EXPLORERS FROM NEW ZEALAND
NEW ZEALAND OIL & GAS SINCE 1981

Annual Report 2021

NEW ZEALAND OIL & GAS

Contents

Signed on behalf of the board of New Zealand Oil & Gas Limited on 29 September 2021.

Samuel Kellner
Chairman

Alastair McGregor
Director

Chair's Report

Dear shareholder,

In last year's annual report, I shared our optimism that challenging industry conditions would create opportunities to acquire attractive assets. I am pleased to report that our ambition to grow the company is beginning to bear fruit.

We have signed an agreement to purchase producing gas assets in the Amadeus basin in Australia's Northern Territory. The three assets we intend to acquire will provide revenue from well-established fields delivering product into a strong Australian gas market. They will also provide significant upside potential from on-going development activity. The Amadeus transaction is expected to complete at about the time that this report is published. In the following pages, we provide more information on the associated increase to our reserves.

In addition to our direct stake, we will participate further in the Amadeus transaction through our Cue subsidiary, who will take an additional share of the same portfolio of assets. We expect that the Amadeus assets will establish a foundation upon which we can continue to grow our presence in the Australian market.

In addition to acquisition activity, we also added to the Group's reserves organically. Cue's Mahato field in Indonesia began producing during the reporting period. Further development activity is on-going, and we expect that development to increase production from the current rate of approximately 3,600 barrels a day.

With development programs continuing in the coming year in both the Amadeus basin and the Mahato field, we look forward to an active year ahead.

Mereenie oil and gas field, Amadeus Basin, Nothern Territory, Australia.

In New Zealand, the Kupe production field has been as reliable as ever. The Kupe compression project is due to come online in the third quarter of calendar year 2021. That project will increase production and return the field to plateau. Fundamentals suggest that New Zealand gas prices should remain elevated and we expect to benefit from our interest in Kupe for years to come.

Having surrendered our remaining exploration blocks in New Zealand, the remaining domestic opportunity set is relatively limited. We will continue to evaluate opportunities in New Zealand as they arise, but we will also focus on opportunities elsewhere in our region.

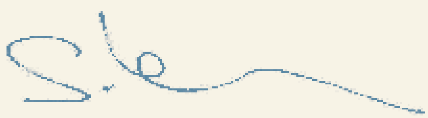
In support of our increased activity in Australia, we re-established our listing on the ASX, where the investor community is very familiar with natural resources exploration and production. While we were of course disappointed by the outcome of the Ironbark exploration well, we expect that Australia will continue to provide opportunities to acquire producing assets with upside potential through development and near-field exploration.

As our society and our industry become increasingly focused on environmental, social and governance priorities, we will continue to make each an area of focus for the company. I am proud that we have maintained our Rainbow Tick accreditation during the year, demonstrating our commitment to diversity and inclusion.

These principles reflect the values and priorities of the communities to which we belong and from which we produce resources. Commitment to these values also helps us recruit and retain high quality people.

Our staff continue to perform at a high level and, as the Amadeus transaction demonstrates, are delivering on our strategic priorities. I thank them for their efforts during an especially challenging period.

We are on the cusp of adding another promising revenue stream to our portfolio and we have material development activity ahead. We have started down the path towards meaningful growth. I would like to thank shareholders for your continued support and look forward to keeping you updated on our continued progress.



Samuel Kellner
Chairman

Production and Reserves to 2021

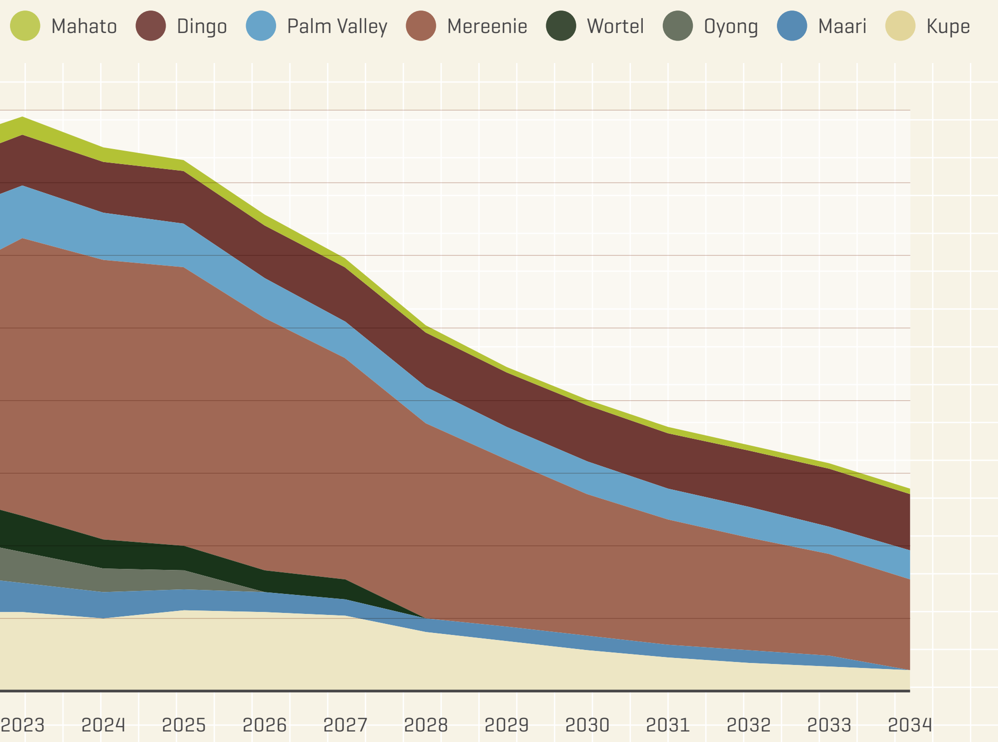
AMADEUS BASIN ASSETS

This production and reserves report includes data from the Mereenie, Palm Valley and Dingo fields in the Amadeus Basin. On 25 May 2021, New Zealand Oil & Gas and Cue announced they had agreed to acquire interests in the Amadeus Basin assets. The transaction was subject to certain conditions including shareholder and regulatory approvals, with an effective economic date of 1 July 2020.

On 20 September 2021 the Company announced that all conditions precedent to the transaction had been satisfied and the parties expect to complete the transaction on 1 October 2021 in accordance with the terms of the sale and purchase agreement.

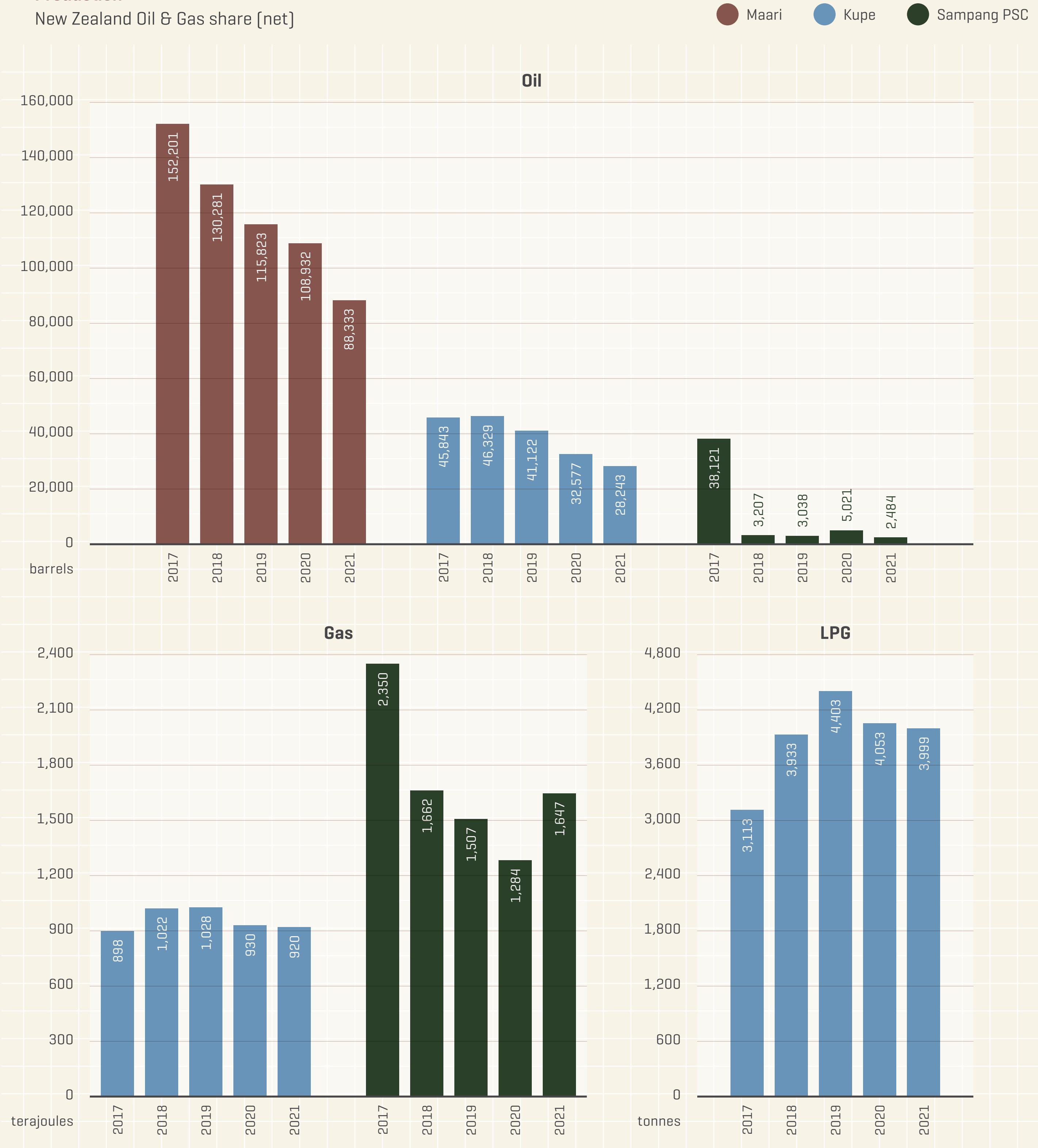
Unless otherwise stated, shares indicated include Cue's full interest. New Zealand Oil & Gas has a 50.04% interest in Cue.

Actual and Forecast 2P Production
millions of barrels of oil equivalent



Production

New Zealand Oil & Gas share (net)



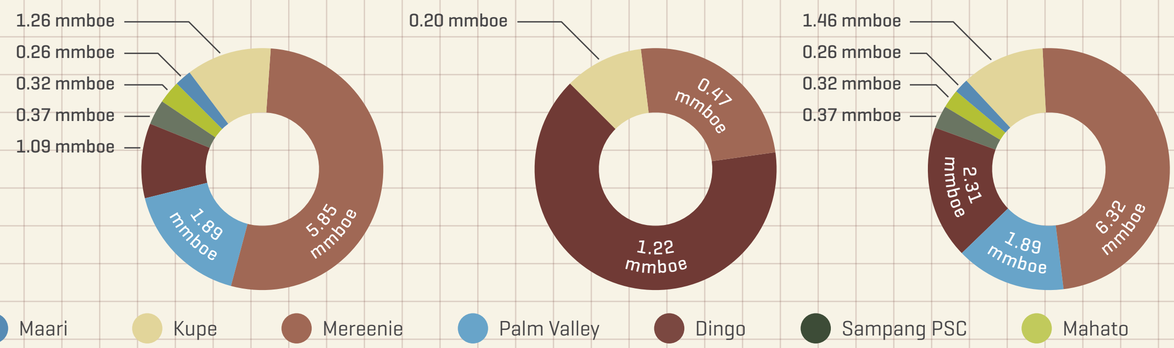
Some rounding. The New Zealand Oil & Gas interest in Maari and Sampang is held through Cue Energy. New Zealand Oil & Gas has a 50.04% interest in Cue. Graphic shows Cue's full interest.

Reserves

at 30 June 2021

Proved (1P) Reserves at 1 July 2021

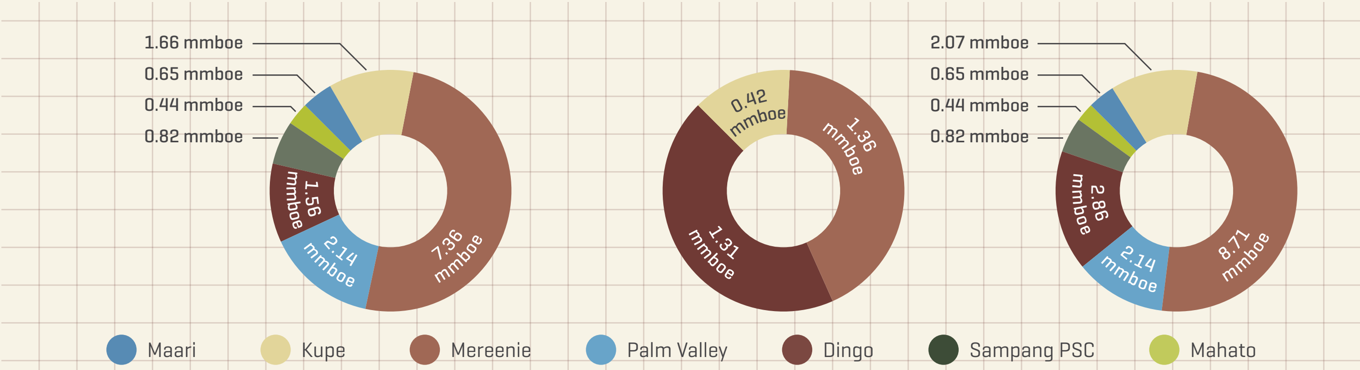
Geographic area	Developed Gas (PJ)	Developed LPG (kt)	Developed Oil & Condensate (mmb)	Developed Total (mmboe)	Undeveloped Gas (PJ)	Undeveloped LPG (kt)	Undeveloped Oil & Condensate (mmb)	Undeveloped Total (mmboe)	Total Gas (PJ)	Total LPG (kt)	Total Oil & Condensate (mmb)	Total (mmboe)
New Zealand												
Maari*	0.00	0.00	0.26	**0.26**	0.00	0.00	0.00	**0.00**	0.00	0.00	0.26	**0.26**
Kupe	5.56	24.45	0.15	**1.26**	0.87	3.81	0.03	**0.20**	6.42	28.26	0.18	**1.46**
Amadeus Basin, Australia												
Mereenie**	33.70	0.00	0.35	**5.85**	2.64	0.00	0.04	**0.47**	36.35	0.00	0.38	**6.32**
Palm Valley**	11.57	0.00	0.00	**1.89**	0.00	0.00	0.00	**0.00**	11.57	0.00	0.00	**1.89**
Dingo**	6.69	0.00	0.00	**1.09**	7.47	0.00	0.00	**1.22**	14.16	0.00	0.00	**2.31**
Indonesia												
Sampang PSC*	2.26	0.00	0.00	**0.37**	0.00	0.00	0.00	**0.00**	2.26	0.00	0.00	**0.37**
Mahato*	0.00	0.00	0.32	**0.32**	0.00	0.00	0.00	**0.00**	0.00	0.00	0.32	**0.32**
Total	59.78	24.45	1.09	**11.05**	10.98	3.81	0.07	**1.89**	70.75	28.26	1.15	**12.94**



As at evaluation date. Some rounding. Includes 100 per cent of Cue's interests. New Zealand Oil & Gas has a 50.04% interest in Cue. See statement Page 12.

Proved + Probable (2P) Reserves at 1 July 2021

Geographic area	Developed Gas (PJ)	Developed LPG (kt)	Developed Oil & Condensate (mmb)	Developed Total (mmboe)	Undeveloped Gas (PJ)	Undeveloped LPG (kt)	Undeveloped Oil & Condensate (mmb)	Undeveloped Total (mmboe)	Total Gas (PJ)	Total LPG (kt)	Total Oil & Condensate (mmb)	Total Total (mmboe)
New Zealand												
Maari*	0.00	0.00	0.65	**0.65**	0.00	0.00	0.00	**0.00**	0.00	0.00	0.65	**0.65**
Kupe	7.36	32.37	0.19	**1.66**	1.76	7.73	0.07	**0.42**	9.11	40.10	0.26	**2.07**
Amadeus Basin, Australia												
Mereenie**	42.39	0.00	0.43	**7.36**	8.20	0.00	0.02	**1.36**	50.59	0.00	0.45	**8.71**
Palm Valley**	13.08	0.00	0.00	**2.14**	0.00	0.00	0.00	**0.00**	13.08	0.00	0.00	**2.14**
Dingo**	9.52	0.00	0.00	**1.56**	8.01	0.00	0.00	**1.31**	17.53	0.00	0.00	**2.86**
Indonesia												
Sampang PSC*	4.94	0.00	0.01	**0.82**	0.00	0.00	0.00	**0.00**	4.94	0.00	0.01	**0.82**
Mahato*	0.00	0.00	0.44	**0.44**	0.00	0.00	0.00	**0.00**	0.00	0.00	0.44	**0.44**
Total	77.28	32.37	1.73	**14.62**	17.96	7.73	0.08	**3.08**	95.24	40.10	1.81	**17.70**



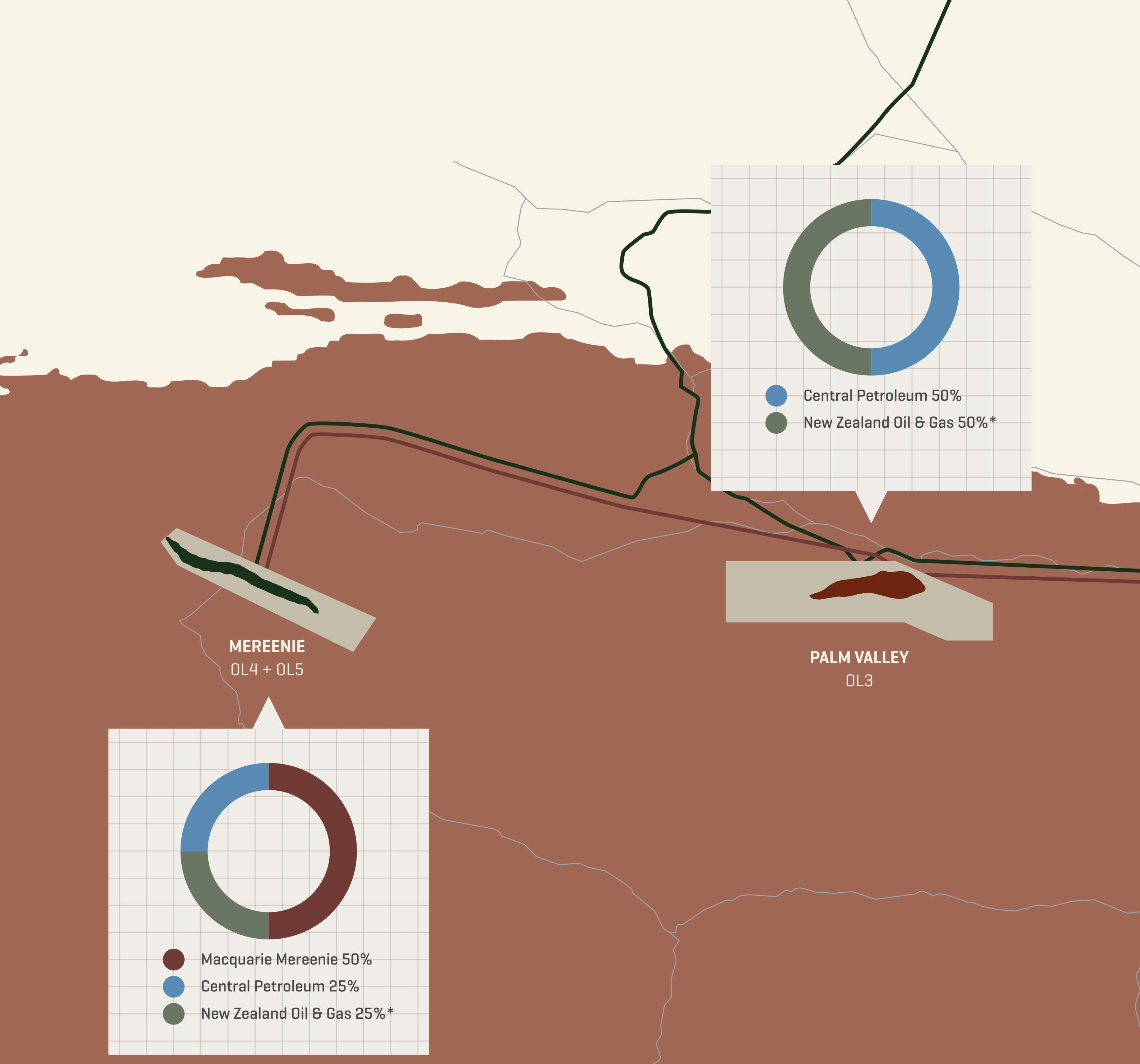
As at evaluation date. Some rounding. Includes 100 per cent of Cue's interests. New Zealand Oil & Gas has a 50.04% interest in Cue. See statement Page 12.

