updates to the register.

The Company Health, Safety and Environment committee meets weekly and more formally monthly to identify and review actual or potential HSE incidents, including those at partner operated facilities. These reviews are integrated into the risk register, where appropriate. Climate-related risks may be raised in these processes.

Members of the Management Team, including the Chief Financial Officer and General Counsel undertook TCFD training in 2019.

At an operational level, responsibility for day-to-day oversight of climate risk and opportunity (including managing climate objectives and targets that sit within the Sustainability Framework), rests with the General Counsel.

All corporate charters and policies are available in the corporate governance section of the Company's website.

The Operational Risk and Sustainability Committee charter

</> www.nzog.com/dmsdocument/370

Environment policy

</> www.nzog.com/dmsdocument/491

The risk management system framework

</> www.nzog.com/dmsdocument/1-risk-management-procedure

Checklist

Recommendation	✔ I ✗	Explanation of non-compliance
Disclose the organisation's governance around climate-related risks and opportunities	✔	
Describe the board's oversight of climate related risks and opportunities	✔	
Describe management's role in assessing and managing climate-related risks and opportunities	✔	

Strategy

Low carbon opportunity for the Company.

The TCFD requires a description of climate-related risks and opportunities that the organisation has identified over the short, medium and long term, and a description of the impact of these risks on businesses, strategy and financial planning;

The relevant risks are shown in the table below, on Pages 42–43.

The main strategic impact of the risks and opportunities identified is that the Company has a preference for natural gas in its strategic planning processes. There is consensus across reputable modelling and projections, including the well-regarded World Energy Outlook produced by the International Energy Agency (IEA), that global energy demand will increase by a quarter to a third over the next 20 years. This demand will be met by renewables increasing quickly, along with a slower, but still increasing, supply of gas in the global energy supply.

The IEA World Energy Outlook projects more than two-thirds of global oil and gas imports will flow to Asia by 2040. The market for natural gas exported from New Zealand or Australia would be expected to be Asia. Imports of gas into China, India, Japan and South Korea will replace coal-fuelled electricity, or coal used to create methanol. A large gap in energy supply for Asia will not be filled with renewables, even with massive growth expected in renewable energy. Natural gas is therefore likely to avoid an expansion of coal use, which would be likely in the absence of natural gas availability.

This opportunity is a strategic focus for the Company. We anticipate increasing regulation, a higher price on carbon, and other limits to emissions and incentives for renewable energy uptake.

In anticipation of higher carbon prices, the Company is looking at these measures:

1. Applying a shadow carbon price to understand the potential impact of a carbon charge; and
2. The application of an internal levy to fund carbon mitigation projects

Initial investigation of a shadow carbon price appears to offer little analytical advantage, as price sensitivity is already a fundamental feature of the Company's economic models.

Some carbon mitigation is underway. The Company is offsetting its own travel emissions and some other office-related emissions. Few efficient policy mechanisms exist for offsetting Scope 3 emissions, which are emissions of carbon from use of the oil and gas that the Company sells. As carbon prices are applied to production of hydrocarbons (or to the import of oil in destination markets), further emissions offsets would double count the emissions impact.

Resilience of the organisation's strategy in different climate related scenarios.

The TCFD requires a description of the resilience of the Company's strategy, taking into consideration different climate related scenarios including a 2°C or lower scenario.

The Company keeps up to date with the International Energy Agency's World Energy Outlook, and models produced by other industry leaders such as the BP Energy Outlook. To further support our modelling assumptions, we seek information from our JV partners and potential commercial opportunities relating to management of climate change risk, including scenario analysis where undertaken, following the structure of TCFD. This investigation should alert us to climate change risk and opportunities across the jurisdictions we are active in.

Domestically, the Company applies analysis from the Business Energy Council of New Zealand's energy outlook scenarios.

Sensitivity testing is applied by checking outlooks against the IEA 'sustainable energy' scenario. In that model, policy mechanisms would be sufficient to reduce carbon emissions to a point where temperature increases would be limited to 1.5 degrees above long term natural averages]. It states:

> *The Sustainable Development Scenario maps out a way to meet sustainable energy goals in full, requiring rapid and widespread changes across all parts of the energy system. This scenario charts a path fully aligned with the Paris Agreement by holding the rise in global temperatures to "well below 2°C … and pursuing efforts to limit [it] to 1.5°C", and meets objectives related to universal energy access and cleaner air. The breadth of the world's energy needs means that there are no simple or single solutions. Sharp emission cuts are achieved across the board thanks to multiple fuels and technologies providing efficient and cost-effective energy services for all.*
>
> …
>
> *In the Sustainable Development Scenario, natural gas consumption increases over the next decade at an annual average rate of 0.9% before reaching a high point by the end of the 2020s. After this, accelerated deployment of renewables and energy efficiency measures, together with a pickup in production of biomethane and later of hydrogen, begins to reduce consumption.*
>
> *By 2040, natural gas demand in advanced economies is lower than current levels in all sectors apart from transport, where demand remains broadly similar to the level reached in the Stated Policies Scenario. In developing economies, gas growth in the power sector rises to 2030 but falls back due to a growing share of renewables, while growth in industrial demand is half the level of the Stated Policies Scenario. Although absolute consumption falls, natural gas gains market share at the expense of both coal and oil in sectors that are difficult to decarbonise, such as heavy-duty transport and the use of heat in industry. Even though natural gas-fired power generation declines, capacity grows compared with today as a consequence of the role of gas in providing power system flexibility.*

Future demand for gas exported from the Company's areas of interest is heavily dependent on likely future demand for LNG. The IEA comments:

> *Developing economies in Asia are the main engines of LNG growth, with the market share of LNG in total gas demand growing from 20% in 2018 to 40% by 2040. By 2040, the average gas molecule travels over 5 000 kilometres to reach consumers in developing Asian markets, nearly twice as far as today.*
>
> *There is significant uncertainty, however, as to the scale and the durability of demand for imported LNG. Emerging markets in Asia face higher costs for imports than for domestically produced gas. Even though spot gas prices fell to record lows in 2019 on the back of ample LNG supplies, over the long-term end-user prices generally seem set to rise.*

The World Energy Outlook

</> www.iea.org/reports/world-energy-outlook-2019

The Company's strategy, which focuses on natural gas, aligns with this modelling.

By delivering gas and condensate into Asian markets, the Company is helping provide security of supply and downward price pressure that is contributing to reduced use of coal, and the poorer health outcomes and higher emissions that go with coal.

Checklist

Recommendation	✔ ǀ ✗	Explanation of non-compliance
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.	✔	
Describe the climate related risks and opportunities the organisation has identified over the short, medium and long term.	✔	
Describe the impact of these risks on businesses, strategy and financial planning.	✔	
Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios including a 2°C or lower scenario.	✔	

Risk Management

An integrated and active risk management approach

The TCFD requires the Company to disclose how climate-related risks are identified, assessed, and managed, and how the processes for climate risk are integrated into wider risk management processes.

The Company's Risk Management System Framework applies consistent and comprehensive risk management practices.

Risks, including climate risks, are recorded in the central risk register, which considers the risks, reviews the controls, assigns ownership of a risk and tracks treatment plans. Risk assurance and oversight of climate risk management is provided through internal review by the board Operational Risk and Sustainability Committee. The full climate risks are considered as part of the normal risk management process. See the discussion under Governance, at page 36–37 in this section, and the discussion of the Risk Management System Framework in the corporate governance section on page 76.

Responsibility for identifying, documenting and managing risks and opportunities is delegated to the appropriate level of management. The General Counsel has responsibility for climate risk. Asset managers are responsbile for risks to individual assets, and the Chief Financial Officer has management responsibility for financial and investment risks associated with climate change.

Climate risks are identified on an ongoing basis. Consideration is given to industry and peer discussion, shareholder and community feedback, regulatory changes, and expertise of our own staff.

Primary risks to New Zealand Oil & Gas from climate change fall into the following broad categories: Policy and Legal, Physical (acute and chronic), Financial, Social/Political/Regulatory, and Technological. All these risks have potential financial and operational implications due to lost profitability and increased delays.

A summary of the main risks and mitigations, their time horizon (categorised as short, medium or long-term), and the strategy response to these is included in table on the following page.

The table uses the following time horizon categroies S short 0-5 years M medium 5-10 years L long 10+ years

Risk Type		Description	Time	Control
Non physical risks	**Policy and legal risks**	Litigation against companies and/or directors on climate grounds (claiming causation or seeking greater action to mitigate effects) could have reputational, development and operating cost impacts. Changing regulations including bans and restrictive regulations, taxes and emissions limits across all jurisdictions risk viability of projects	S M L	Robust internal processes. Ensure board and management understand their fiduciary duties around climate change risk. Update internal processes, including due diligence of commercial opportunities and joint venture processes to identify and manage climate risk. Monitor the jurisdictions where we undertake activities. Look to invest in a number of jurisdictions to mitigate changes to any individual regulatory environment. Actively participate in New Zealand's environmental regulation framework through our industry advocacy bodies PEPANZ, Business New Zealand and the Business Energy Council. Develop evidence for environmental business cases, including the role of natural gas in a net carbon-zero future.
	Reputational and social license risks	Increased stakeholder disengagement and oppositional activism. Loss of social license, leading to project delays or stoppages. Recruitment and retention risk. Risk of partner misalignment from divergent approaches to carbon management.	S M L	Strengthen corporate environmental performance through sustainability framework. Report value-add prominently, and engage skilled energy professionals in carbon response. Due diligence screening of commercial opportunities and joint venture processes to identify and manage climate risk.
	Financial risks	Divestment movement increases, affecting availability and cost of capital.	S M L	Consider whether an internal shadow price on carbon helps to mitigate carbon price changes, or affects investment decisions.
		Insurance premiums increase. Potential for classes of assets and locations to become uninsurable.	S M L	Seek to align with JV partner approaches to achieve consistency in analysis. Due diligence screening of commercial opportunities and joint venture processes to identify and manage climate risk.
		Capital cost increases if new environmental standards require more expensive supplies relative to alternatives).	M L	Undertake assurance relating to insurance forecasts.
		Carbon pricing adopted across jurisdictions, or inconsistently between them.	S M L	Have access to a range of funding options, including strong relationships with lending institutions, and access to liquid capital markets.
		Changes to price and cost forecasts result in stranded assets or reserves.	S M L	Robust reporting on ESG matters, including TCFD compliant reporting. Jurisdictional diversification to avoid impact of sudden, unilateral changes, confiscation or value destruction by regulation.

Risk Type		Description	Time	Control
Physical risks	Acute & Chronic	Physical assets, especially our coastally-located gas production plant, may be subject to increased frequency and intensity of extreme weather events such as storms, flooding, coastal inundation, lack of water availability, or slips. Offshore drilling and production delayed or shut in by increased weather events.	M L	Robust engineering for anticipated environmental conditions. Embedding internal procedures to ensure potential climate impacts are considered in development design. Carbon policy provides for review of climate issues in strategic and operational decisions. Examples include mitigation of operational emissions (flaring, fugitive emissions, use of renewable sources on site).
Opportunities	Commercial	Global reduction in high carbon sources such as coal is increasing demand for natural gas as a lower carbon partner to renewables.	S M L	Strategic preference for natural gas. Our role as non-operator but active JV partner presents opportunities to partner with and provide greater support for our joint venture partners in pursuing low carbon innovations on site, including addressing fugitive emissions. Review opportunity set to broaden exposure to lower emission possibilities, where New Zealand Oil & Gas has, or could realistically develop, competitive strengths. Further develop, evidence and communicate the environmental business case for gas displacing coal in Asia.
	Reputational	Partnering with local communities to support low carbon initiatives.	S M L	Maintain local relationships and discussions about contributing to socially desirable low carbon outcomes.

Checklist

Recommendation	✔ I ✗	Explanation of non-compliance
Disclose how the organisation identifies, assesses and manages climate-related risks	✔	
Describe the process for identifying and assessing climate risks.	✔	
Describe processes for managing climate risks.	✔	
Describe how processes for identifying, assessing and managing are integrated into overall risk management.	✔	

Metrics & Targets

Our targets reflect our current level of activity and the current size of the business

The TCFD requirement is to disclose the measures we use to assess climate-related risks and measure them, disclose emissions (by Scope 1,2 and 3), and describe the targets that we use to manage climate-related risk.

Risk management systems are described above.

Scope 1 emissions relate to New Zealand Oil & Gas-operated activities. Currently these include corporate office activities only.

Kupe emissions are included because they are material. Cue Energy emissions are the subject of Cue's reporting, and are not included in this statement.

Scope 2 emissions from power purchased for our head office are at such a low scale we consider a reduction target for this aspect would not be a meaningful use of resources. The Company intends to review an appropriate basis for an emissions targets if it commences significant exploration or other operational activity.

