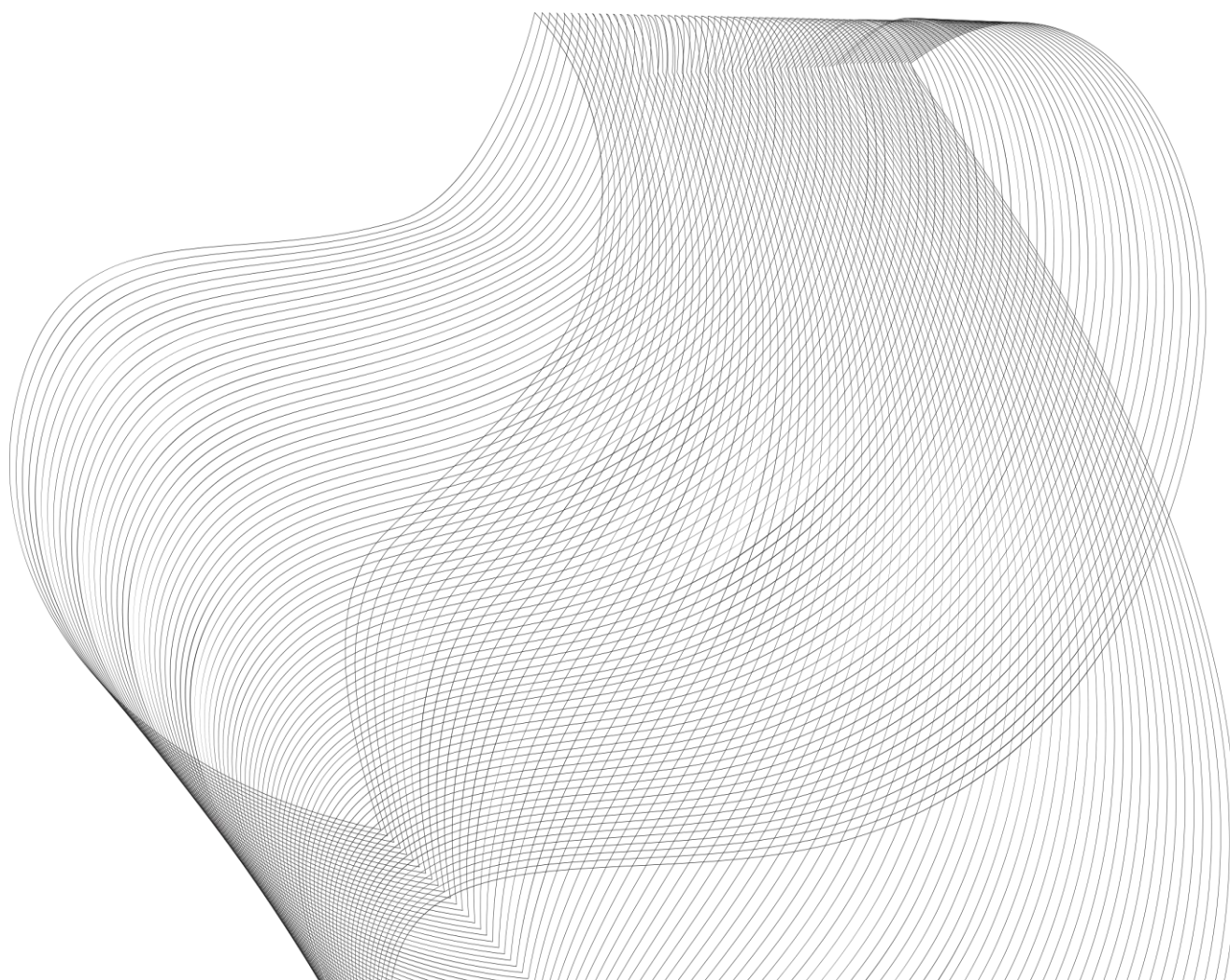


CONDENSED AND CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 31 December 2021



