Appendix 4E - preliminary final report

For the year ended 30 June 2023 as required by ASX listing rule 4.3A

RESULTS FOR ANNOUNCEMENT TO THE MARKET

All comparisons to the year ended 30 June 2022

NZD $m	2023	Up/down	Movement %
Revenue from ordinary activities	**98.8**	up	18%
Profit after tax from ordinary activities attributable to shareholders	**10.8**	down	-37%

Revenue

Revenue for the Group of NZ$98.8 million was up 18% on the same period last year. Production revenue at Cue was positively impacted by increased production at Mahato, driven by an additional 9 wells drilled during the period. Amadeus reported a full 12 months of production revenue compared to 9 months last year. Sampang, Maari and Kupe continued to perform well.

Profit after tax

The Group reported a net profit after tax attributable to shareholders of NZ$10.8 million for the year ended 30 June 2023, a 37% decrease on the same period last year. Profits were impacted by exploration costs relating to the drilling campaign at Palm Valley and work overs at the Mereenie asset in the Amadeus Basin.

Financial Position

The net assets of the Group increased by NZ$17.4 million to NZ$179.8 million for the year ended 30 June 2023 (30 June 2022: NZ$162.4 million).

Cash position

The Group's cash position of NZ$36.4 million was reduced by $28.2 million from the 30 June 2022 balance of $64.6 million. This was due to the drilling campaign at Palm Valley and the repayment of NZ$22.2 million of deferred consideration relating to the Amadeus acquisition in the prior financial year. Operating cash flows generated NZ$32.5 million in the period (2022: NZ$31.5 million).

The company does not propose to pay a dividend for the year ended 30 June 2023.

NET TANGIBLE ASSET BACKING

NZD	2023	2022
Net tangible assets per security (cents)	**71.3**	63.3

Additional information supporting the Appendix 4E disclosure requirements can be found in the 30 June 2023 audited financial statements and accompanying notes.

FINANCIAL REPORT

For the year ended 30 June 2023

New Zealand Oil & Gas Limited - Financial Report

For the year ended 30 June 2023

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Consolidated Statement of Cash Flows

For the year ended 30 June 2023

NZ$000	Notes	2023	2022
Cash flows from operating activities			
Customer receipts		87,011	79,507
Production and marketing payments		(31,391)	(22,941)
Supplier and employee payments (inclusive of GST)		(10,534)	(10,784)
Interest received		872	134
Income tax paid		(7,370)	(7,471)
Royalties paid		(7,018)	(4,267)
Other		882	(2,704)
Net cash inflow from operating activities		**32,452**	31,474
Cash flows from investing activities			
Exploration and evaluation expenditure		(12,070)	(9,071)
Oil and gas asset expenditure		(24,678)	(10,008)
Prospects acquired (net of cash)		-	(33,328)
Deferred consideration		(22,160)	(10,596)
Security deposits and bonds		(1,239)	(446)
Property, plant and equipment expenditure		(117)	(126)
Net cash outflow from investing activities		**(60,264)**	(63,575)
Cash flows from financing activities			
Proceeds from issue of equity securities		-	24,982
Lease liabilities principal element payments		(249)	(231)
Net cash (outflow)/inflow from financing activities		**(249)**	24,751
Net decrease in cash and cash equivalents		(28,061)	(7,350)
Cash and cash equivalents at the beginning of the year		64,590	70,759
Exchange rate effects on cash and cash equivalents		(149)	1,181
Cash and cash equivalents at the end of the year	9	**36,380**	64,590

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

NZ$000	2023	2022
Profit for the year	19,079	25,724
Depreciation and amortisation	15,396	13,708
Deferred tax benefit	(5,284)	(11,480)
Contract liabilities non-cash	(4,897)	(4,007)
Exploration expenditure	9,128	6,015
Emissions costs settled by units	202	902
Net foreign exchange differences	837	233
Unwind of discount	2,759	72
Share based payments	418	670
Lease payments in financing	260	250
Other	260	32
Change in operating assets and liabilities		
Movement in receivables	(4,075)	(7,248)
Movement in contract assets	(3,586)	2,032
Movement in inventories	51	(405)
Movement in payables	407	4,216
Movement in provisions	42	51
Movement in tax payable	1,455	709
Net cash inflow from operating activities	**32,452**	**31,474**

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 2023

NZ$000	Notes	2023	2022
Revenue	4	98,784	83,806
Operating costs	5	(35,117)	(24,213)
Exploration and evaluation expenditure		(9,128)	(6,015)
Other income	4	1,008	489
Other expenses	6	(12,447)	(14,310)
Profit from operating activities excluding amortisation, impairment and net finance costs		**43,100**	39,757
Amortisation of production assets	14	(15,178)	(13,634)
Net finance (costs)/income	7	(686)	452
Profit before income tax and royalties		**27,236**	26,575
Income tax (expense)/benefit	8	(4,101)	3,211
Royalties expense	8	(4,056)	(4,062)
Profit for the year		**19,079**	25,724
Profit for the year attributable to:			
Profit attributable to shareholders		10,757	17,159
Profit attributable to non-controlling interest (NCI)		8,322	8,565
Profit for the year		**19,079**	25,724
Other comprehensive income:			
Items that may be classified to profit or loss			
Foreign currency translation reserve (FCTR) differences	20	(901)	5,672
Asset revaluation reserve	20	(1,408)	1,045
Total other comprehensive income for the year		**16,770**	32,441
Total comprehensive income for the year is attributable to:			
Equity holders of the Group		7,936	23,265
Non-controlling interest		8,834	9,176
Total comprehensive income for the year		**16,770**	32,441
Earnings per share			
Basic earnings per share attributable to shareholders (cents)	22	**4.7**	9.9
Diluted earnings per share attributable to shareholders (cents)	22	**4.7**	9.9

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

Authorised on behalf of the New Zealand Oil & Gas Limited Board of Directors on 30 August 2023:

Samuel Kellner
Director

Rosalind Archer
Director

Consolidated Statement of Financial Position

As at 30 June 2023

NZ$000	Notes	2023	2022
Assets			
Current assets			
Cash and cash equivalents	9	36,380	64,590
Receivables and prepayments	10	17,017	12,544
Contract assets		5,567	2,032
Inventories		2,668	2,762
Right of use assets		130	131
Total current assets		**61,762**	82,059
Non-current assets			
Exploration and evaluation assets	13	2,625	7,193
Oil and gas assets	14	183,015	173,926
Property, plant and equipment		148	214
Right of use assets		343	300
Other intangible assets		1,423	2,896
Net deferred tax assets	8	13,663	8,420
Other financial assets	15	8,307	7,347
Total non-current assets		**209,524**	200,296
Total assets		**271,286**	282,355
Liabilities			
Current liabilities			
Payables	16	12,171	16,493
Lease provisions		268	267
Contract liabilities	17	2,837	5,625
Deferred consideration		817	23,225
Current tax liabilities	8	4,349	2,873
Total current liabilities		**20,442**	48,483
Non-current liabilities			
Rehabilitation provisions	18	55,115	51,856
Contract liabilities	17	15,708	19,231
Deferred consideration		-	149
Lease provisions		261	234
Total non-current liabilities		**71,084**	71,470
Total liabilities		**91,526**	119,953
Net assets		**179,760**	162,402
Equity			
Share capital	19	236,883	236,883
Reserves	20	9,215	11,639
Retained losses		(88,930)	(99,877)
Attributable to shareholders of the Group		**157,168**	148,645
Non-controlling interest in subsidiaries		22,592	13,757
Total equity		**179,760**	162,402
Net asset backing per share (cents)	21	**79.1**	71.4
Net tangible asset backing per share (cents)	21	**71.3**	63.3

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 2023

NZ$000	Share capital	Reserves	Retained earnings/ (losses)	Total	Non-controlling interest	Total equity
Balance as at 30 June 2021	211,901	4,961	(117,543)	99,319	4,580	103,899
Profit for the year	-	-	17,159	17,159	8,565	25,724
Foreign currency translation differences	-	5,060	-	5,060	612	5,672
Shares issued	24,982	-	-	24,982	-	24,982
Share based compensation expense	-	673	-	673	-	673
Forfeited and expired ESOP awards		(100)	100	-	-	-
Asset revaluation reserve	-	1,045	407	1,453	-	1,453
Balance as at 30 June 2022	**236,883**	**11,639**	**(99,877)**	**148,645**	**13,757**	**162,402**
Profit for the year	-	-	10,757	**10,757**	8,322	**19,079**
Foreign currency translation differences	-	(1,414)	-	**(1,414)**	513	**(901)**
Share based compensation expense	-	418	-	**418**	-	**418**
Forfeited and expired ESOP awards	-	(20)	20	**-**	-	**-**
Asset revaluation reserve	-	(1,408)	170	**(1,238)**	-	**(1,238)**
Balance as at 30 June 2023	**236,883**	**9,215**	**(88,930)**	**157,168**	**22,592**	**179,760**

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

Notes to the financial statements

For the year ended 30 June 2023

1 Basis of accounting

Reporting entity

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

The financial statements presented are for NZO, 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, which is a subsidiary and part of the O.G. Energy Holdings Ltd. (“OGE”) Group.

Comparative figures have been adjusted to conform to changes in presentation for the current reporting period.

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 11.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in the statement of comprehensive income and held in equity reserves as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary items, such as equities classified as fair value through other comprehensive income, are included in the statement of comprehensive income and held in the fair value reserves in equity.

2 Critical accounting estimates and judgements

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

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

Recoverability of deferred tax assets, assessment of the ability of entities in the Group to generate future taxable income (refer to note 8).

Recoverability of exploration and evaluation assets and oil and gas assets. Assessment includes future commodity prices, future cash flows, estimated discount rates and estimates of reserves. Management performs an assessment of the carrying value of investments at each reporting date and considers objective evidence for impairment on each investment, taking into account observable data on the investment, the fair value, the status or context of capital markets, its own view of investment value and its long-term intentions (refer to notes 13 and 14).

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

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

3 Segment information

Operating segments' operating results are reviewed regularly by the Group's chief executive officer (CEO), the entity's chief decision maker, and have discrete financial information available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

Perth Basin (from 20 March 2023): Exploration interests in Western Australian comprising the L7 Production licence (L7) and EP437 Exploration Permit (EP437). Refer to note 13.

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

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

Other and unallocated: Unallocated items comprise corporate assets, corporate overheads, merger and acquisition expenditure, and income tax assets and liabilities.

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

For the year ended 30 June 2023 $000	Perth Basin	Kupe oil & gas field	Amadeus Basin oil & gas fields	Other & unallocated	Cue Energy Resources Ltd	Total
Sales to external customers:						
New Zealand	-	9,548	-	-	-	**9,548**
Australia	-	-	30,272	-	12,933	**43,205**
Other countries	-	2,612	-	-	43,419	**46,031**
Total sales revenue	**-**	**12,160**	**30,272**	**-**	**56,352**	**98,784**
Other income/(expense)	-	-	3	1,622	(617)	**1,008**
Total sales revenue and other income	**-**	**12,160**	**30,275**	**1,622**	**55,735**	**99,792**
Segment result	**(243)**	**6,332**	**6,430**	**(7,641)**	**23,044**	**27,922**
Other net finance expense						**(686)**
Profit before income tax and royalties						**27,236**
Income tax and royalties expense						**(8,157)**
Profit for the year						**19,079**
Segment assets	2,214	28,279	85,864	34,867	120,062	**271,286**
Segment liabilities	-	12,726	30,834	2,020	45,946	**91,526**
Included in segment results:						
Depreciation and amortisation expense	-	3,259	5,401	258	6,649	**15,567**

