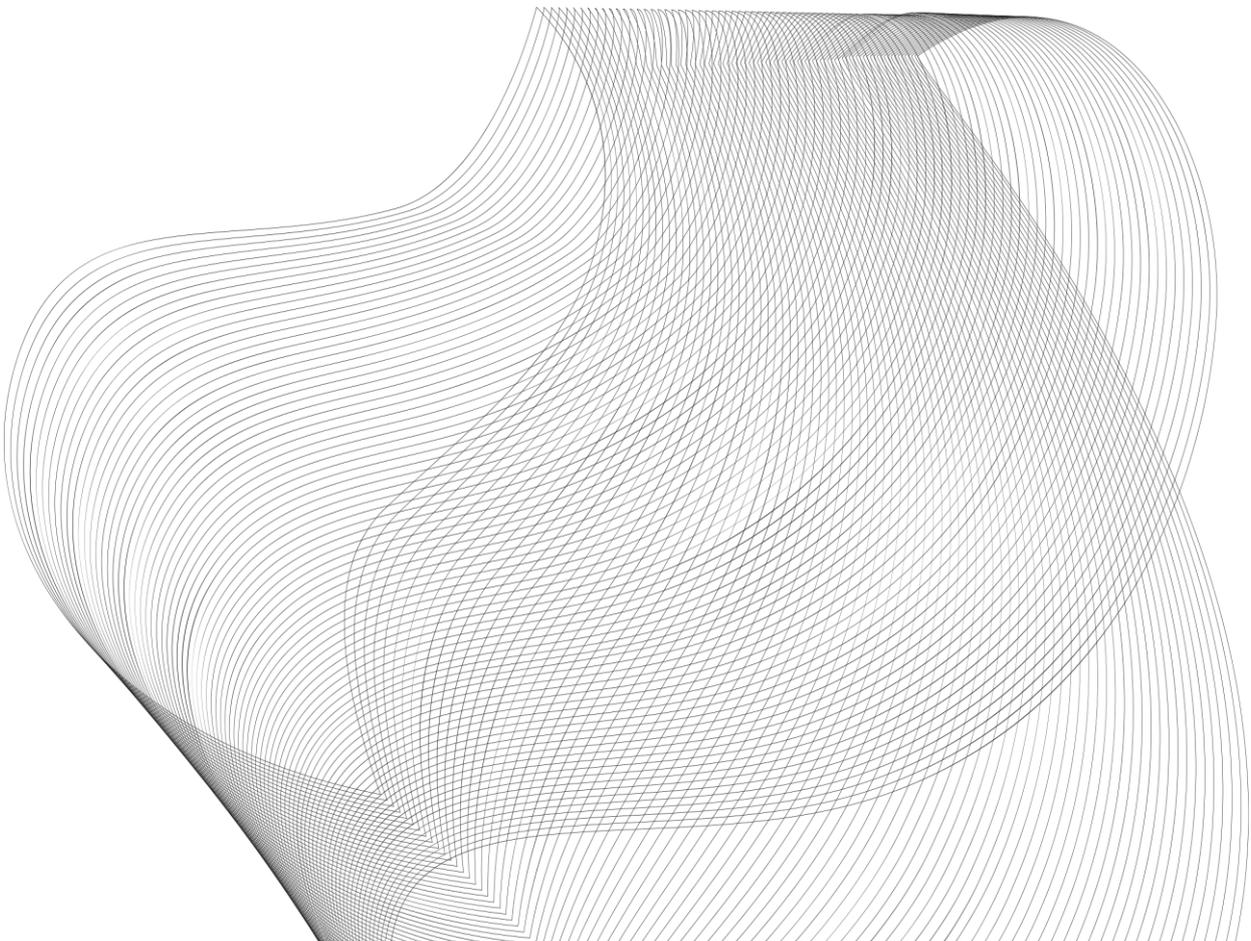


# **CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 30 June 2020**



**Consolidated Statement of Cash Flows**  
**For the year ended 30 June 2020**

\$000	Notes	2020	2019
<b>Cash flows from operating activities</b>			
Customer receipts		38,163	46,570
Production and marketing payments		(10,724)	(10,968)
Supplier and employee payments (inclusive of GST)		(11,652)	(11,744)
Interest received		1,580	2,297
Income tax paid		(4,555)	(4,131)
Royalties paid		(3,069)	(2,506)
Other		1,164	1,787
<b>Net cash inflow from operating activities</b>		<b>10,907</b>	<b>21,305</b>
<b>Cash flows from investing activities</b>			
Exploration and evaluation expenditure		(5,458)	(12,115)
Oil and gas asset expenditure		(2,690)	(1,740)
Property, plant and equipment expenditure		(199)	(87)
<b>Net cash outflow from investing activities</b>		<b>(8,347)</b>	<b>(13,942)</b>
<b>Cash flows from financing activities</b>			
Issue of shares		-	6
Forfeited shares		(7)	(17)
Lease liabilities principal element payments		(242)	-
<b>Net cash outflow from financing activities</b>		<b>(249)</b>	<b>(11)</b>
<b>Net increase in cash, cash equivalents and funds held in escrow</b>		<b>2,311</b>	<b>7,352</b>
Cash and cash equivalents at the beginning of the year		105,586	98,010
Exchange rate effects on cash, cash equivalents and funds held in escrow		2,857	224
<b>Cash, cash equivalents and funds held in escrow at end of the year</b>	12	<b>110,754</b>	<b>105,586</b>

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

\$000	2020	2019
<b>Loss for the year</b>	<b>(772)</b>	<b>(2,889)</b>
Depreciation and amortisation	8,410	8,818
Deferred tax	454	559
Exploration expenditure included in investing activities	3,615	8,224
Asset impairment	2,856	7,202
Net foreign exchange differences	(2,365)	(1,217)
Unwind of discount on rehabilitation provision	414	221
Share based payments	341	-
Other	(58)	281
<b>Change in operating assets and liabilities</b>		
Movement in receivables	1,142	3,777
Movement in payables	(508)	(2,462)
Movement in inventories	207	(314)
Movement in other financial assets	(597)	7
Movement in provisions	(258)	75
Movement in tax payable	(1,974)	(977)
<b>Net cash inflow from operating activities</b>	<b>10,907</b>	<b>21,305</b>

