NEW ZEALAND OIL & GAS LIMITED

NZ Reg. Coy. No. 037842
ARBN 003 064 962
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Results for announcement to the market

Reporting Period	12 months to 30 June 2015
Previous Reporting Period	6 months to 31 December 2014
Comparative Reporting Period	12 months to 30 June 2014

	Amount (NZ$ 000s)		Increase / (decrease)
	12 months to 30 June 2015	12 months to 30 June 2014	%
Revenue from ordinary activities	116,235	103,622	12%
Surplus / (deficit) from ordinary activities after tax attributable to security holders	(6,095)	10,078	N/A
Net profit / (loss) attributable to security holders	(6,095)	10,078	N/A
	NZ$	NZ$	%
Net Tangible Assets per share	0.74	0.68	9%

Interim/Final Dividend	Amount per security	Imputed amount per security
Final Dividend	Nil	N/A

Record Date	N/A
Dividend Payment Date	N/A

Comments:	Accompanying this announcement are the company's audited financial statements for the year ended 30 June 2015, that have been prepared in accordance with generally accepted accounting practice and give a true and fair view of the financial position and performance of the company. These financial statements provide the balance of information required in accordance with Listing Rule 10.4.2, Appendix 1. The Directors propose that no dividend will be paid this year. **Reviewed Financial Statements** Refer to accompanying Appendix 1

THE EXPLORERS
NEW ZEALAND OIL & GAS

Consolidated Financial Statements

For the year ended 30 June 2015

Statement of Comprehensive Income
For the year ended 30 June 2015

	Notes	2015 $000	2014 $000
Revenue	5	**116,235**	103,622
Operating costs	6	**(36,884)**	(21,982)
Amortisation of production assets		**(39,639)**	(25,751)
Gross profit		**39,712**	55,889
Other income	5	**17,862**	11,758
Exploration and evaluation costs expensed	16	**(15,562)**	(29,529)
Asset impairment	17	**(36,300)**	-
Other expenses	7	**(13,934)**	(10,638)
Results from operating activities		**(8,222)**	27,480
Finance costs	8	**(2,951)**	(6,566)
Finance income	8	**5,846**	4,200
Net finance income/(costs)		**2,895**	(2,366)
Profit/(loss) before income tax and royalties		**(5,327)**	25,114
Income tax credit/(expense)	9	**5,823**	(7,310)
Royalties expense	10	**(6,658)**	(7,726)
(Loss)/profit for the year		**(6,162)**	10,078
(Loss)/profit for the year attributable to:			
(Loss)/profit attributable to shareholders		**(6,095)**	10,078
(Loss)/profit attributable to non-controlling interest		**(67)**	-
(Loss)/profit for the year		**(6,162)**	10,078
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Fair value gain/(loss) through other comprehensive income		**(3,652)**	(2,091)
Items that may be classified to profit or loss			
Foreign currency translation differences		**30,046**	(6,770)
Total other comprehensive income for the year		**20,232**	1,217
Total comprehensive income for the year is attributable to:			
Equity holders of the Group		**20,299**	1,217
Non-controlling interest		**(67)**	-
Total comprehensive income for the year		**20,232**	1,217
Earnings per share			
Basic and diluted (cents per share)	24	**(1.5)**	2.4

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

Statement of Financial Position

As at 30 June 2015

	Notes	2015 $000	2014 $000
Assets			
Current assets			
Cash and cash equivalents	11	**83,659**	135,075
Receivables and prepayments	12	**29,579**	27,102
Inventories		**8,842**	6,930
Current tax receivables		**-**	1,752
Total current assets		**122,080**	170,859
Non-current assets			
Evaluation and exploration assets	16	**70,214**	54,927
Oil and gas assets	17	**289,356**	223,801
Property, plant and equipment		**277**	1,095
Other intangible assets		**1,449**	724
Other financial assets	18	**1,960**	9,842
Total non-current assets		**363,256**	290,389
Total assets		**485,336**	461,248
Liabilities			
Current liabilities			
Payables	19	**31,415**	32,349
Current tax liabilities		**3,625**	-
Other current liabilities		**-**	304
Total current liabilities		**35,040**	32,653
Non-current liabilities			
Borrowings		**1,001**	776
Rehabilitation provision	20	**78,930**	41,173
Other provisions	21	**6,863**	-
Deferred tax liability	9	**35,600**	44,507
Total non-current liabilities		**122,394**	86,456
Total liabilities		**157,434**	119,109
Net assets		**327,902**	342,139
Equity			
Share capital	22	**319,060**	377,662
Reserves	23	**842**	(25,566)
Retained earnings		**(28,486)**	(9,957)
Attributable to shareholders of the Group		**291,416**	342,139
Non-controlling interest in subsidiaries		**36,486**	-
Total equity		**327,902**	342,139
Net asset backing per share (cents per share)		**95**	81
Net tangible asset backing per share (cents per share)		**74**	68

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

Authorised on behalf of the New Zealand Oil & Gas Limited Board of Directors on 26 August 2015:

Peter Griffiths
Chairman

Mark Tume
Director

Statement of Changes in Equity

For the year ended 30 June 2015

	Issued capital $000	Reserves $000	Retained earnings $000	Total $000	Non-controlling interest $000	Total equity $000
Balance as at 1 July 2014	**377,662**	**(25,566)**	**(9,957)**	**342,139**	**-**	**342,139**
Comprehensive income						
Profit for the year	-	-	(6,095)	(6,095)	(67)	**(6,162)**
Other comprehensive income, net of tax						
Fair value loss through other comprehensive income	-	(3,652)	-	(3,652)	-	**(3,652)**
Foreign currency translation differences	-	30,046	-	30,046	-	**30,046**
Total comprehensive income	-	26,394	(6,095)	20,299	(67)	**20,232**
Transactions with shareholders of the Group						
Non-controlling interest arising on acquisition of subsidiary	-	-	-	-	36,553	**36,553**
Shares issued/(cancelled)	4,560	-	-	4,560	-	**4,560**
Buy back of issued shares	(63,163)	-	-	(63,163)	-	**(63,163)**
Partly paid shares issued	1	-	-	1	-	**1**
Share based payment	-	72	-	72	-	**72**
Transfer of expired share based payments during the year	-	(58)	58	-	-	**-**
Dividend paid (3 cents per ordinary share)	-	-	(12,492)	(12,492)	-	**(12,492)**
Balance as at 30 June 2015	**319,060**	**842**	**(28,486)**	**291,416**	**36,486**	**327,902**

