

InterimReport



Interim Report

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“New Zealand Oil & Gas is soundly positioned and developing opportunities for growth”

CEO's Report

Highlights

\$23.7m

Exploration and Evaluation Spend

\$164.2m

Net Cash Balance at 31 December 2013

\$31.4m

EBITDAX (Earnings Before Interest, Tax, Depreciation, Amortisation and Exploration write-offs)

\$38.0m

Kupe Revenue

\$13.4m

Tui Revenue

Comparison Highlights

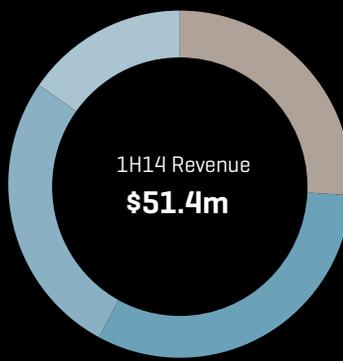
	1H14 (NZ\$m)	1H13 (NZ\$m)	
Exploration and Evaluation Spend	23.7	10.5	126%
Exploration and Evaluation Assets	55.0	18.4	199%
Net Cash Balance	164.2	171.0	-4%
EBITDAX*	31.4	27.9	13%
Kupe Revenue	38.0	31.2	22%
Tui Revenue	13.4	16.6	-19%
Dividend declared [cps]	3.0	3.0	

*Earnings Before Interest, Tax, Depreciation, Amortisation and Exploration write-offs]

Performance



Production and Revenue



● Kupe Gas ● Kupe Oil ● Kupe LPG ● Tui Oil

1st Half 2014

1,700
Kupe Gas [TJ]

7,300
Kupe LPG [tonnes]

132,000
Kupe Oil [bbls]

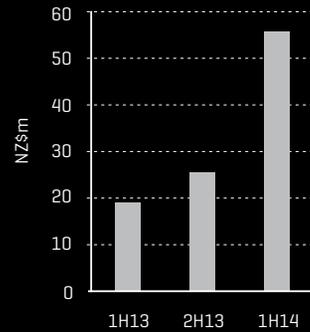
126,800
Tui Oil [bbls]

Proven plus Probable (2P) Oil & Gas Reserves* as at:

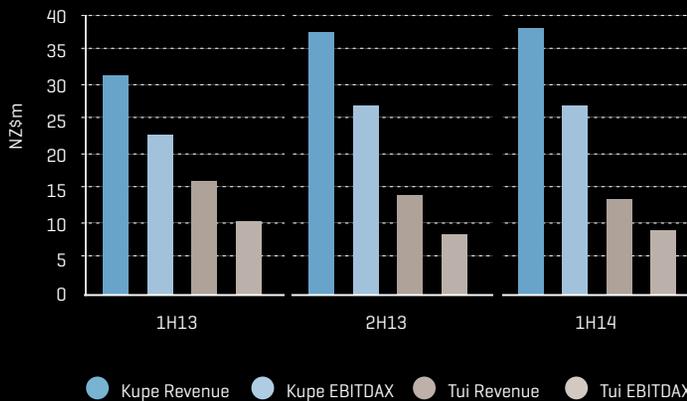
Million Barrels of Oil Equivalent	31 Dec 2013	30 Jun 2013	31 Dec 2012
Tui	1.5	0.8	0.9
Kupe	9.0	9.5	9.9
Total	10.5	10.3	10.8

* See notes on page 7

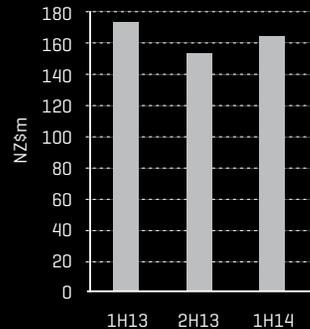
Exploration & Evaluation Assets



Kupe & Tui Performance



Net Cash Balance



CEO's Report

New Zealand Oil & Gas is soundly positioned and developing opportunities for growth.

For the first half of the current financial year the company performed as expected.

A year ago we were focused on stepping up our exploration programme to find new reserves. This year we are seeing that activity come through the financial results.

Net profit after tax of \$4 million for the half-year compares to \$7.67 million a year ago, reflecting our higher exploration spend. Gross profit was in line with the same period a year ago, and EBITDAX* was up 13 per cent.

Our two producing assets, Tui and Kupe, are delivering steady cash flows, sustaining a dividend and supporting a strong balance sheet.

We are also investing time into building relationships in the communities where we operate. I believe building trust through mutual understanding, integrity, and a genuine desire to become a valued member of the community is an important part of being New Zealand's oil and gas company.

Building the portfolio.

Over the coming year we will focus on using our balance sheet to position for growth.

We develop the portfolio by acquiring new exploration permits and prospects; we are doing more with the exploration permits we have; and we have exploration and development opportunities which can deliver more value from our existing producing assets.

The exploration portfolio is shaped by our core focus on New Zealand, where our strategy is to be the exploration partner of choice. We have positions in the producing Taranaki basin and frontier exposure in the Canterbury-Great South Basin.

Three new offshore permits were awarded in the 2013 New Zealand Block Offer. In the Vulcan permit off Taranaki, and Toroa in the Great South Basin, New Zealand Oil & Gas was delighted to invest alongside Woodside's technical capability.

In the Canterbury Basin we were awarded the Galleon permit adjacent to our existing Clipper interest.

Around Christmas a consortium in which the company has an interest was awarded a new production sharing contract, Palmerah Baru, in Indonesia.

The need to balance risk in the portfolio saw us surrender two permits, Kanuka and Kakapo. While we saw attractive prospects in those permits, the balance of investment risk didn't support drilling at the level of exposure we would have had to sustain.

Churn in the portfolio is a constant as we build a manageable stake in a spread of opportunities, and seek balance across different play types and geological formations at sustainable levels of investment inside an annual exploration target of around US\$35 million.

Maximising value

Alongside our new acreage we are looking to maximise value within existing permits by working up new prospects.

Our 650 square kilometre seismic survey in the Clipper permit off Oamaru was preceded by surveys in the Takapou and Taranga permits off Taranaki between March and May 2013. In each permit New Zealand Oil & Gas is the operator with a 50 per cent share. We have identified specific prospects and we are working to farm out our share ahead of a drill commitment.

The deadline for a decision on whether to drill was extended by six months in both Taranga and Takapou to enable the seismic results to be fully interpreted. Information from drilling in the unsuccessful Matuku well, and from Oi when it is drilled, will also be helpful to some of that work.

*Earnings Before Interest, Tax, Depreciation, Amortisation and Exploration write-offs



At the time of writing we are preparing to conduct a seismic survey over the Waru block close to the South Taranaki coast, which will drive decisions about the future of that permit.

Meanwhile analysis has begun on the results of two wells in Indonesia. Drilling in the Kisaran production sharing contract produced oil and gas in 2013. The two discoveries were quite different and we are working through an appraisals process, which will be followed by a plan of development.

The plan of development must be approved by the regulator. Under a production sharing contract development costs are recovered by the explorer before the explorer and regulator share revenue, so the regulator needs to be comfortable with the timelines and costings in the plan.

