NEW ZEALAND OIL & GAS

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

Consolidated Statement of Cash Flows
For the year ended 30 June 2022

$000	Notes	2022	2021
Cash flows from operating activities			
Customer receipts		**79,507**	32,369
Production and marketing payments		**(24,986)**	(10,927)
Supplier and employee payments (inclusive of GST)		**(10,784)**	(9,779)
Interest received		**134**	132
Income tax paid		**(7,471)**	(4,334)
Royalties paid		**(2,222)**	(1,831)
Other		**(2,704)**	409
Net cash inflow from operating activities		**31,474**	6,039
Cash flows from investing activities			
Exploration and evaluation expenditure		**(9,071)**	(33,354)
Oil and gas asset expenditure		**(10,008)**	(5,288)
Prospects acquired (net of cash)		**(33,328)**	-
Deferred consideration		**(10,596)**	-
Acquisition of security deposits and bonds		**(446)**	-
Property, plant and equipment expenditure		**(126)**	(75)
Net cash outflow from investing activities		**(63,575)**	(38,717)
Cash flows from financing activities			
Proceeds from issue of equity securities		**24,982**	-
Lease liabilities principal element payments		**(231)**	(273)
Net cash outflow from financing activities		**24,751**	(273)
Net (decrease)/increase in cash, cash equivalents and funds held in escrow		**(7,350)**	(32,951)
Cash and cash equivalents at the beginning of the year		**70,759**	110,754
Exchange rate effects on cash, cash equivalents and funds held in escrow		**1,181**	(7,044)
Cash, cash equivalents and funds held in escrow at end of the year	11	**64,590**	70,759

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

$000	2022	2021
Profit/(loss) for the year	**25,724**	(43,262)
Depreciation and amortisation	**13,958**	6,760
Deferred tax (benefit)/charge	**(11,480)**	1,326
Contract liabilities non-cash	**(4,007)**	-
Exploration expenditure	**6,015**	35,247
Emissions costs settled by units	**902**	246
Net foreign exchange differences	**233**	7,655
Unwind of discount on rehabilitation provision	**72**	169
Share based payments	**670**	358
Lease payments in financing	**250**	184
Other	**31**	(10)
Change in operating assets and liabilities		
Movement in receivables	**(5,216)**	(2,258)
Movement in payables	**3,966**	1,204
Movement in inventories	**(405)**	(348)
Movement in provisions	**51**	(1,313)
Movement in tax payable	**709**	81
Net cash inflow from operating activities	**31,474**	**6,039**

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2022

$000	Notes	2022	2021
Revenue	4	**83,806**	36,007
Operating costs	6	**(24,612)**	(10,359)
Exploration and evaluation expenditure	15	**(6,015)**	(35,417)
Other income	4	**489**	887
Other expenses	7	**(14,310)**	(13,134)
Profit/(loss) from operating activities excluding amortisation, impairment and net finance costs		**39,358**	(22,016)
Amortisation of production assets	16	**(13,634)**	(6,506)
Net finance (loss)/income	8	**452**	(6,913)
Profit/(loss) before income tax and royalties		**26,176**	(35,435)
Income tax benefit/(expense)	9	**3,211**	(5,989)
Royalties expense	9	**(3,663)**	(1,838)
Profit/(loss) for the year		**25,724**	(43,262)
Profit/(loss) for the year attributable to:			
Profit/(loss) attributable to shareholders		**17,159**	(36,435)
Profit/(loss) attributable to non-controlling interest (NCI)		**8,565**	(6,827)
Profit/(loss) for the year		**25,724**	(43,262)
Other comprehensive income:			
Items that may be classified to profit or loss			
Foreign currency translation reserve (FCTR) differences		**5,672**	(1,245)
Asset revaluation reserve	21	**1,045**	1,144
Total other comprehensive profit/(loss) for the year		**32,441**	(43,363)
Total comprehensive profit/(loss) for the year is attributable to:			
Equity holders of the Group		**23,265**	(35,952)
Non-controlling interest		**9,176**	(7,411)
Total comprehensive profit/(loss) for the year		**32,441**	(43,363)
Profit/(loss) per share			
Basic Profit/(loss) per share (cents)	22	**9.9**	(21.7)
Diluted Profit/(loss) per share (cents)	22	**9.5**	(21.7)

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

Consolidated Statement of Financial Position
As at 30 June 2022

$000	Notes	2022	2021
Assets			
Current assets			
Cash and cash equivalents	11	**64,590**	70,730
Funds held in escrow	11	**-**	29
Receivables and prepayments	12	**14,576**	9,144
Inventories		**2,762**	1,137
Right of use assets		**131**	151
Total current assets		**82,059**	81,191
Non-current assets			
Exploration and evaluation assets	15	**7,193**	-
Oil and gas assets	16	**173,926**	53,477
Property, plant and equipment		**214**	173
Right of use assets		**300**	330
Other intangible assets		**2,896**	1,875
Deferred tax asset	9	**8,420**	-
Other financial assets	17	**7,347**	6,276
Total non-current assets		**200,296**	62,131
Total assets		**282,355**	143,322
Liabilities			
Current liabilities			
Payables	18	**16,493**	7,283
Lease provision		**267**	215
Contract liabilities	5	**5,625**	-
Deferred consideration	10	**23,225**	-
Current tax liabilities		**2,873**	2,164
Total current liabilities		**48,483**	9,662
Non-current liabilities			
Rehabilitation provision	19	**51,856**	26,088
Contract liabilities	5	**19,231**	-
Lease provision		**234**	282
Deferred tax liability	9	**-**	3,391
Total non-current liabilities		**71,470**	29,761
Total liabilities		**119,953**	39,423
Net assets		**162,402**	103,899
Equity			
Share capital	20	**236,883**	211,901
Reserves	21	**11,639**	4,961
Retained losses		**(99,877)**	(117,543)
Attributable to shareholders of the Group		**148,645**	99,319
Non-controlling interest in subsidiaries		**13,757**	4,580
Total equity		**162,402**	103,899
Net asset backing per share (cents)		**97.0**	61.9
Net tangible asset backing per share (cents)		**92.0**	60.8