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 2020**

<b>\$000</b>	Notes	<b>2020</b>	2019
Revenue	6	<b>37,270</b>	43,323
Operating costs	7	<b>(9,894)</b>	(9,305)
Exploration and evaluation expenditure		<b>(3,615)</b>	(8,224)
Other income	6	<b>1,980</b>	2,450
Other expenses	8	<b>(12,241)</b>	(12,389)
<b>Results from operating activities excluding amortisation, impairment and net finance costs</b>		<b>13,500</b>	15,855
Amortisation of production assets	17	<b>(7,956)</b>	(8,457)
Asset impairment	16 & 17	<b>(2,856)</b>	(7,202)
Net finance income	9	<b>3,455</b>	3,162
<b>Profit before income tax and royalties</b>		<b>6,143</b>	3,358
Income tax expense	10	<b>(4,211)</b>	(3,674)
Royalties expense	11	<b>(2,704)</b>	(2,573)
<b>Loss for the year</b>		<b>(772)</b>	(2,889)
<b>Loss for the year attributable to:</b>			
Loss attributable to shareholders		<b>(1,382)</b>	(7,480)
Profit attributable to non-controlling interest (NCI)		<b>610</b>	4,591
<b>Loss for the year</b>		<b>(772)</b>	(2,889)
<b>Other comprehensive income:</b>			
<b>Items that may be classified to profit or loss</b>			
Foreign currency translation reserve (FCTR) differences		<b>1,660</b>	(5,262)
<b>Total other comprehensive profit/(loss) for the year</b>		<b>888</b>	(8,151)
<b>Total comprehensive profit/(loss) for the year is attributable to:</b>			
Equity holders of the Group		<b>(68)</b>	(12,517)
Non-controlling interest		<b>956</b>	4,366
<b>Total comprehensive profit/(loss) for the year</b>		<b>888</b>	(8,151)
<b>Loss per share</b>			
Basic loss per share (cents)	23	<b>(0.8)</b>	(4.5)
Diluted loss per share (cents)	23	<b>(0.8)</b>	-

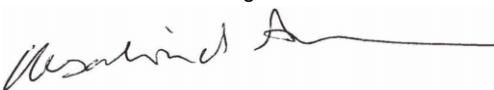
The notes to the financial statements are an integral part of these financial statements

**Consolidated Statement of Financial Position**  
**For the year ended 30 June 2020**

<b>\$000</b>	Notes	<b>2020</b>	2019*
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	12	97,904	93,540
Funds held in escrow	12	12,850	12,046
Receivables and prepayments	13	6,604	7,996
Inventories		2,388	2,595
Right of use assets		132	-
<b>Total current assets</b>		<b>119,878</b>	116,177
<b>Non-current assets</b>			
Exploration and evaluation assets	16	6,549	3,646
Oil and gas assets	17	52,237	58,609
Property, plant and equipment		294	374
Other intangible assets		128	47
Other financial assets	18	6,123	5,526
Right of use assets		91	-
<b>Total non-current assets</b>		<b>65,422</b>	68,203
<b>Total assets</b>		<b>185,300</b>	184,380
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	19	5,467	5,975
Lease provision		217	-
Current tax liabilities		2,340	4,314
<b>Total current liabilities</b>		<b>8,024</b>	10,289
<b>Non-current liabilities</b>			
Rehabilitation provision	20	27,909	26,449
Other provisions		16	-
Deferred tax liability	10	1,793	1,309
<b>Total non-current liabilities</b>		<b>29,718</b>	27,758
<b>Total liabilities</b>		<b>37,742</b>	38,047
<b>Net assets</b>		<b>147,558</b>	146,333
<b>Equity</b>			
Share capital	21	211,901	211,908
Reserves	22	4,111	2,460
Retained earnings		(80,445)	(79,071)
<b>Attributable to shareholders of the Group</b>		<b>135,567</b>	135,297
Non-controlling interest in subsidiaries		11,991	11,036
<b>Total equity</b>		<b>147,558</b>	146,333
<b>Net asset backing per share (cents)</b>		<b>87.9</b>	87.2
<b>Net tangible asset backing per share (cents)</b>		<b>83.9</b>	85.0

Authorised on behalf of the New Zealand Oil & Gas Limited Board of Directors on 28 August 2020:

  
Samuel Kellner  
Chairman

  
Rosalind Archer  
Director

\* Comparative numbers have been restated. Refer to note 4.

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 2020**

\$000	Share capital	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
<b>Balance as at 1 July 2018</b>	<b>211,917</b>	<b>7,561</b>	<b>(74,578)</b>	<b>144,900</b>	<b>6,670</b>	<b>151,570</b>
(Loss)/profit for the year	-	-	(7,480)	(7,480)	4,591	(2,889)
Foreign currency translation differences	-	(2,132)	-	(2,132)	(225)	(2,357)
Shares issued	8	-	-	8	-	8
Partly paid shares issued	(17)	-	-	(17)	-	(17)
Share based compensation expense	-	18	-	18	-	18
Exercised and expired ESOP awards	-	(82)	82	-	-	-
FCTR on disposals	-	(2,905)	2,905	-	-	-
<b>Balance as at 30 June 2019</b>	<b>211,908</b>	<b>2,460</b>	<b>(79,071)</b>	<b>135,297</b>	<b>11,036</b>	<b>146,333</b>
(Loss)/profit for the year	-	-	(1,382)	(1,382)	610	(772)
Foreign currency translation differences	-	1,315	-	1,315	345	1,660
Partly paid shares issued	(7)	-	-	(7)	-	(7)
Share based compensation expense	-	344	-	344	-	344
Exercised and expired ESOP awards	-	(8)	8	-	-	-
<b>Balance as at 30 June 2020</b>	<b>211,901</b>	<b>4,111</b>	<b>(80,445)</b>	<b>135,567</b>	<b>11,991</b>	<b>147,558</b>

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

## **1 Basis of accounting**

### **Reporting entity**

New Zealand Oil & Gas Limited (the Group) is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX). The Group is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013. The financial statements presented are for New Zealand Oil & Gas Limited, its subsidiaries and interests in associates and jointly controlled operations (together referred to as the "Group").

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

### **Basis of preparation**

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practices ('NZ GAAP') and the Financial Reporting Act 2013. They comply with the NZ equivalents to International Financial Reporting Standards ('NZ IFRS') as appropriate for profit-oriented entities, and with International Financial Reporting Standards ('IFRS').

The presentation and reporting currency used in the preparation of the financial statements is New Zealand dollars (NZD or \$) rounded to the nearest thousand unless otherwise stated. The financial statements are prepared on a goods and services tax (GST) exclusive basis except billed receivables and payables which include GST.

These financial statements are prepared on the basis of historical cost except where otherwise stated in specific accounting policies contained in the accompanying notes.

### **Basis of consolidation**

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that control ceases. Consistent accounting policies are employed in the preparation and presentation of the Group financial statements. Intra-group balances, transactions, unrealised income or expenses arising from intra-group transactions and dividends are eliminated in preparing the Group financial statements. A list of subsidiaries and associates is shown in notes 14 and 15.

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

## **2 Critical accounting estimates and judgements**

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

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

Recoverability of exploration and evaluation assets and oil and gas assets. Assessment includes future commodity prices, future cash flows, an estimated discount rate and estimates of reserves. Management performs an assessment of the carrying value of investments at each reporting date and considers objective evidence for impairment on each investment taking into account observable data on the investment, the fair value, the status or context of capital markets, its own view of investment value and its long term intentions (refer to note 16, 17 and 24(a)(ii)),

Provision for rehabilitation obligations includes estimates of future costs, timing of required rehabilitation and an estimated discount rate (refer to note 20); and

Recoverability of deferred tax asset includes an assessment of the ability of entities in the Group to generate future taxable income (refer to note 10).

