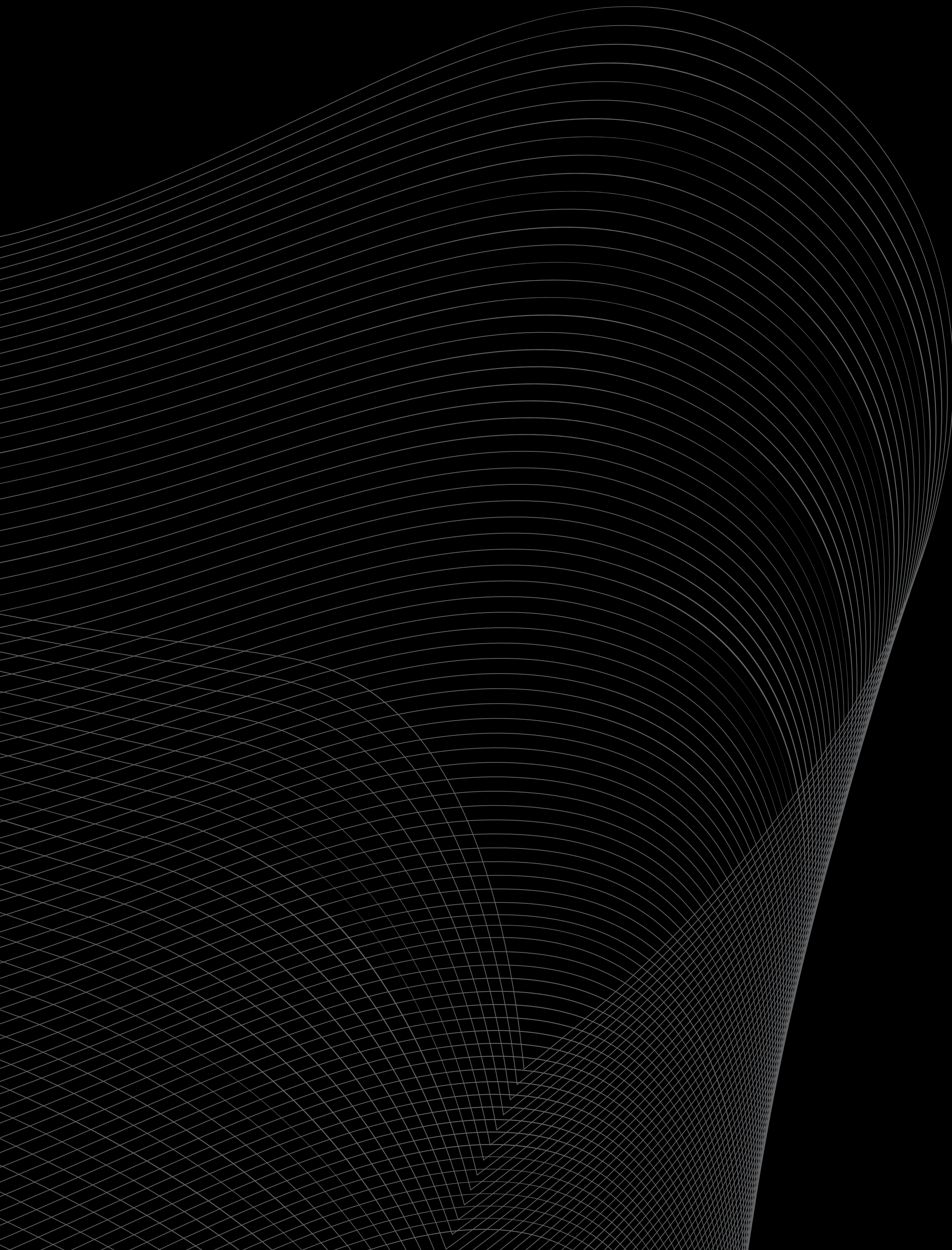
NEW ZEALAND OIL & GAS 2013

Annual Report



AnnualReport

"Sustaining returns, participating in success"

Chairman's Review

Signed on behalf of the Board of New Zealand Oil and Gas on 26 August 2013.

Peter Griffiths	**Mark Tume**
Chairman	Director

WE ARE EXPLORERS

People came to New Zealand to break the mould. To get away from business as usual. To discover the undiscovered.

They left the old world and the old ways and they came to live under wider skies, and horizons as vast and open as the imagination.

They came to this rocky land in the middle of vast waters to find their dreams.

From the first Polynesians, to the sealers and settlers, to the newest immigrant - every family in these islands has a story of travel, a story of starting over. A story of exploration.

Our land is encircled by some of the wildest and most forbidding waters on the planet. These lands and waters have provided this country with great riches, and many still lie undiscovered.

TO SEEK THE UNDISCOVERED

The ingenuity and optimism of our forebears is why we continue to explore. We keep the flame alive that is at the heart of this country – the impulse to search, to explore, to seek the undiscovered.

We are explorers from New Zealand.


GEOPHYSICS
NEW ZEALAND

Highlights

$42.2M
Exploration and Evaluation Spend

$158M
Net Cash Balance

$67.8M
EBITDAX (Earnings Before Interest, Tax, Depreciation, Amortisation and Exploration write-offs)

$68.8M
Kupe Revenue

$30.4M
Tui Revenue

14,795
Shareholders

$0.06
Dividend (cents per share)

Operations

International wells drilled

In the Kisaran Production Sharing Contract located in onshore Sumatra, Indonesia:

- Parit Minyak-2 spudded in February.
- Parit Minyak-3 spudded in August.

International oil discovery

Oil has been recovered to the surface in PM-2.

Preparations for new drilling

Plans are advanced for drilling in offshore Taranaki:

- Matuku in late 2013.
- Pateke and Oi (Tui), following Matuku.
- Kaheru in early 2015.

Exploration

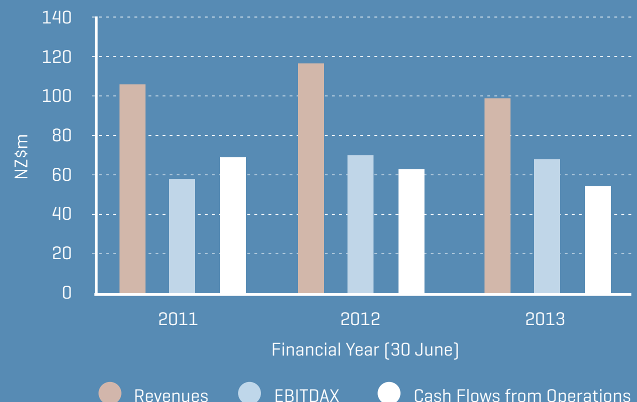
New exploration permits

- Offshore Taranaki: Matuku, Takapou, Taranga & Waru
- Onshore Taranaki: Manaia
- Offshore Canterbury: Clipper (subject to Ministerial consent)
- Reliquished permits: Kakapo (offshore Taranaki), Cosmos (offshore Tunisia).

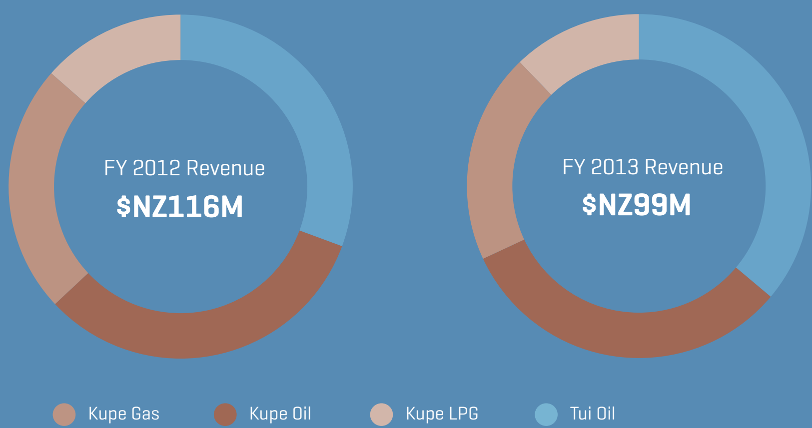
Seismic acquired

- 595 km² of 3D seismic at Takapou.
- 298 km² of 3D seismic at Taranga.
- 101 km² of 3D seismic at Kanuka.

Performance



Production



2013

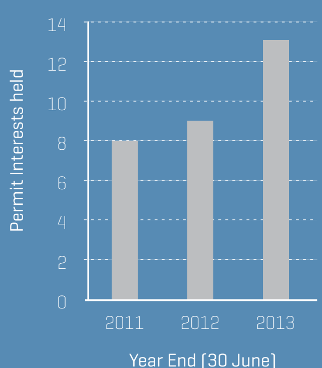
2,700
Kupe Gas (TJ)

11,600
Kupe LPG (tonnes)

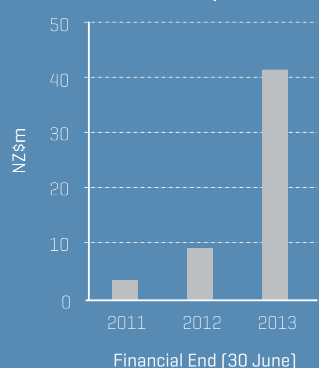
233,500
Kupe Oil (bbls)

208,500
Tui Oil (bbls)

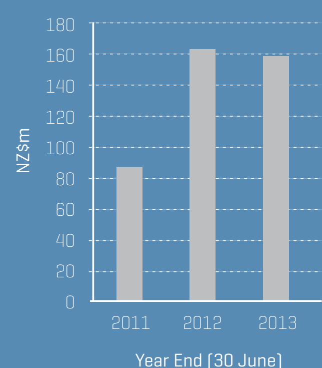
Permit Interests



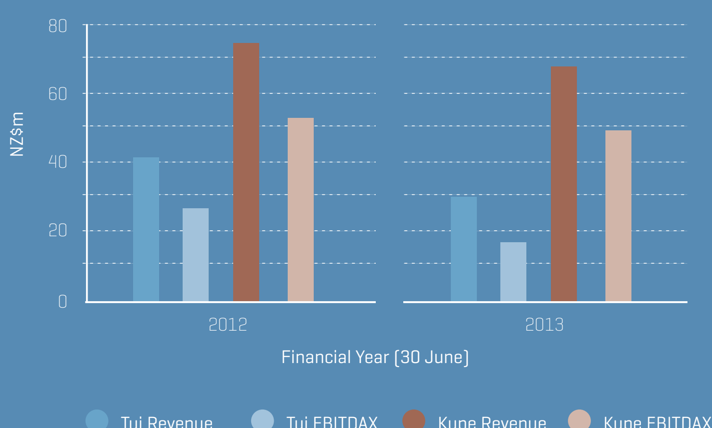
Exploration & Evaluation Expenditure



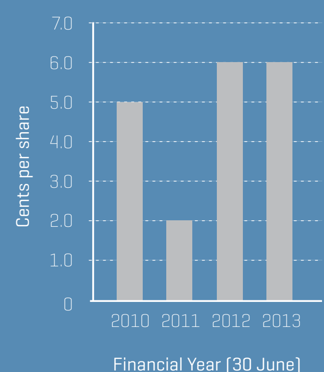
Net Cash Balance



Kupe & Tui Production



Dividend



Chairman's Review

Sustaining returns participating in success

I am pleased to report the Company is in sound financial condition. It is well positioned to sustain returns to shareholders and to participate in the search for new sources of oil and gas. The company has a long-term focus on replacing its reserves to sustain and grow our income.

Production operations performed reliably, costs were steady and exploration expenses rose as our activity stepped up. Our two producing assets have both performed as expected. Tui oil output declined as the field moved into middle age, while the Kupe field had a programmed shutdown resulting in fewer operational days during the year. Consequently our total revenues were lower than 2012.

However, well-managed costs, reduced financing charges, higher interest income and an insurance payment, for the Kupe umbilical, contributed to the improved result. The company posted a net profit after tax of NZ$25.9 million, up 30 per cent from NZ$19.9 million the previous year.

During the year the company increased its in-house capability, bringing a significant number of strong new recruits aboard. Our increased activity level saw exploration and evaluation expenditure up strongly to NZ$42.2 million, from NZ$9.5 million the previous year. In the future I expect our level of exploration investment will be approximately USD30-35 million per annum.

"Our increased activity level saw exploration and evaluation expenditure up strongly to NZ$42.2 million"

The company also paid off the remainder of its Kupe debt and ended the period with a solid cash position of NZ$158 million.

Directors declared a final dividend of three cents making a total dividend payment for the financial year of six cents per share fully imputed. The dividend reinvestment plan remained in place.

Exploration and Operations

We have been busy implementing our exploration strategy. During the year we continued to expand and upgrade our holdings, resulting in a net increase of four new permits.

We now have a comprehensive portfolio that contains a balance of exposures to different play types, geographies and sovereign risks. We will continue to progressively add acreage to ensure we have a broad set of options for future years.

"During the year we continued to expand and upgrade our holdings, resulting in a net increase of four new permits"

We conducted seismic surveys as operator in the Taranga and Takapou permits. High quality 3D data was collected over 893 square kilometres without a safety incident, on time and within budget. This data will be analysed by our in-house geology and geoscience team during the remainder of 2013 and 2014.

We are now starting to see the outcomes of this kind of hard work coming to the drill bit. We participated in drilling an international well, PM-2, in Indonesia. The well was safely drilled, produced oil shows and is undergoing further appraisal. The second well in this permit, PM-3, was spudded on 3 August and at time of writing it had been drilled to close to terminal depth. We will consolidate our position in Indonesia around Kisaran and Bohorok.

We ceased our interests in two permits, Cosmos and Kakapo, during 2013. The Cosmos FID process indicated that returns would not be sufficiently attractive to justify the investment required to bring the field into production. Consequently we have withdrawn from the permit. We were unsuccessful in attracting partners to participate in the Kakapo prospect. We chose to surrender the permit as assumption of 100% of the drilling costs did not meet our risk-reward hurdle.

Looking Forward

Our focus remains solidly on New Zealand, where the upcoming drilling season provides us with further exciting opportunities.

The oil and gas industry in New Zealand is entering a period of increased offshore exploration activity. This is very good news for the country and particularly for our company.

Under-explored basins around New Zealand are excitingly prospective, and even the current accelerated activity will only scratch the surface of their potential.

We are optimistic that encouraging exploration outcomes will result in New Zealand being re-rated as an investment destination for our industry, generating yet more activity and leading eventually to discoveries in new basins.

We are positioned, through our acreage, to benefit either directly through wells in which we have an interest, or by holding areas adjacent to the activity of others. Our profile as the partner of choice for exploration in New Zealand also positions us well for this success case.

We have a full program for the 2013/14 summer. NZOG will participate in the Oi, Pateke and Matuku wells this summer. Success at Pateke or Oi will extend the life of the Tui production facilities. Matuku is a very interesting prospect where we have the opportunity to increase our share from 12.5% to 17.5% depending on the outcome of the first well.

> “By the end of 2013 the company is expected to have participated in drilling five wells. A significant uplift in activity, we are looking to continue this level of participation into the future”

By the end of 2013 the company is expected to have participated in drilling five wells. A significant uplift in activity, we are looking to continue this level of participation into the future. This gives us an acceptable spread of exposure to different wells and fits with our current capability to participate.

Conclusion

I believe NZ Oil & Gas has delivered a solid financial result in 2013. It is now in a good position for the coming years to develop as an enduring exploration company.

It has the internal resources and strong balance sheet to deliver on its commitments, take advantage of opportunities and ensure it is resilient in adverse periods.

It is an attractive business partner, actively exploring to find commercial oil and gas production.

I am looking forward to reporting to you our results in the future.

Peter Griffiths
Chairman

CEO's Review

This year our portfolio grew significantly.

New Zealand Oil & Gas is well positioned for growth. A 30 per cent increase in net profit after tax to $25.9 million was recorded, $158 million in cash was on hand at balance date and the company now has no debt.

Our strong balance sheet gives us the opportunity for ongoing development. We need to invest in exploration to deliver sustainable returns to our shareholders.

The cash flows from our producing assets funded $42.2 million of exploration and evaluation expenditure, up from $9.5 million the year before.

Portfolio development

The company aims to sustain and grow returns through development of our exploration portfolio and by investing in opportunities for extension.

Across our industry, the success rate in finding commercial quantities of oil and gas in wells drilled in New Zealand is about one in ten. We therefore aim to build a portfolio in which cost and investment risks are balanced across geographical, geological, market and regulatory play types.

Our portfolio constantly changes.

We drop prospects on the basis of geoscience, economics and fit with our other opportunities. We replace them with others at a level of exposure where investment costs fit our available cash flows and risk criteria.

Production

Cash flows to fund portfolio development depend on the strength of our existing assets.

The company has two producing assets, Kupe and Tui. They produced 1.0 million barrels of oil equivalent. Output was down from 1.1 million the year before, partly because of natural decline, and also because of a planned maintenance outage at the Kupe production facility.

Kupe, where NZ Oil & Gas holds a 15 per cent interest, remains our premier asset. It produced revenue in the year of $68.8 million for the company.

Earnings from the Tui field were $30.4 million for our 12.5 per cent share, down from $42 million in 2012. With Tui now in its decline phase, we are planning to drill in the Pateke and Oi structures with the aim of extending the fields' life.