New Zealand Oil & Gas Limited
Condensed Financial Statements

Condensed Statement of Cash Flows
For the half year ended 31 December 2021

| | Unaudited Half Year 31 Dec 2021 | Unaudited Half Year 31 Dec 2020 | Audited Full Year 30 Jun 2021 |
|--|--|--|--|
| \$000 | | | |
| Cash flows from operating activities | | | |
| Customer receipts | 30,199 | 15,931 | 32,369 |
| Production and marketing payments | (11,457) | (5,262) | (10,927) |
| Supplier and employee payments (inclusive of GST) | (6,953) | (5,438) | (9,779) |
| Interest received | 42 | 100 | 132 |
| Income tax paid | (2,181) | (2,169) | (4,334) |
| Royalties paid | (928) | (804) | (1,831) |
| Other | (1,812) | (26) | 409 |
| Net cash inflow from operating activities | 6,910 | 2,332 | 6,039 |
| Cash flows from investing activities | | | |
| Exploration and evaluation expenditure | (2,023) | (11,847) | (33,354) |
| Oil and gas asset expenditure | (5,349) | (3,346) | (5,288) |
| Prospects acquired (net of cash) | (33,291) | - | - |
| Deferred consideration paid | (3,128) | - | - |
| Property, plant and equipment expenditure | (6) | (236) | (75) |
| Net cash outflow from investing activities | (43,797) | (15,429) | (38,717) |
| Cash flows from financing activities | | | |
| Lease liabilities principal element payments | (120) | (144) | (273) |
| Net cash outflow from financing activities | (120) | (144) | (273) |
| Net (decrease)/increase in cash, cash equivalents | (37,007) | (13,241) | (32,951) |
| Cash and cash equivalents at the beginning of the period | 70,759 | 110,754 | 110,754 |
| Exchange rate effects on cash, cash equivalents and funds held in escrow | (308) | (7,743) | (7,044) |
| Cash, cash equivalents at end of the period | 33,444 | 89,770 | 70,759 |

Samuel Kellner
Chairman

Rosalind Archer
Director

Authorised on behalf of the New Zealand Oil & Gas Limited Board of Directors on 24 February 2022

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

New Zealand Oil & Gas Limited
Condensed Financial Statements

Condensed Statement of Comprehensive Income
For the half year ended 31 December 2021

| \$000 | Notes | Unaudited Half Year 31 Dec 2021 | Unaudited Half Year 31 Dec 2020 | Audited Full Year 30 Jun 2021 |
|--|-------|---|--|--|
| Revenue | 4 | 32,988 | 15,994 | 36,007 |
| Operating expenses | | (8,486) | (5,033) | (10,359) |
| Exploration and evaluation revenues/(costs) | 8 | 547 | (31,427) | (35,417) |
| Other revenue | | 254 | 638 | 887 |
| Other expenses | | (8,044) | (6,549) | (13,134) |
| Profit/(loss) from operating activities excluding amortisation and net finance loss | | 17,259 | (26,377) | (22,016) |
| Amortisation of production assets | | (5,587) | (3,688) | (6,506) |
| Net finance loss | | (598) | (7,358) | (6,913) |
| Profit/(loss) before income tax and royalties | | 11,074 | (37,423) | (35,435) |
| Income tax benefit/(expense) | | 6,068 | (3,904) | (5,989) |
| Royalties expense | | (1,430) | (931) | (1,838) |
| Profit/(loss) for the period | | 15,712 | (42,258) | (43,262) |
| Profit/(loss) for the period attributable to: | | | | |
| Profit/(loss) attributable to shareholders | | 11,496 | (34,327) | (36,435) |
| Profit/(loss) attributable to non-controlling interest (NCI) | | 4,216 | (7,931) | (6,827) |
| Profit/(loss) for the period | | 15,712 | (42,258) | (43,262) |
| Other comprehensive profit/(loss): | | | | |
| Items that may be classified to profit or loss: | | | | |
| Foreign currency translation reserve (FCTR) differences | | 792 | (1,203) | (1,245) |
| Asset revaluation reserve | | 1,075 | 935 | 1,144 |
| Total other comprehensive profit/(loss) for the period | | 17,579 | (42,526) | (43,363) |
| Total comprehensive profit/(loss) for the period is attributable to: | | | | |
| Equity holders of the Group | | 13,086 | (34,072) | (35,952) |
| Non-controlling interest | | 4,493 | (8,454) | (7,411) |
| Total comprehensive profit/(loss) for the period | | 17,579 | (42,526) | (43,363) |
| Earnings/(loss) per share | | | | |
| Basic earnings/(loss) per share (cents) | | 6.8 | (20.5) | (21.7) |
| Diluted earnings/(loss) per share (cents) | | 6.6 | (19.9) | (21.7) |

