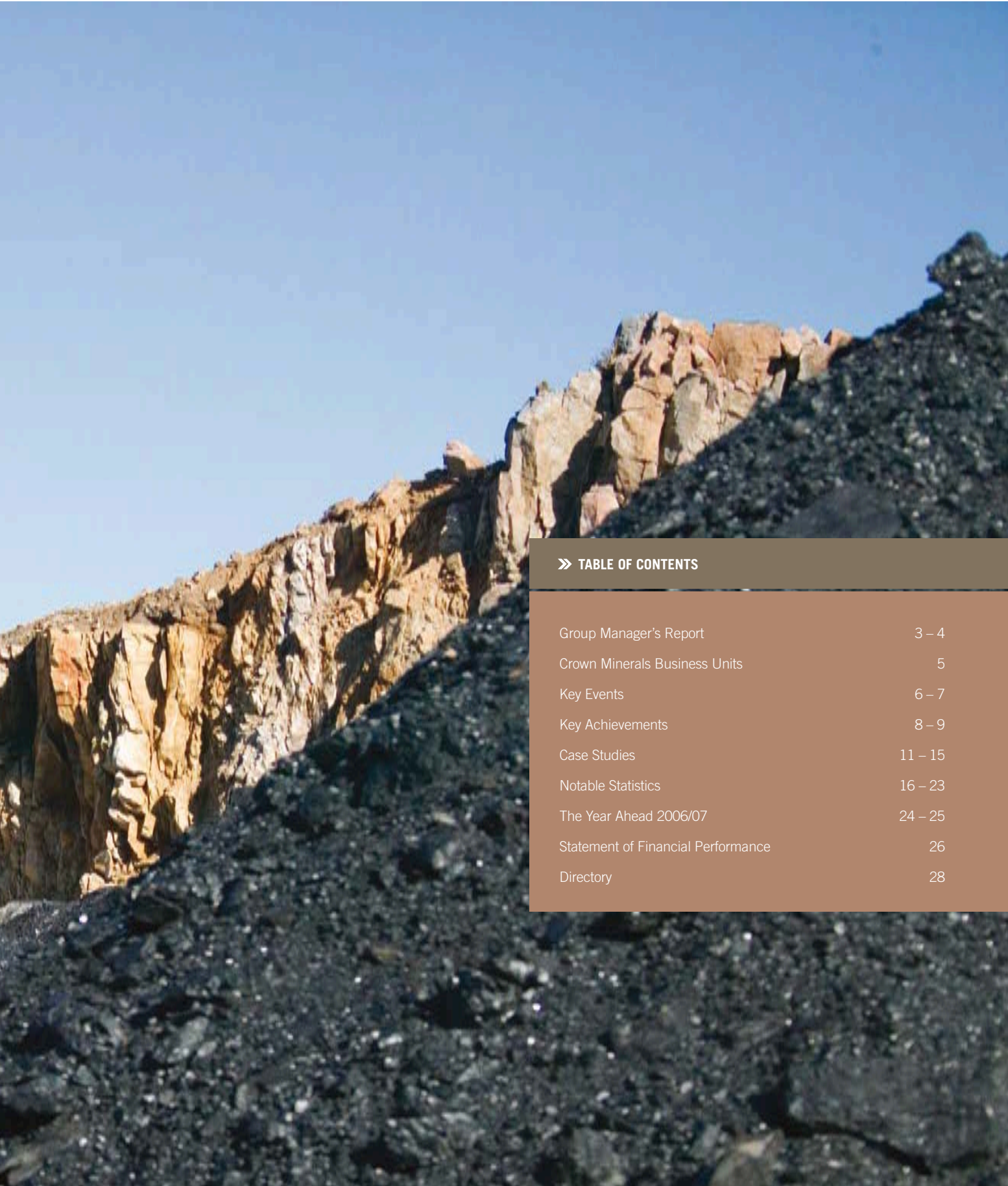


MOVING FORWARD
ANNUAL REPORT 2005 // 2006



**THE GROUP HAS TAKEN A CENTRAL ROLE
IN IMPROVING SECURITY OF ENERGY
SUPPLIES AND PROMOTING REGIONAL
ECONOMIC DEVELOPMENT.**





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A KEY PART OF IMPROVING BUSINESS PROCESSES, AS WELL AS HELPING TO PROMOTE INVESTMENT, HAS BEEN THE DEVELOPMENT OF WORLD-CLASS INFORMATION SYSTEMS.