Although there were discoveries in both Sumatra wells, the data is complex and so I don't expect to see a plan of development this financial year.

Progress is steady to the north, in Bohorok, where a 2D seismic survey is being carried out. If work there conforms to expectation, we will hope to drill in early 2015. Prospects in Bohorok are promising and close to market.

Growth in existing assets

The company has also been looking more closely at how we get more value out of our existing producing assets.

From October New Zealand Oil & Gas more than doubled our share of the producing Tui oil fields, from 12.5 per cent to 27.5 per cent. Cash from this purchase is not yet showing strongly in the accounts, mainly because of the timing of shipments.

We purchased this larger share of Tui production at a favourable price, which will boost our share of the revenue as the Tui fields decline. It also gives us an increased opportunity to grow our reserves through drilling in the Pateke-4H well and the Oi well that will immediately follow.

The company has also begun to assess further development within Kupe, where we see significant opportunities.

Further Kupe development is at the stage of scientific concepts. Over the next 12 months the resource size and commercial potential will be analysed and tested and decisions made about whether it is worth pursuing seismic activity or wells.

Summary

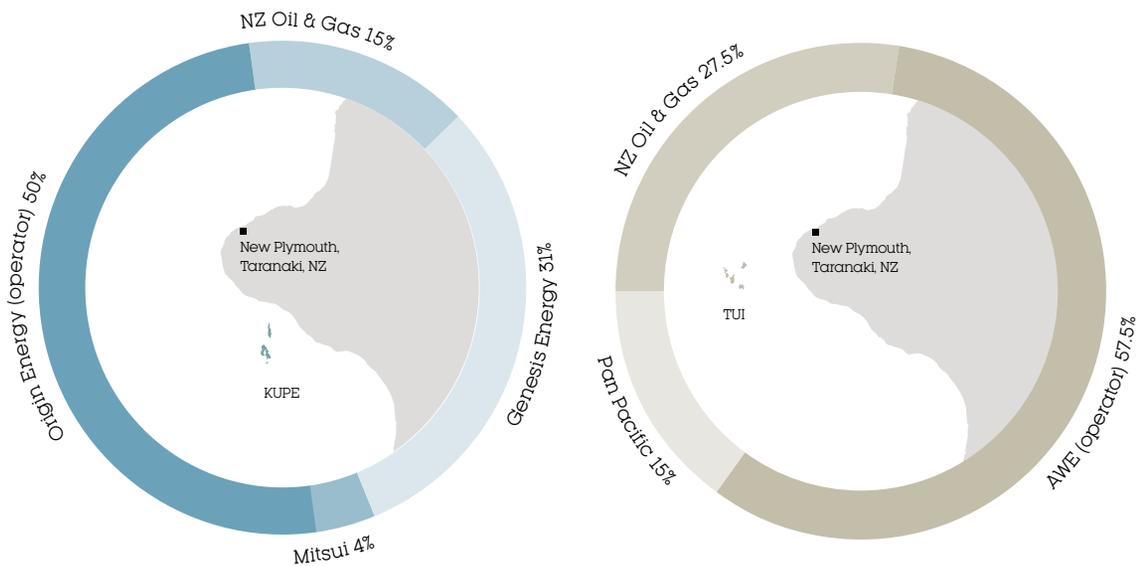
With successful, producing assets we are working to grow through exploration by being the partner of choice in our core New Zealand area of focus, with investment risk balanced by our international exposure.

We are keeping a constant watch on growth opportunities that present value. Our portfolio of exploration opportunities is close to our capacity and our attention is on maximising opportunities within existing permits and producing assets.

We are deepening our involvement in the community as New Zealand's oil and gas company, and this is continuing to present growth opportunities by attracting partners to work with us.

Andrew Knight
Chief Executive

Reserves & Production



Kupe

Kupe is a gas and light oil/condensate field that lies in the offshore Taranaki basin, New Zealand, approximately 30km off the coast in water depth of about 35m. Production from the field commenced on 4 December 2009. The field has an expected life of 15-20 years. NZ Oil & Gas has a 15 per cent interest in Kupe.

Tui

Tui was New Zealand's first stand-alone offshore oil development. The Tui area oil fields are located in the offshore Taranaki basin, New Zealand, about 50km off the coast in water depth of about 120m. Production began on 30 July 2007 - and is expected to continue until around 2020. NZ Oil & Gas is a 27.5 per cent partner in Tui.

NZOG Production July - December 2013

	Oil & Condensate (barrels)	Natural Gas (terajoules)	LPG (tonnes)	Barrels of Oil Equivalent*
Kupe	132,084	1,713	7,337	471,734
July - December 2012	112,976	1,297	5,323	367,960
Tui	126,855			126,855
July - December 2012	114,074			114,074
Total				598,589
July - December 2012				482,034

* Barrels of oil equivalent have been calculated as the total oil equivalent of the oil, condensate/light oil, natural gas and LPG figures, using conversion factors consistent with Society of Petroleum Engineers (SPE) guidelines, as provided below.

Conversion factors used were: 163.40 barrels of oil equivalent per terajoule of natural gas
8.15 barrels of oil equivalent per tonne of LPG

Production - Forecast



Reserves

NZOG's remaining Proven plus Probable (2P) Oil & Gas Reserves as at 31 December 2013	Oil & Condensate (million barrels)	Natural Gas (petajoules)	LPG (kilotonnes)	Million Barrels of Oil Equivalent*
Kupe	1.7	37.0	157.8	9.0
**As at 31 December 2012				9.9
Tui	1.5			1.5
**As at 31 December 2012				0.9
Total				10.5
**As at 31 December 2012				10.8

* Million barrels of oil equivalent have been calculated as the total oil equivalent of the oil, condensate/light oil, natural gas and LPG figures, using conversion factors consistent with Society of Petroleum Engineers (SPE) guidelines, as provided below.

Conversion factors used were: 163.40 barrels of oil equivalent per terajoule of Natural gas
8.15 barrels of oil equivalent per tonne of LPG

** As reported in the New Zealand Oil & Gas 2013 Interim Report

Proven reserves (1P) are the estimated quantities of oil and gas which the geological and engineering data demonstrate with reasonable certainty (90% chance) to be recoverable in future years from known reservoirs, under existing economic and operation conditions. Probable reserves (2P) are those additional reserves which are as likely as not (50% chance) to be technically and economically producible. Reserves for Kupe and Tui have been evaluated, immediately prior to the point of sale; using deterministic methods based on operator supplied well performance and sales data.

Oil and Gas reserves are reported as at 31 December 2013. This reserves Statement has been compiled by NZOG's Vice-President Operations and Engineering Andrew Jefferies BEng (Mech Hons), Msc Pet.Eng., MBA, a Society of Petroleum Engineers Certified Petroleum Engineer with over 23 years of industry experience, and accurately reflects the most current information – at the reporting date – supplied by the respective joint venture operators.