	Issued capital $000	Reserves $000	Retained Earnings $000	Total Equity $000	Non-controlling interest $000	Total Equity $000
Balance as at 1 July 2013	370,711	(16,539)	3,822	357,994	-	357,994
Comprehensive income						
Profit for the year	-	-	10,078	10,078	-	10,078
Other comprehensive income, net of tax						
Fair value loss through other comprehensive income	-	(2,091)	-	(2,091)	-	(2,091)
Foreign currency translation differences	-	(6,770)	-	(6,770)	-	(6,770)
Total comprehensive income	-	(8,861)	10,078	1,217	-	1,217
Transactions with shareholders of the Group						
Shares issued/(cancelled)	6,951	-	-	6,951	-	6,951
Share based payment	-	154	-	154	-	154
Transfer of expired share based payments during the year	-	(320)	320	-	-	-
Dividend paid (3 cents per ordinary share)	-	-	(24,177)	(24,177)	-	(24,177)
Supplementary dividend	-	-	(1,023)	(1,023)	-	(1,023)
Foreign investor tax credit	-	-	1,023	1,023	-	1,023
Balance as at 30 June 2014	**377,662**	**(25,566)**	**(9,957)**	**342,139**	**-**	**342,139**

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 2015

	Notes	2015 $000	2014 $000
Cash flows from operating activities			
Receipts from customers		**120,578**	108,560
Interest received		**3,346**	4,170
Other revenue		**-**	9,992
Production and marketing expenditure		**(31,925)**	(19,574)
Payments to suppliers and employees (inclusive of GST)		**(19,792)**	(2,198)
Royalties paid		**(6,944)**	(10,487)
Interest paid		**(10)**	-
Income taxes paid		**(5,982)**	(2,510)
Net cash inflow/(outflow) from operating activities		**59,271**	87,953
Cash flows from investing activities			
Sale of shares in Pan Pacific Petroleum NL		**4,708**	-
Exploration and evaluation expenditure		**(31,870)**	(74,883)
Oil and gas asset expenditure		**(19,256)**	(1,384)
Acquisition of a subsidiary, net of cash acquired		**(4,229)**	-
Purchase of oil and gas interest		**(2,759)**	(7,733)
Purchase of property, plant and equipment		**(609)**	(1,486)
Receipt of loan repayment from related entity		**1,446**	-
Receipt/(payment) of performance bonds		**-**	(1,097)
Net cash inflow/(outflow) from investing activities		**(52,569)**	(86,583)
Cash flows from financing activities			
Issues of shares		**-**	20
Repayment of capital/cancellation of shares		**(63,163)**	-
Proceeds from sale of forfeited shares		**927**	506
Other		**(71)**	(1)
Dividends paid		**(8,895)**	(18,776)
Net cash inflow/(outflow) from financing activities		**(71,202)**	(18,251)
Net increase/(decrease) in cash and cash equivalents		**(64,500)**	(16,881)
Cash and cash equivalents at the beginning of the year		**135,075**	158,018
Effects of exchange rate changes on cash and cash equivalents		**13,084**	(6,062)
Cash and cash equivalents at end of the year	11	**83,659**	135,075

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

	2015 $000	2014 $000
(Loss)/profit for the year	**(6,162)**	10,078
Depreciation and amortisation	**39,170**	28,563
Deferred tax	**(17,024)**	7,401
Reversal of impairment of loan	**(1,446)**	-
Exploration expenditure included in investing activities	**1,539**	30,036
Impairment and exploration write off	**51,862**	-
Gain on purchase of subsidiary	**(15,357)**	154
Net foreign exchange differences	**(1,433)**	4,438
Rehabilitation provision	**2,832**	-
Other	**465**	1,763
Change in operating assets and liabilities		
Movement in trade debtors	**2,795**	5,526
Movement in trade creditors	**(4,575)**	8,998
Movement in inventory	**1,538**	(5,490)
Movement in tax payable	**5,067**	(3,514)
Net cash inflow from operating activities	**59,271**	87,953

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

1. Basis of accounting

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

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

The functional 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 evaluation and exploration assets and oil and gas assets**. Assessment includes future commodity prices, future cash flows, an estimated discount rate and estimates of reserves. Management performs an assessment of the carrying value of investments at least annually 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 25(a)(ii)).

- **provision for rehabilitation obligations** includes estimates of future costs, timing of required restoration and an estimated discount rate (refer to note 20).

- **recoverability of deferred tax asset.** Assessment of the ability of entities in the Group to generate future taxable income (refer to note 9).

3. Changes in accounting policies

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the accounting periods beginning on or after 1 January 2016 but which the company has not early adopted.

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments

The impact of these accounting standards is currently being assessed.

4. Segment information

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

Tui area oil field: development, production and sale of crude oil in the petroleum mining permit area of PMP 38158 located in the offshore Taranaki basin, New Zealand.

Kupe oil and gas field: 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.

Oil & gas exploration: exploration and evaluation of hydrocarbons in the offshore Taranaki basin and offshore Canterbury basin, New Zealand and in Indonesia. Exploration in Tunisia ceased in 2014.

Cue Energy Resources Limited (Cue): the Group acquired a controlling interest in Cue during the year and have consolidated performance for the last three months of this year (refer to note 13). Management have treated this as a separate operating segment.

4. Segment information (continued)

2015	Tui oil	Kupe oil & gas	Oil & gas exploration	Other & unallocated	Cue Energy Resources Ltd	Total
	$000	$000	$000	$000	$000	$000
Sales to external customers - NZ	**-**	**42,903**	**-**	**-**	**-**	**42,903**
Sales to external customers - other countries	**42,655**	**19,582**	**-**	**-**	**11,095**	**73,332**
Total sales revenue	**42,655**	**62,485**	**-**	**-**	**11,095**	**116,235**
Gain on purchase of subsidiary	**-**	**-**	**-**	**15,357**	**-**	**15,357**
Other income	**-**	**2,183**	**-**	**322**	**-**	**2,505**
Total revenue and other income	**42,655**	**64,668**	**-**	**15,679**	**11,095**	**134,097**
Impairment of oil and gas assets	**(36,300)**	**-**	**(15,562)**	**-**	**-**	**(51,862)**
Segment result	**(28,860)**	**29,881**	**(15,562)**	**3,956**	**2,363**	**(8,222)**
Other reconciling items - other net finance costs						**2,895**
Loss before income tax and royalties						**(5,327)**
Income tax and royalties expense						**(835)**
Loss for the year						**(6,162)**
Segment assets	**46,330**	**151,330**	**67,379**	**-**	**94,531**	**359,570**
Unallocated assets						**125,766**
Total assets						**485,336**
Included in segment results:						
Depreciation and amortisation expense	**12,985**	**22,867**	**-**	**451**	**2,867**	**39,170**

2014	Tui oil	Kupe oil & gas	Oil & gas exploration	Other & unallocated	Cue Energy Resources Ltd	Total
	$000	$000	$000	$000	$000	$000
Sales to external customers - NZ	-	43,615	-	-	-	43,615
Sales to external customers - other countries	27,700	32,307	-	-	-	60,007
Total sales revenue	27,700	75,922	-	-	-	103,622
Other income	139	10,720	-	899	-	11,758
Total revenue and other income	27,839	86,642	-	899	-	115,380
Segment result	14,752	51,585	(29,529)	(9,328)	-	27,480
Other reconciling items - other net finance costs						(2,366)
Profit before income tax and royalties						25,114
Income tax and royalties expense						(15,036)
Profit for the year						10,078
Segment assets	64,351	159,450	54,927	7,437	-	286,165
Unallocated assets						175,083
Total assets						461,248
Included in segment results:						
Depreciation and amortisation expense	6,249	21,924	-	390	-	28,563

5. Revenue

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.