## 2 Critical accounting estimates and judgements (continued)

In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread globally, including New Zealand. COVID-19 has caused significant volatility and uncertainty around the breadth and duration of business disruption in both domestic and international markets. The pandemic presents strategic, operational and commercial uncertainties for the Group. There are increased uncertainties around the duration, scale and impact of the COVID-19 outbreak, however given the continued uncertainties the future financial impact, if any, cannot be determined. The Group is taking various measures to mitigate the impact on its operations, however to date the Group has lower revenues and assets, due to lower oil prices. The Maari asset has been impaired accordingly (refer to note 17).

## 3 Adoption status of relevant new financial reporting standards and interpretations

### NZ IFRS 16 Leases

The Group has adopted NZ IFRS 16 from 1 July 2019. The standard replaces NZ IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in other expenses) and an interest expense on the recognised lease liabilities (included in finance costs). For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

#### Impact on application

The Group has adopted NZ IFRS 16 using the modified retrospective approach whereby the consolidated entity has recognised the cumulative effect of initially applying this standard as an adjustment to the opening balance of equity as at 1 July 2019. Accordingly, the Group has not restated comparative balances in the financial statements.

On adoption of NZ IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of NZ IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.3%. The associated right of use assets were measured at the amount equal to the lease liability relating to that lease at 1 July 2019, with no overall change to net assets.

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<b>Impact on application (\$000)</b>	<b>1-Jul-19</b>
Right-of-use assets	455
Lease liabilities	(455)
Accumulated losses	-

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#### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

#### Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

### **3 Adoption status of relevant new financial reporting standards and interpretations (continued)**

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to the profit and loss if the carrying amount of the right-of-use asset is fully written down.

### **4 Restatement of comparatives**

#### **Correction of error**

Cue Energy Resources Limited (Cue), through its wholly owned subsidiary, Cue Sampang Pty Ltd (Cue Sampang), contributed to the Abandonment and Site Restoration (ASR) fund as agreed by Indonesian Government through SKK Migas. Cue Sampang contributed \$5.6 million to the ASR fund up to 30 June 2019. Historically, Cue did not recognise the funded portion of the ASR on its balance sheet.

During 2020 financial year, Cue reviewed the contractual agreement and concluded that a prior year restatement is required to gross up the funded portion of the rehabilitation provision, as Cue Sampang retains the obligation to fully fund its share of the rehabilitation. As such, Cue retrospectively recognised other financial asset of \$5.5 million as at 30 June 2019, with corresponding adjustments for production properties (\$0.1 million) and rehabilitation provision (\$5.6 million). There was no impact to the statement of profit or loss and other comprehensive income.

#### **Statement of profit or loss and other comprehensive income**

When there is a restatement of comparatives, it is mandatory to provide a statement of profit or loss and other comprehensive income for the year ended 30 June 2019. However, as there were no adjustments made, the consolidated entity has elected not to show the statement of profit or loss and other comprehensive income.

#### **Statement of financial position at the beginning of the earliest comparative period**

When there is a restatement of comparatives, it is mandatory to provide a third statement of financial position at the beginning of the earliest comparative period, being 1 July 2018.

**4 Restatement of comparatives (continued)**

**Extract**

<b>\$000</b>	2018 Reported	Adjustment	2018 Restated
<b>Assets</b>			
<b>Non-current assets</b>			
Oil and gas assets	64,848	(12)	64,836
Other financial assets	16	5,130	5,146
<b>Total non-current assets</b>	<u>72,811</u>	<u>5,118</u>	<u>77,929</u>
<b>Total assets</b>	<u>184,846</u>	<u>5,118</u>	<u>189,964</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Rehabilitation provision	18,642	5,118	23,760
<b>Total non-current liabilities</b>	<u>19,439</u>	<u>5,118</u>	<u>24,557</u>
<b>Total liabilities</b>	<u>33,276</u>	<u>5,118</u>	<u>38,394</u>
<b>Net assets</b>	<u>151,570</u>	<u>-</u>	<u>151,570</u>

<b>\$000</b>	2019 Reported	Adjustment	2019 Restated
<b>Assets</b>			
<b>Non-current assets</b>			
Oil and gas assets	58,507	102	58,609
Other financial assets	9	5,517	5,526
<b>Total non-current assets</b>	<u>62,583</u>	<u>5,620</u>	<u>68,203</u>
<b>Total assets</b>	<u>178,760</u>	<u>5,620</u>	<u>184,380</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Rehabilitation provision	20,829	5,620	26,449
<b>Total non-current liabilities</b>	<u>22,138</u>	<u>5,620</u>	<u>27,758</u>
<b>Total liabilities</b>	<u>32,427</u>	<u>5,620</u>	<u>38,047</u>
<b>Net assets</b>	<u>146,333</u>	<u>-</u>	<u>146,333</u>

## 5 Segment information

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

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

**Kupe oil and gas field (Kupe):** development, production and sale of natural gas, liquefied petroleum gas (LPG) and condensate (light oil) in the petroleum mining permit area of PML 38146 located in the offshore Taranaki basin, New Zealand. The Group purchased a 4% interest from Mitsui E&P Australia Pty Limited with an acquisition date of 8 December 2017.

**Oil & gas exploration:** exploration and evaluation of hydrocarbons in the offshore Taranaki basin and offshore Canterbury basin in New Zealand as well as in Australia and Indonesia.

**Cue:** the Group acquired a controlling interest in Cue during the 2015 financial year. Management have treated this as a separate operating segment.

<b>2020</b> <b>\$000</b>	<b>Kupe oil &amp; gas</b>	<b>Oil &amp; gas exploration</b>	<b>Other &amp; unallocated</b>	<b>Cue Energy Resources Ltd</b>	<b>Total</b>
Sales to external customers - NZ	9,884	-	-	-	9,884
Sales to external customers - other countries	2,150	-	-	25,236	27,386
<b>Total sales revenue</b>	<b>12,034</b>	<b>-</b>	<b>-</b>	<b>25,236</b>	<b>37,270</b>
Other income	198	-	1,282	500	1,980
<b>Total sales revenue and other income</b>	<b>12,232</b>	<b>-</b>	<b>1,282</b>	<b>25,736</b>	<b>39,250</b>
Impairment of oil and gas assets	-	-	-	(2,856)	(2,856)
<b>Segment result</b>	<b>6,439</b>	<b>(2,064)</b>	<b>(8,132)</b>	<b>6,445</b>	<b>2,688</b>
Other net finance income					3,455
<b>Profit before income tax and royalties</b>					<b>6,143</b>
Income tax and royalties expense					(6,915)
<b>Loss for the year</b>					<b>(772)</b>
<b>Segment assets</b>	<b>32,245</b>	<b>1,622</b>	<b>-</b>	<b>24,919</b>	<b>58,786</b>
Unallocated assets					126,514
<b>Total assets</b>					<b>185,300</b>
Included in segment results:					
<b>Depreciation and amortisation expense</b>	<b>3,451</b>	<b>-</b>	<b>341</b>	<b>4,618</b>	<b>8,410</b>

