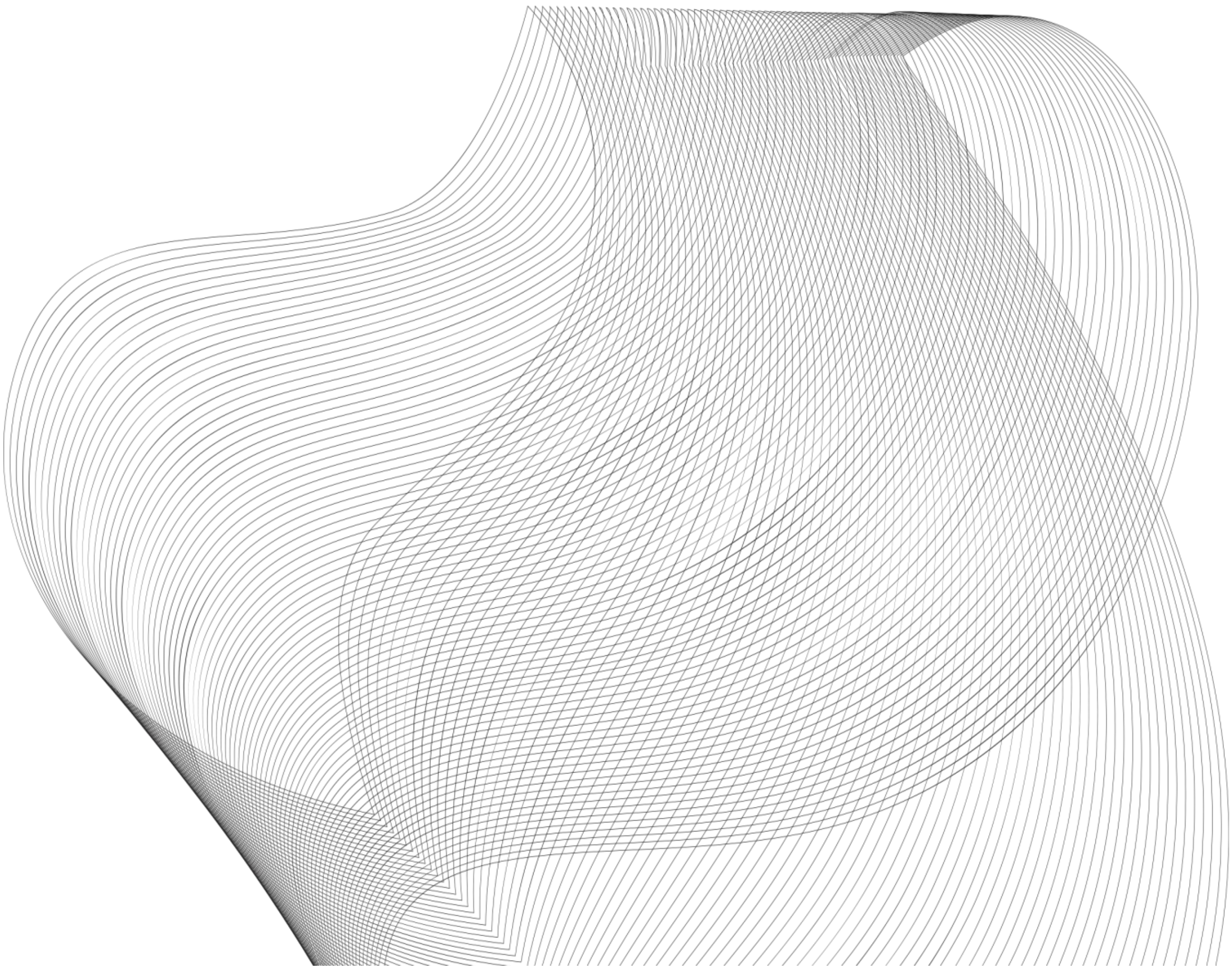
NEW ZEALAND OIL & GAS

CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended 31 December 2018



Condensed Statement of Cash Flows
For the half year ended 31 December 2018

$000	Notes	Unaudited Half Year 31 Dec **2018**	Unaudited Half Year 31 Dec 2017	Audited Full Year 30 Jun 2018
Cash flows from operating activities				
Receipts from customers		**23,530**	12,870	36,519
Production and marketing expenditure		**(5,524)**	(6,758)	(12,551)
Supplier and employee payments (inclusive of GST)		**(6,562)**	(7,015)	(11,501)
Interest received		**1,191**	947	1,713
Income taxes paid		**(1,805)**	(1,250)	(3,214)
Royalties paid		**(1,179)**	(310)	(603)
Other		**154**	199	200
Net cash (outflow)/inflow from operating activities		**9,805**	(1,317)	10,563
Cash flows from investing activities				
Exploration and evaluation expenditure		**(7,959)**	(3,339)	(5,420)
Oil and gas asset expenditure		**(1,057)**	(1,936)	(3,422)
Purchase of oil and gas interest		**-**	(30,000)	-
Purchase of oil and gas interest net of cash acquired		**-**	-	(29,654)
Purchase of property, plant and equipment		**-**	-	(306)
Net cash (outflow)/inflow from investing activities		**(9,016)**	(35,275)	(38,802)
Cash flows from financing activities				
Issue of shares		**6**	53	3,291
Forfeited Shares		**(17)**	-	(4)
Dividends paid		**-**	(6,805)	(6,805)
Net cash outflow from financing activities		**(11)**	(6,752)	(3,518)
Net (decrease)/increase in cash and cash equivalents		**778**	(43,344)	(31,757)
Cash and cash equivalents at beginning of the period		**98,010**	125,103	125,103
Exchange rate effects on cash and cash equivalents		**300**	1,812	4,664
Cash and cash equivalents at end of the period		**99,088**	83,571	98,010

