CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

Consolidated Statement of Cash Flows
For the year ended 30 June 2021

$000	Notes	2021	2020
Cash flows from operating activities			
Customer receipts		**32,369**	38,163
Production and marketing payments		**(10,927)**	(10,724)
Supplier and employee payments (inclusive of GST)		**(9,779)**	(11,652)
Interest received		**132**	1,580
Income tax paid		**(4,334)**	(4,555)
Royalties paid		**(1,831)**	(3,069)
Other		**409**	1,164
Net cash inflow from operating activities		**6,039**	10,907
Cash flows from investing activities			
Exploration and evaluation expenditure		**(33,354)**	(5,458)
Oil and gas asset expenditure		**(5,288)**	(2,690)
Property, plant and equipment expenditure		**(75)**	(199)
Net cash outflow from investing activities		**(38,717)**	(8,347)
Cash flows from financing activities			
Forfeited shares		**-**	(7)
Lease liabilities principal element payments		**(273)**	(242)
Net cash outflow from financing activities		**(273)**	(249)
Net (decrease)/increase in cash, cash equivalents and funds held in escrow		**(32,951)**	2,311
Cash and cash equivalents at the beginning of the year		**110,754**	105,586
Exchange rate effects on cash, cash equivalents and funds held in escrow		**(7,044)**	2,857
Cash, cash equivalents and funds held in escrow at end of the year	10	**70,759**	110,754

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

$000	2021	2020
Loss for the year	**(43,262)**	(772)
Depreciation and amortisation	**6,760**	8,410
Deferred tax	**1,326**	454
Exploration expenditure included in investing activities	**35,247**	3,615
Asset impairment	**-**	2,856
Emissions Costs settled by units	**246**	-
Net foreign exchange differences	**7,655**	(2,365)
Unwind of discount on rehabilitation provision	**169**	414
Share based payments	**358**	341
Lease payments in financing	**184**	-
Other	**(10)**	(58)
Change in operating assets and liabilities		
Movement in receivables	**(2,258)**	1,142
Movement in payables	**1,204**	(508)
Movement in inventories	**(348)**	207
Movement in financial assets	**-**	(597)
Movement in provisions	**(1,313)**	(258)
Movement in tax payable	**81**	(1,974)
Net cash inflow from operating activities	**6,039**	**10,907**

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 2021

$000	Notes	2021	2020
Revenue	4	**36,007**	37,270
Operating costs	5	**(10,359)**	(9,894)
Exploration and evaluation expenditure	14	**(35,417)**	(3,615)
Other income	4	**887**	1,980
Other expenses	6	**(13,134)**	(12,241)
Results from operating activities excluding amortisation, impairment and net finance costs		**(22,016)**	13,500
Amortisation of production assets	15	**(6,506)**	(7,956)
Asset impairment	15	**-**	(2,856)
Net finance (loss)/income	7	**(6,913)**	3,455
(Loss)/profit before income tax and royalties		**(35,435)**	6,143
Income tax expense	8	**(5,989)**	(4,211)
Royalties expense	9	**(1,838)**	(2,704)
Loss for the year		**(43,262)**	(772)
Loss for the year attributable to:			
Loss attributable to shareholders		**(36,435)**	(1,382)
Loss attributable to non-controlling interest (NCI)		**(6,827)**	610
Loss for the year		**(43,262)**	(772)
Other comprehensive income:			
Items that may be classified to profit or loss			
Foreign currency translation reserve (FCTR) differences		**(1,245)**	1,660
Asset revaluation reserve	20	**1,144**	-
Total other comprehensive (loss)/profit for the year		**(43,363)**	888
Total comprehensive (loss)/profit for the year is attributable to:			
Equity holders of the Group		**(35,952)**	(68)
Non-controlling interest		**(7,411)**	956
Total comprehensive (loss)/profit for the year		**(43,363)**	888
Loss per share			
Basic loss per share (cents)	21	**(21.7)**	(0.8)
Diluted loss per share (cents)	21	**(21.7)**	(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 2021