Remaining Proven & Probable (2P) Oil & Gas Reserves Change (mmboe)

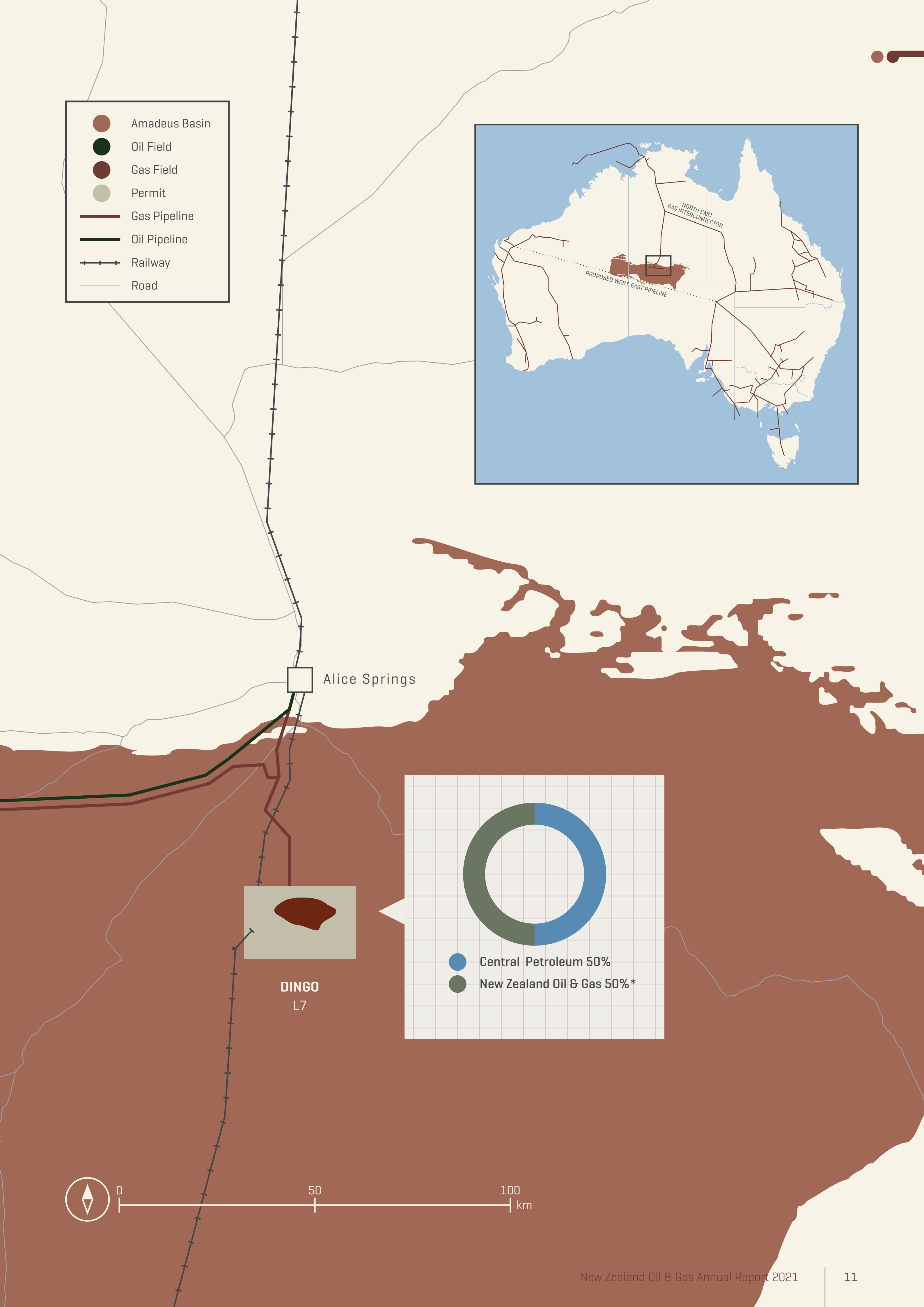
Geographic area	EOFY20	Amadeus Acquisition***	FY21 Production	EOFY20 Adjusted	In Year Revisions	EOFY21
New Zealand						
Maari*	0.6		0.1	0.5	0.2	0.7
Kupe	2.3		0.2	2.0	0.0	2.1
Amadeus Basin, Australia						
Mereenie**		9.2	0.5	8.7	0.0	8.7
Palm Valley**		2.4	0.2	2.1	0.0	2.1
Dingo**		2.9	0.1	2.9	0.0	2.9
Indonesia						
Sampang PSC*	1.1		0.3	0.8	0.0	0.8
Mahato*					0.4	0.4
Total	3.9	14.5	1.3	17.1	0.6	17.7

*Includes 100% of Cue's equity. **New Zealand Oil & Gas and Cue equity. ***Effective 1 July 2020, as announced on 25 May 2021.

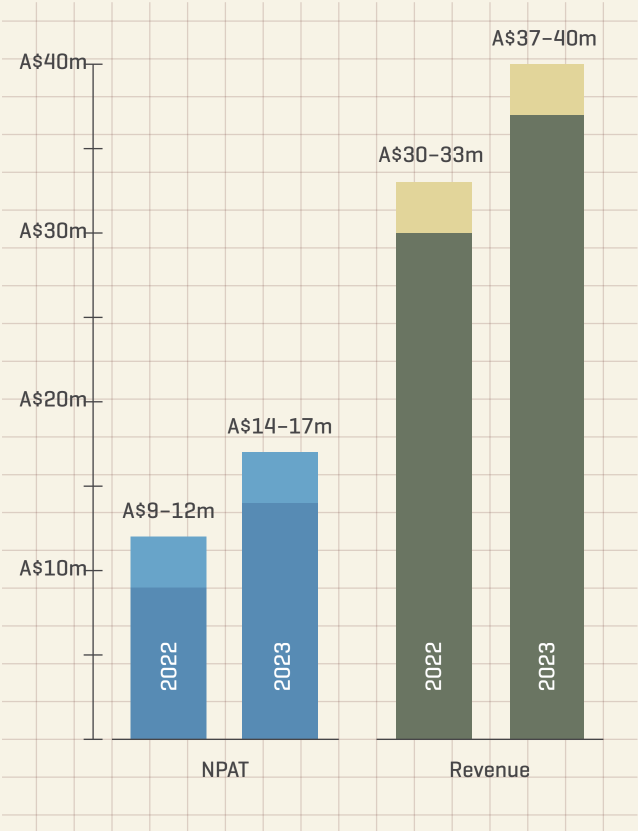
New Production from 2021 in the Amadeus Basin



*Includes Cue's full share. New Zealand Oil & Gas has a 50.04% interest in Cue.


Amadeus Basin
Oil Field
Gas Field
Permit
Gas Pipeline
Oil Pipeline
Railway
Road
NORTH EAST GAS INTERCONNECTOR
PROPOSED WEST-EAST PIPELINE
Alice Springs
DINGO
L7
Central Petroleum 50%
New Zealand Oil & Gas 50%*
0
50
100
km

Amadeus assets, possible incremental effects on revenue and profit



Bars indicate range of estimated incremental impact from Amadeus assets in 2022 and 2023. Not a forecast. Actual result will depend on asset performance, oil and gas prices & timing of development work.

Reserves Compliance Statements

Oil and gas reserves, and prospective resources, are reported as at 1 July 2021 and follow the SPE PRMS Guidelines (2018). Volumes are net to New Zealand Oil & Gas, including Cue Energy's share.

Cue currently holds an equity position of 5%, 15% and 12.5% in the Maari, Sampang and Mahato assets respectively, though Production Sharing Contract adjustments at the Sampang & Mahato fields affect the net equity differently across the various reserve categories.

In the Amadeus basin, all fields and prospects are non-operated, with the operator being Central Petroleum Limited. New Zealand Oil & Gas has a 17.5% participating interest in Mereenie and Cue has 7.5%. At Palm Valley and Dingo, New Zealand Oil & Gas has 35% and Cue has 15% equity. (Amadeus basin assets are subject to completion of the acquisition transaction, which is expected on 1 October 2021 with an effective economic date of 1 July 2020.)

Mereenie, Palm Valley and Dingo reserves are based on historical field production data and various well intervention and drilling campaigns. This data has been combined with seismic data, analytical and numerical analysis methods, and deterministic reservoir simulation and network models. In place volumes have been developed using probabilistic methods, with deterministic workflows used for recoverable volumes. The reserves and resource volumes stated have not been adjusted for risk.

In New Zealand, all fields and prospects are non-operated. The operator at Kupe is Beach Energy and at Maari the operator is OMV.

Kupe reserves are determined by deterministic reservoir simulation modelling conducted by the operator, Beach Energy. At Maari, a combination of deterministic and analytical methods have been applied by New Zealand Oil & Gas.

In Indonesia, all fields and prospects are non-operated. The operator at Sampang is Medco and at Mahato the operator is Texcal. At Sampang, a combination of deterministic and analytical methods have been applied in tandem with a review of the available simulation models by New Zealand Oil & Gas.

At all fields, economic modelling has been conducted to determine the economically recoverable quantities. For the conversion to equivalent units, standard industry factors have been used of 6bcf to 1mmboe, 1bcf to 1.05PJ, 1 tonne of LPG to 8.15 boe and 1TJ of gas to 163.4 boe.

Proven (1P) reserves are estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty (90% chance) to be recoverable in future years from known reservoirs, under existing economic and operating conditions.

Probable (2P) reserves have a 50% chance or better of being technically and economically producible using discounted cashflows. The oil price assumptions are based on a futures price curve, followed by a flat real price. For gas volumes in excess of current contracts, a future base market price from an independent expert report is assumed for gas sales.

Known accumulations are reserves or contingent resources that have been discovered by drilling a well and testing, sampling or logging a significant quantity of recoverable hydrocarbons.

Developed reserves are expected to be recoverable from existing wells and facilities. Undeveloped reserves will be recovered through future investments (e.g. through installation of compression, new wells into different but known reservoirs, or infill wells that will increase recovery). Total reserves are the sum of developed and undeveloped reserves at a given level of certainty.

All reserves and resources reported refer to hydrocarbon volumes post-processing, net of fuel, and immediately prior to point of sale. The volumes refer to standard conditions, defined as 14.7psia and 60°F. The extraction method is via the Mereenie and Palm Valley Gas Plants which includes compression and dehydration.

Tables combining reserves have been calculated arithmetically and some differences may be present due to rounding.

This reserves and resources statement for all fields except Mahato (see below) is approved by, based on, and fairly represents information and supporting documentation prepared by New Zealand Oil & Gas Assets & Engineering Manager Daniel Leeman. Daniel is a Chartered Engineer with Engineering New Zealand and holds Masters degrees in Petroleum and Mechanical Engineering as well as a Diploma in Business Management and has over 10 years of experience. Daniel is also an active professional member of the Society of Petroleum Engineers and the Royal Society of New Zealand. New Zealand Oil & Gas reviews reserves holdings twice a year by reviewing data supplied from the field operator and comparing assessments with this and other information supplied at scheduled meetings. Daniel is currently an employee of New Zealand Oil & Gas Limited, which at the time of this report is a related party to Cue Energy. Daniel has been retained under a services contract by Cue Energy Resources Ltd (Cue) to prepare an independent report on the current status of the entity's reserves. New Zealand Oil & Gas has a 50.04% interest in Cue.

Mahato

The reserves stated for Mahato are effective 1 July 2021 and follow the SPE PRMS Guidelines (2018). Net reserves are presented net of equity, determined by economic modelling on discounted cash flows performed at the gross field level as approved under the standard SKK Migas Plan of Development process.

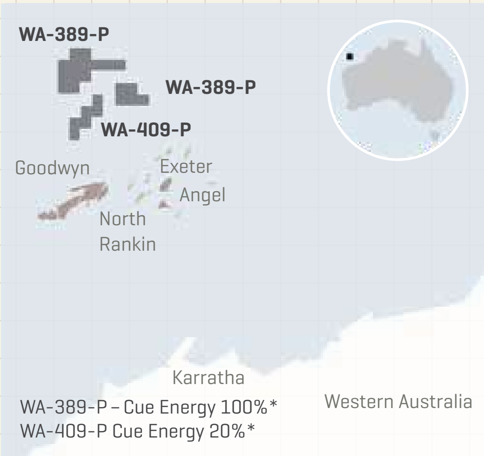
All reserves and resources reported refer to hydrocarbon volumes post-processing, net of fuel, and immediately prior to point of sale. The volumes refer to standard conditions, defined as 14.7psia and 60°F. The extraction method is via EPF facilities, which includes an oil and water separation system with the oil then piped 6 kilometres to the CPI operated Petapahan Gathering Station.

This resources statement is based on, and fairly represents information and supporting documentation prepared by PT Gada Energi, a company owned by the Institut Teknologi Bandung (ITB) as the relevant certifying authority in accordance with the SPE PRMS Guidelines (2018).

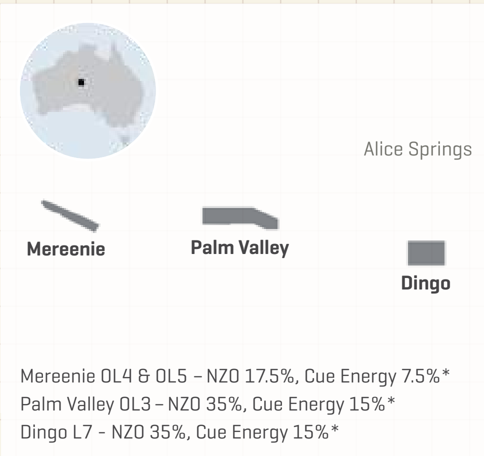
Where we're active

Australia

Northwest Shelf, Western Australia



Amadeus Basin, Northern Territory



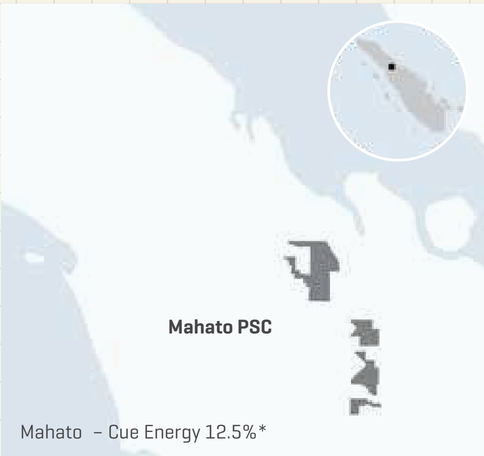
In the Amadeus basin, much of the development focus in late FY21 was on the program of well re-completes (four) and infill drilling (two new wells) on the Mereenie field. The re-completes were largely finished ('first gas' from three wells) and, with a rig in field and first gas expected in 1H22, the associated volumes have moved from Undeveloped to Developed categories.

Work continues to progress on planned exploration and appraisal drilling at Palm Valley and Dingo. Adjustments have been made to reserves associated with actual production. New Zealand Oil & Gas knows of no other reason to change the current reserves bookings.

Indonesia

East Java

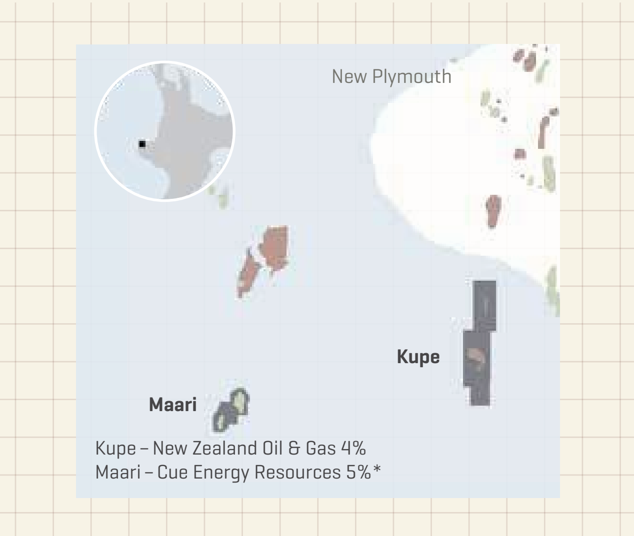
Sumatra



The Mahato field was brought into production. The reserves booking stated in this report reflects the approved Plan of Development by operator Texcal, and approved by SKK Migas. Development drilling in the field is currently ongoing. New Zealand Oil & Gas will continue to review results through FY22. Production from the field is exceeding the full PoD expectations, with only 5 wells to date, by approximately 1.5 times.

New Zealand

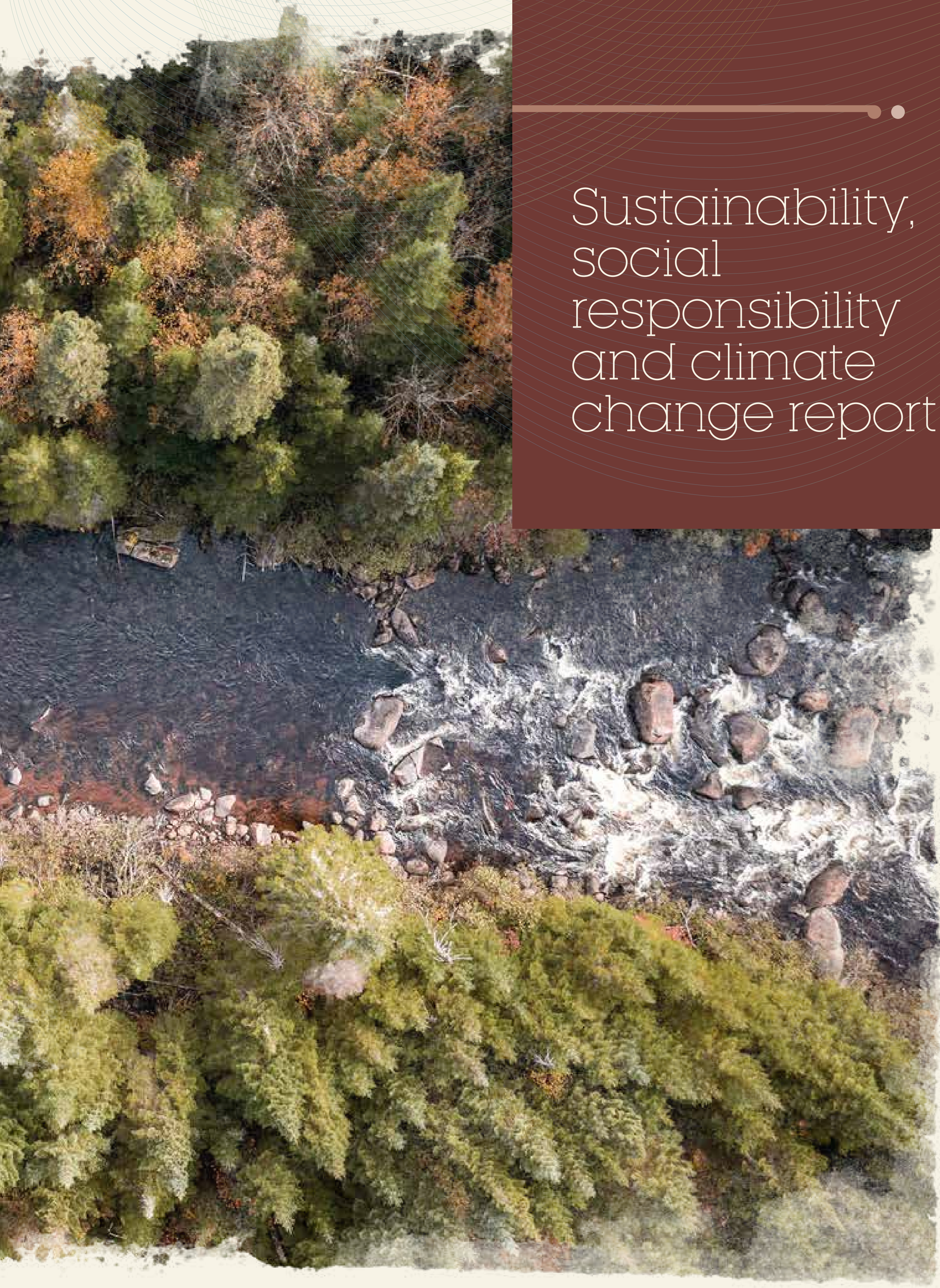
Taranaki



Kupe production continued to decline in line with expectations. The major new piece of work was an inlet compression project. This project was successfully progressed by the operator, with first gas expected in 1Q FY22. As sufficient progress and commitment of the compressor has been completed, and sufficient confidence is present in the reserves, the associated volumes have moved from Undeveloped to Developed categories.