3 Segment information (continued)

For the year ended 30 June 2022 $000	Kupe oil & gas field	Amadeus Basin oil & gas fields	Other & unallocated	Cue Energy Resources Ltd	Total
Sales to external customers:					
New Zealand	12,665	-	-	-	12,665
Australia	-	20,561	-	8,812	29,373
Other countries	3,020	-	-	38,748	41,768
Total sales revenue	**15,685**	**20,561**	**-**	**47,560**	**83,806**
Other (expense)/income	-	(11)	500	-	489
Total sales revenue and other income	**15,685**	**20,550**	**500**	**47,560**	**84,295**
Segment result	**9,307**	**3,994**	**(10,304)**	**23,126**	**26,123**
Other net finance income					452
Profit before income tax and royalties					**26,575**
Income tax and royalties expense					(851)
Profit for the year					**25,724**
Segment assets	30,303	87,690	53,670	110,692	**282,355**
Segment liabilities	13,380	53,855	2,567	50,151	**119,953**
Included in segment results:					
Depreciation and amortisation expense	3,869	4,000	216	5,873	**13,958**

4 Revenue

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

(a) Revenue from contracts with customers

$000	2023	2022
Crude oil and condensate	37,983	33,954
Natural gas and LPG	60,801	49,852
Total revenue from contracts with customers	**98,784**	83,806
Other income	**1,008**	489
Total revenue and other income	**99,792**	84,295

(b) Tariffs included in revenue

Natural gas revenue includes an allowance for the additional transportation costs incurred when the gas delivery point is not at the plant. The cost of the transportation was $1.4 million (2022: $0.3 million).

(c) Major Customers

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

$000	2023	% of sales revenue 2023	2022	% of sales revenue 2022
First largest	20,434	20.7%	15,965	19.0%
Second largest	12,551	12.7%	13,003	15.5%
Third largest	10,384	10.5%	9,815	11.7%
Fourth largest	-	-	8,367	10.0%
Total revenue from major customers	**43,369**	**43.9%**	47,150	56.2%

5 Operating costs

$000	2023	2022
Production and sales marketing costs	28,828	22,005
Workover expenditure	2,025	-
Carbon emissions expenditure	376	902
Insurance expenditure	921	912
Movement in inventory	988	(341)
Royalties (i)	1,979	735
Total operating costs	**35,117**	24,213

(i) Royalties include private royalties with respect to the Amadeus Basin assets and Government royalties at the Maari oil field which are based on a gross revenue method of calculation.

6 Other expenses

$000	2023	2022
Classification of other expenses by nature:		
Audit fees paid to the Group auditor - KPMG	603	492
Directors' fees	390	381
Legal fees	169	931
Consultants' fees	874	920
Employee expenses	6,869	5,760
Depreciation	389	324
Share based payment expense	418	673
IT and software expenses	1,189	867
Registry and stock exchange fees	331	401
Stamp duty on Amadeus Basin acquisition	-	2,310
Other	1,215	1,251
Total other expenses	**12,447**	14,310

$000	2023	2022
Fees paid to the Group auditor:		
Audit and review of financial statements	603	492
Tax compliance services	125	108
Tax advisory services	324	98
Other assurance services	-	42
Total fees paid to Group auditor	**1,052**	740

7 Finance income and costs

$000	2023	2022
Bank fees	(46)	(22)
Unwind of discount	(1,971)	(82)
Total finance costs	**(2,017)**	(104)
Interest income	1,119	146
Exchange gains on foreign currency balances	212	410
Total finance income	**1,331**	556
Net finance (costs)/income	**(686)**	452

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	**2023**	2022
Income tax (expense)/benefit		
Current tax	(9,385)	(8,269)
Deferred tax	5,284	11,480
(a) Total income tax (expense)/benefit	**(4,101)**	**3,211**
Income tax (expense)/benefit calculation		
(Profit)/loss before income tax and royalties	(27,236)	(26,575)
Less: royalties expense	4,056	4,062
(Profit)/loss before income tax	**(23,180)**	**(22,513)**
Tax at the New Zealand tax rate of 28%	(6,490)	(6,433)
Tax effect of amounts which are (not deductible)/taxable:		
Difference in overseas tax rate	(2,153)	(3,449)
Non-deductible expenses	(43)	82
Foreign exchange adjustments	212	5
Unrealised timing differences	2,478	662
Unrecognised tax losses	-	(1,255)
Recognition of deferred (liabilities)/tax assets	2,101	3,011
Prior year tax losses (not recognised)/recognised	(719)	7,982
Other	589	2,928
Total tax effect of amounts which are (not deductible)/taxable:	**(4,025)**	**3,533**
Adjustment recognised for current tax in prior years	(76)	(322)
Total income tax (expense)/benefit	**(4,101)**	**3,211**

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

At 30 June 2023, no imputation credits were held for subsequent years (2022: nil).

(b) Current tax liabilities

$000	**2023**	2022
Current tax liabilities	**4,349**	2,873

The Group has an ongoing Indonesian Tax matter relating to a notice of amended assessment which is being disputed by Cue. Cue is indemnified for any losses arising from this disputed notice of assessment and has recognised a liability and receivable on the balance sheet.

8 Taxation (continued)

(c) Deferred tax

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

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

The utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing temporary differences. As at 30 June 2023 the Group have accumulated losses in New Zealand of $162 million (30 June 2022: $141 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.

The Group has not recognised a deferred tax asset of $83.5 million at 30 June 2023 (30 June 2022: $39.7 million) relating to carried forward Australian tax losses, as the probability of being able to utilise these is uncertain.