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

New Zealand Oil & Gas Limited
Condensed Financial Statements

Condensed Statement of Financial Position
For the half year ended 31 December 2021

| \$000 | Notes | Unaudited Half Year 31 Dec 2021 | Audited Full Year 30 Jun 2021 |
|--|-------|---|--|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 33,444 | 70,730 |
| Funds held in escrow | | - | 29 |
| Receivables and prepayments | | 11,981 | 9,144 |
| Inventories | | 4,078 | 1,137 |
| Right of use assets | | - | 151 |
| Total current assets | | 49,503 | 81,191 |
| Non-current assets | | | |
| Exploration and evaluation assets | 8 | 1,202 | - |
| Oil and gas assets | 9 | 150,097 | 53,477 |
| Property, plant and equipment | | 206 | 173 |
| Right of use assets | | 524 | 330 |
| Other intangible assets | | 2,953 | 1,875 |
| Deferred tax asset | 6 | 6,846 | - |
| Other financial assets | | 6,363 | 6,276 |
| Total non-current assets | | 168,191 | 62,131 |
| Total assets | | 217,694 | 143,322 |
| Liabilities | | | |
| Current liabilities | | | |
| Payables | 11 | 8,123 | 7,283 |
| Lease provision | | 272 | 215 |
| Contract liabilities | 5 | 5,217 | - |
| Deferred consideration | 7 | 25,368 | - |
| Current tax liabilities | | 3,259 | 2,164 |
| Total current liabilities | | 42,239 | 9,662 |
| Non-current liabilities | | | |
| Rehabilitation provision | 10 | 42,759 | 26,088 |
| Contract liabilities | 5 | 5,439 | - |
| Deferred consideration | 7 | 4,250 | - |
| Lease provision | | 279 | 282 |
| Deferred tax liability | 6 | 945 | 3,391 |
| Total non-current liabilities | | 53,672 | 29,761 |
| Total liabilities | | 95,911 | 39,423 |
| Net assets | | 121,783 | 103,899 |
| Equity | | | |
| Share capital | | 211,901 | 211,901 |
| Reserves | | 6,756 | 4,961 |
| Retained earnings | | (105,947) | (117,543) |
| Attributable to shareholders of the Group | | 112,710 | 99,319 |
| Non-controlling interest in subsidiaries | | 9,073 | 4,580 |
| Total equity | | 121,783 | 103,899 |
| Net asset backing per share (cents) | | 73.0 | 61.9 |
| Net tangible asset backing per share (cents) | | 67.0 | 60.8 |

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

Condensed Statement of Changes in Equity
For the half year ended 31 December 2021

| \$000 | Share capital | Reserves | Retained earnings | Total | Non-controlling interest | Total equity |
|---|----------------|--------------|-------------------|----------------|--------------------------|----------------|
| Balance as at 1 July 2020 | 211,901 | 4,111 | (80,445) | 135,567 | 11,991 | 147,558 |
| (Loss) for the year | - | - | (36,435) | (36,435) | (6,827) | (43,262) |
| Foreign currency translation differences | - | (661) | - | (661) | (584) | (1,245) |
| Share based compensation expense | - | 367 | - | 367 | - | 367 |
| Asset revaluation reserve | - | 1,144 | (663) | 481 | - | 481 |
| Audited balance as at 30 June 2021 | 211,901 | 4,961 | (117,543) | 99,319 | 4,580 | 103,899 |
| Profit for the period | - | - | 11,496 | 11,496 | 4,216 | 15,712 |
| Foreign currency translation differences | - | 515 | - | 515 | 277 | 792 |
| Share based compensation expense | - | 305 | - | 305 | - | 305 |
| Exercised and expired ESOP (i) awards | - | (100) | 100 | - | - | - |
| Asset revaluation reserve | - | 1,075 | - | 1,075 | - | 1,075 |
| Unaudited balance as at 31 December 2021 | 211,901 | 6,756 | (105,947) | 112,710 | 9,073 | 121,783 |

(i) Employee Share Ownership Plan

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

1 Basis of accounting

Reporting entity

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

The condensed and consolidated interim financial statements (financial statements) presented as at and for the half year ended 31 December 2021 are for NZO, its subsidiaries and the interests in associates and jointly controlled operations.

The ultimate parent company is O.G.Oil & Gas (Singapore) Pte. Limited ("OGOG"), a company incorporated in Singapore, which is a subsidiary and part of the O.G. Energy Holdings Ltd. ("OGE") Group.

These financial statements do not include all the notes normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021.

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current reporting period.

Basis of preparation

The financial statements for the half year ended 31 December 2021 have been prepared in accordance with New Zealand Generally Accepted Accounting Practices (NZ GAAP) and NZ IAS 34 Interim Financial Reporting, as appropriate for profit oriented entities.

Going Concern

These financial statements have been prepared on the going concern basis which assumes that the Group will have sufficient cash to pay its debts as they fall due for a minimum of 12 months from the date of signing the financial statements.