*New Zealand Oil & Gas has a 50.04% interest in Cue. Cue's full interest is shown.

Sustainability, social responsibility and climate change report



Our Compass

WHO WE ARE

We are an oil and gas company with an Australasian focus. We are ethical, values-based, and nimble.

We are an experienced, Wellington-based exploration and production company, and we are growth ready.

Industry experts trusted by our stakeholders, providing support and advice.

WHERE WE ARE GOING

Growing: Efficiently deploy our resources purchasing additional production that has development upside and exploration that fits our asset base.

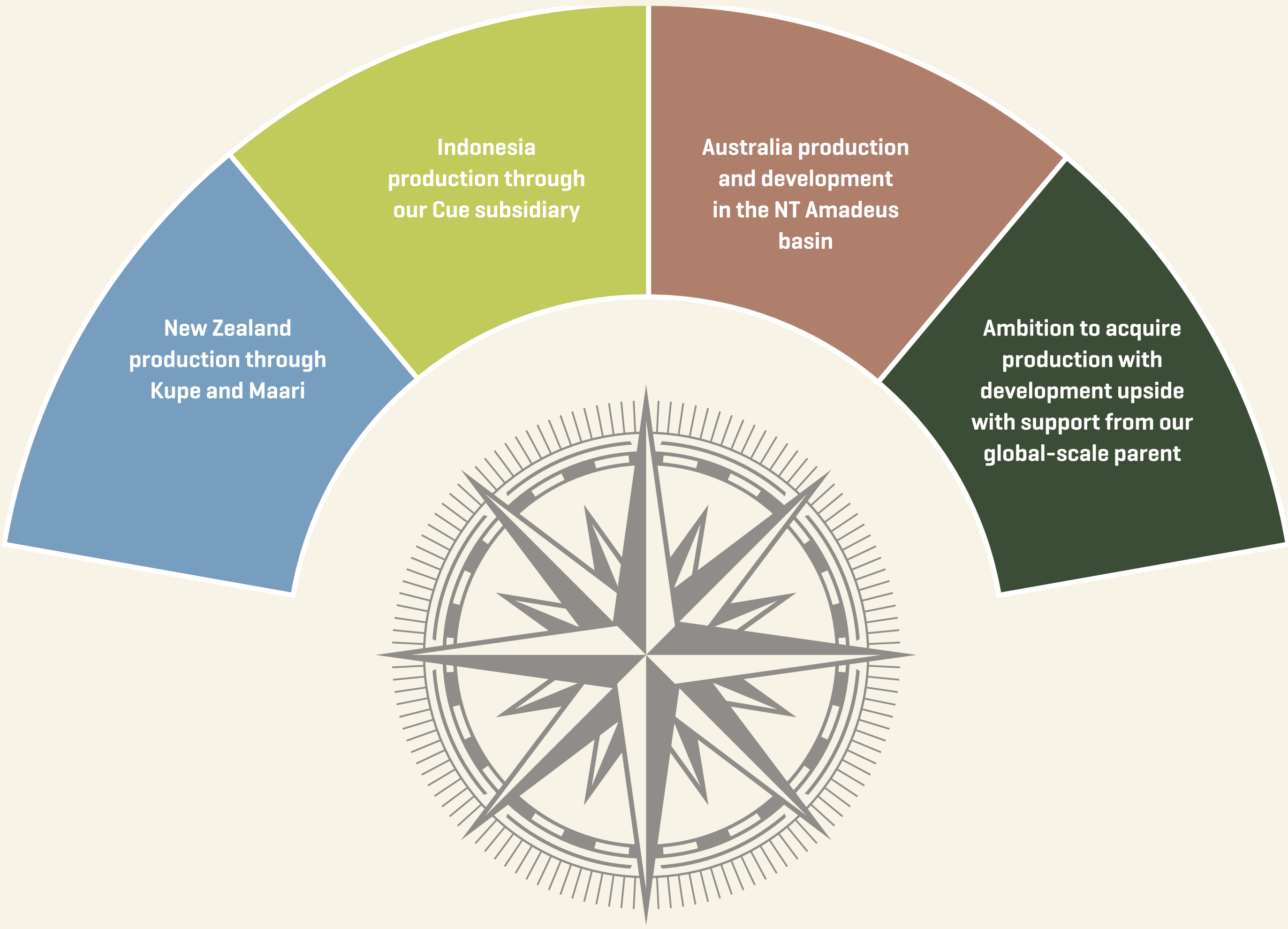
Improving: Use our skillsets, optimising our processes, and extracting additional value from our physical assets and the wider group.

Realising: Support our operating partners, Cue subsidiary, and stakeholders, to identify mutual value add.

HOW WE WILL GET THERE

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

Strength today and growth tomorrow



We see natural gas assets in many markets replacing higher carbon fuel sources as the world undergoes a decades-long energy transformation. We will pursue quality investment opportunities.

Our Values

TIKANGA: THE RIGHT THINGS THE RIGHT WAY

We operate safely, and do what we say we will do.

We display respect and understanding for other people, opinions and cultures.

We respect values, rules and laws.

MAHI TAHI: WORK TOGETHER, COLLABORATE, COOPERATE, WITH TEAMWORK

We are open, honest and transparent.

We actively pitch in and help.

We have fun and work with passion.

We put big issues on the table so they can be resolved.

PĀKIKI: CONSUMED WITH CURIOSITY

We seek to better understand ourselves, and the world, with the goal of constantly improving.

We explore new areas to add value to our work.

We work with initiative and imagination.

TAUHOKOHOKO: BARTER, BARGAIN, TRADE

We seek to continually add value through the application of skills, brains and hard work.

We develop mutually beneficial relationships with key stakeholders and partners.

We deliver excellent commercial outcomes.

Sustainability Framework 2022 – Value Creation Process

FINANCIAL CAPITAL

Our prudent financial management and ability to attract investment.

HUMAN CAPITAL

Expertise, skills and engagement of our people.

FIXED CAPITAL

Our physical infrastructure and assets, primarily owned and operated through joint venture or other commercial arrangements.

INTELLECTUAL CAPITAL

Our technical expertise, data, models, brand and reputation.

NATURAL CAPITAL

Inputs from the natural world including access to oil and gas reserves, water, land and minerals/materials required to support infrastructure required in production.

SOCIAL & RELATIONSHIP CAPITAL

Relationships are crucial to our success. Within our joint venture partners, with our communities, regulators and prospective commercial partners, our social license to operate is key.

OUR INPUTS

OUR VALUES

Tikanga

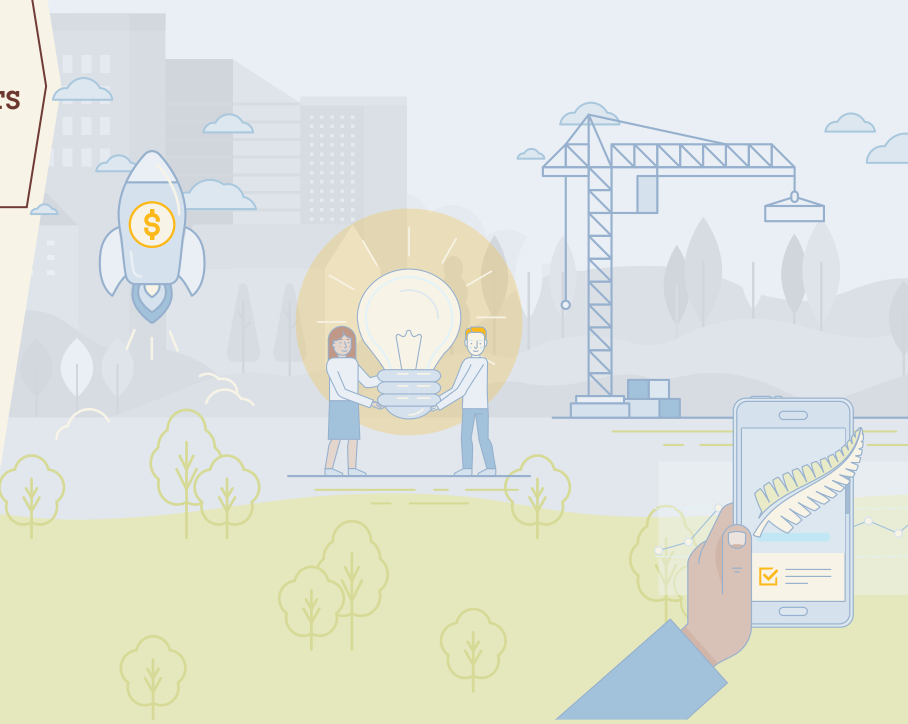
—

The right things the right way

Mahi Tahi

—

Work together, collaborate, cooperate, with teamwork



OUTPUTS

$36.0 **million** revenue

2,567 **TJ** of **NATURAL GAS**

119,060 **barrels** of **oil**

Tauhokohoko
—
Barter, bargain, trade

Pākiki:
—
Consumed with curiosity

VALUE THROUGH OUTCOMES

UN Sustainable Development Goals (UNSDGs)

ENERGY SECURITY AND AFFORDABILITY

We help deliver energy value through the supply of natural gas in New Zealand, which supports renewable energy electricity, and internationally, by providing supply, price stability, and affordability.

7 AFFORDABLE AND CLEAN ENERGY; 11 SUSTAINABLE CITIES AND COMMUNITIES

- Leadership through industry, policy and regulatory forums
- Delivering gas to market, in NZ, Australia and beyond

A CLEAN AND LOWER-CARBON ECONOMY

We help deliver gas and light oil into the energy system, bringing health and lower carbon benefits.

13 CLIMATE ACTION

- Reporting commercial and non-commercial value transparently

WEALTH CREATION & PRODUCTIVITY

Gas and light oil energy inputs help to produce goods and services society needs to prosper.

We contribute to wealth and productivity through royalties and tax contributions that help to fund hospitals, schools and other essential social services.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 8 DECENT WORK AND ECONOMIC GROWTH

- Delivering commercial value via annual taxes and royalties, job creation, shareholder value

COMMUNITY WELLBEING

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

15 LIFE ON LAND; 4 QUALITY EDUCATION; 5 GENDER EQUALITY

- Community and Iwi Engagement
- Community Partnerships and Investment

A GREAT PLACE TO WORK

We are a highly engaged, skilled, safe, sustainable, diverse and inclusive workplace

15 LIFE ON LAND; 5 GENDER EQUALITY

- Proactive diversity and inclusion practices
- Greater environmental contributions

$31,600 for **COMMUNITY PROJECTS**

4,014 **Trees** Planted

MATERIAL ISSUES

How materiality was determined

We engage with shareholders, regulators, our community including directly with mana whenua, staff, industry organisations and partners, and we monitor public issues.

INVESTORS

Our board engages with larger shareholders during the year, we use a range of tools to make it easy for investors to contact us and we assess views of potential financing interests.

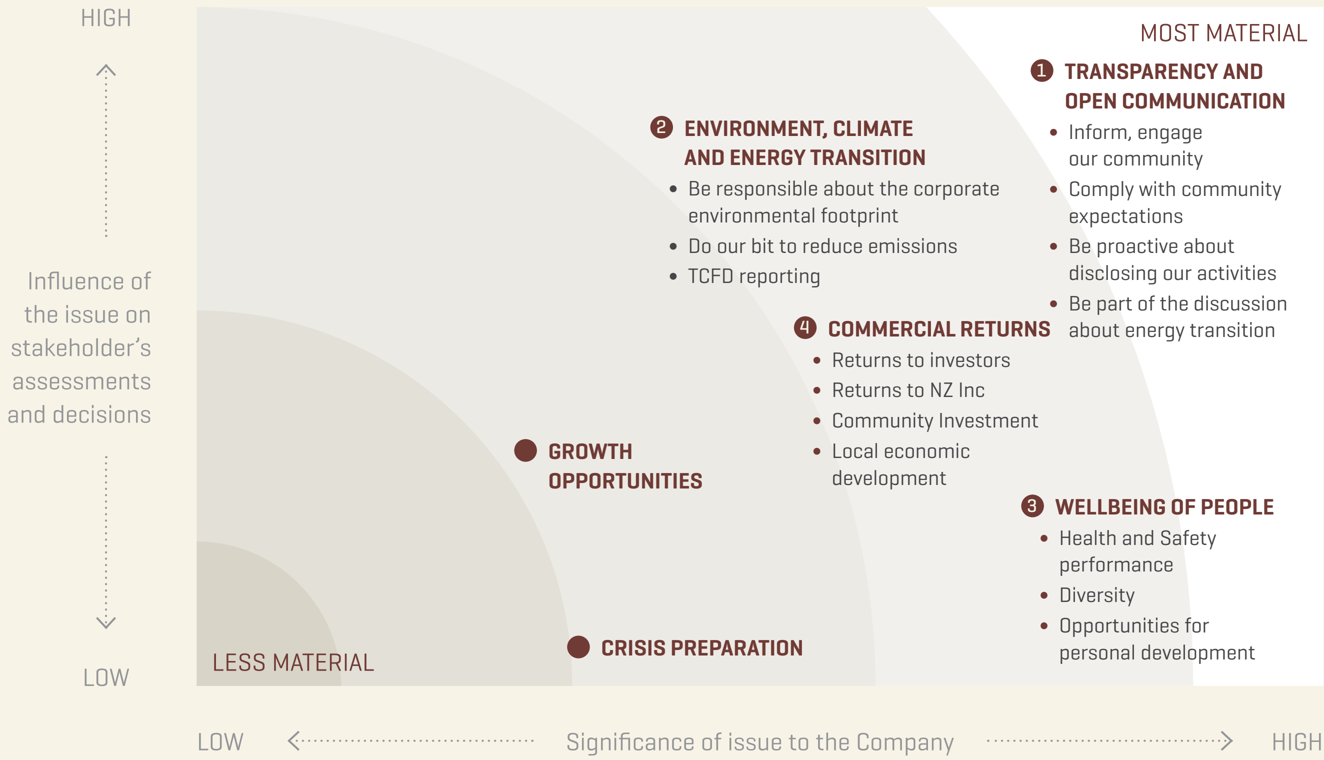
STAFF

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

STAKEHOLDERS

We consider feedback from industry groups, officials, business representatives at national and regional level, and community groups. We engage directly with mana whenua in areas where we operate. We sign relationship agreements with community organisations and discuss key issues through those agreements. We participate in industry and business interactions with government and political leaders.

Materiality Matrix



Response to material issues

The top four material issues identified are:

- Transparency and open communication;
- Environment, climate and energy transition;
- Wellbeing of People;
- Commercial opportunities.

For this report we provide more detailed responses to the top four material issues below

1. Transparency and Open Communication

WHAT OUR STAKEHOLDERS EXPECT

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

OUR RESPONSE

We are proud of our activities and how we go about them, and we invest in open dialogue and relationships.

We understand that communities legitimately want to know what impacts our activities have, what steps we take to manage risk, and how the benefits will be felt. We formalise relationship agreements with local communities where we operate. These agreements commit us to respectful engagement and to learning from each other. We engage directly and early with mana whenua and mana moana.

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

We participate in discussions about energy transition in business and industry forums, as well as directly with government and political parties at ministerial and officials levels.

We make submissions on relevant legislation and policy.

We are members of reputable national business representative groups such as Business New Zealand and Energy Resources Aotearoa.

All of our advocacy is open and published.

Our policies commit us to comply with laws and regulations. The board monitors compliance and we publicly report on our performance, impact and outcomes.

TCFD reporting in this document reports our climate impact. We participate openly in public discussion about climate-related policy.

2. Environment, climate and energy transition

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

We support carbon budgets and emissions pricing as the most efficient and effective tools to manage carbon emissions.

In our view, an economy-wide response to the global issue of climate is more effective than enterprise-level response, but we are responsible about our own carbon footprint, supporting initiatives such as recycling in our head office and introducing a paperless head office initiative.

We report comprehensively on climate risks through our TCFD reporting.

The Company has reduced or offset our emissions from corporate travel and other office-related activities at our corporate HQ and we financially support tree planting.

The use of oil and gas we produce helps to solve humanity's energy needs. In many cases, oil and gas will be the best available energy technology. We support efforts by users to offset their emissions from use, and by governments to reduce avoidable carbon emissions through efficient economic instruments.

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

Excellence in environmental performance is essential to our business success. We comply with all applicable environmental laws and regulations and good practice industry standards.

We apply reasonable standards where regulatory legislative requirements and standards do not exist. We work to minimise pollution and the cumulative environmental impact of our activities at a local, regional and global level, and try to reduce waste and improve resource use. Our environmental management plans for all our activities identify, assess and manage environmental risks as low as is reasonably practical.

3. Wellbeing of people

- Health and Safety performance
- Diversity
- Opportunities for personal development.

We make safe operating and the health of our workforce our top priority because well-being of people regularly features higher in internal materiality surveys than in feedback from outside.

Staff incentives are linked directly to corporate health and safety performance.

Health and safety reporting includes both our own sites, and non-operated sites where we have an interest, and our supplier code sets out requirements for companies that do business with us.

Performance is monitored daily and reported through to an HSE weekly meeting, as well as to weekly executive management meetings. The ORS committee reviews performance and policies and reports on performance to the board.

We have had no exposure to Covid-19.

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

We invest in the development of all our staff. Regular coaching and training opportunities are provided across the business.

4. Commercial returns

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

Returns to investors are set out in the financial statements of our annual report, found in the investor section of our website.

Through our social investment we live our values as good partners, committed to enduring relationships with our neighbours and wider community. We make social investments that make a sustainable difference.

Examples of our contribution include funding for Dunedin's curtain bank, that provides warmer housing for vulnerable low-income families, funding for scientific research, and planting trees in areas where community groups are restoring the landscape.

The best investment we can make in the community is economic activity. The upstream oil and gas sector contributes billions to Gross Domestic Product (GDP) in Australia and New Zealand. Governments in Australia and New Zealand collect billions in royalties and income tax annually. Oil and gas workers earn twice the national average salary and create seven times the average value earned per year, money that is spent in local communities.

