

NEW ZEALAND OIL & GAS

Annual Report 2000

NOTICE OF MEETING

The 2000 Annual General Meeting of New Zealand Oil & Gas Limited is being held at the Sheraton Hotel, Waitemata Room, 83 Symonds Street, Auckland on Tuesday, 28 November 2000, commencing at 10 a.m.

THE COMPANY

NZ Oil & Gas is a petroleum exploration and production company which operates in New Zealand and Australia. Its production interests are in Taranaki, and through 57.8% owned subsidiary, Pan Pacific Petroleum NL, in the Carnarvon and Gippsland basins, Australia. NZ Oil & Gas also has a coking coal deposit in Westland, New Zealand.

2000 ANNUAL REPORT

The 2000 annual report of NZ Oil & Gas Limited is approved for and on behalf of the Board.



RF Meyer
Director



RA Radford
Director

12 October 2000

CONTENTS

Company activities	1
Financial	7
Shareholder and other information	29

Chairman's Report

Over the coming twelve months, NZOG will be drilling in the order of 10 wells, into a range of prospects from appraisal wells designed to increase oil reserves and flow rates from existing discoveries, to wildcat exploration wells with "company maker" potential.

In Taranaki, the next well is likely to be in the Ngatoro licence where we are confident of locating additional oil reserves which can rapidly be brought into production.

Also in Taranaki, the Opito and Tui prospects stand out for their high upside. A discovery in either could impact very favourably on NZOG's near term future.

In Western Australia, the first well in the 2000/2001 programme was drilled in September, resulting in the Tusk oil discovery. While it is early in the appraisal of the Tusk oilfield, there is good reason for optimism and further drilling may be expected in the next few months.

The past financial year's loss of \$10.7 million included a substantial write-off of exploration costs, including the expense of drilling the Hochstetter prospect. While all investors in the company would have wished for a success at Hochstetter, I consider that shareholders generally understood the risks and supported NZOG's decision to test that very high-potential target. Despite the "dry" result, the Hochstetter well proved NZOG's prediction of high quality sands. This fact, combined with sophisticated analysis of seismic over the past few months, has upgraded the Tui prospect as a prime drilling target.

The Opito prospect has also been strongly upgraded by seismic and indirectly by the discovery (by other parties) of oil in the Rimu prospect which has geological similarities to Opito. This discovery proves for the first time the effectiveness of the structure trapping oil, which also exists at Opito.

Aside from NZOG's oil and gas activities, a great deal of work over the past year has been devoted to bringing the Pike River coking coal deposit significantly closer to a development decision.

NZOG is enjoying solid cash earnings from production and is debt free. The drilling programme both in Taranaki and in Western Australia, and advancement of the Pike River project, add to the promise of a very positive year ahead for NZOG shareholders.



R A Radford
Executive Chairman

12 October 2000

Activities Report – New Zealand

Ngatoro oil field

The Ngatoro field is located near the township of Inglewood in Taranaki. The field currently produces from six oil wells and one gas well. NZOG is operator and owns 35.4% of the project.

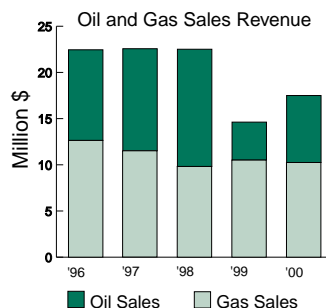
Production costs were kept under control during the year, at NZ\$7 per barrel of oil produced (roughly equivalent to US\$3 at current exchange rates). While NZOG's share of field output for the year at 132,000 barrels was similar to the prior year (138,000 barrels) higher oil prices substantially increased operating cash flow, which for the financial year to 30 June 2000 was \$4.9m compared to \$1.8m in the prior year.

Opportunities to access new oil zones and also to accelerate production from existing wells, were and are being pursued. For example, oil production of 60 barrels per day was successfully stimulated from the formerly non-producing Ngatoro 9 well by using a low cost and innovative technique to fracture the reservoir rocks. This approach is now being considered for other Ngatoro wells. In addition, a water injection program is planned to maintain reservoir pressure and increase oil recovery from the main Ngatoro oil pool.

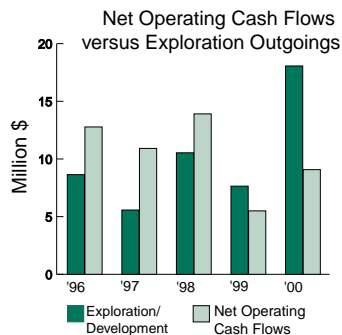
NZOG has also been assessing exploration prospects in the licence area, through sophisticated analysis of 3D seismic data. This

work has identified several prospects by characterising the seismic response known to be associated with oil. Of these prospects, Tabla has seismic character closely analogous to the main Ngatoro oil wells.

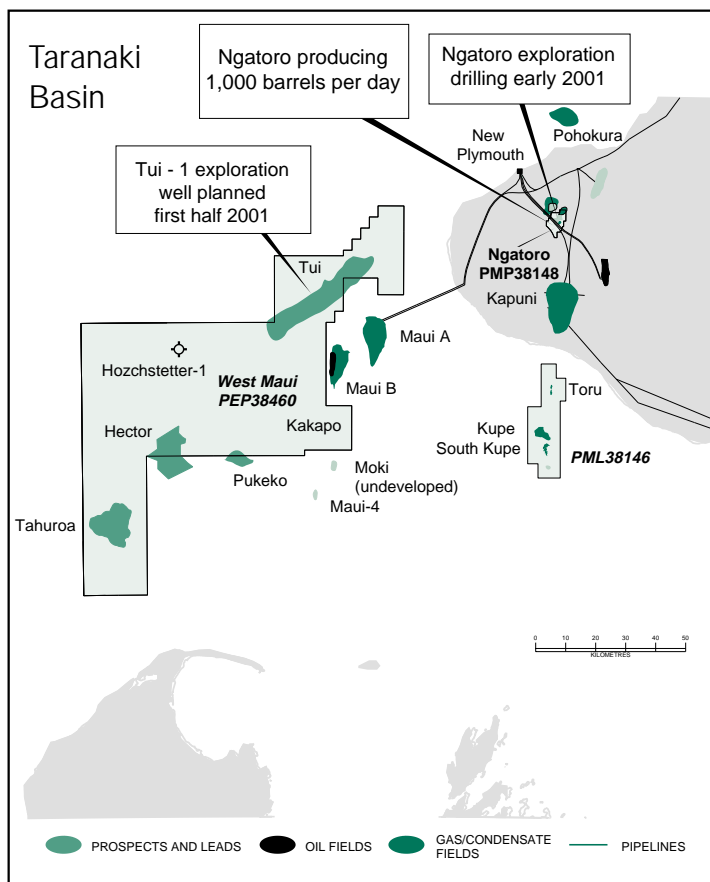
Drilling of one **Ngatoro** prospect is likely during the next few months, and if successful, then a second well can be expected.



- The above information is for years ending 30 June
- Exploration expenditure in 2000 includes the Hochstetter well and four Australian exploration wells
- Net operating cash flows in 2000 are 65% higher than 1999, mainly due to higher oil prices



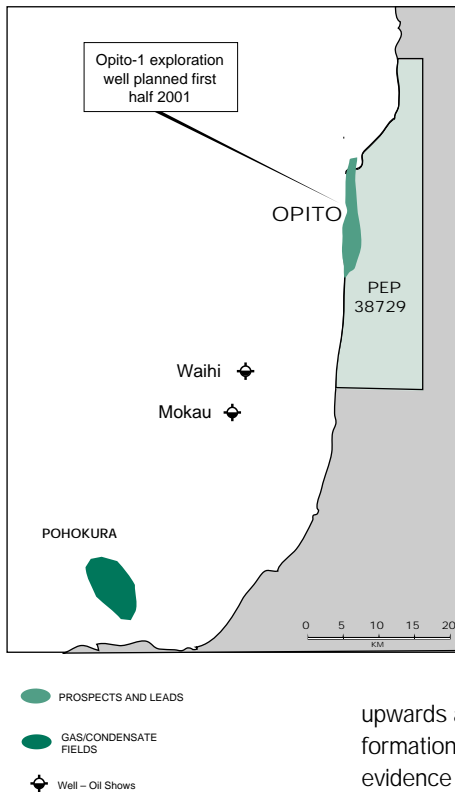
- The above information is for years ending 30 June



Opito prospect

Opito is an onshore prospect in NZOG's 100%-owned North Taranaki permit PEP38729. The Opito prospect was first recognised by U.S. oil

Taranaki Basin – Opito Prospect



major Arco many years ago. NZOG's interest in the area was re-awakened as a result of the company's work over the West Maui area, which showed how the ancient Kapuni beach system could be recognised and mapped on seismic. The same system exists in NZOG's offshore Tui prospect and extends onshore at two levels across Opito, where a very large closure has been created. The Opito prospect was confirmed by seismic acquired in May 2000.

Other relevant information about Opito, comes from the Waihi and Mokau exploration wells, both of which intersected the Kapuni sands with strong oil "shows" and higher formation pressures than normal. These oil "shows" strongly suggest that large volumes of oil and gas could have migrated

upwards and eastwards into Opito. The higher formation pressures in those wells provides evidence that the Kapuni Sands are sealed off from the surface, probably by the overthrust that seals the Opito trap. The recent Rimu discovery (by other parties) further to the south provides the first conclusive proof that these "overthrust" rocks can act as a seal for oil accumulations.

Opito's structural closure extends over 30km². Based on this, the recoverable oil potential is calculated at 80 million barrels in the Kapuni "C" Sands and 260 million barrels in the "D" Sands.

An exploration well is scheduled for drilling in 2001 to test Opito after the venture has been expanded and all consents are in place.