As a result of the Group's recent Amadeus Basin acquisition (refer note 7) and the associated capital commitments (refer note 13), NZO's cashflow forecast shows that the cash balance falls below zero in the next financial year, although it is expected to be positive in 2024. The NZO Board of Directors has taken action to resolve the potential cash shortfall by starting a process to review funding options. As such the Board has established that there will be sufficient cash flows generated from operating and financing activities to meet the obligations of the Group, for at least 12 months from signing of the financial statements.

2 Critical accounting estimates and judgements

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

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

- Recoverability of the deferred tax asset, assessment of the ability of entities in the Group to generate future taxable income (refer to note 6).
- Identification of assets and liabilities acquired under a business combination and the associated fair values (refer to note 7).
- Recoverability of exploration and evaluation assets and oil and gas assets. Assessment includes future commodity prices, future cash flows, an estimated discount rate and estimates of reserves. Management performs an assessment of the carrying value of investments at each reporting date and considers objective evidence for impairment on each investment taking into account observable data on the investment, the fair value, the status or context of capital markets, its own view of investment value and its long term intentions (refer to notes 8 and 9).
- Provision for rehabilitation obligations includes estimates of future costs, timing of required rehabilitation and an estimated discount rate (refer to note 10).

2 Critical accounting estimates and judgements (continued)

In March 2020, the World Health Organisation declared the outbreak of coronavirus (COVID-19) as a pandemic. COVID-19 has caused ongoing volatility and uncertainty around the breadth and duration of business disruption in both domestic and international markets. As a consequence of the pandemic, demand for products and commodity prices have fluctuated and costs associated with exploration and development projects are increasing.

3 Segment information

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

As part of the acquisition of the Amadeus Basin assets, refer to note 7, the Group's reporting segments have been reassessed.

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

Kupe oil & gas field (Kupe): Development, production and sale of natural gas, liquified petroleum gas (LPG) and condensate (light oil), located in the offshore Taranaki Basin, New Zealand.

Amadeus Basin oil & gas fields (from 1 October 2021): Comprising of NZO's share of the Mereenie oil and gas field, Palm Valley gas field and Dingo gas field, all located in the Amadeus Basin in Australia. Cue Energy Resources Limited's ("Cue") participating interest of the Amadeus Basin assets are included in the Cue segment below.

Oil & gas exploration (to 30 June 2021): Includes exploration and evaluation of hydrocarbons in the offshore Taranaki Basin New Zealand, offshore Canterbury Basin New Zealand, offshore Carnarvon Basin Australia and several locations in Indonesia. This segment is not required after 30 June 2021 due to minimal exploration activities outside of production assets.

Cue Energy Resources Limited: The Group acquired a controlling interest in Cue during the 2015 financial year and from 1 October 2021 this segment includes Cue's participating interest in the Amadeus Basin assets.

Other and Unallocated: Unallocated items comprise corporate assets, corporate overheads, M&A expenditure, and income tax assets and liabilities. From 1 July 2021 remaining exploration expenditure is included in this segment.

| Unaudited Half year to 31 December 2021 \$000 | Kupe oil & gas field | Amadeus Basin oil & gas fields | Other & unallocated | Cue Energy Resources Ltd | Total |
|---|-------------------------|--------------------------------------|------------------------|-----------------------------------|----------------|
| Sales to external customers - NZ | 6,005 | - | - | - | 6,005 |
| Sales to external customers - other countries | 1,303 | 6,789 | - | 18,891 | 26,983 |
| Total sales revenue | 7,308 | 6,789 | - | 18,891 | 32,988 |
| Other income | - | 1 | 253 | - | 254 |
| Total revenue and other income | 7,308 | 6,790 | 253 | 18,891 | 33,242 |
| Segment result | 4,256 | 2,952 | (5,614) | 10,078 | 11,672 |
| Other net finance expense | | | | | (598) |
| Profit before income tax and royalties | | | | | 11,074 |
| Income tax and royalties expense | | | | | 4,638 |
| Profit for the period | | | | | 15,712 |
| Segment assets | 29,079 | 68,217 | - | 53,751 | 151,047 |
| Unallocated assets | | | | | 66,647 |
| Total assets | | | | | 217,694 |
| Included in segment results: | | | | | |
| Depreciation and amortisation expense | 1,774 | 1,214 | 26 | 2,607 | 5,621 |