Royalty income is recognised on the date the Group's right to receive payment is established and the amount can be reliably measured.

	2015	2014
	$000	$000
Revenue		
Petroleum sales	**116,235**	103,622
Total revenue	**116,235**	103,622
Other income		
Rental income	**40**	49
Insurance proceeds	**-**	139
Royalty income (i)	**1,980**	10,623
Carbon emission expenditure recovered	**13**	35
Gain on purchase of subsidiary (ii)	**15,357**	-
Other income	**472**	912
Total other income	**17,862**	11,758
Total income	**134,097**	115,380

(i) During 2014 New Zealand Oil & Gas Limited recognised royalty income in relation to overriding royalties from the Kupe oil and gas field. Agreement was reached with Genesis Energy in 2014 in relation to 20% of its 31% interest, while negotiations with Origin Energy were sufficiently advanced to recognise the income in relation to 10% of its 50% interest. Origin Energy signed the agreement in 2015. The royalty income in 2014 includes $8.0m in respect of prior years.

(ii) During 2015 New Zealand Oil & Gas Limited acquired a controlling interest in Cue Energy Resources Limited, resulting in Cue being consolidated into the Group. The acquisition resulted in a gain on purchase as the consideration paid was less than the fair value of the assets acquired, liabilities assumed and non-controlling interest recognised (refer to note 13).

6. Operating Costs

	2015	2014
	$000	$000
Production and sales marketing costs	**32,903**	22,669
Carbon emission expenditure	**465**	33
Insurance expenditure	**1,979**	1,772
Movement in inventory	**2,322**	(4,171)
Movement in stock over/(under) lift	**(785)**	1,679
Total operating costs	**36,884**	21,982

Lifting arrangements for petroleum products produced in jointly owned operations are of such a frequency that it is not practicable for each participant to receive or sell its precise share of the overall production during the period. At each reporting date, the extent of under/over lift is recognised as an asset or liability at the net realisable value or market rate. The net movement in under lift and over lift is recognised under operating costs in profit or loss.

7. Other expenses

	2015 $000	2014 $000
Classification of other expenses by nature		
Audit Fees paid to the Group auditor - KPMG	**153**	140
Audit fees paid to other auditors - BDO	**93**	-
Directors' fees	**699**	523
Legal fees	**618**	280
Consultants' fees	**1,942**	1,448
Employee expenses (i)	**6,260**	3,572
Depreciation	**87**	393
Amortisation of intangible assets	**369**	235
Share based payment expense	**72**	154
IT and software expenses	**858**	673
Donations	**-**	-
Pre-permit expenditure	**462**	235
Registry and stock exchange fees	**410**	404
Other	**1,911**	2,581
Total other expenses	**13,934**	10,638

(i) Employee expenses are net of $2.6 million (2014: $3.6 million) capitalised to exploration and evaluation assets and recharged to operated joint ventures.

	2015 $000	2014 $000
Fees paid to the Group auditor		
Audit and review of financial statements	**153**	140
Non audit related services:		
Tax compliance services	**109**	79
Tax advisory services	**298**	155
Other assurance services	**33**	132
	593	506

Other assurance services include providing corporate finance model review in 2015 and 2014 and technical accounting advice in 2014.

	2015 $000	2014 $000
Fees paid to the other auditors (for the year) - BDO		
Audit and review of subsidiary financial statements	**93**	-
Non audit related services:		
Tax compliance services	**15**	-
Tax advisory services	**-**	-
Other assurance services	**1**	-
	109	-

8. Net finance income and costs

	2015 $000	2014 $000
Finance costs		
Interest and finance charges	**(119)**	(122)
Unwinding of discount on provisions	**(2,832)**	(1,911)
Exchange losses on foreign currency balances	**-**	(4,533)
Total finance costs	**(2,951)**	(6,566)
Finance income		
Interest income	**2,967**	4,200
Exchange gains on foreign currency balances	**1,433**	-
Reversal of impairment of loan to related entities	**1,446**	-
Total finance income	**5,846**	4,200
Net finance income/(costs)	**2,895**	**(2,366)**

9. Taxation

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

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

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

(a) Income tax expense	2015 $000	2014 $000
Current tax	**11,201**	(91)
Deferred tax	**(17,024)**	7,401
Total income tax (credit)/expense	**(5,823)**	7,310

(b) Income tax expense calculation

	2015 $000	2014 $000
(Loss)/profit before income tax expense and royalties	**(5,327)**	25,114
Less: royalties expense	**(6,658)**	(7,726)
(Loss)/profit before income tax expense	**(11,985)**	17,388
Tax at the New Zealand tax rate of 28%	**(3,356)**	4,869
Tax effect of amounts which are not deductible/(taxable):		
Difference in overseas tax rate	**35**	
Non-deductible write off	**988**	1,802
Gain on purchase of subsidiary	**(4,300)**	
Foreign exchange adjustments	**866**	(534)
Other expenses/(income)	**(344)**	271
	(6,111)	6,408
Under provision in prior years	**288**	902
Income tax (credit)/expense	**(5,823)**	**7,310**

	2015 $000	2014 $000
(c) Imputation credits available for subsequent reporting periods	**8,843**	1,165

(d) Deferred tax

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

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

The utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing temporary differences. The Group acquired a controlling interest in Cue on 27 March 2015. As at 30 June 2015 Cue have accumulated losses in New Zealand of $21.0 million and in Australia of $70.1 million (AU dollars $61.9 million). The Group has recognised the New Zealand deferred tax asset and offset it against the deferred tax liability as it is expected to be utilised fully through future taxable profits; however, as no future taxable profits are expected to arise in Australia at present and no deferred tax asset has been recognised. The future availability of accumulated tax losses remains subject to Cue satisfying the relevant business and shareholder continuity requirements for each jurisdiction.