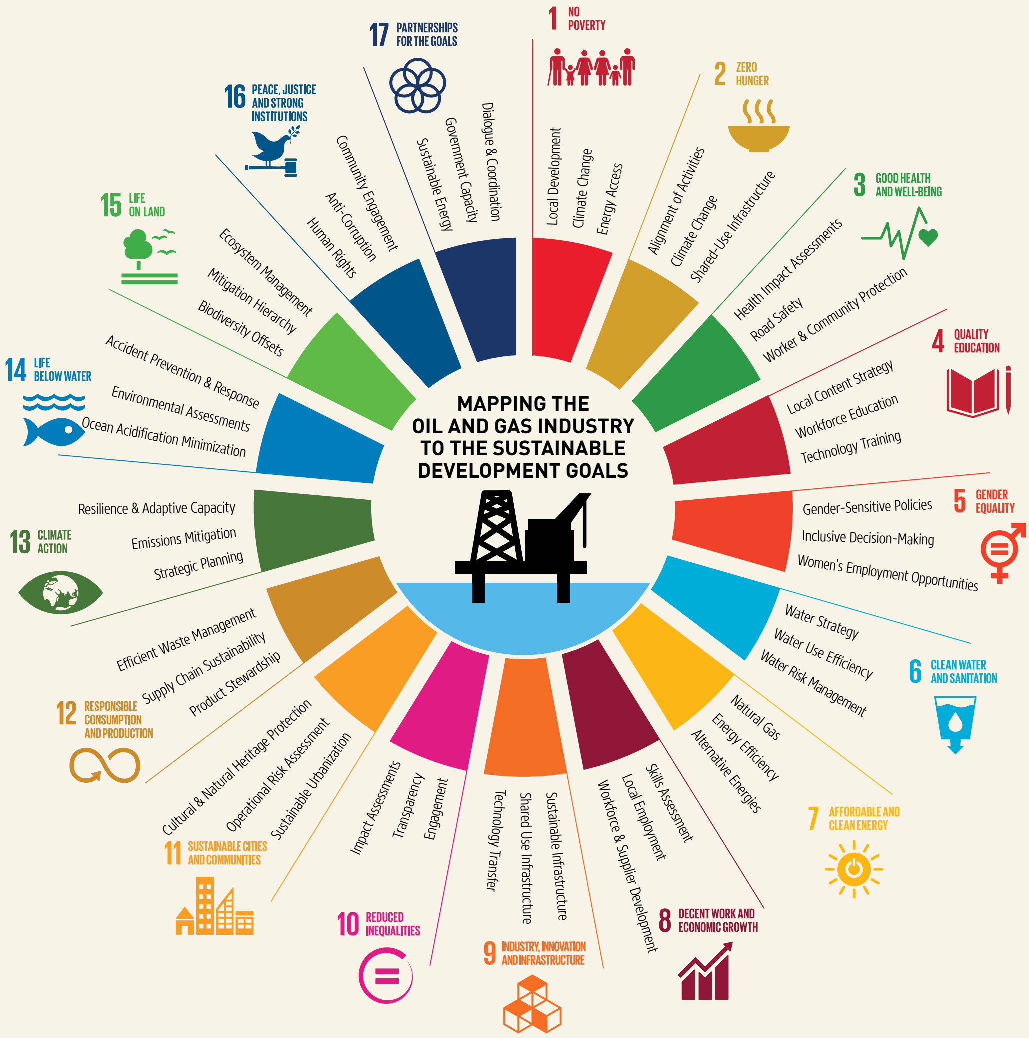
The Company adopted a policy on Capturing Local Economic Benefits in response to an earlier materiality survey. The policy commits us to promoting local content and capturing local benefits. We commit to studying opportunities for the wider community to participate commercially in our projects, and to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

Sustainable Development Goals

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

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

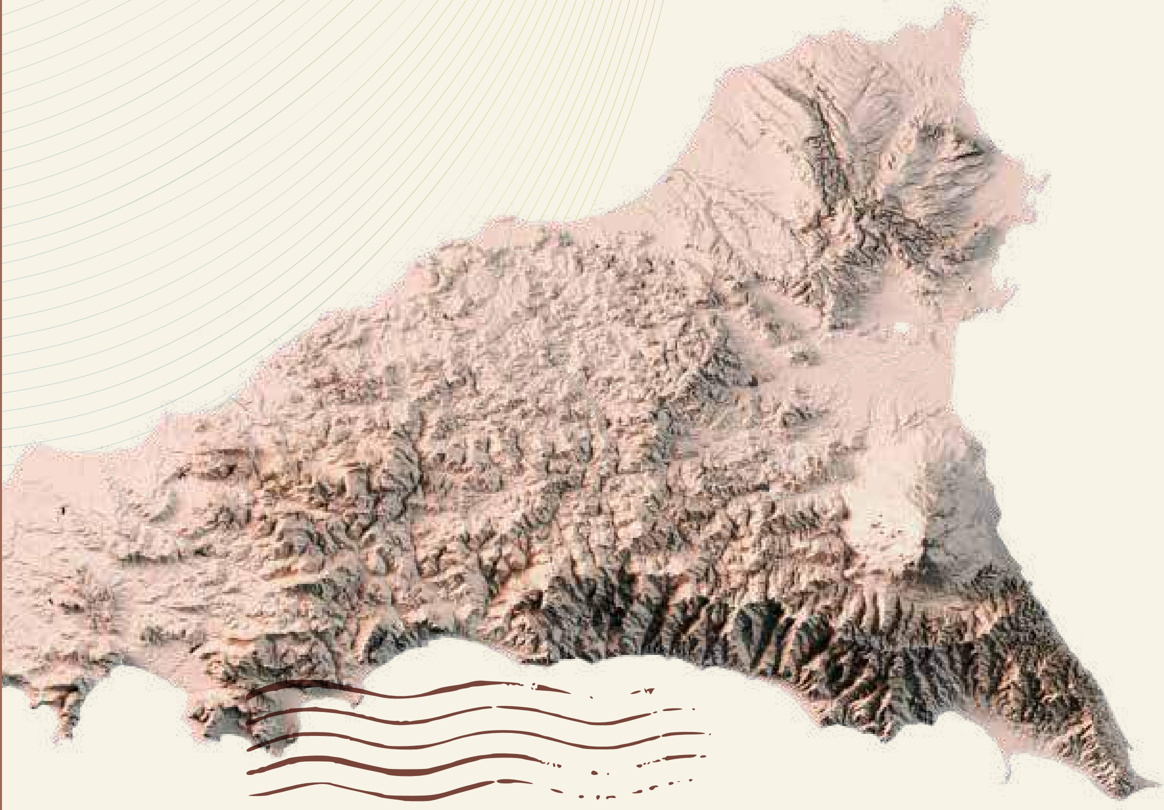
The 17 SDGs relevant to our sector are illustrated below and our activity related to them is shown in the following table.



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

Development Goal	Initiatives by New Zealand Oil & Gas	More Information
1 NO POVERTY	The taxes and royalties we pay help the government fund essential social services. Natural gas helps to keep energy costs affordable, and produces less carbon than many alternatives in the global energy system	Pages 85–113
2 ZERO HUNGER	Affordable energy security is a crucial part of New Zealand's agricultural exports to the world	Pages 6–12
3 GOOD HEALTH AND WELL-BEING	Support for warm homes. Employee health and well-being checks, safety focus	Pages 26, 31, 34, 66 www.nzog.com/dmsdocument/492
4 QUALITY EDUCATION	Support for primary and tertiary Science Fairs in Otago and Southland. Working with O.G. Oil & Gas to deliver scholarships and support industry research.	www.nzog.com/our-story/communities/nzog-scholarships/the-eyal-and-marilyn-ofer-family-foundation-scholarship-program/
5 GENDER EQUALITY	Inclusive decision making through community engagement. Diversity Policy, family-friendly and flexible work place focus. Rainbow Tick. Measurable objectives.	Pages 30–35, 60–61
7 AFFORDABLE AND CLEAN ENERGY	Commercial opportunities to help deliver energy to meet society's changing needs	Pages 6–12
8 DECENT WORK AND ECONOMIC GROWTH	Our values – Ethics and Transparency Capturing Local Economic Content Policy	Pages 18–21 www.nzog.com/dmsdocument/486
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Socially responsible production Advocate for regulatory change to support a price on carbon and carbon capture and storage	Pages 16–49
13 CLIMATE ACTION	Support for a price on carbon TCFD reporting Corporate office emissions reductions and offsets	Page 39 Pages 38–49 Pages 49
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Our values – Ethics and Transparency Corporate Governance Materiality Matrix and Stakeholder engagement	Pages 18–21 Pages 50–84 Page 24
17 PARTNERSHIPS FOR THE GOALS	Promote industry sustainability reporting, and industry use of SDGs and IPIECA material	This page and section from page 18

Supporting Local Communities



SUPPORTING 1 COMMUNITIES

Supporting the very foundations of life for the benefit of all.

New Zealand Oil & Gas contributes funding to support internationally renowned and award-winning scientists at the Salk Institute who explore the very foundations of life.

The Salk Institute is an independent non-profit organisation seeking new understandings in neuroscience, genetics, immunology, plant biology and more.

Our support went directly to the Harnessing Plants Initiative.

In 1957, Jonas Salk, developer of the first safe and effective polio vaccine, began his quest to fulfil his second dream: create a collaborative environment where researchers could explore the basic principles of life and contemplate the wider implications of their discoveries for the future of humanity.

The internationally renowned researchers at the Salk Institute pursue transformative discoveries in their field, exploring innovative ways to tackle some of the most pressing problems of our generation, including Alzheimer's, cancer, aging, infectious disease, climate change and more.

The Salk Institute was founded with the philosophy that it should both drive scientific breakthroughs and inspire the next generation of elite scientists.

The Institute's consecutive four-star rating by Charity Navigator is only achieved by three per cent of non-profits for strong financial health and commitment to accountability and transparency.

We contributed to Salk as an expression of our values: we are a science-based business supporting science and helping to improve the world we work in for the benefit of all.

See more of Salk's work here:

- www.facebook.com/salkinstitute/
- www.salk.edu
- www.salk.edu/harnessing-plants-initiative/

SUPPORTING 2 COMMUNITIES

Trees That Count.

We helped to plant 4,014 trees and remove 914 tonnes of carbon.

Our funding supported ten community tree planting projects.

2,000-10,000 NATIVE TREES FUNDED
COMMITTED TO CLIMATE -2021-
treesthatcount.co.nz

Read more about our contribution here:
grow.treesthatcount.co.nz/funders/nzog#plantings

PARADISE TRUST

Our support helped Paradise Trust to plant 100 kowhai trees.

Read more about Paradise Trust

grow.treesthatcount.co.nz/planters/paradisetrust/#funding

Paradise is a 128 hectare property located at the head of Lake Wakatipu.

It is recognised for outstanding heritage significance and unspoilt natural beauty. Paradise Trust operates on a not-for-profit basis.

Recognising the importance of Kowhai trees in the Otago landscape, Paradise has been an active participant in Project Gold since it began. A unique tree to New Zealand and in steady decline, planting Kowhai trees is important not only for enhancing the landscape but assisting our native bird life.

The Trust provides the community with an accessible wilderness experience. It is open to the pubic all year round with guests & visitors to the property enjoying and experiencing an appreciation of biodiversity values.

"How can you not love the Kowhai tree."

– Paradise Trust

ATARAU SANCTUARY

Our support helped Atarau Sanctuary to plant 270 trees in a sanctuary for kiwi chicks.

Read more about Atarau Sanctuary

grow.treesthatcount.co.nz/planters/atarausanctuary/

Atarau Sanctuary provides predator-free sanctuary for Paparoa Wildlife Trust's roroa (great spotted kiwi) chicks, which are hatched at Willowbank Wildlife Reserve and then put in the sanctuary until they are old enough to fend for themselves.

Atarau Sanctuary is the first land-based pest-proof crèche specifically for kiwi in the South Island and the only facility for roroa to take sanctuary until they are big enough to head out into the world. Since opening in 2010, Atarau has given sanctuary to 49 roroa chicks.

By planting this area in native plants it will replicate an environment that will be comparable to the wild environment in which the kiwi will be released.

Paparoa Wildlife Trust is a community conservation initiative dedicated to running effective conservation projects in the Paparoa Ranges near Greymouth.

"Support from organisations such as Trees that Count is really important for helping us create a safe transition for our young kiwis, and ultimately give them the best chance of survival."

TREES THAT COUNT
TE RAHI O TĀNE

TOMAHAWK/SMAILLS BEACHCARE TRUST

Our support helped to plant 239 trees

Tomahawk Smaills Beachcare Trust's aim is to restore the habitat and biodiversity of the sand dune ecosystem in the Ocean Grove Reserve, and to provide long term protection to the Ocean Grove community against the threat of erosion.

Ocean Grove Reserve is a 28 hectare site of active sand dunes located approximately 6 kilometres from Dunedin city centre.

The Trust contributes to restoration through hands-on participation in nursery activities and native planting.

The Trust sustains local relationships across a diverse group of people by offering a positive opportunity to contribute to a common environmental cause.

OTAGO FISH & GAME COUNCIL

Our support helped to plant 400 trees in a wetland area

Otago Fish and Game is a not for profit organisation charged with maintaining and enhancing sportsfish and gamebirds and their habitat.

Takitakitoa is an ongoing wetland restoration of significance. The planting programme, which is designed to convert a previously grazed area of the wetland back into native shrubland, has been running for 4 years.

Read more about Otago Fish & Game Council

grow.treesthatcount.co.nz/planters/fishgamenewzealand/#funding

Rain, hail or shine, nothing will stop the crew from completing their planting down at the Takitakitoa Wetland! With all this good quality habitat around, the place is teeming with life.

Support for the Dunedin Curtain Bank.

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

It saves huge amounts of material and plastic from landfill. Curtains make a significant difference to the warmth of a home. A third of all heat loss in an uninsulated home occurs through windows.

New Zealand Oil & Gas proudly supported the curtain bank with funding of $21,600 this year and over $60,000 over three years.

New Zealand Oil & Gas CEO Andrew Jeffries visits the Dunedin Curtain Bank.

New Zealand Oil & Gas proudly supports diversity and inclusion.

Rainbow Tick is a certification mark for organisations that complete an LGBTQIA+ diversity & inclusion assessment process in a number of areas.

Rainbow Tick is about accepting and valuing people in the workplace, embracing diversity and recognising high levels of inclusiveness.

The process involves an on-going quality improvement process and is reviewed on an annual basis.

The Rainbow Tick is concerned with the health and wellbeing of Rainbow communities in the workplace. We are very proud of receiving a Rainbow Tick and are the only New Zealand E&P company to have done so.

Sustainability targets

The board Operational Risk and Sustainability Committee annually reviews sustainability targets and performance.

Climate-related sustainability targets are reported below in our TCFD report from page 38.

OUR RESULTS

Sustainability Targets for 2020–21

2020–21 Targets	Status
Maintain accessible information on the benefits of Australasian regional gas production (in line with Company strategy).	Completed and ongoing.
Advocate for the benefits of gas exploration within the Australasian region (e.g. through organisations)	Complete and ongoing. Membership of Energy Resources Aotearoa, Business Energy Council, and Business New Zealand. Public submissions on relevant energy policy issues, such as climate change and gas market settings.
Report transparently on financial and non-financial value in Annual Report and online.	Completed and ongoing. See https://www.nzog.com/sustainability/ http://www.nzog.com/investor-information/ and http://www.nzog.com/investor-information/company-reports/
Community investment budget supporting focus areas	Financial support for Dunedin Curtain Bank, SALK Institute, Trees That Count. See above, Supporting Our Community, Pages 30-34.
STEM education opportunities to support diverse people in STEM education.	Financial support for Southland Science and Technology Fair.
Deliver staff wellbeing support	Completed and ongoing. Includes annual flu vaccination & health check, Vitae workplace wellbeing, wellness allowance, Intentional Generations workshops, Studio 41 seminars, health insurance subsidy, parental leave bonuses, and parental sick leave.
Facilitate 1 x all-office volunteer opportunity	Planned volunteer day could not proceed but staff volunteered time at: • Wellington youth sailing trust • Oranga Tamariki – foster care • SPCA – foster care • Beach clean up – Lyall Bay • School Boards of Trustees.
Initiate office sustainability improvement opportunities	Completed, including: • Project paperless • Keep cups • Waste/recycling bins, including organics compost bin.

OUR INTENTIONS

Sustainability Targets for 2021–22

Focus Area	Target	Impact	Measured by
Community	Maintain accessible information on the benefits of Australasian regional gas production (in line with Company strategy), and advocate for the benefits of gas exploration within the Australasian region (e.g. through membership of Energy Resources Aotearoa, Business Energy Council and Business NZ).	Increased social licence, reduced regulatory risk	Publication of advocacy where available.
Reporting	Continue to report transparently on financial and non-financial value in Annual Report and online.	Disclosure of relevant performance and plans	This Annual Report
Community	Continue to support community activities aligned with focus areas (supporting vulnerable families, science education, mitigating impacts).	Social well-being, improved stakeholder support for our activity.	Value of investment.
Staff	Continue to deliver staff wellbeing support.	Staff wellbeing	Staff engagement survey
Community	Facilitate an all-office volunteer day.	Social wellbeing, staff engagement	N/a
Environment	Initiate office sustainability improvement opportunities and conduct staff survey. Investigate a carbon emission audit and reduction plan.	Reduced environmental impact from head office activities	Sustainability Report

Taskforce on Climate-related Financial Disclosures (TCFD) Statement

This section outlines the New Zealand Oil & Gas approach to climate change. It addresses themes recommended by the G20 Task Force on Climate-Related Financial Disclosures (TCFD).

Statement from the Managing Director on TCFD and sustainability

New Zealand Oil & Gas is delighted to present our updated Sustainability Report, including our TCFD (Taskforce on Climate-related Financial Disclosures) Statement.

The point of sustainability reporting is so that our stakeholders can understand two important dimensions of our activity – our impact on our community, economy and environment, and the risks associated with our business. TCFD reporting is focused specifically on climate-related financial risks.

On the first point, I am proud of the impact our business has on the wider community, and the environment, and the positive social difference we make. Our investors and financial stakeholders are contributing to the wonderful difference our industry makes, and I am delighted that they can be rewarded for doing so.

In respect of climate-related financial disclosure, this document records our risks in detail.

However, as I pointed out last year, relevant risks have been carefully considered as a normal part of our business for many years. The increasing social pressure to report under the specific heading of climate might be misunderstood by some readers to signify a change in the risks themselves. We have long considered that weather events may become more severe, that long term demand and prices could change structurally, that climate regulation may affect oil and gas investment, or that access to capital might be more expensive as financiers seek alternative sectors.

As a result of the TCFD process, we explicitly identified these risks as climate-related. Our risk management has assessed all types of risks for as long as I have been an oil and gas executive. We apply price sensitivity to investments, we model extreme weather events and future markets for our product as well as our likely access to capital.

The oil and gas business depends on shrewd capital allocation and we manage our risks accordingly.

We are very clear: We accept the science of climate change. We accept that the prudent and responsible course for those of us who can make a difference is to support decarbonisation. Prudence supports urgency in this global challenge.

We all have a role to play, and oil and gas businesses need to be leaders because we have special knowledge about energy impacts.

No one believes that the world can de-carbonise overnight. There will be a transition. The starting point of our transition should be to allocate carbon emissions to their highest value uses. Any alternative course means more carbon will be emitted for a given amount of economic activity. The mathematical logic holds regardless of whether policy-makers choose to respond by reducing our economic (and human) activity, or to restrict responses to only some countries.

The only mechanism ever proven to allocate resources efficiently to their highest value uses is market price signals. Emissions pricing is an efficient, fair and transparent tool for reducing carbon emissions.

New Zealand Oil & Gas is making our own efforts regardless of the price signals sent our way. We pay for trees to be planted to offset our head office emissions. Our emissions are modest, however. Scope 3 emissions, those from the oil and gas products we produce, are best addressed through transparent regulatory tools that allow users to make their own decisions.

At New Zealand Oil & Gas, climate-related risks and opportunities are considered in a structured way. Board-level oversight is led by the board Operational Risk and Sustainability Committee (ORSC).

Climate risk and opportunities are a standing item on the ORSC agenda; Staff consider climate issues in monthly HSSE meetings. The corporate risk register clearly identifies climate-related risk.

A constant theme of our analysis is that natural gas and LNG are crucial to reducing carbon emissions.

Emerging economies are looking to substitute lower carbon alternatives like natural gas for higher emission coal. If we can produce more natural gas in Australia for activities such as electricity generation, then we help to reduce emissions and help the transition to renewable energy and electrification of industry and transport. Renewable energy requires back up generation. Renewable energy systems literally cannot meet modern energy needs without thermal energy. Natural gas is the best form of thermal back up available in New Zealand or Australia.

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

Our activities help to make the world a better place.

The following disclosures help to explain how.

Andrew Jefferies
Managing Director

Our action

WE WILL

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

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

Employ carbon capture and storage technology if it is viable.

Disclose our carbon emissions.

Minimise the carbon impact of our own operations.

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

WHAT WE HAVE DONE

Aligned risk management processes, governance and reporting with Taskforce for Climate Financial Disclosures framework.

Developed and adopted a climate policy.

Disclosed our climate risks.

Produced ethical, low-emissions natural gas in Australia and New Zealand to support renewable generation and replace high carbon alternatives.

Analysed investment prices using an internal price on carbon.

We planted trees to offset our Scope 1 emissions.

Supported carbon pricing through regulatory advocacy.

Our climate change policy is here:

www.nzog.com/dmsdocument/493

Climate risk governance

Compliance with NZX Code Recommendations

TCFD category	Recommendation	✓ / X	Explanation for non-compliance
Governance	Disclose the organisation's governance around climate-related risks and opportunities	✓	
	Describe the board's oversight of climate related risks and opportunities	✓	
	Describe management's role in assessing and managing climate-related risks and opportunities	✓	

BOARD OF DIRECTORS

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

BOARD OPERATIONAL RISK AND SUSTAINABILITY COMMITTEE (ORSC)

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

MANAGEMENT TEAM

- Regularly to review risks and update Risk Register
- Report Risk Register to ORSC.

STAFF HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

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

This governance process

The board has responsibility for reviewing all risks, including climate-related risk and opportunities, and ensuring these are appropriately managed to support delivery of our business strategy.

THE BOARD'S CHARTER REQUIRES IT TO:

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

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

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

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

The Company's risk register assesses climate impacts, both as stand-alone risks, and as risks embedded in individual management plans.

For example, asset management plans assess risks of increased severe weather impacts and coastal erosion effects that are forecast effects of climate change.