Portfolio



Appraisal	Development	Production	Notes
			Vulcan – 3D seismic 2014/15.
			Takapou – Seismic acquired 2013. Drill or drop decision Sept 2014.
Kupe – 15%		Kupe – 15%	Kupe – Work underway to assess further development opportunities.
Tui, Pateke-4H – 27.5%		Tui – 27.5%	Tui – Drilling at Pateke and Oi.
			Matuku – Kaka 3D seismic acquired summer 2013/14.*
			Taranga – Seismic acquired 2013. Drill or drop decision Sept 2014.
			Kaheru – Drilling 2015.
			Manaia – Seismic due 2014.
			Waru – Seismic survey April 2014.
			Clipper – 3D seismic acquired summer 2013/14.
			Galleon – 3D Seismic acquired summer 2013/14.
			Toroa – 3D seismic 2014/15.
	Kisaran – 22.5%		Kisaran – Plan of Development being drafted. Production hoped for 2015.
			Bohorok – Seismic 2D in 1st Half 2014.
			Palmerah Baru – New permit conferred February 2014.
			Diodore – 2D seismic acquired 2013. Drill or drop decision by July 2014.

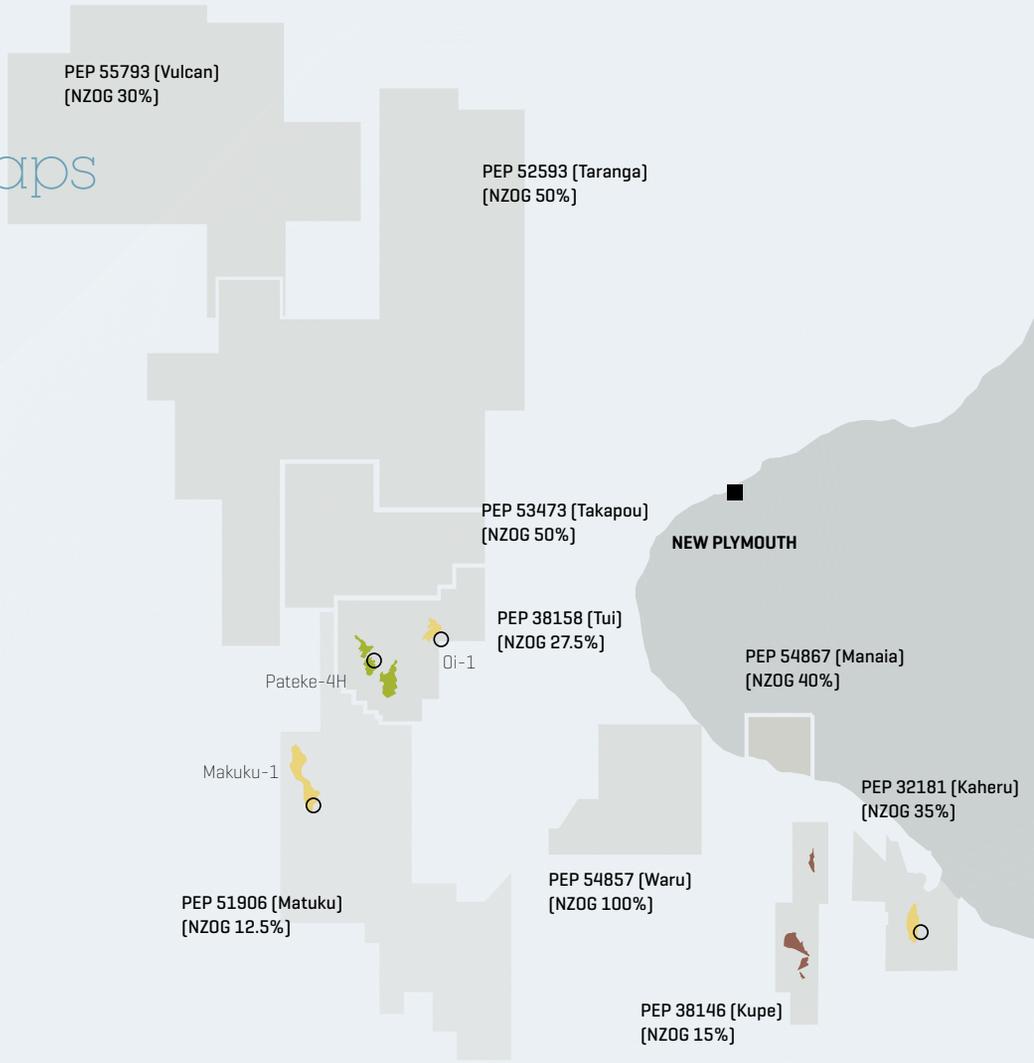
* Matuku well drilled summer 2013-14

Permit Maps

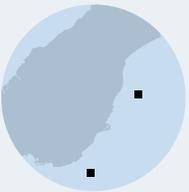
New Zealand New Plymouth



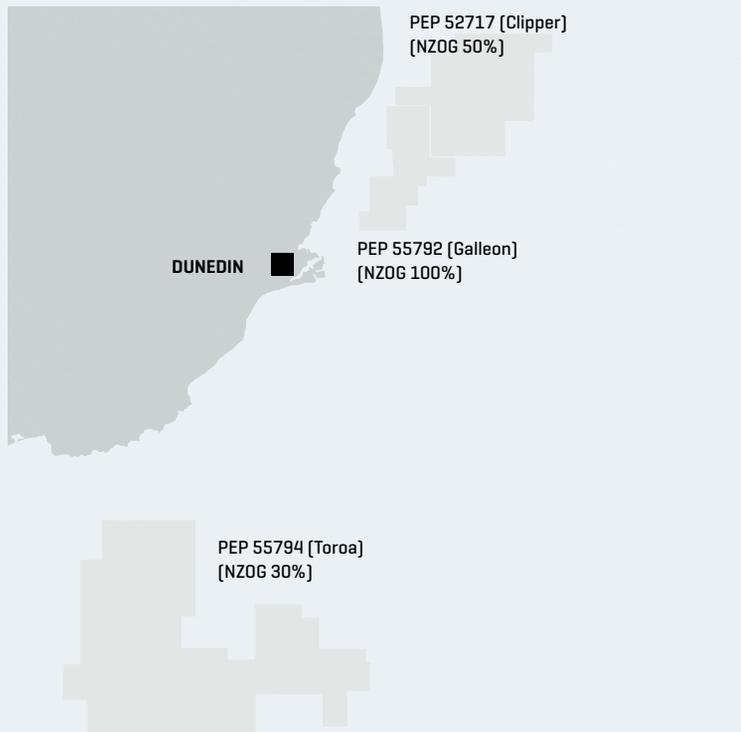
- Gas
- Oil
- Prospects & Leads
- NZOG Permits
- Wells