The Company has not reported **Scope 3** emissions.

However, air travel by our people prior to covid-19 was significant. Accordingly, we attempt to offset emissions from corporate air travel.

Read about tree planting carbon offsets

grow.treesthatcount.co.nz/funders/nzog#plantings

At reporting date

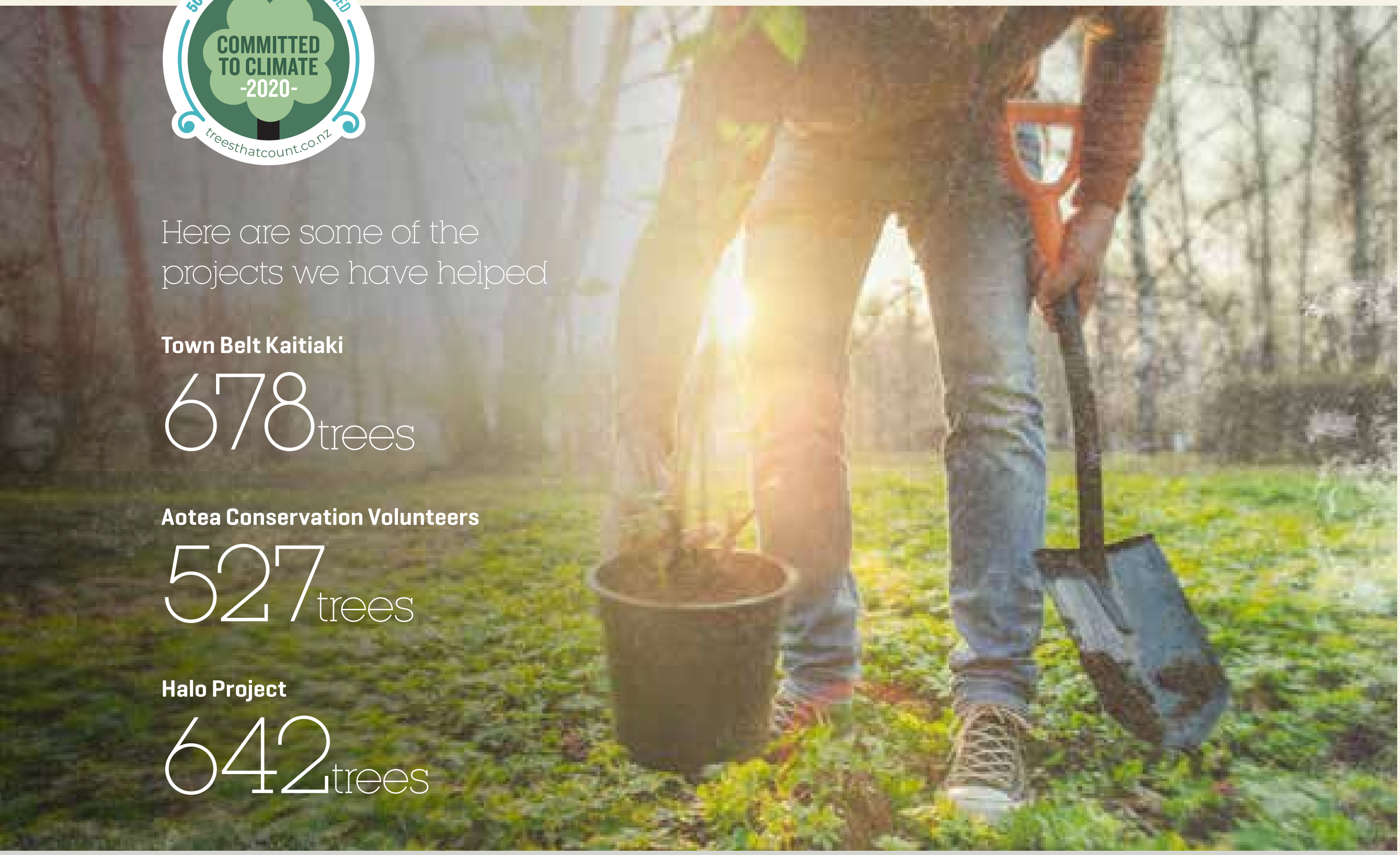
NEW ZEALAND OIL & GAS

TREES THAT COUNT
TE RAHI O TĀNE

funded **10** planters | to plant **3,564** trees

estimates **811** tonnes of carbon will be removed

The Trees That Count marketplace provides a place for all New Zealanders to fund or gift native trees. This support is matched with planters throughout the country who are restoring, and growing, precious wildlife corridors or pockets of native forest, turning small projects into mighty ones.



Here are some of the projects we have helped

Town Belt Kaitiaki

678 trees

Aotea Conservation Volunteers

527 trees

Halo Project

642 trees

Town Belt Kaitiaki is a long-term, student-led education programme currently involving 14 Dunedin schools and early childhood centres (over 5000 young people). The space they have adopted is the 204 ha Dunedin Town Belt. The aim is to engage, inspire and empower young people so that they can make an active difference in their local community right now. Schools are involved in planting, predator control and raising the profile of the Town Belt, a vision that was set by the Student Leadership Team that runs the programme.

Read more about this project

</> grow.treesthatcount.co.nz/planters/townbeltkaitiaki#funding

Aotea Conservation Volunteers are retired active senior suburban residents transforming reserves from weeds to natives near Porirua in Wellington.

Read more about this project

</> grow.treesthatcount.co.nz/planters/aoteaconservationvolunteers#funding

The **Halo Project**, administered by the Landscape Connections Trust (LCT), is an umbrella project for a range of community-driven conservation and environmentally focused initiatives. Some of these include a predator control program, healthy streams educational program, and the Forest Restoration Project (FRP).

The FRP aims to increase the quantity, quality and connectivity of forest in the coastal Otago landscape from North Dunedin through to Karitane by working with both private and public landowners. Current restoration sites are highly varied and include bare pastureland, coastal ngaio forest, dryland kowhai forest and mature podocarp forest, among others. By increasing the number, size and connectivity of forest fragments, we are aiming to provide more habitat for indigenous species and allow them to move through the landscape more easily. In turn, this will integrate indigenous biodiversity into agricultural and residential landscapes, and into the daily lives of local residents.

Read more about this project

</> grow.treesthatcount.co.nz/planters/jamestweed#funding

Focus Area	Target	Impact	Measured by
Ensure internal processes account for carbon risk[1]	Investigate applying a shadow carbon price to understand the potential impact of a carbon charge. Investigate applying an internal levy to fund carbon mitigation projects. Undertake regular scan of regulatory and market impacts of climate change across operational jurisdictions, reported to the Operational Risk and Sustainability board committee. Ensure board and management understand duties around climate change risk.	Risks of carbon pricing reflected in financing and investment decisions.	Management reporting to Operational Risk and Sustainability board committee. Delivery of TCFD training module to ORS and Management in 2020
Ensure internal processes account for carbon risk[2]	Review risk management processes and governance.	Align risk management reporting with TCFD framework.	TCFD statements in Annual Report and posted online.
Mitigate the Company's operational emissions[3]	Environmental contribution through tree planting programme.	Helps to offset Scope 1 emissions from corporate air travel	Reporting of offset of annual emissions from flights. Carbon mititgation through Trees That Count methodology.
Provide alternative to energy sources associated with high emissions and poor human health outcomes (eg coal, heavy oil), especially in Asia.[4]	Deliver natural gas, LPG and condensate energy into New Zealand, Australia and Asian markets.	Baseload stability to support the uptake of renewables.	Public reporting of production, quarterly and annually.

[1] The potential purpose of an internal carbon price is to make more transparent the risks of long term changes in demand and prices, access to investment capital and risks of regulatory responses to climate such as carbon pricing. Risks to these factors are a standard part of the Company's economic modelling, which apply sensitivity testing to long-term prices, and market forecasts. Jurisdictional risk is a standard part of due diligence and risk management. Consequently, the Company has been able to identify little advantage from labelling a component of these risks as an internal carbon price. The issue is being kept under review, however, because further information is being collected.

[2] This report. Alignment commenced 9 March 2020, with the upload of initial TCFD statement, available here: www.nzog.com/assets/Uploads/TCFD-statement-NZOG.pdf

[3] See pages 44–45

[4] See Production data, pages 6–10

Checklist

Recommendation	✔ I ✗	Explanation of non-compliance
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	✔	
Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process.	✔	
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks.	✔	The Company does not disclose Scope 3 emissions, as the information is not obtainable.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	✔	

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”. The Company has applied for foreign-exempt listing on the ASX. If it is approved it will again be listed on the ASX (this time as a foreign exempt entity).

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

It is current to 30 June 2020 (except where 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 governance processes, policies, and its compliance with corporate governance best practice. This includes assessing compliance with the NZX Listing Rules and Corporate Governance Code 1 January 2020 (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 substantially 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.

This statement was approved by the board on 28 August 2020.

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 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 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 governing the Company's operations, business environment, and 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/487

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/496

For employees and contractors

www.nzog.com/dmsdocument/497

Protected Disclosures (Whistleblower) Policy

The Company has a Protected Disclosures (Whistleblower) Policy that provides a procedure for 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/495

	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.	✔	Training is generally provided regularly. 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. Staff are regularly engaged in activities to remind them of the Company's values, including through performance management systems. These practices are incorporated into short term incentives. Staff are actively informed about trading blackouts and insider trading obligations.
	The code of ethics should outline internal reporting procedures for any breach of ethics, and describe the issuer's expectations about behaviour, namely that every director and employee:	✔	
	a) acts honestly and with personal integrity in all actions;	✔	
	b) declares conflicts of interest and proactively advises of any potential conflicts;	✔	
	c) undertakes proper receipt and use of corporate information, assets and property;	✔	
	d) in the case of directors, gives proper attention to the matters before them;	✔	
	e) acts honestly and in the best interests of the issuer, shareholders and stakeholders and as required by law;	✔	
	f) adheres to any procedures around giving and receiving gifts (for example, where gifts are given that are of value in order to influence employees and directors, such gifts should not be accepted);	✔	
	g) adheres to any procedures about whistle blowing (for example, where actions of a whistle blower have complied with the issuer's procedures, an issuer should protect and support them, whether or not action is taken); and	✔	
	h) manages breaches of the code.	✔	
1.2	An issuer should have a financial product dealing policy which applies to employees and directors.	✔	

Principle 2

Board Composition and Performance

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

Board of Directors

Samuel Kellner

Board Chair

Samuel Kellner has held a variety of senior executive positions with Ofer Global since joining the group in 1980. He has been deeply involved in various Ofer Global business lines, with a particular emphasis on offshore oil and gas, shipping and real estate, and has advised Ofer Global 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 where he chairs the Audit Committee. 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 Ofer Global'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 chair 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 ORS 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 O.G. Energy, O.G. Oil & Gas and Cue Energy Resources. As a member of the O.G. Energy Senior Management Committee, he helps drive the strategy for Ofer Global'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 Ofer Global since 2006, where he previously served as chief legal counsel responsible for Ofer Global's 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 BA from the University of Rochester, a JD from New York University, and an MBA from Columbia University.

Mr Argentieri joined the board in July 2018.

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. Mr Jefferies 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). Mr 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 ORS 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 Ofer Global'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 Ofer Global's energy activities. Mr McGregor is also the chair 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 ORS Committee.

Rod Ritchie

Independent Director

Rod Ritchie joined the board of New Zealand Oil & Gas in 2013 and is also a director of Cue Energy. He graduated with a BSc from the University of Tulsa. He began his career as a petroleum engineer with Schlumberger where he worked for 28 Years. In 2012 he joined OMV as the Exploration and Production HSSE manager, where he worked for a further 12 years. Mr Ritchie has over 40 years of global experience in leadership roles and as a Health, Safety, Environmental and Security (HSSE) executive in the oil and gas industry - including being the corporate Senior Vice President of HSSE and Sustainability at OMV based in Vienna, Austria. He has also worked closely with the International Association of Oil and Gas produces (IOGP) to create industry best practise standards for the oil and gas industry. He is an active leadership and cultural change consultant, and an author on the subject of safety leadership. He has had several Society of Petroleum Engineers papers published on the subject of HSSE and safety leadership. He chairs the Operational Risk and Sustainability Committee and he is a member of the Audit Committee and the Nomination and Remuneration Committee.