PEP38460

The **Hochstetter** prospect in the 'West Maui' licence was drilled in February 2000. While only

minor oil shows were encountered, the "D" Sands demonstrated the high porosity and excellent reservoir characteristics which had been prognosed ahead of drilling. Hochstetter is located on the same ancient beach system as the **Tui** prospect, some 70km further east in the same licence.

Since drilling Hochstetter, NZOG's efforts have been directed at improving confidence in the depth structure over Tui, and at better understanding the meaning of the strong seismic amplitudes observed within the prospect.

While this work is still in progress, results to date are encouraging in that analysis of seismic character demonstrates that the seismic response at Tui is probably caused by hydrocarbons. However, the presence of an economic hydrocarbon pool, can only be established by drilling.

NZOG's current assessment is the Tui prospect has potential ranging from 70 to 350 million barrels within a 50km² dip closure.

It is also possible that there could be stratigraphically trapped oil or gas over some 500km² extent.

The schedule to complete the seismic analysis should see all results to hand by December 2000 and enable a well to be drilled in 2001 after additional partners are introduced to provide funding. NZOG group currently holds an 80% equity in the West Maui licence.

Another prospect in PEP38460, **Hector**, is also being evaluated further. NZOG acquired seismic data over Hector in 1996, which defined a substantial structure. This structure overlaps into the adjacent 'Maari' production licence. Similar studies to those over Tui are planned for Hector in order to better define the extent of dip closure and the significance of the associated seismic response.

Pike River coalfield

The Pike River coalfield contains 23 million recoverable tonnes of coking coal. The field is located on the West Coast of the South Island, approximately 40 kilometres northeast of the port town of Greymouth.

A feasibility study for underground mining was completed during the year which confirms the economic viability of developing Pike River as a one million tonne per annum export mine.

Studies are under way to refine the optimal transport route to deliver coal to the export port. Substantial improvements to existing transport and coal handling infrastructure are likely to be required. It is anticipated that coal will be either trucked or railed to Port Greymouth and then delivered by sea to Shakespeare Bay at Picton for export to overseas markets.

Pike River coal is classed as a semi-hard coking coal, which is suitable for the manufacture of coke used in steelmaking. Pike River's "coking" qualities, in particular its low ash content and high fluidity, has generated strong interest from large Asian steelmills and cokemakers.

The Pike River development would involve funding of approximately \$50 million. Coal would be mined, and crushed underground prior to being transported by water through a 9.8 kilometre steel pipeline to a dewatering complex and stockpile area. Many features have been incorporated in the development design to minimise any environmental impact.

The project is significant, both for NZOG - holding a 75% equity, and for its export earning capability. Many complex issues have had to be or are being addressed. The fact that these issues have taken more time than originally expected does not reduce the potential of the field. Pike River coal is of a quality which can compete successfully in export markets with Australian coking coals. Export revenues would be in the order of NZ\$80 million annually, once full production is under way.

Kupe field

The offshore Kupe field contains proven and probable recoverable reserves of 264 billion cubic feet of gas and 16.3 million barrels of oil and condensate, based on full development of the Central Field Area.

However, NZOG is of the view that Kupe should be developed within the next few years as a liquids based project, initially targeting only a portion of the reserves in the field.

Under this concept, costs for a minimal development would be underwritten by recovery of an estimated 9 million barrels of the oil and condensate. Such a development would comprise only basic offshore production facilities and a single pipeline to transport the liquids and gas streams to shore. At an oil price of US\$30 (NZ\$75) per barrel, these Kupe liquids could thereby generate revenues of US\$270 million (NZ\$675 million) over the field life. A requirement of this development concept would be to either sell the gas at a relatively cheap price or to store it in an onshore reservoir against future demand at higher prices.

Uncertainty over operatorship and direction of the Kupe joint venture, arising in part from the Commerce Commission action against Fletcher Challenge Energy ("FCE"), may change if FCE sell their assets as currently proposed. A reconstituted joint venture may lead to meaningful activity towards a development. NZOG holds a 16.5% equity in Kupe.

NZOG's Australian activities are conducted by 58%-owned listed subsidiary Pan Pacific Petroleum NL.

Activities Report – Australia

Production – Western Australia

Tubridgi Gas Project. The Tubridgi project (gas production and trading) is a joint venture managed by Origin Energy Ltd. The NZOG group owns 43% of the project, including two 90km pipelines which transport gas from the Tubridgi field and gas purchased from offshore fields, to link up with the Dampier – Bunbury pipeline some 90km distant.

During the 1999/2000 year, Tubridgi contributed \$5.2 million in net operating cash flow to the group (compared to \$4.4 million in the prior year) from a production average of 15 terajoules per day and tolling/resale which averaged 13 terajoules per day.

Resale of gas purchased from the offshore Griffin field has increased in recent months to approximately 20 terajoules per day. Field production has also increased in recent months to 16 terajoules per day, as a result of three new wells drilled in August 1999.

The arrangements to purchase and resell gas from the offshore Griffin field will continue at least until March 2004.

Chervil oilfield. Oil from the Chervil well is transported by sub-sea pipeline 10km to storage tanks owned by the venture at Airlie Island, pending transfer to tanker. The field is operated by Apache Energy Inc. and NZOG group owns a 23% equity.

Chervil produced 30,000 barrels of oil for NZOG group in the year to 30 June 2000. The daily production rate followed a natural decline from 620 barrels per day to 340 barrels per day over the year. The slow decline in production rate suggests a greater volume of oil in the field than previously recognised, which has led to a further production well in **Chervil** being considered for drilling during early 2001.

Exploration

During the year, NZOG's Australian subsidiary participated in drilling four exploration wells in the Carnarvon, Surat and Gippsland Basins of Australia. Two of these wells discovered hydrocarbons – **Corvus** and **Cadell**. The Tusk oil discovery well was drilled in September 2000.

Carnarvon Basin. Following re-processing of 3-D seismic over the area, drilling of the **Corvus** prospect in April 2000, encountered a 420m gas column in the Mungaroo Formation. Analysis indicates a range of possible gas reserves from 50 to 350 billion cubic feet, depending on reservoir quality and extent of development. The Corvus discovery is expected to be developed in association with nearby fields such as Reindeer/Caribou. Appraisal drilling of the **Sambar** well is tentatively planned for mid 2001.

Within the same licence, some 18km to the south of Corvus, the **Tusk** prospect was drilled in September 2000 as an oil discovery. NZOG group holds a 10% equity in the permit (WA246-P). A decision on follow-up drilling of the Tusk discovery is likely to be made in November 2000.

Further south, drilling of the **Cadell** prospect, (in November 1999) found a 75 metre gas column in the Mungaroo Formation, estimated at 20 to 40 billion cubic feet of recoverable gas. This is considered uneconomic at present.

Ahead of drilling several other prospects in the Carnarvon Basin licences, a large 3D seismic survey, to start towards year end, will cover the Chervil field area, several oil-prone prospects along the Flinders Fault Zone and deeper objectives in the area around the South Pepper field. It is anticipated that the 3-D seismic will identify new prospects and increase the rate of success from drilling.

Activities Report – Australia (continued)

Gippsland Basin. The **Cuttlefish** well drilled in October 1999 encountered only residual gas shows. However, in the group's other Gippsland permit, VIC/P36, reprocessing and depth conversion of seismic has firmed up the **Octopus** prospect as a drilling target. Octopus is a simple four way dip closure with potential to recover 6.5 and 38.5 million barrels respectively from the Top and Intra-Latrobe reservoirs. Octopus is only 10km from the producing Dolphin oil field and the closest well Amberjack, 4 kilometres away, had strong oil shows at both target horizons.

Hydrocarbon Reserves Statement

All references in the annual report relating to hydrocarbon reserves accurately reflect information compiled by the Exploration Manager, Dr Eric Matthews, a member of the American Association of Petroleum Geologists.

Pike River Reserves

Pike River coal reserves accurately reflect information compiled by Mr P Gunn - Coal Marketing Services Limited - a member of the Australasian Institute of Mining and Metallurgy.

Drilling Schedule at 12 October 2000

Prospects	Target Rocks	Permit	Likely Drill Date	Mean Potential (barrels of oil unless specified otherwise)	Present Equity
New Zealand					
Tui-1	Kapuni – Eocene	PEP38460	First half 2001	70-350 million + further structural/stratigraphic potential	80%
Opito-1	Kapuni	PEP38729	Q1 2001	80 million (C sand) + 260 million (D sand)	100%
Ngatoro	Mt Messenger	PMP 38148	Q1 2001	1.5 million	35.4%
Australia					
Tusk-2	Athol-Mungaroo	WA246P	Q1 2001	Appraisal of Tusk discovery	10%
Immortelle	Barrow – Cretaceous	TP/7	Early 2001	13 million	4.2%
Chervil infill	Barrow – Cretaceous	TL/2	Early 2001	4 million	23.2%
Sambar	Mungaroo – Triassic	WA246P	Q2 2001	Gas – 500 bcf	10%
Madigan	Barrow – Cretaceous	WA149P	Q2 2001	50 million	10%
South Pepper Deep	Malouet – Cretaceous	TL/2	Unallocated	10 million	23.2%
Octopus	Latrobe – Eocene	VIC/P36	Unallocated	45 million	15%

Statement of Financial Performance

for the Year Ended 30 June 2000

	Note	Consolidated		Parent Company	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Total revenue	2(i)	18,171	15,434	246	465
Operating (deficit)/surplus before taxation	2	(14,084)	1,306	(11,315)	(301)
Taxation	16	(1)	(1,492)	–	–
Operating (deficit) after taxation		(14,085)	(186)	(11,315)	(301)
Minority interest in result for the year	3	3,337	1,622	–	–
Net (deficit)/surplus for the year		(10,748)	1,436	(11,315)	(301)

Statement of Movements in Equity

for the Year Ended 30 June 2000

	Note	Consolidated		Parent Company	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Equity at beginning of year		59,131	55,955	17,978	27,611
Net (deficit)/surplus for the year		(10,748)	1,436	(11,315)	(301)
Movement in foreign currency translation reserve	4	274	433	–	–
Total recognised revenues and expenses		(10,474)	1,869	(11,315)	(301)
Movement in minority interest during the year		(1,263)	(1,332)	–	–
Treasury stock reissued	4	3,680	–	–	–
(Decrease)/increase in asset revaluation reserve	4	(1,500)	4,391	–	–
Repurchase and cancellation of shares		–	(15,353)	–	(7,577)
Decrease/(increase) in treasury capital elimination		–	13,601	–	(1,755)
Equity at end of year		49,574	59,131	6,663	17,978

The notes on pages 11 to 26 form part of and are to be read in conjunction with these financial statements.