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

Condensed Statement of Comprehensive Income		Unaudited	Unaudited	Audited
For the half year ended 31 December 2018		Half Year	Half Year	Full Year
	Notes	31 Dec	31 Dec	30 Jun
$000		**2018**	2017	2018
Revenue	4	**21,774**	15,357	35,811
Operating costs	5	**(5,357)**	(6,961)	(12,625)
Exploration and evaluation expenditure	6	**(4,967)**	(3,494)	(4,650)
Other income		**882**	403	542
Other expenses		**(6,277)**	(5,215)	(11,376)
Results from operating activities excluding amortisation, impairment and net finance costs		**6,055**	90	7,702
Amortisation of production assets		**(4,709)**	(3,474)	(8,287)
Exploration and evaluation impairment	6	**(7,202)**	-	-
Net finance income		**2,332**	2,059	5,763
(Loss)/profit before income tax and royalties		**(3,524)**	(1,325)	5,178
Income tax credit		**108**	854	1,197
Royalties expense		**(1,370)**	(251)	(1,545)
(Loss)/profit for the period		**(4,786)**	(722)	4,830
(Loss)/profit for the period attributable to:				
(Loss)/profit attributable to shareholders		**(7,256)**	(2,508)	762
Profit attributable to non-controlling interest		**2,470**	1,786	4,068
(Loss)/profit for the period		**(4,786)**	(722)	4,830
Other comprehensive profit/(loss):				
Items that may be classified to profit or loss				
Foreign currency translation differences		(1,949)	1,291	1,179
Total other comprehensive (loss)/income for the period		(6,735)	569	6,009
Total comprehensive (loss)/income for the period is attributable to:				
Equity holders of the Group		(8,997)	(1,217)	2,125
Non-controlling interest		2,262	1,786	3,884
Total comprehensive (loss)/income for the period		(6,735)	569	6,009
(Loss)/income per share				
Basic and diluted (cents per share)		(4.3)	(1.5)	0.01