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

$000	**2023**	2022
The balance comprises temporary differences attributable to:		
Deferred tax assets		
Non-deductible provisions	9,905	12,565
Carried forward tax losses	22,899	11,734
Other	558	1,074
Total deferred tax assets	**33,362**	25,373
Deferred tax liabilities		
Oil & gas assets	(19,676)	(16,853)
Other items (including lease assets)	(23)	(100)
Total deferred tax (liabilities)	**(19,699)**	(16,953)
Net deferred tax assets/(liabilities)	**13,663**	8,420
Movements:		
Opening balance at the beginning of the year	**8,420**	(3,391)
Recognised in profit and loss	5,284	11,480
Recognised in other comprehensive income	(41)	331
Closing balance at the end of year	**13,663**	8,420

Notes to the financial statements

For the year ended 30 June 2023

9 Cash and cash equivalents

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

$000	**2023**	2022
Cash at bank and in hand	28,969	63,852
Deposits at call	2,364	10
Short term deposits	4,448	98
Share of oil and gas interests' cash	599	630
Total cash and cash equivalents at end of year	**36,380**	64,590

By currency:	**2023 Base Currency**	**2023 NZD Equivalent**	2022 Base Currency	2022 NZD Equivalent
New Zealand dollar	5,745	5,745	23,448	23,448
United States dollar	6,286	10,297	4,527	7,268
Australian dollar	18,637	20,273	30,603	33,864
Indonesian rupiah	596,896	65	97,677	11
Total cash and cash equivalents at end of year		**36,380**		64,590

10 Receivables and prepayments

$000	**2023**	2022
Trade receivables	7,196	6,394
Share of oil and gas interests' receivables	9,262	5,617
Prepayments	559	533
Total receivables and prepayments at end of year	**17,017**	12,544

2023 **By currency:**	**Base Currency**	**NZD Equivalent**
New Zealand dollar	1,687	1,687
United States dollar	7,166	11,738
Australian dollar	3,294	3,584
Indonesian rupiah	72,651	8
Total receivables and prepayments at end of year		**17,017**

2022 By currency:	Base Currency	NZD Equivalent
New Zealand dollar	1,590	1,590
United States dollar	4,219	6,776
Australian dollar	3,769	4,170
Indonesian rupiah	71,451	8
Total receivables and prepayments at end of year		12,544

11 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 2023 the Group held a 50.04 per cent interest in Cue (30 June 2022: 50.04 per cent). Cue entities below reflect the Group's 50.04 per cent interest in Cue subsidiaries.

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

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

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

Name of entity	Country of incorporation	Equity Holding 2023	Equity Holding 2022	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%	AUD
NZOG Pacific Limited	New Zealand	**100%**	100%	NZD
NZOG Services Limited	New Zealand	**100%**	100%	NZD
NZOG Taranaki Limited	New Zealand	**100%**	100%	NZD
Petroleum Resources Limited	New Zealand	**100%**	100%	NZD
NZOG MNK Bohorok Pty Limited	Australia	**100%**	100%	USD
NZOG (Ironbark) Pty Limited	Australia	**100%**	100%	AUD
NZOG Mereenie Pty Limited	Australia	**100%**	100%	AUD
NZOG Palm Valley Pty Limited	Australia	**100%**	100%	AUD
NZOG Dingo Pty Limited	Australia	**100%**	100%	AUD
NZOG Acacia Pty Limited*	Australia	**100%**	-	AUD
NZOG Compass Pty Limited**	Australia	**100%**	-	AUD
Cue Energy Resources				
Cue Energy Resources Limited	Australia	**50.04%**	50.04%	AUD
Cue Mahakam Hilir Pty Ltd	Australia	**50.04%**	50.04%	AUD
Cue (Ashmore Cartier) Pty Ltd	Australia	**50.04%**	50.04%	AUD
Cue Sampang Pty Ltd	Australia	**50.04%**	50.04%	USD
Cue Taranaki Pty Ltd	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 Ltd	Australia	**50.04%**	50.04%	AUD
Cue Palm Valley Pty Ltd	Australia	**50.04%**	50.04%	AUD
Cue Mereenie Pty Ltd	Australia	**50.04%**	50.04%	AUD
Cue Dingo Pty Ltd	Australia	**50.04%**	50.04%	AUD

* Incorporated on the 13 March 2023.

** Incorporated on the 14 March 2023.

12 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 and evaluation, and appraisal interests at the end of the year:

Name	Entity	Country of permit	Interest 2023	Interest 2022
New Zealand Oil & Gas				
PML 38146 – Kupe	NZOG Taranaki Ltd	New Zealand	4.0%	4.0%
OL4 and OL5 - Mereenie	NZOG Mereenie Pty Ltd	Australia	17.5%	17.5%
OL3 - Palm Valley	NZOG Palm Valley Pty Ltd	Australia	35.0%	35.0%
L7 - Dingo	NZOG Dingo Pty Ltd	Australia	35.0%	35.0%
L7 Production licence*	NZOG Acacia Pty Ltd	Australia	25.0%	-
EP437 Exploration Permit*	NZOG Compass Pty Ltd	Australia	25.0%	-

* subject to regulatory approval.

Name	Entity	Country of permit	Interest 2023	Interest 2022
Cue Energy Resources *				
Mahato PSC	Cue Mahato Pty Ltd	Indonesia	12.5%	12.5%
PMP 38160 – Maari	Cue Taranaki Pty Ltd	New Zealand	5.0%	5.0%
Sampang PSC	Cue Sampang Pty Ltd	Indonesia	15.0%	15.0%
OL4 and OL5 - Mereenie	Cue Mereenie Pty Ltd	Australia	7.5%	7.5%
OL3 - Palm Valley	Cue Palm Valley Pty Ltd	Australia	15.0%	15.0%
L7 - Dingo	Cue Dingo Pty Ltd	Australia	15.0%	15.0%

* represents the percentage interest held by Cue. The Group interest is 50.04% (June 2022: 50.04%) of the Cue interest.

13 Exploration and evaluation assets

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 for future events and circumstances, particularly in relation to whether economic quantities of reserves that 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 is then expensed in the profit and loss.