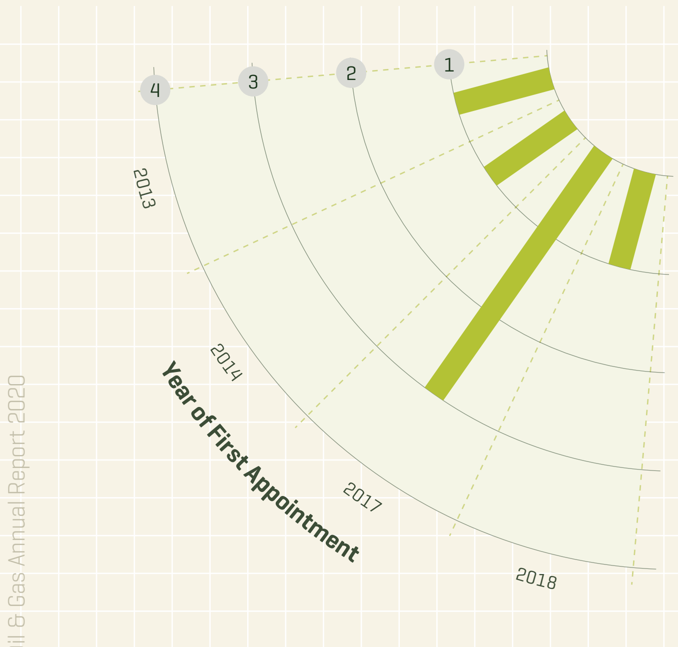
Composition of the Board

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 ordinarily resident in New Zealand. Dr Archer, Mr Jefferies and Mr Ritchie are ordinarily resident in New Zealand.

The Company's constitution was amended at the December 2019 Annual Meeting to align with new NZX Listing Rules that 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

Directors	Date Elected	Date Retired
Dr Rosalind Archer	2 November 2018	
Marco Argentieri	2 November 2018	
Rebecca DeLaet	2 November 2018	20 December 2019
Andrew Jefferies	2 November 2018	
Samuel Kellner	2 November 2018	
Alastair McGregor	30 October 2017	
Rod Ritchie	12 December 2019	



In addition to information about directors in this Annual Report, information is also made available on the Company's website.

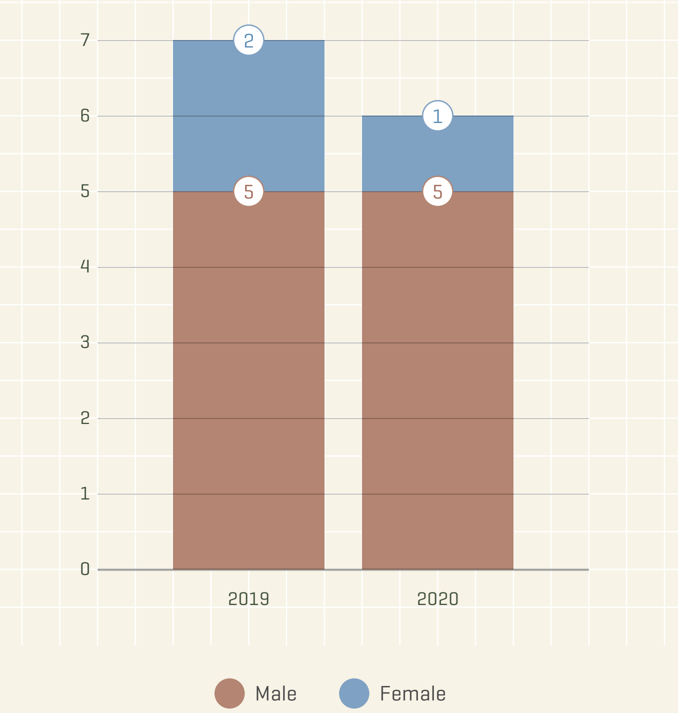
Independent Directors

The board has determined in terms of the NZX Listing Rules that as at 30 June 2020, Dr R Archer and Mr R Ritchie are independent directors as none of the factors described in the NZX Code that may impact independence are applicable to either.

Mr Kellner, Mr Argentieri, 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.

Board Gender Composition

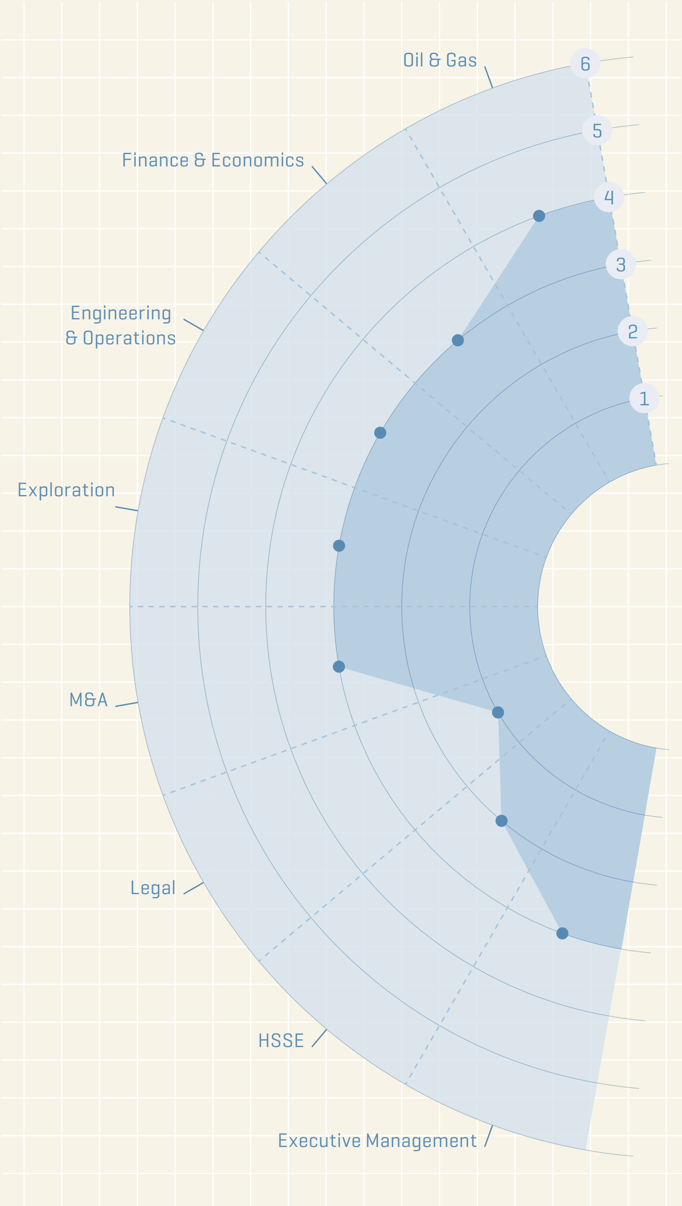


Board skills

The NZX Code recommends that, to ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.

Board skills are set out in the accompanying chart. Board members' experience and knowledge are set out in the biographical information in this section.

Number of Directors with Specific Skillset



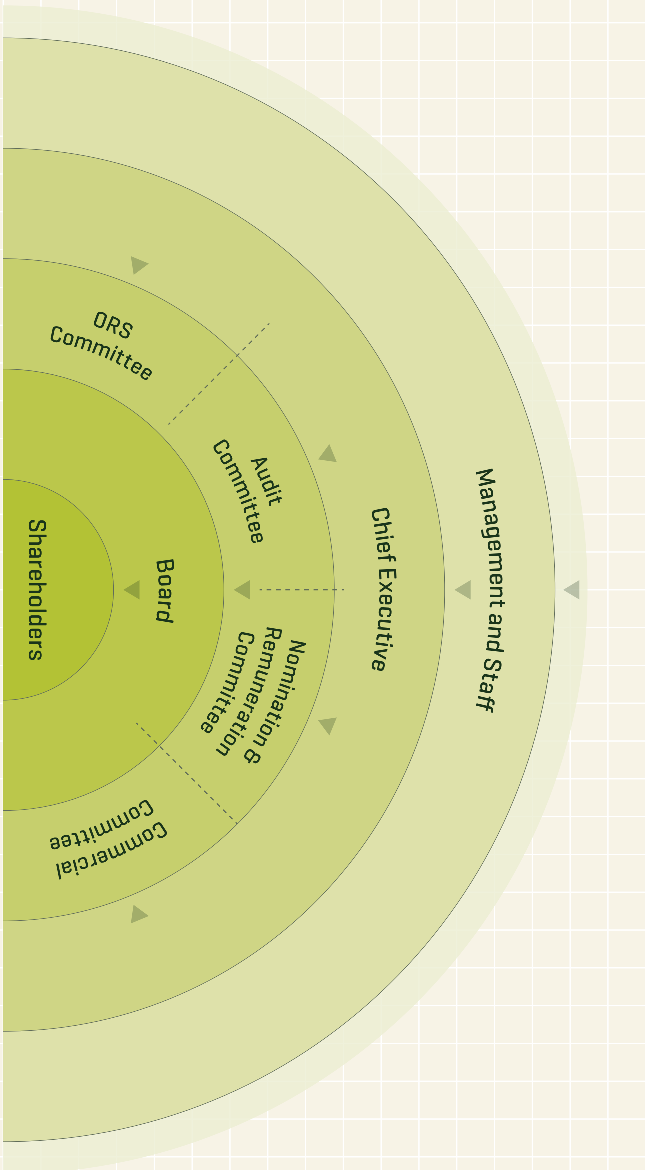
Role of the Board

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



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 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, the board has adopted a number of processes in respect of its decision making. These include:

- 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 be withheld unreasonably; and
- directors must comply with the Directors' Interests Policy. It 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 operates under a written charter which sets out the roles and responsibilities of the board. The board charter clearly distinguishes and discloses the respective roles and responsibilities of the board and management.

A copy of the charter is available in the corporate governance section of the Company's website at

www.nzog.com/dmsdocument/371

The procedure for nomination and appointment of directors to the board is set out in the Charter.

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;
- Climate Change Policy;
- Community Engagement Policy;
- Capturing Local Economic Benefit Policy;
- Code of Business Conduct and Ethics;
- Communications, Market Disclosure and Social Media 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;
- Email and Internet Use Policy;
- Anti-Harassment Policy;
- Drugs and Alcohol Policy;
- Paid Parental Leave Policy; and
- Workplace Flexibility 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 is about commitment to equality and treating all individuals with respect, and includes, but is not limited to, gender, age, disability, ethnicity, marital or family status, religion, sexual orientation, gender identity/ expression 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 might discriminate against certain candidates. It takes into account the domestic responsibilities of employees and adopts flexible work practices.

The Company supports the determination of self-identity by all employees including using the titles, names and pronouns of their choice, and seeking advice from external organisations to appropriately support staff.

The board establishes measurable objectives for achieving gender diversity. The board 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 makes an annual assessment of success in achieving and implementing the policy and the set objectives, then reports to the board with recommendations.

The board has determined that the Company has complied with the Diversity Policy and with the NZX Code recommendation 2.5, which provides that an issuer should have a written diversity policy, including:

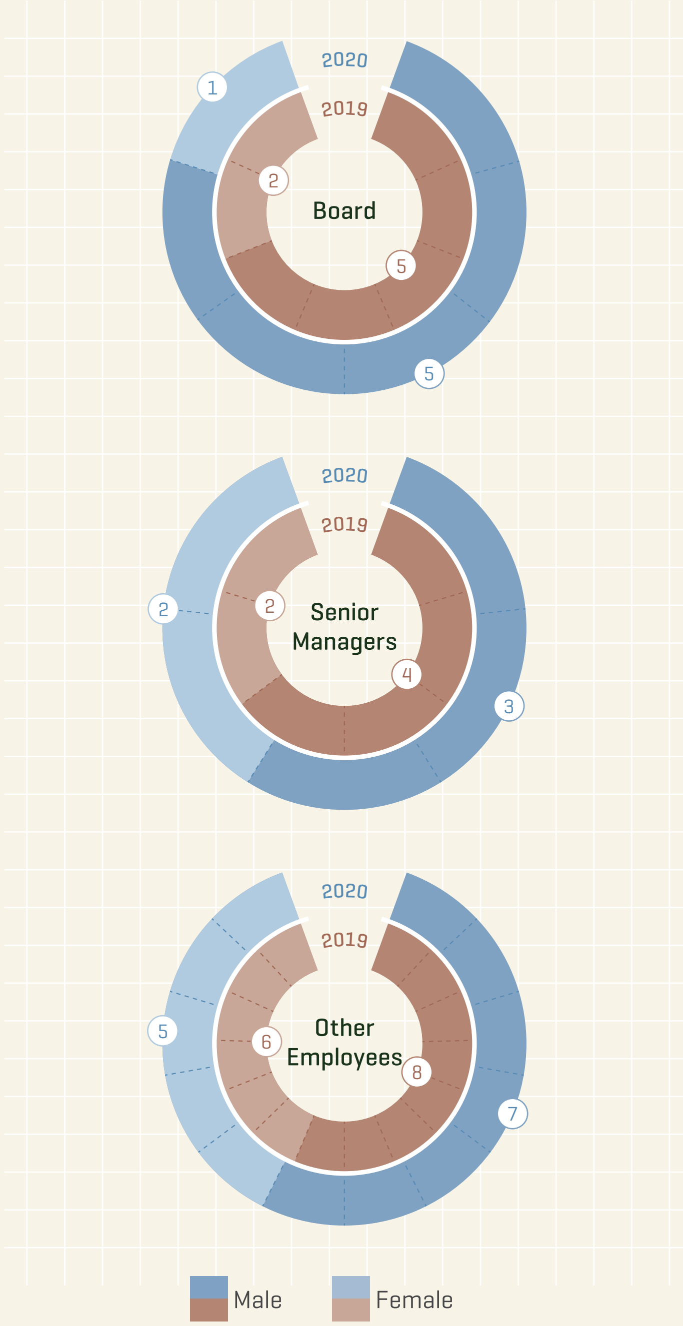
- requirements for measurable objectives for achieving diversity which, at a minimum, should address gender diversity;
- annual assessment of both the objectives and the entity's progress in achieving them.