3 Segment information (continued)

| Unaudited Half year to 31 December 2020 \$000 | Kupe oil & gas field | Oil & gas exploration | Other & unallocated | Cue Energy Resources Ltd | Total |
|---|-------------------------|--------------------------|------------------------|-----------------------------------|-----------------|
| Sales to external customers - NZ | 5,164 | - | - | - | 5,164 |
| Sales to external customers - other countries | 733 | - | - | 10,097 | 10,830 |
| Total sales revenue | <u>5,897</u> | <u>-</u> | <u>-</u> | <u>10,097</u> | <u>15,994</u> |
| Other income | - | - | 429 | 209 | 638 |
| Total sales revenue and other income | <u>5,897</u> | <u>-</u> | <u>429</u> | <u>10,306</u> | <u>16,632</u> |
| Segment result | <u>3,076</u> | <u>(20,803)</u> | <u>(3,704)</u> | <u>(8,634)</u> | <u>(30,065)</u> |
| Other net finance (loss)/income | | | | | <u>(7,358)</u> |
| (Loss) before income tax and royalties | | | | | <u>(37,423)</u> |
| Income tax and royalties expense | | | | | <u>(4,835)</u> |
| (Loss) for the period | | | | | <u>(42,258)</u> |
| Segment assets | 30,569 | - | - | 24,311 | 54,880 |
| Unallocated assets | | | | | <u>106,044</u> |
| Total assets | | | | | <u>160,924</u> |
| Included in segment results: | | | | | |
| Depreciation and amortisation expense | 1,820 | - | 81 | 1,876 | 3,777 |

| Audited Full year to 30 June 2021 \$000 | Kupe oil & gas field | Oil & gas exploration | Other & unallocated | Cue Energy Resources Ltd | Total |
|---|-------------------------|--------------------------|------------------------|-----------------------------------|-----------------|
| Sales to external customers - NZ | 10,165 | - | - | - | 10,165 |
| Sales to external customers - other countries | 1,712 | - | - | 24,130 | 25,842 |
| Total sales revenue | <u>11,877</u> | <u>-</u> | <u>-</u> | <u>24,130</u> | <u>36,007</u> |
| Other income | - | - | 671 | 216 | 887 |
| Total sales revenue and other income | <u>11,877</u> | <u>-</u> | <u>671</u> | <u>24,346</u> | <u>36,894</u> |
| Segment result | <u>6,175</u> | <u>(24,245)</u> | <u>(5,952)</u> | <u>(4,500)</u> | <u>(28,522)</u> |
| Other net finance (loss)/income | | | | | <u>(6,913)</u> |
| (Loss) before income tax and royalties | | | | | <u>(35,435)</u> |
| Income tax and royalties expense | | | | | <u>(7,827)</u> |
| (Loss) for the year | | | | | <u>(43,262)</u> |
| Segment assets | 29,828 | - | - | 19,706 | 49,534 |
| Unallocated assets | | | | | <u>93,788</u> |
| Total assets | | | | | <u>143,322</u> |
| Included in segment results: | | | | | |
| Depreciation and amortisation expense | 3,494 | - | 320 | 3,122 | 6,936 |

4 Revenue

(a) Revenue from contracts with customers

| | Unaudited Half Year 31 Dec 2021 | Unaudited Half Year 31 Dec 2020 | Audited Full Year 30 Jun 2021 |
|--|---|--|--|
| \$000 | | | |
| Crude Oil and condensate | 12,262 | 3,721 | 11,936 |
| Natural gas and LPG | 20,726 | 12,273 | 24,070 |
| Total revenue from contracts with customers | 32,988 | 15,994 | 36,007 |

(b) Major Customers

Customers with revenue exceeding 10% of the Group's total hydrocarbon sales revenue are shown below.

| | Unaudited Half Year 31 Dec 2021 | % of sales revenue 31 Dec 2021 |
|----------------|---|--|
| \$000 | | |
| First largest | 6,787 | 20.57% |
| Second largest | 6,699 | 20.31% |
| Third largest | 3,996 | 12.11% |
| Fourth largest | 3,590 | 10.88% |

5 Contract Liabilities

A contract liability is recorded for obligations under sales contracts to deliver natural gas in future periods for which payment has already been received. Under the terms agreed in the SPA in relation to the Amadeus Basin acquisition, the Group agreed to take on the obligation to deliver gas to a third party by December 2023. In exchange for agreeing to take on this obligation, the Group received a reduction in the initial purchase price. As part of the provisional fair value determination this liability has been valued at the current market price for gas in the Amadeus Basin. As gas is delivered, the relevant amount of revenue is transferred to profit or loss and the contract liability is extinguished. Refer to note 7.

| | Unaudited Half Year 31 Dec 2021 | Audited Full Year 30 Jun 2021 |
|-----------------------------------|---|--|
| \$000 | | |
| Current | 5,217 | - |
| Non current | 5,439 | - |
| Total contract liabilities | 10,656 | - |

6 Deferred Tax

During the period ended 31 December 2021, the Group recognised a deferred tax asset of \$10.1 million in respect of previously unrecognised Australian carried forward tax losses. Following the acquisition of the Amadeus Basin assets on 1 October 2021, it has become probable that future taxable profit will allow tax losses to be recovered against future taxable income.