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

$000	2023	2022
Opening balance	7,193	-
Exploration expenditure incurred during the year	7,336	6,957
Expenditure transferred to oil and gas assets relating to PV-12	(11,318)	-
Revaluation of foreign currency exploration and evaluation assets	(586)	236
Total exploration and evaluation assets at end of year	**2,625**	7,193

13 Exploration and evaluation assets (continued)

On 17 April 2022, the Palm Valley 12 (PV-12) well was spudded. On 10 July 2022, after challenging drilling conditions, the Joint Venture decided to stop drilling towards the deep Arumbera exploration target. Instead, it was agreed to side-track a lateral well-bore, from PV-12, to evaluate the lower Pacoota (P2) / Pacoota (P3) sandstone. On 22 August 2022, the Group announced the decision to curtail further drilling in the lower P2 and P3 side-track due to the combination of the presence of formation water and no significant gas shows.

On 5 September 2022, the Joint Venture commenced drilling of a second side-track (ST2) lateral well bore to evaluate the Pacoota 1 sandstone, the current producing zone of the wells in Palm Valley. On 17 October 2022, the Group announced that the PV-12 ST2 would be completed as a gas producing well, to be tied-in and flowing into the existing gas field network. On 28 November 2022 the PV-12 well was tied-in and commenced flow testing.

Total PV-12 exploration costs of $14.5 million have been expensed in respect of the unsuccessful sections of the well. In accordance with the Group's accounting policy $7.8 million was expensed in the current year and $6.7 million was expensed in the year ended 30 June 2022.

The costs of drilling the successful ST2 production well of $11.3 million have been transferred to Oil and gas assets in the balance sheet. Refer to note 14.

Following year end, on 27 July 2023 the Group announced an upgrade in reserves at the Palm Valley as a result of the PV-12 exploration activity. Refer to note 27.

On 17 January 2023, the Group announced that it had executed a binding term sheet with ASX listed energy company, Triangle Energy (Global) Ltd (Triangle) (ASX: TEG). The Farm-Out Agreement (FOA) provides the Group with a 25% participating interest in the onshore Western Australian L7 production licence and EP437 exploration permit. The Group will contribute upfront costs of $2.1 million and participate in the drilling of 3 onshore exploration wells, providing a carry to Triangle capped at $3.9 million.

The transaction is treated as an asset acquisition in line with NZ IFRS 6, with an acquisition date of 20 March 2023, which is when the Group entered into the FOA with Triangle and assumed control of the assets. Upfront costs of $2.1 million, relating to seismic work already carried out, have been recognised as an exploration asset.

The agreed carry of Triangle's drilling costs of $3.9 million is disclosed in the Commitment note. Refer to note 26.

Acquisition related costs of $0.2 million are capitalised in line with IFRS 6.

14 Oil and gas assets

Development

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

Production assets

Production assets capitalised represent the accumulation of all development expenditure incurred by the Group in relation to areas of interest in which petroleum production has commenced. Expenditure on production areas of interest and any future estimated expenditure necessary to develop proven and probable reserves are amortised using the units of production method on a basis consistent with the recognition of revenue. Where it is possible to separately identify tangible assets, they are depreciated on a straight line basis in line with their economic life.

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.

14 Oil and gas assets (continued)

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 recoverable amount, 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.

$000	**2023**	2022
Opening balance	173,926	53,477
Additions through acquisition of Amadeus Basin assets	-	118,576
Make up gas forfeited	(1,263)	-
Expenditure capitalised	13,664	8,017
Expenditure transferred from Exploration and evaluation (refer to note 13)	11,318	-
Amortisation for the year	(15,178)	(13,634)
Rehabilitation provision movement (refer to note 18)	1,838	(455)
Revaluation of foreign currency oil and gas assets	(1,290)	7,945
Total oil and gas assets at end of year	**183,015**	173,926

At 30 June 2023, 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.

Hydrocarbon reserves are estimates of the amount of hydrocarbons that can be economically extracted from the Groups' oil and gas permits. The Group estimates its reserves based on all available production data, the results of well intervention campaigns, seismic data, analytical and numerical analysis methods, sets of deterministic reservoir simulation models provided by the field operators and analytical and numerical analyses. Forecasts are based on deterministic methods. Reserves are reported in line with the principles contained in the Society of Petroleum Engineers Petroleum Resources Management Reporting System. As the economic assumptions used may change and as additional geological information is obtained during the operation of the field, estimates of recoverable resources may change impacting the Group's financial results.

Estimates of recoverable amounts are based on the assets' fair value less cost to sell, determined by discounting each asset’s estimated future cash flows at asset specific discount rates. The discount rates applied ranged from 12.9% to 14.3% (2022: 10%). Commodity price assumptions were based on consensus estimates of forward market prices unless contracted prices were available.

No impairments were required.

15 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 Group 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, its carrying value is written off.

$000	2023	2022
By financial asset:		
Security deposits	1,787	280
Abandonment and Site Restoration Fund (ASR) - Cue Sampang rehabilitation	6,520	7,067
Total other financial assets at end of year	**8,307**	7,347
Movement		
Opening balance	7,347	6,276
Security deposits	1,411	280
Abandonment and Site Restoration Fund (ASR) - Cue Sampang rehabilitation	(334)	758
Revaluation of foreign currency financial assets	(117)	33
Total other financial assets at end of year	**8,307**	7,347

In accordance with legislative obligations in the respective jurisdictions in which the Group operates, contributions are made to funds established for the purpose of financing future rehabilitation and restoration of sites. As at 30 June 2023, $6.5 million (2022: $7.0 million) has been contributed to such funds in respect of the Mahato and Sampang assets in Indonesia and $1.8 million (2022: nil) with the Northern Territory Government in respect of the Amadeus Assets.