$000	Notes	2021	2020
Assets			
Current assets			
Cash and cash equivalents	10	**70,730**	97,904
Funds held in escrow	10	**29**	12,850
Receivables and prepayments	11	**9,144**	6,604
Inventories		**1,137**	788
Right of use assets		**151**	132
Total current assets		**81,191**	118,278
Non-current assets			
Exploration and evaluation assets	14	**-**	6,549
Oil and gas assets	15	**53,477**	52,237
Property, plant and equipment		**173**	294
Other intangible assets		**1,875**	1,728
Other financial assets	16	**6,276**	6,123
Right of use assets		**330**	91
Total non-current assets		**62,131**	67,022
Total assets		**143,322**	185,300
Liabilities			
Current liabilities			
Payables	17	**7,283**	5,467
Lease provision		**215**	217
Current tax liabilities		**2,164**	2,340
Total current liabilities		**9,662**	8,024
Non-current liabilities			
Rehabilitation provision	18	**26,088**	27,909
Other provisions		**282**	16
Deferred tax liability	8	**3,391**	1,793
Total non-current liabilities		**29,761**	29,718
Total liabilities		**39,423**	37,742
Net assets		**103,899**	147,558
Equity			
Share capital	19	**211,901**	211,901
Reserves	20	**4,961**	4,111
Retained earnings		**(117,543)**	(80,445)
Attributable to shareholders of the Group		**99,319**	135,567
Non-controlling interest in subsidiaries		**4,580**	11,991
Total equity		**103,899**	147,558
Net asset backing per share (cents)		**61.9**	87.9
Net tangible asset backing per share (cents)		**60.8**	83.9

Authorised on behalf of the New Zealand Oil & Gas Limited Board of Directors on 24 August 2021:

Samuel Kellner
Chairman

Rosalind Archer
Rosalind Archer
Director

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

Consolidated Statement of Changes in Equity
For the year ended 30 June 2021

$000	Share capital	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 1 July 2019	**211,908**	**2,460**	**(79,071)**	**135,297**	**11,036**	**146,333**
(Loss)/profit for the year	-	-	(1,382)	(1,382)	610	(772)
Foreign currency translation differences	-	1,315	-	1,315	345	1,660
Partly paid shares issued	(7)	-	-	(7)	-	(7)
Share based compensation expense	-	344	-	344	-	344
Exercised and expired share options	-	(8)	8	-	-	-
Balance as at 30 June 2020	**211,901**	**4,111**	**(80,445)**	**135,567**	**11,991**	**147,558**
Loss for the year	-	-	(36,435)	(36,435)	(6,827)	(43,262)
Foreign currency translation differences	-	(661)	-	(661)	(584)	(1,245)
Share based compensation expense	-	367	-	367	-	367
Asset revaluation reserve	-	1,144	(663)	481	-	481
Balance as at 30 June 2021	**211,901**	**4,961**	**(117,543)**	**99,319**	**4,580**	**103,899**

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 the Australian Stock Exchange (ASX). 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, which 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 note 12.

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 oil and gas assets and exploration and evaluation. 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 14, 15 and 22(a)(ii)).

- Provision for rehabilitation obligations includes estimates of future costs, timing of required rehabilitation and an estimated discount rate (refer to note 18); 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 8).

3 Segment information

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

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

Kupe oil and gas field (Kupe): development, production and sale of natural gas, liquefied petroleum gas (LPG) and condensate (light oil) in the petroleum mining licence area of PML 38146 located in the offshore Taranaki basin, New Zealand. The Group purchased a 4% interest from Mitsui E&P Australia Pty Limited with an acquisition date of 8 December 2017.

Oil & gas exploration: exploration and evaluation of hydrocarbons in the offshore Taranaki basin and offshore Canterbury basin in New Zealand as well as in Australia and Indonesia.

Cue Energy Resources Limited (Cue): the Group acquired a controlling interest in Cue during the 2015 financial year. Management have treated this as a separate operating segment.