GROUP MANAGER'S REPORT

Since its review and restructuring in late 2003, Crown Minerals has endeavoured to re-position itself, in terms of both its contribution to the Government's objectives for energy security and regional economic development, and its relevance to the petroleum and minerals industry. This has included: a strong drive to promote international investment in exploration; major changes with technology; actively highlighting the value of, and role for, our natural resources in local and central government policy; and substantially increasing the technical and other skills within the Group.

» MOVING FORWARD

The past year has seen Crown Minerals emerge from a period of significant change. As this report highlights, the bulk of the immediate priorities identified in our 2004 Business Plan have been completed on schedule, and many new initiatives are underway. The transition has resulted in the Group taking a central role in progressing two key aspects of the Ministry's strategic priorities – improving security of energy supplies and promoting regional economic development.

As a regulator, we have improved the statutory framework and our own internal processes so that New Zealand continues to be internationally recognised as a business environment where regulation is not overly burdensome and is easy to understand, and where rules are consistently and fairly applied.

Reviews of the minerals programme have been completed with the draft Minerals and Coal Programme 2006 ready to be implemented alongside the Petroleum Programme. Recognising the need for timely regulatory responses in what are rapidly changing industries, we will continually monitor the effectiveness of both regimes.

We also recognise the importance of enhancing our business processes to ensure permit applications are dealt with in a manner that is both technically robust and timely. Allocation of petroleum and mineral rights is an area where quality is every bit as important as speed.

A key part of improving business processes, as well as helping to promote investment, has been the development of world-class information systems. These systems (detailed later in this Annual Report) will significantly improve the quantity, quality and the speed of access to geotechnical information held by Crown Minerals. Operational functionality of both systems is now well-advanced, with many features of the system being either internally used or publicly accessible. Full public access to both systems is scheduled for next year.

At the core of our role is enabling explorers and producers to realise the economic potential of the Crown mineral estate to the mutual benefit of both those companies and New Zealand. Following on from major allocations in 2004/05, the past year has seen important developments in both minerals and petroleum exploration and production.

Bold new exploration programmes have commenced for offshore mineral deposits, and gold producers have extended their areas for recoverable reserves in both the North and South Islands. The Tui and Turangi petroleum mining permits substantiated the belief that the Taranaki basin remains a place with considerable upside for oil and gas development. And on the petroleum exploration front, all the offshore basins were the subject of exploration applications.

GROUP MANAGER'S REPORT

While some viewed the petroleum blocks offers in Northland and the East Coast as disappointing, that perspective is not borne out by the quality of bids received, nor the ongoing interest in offshore acreage in frontier basins. New Zealand now has an unprecedented volume of permitted acreage, coupled with quality exploration programmes, which looks set to be further expanded with the 2007 Great South Basin bidding round.

Attracting quality explorers and producers relies on effective investment promotion. A high priority for the year therefore was the second of the Government-sponsored seismic surveys established as part of the 2004 petroleum exploration initiatives.

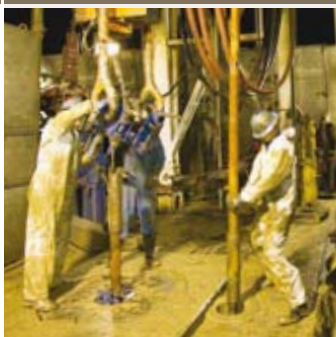
Having been unexplored for almost 30 years, and with only a handful of wells across a vast area, the Great South Basin is perhaps the sleeping giant for New Zealand's petroleum industry. The 3,200 km survey was completed without incident in March 2006, and the results from it have served only to reinforce the excitement as to the scale of what might lie beneath the GSB.