9. Taxation (continued)

	2015 $000	2014 $000
The balance comprises temporary differences attributable to:		
Non-deductible provisions	**22,195**	11,528
Tax losses	**5,875**	5,975
Other items	**-**	162
	28,070	17,665
Other		
Exploration assets	**(9,080)**	(9,685)
Oil & gas assets	**(53,060)**	(50,361)
Other items	**(1,530)**	-
Capitalised borrowing costs	**-**	(2,126)
Sub-total other	**(63,670)**	(62,172)
Net deferred tax liabilities	**(35,600)**	(44,507)
Movements:		
Net deferred tax asset/(liability) at 1 July	**(44,507)**	(37,151)
Recognised on acquisition	**(4,924)**	-
Recognised in profit or loss	**17,024**	(7,401)
Recognised in other comprehensive income	**(3,193)**	45
Closing balance at 30 June	**(35,600)**	(44,507)

10. Royalties expense

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

11. Cash and cash equivalents

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

	2015 $000	2014 $000
Cash at bank and in hand	**15,999**	2,284
Deposits at call	**33,159**	15,026
Short term deposits	**22,965**	110,238
Share of oil and gas interests' cash	**11,536**	7,527
Total cash and cash equivalents	**83,659**	135,075

Cash and cash equivalents denominated in currencies other than the presentation currency comprise $30.8 million denominated in US dollars; NZ dollar equivalent $45.3 million (2014: US dollars $30.0 million; NZ dollar equivalent $34.3 million) and $0.4 million denominated in AU dollars, NZ dollar equivalent $0.5 million (2014: AU dollars $Nil; NZ dollar equivalent $Nil) and $1.9 million denominated in ID rupiah, NZ dollar equivalent $0.2 million (2014: ID Rupiah $Nil; NZ dollar equivalent $Nil).

Deposits at call and short-term deposits
The deposits at call and short term deposits are bearing interest rates between 0.2% and 3.6% (2014: 0.6% and 4.4%).

Restrictions of use
Included in cash and cash equivalents is a cash deposit of US dollars $1.5 million (2014: US dollars $2.7 million) which is held as collateral by Australia and New Zealand Banking Group Limited (Australia) as security for a Standby Letter of Credit facility provided by the bank in relation to the Tui FPSO lease contract (refer note 28(b)).

Bank debt facilities
At 30 June 2015 the Group has a multi-currency revolving credit facility of $20.0 million with ANZ Bank New Zealand Limited, which is undrawn and available for general corporate and ongoing working capital requirements. Prior to any amount being drawn down under the facility in future, a number of wholly-owned subsidiaries of the Group will become party to the facility and grant an unlimited deed of guarantee and indemnity in favour of ANZ Bank New Zealand Limited.

12. Receivables and prepayments

	2015 $000	2014 $000
Trade receivables	**21,322**	21,890
Interest receivable	**-**	396
Share of oil and gas interests' receivables	**6,855**	3,848
Prepayments	**702**	817
Other	**700**	151
Total receivables and prepayments	**29,579**	**27,102**

Trade receivables denominated in currencies other than the presentation currency comprise $11.6 million denominated in US dollars; NZ dollar equivalent $17.1 million (2014: $2.9 million denominated in US dollars; NZ dollar equivalent $3.3 million) and $0.1 million denominated in AU dollars, NZ dollar equivalent $0.1 million (2014: AU dollars $Nil; NZ dollar equivalent $Nil).

13. Business combinations

On 22 December 2014, the Group acquired 19.99% of the share capital of Cue Energy Resources Limited (Cue) for $14.7 million (AU dollars $14.0 million). By 27 March 2015, the Group acquired a further 28.12% of the share capital for $20.2 million (AU dollars $19.6 million). Cue is a for profit public company listed on the Australian Securities Exchange (ASX), incorporated and domiciled in Australia, and whose operations comprise petroleum exploration, development and production activities.

The Group's interest in Cue has been assessed for control and it was concluded that the Group has power to influence and direct the relevant activities of Cue by way of its representation on Cue's Board and the relative size and dispersion of other voting interests in Cue. On 15 April 2015 NZOG nominated three directors to Cue's Board to act in the interest of the Group in making decisions about relevant activities, while also having regard to the interests of all shareholders. Subsequent to balance date, on 29 July 2015, further changes to the Cue Board resulted in the Group's three nominees having a majority representation on the five-person board.

The gain on purchase of $15.4 million represents that the consideration paid was less than the provisional fair value recognised for Cue's assets acquired, liabilities assumed and non-controlling interest, and is recognised in other income in profit or loss (refer to note 5).

The following table summarises the application of the acquisition method of accounting for the business combination, reflecting the consideration paid and the provisional recognition and fair value measurement of the assets acquired, liabilities assumed and non-controlling interest at acquisition date.

Consideration	
Cash (i)	34,900
Total consideration transferred	**34,900**
Recognised amounts of identifiable assets acquired and liabilities assumed (Provisional)	
Cash and cash equivalents	31,066
Trade and other receivables (ii)	6,077
Inventories	2,795
Property, plant and equipment	83
Production properties	78,014
Trade and other payables	(6,063)
Tax liabilities	(279)
Employee provisions	(766)
Other provisions	(6,863)
Rehabilitation provisions	(12,332)
Deferred tax liabilities	(4,924)
Total identifiable net assets	**86,808**
Non-controlling interest (iii)	**(36,551)**
Gain on purchase of subsidiary (iv)	**(15,357)**
Total	**34,900**

(i) The fair value of the 335,854,341 ordinary shares acquired in Cue was based on the published share price on of $0.10 AU dollars at 27 March 2015.

(ii) The fair value of trade and other receivables is $6.1 million and includes trade receivables with a fair value of $1.2 million, which represents the gross contractual amount due and is expected to be fully collectible.

(iii) The fair value of the non-controlling interest in Cue was calculated using the price quoted on the ASX on the final acquisition date of 27 March 2015.

(iv) The Group recognised a gain on purchase of $15.4 million, which is included in other income in the Group's profit or loss for the year ended 30 June 2015.

Cue contributed revenue of $11.1 million since the acquisition date, which is included in the profit or loss for 2015. Cue also contributed a net loss of $ 0.1 million over the same period.
Had Cue been consolidated for the full year (from 1 July 2014) the profit or loss would reflect pro-forma revenue of $40.5 million and net profit of $8.3 million.

Transaction costs incurred in relation to the acquisition of $0.5 million have been charged to other expenses in the consolidated statement of comprehensive income for the year ended 30 June 2015.

