NEW ZEALAND OIL & GAS LIMITED

NZ Reg. Coy. No. 037842
ARBN 003 064 962
www.nzog.com

Results for announcement to the market

Reporting Period	12 months to 30 June 2013
Previous Reporting Period	6 months to 31 December 2012
Comparative Reporting Period	12 months to 30 June 2012

	Amount (NZ$ 000s)		Increase / (decrease)
	12 months to 30 June 2013	12 months to 30 June 2012	%
Revenue from ordinary activities	99,259	116,375	(15%)
Surplus / (deficit) from ordinary activities after tax attributable to security holders	25,945	19,887	31%
Net profit / (loss) attributable to security holders	25,945	19,887	31%
	NZ$	NZ$	%
Net Tangible Assets per share	0.86	0.89	(3%)

Interim/Final Dividend	Amount per security	Imputed amount per security
Final Dividend	3 cents	Fully imputed

Record Date	13 September 2013
Dividend Payment Date	27 September 2013

Comments:

Accompanying this announcement are the company's audited financial statements for the year ended 30 June 2013, that have been prepared in accordance with generally accepted accounting practice and give a true and fair view of the financial position and performance of the company.

These financial statements provide the balance of information required in accordance with Listing Rule 10.4.2, Appendix 1.

The attached financial statements do not include the dividend declared with this notice.

Dividend Reinvestment Plan

NZOG's Dividend Reinvestment Plan remains in operation for

	shareholders resident in New Zealand or Australia. These shareholders can choose to invest all or part of their future dividends in taking up additional NZOG Shares, instead of receiving cash. Shareholders who wish to participate in the plan or amend previous participation instructions may do so by completing a Participation Notice. To obtain Terms and Conditions of the Plan and a Participation Notice, please refer to the New Zealand Oil & Gas Limited website: www.nzog.com **Reviewed Financial Statements** Refer to accompanying Appendix 1

New Zealand Oil & Gas Limited
Consolidated Financial statements
for the year ended 30 June 2013

The Board of Directors of New Zealand Oil & Gas Limited authorised these Consolidated Financial Statements for issue on 26 August 2013.

For and on behalf of the Board.

PW Griffiths	M Tume
Director	Director
26 August 2013	26 August 2013

New Zealand Oil & Gas Limited
Consolidated Income Statement
For the year ended 30 June 2013

		Group		Parent	
		2013	2012	**2013**	2012
	Notes	**$'000**	$'000	**$'000**	$'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 income statement should be read in conjunction with the accompanying notes on pages 13 to 45.

		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 of comprehensive income should be read in conjunction with the accompanying notes on pages 13 to 45.

		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 statement of consolidated financial position should be read in conjunction with the accompanying notes on pages 13 to 45.

GROUP	Notes	Issued capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
		Attributable to equity holders of New Zealand Oil & Gas Limited			
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 (5 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 statement of consolidated changes in equity should be read in conjunction with the accompanying notes on pages 13 to 45.

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 statement of consolidated changes in equity should be read in conjunction with the accompanying notes on pages 13 to 45.

New Zealand Oil & Gas Limited
Consolidated Statement of Cash Flow
For the year ended 30 June 2013

		Group		Parent	
	Notes	**2013 $'000**	2012 $'000	**2013 $'000**	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 statement of consolidated cash flow should be read in conjunction with the accompanying notes on pages 13 to 45.

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)

2 Summary of significant accounting policies (continued)

(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.

2 Summary of significant accounting policies (continued)

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.

(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 or 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 of 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

2 Summary of significant accounting policies (continued)

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

2 Summary of significant accounting policies (continued)

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.

(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.

2 Summary of significant accounting policies (continued)

(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 statement of comprehensive income.

2 Summary of significant accounting policies (continued)

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.

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.

2 Summary of significant accounting policies (continued)

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.

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

	Notes	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	**-**	-

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

6 Other expenses (continued)

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.

9 Income tax expense

	Group 2013 $'000	Group 2012 $'000	Parent 2013 $'000	Parent 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

	Group 2013 $'000	Group 2012 $'000	Parent 2013 $'000	Parent 2012 $'000
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

	Group 2013 $'000	Group 2012 $'000	Parent 2013 $'000	Parent 2012 $'000
Available balance	2,958	7,683	(2,177)	3,595

10 Cash and cash equivalents

	Group 2013 $'000	Group 2012 $'000	Parent 2013 $'000	Parent 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).

12 Investments in subsidiaries

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

Name of entity	Country of incorporation	Equity holding 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.

All subsidiaries within the Group have a functional currency of New Zealand dollars, with exception to 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	**Country**	**Type**	**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	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	**40.0%**	- %
Cosmos (iv)	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) 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.

	Group	
	2013	2012
	$'000	$'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)

13 Oil and gas interests (continued)

* 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	2012	**2013**	2012
	$'000	$'000	**$'000**	$'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 relates to the following permits: PEP 51311 (Kakapo) and Cosmos. Refer to Note 13.

15 Oil and gas assets

	Group		**Parent**	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'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.

(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	2012	**2013**	2012
	$'000	$'000	**$'000**	$'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:

	Group 2013	Group 2012	Parent 2013	Parent 2012
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.

20 Contributed equity of the Group and Parent

	2013 Number of Shares 000s	2012 Number of Shares 000s	**2013 $'000**	2012 $'000
(a) Share capital				
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

	Group		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
(a) Reserves				
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.

(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

	Group 2013 Cents	Group 2012 Cents
(a) Basic earnings per share		
Basic earnings per share	**6.3**	5.0

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

	Group 2013 $'000	Group 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	Group 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.

(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.

24 Financial risk management (continued)

(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).

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.

24 Financial risk management (continued)

(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.

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.

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:

24 Financial risk management (continued)

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

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.

	Short-term benefits $'000	Post-employ ment benefits $'000	Other long-term benefits $'000	Termination benefits $'000	Share-based payments $'000	Total $'000
2013						
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.

(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.

25 Related party transactions (continued)

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.

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 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	1,850	-	(100)	(900)	850	850
30/06/2011	Jan-11	Nov-15	$ 1.65	1,205	-	-	(100)	1,105	955
30/06/2012	May-12	Apr-16	$ 0.95	3,900	-	-	-	3,900	-
30/06/2013	May-13	May-18	$ 1.12	-	950	-	-	950	-
				7,405	950	(100)	(1,450)	6,805	1,805
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 share issued during the year ended 30 June 2013 was 6 cents per share (30 June 2012 was 7 cents to 10 cents per share).

26 Share-based payments (continued)

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.

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 7 to 45. 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 7 to 45:

- 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