Authorised on behalf of the New Zealand Oil & Gas Limited Board of Directors on 26 August 2022:

Alastair McGregor
Director

Rosalind Archer
Director

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

Consolidated Statement of Changes in Equity
As at 30 June 2022

$000	Share capital	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
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**
Profit/(loss) for the year	-	-	17,159	17,159	8,565	25,724
Foreign currency translation differences	-	5,060	-	5,060	612	5,672
Shares issued	24,982	-	-	24,982	-	24,982
Share based compensation expense	-	673	-	673	-	673
Forfeited and expired ESOP awards		(100)	100	-	-	-
Asset revaluation reserve	-	1,045	408	1,453	-	1,453
Balance as at 30 June 2022	**236,883**	**11,639**	**(99,877)**	**148,645**	**13,757**	**162,402**

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 Australian Stock Exchange (ASX) and the New Zealand Stock Exchange (NZX) as a foreign exempt listing. 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. Limited ("OGOG"), a company incorporated in Singapore, which is a subsidiary and part of the O.G. Energy Holdings Ltd. (“OGE”) 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 13.

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 the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and assumptions that have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to:

Recoverability of the deferred tax asset, assessment of the ability of entities in the Group to generate future taxable income (refer to note 9).

Identification of assets and liabilities acquired under a business combination and the measurement of the associated fair values of the identified assets and liabilities. (refer to note 10).

Recoverability of exploration and evaluation assets and oil and gas assets. Assessment includes future commodity prices, future cash flows, an estimated discount rate and estimates of reserves. Management performs an assessment of the carrying value of investments at each reporting date and considers objective evidence for impairment on each investment taking into account observable data on the investment, the fair value, the status or context of capital markets, its own view of investment value and its long term intentions (refer to notes 15 and 16).

Provision for rehabilitation obligations includes estimates of future costs, timing of required rehabilitation and an estimated discount rate (refer to note 19).

The COVID-19 pandemic coupled with the ongoing geo-political tensions in Eastern Europe have caused ongoing volatility and uncertainty around the breadth and duration of business disruption in both domestic and international markets. As a consequence, demand for products and commodity prices have fluctuated and costs associated with exploration and development projects are increasing.

3 Segment information

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.

As part of the acquisition of the Amadeus Basin assets (refer to note 10), the Group's reporting segments have been reassessed.

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

Kupe oil & gas field (Kupe): Development, production and sale of natural gas, liquified petroleum gas (LPG) and condensate (light oil), located in the offshore Taranaki Basin, New Zealand.

Amadeus Basin oil & gas fields (from 1 October 2021): Comprising of NZO's (New Zealand Oil & Gas Ltd) share of the Mereenie oil and gas field, Palm Valley gas field and Dingo gas field, all located in the Amadeus Basin in Australia. Cue Energy Resources Limited's ("Cue") participating interest of the Amadeus Basin assets are included in the Cue segment below.

Oil & gas exploration (to 30 June 2021): Includes exploration and evaluation of hydrocarbons in the offshore Taranaki Basin New Zealand, offshore Canterbury Basin New Zealand, offshore Carnarvon Basin Australia and several locations in Indonesia. This segment is not required after 30 June 2021 due to minimal exploration activities outside of production assets.

Cue Energy Resources Limited: The Group acquired a controlling interest in Cue during the 2015 financial year and from 1 October 2021 this segment includes Cue's participating interest in the Amadeus Basin assets.

Other and Unallocated: Unallocated items comprise corporate assets, corporate overheads, merger and acquisition expenditure, and income tax assets and liabilities. From 1 July 2021 remaining exploration expenditure is included in this segment.

3 Segment information (continued)

2022 $000	**Kupe oil & gas field**	**Amadeus Basin oil & gas fields**	**Other & unallocated**	**Cue Energy Resources Ltd**	**Total**
Sales to external customers - NZ	**12,665**	**-**	**-**	**-**	**12,665**
Sales to external customers - Australia	**-**	**20,561**	**-**	**8,812**	**29,373**
Sales to external customers - other countries	**3,020**	**-**	**-**	**38,748**	**41,768**
Total sales revenue	**15,685**	**20,561**	**-**	**47,560**	**83,806**
Other income	**-**	**(11)**	**500**	**-**	**489**
Total sales revenue and other income	**15,685**	**20,550**	**500**	**47,560**	**84,295**
Segment result	**9,307**	**3,595**	**(10,304)**	**23,126**	**25,724**
Other net finance income					**452**
Profit/(loss) before income tax and royalties					**26,176**
Income tax and royalties expense					**(452)**
Profit/(loss) for the year					**25,724**
Segment assets	**30,303**	**87,690**	**53,670**	**110,692**	**282,355**
Segment liabilities	**13,380**	**53,855**	**2,567**	**50,151**	**119,953**
Included in segment results:					
Depreciation and amortisation expense	**3,869**	**4,000**	**216**	**5,873**	**13,958**

2021 $000	**Kupe oil & gas field**	**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**
	-	**-**	**-**	**-**	**-**
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)/profit 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

4 Revenue

Sales comprise revenue earned from the sale of petroleum products, when control of ownership of the petroleum products have been transferred to the buyer, which will vary depending on the contract (e.g. at the plant or at the port). Revenue is recognised at the fair value of the consideration received net of the amount of GST.

(a) Revenue from contracts with customers

$000	2022	2021
Crude oil and condensate	33,954	11,936
Natural gas and LPG	49,852	24,070
Total revenue from contracts with customers	**83,806**	36,007
Other income	**489**	**887**
Total revenue and other income	**84,295**	36,894

(b) Major Customers

Customers with revenue exceeding 10% of the Group's total hydrocarbon sales revenue are shown below.