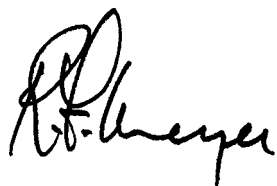
Statement of Financial Position

as at 30 June 2000

	Note	Consolidated		Parent Company	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
EQUITY					
Shareholders' Equity	4	42,080	50,374	6,663	17,978
Other Equity					
Minority interest in subsidiary companies		7,494	8,757	–	–
TOTAL EQUITY		49,574	59,131	6,663	17,978
Represented by:					
Current Assets					
Short term securities and cash deposits	5	6,770	10,318	3,401	2,706
Investments in listed resource companies	6	2,514	2,519	2,514	2,519
Other	7	4,931	5,245	226	1,507
		14,215	18,082	6,141	6,732
Non-Current Assets					
Investments in associate and subsidiary companies	8	2,842	2,583	65,854	70,605
Fixed assets	9	5,692	7,908	–	–
Petroleum and coal interests	11,20	32,753	34,933	–	–
Other	12	3,162	3,222	880	880
		44,449	48,646	66,734	71,485
Total Assets		58,664	66,728	72,875	78,217
Less:					
Current Liabilities	13	5,208	2,225	332	310
Non-Current Liabilities	14	3,882	5,372	65,880	59,929
Total Liabilities		9,090	7,597	66,212	60,239
NET ASSETS		49,574	59,131	6,663	17,978

The notes on pages 11 to 26 form part of and are to be read in conjunction with these financial statements.

On behalf of the Board of Directors



R F Meyer
Director

12 September 2000



R A Radford
Director

12 September 2000

Statements of Cash Flows

for the Year Ended 30 June 2000

	Consolidated		Parent Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Cash Flows From Operating Activities				
Cash was received from:				
Interest received	477	649	157	322
Petroleum sales	17,271	14,924	–	–
Other	–	1	–	–
	<u>17,748</u>	<u>15,574</u>	<u>157</u>	<u>322</u>
Cash was paid for:				
Interest and other costs of finance paid	–	12	–	–
Production expenses	6,132	8,130	–	–
Other payments to suppliers and employees	2,542	1,932	1,774	1,612
	<u>8,674</u>	<u>10,074</u>	<u>1,774</u>	<u>1,612</u>
Net cash flows from operating activities	<u>9,074</u>	<u>5,500</u>	<u>(1,617)</u>	<u>(1,290)</u>
Cash Flows From Investing Activities				
Cash was received from:				
Repayment of advances from subsidiary and associate companies	994	70	4,478	–
Receipts from sale of shares in listed company	8	43	8	–
	<u>1,002</u>	<u>113</u>	<u>4,486</u>	<u>–</u>
Cash was paid for:				
Advances to subsidiary and associate companies	–	–	2,252	1,828
Petroleum and coal expenditures	18,063	7,643	–	–
Purchase of production assets	26	–	–	–
Decommissioning	–	28	–	–
Purchase of other fixed assets	29	89	–	–
Purchase of shares in subsidiary and associate-companies	–	31	–	–
	<u>18,118</u>	<u>7,791</u>	<u>2,252</u>	<u>1,828</u>
Net cash flows from investing activities	<u>(17,116)</u>	<u>(7,678)</u>	<u>2,234</u>	<u>(1,828)</u>
Cash Flows From Financing Activities				
Cash was received from:				
Issue of shares	375	–	–	–
Realisation of security deposits	113	10	–	–
Treasury stock reissued	3,680	–	–	–
	<u>4,168</u>	<u>10</u>	<u>–</u>	<u>–</u>

The notes on pages 11 to 26 form part of and are to be read in conjunction with these financial statements.

Statements of Cash Flows (continued)

for the Year Ended 30 June 2000

	Note	Consolidated		Parent Company	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Cash was paid for:					
Dividend payments		4	2,612	4	2,612
Repayment of borrowings		-	100	-	-
Share buy-back		-	1,755	-	1,755
		4	4,467	4	4,367
Net cash flows from financing activities		4,164	(4,457)	(4)	(4,367)
Net (decrease)/increase in cash		(3,878)	(6,635)	613	(7,485)
Cash at beginning of year		10,318	17,120	2,706	10,283
Effect of exchange rate changes on cash		330	(167)	82	(92)
CASH AT END OF YEAR		6,770	10,318	3,401	2,706
Made up as follows:					
Short term securities and cash deposits	5	6,770	10,318	3,401	2,706

RECONCILIATION OF OPERATING (DEFICIT) AFTER TAXATION WITH NET CASH FLOWS FROM OPERATING ACTIVITIES

Operating (deficit) after taxation	(14,085)	(186)	(11,315)	(301)
Adjust for non-cash items in operating (deficit):				
Amortisation of development expenditure over production	3,536	3,260	-	-
Charges to provisions	341	255	8	11
(Decrease)/increase in value of subsidiary & associate company shares and advances	-	(195)	9,724	(195)
Depreciation	2,689	2,734	-	-
Deferred income tax liability	6	2,548	-	-
Future income tax benefit	(5)	(990)	-	-
(Gain)/loss on sale of investment	(2)	25	(2)	-
Loss on sale of plant and equipment	-	12	-	-
Write-down of oil inventory	-	288	-	-
Writeoff/(back) of petroleum and coal expenditure	17,231	(408)	-	-
Writeoff/(back) of preference shares in unlisted resource company	-	(1,760)	-	(880)
Changes in assets and liabilities:				
(Increase)/decrease in debtors	(646)	604	34	31
(Increase)/decrease in field operation consumables and finished goods	(176)	(412)	-	-
Increase/(decrease) in creditors	365	(628)	25	(11)
(Decrease) in provisions	-	-	(9)	(37)
Items included in other cash flow categories:				
Exchange rate fluctuation on income tax expense	-	(66)	-	-
Exchange (gains)/losses	(180)	419	(82)	92
Net cash flows from operating activities	9,074	5,500	(1,617)	(1,290)

The notes on pages 11 to 26 form part of and are to be read in conjunction with these financial statements.

Notes to the financial statements

for the Year Ended 30 June 2000

1. Statement of Accounting Policies

Reporting Entity

The reporting entity is New Zealand Oil & Gas Limited ("the company") and all its subsidiary companies ("the group").

Statutory Base

The financial statements have been prepared in accordance with generally accepted accounting practice and in compliance with the Companies Act 1993 and the Financial Reporting Act 1993. The company is an issuer under the Securities Act 1978.

Measurement Base

The measurement base adopted is historical cost adjusted by the revaluation of certain assets.

Changes in Accounting Policies

There have been no material changes in accounting policies. All policies have been applied on bases consistent with those used in the previous year.

Summarised hereafter are the significant accounting policies adopted.

Basis of Consolidation

(a) Principles of Consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the parent company (New Zealand Oil & Gas Limited ("NZOG")) together with the financial statements of all its subsidiary companies.

The financial statements of subsidiaries are included in the consolidated financial statements using the purchase method. All significant intercompany transactions have been eliminated on consolidation.

Where subsidiaries are acquired during the year, their results are included only from the date of acquisition, while for subsidiaries disposed of during the year, their results are included to the date of disposal.

(ii) Associate Companies

Where material, associate companies are equity accounted and investments in associate companies are shown at cost plus the share of movement in net assets since acquisition. Where, in the opinion of the directors, a permanent diminution in value has occurred, investments in associate companies are written down to their recoverable amount.

(iii) Treasury Capital

The treasury stock accounting method is used to remove the Company's interest in shares held directly or indirectly in its own capital ("treasury capital"). The effect is to reduce the Company's externally available capital and reserves and to eliminate the investment in the Company.

(b) Balance on Acquisition

On the acquisition of a subsidiary, the fair value of net identifiable assets is ascertained. The difference between the fair value and the cost of investment is brought to account either as a premium (goodwill) or discount on acquisition.

Goodwill is amortised by systematic charges against income over the appropriate periods in which benefits are expected to be realised, but not exceeding twenty years. The periods over which the amounts are to be amortised are subject to annual review.

Any discount on acquisition remaining after elimination against the fair value of the non-monetary assets of the subsidiary is taken to the statement of financial performance as a gain.

Production, development, exploration and evaluation expenditure

Production, development, exploration and evaluation expenditure is accounted for using the successful efforts method.

(i) Petroleum Production Expenditure

Production expenditure carried forward represents the accumulation of exploration, evaluation and development expenditure (excluding fixed asset expenditure) incurred by the group in relation to areas of interest in which petroleum production has commenced. Production expenditure is amortised using the production output method, the straight line method or on a basis consistent with the recognition of revenue, whichever is the more appropriate. The production output method results in an amortisation charge proportional to the depletion of economically recoverable proven

Notes to the financial statements (continued)

reserves. The straight line method results in an amortisation charge over time based on current sales contracts in place. Where such costs are considered not to be fully recoverable under existing conditions, an amount is provided to cover the shortfall.