16 Payables

$000	2023	2022
Trade payables	3,096	5,684
Royalties payable	531	973
Share of oil and gas interests' payable	6,650	8,413
Other payables	1,894	1,423
Total payables at end of year	**12,171**	16,493

2023 **By currency $000:**	**Base Currency**	**NZD Equivalent**
New Zealand dollar	4,608	4,608
United States dollar	1,262	2,068
Australian dollar	5,011	5,495
Indonesian rupiah	2,500	-
Total payables at end of year		**12,171**

2022 By currency $000:	Base Currency	NZD Equivalent
New Zealand dollar	4,712	4,712
United States dollar	508	821
Australian dollar	9,908	10,960
Indonesian rupiah	2,500	-
Total payables at end of year		16,493

17 Contract liabilities

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

$000	2023	2022
Current	2,837	5,625
Non-current	15,708	19,231
Total contract liabilities	**18,545**	24,856

The Group has two obligations to deliver gas to third parties which were assumed as part of the acquisition of the Amadeus Basin assets in May 2021.

i. The Group assumed performance obligations to deliver gas to a customer by December 2023. In exchange for agreeing to take on this obligation, the Group received a reduction in the initial purchase price.

ii. The Group assumed performance obligations for the delivery of 'gas not taken' by its sole customer in the Dingo asset. Under the take or pay arrangement, the Group has the obligation to provide 'make up gas' (MUG) within the contractually defined volumes which were not previously taken by the customer. The customer must take the future delivery of gas by 2035. During the year, 150TJs (2022: nil) of the MUG gas was forfeited as contractually it was no longer possible for the customer to take all of the gas volume prior to the end of the contract term. As a result $1.3 million has been released from Contract liabilities and the Oil and gas asset, these have been netted off in the profit or loss giving a nil impact. Refer to note 14.

During the year, additional MUG accumulated as a result of the sole customer at Dingo taking less than the annual take or pay contracted volume. The receipt relating to the annual take or pay adjustment for gas not delivered was taken to Contract liabilities and is included in operating activities in the Statement of Cashflows.

18 Rehabilitation provisions

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 initial provision and subsequent re-measurement are recognised as part of the cost of the related asset. The unwind of the discount is recognised in finance costs in profit and loss.

$000	2023	2022
Carrying amount at start of year	51,856	26,088
Change in provision recognised	1,838	(1,445)
Addition in provision from acquisition	-	23,534
Unwind of discount on provision	1,324	82
Revaluation of foreign currency rehabilitation provision	97	3,597
Total rehabilitation provision at end of year	**55,115**	51,856

The discount rate used is the risk-free interest rate obtained from the country related to the currency of the expected expenditure. The discount rates used to determine the provision ranged from 1.56% to 4.81% (2022: 0.62% to 3.86%).

On 2 December 2021, the NZ Government Crown Minerals Amendment Act 2021 came into effect, addressing issues around decommissioning costs and obligations of all oil and gas fields. This Act requires petroleum permit and licence holders in NZ to be financially assessed and requires provision of security towards future remediation that may be needed to decommission fields, wells, and any infrastructure. The full impact of the newly legislated decommissioning provisions are not yet fully understood given the continuing Crown consultation process regarding permit specific security requirements.

The Maari restoration provision increased by $4.3 million to $18.3 million, following an update to the estimated restoration costs.

19 Share capital

	$000	Number of shares 000s
Balance at 30 June 2022	236,883	227,369
Share capital issued	-	-
Balance at 30 June 2023	**236,883**	227,369
Comprised of:		
Fully paid shares	236,873	223,951
Partly paid shares	10	3,418
Total shares on issue	**236,883**	**227,369**

The Group retains 3.4 million (2022: 3.4 million) of unallocated partly paid shares that have not yet been cancelled.
All fully paid shares have equal voting rights and share equally in dividends and equity.

20 Reserves

(a) Reserves

$000	**2023**	2022
Asset revaluation reserve	781	2,189
Share based payments reserve	1,757	1,359
Foreign currency translation reserve	6,677	8,091
Total reserves at end of year	**9,215**	11,639

Movements:

$000	**2023**	2022
Asset revaluation reserve		
Opening balance at 1 July	2,189	1,144
Revaluation of Emissions Trading Scheme (ETS) units for the year	(1,238)	1,452
Disposal of ETS units to retained earnings	(170)	(407)
Closing balance at end of year	**781**	2,189

$000	**2023**	2022
Share based payments reserve		
Opening balance at 1 July	1,359	786
Share based payment expense for the year	418	673
Forfeited and expired ESOP awards	(20)	(100)
Closing balance at end of year	**1,757**	1,359

$000	**2023**	2022
Foreign currency translation reserve		
Opening balance at 1 July	8,091	3,031
Foreign currency translation differences for the year	(1,414)	5,060
Closing balance at end of year	**6,677**	8,091

(b) Nature and purpose of reserves

Asset revaluation reserve
Revaluation gains and losses on 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 (Employee Share Option Plan).

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.

Notes to the financial statements

For the year ended 30 June 2023

21 Net asset backing per share

	2023	2022
Number of shares on issue (000s)	227,369	227,369
Net assets ($000s)	179,760	162,402
Net tangible assets ($000s)	162,103	143,959
Net asset backing per share (cents)	**79.1**	71.4
Net tangible asset backing per share (cents)	**71.3**	63.3

The basis for the calculation of the net asset backing per share is the carrying value of the assets held on the Statement of Financial Performance divided by the number of shares on issue at balance date. Calculation of the measure has been revised for the comparable period.

22 Earnings per share

	2023	2022
Profit after tax attributable to the shareholders of NZO ($000s)	10,757	17,159
Weighted average number of ordinary shares (000s)	227,369	173,393
Weighted average number of ordinary shares including share options (000s)	227,369	173,393
Basic earnings per share attributable to shareholders of the Group (cents)	**4.7**	9.9
Diluted earnings per share attributable to shareholders of the Group (cents)	**4.7**	9.9

The potentially dilutive effects of employee share options have not been considered in the diluted profit per share calculation for the year ended 30 June 2023. In the current reporting period, the exercise price of the employee share options are lower than the average market price, therefore are anti-dilutive. Calculation of diluted earnings per share has been revised for the comparable period.

23 Financial risk management

Risk exposure to market, credit, liquidity, capital management, sensitivity, financial instruments arises in the normal course of the Group's business.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign currency risk on cash and cash equivalents, oil sales, recoverable value of oil and gas assets and capital commitments that are denominated in foreign currencies. The Group manages its foreign currency risk by monitoring its foreign currency cash balances and future foreign currency cash requirements. The Group may enter into foreign currency hedge transactions in circumstances where the risk-adjusted returns to shareholders are enhanced as a consequence.