With revenues from these two assets beginning to fall the company is focused on investing to replace our reserves.

New Zealand

Our New Zealand portfolio has been built up across multiple Taranaki sub-basins and it is beginning to build outside Taranaki into frontier New Zealand basins.

Drilling is due to begin around publication date in Matuku. With the possibility of a second well there, and then new exploration wells to be drilled at Pateke and Oi in the Tui area field, we will be involved in three offshore Taranaki wells before the end of 2013.

We took over as operator of the Takapou and Taranga blocks. The two fields are attractive as part of the developing Western Taranaki fairway. They are on trend with Matuku, as well as the producing Tui, Maui and Maari fields. With a 50 per cent interest in these permits, we will look to farm down ahead of any development if prospects are identified.

That has also been our approach to the Kaheru permit, where we farmed down a 25 per cent share in the permit to ASX-listed Beach Energy (subject to Ministerial consent). New Zealand Oil & Gas is the Kaheru operator and arrangements are being made to drill with a jack-up rig in early 2015.

Beach is also our partner in offshore Canterbury, where New Zealand Oil & Gas farmed into the deep water Clipper permit (subject to Ministerial consent). Canterbury is a frontier play and the most promising New Zealand basin outside Taranaki. Two global majors are working there currently. If they have a discovery then New Zealand as a whole will be re-rated by the global industry. By taking a position there we are giving ourselves an opportunity to be part of successes that will come from a frontier discovery.

In the Government's 2012 Block Offer New Zealand Oil & Gas was awarded two Taranaki permits, including one, Manaia, which marked a return to onshore. Onshore Taranaki resources are generally tightly held, but we are continuing to review opportunities to acquire new acreage, especially in permits which can be brought through to production.

We will again bid for new acreage in the 2013 Block Offer.

In July we handed the Kakapo permit back to the Crown. We marketed Kakapo all over the world but it's a play type that has never been proven in New Zealand. The play type has been drilled successfully elsewhere, but until someone sees it in New Zealand it is a higher investment risk for many companies. In addition the lack of drilling between Kupe and Maui means there are a lack of reference wells for people to correlate the data to, which also increased the investment risk. Kakapo was an example of the Company being flexible enough to drop prospects that no longer fit the portfolio. With a full pipeline of work, our 100 per cent exposure to Kakapo put it outside our risk profile.

International

Our international diversification into Sumatra, Indonesia has provided a significant addition to our portfolio. The lower risk and reward profile of the onshore basin opportunities balance higher risk offshore New Zealand activities.

During 2013 two wells have been drilled in the Kisaran Production Sharing Contract in onshore Sumatra. While drilling and testing is continuing at the Parit Minyak-3 well, oil was recovered to the surface in PM-2 where further testing is underway. Initial flow rates were modest and the most promising zone was fracture stimulated to test whether production rates could be improved. We don't yet know if commercial production is viable from PM-2, but it has shown that an active petroleum system exists in the area.

The company has learned a lot from our involvement in Indonesia. Our understanding and the relationships we have built up are valuable. New Zealand has signed a trade agreement with Indonesia, which provides greater stability and certainty over the investment environment and adds to the attractiveness of the country as we continue to develop our position there.

In contrast we took a decision to reduce our involvement in Tunisia, where we exited our involvement in the Cosmos concession. Although there was a proven oil resource there, when we conducted a careful analysis the economics didn't stack up in current market conditions primarily because we could not obtain a FPSO at economic costs.

Modest international diversification remains important to reduce the potential impact if the coming two years of exploration in New Zealand are disappointing for the wider industry, or if the regulatory environment changes to become less favourable. Although we are positive about New Zealand's prospectivity, it is prudent to keep the portfolio balanced.

Oil Prices

The average price achieved over the year for oil and light oil was US$108.8 per barrel, down from US$114.8 in 2012.

Forecasts of oil prices over the next few years vary in both directions depending on which analyst you ask.

A good case can be made that oil prices will increase because of ongoing supply constraints. Production from Iraq and Libya is still not restored and instability elsewhere in the Middle East could drive prices further upward. Meanwhile, it's not getting cheaper or easier to find new sources of oil. The prospect of the New Zealand dollar falling against the US Dollar could also increase our revenues.

On the other hand, the shale gas boom in the US is putting downward pressure on energy prices. There are signs of an economic slowdown in Asia, which could reduce demand.

Although there is uncertainty I expect our NZD oil prices over the next year to remain in a similar range to last year.

No matter which scenario plays out, oil prices are likely to remain at a level that in the longer term makes our forward exploration path look encouraging.

Conclusion

The company has moved to an operating phase, with our increased drilling programme, more permits and more capability.

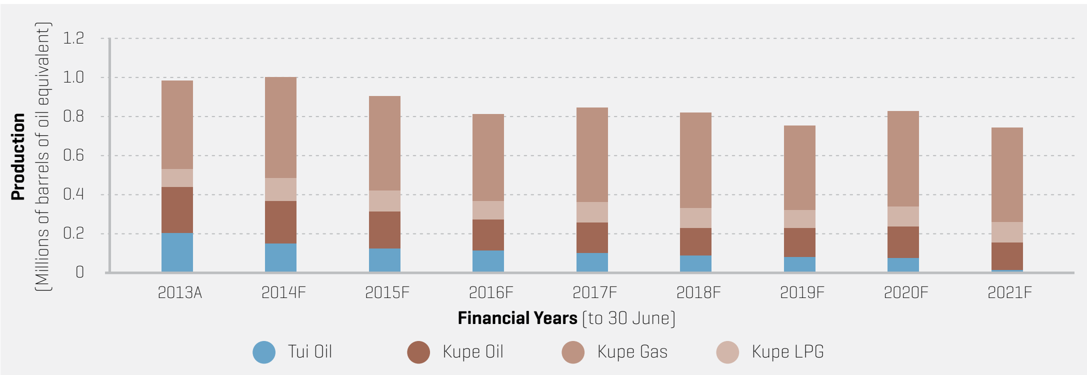
In future we will aim to be involved in drilling around three to five permits a year, and we maintain a suite of opportunities capable of delivering those objectives. That is our forward strategy for growing the value of the company and ensuring we can continue to provide an attractive dividend to shareholders.

With sufficient cash reserves to fund this programme, and one of the best yields in our sector, your company is in a sound position.

Andrew Knight
Chief Executive

Reserves & Production

Production - Actual & Forecast



Reserves

NZOG's remaining Proven and Probable (2P) Oil & Gas Reserves as at 30 June 2013:	Oil & Condensate (million barrels)	Natural Gas (petajoules)	LPG (kilotonnes)	Million Barrels of Oil Equivalent*
Kupe	1.8	39	165	9.5
Tui	0.8			0.8
Total				**10.3**

* 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 the Society of Petroleum Engineers (SPE) guidelines.

Proven reserves are the estimated quantities of oil and gas which the geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs, under existing economic and operating conditions. Probable reserves are defined as those which have a 50% chance or better of being technically and economically producible.

Tui

NZ Oil & Gas has a 12.5% stake in the Tui area oil fields, which lie 50kms off the Taranaki coast of New Zealand and have now produced more than 34 million barrels of oil. The company's Tui partners are AWE (42.5%), Mitsui (35%) and Pan Pacific Petroleum (10%). The Tui development includes four production wells from three separate oil accumulations; Tui, Pateke and Amokura. The oil is processed through a floating production, storage and offtake vessel (FPSO), the Umuroa, before being loaded into oil tankers for shipment to Australia or Asia.

Oil and gas reserves are reported as at 30 June 2013, and in accordance with Section 10.11 of the NZX Listing Rules. This Reserves Statement has been compiled by New Zealand Oil and Gas Vice-President Operations and Engineering Andrew Jefferies BEng (Mech Hons), MSc Pet.Eng., MBA, a member of the Society of Petroleum Engineers with over 22 years of industry experience, and accurately reflects information supplied by the respective joint venture operators.

Kupe

NZ Oil & Gas has a 15% stake in the Kupe gas and oil field, which lies 30 kms off the south Taranaki coast of New Zealand. It produces sales gas, LPG and light oil.

The company's Kupe partners are Origin Energy (50%), Genesis Energy (31%), and Mitsui (4%). The Kupe Central Field Area comprises three production wells, a normally unmanned offshore platform, a 30km pipeline and associated umbilical pipeline to shore, an onshore production facility near Hawera, and oil storage facilities at New Plymouth.

UNDER WIDER SKIES & HORIZONS

as vast and open as the imagination,
we seek to explore the unexplored.

Exploration

Offshore Taranaki Basin

New Zealand Oil & Gas acquired interests in the Matuku, Takapou and Taranga permits in November 2012 from the Australian Stock Exchange listed company Octanex NL.

These new acquisitions sit well within the company's New Zealand exploration portfolio, as they build on the knowledge base developed from our Taranaki history and provide increased exposure to the developing western fairway being explored by the drilling campaign.

MATUKU (PEP 51906)

NZOG 12.5%, **OMV** 65% (Operator), **Octanex** 22.5%

The Matuku permit covers 1,613 square kilometres and is adjacent to three producing fields, with the Maui gas/condensate field to the east, Tui oil fields to the north and Maari to the south.

The operator, OMV, has publicly estimated mean recoverable resource for the Matuku prospect of around 65 million barrels.

The permit also covers several additional prospects and leads, some of which are similar to the Matuku prospect and others more closely related to the Maari and Manaia fields to the south-east.

Drilling of the Matuku-1 well in the permit is expected to commence around publication date using the semi-submersible drilling rig Kan Tan IV. The well is expected to take 40 days to drill to a target depth of 4,756 metres.

If the joint venture decides to drill Matuku-2, a follow-up well, then either NZ Oil & Gas or Octanex can exercise an option for NZ Oil & Gas to acquire a further 5 per cent from Octanex, which would equalise each company's interest at 17.5 per cent, by funding Octanex's share of a follow up well to be drilled in 2014.

TAKAPOU (PEP 53473)

NZOG 50% (Operator), **Octanex** 50%

This 853km^2 permit is situated in relatively shallow water depths (120m - 135m), immediately adjacent to the Tui oil field which produces from the same Paleocene age 'F' Sands that are expected in the south-east part of the permit.

Two wells have been drilled in the permit previously, Kopuwai-1 and Takapou-1. Both encountered oil shows, as did the nearby Taranui-1 well.

The permit is covered by a dense grid of 2D seismic data, which has been reprocessed and re-mapped.

In early 2013 a 595km^2 3D seismic survey was acquired over the Kokako and Toutouwai leads.

The goals of the survey were to better define trap closure and size and to mature the leads to drillable prospect status.

The data is currently being processed and is expected to be available to commence mapping in September, with results available in November 2013.

Preliminary trap definition indicates three structures with a total area of some 128 km^2 with an average vertical relief of 35m.

The Kokako structure is closely analogous to the Oi prospect in the adjacent Tui PMP and the JV is hopeful that it contains similar volumes of oil as the structures in the Tui PMP. The Tui joint venture will be drilling the 'F' Sands oil prospect, Oi-1, in the next few months.

Toutouwai, with a deeper primary reservoir target, has the potential to hold greater volumes of hydrocarbons than the Kokako structure.

The joint venture is undertaking a farm-out campaign to bring in a new partner prior to making a drilling commitment in March 2014.

TUI [PEP 38158]

NZOG 12.5%, **AWE** 42.5% (Operator), **Mitsui** 35%, **Pan Pacific Petroleum** 10%*

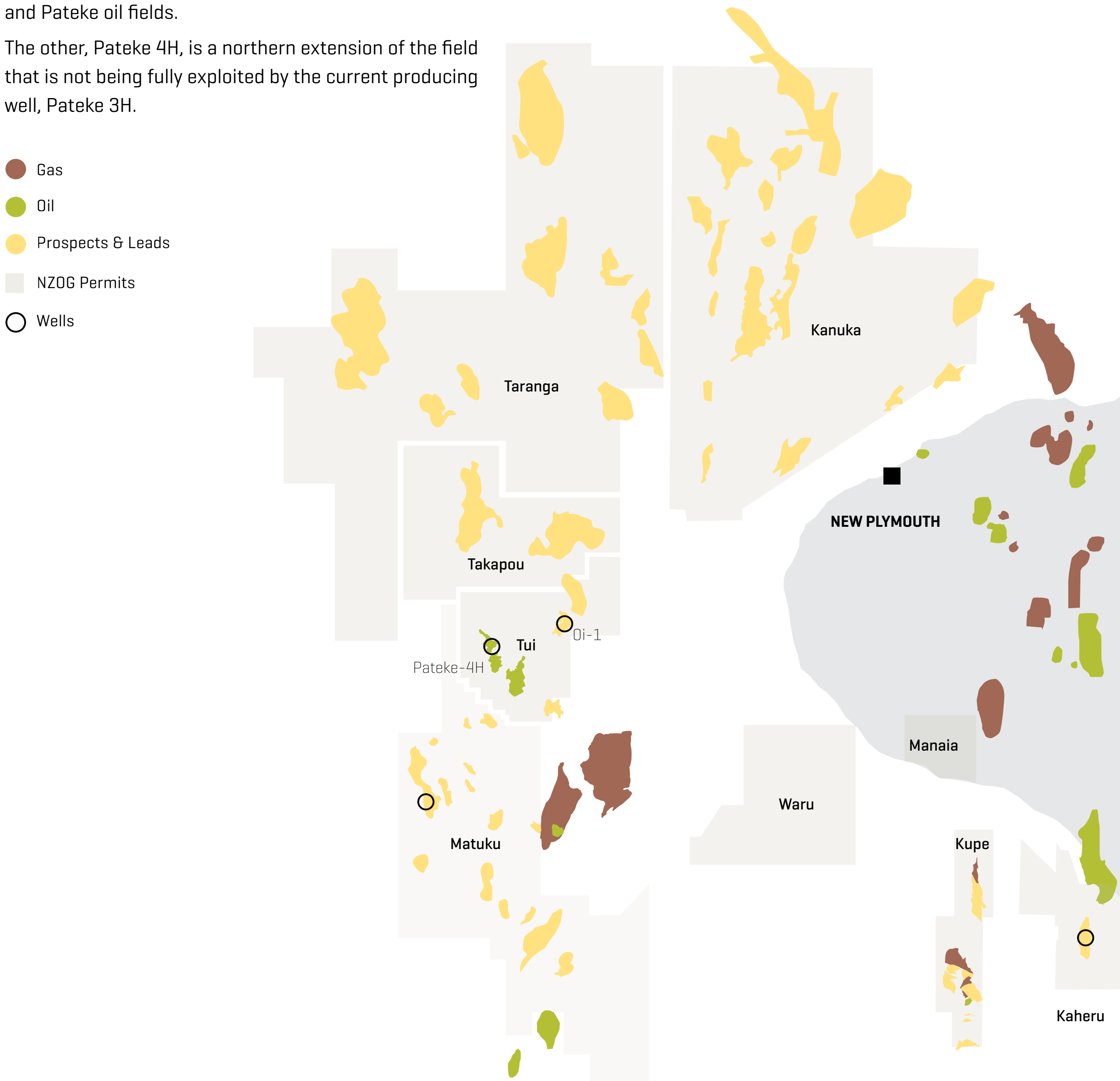
The Tui Mining Permit covers 467 square kilometres.

Two wells will be drilled within the Tui permit with the Kan Tan IV, immediately following Matuku-1.

One of these, Oi-1, will test an independent structural closure to the northeast of the producing Tui, Amokura and Pateke oil fields.

The other, Pateke 4H, is a northern extension of the field that is not being fully exploited by the current producing well, Pateke 3H.

*Pan Pacific Petroleum will increase its participation in the Oi well to 50% under the sole risk provisions of the Tui Joint Venture Operating Agreement. AWE and Mitsui have elected to participate in the Oi exploration well at reduced equities of 25% and 12.5% respectively, with the option to restore their full equities in any development subject to their reimbursement of pro-rata costs and payment of a buy back premium. NZ Oil & Gas will participate at its existing 12.5% unchanged equity level.



TARANGA (PEP 52593)

NZOG 50% (Operator), **Octanex** 50%

This permit covers 3,509 square kilometres in offshore Taranaki lying immediately adjacent to the north of the Takapou permit (PEP 53473) and north of the producing Tui fields in the developing western Taranaki fairway.

In early 2013 the company aquired a 298 km² 3D seismic survey over the Karoro lead. This structure is mapped from existing 2D seismic. The joint venture is hopeful that Karoro holds similar volumetric potential as the main target in the Matuku permit.

The main goal of the 3D seismic survey was to better define structural closure at the North Cape Formation reservoir interval. The new seismic will also allow for detailed evaluation of reservoir properties with the aim of elevating the Karoro lead to drillable prospect status.

In addition to Karoro there are several other follow up leads in the permit, including the large North Cape Formation onlap feature, Lead "F", and the basement drapes encapsulated by the "Cetus" lead. These follow up targets are not the current focus of the permit work programme but provide exploration running room for future exploration in the permit.

The new 3D seismic data is currently being processed and is expected to be available to commence interpreting and mapping in September, with results available in November 2013. As with Takapou, the joint venture is undertaking a farm-out campaign to bring in a new partner prior to making a drilling commitment in March 2014.