2021 $000	**Kupe oil & gas**	**Oil & gas exploration**	**Other & unallocated**	**Cue Energy Resources Ltd**	**Total**
Sales to external customers - NZ	10,165	-	-	-	10,165
Sales to external customers - other countries	1,712	-	-	24,130	25,842
Total sales revenue	11,877	-	-	24,130	36,007
Other income	-	-	671	216	887
Total sales revenue and other income	11,877	-	671	24,346	36,894
Impairment of oil and gas assets	-	-	-	-	-
Segment result	6,175	(24,245)	(5,952)	(4,500)	(28,522)
Other net finance income					(6,913)
(Loss)/profit before income tax and royalties					(35,435)
Income tax and royalties expense					(7,827)
Loss for the year					(43,262)
Segment assets	29,828	-	-	19,706	49,534
Unallocated assets					93,788
Total assets					143,322
Included in segment results:					
Depreciation and amortisation expense	3,494	-	320	3,122	6,936

2020 $000	**Kupe oil & gas**	**Oil & gas exploration**	**Other & unallocated**	**Cue Energy Resources Ltd**	**Total**
Sales to external customers - NZ	9,884	-	-	-	9,884
Sales to external customers - other countries	2,150	-	-	25,236	27,386
Total sales revenue	12,034	-	-	25,236	37,270
Other income	198	-	1,282	500	1,980
Total sales revenue and other income	12,232	-	1,282	25,736	39,250
	-	-	-	(2,856)	(2,856)
Segment result	6,439	(2,064)	(8,132)	6,445	2,688
Other net finance income					3,455
(Loss)/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

Major customers

The Group provides products to four external customers.

4 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	2021	2020
Revenue		
Petroleum sales	**36,007**	37,270
Total revenue	**36,007**	37,270
Other income		
Other income	**887**	1,561
Performance bond receivable	**-**	419
Total other income	**887**	1,980
Total income	**36,894**	39,250

5 Operating Costs

$000	2021	2020
Production and sales marketing costs	**(9,137)**	(8,221)
Carbon emission expenditure	**(452)**	(476)
Insurance expenditure	**(809)**	(626)
Movement in inventory	**39**	(571)
Total operating costs	**(10,359)**	(9,894)

6 Other expenses

$000	2021	2020
Classification of other expenses by nature		
Audit fees paid to the Group auditor - KPMG	**252**	219
Directors' fees	**305**	337
Legal fees	**1,551**	1,094
Consultants' fees	**1,445**	1,367
Employee expenses	**6,183**	6,098
Depreciation	**430**	454
Share based payment expense	**368**	341
IT and software expenses	**745**	811
Pre-permit expenditure	**2**	141
Registry and stock exchange fees	**591**	253
Other	**1,262**	1,126
Total other expenses	**13,134**	12,241

$000	2021	2020
Fees paid to the Group auditor		
Audit and review of financial statements	**252**	219
Tax compliance services	**48**	72
Tax advisory services	**336**	28
Other assurance services	**23**	9
Total fees paid to Group auditor	**659**	328

7 Finance income and costs

$000	2021	2020
Bank fees	**(27)**	(9)
Unwind of discount on provision	**(332)**	(414)
Lease interest expense	**(9)**	(9)
Total finance costs	**(368)**	(432)
Interest income	**106**	1,522
Exchange (losses)/gains on foreign currency balances	**(6,651)**	2,365
Total finance (loss)/income	**(6,545)**	3,887
Net finance (loss)/income	**(6,913)**	3,455