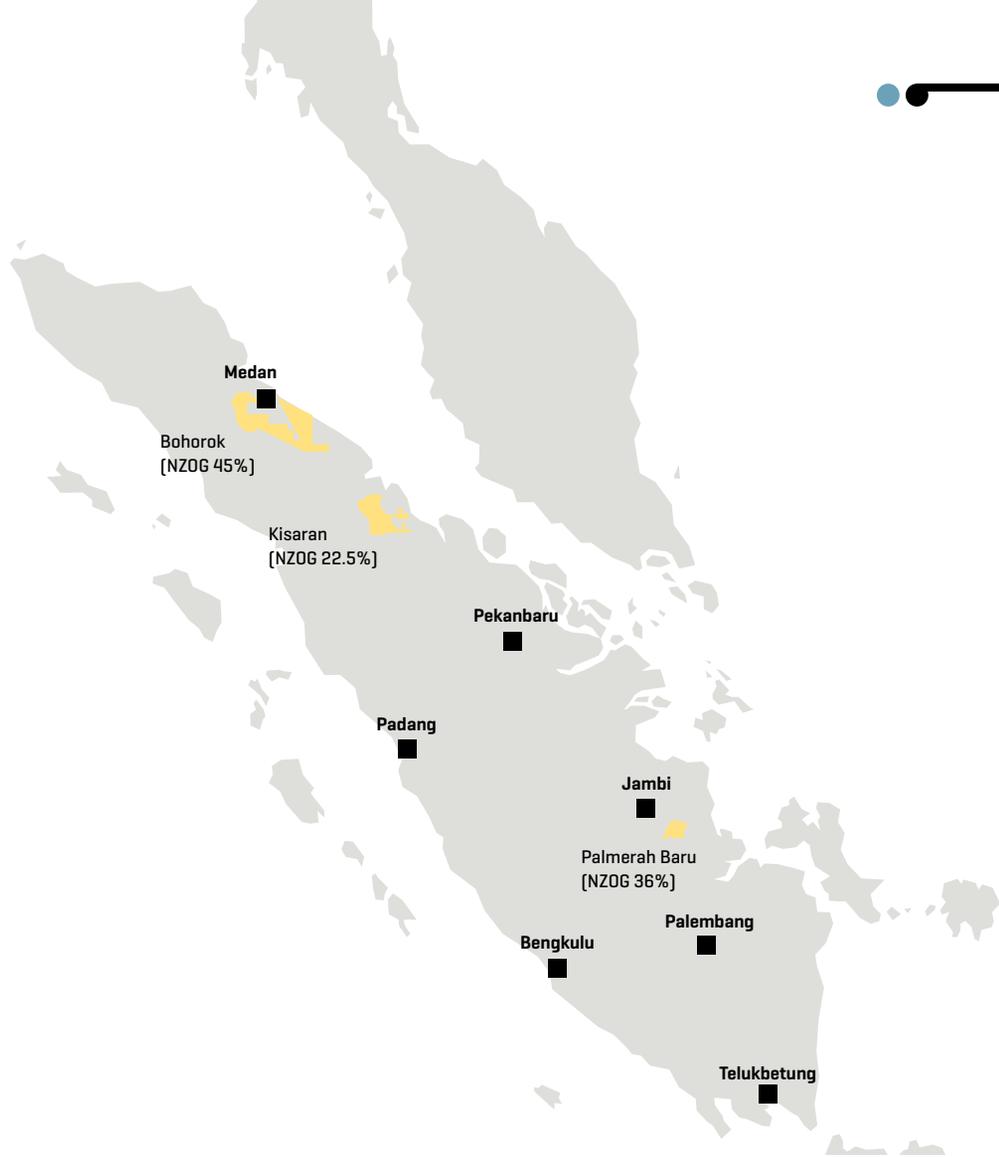
New Zealand Canterbury & Great South



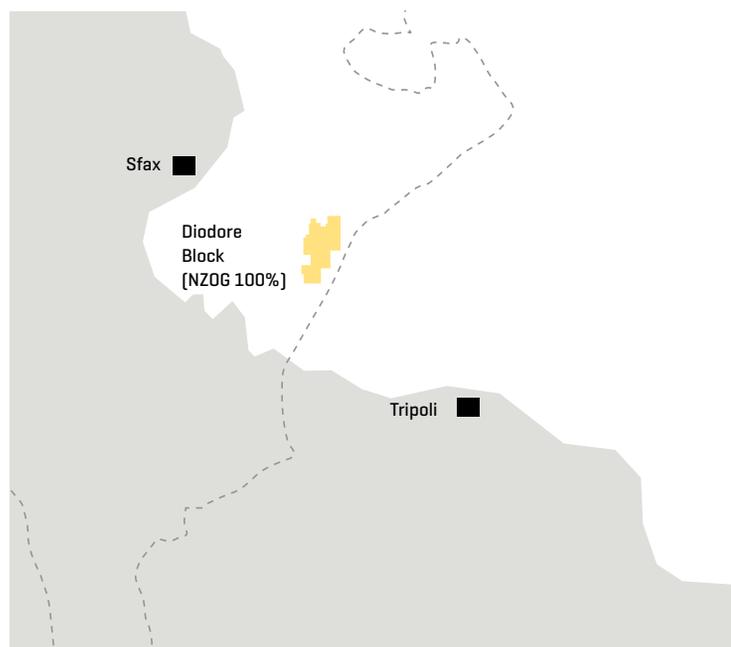
- Oil
- NZOG Permit



Indonesia



Tunisia



Permits

NZOG held the following oil and gas production, appraisal, exploration and evaluation interests as at 31 December 2013:

Name	Region	Type	NZOG Stake
Kupe PML 38146	Taranaki Basin, NZ	Mining Licence	15%
Tui PMP 38158	Taranaki Basin, NZ	Mining Permit	27.5%
Kisaran PSC	Indonesia	Production Sharing Contract	22.5%
Matuku PEP 51906	Taranaki Basin, NZ	Exploration Permit	12.5%
Kaheru PEP 52181	Taranaki Basin, NZ	Exploration Permit	35% Operator
Taranga PEP 52593	Taranaki Basin, NZ	Exploration Permit	50% Operator
Takapou PEP 53473	Taranaki Basin, NZ	Exploration Permit	50% Operator
Diodore	Tunisia	Prospecting Permit	100% Operator
Bohorok PSC	Indonesia	Production Sharing Contract	45%
Manaia PEP 54867	Taranaki Basin, NZ	Exploration Permit	40%
Waru PEP 54857	Taranaki Basin, NZ	Exploration Permit	100% Operator
Clipper PEP 52717	Canterbury Basin, NZ	Exploration Permit	50% Operator
Galleon (i) PEP 55792	Canterbury Basin, NZ	Exploration Permit	100% Operator
Vulcan (i) PEP 55793	Taranaki Basin, NZ	Exploration Permit	30%
Toroa (i) PEP 55794	Great South Basin, NZ	Exploration Permit	30%
Palmerah Baru PSC (ii)	Indonesia	Production Sharing Contract	36%

(i) PEP 55792 - Galleon, PEP 55793 - Vulcan and PEP 55794 - Toroa were awarded in the December 2013 block offer and will be formally conferred on 1 April 2014.

(ii) Palmerah Baru PSC was awarded in December 2013 and formally conferred on 26 February 2014.