KANUKA (PEP 51558)

NZOG 50%, **Todd Energy** 50% (Operator)

This block is in the northern offshore Taranaki basin, west of the Pohukura gas/condensate field and northeast of the Maui and Tui oil and gas/condensate fields, and covers 2,850 square kilometres.

Interpretation of reprocessed 3D seismic has been completed to refine the evaluation of the extensive prospect portfolio. This has resulted in the upgrade of the Mensa prospect, where the operator indicates a mid-range estimate of recoverable resources of 105 million barrels of oil.

New Zealand Oil & Gas is intending to farm out part of its interest, ahead of drilling, which is subject to a commitment from the joint venture by December 2013 (for a well to be drilled before September 2014).

In addition 101 square kilometres of 3D seismic over the Waitara lead in the eastern part of the permit was obtained in early 2013.

WARU (PEP 54857)

NZOG 100% (Operator)

Waru was awarded in December 2012 in the New Zealand Government's Block Offer.

It is offshore on Taranaki's south coast covering around 525 square kilometres. No wells have been drilled in this permit. The block lies within the source kitchen for the Maui and Maari oil and gas fields.

Work has begun to re-interpret extensive existing seismic data and design a 400 kilometre 2D seismic survey, which is scheduled to be shot within a two-year period. A well is to be drilled within five years, subject to a commitment to be made by December 2016.

KAHERU [PEP 52181]

NZOG 35% [Operator], **TAG Oil** 40%, **Beach Energy** 25%*

*Subject to Ministerial consent

The Kaheru prospect lies in 25 metres of water, 8 kilometres from shore to the east of the Kupe gas and oil field in an exploration permit which covers 312 square kilometres. It is located on a prolific hydrocarbon trend, with multiple oil and gas fields located to the north, with the closest of those being the Kauri, Rimu & Manutahi fields 10 km away. Multiple reservoir targets are identified and have been significantly de-risked following extensive study including reverse time migration reprocessing, structural modeling and detailed sedimentological analysis.

Preparations are well underway for an exploration well to be drilled in the Kaheru prospect using a jack-up rig. The earliest opportunity to secure such a rig appears to be early 2015.

The Kaheru prospect is a long-recognised structure with the potential to extend the producing trend southward. 3D seismic coverage and advanced processing undertaken by the joint venture has enhanced the structural imaging.

Mean recoverable resources (unrisked) are estimated at 45 million barrels (mmbbls) of oil in an oil case; or 200 billion cubic feet (bcf) of gas and 7.5 mmbbls of condensate in a gas case.

Onshore Taranaki

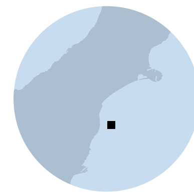
MANAIA [PEP 54867]

NZOG 40%, **New Zealand Energy Corp** 60% (Operator)

The permit was awarded in the New Zealand Government's 2012 Block Offer. It covers 111 square kilometres in the central part of South Taranaki onshore and is adjacent to the coast.

There has been only limited exploration in this extensive tract and no wells have been drilled in it.

The joint venture is planning to acquire 70 kilometres of 2D seismic data.



Canterbury, New Zealand

Offshore Canterbury Basin

CLIPPER [PEP 52717]

NZOG 50%* (Operator), **Beach Energy** 50%

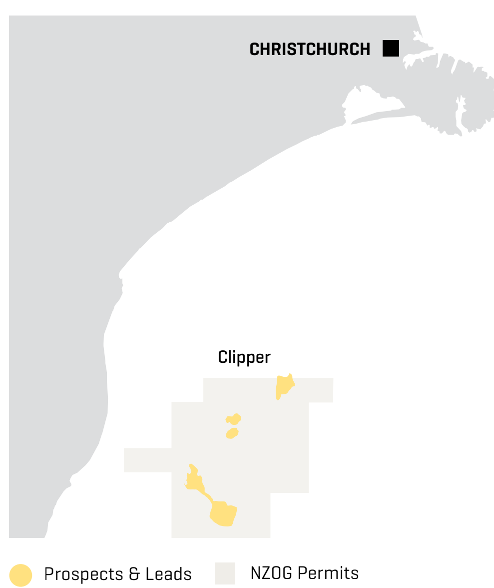
*Subject to Ministerial consent

This permit is off the Canterbury coast and covers 3,423 square kilometres. Today the Canterbury and Great South Basin systems are the major focus for frontier conventional oil and gas exploration in New Zealand, with drilling in an adjacent permit scheduled for early next year.

The former PEP 38259, containing the Barque prospect, was relinquished by NZ Oil & Gas and Beach in August 2012 ahead of a drilling commitment. In 2013 Beach was granted an extension to PEP 52717 that largely incorporates the Barque structure and a related lead, which is mapped to extend across the previous southern boundary of the permit. An area of low prospectivity in the northwest of the original permit was surrendered so as to approximately maintain the overall area of the permit.

Extensive 2D seismic surveys were conducted in the Canterbury Basin in the 1970s and 1980s before the only existing well in the block, Clipper-1, was drilled by BP in 1984, recovering samples of hydrocarbon gas during wireline logging from a depth of over 4,000m.

The joint venture will acquire at least 600 square kilometres of 3D seismic by October 2014.



Indonesia

Tunisia

Indonesia

Indonesia is S. E. Asia's largest oil and gas producer and has a long history of production.

Indonesia's contract terms and business climate have been improving as it looks to encourage petroleum activity, and New Zealand has signed a free trade agreement there.

NZ Oil & Gas is pursuing opportunities primarily in onshore Sumatra.

KISARAN PRODUCTION SHARING CONTRACT

NZOG 22.5%, **Pacific Oil & Gas** 55% (Operator), **Bukit Energy** 22.5%.

This block is located in the Central Sumatra Basin and covers an area of 2,196 square kilometres.

The exploration well Parit Minyak-2 (PM-2) spudded on 11 February 2013. The well was to assess an undeveloped oil discovery made by Chevron in 2006 and to explore zones not present in that well. Drilling reached a total depth of 9,225 feet (2,812 metres) on 8 April 2013. Four Drill Stem Tests (DST's) were conducted and all produced light crude without water. One interval flowed at 200-400 barrels of oil per day. The effectiveness of hydraulic fracturing in enhancing reservoir productivity is currently being assessed in the PM-2 well as part of an ongoing evaluation of the Parit Minyak Field.

Parit Minyak-3 (PM-3) spudded on 3 August 2013 and will test a prospect up-dip of strong oil indications in the same 2006 (PM-1) well. PM-3 is expected to take 40 days to drill to an expected depth of between 8,520 feet and 9,000 feet.

BOHOROK PRODUCTION SHARING CONTRACT

NZOG 45%, **Bukit Energy** 45% (Operator), **Surya Buana Lestarijaya** 10%

This block in the Northern Sumatra Basin, covers an area of 5,048 square kilometres and is adjacent to a number of oil and gas fields and a recent wet gas discovery drilled by Pertamina, the national oil company.

Planning is progressing well around a 2D seismic survey which, in combination with ongoing technical work, will allow the ranking of potential drilling targets.

Tunisia

DIODORE PROSPECTING PERMIT

NZOG 100% (Operator)

This offshore permit covers an area of 1,248 square kilometres in relatively shallow (less than 100 metres) water depth and is in the southern part of the Gulf of Gabes, an established oil and gas producing region off the coast of Tunisia. It was originally granted for a 2 year term from September 2011, which was extended for a 3rd year due to delays in accessing existing seismic data for reprocessing.

It is a very productive region and adds diversity to the New Zealand Oil & Gas exploration portfolio through access to lower risk opportunities.

Consolidated Financial Statements

For the year ended 30 June 2013

Directors' Declaration

In the opinion of the Directors of New Zealand Oil & Gas Limited ("the Company"):

- The consolidated financial statements and notes set out in the relevant pages of the Annual Report comply with the accounting standards issued by the New Zealand Institute of Chartered Accountants; and
- The consolidated financial statements for the year to 30 June 2013 and notes to those consolidated financial statements give a true and fair view of the financial position and performance of the Company; and
- There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Annual Report of New Zealand Oil & Gas Limited is approved for and on behalf of the Board.

P.W.Griffiths
Chairman
26 August 2013

Mark Tume
Director
26 August 2013

Consolidated Income Statement

For the year ended 30 June 2013

	Notes	Group 2013 $'000	Group 2012 $'000	Parent 2013 $'000	Parent 2012 $'000
Revenue	4	**99,259**	116,375	**-**	-
Operating costs	5	**(43,917)**	(52,775)	**-**	-
Gross profit		**55,342**	63,600	**-**	-
Other income	4	**9,644**	921	**447**	66
Exploration and evaluation costs expensed	14	**(15,090)**	(2,389)	**-**	-
Other expenses	6	**(10,260)**	(10,005)	**(10,030)**	(10,326)
Results from operating activities		**39,636**	52,127	**(9,583)**	(10,260)
Finance cost	7	**(1,699)**	(19,442)	**(14,063)**	(13,692)
Finance income	7	**7,613**	11,791	**29,632**	10,928
Net finance income/(costs)	7	**5,914**	(7,651)	**15,569**	(2,764)
Profit/(loss) before income tax and royalties		**45,550**	44,476	**5,986**	(13,024)
Income tax expense	9	**(10,234)**	(12,487)	**26**	(1,684)
Royalties expense	8	**(9,371)**	(12,102)	**-**	-
Profit/(loss) for the year		**25,945**	19,887	**6,012**	(14,708)
Profit/(loss) for the year attributable to:					
Equity holders of Parent		**25,945**	19,887		
		25,945	19,887		
		Cents	Cents		
Basic earnings per share attributable to shareholders:	22	**6.3**	5.0		
Net Tangible Asset Backing per share		**86**	89		

The above consolidated statement should be read in conjunction with the accompanying notes on pages 26 to 58.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2013

		Group		Parent	
	Notes	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Profit/(loss) for the year		**25,945**	19,887	**6,012**	(14,708)
Other comprehensive income:					
Items that will not be reclassified to profit and loss					
Fair value gain/(loss) through other comprehensive income	21	**134**	(658)	**-**	-
Items that may be reclassified to profit and loss					
Foreign currency translation differences	21	**695**	1,189	**-**	-
Total comprehensive income for the year, net of tax		**26,774**	20,418	**6,012**	(14,708)
Total comprehensive income for the year, net of tax:					
Attributable to equity holders of the Parent		**26,774**	20,418		

The above consolidated statement should be read in conjunction with the accompanying notes on pages 26 to 58.

Consolidated Statement of Financial Position

As at 30 June 2013

		Group		Parent	
	Notes	2013 $'000	2012 $'000	2013 $'000	2012 $'000
ASSETS					
Current assets					
Cash and cash equivalents	10	**158,018**	209,221	**124,809**	174,790
Receivables and prepayments	11	**30,832**	20,096	**51,170**	16,348
Inventories		**1,259**	1,340	**-**	-
Current tax receivables		**-**	-	**2,834**	4,750
Convertible Bond		**-**	2,499	**-**	-
Total current assets		**190,109**	233,156	**178,813**	195,888
Non-current assets					
Evaluation and exploration assets	14	**44,480**	14,893	**-**	-
Oil and gas assets	15	**198,634**	218,537	**-**	-
Property, plant and equipment		**595**	366	**545**	321
Intangible assets		**116**	35	**116**	35
Deferred tax asset	19	**-**	-	**98**	72
Other financial assets	16	**11,915**	18,052	**57,172**	57,754
Total non-current assets		**255,740**	251,883	**57,931**	58,182
Total assets		**445,849**	485,039	**236,744**	254,070
LIABILITIES					
Current liabilities					
Payables	17	**18,555**	16,959	**1,660**	1,207
Borrowings		**-**	18,040	**-**	-
Current tax liabilities		**1,755**	2,104	**-**	-
Total current liabilities		**20,310**	37,103	**1,660**	1,207
Non-current liabilities					
Borrowings		**197**	28,760	**-**	-
Restoration and rehabilitation provision	18	**30,197**	32,392	**-**	-
Deferred tax liability	19	**37,151**	31,773	**-**	-
Total non-current liabilities		**67,545**	92,925	**-**	-
Total liabilities		**87,855**	130,028	**1,660**	1,207
Net assets		**357,994**	355,011	**235,084**	252,863
EQUITY					
Share capital	20	**370,711**	358,584	**370,711**	358,584
Reserves	21	**(16,539)**	(17,243)	**6,685**	6,810
Retained earnings		**3,822**	13,670	**(142,312)**	(112,531)
Total equity		**357,994**	355,011	**235,084**	252,863

The above consolidated statement should be read in conjunction with the accompanying notes on pages 26 to 58.

New Zealand Oil & Gas Limited

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

		Attributable to equity holders of New Zealand Oil & Gas Limited			
GROUP	Notes	Issued capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2012		**358,584**	**(17,243)**	**13,670**	**355,011**
Comprehensive income					
Profit/(loss) for the year		-	-	25,945	25,945
Other comprehensive income, net of tax:					
Fair value gain through other comprehensive income	21	-	134	-	134
Foreign currency translation differences	21	-	695	-	695
Total comprehensive income		**-**	**829**	**25,945**	**26,774**
Transactions with owners:					
Shares issued	20	12,127	-	-	12,127
Share based payment	21	-	201	-	201
Transfer of expired share based payments during the year	21	-	(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**
Balance at 1 July 2011		**358,233**	**(17,420)**	**985**	**341,798**
Comprehensive income					
Profit/(loss) for the year		-	-	19,887	19,887
Other comprehensive income, net of tax:					
Fair value loss through other comprehensive income	21	-	(658)	-	(658)
Foreign currency translation differences	21	-	1,189	-	1,189
Total comprehensive income		**-**	**531**	**19,887**	**20,418**
Transactions with owners:					
Shares issued	20	2,426	-	-	2,426
Buy back of issued shares	20	(2,075)	-	-	(2,075)
Share based payment	21	-	288	-	288
Transfer of expired share based payments during the year	21	-	(642)	642	-
Dividend paid (2 cents per ordinary share)		-	-	(7,844)	(7,844)
Supplementary dividend		-	-	(240)	(240)
Foreign investor tax credit		-	-	240	240
Balance as at 30 June 2012		**358,584**	**(17,243)**	**13,670**	**355,011**

The above consolidated statement should be read in conjunction with the accompanying notes on pages 26 to 58.

Consolidated Statement of Changes in Equity (continued)

For the year ended 30 June 2013

PARENT	Notes	Issued capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2012		**358,584**	**6,810**	**(112,531)**	**252,863**
Comprehensive income					
Profit/(loss) for the year		-	-	6,012	6,012
Total comprehensive income		**-**	**-**	**6,012**	**6,012**
Transactions with owners:					
Shares issued	20	12,127	-	-	12,127
Share based payment	21	-	201	-	201
Transfer of expired share based payments during the year	21	-	(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**	**6,685**	**(142,312)**	**235,084**
Balance at 1 July 2011		**358,233**	**7,164**	**(90,621)**	**274,776**
Comprehensive income					
Profit/(loss) for the year		-	-	(14,708)	(14,708)
Total comprehensive income		**-**	**-**	**(14,708)**	**(14,708)**
Transactions with owners:					
Shares issued	20	2,426	-	-	2,426
Buy back of issued shares	20	(2,075)	-	-	(2,075)
Share based payment	21	-	288	-	288
Transfer of expired share based payments during the year		-	(642)	642	-
Dividend paid (2 cents per ordinary share)		-	-	(7,844)	(7,844)
Supplementary dividend		-	-	(240)	(240)
Foreign investor tax credit		-	-	240	240
Balance as at 30 June 2012		**358,584**	**6,810**	**(112,531)**	**252,863**

The above consolidated statement should be read in conjunction with the accompanying notes on pages 26 to 58.