8 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	2021	2020
Income tax expense		
Current tax	**4,396**	3,757
Deferred tax	**1,593**	454
(a) Total income tax expense	**5,989**	4,211
Income tax expense calculation		
(Loss)/profit before income tax and royalties	**(35,435)**	6,143
Less: royalties expense	**(1,838)**	(2,704)
(Loss)/profit before income tax	**(37,273)**	3,439
Tax at the New Zealand tax rate of 28%	**(10,436)**	963
Tax effect of amounts which are not deductible/(taxable):		
Difference in overseas tax rate	**1,360**	1,288
Non-deductible expenses	**432**	348
Foreign exchange adjustments	**850**	(154)
Unrealised timing differences	**210**	(630)
Unrecognised tax losses	**12,544**	2,641
Other	**1,274**	445
	6,234	4,901
Adjustment recognised for current tax in prior years	**(245)**	(690)
(b) Total income tax expense	**5,989**	4,211

During the prior 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 capitalised Mahato PB exploration wells drilling costs. As a result, a deferred tax liability of $0.5 million has been recognised.

At 30 June 2021 no imputation credits were held for subsequent years (2020: nil).

8 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 2021 the Group have accumulated losses in New Zealand of $79.8 million (30 June 2020: $43.2 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.

As a result of the Ironbark exploration costs (note 14), the Group has incurred an estimated tax loss of $41 million in Australia. The Group has not recognised a deferred tax asset of $11.5 million relating to these losses, however an assessment of probable use will be carried out on completion of acquisition of the Amadeus basin (note 26).

$000	**2021**	2020
The balance comprises temporary differences attributable to:		
Deferred Tax Assets		
Non-deductible provisions	**5,605**	5,988
	5,605	5,988
Deferred Tax Liabilities		
Exploration & evaluation assets	**-**	(2,164)
Oil & gas assets	**(8,979)**	(5,604)
Other items (including lease assets)	**(17)**	(13)
	(8,996)	(7,781)
Net deferred tax liabilities	**(3,391)**	(1,793)
Movements:		
Net deferred tax liability at 1 July	**(1,793)**	(1,309)
Recognised in profit and loss	**(1,593)**	(454)
Recognised in other comprehensive income	**(5)**	(30)
Closing balance at end of year	**(3,391)**	(1,793)

9 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.

10 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	2021	2020
Cash at bank and in hand	**18,040**	18,524
Deposits at call	**9,889**	4,110
Short term deposits	**42,735**	74,774
Share of oil and gas interests’ cash	**66**	496
Funds held in escrow - WA-359-P Drilling Programme Account*	**29**	12,850
Total cash and cash equivalents at end of year	**70,759**	110,754

Cash and cash equivalents denominated by currency $000	**2021 Base Currency**	**2021 NZD Equivalent**	2020 Base Currency	2020 NZD Equivalent
New Zealand dollar	**28,851**	**28,851**	29,929	29,929
United States dollar	**3,963**	**5,674**	48,651	75,710
Australian dollar	**33,680**	**36,180**	4,493	4,808
Indonesian rupiah	**546,211**	**54**	2,840,563	307
Total cash and cash equivalents at end of year		**70,759**		110,754

Deposits at call and short-term deposits

The deposits at call and short term deposits are currently bearing interest rates between **0.00% and 0.22%** (2020: 0.06% and 0.50%).

*The WA-359-P Drilling Programme Account is held under the Ironbark funding arrangement of the WA-359-P joint operating agreement (for JV account) and is not available for the purposes of the Group's operations until BP Developments Australia Pty Limited, as the operator, uses the account for the purposes of the remaining work programme matters as agreed by all joint venture parties.

11 Receivables and prepayments

$000	2021	2020
Trade receivables	**3,236**	4,136
Share of oil and gas interests’ receivables	**5,593**	2,097
Prepayments	**315**	361
Other	**-**	10
Total receivables and prepayments at end of year	**9,144**	6,604

Receivables and prepayments denominated by currency $000	**2021 Base Currency**	**2021 NZD Equivalent**	2020 Base Currency	2020 NZD Equivalent
New Zealand dollar	**1,296**	**1,296**	1,530	1,530
United States dollar	**5,465**	**7,821**	3,163	4,907
Australian dollar	**25**	**27**	135	144
Indonesian rupiah	**-**	**-**	208,275	23
Total receivables and prepayments at end of year		**9,144**		6,604

12 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 2021 the Group holds a 50.04 per cent interest in Cue Energy Resources Limited (30 June 2020: 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.