The Group has not recognised any fair value for the exploration permits in Cue's portfolio on acquisition as there is insufficient data available to accurately determine the recoverable amount of the individual permits. From 1 April 2015 onwards, evaluation and exploration expenditure is treated in line with the accounting policy outlined in note 16.

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.

As of 1 April 2015 the Group held a 48.11% interest in Cue Energy Resources Limited which provided sufficient voting rights to unilaterally direct the relevant activities of the investee (refer note 13).

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

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

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

		Equity Holding		
Name of entity	**Country of incorporation**	**2015 %**	**2014 %**	**Functional Currency**
ANZ Resources Pty Limited	Australia	**100**	100	AUD
Australia and New Zealand Petroleum Limited	New Zealand	**100**	100	NZD
Kupe Royalties Limited	New Zealand	**100**	100	NZD
National Petroleum Limited	New Zealand	**100**	100	NZD
Nephrite Enterprises Limited	New Zealand	**100**	100	NZD
NZOG 54867 Limited	New Zealand	**100**	100	NZD
NZOG 38483 Limited	New Zealand	**100**	100	NZD
NZOG 2013 O Limited	New Zealand	**100**	100	NZD
NZOG Asia Pty Limited	Australia	**100**	100	USD
NZOG Bohorok Pty Limited	Australia	**100**	100	USD
NZOG 54857 Limited	New Zealand	**100**	100	NZD
NZOG Developments Limited	New Zealand	**100**	100	NZD
NZOG Devon Limited	New Zealand	**100**	100	NZD
NZOG 2013T Limited	New Zealand	**100**	100	NZD
NZOG Energy Limited	New Zealand	**100**	100	NZD
NZOG Palmerah Baru Pty Limited	Australia	**100**	100	USD
NZOG Offshore Limited	New Zealand	**100**	100	NZD
NZOG Pacific Holdings Pty Limited	Australia	**100**	100	USD
NZOG Pacific Limited	New Zealand	**100**	100	NZD
NZOG Services Limited	New Zealand	**100**	100	NZD
NZOG Taranaki Limited	New Zealand	**100**	100	NZD
NZOG Tunisia Pty Limited	Australia	**100**	100	USD
Oil Holdings Limited	New Zealand	**100**	100	NZD
Pacific Oil & Gas (North Sumatera) Limited	Bermuda	**90**	90	USD
Petroleum Equities Limited	New Zealand	**100**	100	NZD
Petroleum Resources Limited	New Zealand	**100**	100	NZD
Resource Equities Limited	New Zealand	**100**	100	NZD
Stewart Petroleum Co Limited	New Zealand	**100**	100	USD
NZOG MNK Kisaran Pty Limited	Australia	**100**	-	USD
NZOG MNK Bohorok Pty Limited	Australia	**100**	-	USD
NZOG MNK Palmerah Pty Limited	Australia	**100**	-	USD
Cue Energy Resources Limited	Australia	**48.1**	-	AUD
Cue Mahakam Hilir Pty Limited	Australia	**48.1**	-	AUD
Cue (Ashmore Cartier) Pty Ltd	Australia	**48.1**	-	AUD
Cue Sampang Pty Limited	Australia	**48.1**	-	AUD
Cue Taranaki Pty Limited	Australia	**48.1**	-	AUD
Cue Resources Inc	USA	**38.5**	-	USD
Buccaneer Inc	USA	**38.5**	-	USD
Cue Kalimantan Pte Ltd	Singapore	**48.1**	-	USD
Cue Mahato Pty Ltd	Australia	**48.1**	-	AUD
Cue Exploration Pty Limited	Australia	**48.1**	-	AUD

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

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.

			Interests held	
Name	**Country**	**Type**	**2015 %**	**2014 %**
New Zealand Oil & Gas				
PML 38146 – Kupe	New Zealand	Mining Licence	15.0	15.0
PMP 38158 – Tui	New Zealand	Mining Permit	27.5	27.5
PEP 52717 – Clipper	New Zealand	Exploration Permit	50.0	50.0
PEP51906 – Matuku	New Zealand	Exploration Permit	12.5	12.5
PEP52181 – Kaheru	New Zealand	Exploration Permit	35.0	35.0
PEP 55792 – Galleon	New Zealand	Exploration Permit	100.0	100.0
PEP 55793 – Vulcan	New Zealand	Exploration Permit	30.0	30.0
PEP55794 - Toroa	New Zealand	Exploration Permit	30.0	30.0
PEP 54857 – Waru (i)	New Zealand	Exploration Permit	-	100.0
PEP53473 – Takapou (ii)	New Zealand	Exploration Permit	-	50.0
PEP55794 – Taranga (iii)	New Zealand	Exploration Permit	-	50.0
Kisaran PSC	Indonesia	Production Sharing Contract	22.5	22.5
Bohorok PSC	Indonesia	Production Sharing Contract	45.0	45.0
Palmerah Baru PSC	Indonesia	Production Sharing Contract	36.0	36.0
MNK Kisaran PSC	Indonesia	Production Sharing Contract	11.3	11.3
MNK Bohorok (iv)	Indonesia	Joint Study Agreement	20.25	-
MNK Palmerah PSC (v)	Indonesia	Production Sharing Contract	15.84	-
Cue Energy Resources *				
WA-359-P	Australia	Exploration Permit	100.0	-
WA-360-P	Australia	Exploration Permit	37.5	-
WA-361-P	Australia	Exploration Permit	15.0	-
WA-389-P	Australia	Exploration Permit	40.0	-
WA-409-P	Australia	Exploration Permit	100.0	-
PEP51313	New Zealand	Exploration Permit	14.0	-
PEP51149	New Zealand	Exploration Permit	20.0	-
PEP54865	New Zealand	Exploration Permit	20.0	-
Mahakam Hilir PSC	Indonesia	Production Sharing Contract	100.0	-
Maari - PMP 38160	New Zealand	Mining Permit	5.0	-
Sampang PSC	Indonesia	Production Sharing Contract	15.0	-
Mahato PSC	Indonesia	Production Sharing Contract	12.5	-
Pine Mills	USA	Mining Permit	80.0	-

(i) PEP54857 (Waru) was relinquished to the Crown in June 2015
(ii) PEP53473 (Takapou) was relinquished to the Crown in September 2014
(iii) PEP55794 (Taranga) was relinquished to the Crown in September 2014
(iv) The contract for MNK Bohorok Joint Study Agreement was awarded in February 2015
(v) The contract for MNK Palmerah PSC was awarded in May 2015

* represents the percentage interest held by Cue Energy Resources Limited. The Group interest is 48.1% of the Cue interest.