New Zealand Oil & Gas Limited

Consolidated Statement of Cash Flow

For the year ended 30 June 2013

	Notes	Group 2013 $'000	Group 2012 $'000	Parent 2013 $'000	Parent 2012 $'000
Cash flows from operating activities					
Receipts from customers		**98,015**	108,317	**-**	-
Interest received		**5,534**	7,206	**5,209**	2,849
Other revenue		**270**	131	**-**	57
Production and marketing expenditure		**(20,986)**	(24,940)	**-**	-
Payments to suppliers and employees (inclusive of Goods and Services Tax)		**(12,064)**	(11,085)	**(9,086)**	(10,229)
Royalties		**(11,204)**	(10,538)	**-**	-
Interest paid		**(1,296)**	(2,492)	**-**	-
Income taxes paid		**(4,013)**	(3,437)	**(4,000)**	(4,750)
Net cash inflow / (outflow) from operating activities	23	**54,256**	63,162	**(7,877)**	(12,073)
Cash flows from investing activities					
Receipt of loan repayment from Associate		**7,427**	37,656	**-**	-
Return of capital from Pan Pacific Petroleum NL		**5,554**	-	**-**	-
Exploration and evaluation expenditure		**(42,239)**	(9,506)	**-**	-
Oil & gas expenditure		**(5,179)**	(1,352)	**-**	-
Subsidiary shares issued to NZOG		**-**	-	**(6,246)**	(6,327)
Purchase of property, plant and equipment		**(404)**	(229)	**(397)**	(164)
Loan advance to Associate		**-**	(6,843)	**-**	-
Loan from/(to) wholly owned subsidiaries		**-**	-	**(10,928)**	97,388
Receipt/(payment) of performance bonds		**888**	(2,244)	**828**	(1,232)
Net cash inflow / (outflow) from investing activities		**(33,953)**	17,482	**(16,743)**	89,665
Cash flows from financing activities					
Issues of shares		**563**	29	**563**	29
Repayment of borrowings		**(46,603)**	(16,525)	**-**	-
Buyback of issued shares		**-**	(2,075)	**-**	(2,075)
Proceeds from sale of forfeited shares		**2,496**	-	**2,496**	-
Other		**18**	-	**-**	-
Dividends paid		**(28,152)**	(5,685)	**(28,152)**	(5,685)
Net cash inflow / (outflow) from financing activities		**(71,678)**	(24,256)	**(25,093)**	(7,731)
Net increase / (decrease) in cash and cash equivalents		**(51,375)**	56,388	**(49,713)**	69,861
Cash and cash equivalents at the beginning of the year		**209,221**	149,360	**174,790**	101,880
Effects of exchange rate changes on cash and cash equivalents		**172**	3,473	**(268)**	3,049
Cash and cash equivalents at end of year	10	**158,018**	209,221	**124,809**	174,790

The above consolidated statement should be read in conjunction with the accompanying notes on pages 26 to 58.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

1. General information

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

The financial statements presented herewith as at and for the year ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

These financial statements have been approved for issue by the Board of Directors on 26 August 2013.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements include separate financial statements for New Zealand Oil & Gas Limited as an individual entity and the consolidated Group.

A) Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

Basis of measurement

These financial statements have been prepared under the historical cost basis, except that the following assets and liabilities are stated at their fair value: Convertible Bond and shares held in Pan Pacific Petroleum NL.

Functional and presentation currency

These financial statements are presented in New Zealand dollars (NZD or $), unless otherwise stated, which is the Company's functional and presentation currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

Use of 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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 the recoverability of evaluation and exploration and production assets, the provision for restoration and rehabilitation obligations and recoverability of deferred tax.

The assumptions required to be made in order to assess the recoverability of exploration and evaluation assets and oil and gas assets include the future commodity prices, future cash flows, an estimated discount rate and estimates of reserves. (Refer to notes 14 and 15)

The assumptions made in respect of restoration and rehabilitation obligations include an estimate of future costs, timing of required restoration and an estimated discount rate. (Refer to note 18)

The key assumption concerning the recoverability of deferred tax assets is the ability of entities in the Group to generate future taxable income. (Refer to note 19)

B) Basis of consolidation

i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases. (Refer to note 12)

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the income statement and statement of financial position respectively.

Investments in subsidiaries are carried at their cost of acquisition in the parent Company's financial statements, except where wholly owned subsidiary companies have sold petroleum prospecting permit rights and have advanced the net sale proceeds to the parent company. The directors of the parent company have valued the investment in those companies to an amount not exceeding their underlying net assets.

ii) Oil and gas interests

Oil and gas interests are those joint arrangements established by contractual agreement over which the Group has joint control. 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 control commences until the date that control ceases.

C) Foreign currency translation

i) Functional and presentation currency

Items included in 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 consolidated and parent financial statements are presented in New Zealand dollars, which is the Group's presentation currency.

ii) Transactions and balances

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 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.

iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at balance date;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a component of equity.
- Exchange differences arising from the translation of any net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2013

D] Financial Instruments

i] Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, trade and other payables and investments in equity securities.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through income statement, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Investments in equity securities

The Group's investments in equity securities where the Group does not have joint control are classified as financial assets that are fair valued through other comprehensive income. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised directly in other comprehensive income.

Interest-bearing borrowings

Interest-bearing borrowings are classified as other liabilities and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments which comprise cash at bank, short-term deposits and deposits at call with an original maturity of six months or less. Cash also includes the Group's share of cash held in oil and gas interests and restricted cash held under the Group's interest bearing borrowing arrangements.

Refundable security deposits

Security deposits include amounts held by key suppliers as bonds for work to be undertaken and deposits with government agencies subject to licence work programme commitments being met.

Performance bonds

Performance bonds include amounts held as a bond under the terms of entering joint studies and production sharing contracts in Indonesia. The bonds are refundable at the completion of the agreed work programmes under the joint study agreements and production sharing contracts.

ii] Derivative financial instruments

From time to time the Group may use derivative financial instruments to hedge its exposure to commodity risks and foreign exchange risks arising from operational and financing activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Trading instruments

These derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement.

Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in the income statement as part of foreign currency gains and losses.

iii) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

E) Exploration and evaluation assets

Exploration and evaluation expenditure costs capitalised represents an accumulation of costs incurred in relation to separate areas of interest for which rights of tenure are current and in respect of which: (i) Such costs are expected to be recouped through successful development of the area of interest, or alternatively, by its sale; or (ii) Exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment and/or evaluation of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the areas of interest are continuing.

Capitalised exploration and evaluation expenditure are impaired and an impairment loss is recognised in the income statement under the successful efforts method of accounting, in the period that exploration work demonstrates that an area of interest or any part thereof is no longer prospective for economically recoverable reserves or when the decision to abandon an area of interest is made. An area of interest is defined by the Group as being a permit area where rights of tenure are current.

Upon determining technical feasibility and commercial viability of an area of interest exploration and evaluation assets for the area of interest in question is transferred to Development assets. No amortisation is provided for in respect of exploration and evaluation assets.

The recoverability of exploration and evaluation assets is contingent upon facts, such as technical success and commercial development, sale of the area of interest, the results of further exploration, agreements entered into with other parties, and also upon meeting commitments under the terms of permits granted and joint venture agreements.

Expenditure incurred prior to obtaining the rights of tenure in relation to separate areas of interest are expensed in the period in which they are incurred.

F) 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. The carrying value is assessed for impairment each reporting date.

Under/over lift

Lifting arrangements for petroleum products produced in jointly owned operations are of such a frequency that it is not practicable for each participant to receive or sell its precise share of the overall production during the period. At each reporting date, the extent of underlift is recognised as an asset at the lower of cost and net realisable value. Overlift is recognised as a liability at the current market price of the petroleum product. The net movement in underlift and overlift is recognised under operating costs in the income statement.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2013

G) Impairment

The carrying amounts of the Group's assets are reviewed at each balance date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement.

i) Impairment of receivables

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

ii) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date. For exploration and evaluation assets the method for reviewing for impairment is described in note 2(G)(iii).

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 income statement. Impairment losses recognised 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.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment 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.

iii) Exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when either the period of the exploration right has expired or will expire in the near future, substantive expenditure on further exploration for and evaluation in the specific area is neither budgeted or planned, exploration for and evaluation in the specific area have not led to the discovery of commercially viable quantities and the Group has decided to discontinue such activities in the area or there is sufficient data to indicate that the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Any impairment loss is recognised as an expense in the income statement in the period.

H) Goods and Services Tax (GST)

The income statement has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

I) Employee benefits

i) Wages and salaries, annual leave and sick leave

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii] Share based payments

The issue date 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.

J] Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

i] Restoration and rehabilitation provision

The restoration and rehabilitation provision is measured at the present value of the expected future cash flows as a result of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation is incurred. The nature of the restoration activities includes the removal of facilities, abandoning of wells and restoring the affected areas. Any changes in the liability in future periods are added or deducted from the related asset, other than the unwinding of the discount which is recognised as an interest expense in the income statement as it occurs. The provision is determined by discounting expected future expenditure at an appropriate risk free interest rate relevant to the currency of the expected expenditure.

K] Revenue recognition

Revenues are recognised at the fair value of the consideration received net of the amount of goods and services tax [GST].

i] Sales of goods

Sales comprise revenue earned from the provision of petroleum products. Revenue is recognised when the significant risks and rewards of ownership of the petroleum products have been transferred to the buyer.

ii] Royalty income

Royalty income is recognised on the date the Group's right to receive payment is established and the amount can be reliably measured.

L] Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of financial assets at fair value through other comprehensive income, foreign currency gains and gains on hedging instruments that are recognised in the income statement. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Company's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, impairment losses recognised on financial assets [except for trade receivables], losses on the disposal of financial assets at fair value through other comprehensive income, and losses on hedging instruments that are recognised in the income statement. All borrowing costs, other than those capitalised on qualifying development assets, are recognised in the income statement using the effective interest method.

M] Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in the statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2013

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. 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.

N) Royalties expense

The Group recognises petroleum royalties payable to the New Zealand Government on an accruals basis.

O) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the financial performance attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the financial performance attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprises issued convertible notes and granted share options.

P) Net tangible asset backing per share

The Group presents net tangible asset backing per share for its issued shares. Net tangible asset backing per share is calculated by dividing net tangible assets by the number ordinary shares of the Company, excluding treasury stock, as at the end of the reporting period. Net tangible assets is calculated by taking intangibles off total assets as presented at the end of the reporting period.

Q) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is 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.

R) Fair value estimation

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value of financial assets at fair value through other comprehensive income that are traded on an active market is determined by reference to their quoted bid price at the reporting date.

The fair value of financial assets at fair value through other comprehensive income that are not traded on an active market is determined by the use of a valuation technique.

The fair value of employee partly paid shares is measured using the Black Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), life of the instruments, expected dividends, and the risk free interest rate. Service conditions attached to the transactions are not taken into account in determining fair value.

S] Standards, amendments, and interpretations effective for the year.

The Group has not adopted any new or amended New Zealand equivalents to International Financial Reporting Standards in this financial year.

T] Standards, amendments and interpretations to existing standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the accounting periods beginning on or after 1 January 2013 but which the Company has not early adopted:

NZ IFRS 9, Financial Instruments (2010) - [effective from annual periods beginning on or after 1 January 2013]

NZ IFRS 10, Consolidated Financial Statements - [effective from annual periods beginning on or after 1 January 2013]

NZ IFRS 11, Joint Arrangements - [effective from annual periods beginning on or after 1 January 2013]

NZ IFRS 12, Disclosure of Interests in Other Entities - [effective from annual periods beginning on or after 1 January 2013]

NZ IFRS 13, Fair Value Measurement - [effective from annual periods beginning on or after 1 January 2013]

NZ IAS 27, Separate Financial Statements (2011) - [effective from annual periods beginning on or after 1 January 2013]

NZ IAS 28, Investments in Associates and Joint Ventures (2011) - [effective from annual periods beginning on or after 1 January 2013]

The impact of these accounting standards is currently being assessed.

U] Changes in accounting policies

There have been no changes in accounting policies during the current year.

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.

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

Exploration: exploration and evaluation of hydrocarbons in the offshore Taranaki basin and offshore Canterbury basin, 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 investment in exploration and evaluation assets in Tunisia and Indonesia.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2013

3. Segment information (continued)

2013	Oil & Gas assets - Tui $'000	Oil & Gas assets - Kupe $'000	Oil & Gas assets - Exploration $'000	Other & 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 - Net finance income					5,914
Profit before income tax					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
Unallocated assets					192,235
Total assets					445,849
Included in the segment result:					
Depreciation and amortisation expense	3,977	18,357	-	96	22,430

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	-	37,175	-	-	37,175
Sales to external customers - other countries	42,040	37,160	-	-	79,200
Total sales revenue	42,040	74,335	-	-	116,375
Other income	-	791	-	130	921
Total revenue and other income	42,040	75,126	-	130	117,296
Segment result	26,841	37,550	(2,389)	(26,375)	35,627
Other reconciling items - Net finance income					8,849
Profit before income tax					44,476
Income tax and royalties expense					(24,589)
Profit for the year					19,887
Segment assets	20,150	198,387	14,893	20,676	254,106
Unallocated assets					230,933
Total assets					485,039
Included in the segment result:					
Depreciation and amortisation expense	6,769	21,189	-	148	28,106
Impairment of loan to Associate	-	-	-	(16,500)	(16,500)

4. Income

	Group		Parent	
	2013 $'000	**2012** $'000	**2013** $'000	**2012** $'000
Revenue				
Petroleum sales	**99,259**	116,375	**-**	-
Total revenue	**99,259**	116,375	**-**	-
Other income				
Rental income	**29**	49	**-**	-
Insurance proceeds	**9,000**	-	**-**	-
Carbon emission expenditure recovered	**158**	791	**-**	-
Other income	**457**	81	**447**	66
Total other income	**9,644**	921	**447**	66
Total income	**108,903**	117,296	**447**	66

5. Operating costs

	Group		Parent	
	2013 $'000	**2012** $'000	**2013** $'000	**2012** $'000
Production and sales marketing costs	**19,162**	22,799	**-**	-
Amortisation of production asset	**22,334**	27,958	**-**	-
Carbon emission expenditure	**94**	993	**-**	-
Insurance expenditure	**1,628**	1,657	**-**	-
Movement in inventory	**526**	(328)	**-**	-
Movement in stock over/(under) lift	**173**	(304)	**-**	-
Total operating costs	**43,917**	52,775	**-**	-

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2013

6. Other expenses

	Group		Parent	
	2013 $'000	**2012** $'000	**2013** $'000	**2012** $'000
Classification of other expenses by nature				
Audit fees	**146**	159	**136**	133
Directors' fees	**487**	470	**487**	470
Legal fees	**269**	352	**240**	253
Consultants' fees	**1,146**	1,494	**1,139**	1,493
Employee expenses	**4,941**	4,878	**4,941**	5,157
Depreciation	**81**	98	**79**	80
Amortisation of Intangible assets	**15**	49	**15**	49
Share based payment expense	**201**	288	**201**	288
Donations	**4**	1	**4**	1
Other	**2,970**	2,216	**2,788**	2,402
Total other expenses	**10,260**	10,005	**10,030**	10,326

Remuneration of auditors

	Group		Parent	
	2013 $'000	**2012** $'000	**2013** $'000	**2012** $'000
Auditors' remuneration to KPMG comprises:				
Audit and review of financial statements	**146**	159	**136**	133
Non audit related services:				
Tax compliance services	**83**	100	**83**	100
Tax advisory services	**292**	236	**292**	236
Other assurance services	**-**	48	**-**	48
	521	543	**511**	517

Other assurance services include providing assurance services at the annual general meeting of the Company and providing accounting technical advice.

7. Net finance income/(costs)

	Group		Parent	
	2013 $'000	**2012** $'000	**2013** $'000	**2012** $'000
Finance costs				
Interest and finance charges	**(1,699)**	(2,942)	**-**	(1)
Exchange losses on foreign currency balances	**-**	-	**(288)**	-
Impairment of loan to Associate - principal	**-**	(13,765)	**-**	-
Impairment of loan to Associate - interest	**-**	(2,735)	**-**	-
Impairment of loans and investments in subsidiaries	**-**	-	**(13,775)**	(13,691)
Total finance costs	**(1,699)**	(19,442)	**(14,063)**	(13,692)
Finance income				
Interest income	**4,748**	7,265	**4,481**	3,752
Exchange gains on foreign currency balances	**365**	4,526	**-**	3,073
Reversal of Impairment of loan to Associate - Principal	**2,500**	-	**-**	-
Dividend income	**-**	-	**25,151**	4,103
Total finance income	**7,613**	11,791	**29,632**	10,928
Net finance income/(costs)	**5,914**	(7,651)	**15,569**	(2,764)

8. Royalties expense

Royalty expenses incurred by the Group relate to payments to the New Zealand Government in respect of the Tui area oil fields and Kupe gas and oil field.

Notes to the Consolidated
Financial Statements (continued)
For the year ended 30 June 2013

9. Income tax expense

	Group		Parent	
	2013 $'000	**2012** $'000	**2013** $'000	**2012** $'000
(a) Income tax expense				
Current tax	**4,891**	7,761	**-**	-
Deferred tax (Refer note 19)	**5,343**	4,726	**(26)**	1,684
Total income tax expense	**10,234**	12,487	**(26)**	1,684
(b) Income tax expense calculation				
Profit/(loss) before income tax expense and royalties	**45,550**	44,476	**5,986**	(13,024)
Less: royalties expense	**(9,371)**	(12,102)	**-**	-
Profit/(loss) before income tax expense	**36,179**	32,374	**5,986**	(13,024)
Tax at the New Zealand tax rate of 28%	**10,130**	9,065	**1,676**	(3,647)
Tax effect of amounts which are not deductible/(taxable):				
Foreign exchange adjustments	**225**	357	**-**	-
Impairment of financial assets/(reversal of impairment)	**(700)**	3,854	**-**	-
Dividends from wholly owned subsidiaries	**-**	-	**(7,042)**	(1,231)
Impairment of related party loans and investment in subsidiaries	**-**	-	**3,857**	3,833
Other expenses/(income)	**534**	(688)	**364**	426
	10,189	12,588	**(1,145)**	(619)
Overprovision in prior years	**45**	(101)	**-**	(293)
Losses utilised	**-**	-	**1,119**	2,596
Income tax expense	**10,234**	12,487	**(26)**	1,684
(c) Imputation credits				
Available balance	**2,958**	7,683	**(2,177)**	3,595

10. Cash and cash equivalents

	Group		Parent	
	2013 $'000	**2012** $'000	**2013** $'000	**2012** $'000
Cash at bank and in hand	**20,310**	17,103	**954**	724
Deposits at call	**10,779**	7,259	**4,255**	1,775
Short term deposits	**119,600**	172,291	**119,600**	172,291
Share of oil and gas interests' cash	**7,329**	12,568	**-**	-
Total cash and cash equivalents	**158,018**	209,221	**124,809**	174,790

Cash and cash equivalents denominated in currencies other than the presentation currency comprise $42.3 million denominated in US dollars; NZ dollar equivalent $54.3 million (2012: US dollars $57.1 million; NZ dollar equivalent $71.8 million).

a) Deposits at call and short term deposits

The deposits at call and short term deposits are bearing interest rates between 0.1% and 3.9% (2012: 0.1% and 3.6%).