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

Name of entity	Country of incorporation	Equity Holding 2021	Equity Holding 2020	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 GNA Trustee Limited	New Zealand	**100%**	100%	NZD
NZOG 2013 T Limited	New Zealand	**100%**	100%	NZD
NZOG Energy Limited	New Zealand	**100%**	100%	NZD
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 (Ironbark) Pty Limited	Australia	**100%**	100%	AUD
NZOG Mereenie Pty Limited (i)	Australia	**100%**	0%	AUD
NZOG Palm Valley Pty Limited (i)	Australia	**100%**	0%	AUD
NZOG Dingo Pty Limited (i)	Australia	**100%**	0%	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
Cue Mereenie Pty Limited (i)	Australia	**50.04%**	50.04%	AUD
Cue Palm Valley Pty Limited (i)	Australia	**50.04%**	50.04%	AUD
Cue Dingo Pty Limited (i)	Australia	**50.04%**	50.04%	AUD

(i) These companies were set up during the current financial year.

13 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 proportionate 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.

Name	Type	Country	Ownership	
			2021	2020
New Zealand Oil & Gas				
PML 38146 – Kupe	Mining Licence	New Zealand	4.0%	4.0%
PEP 52717 – Clipper (i)	Exploration Permit	New Zealand	0.0%	50.0%
PEP 55794 - Toroa (ii)	Exploration Permit	New Zealand	0.0%	100.0%
Bohorok PSC (iii)	Production Sharing Contract	Indonesia	45.0%	45.0%
WA-359-P (iv)	Exploration Permit	Australia	0.0%	15.0%
Cue Energy Resources *				
WA-359-P (iv)	Exploration Permit	Australia	0.0% .	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 18 March 2021 permit surrendered.

(ii) On 4 June 2021 permit was surrendered.

(iii) On 12 December 2018 a sale and purchase 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), however this failed to complete due to non- satisfaction of condition precedents in this case regulatory approval not received. Amendments are being pursued so that the agreement can still be progressed.

(iv) On 25 April 2021 permit expired.

* represents the percentage interest held by Cue Energy Resources Limited. The Group interest is 50.04% (2020: 50.04%) of the Cue interest.

14 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	**2021**	2020
Opening balance	**6,549**	3,646
Expenditure expensed to profit and loss relating to Ironbark permit	**(1,622)**	2,820
Expenditure transferred to oil and gas assets relating to Sampang PSC and Mahato PSC	**(3,502)**	-
Revaluation of foreign currency exploration and evaluation assets	**(1,425)**	83
Total exploration and evaluation assets at end of year	**-**	6,549

14 Exploration and evaluation (continued)

On 29 December 2020, the Group announced the drilling results of the Ironbark-1 exploration well in WA-359-P in the Carnarvon Basin, offshore Western Australia. The primary target interval was intersected at a depth of 5,275 metres, with no significant hydrocarbon shows encountered in any of the target sands. The well was plugged and abandoned and the Group's share of costs have been expensed.

Exploration and evaluation expenditure of $35.4 million has been recognised in the year (2020: $3.6 million).

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

The Mahato PSC Exploration and evaluation assets included the PB-1 and PB-2 wells which were drilled as exploration wells in late 2019 and early 2020. The Group has now reclassified and transferred the Exploration and evaluation assets to oil and gas assets. On 15 January 2021 the PB-1 well commenced production.

15 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 year 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 years 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.

15 Oil and gas assets (continued)

$000	2021	2020
Opening balance	**52,237**	58,609
Expenditure capitalised	**6,561**	2,760
Expenditure transferred from Exploration and evaluation (see note 14)	**3,502**	-
Impairment	**-**	(2,856)
Amortisation for the year	**(6,506)**	(7,956)
Revaluation of foreign currency oil and gas assets	**(1,618)**	1,391
Rehabilitation provision	**(699)**	289
Total oil and gas assets at end of year	**53,477**	52,237

At 30 June 2021 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.