The effective remaining life of the production assets has been assessed at between 1 and 9 years.

(ii) Petroleum Development Expenditure

Development expenditure carried forward represents the accumulation of exploration, evaluation and development expenditure incurred by the group in relation to areas of interest which are being developed for production.

No amortisation is provided in respect of developed areas of interest until they are reclassified as production areas following commencement of petroleum production.

(iii) Petroleum and Coal Exploration and Evaluation Expenditure

Petroleum and coal exploration and evaluation expenditure carried forward 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:

- (a) such costs are expected to be recouped through successful development and exploitation of the area, or alternatively, by its sale; or
- (b) exploration and/or evaluation activities in the area 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, these areas are continuing.

Exploration and evaluation expenditure (together with certain inter-group advances relative to these expenditures), is written off in the statement of financial performance 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 a licence or permit area.

A further write-down is made where the accumulated expenditure in an area of interest or any part thereof exceeds the directors' valuation of that area of interest. The directors' valuations of areas of interest, especially projects at a pre-development stage, are dependent upon a number of factors which are uncertain or tentative at the time of valuation and which may be subject to change. Such factors include the ability to secure sales contracts, levels of reserves, production profiles, estimates of future product sales prices, operating costs and capital expenditures, availability of financing and of tax losses and legislative changes.

The ultimate value to the group of areas of interest and accumulated expenditures is contingent upon the results of further exploration and agreements entered into with other parties and also upon meeting commitments under the terms of licences or permits granted and joint venture agreements.

Sales of prospecting and mining permit rights are shown as revenue in the period earned.

Restoration and Rehabilitation Expenditure

Significant restoration and rehabilitation expenditure to be incurred subsequent to the cessation of production from production areas of interest is expensed in the statement of financial performance in proportion to production, when its extent can be reasonably estimated.

Joint Ventures

Where material the group consolidates its interest in the assets, liabilities, revenues and expenses of unincorporated joint ventures under appropriate headings in the financial statements using the proportionate method of consolidation.

Petroleum Sales Revenue

Petroleum sales represent the group's share of invoiced sales following delivery of oil and gas products.

Unearned Income

Payments received under "take or pay" sales contracts where gas is not yet delivered, are treated as unearned income. The payments are recognised as income in the statement of financial performance once the gas is delivered.

Administration and Operating Expenses

The group incurs certain administration and operating expenses which are recovered in the normal course of operations. A proportion of those expenses which relate to the group are reflected in the current year's accumulated production, development and exploration expenditure. In terms of the group's accounting policy, certain amounts of the accumulated expenditure may be written off each year. As a result, it is not possible to identify those individual administration and operating expenses which have been charged to the statement of financial performance.

Trade Debtors

Trade debtors are stated at their estimated net realisable value.

Field Operation Consumables and Finished Goods

Field operation consumables and finished goods are valued at the lower of cost and net realisable value.

Fixed Assets

Fixed assets are stated at cost less an allowance for depreciation.

Depreciation has been provided for on a straight line basis so as to charge the cost of fixed assets over their estimated economic lives assessed as follows:

Office partitions, furniture & fittings	5–6	years
Motor vehicles	5–7	years
Technical & computer equipment	2–5	years

Pipelines and associated production facilities are depreciated over their economic life on a basis consistent with the recognition of revenue over their economic life or straight line basis whichever is more appropriate. Thus, the economic life of such equipment is dependent on future production and remaining reserves, and therefore varies from project to project. Where such costs are not considered to be fully recoverable under existing conditions, an amount is provided to cover the shortfall.

The effective remaining life of pipelines and associated production facilities has been assessed at between 1 and 9 years.

Investments in Short Term Securities

Investments in short term securities are recorded at cost, or at cost adjusted for premium or discount amortisation. Premiums and discounts are capitalised and amortised from the date of purchase to maturity.

Short Term Investments in Listed Resource Companies

Short term investments in listed resource companies are recorded at the lower of cost and net realisable value.

Long Term Investments in Unlisted Resource Companies

Long term investments in unlisted resource companies are recorded at cost, except where in the opinion of the directors, there is a permanent diminution in value, in which case they are recorded at their estimated recoverable amount.

Investments in Wholly Owned Subsidiaries

In the parent company's financial statements, investments in wholly owned subsidiaries are recorded at cost or directors valuation, except where in the opinion of the directors there is a permanent diminution in value, in which case they are written down to their estimated recoverable amount.

Where wholly owned subsidiary companies have sold petroleum or coal prospecting permit rights and have advanced the net sale proceeds to the parent company, the directors of the parent company have revalued the investment in those companies to an amount not exceeding their underlying net assets.

Foreign Currencies

Transactions in foreign currencies are translated at the New Zealand rate of exchange ruling at the date of the transaction. At balance date foreign monetary assets and liabilities, including those of integrated foreign operations, are translated at the closing rate, and exchange variations are included in the statement of financial performance as operating items.

The group has independent foreign operations in Australia through Pan Pacific Petroleum NL ("Pan Pacific"). The statement of financial position of independent foreign operations is translated at the closing rate at balance date. The statement of financial performance and cash flows of independent foreign operations is translated at the average rate for the year. The

Notes to the financial statements (continued)

exchange difference arising from the translation of the opening net investment at an exchange rate different from that at which it was previously reported is taken to the foreign currency translation reserve.

Financial Instruments

The group is a party to financial instruments as part of its day to day operating activities. Financial instruments, as defined under the Financial Reporting Standard issued by the Institute of Chartered Accountants of New Zealand, include short term securities and cash deposits, investments in listed resource companies, debtors, creditors and borrowings, certain non current assets and non current liabilities.

Revenues and expenses (including gains and losses) in relation to all financial instruments are recognised in the statement of financial performance. All financial instruments are recognised in the statement of financial position.

Statement of Cash Flows

- (i) Cash includes bank bills, cash on hand and at bank, short term deposits and government stock less any overdraft.
- (ii) Operating cash flows represents cash received from customers and paid to suppliers and employees including production operating expenses and royalties.
- (iii) Investing cash flows represents cash flows arising from the acquisition and divestment of investment and productive assets. Productive assets comprise fixed assets and accumulated petroleum and coal expenditure.
- (iv) Financing cash flows represents cash flows arising from cash transactions affecting the capital structure of the group and cash flows from debt financing activities excluding interest on debt finance which is included in operating cash flows.
- (v) Certain cash flows are netted in order to provide more meaningful disclosure.

Taxation

Income tax is calculated on operating surplus/(deficit) adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences which arise from items being brought to account in different periods for income tax and accounting purposes, are brought to account as either provision for deferred income tax or an asset described as "future income tax benefit" at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Tax effect accounting procedures are applied on a comprehensive basis under the liability method to all timing differences. The net future income tax benefit relating to timing differences and tax losses is not carried forward as an asset in the statement of financial position unless the benefit is virtually certain of being realised.

Comparative Figures

Where necessary, the amounts for the previous year are reclassified to facilitate comparison.

2. Total Revenue and Operating (Deficit)/Surplus before Taxation

		Consolidated		Parent Company	
		2000	1999	2000	1999
	Note	\$'000	\$'000	\$'000	\$'000
Operating (deficit)/surplus before taxation has been determined after					
(i) Crediting as income:					
Sales revenue					
Petroleum sales	19	17,503	14,621	–	–
Other revenue					
Interest received from:					
- Other short term securities		446	598	156	252
- Associate and other companies		14	190	–	190
Exchange gains		200	18	82	18
Other income		8	7	8	5
Total revenue		18,171	15,434	246	465

Petroleum sales revenue of \$17,503,000 (1999: \$14,621,000) represents the group's share of revenue from the Chervil oil field (offshore Western Australia), the Tubridgi gas field (onshore Western Australia) and the Ngatoro oil field (onshore Taranaki).

(ii) Charging as expenses:

Amortisation of development expenditure over production		3,536	3,260	–	–
Decrease in value of subsidiary and associate company shares and advances		–	–	9,724	14
Directors' fees		90	112	55	75
Exchange losses		–	436	–	111
Fees paid to parent company auditors		104	116	57	66
Fees paid to parent company auditors for other services		118	95	46	82
Fixed asset depreciation		2,689	2,734	–	–
Petroleum and coal exploration expenditure written off/(back) or down to valuation	(a)	17,231	(408)	–	–
Provision for restoration		239	226	–	–
Writeoff/(back) of preference shares in unlisted petroleum company	(b)	–	(1,760)	–	(880)

Notes:

- (a) The 1999 comparative figure includes a write-back of \$2,430,000 of coal exploration and evaluation expenditure within Pike River Coal Company previously written-off.
- (b) In addition to its direct interest the group holds an indirect interest in the Kupe field through preference shares. At the 1999 balance date a previous write-down of the preference shares was written back in accordance with the then current valuation model for the Kupe field. The revalued carrying amount is less than the original cost of the preference shares.

3. Minority Interest

The group operating deficit after taxation (prior to elimination of minority interests) of \$14,085,000 (1999: \$186,000 deficit) includes Pan Pacific's deficit for the year of \$7,919,000 (1999: \$3,346,000 deficit) which is consolidated in full in the statement of financial performance. The minority interest, or non-NZOG share of Pan Pacific's operating deficit is removed from the net (deficit)/surplus for the year attributable to the group.