The Group has not recognised a deferred tax asset of \$40.3 million at 31 December 2021 (30 June 2021: \$41 million) relating to carried forward Australian tax losses, as the probability of being able to utilise these is uncertain.

Deferred tax assets and liabilities are disclosed on a net basis in respect of their tax jurisdictions.

7 Business combinations

On 1 October 2021, the Group acquired the Amadeus Basin business with interests in the Mereenie, Palm Valley and Dingo gas and oil fields in the Northern Territory, Australia, from Central Petroleum Limited (ASX: CTP) (Central).

The Group's interests are as follows:

25% interest in the Mereenie gas and oil field (OL4 and OL5 Production Licences)

50% interest in the Palm Valley gas field (OL3 Production Licence)

50% interest in the Dingo gas field (L7 Production Licence)

The ownership interests in the Amadeus Basin joint ventures are as follows:

| | New Zealand Oil & Gas Limited | Cue Energy Resources Limited | Central Petroleum Limited | Macquarie Mereenie Pty Ltd |
|--------------------|--|------------------------------------|---------------------------------|----------------------------------|
| Mereenie | 17.5% | 7.5% | 25.0% | 50.0% |
| Palm Valley | 35.0% | 15.0% | 50.0% | 0.0% |
| Dingo | 35.0% | 15.0% | 50.0% | 0.0% |

NZO has acquired 70% and Cue has acquired 30% of the assets sold by Central.

New companies were incorporated by NZO and Cue to hold the participating interests for each of the assets acquired. The functional currencies of these companies are Australian dollars.

The effective date of the transaction was 1 July 2020. On 1 October 2021 control was obtained when conditions precedent were satisfied or waived, the completion payment was made and legal ownership passed to the Group. The Group has consolidated the companies holding the Amadeus Basin assets from this date. The completion payment comprised a cash payment of Australian dollars \$29 million adjusted for revenues earned and costs incurred during the period from effective date to completion.

(a) Provisional fair value

Details of the Group's interest in the provisional fair value of the assets and liabilities upon acquisition are as follows:

| \$000 | 1 Oct 2021 |
|---|-----------------------|
| Oil and gas production properties | 95,484 |
| Inventory spare parts | 1,156 |
| Cash and cash equivalents | 218 |
| Prepayments | 193 |
| Right-of-use assets | 173 |
| Trade receivables | 12 |
| Lease liabilities | (173) |
| Trade and other payables | (3,922) |
| Contract liabilities | (11,789) |
| Rehabilitation provision | (15,518) |
| Acquisition date fair value of assets acquired and liabilities assumed | 65,834 |
| Representing: | |
| Contractually agreed price | 72,373 |
| Net revenue received | (5,971) |
| Working capital adjustments | (567) |
| Acquisition date fair value of the total consideration transferred | 65,834 |
| Cash used to acquire business: | |
| Acquisition-date fair value of the total consideration transferred | 65,834 |
| Less: deferred consideration | (32,325) |
| Net cash used | 33,509 |

7 Business combinations (continued)

Amounts in the interim financial statements are reported as provisional. The valuation of assets and liabilities identified as part of this process will be finalised following completion of the 31 December 2021 interim financial statements, as work is continuing to assess the underlying fair values of the assets and liabilities. If new information is obtained within one year of the date of acquisition, about facts and circumstances that existed at the date of acquisition that identify adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

As part of the acquisition, the Group assumed an obligation to supply gas to a customer from which Central had received income prior to the Group acquiring its interest in the Amadeus Basin business. The fair value of this obligation is yet to be determined.

(a) Goodwill

Based on the provisional fair value assessment, no goodwill was recognised on the acquisition of the Amadeus Basin business.

(b) Acquisition related costs

Acquisition related costs amounting to \$3.8 million are not included as part of the consideration for the acquisition and have been recognised as transaction costs in the profit and loss statement. Some of these costs were incurred in the prior financial year. These costs include legal, valuation, tax, other consulting costs and the Group's share of stamp duty. Costs exclude internal time writing.