11. Receivables and prepayments

	Group		Parent	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Net trade receivables				
Trade receivables	**28,146**	14,714	**1,884**	1,704
Interest receivable	**362**	1,090	**362**	1,090
Share of oil and gas interests' receivables	**713**	439	**-**	-
	29,221	16,243	**2,246**	2,794
Advances to related parties	**-**	-	**48,717**	13,293
Net receivables from Associate				
Short term loan- principal	**-**	2,427	**-**	-
Interest receivable on convertible bond	**-**	57	**-**	-
	-	2,484	**-**	-
Other				
Prepayments	**821**	995	**117**	223
Stock Over Lift Receivable	**118**	290	**-**	-
Other	**672**	84	**90**	38
Total receivables and prepayments	**30,832**	20,096	**51,170**	16,348

Trade receivables denominated in currencies other than the presentation currency comprise $11.4 million denominated in US dollars; NZ dollar equivalent $14.6 million (2012: $7.5 million denominated in US dollars; NZ dollar equivalent $9.4 million).

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2013

12. Investments in subsidiaries

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

		Equity holding	
Name of entity	Country of incorporation	2013 %	2012 %
ANZ Resources Pty Limited	Australia	**100**	100
Australia and New Zealand Petroleum Limited	New Zealand	**100**	100
Kupe Royalties Limited	New Zealand	**100**	100
National Petroleum Limited	New Zealand	**100**	100
Nephrite Enterprises Limited	New Zealand	**100**	100
NZOG 54867 Limited	New Zealand	**100**	100
NZOG 38483 Limited	New Zealand	**100**	100
NZOG 38494 Limited	New Zealand	**100**	100
NZOG Asia Pty Limited	Australia	**100**	100
NZOG Bohorok Pty Limited	Australia	**100**	100
NZOG 54857 Limited	New Zealand	**100**	100
NZOG Development Limited	New Zealand	**100**	100
NZOG Devon Limited	New Zealand	**100**	100
NZOG Egmont Limited	New Zealand	**100**	100
NZOG Energy Limited	New Zealand	**100**	100
NZOG Hammamet Pty Limited	Australia	**100**	100
NZOG Offshore Limited	New Zealand	**100**	100
NZOG Pacific Holdings Pty Limited	Australia	**100**	100
NZOG Pacific Limited	New Zealand	**100**	100
NZOG Services Limited	New Zealand	**100**	100
NZOG Taranaki Limited	New Zealand	**100**	100
NZOG Tunisia Pty Limited	Australia	**100**	100
Oil Holdings Limited	New Zealand	**100**	100
Pacific Oil & Gas (North Sumatera) Limited	Bermuda	**90**	90
Petroleum Equities Limited	New Zealand	**100**	100
Petroleum Resources Limited	New Zealand	**100**	100
Resource Equities Limited	New Zealand	**100**	100
Stewart Petroleum Company Limited	New Zealand	**100**	100
New Zealand Oil & Gas Employee Benefit Trust	New Zealand	**-**	-

All subsidiary companies have a balance date of 30 June with the exception of Pacific Oil & Gas (North Sumatera) Limited which has a 31 December balance date. All subsidiaries are predominantly involved in the petroleum exploration industry.

12. Investments in subsidiaries (continued)

All subsidiaries within the Group have a functional currency of New Zealand dollars, with exception of the following:

United States dollar functional currency companies:
- Stewart Petroleum Company Limited
- NZOG Tunisia Pty Limited
- NZOG Asia Pty Limited
- NZOG Hammamet Pty Limited
- NZOG Bohorok Pty Ltd
- NZOG Pacific Holding Pty Limited
- Pacific Oil & Gas (North Sumatera) Limited

Australian dollar functional currency company:
- ANZ Resources Pty Limited

13. Oil and gas interests

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

		Interests held by the Group	
Name	**CountryType**	**2013**	**2012**
PML 38146 - Kupe	New Zealand Mining Licence	**15.0%**	15.0%
PMP 38158 - Tui	New Zealand Mining Permit	**12.5%**	12.5%
PEP 38259 - Barque(i)	New Zealand Exploration Permit	**-%**	40.0%
PEP 51311 - Kakapo (ii)	New Zealand Exploration Permit	**100.0%**	100.0%
PEP 53473 - Takapou	New Zealand Exploration Permit	**50.0%**	-%
PEP 54857 - Porakawaru	New Zealand Exploration Permit	**100.0%**	-%
PEP 52717 - Clipper (iii)	New Zealand Exploration Permit	**50.0%**	-%
PEP 51906 - Matuku	New Zealand Exploration Permit	**12.5%**	-%
PEP 54867 - Manaia	New Zealand Exploration Permit	**40.0%**	-%
PEP 52181 - Kaheru (iv)	New Zealand Exploration Permit	**35.0%**	-%
PEP 52593 - Taranga	New Zealand Exploration Permit	**50.0%**	-%
PEP 51558 - Kanuka	New Zealand Exploration Permit	**50.0%**	50.0%
Diodore	Tunisia Prospecting Permit	**100.0%**	100.0%
Kisaran PSC	Indonesia Production Sharing Contract	**22.5%**	22.5%
Bohorok PSC	Indonesia Production Sharing Contract	**45.0%**	-%
Cosmos (v)	Tunisia Concession	**40.0%**	40.0%

(i) PEP 38259 (Barque) was relinquished to the Crown on 12 August 2012.

(ii) On 26 July 2013, after balance date, NZOG announced that the permit PEP 51311 (Kakapo) was to be relinquished to the Crown. The Group has fully impaired the exploration and evaluation asset in PEP 51311 (Kakapo) at balance date.

(iii) In May 2013 NZOG acquired a 50% interest in PEP 52717 (Clipper) and became the operator, both subject to ministerial approval.

(iv) Beach Energy's interest of 25% is subject to ministerial consent.

(v) NZOG made a decision to withdraw from this concession during the year. The Group has fully impaired the exploration and evaluation asset in Cosmos at balance date. Documents have been filed to transfer the interest to Storm Ventures International.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2013

13. Oil and gas interests (continued)

	Group	
	2013 $'000	2012 $'000
Share of oil and gas interests' assets and liabilities		
Current assets		
Cash and cash equivalents	**7,329**	12,568
Trade receivables *	**713**	439
Inventory	**421**	433
Non current assets		
Petroleum interests **	**369,383**	321,449
Total assets	**377,846**	334,889
Current liabilities		
Short-Term Liabilities	**8,300**	5,649
Total liabilities	**8,300**	5,649
Net assets	**369,546**	329,240
Share of oil and gas interests' revenue, expenses and results		
Revenues *	**788**	72
Expenses	**(22,340)**	(17,666)
Profit before income tax	**(21,552)**	(17,594)

* 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.

14. Exploration and evaluation assets

	Group		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Opening balance	**14,893**	7,322	**-**	-
Expenditure capitalised	**43,792**	10,047	**-**	-
Revaluation of USD exploration and evaluation assets	**885**	(87)	**-**	-
Expenditure written off *	**(15,090)**	(2,389)	**-**	-
At end of year	**44,480**	14,893	**-**	-

* The expenditure written off during the year primarily relates to the following permits: PEP 51311 (Kakapo) and Cosmos. Refer to Note 13.

15. Oil and gas assets

	Group		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Opening balance	**218,537**	238,841	**-**	-
Expenditure capitalised	**5,176**	1,284	**-**	-
Amortisation for the year	**(22,334)**	(27,958)	**-**	-
Revaluation of USD production assets	**125**	773	**-**	-
Abandonment provision	**(2,870)**	5,597	**-**	-
Closing balance	**198,634**	218,537	**-**	-

Includes capitalised borrowing costs of $8.4 million at 30 June 2013 (2012: $10.5 million).

16. Other financial assets

	Group		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Pan Pacific Petroleum NL - Shares:				
Investment assets (fair value through other comprehensive income)	**10,500**	15,750	**-**	-
	10,500	15,750	**-**	-
Other				
Investment in subsidiaries (note 12)	**-**	-	**56,765**	56,498
Performance Bonds	**1,372**	2,259	**407**	1,256
Refundable security deposits	**43**	43	**-**	-
	1,415	2,302	**57,172**	57,754
Total other financial assets	**11,915**	18,052	**57,172**	57,754

a) Investment assets

Shares held in Pan Pacific Petroleum NL

The investment of 87.5 million shares in Pan Pacific Petroleum NL is measured at fair value at reporting date of $10.5 million and is classified as an investment asset at fair value. The Group has designated the investment asset as fair value with movements through other comprehensive income as this best matches the Group's holding intention for this investment. All gains and losses being recognised in other comprehensive income. The cost of this investment is the equivalent of $16.1 million after a $5.6 million return of capital in the form of a dividend from Pan Pacific Petroleum NL during the year to 30 June 2013.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2013

16. Other financial assets (continued)

b) Performance Bonds

Performance bonds include amounts held as a bond under the terms of entering joint study agreement and production sharing contracts in Indonesia. The bonds are refundable at the completion of the agreed work programmes under the joint study agreement and production sharing contracts.

17. Payables

	Group		Parent	
	2013 $'000	**2012** $'000	**2013** $'000	**2012** $'000
Trade payables	**2,180**	1,675	**558**	395
Royalties payable	**5,941**	7,774	**-**	-
Share of oil and gas interests' payables	**8,300**	5,649	**-**	-
Other payables	**2,134**	1,861	**1,102**	812
Total payables	**18,555**	16,959	**1,660**	1,207

Payables denominated in currencies other than the presentation currency comprise $2.8 million of payables denominated in US dollars; NZ dollar equivalent $3.7 million. (2012: US dollars $0.8 million; NZ dollar equivalent $1.0 million)

18. 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 expected 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 future.

In the current year the risk free rate used to determine the provision for US Dollars was 2.48%.

	2013 $'000	**2012** $'000
Carrying amount at start of year	**32,392**	25,645
Addition/(reduction) in provisions recognised	**(2,870)**	5,597
Revaluation of USD provisions	**135**	404
Unwinding of discount	**540**	746
Carrying amount at end of year	**30,197**	32,392

19. Deferred tax assets and liabilities

	Group		Parent	
	2013 $'000	**2012** $'000	**2013** $'000	**2012** $'000
The balance comprises temporary differences attributable to:				
Non-deductible provisions	**8,455**	8,989	**-**	-
Other items	**97**	72	**98**	72
	8,552	9,061	**98**	72
Other				
Exploration assets	**(5,649)**	(2,067)	**-**	-
Oil and gas assets	**(37,641)**	(36,118)	**-**	-
Capitalised borrowing costs	**(2,413)**	(2,649)	**-**	-
Sub-total other	**(45,703)**	(40,834)	**-**	-
Net deferred tax liabilities	**(37,151)**	(31,773)	**98**	72
Movements:				
Net deferred tax asset/(liability) at 1 July	**(31,773)**	(27,149)	**72**	1,756
Credited to the income statement (note 9)	**(5,343)**	(4,726)	**26**	(1,684)
Foreign exchange differences	**(35)**	102	**-**	-
Closing balance at 30 June	**(37,151)**	(31,773)	**98**	72

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.

Notes to the Consolidated
Financial Statements (continued)
For the year ended 30 June 2013

20. Contributed equity of the Group and Parent

a) Share capital

	2013 Number of Shares 000s	2012 Number of Shares 000s	2013 $'000	2012 $'000
Ordinary shares				
Fully paid shares	**407,252**	392,788	**370,641**	358,499
Partly paid shares	**7,005**	9,520	**70**	85
Total share capital	**414,257**	402,308	**370,711**	358,584

b) Movements in ordinary share capital

	2013 Number of Shares 000s	2012 Number of Shares 000s	2013 $'000	2012 $'000
Opening	**402,308**	397,584	**358,584**	358,233
Issues of ordinary shares during the year				
Shares issued	**10,999**	3,561	**12,117**	2,395
Buy back of issued shares	**-**	(2,887)	**-**	(2,075)
Partly paid shares issued	**950**	4,050	**10**	31
Closing balance of ordinary shares issued	**414,257**	402,308	**370,711**	358,584

Shares issued represent the shares issued under the Dividend Reinvestment Plan. A further 3.5 million shares were transferred from partly paid shares to fully paid shares during the year (2012: Nil). The partly paid shares are sold on market with the proceeds included in the shares issued amount.

c) Ordinary shares

Apart from the partly paid shares issued, all shares issued are fully paid. Each fully paid share issued is entitled to one vote.

d) Partly paid shares

Partly paid shares issued by the company to participants of the employee share ownership plan (ESOP) are paid by the participant to NZ$0.01 per share on issue. 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.

21. Reserves

a) Reserves

	Group		Parent	
	2013 $'000	**2012** $'000	**2013** $'000	**2012** $'000
Revaluation reserve	**(4,791)**	(4,925)	**-**	-
Share based payments reserve	**220**	345	**220**	345
Foreign currency translation reserve	**(11,968)**	(12,663)	**-**	-
Share revaluation reserve	**-**	-	**6,465**	6,465
Total reserves	**(16,539)**	(17,243)	**6,685**	6,810
Movements:				
Revaluation reserve				
Balance 1 July	**(4,925)**	(4,267)	**-**	-
Fair value gain/(loss) through other comprehensive income	**134**	(658)	**-**	-
Balance 30 June	**(4,791)**	(4,925)	**-**	-
Share-based payments reserve				
Balance 1 July	**345**	699	**345**	699
Share based payment expense for the year	**201**	288	**201**	288
Transfer of expired share based payments during the year	**(326)**	(642)	**(326)**	(642)
Balance 30 June	**220**	345	**220**	345
Foreign currency translation reserve				
Balance 1 July	**(12,663)**	(13,852)	**-**	-
Foreign currency translation differences for the year	**695**	1,189	**-**	-
Balance 30 June	**(11,968)**	(12,663)	**-**	-

b) Nature and purpose of reserves

i) Revaluation reserve

This reserve relates to the revaluation of Pan Pacific Petroleum NL investment. The gains and losses arising from changes in fair value of the investment are recognised through the statement of comprehensive income and are not transferred to the income statement on disposal, although they may be reclassified within equity.

ii) 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. Subsidiary companies with a functional currency different to the Group are outlined in Note 12. The reserve is recognised in the income statement when the net investment is disposed of.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2013

21. Reserves (continued)

iii) Share revaluation reserve

This reserve relates to the circumstances where wholly owned subsidiary companies have sold petroleum prospecting permit rights and have advanced the net sale proceeds to the parent company, the directors of the parent company have valued the investment in those companies to an amount not exceeding their underlying net assets. Amounts are recognised in the income statement when the wholly owned subsidiary is disposed of.

22. Earnings per share

a) Basic earnings per share

	Group	
	2013 Cents	**2012** Cents
Basic earnings per share	**6.3**	5.0

b) Reconciliations of earnings used in calculating earnings per share

	Group	
	2013 $'000	**2012** $'000
Profit/(loss) for the year	**25,945**	19,887

c) Weighted average number of shares used as the denominator

	Group	
	2013 Number 000s	**2012** Number 000s
Weighted average number of ordinary shares used in calculating basic earnings per share	**409,193**	400,263

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

23. Reconciliation of profit after income tax to net cash inflow from operating activities

	Group		Parent	
	2013 $'000	**2012** $'000	**2013** $'000	**2012** $'000
Profit/(loss) for the year	**25,945**	19,887	**6,012**	(14,708)
Depreciation and amortisation	**22,334**	28,105	**93**	129
Deferred tax	**5,343**	4,726	**(26)**	1,684
Impairment of loan to Associate - principal	**-**	13,765	**-**	-
Impairment of loan to Associate - interest	**-**	2,735	**-**	-
Reversal of impairment of loan	**(2,500)**	-	**-**	-
Loss/(gain) on investment held in subsidiaries	**-**	-	**-**	13,691
Exploration expenditure included in investing activitites	**16,105**	2,389	**-**	-
Impairment of related party loans and investment in subsidiaries	**-**	-	**13,775**	-
Share based payment expense	**201**	288	**201**	288
Net foreign exchange differences	**(365)**	(4,527)	**288**	(3,073)
Dividend	**-**	-	**(25,151)**	(4,103)
Other	**781**	689	**91**	-
Change in operating assets and liabilities				
(Increase)/decrease in trade debtors	**(12,889)**	(5,337)	**(6,477)**	(3,476)
Increase/(decrease) in trade creditors	**(699)**	442	**3,317**	(2,505)
Net cash inflow from operating activities	**54,256**	63,162	**(7,877)**	(12,073)

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, performance bonds, convertible bond, oil sales and capital commitments that are denominated in a currency other than the Company's functional currency, New Zealand dollars ($), which is the presentation currency of the Group. The Group manages its foreign currency risk by monitoring its foreign currency cash balances and future foreign currency cash requirements.