<b>2019</b> *	<b>Kupe oil &amp; gas</b>	<b>Oil &amp; gas exploration</b>	<b>Other &amp; unallocated</b>	<b>Cue Energy Resources Ltd</b>	<b>Total</b>
Sales to external customers - NZ	11,933	-	-	-	11,933
Sales to external customers - other countries	3,928	-	-	27,462	31,390
<b>Total sales revenue</b>	<b>15,861</b>	<b>-</b>	<b>-</b>	<b>27,462</b>	<b>43,323</b>
Other income	58	-	239	2,153	2,450
<b>Total sales revenue and other income</b>	<b>15,919</b>	<b>-</b>	<b>239</b>	<b>29,615</b>	<b>45,773</b>
<b>Segment result</b>	<b>10,267</b>	<b>(12,960)</b>	<b>(10,349)</b>	<b>13,238</b>	<b>196</b>
Other net finance income					3,162
<b>Profit before income tax and royalties</b>					<b>3,358</b>
Income tax and royalties expense					(6,247)
<b>Loss for the year</b>					<b>(2,889)</b>
<b>Segment assets</b>	<b>32,712</b>	<b>90</b>	<b>-</b>	<b>29,453</b>	<b>62,255</b>
Unallocated assets					122,125
<b>Total assets</b>					<b>184,380</b>
Included in segment results:					
<b>Depreciation and amortisation expense</b>	<b>3,798</b>	<b>-</b>	<b>351</b>	<b>4,669</b>	<b>8,818</b>

\* Comparative numbers have been restated. Refer to Note 4.

## 5 Segment information (continued)

### Major customers

The Group provides products to four external customers.

## 6 Revenue and other income

Sales comprise revenue earned from the sale of petroleum products, when the significant risks and rewards of ownership of the petroleum products have been transferred to the buyer. Revenue is recognised at the fair value of the consideration received net of the amount of GST.

<b>\$000</b>	<b>2020</b>	2019
<b>Revenue</b>		
Petroleum sales	<b>37,270</b>	43,323
<b>Total revenue</b>	<b>37,270</b>	43,323
<b>Other income</b>		
Insurance proceeds	-	1,125
Reimbursement of Ironbark back costs	-	947
Other income	<b>1,561</b>	378
Performance bond receivable *	<b>419</b>	-
<b>Total other income</b>	<b>1,980</b>	2,450
<b>Total income</b>	<b>39,250</b>	45,773

\* During the year ending 30 June 2020, Texcal Mahato EP Ltd, operator of the Mahato PSC refused to refund Cue's share of the PSC performance bond, amounting to approximately \$0.4 million (US\$0.3 million) which was released by the Indonesian Government on completion of the PSC work commitment. The return of the bond is governed by a separate agreement with Texcal and is unrelated to the claims being made by Texcal under the Joint Operating Agreement ('JOA'). Cue continues to assert its rights under the agreement which governs the performance bond and is evaluating its available options.

## 7 Operating Costs

<b>\$000</b>	<b>2020</b>	2019
Production and sales marketing costs	<b>(8,221)</b>	(8,965)
Carbon emission expenditure	<b>(476)</b>	(413)
Insurance expenditure	<b>(626)</b>	(456)
Movement in inventory	<b>(571)</b>	529
<b>Total operating costs</b>	<b>(9,894)</b>	(9,305)

## 8 Other expenses

\$000	2020	2019
<b>Classification of other expenses by nature</b>		
Audit fees paid to the Group auditor - KPMG	219	110
Audit fees paid to other auditors - BDO	-	124
Directors' fees	337	294
Legal fees	1,094	878
Consultants' fees	1,367	1,515
Employee expenses	6,098	6,229
Depreciation	454	120
Amortisation of intangible assets	-	241
Share based payment expense	341	17
IT and software expenses	811	557
Pre-permit expenditure	141	-
Registry and stock exchange fees	253	143
Other	1,126	2,161
<b>Total other expenses</b>	<b>12,241</b>	<b>12,389</b>

\$000	2020	2019
<b>Fees paid to the Group auditor</b>		
Audit and review of financial statements	219	110
Tax compliance services	72	98
Tax advisory services	28	86
Other assurance services	9	-
<b>Total fees paid to Group auditor</b>	<b>328</b>	<b>294</b>
<b>Fees paid to other auditors</b>		
Audit and review of subsidiary financial statements	-	124
Tax compliance services	-	10
<b>Total fees paid to other auditors</b>	<b>-</b>	<b>134</b>

During the year the auditors of Cue changed to KPMG.

## 9 Net finance income and costs

\$000	2020	2019
Bank fees	(9)	(9)
Unwind of discount on provision	(414)	(221)
Lease interest expense	(9)	-
<b>Total finance costs</b>	<b>(432)</b>	<b>(230)</b>
Interest income	1,522	2,175
Exchange gains on foreign currency balances	2,365	1,217
<b>Total finance income</b>	<b>3,887</b>	<b>3,392</b>
<b>Net finance income</b>	<b>3,455</b>	<b>3,162</b>

## 10 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.

10 Taxation (continued)

\$000	2020	2019
<b>Income tax expense</b>		
Current tax	3,757	3,115
Deferred tax	454	559
<b>(a) Total income tax expense</b>	<b>4,211</b>	<b>3,674</b>
<b>Income tax expense calculation</b>		
Profit before income tax and royalties	6,143	3,358
Less: royalties expense	(2,704)	(2,573)
Profit before income tax	3,439	785
Tax at the New Zealand tax rate of 28%	963	220
Tax effect of amounts which are not deductible/(taxable):		
Difference in overseas tax rate	1,288	(445)
Non-deductible expenses	348	298
Foreign exchange adjustments	(154)	(198)
Unrealised timing differences	(630)	433
Unrecognised tax losses	2,641	1,645
Other	445	2,475
	4,901	4,429
Adjustment recognised for current tax in prior periods	(690)	(755)
<b>(b) Total income tax expense</b>	<b>4,211</b>	<b>3,674</b>

During the year, Cue was notified that it had been successful in an Indonesian Tax Court case against the Indonesian Tax Department for over-payment of \$0.7 million in taxes relating to 2011, resulting in a partial refund of \$0.5 million which was received in December 2019. The remaining balance was accrued at year end.

During the prior year Cue had an Indonesian tax matter relating to a notice of amended assessment which was being disputed by Cue Kalimantan Pte Ltd on behalf of SPC E&P Ltd (SPC). Cue is indemnified by SPC for any losses arising from this dispute and has recognised a tax liability as well as a receivable in the Consolidated Statement of Financial Position.

At 30 June 2020 no imputation credits were held for subsequent reporting periods (2019: nil).

**(c) Deferred tax**

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

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

The utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing temporary differences. As at 30 June 2020 the Group have accumulated losses in New Zealand of \$43.2 million (30 June 2019: \$41.7 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.