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

</> www.nzog.com/dmsdocument/490

The following chart shows gender diversity across the Company (excluding contractors) as at 30 June 2020, and compares that to numbers as at 30 June 2019.

Diversity 2019 & 2020



Measurable objectives for 2019/2020

The Company adopted the measurable objectives set out in the table below. These were the highest priority recommendations arising from a staff survey of attitudes to diversity initiatives.

	FY19-20 Measurable objective	Status	Progress
1	**Investigate pay parity and develop an appropriate pay parity strategy.**	Ongoing	The Company has initiated a salary review led by an outside consultancy.
2	**Promote staff engagement with diversity initiatives.**	Progressed and ongoing	Initiatives in the reporting period include: — The Company is a participant in Diversity Works and staff have participated in workshops, webinars and networking opportunities; — The Diversity Committee has initiated companywide celebration of events that have cultural, religious or spiritual meaning to staff members, including Christmas/Easter, St Patricks Day, Independence Day, and Diwali.
3	**Promote awareness about and engagement with pro-diversity policies.**	Progressed and ongoing	Pro-diversity initiatives have been promoted actively at all-staff meetings and directly communicated to staff. Flexible working arrangements have been exercised well during the pandemic. Several staff have long-term flexible working arrangements, which is expected to increase as a result of the success of working from home during the pandemic. Family-friendly policies and diversity policy are available on the website and feature in recruitment advertising. Staff have made use of family sick leave. A carpark is allocated to a staff member to assist with commuting requirements that are determined by childcare requirements.

	FY19-20 Measurable objective	Status	Progress
4	**Considering diversity when analysing applications for the Eyal and Marilyn Ofer Family Foundation Scholarship Program.**	**Completed**	Company staff made diversity recommendations relating to the scholarships.
5	**Support attraction and retention of a diverse range of people in to the petroleum sector, and in science and engineering careers.**	**Completed**	The Company has continued its support of the Otago and Southland Science Fairs and sponsors a prize that raises awareness of the importance of Warm and Efficient Homes. Due to the current global environment and the Company's needs, no new staff are being recruited and departing staff are not replaced.
6	**Providing talent management support for female leaders and further staff specific development and training opportunities, with a particular emphasis on overcoming cultural challenges.**	**Progressed and ongoing**	Coaching and training opportunities have been arranged. Some training scheduled for the year was delayed due to the pandemic, and has been re-scheduled.
7	**Investigating a Rainbow Tick and achieving, if determined to be of value.**	**Completed**	The Company has received a Rainbow Tick.

No.	NZX Code Recommendation	✔ I ✗	Explanation of non-compliance
2.1	The board of an issuer should operate under a written charter which sets out the roles and responsibilities of the board. The board charter should clearly distinguish and disclose the respective roles and responsibilities of the board and management.	✔	
2.2	Every issuer should have a procedure for the nomination and appointment of directors to the board.	✔	
2.3	An issuer should enter into written agreements with each newly appointed director establishing the terms of their appointment.	✗	Upon appointment to the Company's boad, directors are advised of salient requirements. Obligations such as disclosure of interests, managing conflicts, and share trading are managed through policies. Governance arrangements reflect that a majority of the board is not independent.
2.4	Every issuer should disclose information about each director in its annual report or on its website, including a profile of experience, length of service, independence and ownership interests.	✔	
2.5	An issuer should have a written diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them. The issuer should disclose the policy or a summary of it.	✔	
2.6	Directors should undertake appropriate training to remain current on how to best perform their duties as directors of an issuer.	✗	Independent directors received detailed advice and training about their responsbilities during multiple previous takeover offers and a scheme of arrangement, including training and advice about the specific scheme proposed in 2019 and their role in negotiating the scheme. That training and advice was specifically implemented during the scheme process. Further training about how to best perform their duties as directors was not facilitated by the Company during the reporting period as the Company has robust policies around director duties and the board's skills are appropriate. Applicable reports and advice was provided to directors about reporting on Taskforce on Climate-related Financial Disclosures (TCFD).

No.	NZX Code Recommendation	✔ | ✗	Explanation of non-compliance
2.7	The board should have a procedure to regularly assess director, board and committee performance.	✔	The board does have a procedure. 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). 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 six directors are independent. In considering the appropriate board composition account will be given to whether or not the company has a shareholder that owns a majority of the shares in the company. The board composition is a consequence of the Company's ownership structure.
2.9	The chair of the board should be independent. If the chair is not independent, the chair and the CEO should be different people.	✗	The chair is not independent, reflecting the ownership structure of the Company. The chair and CEO are different people.

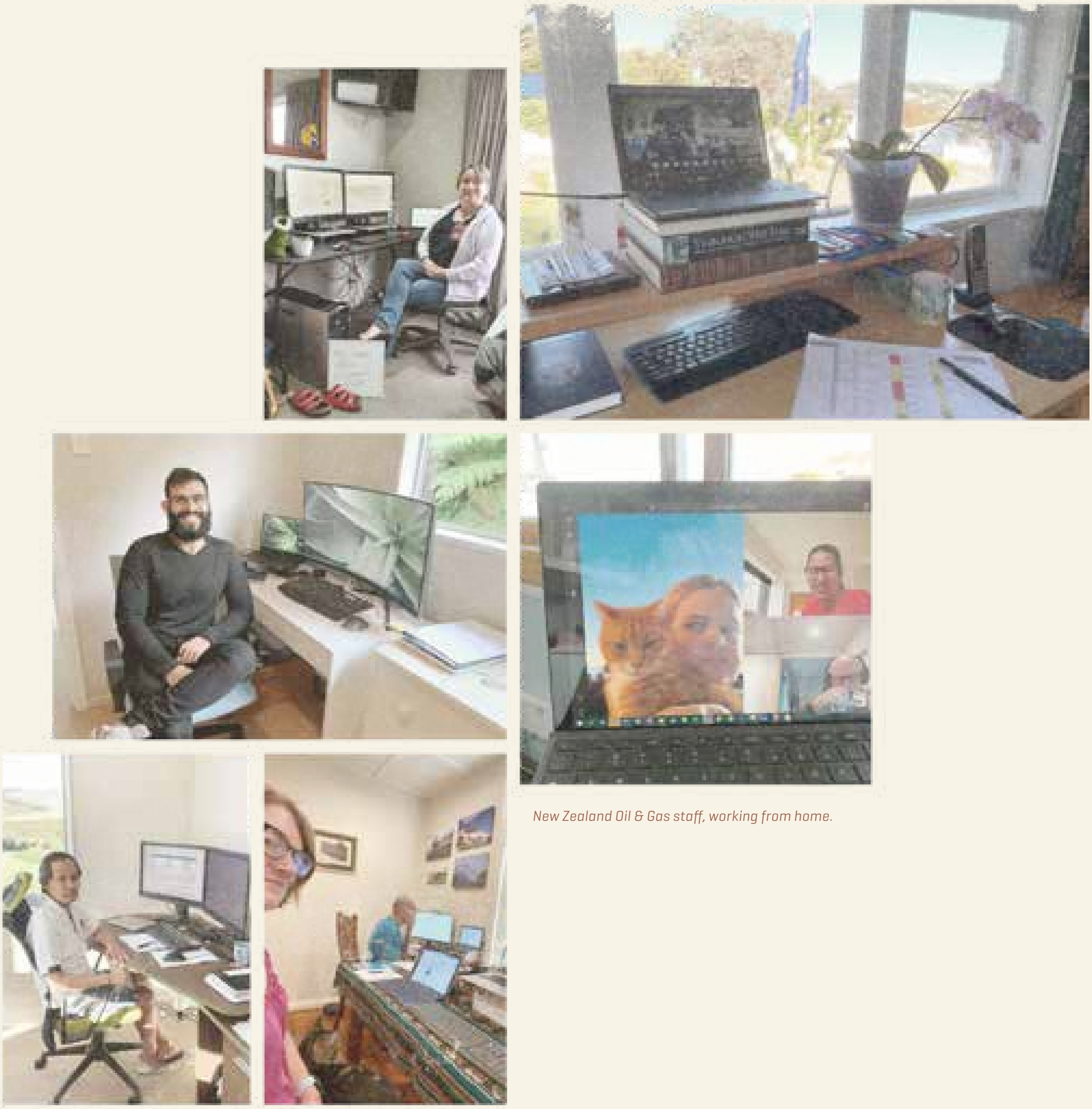
Principle 3

Board Committees

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

Meetings during lockdown

A scheduled board meeting occurred by video call during New Zealand's lockdown (in April) and the Commercial Committee continued to meet throughout.



New Zealand Oil & Gas staff, working from home.

Board Committees

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

- the Audit Committee;
- the Commercial Committee;
- Operational Risk and Sustainability Committee (ORS); 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

Alastair McGregor (Chair) Dr Rosalind Archer
Rod Ritchie

What the Committee does

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

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

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

Committee composition

As recommended by the NZX Code, a majority of members of the audit committee are independent and none are executive directors. The chair of the audit committee, Mr McGregor, is not the chair of the board, and has a financial background.

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. An annual process considers engagement of auditors, having regard to the auditors' independence and policies for rotation of partners.

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

As recommended by the NZX Code, the Committee comprises at least three non-executive directors of the board. 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.

NZX Code Principle 3.4 recommends that 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.

Read the Committee's Charter here

</> www.nzog.com/dmsdocument/373

Operational Risk and Sustainability Committee

Rod Ritchie (Chair)
Andrew Jefferies
Dr Rosalind Archer
Alastair McGregor

What the Committee does

The Operational Risk and Sustainability 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, compliance with the framework and the adequacy of risk controls.
- Setting, reviewing and agreeing operational risk and sustainability policies, practices, frameworks and targets, including performance against these, including:
  - Sustainability performance framework, targets and reporting;
  - Community and Iwi engagement;
  - Environmental policies and programmes including Climate Change responses.
- Seeking assurance of the Company's compliance with all operational risk and sustainability legislative requirements, licence conditions and stakeholder commitments.
- Supporting the board and management in defining the Company's operational risk and sustainability objectives.
- Working with management to agree how operational risk and sustainability objectives will be achieved, monitored and reviewed.
- 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 to achieve operational risk and sustainability objectives.
- Providing leadership to the board and support the Company in aspiring to proactively manage ORS issues.
- Ensuring that significant issues are brought 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
- Climate Change Policy

Committee composition

As recommended by the NZX Code, the Committee comprises at least three board members. The chair is a non- executive director.

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 projects and opportunities.

The committee includes 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 twice weekly 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[2]

1 July 2019 to 30 June 2020

Director	Board Meeting	Audit Committee	Nominations & Remuneration Committee	Operational Risk and Sustainability Committee[3]
Samuel Kellner	5/5	2/2	2/2	
Dr Rosalind Archer	5/5	2/2	2/2	1/2
Marco Argentieri	5/5			
Rebecca DeLaet[1]	1/1	1/2		
Andrew Jefferies	5/5			2/2
Alastair McGregor	5/5		2/2	1/2
Rod Ritchie	5/5	2/2	2/2	2/2

[1] Ms DeLaet retired on 20 December 2019. [2] The Commercial Committee generally met twice per week.

[3] The HSSE Committee was re-named on 13 December 2019.

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 be an independent director and not chair of the board.	✔	Compliant except that the chair of the Audit Committee is not an independent director.
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 reflects the composition of the board as a whole. Director appointments are a matter for the whole board.
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 independent 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.	✗	No formal takeover committee exists. Given the Company's shareholder structure, the likelihood of further takeover proposals is remote. The Company and its staff are highly familiar with the processes and appropriate protocols. The board formed a committee of independent directors to respond to multiple takeover offers and a proposed scheme of arrangement in 2019, which further deepened the Company's experience and processes for responding to takeovers.