(ii) Commodity price risk

Commodity price risk is the risk that the Group's sales revenue and recoverable value of oil and gas assets will be impacted by fluctuations in world commodity prices. The Group is exposed to commodity prices through its petroleum interests. The Group may enter into oil price hedge transactions in circumstances where the risk-adjusted returns to shareholders are enhanced as a consequence. The Group had no call option contracts at 30 June 2023 (2022: 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.

23 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:

30 June 2023 $000	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**	**Contractual cash flows**
Payables	**12,171**	**-**	**-**	**-**	**-**	**12,171**
Total non-derivative liabilities	**12,171**	**-**	**-**	**-**	**-**	**12,171**

30 June 2022 $000	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Contractual cash flows
Payables	16,493	-	-	-	-	16,493
Total non-derivative liabilities	16,493	-	-	-	-	16,493

At 30 June 2023 the Group had no derivatives to settle (2022: 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	**2023**	2022
Impact on Group profit before tax	Exchange rate	+5%	(0.4)	(0.4)
		-5%	0.4	0.4
Impact on foreign currency translation reserves in equity	Exchange rate	+5%	(1.2)	(3.4)
		-5%	1.2	3.4
Impact on interest income	Interest rate	+1%	0.3	0.6
		-1%	(0.3)	(0.6)

23 Financial risk management (continued)

(f) Financial instruments by category

$000	2023 Carrying value	2022 Carrying value
Assets		
Cash and cash equivalents	36,380	64,590
Trade and other receivables	16,458	14,043
Contract assets	5,567	2,032
Total assets	**58,405**	80,665
Liabilities		
Payables	12,171	16,493
Total Liabilities	**12,171**	16,493

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

24 Related party transactions

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

During the year certain activities were undertaken between the Group and OGE. The inter-group services agreement, which was entered into on 21 June 2019, allows the Group to provide technical services and related activities to OGE. For the year ended 30 June 2023, $0.7 million (2022: $0.6 million) of income has been included in 'Other income' in the profit and loss.

In June 2022, NZO granted Cue an unsecured loan of $7.6 million at an interest rate of 10%. During the year, Cue repaid $3.3 million to NZO leaving $4.3 million outstanding at 30 June 2023. Full repayment is due by 30 June 2024.

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

As in previous years, Alastair McGregor, Samuel Kellner, Andrew Jefferies and Marco Argentieri declined to receive compensation for the provision of Directorial services from the Group, nor was any compensation paid to any related parties on their behalf. The deemed compensation shown below reflects the estimated compensation paid by those Directors' employers considered attributable to the company for services provided. The Directorial services provided by Andrew Jefferies for NZO are included in remuneration received as Chief Executive of NZO.

Directors' expenses are reimbursed and are not separately disclosed as they are not material.

The Group's related parties also include key management personnel, which have been defined as the Directors, the Chief Executive and the Executive team for the Group. Key Cue management personnel are included.

$000	2023	2022
Short term employee benefits	**3,922**	3,333
Share based payments	**249**	167
Termination benefits	**218**	-
Post employment benefits	**155**	107
Key management personnel related costs	**4,544**	3,607
Deemed Directors' compensation for related party Directors *	**439**	407
Total key management personnel related costs	**4,983**	4,014

* Prior year comparatives for Total key management personnel related costs have been updated as a result of the inclusion of Deemed Directors' compensation; this was previously disclosed as nil. The disclosure of Deemed Directors' compensation solely arose from the technical application of required accounting standards. The $0.4 million is deemed only and neither NZO nor any member of the Group is paid or in any way settled or has obligations to settle, the deemed remuneration. The Group's actual obligations for the settlement of Directors' compensation is unchanged from what has been previously reported.

25 Share-based payments

Accounting policy

Share-base payments are equity or cash settlements to employees in exchange for services. Equity transactions are settled in shares or options over shares. Cash settlements are determined by the share price.

The cost of equity settled transactions are measured at fair value on grant date. Fair value is determined using the 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 Group 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 Group or employee the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited. Cancellations are accounted for on the date of cancellation, as if it had vested.

The Company has the following share based payment schemes:

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

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

(a) New Zealand Oil & Gas Share Option Scheme

On 22 November 2022, the Group issued 2,631,017 unlisted options to eligible New Zealand Oil & Gas Limited employees under the share option scheme. The options are exercisable at $0.54 (54 cents) per option, which will vest on 1 July 2025 and expire on 1 July 2028. 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 2022. The options were valued using Black-Scholes option pricing model.

During the year $0.3 million of share-based payment expense was recorded in relation to the New Zealand Oil & Gas Share Option Scheme for the financial year ending 30 June 2023 (2022: $0.4 million).

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

2023 Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Forfeited	Balance at the end of the year
19/03/2020	01/07/2025	$ 0.61	2,761,444	-	-	-	2,761,444
08/10/2020	01/07/2026	$ 0.65	1,828,603	-	-	(43,104)	1,785,499
01/11/2021	01/07/2027	$ 0.52	2,370,333	-	-	(155,223)	2,215,110
01/11/2022	01/07/2028	$ 0.54	-	2,631,017	-	(229,381)	2,401,636
			6,960,380	**2,631,017**	**-**	**(427,708)**	**9,163,689**
Weighted average exercise price			**$ 0.59**	**$ 0.54**	**-**	**$ 0.54**	**$ 0.58**

2022 Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	**Forfeited**	Balance at the end of the year
19/03/2020	01/07/2025	$ 0.61	2,832,048	-	-	(70,604)	2,761,444
08/10/2020	01/07/2026	$ 0.65	1,876,930	-	-	(48,327)	1,828,603
01/11/2021	01/07/2027	$ 0.52	-	2,370,333	-	-	2,370,333
			4,708,978	2,370,333	-	(118,931)	6,960,380
Weighted average exercise price			$ 0.63	$ 0.52		$ 0.63	$ 0.59

25 Share-based payments (continued)

(a) New Zealand Oil & Gas Share Option Scheme (continued)

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
1/11/2022	01/07/2028	$ 0.43	$ 0.54	38%	-	4.31%	$ 0.14

(b) Cue Energy Share Option Scheme

On 30 August 2022, the Company issued 3,649,298 unlisted options to an eligible employee under the share option scheme. The options are exercisable at $0.097 (9.7 cents) per option and will vest on 1 July 2025 and expire on 1 July 2027. The options were valued using Black-Scholes option pricing model.