## 10 Taxation (continued)

\$000	2020	2019
<b>The balance comprises temporary differences attributable to:</b>		
<b>Deferred Tax Assets</b>		
Non-deductible provisions	5,988	5,645
	<u>5,988</u>	<u>5,645</u>
<b>Deferred Tax Liabilities</b>		
Exploration & evaluation assets	(2,164)	(6,954)
Oil & gas assets	(5,604)	-
Other items (including lease assets)	(14)	-
	<u>(7,782)</u>	<u>(6,954)</u>
<b>Net deferred tax liabilities</b>	<u>(1,793)</u>	<u>(1,309)</u>
<b>Movements:</b>		
<b>Net deferred tax liability at 1 July</b>	(1,309)	(797)
Recognised in profit and loss	(454)	(559)
Recognised in other comprehensive income	(30)	47
<b>Closing balance at end of year</b>	<u>(1,793)</u>	<u>(1,309)</u>

## 11 Royalties expense

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

## 12 Cash and cash equivalents and funds held in escrow

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

\$000	2020	2019
Cash at bank and in hand	18,524	12,006
Deposits at call	4,110	4,590
Short term deposits	74,774	76,602
Share of oil and gas interests' cash	496	342
Funds held in escrow - WA-359-P Drilling Programme Account*	12,850	12,046
<b>Total cash and cash equivalents at end of year</b>	<u>110,754</u>	<u>105,586</u>

Cash and cash equivalents denominated by currency \$000	2020	2020	2019	2019
	Base Currency	NZD Equivalent	Base Currency	NZD Equivalent
NZ dollar	29,929	29,929	32,439	32,439
US dollar	48,651	75,710	45,635	68,032
AU dollar	4,493	4,808	4,774	4,990
ID rupiah	2,840,563	307	1,187,789	125
<b>Total cash and cash equivalents at end of year</b>	<u>110,754</u>	<u>110,754</u>	<u>105,586</u>	<u>105,586</u>

### Deposits at call and short-term deposits

The deposits at call and short term deposits are currently bearing interest rates between **0.06% and 0.50%** (2019: 1.60% and 2.70%).

\*The WA-359-P Drilling Programme Account represents cash held under the Ironbark funding arrangement of the WA-359-P joint agreement and is not available as free cash for the purposes of the Group's operations until BP Developments Australia Pty Limited, as the operator, draws down on the balance for the purposes of the drilling work programme as agreed by all parties.

**13 Receivables and prepayments**

<b>\$000</b>	<b>2020</b>	<b>2019</b>
Trade receivables	4,136	6,492
Share of oil and gas interests' receivables	2,097	1,328
Prepayments	361	124
Other	10	52
<b>Total receivables and prepayments at end of year</b>	<b>6,604</b>	<b>7,996</b>

<b>Receivables and prepayments denominated by currency</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
<b>\$000</b>	<b>Base Currency</b>	<b>NZD Equivalent</b>	<b>Base Currency</b>	<b>NZD Equivalent</b>
NZ dollar	1,530	1,530	2,322	2,322
US dollar	3,163	4,907	3,776	5,617
AU dollar	135	144	20	37
ID rupiah	208,275	23	181,098	20
<b>Total receivables and prepayments at end of year</b>		<b>6,604</b>		<b>7,996</b>

**14 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 2020 the Group holds a 50.04 per cent interest in Cue Energy Resources Limited (30 June 2019: 50.04 per cent). Cue entities on the next page reflect the Group's 50.04 per cent interest in Cue subsidiaries.

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

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

**14 Investments in subsidiaries (continued)**

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

Name of entity	Country of incorporation	Equity Holding		Functional Currency
		2020	2019	
<u>New Zealand Oil &amp; Gas</u>				
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 2013T Limited	New Zealand	100%	100%	NZD
NZOG Energy Limited	New Zealand	100%	100%	NZD
NZOG Palmerah Baru Pty Limited (i)	Australia	0%	100%	USD
NZOG Offshore Limited	New Zealand	100%	100%	NZD
NZOG Pacific Holdings Pty Limited	Australia	100%	100%	USD
NZOG Pacific Limited	New Zealand	100%	100%	NZD
NZOG Services Limited	New Zealand	100%	100%	NZD
NZOG Taranaki Limited	New Zealand	100%	100%	NZD
Petroleum Resources Limited	New Zealand	100%	100%	NZD
NZOG MNK Bohorok Pty Limited	Australia	100%	100%	USD
NZOG Asia Pty Limited (ii)	Australia	0%	100%	USD
Pacific Oil & Gas (North Sumatera) Limited (ii)	Bermuda	0%	90%	USD
NZOG (Ironbark) Pty Limited	Australia	100%	100%	AUD
<u>Cue Energy Resources</u>				
Cue Energy Resources Limited	Australia	50.04%	50.04%	AUD
Cue Mahakam Hilir Pty Limited	Australia	50.04%	50.04%	USD
Cue (Ashmore Cartier) Pty Ltd	Australia	50.04%	50.04%	AUD
Cue Sampang Pty Limited	Australia	50.04%	50.04%	USD
Cue Taranaki Pty Limited	Australia	50.04%	50.04%	USD
Cue Kalimantan Pte Ltd	Singapore	50.04%	50.04%	USD
Cue Mahato Pty Ltd	Australia	50.04%	50.04%	USD
Cue Exploration Pty Limited	Australia	50.04%	50.04%	AUD

- (i) This company was sold during the 2018 financial year subject to regulatory approval; the sale was completed on 17 April 2020.
- (ii) These companies were sold during the 2018 financial year subject to regulatory approval; the sale was completed on 24 April 2020.

The Group previously determined that in accordance with NZ IAS 21 Effects of Changes in Foreign Exchange Rates, the Group's interest in foreign operations Cue Sampang (Indonesia) and Cue Taranaki (New Zealand) are held in USD functional entities. During the current period the Group reviewed its functional currency translation practices and identified prior period errors in the translation of certain balances residing in these USD functional entities. These errors were not material and accordingly have been corrected in the 30 June 2020 financial statements through an adjustment of \$0.9 million to increase production properties (refer note 15) and a corresponding credit to the functional currency translation reserve.

## 15 Oil and gas interests

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

The Group held the following oil and gas production, exploration, evaluation and appraisal interests at the end of the year.

Name	Type	Country	Ownership	
			2020	2019
<b><u>New Zealand Oil &amp; Gas</u></b>				
PML 38146 – Kupe	Mining Licence	New Zealand	4.0%	4.0%
PEP 52717 – Clipper	Exploration Permit	New Zealand	50.0%	50.0%
PEP 55794 - Toroa	Exploration Permit	New Zealand	100.0%	100.0%
Palmerah Baru PSC (i)	Production Sharing Contract	Indonesia	0.0%	36.0%
Bohorok PSC (ii)	Production Sharing Contract	Indonesia	25.0%	25.0%
WA-359-P	Exploration Permit	Australia	15.0%	15.0%
Kisaran PSC (iii)	Production Sharing Contract	Indonesia	0.0%	22.5%
<b><u>Cue Energy Resources *</u></b>				
WA-359-P	Exploration Permit	Australia	21.5%	21.5%
WA-389-P	Exploration Permit	Australia	100.0%	100.0%
WA-409-P	Exploration Permit	Australia	20.0%	20.0%
Mahakam Hilir PSC	Production Sharing Contract	Indonesia	100.0%	100.0%
PMP 38160 – Maari	Mining Permit	New Zealand	5.0%	5.0%
Sampang PSC	Production Sharing Contract	Indonesia	15.0%	15.0%
Mahato PSC	Production Sharing Contract	Indonesia	12.5%	12.5%

(i) On 12 December 2018 an agreement was signed to sell the entity which held the Palmerah Baru PSC to Bow Energy Limited replacing a prior agreement of 23 April 2018. The sale was completed on 17 April 2020.