Condensed Statement of Income

For the half year ended 31 December 2013

	Notes	Unaudited Half Year 31 December 2013 \$'000	Unaudited Half Year 31 December 2012 \$'000	Audited Full Year 30 June 2013 \$'000
Revenue	4	51,419	47,869	99,259
Operating costs	5	(24,706)	(21,253)	(43,917)
Gross profit		26,713	26,616	55,342
Other Income	4	171	178	9,644
Exploration and evaluation costs expensed	8	(12,553)	(6,480)	(15,090)
Other expenses		(4,510)	(4,948)	(10,260)
Results from operating activities		9,821	15,366	39,636
Finance costs		(2,770)	(3,115)	(1,699)
Finance income		2,568	4,421	7,613
Net finance income/[costs]	6	(202)	1,306	5,914
Profit before income tax and royalties		9,619	16,672	45,550
Income tax expense		(1,201)	(4,183)	(10,234)
Royalties expense		(4,415)	(4,823)	(9,371)
Profit for the period		4,003	7,666	25,945
Profit for the period attributable to:				
Equity holders of Parent		4,003	7,666	25,945
Basic earnings per share attributable to shareholders (cents)	11	1.0	1.9	6.3
Net Tangible Asset Backing per share (cents)		84	85	86

The above condensed statement of income should be read in conjunction with the accompanying notes on pages 20 to 30.

Condensed Statement of Comprehensive Income

For the half year ended 31 December 2013

	Unaudited Half Year 31 December 2013 \$'000	Unaudited Half Year 31 December 2012 \$'000	Audited Full Year 30 June 2013 \$'000
Profit for the period	4,003	7,666	25,945
Other comprehensive income:			
Items that will not be reclassified to profit and loss			
Fair value gain through other comprehensive income	480	1,215	134
Items that may be classified to profit and loss			
Foreign currency translation differences	(2,537)	(1,613)	695
Other comprehensive [cost]/income for the period, net of tax	(2,057)	(398)	829
Total comprehensive income for the period, net of tax:			
Attributable to equity holders of the Parent	1,946	7,268	26,774

The above condensed statement of comprehensive income should be read in conjunction with the accompanying notes on pages 20 to 30.

Condensed Statement of Financial Position

As at 31 December 2013

	Notes	Unaudited Half Year 31 December 2013 \$'000	Unaudited Half Year 31 December 2012 \$'000	Audited Full Year 30 June 2013 \$'000
ASSETS				
Current assets				
Cash and cash equivalents		164,211	208,997	158,018
Receivables and prepayments		9,998	17,369	30,832
Inventories		2,019	1,572	1,259
Current tax receivables		1,502	2,803	-
Total current assets		177,730	230,741	190,109
Non current assets				
Evaluation and exploration assets	8	54,959	18,353	44,480
Oil and gas assets	9	201,550	204,327	198,634
Plant, property and equipment		865	382	595
Intangible assets		242	36	116
Other financial assets		12,239	12,377	11,915
Total non-current assets		269,855	235,475	255,740
Total assets		447,585	466,216	445,849
LIABILITIES				
Current liabilities				
Payables		16,436	15,768	18,555
Borrowings		-	16,520	-
Current tax liabilities		-	-	1,755
Total current liabilities		16,436	32,288	20,310
Non-current liabilities				
Borrowings		545	21,480	197
Restoration and rehabilitation provision	10	39,950	28,357	30,197
Deferred tax liability		38,355	35,983	37,151
Total non-current liabilities		78,850	85,820	67,545
Total liabilities		95,286	118,108	87,855
Net assets		352,299	348,108	357,994
EQUITY				
Share capital		374,556	367,755	370,711
Reserves		(18,507)	(17,840)	(16,539)
Retained earnings		(3,750)	(1,807)	3,822
Total equity		352,299	348,108	357,994

The above condensed statement of financial position should be read in conjunction with the accompanying notes on pages 20 to 30.

Condensed Statement of Changes in Equity

For the half year ended 31 December 2013

UNAUDITED	Attributable to equity holders of New Zealand Oil & Gas Limited			
	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 1 July 2013	370,711	(16,539)	3,822	357,994
Comprehensive income				
Profit for the period	-	-	4,003	4,003
Other comprehensive income, net of tax				
Fair value gain through other comprehensive income	-	480	-	480
Foreign currency translation differences	-	(2,537)	-	(2,537)
Total comprehensive income	-	(2,057)	4,003	1,946
Transactions with owners				
Shares issued	3,845	-	-	3,845
Share based payment	-	107	-	107
Transfer of expired share based payments during the period	-	(18)	18	-
Dividend paid (3 cents per ordinary share)	-	-	(11,593)	(11,593)
Supplementary dividend	-	-	(1,246)	(1,246)
Foreign investor tax credit	-	-	1,246	1,246
Balance as at 31 December 2013	374,556	(18,507)	(3,750)	352,299

UNAUDITED	Attributable to equity holders of New Zealand Oil & Gas Limited			
	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 1 July 2012	358,584	(17,243)	13,670	355,011
Comprehensive income				
Profit for the period	-	-	7,666	7,666
Other comprehensive income, net of tax				
Fair value gain through other comprehensive income	-	1,215	-	1,215
Foreign currency translation differences	-	(1,613)	-	(1,613)
Total comprehensive income	-	(398)	7,666	7,268
Transactions with owners				
Shares issued	9,171	-	-	9,171
Share based payment	-	116	-	116
Transfer of expired share based payments during the period	-	(315)	315	-
Dividend paid (6 cents per ordinary share)	-	-	(23,458)	(23,458)
Supplementary dividend	-	-	(1,107)	(1,107)
Foreign investor tax credit	-	-	1,107	1,107
Balance as at 31 December 2012	367,755	(17,840)	(1,807)	348,108

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes on pages 20 to 30.

Condensed Statement of
Changes in Equity (continued)
For the half year ended 31 December 2013

	Attributable to equity holders of New Zealand Oil & Gas Limited			
	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
AUDITED				
Balance as at 1 July 2012	358,584	[17,243]	13,670	355,011
Comprehensive income				
Profit for the year	-	-	25,945	25,945
Other comprehensive income, net of tax				
Fair value gain through other comprehensive income	-	134	-	134
Foreign currency translation differences	-	695	-	695
Total comprehensive income	-	829	25,945	26,774
Transactions with owners				
Shares issued	12,127	-	-	12,127
Share based payment	-	201	-	201
Transfer of expired share based payments during the year	-	[326]	326	-
Dividends paid [9 cents per ordinary share]	-	-	[36,119]	[36,119]
Supplementary dividend	-	-	[1,107]	[1,107]
Foreign investor tax credit	-	-	1,107	1,107
Balance as at 30 June 2013	370,711	[16,539]	3,822	357,994

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes on pages 20 to 30.