$000	2022	% of sales revenue 2022
First largest	15,965	19.0%
Second largest	13,003	15.5%
Third largest	9,815	11.7%
Fourth largest	8,367	10.0%
Total revenue from major customers	**47,150**	56.2%

5 Contract Liabilities

A contract liability is recorded for obligations under sales contracts to deliver natural gas in future periods for which payment has already been received.

$000	2022	2021
Current	5,625	-
Non current	19,231	-
Total contract liabilities	**24,856**	**-**

Under the terms agreed in the Sales and Purchase Agreement in relation to the Amadeus Basin acquisition, the Group agreed to take on two obligations to deliver gas to third parties.

Upon acquisition the Group assumed performance obligations to deliver gas to a customer by December 2023. In exchange for agreeing to take on this obligation, the Group received a reduction in the initial purchase price. The Group also assumed performance obligations for the delivery of 'gas not taken' by its sole customer in the Dingo asset. Under the take or pay arrangement, the Group has the obligation to provide 'make up gas' within the contractually defined volumes which were not previously taken by the customer. The customer must take the future delivery of gas by 2035.

As part of the provisional fair value determination, these liabilities have been valued at the current market price for gas in the Amadeus Basin and discounted, over the relevant period. As gas is delivered the relevant amount of revenue is transferred to profit or loss and the contract liability is extinguished.

6 Operating Costs

$000	2022	2021
Production and sales marketing costs	**22,404**	9,137
Carbon emissions expenditure	**902**	452
Insurance expenditure	**912**	809
Movement in inventory	**(341)**	(39)
Royalties - non Government	**735**	-
Total operating costs	**24,612**	10,359

7 Other expenses

$000	2022	2021
Classification of other expenses by nature		
Audit fees paid to the Group auditor - KPMG	**492**	252
Directors' fees	**381**	305
Legal fees	**931**	1,551
Consultants' fees	**920**	1,445
Employee expenses	**5,760**	6,183
Depreciation	**324**	430
Share based payment expense	**670**	368
IT and software expenses	**867**	745
Registry and stock exchange fees	**401**	591
Stamp duty on Amadeus Basin acquisition	**2,310**	-
Other	**1,254**	1,264
Total other expenses	**14,310**	13,134

$000	2022	2021
Fees paid to the Group auditor		
Audit and review of financial statements	**492**	252
Tax compliance services	**108**	48
Tax advisory services	**98**	336
Other assurance services	**42**	23
Total fees paid to Group auditor	**740**	659

8 Finance income and costs

$000	2022	2021
Bank fees	**(22)**	(27)
Unwind of discount	**(82)**	(341)
Total finance costs	**(104)**	(368)
Interest income	**146**	106
Exchange gains/(losses) on foreign currency balances	**410**	(6,651)
Total finance (loss)/income	**556**	(6,545)
Net finance (loss)/income	**452**	(6,913)

9 Taxation

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

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

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

$000	**2022**	2021
Income tax (benefit)/expense		
Current tax	**8,269**	4,396
Deferred tax	**(11,480)**	1,593
(a) Total income tax (benefit)/expense	**(3,211)**	5,989
Income tax (benefit)/expense calculation		
Profit/(loss) before income tax and royalties	**26,176**	(35,435)
Less: royalties expense	**(3,663)**	(1,838)
Profit/(loss) before income tax	**22,513**	(37,273)
Tax at the New Zealand tax rate of 28%	**6,433**	(10,436)
Tax effect of amounts which are not deductible/(taxable):		
Difference in overseas tax rate	**3,449**	1,360
Non-deductible expenses	**(82)**	432
Foreign exchange adjustments	**(5)**	850
Unrealised timing differences	**(662)**	210
Unrecognised tax losses	**1,255**	12,544
Recognition of deferred tax (assets)/liabilities	**(3,011)**	-
Prior year tax losses not recognised/(now recognised)	**(7,982)**	-
Other	**(2,928)**	1,274
	(3,533)	6,234
Adjustment recognised for current tax in prior years	**322**	(245)
(b) Total income tax (benefit)/expense	**(3,211)**	5,989

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

At 30 June 2022 , no imputation credits were held for subsequent years (2021: nil).

9 Taxation (continued)

(c) Deferred tax

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

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

The utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing temporary differences. As at 30 June 2022 the Group have accumulated losses in New Zealand of $141 million (30 June 2021: $79.8 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.

During the period ended 30 June 2022, the Group recognised a deferred tax asset of $10.1 million in respect of previously unrecognised Australian carried forward tax losses. Following the acquisition of the Amadeus Basin assets on 1 October 2021, it has become probable that future taxable profit will allow tax losses to be recovered against future taxable income.

The Group has not recognised a deferred tax asset of $39.7 million at 30 June 2022 (30 June 2021: $41 million) relating to carried forward Australian tax losses, as the probability of being able to utilise these is uncertain.

The Group has an ongoing Indonesian Tax matter relating to a notice of amended assessment which is being disputed by Cue Kalimantan Pte Ltd on behalf of Singapore Petroleum Comapny EXploration and Production Pte Ltd (SPC). Cue is indemnified by SPC for any losses arising from this disputed notice of assessment and has recognised a liability and receivable on the balance sheet.

Deferred tax assets and liabilities are disclosed on a net basis in respect of their tax jurisdictions.