Notes to the financial statements (continued)

4. Shareholders' Equity

Note	Consolidated				Parent Company			
	2000 Number of Shares 000's	2000 \$000's	1999 Number of Shares 000's	1999 \$000's	2000 Number of Shares 000's	2000 \$000's	1999 Number of Shares 000's	1999 \$000's
Reported paid in share capital								
Paid in share capital - opening balance	137,450	82,240	160,412	95,979	137,450	82,240	160,412	95,979
Shares cancelled during year	–	–	(22,962)	(13,739)	–	–	(22,962)	(13,739)
	137,450	82,240	137,450	82,240	137,450	82,240	137,450	82,240
Treasury share elimination (i)	(4,669)	(2,794)	(4,669)	(2,794)	(4,669)	(2,794)	(4,669)	(2,794)
Treasury stock elimination (ii)	(17,249)	(10,320)	(26,500)	(15,855)	–	–	–	–
Closing balance	115,532	69,126	106,281	63,591	132,781	79,446	132,781	79,446
Reserves								
Retained (deficit) reserves brought forward		(17,352)		(19,830)		(63,019)		(69,919)
Net (deficit)/surplus for year		(10,748)		1,436		(11,315)		(301)
Elimination of accumulated losses on treasury shares acquired during year		–		1,042		–		1,042
Adjustment to accumulated losses on treasury stock reissued (ii)		(1,855)		–		–		–
Elimination of accumulated losses on shares cancelled during year		–		–		–		6,159
Retained (deficit) reserves carried forward		(29,955)		(17,352)		(74,334)		(63,019)
Share revaluation reserve:								
Opening and closing balance		–		–		1,551		1,551
Asset revaluation reserve:								
Opening balance		4,391		–		–		–
Revaluation of coal interests (iii)		(1,500)		4,391		–		–
Closing balance		2,891		4,391		–		–
Foreign currency translation reserve:								
Opening balance		(256)		(689)		–		–
Effect of exchange rate change on opening balance of Australian subsidiary		274		433		–		–
Closing balance		18		(256)		–		–
Total shareholders' equity		42,080		50,374		6,663		17,978

- (i) In July 1998, the company, through an on-market share buyback, repurchased 4,669,200 shares at an average price of approximately 38 cents each, for a total cost of \$1,755,000. The repurchase decreased total equity by \$2,794,000. The shares are held as Treasury Shares and are accounted for using the "treasury stock" method.
- (ii) In December 1999 9,251,000 treasury stock and 4,625,500 treasury options were reissued for \$3,680,000.
- (iii) On 15 July 1999, the company entered into an agreement to sell to a private investor group a 25% equity stake in Pike River Coal Company Limited at a value of \$1,875,000 with the consideration being \$375,000 cash and funding of a final feasibility study to the value of \$1,500,000. At 30 June 1999, in accordance with the company's accounting policies, directors wrote back an asset revaluation reserve of \$4,391,000, previously written-down. The final feasibility study was completed during the year ended 30 June 2000 and accordingly the asset revaluation reserve has been reduced by the value of the study, being the amount of \$1,500,000.
- (iv) Through its shareholdings in Resource Equities Limited ("REL") and the Treasury Shares acquired by share buyback, the company retains the economic interest in 21,918,200 shares (1999: 31,169,200) which is offset against paid in share capital to leave reported capital of 115,532,071 (1999: 106,281,071) shares.

	2000 Number of Shares	1999 Number of Shares
Treasury Capital		
Shares acquired by share buyback	4,669,200	4,669,200
Stock held by REL	17,249,000	26,500,000
	<u>21,918,200</u>	<u>31,169,200</u>

(v) A total of 80,204,246 NZOG options are on issue at 30 June 2000 (1999: 80,204,246). Each NZOG option entitles the holder to subscribe for one share in the capital of the company at a price of \$0.70, exercisable by 31 October 2001. Included within total options on issue at 30 June 2000 are 20,105,262 options held by Oil Holdings Limited (1999: 24,730,762 options).

(vi) Each issued share is entitled to one vote.

5. Short Term Securities and Cash Deposits

	Note	Consolidated		Parent Company	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Bank		2,490	537	691	105
Bank bills		–	989	–	989
Cash on deposit		4,280	8,792	2,710	1,612
		<u>6,770</u>	<u>10,318</u>	<u>3,401</u>	<u>2,706</u>

6. Investments in Listed Resource Companies

Shares at book value	2,514	2,519	2,514	2,519
Market value at balance date	<u>2,179</u>	<u>3,133</u>	<u>2,179</u>	<u>3,133</u>

7. Other Current Assets

Advances to associate companies	216	1,463	216	1,463
Accrued interest	8	22	–	1
Field operation consumables	924	909	–	–
Finished goods (oil stock)	1,377	1,158	–	–
Trade debtors	2,406	1,693	10	43
	<u>4,931</u>	<u>5,245</u>	<u>226</u>	<u>1,507</u>

8. Investments in Associate and Subsidiary Companies

Subsidiaries:

Shares	–	–	55,583	59,425
Advances to subsidiaries from parent	(i)	–	1,440	2,617
		–	<u>57,023</u>	<u>62,042</u>

Associate Companies:

Listed shares	–	–	6,112	6,112
Unlisted shares	(ii)	2,719	2,451	2,451
Advances	(i)	123	132	–
		<u>2,842</u>	<u>2,583</u>	<u>8,563</u>
		<u>2,842</u>	<u>2,583</u>	<u>65,854</u>
				<u>70,605</u>

Associate Companies

Listed Shares - market value at balance date	–	–	5,577	4,352
--	---	---	-------	-------

Notes:

- Inter-group advances between wholly owned subsidiaries and the parent are on interest free terms and no repayment terms have been arranged.
- Equity accounting for associate companies has not been applied on the basis that the amounts involved are not material.

Notes to the financial statements (continued)

9. Fixed Assets

Note	Consolidated		Parent Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
(i) Production assets:				
Cost	24,441	23,345	–	–
Accumulated depreciation	(18,961)	(15,701)	–	–
Book value	5,480	7,644	–	–
(ii) Other fixed assets:				
Cost	607	558	–	–
Accumulated depreciation	(395)	(294)	–	–
Book value	212	264	–	–
Book value of fixed assets	5,692	7,908	–	–

10. Joint Ventures

NZOG group interests held at balance date, in significant unincorporated joint ventures established to explore, develop and produce petroleum products and the contributions made by those joint ventures to group results are as follows:

	Consolidated Percentage of Interest		Parent Company Percentage of Interest	
	2000 %	1999 %	2000 %	1999 %
PML 38146 (Kupe)*	16.5	16.5	–	–
PMP 38148 (Ngatoro)*	35.4	35.4	–	–
TL2 (Chervil)*	23.2	23.2	–	–
L9 (Tubridgi)	43.0	43.0	–	–
PEP 38460 (West Maui)*	80.0	100.0	–	–

The contribution made by joint ventures to group results was to increase revenues by \$17,503,000 (1999: \$14,621,000) and expenses by \$29,688,000 (1999: \$13,181,000).

The parent company has no direct interest in any joint venture.

* The financial statements of these joint ventures are unaudited.

Included in the assets and liabilities of the NZOG group are the following joint venture assets and liabilities.

Note	Consolidated		Parent Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Current Assets				
Short term securities and cash deposits	1,730	227	–	–
Trade debtors	83	45	–	–
Field operation consumables	924	909	–	–
Finished goods (oil stock)	1,377	1,158	–	–
Non-Current Assets				
Fixed assets	5,480	7,644	–	–
Petroleum interests	32,753	34,933	–	–
Total Assets	42,347	44,916	–	–
Current Liabilities				
Creditors and borrowings	1,780	1,187	–	–
Provisions	2,070	145	–	–
Non-Current Liabilities				
Provisions	1,232	2,824	–	–
Total Liabilities	5,082	4,156	–	–
Net Assets	37,265	40,760	–	–

11. Petroleum and Coal Interests

	Note	Consolidated		Parent Company	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Accumulated petroleum production expenditure		5,577	7,890	–	–
Accumulated petroleum exploration and evaluation expenditure					
Petroleum mining licences	(i)	12,352	12,318	–	–
Petroleum prospecting licences		7,175	7,290	–	–
Accumulated coal exploration and evaluation expenditure	(ii)	7,649	7,435	–	–
Total accumulated exploration and evaluation expenditure		27,176	27,043	–	–
Total accumulated expenditure		32,753	34,933	–	–

Notes:

- (i) The Kupe Field interest included in petroleum exploration and evaluation expenditure above, is carried at directors valuation, in accordance with the company's accounting policy for petroleum exploration and evaluation expenditure. This valuation is based on the project proceeding to development and is dependent upon a number of factors which are uncertain or tentative at the time of valuation and which may be subject to change. Such factors include the ability to secure sales contracts, levels of reserves, production profiles, estimates of future product sales prices, operating costs and capital expenditures, availability of financing and of tax losses and legislative changes.
- (ii) Accumulated coal exploration and evaluation expenditure represents the group's interest in the Pike River coal field. At the 1999 balance date the Directors reinstated coal expenditure of \$6,821,000 written-off in prior years.

NZOG Group's Proven and Probable oil & gas reserves (All figures are unaudited)

	Crude Oil & Natural Gas Liquids (Million Barrels)		Natural Gas (Billion Cubic Feet)	
	2000	1999	2000	1999
(a) Undeveloped				
NEW ZEALAND:				
Net proven and probable reserves	2.7	2.7	44.3	44.3
(b) Developed				
NEW ZEALAND:				
Net proven and probable reserves	0.4	0.6	1.3	0.4
AUSTRALIA:				
Net proven and probable reserves	–	0.1	7.5	6.5
Total Developed Reserves	0.4	0.7	8.8	6.9

The group's interests in undeveloped proven and probable oil and gas reserves are in the Kupe Field (offshore South Taranaki). The group's interests in developed proven and probable oil and gas reserves are in the Ngatoro oil field (onshore Taranaki), the Chervil project (offshore Western Australia) and the Tubridgi gas field (onshore Western Australia).