Condensed Statement of Cash Flows

For the half year ended 31 December 2013

	Notes	Unaudited Half Year 31 December 2013 \$'000	Unaudited Half Year 31 December 2012 \$'000	Audited Full Year 30 June 2013 \$'000
Cash flows from operating activities				
Receipts from customers		63,035	51,900	98,015
Interest received		1,889	3,069	5,534
Insurance proceeds received		9,000	-	-
Other revenue		120	39	270
Production and marketing expenditure		(8,031)	(11,612)	(20,986)
Payments to suppliers and employees (inclusive of GST)		(5,579)	(5,347)	(12,064)
Interest paid		-	(845)	(1,296)
Income taxes paid		(2,001)	(3,701)	(4,013)
Royalties		(6,159)	(8,270)	(11,204)
Net cash inflow/(outflow) from operating activities	13	52,274	25,233	54,256
Cash flows from investing activities				
Receipt of loan repayment from Associate		-	6,927	7,427
Exploration and evaluation expenditure		(23,747)	(10,526)	(42,239)
Oil and gas asset expenditure		(1,356)	(1,066)	(5,179)
Refund/(deposit) of Performance bond		(465)	791	888
Purchase of oil and gas interest		(7,733)	-	-
Purchase of property, plant and equipment		(462)	(58)	(404)
Return of capital from Pan Pacific Petroleum NL		-	5,554	5,554
Net cash inflow/(outflow) from investing activities		(33,763)	1,622	(33,953)
Cash flows from financing activities				
Issues of shares		437	84	563
Proceeds from sale of forfeited shares		-	2,496	2,496
Repayment of borrowings		-	(8,800)	(46,603)
Dividends paid		(9,432)	(17,971)	(28,152)
Other		-	-	18
Net cash inflow/(outflow) from financing activities		(8,995)	(24,191)	(71,678)
Net increase/(decrease) in cash and cash equivalents		9,516	2,664	(51,375)
Cash and cash equivalents at the beginning of the period		158,018	209,221	209,221
Effects of exchange rate changes on cash and cash equivalents		(3,323)	(2,888)	172
Cash and cash equivalents at end of the period		164,211	208,997	158,018

The above condensed statement of cashflows should be read in conjunction with the accompanying notes on pages 20 to 30.

Notes to the Condensed Interim Financial Statements

For the half year ended 31 December 2013

1. General information

New Zealand Oil & Gas Limited (the “Company”) is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange [“NZX”] and Australian Stock Exchange [“ASX”]. The Company is an issuer in terms of the Financial Reporting Act 1993.

The condensed interim financial statements [hereafter referred to as the “financial statements”] presented herewith as at and for the half year ended 31 December 2013 comprise the Company and its subsidiaries and the Group’s interest in associates and jointly controlled entities [together referred to as the “Group”].

These interim financial statements do not include all the notes of the type 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 2013.

These financial statements have been approved for issue by the Board of Directors on 18 February 2014.

2. Summary of significant accounting policies

This condensed interim financial information for the half year ended 31 December 2013 has been prepared in accordance with New Zealand Generally Accepted Accounting Practices [NZ GAAP] and the NZ IAS 34 *Interim Financial Reporting*, as appropriate for profit oriented entities.

Changes in accounting policies

There have been no changes in accounting policies during the current year. The adoption of the accounting standards effective during the period have not resulted in a significant change to the Group accounting policies from prior years. All other accounting policies have been applied on a basis consistent with the prior year.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2013.

3. Segment information

For management purposes, the Group’s activities are organised into a number of different segments based on the nature of the venture or investment.

Management monitors operating results and technical data associated with these segments separately for the purposes of making decisions about resource allocation and performance assessment. The financial performance of each segment is evaluated based on profit before tax and net finance costs [profit before tax and interest] and is measured in accordance with the Group’s accounting policies. The Group’s financing requirements, finance income, finance costs, taxes and other corporate activities are managed at a Group level.

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

Oil and gas

Tui area oil fields:

Development, production and sale of crude oil in the petroleum mining permit area of PMP 38158 located in the offshore Taranaki basin, New Zealand.

Notes to the Condensed Interim
Financial Statements (continued)
For the half year ended 31 December 2013

3. Segment information [continued]

Kupe field:

Development, production, 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.

Exploration

Exploration and evaluation of hydrocarbons in the offshore Taranaki basin and offshore Canterbury basin of New Zealand, Tunisia and in Indonesia.

Segment revenues are allocated based on whether the customer is located in New Zealand or overseas. All segment assets are based in New Zealand with the exception of the investment in Pan Pacific Petroleum NL, which is an Australian listed company, and in exploration and evaluation assets in Tunisia and Indonesia.

UNAUDITED Half year to 31 December 2013	Oil & Gas assets Tui \$'000	Oil & Gas assets Kupe \$'000	Oil & Gas assets Exploration \$'000	Other and unallocated \$'000	Total \$'000
Sales to external customers – NZ	-	21,692	-	-	21,692
Sales to external customers – other countries	13,385	16,342	-	-	29,727
Total sales revenue	13,385	38,034	-	-	51,419
Other income	-	45	-	126	171
Total revenue and other income	13,385	38,079	-	126	51,590
Segment result	6,937	19,826	[12,553]	[4,389]	9,821
Other reconciling items – other net finance income/(costs)					[202]
Profit before income tax and royalties					9,619
Income tax and royalties expense					[5,616]
Profit for the period					4,003
Segment assets	31,510	170,040	54,959	10,412	266,921
Other reconciling items					180,664
Total assets					447,585
Included in segment results:					
Depreciation and amortisation expense	2,459	10,913	-	83	13,455

Notes to the Condensed Interim
Financial Statements (continued)
For the half year ended 31 December 2013

3. Segment information [continued]

UNAUDITED Half year to 31 December 2012	Oil & Gas assets Tui \$'000	Oil & Gas assets Kupe \$'000	Oil & Gas assets Exploration \$'000	Other and unallocated \$'000	Total \$'000
Sales to external customers – NZ	-	17,264	-	-	17,264
Sales to external customers – other countries	16,625	13,980	-	-	30,605
Total sales revenue	16,625	31,244	-	-	47,869
Other income	-	134	-	44	178
Total revenue and other income	16,625	31,378	-	44	48,047
Segment result	10,355	16,529	[6,480]	[3,038]	17,366
Other reconciling items – other net finance income/(costs)					[694]
Profit before income tax and royalties					16,672
Income tax and royalties expense					[9,006]
Profit for the period					7,666
Segment assets	14,169	190,158	18,353	10,937	233,617
Other reconciling items					232,599
Total assets					466,216
Included in segment results:					
Depreciation and amortisation expense	2,361	8,438	-	46	10,845
AUDITED Full year to 30 June 2013	Oil & Gas assets Tui \$'000	Oil & Gas assets Kupe \$'000	Oil & Gas assets Exploration \$'000	Other and unallocated \$'000	Total \$'000
Sales to external customers – NZ	-	36,695	-	-	36,695
Sales to external customers – other countries	30,413	32,151	-	-	62,564
Total sales revenue	30,413	68,846	-	-	99,259
Other income	-	9,197	-	447	9,644
Total revenue and other income	30,413	78,043	-	447	108,903
Segment result	18,458	46,079	[15,090]	[9,811]	39,636
Other reconciling items – other net finance income/(costs)					5,914
Profit before income tax and royalties					45,550
Income tax and royalties expense					[19,605]
Profit for the year					25,945
Segment assets	13,744	184,890	44,480	10,500	253,614
Other reconciling items					192,235
Total assets					445,849
Included in segment results:					
Depreciation and amortisation expense	3,977	18,357	-	96	22,430

Notes to the Condensed Interim
Financial Statements (continued)
For the half year ended 31 December 2013