Throughout the year we also actively engaged with exploration companies in Asia, Europe and North America who are assessing the potential of New Zealand. The current cost of exploration services, together with the frontier nature of New Zealand's industry, means that new entrants are needed to help stimulate exploration activities and drive down the costs of seismic surveys and drilling programmes through more efficiently sharing exploration costs across the industry. This work will therefore continue to be an important priority.

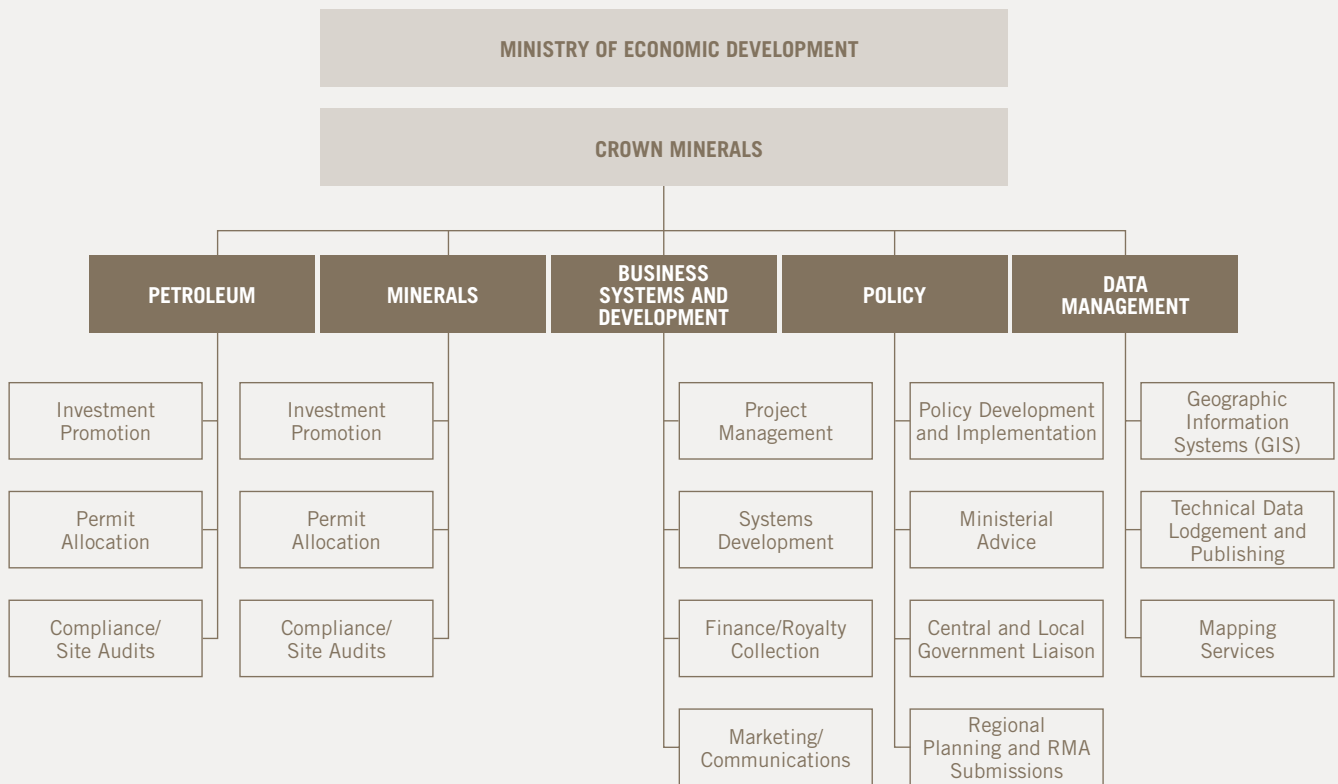
Recruiting and maintaining sufficient capability within the Group has been a challenge. Industry rightfully expects regulatory matters to be handled with expertise and professionalism. The Government also needs to be assured that it has the necessary skills and experience to manage one of its most valuable natural assets. Consequently, recruiting additional technical resources has been a priority throughout the year. Despite the global shortage of technical skills, the level of industry experience within the Group has never been as extensive. Retaining those skills, however, will not be easy in a highly competitive and mobile job market. We will therefore continue to invest in training and development.