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. It 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/488

See also Principle 8, Shareholders' Rights, on page 64.

Reports and policies are easily available

The Company publishes an Annual Report and quarterly reports. Condensed financial statements are announced for the half-year.

Security holders can elect to receive the Annual Report in printed or electronic format. Quarterly reports are published electronically.

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

Along with reports, 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 promptly and without delay 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.

The continuous disclosure policy is found in the wider Communications, Market Disclosure and Social Media Policy, available online here:

</> www.nzog.com/dmsdocument/488

Non-financial reporting

The Company publishes sustainability performance as part of the Annual Report.

Sustainability reporting includes material exposure to environmental, economic and social sustainability risks and other key risks. It explains how the Company manages those risks and how operational or non-financial targets are measured.

Aspects of sustainability reported include:

- a summary of the company's values, including analysis of our performance in living up to them;
- the Company's sustainability and corporate responsibility strategy;
- a summary of the company's approach to stakeholder engagement, including formal feedback from the company's Southern Community Panel;
- summary of for the company's contribution to local communities;
- a materiality matrix.

The Sustainability section of this report is on pages 27–47.

Information about the Company's sustainability activity is available at:

</> www.nzog.com/sustainability

Compliance with NZX Code Recommendations

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 factors and practices and other key risks. It should explain 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, short-term incentive payments and share options.

Options to acquire ordinary shares are issued in accordance with the Scheme Rules, which are available here:

</> www.nzog.com/dmsdocument/480-nzog-share-option-scheme-rules-pdf

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. OGOG representative directors have not yet drawn any fees for their their services.

Directors do not receive any performance-based remuneration.

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

The total remuneration and other benefits to directors for services in all capacities during the year ended 30 June 2020 was:

Dr R Archer	92,388.50
Mr M Argentieri	0
Ms R DeLaet[1]	0
Mr A Jefferies[2]	794,232.00
Mr S Kellner	0
Mr A McGregor	0
Mr R Ritchie	92,388.50

[1] Retired, 20 December 2019

[2] Includes remuneration as chief executive

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/489

Directors' Securities Interests

The interests of Directors in securities of the Company at 30 June 2020 were:

	Direct Interest	Indirect Interest
Mr A Jefferies	25,000	1,000,000 partly paid ESOP shares. 532,315 share options.

Directors' Interests Register

Directors' interests recorded in the Interests Register of the Company as at 30 June 2020 are detailed below. Notices given or adjusted during the financial year ended 30 June 2019 are marked with an asterisk (*). Each such Director will be regarded as interested in all transactions between the Company and the disclosed entity.

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 M Argentieri	O.G. Energy Holdings Ltd	Director
	O.G. Oil & Gas Ltd	Director
	OGOG (Kohatukai) Ltd	Director
	OGOG (Otway) Holdings Pty Ltd	Director
	OGOG (Otway) Pty Ltd	Director
	OGOG (1) Limited *	Director
	OGOG (2) Limited *	Director
	OGOG (3) Limited *	Director
	OGOG (4) Limited *	Director
	OGOG (5) Limited *	Director
	OGOG (GOM 1) Inc. *	Vice-President/ Treasurer/ Secretary/ Director
	OGOG (GOM Management) Inc. *	Vice-President/ Treasurer/ Secretary/ Director
	OGOG (Management) Limited *	Director
	OGOG (GOM NZ) Limited *	Director
	Cue Energy Resources Ltd	Director

Dr R Archer	Engineering New Zealand	Vice President
	University of Auckland Geothermal Institute	Director
	Capricorn Solutions Ltd	Director
Mr A Jefferies	Tuatara Energy Limited	Director
	Petroleum Exploration and Production Association of New Zealand	Director
	CGX Energy	Shareholder
	Sacgasco	Shareholder
	Ansila Energy *^	Shareholder
	Far Ltd *^	Shareholder
	Central Petroleum *	Shareholder
	Horizon Oil *	Shareholder
	Pancontinental Oil *	Shareholder
	Warrego *^	Shareholder
	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 R Ritchie	Cue Energy Resources Ltd	Director
	SPARC NZ consulting	Director
	Coromandel Pure Honey	Director
	Sparc (Aust) Pty Ltd	Shareholder
	SacGasCo	Shareholder

*^ Name change from previous declaration

Mr A McGregor	Cue Energy Resources Ltd	Director
	Cue Kalimantan Pte Ltd	Director
	Omni Holdings Limited	Director
	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
	O.G. Oil & Gas (Singapore) Pte Ltd	Director
	O.G. Oil & Gas Ltd	Director
	O.G. Energy Holdings Ltd	Director
	OGOG (Kohatukai) Ltd	Director
	OGOG (Otway) Pty Ltd *	Director
	OGOG (Otway) Holdings Pty Ltd *	Director
	OGOG (1) Limited *	Director
	OGOG (2) Limited *	Director
	OGOG (3) Limited *	Director
	OGOG (4) Limited *	Director
	OGOG (5) Limited *	Director
	O.G. Oil & Gas (Oceania) Pte. Ltd *	Director
	OGOG (GOM 1) Inc. *	President/ Director
	OGOG (GOM Management) Inc. *	President/ Director
	OGOG (GOM NZ) Limited *	Director
	OGOG (GOM Management) Limited *	President/ Director

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	584,052
Benefits [1]	43,619
Cash STI [2]	136,810
LTI: Share Options[3]	29,751
Total	**794,232**

[1] Benefits include Kiwisaver at 3% and health insurance

[2] STI for 2019-20 to be paid August 2020, 50% of the STI is based on company performance and 50% on personal performance assessed by the Nominations and Remunerations Committee. 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 the Nominations and Remunerations committee.

[3] The chief executive participates in the employee share options scheme, the Rules for which are available at www.nzog.com/dmsdocument/480-nzog-share-option-scheme-rules-pdf

During the reporting period the chief executive was awarded 532,315 options. The value of the options in this table is calculated using the Black Scholes valuation method. The scheme rules provide that share options are allocated at the direction of the board. The board allocated share options to the chief executive as a long term incentive to promote retention and align the chief executive's incentives with those of shareholders.

Employees Remuneration

During the year ended 30 June 2020 18 New Zealand Oil & Gas employees (including the chief executive) received individual remuneration over $100,000.

$110,001 – $120,000	3
$130,001 – $140,000	2
$140,001 – $150,000	1
$160,001 – $170,000	1
$180,001 – $190,000	1
$190,001 - $200,000	1
$200,001 - $210,000	1
$210,001 - $220,000	1
$260,001 - $270,000	1
$300,001 - $310,000	1
$310,001 - $320,000	2
$390,001 - $400,000	1
$480,001 - $490,000	1
$790,001 - $800,000	1

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.

In 2019-20 the company factors affecting short term incentive payments were

Acquisitions	37.5%
Financial Performance	7.5%
Reserves replacement	20%
Exploration	15%
HSSE	20%

Officers' Securities Interests

The board may issue share options to senior managers from time to time as part of a strategy to align their interests with the interests of shareholders, and to assist retention of key personnel. During the reporting period, options were issued to senior manager/company officers subject to the Scheme Rules available at www.nzog.com/dmsdocument/480-nzog-share-option-scheme-rules-pdf

Each Option is an option to acquire one fully paid ordinary share. Option holders will be able to exercise the Options in the period from 30 June 2022 until 30 June 2025. The exercise price for the Options is $0.61 per Option. Shares issued on the exercise of Options will be issued on the same terms and will rank equally in all respects with ordinary shares currently on issue. Options do not carry voting rights or any entitlement to receive dividends unless and until exercised and converted to shares. The Board may permit participants to exercise Options by way of a cashless exercise, through which the company would only issue to a participant the number of shares equal in value to the difference between the exercise price otherwise payable in respect of the Options and the market value of shares at the time of exercise. 2019-20 was the first year that share options have been awarded.

The interests of the current Company Officers (excluding the Chief Executive) in securities of the Company at 30 June 2020 were:

Officer	Number of shares at 30 June 2019	Number of shares at 30 June 2020
Paris Bree	–	223,075 share options
Dr Chris McKeown	–	361,488 share options
Catherine McKelvey	7,500	223,075 share options and 7,500 ordinary shares
Michael Wright	–	293,151 share options

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.

Compliance with NZX Code Recommendations

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 for applying consistent and comprehensive risk management practices across all functional areas of the 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 ORS 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 ORS 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 Operational Risk and Sustainability Committee Charter, is available in the corporate governance section of the Company's website at:

</> www.nzog.com/dmsdocument/370

TCFD Risk disclosure

TCFD risks, and the framework for managing risk, are comprehensively reported in the section beginning page 27 of this document.

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 practical steps to avoid harm to themselves or to others in the workplace. 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/492

Environment

The Company values our natural 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/491

Compliance with NZX Code Recommendations

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 Audit Committee, which also oversees financial and internal controls and financial reporting.

The external auditor of New Zealand Oil & Gas is KPMG. The Audit Committee reviewed the appointment in February 2020.

An External Auditor Independence Policy was adopted by Board in June 2018

Total fees paid to KPMG in its capacity as group auditor in FY 2020 were $219,000, which includes fees earned as Cue's auditor. Fees for audit services for New Zealand Oil & Gas Limited were $115,000.

Total fees paid to KPMG for other professional services were $109,000. Other services included:

- Tax advice.
- Tax compliance.
- Other assurance services.

The NZX and New Zealand Oil & Gas require rotation of Lead Audit Partners every five years.

In 2020 the lead partner changed after a five year rotation.

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

The external auditor attends the Annual Meeting to answer questions from shareholders in relation to the audit.

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. The 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 Operational Risk and Sustainability 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 ORS 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 welcomes shareholder participation, aims to provide regular update of useful information about its activities and seeks opportunities to engage with shareholders directly.

Shareholder participation

The Company encourages shareholder participation at the annual meeting by inviting questions in advance and discussion from the floor. Materials are posted on the Company's website. In 2020, the annual meeting will be held online so that all shareholders could participate despite restrictions on travel.

The Notice of Annual Meeting of Shareholders is posted as it is available and at least 20 working days prior to the meeting.

Shareholders can directly message the Company at any time through the website and it aims to respond promptly.

The Company makes available key staff and directors to answer questions about major initiatives.

Shareholders have the right to vote on major decisions that change the nature of the company's activities. All shares participate equally with other shares on the basis of one share, one vote. There are no special voting rights attached to any stock nor any restricted stock.

Voting is conducted by poll, not by show of hands, as recommended by the NZX Code in order to respect the principle of one share, one vote.

In 2020 the board undertook a listening tour with a number of larger shareholders about the Company's strategy.

Website

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

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	Quoted equity security holders 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 notices of annual or special meeting of shareholders is posted on the issuer's website as soon as possible and at least 20 working 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 14 August 2020 New Zealand Oil & Gas Limited had the following securities

Listed Ordinary Shares	Options to acquire ordinary shares
164,420,718	2,832,048[1]

[1] Options have been issued subject to the Scheme Rules available here: www.nzog.com/dmsdocument/482

Each Option is an option to acquire one fully paid ordinary share. Option holders will be able to exercise the Options in the period from 1 July 2022 until 1 July 2025. The exercise price for the Options is $0.61 per Option. Shares issued on the exercise of Options will be issued on the same terms and will rank equally in all respects with ordinary shares currently on issue. Options do not carry voting rights or any entitlement to receive dividends unless and until exercised and converted to shares. In the event of a change of control event, generally the vesting date of Options will accelerate and the Options will become exercisable. Options are generally forfeited by a participant on the occurrence of a lapse event, which includes when the participant ceases to be an employee of the company.

Top 20 Shareholders

As at 14 August 2020

	Security Holder	Units	%
1	O.G. Oil And Gas Singapore Pte. Ltd	114,876,016	69.86
2	Resource Nominees Limited	3,334,000	2.03
3	Accident Compensation Corporation - NZCSD <ACCI40>	3,212,373	1.95
4	Sik-On Chow	2,140,000	1.30
5	Asb Nominees Limited <414354 MI - A/C>	2,040,379	1.24
6	Riuo Hauraki Limited	1,400,000	0.85
7	Amalgamated Dairies Limited	706,334	0.43
8	Moon Chul Choi + Keum Sook Choi	618,750	0.38
9	Richard Bruce Lees	564,000	0.34
10	Ruihui Zhang	562,783	0.34
11	New Zealand Depository Nominee Limited <A/C 1 Cash Account>	530,092	0.32
12	Murray Ion Denholm	515,500	0.31
13	Asb Nominees Limited <A/C 317253>	514,585	0.31
14	Clinton John Trass + Kasturi Chitranjali Trass	500,000	0.30
15	New Zealand Oil & Gas Limited - GNA Trustee <GNA Trustee>	474,603	0.29
16	Anz Custodial Services New Zealand Limited - NZCSD <PBNK90>	405,800	0.25
17	Roy Anthony Radford	392,000	0.24
18	JBWERE (NZ) Nominees Limited <A/C 31192>	390,000	0.24
19	Chin-Yi Lin + Yu-Ching Lin-Chao	364,000	0.22
20	Tribal Nominees Limited	352,500	0.21
	Totals: Top 20 Holders Of Ordinary Shares	**133,893,715**	**81.43**
	Total Remaining Holders Balance	**30,537,003**	**18.57**

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 2020, 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.