(c) Cash Generating Units

The Amadeus Basin business is comprised of two cash generating units being the Mereenie/Palm Valley and Dingo fields.

(d) Deferred consideration

The acquisition of the Amadeus Basin acquisition included a deferred consideration element being based on the Group's obligation to fund Central's share of exploration, appraisal and development costs to a maximum of Australian dollars \$40 million. The recent completion of 2 new production wells and 4 well recompletions in the Mereenie field is included in the deferred consideration. The Provisional fair value of the contingent consideration on the date of acquisition is \$32.3 million all of which is expected to be settled within eighteen months of the reporting date.

Deferred consideration has been paid since completion, reducing the balance to \$29.6 million at 31 December 2021.

(e) Contribution to Group results

The Amadeus Basin assets contributed revenues of \$9.8 million and net profit before tax of \$4.2 million to the Group from 1 October 2021 to 31 December 2021. The Amadeus Basin assets do not receive any allocations of acquisition costs, corporate overhead, listing or finance costs, all of which are absorbed by the Group's core operations.

For the period 1 July to 31 December 2021, including the Amadeus Basin assets as though the acquisition had occurred at the beginning of the reporting period, the Group proforma revenues and net profit before tax would have been \$41.2 million and \$12.7 million respectively. Past earnings not necessarily being a reflection of future earning capacity.

8 Exploration and evaluation assets

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

Key judgement: recoverability of exploration and evaluation assets

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

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

| | Unaudited Half Year 31 Dec 2021 | Audited Full Year 30 Jun 2021 |
|--|--|--|
| \$000 | 2021 | 2021 |
| Opening balance | - | 6,549 |
| Expenditure capitalised | 1,190 | - |
| Expenditure transferred to oil and gas assets relating to Sampang PSC and Mahato PSC | - | (3,502) |
| Expenditure expensed to profit and loss relating to Ironbark permit | - | (1,622) |
| Revaluation of foreign currency exploration and evaluation assets | 12 | (1,425) |
| Closing balance at end of period | 1,202 | - |

9 Oil and gas assets

| | Unaudited Half Year 31 Dec 2021 | Audited Full Year 30 Jun 2021 |
|--|--|--|
| \$000 | 2021 | 2021 |
| Opening balance | 53,477 | 52,237 |
| Acquisition (i) | 95,484 | - |
| Expenditure capitalised | 4,695 | 6,561 |
| Expenditure transferred from Exploration and evaluation (see note 8) | - | 3,502 |
| Amortisation for the period | (5,587) | (6,506) |
| Revaluation of foreign currency oil and gas assets | 1,794 | (1,618) |
| Rehabilitation provision | 234 | (699) |
| Closing balance at end of period | 150,097 | 53,477 |

(i) On 1 October 2021 the Group acquired assets in the Amadeus Basin. Refer to note 7.

10 Rehabilitation provision

Provisions for rehabilitation have been recognised where the Group has an obligation, as a result of its operating activities, to restore certain sites to their original condition. There is uncertainty in estimating the timing and amount of the future expenditure. The provision is estimated based on the present value of the expected expenditure. The discount rate used is the risk-free interest rate obtained from the country related to the currency of the expected expenditure. In the current reporting period, the discount rates used to determine the provision ranged from 1.66% to 3.14%. The initial provision and subsequent re-measurement are recognised as part of the cost of the related asset. The unwind of the discount is recognised in finance costs in profit and loss.

| | Unaudited Half Year 31 Dec | Audited Full Year 30 Jun |
|--|----------------------------------|--------------------------------|
| \$000 | 2021 | 2021 |
| Carrying amount at start of year | 26,088 | 27,909 |
| Addition in provision recognised | 13 | 137 |
| Addition in provision from acquisition (i) | 15,518 | - |
| Unwind of discount on provision | 338 | 332 |
| Revaluation of foreign currency rehabilitation provision | 802 | (2,290) |
| Closing balance at end of period | 42,759 | 26,088 |

(i) On 1 October 2021 the Group acquired assets in the Amadeus Basin. Refer to note 7.

On 25 November 2021, the NZ Government passed the Crown Minerals (Decommissioning and Other Matters) Amendment Act 2021, addressing issues around decommissioning costs and obligations of all oil and gas fields. This Act makes petroleum permit and licence holders in NZ, expressly liable for decommissioning costs and requires payments and other forms of security towards future remediation that may be needed to decommission fields, wells, and any infrastructure. The impact of this Act has not yet been fully assessed, as the Kupe and Maari joint ventures have not yet been advised by the Crown what will be required in respect of those fields and assets.