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.

16 Other financial assets

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	2021	2020
Opening balance	**6,123**	5,526
Security deposits	**63**	10
Abandonment and Site Restoration Fund (ASR) - Cue Sampang rehabilitation	**90**	587
Total other financial assets at end of year	**6,276**	6,123

Cue Sampang contributed a further $0.1 million to the ASR fund during the year ended 30 June 2021.

17 Payables

$000	2021	2020
Trade payables	**3,050**	1,451
Royalties payable	**795**	703
Share of oil and gas interests' payable	**2,318**	2,577
Other payables	**1,120**	736
Total payables at end of year	**7,283**	5,467

Payables denominated by currency	**2021 Base Currency**	**2021 NZD Equivalent**	2020 Base Currency	2020 NZD Equivalent
New Zealand dollar	**4,350**	**4,350**	3,594	3,594
United States dollar	**1,356**	**1,940**	916	1,421
Australian dollar	**918**	**992**	394	423
Indonesian rupiah	**6,910**	**1**	271,452	29
Total payables at end of year		**7,283**		5,467

18 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 1.73%. 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 the profit and loss.

$000	**2021**	2020
Carrying amount at start of year	**27,909**	26,449
(Reduction)/addition in provision recognised	**137**	(25)
Unwind of discount on provision	**332**	414
Revaluation of foreign currency rehabilitation provision	**(2,290)**	1,071
Total rehabilitation provision at end of year	**26,088**	27,909

19 Share capital

	$000	**Number of shares 000s**
Balance at 30 June 2019	**211,908**	**167,849**
Partly paid ESOP shares expired	**(7)**	**-**
Balance at 30 June 2020	**211,901**	**167,849**
Balance at 30 June 2021	**211,901**	**167,849**
Comprised of:		
Fully paid shares	**211,891**	**164,431**
Partly paid shares	**10**	**3,418**
Balance at 30 June 2021	**211,901**	**167,849**

The Group retains 2.4 million of unallocated partly paid shares that have not yet been cancelled.

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

20 Reserves

(a) Reserves

$000	2021	2020
Asset revaluation reserve	**1,144**	-
Share based payments reserve	**786**	419
Foreign currency translation reserve	**3,031**	3,692
Total reserves at end of year	**4,961**	4,111

Movements:

$000	2021	2020
Asset revaluation reserve		
Opening balance at 1 July	**-**	-
Asset revaluation reserve	**1,144**	-
Closing balance at end of year	**1,144**	-

$000	2021	2020
Share based payments reserve		
Opening balance at 1 July	**419**	83
Share based payment expense for the year	**367**	344
Exercised and expired ESOP awards	**-**	(8)
Closing balance at end of year	**786**	419

$000	2021	2020
Foreign currency translation reserve		
Opening balance at 1 July	**3,692**	2,377
Other foreign currency translation differences for the year	**(661)**	1,315
Closing balance at end of year	**3,031**	3,692

(b) Nature and purpose of reserves

Asset revaluation reserve

Revaluation gains on Emissions Trading Scheme (ETS) units are transferred to the asset revaluation reserve.

Share based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees under the Share Option Scheme and ESOP.

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.

21 Loss per share

	2021	2020
Loss attributable to shareholders ($000)	**(36,435)**	(1,382)
Weighted average number of ordinary shares (000)	**167,849**	167,849
Basic and diluted loss per share (cents)	**(21.7)**	(0.8)

22 Financial risk management

Risk exposure to market, credit, liquidity, capital management, sensitivity, financial instruments 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 2021 (2020: nil).

(iii) Concentrations of interest rate exposure

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

(b) Credit risk

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

The Group may be exposed to financial risk if one or more of their joint venture partners is unable to meet their obligation in relation to the 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.