The Group's exposure to foreign currency risk has been disclosed in Notes 10, 11 and 17.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2013

24. Financial risk management (continued)

ii) Commodity price risk

Commodity price risk is the risk that the Group's sales revenue will be impacted by fluctuations in world commodity prices. The Group is exposed to commodity prices through its petroleum interests.

iii) Concentrations of interest rate exposure

The Group's main interest rate risk arises from short-term deposits.

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 arrangement.

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.

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:

GROUP 30 June 2013	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000	Contractual cash flows $'000
Payables	18,555	-	-	-	-	18,555
Total non-derivative liabilities	18,555	-	-	-	-	18,555

30 June 2012	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000	Contractual cash flows $'000
Secured borrowings - Principal and interest	12,430	7,583	18,868	10,947	-	49,828
Payables	16,959	-	-	-	-	16,959
Total non-derivative liabilities	29,389	7,583	18,868	10,947	-	66,787

At 30 June 2013 the Group had no derivatives to settle (2012: nil).

24. Financial risk management (continued)

PARENT 30 June 2013	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000	Contractual cash flows $'000
Payables	1,660	-	-	-	-	1,660
Total non-derivative liabilities	1,660	-	-	-	-	1,660

30 June 2012	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000	Contractual cash flows $'000
Payables	1,207	-	-	-	-	1,207
Total non-derivative liabilities	1,207	-	-	-	-	1,207

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 company 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 from which it can pursue its growth aspirations.

e) Sensitivity analysis

The Group's reporting result at the end of each year is sensitive to financial risks from fluctuations in interest rates, equity securities and currency risks. The Group's exposure to these risks is described in Note 24(a).

The Group's estimated short-term impacts of fluctuations in these areas of risk are summarised below:

The impact on our foreign currency holdings of an increase in the value of the New Zealand dollar against the United States dollar by 5% at balance date would be to decrease the Group profit before tax by $3.3 million and decrease the foreign currency translation reserve in equity by $0.6 million (2012: $3.3 million decrease on profit before tax and $0.5 million decrease in the foreign currency translation reserve).

The impact of an increase in interest rates at balance date by 1% would increase the Group's expected interest income for the following financial year by $1.6 million (2012: $2.1 million increase), based on maintaining current cash balances.

The impact of an increase in the value of equity securities held by the Group at balance date, which are categorised as fair value through other comprehensive income, by 5% would increase the revaluation reserve in equity by $0.5 million (2012: $0.8 million increase).

f) Recognised assets and liabilities

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

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2013

24. Financial risk management (continued)

g) Fair value estimation

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's assets that are measured at fair value. The parent has no assets or liabilities that are measured at fair value.

GROUP At 30 June 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total balance $'000
Assets				
Financial assets at fair value through other comprehensive income				
Shares held in Pan Pacific Petroleum NL	**10,500**	-	-	10,500
Total assets measured at fair value	**10,500**	-	-	10,500

GROUP At 30 June 2012	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total balance $'000
Assets				
Financial assets at fair value through profit or loss				
Convertible Bond - recoverable fair value	-	-	**2,499**	2,499
Financial assets at fair value through other comprehensive income				
Shares held in Pan Pacific Petroleum NL	**15,750**	-	-	15,750
Total assets measured at fair value	**15,750**	-	**2,499**	18,249

The fair value of financial instruments traded in active markets is based on quoted market prices at balance date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1. Instruments included in level 1 comprise primarily NZX 50 equity investments classified as fair value through comprehensive income.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

24. Financial risk management (continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the changes in fair value of level 3 instruments:

GROUP **At 30 June 2013**	**Convertible Bond - recoverable fair value** $'000	**Total** $'000
Opening balance	2,499	2,499
Purchases/(Repayment) of financial instrument	-	-
Recovery of Convertible Bond	(2,499)	(2,499)
Closing balance	-	-

GROUP **At 30 June 2012**	**Convertible Bond - recoverable fair value** $'000	**Total** $'000
Opening balance	35,103	35,103
Purchases/(Repayments) of financial instrument	(35,006)	(35,006)
Gains/(losses) recognised in the Income Statement	1,680	1,680
Interest capitalised during the year	722	722
Closing balance	2,499	2,499
Total gains/(losses) for the year included in income statement for assets held at the end of the reporting period	1,680	1,680

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2013

24. Financial risk management (continued)

h) Financial instruments by category

GROUP	Fair value through other comprehensive income $'000	Amortised cost $'000	Total at carrying value $'000
At 30 June 2013			
Assets			
Cash and cash equivalents	-	158,018	158,018
Trade and other receivables	-	30,013	30,013
Other financial assets	10,500	1,415	11,915
	10,500	189,446	199,946
Liabilities			
Payables	-	18,555	18,555
Borrowings	-	197	197
	-	18,752	18,752

GROUP	Fair value through other comprehensive income $'000	Amortised cost $'000	Total at carrying value $'000
At 30 June 2012			
Assets			
Cash and cash equivalents	-	209,221	209,221
Trade and other receivables	-	19,101	19,101
Other financial assets	15,750	2,302	18,052
	15,750	230,624	246,374
Liabilities			
Payables	-	16,959	16,959
Borrowings	-	46,800	46,800
	-	63,759	63,759

All Parent financial instruments are held at amortised cost.

25. Related party transactions

a) Parent entity

The parent entity within the Group is New Zealand Oil & Gas Limited.

b) Directors

The names of persons who were directors of the Company at any time during the financial year are as follows:
P W Griffiths; R J Finlay; P G Foley; A T N Knight; A R Radford; D R Scoffham and M Tume.

The Directors of the above companies received no remuneration or other benefits from the subsidiary companies directly during the year, as their remuneration from NZOG Ltd covers all payments received for services.

c) Key management and personnel compensation

Key management personnel compensation for the years ended 30 June 2013 and 30 June 2012 is set out below. The key management personnel are all the management and directors (executive and non executive) of the Company.

2013	Short-term benefits $'000	Post-employment benefits $'000	Other long-term benefits $'000	Termination benefits $'000	Share-based payments $'000	Total $'000
Management	**1,955**	**-**	**-**	**-**	**50**	**2,005**
Directors	**990**	**-**	**-**	**-**	**119**	**1,109**
	2,945	**-**	**-**	**-**	**169**	**3,114**
2012						
Management	1,111	-	-	-	112	1,223
Directors	1,260	-	-	-	73	1,333
	2,371	-	-	-	185	2,556

d) Other transactions with key management personnel or entities related to them

Information on transactions with key management personnel or entities related to them, other than compensation, is set out below.

Key management personnel in their capacity as employees were allocated partly paid shares under the Employee Share Ownership Plan (ESOP) during the year. The terms and conditions for the shares allocated under the ESOP are set out in Note 26.

Mr A R Radford is a director of and indirectly holds shares in Pan Pacific Petroleum NL (PPP).

Mr P G Foley is a partner in the firm of Minter Ellison Rudd Watts, Solicitors. Minter Ellison is a legal services provider to the Group on normal commercial terms and conditions.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30 June 2013

25. Related party transactions (continued)

e) Subsidiaries, Associates and Joint Ventures

Related parties of the Company include those entities identified in Note 12, 13, 14 and 16 as subsidiaries and oil and gas interests.

All transactions and outstanding balances with these related parties are priced on an arm's length basis and none of the balances are secured, except for the outstanding balances from Pike River Coal Limited (In Receivership) (PRCL) noted below.

During the year ended 30 June 2013 the Group had the following transactions with associate PRCL:

Repayment of Secured Debt

During the year the Group received $7.5 million from the Receivers of PRCL. The funds were allocated to the convertible bond ($2.5 million), interest on convertible bonds ($0.1 million) and the short-term funding arrangement ($4.9 million).

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

26. Share-based payments

Participation in the Employee Share Ownership Plan (ESOP) is open to any employee (including a non executive Director) of the Company to whom an offer to participate is made by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee, in its discretion, is responsible for determining which employees are to be offered the right to participate in the ESOP, and the number of partly paid shares that can be offered to each participating employee.

Under the ESOP partly paid shares are issued on the following terms:

1. Restriction periods

Each partly paid share is issued on terms that require an escrow period to pass before the holder can complete payment for, and thereafter transfer, the shares. This is usually 2 years. There is 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").

2. Issue price

The issue price of each partly paid share is set at the time the offer is made to the participant and is currently set at the lesser of:

- a 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
- the last sale price of the Company'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 Company'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.

Participants are required to pay $0.01 per share at the time of issue.

26. Share-based payments (continued)

3. Rights

The rights attached to partly paid shares issued under the ESOP are the same as those attached to ordinary shares in the Company. The partly paid shares rank equally with the ordinary shares in the Company. However, the rights of each partly paid share to vote on a poll, and to dividends or other distributions of the Company, 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.

Issued within Year Ended	Grant Date (Last in Year)	Final Date (Last in Year)	Average Exercise Price	Balance at start of Year 000s	Issued during the Year 000s	Sold during the Year 000s	Forfeited during the Year 000s	Balance at end of the Year 000s	Fully vested at end of the Year 000s
30/06/2008	Feb-08	Nov-12	1.57	200	-	-	(200)	-	-
30/06/2009	Mar-09	Oct-13	1.26	250	-	-	(250)	-	-
30/06/2010	Jan-10	Nov-14	1.64	1850	-	(100)	(900)	850	850
30/06/2011	Jan-11	Nov-15	1.65	1205	-	-	(100)	1105	955
30/06/2012	May-12	Apr-16	0.95	3900	-	-	-	3900	-
30/06/2013	May-13	May-18	1.12	-	950	-	-	950	-
				7405	950	(100)	(1450)	6805	1805
Weighted average exercise price				$1.27	$1.13	$1.28	$1.48	$1.20	$1.69

Share based payments are recognised based on the fair value of partly paid shares offered to employees at the issue date. The fair value at issue date is determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the partly paid shares, the vesting criteria, the non tradable nature of the partly paid shares, the share price at issue date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the issued partly paid share. The assessed fair value (for NZ IFRS 2 purposes) at issue date of partly paid shares issued during the year ended 30 June 2013 was 6 cents per share (30 June 2012 was 7 cents to 10 cents per share).

The model inputs for partly paid shares issued during the year ended 30 June 2013, in addition to the issue price, issue date and final date as summarised in the above table, include:

a) shares are paid to $0.01 on issue

b) partly paid shares have a five year life and are exercisable after two years from the issue date

c) market price on issue date: $0.87

d) expected price volatility of the company's shares: 33%

e) expected gross dividend per share: 9.6%

f) risk free interest rate on the issue date: 2.6%

The expected price volatility is based on the historic volatility.

Notes to the Consolidated
Financial Statements (continued)
For the year ended 30 June 2013

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.

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.

	Group		Parent	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Within one year	**354**	358	**354**	358
Later than one year and not later than five years	**1,031**	1,357	**1,031**	1,357
	1,385	1,715	**1,385**	1,715

During the year ended 30 June 2013 $363,000 was recognised as an expense in the income statement in respect of operating leases (2012: $340,000).

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 lease until 31 December 2015 with an option to extend to 31 December 2022 via one year renewal terms. The total committed by the Group to the FPSO charter and operating and maintenance contracts for the initial period to 31 December 2015 is currently estimated to be US$10.3 million.

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

PRCL receivership

NZOG wholly owned subsidiary NZOG 38483 Limited has provided two indemnities in favour of the receivers in connection with the receivership of PRCL. The first indemnity, given on appointment, essentially covers liability suffered by the receivers due to any defect in their appointment. The second indemnity, given at the time of handover of the PRCL mine by NZ Police to the receivers, indemnifies the receivers in respect of all costs and liability incurred in implementation of the Mine Stabilisation Plan dated 17 January 2010. Despite the above indemnities, the receivers have a priority entitlement to claim their costs and liabilities against the assets of PRCL and in fact, to date, all of their costs have been so satisfied.

Other contingent liabilities

As at 30 June 2013 the Company had no other contingent liabilities (2012:$Nil).

Independent Auditor's Report

To the shareholders of New Zealand Oil & Gas Limited

Report on the company and group financial statements

We have audited the accompanying financial statements of New Zealand Oil & Gas Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 20 to 58. The financial statements comprise the statement of financial position as at 30 June 2013, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

Directors' responsibility for the company and group financial statements

The directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of company and group financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these company and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company and group's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion the financial statements on pages 20 to 58:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company and the group as at 30 June 2013 and of the financial performance and cash flows of the company and the group for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by New Zealand Oil & Gas Limited as far as appears from our examination of those records.

KPMG

26 August 2013
Wellington

Corporate Governance Statement

New Zealand Oil & Gas Limited (the "Company") is a limited liability company registered under the New Zealand Companies Act 1993. The Company is listed and its shares quoted on both the New Zealand Stock Exchange (NZX) and the Australian Stock Exchange (ASX) under the code "NZO". This statement sets out the main corporate governance practices adopted by the Company. Unless otherwise stated, the Company's governance practices are considered to comply with the Corporate Governance guidelines issued by the NZX and ASX.

Board of Directors

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

The number of Directors is specified in the constitution as a minimum of three and up to a maximum of seven. At least two Directors must be persons ordinarily resident in New Zealand. Each year one-third of the Directors, other than the Managing Director, must retire by rotation. If eligible, each retiring Director may offer themselves for re-election.

Details of current Directors are set out in the table below:

Director	Appointed	Position	Expertise	Experience
Mr P W Griffiths BSc (Hons)	December 2009	Chairman (Ind)	Energy operations	BSc (Hons), Victoria University. 21 years with BP, 11 years in offshore oil & gas field operations in Australasia, Malaysia, UK; and 10 years Managing Director of BP NZ. Current Directorships: Civil Aviation Authority, Northland Port Corporation, Wanganui Gas Ltd (and subsidiaries), New Zealand Diving and Salvage Ltd and Z Energy.
Mr A T N Knight BMS (Hons) CA	January 2008	CEO & MD	Energy operations and finance	BMS(Hons), Waikato University. Executive management roles: Vector, NGC. Senior roles in NZ & Australia: The Australian Gas Light Company, Fletcher Challenge Energy, Coopers & Lybrand. Current Directorships: Petroleum Exploration and Production Association of New Zealand, Gas Industry Company Limited and Sea Group Holdings Limited. Member: NZ Institute of Chartered Accountants.
Mr R J Finlay B.Com CA	February 2012	(Ind)	Finance	B.Com, Otago University. 30 years experience in financial services industry, 20 of which specialising in the global natural resource sectors. Current Directorships: Rural Equities Limited; Public Trust, Mundane Asset Management and Moeraki Limited. Member: NZ Institute of Chartered Accountants, NZ Institute of Directors.

Director	Appointed	Position	Expertise	Experience
Mr P G Foley BCA, LLB	July 2000	[Ind]	Legal and finance	LLB and BCA, Victoria University. Partner, Minter Ellison Rudd Watts: Extensive corporate/commercial experience in financial services, manufacturing and energy fields, with significant involvement with major petroleum exploration & production companies. Current Directorships: Grosvenor Financial Services Group Limited, The National Provident Fund and Racing Integrity Unit Limited.
Mr A R Radford ACA	June 1981	[Ind]	Resource company management	Founding director/CEO NZOG Ltd. 31 years managing petroleum and mining companies and senior financial roles in steel making, melting and mining. Current Directorships: Pan Pacific Petroleum. Membership: Associate of the NZ Institute of Chartered Accountants. Fellowship: Australian Institute of Company Directors.
Mr D R Scoffham MA, MSc	June 2003	[Ind]	Worldwide oil & gas exploration	MA Physics, Christ Church Oxford University, MSc Geophysics, Imperial College London. 40+ years experience in the upstream oil and gas industry: Exploration management at Shell International and UK independent Enterprise Oil plc.
Mr M Tume BBS, Dip Banking Studies	February 2012	[Ind]	Finance	BBS and Dip Banking Studies, Massey University. Hunter Fellowship recipient, Victoria University. 20+ years infrastructure and finance: senior roles in investment banking, capital markets, asset and liability management, and risk control. Current Directorships: New Zealand Refining Company, Infratil, and the Guardians of New Zealand Superannuation.

Independent Directors

A majority of the Board are independent Directors. The Board has determined in terms of the NZX and ASX Listing Rules that as at 30 June 2013, Mr R J Finlay, Mr P G Foley, Mr P W Griffiths, Mr A R Radford, Mr D R Scoffham and Mr M Tume are independent Directors. Mr A T N Knight is not an independent Director because of his executive role.

Board Proceedings

The Board meets on a formal scheduled bi-monthly basis, and holds other meetings as required. The Chairman and the Managing Director establish the agenda for each Board meeting. As a regular item for each Board meeting, the Managing Director prepares an Operations Report which includes: A Health, Safety and Environment report, a summary of the Company's exploration, development and production operations, new venture projects and opportunities, together with key financial and other reports. Key strategic issues and opportunities are also presented to the Board by management as part of each meeting.