4. Income

	Unaudited Half Year 31 December 2013 \$'000	Unaudited Half Year 31 December 2012 \$'000	Audited Full Year 30 June 2013 \$'000
<i>Revenue</i>			
Petroleum sales	51,419	47,869	99,259
Total revenue	51,419	47,869	99,259
<i>Other income</i>			
Rental income	29	11	29
Carbon emission expenditure recovered	16	134	158
Insurance proceeds	-	-	9,000
Other income	126	33	457
Total other income	171	178	9,644
Total income	51,590	48,047	108,903

5. Operating costs

	Unaudited Half Year 31 December 2013 \$'000	Unaudited Half Year 31 December 2012 \$'000	Audited Full Year 30 June 2013 \$'000
Production and sales marketing costs	9,997	9,595	19,162
Amortisation of production asset	13,372	10,799	22,334
Carbon emission expenditure	13	69	94
Insurance expenditure	932	847	1,628
Movement in inventory	(1,212)	(230)	526
Movement in stock over/(under) lift	1,604	173	173
Total operating costs	24,706	21,253	43,917

Notes to the Condensed Interim
Financial Statements (continued)
For the half year ended 31 December 2013

6. Net finance costs/[income]

	Unaudited Half Year 31 December 2013 \$'000	Unaudited Half Year 31 December 2012 \$'000	Audited Full Year 30 June 2013 \$'000
Finance costs			
Interest and finance charges	(353)	[1,098]	(1,699)
Exchange losses on foreign currency balances	(2,417)	(2,017)	-
Total finance costs	(2,770)	(3,115)	(1,699)
Finance income			
Interest income	2,568	2,421	4,748
Exchange gains on foreign currency balances	-	-	365
Reversal of impairment of loan to Associate - principal	-	2,000	2,500
Total finance income	2,568	4,421	7,613
Net finance income/[costs]	(202)	1,306	5,914

7. Oil and gas interests

The Group held the following oil and gas production, exploration, evaluation and appraisal interests at period end:

Name of entity	Country Type	Interests held by the Group		
		Unaudited Half Year 31 December 2013	Unaudited Half Year 31 December 2012	Audited Full Year 30 June 2013
PML 38146 – Kupe	New Zealand Mining Licence	15.0%	15.0%	15.0%
PMP 38158 – Tui [i]	New Zealand Mining Permit	27.5%	12.5%	12.5%
PEP 54857 – Waru	New Zealand Exploration Permit	100.0%	100.0%	100.0%
PEP 52593 – Taranga	New Zealand Exploration Permit	50.0%	-%	50.0%
PEP 53473 – Takapou	New Zealand Exploration Permit	50.0%	-%	50.0%
PEP 51311 – Kakapo [ii]	New Zealand Exploration Permit	-%	100.0%	100.0%
PEP 52181 – Kaheru	New Zealand Exploration Permit	35.0%	60.0%	35.0%
PEP 52717 – Clipper	New Zealand Exploration Permit	50.0%	-%	50.0%
PEP 51906 – Matuku	New Zealand Exploration Permit	12.5%	-%	12.5%
PEP 54867 – Manaia	New Zealand Exploration Permit	40.0%	40.0%	40.0%
PEP 51558 – Kanuka [iii]	New Zealand Exploration Permit	-%	50.0%	50.0%
PEP 55792 – Galleon [vi]	New Zealand Exploration Permit	100.0%	-%	-%
PEP 55793 – Vulcan [vi]	New Zealand Exploration Permit	30.0%	-%	-%
PEP 55794 – Toroa [vi]	New Zealand Exploration Permit	30.0%	-%	-%
Cosmos [iv]	Tunisia Concession	-%	40.0%	40.0%
Diodore	Tunisia Prospecting Permit	100.0%	100.0%	100.0%
Kisaran PSC	Indonesian Production Sharing Contract	22.5%	22.5%	22.5%
Bohorok PSC	Indonesian Production Sharing Contract	45.0%	45.0%	45.0%
Palmerah Baru PSC [v]	Indonesian Production Sharing Contract	36.0%	-%	-%

[i] NZOG acquired an additional 15% interest in PEP 38158 (Tui) with the effective date of 1 October 2013. Ministerial consent was granted on 8 November 2013.

[ii] PEP 51311 (Kakapo) was relinquished to the Crown on 26 July 2013.

[iii] PEP 51558 was surrendered on 2 December 2013. The Group has fully impaired the evaluation and exploration assets in PEP 51558 (Kanuka) at period end.

[iv] NZOG made a decision to withdraw from this concession in May 2013. The Group has fully impaired the exploration and evaluation asset in Cosmos at balance date. The interest was transferred to Storm Ventures International on 11 October 2013.

[v] Palmerah Baru PSC was awarded in December 2013 and formally conferred on 26 February 2014.

[vi] PEP 55792 (Galleon), PEP 55793 (Vulcan) and PEP 55794 (Toroa) were awarded in the December 2013 block offer and will be formally conferred on 1 April 2014.

Notes to the Condensed Interim
Financial Statements (continued)
For the half year ended 31 December 2013

7. Oil and gas interests (continued)

	Unaudited Half Year 31 December 2013 \$'000	Unaudited Half Year 31 December 2012 \$'000	Audited Full Year 30 June 2013 \$'000
Share of oil and gas interests' assets and liabilities			
Current assets			
Cash and cash equivalents	9,936	11,805	7,329
Trade receivables *	636	1,166	713
Inventory	2,008	1,500	421
Total current assets	12,580	14,471	8,463
Non current assets			
Petroleum interests **	393,025	320,596	369,383
Total assets	405,605	335,067	377,846
Current liabilities			
Short term liabilities	9,708	5,734	8,300
Total liabilities	9,708	5,734	8,300
Net assets	395,897	329,333	369,546
Share of oil and gas interests' revenue, expenses and results			
Revenues *	33	54	788
Expenses	(19,579)	(16,066)	(22,340)
Profit before income tax	(19,546)	(16,012)	(21,552)

* Trade receivables and revenues above do not include petroleum sales in relation to the Tui and Kupe fields, as the Group's share of production volumes are transferred from the Joint Venture to wholly owned subsidiaries and invoiced directly by the subsidiaries to third parties.

** Prior to amortisation of production assets and borrowings.

8. Exploration and evaluation assets

	Unaudited Half Year 31 December 2013 \$'000	Unaudited Half Year 31 December 2012 \$'000	Audited Full Year 30 June 2013 \$'000
Opening balance	44,480	14,893	14,893
Expenditure capitalised	24,327	10,231	43,792
Revaluation of USD exploration and evaluation assets	(1,295)	(291)	885
Expenditure written off *	(12,553)	(6,480)	(15,090)
Closing balance	54,959	18,353	44,480

* The expenditure written off during the year primarily relates to the following permits: PEP 51906 [Matuku] and PEP 51558 [Kanuka]. Refer to Note 7.

9. Oil and gas assets

	Unaudited Half Year 31 December 2013 \$'000	Unaudited Half Year 31 December 2012 \$'000	Audited Full Year 30 June 2013 \$'000
Opening balance	198,634	218,537	218,537
Additions	6,707	1,060	5,176
Amortisation for the period	(13,372)	(10,799)	(22,334)
Revaluation of USD production assets	(934)	(659)	125
Abandonment provision	10,515	(3,812)	(2,870)
Closing balance	201,550	204,327	198,634

Includes capitalised borrowing costs of \$7.7 million at 31 December 2013 (30 June 2013: \$8.4 million and 31 December 2012: \$9.0 million).