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

Condensed Statement of Financial Position
As at 31 December 2018

$000	Notes	Unaudited Half Year 31 Dec **2018**	Audited Full Year 30 Jun 2018
Assets			
Current assets			
Cash and cash equivalents		**99,088**	98,010
Receivables and prepayments		**10,893**	11,772
Inventories		**2,293**	2,253
Total current assets		**112,274**	112,035
Non-current assets			
Exploration and evaluation assets	6	**2,564**	7,243
Oil and gas assets	8	**60,771**	64,848
Property, plant and equipment		**366**	217
Other intangible assets		**154**	487
Other financial assets		**-**	16
Total non-current assets		**63,855**	72,811
Total assets		**176,129**	184,846
Liabilities			
Current liabilities			
Payables		**6,326**	8,546
Current tax liability		**5,005**	5,291
Total current liabilities		**11,331**	13,837
Non-current liabilities			
Rehabilitation provision	9	**19,606**	18,642
Deferred tax liability		**355**	797
Total non-current liabilities		**19,961**	19,439
Total liabilities		**31,292**	33,276
Net assets		**144,837**	151,570
Equity			
Share capital		**211,906**	211,917
Reserves		**5,750**	7,561
Retained earnings		**(81,751)**	(74,578)
Attributable to shareholders of the Group		**135,905**	144,900
Non-controlling interest in subsidiaries		**8,932**	6,670
Total equity		**144,837**	151,570
Net asset backing per share (cents per share)		**86**	90
Net tangible asset backing per share (cents per share)		**85**	86

Authorised on behalf of the New Zealand Oil & Gas Limited Board of Directors on 26 February 2019

Samuel Kellner
Chairman

Rosalind Archer
Director

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

Condensed Statement of Changes in Equity
For the half year ended 31 December 2018

$000	Issued capital	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 1 July 2017	**208,630**	**6,198**	**(68,558)**	**146,270**	**2,786**	**149,056**
Profit for the period	-	-	762	762	4,068	4,830
Foreign currency translation differences	-	1,338	-	1,338	(184)	1,154
Shares issued	3,313	-	-	3,313	-	3,313
Partly paid shares issued	(26)	-	-	(26)	-	(26)
Share based compensation expense	-	47	-	47	-	47
Exercised and expired ESOP awards	-	(47)	47	-	-	-
Dividends declared	-	-	(6,804)	(6,804)	-	(6,804)
FCTR on disposals	-	25	(25)	-	-	-
Audited balance as at 30 June 2018	**211,917**	**7,561**	**(74,578)**	**144,900**	**6,670**	**151,570**
(Loss)/profit for the period	**-**	**-**	**(7,256)**	**(7,256)**	**2,470**	**(4,786)**
Foreign currency translation differences	**-**	**(1,741)**	**-**	**(1,741)**	**(208)**	**(1,949)**
Shares issued	**6**	**-**	**-**	**6**	**-**	**6**
Party paid shares issued	**(17)**	**-**	**-**	**(17)**	**-**	**(17)**
Share based payment	**-**	**13**	**-**	**13**	**-**	**13**
Exercised and expired ESOP awards	**-**	**(83)**	**83**	**-**	**-**	**-**
Unaudited balance as at 31 December 2018	**211,906**	**5,750**	**(81,751)**	**135,905**	**8,932**	**144,837**

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

1 Basis of accounting

Reporting entity

New Zealand Oil & Gas Limited (the Group) is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX). The Group is an FMC reporting entity for the purposes of the Financial Reporting Act 2013 and Financial Markets Conduct Act 2013.

The condensed interim financial statements (financial statements) presented as at and for the half year ended 31 December 2018 are for New Zealand Oil & Gas Limited, its subsidiaries and the interests in associates and jointly controlled operations (together referred to as the “Group”).

The ultimate parent company is O.G. Oil & Gas (Singapore) Pte. Limited (OGOG), a company incorporated in Singapore and forms part of the Ofer Global Group.

These financial statements do not include all the notes normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018.

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current reporting period.

2 Accounting Policies

The financial statements for the half year ended 31 December 2018 have been prepared in accordance with New Zealand Generally Accepted Accounting Practices (NZ GAAP) and NZ IAS 34 Interim Financial Reporting, as appropriate for profit oriented entities.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2018 other than the adoption of NZ IFRS 9 Financial Instruments and NZ IFRS 15 Revenue from Contracts with Customers. These have been adopted from 1 July 2018 and are detailed below.

* **NZ IFRS 9 Financial Instruments**
  This standard includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from NZ IAS 39 Financial Instruments: Recognition and Measurement, which NZ IFRS 9 replaces. The adoption of this accounting standard has had no impact on the interim financial statements.

* **NZ IFRS 15 Revenue from Contracts with Customers**
  This standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including NZ IAS 18 Revenue, NZ IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The adoption of this accounting standard has had no impact on the interim financial statements.