Notes:

- (i) Proven reserves are the estimated quantities of oil and gas which 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 better than 50% chance of being technically and economically producible.
- (ii) Reserves estimates are based on calculations prepared by either independent petroleum consultants or the operators of the respective licences and have not been audited.
- (iii) Oil and gas reserves cannot be measured exactly since estimation of reserves involves substantive judgement. Therefore all estimates are subject to revision.

Notes to the financial statements (continued)

12. Other Non-Current Assets

		Consolidated		Parent Company	
	Note	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Future income tax benefit	16	1,032	990	–	–
Investments in unlisted resource companies		1,760	1,760	880	880
Security deposits	20	370	472	–	–
		3,162	3,222	880	880

13. Current Liabilities

Creditors		2,934	1,995	332	310
Other provisions		204	85	–	–
Restoration provision	(i)	2,070	145	–	–
		5,208	2,225	332	310

Notes:

- (i) The restoration provision of \$2,070,000 (1999: \$145,000) relates to NZOG group's share of estimated costs for the rehabilitation of various production assets.

14. Non-Current Liabilities

Provisions	(i)	1,232	2,824	10	11
Advances from wholly owned subsidiary companies to parent	(ii)	–	–	65,870	59,918
Deferred income tax liability	16	2,650	2,548	–	–
		3,882	5,372	65,880	59,929

Notes:

- (i) The provision of \$1,232,000 (1999: \$2,824,000) relates to NZOG group's share of estimated costs for the rehabilitation of various production assets.
- (ii) Inter-group advances are interest free. No repayment terms have been arranged.

15. Financial Instruments

Foreign Exchange Risk

The group operates United States dollar banks account for oil sales proceeds. Foreign exchange risk in respect of oil sales is not hedged.

The group has significant exploration and mining activities in Australia giving rise to Australian dollar currency risk. In particular the operations of subsidiary, Pan Pacific Petroleum NL involves cash deposits, short term securities, investment expenditures and revenues being denominated in Australian dollars.

Unhedged monetary assets of NZ\$4,780,000 (A\$3,720,000) are denominated in Australian dollars; NZ\$4,360,000 (A\$3,390,000) of this amount are current assets. Unhedged monetary liabilities of NZ\$1,630,000 (A\$1,260,000) are denominated in Australian dollars, all of which are current liabilities.

Credit Risk

Financial instruments which potentially subject the group to credit risk consist primarily of short term securities and cash deposits, investments in listed resource companies, trade debtors and certain non current assets.

No collateral is required by the group to support financial instruments subject to credit risk. The group places its cash and short-term investments with and through financial institutions with the intention of limiting the amount of credit exposure to any one financial institution.

In New Zealand there is a concentration of credit risk in respect of trade debtors for petroleum sales. All oil extracted from the Ngatoro field is presently sold to Fletcher Challenge Energy Taranaki Limited under a term contract.

Most gas sales from the Tubridgi field are to AlintaGas and Alcoa of Australia Limited.

Investments in shares are generally restricted to companies listed on a stock exchange.

The group has no reason to believe credit losses will arise from any of the above financial instruments. However, the maximum amount of loss which may possibly be realised, is the carrying value of the financial instrument.

Fair Values

The carrying amount of short term securities and cash deposits, trade debtors and creditors and borrowings approximates fair value due to the short maturity of these instruments. Adequate provision is held in respect of trade debtors.

Estimated fair values, based upon net realisable value, of the group's remaining financial instruments at 30 June are as follows:

	2000 Carrying Value \$'000	1999 Fair Value \$'000	2000 Carrying Value \$'000	1999 Fair Value \$'000
Consolidated				
Investments in listed resource companies	2,514	2,179	2,519	3,133
Security deposits	370	370	472	472
Investment in unlisted resource companies	1,760	1,760	1,760	1,760
Parent Company				
Investments in listed resource companies	2,514	2,179	2,519	3,133
Investment in unlisted resource companies	880	880	880	880

Interest Rate Risk

The interest rate spread and the contractual maturity dates of the group's short term securities and cash deposits are as follows:

	Maturity Date	Interest Rate
Short Term Securities and Cash Deposits:		
Bank and cash on deposit	At call	5.84% to 5.95%
Security deposits	July 2000 to October 2001	2.9% to 6.7%

All other financial instruments are non-interest bearing.

Notes to the financial statements (continued)

16. Taxation

	Consolidated		Parent Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
a) Income tax expense				
Operating (deficit)/surplus before taxation	(14,084)	1,306	(11,315)	(301)
Income tax (benefit)/expense at 33%	(4,648)	431	(3,734)	(99)
Adjusted for tax effect of:				
Net timing differences not recognised	4,701	(1,043)	3,734	99
Permanent differences	14	(8)	–	–
Benefit of tax losses of prior years recouped	–	(212)	–	–
Difference in foreign tax rates	34	(76)	–	–
Income tax benefit/(expense) on operating surplus before tax items	101	(908)	–	–
Item of income tax relating to prior periods	(100)	2,089	–	–
	1	1,181	–	–
Add income tax under provided in prior year	–	311	–	–
Income tax expense attributable to operating surplus	1	1,492	–	–
Income tax expense attributable to operating surplus is made up of:				
Deferred income tax provision-prior period	–	2,949	–	–
Future income tax benefit-prior period	–	(860)	–	–
	–	2,089	–	–
Deferred income tax provision-current period	6	(837)	–	–
Future income tax benefit-current period	(5)	(71)	–	–
Under provision in prior year	–	311	–	–
	1	1,492	–	–
b) Deferred taxation				
Opening balance	2,548	–	–	–
Movement during the year	6	2,548	–	–
Exchange movement during the year	96	–	–	–
Closing balance	2,650	2,548	–	–
c) Future income tax benefit				
Opening balance	990	–	–	–
Provision for restoration and accrued employee entitlements not currently deductible	–	990	–	–
Movement during the year	5	–	–	–
Exchange rate movement during the year	37	–	–	–
Closing balance	1,032	990	–	–
d) Future income tax benefit not taken into account				
Taxation losses not recognised	(58,685)	(50,790)	(25,449)	(23,865)

Notes:

- (i) The taxation losses carried forward at 30 June 2000 of \$58,685,000 (1999: \$50,790,000) are available to various companies within the group and are conditional on the group continuing to meet the loss carry forward requirements of New Zealand and Australian tax legislation. Of the taxation losses carried forward as 30 June 2000 – \$11,345,000 (1999: \$5,740,000) is attributable to Pan Pacific.
- (ii) The taxation losses above include timing differences of \$8,538,000 (1999: \$9,546,000) primarily relating to exploration, evaluation and development expenditures of which will become deductible upon relinquishment of the licence area, sealing and abandonment of a well, or upon commencement of commercial production from a discovery.

17. Related Party Disclosures

Except for the information disclosed in Notes 2, 4, 8, 10, 14, 18 and 21 there were no material transactions with related parties during the year and no material balances due to or from related parties at balance date.

18. Employee Share Ownership Plan

	Consolidated		Parent Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Investments and advances to associate company and trustee of employee share ownership plans:				
Investment in associate company	2,719	2,451	2,719	2,451
Advance to associate company	216	1,463	216	1,463
	<u>2,935</u>	<u>3,914</u>	<u>2,935</u>	<u>3,914</u>

(a) Description of Employee Share Ownership Plan

The Company operates an employee share ownership plan under which NZOG Nominees Limited ("Nominees") holds as Custodian and Trustee of several trusts, ordinary fully paid NZOG shares for the benefit of NZOG group employees.

The Trusts were established in 1989 and Nominees holds 7,424,609 (1999: 9,094,000) NZOG shares and 4,246,000 NZOG options (1999: 4,327,000) for the benefit of employees.

The NZOG Board nominates employees who can participate in the ESOP and determines the acquisition price of the shares which is at a premium to market value of the shares at the date of granting options to employees.

The number of NZOG shares and NZOG options held are as follows:

	2000 Number 000's	1999 Number 000's
NZOG Options:		
Allocated	902	1,190
Unallocated	<u>3,344</u>	<u>3,137</u>
	<u>4,246</u>	<u>4,327</u>
NZOG Shares:		
Allocated	2,559	2,380
Unallocated	<u>4,866</u>	<u>6,714</u>
	<u>7,425</u>	<u>9,094</u>
As a percentage of total reported capital	6.4%	8.6%

Other than the above allocations no shares are subject to put or call options, nor are the NZOG shares and NZOG options used as security for borrowings by the NZOG group.

(b) Investment in the Trustee of the ESOP

NZOG group has subscribed to redeemable preference shares in Nominees. The subscribed shares of \$3,750,000 can be redeemed upon NZOG giving 60 days notice, from uncommitted funds held by Nominees from exercise of options or other available sources which the Board of Nominees determines is reasonably available. No demand for redemption has been made and the shares are still on issue at balance date.

Notes to the financial statements (continued)

(c) Advances to the Trustee of the ESOP

Advances of \$216,000 (1999: \$1,463,000) have been made by the NZOG group to Nominees at a market rate of interest and are repayable on demand. No demand for repayment of these advances has been made and the advances are still owing at balance date.

(d) Control

The Trustee and Custodian of the ESOP is Nominees, an associate company of NZOG. Voting rights attaching to 6,698,701 shares held by the ESOP are exercisable by the Trustee/Custodian and 725,908 are exercisable by employees.