10. Restoration and rehabilitation provision

Provisions for restoration and rehabilitation are recognised where there is a present obligation as a result of exploration, development or production activities having been undertaken, and it is probable that an outflow of economic benefit will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected area. Due to the long term nature of the liability, the biggest uncertainty in estimating the provision is the costs that will be incurred.

The provision is determined by discounting future expenditure at an appropriate risk free rate relevant to the currency of the expected expenditure. Changes in estimates of the timing and amount of expected future expenditure will impact on the provision in the future.

In the current period the risk free rate used to determine the provision for US Dollars was 3.04%.

	Unaudited Half Year 31 December 2013 \$'000	Unaudited Half Year 31 December 2012 \$'000	Audited Full Year 30 June 2013 \$'000
Carrying amount at start of period	30,197	32,392	32,392
Addition/[reduction] in provision recognised	10,515	(3,812)	(2,870)
Unwinding of discount	350	269	540
Revaluation of USD provisions	(1,112)	(492)	135
Carrying amount at end of period	39,950	28,357	30,197

Notes to the Condensed Interim
Financial Statements (continued)
For the half year ended 31 December 2013

11. Earnings per share

(a) Basic earnings per share

	Unaudited Half Year 31 December 2013 Cents	Unaudited Half Year 31 December 2012 Cents	Audited Full Year 30 June 2013 Cents
Basic earnings per share	1.0	1.9	6.3

(b) Reconciliations of earnings used in calculating earnings per share

	Unaudited Half Year 31 December 2013 \$'000	Unaudited Half Year 31 December 2012 \$'000	Audited Full Year 30 June 2013 \$'000
Profit for the period	4,003	7,666	25,945

(c) Weighted average number of shares used as the denominator

	Unaudited Half Year 31 December 2013 Number 000s	Unaudited Half Year 31 December 2012 Number 000s	Full Year Audited 30 June 2013 Number 000s
Weighted average number of ordinary shares used in calculating basic earnings per share	418,583	408,438	409,193

Basic earnings per share is equal to the diluted earnings per share as there is no instrument with dilutive potential.

12. Related party transactions

There have been no material transactions with related parties during the year.

13. Reconciliation of profit for the period to net cash flows from operating activities

	Unaudited Half Year 31 December 2013 \$'000	Unaudited Half Year 31 December 2012 \$'000	Audited Full Year 30 June 2013 \$'000
Profit for the period	4,003	7,666	25,945
Depreciation and amortisation	13,455	10,845	22,334
Deferred Tax	1,201	4,183	5,343
Reversal of impairment of loan - principal	-	(2,000)	(2,500)
Exploration expenditure included in investing activities	12,553	6,480	16,105
Share based payment expense	107	116	201
Net foreign exchange differences	2,417	2,017	[365]
Other	628	292	781
Change in operating assets and liabilities			
(Increase)/decrease in trade debtors	14,397	[3,615]	[12,889]
Increase/[decrease] in trade creditors	3,513	[751]	[699]
Net cash inflow from operating activities	52,274	25,233	54,256

14. Commitments and contingent assets and liabilities

(a) Evaluation and Exploration expenditure commitments

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

(b) Operating leases and commitments

The Group leases premises, plant and equipment. Operating leases held over properties give the Group the right to renew the lease subject to a redetermination of the lease rental by the lessor.

	Unaudited Half Year 31 December 2013 \$'000	Unaudited Half Year 31 December 2012 \$'000	Audited Full Year 30 June 2013 \$'000
Within one year	354	356	354
Later than one year and not later than five years	853	1,212	1,031
	1,207	1,568	1,385

During the period ended 31 December 2013 \$177,000 was recognised as an expense in the income statement in respect of operating leases (30 June 2013: \$363,000 and 31 December 2012: \$185,000).

Notes to the Condensed Interim
Financial Statements (continued)
For the half year ended 31 December 2013

14. Commitments and contingent assets and liabilities (continued)

Production commitments

The Company is committed to certain operational commitments in respect of the Tui Joint Venture. These operational commitments relate to costs that are integral parts of the Floating Production Storage and Offtake (FPSO) vessel until 31 December 2015 with an option to extend to 31 December 2022 via one year renewal terms. The total committed by NZOG to the FPSO charter and operating and maintenance contracts for the initial period to 31 December 2015 is currently estimated to be US\$18.1 million (30 June 2013: US\$10.3 million and 31 December 2012: US\$12.0 million). The total commitments by NZOG for the FPSO increased with the acquisition of the additional Tui interest. Refer to Note 7.

(c) Contingent assets

Kupe Overriding Royalty Interest

The Group has an overriding royalty in relation to production from the Kupe field. The Group is in discussions with the parties that have an obligation of paying the overriding royalty with respect to the level and timing of any deductions for the calculation of the overriding royalty. At balance date the Kupe overriding royalty interest was a contingent asset as it did not meet the virtual certainty test, under the relevant accounting standards, for the economic inflow and at that time, given the state of discussions between the parties, no practical estimate of the level of overriding royalties that are expected to be receivable was possible.

(d) Contingent liabilities

As at 31 December 2013 the Company had no contingent liabilities (30 June 2013: \$Nil).

Auditors' review report

To the shareholders of New Zealand Oil & Gas Limited (“the Group”)

We have completed a review of the condensed interim financial statements (“the financial statements”) on pages 13 to 30 in accordance with the Review Engagement Standard RS-1 issued by the External Reporting Board. The financial statements provide information about the past financial performance of the Group and its financial position as at 31 December 2013.

Directors' responsibilities

The Directors of the Group are responsible for the preparation of financial statements which give a true and fair view of the financial position of the Group as at 31 December 2013 and the results of its operations and cash flows for the six month period ended on that date.

Reviewers' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of opinion

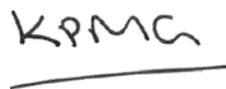
A review is limited primarily to enquiries of Group personnel and analytical review procedures applied to the financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Our firm has also provided other services to the Group in relation to taxation, general accounting and advisory services. These matters have not impaired our independence as auditors of the Group. The firm has no other relationship with, or interest in, the Group.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements on pages 13 to 30 do not give a true and fair view of the financial position of the Group as at 31 December 2013 and the results of its operations and cash flows for the six month period ended on that date in accordance with NZ IAS 34 Interim Financial Reporting.

Our review was completed on 18 February 2014 and our opinion is expressed as at that date.



Wellington

Corporate Directory

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Chairman

Rodger Finlay

Paul Foley

Andrew Knight
Managing Director

Rod Ritchie

David Scoffham

Mark Tume

Management

Andrew Knight
Chief Executive & Managing Director

John Bay
Vice President and General Manager Commercial

Andre Gaylard
Chief Financial Officer

William Houston
General Manager Exploration

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Please assist our registry by quoting your CSN or shareholder number when making enquiries.



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