$000	**2022**	2021
The balance comprises temporary differences attributable to:		
Deferred Tax Assets		
Non-deductible provisions	**12,565**	5,605
Carried forward tax losses	**11,734**	-
Other	**1,074**	-
Oil & gas assets	**-**	-
	25,373	5,605
Deferred Tax Liabilities		
Oil & gas assets	**(16,853)**	(8,979)
Other items (including lease assets)	**(100)**	(17)
	(16,953)	(8,996)
Net deferred tax assets/(liabilities)	**8,420**	(3,391)
Movements:		
Net deferred tax liability at 1 July	**(3,391)**	(1,793)
Recognised in profit and loss	**11,480**	(1,593)
Recognised in other comprehensive income	**331**	(5)
Closing balance at end of year	**8,420**	(3,391)

10 Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Contingent and deferred consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent and deferred consideration classified as an asset or liability is recognised in profit or loss. Contingent and deferred consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

On 1 October 2021, the Group acquired the Amadeus Basin business with interests in the Mereenie, Palm Valley and Dingo gas and oil fields in the Northern Territory, Australia, from Central Petroleum Limited (ASX: CTP) (Central).

The Group's interests are as follows:
25% interest in the Mereenie gas and oil field (OL4 and OL5 Production Licences)
50% interest in the Palm Valley gas field (OL3 Production Licence)
50% interest in the Dingo gas field (L7 Production Licence)

The ownership interests in the Amadeus Basin joint ventures are as follows:

	New Zealand Oil & Gas Limited	Cue Energy Resources Limited	Central Petroleum Limited	Macquarie Meerenie Pty Ltd
Mereenie	17.5%	7.5%	25.0%	50.0%
Palm Valley	35.0%	15.0%	50.0%	0.0%
Dingo	35.0%	15.0%	50.0%	0.0%

10 Business combinations (continued)

NZO has acquired 70% and Cue has acquired 30% of the assets sold by Central.

New companies were incorporated by NZO and Cue to hold the participating interests for each of the assets acquired. The functional currencies of these companies are Australian dollars.

The effective date of the transaction was 1 July 2020. On 1 October 2021 control was obtained when conditions precedent were satisfied or waived, the completion payment was made and legal ownership passed to the Group. The Group has consolidated the companies holding the Amadeus Basin assets from this date. The completion payment comprised a cash payment of A$29 million adjusted for revenues earned and costs incurred during the period from effective date to completion.

(a) Provisional fair value

Details of the Group's interest in the provisional fair value of the assets and liabilities upon acquisition are as follows:

$000	**1 Oct 2021**
Oil and gas production properties	117,505
Deferred tax asset	6,866
Inventory spare parts	1,156
Cash and cash equivalents	218
Prepayments	193
Right-of-use assets	173
Trade receivables	12
Lease liabilities	(173)
Trade and other payables	(3,922)
Deferred tax liability	(6,866)
Contract liabilities	(26,440)
Rehabilitation provision	(22,888)
Acquisition date fair value of assets acquired and liabilities assumed	**65,834**
Representing:	
Contractually agreed price	72,373
Net revenue received	(5,971)
Working capital adjustments	(567)
Acquisition date fair value of the total consideration transferred	**65,834**
Cash used to acquire business:	
Acquisition-date fair value of the total consideration transferred	65,834
Less: deferred consideration	(32,325)
Net cash used	**33,509**

10 Business combinations (continued)

Amounts in the financial statements are reported as provisional. The valuation of assets and liabilities identified as part of this process will be finalised following completion of the 30 June 2022 financial statements as work is continuing to assess the underlying fair values of the assets and liabilities. If new information is obtained within one year of the date of acquisition, about facts and circumstances that existed at the date of acquisition that identify adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

As part of the acquisition, the Group assumed an obligation to supply gas to a customer from which Central had received income prior to the Group acquiring its interest in the Amadeus Basin business. The fair value of this obligation is yet to be determined.

(b) Goodwill

Based on the provisional fair value assessment, no goodwill was recognised on the acquisition of the Amadeus Basin business.

(c) Acquisition related costs

Acquisition related costs amounting to $5.1 million are not included as part of the consideration for the acquisition and have been recognised as transaction costs in the profit and loss statement. Some of these costs were incurred in the prior financial year. These costs include legal, valuation, tax, other consulting costs and the Group's share of stamp duty. Costs exclude internal time writing.

(d) Cash Generating Units

The Amadeus Basin business is comprised of two cash generating units being the Mereenie/Palm Valley and Dingo fields.

(e) Deferred consideration

The acquisition of the Amadeus Basin acquisition included a deferred consideration element being based on the Group's obligation to fund Central's share of exploration, appraisal and development costs to a maximum of Australian dollars $40 million. The recent completion of 2 new production wells and 4 well recompletions in the Mereenie field is included in the deferred consideration. The Provisional fair value of the deferred consideration on the date of acquisition is $32.3 million all of which is expected to be settled within eighteen months of the reporting date.

Deferred consideration has been paid since completion, reducing the balance to $23.4 million at 30 June 2022.

(f) Contribution to Group results

The Amadeus Basin assets contributed revenues of $29.4 million and net profit before tax of $3.4 million to the Group from 1 October 2021 to 30 June 2022. The Amadeus Basin assets do not receive any allocations of acquisition costs, corporate overhead, listing or finance costs, all of which are absorbed by the Group's core operations.

For the period 1 July to 30 June 2022, including the Amadeus Basin assets as though the acquisition had occurred at the beginning of the reporting period, the Group proforma revenues and net profit before tax would have been $41.1 million and $8.4 million respectively. Past earnings not necessarily being a reflection of future earning capacity.

11 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	2022	2021
Cash at bank and in hand	**63,852**	18,040
Deposits at call	**10**	9,889
Short term deposits	**98**	42,735
Share of oil and gas interests' cash	**630**	66
Funds held in escrow - WA-359-P Drilling Programme Account	**-**	29
Total cash and cash equivalents at end of year	**64,590**	70,759

Cash and cash equivalents denominated by currency $000	2022 Base Currency	2022 NZD Equivalent	2021 Base Currency	2021 NZD Equivalent
New Zealand dollar	**23,448**	**23,448**	28,851	28,851
United States dollar	**4,527**	**7,268**	3,963	5,674
Australian dollar	**30,603**	**33,864**	33,680	36,180
Indonesian rupiah	**97,677**	**11**	546,211	54
Total cash and cash equivalents at end of year		**64,590**		70,759

Deposits at call and short-term deposits

The deposits at call and short term deposits are currently bearing interest rates between **0.15% and 2.24%** (2021: 0.00% and 0.22%).