(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 2021 $000	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**	**Contractual cash flows**
Payables	**7,283**	**-**	**-**	**-**	**-**	**7,283**
Total non-derivative liabilities	**7,283**	**-**	**-**	**-**	**-**	**7,283**

30 June 2020 $000	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Contractual cash flows
Payables	5,467	-	-	-	-	5,467
Total non-derivative liabilities	5,467	-	-	-	-	5,467

At 30 June 2021 the Group had no derivatives to settle (2020: nil).

22 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.

(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.

($m)	Risk area	Sensitivity	**2021**	2020
Impact on Group profit before tax	Exchange rate	+5%	**(1.1)**	(2.2)
		-5%	**1.2**	2.5
Impact on foreign currency translation reserves in equity	Exchange rate	+5%	**(1.1)**	(1.6)
		-5%	**1.2**	1.8
Impact on interest income	Interest rate	+1%	**0.7**	0.5
		-1%	**(0.7)**	(0.5)

(f) Financial instruments by category

$000	**2021 Carrying value**	2020 Carrying value
Assets		
Cash and cash equivalents	**70,730**	97,904
Funds held in escrow	**29**	12,850
Trade and other receivables	**8,829**	6,242
	79,588	116,996
Liabilities		
Payables	7,283	5,467
	7,283	5,467

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

23 Related party transactions

Related parties of the Group include those entities identified in notes 12 and 13 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 2021 $0.6 million (30 June 2020: $0.9 million) of income has been included in the profit and loss.

No directors' fees are charged for the three representatives of OGOG who are directors of the Group. Directors' expenses are reimbursed and are not separately disclosed as they are not material.

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	**2021**	2020
Short term employee benefits	**2,854**	3,384
Share based payments	**160**	142
Post employment benefits	**132**	113
Total related party transactions	**3,146**	3,639

24 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 and 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.

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 February 2022.

24 Share-based payments (continued)

(a) New Zealand Oil & Gas Share Option Scheme

On 8 October 2020, the Group issued 1,876,930 unlisted options to eligible New Zealand Oil & Gas Limited employees under the share option scheme. The options are exercisable at $0.65 (65 cents) per option, will vest on 1 July 2023 and expire on 1 July 2026. 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 2020.

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

2021

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
19/3/2020	**1/7/2025**	**$0.61**	**2,832,048**	**-**	**-**	**-**	**2,832,048**
8/10/2020	**1/7/2026**	**$0.65**	**-**	**1,876,930**	**-**	**-**	**1,876,930**
			2,832,048	**1,876,930**	**-**	**-**	**4,708,978**
Weighted average exercise price			**-**	**$0.65**	**-**	**-**	**$0.63**

2020

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
19/3/2020	1/7/2025	$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
8/10/2020	**30/6/2026**	**$0.73**	**$0.65**	**33%**	**-**	**0.28%**	**$0.24**

24 Share-based payments (continued)

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

On 16 July 2020, the Company issued 3,743,260 unlisted options to eligible employee under the share option scheme. The options are exercisable at $0.12 (11.7 cents) per option, and will vest on 1 July 2021 and expire on 1 July 2025.

The options were valued using Black-Scholes option pricing model. $47,740 of share-based payment expense was recorded in relation to these options for the financial year ending 30 June 2021.

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

2021

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
29/7/2019	**1/7/2023**	**$0.07**	**3,784,025**	**-**	**-**		**3,784,025**
4/10/2019	**1/7/2024**	**$0.09**	**3,853,298**	**-**	**-**	**-**	**3,853,298**
16/7/2020	**1/7/2025**	**$0.12**	**-**	**3,743,260**	**-**	**-**	**3,743,260**
			7,637,323	**3,743,260**	**-**	**-**	**11,380,583**
Weighted average exercise price			**$0.08**	**$0.12**	**-**	**$0.00**	**$0.09**

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year Granted	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
29/7/2019	1/7/2023	$0.07	4,277,888	-	-	(493,863)	3,784,025
4/10/2019	1/7/2024	$0.09	-	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

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
16/7/2020	1/7/2025	$0.11	$0.12	57%	-	0.43%	$0.05

(c) New Zealand Oil & Gas 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 2021 (2020: 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 (2020: 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 (2020: nil). No shares were exercised in the year ending June 2021 (2020: nil) and no expired/forfeited shares were converted to ordinary shares and sold (2020: 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:

24 Share-based payments (continued)

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.