  The accounting policies for revenue recognition are as follows:

  Production revenue
  The consolidated entity generates production revenue form its interest in producing crude oil and gas fields. Revenue from oil production is recognised at a point in time when crude oil is delivered to the buyer. Revenue from gas production is recognised during the month when gas is delivered to the buyer.

Adoption status of relevant new financial reporting standards and interpretations

The following new standard, amendment to standards and interpretations is issued but not yet effective and has not been applied in preparation of these interim financial statements.

* **NZ IFRS 16 Leases**
  This standard removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating. The standard is effective for annual reporting periods beginning on or after 1 January 2019. The likely impact of this standard has not yet been assessed.

3 Critical accounting estimates and judgements

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

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

* recoverability of evaluation and exploration assets and oil and gas assets. Assessment includes future commodity prices, future cash flows, an estimated discount rate and estimates of reserves. Management performs an assessment of the carrying value of investments at 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 8).

* provision for rehabilitation obligations includes estimates of future costs, timing of required restoration and an estimated discount rate (refer to note 9).

4 Segment information

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

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

Kupe oil and gas field: development, production and sale of natural gas, liquefied petroleum gas (LPG) and condensate (light oil) in the petroleum mining permit area of PML 38146 located in the offshore Taranaki basin, New Zealand.

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

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.

Unaudited **Half year to 31 December 2018** **$000**	**Kupe oil & gas**	**Oil & gas exploration**	**Other & unallocated**	**Cue Energy Resources Ltd**	**Total**
Sales to external customers - NZ	5,596	-	-	5,897	11,493
Sales to external customers - other countries	1,683	-	-	8,598	10,281
Total sales revenue	7,279	-	-	14,495	21,774
Other income	120	-	232	530	882
Total revenue and other income	7,399	-	232	15,025	22,656
Impairment of exploration and evaluation asset	-	(7,202)	-	-	(7,202)
Segment result	4,927	(11,512)	(4,540)	5,269	(5,856)
Other net finance costs					2,332
Loss before income tax and royalties					(3,524)
Income tax and royalties expense					(1,262)
Loss for the period					(4,786)
Segment assets	33,604	-	-	27,167	60,771
Unallocated assets					115,358
Total assets					176,129
Included in segment results:					
Depreciation and amortisation expense	1,757	-	197	2,952	4,906

4 Segment information (continued)

Audited Full year to 30 June 2018 $000	Kupe oil & gas	Oil & gas exploration	Other & unallocated	Cue Energy Resources Ltd	Total
Sales to external customers - NZ	6,052	-	-	11,444	17,496
Sales to external customers - other countries	3,114	-	-	15,201	18,315
Total sales revenue	9,166	-	-	26,645	35,811
Other income	(22)	-	282	282	542
Total revenue and other income	9,144	-	282	26,927	36,353
Segment result	5,589	(1,649)	(9,754)	5,229	(585)
Other net finance costs					5,763
Profit before income tax and royalties					5,178
Income tax and royalties expense					(348)
Profit for the year					4,830
Segment assets	35,432	7,243	-	29,416	72,091
Unallocated assets					112,755
Total assets					184,846
Included in profit for the year:					
Depreciation and amortisation expense	2,129	-	437	6,158	8,724

Unaudited Half year to 31 December 2017 $000	Kupe oil & gas	Oil & gas exploration	Other & unallocated	Cue Energy Resources Ltd	Total
Sales to external customers - NZ	830	-	-	8,682	9,512
Sales to external customers - other countries	595	-	-	5,250	5,845
Total sales revenue	1,425	-	-	13,932	15,357
Other income	1	-	260	142	403
Total revenue and other income	1,426	-	260	14,074	15,760
Segment result	844	(2,808)	(3,402)	1,982	(3,384)
Other net finance costs					2,059
Loss before income tax and royalties					(1,325)
Income tax and royalties credit					603
Loss for the period					(722)
Segment assets	37,738	6,900	-	32,042	76,680
Unallocated assets					95,387
Total assets					172,067
Included in loss for the period:					
Depreciation and amortisation expense	224	-	210	3,250	3,684