Distribution of Security Holders As at 15 August 2020

Range	Total holders	Units	% of Issued Capital
1 - 99	11	332	0.00
100 - 199	7	920	0.00
200 - 499	10	2,570	0.00
500 - 999	1,191	831,842	0.51
1,000 - 1,999	962	1,335,962	0.81
2,000 - 4,999	1,023	3,164,516	1.92
5,000 - 9,999	460	3,083,942	1.88
10,000 - 49,999	465	9,064,218	5.51
50,000 - 99,999	67	4,683,845	2.85
100,000 - 499,999	56	10,747,759	6.54
500,000 - 999,999	8	4,512,044	2.74
1,000,000 - 9,999,999	5	12,126,752	7.37
10,000,000 Over	1	114,876,016	69.86
Total	**4,266**	**164,430,718**	**100.00**

Trading Statistics

For the 12 months ended 30 June 2020	High	Low
NZX (Trading Code NZO)	0.725	0.430

Dividend Payments and Reinvestment Plan Dividend Payments

Dividend Payments

No dividend payments have been made during the financial year.

Dividend Reinvestment Plan

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

Direct Crediting of Dividends Payments

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

Share Registries

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

Donations

There were no donations during the year. See pages 24 and 45 for details of community contributions.

Consolidated Financial Statements

The Board of Directors of New Zealand Oil & Gas Limited authorise these consolidated Financial Statements for issue on 28 August 2020.

For and on behalf of the Board.

Samuel Kellner
Chairman

28 August 2020

Rosalind Archer
Director

28 August 2020

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Notes	2020 $000	2019 $000
Cash flows from operating activities			
Customer receipts		**38,163**	46,570
Production and marketing payments		**(10,724)**	(10,968)
Supplier and employee payments (inclusive of GST)		**(11,652)**	(11,744)
Interest received		**1,580**	2,297
Income taxes paid		**(4,555)**	(4,131)
Royalties paid		**(3,069)**	(2,506)
Other		**1,164**	1,787
Net cash inflow from operating activities		**10,907**	21,305
Cash flows from investing activities			
Exploration and evaluation expenditure		**(5,458)**	(12,115)
Oil and gas asset expenditure		**(2,690)**	(1,740)
Property, plant and equipment expenditure		**(199)**	(87)
Net cash outflow from investing activities		**(8,347)**	(13,942)
Cash flows from financing activities			
Issue of shares		**-**	6
Forfeited shares		**(7)**	(17)
Lease liabilities principal element payments		**(242)**	-
Net cash outflow from financing activities		**(249)**	(11)
Net increase in cash, cash equivalents and funds held in escrow		**2,311**	7,352
Cash and cash equivalents at the beginning of the year		**105,586**	98,010
Exchange rate effects on cash, cash equivalents and funds held in escrow		**2,857**	224
Cash, cash equivalents and funds held in escrow at end of the year	12	**110,754**	105,586

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 2020

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

	Notes	2020 $000	2019 $000
Loss for the year		**(772)**	(2,889)
Depreciation and amortisation		**8,410**	8,818
Deferred tax		**454**	559
Exploration expenditure included in investing activities		**3,615**	8,224
Asset impairment		**2,856**	7,202
Net foreign exchange differences		**(2,365)**	(1,217)
Unwind of discount on rehabilitation provision		**414**	221
Share based payments		**341**	-
Other		**(58)**	281
Change in operating assets and liabilities			
Movement in receivables		**1,142**	3,777
Movement in payables		**(508)**	(2,462)
Movement in inventories		**207**	(314)
Movement in other financial assets		**(597)**	7
Movement in provisions		**(258)**	75
Movement in tax payable		**(1,974)**	(977)
Net cash inflow from operating activities		**10,907**	21,305

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 2020

	Notes	2020 $000	2019 $000
Revenue	6	**37,270**	43,323
Operating costs	7	**(9,894)**	(9,305)
Exploration and evaluation expenditure		**(3,615)**	(8,224)
Other income	6	**1,980**	2,450
Other expenses	8	**(12,241)**	(12,389)
Results from operating activities excluding amortisation, impairment and net finance costs		**13,500**	15,855
Amortisation of production assets	17	**(7,956)**	(8,457)
Asset impairment	16 & 17	**(2,856)**	(7,202)
Net finance income	9	**3,455**	3,162
Profit before income tax and royalties		**6,143**	3,358
Income tax expense	10	**(4,211)**	(3,674)
Royalties expense	11	**(2,704)**	(2,573)
Loss for the year		**(772)**	(2,889)
Loss for the year attributable to:			
Loss attributable to shareholders		**(1,382)**	(7,480)
Profit attributable to non-controlling interest (NCI)		**610**	4,591
Loss for the year		**(772)**	(2,889)
Other comprehensive income:			
Items that may be classified to profit or loss			
Foreign currency translation reserve (FCTR) differences		**1,660**	(5,262)
Total other comprehensive profit/(loss) for the year		**888**	(8,151)
Total comprehensive profit/(loss) for the year is attributable to:			
Equity holders of the Group		**(68)**	(12,517)
Non-controlling interest		**956**	4,366
Total comprehensive profit/(loss) for the year		**888**	(8,151)
Loss per share			
Basic loss per share (cents)	23	**(0.8)**	(4.5)
Diluted loss per share (cents)	23	**(0.8)**	-

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

Consolidated Statement of Financial Position

For the year ended 30 June 2020

	Notes	2020 $000	2019* $000
ASSETS			
Current assets			
Cash and cash equivalents	12	**97,904**	93,540
Funds held in escrow	12	**12,850**	12,046
Receivables and prepayments	13	**6,604**	7,996
Inventories		**2,388**	2,595
Right-of-use assets		**132**	-
Total current assets		**119,878**	116,177
Non-current assets			
Exploration and evaluation assets	16	**6,549**	3,646
Oil and gas assets	17	**52,237**	58,609
Property, plant and equipment		**294**	374
Other intangible assets		**128**	47
Other financial assets	18	**6,123**	5,526
Right-of-use assets		**91**	-
Total non-current assets		**65,422**	68,203
Total assets		**185,300**	184,380
LIABILITIES			
Current liabilities			
Payables	19	**5,467**	5,975
Lease provision		**217**	-
Current tax liabilities		**2,340**	4,314
Total current liabilities		**8,024**	10,289
Non-current liabilities			
Rehabilitation provision	20	**27,909**	26,449
Other provisions		**16**	-
Deferred tax liability	10	**1,793**	1,309
Total non-current liabilities		**29,718**	27,758
Total liabilities		**37,742**	38,047
Net assets		**147,558**	146,333
EQUITY			
Share capital	21	**211,901**	211,908
Reserves	22	**4,111**	2,460
Retained earnings		**(80,445)**	(79,071)
Attributable to shareholders of the Group		**135,567**	135,297
Non-controlling interest in subsidiaries		**11,991**	11,036
Total equity		**147,558**	146,333
Net asset backing per share (cents)		**87.9**	87.2
Net tangible asset backing per share (cents)		**83.9**	85.0

The notes to the financial statements are an integral part of these financial statements
* Comparative numbers have been restated. Refer to note 4.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Share capital $000	Reserves $000	Retained earnings $000	Total $000	Non-controlling interest $000	Total equity $000
Balance as at 1 July 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**
(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	-	-	-
Balance as at 30 June 2020	**211,901**	**4,111**	**(80,445)**	**135,567**	**11,991**	**147,558**

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 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 Practices ('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 14 and 15.

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 note 16, 17 and 24(a)(ii)),
- Provision for rehabilitation obligations includes estimates of future costs, timing of required rehabilitation and an estimated discount rate (refer to note 20); and
- Recoverability of deferred tax asset includes an assessment of the ability of entities in the Group to generate future taxable income (refer to note 10).

In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread globally, including New Zealand. COVID-19 has caused significant volatility and uncertainty around the breadth and duration of business disruption in both domestic and international markets. The pandemic presents strategic, operational and commercial uncertainties for the Group. There are increased uncertainties around the duration, scale and impact of the COVID-19 outbreak, however given the continued uncertainties the future financial impact, if any, cannot be determined. The Group is taking various measures to mitigate the impact on its operations, however to date the Group has lower revenues and assets, due to lower oil prices. The Maari asset has been impaired accordingly (refer to note 17).

3 Adoption status of relevant new financial reporting standards and interpretations

NZ IFRS 16 Leases

The Group has adopted NZ IFRS 16 from 1 July 2019. The standard replaces NZ IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in other expenses) and an interest expense on the recognised lease liabilities (included in finance costs). For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact on application

The Group has adopted NZ IFRS 16 using the modified retrospective approach whereby the consolidated entity has recognised the cumulative effect of initially applying this standard as an adjustment to the opening balance of equity as at 1 July 2019. Accordingly, the Group has not restated comparative balances in the financial statements.

On adoption of NZ IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of NZ IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.3%. The associated right-of-use assets were measured at the amount equal to the lease liability relating to that lease at 1 July 2019, with no overall change to net assets.

Impact on application ($000)	1 July 2019
Right-of-use assets	455
Lease liabilities	(455)
Accumulated losses	-

3 Adoption status of relevant new financial reporting standards and interpretations (continued)

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to the profit and loss if the carrying amount of the right-of-use asset is fully written down.

4 Restatement of comparatives

Correction of error

Cue Energy Resources Limited (Cue), through its wholly owned subsidiary, Cue Sampang Pty Ltd (Cue Sampang), contributed to the Abandonment and Site Restoration (ASR) fund as agreed by the Indonesian Government through SKK Migas. Cue Sampang contributed $5.6 million to the ASR fund up to 30 June 2019. Historically, Cue did not recognise the funded portion of the ASR on its balance sheet.

During 2020 financial year, Cue reviewed the contractual agreement and concluded that a prior year restatement is required to gross up the funded portion of the rehabilitation provision, as Cue Sampang retains the obligation to fully fund its share of the rehabilitation. As such, Cue retrospectively recognised other financial asset of $5.5 million as at 30 June 2019, with corresponding adjustments for production properties ($0.1 million) and rehabilitation provision ($5.6 million). There was no impact to the statement of profit or loss and other comprehensive income.

Statement of profit or loss and other comprehensive income

When there is a restatement of comparatives, it is mandatory to provide a statement of profit or loss and other comprehensive income for the year ended 30 June 2019. However, as there were no adjustments made, the consolidated entity has elected not to show the statement of profit or loss and other comprehensive income.

Statement of financial position at the beginning of the earliest comparative period

When there is a restatement of comparatives, it is mandatory to provide a third statement of financial position at the beginning of the earliest comparative period, being 1 July 2018.

4 Restatement of comparatives (continued)

2018 $000	Reported	Adjustment	Restated
ASSETS			
Non-current assets			
Oil and gas assets	64,848	(12)	**64,836**
Other financial assets	16	5,130	**5,146**
Total non-current assets	72,811	5,118	**77,929**
Total assets	184,846	5,118	**189,964**
LIABILITIES			
Non-current liabilities			
Rehabilitation provision	18,642	5,118	**23,760**
Total non-current liabilities	19,439	5,118	**24,557**
Total liabilities	33,276	5,118	**38,394**
Net assets	151,570	-	**151,570**

2019 $000	Reported	Adjustment	Restated
ASSETS			
Non-current assets			
Oil and gas assets	58,507	102	**58,609**
Other financial assets	9	5,517	**5,526**
Total non-current assets	62,583	5,620	**68,203**
Total assets	178,760	5,620	**184,380**
LIABILITIES			
Non-current liabilities			
Rehabilitation provision	20,829	5,620	**26,449**
Total non-current liabilities	22,138	5,620	**27,758**
Total liabilities	32,427	5,620	**38,047**
Net assets	146,333	-	**146,333**

5 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 in New Zealand as well as in Australia and Indonesia.
- Cue: the Group acquired a controlling interest in Cue during the 2015 financial year. Management have treated this as a separate operating segment.