Successfully delivering on our priorities requires not only highly capable staff, but also a constructive and positive relationship with the petroleum and minerals industries. We have worked closely with many companies over the past year to develop a better understanding of their specific interests, as well as a broader understanding of the industries as a whole. While our regulatory role will periodically test those relationships, we believe that there has been a positive maturing of the relationship between the Ministry and industry.

We look forward to continuing to develop these relationships in the coming year to the mutual benefit of Government and industry.



CROWN MINERALS BUSINESS UNITS



KEY EVENTS 2005 // 2006

ANNUAL MINING, EXPLORATION AND PROSPECTING FIGURES RELEASED. HIGHLIGHTS INCLUDE **A 129% INCREASE** IN EXPLORATION EXPENDITURE; AND VALUE OF COAL, GOLD AND INDUSTRIAL MINERALS EXCEEDS \$1 BILLION.

GOVERNMENT ANNOUNCES FUNDING OF A **FURTHER \$6 MILLION** TO SUPPORT ONGOING SEISMIC DATA ACQUISITION.

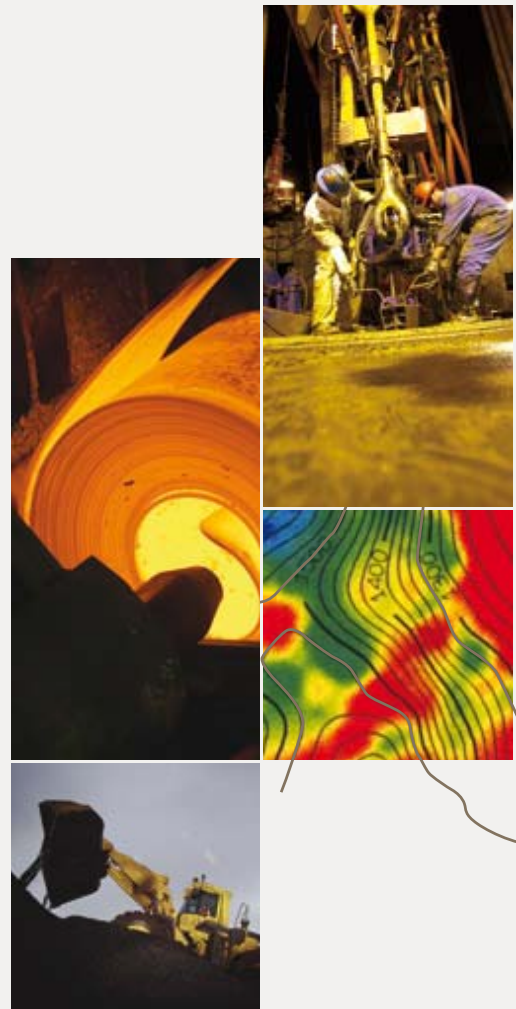
6

» MOVING FORWARD

- AUG 05** Technology
Landmark Graphics Corporation awarded contract for development of Crown Minerals' new geological online database.
- SEP 05** Policy and Regulation
Discussion document for changes to Fees Regulations released.
- SEP 05** Industry Support and Advocacy
Annual mining, exploration and prospecting figures released. Highlights include a 129% increase in exploration expenditure; and value of coal, gold and industrial minerals exceeds \$1 billion.
- SEP 05** Investment Promotion
East Coast blocks offer launched with O5CM data pack following the completion of the East Coast data acquisition programme.
- NOV 05** Industry Support and Advocacy
AusIMM and Crown Minerals co-convene the largest ever New Zealand Minerals Conference in Auckland.
- NOV 05** Mining
Tui Petroleum Mining permit granted with estimated recoverable reserves of 27.9 mmbbls.