To ensure that independent judgement is achieved and maintained in respect of its decision making, the Board has adopted a number of processes which includes:

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

The Board is balanced in its composition with each current Director bringing a range of complementary skills and experience to the Company. The board has a diverse range of skills, backgrounds, ages, and perspectives.

Board Committees

The Board has three formally constituted committees to provide specialist assistance with defined aspects of governance; the Audit Committee, the Nomination and Remuneration Committee and the HSE and Operational Risk Committee. Each committee has a written charter setting out its roles and responsibilities, which is available from the Company's website at www.nzog.com/corporategovernance.

The Audit Committee is to be composed of three non-executive members of the Board with all members being independent directors. The Chairman of the Board is not to also be the Chairman of the Audit Committee. At least one member is to have an accounting or financial background. The Board has determined that Mr Tume, Mr Finlay and Mr Foley each have the requisite financial background for this requirement. All members have been determined independent directors and Mr Tume, as Chairman of the Committee, is not the Chairman of the Board.

As at 30 June 2013, the members of the Audit Committee were Mr Tume (Chairman), Mr Finlay and Mr Foley. The Committee is responsible to the Board for overseeing the financial and internal controls, financial reporting and risk and audit practices of the Company. The Chairman of the Committee also oversees and authorises any trading in securities by Directors, employees or contractors. There are restrictions on trading outlined in the Securities Trading Policy and Guidelines for Directors and the Securities Trading Policy and Guidelines for Employees and Dedicated Contractors. Meetings of the Audit Committee are held at least twice a year. The Chairman of the Board, Directors, the Chief Executive and other employees may be invited by the Committee to attend these meetings. The Committee can meet with the external auditors and senior management in separate sessions. As outlined in the Audit Committee Charter, there is an annual process to consider engagement of auditors, having regard to the auditors' independence and policies for rotation of partners.

The Nomination and Remuneration Committee is responsible to the Board for approving the remuneration packages and performance criteria for the Chief Executive and examining the director selection and appointment practices of the Company and the Board succession plans. Together with the Chief Executive it is responsible for reviewing appointees to the management team; allocations of partly-paid shares under the employee share ownership plan (ESOP); and recommending to the Board amendments to ESOP rules.

The Committee composition is to be three non-executive Directors, with a majority being independent. The members of the Nomination and Remuneration Committee as at 30 June 2013 were Mr Finlay (Chairman), Mr Radford and Mr Scoffham (all of whom are independent directors). The Committee is required to meet at least twice a year in June and in December and may invite the executive director or management to participate.

As outlined in the Board Charter, the full Board undertakes the responsibility for the nomination and appointment of Directors. The Board invites director nominations from security holders on an annual basis and each year the Board undertakes an annual review of Board membership to ensure its composition and the skills and experience of its members meet the Company's ongoing requirements.

As at 30 June 2013, the HSE and Operational Risk Committee was composed of all of the Directors of the Board with Mr Griffiths as Chairman. From 16 August 2013 the members of the Committee are Mr Griffiths (Chairman), Mr Foley and Mr Knight. The Committee is to meet at least four times a year and may call upon, and have access to, resources for additional information or advice including external consultants. The Committee's role is to advise and support the Board in meeting its responsibilities in relation to HSE and Operational Risk matters arising out of the activities and operations of the NZOG Group.

Meeting Attendance as at 30 June 2013:

Director	Board Meeting	Audit Committee	Nomination and Remuneration Committee	HSE & Operational Risk Committee
Mr P W Griffiths*	11/11		1/1	2/2
Mr A T N Knight	11/11			2/2
Mr R Finlay	11/11	4/4	3/3	2/2
Mr P G Foley **	10/11	4/4		2/2
Mr A R Radford***	11/11		2/2	2/2
Mr D R Scoffham	9/11		3/3	2/2
Mr M Tume	11/11	2/4		2/2

* Peter Griffiths ceased to be a member of the Nomination and Remuneration Committee on 9 November 2012.

** Ralph Noldan was appointed as Alternate Director for Paul Foley for the purposes of a Board Meeting held on 18 April 2013 for that day only.

*** Tony Radford became a member of the Nomination and Remuneration Committee on 9 November 2012.

Board Performance and Evaluation

The Board has a policy of and is responsible for conducting an annual review of its performance, the performance of its committees, and the performance of individual Directors. The Board annually reviews its own operations and the operations of the committees by way of a questionnaire submitted to the directors. Responses are collated and then reviewed and discussed by the full Board. The Chairman then undertakes an overall review on the outcomes and produces a written report which is reviewed by the full Board. Individual Director performance is addressed by one on one review with the Chairman of the Board. Evaluations in accordance with these processes were undertaken during the reporting period, covering Board, Board committees and Director performance in the reporting period.

Responsibilities of the Board

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

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

Company Policies

While the Board has overall and final responsibility for the business of the Company, it has delegated substantial responsibility for the conduct of the Company's business and policy implementation to the Chief Executive and his management team.

Board approved policies and procedures are in place to set parameters for the delegated responsibilities, including:

- Health and Safety Policy
- Environment Policy
- Code of Business Conduct and Ethics
- Communications and Market Disclosure Policy
- Securities Trading Policies for Directors, Employees and Dedicated Contractors
- Directors' Interests Policy
- Protected Disclosure (Whistleblower) Policy
- Diversity Policy
- Delegated Authorities Manual
- Remuneration and Performance Appraisal Policy
- Oil Hedging Policy
- Funds Investment Policy
- Foreign Exchange: Transactions and Hedging Policy
- ETS Obligations and Carbon Liability: Transactions Policy
- Email and Internet Use Policy
- Anti-Harassment Policy

These policies are reviewed on an annual basis. The Board may establish other policies and practices to ensure it fulfils its functions.

Health and Safety Policy

The Company is fully committed to the provision of a safe and healthy work environment. The Company aspires to a "no one gets hurt" plus "no incidents" standard under its Health and Safety Policy.

All employees, contractors and joint venturers engaged in activities under the Company's operational control are responsible for the application of the policy. All employees are responsible for taking all practicable steps to avoid harm being caused to themselves or to others in the work place. They must report any potentially hazardous situations, maintain good housekeeping in all areas and comply with safe work practices and procedures. The Company's managers are responsible for promoting the policy in non-operated joint ventures.

The full Health and Safety Policy is available on the Company's website at www.nzog.com/corporategovernance.

Environment Policy

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

Responsibility for the application of this policy applies to all employees, contractors and joint venturers engaged in activities under the Company's operational control. The Company's managers are responsible for promoting the policy in non-operated joint ventures.

The full Environment Policy is available on the Company's website at www.nzog.com/corporategovernance.

Code of Business Conduct and Ethics

The Company's Code of Business Conduct and Ethics sets out the values and ethics expected of the Company's directors, management, employees and dedicated contractors. The Company strives to create a strong culture of honesty, integrity, loyalty, fairness, forthrightness and ethical behaviour.

Company representatives are required to;

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

The Code addresses in detail issues such as: conflicts of interest and corporate opportunities; protection and proper use of NZOG assets; confidential and proprietary information; intellectual property; competition and fair dealing; business entertainment and gifts; insider trading or tipping; and reporting of Code violations.

The Code of Business Conduct and Ethics is available on the Company's website at www.nzog.com/corporategovernance.

Communications and Market Disclosure Policy

The Company is committed to maintaining a high standard of communication and the provision of timely, full and accurate information to shareholders and other stakeholders. The Company is committed to compliance at all times with its obligations, as an NZX and ASX listed company, to provide continuous disclosure to the market and strives to make those disclosures in a way that is clear, concise and effective. The Communications and Market Disclosure Policy's purpose is to reinforce the Company's commitment to the continuous disclosure obligations imposed by law and stock exchange rules. It describes the processes to ensure compliance and to outline the Company's general communications approach aimed at ensuring timely and accurate information is provided to shareholders, market participants and market observers.

The Policy also provides for the Company encouraging Shareholder participation at the Company's annual meeting. It does so by inviting questions, promoting dialogue and providing a live webcast of the meeting to enable participation by shareholders who cannot be physically present. Briefings are also provided in Auckland, Christchurch and Dunedin and materials are posted on the Company's website.

The Board is to be provided with a monthly report by management which monitors and evaluates media reporting and investor sentiment relating to the Company and its management and directors. The Board is responsible for, by way of example, monitoring commitments and continuous disclosure obligations and initiating action as warranted to ensure reporting is fair and reasonable. The Audit Committee is responsible for monitoring compliance with corporate governance guidelines of the NZX and ASX. The Chief Executive is accountable for the release of information.

The Communications and Market Disclosure Policy is available on the Company's website at www.nzog.com/corporategovernance.

Shareholders and interested parties can subscribe via the website to receive the Company's market announcements by email. The Company issues shareholder, annual, interim, and quarterly reports, which security holders can elect to receive in paper or electronic format. These documents are also posted on the Company's website in a clearly marked Corporate Governance Section.

Securities Trading Policies

The Company's Securities Trading Policies set out procedures as to when and how an employee, dedicated contractor or Director can deal in Company securities. These policies are consistent with the Securities Markets Act 1998 and its insider trading procedures, and comply with the NZX and ASX rules. The Board ensures that these policies are up to date and compliant at all times with any changes to the law and to NZX and ASX listing rules.

The Securities Trading Policies are available on the Company's website at www.nzog.com/corporategovernance.

Diversity Policy

Through its Diversity Policy the Company is committed to an inclusive workplace that embraces diversity. The Company values, respects and leverages the unique contributions of people with diverse backgrounds, experiences and perspectives. Diversity includes, but is not limited to, gender, age, disability, ethnicity and cultural background. The Board will monitor the scope and currency of the Diversity Policy and assessment of success in achieving the objectives will be carried out on an annual basis by the Chief Executive who will report to the Board and make recommendations as appropriate. The Board will establish measurable objectives for achieving gender diversity, and may establish measurable objectives for other aspects of diversity, and will assess annually both the set objectives and the progress in achieving them. The Board set the following measurable objectives in the reporting period:

2013 Measurable Objectives	Progress
1. Nomination and Remuneration Committee Review and update the Nomination and Remuneration Committee Charter to include responsibilities relating to achieving and implementing the NZOG Diversity Policy and set measurable objectives.	The Charter has been amended.
2. Diversity Committee Establish a Diversity Committee at management level charged with responsibility for assisting the Nomination and Remuneration Committee with developing, overseeing the implementation of, and ongoing monitoring of the company's diversity strategy and the measurable objectives and reporting back to the committee on such matters;	The Diversity Committee has been established and has had its first meeting.
3. Analysis Identify the various teams and position levels within those teams within NZOG and identify whether it is appropriate to set any goals in the next financial year to increase representation of women in any particular area and/or position levels within NZOG.	The teams and positions have been identified. Female representation at Director and Senior Management levels remain at 0% and 47% for the remaining employees. Appropriate goals are to be considered for the next financial year.

With respect to the provisions of the Diversity Policy, the Board has determined that the Company has complied with the Policy.

The Diversity Policy is available on the Company's website at www.nzog.com/corporategovernance.

The following table shows the number of men and women across the organisation (excluding contractors) as at 30 June 2013 and compares that to the numbers as at 22 August 2012.

30 June 2013	Total	No. of Men	% Men	No. of Women	% Women
Board*	7	7	100%	0	0%
Senior Executives	6	6	100%	0	0%
Other Employees	15	8	53%	7	47%

22 August 2012	Total	No. of Men	% Men	No. of Women	% Women
Board*	7	7	100%	0	0%
Senior Executives	3	3	100%	0	0%
Other Employees	17	9	53%	8	47%

*Includes the Managing Director/Chief Executive

Directors' Interests Policy

The Directors are required to recognise that the possibility of conflict of interest exists and are expected to declare potential conflict of interest situations to the Board and manage conflicts of interest in accordance with the Directors' Interests Policy, the Code of Business Conduct and Ethics, and the Company's Constitution. The Company maintains an Interests Register in compliance with the Companies Act 1993 which records particulars of certain transactions and matters involving Directors.

Protected Disclosures (Whistleblower) Policy

The Company has a Protected Disclosures (Whistleblower) Policy which provides a procedure for Company employees and contractors to raise concerns or make disclosures about what they observe happening at work. The purpose is to facilitate disclosure and investigation of serious wrongdoing. It provides a mechanism for concerns being raised and dealt with at an early stage and in an appropriate manner and that the person making the report is protected from any adverse consequences where it is made in good faith.

Delegated Authorities Manual

The Board has established formal limits of authority to provide clarity to the Managing Director and management so that they are in a position to carry out the business of the Company in an efficient and effective manner within the parameters of proper corporate governance. The Delegated Authorities Manual set limits to financial commitments and other decision making, and is monitored by the Board through the audit function.

Anti-Harassment Policy

During the reporting year, the Company established an Anti-Harassment Policy. The Policy provides that the Company employees and contractors have a responsibility to use best endeavours to avoid conducting themselves in a manner which may be construed as harassment (which includes bullying) and, if they feel they are being harassed, report that harassment to their manager or General Counsel.

The Policy sets out some options for dealing with harassment.

Remuneration and Performance Appraisal Policy

The Company aims to attract, retain and motivate professional staff capable of achieving the goals of the Company. The remuneration policy provides a process that is undertaken to assess the competiveness of remuneration level.

At the 2008 NZOG Annual Meeting, shareholders approved a resolution that Director's fees be set at a maximum of $600,000 per annum, being the combined total for all non-executive Directors. There has been no increase in the fee level since 2008. Certain Directors are also participants in the NZOG Employee Share Ownership Plan as detailed in this Annual Report, but Directors otherwise do not receive any performance based remuneration.

The Nomination and Remuneration Committee is responsible for receiving and making recommendations on remuneration policies for the Chief Executive and senior executives based on assessment of relevant market conditions and linking remuneration to the Company's financial and operational performance. Executive remuneration may comprise salary, short term incentive payments and share participation in accordance with the NZOG Employee Share Ownership Plan (as approved by shareholders).

A performance evaluation of senior executives is performed annually by the Chief Executive and reviewed by the Committee at the end of each financial year. Evaluations and reviews in accordance with this process were undertaken between June and July 2013 by the Chief Executive and on 16 August 2013 by the Committee (in respect of the reporting year).

Recognising and Managing Risk

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

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

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

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

Risks are formally reviewed by risk owners. Management regularly reviews the risk register and results of audit programmes relating to risk controls.

Management has reported to the Board as to the effectiveness of the Company's management of its material business risks.

The Risk Management System Framework is available on the Company's website at www.nzog.com/corporategovernance.

Corporate Governance Best Practice Codes

The Company's compliance with Corporate Governance Best Practice is actively monitored. This includes assessing compliance with the NZX Listing Rules and Corporate Governance Best Practice Code (Appendix 16) (NZX Code); and the ASX Listing Rules and ASX Corporate Governance Council Corporate Governance Principles and Recommendations (ASX Recommendations). The Company is compliant with these rules and guidelines except as otherwise noted below.

In relation to code 2.7 of the NZX Code, the Company does not encourage its Directors to take part of their remuneration by way of equity. However, Directors do participate in the NZOG Employee Share Ownership Plan to the extent detailed in this Annual Report.

Code 3.10 of the NZX Code recommends that a nominations committee should be established to recommend Director appointments to the Board. The Company has established a nominations committee however its role includes, in accordance with the ASX Recommendations, examining the director selection and appointment practices of the Company and the Board succession plans, and not recommending appointments to the Board. The Board as a whole undertakes responsibility for the recruitment and appointment of Directors.

The ASX Recommendations provide that the Board should disclose whether it has received assurance from the Chief Executive and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act (Australia) is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks (recommendation 7.3). The Company's CEO and CFO do not provide that declaration because the Corporations Act (Australia) does not apply and so it does not have to provide the declaration in accordance with section 295A of that Act. However, as part of the financial statement preparation process undertaken every six months, the Company's management provides to the Board a management representation letter signed by both the CEO and CFO. It includes key representations that in essence cover the same topics as the section 295A Corporations Act declaration.