11 Payables

| | Unaudited Half Year 31 Dec | Audited Full Year 30 Jun |
|---|----------------------------------|--------------------------------|
| \$000 | 2021 | 2021 |
| Trade payables | 3,389 | 3,050 |
| Royalties payable | 1,022 | 795 |
| Share of oil and gas interests' payable | 2,698 | 2,318 |
| Other payables | 1,014 | 1,120 |
| Closing balance at end of period | 8,123 | 7,283 |

12 Related party transactions

All transactions and outstanding balances with related parties are in the ordinary course of business on normal trading terms. Any transactions within the Group are eliminated on consolidation.

During the period, NZO and Cue acquired participating interests in the Amadeus Basin assets, see note 7. Certain activities were undertaken by NZO to facilitate the transaction under a Heads of Terms agreement. Ongoing technical services and related activities are provided to Cue under a consultancy services contract. Transactions related to Cue have been eliminated from the Group financial statements.

During the period certain activities were undertaken between the Group and OGE. The inter-group services agreement, which was entered into on 21 June 2019, allows the Group to provide technical services and related activities to OGE. For the period ended 31 December 2021 \$0.3 million (31 December 2020: \$0.4 million) of income has been included in 'Other income' in the profit and loss.

A number of directors are also directors of other companies and any transactions undertaken with these entities have been entered into as part of the ordinary business of the Group. No directors' fees are charged for the three representatives of OGOG who are directors of the Group. Directors' expenses are reimbursed and are not separately disclosed as they are not material.

13 Development commitments and contingent assets and liabilities

(a) Development and exploration expenditure

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. The Group participates in a number of development projects that were in progress at the end of the period. These projects require the Group, either directly or through joint operation arrangements, to enter into contractual commitments for future expenditures. As of 31 December 2021, the Group had exploration well commitments in respect of the Mahato project, Indonesia, of \$4.3 million.

The Group also has committed to exploration and development expenditure as part of the acquisition of the Meerenie, Palm Valley and Dingo fields. At 31 December 2021, the Group's interest in exploration and development expenditure commitments was \$29.1 million in respect of Palm Valley and Dingo deep wells and tie in equipment in addition to Meerenie gas flare recovery and flare tip works. This is the Group's equity share of commitments associated with the Amadeus Basin Permits, excluding the deferred consideration associated with the Central Petroleum purchase agreement, which is reflected in the Statement of Financial Position as deferred consideration and detailed in note 7.

As part of the Amadeus Basin acquisition, the Group has an obligation to pay bonds of \$1.6 million to the Northern Territory Government and the APA Group in Australia. These are expected to be paid before the end of the financial year.

(b) Contingent assets and liabilities

The Directors are not aware of any contingent assets or contingent liabilities as at 31 December 2021.

14 Events occurring after balance date

There are no material events that have occurred after balance date.



Independent Review Report

To the shareholders of New Zealand Oil & Gas Limited

Report on the condensed and consolidated interim financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed and consolidated interim financial statements of New Zealand Oil & Gas Limited ("the company") and its subsidiaries ("the Group") on pages 2 to 14 do not:

- i. present, in all material respects the Group's financial position as at 31 December 2021 and its financial performance and cash flows for the six-month period ended on that date;
- ii. comply with NZ IAS 34 – Interim Financial Reporting.

We have completed a review of the accompanying condensed and consolidated interim financial statements which comprise:

- the condensed statement of financial position as at 31 December 2021;
- the condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for conclusion

A review of condensed and consolidated interim financial statements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of New Zealand Oil & Gas Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Our firm has also provided other services to the Group in relation to taxation compliance and advisory services. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as reviewer of the Group. The firm has no other relationship with, or interest in, the Group.



Use of this Independent Review Report

This report is made solely to the shareholders as a body. Our review work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent Review Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our review work, this report, or any of the opinions we have formed.



Responsibilities of the Directors for the condensed and consolidated interim financial statements

The Directors, on behalf of the Group, are responsible for:

- the preparation and fair presentation of the condensed and consolidated interim financial statements in accordance with NZ IAS 34 - Interim Financial Reporting;
- implementing necessary internal control to enable the preparation of the condensed and consolidated interim financial statements that is free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.



Auditor's Responsibilities for the review of the condensed and consolidated interim financial statements

Our responsibility is to express a conclusion on the condensed and consolidated interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 . NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 - Interim Financial Reporting.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on these condensed and consolidated interim financial statements.

This description forms part of our Independent Review Report.

KPMG
Wellington

24 February 2022