5 Operating Costs

$000	Unaudited Half Year 31 Dec **2018**	Unaudited Half Year 31 Dec 2017	Audited Full Year 30 Jun 2018
Production and sales marketing costs	**(4,758)**	(7,024)	(11,949)
Carbon emission expenditure	**(156)**	(239)	(391)
Insurance expenditure	**(180)**	(11)	(274)
Movement in inventory	**(263)**	313	(11)
Total operating costs	**(5,357)**	(6,961)	(12,625)

6 Exploration and evaluation

The Kisaran evaluation and exploration asset (US$4.9 million) has been fully impaired following an assessment that the carrying value is unlikely to be recovered by future development or sale. NZ$7.2 million has been expensed in the profit and loss.

Exploration and evaluation expenditure includes the drilling costs associated with the Kohatukai well. On 15 November 2018 the Group announced that the well was to be plugged and abandoned as it was not considered to be a commercial discovery. The Group's policy is to expense costs at this point.

Paus Biru-1 (Sampang PSC) drilling costs have been capitalised as an exploration and evaluation asset pending the determination of the success of the well. If the well does not result in a successful commercial discovery, the previously capitalised costs will be immediately expensed.

On 26 October 2018, New Zealand Oil & Gas Ltd reached a conditional agreement to farm-in to WA-359-P and take 15 per cent of the equity by paying 17.85% towards the cost of the well. This permit, held by Cue, contains the Ironbark prospect in Western Australia. As the transaction involves related parties, approval of Cue's minority shareholders was required; this approval was given after balance date in January 2019. A co-ordination agreement between Beach Energy Ltd (Beach), BP Developments Australia Pty Ltd (BP), Cue and New Zealand Oil & Gas Ltd was executed on 26 October 2018. It allows work to begin on detailed planning of the well. Pursuant to the co-ordination agreement the parties will, subject to certain conditions and approvals, form a joint venture with BP as operator.

In December 2018 an agreement was entered to dispose of the Group's interest in Bohorok PSC. The terms will see the Group receive a cash payment of US$2 million if production commences following the first well, with a further US$1 million from production from a second well. The Group will not contribute further to the cost of the PSC. This transaction is subject to regulator approval.

7 Oil and gas interests

The Group has interests in a number of joint arrangements which are classified as joint operations. The Group financial statements include a proportional share of the oil and gas interests' assets, liabilities, revenue and expenses with items of a similar nature on a line by line basis, from the date that joint control commences until the date that joint control ceases.

Share of oil and gas interests' assets and liabilities	Unaudited Half Year 31 Dec	Unaudited Half Year 31 Dec	Audited Full Year 30 Jun
$000	**2018**	2017	2018
Current assets			
Cash and cash equivalents	**950**	525	928
Trade receivables	**627**	579	617
Inventory	**622**	1,229	957
Non-current assets			
Petroleum interests (i)	**64,776**	76,964	74,259
Total assets	**66,976**	79,297	76,761
Current liabilities			
Short-term liabilities	**2,275**	2,874	3,822
Total liabilities	**2,275**	2,874	3,822
Net assets	**64,701**	76,423	72,939
Expenses (ii)	**(4,019)**	(6,622)	(11,945)

(i) Petroleum interests are prior to amortisation of production assets and borrowings.

(ii) Revenue is excluded above as petroleum sales in relation to the Maari, Kupe and Sampang fields are transferred from the Joint Venture to wholly owned subsidiaries and invoiced directly by the subsidiaries to third parties.

8 Oil and gas assets

$000	Unaudited Half Year 31 Dec 2018	Audited Full Year 30 Jun 2018
Opening balance	**64,848**	31,957
Acquisition (i)	**-**	29,379
Expenditure capitalised	**843**	3,272
Amortisation for the period	**(4,790)**	(8,308)
Foreign exchange adjustment	**(1,061)**	1,254
Abandonment provision	**931**	7,294
Closing balance at end of period	**60,771**	64,848

(i) In the previous period the Group acquired 4% interest in the Kupe permit.