12 Receivables and prepayments

$000	2022	2021
Trade receivables	**6,394**	3,236
Share of oil and gas interests' receivables	**7,649**	5,593
Prepayments	**533**	315
Total receivables and prepayments at end of year	**14,576**	9,144

Receivables and prepayments denominated by currency $000	2022 Base Currency	2022 NZD Equivalent	2021 Base Currency	2021 NZD Equivalent
New Zealand dollar	**1,590**	**1,590**	1,296	1,296
United States dollar	**5,484**	**8,808**	5,465	7,821
Australian dollar	**3,769**	**4,170**	25	27
Indonesian rupiah	**71,451**	**8**	-	-
Total receivables and prepayments at end of year		**14,576**		9,144

13 Investments in subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it has power over the entity, has exposure or rights to variable returns from this involvement and when it has the ability to use its power to affect the amount of the returns.

At 30 June 2022 the Group holds a 50.04 per cent interest in Cue Energy Resources Limited (30 June 2021: 50.04 per cent). Cue entities below reflect the Group's 50.04 per cent interest in Cue subsidiaries.

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

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

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

Name of entity	Country of incorporation	Equity Holding		Functional Currency
		2022	2021	
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%	AUD
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	Australia	**100%**	100%	AUD
NZOG Palm Valley Pty Limited	Australia	**100%**	100%	AUD
NZOG Dingo Pty Limited	Australia	**100%**	100%	AUD
Cue Energy Resources				
Cue Energy Resources Limited	Australia	**50.04%**	50.04%	AUD
Cue Mahakam Hilir Pty Limited	Australia	**50.04%**	50.04%	USD
Cue (Ashmore Cartier) Pty Ltd	Australia	**50.04%**	50.04%	AUD
Cue Sampang Pty Limited	Australia	**50.04%**	50.04%	USD
Cue Taranaki Pty Limited	Australia	**50.04%**	50.04%	USD
Cue Kalimantan Pte Ltd	Singapore	**50.04%**	50.04%	USD
Cue Mahato Pty Ltd	Australia	**50.04%**	50.04%	USD
Cue Exploration Pty Limited	Australia	**50.04%**	50.04%	AUD
Cue Mereenie Pty Limited	Australia	**50.04%**	50.04%	AUD
Cue Palm Valley Pty Limited	Australia	**50.04%**	50.04%	AUD
Cue Dingo Pty Limited	Australia	**50.04%**	50.04%	AUD

14 Oil and gas interests

The Group has interests in a number of joint arrangements which are classified as joint operations. The Group financial statements include a 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 2022	2021
New Zealand Oil & Gas				
PML 38146 – Kupe	Mining Licence	New Zealand	4.0%	4.0%
OL4 and OL5 - Mereenie (i)	Production Sharing Contract	Australia	17.5%	0.0%
OL3 - Palm Valley (i)	Production Sharing Contract	Australia	35.0%	0.0%
L 7 - Dingo (i)	Production Sharing Contract	Australia	35.0%	0.0%
Bohorok PSC (ii)	Production Sharing Contract	Indonesia	0.0%	45.0%
WA-359-P (iii)	Exploration Permit	Australia	0.0%	15.0%
Cue Energy Resources *				
WA-359-P (iii)	Exploration Permit	Australia	0.0% .	21.5%
WA-389-P (iv)	Exploration Permit	Australia	100.0%	100.0%
WA-409-P	Exploration Permit	Australia	0.0%	20.0%
Mahakam Hilir PSC (iv)	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%
OL4 and OL5 - Mereenie (i)	Production Sharing Contract	Australia	7.5%	0.0%
OL3 - Palm Valley (i)	Production Sharing Contract	Australia	15.0%	0.0%
L 7 - Dingo (i)	Production Sharing Contract	Australia	15.0%	0.0%

* represents the percentage interest held by Cue Energy Resources Limited. The Group interest is 50.04% (2021: 50.04%) of the Cue interest.

(i) Completion of the acquisition of the Amadeus Basin Permits occurred on 1 October 2021.
(ii) Regulatory approval received in the year for the sale and purchase agreement from 12 December 2018.
(iii) On 4 July 2022, surrender processes for WA-389-P were completed.
(iv) WA-389-P and Mahakam Hilir PSC exploration permits have expired and regulatory processes for surrender are ongoing as at 30 June 2022.

15 Exploration and evaluation

The Group uses the successful efforts method of accounting for oil and gas exploration costs. All general exploration and evaluation costs are expensed as incurred except the direct costs of acquiring the rights to explore, drilling exploratory wells, and evaluating the results of drilling. These direct costs are capitalised as exploration and evaluation assets pending the determination of the success of the well. If a well does not result in a successful discovery, the previously capitalised costs are immediately expensed.

Key judgement: recoverability of exploration and evaluation assets

Assessment of the recoverability of capitalised exploration and evaluation expenditure requires certain estimates and assumptions to be made as to future events and circumstances, particularly in relation to whether economic quantities of reserves have been discovered. Therefore, such estimates and assumptions may change as new information becomes available. If it is concluded that the carrying value of an exploration and evaluation asset is unlikely to be recovered by future development or sale, the relevant amount will then be expensed in the profit and loss.

Capitalised exploration and evaluation assets, including expenditure to acquire mineral interests in oil and gas properties, related to wells that find proven reserves are classified as development assets within oil and gas assets at the time of sanctioning the development project.