25 Development commitments and contingent assets and liabilities

(a) Development and exploration expenditure

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) Contingent assets and liabilities

The Directors are not aware of any contingent assets or contingent liabilities as at 30 June 2021.

26 Events occurring after balance date

On 25 May 2021, the Group announced that it had agreed to purchase three gas producing assets located in Australia's Northern Territory. The agreement is subject to certain conditions being met.

New Zealand Oil & Gas will acquire 70% and Cue Energy Resources (New Zealand Oil & Gas' 50.04% owned subsidiary) will acquire 30%, of assets sold by Central Petroleum. On completion, Central Petroleum will receive a cash payment of A$29.0 million (New Zealand Oil & Gas will pay A$20.3 million, and Cue will pay A$8.7 million).

New Zealand Oil & Gas and Cue Energy will also fund Central Petroleum's share of the costs of exploration, appraisal and development up to a capped total of A$40 million (New Zealand Oil & Gas will pay A$28.0 million, and Cue will pay A12.0 million).

On 24 June 2021, shareholders of the Group voted 99.9% in favour of the transaction. This satisfies a key condition precedent of the transaction.

On 2 July 2021, the Group announced that it had received a 'no objections' notice from the Australian Foreign investment Review Board. This satisfies a key condition precedent of the transaction.

Regulatory approval and contract assignments remain the key outstanding conditions precedents of the transaction.

The initial accounting for the acquisition of the assets is incomplete at the date these financial statements were authorised for issue (as completion is yet to occur and control has not been transferred). Business combination accounting for the acquisition will be applied from completion date. Completion is anticipated in the next two months.

Independent Auditor's Report

To the shareholders of New Zealand Oil & Gas Limited

Report on the audit of 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 2 to 23:

- present fairly in all material respects the group's financial position as at 30 June 2021 and its financial performance and cash flows for the year ended on that date; and
- 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 2021;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

We are independent of the group in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('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 and other assurance services. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Scoping

The consolidated financial statements include the 50.04% shareholding in Cue Energy Limited ('Cue') and its three production assets; Mahato PSC and 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 Cue's 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 $1.2 million (2020: $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 15 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 assumptions include:
 	
— future oil and gas prices;
— oil and gas reserves, and future production levels
— discount rate; and
— future operating and capital costs.
	Our audit procedures to assess the reasonableness of the recoverable value of the oil and gas assets are described below.
	
	– Testing key internal controls in the group's impairment assessment process. This included the determination, review and approval by the group of indicators of impairment or impairment reversals and key impairment model inputs.
	
	– Evaluating the group's impairment indicator assessment, utilising our knowledge of the group and the Oil and Gas industry, in which the group operates. Our assessment of impairment indicators included:
	
	    – Comparing management's assessment against market data, including forecast oil prices;
	    – Comparing management's assessment against contracted and current market gas prices;
	    – Assessing if there has been a significant decline in the group's share of oil and gas reserves from 30 June 2020;

The key audit matter	How the matter was addressed in our audit
	– Reviewing operator budgets and forecasts of operating costs and capital programmes; – Evaluating movements in the market interest rates or risks that would impact the discount rate; and – Performing sensitivity analysis over key assumptions included in the group's impairment assessment. – Where an indicator of impairment was identified, in conjunction with our valuation specialists we assessed the integrity of the impairment model and evaluated the key inputs and assumptions included in the model. – Comparing the carrying amount of the net assets of the group to its market capitalisation and evaluating whether any differences would suggest further impairments are required.

Other information

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

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

Use of this independent auditor's report

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

Responsibilities of the Directors for the consolidated financial statements

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

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

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— 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

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Wellington

24 August 2021