Specific measurable goals

- Make climate risks identifiable as climate-related risks in the corporate risk register.
- Assess the company's emissions and purchase trees that offset carbon emitted by the Company's activities.
- Assess investment opportunities using a shadow carbon price.

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

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

Members of the Management Team, including the chief financial officer and general counsel, undertook TCFD training.

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

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

The Operational Risk and Sustainability Committee charter is here:

www.nzog.com/dmsdocument/370

Environment policy is here:

www.nzog.com/dmsdocument/491

The risk management system framework is here:

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

Climate risk strategy

Compliance with NZX Code Recommendations

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

Relevant risks are shown in the table below, in the Risk management section on Page 47.

Climate change and climate-related financial and regulatory behaviour creates opportunities for production of natural gas. The Company preferences natural gas in its strategic planning processes.

Gas demand is expected to increase between now and 2050.

While global gas demand fell by 2.5%, or 100 billion cubic metres, in 2020 as a result of the pandemic suppressing demand, gas trade globalisation increased. Globally, natural gas consumption increased from around 44,000PJ of gas in 1990 to around 75,000 less than 30 years later, in 2018. Demand is expected to grow at an average 1.7% annual rate between 2022-2024, driven by both economic activity and fuel switching from coal and oil.*

The IEA identifies growing interest in Asian markets for diversified price risk management strategies. Orders for LNG carrier vessels and new LNG import capacity are relatively strong in 2020. "Nearly two-thirds of new regasification capacity under development is located in growth markets in Asia, where new infrastructure is required to accommodate increasing gas demand," the IEA says.†

Regulation is likely to increase in New Zealand and Australia, carbon prices are likely to rise, and limits are likely to be imposed on emissions from domestic consumption.

In anticipation of higher carbon prices, the Company applies a shadow carbon price to screening new investments and impairment testing existing assets.

Regulatory risks are somewhat mitigated by diversifying jurisdiction risk.

The Company offsets its emissions. Scope 3 emissions, which are emissions of carbon from use of the oil and gas that the Company sells, are mitigated in New Zealand through a tradable carbon price instrument.

* https://www.iea.org/reports/gas-market-report-q3-2021

† IEA (2020), World Energy Outlook 2020, IEA, Paris https://www.iea.org/reports/gas-market-report-q3-2021

Resilience in alternative scenarios

In all scenarios, we expect to see swiftly increased demand for gas in Asian markets. A more rapid decarbonisation outlook implies a faster switch to gas in Asian markets, and reduced or stable use in Australia and New Zealand. In Indonesia we see a faster switch to natural gas from coal, and steady demand for oil as the economy develops.

Impairment testing is applied to all assets. Resilience to physical risks, such as weather events, is a normal part of engineering risk management.

The Company monitors the International Energy Agency's World Energy Outlook and forecasts such as the BP Energy Outlook.

To further support our modelling assumptions, we seek information from our JV partners, including scenario analysis where undertaken, following the structure of TCFD.

Climate risk management

Compliance with NZX Code Recommendations

TCFD category	Recommendation	✓ / X	Explanation for non-compliance
Risk management	Disclose how the organisation identifies, assesses and manages climate-related risks	✓	
	Describe the process for identifying and assessing climate risks.	✓	
	Describe processes for managing climate risks.	✓	
	Describe how processes for identifying, assessing and managing are integrated into overall risk management.	✓	

How we identify, assess and manage climate-related risks

The Company's Risk Management System Framework applies consistent and comprehensive risk management practices. Climate risks are recorded in the central risk register, which considers the risks, reviews the controls, assigns ownership of risk and tracks treatment plans.

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

Risk assurance and oversight of climate risk management is provided through internal review by the board Operation Risk and Sustainability committee.

The Risk Management System Framework is described in the corporate governance section on pages 76–77.

Responsibility for identifying, documenting and managing risks and opportunities is delegated to the appropriate level of management.

The general counsel has responsibility for climate risk. Asset managers are responsible for risks to individual assets. The chief financial officer has management responsibility for financial and investment risks associated with climate change.

Potential risks to New Zealand Oil & Gas from climate change are assessed under the following headings:

- Policy and Legal,
- Physical (acute and chronic),
- Financial and Market,
- Social/Political/Regulatory, and
- Technological.

All these risks have potential financial and operational implications due to lost profitability and increased delays.

How we model climate risk

For our New Zealand Kupe asset, New Zealand Oil & Gas uses the New Zealand ETS market pricing for carbon emissions. The Company has sufficient forward emissions credits for future demand. As these were purchased at much lower carbon prices, the emissions trading system carbon costs represent a positive opportunity for competitive advantage.

For impairment testing prices are based on forward market prices in July 2020, notwithstanding New Zealand Oil & Gas holding carbon credits.

For investment into Amadeus basin assets, New Zealand Oil & Gas uses an internal price to test economics of investments based on market prices in other comparable international regimes. Expectations of forward prices reflect the market consensus on the likelihood and level of future carbon charges and market demand. Potential increased carbon pricing or reduced prices are part of the Company's sensitivity testing.

For example the Californian-Quebec May auction prices were USD18.80 per tonne of carbon. Korean prices were around USD35 per tonne prior to COVID-19 effects, and the European ETS units were trading historically at around USD30 per tonne prior to COVID-19 effects (although after changes to the European scheme and a colder than normal winter heating season, carbon prices increased to ca. USD65 per tonne.)

Currently, New Zealand Oil & Gas tests Australian investment economics with a price of USD20 per tonne, with scenarios testing this price increasing to USD60 per tonne by 2040.

The table uses the following time horizon categories: Short (S): 0–5 years, Medium (M) 5–10 years, Long (L) 10+ years.

Risk type	Description	Time	Control
Non physical risks Policy and legal risks	Litigation against companies and/or directors on climate grounds (claiming causation or seeking greater action to mitigate effects) could have reputational, development and operating cost impacts. Changing regulations including bans and restrictive regulations, taxes and emissions limits across all jurisdictions risk viability of projects.	S M L	Board and management understand their fiduciary duties around climate change risk. Internal processes, including due diligence and joint venture processes, identify and manage climate risk. Monitor jurisdictions where we undertake activities. Look to diversify jurisdictions to mitigate changes to any individual regulatory environment. Participate in New Zealand's environmental regulation framework through reputable industry advocacy bodies, including Energy Resources Aotearoa, Business New Zealand and the Business Energy Council. Develop evidence for the role of natural gas in a net carbon-zero future.
Reputational and social license risks	Stakeholder disengagement and oppositional activism. Loss of social license, leading to project delays or stoppages. Recruitment and retention risk. Risk of partner misalignment from divergent approaches to carbon management.	S M L	Manage environmental performance through sustainability framework. Promote corporate values, including our pride in our work. Due diligence screening of commercial opportunities and joint ventures.
Financial risks	Divestment movement increases, affecting availability and cost of capital. Insurance premiums increase. Potential for classes of assets and locations to become uninsurable. Capital cost increases if new environmental standards require more expensive supplies relative to alternatives. Carbon pricing adopted across jurisdictions, or inconsistently between them. Changes to price and cost forecasts result in stranded assets or reserves.	S M L S M L M L S M L S M L	Shadow price on carbon to sensitivity testing in investment decisions. Due diligence screening of commercial opportunities and joint venture processes. Assurance relating to insurance forecasts. Access to a range of funding options. Reporting on ESG matters, including TCFD compliant reporting. Jurisdictional diversification to avoid impact of sudden, unilateral changes, confiscation or value destruction by regulation.
Physical risks Acute & Chronic	Physical assets, especially our coastally-located gas production plant, may be subject to increased frequency and intensity of extreme weather events such as storms, flooding, coastal inundation, lack of water availability, or slips. Offshore drilling and production delayed or shut in by increased weather events.	M L	Engineering anticipates environmental conditions. Carbon policy provides for review of climate issues in strategic and operational decisions.
Opportunities Commercial	Global reduction in high carbon sources such as coal is increasing demand for natural gas as a lower carbon partner to renewables.	S M L	Strategic preference for natural gas. Support for our joint venture partners pursuing low carbon innovations on sites. Ongoing investigation of investment opportunities in lower emission technologies, including carbon capture and storage.
Reputational	Partnering with local communities to support low carbon initiatives.	S M L	Local relationships and discussions about contributing to socially desirable low carbon outcomes.

Climate related measurements and targets

Compliance with NZX Code Recommendations

TCFD category	Recommendation	✓ / X	Explanation for non-compliance
Targets and Metrics	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	✓	
	Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process.	✓	
	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks.	✓	The Company does not disclose Scope 3 emissions, as the information is not obtainable and the value is obviated by the existence of a carbon emissions price in New Zealand.
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	✓	

Scope 1 emissions relate to New Zealand Oil & Gas-operated activities. Currently these include corporate office activities only. These emissions are too small to be practical to precisely measure. New Zealand Oil & Gas prepares an annual estimate of carbon emissions from corporate activity, using inputs such as electricity bills, air travel and rental car use, waste disposal contracts, and government figures for average building carbon intensity. The company purchases trees through the Trees That Count marketplace to offset these emissions. Air travel is offset through purchases of carbon offsets with tickets.

Emissions from the Kupe gas fields and production station are reported below using data gathered by the operator for Emissions Trading Scheme reporting.

Cue Energy Resources separately compiles its own TCFD reporting, which is available at www.cuenrg.com.au.

Metrics

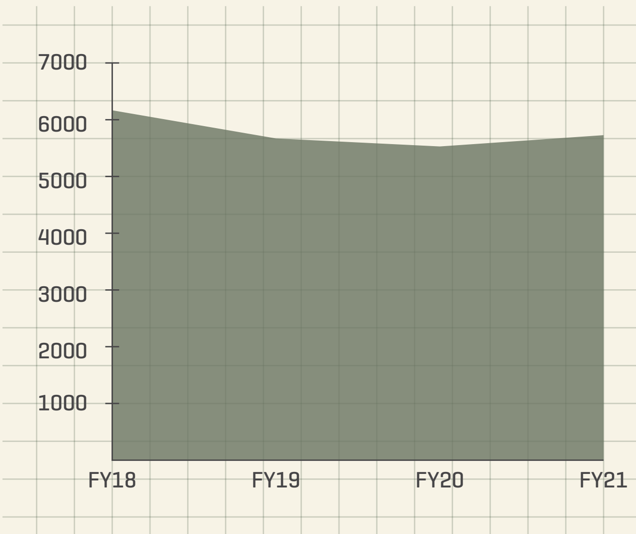
Total greenhouse gas emissions (Metric tonnes CO_2e)

New Zealand Oil & Gas surrenders credits under the New Zealand Emissions Trading Scheme for its share of production emissions. The company also offsets emissions from its corporate head office by planting trees through the Trees That Count initiative.

Read more about how we offset our emissions through Trees That Count.

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

Scope 1 and 2 CO_2 emissions (metric tonnes).



FY18	FY19	FY20	FY21
6,166	5,670	5,529	5,728

OUR RESULTS

TCFD Targets for 2020–21

2020-21 Targets	Status
Maintain TCFD statements and reporting online and in the 2021 Annual Report.	Complete.
Undertake analysis of an internal price on carbon to inform TCFD risk and commercial decisions by end FY 2021	
Offset emissions from corporate flights, annually.	Completed. Internal price applied to Kupe impairment testing and carbon price sensitivity testing applied to Australian investment. See above, How We Model Climate Risk, Page 46.
Offset emissions from corporate head office through Trees That Count	Completed and ongoing.
Initiate office sustainability improvement opportunities	Completed, including: · Project paperless. · Keep cups. · Waste/recycling bins, including organics compost bin.

OUR INTENTIONS

TCFD Targets for 2021–22

Focus Area	Target	Impact	Measured by
Reporting	Maintain TCFD statements and reporting online and in the 2022 Annual Report.	Disclosure of risks, impacts and climate responsiveness	Publication. This report, and on the corporate website at https://www.nzog.com/sustainability/climate-change/
Emissions offsets	Continue to offset emissions from corporate flights and head office.	Makes the company close to net zero carbon on Scope 1 emissions	Emissions from flights are calculated by the airline. Contributions to Trees That Count are publicly reported.
Emissions reductions	Initiate ongoing office sustainability improvement opportunities.	Ongoing emissions reductions	Staff sustainability survey.
Emissions reductions	Investigate a carbon emission audit and reduction plan.	Potential reductions and detailed reporting.	Publicly reported.
Emissions reductions	Review of opportunities and projects to support or invest in R&D or other low-carbon commercial opportunities.	Potential reduction in overall Scope 2 emissions reductions	Any new investment segment is publicly reported.

Corporate Governance

New Zealand Oil & Gas Limited (the Company) is a limited liability company registered under the New Zealand Companies Act 1993.

The Company is listed and its shares quoted on the Main Board equity security market operated by NZX Limited (NZX) and on the official list of the Australian Securities Exchange (ASX) as a foreign exempt entity. On both exchanges the Company's code is "NZO".

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

It is current to 30 June 2021 (except where a more recent date is expressly stated) and has been approved by the board.

Corporate Governance Best Practice Codes

The Company reviews and assesses governance processes, policies, and its compliance with corporate governance best practice at least annually.

This includes assessing compliance with the NZX Listing Rules and Corporate Governance Code 10 December 2020 (NZX code).

This section of the report is structured to report performance against the principles of the NZX Code. Information presented under each principle is followed by the NZX Corporate Governance checklist.

In complying with the NZX Code, the Company's corporate governance outcomes also substantially meet the principles of the FMA Corporate Governance Handbook. The Company is compliant with these rules and guidelines except as otherwise noted in the following pages.

This statement was approved by the board on 25 August 2021.

PRINCIPLE 1

Code of Ethical Behaviour

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

New Zealand Oil & Gas Limited practices the highest standards of corporate governance and aspires to continuous improvement in its governance performance.

The board has adopted the following overarching governance objectives:

- Lay solid foundations for management and oversight.
- Achieve high standards of transparency and ethical and responsible decision-making.
- Structure itself to add value.
- Make timely and balanced disclosure.
- Respect the rights of its shareholders.
- Safeguard integrity in its financial reporting.
- Recognise and manage risks.
- Encourage enhanced performance.
- Promote a corporate culture that upholds agreed Company values.

Code of Business Conduct and Ethics

The Company's Code of Business Conduct and Ethics sets out values and ethics expected of the Company's directors, management, employees and contractors.

The Company strives to create a strong culture of honesty, integrity, loyalty, fairness, forthrightness and ethical behaviour.

Company representatives are required to:

- act with high standards of honesty, integrity, fairness, and equity in all aspects of their involvement with the Company;
- comply fully with the content and spirit of all laws and regulations governing the Company's operations, business environment, and employment practices;
- not knowingly participate in illegal or unethical activity;
- actively promote compliance with laws, rules, regulations, and the Company's Code of Business Conduct and Ethics; and
- not do anything that would be likely to negatively affect the Company's reputation.

The Code addresses in detail issues such as:

- conflicts of interest and corporate opportunities;
- protection and proper use of Company assets;
- confidential and proprietary information;
- intellectual property;
- competition and fair dealing;
- business entertainment and gifts;
- anti-bribery and corruption;
- cash koha;
- insider trading or tipping: and
- reporting Code violations.

The Code of Business Conduct and Ethics is available in the corporate governance section of the Company's website at:

www.nzog.com/dmsdocument/487

Securities Trading Policies

The Company's Securities Trading Policies set out procedures about when and how an employee, dedicated contractor or director can deal in Company securities.

These policies are consistent with the Financial Markets Conduct Act 2013 and its insider trading procedures, and they comply with the NZX listing rules.

The board ensures that these policies are up-to-date and compliant at all times with changes to the law and to NZX listing rules.

The Securities Trading Policies are available on the Company's website at:

For directors

www.nzog.com/dmsdocument/496

For employees and contractors

www.nzog.com/dmsdocument/497

Protected Disclosures (Whistleblower) Policy

The Company has a Protected Disclosures (Whistleblower) Policy that provides a procedure for employees and contractors to raise concerns or make disclosures about what they observe happening at work.

The purpose is to facilitate disclosure and investigation of serious wrongdoing. It provides a mechanism for concerns being raised and dealt with at an early stage and in an appropriate manner. The person making the report is protected from any adverse consequences where the concern is raised in good faith.

The protected Disclosures (Whistleblower) Policy is available in the corporate governance section of the Company's website at:

www.nzog.com/dmsdocument/495

Compliance with NZX Code Recommendations

	NZX Code Recommendation	✓ / X	Explanation for non-compliance
1.1	The board should document minimum standards of ethical behaviour to which the issuer's directors and employees are expected to adhere (a code of ethics).	✓	
1.2	The code of ethics and where to find it should be communicated to the issuer's employees. Training should be provided regularly. The standards may be contained in a single policy document or more than one policy.	✓	
	The code of ethics should outline internal reporting procedures for any breach of ethics, and describe the issuer's expectations about behaviour, namely that every director and employee:	✓	
	a) acts honestly and with personal integrity in all actions;	✓	
	b) declares conflicts of interest and proactively advises of any potential conflicts;	✓	
	c) undertakes proper receipt and use of corporate information, assets and property;	✓	
	d) in the case of directors, gives proper attention to the matters before them;	✓	
	e) acts honestly and in the best interests of the issuer, shareholders and stakeholders and as required by law;	✓	
	f) adheres to any procedures around giving and receiving gifts (for example, where gifts are given that are of value in order to influence employees and directors, such gifts should not be accepted);	✓	
	g) adheres to any procedures about whistle blowing (for example, where actions of a whistle blower have complied with the issuer's procedures, an issuer should protect and support them, whether or not action is taken); and	✓	
	h) manages breaches of the code.	✓	
1.2	An issuer should have a financial product dealing policy which applies to employees and directors.	✓	

PRINCIPLE 2

Board Composition & Performance

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

Samuel Kellner

Board Chair

Samuel Kellner has held a variety of senior executive positions with the Ofer Global Group since joining the Group in 1980. He has been deeply involved in various Ofer Global Group business lines, with a particular emphasis on offshore oil and gas, shipping and real estate, and has advised the Ofer Global Group companies on investments in a variety of investment managers, hedge funds and private equity funds. Most recently, Mr Kellner served as president of Global Holdings Management Group (US) Inc where he led North American real estate acquisition, development and financing activities. Mr Kellner serves as a director of O.G. Energy, O.G. Oil & Gas and Cue Energy Resources. He is also an executive director of the main holding companies for the Zodiac shipping group and Omni Offshore Terminals, a leading provider of floating production, storage and offloading (FSO and FPSO) solutions to the offshore oil and gas industry.

As a member of the O.G. Energy Senior Management Committee, he helps drive the strategy for the Ofer Global Group's energy activities. Mr Kellner graduated with a BA degree from Hebrew University in Jerusalem. He has an MBA from the University of Toronto, and taught at the University of Toronto while working toward a PhD in Applied Economics. Mr Kellner was appointed in December 2017. He is the Chair of the Board of Directors and a member of the Nomination and Remuneration Committee.

Dr Rosalind Archer

Independent Director

Dr Rosalind Archer joined the board of New Zealand Oil & Gas in November 2014. Dr Archer graduated with a BE from University of Auckland. She holds a PhD in Petroleum Engineering, and PhD minor in Geological and Environmental Studies from Stanford University.

Dr Archer is currently Deputy Dean of the Faculty of Engineering at the University of Auckland, and head of its Department of Engineering Science. She will leave in December to take up a new role as Head of the School of Engineering and Built Environment at Griffith University in Queensland.

Dr Archer is the President of Engineering New Zealand. She runs a consulting practice as a reservoir engineer with clients locally and internationally. She regularly speaks on reservoir engineering topics at international conferences. Dr Archer is also director of the University of Auckland Geothermal Institute.

Marco Argentieri

Director

Marco Argentieri is Senior Vice President and General Counsel for O.G. Energy, and a member of the Board of Directors of both O.G. Energy and O.G. Oil & Gas.

As a member of the O.G. Energy Senior Management Committee, he helps drive the strategy for the Ofer Global Group's energy activities. Mr Argentieri serves as the chief legal counsel for the O.G. Energy Group, where he advises on financing activities, acquisitions, and other commercial and corporate matters.

Mr Argentieri has worked for the Ofer Global Group since 2006, where he previously served as chief legal counsel responsible for Ofer Global Group finance activities, with a particular focus on the Group's offshore oil services and shipping businesses.

Prior to joining Ofer Global, Mr Argentieri was an attorney at the New York offices of Latham & Watkins LLP and Skadden, Arps, Slate, Meagher & Flom LLP. He holds a B.A. from the University of Rochester, a J.D. from New York University and an MBA from Columbia University. Mr Argentieri joined the board in July 2018.