9 Rehabilitation provision

Provisions for restoration have been recognised where the Group has an obligation, as a result of its operating activities, to restore certain sites to their original condition. There is uncertainty in estimating the timing and amount of the future expenditure. The provision is estimated based on the present value of the expected expenditure. The discount rate used is the risk-free interest rate obtained from the country related to the currency of the expected expenditure. In the current period, the discount rate used to determine the provision was 2.88% using the United States Treasury bond rates. The initial provision and subsequent re-measurement are recognised as part of the cost of the related asset. The unwinding of the discount is recognised as finance costs in profit or loss.

$000	Unaudited Half Year 31 Dec 2018	Audited Full Year 30 Jun 2018
Carrying amount at start of period	**18,642**	10,304
Addition in provision recognised	**834**	7,095
Foreign exchange adjustment	**(130)**	712
Unwinding of discount	**259**	531
Carrying amount at end of period	**19,606**	18,642

10 Related party transactions

All transactions and outstanding balances with related parties are in the ordinary course of business on normal trading terms. There have been no material transactions with related parties during the period.

A number of directors are also directors of other companies. Any transactions undertaken with these entities have been entered into as part of the ordinary business of the Group.

During the period certain activities were undertaken between the Group and OGOG. For the period ended 31 December 2018 no costs have been on-charged to the Group.

No directors fees are charged for the four representatives of OGOG who are directors of the Group.

11 Commitments and contingent assets and liabilities

Exploration expenditure commitments

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

Cue's exploration portfolio includes a commitment which relates to Australian permit WA359P which contains the Ironbark prospect. A co-ordination agreement between Beach Energy, BP, Cue and New Zealand Oil & Gas Ltd has been executed which allows work to begin on detailed planning of the well. Pursuant to the co-ordination agreement the parties will, subject to certain conditions and approvals, form a joint venture with BP as operator (refer note 6).

12 Events occurring after balance date

On 13 February 2019, the Group announced that a rig contract has been signed for the drilling of the Ironbark prospect in exploration permit WA-359-P offshore Western Australia.

The Ocean Apex semisubmersible drilling rig, operated by Diamond Drilling, has been contracted by BP, which is acting as operator on behalf of Cue Exploration Pty Ltd (Cue Exploration), a wholly owned subsidiary of Cue, under a co-ordination agreement. Cue Exploration has contributed US$8.08 million from its existing cash into an escrow account to secure the proportion of its costs that are not carried by other parties. Cue Exploration will receive interest on the escrowed amount until drawn, which is expected to be closer to the well commencement date.

The execution of the rig contract and Cue Exploration's funding of the escrow account satisfy two outstanding conditions to completion of the co-ordination agreement, BP Option agreement and farm-in agreements with Beach and New Zealand Oil & Gas Ltd. Regulatory approval of an extension to the WA-359-P permit to allow time to drill is also required. Cue Exploration is preparing an extension application for submission to the National Offshore Petroleum Titles Administrator.

Independent Review Report

To the shareholder of New Zealand Oil and Gas Limited

Report on the interim condensed financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial statements on pages 2 to 11 do not:

i. present fairly in all material respects the Group's financial position as at 31 December 2018 and its financial performance and cash flows for the six month period ended on that date; and

ii. comply with NZ IAS 34 Interim Financial Reporting.

We have completed a review of the accompanying interim condensed financial statements which comprise:

- the condensed statement of financial position as at 31 December 2018;
- the condensed statements of comprehensive income, changes in equity and cash flows for the six month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for conclusion

A review of interim condensed financial statements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of New Zealand Oil and Gas Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Our firm has also provided other services to the group in relation to taxation and advisory 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 reviewer of the group. The firm has no other relationship with, or interest in, the group.

Use of this Independent Review Report

This report is made solely to the shareholder as a body. Our review work has been undertaken so that we might state to the shareholder those matters we are required to state to them in the Independent Review 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 shareholder as a body for our review work, this report, or any of the opinions we have formed.

Responsibilities of the Director for the interim condensed financial statements

The Director, on behalf of the group, are responsible for:

- the preparation and fair presentation of the interim condensed financial statements in accordance with NZ IAS 34 Interim Financial Reporting;
- implementing necessary internal control to enable the preparation of an interim condensed 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 review of the interim condensed financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on these interim condensed financial statements.

This description forms part of our Independent Review Report.

KPMG

KPMG
Wellington

26 February 2019