5 Segment information (continued)

2020 $000	Kupe oil & gas	Oil & gas exploration	Other & unallocated	Cue Energy Resources Ltd	Total
Sales to external customers - New Zealand	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

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	-	29,453	62,255
Unallocated assets					122,125
Total assets					184,380
Included in segment results:					
Depreciation and amortisation expense	3,798	-	351	4,669	8,818

* Comparative numbers have been restated. Refer to note 4.

5 Segment information (continued)

Major customers

The Group provides products to four external customers.

6 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	2020	2019
REVENUE		
Petroleum sales	**37,270**	43,323
Total revenue	**37,270**	43,323
OTHER INCOME		
Insurance proceeds	**-**	1,125
Reimbursement of Ironbark back costs	**-**	947
Other income	**1,561**	378
Performance bond receivable*	**419**	-
Total other income	**1,980**	2,450
Total income	**39,250**	45,773

* During the year ending 30 June 2020, Texcal Mahato EP Ltd (Texcal), operator of the Mahato PSC refused to refund Cue's share of the PSC performance bond, amounting to approximately $0.4 million (US$0.3 million) which was released by the Indonesian Government on completion of the PSC work commitment. The return of the bond is governed by a separate agreement with Texcal and is unrelated to the claims being made by Texcal under the Joint Operating Agreement ('JOA'). Cue continues to assert its rights under the agreement which governs the performance bond and is evaluating its available options.

7 Operating costs

$000	2020	2019
Production and sales marketing costs	**(8,221)**	(8,965)
Carbon emission expenditure	**(476)**	(413)
Insurance expenditure	**(626)**	(456)
Movement in inventory	**(571)**	529
Total operating costs	**(9,894)**	(9,305)

8 Other expenses

$000	2020	2019
CLASSIFICATION OF OTHER EXPENSES BY NATURE		
Audit fees paid to the Group auditor - KPMG	**219**	110
Audit fees paid to other auditors - BDO	**-**	124
Directors' fees	**337**	294
Legal fees	**1,094**	878
Consultants' fees	**1,367**	1,515
Employee expenses	**6,098**	6,229
Depreciation	**454**	120
Amortisation of intangible assets	**-**	241
Share based payment expense	**341**	17
IT and software expenses	**811**	557
Pre-permit expenditure	**141**	-
Registry and stock exchange fees	**253**	143
Other	**1,126**	2,161
Total other expenses	**12,241**	12,389
FEES PAID TO THE GROUP AUDITOR		
Audit and review of financial statements	**219**	110
Tax compliance services	**72**	98
Tax advisory services	**28**	86
Other assurance services	**9**	-
Total fees paid to Group auditor	**328**	294
FEES PAID TO OTHER AUDITORS		
Audit and review of subsidiary financial statements	**-**	124
Tax compliance services	**-**	10
Total fees paid to other auditors	**-**	134

During the year the auditors of Cue changed to KPMG.

9 Net finance income and costs

$000	2020	2019
Bank fees	**(9)**	(9)
Provision unwind of discount on provision	**(414)**	(221)
Lease interest expense	**(9)**	-
Total finance costs	**(432)**	(230)
Interest income	**1,522**	2,175
Exchange gains on foreign currency balances	**2,365**	1,217
Total finance income	**3,887**	3,392
Net finance income	**3,455**	3,162

10 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	2020	2019
INCOME TAX EXPENSE		
Current tax	**3,757**	3,115
Deferred tax	**454**	559
a) Total income tax expense	**4,211**	3,674
INCOME TAX EXPENSE CALCULATION		
Profit before income tax and royalties	**6,143**	3,358
Less: royalties expense	**(2,704)**	(2,573)
Profit before income tax	**3,439**	785
Tax at the New Zealand tax rate of 28%	**963**	220
Tax effect of amounts which are not deductible/(taxable):		
Difference in overseas tax rate	**1,288**	(445)
Non-deductible expenses	**348**	298
Foreign exchange adjustments	**(154)**	(198)
Unrealised timing differences	**(630)**	433
Unrecognised tax losses	**2,641**	1,645
Other	**445**	2,475
	4,901	4,429
Adjustment recognised for current tax in prior periods	**(690)**	(755)
b) Total income tax expense	**4,211**	3,674

During the year, Cue was notified that it had been successful in an Indonesian Tax Court case against the Indonesian Tax Department for over-payment of $0.7 million in taxes relating to 2011, resulting in a partial refund of $0.5 million which was received in December 2019. The remaining balance was accrued at year end.

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 2020 no imputation credits were held for subsequent reporting periods (2019: nil).

10 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 2020 the Group have accumulated losses in New Zealand of $43.2 million (30 June 2019: $41.7 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	2020	2019
THE BALANCE COMPRISES TEMPORARY DIFFERENCES ATTRIBUTABLE TO:		
Deferred Tax Assets		
Non-deductible provisions	**5,988**	5,645
	5,988	5,645
Deferred Tax Liabilities		
Exploration & evaluation assets	**(2,164)**	(6,954)
Oil & gas assets	**(5,604)**	-
Other items (including lease assets)	**(14)**	-
	(7,782)	(6,954)
Net deferred tax liabilities	**(1,793)**	(1,309)
MOVEMENTS:		
Net deferred tax liability at 1 July	**(1,309)**	(797)
Recognised in profit and loss	**(454)**	(559)
Recognised in other comprehensive income	**(30)**	47
Closing balance at end of year	**(1,793)**	(1,309)

11 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.

12 Cash and cash equivalents and funds held in escrow

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	2020	2019
Cash at bank and in hand	**18,524**	12,006
Deposits at call	**4,110**	4,590
Short term deposits	**74,774**	76,602
Share of oil and gas interests' cash	**496**	342
Funds held in escrow - WA-359-P Drilling Programme Account*	**12,850**	12,046
Total cash and cash equivalents at end of year	**110,754**	105,586

*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 as agreed by all parties.

Cash and cash equivalents denominated by currency $000	Base Currency	NZD Equivalent
2020		
NZ dollar	**29,929**	**29,929**
US dollar	**48,651**	**75,710**
AU dollar	**4,493**	**4,808**
ID rupiah	**2,840,563**	**307**
Total cash and cash equivalents at end of year		**110,754**
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

Deposits at call and short-term deposits

The deposits at call and short term deposits are currently bearing interest rates between 0.06% and 0.50% (2019: 1.60% and 2.70%).

13 Receivables and prepayments

$000	2020	2019
Trade receivables	**4,136**	6,492
Share of oil and gas interests' receivables	**2,097**	1,328
Prepayments	**361**	124
Other	**10**	52
Total receivables and prepayments at end of year	**6,604**	7,996

Receivables and prepayments denominated by currency $000	Base Currency	NZD Equivalent
2020		
NZ dollar	**1,530**	**1,530**
US dollar	**3,163**	**4,907**
AU dollar	**135**	**144**
ID rupiah	**208,275**	**23**
Total receivables and prepayments at end of year		**6,604**
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

14 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 2020 the Group holds a 50.04 per cent interest in Cue Energy Resources Limited (30 June 2019: 50.04 per cent). Cue entities on the next page 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 on the next page.

14 Investments in subsidiaries (continued)

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

Name of entity	Country of incorporation	Equity Holding 2020	Equity Holding 2019	Functional Currency
NEW ZEALAND OIL & GAS				
Australia and New Zealand Petroleum Limited	New Zealand	**100%**	100%	NZD
NZOG Onshore Limited	New Zealand	**100%**	100%	NZD
NZOG Canterbury Limited	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 (i)	Australia	**0%**	100%	USD
NZOG Offshore Limited	New Zealand	**100%**	100%	NZD
NZOG Pacific Holdings Pty Limited	Australia	**100%**	100%	USD
NZOG Pacific Limited	New Zealand	**100%**	100%	NZD
NZOG Services Limited	New Zealand	**100%**	100%	NZD
NZOG Taranaki Limited	New Zealand	**100%**	100%	NZD
Petroleum Resources Limited	New Zealand	**100%**	100%	NZD
NZOG MNK Bohorok Pty Limited	Australia	**100%**	100%	USD
NZOG Asia Pty Limited (ii)	Australia	**0%**	100%	USD
Pacific Oil & Gas (North Sumatera) Limited (ii)	Bermuda	**0%**	90%	USD
NZOG (Ironbark) Pty Limited	Australia	**100%**	100%	AUD
CUE ENERGY RESOURCES				
Cue Energy Resources Limited	Australia	**50.04%**	50.04%	AUD
Cue Mahakam Hilir Pty Limited	Australia	**50.04%**	50.04%	USD
Cue (Ashmore Cartier) Pty Ltd	Australia	**50.04%**	50.04%	AUD
Cue Sampang Pty Limited	Australia	**50.04%**	50.04%	USD
Cue Taranaki Pty Limited	Australia	**50.04%**	50.04%	USD
Cue Kalimantan Pte Ltd	Singapore	**50.04%**	50.04%	USD
Cue Mahato Pty Ltd	Australia	**50.04%**	50.04%	USD
Cue Exploration Pty Limited	Australia	**50.04%**	50.04%	AUD

(i) This company was sold during the 2018 financial year subject to regulatory approval; the sale was completed on 17 April 2020
(ii) These companies were sold during the 2018 financial year subject to regulatory approval; the sale was completed on 24 April 2020.

The Group previously determined that in accordance with NZ IAS 21 Effects of Changes in Foreign Exchange Rates, the Group's interest in foreign operations Cue Sampang (Indonesia) and Cue Taranaki (New Zealand) are held in USD functional entities. During the current period the Group reviewed its functional currency translation practices and identified prior period errors in the translation of certain balances residing in these USD functional entities. These errors were not material and accordingly have been corrected in the 30 June 2020 financial statements through an adjustment of $0.9 million to increase production properties (refer note 15) and a corresponding credit to the functional currency translation reserve.

15 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**	**2020**	**2019**
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%**	100.0%
Palmerah Baru PSC (i)	Production Sharing Contract	Indonesia	**0.0%**	36.0%
Bohorok PSC (ii)	Production Sharing Contract	Indonesia	**25.0%**	25.0%
WA-359-P	Exploration Permit	Australia	**15.0%**	15.0%
Kisaran PSC (iii)	Production Sharing Contract	Indonesia	**0.0%**	22.5%
CUE ENERGY RESOURCES *				
WA-359-P	Exploration Permit	Australia	**21.5%**	21.5%
WA-389-P	Exploration Permit	Australia	**100.0%**	100.0%
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 was completed on 17 April 2020.

(ii) 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).

(iii) 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. The sale was completed on 24 April 2020.

* represents the percentage interest held by Cue Energy Resources Limited. The Group interest is 50.04% (2019: 50.04%) of the Cue interest.

16 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.

$000	2020	2019
Opening balance	**3,646**	7,243
Impairment of exploration asset	**-**	(7,202)
Capitalised exploration costs	**2,820**	3,646
Revaluation of foreign currency exploration and evaluation assets	**83**	(41)
Total exploration and evaluation assets at end of year	**6,549**	3,646

Two exploration wells have been drilled in the Mahato PSC. The operator, Texcal, and other joint venture parties are claiming to have excluded Cue from participation in these operations. These claims are disputed by Cue as having no basis under the Joint Operating Agreement (JOA). Cue continues to assert all its legal rights under the JOA and is currently evaluating its available options.

On 16 April 2020, the Indonesia regulator, SKKMigas made a public announcement of a 61.8 million OOIP (original oil in place) barrel oil discovery in the Mahato PSC.

The plan of development (POD) for the Paus Biru discovery was approved on the 30 July 2020. Nothing has come to the attention of the Group to indicate future economic benefits will not be achieved.

17 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	2020	2019*
Opening balance	**58,609**	64,836
Expenditure capitalised	**2,760**	1,695
Impairment	**(2,856)**	-
Amortisation for the period	**(7,956)**	(8,384)
Revaluation of foreign currency oil and gas assets	**1,391**	(1,245)
Rehabilitation provision	**289**	1,707
Total oil and gas assets at end of year	**52,237**	58,609

* Comparative numbers have been restated. Refer to Note 4.

At 30 June 2020 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. It was determined that price indicators existed due to a drop in oil prices as a result of COVID-19.

Estimates of recoverable amounts are based on the assets' value-in-use, determined by discounting each asset's estimated future cash flows at asset specific discount rates. The discount rate applied was 10%. The oil price assumptions used were based on forward prices, rising to consensus mean after 4 years.

The recoverable amounts of the Maari cash generating unit were formally reassessed and an impairment of the Maari oil field development in New Zealand of $2.9 million was recognised. This is primarily as a result of reduced oil prices (refer to note 2).