$000	2022	2021
Opening balance	-	6,549
Expenditure capitalised	**6,957**	-
Expenditure expensed to profit and loss	-	(1,622)
Expenditure transferred to oil and gas assets relating to Sampang PSC and Mahato PSC	-	(3,502)
Revaluation of foreign currency exploration and evaluation assets	**236**	(1,425)
Total exploration and evaluation assets at end of year	**7,193**	-

15 Exploration and evaluation (continued)

On 17 April 2022 the Palm Valley 12 (PV-12) well was spudded, after challenging drilling conditions, immediately post year end, the Joint Venture decided to stop drilling towards the deep Arumbera exploration target and instead agreed to side-track a lateral well-bore, from PV-12, to evaluate the lower Pacoota 2 / Pacoota 3 sandstone. This has been deemed to be an adjusting subsequent event, the financial statements have been adjusted to reflect the financial impact.

On 22 August 2022 the Group announced that the drilling of Palm Valley's Pacoota 2 / Pacoota 3 was being curtailed (refer to note 27). This has been determined to be an adjusting subsequent event. Total exploration costs of $8.2 million have been incurred in respect of this section of the well. In accordance with the Group's accounting policy $3.6 million was expensed in the year ended 30 June 2022, the remainder will be expensed in the next financial year.

Exploration and evaluation expenditure of $3.1 million relating to the unsuccessful deep Arumbera exploration target has been expensed, partly offset by credits from the Ironbark -1 exploration well from the previous year being costs recovered and proceeds from sale of well head not used. Exploration and evaluation expenditure of $2.5 million has been recognised in the year (2021: $35.4 million).

Exploration assets relate to ongoing drilling at PV-12.

16 Oil and gas assets

Development

Development assets include construction, installation and completion of infrastructure facilities such as pipelines and development wells. No amortisation is provided in respect of development assets until they are reclassified as production assets.

Production assets

Production assets capitalised represent the accumulation of all development expenditure incurred by the Group in relation to areas of interest in which petroleum production has commenced. Expenditure on production areas of interest and any future estimated expenditure necessary to develop proven and probable reserves are amortised using the units of production method 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.

16 Oil and gas assets (continued)

$000	2022	2021
Opening balance	**53,477**	52,237
Additions through Amadeus Basin (see note 10)	**118,576**	-
Expenditure capitalised	**8,017**	6,561
Expenditure transferred from Exploration and evaluation (see note 16)	**-**	3,502
Amortisation for the year	**(13,634)**	(6,506)
Revaluation of foreign currency oil and gas assets	**7,945**	(1,618)
Rehabilitation provision	**(455)**	(699)
Total oil and gas assets at end of year	**173,926**	53,477

At 30 June 2022 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 traded futures contracts.

17 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	2022	2021
Opening balance	**6,276**	6,123
Security deposits	**1,071**	63
Abandonment and Site Restoration Fund (ASR) - Cue Sampang rehabilitation	**-**	90
Total other financial assets at end of year	**7,347**	6,276

18 Payables

$000	2022	2021
Trade payables	**5,439**	3,050
Royalties payable	**1,218**	795
Share of oil and gas interests' payable	**8,413**	2,318
Other payables	**1,423**	1,120
Total payables at end of year	**16,493**	7,283

Payables denominated by currency	**2022 Base Currency**	**2022 NZD Equivalent**	2021 Base Currency	2021 NZD Equivalent
New Zealand dollar	**4,712**	**4,712**	4,350	4,350
United States dollar	**508**	**821**	1,356	1,940
Australian dollar	**9,908**	**10,960**	918	992
Indonesian rupiah	**2,500**	**-**	6,910	1
Total payables at end of year		**16,493**		7,283

19 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. (Refer to note 10) 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 reporting period, the discount rates used to determine the provision ranged from 0.62% to 3.86%. The initial provision and subsequent re-measurement are recognised as part of the cost of the related asset. The unwind of the discount is recognised in finance costs in profit and loss.

$000	2022	2021
Carrying amount at start of year	**26,088**	27,909
Change in provision recognised	**(1,445)**	137
Addition in provision from acquisition (i)	**23,534**	-
Unwind of discount on provision	**82**	332
Revaluation of foreign currency rehabilitation provision	**3,598**	(2,290)
Total rehabilitation provision at end of year	**51,856**	26,088

(i) On 1 October 2021 the Group acquired assets in the Amadeus Basin. Refer to note 10.

On 25 November 2021, the NZ Government passed the Crown Minerals (Decommissioning and Other Matters) Amendment Act 2021, addressing issues around decommissioning costs and obligations of all oil and gas fields. This Act makes petroleum permit and licence holders in NZ, expressly liable for decommissioning costs and requires payments and other forms of security towards future remediation that may be needed to decommission fields, wells, and any infrastructure. The impact of this Act has not yet been fully assessed, as the Kupe and Maari joint ventures have not yet been advised by the Crown what will be required in respect of those fields and assets.

20 Share capital

	$000	Number of shares 000s
Balance at 30 June 2021	**211,901**	**167,849**
Share capital issued	**24,982**	**59,520**
Balance at 30 June 2022	**236,883**	**227,369**
Comprised of:		
Fully paid shares	**236,873**	**223,951**
Partly paid shares	**10**	**3,418**

During the year NZO completed a successful capital raise resulting in an increase of 59,520,120 ordinary shares issued on 27 May 2022 raising capital of $25m. The Group retains 3.4 million (2021: 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.

21 Reserves

(a) Reserves

$000	2022	2021
Asset revaluation reserve	**2,189**	1,144
Share based payments reserve	**1,359**	786
Foreign currency translation reserve	**8,090**	3,031
Total reserves at end of year	**11,639**	4,961

Movements:

$000	2022	2021
Asset revaluation reserve		
Opening balance at 1 July	**1,144**	-
Asset revaluation reserve	**1,045**	1,144
Closing balance at end of year	**2,189**	1,144

$000	2022	2021
Share based payments reserve		
Opening balance at 1 July	**786**	419
Share based payment expense for the year	**673**	367
Exercised and expired ESOP awards	**(100)**	-
Closing balance at end of year	**1,359**	786

$000	2022	2021
Foreign currency translation reserve		
Opening balance at 1 July	**3,031**	3,692
Other foreign currency translation differences for the year	**5,060**	(661)
Closing balance at end of year	**8,090**	3,031

(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.