(ii) On 12 December 2018 an option agreement was signed to sell the Group's interest in the Bohorok PSC to Bukit Energy Bohorok Pte Ltd (an entity now owned by Bow Energy).

(iii) On 18 March 2019 an option agreement was signed which in effect relinquished control of the interests in the Kisaran PSC to Pacific Oil & Gas (Kisaran) Limited. The sale was completed on 24 April 2020.

\* represents the percentage interest held by Cue Energy Resources Limited. The Group interest is 50.04% (2019: 50.04%) of the Cue interest.

## 16 Exploration and evaluation

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

### Key judgement: recoverability of exploration and evaluation assets

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

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

**16 Exploration and evaluation (continued)**

<b>\$000</b>	<b>2020</b>	<b>2019</b>
Opening balance	3,646	7,243
Impairment of exploration asset	-	(7,202)
Capitalised exploration costs	2,820	3,646
Revaluation of foreign currency exploration and evaluation assets	83	(41)
<b>Total exploration and evaluation assets at end of year</b>	<b>6,549</b>	<b>3,646</b>

Two exploration wells have been drilled in the Mahato PSC. The operator, Texcal Mahato EP Ltd (Texcal) and other joint venture parties are claiming to have excluded Cue from participation in these operations. These claims are disputed by Cue as having no basis under the Joint Operating Agreement (JOA). Cue continues to assert all its legal rights under the JOA and is currently evaluating its available options.

On 16 April 2020, the Indonesia regulator, SKKMigas made a public announcement of a 61.8 million OOIP (original oil in place) barrel oil discovery in the Mahato PSC.

The plan of development (POD) for the Paus Biru discovery was approved on the 30 July 2020. Nothing has come to the attention of the Group to indicate future economic benefits will not be achieved.

**17 Oil and gas assets**

**Development**

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

**Production assets**

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

**Subsequent costs**

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

**Impairment**

The carrying value is assessed for impairment each reporting date. An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the profit or loss and in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods 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.

**17 Oil and gas assets (continued)**

<b>\$000</b>	<b>2020</b>	<b>2019*</b>
Opening balance	<b>58,609</b>	64,836
Expenditure capitalised	<b>2,760</b>	1,695
Impairment	<b>(2,856)</b>	-
Amortisation for the period	<b>(7,956)</b>	(8,384)
Revaluation of foreign currency oil and gas assets	<b>1,391</b>	(1,245)
Rehabilitation provision	<b>289</b>	1,707
<b>Total oil and gas assets at end of year</b>	<b>52,237</b>	<b>58,609</b>

At 30 June 2020 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. It was determined that price indicators existed due to a drop in oil prices as a result of COVID-19.

Estimates of recoverable amounts are based on the assets' value-in-use, determined by discounting each asset's estimated future cash flows at asset specific discount rates. The discount rate applied was 10%. The oil price assumptions used were based on forward prices, rising to consensus mean after 4 years.

The recoverable amounts of the Maari cash generating unit were formally reassessed and an impairment of the Maari oil field development in New Zealand of \$2.9 million was recognised. This is primarily as a result of reduced oil prices (refer to note 2).

**18 Other financial assets**

During 2020 financial year, the Group reviewed the contractual agreement and concluded that a prior year restatement is required to gross up the funded portion of the rehabilitation provision, as Cue Sampang retains the obligation to fully fund its share of the rehabilitation. As such, the Group retrospectively recognised another financial asset of \$5.3 million as at 30 June 2019 (refer to note 4), with a corresponding adjustment required to the rehabilitation provision.

Cue Sampang contributed a further \$0.5 million to the ASR fund during the year ended 30 June 2020.

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 a fair value through profit or loss. Such assets are subsequently measured at amortised cost.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

<b>\$000</b>	<b>2020</b>	<b>2019*</b>
Opening balance	<b>5,526</b>	5,146
Security deposits	<b>10</b>	9
Abandonment and Site Restoration Fund - Cue Sampang rehabilitation	<b>587</b>	371
<b>Total other financial assets at end of year</b>	<b>6,123</b>	<b>5,526</b>

\* Comparative numbers have been restated. Refer to Note 4.

19 Payables

<b>\$000</b>	<b>2020</b>	<b>2019</b>
Trade payables	1,451	1,573
Royalties payable	703	909
Share of oil and gas interests' payable	2,577	2,568
Other payables	736	925
<b>Total payables at end of year</b>	<b>5,467</b>	<b>5,975</b>

<b>Payables denominated by currency</b>	<b>2020</b>	<b>2020</b>	2019	2019
	Base Currency	NZD Equivalent	Base Currency	NZD Equivalent
NZ dollar	3,594	3,594	4,627	4,627
US dollar	916	1,421	695	977
AU dollar	394	423	346	361
ID rupiah	271,452	29	100,035	10
<b>Total payables at end of year</b>	<b>5,467</b>	<b>5,467</b>	<b>5,975</b>	<b>5,975</b>

20 Rehabilitation Provision

Provisions for rehabilitation have been recognised where the Group has an obligation, as a result of its operating activities, to restore certain sites to their original condition. There is uncertainty in estimating the timing and amount of the future expenditure. The provision is estimated based on the present value of the expected expenditure. The discount rate used is the risk-free interest rate obtained from the country related to the currency of the expected expenditure. In the current year, the discount rate used to determine the provision was 0.92%. 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 or loss.

<b>\$000</b>	<b>2020</b>	<b>2019*</b>
<b>Carrying amount at start of year</b>	<b>26,449</b>	23,760
(Reduction)/addition in provision recognised	<b>(25)</b>	2,362
Unwind of discount on provision	<b>414</b>	415
Revaluation of foreign currency rehabilitation provision	<b>1,071</b>	(88)
<b>Total rehabilitation provision at end of year</b>	<b>27,909</b>	26,449

21 Share capital

	Number of shares 000s	\$000
<b>Balance at 30 June 2018</b>	<b>167,849</b>	<b>211,917</b>
Shares issued during the year	10	8
Partly paid ESOP shares exercised	(10)	-
Partly paid ESOP shares expired	-	(17)
<b>Balance at 30 June 2019</b>	<b>167,849</b>	<b>211,908</b>
Partly paid ESOP shares expired	-	(7)
<b>Balance at 30 June 2020</b>	<b>167,849</b>	<b>211,901</b>
Comprised of:		
Fully paid shares	164,431	211,891
Partly paid shares	3,418	10
<b>Balance at 30 June 2020</b>	<b>167,849</b>	<b>211,901</b>

\* Comparative numbers have been restated. Refer to Note 4.