15. Oil and gas interests (continued)

Share of oil and gas interests' assets and liabilities	2015 $000	2014 $000
Current assets		
Cash and cash equivalents	**11,536**	7,527
Trade receivables *	**7,034**	3,848
Inventory	**4,834**	581
Non-current assets		
Petroleum interests **	**594,419**	426,480
Total assets	**617,823**	438,436
Current liabilities		
Short-term liabilities	**20,168**	17,410
Total liabilities	**20,168**	17,410
Net assets	**597,655**	421,026

Share of oil and gas interests' Profit	2015 $000	2014 $000
Revenue *	**548**	218
Expenses	**(35,292)**	(19,410)
Profit before income tax	**(34,744)**	(19,192)

* Trade receivables and revenues above do not include petroleum sales in relation to the Tui, Kupe and Maari fields, as the Group's share of production volumes are transferred from the Joint Venture to wholly owned subsidiaries and invoiced directly by the subsidiaries to third parties.

** Petroleum interests are prior to amortisation of production assets and borrowings.

16. Evaluation and exploration assets

Exploration and evaluation expenditure capitalised represents the accumulated costs incurred in each area of interest where:
(i) exploration activities have not reached a stage which permits a reasonable assessment/evaluation of the existence of economically recoverable reserves and significant active operations are continuing; or
(ii) such expenditure is expected to be recouped through the successful development or sale of the interest.

An area of interest is defined by the Group as being a permit area where rights of tenure are current. Expenditure incurred prior to obtaining rights of tenure are expensed in the period in which they are incurred.

Upon determining technical feasibility and commercial viability of an area of interest, capitalised expenditure is transferred to development assets. No amortisation is provided for in respect of exploration and evaluation assets.

Capitalised expenditure is impaired and an expense is recognised in the income statement in the period that exploration activities demonstrate that an area of interest is no longer prospective for economically recoverable reserves or when a decision to abandon is made.

	2015 $000	2014 $000
Opening balance	**54,927**	44,480
Expenditure capitalised	**24,082**	81,292
Revaluation of USD exploration and evaluation assets	**6,767**	(4,393)
Impairment/expenditure written off*	**(15,562)**	(29,529)
Transfer of exploration and evaluation assets to development	**-**	(36,923)
Closing balance	**70,214**	54,927

*The expenditure written off during the year relates to the following permits (refer to Note 15):

- PEP 52593 – Taranga
- PEP 53473 – Takapou
- PEP 54857 – Waru

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.

	2015 **$000**	2014 $000
Opening balance	**223,801**	198,634
Oil and Gas asset on acquisition (i)	**78,014**	-
Expenditure capitalised	**22,628**	8,796
Impairment (ii)	**(36,300)**	-
Disposal	**-**	(857)
Amortisation for the year	**(38,874)**	(27,935)
Depreciation for the year	**(35)**	(238)
Revaluation of USD production assets	**37,289**	(2,759)
Abandonment provision	**2,833**	11,237
Transfer from exploration and evaluation assets	**-**	36,923
Closing balance	**289,356**	223,801

(i) The Group acquired a controlling interest in Cue on 27 March 2015 and recognised the fair value of the oil and gas assets acquired as at 31 March 2015 (refer to note 13).

(ii) At 30 June 2015 the Group assessed each oil and gas asset to determine whether an indicator of impairment existed. Indicators of impairment include changes in future selling prices, future costs and reserves. The recoverable amount of each oil and gas asset was estimated and compared to its carrying amount which resulted in an impairment write-down of $36.3 million (2014: $Nil) being recognised in relation to the Tui oil asset. The impairment was included in asset impairment in the profit or loss.

Estimates of recoverable amounts of oil and gas assets are based on their value in use with a discount rate of 10% applied. The oil price assumptions used are based on the Bloomberg consensus mean at balance date and gas and LPG prices on contracted terms.

18. Other financial assets

	2015 $000	2014 $000
Investment assets (i)	**-**	7,437
Performance bonds	**1,960**	2,362
Refundable security deposits	**-**	43
Total other financial assets	**1,960**	9,842

(i) All 87.5 million shares held in Pan Pacific Petroleum NL were sold in May 2015 for $0.05 per share. The fair value in 2014 was based on ASX quoted market prices at 30 June 2014.

Performance bonds include amounts held as a bond under the terms of entering joint study agreement and production sharing contracts in Indonesia. The bonds are refundable at the completion of the agreed work programmes under the joint study agreement and production sharing contracts.

Refundable security deposits include amounts held by key suppliers as bonds for work to be undertaken and deposits with government agencies subject to licence work programme commitments being met.

19. Payables

	2015 $000	2014 $000
Trade payables	**8,585**	543
Stock over lift payable (i)	**764**	1,906
Royalties payable	**3,554**	3,179
Share of oil and gas interests' payable	**14,970**	17,410
Other payables	**3,542**	9,311
Total payables	**31,415**	32,349

(i) Lifting arrangements for petroleum products produced in jointly owned operations are of such a frequency that it is not practicable for each participant to receive or sell its precise share of the overall production during the period. At each reporting date, the extent of under/over lift is recognised as an asset or liability at the net realisable value or market rate. The net movement in under lift and over lift is recognised under operating costs in the profit or loss.

Payables denominated in currencies other than the presentation currency comprise $4.1 million of payables denominated in US dollars; NZ dollar equivalent $6.0 million. (2014: US dollars $3.7 million; NZ dollar equivalent $4.2 million) and $1.5 million of payables denominated in AU dollars; NZ dollar equivalent $1.7 million (2014: AU dollars $Nil; NZ dollar equivalent $Nil) and $3.6 million of payables denominated in ID rupiah; NZ dollar equivalent $0.4 million (2014: ID Rupiah $Nil; NZ dollar equivalent $Nil).

20. Rehabilitation provision

Provisions for restoration have been recognised where the Group has an obligation, as a result of its operating activities, to restore certain sites to their original condition. There is uncertainty in estimating the timing and amount of the future expenditure. The provision is estimated based on the present value of the expected expenditure. The discount rate used is the risk-free interest rate obtained from the country related to the currency of the expected expenditure. In the current year, the discount rate used to determine the provision was 2.59% from the United States. The initial provision and subsequent re-measurement are recognised as part of the cost of the related asset. The unwinding of the discount is recognised as finance costs in profit or loss.

	2015 **$000**	2014 $000
Carrying amount at start of year	**41,173**	30,197
Rehabilitation provision assumed on acquisition of subsidiary (i)	**12,332**	-
Addition/(reduction) in provisions recognised	**2,425**	11,237
Foreign currency revaluation of provisions	**20,066**	(2,172)
Unwinding of discount	**2,934**	1,911
Carrying amount at end of year	**78,930**	41,173

(i) The Group acquired a controlling interest in Cue on 27 March 2015 and recognised the fair value of the rehabilitation provision assumed as at 31 March 2015 (refer to note 13).