(e) Financial Position and Performance of the ESOP

	2000 \$'000's	1999 \$'000's
(i) Financial Position		
Employee contributions	(275)	(171)
Assets		
NZOG Shares and NZOG options held	4,300	5,338
Less provision for diminution in value	(1,645)	(1,645)
	2,655	3,693
Bank	27	147
Debtors	–	73
	2,682	3,913
Less Liabilities		
Advances due to the Trustee	(4,404)	(5,385)
Creditors	(7)	–
	(4,411)	(5,385)
Net Assets (Deficit)	(2,004)	(1,643)
(ii) Cost of NZOG Shares and NZOG Options		
NZOG Options:		
Allocated	30	36
Unallocated	97	94
	127	130
NZOG Shares:		
Allocated	1,344	1,300
Unallocated	2,829	3,908
	4,173	5,208
	4,300	5,338
Assets		
Market value of NZOG shares and NZOG options held		
NZOG Options:		
Allocated	27	83
Unallocated	100	220
	127	303
NZOG Shares:		
Allocated	640	785
Unallocated	1,216	2,216
	1,856	3,001
	1,983	3,304

(e) Financial Position and Performance of the ESOP (continued)

	2000 \$'000's	1999 \$'000's
Less Liabilities		
Advances due to the Trustee/Custodian	(4,404)	(5,385)
Creditors	(7)	–
	<u>(4,411)</u>	<u>(5,385)</u>
(Deficit) based on market value at balance date	<u>(2,428)</u>	<u>(2,081)</u>

At the date of this report the total market value of NZOG shares and NZOG options held was \$2,779,000 based on an NZOG share price of \$0.34 and an NZOG option price of \$0.06.

(iii) Financial Performance

Interest income	7	4
Interest expense	–	190
Management fee	10	5
Legal fees	26	–
Loss on sale of securities	161	–

Certain administration expenses of the ESOP are paid for by the Trustee.

The ESOP financial statements are unaudited.

19. Geographical Segments

	New Zealand		Australia		Consolidated	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Sales revenue (gross)	5,662	2,887	11,841	11,734	17,503	14,621
Net (deficit)/surplus for the year	(5,767)	3,611	(4,981)	(2,175)	(10,748)	1,436
Total assets	37,570	38,575	21,094	28,153	58,664	66,728

The Company operates predominantly in the petroleum and coal industry in New Zealand and the petroleum industry in Australia.

20. Commitments and Contingencies

As a result of NZOG being party to a contract with Otter Gold Mines Ltd and certain of its subsidiaries ("Otter") in securing the services of the then chief executive of both companies, and the actions of Otter in terminating those services in part, the NZOG group has certain claims against Otter; further, it has yet to be determined whether or to what extent the company or group may be called to contribute to claims arising out of Otter's actions. These various matters are to be determined by arbitration. At this stage it is considered that the NZOG group's liability, if any, is not capable of being quantified.

NZOG group has contractual commitments and contingent liabilities in respect of various exploration and production joint ventures, employees and office leases. Security deposits of \$370,000 (1999: \$472,000) could be subject to forfeiture if licence work programme commitments are not met.

Capital expenditure commitments at balance date were not material (1999: \$960,000)

Australian subsidiary Pan Pacific Petroleum NL ("Pan Pacific") is party to a claim in the Western Australia Supreme Court under a contract relating to gas deliveries from the Griffin field to the Tubridgi project. A judgement in favour of Pan Pacific is subject to appeal. The initial extent of the claim is a contingent gain of \$772,000. A further, similar amount may be claimed in due course.

Pan Pacific is contingently liable to undertake field facility-related restoration works, possibly of \$1,093,000 (1999: \$1,054,000) in addition to the restoration provision of \$2,070,000 accrued as a current liability at 30 June 2000. It is considered unlikely that the contingent sum will be crystallised.

In accordance with normal accounting requirements none of the above commitments and contingencies have been provided for in the financial statements.

Notes to the financial statements (continued)

21. Subsidiary Companies and Group Interests of the New Zealand Oil & Gas Limited Group

Wholly Owned Subsidiary Companies

ANZ Resources Pty Limited	(i)	Oil Holdings Limited
Australia and New Zealand Petroleum Limited		Petroleum Equities Limited
Australia & New Zealand Petroleum Limited	(i)	Petroleum Resources Limited
Curdrige Investments Limited		Resource Equities Limited
National Petroleum Limited		Stewart Petroleum Company Limited
Nephrite Enterprises Limited		
NZOG Services Limited (formerly NZOG Investments Limited)		

		Group Interest	
		2000	1999
		%	%
Partly Owned Subsidiaries			
Pike River Coal Company Limited		75.00	100.00
Pan Pacific Petroleum NL (group)	(i)	57.86	57.86
Associate Companies			
NZOG Nominees Limited		50.00	50.00
Mineral Holdings Limited		–	50.00

The following wholly owned subsidiaries were amalgamated into an NZOG wholly owned subsidiary on 30 June 2000:

Altan Petroleum Limited
 ANZ Petroleum Limited
 Auroa Petroleum Limited
 Darlot Enterprises Limited
 Mahoenui Petroleum Limited
 NZOG Services Limited
 Oil Fields Limited
 Pakawau Oil & Gas Limited
 Petroleum Royalties Limited

Notes:

- (i) Australian registered company.
 (ii) All subsidiary and associate companies have balance dates of 30 June and are involved in the petroleum and coal exploration industry.

22. Earnings Per Share

	2000	1999
	Cents	Cents
Basic earnings per share	(9.7)	1.4
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	110,906,571	106,281,071
Diluted earnings per share	(3.9)	2.3
Weighted average number of ordinary shares and options outstanding during the year used in the calculation of diluted earnings per share	191,110,817	186,485,317

Audit Report



AUDIT REPORT TO THE SHAREHOLDERS OF NEW ZEALAND OIL & GAS LIMITED

We have audited the financial statements on pages 7 to 26. The financial statements provide information about the past financial performance and financial position of the company and group as at 30 June 2000. This information is stated in accordance with the accounting policies set out on pages 11 to 14.

Directors' responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company and group as at 30 June 2000 and the results of their operations and cash flows for the year ended on that date.

Auditors' responsibilities

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

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm carries out other assignments for the company and its subsidiaries in the area of accounting and taxation advice. The firm has no other interest in the company or any of its subsidiaries.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 7 to 26:
 - comply with New Zealand generally accepted accounting practice;
 - give a true and fair view of the financial position of the company and group as at 30 June 2000 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 12 September 2000 and our unqualified opinion is expressed as at that date.

A handwritten signature in cursive script, appearing to read 'KPMG.', located below the printed KPMG logo.

Wellington

Shareholder and Other Information

Corporate Governance Statement

This statement outlines the main corporate governance practices that were in place during the financial year unless otherwise stated.

Board of Directors and its Committees

The board is responsible for the overall corporate governance of the company including the strategic direction, determination of policy and matters of finance, approval of contracts and expenditures and monitoring of management's achievement of the board's instructions. Each director has the right to seek independent professional advice in relation to matters arising in the conduct of his duties, at the company's expense, subject to prior approval of the chairman, which is not to be unreasonably withheld. The board has established two committees to assist in the execution of its responsibilities.

Name	Position	Expertise
Mr R A Radford, ACA(NZ)	executive chairman and managing director	resource company management
Prof R F Meyer, ONZM, BE, PhD, DistFIPENZ	deputy chairman (non-executive)	engineering and energy
Mr P G Foley, BCA, LIB	non-executive	legal
Mr S J Rawson, BSc, MSc	non-executive	energy
Mr A K R Watson, AM, FAIBF	non-executive	banking and finance

Prof. Meyer was appointed to the board on 3 February 2000 and Messrs Foley and Rawson were appointed 3 July 2000. During the year Messrs Frankham and Liddle resigned from the board (31 January and 30 June 2000, respectively).

Audit Committee

The terms of reference of the audit committee as approved by the board of directors are:

- the committee is to be chaired by a non-

executive director and comprise the entire board;

- a quorum of two is required;
- to ensure that the requirements of the board for full and appropriate reporting by the company are in accordance with financial reporting legislation, generally accepted accounting practice and stock exchange listing requirements;
- to review the adequacy of administrative, operating and accounting control systems maintained by management and monitor their appropriateness;
- to provide an avenue of communication between auditors and the board, in particular in relation to matters which relate to financial reporting and require consideration by the directors;
- to act as a delegate of the board on financial reporting issues;
- the external auditors are invited to audit committee meetings at the discretion of the committee and also have direct access to the committee chairman.

The present chairman of the committee is Prof. R F Meyer.

Remuneration Committee

The terms of reference as approved by the board of directors are:

- the committee is to be chaired by a non-executive director and comprised of a majority of non-executive directors;
- to approve the remuneration and employment terms and conditions of the chief executive;
- to approve allocations of shares and options to group staff under the company's employee share plan and advise the Trustee/Custodian accordingly;
- to recommend to the board, any amendments to the employee share plan;

- to review submissions from the chief executive on conditions of employment, performance and remuneration of staff of group companies.

The present chairman of the remuneration committee is Prof. Meyer. The other members are Messrs P G Foley and A K R Watson.

Health, Safety and Environment Policy

NZOG has adopted the following health, safety and environment policy:

- NZOG board, management and employees are committed to providing a safe and healthy workplace and environment for all employees, visitors and the general public.
- embracing occupational safety and health and environmental protection and preservation as cornerstones of our OSH&E management philosophy, NZOG shall through: competent engineering practice, training, risk identification, assessment and control process, address hazard, incident and injury prevention and conservation of the environment with equal priority to its objective of discovering and producing petroleum.
- resources commensurate with this priority shall be made available to comply as a minimum with all relevant legislation to ensure that safety in design, safe systems and places of work are maintained to high oil industry standards and that all reasonable steps are taken to ensure no individual or the environment is placed in a situation of endangerment.
- as the development and maintenance of a safe work environment is recognised as both the individual and shared responsibility of all NZOG employees, commitment to this achievement shall include joint consultation.
- this OSH&E management policy is based on a commitment that the well-being of all

associated personnel is a major consideration of all operations and exploration activity. People and the environment are the most important asset of the future.