Alastair McGregor

Director

Alastair McGregor has been actively involved in the oil & gas sector since 2003. He is currently chief executive of O.G. Energy, which holds the Ofer Global Group's broader energy interests, and O.G. Oil & Gas Limited, a company that holds directly or indirectly oil & gas exploration and production interests onshore and offshore. He leads the O.G. Energy Senior Management Committee, driving the strategy for the Ofer Global Group's energy activities.

Mr McGregor is also the chair of Cue Energy Resources. In addition, Mr McGregor is chief executive of Omni Offshore Terminals Limited, a leading integrated provider of floating production and storage and offloading (FPSO & FSO) solutions to the offshore oil & gas industry. Omni's operations span the globe from New Zealand, Australia, South East Asia, Middle East and South America.

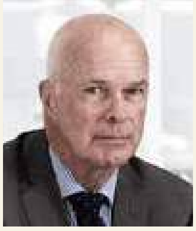
Prior to entering the oil & gas industry Alastair spent 12 years as a banker with Citigroup and Salomon Smith Barney. Alastair holds a BEng from Imperial College, London and an MSc from Cranfield University in the UK. Mr McGregor joined the board in October 2017.

Andrew Jefferies

Managing Director

Andrew Jefferies joined New Zealand Oil & Gas in 2013. He started his career with Shell in Australia after graduating with a BE Hons (Mechanical) from the University of Sydney in 1991, an MBA in technology management from Deakin University in Australia, and an MSc in petroleum engineering from Heriot – Watt University in Scotland.

Mr Jefferies is also a graduate of the Australian Institute of Company Directors (GAICD), and a Certified Petroleum Engineer with the Society of Petroleum Engineers.
He has worked in oil and gas in Australia, Germany, the United Kingdom, Thailand and Holland.



Rod Ritchie

Independent Director

Rod Ritchie joined the board of New Zealand Oil & Gas in 2013. He graduated with a BSc, University of Tulsa.
He has 38 years of experience as a line manager and a Health, Safety, Security and Environment executive in the oil and gas industry – including being the corporate senior vice president of HSSE at OMV based in Vienna.
He is a member of the Society of Petroleum Engineers.

Composition of the Board

The number of directors is specified in the constitution as a minimum of three and up to a maximum of seven. At least two directors must be ordinarily resident in New Zealand. Dr Archer and Mr Jefferies are ordinarily resident in New Zealand.

The Company's constitution was amended at the December 2019 Annual Meeting to align with new NZX Listing Rules that require directors to retire at the third Annual Meeting since their last appointment, or every three years (whichever is longer). If eligible, each retiring director may offer themselves for re-election.

Directors holding office during 1 July 2020 to 30 June 2021.

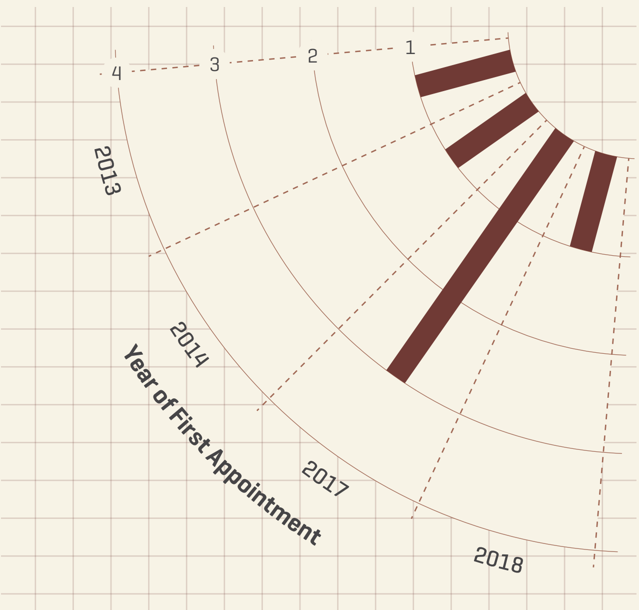
Directors	Date elected	Year first appointed
Dr Rosalind Archer	2 November 2018	2014
Marco Argentieri	2 November 2018	2018
Andrew Jefferies	2 November 2018	2017
Samuel Kellner	2 November 2018	2017
Alastair McGregor	5 November 2020	2017
Rod Ritchie	12 December 2019	2013

Independent Directors

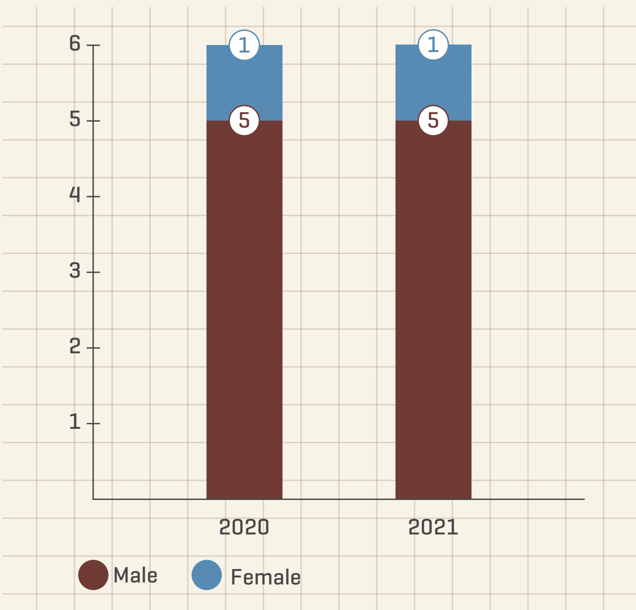
The board has determined in terms of the NZX Listing Rules that as at 30 June 2021, Dr R Archer and Mr R Ritchie are independent directors as none of the factors described in the NZX Code that may impact independence are applicable to either.

Mr Kellner, Mr Argentieri, and Mr McGregor are not independent because of their association with O.G. Oil & Gas Limited, which is a substantial shareholder in New Zealand Oil & Gas Ltd.

Mr Jefferies is not independent because he is the managing director of New Zealand Oil & Gas.



Board Gender Composition



Board skills

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

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

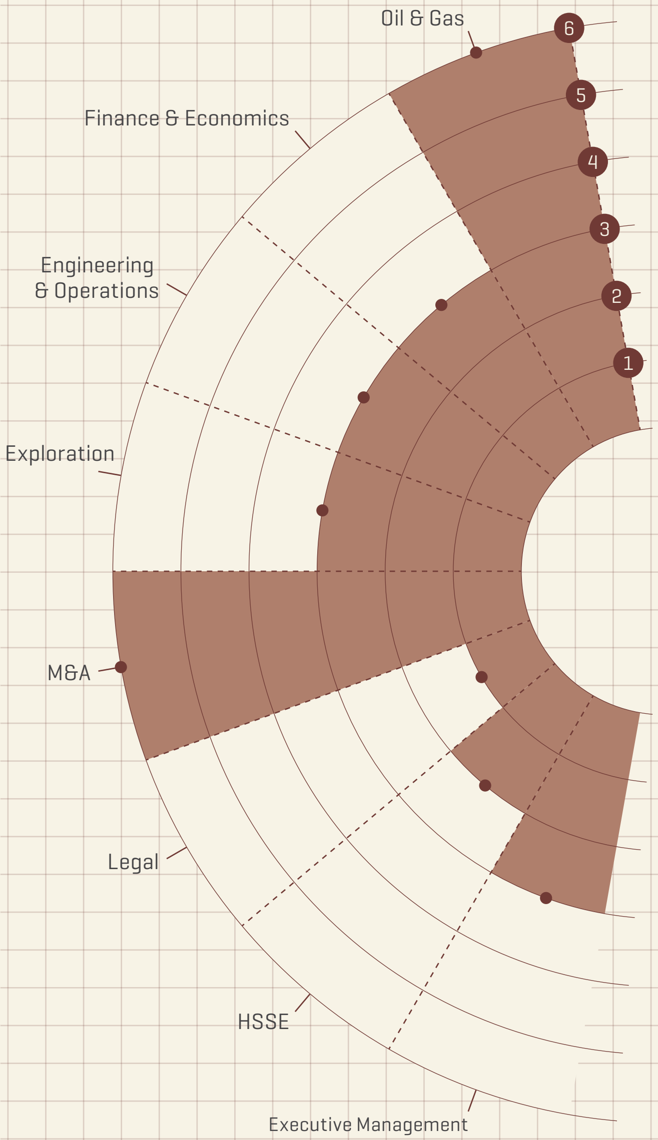
Role of the Board

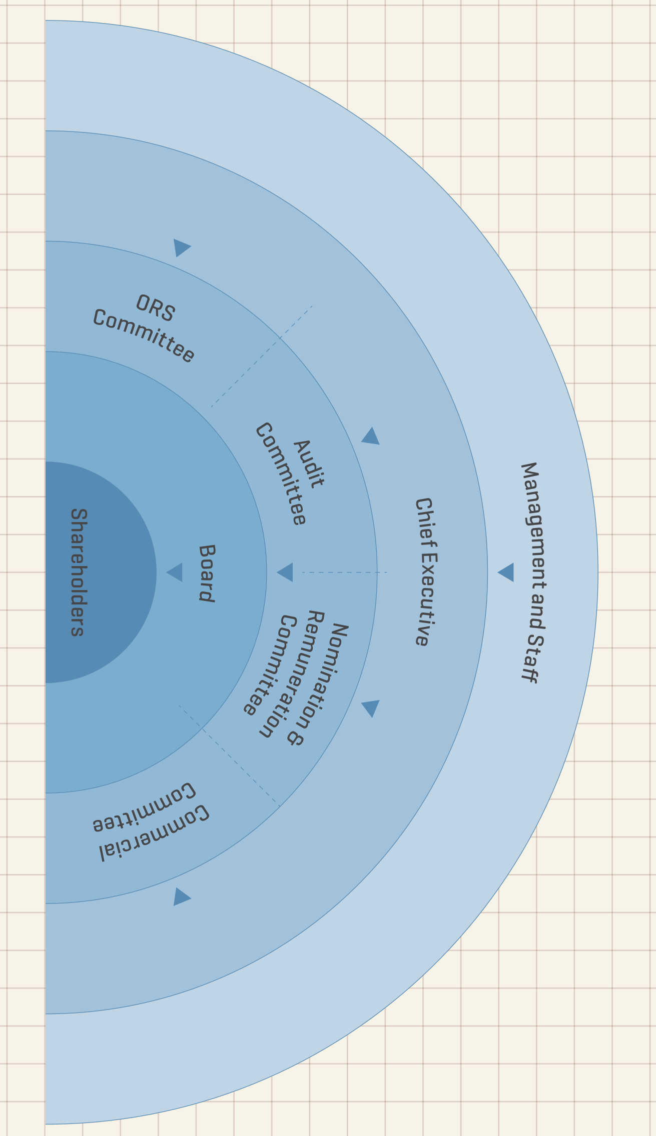
The board is responsible for the overall corporate governance of the Company including strategic direction, determination of policy, and the approval of significant contracts, capital and operating costs, financial arrangements and investments. In addition to statutory and constitutional requirements, the board has a formal charter that sets out its functions and structure.

The Board Charter is available in the corporate governance section of the Company's website at

www.nzog.com/dmsdocument/371

Number of Directors with Specific Skillset





Board Proceedings

The board meets on a formal scheduled basis four times per year, and holds other meetings as required.

As the pandemic has caused travel restrictions, the board met by video conference call.

The Commercial Committee establishes the agenda for each board meeting.

The chief executive keeps the board informed of material or potentially material matters between meetings and provides a weekly update on all relevant matters to the board. A report is prepared for each meeting, which includes:

- updates on exploration and production activities and financial management;
- summaries of new business opportunities;
- an update on human resources and facilities;
- an investor relations report;
- updates on stakeholder engagement, media and sustainability; and
- other reports as relevant.

Key strategic issues and opportunities are also presented to the board by management as part of each meeting.

To ensure that independent judgement is achieved and maintained, the board has adopted a number of processes in respect of its decision making. These include:

- any director may, with the prior consent of the chair of the Audit Committee (or in the case of the Audit Committee chair's absence, the prior consent of the chair of the board), obtain independent advice at the Company's expense where the director considers it necessary to carry out their duties and responsibilities as a director. Such consent shall not be withheld unreasonably; and
- directors must comply with the Directors' Interests Policy. It addresses disclosable interests, conflicts of interest, director information obligations, board review and determination obligations, and the rules for participation in board deliberations in the event of a conflict of interest.

On appointment, each director has also acknowledged their individual disclosure obligations.

Responsibilities of the Board

The board operates under a written charter which sets out the roles and responsibilities of the board. The board charter clearly distinguishes and discloses the respective roles and responsibilities of the board and management.

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

www.nzog.com/dmsdocument/371

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

The board is accountable for the performance of the Company. The specific responsibilities of the board include:

- approving corporate strategy and performance objectives;
- establishing policies appropriate for the Company;
- oversight of the Company, including its control and accountability systems;
- approving major investments and monitoring the return of those investments;
- the overall risk management and control framework for the Company and ensuring appropriate risk management systems are established and applied;
- appointing, removing and evaluating the performance of the chief executive;
- reviewing the performance of senior management;
- appointing and removing the company secretary;
- setting broad remuneration policy;
- reviewing implementation of strategy and ensuring appropriate resources are available;
- nominating and appointing new directors to the board;
- evaluating the performance of the board, committees of the board, and individual directors;
- reviewing and ratifying systems of risk management, internal compliance and control, codes of conduct, and legal compliance;
- approving and monitoring the progress of any major capital expenditure, capital management and acquisitions and divestitures;
- reviewing and ratifying HSSE Sustainability and Operational Risk policies, the HSSE Sustainability and Operational Risk Management System and monitoring its implementation and performance;
- approving and monitoring financial and other reporting;
- ensuring that the Company provides continuous disclosure of information such that shareholders and the investment community have available all information to enable them to make informed assessments of the Company's prospects;
- overall corporate governance of the consolidated entity;
- determining the key messages that the Company wishes to convey to the market from time to time; and
- monitoring information commitments and continuous disclosure obligations.

Delegation to Management

While the board has overall and final responsibility for the business of the Company, it has delegated substantial responsibility for the conduct and administration of the Company's business and policy implementation to the chief executive and his management team. Board approved policies and procedures are in place to set parameters for the delegated responsibilities, including:

- Health and Safety Policy;
- Environment Policy;
- Climate Change Policy;
- Community Engagement Policy;
- Capturing Local Economic Benefit Policy;
- Code of Business Conduct and Ethics;
- Communications, Market Disclosure and Social Media Policy;
- Securities Trading Policies for Directors, Employees and Dedicated Contractors;
- Directors' Interests Policy;
- Protected Disclosure (Whistleblower)Policy;
- Diversity Policy;
- Delegated Authorities Manual;
- Remuneration and Performance Appraisal Policy;
- Treasury Policy;
- Email and Internet Use Policy;
- Anti-Harassment Policy;
- Drugs and Alcohol Policy;
- Paid Parental Leave Policy; and
- Workplace Flexibility Policy.

These policies are reviewed regularly. The board may establish other policies and practices to ensure it fulfils its functions.

Delegated Authorities Manual

The board has established formal limits of authority to provide clarity to the chief executive and management so that they are in a position to carry out the business of the Company efficiently and effectively within the parameters of proper corporate governance.

The Delegated Authorities Manual set limits to financial commitments and other decision-making, and is monitored by the board through the audit function.

Diversity Policy

Through its Diversity Policy the Company is committed to an inclusive workplace that embraces diversity.

The Company is proud of receiving a Rainbow Tick, as the only New Zealand E&P company to have done so. Rainbow Tick is a certification mark for organisations that complete an LGBTQIA+ diversity & inclusion assessment process.

More about Rainbow Tick is reported at page 34.

The Company values, respects and leverages the unique contributions of people with diverse backgrounds, experiences and perspectives.

Diversity is about commitment to equality and treating all individuals with respect, and includes, but is not limited to, gender, age, disability, ethnicity, marital or family status, religion, sexual orientation, gender identity or expression, and cultural background.

The board monitors the scope and currency of the Diversity Policy.

The policy provides that the Company will recruit from a diverse pool of candidates, who will be considered with no conscious or unconscious bias that might discriminate against certain candidates. It takes into account the domestic responsibilities of employees and adopts flexible work practices.

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

The board establishes measurable objectives for achieving gender diversity. The board may establish measurable objectives for other aspects of diversity, and will assess annually both the set objectives and the progress in achieving them.

The Nomination and Remuneration Committee makes an annual assessment of success in achieving and implementing the policy and the set objectives, then reports to the board with recommendations.

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

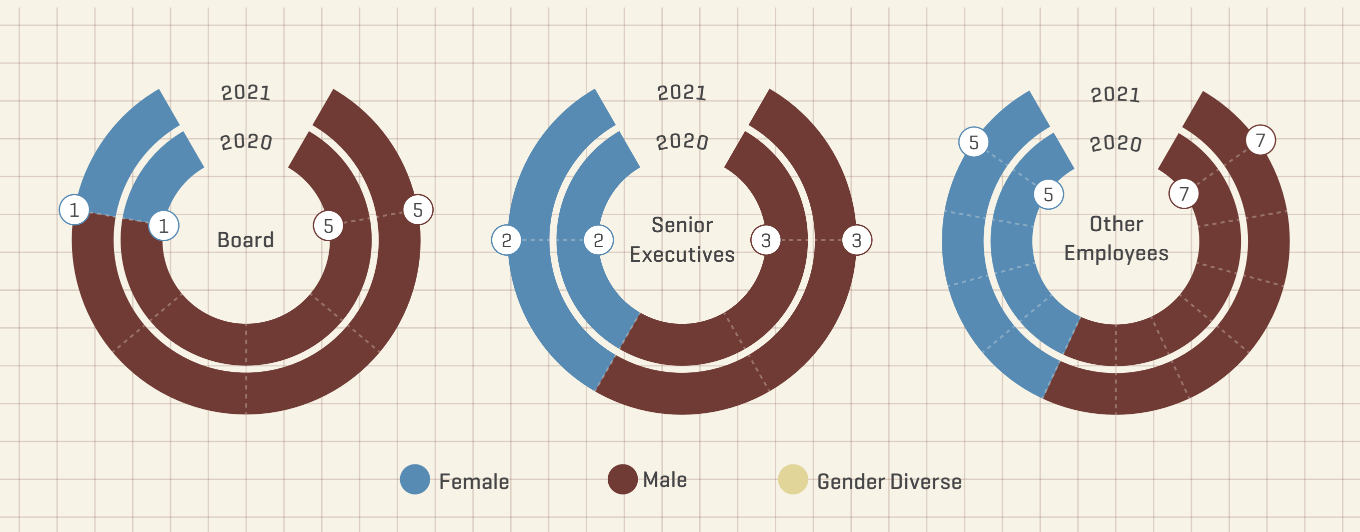
- requirements for measurable objectives for achieving diversity which, at a minimum, should address gender diversity;
- annual assessment of both the objectives and the entity's progress in achieving them.

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

www.nzog.com/dmsdocument/490

Diversity Performance 2020-21

The following charts show gender diversity across the Company (excluding contractors) as at 30 June 2021, and compares that to numbers as at 30 June 2020.



MEASURABLE OBJECTIVES FOR 2020-21

Compliance with the Diversity Policy

With respect to the provision of the diversity policy, the board has determined that the Company has complied with the policy.

Objective	Status	Progress
Investigate pay parity and develop an appropriate pay parity strategy.	Progressed and ongoing	The Nominations and Remuneration Committee undertook a review, which indicated that current pay parity and diversity strategy settings are appropriate for the organisation in its current form. Further role reviews and pay scales will be commissioned in the forthcoming cycle.
Promote staff engagement with diversity initiatives.	Progressed and ongoing	The Diversity Committee created a cultural calendar, which celebrates cultural events that have meaning to the Company's staff. These have been tied to all staff gatherings, and have included Thanksgiving, St Patricks day, Burns night, Diwali, Matariki, Christmas, and Pride Month. The Company is a participant in Diversity Works and staff have participated in workshops, webinars and networking opportunities as well as the Rainbow Tick trainings and events
Promote awareness about and engagement with pro-diversity policies.	Progressed and ongoing	Pro-diversity initiatives have been promoted actively at all-staff meetings and morning teas and directly communicated to staff. Flexible working arrangements are available and several staff have long-term flexible working arrangements. Increased use of flexible working arrangements has been enabled following the success of working from home during the pandemic lockdowns. A flexible work guideline was drafted, which is a set of practices and undertakings. Staff have access to, and make use of, family sick leave. Car-parking is allocated to assist a staff member with commuting requirements that are determined by childcare requirements. The company held an industry-wide forum to inform peers about its journey to a Rainbow Tick, the lessons about how to champion diversity in an energy organisation, and the steps we took.
Providing talent management support for female leaders and further staff specific development and training opportunities, with a particular emphasis on overcoming cultural challenges.	Completed and ongoing	Leadership coaching and training courses have been arranged. Training was affected by pandemic restrictions on travel, but the Company has planned a further focus in the 2021-22 financial year.
Securing a Rainbow Tick.	Achieved	The Company was accredited a Rainbow Tick in September 2020. Review for re-accreditation is required (we have received a pass mark for this), along with ongoing training and initiatives.