21. Other provisions

The Group acquired a controlling interest in Cue on 27 March 2015 and recognised the fair value of a provision assumed as at 31 March 2015 (refer to note 13). The provision relates to a dispute between Cue and another party, whereby Cue may in certain circumstances have an obligation to reimburse monies to the other party from future profits in Sampang PSC, Indonesia. A provision has been recognised for US dollar $4.4 million, plus interest, which is an estimate of the maximum amount that might eventually become payable (refer to note 28).

22. Share capital

	2015 **Number of** **Shares** **000s**	2014 Number of Shares 000s	**2015** **$000**	2014 $000
Opening balance of ordinary shares issued	**423,817**	414,257	**377,662**	370,711
Shares issued during the year	**4,702**	8,123	**4,560**	6,938
Partly paid shares issued	**1,562**	1,437	**1**	13
Shares cancelled as part of capital return*	**(84,217)**	-	**(63,163)**	-
Closing balance of ordinary shares issued	**345,864**	423,817	**319,060**	377,662
Ordinary shares				
Fully paid shares	**338,029**	415,996	**318,980**	377,583
Partly paid shares	**7,835**	7,821	**80**	79
Total share capital	**345,864**	423,817	**319,060**	377,662

Shares issued during the year represent the shares issued under the Dividend Reinvestment Plan. A further 1.5 million shares were transferred from partly paid shares to fully paid shares during the year (2014: 0.6 million shares). The partly paid shares are sold on market with the proceeds included in the shares issued amount.

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

Partly paid shares issued by the Group to participants of the employee share ownership plan (ESOP) are paid by the participant at NZ dollars 0.01 per share on issue. Partly paid shares are entitled to a vote in proportion to the amount paid up. Information relating to the ESOP, including details of shares issued under the scheme, is set out in note 27.

* In February 2015 the Group cancelled 1 in every 5 ordinary shares and paid $0.75 per ordinary share cancelled. The total capital returned to ordinary shareholders was $63.2 million.

23. Reserves

	2015 $'000	2014 $'000
(a) Reserves		
Revaluation reserve	**(10,534)**	(6,882)
Share based payments reserve	**68**	54
Foreign currency translation reserve	**11,308**	(18,738)
Total reserves	**842**	(25,566)
Movements:		
Revaluation reserve		
Opening balance at 1 July	**(6,882)**	**(4,791)**
Fair value gain/(loss) through other comprehensive income	**(3,652)**	**(2,091)**
Closing balance at 30 June	**(10,534)**	**(6,882)**
Share-based payments reserve		
Opening balance at 1 July	**54**	220
Share based payment expense for the year	**72**	154
Transfer of expired share based payments during the year	**(58)**	(320)
Closing balance at 30 June	**68**	54
Foreign currency translation reserve		
Opening balance at 1 July	**(18,738)**	(11,968)
Foreign currency translation differences for the year	**30,046**	(6,770)
Closing balance at 30 June	**11,308**	(18,738)

(b) Nature and purpose of reserves

(i) Revaluation reserve

This reserve relates to Pan Pacific Petroleum NL investment. This investment was sold during the year and losses recognised through other comprehensive income. The losses will be transferred to retained earnings in the next period.

(ii) Foreign currency translation reserve

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

24. Earnings per share

	2015	2014
(Loss)/profit attributable to shareholders ($000)	**(6,095)**	10,078
Weighted average number of ordinary shares (000)	**401,683**	411,831
Basic and diluted earnings per share (cents)	**(1.5)**	2.4

25. Financial risk management

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

(a) Market risk

(i) Foreign exchange risk
The Group is exposed to foreign currency risk on cash and cash equivalents, performance bonds, 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.

(iii) Concentrations of interest rate exposure
The Group has no external bank debt and therefore its main interest rate risk arises from short-term deposits held.

(b) Credit risk

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

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

(c) Liquidity risk

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

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:

30 June 2015	6 months or less $000	6-12 months $000	1-2 years $000	2-5 years $000	More than 5 years $000	Contractual cash flows $000
Payables	29,982	-	-	-	-	29,982
Tax liabilities	3,625	-	-	-	-	3,625
Total non-derivative liabilities	33,607	-	-	-	-	33,607

30 June 2014	6 months or less $000	6-12 months $000	1-2 years $000	2-5 years $000	More than 5 years $000	Contractual cash flows $000
Payables	32,349	-	-	-	-	32,349
Tax liabilities	-	-	-	-	-	-
Total non-derivative liabilities	32,349	-	-	-	-	32,349

At 30 June 2015 the Group had no derivatives to settle (2014: $Nil).

25. Financial risk management (continued)

(d) Capital management

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

(e) Sensitivity analysis

The Group's reporting result at the end of each year is sensitive to financial risks from fluctuations in interest rates and currency risks. The Group's exposure to these risks is described in note 25(a).

The Group's estimated short-term impacts of fluctuations in these areas of risk are summarised below:

The impact on our foreign currency holdings of an increase in the value of the New Zealand dollar against the United States dollar by 5% at 30 June 2015 would be to decrease the Group profit before tax by $1.5 million and decrease the foreign currency translation reserve in equity by $2.3 million (2014: $1.6 million decrease on profit before tax and $2.9 million decrease in the foreign currency translation reserve).

The impact of an increase in interest rates at balance date by 1% would increase the Group's expected interest income for the following financial year by $0.9 million (2014: $1.1 million increase), based on maintaining current cash balances.

(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

Group	Fair value through other comprehensive income $000	Amortised cost $000	Total at carrying value $000
At 30 June 2015			
Assets			
Cash and cash equivalents	-	83,659	83,659
Trade and other receivables	-	28,177	28,177
	-	111,836	111,836
Liabilities			
Payables	-	29,982	29,982
Borrowings	-	1,001	1,001
	-	30,983	30,983

Group	Fair value through other comprehensive income $000	Amortised cost $000	Total at carrying value $000
At 30 June 2014			
Assets			
Cash and cash equivalents	-	135,075	135,075
Trade and other receivables	-	26,134	26,134
Other financial assets	7,437	2,405	9,842
	7,437	163,614	171,051
Liabilities			
Payables	-	32,349	32,349
Borrowings	-	776	776
	-	33,125	33,125

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

26. 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. There have been no material transactions with related parties during the year.

Certain directors have relevant interests in a number of companies with which the Group has transactions in the normal course of business. A number of directors are also non-executive directors of other companies. Any transactions undertaken with these entities have been entered into as part of the ordinary business.

Mr Duncan Saville, a director of the Group, is a director of Zeta Energy PTE Ltd which has a shareholding Pan Pacific Petroleum NL.