Statutory and Other Information

Directors' Remuneration

The total remuneration and other benefits to directors for services to all group companies (including payments made by partly owned and wholly owned subsidiary companies) in all capacities during the year ended 30 June 2000 was \$451,241 being to or in respect of Messrs R A Radford \$354,456; A K R Watson \$47,930; AN Frankham (retired) \$32,120 (including retirement benefit of \$9,235 and special remuneration for additional services of \$5,000), P Liddle (retired) \$3,990 and R F Meyer \$12,745.

The aggregate amount accrued by the company to provide retirement benefits to non-executive directors was \$10,125 at 30 June 2000.

In addition to disclosures made above in respect of directors' remuneration, the following entries were made during the year ended 30 June 2000 in the Interests Register maintained by NZOG:

- (i) Remuneration. On 24 August 1999, Mr Radford's employment contract was extended to 30 June 2003, with NZOG acting as a co-guarantor with Otter Gold Mines Limited.
- (ii) Indemnity. In keeping with usual practice a deed of indemnity was granted to Prof. Meyer upon his being appointed a director of the company (effective 3 February 2000).

Employees' Remuneration

During the year ended 30 June 2000, three group employees (not including directors) received remuneration (including payments

Shareholder and Optionholder Information (Continued)

made by partly owned and wholly owned subsidiary companies) of at least \$100,000, one employee being in each of the following income bands: \$160,000-\$169,999, \$220,000-\$229,999 and \$230,000-\$239,999.

Directors' Securities Interests and Dealings

The interests of directors (and their associates) in equity securities of the company at 30 June 2000 were:

Mr RA Radford and associates (as defined by New Zealand Stock Exchange Listing rules) in respect of 4,270,028 shares and 2,070,878 options.

During the year ended 30 June 2000 the following disclosures of interest by directors were entered into the Interests Register maintained by NZOG.

Acquisition/Disposition of Relevant Interests in Securities of the Company

- (i) During the year, the following changes occurred in respect of Mr R A Radford's relevant interests (as defined by Section 146 Companies Act 1993) in shares of the company: (a) reduction of 7,635,899 shares controlled by a relative, which shares passed to a discretionary trust during or around February 2000 by testamentary disposition; (b) on 30 June 2000, Mr Radford sold at market value A18 cents each 264,700 shares to his wife, Mrs Deirdre Radford (no change in relevant interest); (c) on 18 June 2000 Mr Radford sold at A19 cents each, one million shares to a private superannuation fund over which he exercises some control. On 30 June 2000 the same fund sold 100,000 shares off-market at A19 cents per share to an exiting member of the fund; (d) interests in shares held in the company's ESOP reduced by 400,000 on 11 March 2000 upon expiry of an option; (e) on 17 December 1999, share interests increased through receipt of an in specie dividend of 169,189 NZOG shares from

Otter Gold Mines Ltd, at a deemed value of NZ44 cents each; (f) on 29 July 1999 Mr Radford acquired by salary sacrifice 165,829 shares at NZ37 cents each held on his behalf by NZOG Nominees Limited as Trustee/Custodian of the company's ESOP.

- (ii) On 29 July 1999 Mr Liddle acquired 8,108 NZOG shares at NZ37 cents each.

Transactions in which Directors were interested

Under the general notice provisions of the Companies Act 1993, Mr Liddle advised of his position as director, officer or shareholder in NZOG and subsidiaries, Otter Gold Mines Limited and subsidiaries, Mineral Holdings Limited, Resource Equities Limited and WM Holdings Limited (and subsidiary).

Top 20 Shareholders on the register *as at 12 October 2000*

Name of shareholder	Shareholding	% of Reported Capital
Westpac Nominees NZ Limited	6,780,052	5.9
NZOG Nominees Limited	6,696,701	5.8
ANZ Nominees Limited	3,895,975	3.4
C Chan	2,586,661	2.2
CK Tan	2,194,727	1.9
Radford Resource Holdings Limited	1,194,501	1.0
RA Boas	1,100,000	1.0
Mehasu Pty Ltd	1,048,900	0.9
Estate PA Bradley, GM Robinson & DJ Bradley	1,000,000	0.9
MW Daniel	1,000,000	0.9
Citibank Nominees (NZ) Limited	801,477	0.7
FA & SM Buchler	800,000	0.7
Tyrannus Holdings Ltd	741,100	0.6
CSF Ma	675,625	0.6
RA Radford	667,727	0.6
M Chow and FK Wong	610,000	0.5
Forbar Nominees Limited – A/C 3575	603,364	0.5
HL Lo	500,000	0.4
Song and Wen Holdings Pte Limited	500,000	0.4
OG Maley	500,000	0.4
Held in Treasury		
Resource Equities Limited	17,249,000	
New Zealand Oil & Gas Limited	4,669,200	

Top 20 Optionholders on the register *as at 12 October 2000*

Name of Optionholder	Optionholding	%
NZOG Nominees Limited	4,243,000	7.1
Westpac Nominees NZ Limited	3,228,883	5.4
ANZ Nominees Limited	2,193,788	3.7
JL Hughes	1,270,000	2.1
DL Kerr	1,195,500	2.0
Mehasu Pty Ltd	750,000	1.2
RA Boas	707,700	1.2
CK Tan	668,500	1.1
Estate P A Bradley	560,500	0.9
J Winstone	526,000	0.9
Dragonlyn Pty Limited	500,000	0.8
Amalgamated Dairies Limited	484,850	0.8
J Winstar	475,000	0.8
DL & DG Kerr	404,500	0.7
JE Calvert	400,000	0.7
SP Andrews	351,278	0.6
Hercules Nominees Limited	340,000	0.6
CSF Ma	335,000	0.6
RA Radford	325,294	0.5
JL McGirr	307,000	0.5
Held in Treasury		
Oil Holdings Limited	20,105,262	

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

Shareholder and Optionholder Information (Continued)

Trading Statistics

The company's securities are quoted on the New Zealand and Australian Stock Exchanges.

	NZSE Shares (NOG)*	NZSE Options (NOGOB)*	ASX Shares (NZO)*	ASX Options (NZOO)*
Low – high 12 mths ended 12 Oct 2000	22c–65c	3c–25c	15c–54c	2c–18c
Total volume traded 12 mths ended 12 Oct 2000	39,256,971	33,419,267	14,208,347	4,818,940

*Trading codes

Distribution of Holdings *at 12 October 2000*

Ordinary Shares

Holding	No. of Shareholders	Total Shares
1 –1,000	7,566	3,334,785
1,001– 5,000	4,471	10,989,270
5,001–10,000	1,173	9,668,762
10,001–100,000	1,334	38,660,417
100,001 and over	115	74,797,037
	<hr/> 14,659	<hr/> 137,450,271

2001 Options

Holding	No. of Optionholders	Total Options
1–1,000	6,989	2,990,590
1,001–5,000	2,068	4,777,257
5,001–10,000	377	2,996,898
10,001–100,000	540	18,513,685
100,001 and over	84	50,925,816
	<hr/> 10,058	<hr/> 80,204,246

Substantial Shareholders *as at 12 October 2000*

Name of Shareholder	Shareholding	%
Resource Equities Limited	17,249,000	12.5
New Zealand Oil & Gas Limited*	13,323,200	9.7
NZOG Nominees Limited	8,654,000	6.3
Radford Resource Holdings Limited	7,631,610	5.6

*This incorporates NZOG's treasury stock of 4,669,200 shares and NZOG Nominees Limited holding of 8,654,000 shares.

The above substantial shareholder notices were received pursuant to the Securities Amendment Act 1988. Under the provisions of that Act more than one party can hold an interest in the same shares.

Takeover Provisions

The constitution of the company contains standard "notice and pause" provisions under New Zealand Stock Exchange Listing Rules, in respect of acquisition of shares in the company. The acquisition of interests in shares of NZOG's listed Australian subsidiary, Pan Pacific Petroleum NL (either directly, or via the holding of share interests in NZOG) are governed by the Australian Corporations Law.

CORPORATE DIRECTORY

Directors

R A Radford ACA, NZ, executive chairman and managing director

R F Meyer ONZM, BE, PhD, DistFIPENZ deputy chairman

P G Foley BCA, LIB

S J Rawson BSc, MSc

A K R Watson AM FAIBF

Management

R A Radford Chief Executive

E R Matthews PhD, MSc, Bsc, exploration manager

G A Ward BBS, CA (NZ), finance manager

Registered and Head Office

6th Floor, Tower 2
Shortland Centre
55 Shortland Street
PO Box 3198
Auckland, New Zealand
Telephone: 64 9 300 5495
Facsimile: 64 9 300 5499

Sydney Branch Office

3rd Floor
76 Berry Street
North Sydney, NSW 2060
Telephone: 61 2 9957 2177
Facsimile: 61 2 9925 0564

Auditors

KPMG
KPMG Centre,
135 Victoria Street
Wellington, New Zealand

SHAREHOLDER INFORMATION

For information on number of shares or options held, holding statements and changes of address contact the registrars:

New Zealand

BK Registries
PO Box 384
138 Tancred Street
Ashburton, New Zealand
Telephone: 64 3 308 8887
Facsimile: 64 3 308 1311

Australia

Registries Limited
PO Box R67, Royal Exchange
Sydney NSW 1223
Telephone: 61 2 9279 0677
Facsimile: 61 2 9279 0664

For company information contact the Company:

Toll free 0800-000-594 (within New Zealand) or (02) 9957 2177 (within Australia)

Website: www.nzo.co.nz

Shareholders are encouraged to receive company announcements directly via Internet. To do so, please send us your e-mail address. This can be done at NZOG's website www.nzo.co.nz (click on "Subscribe to our mailing list").