MEASURABLE OBJECTIVES FOR 2020-21

- Promote ongoing engagement with diversity initiatives, policies and guidelines to ensure they are continuing to evolve as needed.
- Provide talent management support for diverse and emerging leaders.
- Retain Rainbow Tick.

Compliance with NZX Code Recommendations

	NZX Code Recommendation	✓ / X	Explanation for non-compliance
2.1	The board of an issuer should operate under a written charter which sets out the roles and responsibilities of the board. The board charter should clearly distinguish and disclose the respective roles and responsibilities of the board and management.	✓	
2.2	Every issuer should have a procedure for the nomination and appointment of directors to the board.	✓	
2.3	An issuer should enter into written agreements with each newly appointed director establishing the terms of their appointment.	X	Upon appointment to the Company's board, directors are advised of salient requirements. Obligations such as disclosure of interests, managing conflicts, and share trading are managed through policies. Governance arrangements reflect that a majority of the board is not independent.
2.4	Every issuer should disclose information about each director in its annual report or on its website, including a profile of experience, length of service, independence and ownership interests and director attendance at board meetings.	✓	
2.5	An issuer should have a written diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them. The issuer should disclose the policy or a summary of it.	✓	
2.6	Directors should undertake appropriate training to remain current on how to best perform their duties as directors of an issuer.	X	Independent directors received detailed advice and training about their responsibilities during multiple previous takeover offers and a scheme of arrangement, including training and advice about the specific scheme proposed in 2019 and their role in negotiating the scheme. That training and advice was specifically implemented during the scheme process. Further training about how to best perform their duties as directors was not facilitated by the Company during the reporting period as the Company has robust policies around director duties and the board's skills are appropriate.

	NZX Code Recommendation	✓ / X	Explanation for non-compliance
2.7	The board should have a procedure to regularly assess director, board and committee performance.	✓	The board charter states: The board shall undertake regular reviews of the operations and performance of the board, its committees and individual directors. Where appropriate, the board may engage external consultants to conduct this review. In addition to compliance with each committee's individual charter, the review shall consider: • the skills required by the board, including processes to satisfy any skill-gaps; • how the required skills are best represented on the board; and • the process for identifying suitable candidates for appointment to the board. Reviews are undertaken by way of a questionnaire submitted to directors. Responses are collated and reviewed by the chair of the Nominations and Remuneration Committee or delegated representative. The chair of the Nominations and Remuneration Committee (or delegated representative) then undertakes an overall review on the outcomes and produces a written report which is reviewed by the full board. Individual director performance is addressed by one-on-one review with the chair of the Nominations and Remuneration Committee (or delegated representative). For this financial year the above process has been followed, led by the chair of the Nominations and Remuneration Committee.
2.8	A majority of the board should be independent directors.	X	Two out of six directors are independent. In considering the appropriate board composition account will be given to whether or not the company has a shareholder that owns a majority of the shares in the company. The board composition is a consequence of the Company's ownership structure.
2.9	The chair of the board should be independent. If the chair is not independent, the chair and the CEO should be different people.	✓	The chair is not independent, reflecting the ownership structure of the Company. The chair and CEO are different people.

PRINCIPLE 3

Board Committees

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

Meetings during pandemic travel restrictions

Scheduled committee meetings were held by video conference.

Board Committees

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

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

Each committee has a written charter setting out its roles and responsibilities, which is available from the Company's website at

www.nzog.com/investor-information/shareholders-information/corporate-governance/

Audit Committee

Alastair McGregor (Chair)
Dr Rosalind Archer
Rod Ritchie

What the Committee does

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

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

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

Committee composition

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

Committee meetings

Meetings of the Audit Committee are held at least twice a year.

The chair of the board, directors, the chief executive and other staff may be invited by the Audit Committee to attend these meetings.

The Audit Committee can meet with the external auditors and senior management in separate sessions. An annual process considers engagement of auditors, having regard to the auditors' independence and policies for rotation of partners.

Read the Audit Committee Charter here

www.nzog.com/dmsdocument/372

The Nominations and Remuneration Committee

Dr Rosalind Archer (Chair)
Marco Argentieri
Samuel Kellner
Alastair McGregor
Rod Ritchie

What the Committee does

The Nomination and Remuneration Committee is responsible to the board for:

- providing recommendations to the board in relation to the director selection and appointment practices of the Company;
- evaluation and remuneration of directors and board succession;
- Chief Executive remuneration, appointment, performance criteria and review;
- reviewing and providing recommendations to the board in relation to:
  - senior executive and key staff succession plans;
  - the Company's remuneration, recruitment, retention and termination policies and procedures for all employees;
  - implementing the Company's Diversity Policy and achieving any associated measurable objectives; and
  - other relevant matters identified from time to time by the board.

Committee composition

As recommended by the NZX Code, the Committee comprises at least three non-executive directors of the board. The chair, Dr Archer, is independent.

The Committee meets as required, at least twice per year, and it may invite executive directors or management to participate in all or part of meetings.

NZX Code Principle 3.4 recommends that a majority of the nomination committee should be independent directors. Half of the committee is independent, and the committee is chaired by an independent director. A majority of the board is not independent and the composition of the committee also reflects this.

Read the Committee's Charter here

www.nzog.com/dmsdocument/373

Operational Risk and Sustainability Committee

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

What the Committee does

The Operational Risk and Sustainability Committee's role is to advise and support the board in meeting its responsibilities in relation to health, safety, security, environment, sustainability, operational risk and community engagement matters arising out of the activities and operations of the Group.

The committee's responsibilities include:

- Monitoring the performance and effectiveness of the Company's Risk Management Framework, compliance with the framework and the adequacy of risk controls.
- Setting, reviewing and agreeing operational risk and sustainability policies, practices, frameworks and targets, including performance against these, including:
  - Sustainability performance framework, targets and reporting;
  - Community and iwi engagement;
  - Environmental policies and programmes including Climate Change responses.
- Seeking assurance of the Company's compliance with all operational risk and sustainability legislative requirements, licence conditions and stakeholder commitments.
- Supporting the board and management in defining the Company's operational risk and sustainability objectives.
- Working with management to agree how operational risk and sustainability objectives will be achieved, monitored and reviewed.
- Supporting a culture of continuous improvement by reviewing significant incidents and system failures and monitoring actions and measures to minimise recurrence.
- Ensuring the necessary skills are obtained and maintained to achieve operational risk and sustainability objectives.
- Providing leadership to the board and support the Company in aspiring to proactively manage ORS issues.
- Ensuring that significant issues are brought to the attention of the full board.

Company policies, frameworks and strategies relevant to this Committee:

- Health and Safety Policy
- Environment Policy
- Capturing Local Economic Benefits Policy
- Community Engagement Policy
- HSSE Management Framework and Management System
- Risk Register
- Risk Management Procedure
- Sustainability Framework
- Climate Change Policy

Committee composition

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

Read the committee's charter here

www.nzog.com/dmsdocument/370

Commercial Committee

Alastair McGregor
Andrew Jefferies
Marco Argentieri

What the Committee does

The committee exists to allow management to bring commercial opportunities to a state that they can be brought to the full board for final investment decision.

The committee may approve routine budgets and contracts, including due diligence budgets, for projects and opportunities.

The committee includes the chief executive and one director appointed by the board. Other directors may be invited to join the Committee from time to time with the approval of the board.

The Committee meets twice weekly as required, and generally resolves its business by email or teleconference.

Read the committee's charter here

www.nzog.com/investor-information/shareholders-information/corporate-governance

Board and Committee meeting attendance

1 July 2020 to 30 June 2021

Director	Board meetings	Audit Committee	Nominations and Remuneration Committee	Operational Risk and Sustainability Committee
Samuel Kellner	6/6		2/2	
Dr Rosalind Archer	6/6	2/2	2/2	2/2
Marco Argentieri*	6/6		1/1	
Andrew Jefferies	6/6			2/2
Alastair McGregor	6/6	2/2	2/2	1/2
Rod Ritchie	6/6	2/2	2/2	2/2

*Appointed to Nominations and Remuneration Committee April 2021.
The Commercial Committee meets as required, most weeks. Members attend all meetings.

Compliance with NZX Code Recommendations

	NZX Code Recommendation	✓ / X	Explanation for non-compliance
3.1	An issuer's audit committee should operate under a written charter. Membership on the audit committee should be majority independent and comprise solely non-executive directors of the issuer. The chair of the audit committee should be an independent director and not chair of the board.	✓	
3.2	Employees should only attend audit committee meetings at the invitation of the audit committee.	✓	
3.3	An issuer should have a remuneration committee which operates under a written charter (unless this is carried out by the whole board). At least a majority of the remuneration committee should be independent directors. Management should only attend remuneration committee meetings at the invitation of the remuneration committee.	✓	
3.4	An issuer should establish a nomination committee to recommend director appointments to the board (unless this is carried out by the whole board), which should operate under a written charter. At least a majority of the nomination committee should be independent directors	X	The committee is chaired by an independent director. A majority of the board is not independent and the composition of the committee reflects the composition of the board as a whole.
3.5	An issuer should consider whether it is appropriate to have any other board committees as standing board committees. All committees should operate under written charters.	✓	
3.6	An issuer should identify the members of each of its committees, and periodically report member attendance. The board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer, including any communication between insiders and the bidder. The board should disclose the scope of independent advisory reports to shareholders. These protocols should include the option of establishing an independent takeover committee, and the likely composition and implementation of an independent takeover committee.	X	No formal takeover committee exists. The Company and its staff are highly familiar with the processes and appropriate protocols. The board formed a committee of independent directors to respond to multiple takeover offers and a proposed scheme of arrangement in recent years. There have been no board changes since then and the experience and processes for responding to takeovers are part of the Company's ongoing institutional knowledge.

PRINCIPLE 4

Reporting & Disclosure

"The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

Communications, Market and Social Media Disclosure Policy

The Communications, Market Disclosure and Social Media Policy's purpose is to:

- reinforce the Company's commitment to the continuous disclosure obligations imposed by law and stock exchange rules;
- describe the processes to ensure compliance;
- outline the Company's general communications approach aimed at ensuring timely and accurate information is provided to shareholders, market participants and market observers; and
- provide ground rules for the use of social media.

The Communications, Market and Social Media Disclosure Policy is available in the corporate governance section of the Company's website at:

www.nzog.com/dmsdocument/488

See also Principle 8, Shareholders' Rights, on pages 80–81.

Reports and policies are easily available

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

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

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

Along with reports, the company's Code of Business Conduct and Ethics, board and committee charters and the policies recommended in the NZX Code are published in the Corporate Governance section of the website:

www.nzog.com/investor-information/shareholders-information/corporate-governance

Continuous Disclosure

New Zealand Oil & Gas is committed to meeting the continuous disclosure obligations required by the Listing Rules.

The Listing Rules contain general and continuous disclosure requirements based on principles which encompass investor protection, the need to protect the reputation of the market and the interests of listed entities.

The company promptly and without delay releases to the markets information that a reasonable person would expect to have a material effect on the price of its securities. The only exceptions to this disclosure principle are those permitted under the Listing Rules.

The board is responsible for monitoring commitments and continuous disclosure obligations and initiating action as warranted to ensure reporting is fair and reasonable.

The chief executive is accountable for the release of information.

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

www.nzog.com/dmsdocument/488

Non-financial reporting

The Company publishes a sustainability report as part of the Annual Report. Sustainability reporting includes material exposure to environmental, economic and social sustainability risks and other key risks. It explains how the Company manages those risks and how operational or non-financial targets are measured.

Components of sustainability reported include:

- a summary of the company's values;
- the Company's sustainability and corporate responsibility strategy;
- a summary of the company's approach to stakeholder engagement,
- summary of the company's contribution to local communities;
- a materiality matrix.
- relationship between business strategy and the UN's Sustainable Development Goals

The Sustainability section of this report is on pages 17–49

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

www.nzog.com/sustainability

Compliance with NZX Code Recommendations

	NZX Code Recommendation	✓ / X	Explanation for non-compliance
4.1	An issuer's board should have a written continuous disclosure policy.	✓	
4.2	An issuer should make its code of ethics, board and committee charters and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.	✓	
4.3	Financial reporting should be balanced, clear and objective. An issuer should provide non financial disclosure at least annually, including considering material exposure to environmental, economic and social sustainability factors and practices and other key risks. It should explain how operational or non-financial targets are measured. Non-financial reporting should be informative, include forward-looking assessments, and align with key strategy and metrics monitored by the board.	✓	

PRINCIPLE 5

Remuneration

"The remuneration of directors and executives should be transparent, fair and reasonable."

New Zealand Oil & Gas aims to attract, retain and motivate professional staff capable of achieving the goals of the Company.

The Company wants to encourage and reward its staff fairly and appropriately within the market to reflect performance and contribution.

Remuneration and Performance Appraisal Policy

The Remuneration Policy sets out a process to assess the competitiveness of remuneration.

The Nomination and Remuneration Committee is responsible for receiving and making recommendations on remuneration policies for the chief executive and senior managers based on assessment of relevant market conditions and linking remuneration to the Company's financial and operational performance and individual performance.

Executive remuneration may comprise salary, short-term incentive payments and share options.

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

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

Director's remuneration

At the 2008 Company Annual Meeting, shareholders approved a resolution that director's fees be set at a maximum of $600,000 per annum, being the combined total for all non-executive directors. There has been no increase in the fee level since 2008 and in March 2016 the board and directors volunteered a reduction in their fees.

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

Directors do not receive any performance-based remuneration. Mr Jefferies does not receive fees because he is the chief executive.

The total remuneration and other benefits to directors for services in all capacities during the year ended 30 June 2021 was:

Dr R Archer	$70,000
Mr M Argentieri	
Mr A Jefferies*	$836,073
Mr S Kellner	
Mr A McGregor	
Mr R Ritchie	$70,000

* Includes remuneration received as chief executive.

Directors Interests Policy

Directors are required to recognise that the possibility of conflict of interest exists, and are expected to declare potential conflict of interest situations to the board and manage conflicts of interest in accordance with the Directors Interests Policy, the Code of Business Conduct and Ethics, and the Company's Constitution.

The Company maintains an interests register in compliance with the Companies Act 1993, which records particulars of certain transactions and matters involving directors.

The Directors' Interests Policy is available in the corporate governance section of the Company's website at:

www.nzog.com/dmsdocument/489

Directors Securities Interests

The interests of Directors in securities of the Company at 30 June 2021 were:

	Direct Interest	Indirect Interest
Mr A Jefferies	25,000	1,000,000 partly paid shares 885,506 share options

Directors 'Interests Register

Directors interests recorded in the Interests Register of the Company as at 30 June 2021 are detailed below.

Notices given or adjusted during the financial year ended 30 June 2020 are marked with an asterisk (*).

Each such Director will be regarded as interested in all transactions between the Company and the disclosed entity.

Mr S Kellner	O.G. Oil & Gas Ltd	Director
	O.G. Energy Holdings Ltd	Director
	Omni Holdings Ltd	Director
	Cue Energy Resources Ltd	Director
Mr M Argentieri	O.G. Energy Holdings Ltd	Director
	O.G. Oil & Gas Ltd	Director
	OGOG (Kohatukai) Ltd	Director
	OGOG (Otway) Holdings Pty Ltd	Director
	OGOG (Otway) Pty Ltd	Director
	OGOG (1) Limited	Director
	OGOG (2) Limited	Director
	OGOG (3) Limited	Director
	OGOG (4) Limited	Director
	OGOG (5) Limited	Director
	OGOG (GOM 1) Inc.	Vice-President/ Treasurer/ Secretary/ Director
	OGOG (GOM Management) Inc.	Vice-President/ Treasurer/ Secretary/ Director
	OGOG (Management) Limited	Director
	OGOG (GOM NZ) Limited	Director
	Cue Energy Resources Ltd	Director
Dr R Archer	Engineering New Zealand	President
	University of Auckland Geothermal Institute	Director
	Capricorn Solutions Ltd	Director

Mr A Jefferies	88 Energy Ltd	Shareholder
	Ansila Energy	Shareholder
	Carnarvon Petroleum Limited	Shareholder
	Central Petroleum	Shareholder
	Cue (Ashmore Cartier) Pty Ltd	Director
	Cue Energy Resources Ltd	Director & Shareholder
	Cue Exploration Pty Ltd	Director
	Cue Mahakam Hilir Pty Ltd	Director
	Cue Mahato Pty Ltd	Director
	Cue Sampang Pty Ltd	Director
	Cue Taranaki Pty Ltd	Director
	Energy Resources Aotearoa	Director
	Exxon Mobil Corporation	Shareholder
	First Australian Resources Ltd	Shareholder
	Horizon Oil	Shareholder
	Oil Search Ltd	Shareholder
	Pancontinental Oil	Shareholder
	Talos Energy Inc	Shareholder
	Tuatara Energy Limited	Director
	Warrego	Shareholder
Mr R Ritchie	Cue Energy Resources Ltd	Director
	SPARC NZ consulting	Director
	Sparc (Aust) Pty Ltd	Shareholder
	SacGasCo	Shareholder

Mr A McGregor	Cue Energy Resources Ltd	Director
	Cue Kalimantan Pte Ltd	Director
	Omni Holdings Limited	Director
	Omni Offshore Terminals Pte Ltd	Director
	Omni Offshore Terminals (Operations) Pte Ltd	Director
	Omni Offshore Terminals (Manora) Pte Ltd	Director
	Omni Offshore Terminals (Nong Yao) Pte Ltd	Director
	Omni Offshore Terminals Malaysia Sdn Bhd	Director
	Gading Megah Sdn Bhd	Director
	Omni Offshore Terminals (Operations) (Thailand) Co Ltd	Director
	Aurora FSO Ltd	Director
	Manora FSO Ltd	Director
	O.G. Oil & Gas (Singapore) Pte Ltd	Director
	O.G. Oil & Gas Ltd	Director
	O.G. Energy Holdings Ltd	Director
	OGOG (Kohatukai) Ltd	Director
	OGOG (Otway) Pty Ltd	Director
	OGOG (Otway) Holdings Pty Ltd	Director
	OGOG (1) Limited	Director
	OGOG (2) Limited	Director
	OGOG (3) Limited	Director
	OGOG (4) Limited	Director
	OGOG (5) Limited	Director
	O.G. Oil & Gas (Oceania) Pte. Ltd	Director
	OGOG (GOM 1) Inc.	President/ Director
	OGOG (GOM Management) Inc.	President/ Director
	OGOG (GOM NZ) Limited	Director
	OGOG (GOM Management) Limited	President/ Director

*^ Name change from previous declaration

Directors and Officers Liability Insurance

The Company and its subsidiaries have arranged policies of directors and officers 'liability insurance, which, together with a deed of indemnity, seek to ensure to the extent permitted by law that directors and officers will incur no monetary loss as a result of actions legitimately taken by them as directors and officers.

Chief Executive's Remuneration

Salary	592,813
Benefits [1]	39,899
Cash STI [2]	172,119
LTI: Share Options [3]	31,242
Total	836,073

1. Benefits include Kiwisaver at 3% and health insurance
2. 50% of the STI is based on company performance and 50% on personal performance assessed by the Nominations and Remunerations Committee. Half of the personal performance criteria is determined by behaviours, and half by performance measures agreed at periodic intervals throughout the year between the CEO and the Nominations and Remunerations committee.
3. The chief executive participates in the employee share options scheme, the Rules for which are available at www.nzog.com/dmsdocument/480-nzog-share-option-scheme-rules-pdf

   During the reporting period the chief executive was awarded 353,191 options. The value of the options in this table was calculated using the Black Scholes valuation method. The scheme rules provide that share options are allocated at the direction of the board. The board allocated share options to the chief executive as a long term incentive to promote retention and align the chief executive's incentives with those of shareholders.