## 21 Share capital (continued)

The Group retains 2.4 million of unallocated partly paid shares that have not yet been cancelled. During the year \$7,000 of partly paid shares expired (2019: \$17,000).

Partly paid shares are entitled to a vote in proportion to the amount paid up. Information relating to the ESOP, including details of shares issued under the scheme, is set out in note 26.

All fully paid shares have equal voting rights and share equally in dividends and equity.

## 22 Reserves

### (a) Reserves

<b>\$000</b>	<b>2020</b>	<b>2019</b>
Share based payments reserve	419	83
Foreign currency translation reserve	3,692	2,377
<b>Total reserves at end of year</b>	<b>4,111</b>	<b>2,460</b>

### Movements:

<b>\$000</b>	<b>2020</b>	<b>2019</b>
<b>Share based payments reserve</b>		
Opening balance at 1 July	83	147
Share based payment expense for the year	344	18
Exercised and expired ESOP awards	(8)	(82)
<b>Closing balance at end of year</b>	<b>419</b>	<b>83</b>

<b>\$000</b>	<b>2020</b>	<b>2019</b>
<b>Foreign currency translation reserve</b>		
Opening balance at 1 July	2,377	7,414
Impact on foreign currency translation reserve of disposals	-	(2,905)
Other foreign currency translation differences for the year	1,315	(2,132)
<b>Closing balance at end of year</b>	<b>3,692</b>	<b>2,377</b>

### (b) Nature and purpose of reserves

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.

## 23 Loss per share

	<b>2020</b>	<b>2019</b>
Loss attributable to shareholders (\$000)	(1,382)	(7,479)
Weighted average number of ordinary shares (000)	167,849	167,849
Basic loss per share (cents)	(0.8)	(4.5)
Options over ordinary shares (000)	2,832	-
Diluted loss per share and options (cents)	(0.8)	-

## 24 Financial risk management

Exposure to credit, interest rate, foreign currency, equity price, commodity price and liquidity risk 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 2020 (2019: nil).

#### (iii) Concentrations of interest rate exposure

The Group has no external bank debt and therefore its main interest rate risk arises from short-term deposits held.

### (b) Credit risk

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

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

As disclosed in note 4, the Group retrospectively recognised other financial asset of \$5.5 million as at 30 June 2019 for the funded portion of the rehabilitation provision. Cue Sampang contributed a further \$0.5 million to the restoration fund during the year ended 30 June 2020. The Group assessed the credit risk as low, given the funds are held in an Indonesian state owned bank account, jointly controlled by Indonesian government and its agency, SSKMigas.

### (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 2020 \$000	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Contractual cash flows
Payables	5,467	-	-	-	-	5,467
<b>Total non-derivative liabilities</b>	<b>5,467</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,467</b>
30 June 2019 \$000	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Contractual cash flows
Payables	5,975	-	-	-	-	5,975
<b>Total non-derivative liabilities</b>	<b>5,975</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,975</b>

At 30 June 2020 the Group had no derivatives to settle (2019: nil).

## 24 Financial risk management (continued)

### (d) Capital management

The Group manages its capital through the use of cash flow and corporate forecasting models to determine its future capital requirements and maintains a flexible capital structure which allows access to debt and equity markets to draw upon and repay capital as required. In July 2009 the Group established a Dividend Reinvestment Plan which applies to dividends declared after 29 July 2009. The Group has an adequate capital base and significant cash reserves.

### (e) Sensitivity analysis

The Group's reporting result at the end of each year is sensitive to financial risks from fluctuations in interest rates, commodity prices and foreign currency exchange rates. The sensitivity table below shows the impact of exchange rate changes on current assets and liabilities and the impact of interest rate changes on current cash balances.

	Risk area	Sensitivity	2020	2019
Impact on Group profit before tax	Exchange rate	+5%	<b>(2.2)</b>	(2.1)
		-5%	<b>2.5</b>	2.4
Impact on foreign currency translation reserves in equity	Exchange rate	+5%	<b>(1.6)</b>	(1.5)
		-5%	<b>1.8</b>	1.7
Impact on interest income	Interest rate	+1%	<b>0.5</b>	0.5
		-1%	<b>(0.5)</b>	(0.5)

### (f) Recognised assets and liabilities

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes.

### (g) Financial instruments by category

	2020 Carrying value	2019 Carrying value
<b>\$000</b>		
<b>Assets</b>		
Cash and cash equivalents	<b>97,904</b>	93,540
Funds held in escrow	<b>12,850</b>	12,046
Trade and other receivables	<b>6,242</b>	7,871
	<b>116,996</b>	113,457
<b>Liabilities</b>		
Payables	5,467	5,975
	<b>5,467</b>	5,975

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

## 25 Related party transactions

Related parties of the Group include those entities identified in notes 14 and 15 as subsidiaries and oil and gas interests. All transactions and outstanding balances with these related parties are in the ordinary course of business on normal trading terms.

On 23 May 2019 New Zealand Oil & Gas Limited farmed into the WA-359-P permit forming a joint venture with Cue, BP and Beach. Transactions related to Cue have been eliminated from the Group financial statements.

During the year certain activities were undertaken between the Group and OGOG. The inter-group services agreement, which was entered into on 21 June 2019, allows the Group to provide technical services and related activities to OGOG. For the year ended 30 June 2020 \$0.9 million (30 June 2019: \$0.03 million) of income has been included in the profit and loss.

A number of directors are also directors of other companies and any transactions undertaken with these entities have been entered into as part of the ordinary business of the Group. Directors' fees are disclosed in note 8. No directors' fees are charged for the three representatives of OGOG who are directors of the Group. During the year additional fees were paid to the independent directors in relation to the scheme of arrangement. Directors' expenses are reimbursed and are not separately disclosed as they are not material.

## 25 Related party transactions (continued)

Key management personnel have been defined as the directors, the chief executive and the executive team for the Group. Key Cue management personnel have been included.

<b>\$000</b>	<b>2020</b>	<b>2019</b>
Short term employee benefits	<b>3,384</b>	3,438
Share based payments	<b>142</b>	11
Post employment benefits	<b>113</b>	123
<b>Total related party transactions</b>	<b>3,639</b>	3,572

## 26 Share-based payments

### Accounting policy

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

The cost of equity settled transactions are measured at fair value on grant date. Fair value is independently determined using either the binomial or Black- Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity received the services that entitle the employees to receive payment no account is taken of any other vesting conditions.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

Equity transactions are recognised as an expense with the corresponding increase in equity over the vesting period. The cumulative charge to a profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period.

If the non-vesting condition is within the control of the consolidated entity or employee the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee as is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited. Cancellations are accounted for on the date of cancellation, as if it had vested.

### The Company has the following share based payment schemes:

- (a) New Zealand Oil & Gas Share Option Scheme - established 19 March 2020.
- (b) Cue Energy Share Option Scheme - established July 2019.
- (c) Employee Share Option Plan (ESOP) - this scheme was terminated in 2017, however there is one tranche remaining which expires in 2022.