Key management personnel have been defined as the directors, the chief executive and the executive team for the Group. Cue management personnel have been included for the three month period to 30 June 2015.

Key management personnel	**2015 $000**	**2014 $000**
Short term employee benefits	4,447	3,300
Share based payments (i)	41	112
Total	**4,488**	**3,412**

(i) For share based payments see note 27

Other transactions with key management personnel or entities related to them

Mr P W Griffiths is a director and shareholder of NZ Diving & Salvage Limited. NZ Diving & Salvage Limited provided services to joint ventures holding the permits PEP55793 (Vulcan) and PEP55794 (Toroa) of which Woodside Petroleum is the Operator. The service contract was awarded following a robust tender process and approval by the joint venture parties. Amounts were billed based on commercial rates and were due and payable under normal payment terms.

Mr M Tume is the chairman of Infratil Limited (and its subsidiaries which include Trustpower Limited). The Group sold a small volume of gas to Trustpower Limited on commercial terms in the ordinary course of business and amounts were due and payable under normal payment terms.

27. Share-based payments

Participation in the Employee Share Ownership Plan (ESOP) is open to any employee (including a non-executive director) of the Group to whom an offer to participate is made by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee, in its discretion, is responsible for determining which employees are to be offered the right to participate in the ESOP, and the number of partly paid shares that can be offered to each participating employee.

Under the ESOP partly paid shares are issued on the following terms:

Restriction periods - each partly paid share is issued on terms that require an escrow period to pass before the holder can complete payment for, and thereafter transfer, the shares. This is usually 2 years. There is 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 is set for each partly paid share at the time the offer is made to the participant and is currently set at the lesser of:

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

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

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

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

27. Share-based payments (continued)

Issued within year ended	Grant date (last in year)	Final date (last in year)	Average exercise price	Balance at start of year	Issued during the year	Shares paid up during the year	Sold during the year	Forfeited during the year *	Balance at end of the year	Fully vested at end of year
				000s	000s	000s	000s	000s	000s	000s
30/06/2010	Jan-10	Nov-14	$1.87	700	-	(50)	(650)	-	-	-
30/06/2011	Jan-11	Nov-15	$1.65	950	-		(400)	-	550	550
30/06/2012	May-12	Apr-16	$0.96	3,900	-		(200)	-	3,700	3,700
30/06/2013	May-13	May-18	$1.13	950	-		-	-	950	950
30/06/2014	Nov-13	Aug-18	$1.01	1,321	-		(177)	-	1,144	
30/06/2015	Sep-14	Sep-19	$0.94	-	1,562		(110)	(107)	1,384	
				7,821	1,562	(50)	(1,498)	(107)	7,728	5,200
Weighted average exercise price				$1.16	$0.94	$1.72	$1.59	$0.94	$1.03	$1.06

* The 107,000 shares forfeited during the year have not yet been transferred from party paid to fully paid shares, so are included in the Partly Paid Shares in note 22.

Share based payments are recognised based on the fair value of partly paid shares offered to employees at the issue date. The fair value at issue date is determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the partly paid shares, the vesting criteria, the non-tradable nature of the partly paid shares, the share price at issue date and expected price volatility of the underlying share (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the expected dividend yield and the risk free interest rate for the term of the issued partly paid share. The assessed fair value at issue date of partly paid shares issued during the year ended 30 June 2015 was $0.05 per share (2014: $0.04 per share). Service conditions attached to the transactions are not taken into account in determining fair value.

The model inputs for partly paid shares issued during the year ended 30 June 2015 include:

(a) shares are paid to $0.01 on issue
(b) partly paid shares have a five year life and are exercisable after two years from the issue date
(c) market price on issue date: $0.79
(d) expected price volatility of the Group's shares: 25%
(e) expected gross dividend per share: 8.8%
(f) risk free interest rate on the issue date: 3.70%

The issue date 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.

28. Commitments and contingent assets and liabilities

(a) Exploration expenditure commitments

In order to maintain the various permits in which the Group is involved the Group has ongoing operational expenditure as part of its normal operations. The actual costs will be dependent on a number of factors such as joint venture decisions including final scope and timing of operations.

(b) Operating leases and commitments

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

	2015 $000	2014 $000
Within one year	932	354
Later than one year and not later than five years	1,266	677
	2,198	1,031

During the year ended 30 June 2015 $0.7 million was recognised as an expense in profit or loss in respect of operating leases (2014: $0.4 million).

The Group is committed to certain operational commitments in respect of the Tui Joint Venture. These operational commitments relate to costs that are integral parts of the Floating Production Storage and Offtake (FPSO) vessel lease until 31 December 2016 with optional one year renewal terms. The total committed by the Group to the FPSO charter and operating and maintenance contracts for period to 31 December 2016 is currently estimated to be US dollars $13.7 million.

(c) Contingent assets and liabilities

As a result of an economic project arrangement in the Jeruk field within the Sampang PSC, Indonesia, Cue may in certain circumstances have an obligation to reimburse certain monies spent by the incoming party from future profit within the Sampang PSC. There is a dispute between Cue and the incoming party as to the quantum of monies that they may be entitled to claim by way of such reimbursement and when any such reimbursement would be payable. The Company is of the view that any amount which might eventually become payable would not be likely to exceed the amount of US dollars $4.4 million which has been provided for in the accounts. Claims made by the incoming party are yet to be settled and hence there is still significant judgement and estimation in relation to these legal claims.

During the year the Cue board of directors introduced a retention bonus scheme for Cue's employees, contingent on them remaining with Cue until the earlier of 1 February 2016 or upon a shareholder acquiring more than 50% of the voting shares in Cue or a merger takes place resulting in the Directors of Cue, immediately prior to that merger, not being a majority of the Directors of the Board of the merged entity. The amount which might eventually become payable would not be likely to exceed the amount of NZ dollars $1.2 million. At balance date a present obligation to pay this bonus cannot be currently reliably estimated and hence has not been recognised.

29. Subsequent events

The oil price has reduced further since balance date and may significantly impact the recoverable value of the oil and gas assets and operating performance, if lower oil prices were sustained.

There have been no other significant subsequent events since balance date.

Independent auditor's report

To the shareholders of New Zealand Oil & Gas Limited

We have audited the accompanying consolidated financial statements of New Zealand Oil & Gas Limited and its subsidiaries ("the group") on pages 2 to 27. The financial statements comprise the consolidated statement of financial position as at 30 June 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the consolidated financial statements on pages 2 to 27 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the consolidated financial position of New Zealand Oil & Gas Limited as at 30 June 2015 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

KPMG

26 August 2015
Wellington