Employees Remuneration

During the year ended 30 June 2021, 17 New Zealand Oil & Gas employees (including the chief executive) received individual remuneration over $100,000.

$110,001 – $120,000	2
$140,001 – $150,000	1
$150,001 – $160,000	1
$160,001 – $170,000	1
$180,001 – $190,000	1
$190,001 – $200,000	1
$200,001 – $210,000	1
$210,001 – $220,000	1
$260,001 – $270,000	2
$290,001 – $300,000	1
$300,001 – $310,000	1
$330,001 – $340,000	1
$420,001 – $430,000	1
$520,001 – $530,000	1
$830,001 – $840,000	1

Short Term Incentive

Officers of the company may receive payments under a short term incentive scheme.

50% of the STI is based on company performance and 50% on personal performance. Half of the personal performance criteria is determined by behaviours, and half by performance measures agreed at periodic intervals throughout the year between the CEO and direct reports.

In 2020-21 the company factors affecting short term incentive payments were

Acquisitions	Board approval to make binding offer on two opportunities, execution of one sales and purchase agreement, completion of one deal,
Financial Performance	Overhead costs to meet budget.
Reserves replacement	2P reserves replacement.
Asset strategy	Approval of board paper to pursue specific strategies.
HSSE	Sustainability targets met, influence of process safety with operating JV partners.
Corporate discretion	Awarded on overall company performance, share price performance and oil and gas market conditions

Officers' Securities Interests

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

Each Option is an option to acquire one fully paid ordinary share. Option holders will be able to exercise the Options for a period of three years, from three years post issue. The Board, in its discretion, fixes the exercise price, typically at a premium to the market. Shares issued on the exercise of Options will be issued on the same terms and will rank equally in all respects with ordinary shares currently on issue. Options do not carry voting rights or any entitlement to receive dividends unless and until exercised and converted to shares. The Board may permit participants to exercise Options by way of a cashless exercise, through which the company would only issue to a participant the number of shares equal in value to the difference between the exercise price otherwise payable in respect of the Options and the market value of shares at the time of exercise.

The interests of the current Company Officers (excluding the Chief Executive) in securities of the Company at 30 June 2021 were:

Officer	Number of shares at 30 June 2020	Number of shares at 30 June 2021
Paris Bree	223,075 share options	351,288 share options
Dr Chris McKeown	361,488 share options	569,254 share options
Catherine McKelvey	223,075 share options and 7,500 ordinary shares	351,288 share options
Michael Wright	293,151 share options	459,992 share options

Compliance with NZX Code Recommendations

	NZX Code Recommendation	✓ / X	Explanation for non-compliance
5.1	An issuer should recommend director remuneration to shareholders for approval in a transparent manner. Actual director remuneration should be clearly disclosed in the issuer's annual report.	✓	
5.2	An issuer should have a remuneration policy for remuneration of directors and officers, which outlines the relative weightings of remuneration components and relevant performance criteria.	✓	
5.3	An issuer should disclose the remuneration arrangements in place for the CEO in its annual report. This should include disclosure of the base salary, short term incentives and long term incentives and the performance criteria used to determine performance based payments	✓	

PRINCIPLE 6

Risk Management

"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."

Recognising and Managing Risk

The Company has a risk management system framework, which outlines the Company's approach to risk management. It provides a framework for applying consistent and comprehensive risk management practices across all functional areas of the business.

The Risk Management System Framework is available in the corporate governance section of the Company's website at:

www.nzog.com/dmsdocument/1

A central Company risk register, which considers the risks, reviews the controls, assigns ownership of a risk and tracks treatment plans, is maintained. Risk assurance is provided through a prioritised programme of audits and internal review.

The board's accountabilities include overseeing the effectiveness of the risk management system framework, monitoring compliance and approving polices and systems for the ongoing identification and management of risks. The board's responsibilities include approving the Company's risk capacity and appetite, reviewing material risks and reviewing the risk register. The board allocates oversight of risk management in relation to health, safety and environment and company operations to the HSSE Committee and oversight in relation to accounting standards and principles, financial statement compliance and reliability and the audit process to the Audit Committee.

Responsibility for identifying, documenting and managing risks and opportunities is delegated to the appropriate level of management. The chief executive is responsible for such things as integrating risk management into core business processes, managing the Company's corporate strategic risks and opportunities, and regularly reviewing the Company's risk profile. The chief executive has ultimate responsibility to the board for design, development and improvement of the risk management framework system and maintains the Company's risk register.

The Company does not have an internal audit function. The process employed for evaluating and improving the effectiveness of risk management and internal control processes is:

- risks are formally reviewed by risk owners;
- management regularly reviews the risk register to ensure adherence and continuous improvement;
- the ORS Committee regularly reviews the risk register, with a particular emphasis on reducing key risks to as low as reasonably practicable;
- for specific operational activities (including seismic acquisition campaigns), the board reviews the intended operational activity against activities related to elements of the Company's HSSE management framework to ensure a compliant work programme, achieving desired objectives safely; and
- after-action reviews of an operational phase of a project are undertaken by the HSSE Advisor and project team, to identify improvement in control processes. The after-action review is then reviewed by the HSSE Committee.

The ORS Committee reviews specific risks at each meeting of the committee and, at least annually, reviews the risk register and framework document to satisfy itself that the system continues to be sound.

The Board Operational Risk and Sustainability Committee Charter, is available in the corporate governance section of the Company's website at:

www.nzog.com/dmsdocument/370

TCFD Risk disclosure

TCFD risks, and the framework for managing risk, are comprehensively reported in the section beginning page 42 of this document.

Health and Safety

The Company values the wellbeing of employees, contractors and communities in which we operate. It is fully committed to the provision of a safe and healthy environment for all employees, contractors and visitors to New Zealand Oil & Gas sites, and to achieving a health and safety aspiration of 'no one gets hurt' and 'no incidents'.

All employees, contractors and joint venture parties engaged in activities under the Company's operational control are responsible for the application of the Health and Safety Policy.

All employees are responsible for taking all practical steps to avoid harm to themselves or to others in the workplace. They must report any potentially hazardous situations, maintain good housekeeping in all areas and comply with safe work practices and procedures.

The Company's managers are responsible for promoting the Health and Safety Policy in non-operated joint ventures.

The full Health and Safety Policy is available in the corporate governance section of the Company's website at:

www.nzog.com/dmsdocument/492

Environment

The Company values our natural environment and is committed to responsible management practices that minimise environmental impacts arising from our activities, using soundly-based science as the basis for all of our environmental decisions.

All employees, contractors and joint venturers engaged in activities under the Company's operational control are responsible for applying the Environment Policy. The Company's managers are responsible for promoting the policy in non-operated joint ventures.

The full Environment Policy is available in the corporate governance section of the Company's website at:

www.nzog.com/dmsdocument/491

Compliance with NZX Code Recommendations

	NZX Code Recommendation	✓ / X	Explanation for non-compliance
6.1	An issuer should have a risk management framework for its business and the issuer's board should receive and review regular reports. An issuer should report the material risks facing the business and how these are being managed.	✓	
6.2	An issuer should disclose how it manages its health and safety risks and should report on its health and safety risks, performance and management.	✓	

PRINCIPLE 7

Auditors

"The board should ensure the quality and independence of the external audit process."

Oversight of the Company's external audit is the responsibility of the Audit Committee, which also oversees financial and internal controls and financial reporting.

The external auditor of New Zealand Oil & Gas is KPMG. The Audit Committee reviewed the appointment in February 2021 and a new letter was approved.

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

Total fees paid to KPMG in its capacity as group auditor in FY 2021 were $252,000, which includes fees earned as Cue's auditor. Fees for audit services for New Zealand Oil & Gas Limited were $116,000.

Total fees paid to KPMG for other professional services were $407,000. Other services included:

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

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

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

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

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

Compliance with NZX Code Recommendations

	NZX Code Recommendation	✓ / X	Explanation for non-compliance
7.1	The board should establish a framework for the issuer's relationship with its external auditors. This should include procedures:	✓	
	(a) for sustaining communication with the issuer's external auditors;	✓	
	(b) to ensure that the ability of the external auditors to carry out their statutory audit role is not impaired, or could reasonably be perceived to be impaired;	✓	
	(c) to address what, if any, services (whether by type or level) other than their statutory audit roles may be provided by the auditors to the issuer; and	✓	
	(d) to provide for the monitoring and approval by the issuer's audit committee of any service provided by the external auditors to the issuer other than in their statutory audit role.	✓	
7.2	The external auditor should attend the issuer's Annual Meeting to answer questions from shareholders in relation to the audit.	✓	
7.3	Internal audit functions should be disclosed.	X	The Company does not have an internal audit function. The process employed for evaluating and improving the effectiveness of risk management and internal control processes is: • risks are formally reviewed by risk owners; • management regularly reviews the risk register to ensure adherence and continuous improvement; • the Operational Risk and Sustainability Committee regularly reviews the risk register, with a particular emphasis on reducing key risks to as low as reasonably practicable; • for specific operational activities (including seismic acquisition campaigns), the board reviews the intended operational activity against activities related to elements of the Company's HSSE management framework to ensure a compliant work programme, achieving desired objectives safely; and • after action reviews of an operational phase of a project are undertaken by the HSSE Advisor and project team, to identify improvement in control processes. The after-action review is then reviewed by the ORS Committee.

PRINCIPLE 8

Shareholder Rights & Relations

"The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."

Shareholder participation

The Company encourages shareholder participation at the annual meeting by inviting questions in advance and discussion from the floor. Meeting agendas and supporting documents such as presentations are posted on the Company's website.

In 2020, the annual meeting was held online so that all shareholders could participate despite restrictions on travel and Covid-19 alert levels. In 2021, a Special Meeting of Shareholders was held online as well as in person to facilitate full participation in the circumstances, and the same procedures are expected to be in place at future meetings, including the 2021 Annual Shareholder Meeting, for at least as long as restricted travel conditions are in place.

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

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

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

The chief executive actively contacts shareholders who seek to engage.

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

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

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

Website

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

Shareholders and interested parties can subscribe via the website to receive notice of the Company's market announcements by email.

The dedicated investor relations section of the website makes available share price information, detail about shareholdings, statutory reports, corporate governance information, and market updates about the Company's activities.

Compliance with NZX Code Recommendations

	NZX Code Recommendation	✓ / X	Explanation for non-compliance
8.1	An issuer should have a website where investors and interested stakeholders can access financial and operational information and key corporate governance information about the issuer.	✓	
8.2	An issuer should allow investors the ability to easily communicate with the issuer, including providing the option to receive communications from the issuer electronically.	✓	
8.3	Quoted equity security holders should have the right to vote on major decisions which may change the nature of the company in which they are invested.	✓	
8.4	If seeking additional equity capital, issuers of quoted equity securities should offer further equity securities to shareholders of the same class on a pro rata basis, and on no less favourable terms, before further equity securities are offered to other investors.	✓	
8.5	The board should ensure that notices of annual or special meeting of shareholders are posted on the website as soon as possible and at least 20 working days prior to the meeting.	✓	

Shareholder Information

Stock Exchange Listing

The Company's securities are listed on the Main Board equity security market operated by NZX Limited and the official list of the Australian Securities Exchange (ASX) as a foreign exempt entity. On both exchanges the Company's code is "NZO".

Securities On Issue

As at 25 August 2021 New Zealand Oil & Gas Limited had the following securities

Listed Ordinary Shares	Options to acquire ordinary shares
164,430,718	4,708,978

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

Each Option is an option to acquire one fully paid ordinary share. Option holders will be able to exercise the Options within a three year period, three years post issue. The Board fixes the exercise price of the Option. To date, there have been two tranches of options issued, one has an exercise price of $0.61 per Option and the other $0.65 per Option. Shares issued on the exercise of Options will be issued on the same terms and will rank equally in all respects with ordinary shares currently on issue. Options do not carry voting rights or any entitlement to receive dividends unless and until exercised and converted to shares. In the event of a change of control event, generally the vesting date of Options will accelerate and the Options will become exercisable. Options are generally forfeited by a participant on the occurrence of a lapse event, which includes when the participant ceases to be an employee of the company.

Substantial Shareholders

Substantial Product Holder Notices are received pursuant to the Financial Markets Conduct Act 2013. Shareholders are required to disclose their holding to the issuer and the issuer's registered exchanges when:

- they have a substantial holding (5% or more of the listed voting securities);
- subsequent movements of 1% or more in a substantial holding from prior notification;
- any change is made in the nature of any relevant interest in the substantial holding; and
- they cease to have a substantial holding.

According to the company's records and Substantial Product Holding Notices previously released to NZX, as at 30 June 2021, no Substantial Product Holder Notices were received since the date of the last Annual Report, in respect of holdings of ordinary shares of New Zealand Oil & Gas Limited.

Top 20 Shareholders

As at 25 August 2021

	Security Holder	Units	%
1	O.G. OIL AND GAS SINGAPORE PTE. LTD	114,876,016	69.86
2	RESOURCE NOMINEES LIMITED	3,334,000	2.03
3	ACCIDENT COMPENSATION CORPORATION - NZCSD <ACCI40>	3,149,936	1.92
4	SIK-ON CHOW	2,140,000	1.3
5	ASB NOMINEES LIMITED <414354 ML - A/C>	2,085,500	1.27
6	RIUO HAURAKI LIMITED	1,500,000	0.91
7	NEW ZEALAND DEPOSITORY NOMINEE LIMITED <A/C 1 CASH ACCOUNT>	1,264,906	0.77
8	RUIHUI ZHANG	845,000	0.51
9	AMALGAMATED DAIRIES LIMITED	706,334	0.43
10	TRIBAL NOMINEES LIMITED	599,500	0.36
11	RICHARD BRUCE LEES	564,000	0.34
12	AOTEAROA RENTAL ENTERPRISES LIMITED	556,595	0.34
13	CHIN-YI LIN & YU-CHING LIN-CHAO	540,000	0.33
14	MURRAY ION DENHOLM	515,500	0.31
15	ASB NOMINEES LIMITED <A/C 317253>	514,585	0.31
16	BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD	510,386	0.31
17	NEW ZEALAND OIL & GAS LIMITED - GNA TRUSTEE <GNA TRUSTEE>	443,151	0.27
18	ROY ANTHONY RADFORD	392,000	0.24
19	FNZ CUSTODIANS LIMITED <DRP NZ A/C>	362,094	0.22
20	SHENG-FEI WANG	340,000	0.21
	Totals: Top 20 Holders Of Ordinary Shares	**135,239,503**	**82.25**
	Total Remaining Holders Balance	**29,191,215**	**17.75**

Substantial Shareholders

Substantial Product Holder Notices are received pursuant to the Financial Markets Conduct Act 2013. Shareholders are required to disclose their holding to the issuer and the issuer's registered exchanges when:

- they have a substantial holding (5% or more of the listed voting securities);
- subsequent movements of 1% or more in a substantial holding from prior notification;
- any change is made in the nature of any relevant interest in the substantial holding; and
- they cease to have a substantial holding.

According to the company's records and Substantial Product Holding Notices previously released to NZX, as at 30 June 2021, no Substantial Product Holder Notices were received since the date of the last Annual Report, in respect of holdings of ordinary shares of New Zealand Oil & Gas Limited.

Distribution of Security Holders

As at 16 August 2021

Range	Total Holders	Units	% Issued Capital
1 – 99	23	742	0
100 – 199	12	1,615	0
200–499	23	6,830	0
500–999	1,140	796,488	0.48
1,000 – 1,999	934	1,292,725	0.79
2,000 – 4,999	995	3,071,297	1.87
5,000 – 9,999	439	2,912,138	1.77
10,000 – 49,999	501	9,484,717	5.77
50,000 – 99,999	69	4,755,531	2.89
100,000 – 499,999	46	8,406,377	5.11
500,000 – 999,999	9	5,351,900	3.25
1,000,000 – 9,999,999	6	13,474,342	8.19
10,000,000 Over	1	114,876,016	69.86
Rounding			0.02
Total	**4,198**	**164,430,718**	**100**

Share Buy-backs

No shares were bought back in the period.

Trading Statistics

For the 12 months ended 30 June 2021	High	Low
NZX (Trading Code NZO) cps, AUD	0.750	0.410
ASX (trading Code NZO, from 25 Sept 2020) cps AUD	0.750	0.380

Track the share price and volumes at:

http://www.nzog.com/investor-information/shareholders-information/share-price-graph/

Dividend Payments

No dividend payments have been made during the financial year.

Dividend Reinvestment Plan

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

Direct Crediting of Dividends Payments

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

Share Registry

The Company's share registry is managed by Computershare.

Shareholders with enquiries about share transactions, changes of address can email them at enquiry@computershare.co.nz

Donations

The Company made a donation to:

- Dunedin Curtain Bank;
- Trees that Count
- Salk Institute

Details are shown at pages 31–34.

Consolidated Financial Statements

For the year ended 30 June 2021

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

Samuel Kellner
Chairman

Rosalind Archer
Director

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Notes	2021 $000	2020 $000
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**

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

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

	Notes	2021 $000	2020 $000
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

	Notes	2021 $000	2020 $000
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

	Notes	2021 $000	2020 $000
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

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

	Share capital $000	Reserves $000	Retained earnings $000	Total $000	Non-controlling interest $000	Total equity $000
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**

Notes to Financial Statements

1 Basis of accounting

Reporting entity

New Zealand Oil & Gas Limited (the Group) is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX) 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.

Major customers

The Group provides products to four external customers.

2021	Kupe oil & gas $000	Oil & gas exploration $000	Other & unallocated $000	Cue Energy Resources Ltd $000	Total $000
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	Kupe oil & gas $000	Oil & gas exploration $000	Other & unallocated $000	Cue Energy Resources Ltd $000	Total $000
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

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**
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).

(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.

8 Taxation (continued)

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

Receivables and prepayments denominated by currency $000	Base Currency	NZD Equivalent
2021		
New Zealand dollar	**28,851**	**28,851**
United States dollar	**3,963**	**5,674**
Australian dollar	**33,680**	**36,180**
Indonesian rupiah	**546,211**	**54**
Total cash and cash equivalents at end of year		**70,759**
2020		
New Zealand dollar	29,929	29,929
United States dollar	48,651	75,710
Australian dollar	4,493	4,808
Indonesian rupiah	2,840,563	307
Total cash and cash equivalents at end of year		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	Base Currency	NZD Equivalent
2021		
New Zealand dollar	1,296	1,296
United States dollar	5,465	7,821
Australian dollar	25	27
Indonesian rupiah	-	-
Total cash and cash equivalents at end of year		**9,144**
2020		
New Zealand dollar	1,530	1,530
United States dollar	3,163	4,907
Australian dollar	135	144
Indonesian rupiah	208,275	23
Total cash and cash equivalents at end of year		**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.

12 Investments in subsidiaries (continued)

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

Name of entity	Country of incorporation	Equity Holding 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	Ownership 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.

	2021 $000	2020 $000
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

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.

	2021 $000	2020 $000
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.

	2021 $000	2020 $000
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

	2021 $000	2020 $000
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 $000	Base Currency	NZD Equivalent
2021		
New Zealand dollar	**4,350**	**4,350**
United States dollar	**1,356**	**1,940**
Australian dollar	**918**	**992**
Indonesian rupiah	**6,910**	**1**
Total payables at end of year		**7,283**
2020		
New Zealand dollar	3,594	3,594
United States dollar	916	1,421
Australian dollar	394	423
Indonesian rupiah	271,452	29
Total payables at end of year		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.

	2021 $000	2020 $000
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

	Number of shares 000s	2020 $000
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

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

22 Financial risk management (continued)

(b) Credit risk

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

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

(c) Liquidity risk

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

The following table sets out the contractual cash flows for all non-derivative financial liabilities and for derivatives that are settled on a gross cash flow basis:

$000	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years	Contractual cash flows
30 JUNE 2021						
Payables	7,283	–	–	–	–	7,283
Total non-derivative liabilities	**7,283**	**-**	**-**	**-**	**-**	**7,283**
30 JUNE 2020						
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).

(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.

24 Share-based payments (continued)

The Company has the following share based payment schemes:

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

(b) Cue Energy Share Option Scheme – established July 2019.

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

(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:

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
2021							
19/03/2020	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
2020							
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:

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
2021							
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							
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

24 Share-based payments (continued)

(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:

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 85 to 109:

— 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

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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.

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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	

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 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;
	  – 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.

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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;

— implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and

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

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

Our objective is:

— to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— to issue an independent auditor's report that includes our opinion.

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

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

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

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

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

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

For and on behalf of

KPMG

KPMG
Wellington

24 August 2021

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