- NOV 05** Exploration
Gold explorer Glass Earth (NZ) Ltd completes largest airborne geophysical survey in New Zealand in the last 20 years.
- DEC 05** Policy and Regulation
Draft Minerals and Coal Programme 2006 publicly notified.
- JAN 06** Exploration
Gold explorer Neptune Resources Ltd granted largest ever offshore licence to explore Monowai and Colville Ridges.
- FEB 06** Exploration
Origin Energy/OMV joint venture awarded two large offshore petroleum exploration permits as a result of the Northland blocks offer.
- FEB 06** Exploration
Three Offshore Taranaki blocks offer areas awarded to Hugh Green Energy Limited, Greymouth Petroleum and Highland Exploration.
- FEB 06** Technology
Data population of the new Geotechnical Online Database commences.
- MAR 06** Exploration
Waihi Gold Company granted extension of land to Favona Mining Permit to cover areas of newly defined resources.

- MAR 06** Investment Promotion
Crown Minerals hosts the 2006 New Zealand Petroleum Conference in Auckland.
- MAR 06** Industry Support and Advocacy
Crown Minerals presents oral submissions to the Hearing Panel for the Proposed Waikato District Plan.
- MAR 06** Investment Promotion
Crown Minerals commissions Compagnie Générale de Géophysique to undertake a 3,200 km 2D seismic survey in the Great South Basin.
- APR 06** Investment Promotion
Government announces funding of a further \$6 million to support ongoing seismic data acquisition.
- APR 06** Mining
Greymouth Petroleum awarded Turangi petroleum mining permit with estimated recoverable reserves of 137 bcf and 4.8 mmbbls condensate.
- MAY 06** Policy and Regulation
Crown Minerals makes submissions on five regional council Long Term Council Community Plans, including Greater Wellington, Canterbury, Auckland, Northland, and Waikato.
- MAY 06** Exploration
Petroleum exploration permit awarded over the Deepwater Taranaki Basin to US company Global Resources.
- MAY 06** Exploration
Pogo Producing awarded Block K from East Coast blocks offer.
- JUN 06** Policy and Regulation
Release of discussion document for changes to Petroleum and Minerals Regulations.
- JUN 06** Technology
Functional requirements completed for the Crown Minerals Online Permitting System.
- JUN 06** Compliance
High Court upholds compliance standards dismissing Bounty Oil and Gas appeal against revocation of Permit 38215.



KEY ACHIEVEMENTS 2005 // 2006

Key business outcome (for 2005/06)	Key initiatives achieved to June 06	
Outcome 1: Well-managed Crown resources	Promulgate improved client service standards	IN PROGRESS
	Establish graduate recruitment and industry secondment programme	IN PROGRESS
	Replace current Mineral Programmes	IN PROGRESS
Outcome 2: Access to information	Increase volume and quality of pre-tender technical data	IN PROGRESS
	Provide internet access to data catalogue and reports	ACHIEVED
	Provide internet access for all permitting and compliance functions	ACHIEVED
	Provide national freephone contact service	ACHIEVED
	Convert critical paper-based data into digital format	IN PROGRESS
	Develop client management database	ACHIEVED
	Review management of, and access to, core library stores	PLANNED
	Publish explanatory brochures for land owners, iwi and industry	PLANNED
	Compile comprehensive data packs of seismic data and additional technical studies and reports to support blocks offers	NEW INITIATIVE DELIVERED 2005/06
Outcome 3: Improving international connections	Review incentives programmes for exploration and production	ACHIEVED
	Establish investment strategies for petroleum, coal and minerals	ACHIEVED
	Conduct targeted investment promotions in North America, Asia and Europe	ACHIEVED
	Review existing blocks offer and AFO processes	ACHIEVED
	Establish knowledge exchange arrangements with international regulators	PLANNED
	Establish data compatibility and format guidelines	ACHIEVED
Outcome 4: Simplified business regulation	Review permitting processes	IN PROGRESS
	Review third party fees	ACHIEVED
	Establish and implement new compliance programmes for exploration, mining and royalties	IN PROGRESS
	Review annual reporting requirements	IN PROGRESS
Outcome 5: Reliable infrastructure	Establish advocacy criteria for submissions to and attendance at Council and Environment Court hearings on exploration and mining issues	ACHIEVED
	Establish liaison network with local and central government on mineral issues	IN PROGRESS