22 Profit/(loss) per share

	2022	2021
Profit/(loss) attributable to shareholders ($000)	**17,159**	(36,435)
Weighted average number of ordinary shares (000)	**173,393**	167,849
Basic profit/(loss) per share (cents)	**9.9**	(21.7)
Options over ordinary shares (000)	**6,960**	-
Diluted profit/(loss) per share and options (cents)	**9.5**	(21.7)

23 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 2022 (2021: 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 2022 $000	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**	**Contractual cash flows**
Payables	**16,493**	**-**	**-**	**-**	**-**	**16,493**
Total non-derivative liabilities	**16,493**	**-**	**-**	**-**	**-**	**16,493**

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

At 30 June 2022 the Group had no derivatives to settle (2021: nil).

23 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	**2022**	2021
Impact on Group profit before tax	Exchange rate	+5%	**(0.4)**	(1.1)
		-5%	**0.4**	1.2
Impact on foreign currency translation reserves in equity	Exchange rate	+5%	**(3.4)**	(1.1)
		-5%	**3.4**	1.2
Impact on interest income	Interest rate	+1%	**0.6**	0.7
		-1%	**(0.6)**	(0.7)

(f) Financial instruments by category

$000	**2022 Carrying value**	2021 Carrying value
Assets		
Cash and cash equivalents	**64,590**	70,730
Funds held in escrow	**-**	29
Trade and other receivables	**14,043**	8,829
	78,633	79,588
Liabilities		
Payables	16,493	7,283
	16,493	7,283

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

24 Related party transactions

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

During the period, NZO and Cue acquired participating interests in the Amadeus Basin assets, see note 10. Certain activities were undertaken by NZO to facilitate the transaction under a Heads of Terms agreement. Ongoing technical services and related activities are provided to Cue under a consultancy services contract. On 23 June 2022 Cue entered into a Australian dollar $7 million, two-year unsecured loan agreement with NZO. The loan was fully drawn down prior to the end of the financial year. NZO Transactions related to Cue have been eliminated from the Group financial statements.

During the period certain activities were undertaken between the Group and OGE. The inter-group services agreement, which was entered into on 21 June 2019, allows the Group to provide technical services and related activities to OGE. For the period ended 30 June 2022 $0.6 million (30 June 2021: $0.6 million) of income has been included in 'Other income' in the profit and loss.

A number of directors are also directors of other companies and any transactions undertaken with these entities have been entered into as part of the ordinary business of the Group. No directors' fees are charged for the three representatives of OGOG who are directors of the Group. Directors' expenses are reimbursed and are not separately disclosed as they are not material.

The Groups related parties also include key management personnel, which have been defined as the directors, the chief executive and the executive team for the Group. Key Cue management personnel are included.

$000	**2022**	2021
Short term employee benefits	**3,320**	2,854
Share based payments	**166**	160
Post employment benefits	**183**	132
Key management personnel related costs	**3,669**	3,146

25 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) New Zealand Oil & Gas Employee Share Option Plan (ESOP)

25 Share-based payments (continued)

a. New Zealand Oil & Gas Share Option Scheme

On 22 November 2021, the Group issued 2,370,333 unlisted options to eligible New Zealand Oil & Gas Limited employees under the share option scheme. The options are exercisable at $0.52 (52 cents) per option, which will vest on 1 July 2024 and expire on 1 July 2027. 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 2021.

The options were valued using Black-Scholes option pricing model. $0.4 million of share-based payment expense was recorded in relation to these options for the financial year ending 30 June 2022.

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

2022

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
22/11/2021	**1/07/2025**	**$0.61**	**2,832,048**	**-**	**-**	**-**	**2,832,048**
8/10/2020	**1/07/2026**	**$0.65**	**1,876,930**	**-**	**-**	**-**	**1,876,930**
22/11/2021	**1/07/2027**	**$0.52**	**-**	**2,370,333**	**-**	**(118,931)**	**2,251,402**
			4,708,978	**2,370,333**	**-**	**(118,931)**	**6,960,380**
Weighted average exercise price			**-**	**$0.52**	**-**	**-**	**$0.63**

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
22/11/2021	1/07/2025	$0.61	2,832,048	-	-	-	2,832,048
8/10/2020	1/07/2026	$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

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
22/11/2021	**1/07/2027**	**$0.49**	**$0.52**	**36%**	**0%**	**0.87%**	**$0.16**

b. Cue Energy Share Option Scheme

On 23 July 2021, the Company issued 4,599,003 unlisted options to eligible employee under the share option scheme. The options are exercisable at $0.086 (8.6 cents) per option and will vest on 23 July 2024 and expire on 22 July 2026.

The options were valued using Black-Scholes option pricing model; $80,089 of share-based payment expense was recorded in relation to these options for the financial year ending 30 June 2022.

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

2022

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
29/07/2019	**1/07/2023**	**$0.08**	**3,784,025**				
4/10/2019	**1/07/2024**	**$0.10**	**3,853,298**				
16/07/2020	**1/07/2025**	**$0.13**	**3,743,260**				
23/07/2021	**1/07/2027**	**$0.86**	**-**	**4,599,003**	**-**	**(1,607,360)**	**2,991,643**
			11,380,583	**4,599,003**	**-**	**(1,607,360)**	**2,991,643**
Weighted average exercise price			**$0.10**	**$0.09**	**-**	**$0.10**	**$0.10**

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
29/07/2019	1/07/2023	$0.08	3,784,025	-	-	-	3,784,025
4/10/2019	1/07/2024	$0.10	3,853,298	-		-	3,853,298
16/07/2020	1/07/2025	$0.13	-	3,743,260	-	-	3,743,260
			7,637,323	3,743,260	0	0	11,380,583
Weighted average exercise price			$0.09	$0.13	-	$0.00	$0.10

25 Share-based payments (continued)

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
23/07/2021	**22/07/2026**	**$0.77**	**$0.09**	**59%**	**0%**	**58.00%**	**$0.04**

(c) New Zealand Oil & Gas Employee Share Option Plan (ESOP)
The last of the partly paid shares in the remaining tranche were forfeited during the year.