ASX Corporate Governance Council Recommendations Checklist Verification Worksheet

ASX Corporate Governance Council Recommendations	Compliance	Page Reference
Principle 1 – Lay solid foundations for management and oversight		
1.1 The entity has established the functions reserved to the board and those delegated to senior executives.	✓	62-64
1.2 The entity has disclosed its process for evaluating the performance of senior executives.	✓	68
1.3 The entity has provided the information indicated in the guide to reporting on Principle 1.	✓	68
Principle 2 - Structure the board to add value		
2.1 A majority of the board are independent directors.	✓	62
2.2 The chair is an independent director.	✓	60, 62
2.3 The roles of chair and chief executive officer are not exercised by the same individual.	✓	60-62
2.4 The board has established a nomination committee.	✓	63
2.5 The entity has disclosed the process for evaluating the performance of the board, its committees and individual directors.	✓	63
2.6 The entity has provided the information indicated in the guide to reporting on Principle 2.	✓	60-63
Principle 3 – Promote ethical and responsible decision-making		
3.1 The entity has established a code of conduct and disclosed the code or a summary of the code.	✓	65
3.2 The entity has established a policy concerning diversity and disclosed the policy or a summary of that policy. The policy includes requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	✓	66-67
3.3 The entity has disclosed in its annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	✓	67
3.4 The entity has disclosed in its annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	✓	67
3.5 The entity has provided the information indicated in the guide to reporting on Principle 3.	✓	65-67
Principle 4 – Safeguard integrity in financial reporting		
4.1 The board has established an audit committee.	✓	62

ASX Corporate Governance Council Recommendations	Compliance	Page Reference
4.2 The audit committee has been structured so that it: · consists only of non-executive directors · consists of a majority of independent directors · is chaired by an independent chair, who is not chair of the board · has at least three members.	✓	62
4.3 The audit committee has a formal charter.	✓	62
4.4 The entity has provided the information indicated in the guide to reporting on Principle 4.	✓	60-63
Principle 5 – Make timely and balanced disclosure		
5.1 The entity has established written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclosed those policies or a summary of those policies.	✓	65-66
5.2 The entity has provided the information indicated in the guide to reporting on Principle 5.	✓	65-66
Principle 6 – Respect the rights of shareholders		
6.1 The entity has a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclosed the policy or a summary of the policy.	✓	65-66
6.2 The entity has provided the information indicated in the guide to reporting on Principle 6.	✓	65-66
Principle 7 – RECOGNISE AND MANAGE RISK		
7.1 The entity has established policies for the oversight and management of material business risks and disclosed a summary of those policies.	✓	68-69
7.2 The board requires management to design and implement the risk management and internal control system to manage the entity's material business risks and report to it on whether those risks are being managed effectively. The board has disclosed that management has reported to it as to the effectiveness of the company's management of its material business risks.	✓	68-69
7.3 The board has disclosed whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks..	n/a	69
7.4 The entity has provided the information indicated in the guide to reporting on Principle 7.	✓	68-69

ASX Corporate Governance Council Recommendations	Compliance	Page Reference
Principle 8 – REMUNERATE FAIRLY AND RESPONSIBLY		
8.1 The board has established a remuneration committee.	✓	63
8.2 The remuneration committee is structured so that it: • consists of a majority of independent directors • is chaired by an independent chair • has at least three members.	✓	63
8.3 The entity clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives.	✓	68
8.4 The entity has provided the information indicated in the guide to reporting on Principle 8.	✓	63

Shareholder Information

Stock Exchange Listing

The Company's securities are listed on the New Zealand Stock Exchange (NZX) and the Australian Stock Exchange (ASX).

Securities On Issue

As at 28 August 2013 New Zealand Oil & Gas Limited had the following securities:

Listed Ordinary Shares:	Unlisted Partly Paid Shares:
407,251,675 shares	7,005,000 shares
14,795 holders	23 holders

Top 20 Shareholders

Top 20 registered holders of Listed Ordinary Shares as at 28 August 2013:

	Name	Shares Held	% of Issued Capital
1	HSBC Nominees (New Zealand) Limited A/C State Street	44,528,876	10.93%
2	Accident Compensation Corporation	23,849,709	5.86%
3	BNP Paribas Nominees (NZ) Limited	16,818,229	4.13%
4	JPMorgan Chase Bank NA	14,850,915	3.65%
5	Citibank Nominees (New Zealand) Limited	13,206,862	3.24%
6	National Nominees New Zealand Limited	12,212,142	3.00%
7	Resources Trust Limited	10,472,932	2.57%
8	Resource Nominees Limited	5,664,161	1.39%
9	Sik-On Chow	5,500,000	1.35%
10	New Zealand Superannuation Fund Nominees Limited	4,729,017	1.16%
11	FNZ Custodians Limited	4,312,914	1.06%
12	Riuo Hauraki Limited	4,042,059	0.99%
13	Custodial Services Limited	3,612,181	0.89%
14	Citicorp Nominees Pty Limited	3,250,460	0.80%
15	TEA Custodians Limited	3,074,198	0.75%
16	Leveraged Equities Finance Limited	2,840,566	0.70%
17	HSBC Nominees (New Zealand) Limited	2,377,688	0.58%
18	NZPT Custodians (Grosvenor) Limited	2,188,900	0.54%
19	ASB Nominees Limited	2,171,054	0.53%
20	Chung King Tan	2,034,000	0.50%

In the above table the holdings of New Zealand Central Securities Depository Limited have been reallocated to the applicable members.

Substantial Shareholders

Substantial Shareholder Notices are received pursuant to the Securities Markets Act 1988. Shareholders are required to disclose their holding to the issuer and the issuer's registered exchanges when:

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

The following Substantial Shareholder Notices were received since the date of the last Annual Report, in respect of holdings in ordinary shares of New Zealand Oil & Gas Limited:

Date	Shareholder	Shares Held	% of Issued Capital
23 August 2012	Accident Compensation Corporation (ACC)	19,859,642	5.06%
23 August 2012	Blair Tallott[1]	19,873,386	5.06%
14 September 2012	Accident Compensation Corporation (ACC)	19,620,619	5.00%
14 September 2012	Blair Tallott[2]	19,634,363	5.00%
25 September 2012	Accident Compensation Corporation (ACC)	19,764,086	5.03%
25 September 2012	Blair Tallott[3]	19,777,830	5.04%
27 November 2012	Accident Compensation Corporation (ACC)	24,423,374	6.05%
27 November 2012	Blair Tallott[4]	24,438,073	6.06%
10 June 2013	Utilico Investments Limited[5]	3,248,878	0.01%
13 June 2013	Zeta Resources Limited[5]	32,588,122	8.00%

1. Blair Tallot held 13,744 shares (0.004%) as a beneficial owner, while also managing the holdings of Accident Compensation Corporation (ACC) 19,859,642.
2. Blair Tallot held 13,744 shares (0.004%) as a beneficial owner, while also managing the holdings of Accident Compensation Corporation (ACC) 19,620,619.
3. Blair Tallot held 13,744 shares (0.004%) as a beneficial owner, while also managing the holdings of Accident Compensation Corporation (ACC) 19,764,086.
4. Blair Tallot held 14,699 shares (0.004%) as a beneficial owner, while also managing the holdings of Accident Compensation Corporation (ACC) 24,423,374.
5. Disclosure by Utilico Investments Limited of it ceasing to be a substantial shareholder and the sale of its holding as part of a Scheme of Arrangement through which Zeta Resources Limited became a substantial shareholder.

As at 28 August 2013 there were no other substantial shareholders with 5% or more of the Ordinary Shares (HSBC Nominees (New Zealand) Limited A/C State Street is above 5% but holds the shares on behalf of a number of beneficial shareholders).

Distribution of Security Holders

As at 28 August 2013:

Number of Shares	Holders of Listed Ordinary Shares	Holding Quantity of Listed Ordinary Shares %	Holders of Unlisted Partly Paid Shares	Holding Quantity of Unlisted Partly Paid Shares %
1 to 99	144	0.0%		
100 to 199	64	0.0%		
200 to 499	220	0.0%		
500 to 999	1,803	0.3%		
1,000 to 1,999	2,550	0.8%		
2,000 to 4,999	3,268	2.5%		
5,000 to 9,999	2,409	4.0%		
10,000 to 49,999	3,500	17.2%	2	0.7%
50,000 to 99,999	433	6.9%	6	4.4%
100,000 to 499,999	345	15.6%	12	35.0%
500,000 to 999,999	29	4.8%	2	15.0%
1,000,000 to 999,999,999	30	47.9%	1	45.0%
Total	14,795	100.0%	23	100.0%

On 28 August 2013 there were 428 holders with non-marketable parcels of shares as determined by the NZX (under 500 shares), and 1,621 holders as determined by the ASX (under A$500 in value).

Voting Rights

Article 16 of the Company's Constitution states that a shareholder may exercise the right to vote at a meeting of shareholders either in person or through a representative. Where voting is by show of hands or by voice every shareholder present in person or by representative has one vote. In a poll every shareholder present in person or by representative has one vote for each fully paid share. Unless the Board determines otherwise, shareholders may not exercise the right to vote at a meeting by casting postal votes. The Board has determined, for the purpose of the 2013 Annual Meeting, that postal voting will be permitted.

Trading Statistics

For the 12 months ended 30 June 2013	High	Low	Volume
NZX (Trading Code NZO)	NZ$0.96 on 11/02/13	NZ$0.78 on 20/09/12	93,140,658
ASX (Trading Code NZO)	A$0.79 on 15/02/13	A$0.605 on 25/07/12	4,402,176

Share Buyback

A share buy-back scheme was announced by NZ Oil & Gas on 1 November 2011 with shares able to be acquired from 7 November 2011. This involved a broker purchasing shares, within prescribed limits, on behalf of NZ Oil & Gas through the NZX market. The shares acquired were immediately cancelled. The share buy-back closed on 31 October 2012. There were no shares bought back by the company in the year ended 30 June 2013.

NZX Waiver

The NZX granted the company a waiver from NZX Listing Rule 10.11.7, which can be located on the company's website at nzog.com/coporategoverance

Dividend Payments and Reinvestment Plan

Dividend Payments

The company declared a fully imputed final dividend for the year of 3 cents per share, which was paid 27 September 2013 to shareholders on record as at 13 September 2013. A fully imputed interim dividend of 3 cents per share was paid to shareholders in April 2013.

Dividend Reinvestment Plan

The company's Dividend Reinvestment Plan (Plan) remains in operation for shareholders resident in New Zealand and Australia. These shareholders can choose to invest all or part of their future dividends in taking up additional shares, instead of receiving cash. New shares issued under the Plan will be offered at the weighted average sale price for shares sold on each of the first five business days immediately following the dividend record date. Shareholders who wish to participate in the Plan or amend previous participation instructions may do so by completing a Participation Notice by 5pm on 13 September 2013 for the current dividend payment. Full Terms and Conditions of the Plan and the Participation Notice are available on the company's website at www.nzog.com/drp

Direct Crediting of Dividends Payments

To minimise the risk of fraud and misplacement of dividend cheques shareholders are strongly recommended to have all payments made by way of direct credit to their nominated New Zealand or Australian bank account. This can be done by simply giving the share registry written notice.

Share Registries

Details of the company's share registries are given in the Corporate Directory on the inside back cover of this report. Shareholders with enquiries about share transactions, changes of address or dividend payments should contact the share registry in the country in which their shares are registered.

Directors' Remuneration

The total remuneration and other benefits to Directors for services in all capacities during the year ended 30 June 2013 was:

Mr R J Finlay	$65,135
Mr P G Foley	$65,730
Mr P W Griffiths	$124,698
Mr A T N Knight*	$620,208
Mr A R Radford	$96,498
Mr D R Scoffham	$62,000
Mr M Tume	$68,270

* Managing Director - includes remuneration received as Chief Executive.

Directors' Securities Interests

The interests of Directors in securities of the Company at 30 June 2013 were:

	Direct Interest	Indirect Interest
Mr P G Foley	160,878 ordinary shares	
Mr P W Griffiths	11,592 ordinary shares	150,000 partly paid shares
Mr A T N Knight	37,000 ordinary shares	3,150,000 partly paid shares
Mr A R Radford	998,768 ordinary shares	2,134,000 ordinary shares
Mr D R Scoffham *	110,000 ordinary shares	129,536 ordinary shares
Mr R J Finlay		1,000,000 ordinary shares

* Indirect interest in 54,536 ordinary shares held by D Scoffham and others as trustees of a Trust and an indirect interest in 75,000 ordinary shares owned by D Scoffham's wife.

Changes to Directors' Securities Interests during the financial year were:

- Mr Foley fully paid up 70,000 partly paid shares which then converted to his direct holding of ordinary shares (his remaining 80,000 partly paid shares were forfeited) and he acquired a direct interest in a further 10,608 ordinary shares through the Dividend Reinvestment Plan.
- Mr Griffiths acquired a direct interest in 1,092 ordinary shares through the Dividend Reinvestment Plan.
- Mr Radford's indirect interests reduced by 200,000 as some options he held over ordinary shares expired during the period.
- Mr Scoffham fully paid up 30,000 partly paid shares which then converted to his indirect holding of ordinary shares (his remaining 120,000 partly paid shares were forfeited) and he acquired an indirect interest in a further 3,189 ordinary shares through the Dividend Reinvestment Plan in his capacity as trustee.
- Mr R J Finlay acquired an indirect interest in 200,000 ordinary shares.

Directors' Interests in Transactions

Directors' interests recorded in the Interests Register of the Company as at 30 June 2013 are detailed below. Notices given or adjusted during the financial year ended 30 June 2013 are marked with an asterisk (*). Each such Director will be regarded as interested in all transactions between the Company and the disclosed entity.

Mr P G Foley	
Minter Ellison Rudd Watts lawyers	Partner
Liquigas Ltd	Legal Advisor
Shell (Petroleum Mining) Ltd	Legal Advisor
Vector Ltd	Legal Advisor
Grosvenor Financial Services Group*	Board Member
National Provident Fund	Member of Board of Trustees
Heidrick & Struggles Limited	Spouse is a principal of the company
Racing Integrity Unit Limited*	Board Member
Mr P W Griffiths	
Civil Aviation Authority	Deputy Chairman
Northland Port Corporation	Director
Wanganui Gas Limited	Director
NZ Diving & Salvage Limited	Director and shareholder
Z Energy	Director
Mr A T N Knight	
Petroleum Exploration and Production Association of New Zealand*	Director
Gas Industry Company Limited*	Director
Sea Group Holdings Limited*	Director and shareholder
Mr A R Radford	
Pan Pacific Petroleum NL (and subsidiaries)	Director and shareholder
Mr D R Scoffham	
Pan Pacific Petroleum NL	Shareholder
Mr M Tume	
Yeo Family Trustee Limited	Director
Long Board Limited	Director
Welltest Holdings Limited	Director
Guardians of New Zealand Superannuation	Member of the Board
New Zealand Refining Company Ltd	Director
Lumo Energy Australia Pty Limited	Director
Infratil Energy Australia Pty Limited	Director
Koau Capital Partners Ltd	Director
Maori Trustee Advisory Board	Member of the Board of Trustees
Infratil	Director and Shareholder
The Environment Challenge*	Advisory Board Member
Mr R J Finlay	
Mundane Asset Management	Director (Chairman)
Moeraki Limited	Director
Public Trust*	Board Member
Rural Equities Limited*	Deputy Chairman and shareholder

Employees Remuneration

During the year ended 30 June 2013, 14 employees (excluding the Chief Executive) received individual remuneration over $100,000.

$120,001 - $130,000	1
$130,001 - $140,000	2
$140,001 - $150,000	1
$150,001 - $160,000	1
$170,001 - $180,000	1
$210,001 - $220,000	1
$280,001 - $290,000	1
$300,001 - $310,000	2
$320,001 - $330,000	1
$370,001 - $380,000	1
$430,001 - $440,000	1
$480,001 - $490,000	1

Officers' Securities Interests

The interests of the current Company Officers (excluding the Chief Executive) in securities of the Company at 30 June 2013 were:

- Mac Beggs in respect of 550,000 unlisted partly paid shares.
- Ralph Noldan in respect of 20,583 ordinary shares (4,000 of which indirectly) and 450,000 unlisted partly paid shares.
- John Bay in respect of 35,000 ordinary shares and 250,000 unlisted partly paid shares.
- Andrew Jefferies in respect of 1,000 ordinary shares and 250,000 unlisted partly paid shares.
- Andre Gaylard in respect of 250,000 unlisted partly paid shares.
- John Pagani in respect of 250,000 unlisted partly paid shares.

Donations

In February 2013, the Company made donations of $4,000 to Women's Refuge.

Directors' and Officers Liability Insurance

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

Corporate Directory

Directors

Peter Griffiths
Chairman

Rodger Finlay

Paul Foley

Andrew Knight
Managing Director

Tony Radford

David Scoffham

Mark Tume

Management

Andrew Knight
Chief Executive & Managing Director

John Bay
Vice President and General Manager Commercial

Mac Beggs
Vice President and General Manager Exploration

Andre Gaylard
Chief Financial Officer

Andrew Jefferies
Vice President and General Manager Operations and Engineering

Ralph Noldan
General Counsel and Company Secretary

John Pagani
External Relations Manager

Registered and Head Office

Level 20, 125 The Terrace
PO Box 10725
Wellington 6143
New Zealand

Telephone: + 64 4 495 2424
Freephone: 0800 000 594 (within NZ)
Facsimile: + 64 4 495 2422
Email: enquiries@nzog.com
Website: www.nzog.com

Auditors

KPMG

KPMG Centre
10 Customhouse Quay
Wellington 6011
New Zealand

Share Registrar

New Zealand
Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
Level 2, 159 Hurstmere Road
Takapuna, Auckland 0622

Freephone: 0800 467 335 (within NZ)
Telephone: + 64 9 488 8777
Facsimile: + 64 9 488 8787

Australia

Computershare Investor Services Pty Limited
GPO Box 3329
Melbourne VIC 8060
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067

Freephone: 1800 501 366 (within Australia)
Telephone: + 61 3 9415 4083 (overseas)
Facsimile: + 61 3 9473 2500

Managing your shareholding online

To change your address, update your payment instructions and to view your registered details including transactions, please visit

www.investorcentre.com/nz

General enquiries can be directed to:
enquiry@computershare.co.nz

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

www.nzog.com

THE EXPLORERS
NEW ZEALAND OIL & GAS