**EARLY RESULTS HAVE HIGHLIGHTED
EXCITING STRUCTURES OF A SCALE NOT
SEEN ELSEWHERE IN NEW ZEALAND.**

CASE STUDY //

THE EXPLORATION DATA ACQUISITION FUND

In April 2006 the Government announced the approval of an additional \$6 million to the earlier \$15 million fund established in 2004 to acquire new geotechnical data in New Zealand's petroleum basins. The fund has been part of a package of initiatives aimed at accelerating oil and gas exploration investment in New Zealand. The data packages have been used to support exploration blocks offers. By making it freely available to potential bidders, the cost of entry to New Zealand for new explorers is significantly reduced, while also accelerating the exploration programme of the successful bidding parties.

» MOVING FORWARD

New Zealand also benefits from this initiative. As Maui and other fields decline, we need a growing number of well-funded explorers to find reserves in new basins. Free data expands the range of potential bidders. More importantly, it demonstrates to international companies the commitment that exists in New Zealand to providing a regime which more than favourably compares with other places in the world.

In 2005, the East Coast was chosen as the first petroleum basin to be surveyed because of generally acknowledged prospectivity, along with its potential for relatively quick development outside existing production in the Taranaki basin.

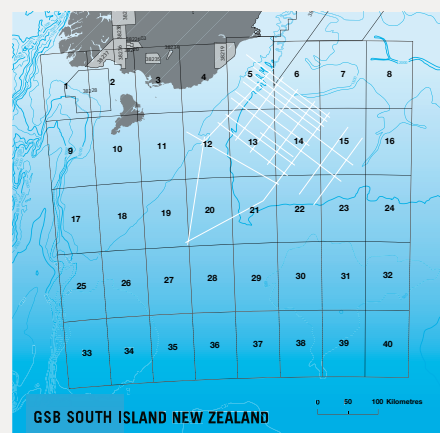
In March 2006, the Great South Basin ("GSB") was chosen for the second seismic survey. In contrast to the East Coast, any development in the GSB will be long and costly. Counter-balancing this, the basin is generally regarded as having the greatest potential for "elephants", with even the limited drilling in the 1970s having large shows of both gas and condensate.

The survey acquired 3,200 km of 2D seismic data collected over approximately 20,000 sq km, and was conducted using the Singapore-registered Pacific Titan. Although focused principally on in-filling the least surveyed northern area of the basin, Crown Minerals was aware that there was a paucity of modern 2D data throughout the basins. Consequently, three long lines were added to the southern portion of the survey to tie the survey into three of the 1970s-drilled wells (Tara-1, Toroa-1, and Kawau-1A).

Early results from the processed data have reinforced views on the prospectivity indicated from older data, and have highlighted exciting structures of a scale not seen elsewhere in New Zealand.

By any measure, preparing and completing two major surveys within 18 months of the exploration initiatives being announced has been a huge success. International interest in the GSB is expected to be high as a result of the survey and the results from both surveys have materially improved our understanding of New Zealand's geology.

The Great South Basin blocks offer opened in July 2006, with bids due to close in March 2007.