18 Other financial assets

During the 2020 financial year, the Group reviewed the contractual agreement and concluded that a prior year restatement is required to gross up the funded portion of the rehabilitation provision, as Cue Sampang retains the obligation to fully fund its share of the rehabilitation. As such, the Group retrospectively recognised another financial asset of $5.3 million as at 30 June 2019 (refer to note 4), with a corresponding adjustment required to the rehabilitation provision.

Cue Sampang contributed a further $0.5 million to the ASR fund during the year ended 30 June 2020.

Other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets which are measured at fair value through profit or loss. Such assets are subsequently measured at amortised cost.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

$000	2020	2019*
Opening balance	**5,526**	5,146
Security deposits	**10**	9
Abandonment and Site Restoration Fund - Cue Sampang rehabilitation	**587**	371
Total other financial assets at end of year	**6,123**	5,526

* Comparative numbers have been restated. Refer to Note 4.

19 Payables

$000	2020	2019
Trade payables	**1,451**	1,573
Royalties payable	**703**	909
Share of oil and gas interests' payable	**2,577**	2,568
Other payables	**736**	925
Total payables at end of year	**5,467**	5,975

Payables denominated by currency $000	Base Currency	NZD Equivalent
2020		
NZ dollar	**3,594**	**3,594**
US dollar	**916**	**1,421**
AU dollar	**394**	**423**
ID rupiah	**271,452**	**29**
Total payables at end of year		**5,467**
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

20 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 current year, the discount rate used to determine the provision was 0.92%. 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 or loss.

$000	2020	2019*
Carrying amount at start of year	**26,449**	23,760
(Reduction)/addition in provision recognised	**(25)**	2,362
Unwind of discount on provision	**414**	415
Revaluation of foreign currency rehabilitation provision	**1,071**	(88)
Total rehabilitation provision at end of year	**27,909**	26,449

* Comparative numbers have been restated. Refer to Note 4.

21 Share capital

	Number of shares 000s	$000
Balance at 1 July 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**
Partly paid ESOP shares expired	**-**	**(7)**
Balance at 30 June 2020	**167,849**	**211,901**
Composed of:		
Fully paid shares	**164,431**	**211,891**
Partly paid shares	**3,418**	**10**
Balance at 30 June 2020	**167,849**	**211,901**

The Group retains 2.4 million of unallocated partly paid shares that have not yet been cancelled. During the year $7,000 of partly paid shares expired (2019: $17,000).

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 26.

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

22 Reserves

a) Reserves

$000	2020	2019
Share based payments reserve	**419**	83
Foreign currency translation reserve	**3,692**	2,377
Total reserves at end of year	**4,111**	2,460

Movements:

$000	2020	2019
SHARE-BASED PAYMENTS RESERVE		
Opening balance at 1 July	**83**	147
Share based payment expense for the year	**344**	18
Exercised and expired ESOP awards	**(8)**	(82)
Closing balance at end of year	**419**	83
FOREIGN CURRENCY TRANSLATION RESERVE		
Opening balance at 1 July	**2,377**	7,414
Impact on foreign currency translation reserve of disposals	**-**	(2,905)
Other foreign currency translation differences for the year	**1,315**	(2.132)
Closing balance at end of year	**3,692**	2,377

b) Nature and purpose of reserves

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.

23 Loss per share

	2020	2019
Loss attributable to shareholders ($000)	**(1,382)**	(7,479)
Weighted average number of ordinary shares (000)	**167,849**	167,849
Basic loss per share (cents)	**(0.8)**	(4.5)
Options over ordinary shares (000)	**2,832**	-
Diluted loss per share and options (cents)	**(0.8)**	-

24 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 2020 (2019: 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.

24 Financial risk management (continued)

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 rehabilitation 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.

As disclosed in note 4, the Group retrospectively recognised an other financial asset of $5.5 million as at 30 June 2019 for the funded portion of the rehabilitation provision. Cue Sampang contributed a further $0.5 million to the restoration fund during the year ended 30 June 2020. The Group assessed the credit risk as low, given the funds are held in an Indonesian state owned bank account, jointly controlled by the Indonesian government and its agency, SSKMigas.

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.

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 2020						
Payables	**5,467**	**-**	**-**	**-**	**-**	**5,467**
Total non-derivative liabilities	**5,467**	**-**	**-**	**-**	**-**	**5,467**
30 JUNE 2019						
Payables	5,975	-	-	-	-	5,975
Total non-derivative liabilities	5,975	-	-	-	-	5,975

At 30 June 2020 the Group had no derivatives to settle (2019: 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	2020	2019
Impact on Group profit before tax	Exchange rate	+5%	**(2.2)**	(2.1)
		-5%	**2.5**	2.4
Impact on foreign currency translation reserves in equity	Exchange rate	+5%	**(1.6)**	(1.5)
		-5%	**1.8**	1.7
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	2020 Carrying value	2019 Carrying value
ASSETS		
Cash and cash equivalents	**97,904**	93,540
Funds held in escrow	**12,850**	12,046
Trade and other receivables	**6,242**	7,871
	116,996	113,457
LIABILITIES		
Payables	**5,467**	5,975
	5,467	5,975

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

25 Related party transactions

Related parties of the Group include those entities identified in notes 14 and 15 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.

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 year 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 year ended 30 June 2020 $0.9 million (30 June 2019: $0.03 million) of income has been included 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. Directors' fees are disclosed in note 8. No directors' fees are charged for the three representatives of OGOG who are directors of the Group. During the year additional fees were paid to the independent directors in relation to the scheme of arrangement. Directors' expenses are reimbursed and are not separately disclosed as they are not material.

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

$000	2020	2019
Short term employee benefits	**3,384**	3,438
Share based payments	**142**	11
Post employment benefits	**113**	123
Total related party transactions	**3,639**	3,572

26 Share-based payments

Accounting policy

Share-base payments are equity or cash settlements to employees in exchange for services. Equity transactions are settled in shares or options over shares. Cash settlements are determined by the share price.

The cost of equity settled transactions are measured at fair value on grant date. Fair value is independently determined using either the binomial or Black- Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity received the services that entitle the employees to receive payment no account is taken of any other vesting conditions.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

Equity transactions are recognised as an expense with the corresponding increase in equity over the vesting period. The cumulative charge to a profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period.

If the non-vesting condition is within the control of the consolidated entity or employee the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee as is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited. Cancellations are accounted for on the date of cancellation, as if it had vested.

26 Share-based payments (continued)

The Company has the following share based payment schemes:

a) New Zealand Oil & Gas Share Option Scheme - established 19 March 2020.

b) Cue Energy Share Option Scheme - established July 2019.

c) Employee Share Option Plan (ESOP) - this scheme was terminated in 2017, however there is one tranche remaining which expires in 2022.

a) New Zealand Oil & Gas Share Option Scheme

On 19 March 2020, the Group issued 2,832,048 unlisted options to eligible New Zealand Oil & Gas Limited employees under the share option scheme. The options are exercisable at $0.61 (61 cents) per option, will vest on 1 July 2022 and expire on 1 July 2025. The exercise price was determined by adding a 20% premium to the average market price on the date of the offer (being the volume weighted average market price over the previous 10 business days) at 30 June 2019.

The service commencement date of these options was deemed to be 1 July 2019. The options were valued using Black-Scholes option pricing model, $0.2 million of share-based payment expense was recorded in relation to these options for the financial year ending 30 June 2020.

Set out below are summaries of options granted under the plan:

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
19/03/2020	1/07/2025	$0.61	-	2,832,048	-	-	2,832,048
			-	2,832,048	-	-	2,832,048
Weighted average exercise price			-	$0.61	-	-	$0.61

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
19/03/2020	1/07/2025	$0.48	$0.61	30%	0%	0.69%	$0.11

26 Share-based payments (continued)

b) Cue Energy Share Option Scheme - shown in AU dollars

8,131,186 options were granted during the financial year to 30 June 2020 (2019:nil).

On 29 July 2019, Cue issued 4,277,888 unlisted options to eligible employees under the share option scheme. The options are exercisable at $0.07 (7 cents) per option, will vest on 1 July 2021 and expire on 1 July 2023. The service commencement date of these options was deemed to be 1 July 2018. The options were valued using Black-Scholes option pricing model. $34,255 of share-based payment expense was recorded in relation to these options for the financial year ending 30 June 2020.

On 4 October 2019, Cue issued 3,853,298 unlisted options to eligible employees under the share option scheme. The options are exercisable at $0.09 (9 cents) per option, and will vest on 1 July 2022 and expire on 1 July 2024. The options were valued using Black-Scholes option pricing model. $0.1 million of share-based payment expense was recorded in relation to these options for the financial year ending 30 June 2020.

Set out below are summaries of options granted under the plan:

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Expired/ forfeited/ other	Balance at the end of the year
2020						
29/07/2019	**1/07/2023**	**$0.070**	**4,277,888**	**-**	**(493,863)**	**3,784,025**
4/10/2019	**1/07/2024**	**$0.090**	**-**	**3,853,298**	**-**	**3,853,298**
			4,277,888	**3,853,298**	**(493,863)**	**7,637,323**
Weighted average exercise price			**$0.07**	**$0.09**	**$0.07**	**$0.08**
2019						
29/07/2019	1/07/2023	$0.070	-	4,277,888	-	4,277,888
			-	4,277,888	-	4,277,888
Weighted average exercise price			$0.00	$0.07	-	$0.07

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
29/07/2019	1/07/2023	$0.092	$0.070	55.00%	0%	0.99%	$0.040
4/10/2019	1/07/2024	$0.115	$0.090	53.00%	0%	0.64%	$0.059

c) Employee Share Option Plan (ESOP)

The Employee Share Option Plan (ESOP) was terminated in 2017, of which there is one remaining shareholder. No allocations of new ESOP shares were made in the financial year ending 30 June 2020 (2019: nil). The details below relate to the old scheme which will end as final dates are reached and shares expire.

The Group's ESOP was open to nominated employees. Under the plan there are currently 3.4 million (2019: 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. As there was no new allocation of ESOP shares during the year, no new valuation took place and nothing was expensed through the Consolidated Statement of Comprehensive Income (2019: $0.02 million). No shares were exercised in the year ending June 2020 (2019: 0.01 million) and no expired/forfeited shares were converted to ordinary shares and sold (2019: nil).

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").

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 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.

There is one remaining tranche of awards with a final date of August 2022. There remains 1 million partly paid shares with a weighted average exercise price of $0.74 and 2.4 million unallocated partly paid shares.

27 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. The commitments are reduced by amounts paid to date.

b) Contingent assets and liabilities

The Directors are not aware of any contingent assets or contingent liabilities as at 30 June 2020.

28 Events occuring after balance date

On 17 July 2020, Cue announced that the Environment Plan (EP) for the Ironbark-1 exploration well in exploration permit WA-359- P had been approved by the National Offshore Petroleum Safety and Environment Management Authority (NOPSEMA).

On 17 August 2020,the Group announced an upgrade to its developed reserves in the Kupe gas and light oil field off Taranaki, New Zealand. Following a review by the joint venture partners, the Groups' share of total reserves have increased.

On 19 August 2020, Cue announced the Indonesian Government approval of the Paus Biru gas field Plan of Development in the Sampang PSC and an independent certification of the contingent resources in the field.

No other events have occurred after balance date.

Independent Auditor's Report

To the shareholders of New Zealand Oil and Gas Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of New Zealand Oil & Gas Limited (the 'company') and its subsidiaries (the 'group') on pages 84 to 112

i. present fairly in all material respects the group's financial position as at 30 June 2020 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 2020;

— 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.

KPMG

Basis for opinion

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

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

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

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

Scoping

The consolidated financial statements include the 50.04% shareholding in Cue Energy Limited ('Cue') and its two production assets, Sampang PSC in Indonesia and Maari 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 consolidated 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 the component audit team throughout the year with discussions and formal instructions, including review of their 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 (2019: $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 17 to the Financial Report. The recoverability of oil and gas assets is a key audit matter due to the judgement involved in assessing the recoverable value of the oil and gas assets. Key judgements include: — future oil and gas prices; — oil and gas reserves, and future production levels; — discount rate; and — future operating and capital costs. The COVID-19 pandemic has led to increased uncertainty associated with future oil and gas prices, which are inherently subjective and inherently more uncertain during times of economic uncertainty.	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 report; — challenging the discount rate used by engaging valuation specialists to assess the appropriateness of the discount rate applied, and comparing 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 company, are responsible for the other information included in the entity's Annual Report. Other information may include the Chairman and Chief Executive's report, production and reserve information, corporate governance and statutory information. Our opinion on the 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 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 Brent Manning.

For and on behalf of

KPMG

KPMG
Wellington
28 August 2020

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