26 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. The Group participates in a number of development projects that were in progress at the end of the period. These projects require the Group, either directly or through joint operation arrangements, to enter into contractual commitments for future expenditures.

Exploration expenditure commitments of $10.6 million at 30 June 2022 are in respect of Palm Valley 12 exploration drilling and related works, whilst development and production expenditure commitments at 30 June 2022 include $1.4 million of Mereenie flare reduction works.

This is the Group's equity share of commitments associated with the Amadeus Basin Permits, excluding the deferred consideration associated with the Central Petroleum purchase agreement, which is reflected in the Statement of Financial Position as deferred consideration and detailed in note 10.

As part of the Amadeus Basin acquisition, the Group has an obligation to pay bonds of $1.4 million to the Northern Territory Government and the APA Group in Australia. These are expected to be paid before the end of the year.

Other commitments include $14.3 million of drilling and infrastructure works at the Mahato PSC.

(b) Contingent assets and liabilities
The Directors are not aware of any contingent assets or contingent liabilities at 30 June 2022.

27 Events occurring after balance date

On 12 July 2022 the Group announced that the drilling program at the Palm valley gas field in the Amadeus Basin would be revised and would no longer proceed to the deep Arumbera Sandstone exploration target. This has been determined to be an adjusting subsequent event due to its material nature and has resulted in approximately $3.1 million of exploration costs related to the drilling program being expensed. Refer to note 16 for more information.

On 22 August 2022, the Palm Valley Joint Venture announced the decision to curtail further drilling in the lower P2 and P3 side-track. This was due to the combination of the presence of formation water and no significant gas shows. Total exploration costs of $8.2 million have been incurred in respect of this section of the well. In accordance with the Group's accounting policy $3.6 million was expensed in the year ended 30 June 2022 the remainder will be expensed in the next financial year.

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 27:

- present fairly in all material respects the Group's financial position as at 30 June 2022 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 2022;
- 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 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.

The context for our audit is set by the group's major activities in the financial year ended 30 June 2022. On 1 October 2021, the Group acquired the Amadeus Basin business with interests in the Mereenie, Palm Valley and Dingo gas and oil fields in the Northern Territory, Australia.

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 $1.8 million (2021: $1.2 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
Acquisition of Interest in Amadeus Basin Assets	

Refer to Note 10 within the consolidated financial statements.
 	
On 1 October 2021, the Group completed the acquisition of interests as a joint venture partner in the Mereenie, Palm Valley and Dingo gas and oil fields in the Northern Territory, Australia.
 	
This business combination is a key audit matter due to:
 	
– The financial significance of the transaction to the Group; and
 	
– The judgement required by the Group to measure the fair values of assets and liabilities assumed, including:
 	
  – Oil and gas production properties;
 	
  – Prepaid gas and assumed obligations to supply gas to customers where income has been received in advance;
 	
  – Rehabilitation obligations; and
 	
  – Acquisition date deferred tax balances.
	Our audit procedures included:
	
	– Reviewing the acquisition agreements and other related transaction documents to understand the structure, key terms and conditions;
	
	– Evaluating the acquisition accounting methodology applied by the Group against the requirements of the accounting standards;
	
	– Assessing the Group's determination of accounting acquisition date and fair value of purchase consideration with reference to the underlying assets sale agreement and accounting standard requirements;
	
	– Evaluating the qualifications, competence and objectivity of external and internal experts used by the Group including an assessment as to the extent to which the information provided by them could be relied upon;
	
	– With the assistance of our valuation specialists, evaluating the Group's assessment of the fair value of oil and gas production properties and rehabilitation obligations:
	
	– With the assistance of our tax specialists, assessing the appropriateness of the recognised deferred tax balances against accounting standard requirements;

The key audit matter	How the matter was addressed in our audit
These factors and the complexity of the acquisition accounting required significant audit effort and involvement of senior audit team members, including our specialists, in assessing this key audit matter.	— Assessing the identification and measurement of prepaid gas and assumed obligations to supply gas to customers where income has been received in advance, with reference to contractual obligations, and against accounting standard requirements; and — Assessing the appropriateness of the Group's disclosures in the consolidated financial statements using our understanding obtained from our testing and against the requirements of accounting standards.
Recoverability of oil and gas assets	

Refer to Note 16 within the consolidated financial statements.
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.
	— 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 2021;
	  — 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.
	— For the Amadeus Basin Assets, in conjunction with our valuation specialists, we evaluated the Group's assessment of the recoverable amount of oil and gas production properties, focusing on significant judgements including:
	  — Assessing the valuation methodology applied was in accordance with the requirements of accounting standards;
	  — Challenging the feasibility of forecast cashflows, reserve and resource estimates, production profiles and useful life and compared for consistency with

The key audit matter	How the matter was addressed in our audit
	other internal and external information including reports prepared by management's experts; and — Challenging the Group's assumptions for oil and gas prices, inflation rates and discount rate by comparing to available external information including observable market prices, publicly available industry guidance and information from comparable companies. — 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 includes the Chairman and Chief Executive's report, production and reserve information, corporate and statutory information. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

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

Use of this independent auditor's report

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

Responsibilities of the Directors for the consolidated financial statements

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

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and

KPMG

- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Brent Manning

For and on behalf of

KPMG

KPMG
Wellington

26 August 2022