During the year $0.1 million of share-based payment expense was recorded in relation to the Cue share option scheme for the financial year ending 30 June 2023 (2022: $0.1 million).

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

2023	Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
	29/07/2017	01/07/2023	$ 0.08	3,513,430	-	-	(39,777)	3,473,653
	04/10/2019	01/07/2024	$ 0.10	3,569,765	-	-	(46,750)	3,523,015
	16/07/2020	01/07/2025	$ 0.13	3,241,067	-	-	(36,830)	3,204,237
	23/07/2021	22/07/2026	$ 0.08	4,047,966	-	-	(42,167)	4,005,799
	30/08/2022	01/07/2027	$ 0.10	-	3,649,298	-	(50,600)	3,598,698
				14,372,228	**3,649,298**	**-**	**(216,124)**	**17,805,402**
Weighted average exercise price				**$ 0.10**	**$ 0.10**	**-**	**$ 0.08**	**$ 0.10**

2022	Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
	29/07/2017	01/07/2023	$ 0.08	3,784,025	-	-	(270,595)	3,513,430
	04/10/2019	01/07/2024	$ 0.10	3,853,298	-	-	(283,533)	3,569,765
	16/07/2020	01/07/2025	$ 0.13	3,743,260	-	-	(502,193)	3,241,067
	23/07/2021	22/07/2026	$ 0.09	-	4,599,003	-	(551,037)	4,047,966
				11,380,583	4,599,003	-	(1,607,358)	14,372,228
Weighted average exercise price				$ 0.10	$ 0.09	-	$ 0.10	$ 0.10

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, were 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
30/08/2022	01/07/2027	$ 0.08	$ 0.10	58%	-	3.39%	$ 0.03

26 Commitments and contingent assets and liabilities

(a) Development and exploration expenditure

To maintain the various permits in which the Group is involved the Group has ongoing operational expenditure as part of its normal operations. The actual costs will be dependent on a number of factors such as joint venture decisions including final scope and timing of operations. The Group participates in a number of development projects that were in progress at the end of the year. These projects require the Group, either directly or through joint operation arrangements, to enter into contractual commitments for future expenditures.

The Group has commitments of $4.6 million for the drilling and infrastructure works at the Mahato PSC.

At Kupe the Group has entered into a rig contract to enable the drilling of an additional infill well. The Group's share of the commitment is $0.7 million.

The Group’s share of commitments associated with the Amadeus Basin Permits for production and development expenditure is $0.8 million.

On 20 March 2023, the Group entered into a FOA with Triangle (refer to note 13). As part of this agreement the Group are committed to paying Triangle's drilling costs, in the form of a carry, capped at $3.9 million, as well as its own costs of approximately the same value. Completion of the transaction is subject to regulatory approval.

(b) Contingent assets and liabilities

The Directors are not aware of any contingent assets or contingent liabilities at 30 June 2023.

27 Events occurring after balance date

On 27 July 2023, the Group announced an upgrade in reserves at the Palm Valley and Dingo gas fields in the Amadeus Basin, Northern Territory, Australia.

On 24 August 2023, the Group announced that the BA-01 exploration well in the Mahato PSC, Indonesia was tested but had produced no hydrocarbons. The well has been plugged and abandoned and the rig demobilised.

There are no further material events that have occurred after the balance date.

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 4 to 27 present fairly, in all material respects:

i. the Group's financial position as at 30 June 2023 and its financial performance and cash flows for the year ended on that date;

in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 30 June 2023;

— 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.

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. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

Scoping

The scope of our audit is designed to ensure that we perform adequate work to be able to give an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the financial reporting systems, processes and controls, and the industry in which it operates.

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 $1.9 million (2022: $1.8 million) determined with reference to a benchmark of Group total assets. We chose the benchmark because, in our view, this is a key measure of the Group's performance.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
Recoverability of oil and gas assets	

Refer to Note 14 within the consolidated financial statements.
 	
The recoverability of oil and gas assets is a key audit matter due to the judgement involved in assessing the recoverable value of the oil and gas assets. Key valuation assumptions include:
 	
— oil and gas reserves, and future production levels;
— future oil and gas prices;
— discount rates; and
— future operating and capital costs.
	Our audit procedures to assess the reasonableness of the recoverable value of the oil and gas assets included.
	
	– Evaluating the Group's impairment indicator assessment, utilising our knowledge of the Group and the Oil and Gas industry, in which the Group operates.
	
	– Where an indicator of impairment was identified, in conjunction with our valuation specialists, we evaluated the key inputs and assumptions included in management's valuation model. Our assessment included:
	
	  – Assessing the appropriateness of the CGUs determined;
	  – Assessing whether the valuation methodology applied was in accordance with the requirements of accounting standards;
	  – Challenging the feasibility of reserve and resource estimates and production profiles by comparing for consistency with other internal and external information, including reports prepared by management's experts;
	  – Comparing management's forecast of oil and gas prices to observable market data and contracted prices;

The key audit matter	How the matter was addressed in our audit
	— Using our valuation specialist to assess the reasonableness of the discount rate used for each asset; — Reviewing operator budgets and forecasts of operating costs and capital programmes for reasonableness; and — Performing sensitivity analysis over key assumptions included in the Group's impairment assessments.

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 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 issued by the New Zealand Accounting Standards Board;

— implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is 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 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 Lohika Gavin Silva.

For and on behalf of

KPMG

KPMG
Wellington

30 August 2023