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

On 19 March 2020, the Group issued 2,832,048 unlisted options to eligible New Zealand Oil & Gas Limited employees under the share option scheme. The options are exercisable at \$0.61 (61 cents) per option, will vest on 1 July 2022 and expire on 1 July 2025. 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 2019.

**26 Share-based payments (continued)**

The service commencement date of these options was deemed to be 1 July 2019. The options were valued using Black-Scholes option pricing model, \$0.2 million of share-based payment expense was recorded in relation to these options for the financial year ending 30 June 2020.

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

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
19/03/2020	1/07/2025	\$0.61	-	2,832,048	-	-	2,832,048
			-	2,832,048	-	-	2,832,048
<b>Weighted average exercise price</b>			-	<b>\$0.61</b>	-	-	<b>\$0.61</b>

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
19/03/2020	1/07/2025	\$0.48	\$0.61	30%	0%	0.69%	\$0.11

**(b) Cue Energy Share Option Scheme - shown in AU dollars**

8,131,186 options were granted during the financial year to 30 June 2020 (2019:nil).

On 29 July 2019, Cue issued 4,277,888 unlisted options to eligible employee under the share option scheme. The options are exercisable at \$0.07 (7 cents) per option, will vest on 1 July 2021 and expire on 1 July 2023. The service commencement date of these options was deemed to be 1 July 2018. The options were valued using Black-Scholes option pricing model. \$34,255 of share-based payment expense was recorded in relation to these options for the financial year ending 30 June 2020.

On 4 October 2019, Cue issued 3,853,298 unlisted options to eligible employee under the share option scheme. The options are exercisable at \$0.09 (9 cents) per option, and will vest on 1 July 2022 and expire on 1 July 2024. The options were valued using Black-Scholes option pricing model. \$0.1 million of share-based payment expense was recorded in relation to these options for the financial year ending 30 June 2020.

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

**2020**

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Expired/ forfeited/ other	Balance at the end of the year
29/07/2019	1/07/2023	\$0.070	4,277,888	-	(493,863)	3,784,025
4/10/2019	1/07/2024	\$0.090	-	3,853,298	-	3,853,298
			4,277,888	3,853,298	(493,863)	7,637,323
<b>Weighted average exercise price</b>			<b>\$0.07</b>	<b>\$0.09</b>	<b>\$0.07</b>	<b>\$0.08</b>

**2019**

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Expired/ forfeited/ other	Balance at the end of the year
29/07/2019	1/07/2023	\$0.070	-	4,277,888	-	4,277,888
			-	4,277,888	-	4,277,888
<b>Weighted average exercise price</b>			<b>\$0.00</b>	<b>\$0.07</b>	-	<b>\$0.07</b>

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
29/07/2019	1/07/2023	\$0.092	\$0.070	55.00%	0%	0.99%	\$0.040
4/10/2019	1/07/2024	\$0.115	\$0.090	53.00%	0%	0.64%	\$0.059

## 26 Share-based payments (continued)

### (c) Employee Share Option Plan (ESOP)

The Employee Share Option Plan (ESOP) was terminated in 2017, of which there is one remaining shareholder. No allocations of new ESOP shares were made in the financial year ending 30 June 2020 (2019: nil). The details below relate to the old scheme which will end as final dates are reached and shares expire.

The Group's ESOP was open to nominated employees. Under the plan there are currently 3.4 million (2019: 3.4 million) partly paid shares for which employees have paid \$0.01 per share. After 2 years, and under certain conditions, the employee has the option to fully pay for the shares. This option lasts for 3 years. The cost of the ESOP to the Group is calculated using the Black Scholes option pricing model. As there was no new allocation of ESOP shares during the year, no new valuation took place and nothing was expensed through the Consolidated Statement of Comprehensive Income (2019: \$0.02 million). No shares were exercised in the year ending June 2020 (2019: 0.01 million) and no expired/forfeited shares were converted to ordinary shares and sold (2019: nil).

Participation in the ESOP was open to any employee (including a non-executive director) of the Group to whom an offer to participate was made by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee, in its discretion, was responsible for determining which employees were to be offered the right to participate in the ESOP, and the number of partly paid shares that could be offered to each participating employee. Under the ESOP partly paid shares were issued on the following terms:

**Restriction periods** - each partly paid share was issued on terms that require an escrow period to pass before the holder can complete payment for, and thereafter transfer, the shares. This was usually 2 years. There was also a date 5 years after the offer date by which the issue price for the shares must be paid (this is called the "Final Date").

**Issue price** – this was set for each partly paid share at the time the offer was made to the participant and was the lesser of:

- i) 20% premium to the average market price on the date of the offer (being the volume weighted average market price over the previous 20 business days); and
- ii) The last sale price of the Group's ordinary shares on the business day prior to the Final Date (or such greater amount that represents 90% of the weighted average price of the Group's ordinary shares over the 20 Business Days prior to the Final Date).

The pricing model ensures that the participant does not receive a share at a discount to market price at the time the final payment is made but does provide some protection if the market price reduces after the original offer date.

**Rights** - the rights attached to partly paid shares issued under the ESOP are the same as those attached to ordinary shares in the Group. The partly paid shares rank equally with the ordinary shares in the Group. However, the rights of each partly paid share to vote on a poll, and to dividends or other distributions of the Group, are a fraction, equal to the proportion represented by the amount paid up in respect of the share as against the issue price set under the ESOP.

The fair value of partly paid shares issued to employees is recognised as an employee expense, with a corresponding increase in equity over the period in which the employees become unconditionally entitled to the partly paid shares. The amount recognised as an expense is adjusted to reflect the actual number of partly paid shares that vest.

There is one remaining tranche of awards with a final date of August 2022. There remains 1 million partly paid shares with a weighted average exercise price of \$0.74 and 2.4 million unallocated partly paid shares.

## 27 Commitments and contingent assets and liabilities

### (a) Exploration expenditure commitments

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

Commitments relating to Australian permit WA-359-P, which contains the Ironbark prospect, consist of \$19.8 million from NZO and \$28.3 million from Cue. Of Cue's commitment, approximately \$16.4 million will be funded by a free carry arrangement, including \$3.7 million from NZO. The remaining \$11.9 million will be funded from Cue's cash reserves which have been escrowed for this purpose. The commitments are reduced by amounts paid to date.

### (b) Contingent assets and liabilities

The Directors are not aware of any contingent assets or contingent liabilities as at 30 June 2020.

**28 Events occurring after balance date**

On 17 July 2020, Cue announced that the Environment Plan (EP) for the Ironbark-1 exploration well in exploration permit WA-359-P had been approved by the National Offshore Petroleum Safety and Environment Management Authority (NOPSEMA).

On 17 August 2020, the Group announced an upgrade to its developed reserves in the Kupe gas and light oil field off Taranaki, New Zealand. Following a review by the joint venture partners, the Groups' share of total reserves have increased.

On 19 August 2020, Cue announced the Indonesian Government approval of the Paus Biru gas field Plan of Development in the Sampang PSC and an independent certification of the contingent resources in the field.

No other events have occurred after balance date.