CASE STUDY //

DEVELOPMENT OF ONLINE PERMITTING AND DATA MANAGEMENT SYSTEMS

For the past two years, two major projects have been underway to put New Zealand at the forefront of international regulators in its use of technology to streamline permitting processes and enable greater access to geotechnical data.

» MOVING FORWARD

The first of these is an integrated permit management system which will replace existing legacy technology and manual, paper-based systems. The system will enable on-line permit applications and payment of fees and royalties. It will revolutionise permitting processes for industry by reducing and simplifying permit processes, compliance management and comprehensive permit portfolio management by both Crown Minerals and permit holders.

Complementing the permit management system is the Geotechnical On-line Database development, which will provide free public access to a comprehensive range of resource, technical and permitting data and reports. Permit holders have increasing expectations that permit information and geotechnical data will be available in a digital format and readily accessible by way of web-based facilities or similar means. This system uses the latest geotechnical and spatial data management technology to allow data to be easily discoverable in tabular or map form. Previewing loaded seismic and well curves and ordering directly over the web will also be simple tasks in the new system.

Crown Minerals has had a programme underway for a number of years to migrate paper-based material to a digital form and this new system will provide a mechanism to deliver these results. Significant improvements in the timeliness and quality of map services will also be possible when this new system is delivered.

These two projects will be delivered in the coming year and will provide the foundation to a range of initiatives aimed at improving the quality and cost of services offered by Crown Minerals.



CASE STUDY //

NEW ZEALAND PETROLEUM AND MINERALS CONFERENCES



14

» MOVING FORWARD

Supporting national conferences underlines government support for responsible development of New Zealand's natural resources, and provides an opportunity to showcase the advantages of investing in New Zealand. Last year, Crown Minerals convened two major industry events.

The first was the New Zealand Minerals Conference held in Auckland in November 2005. Co-convened with the New Zealand branch of the Australian Institute of Mining and Metallurgy, and with major sponsorship support from Newmont Mining, OceanaGold and Solid Energy NZ Ltd, the event was the largest of its kind ever held, with over 380 delegates. Keynote speakers included the President of Newmont Mining Corporation, Pierre Lassonde and Associate Minister of Energy Hon. Harry Duynhoven. With topics ranging across scientific, legal and commercial issues, the event highlighted the growing relevance of minerals to New Zealand's economy and attracted media interest domestically and abroad.

In March 2006 the New Zealand Petroleum Conference was hosted by Crown Minerals at Auckland's SkyCity Convention Centre, with the generous support of Westpac Institutional Bank, Genesis Energy, Multiwave (a member of the CGG Group) and other sponsors. This biennial event has now become a feature event in the Asia-Pacific region, and is a key part of the strategy to actively encourage petroleum exploration in New Zealand.

The 2006 conference was notable for the standout list of speakers, including prominent international energy analyst, presidential adviser and investment banker Matt Simmons, Energy Minister Hon. David Parker, Australian Petroleum and Production Exploration Association Chief Executive Belinda Robinson and Chief Geologist of Anadarko Petroleum Corporation Henry Posamentier.



In addition to the superb range of speakers, the conference had record attendance, strong international participation, a diverse range of topics, a great location and standout social events which provided delegates an opportunity to mix business with pleasure. Unprecedented levels of TV, radio and newspaper coverage of the event reinforced the relevance of petroleum exploration to New Zealand in an uncertain energy future.

The overwhelmingly positive feedback confirmed not only the success of the conference, but also its ongoing importance to facilitating the growth of the petroleum industry in New Zealand.

THIS BIENNIAL EVENT IS A
KEY PART OF THE STRATEGY
TO ACTIVELY ENCOURAGE
**PETROLEUM
EXPLORATION IN
NEW ZEALAND.**

2005/06 – A RECORD YEAR

Last year a total of \$2.5 billion worth of petroleum, coal, industrial minerals and metals were mined and quarried in New Zealand. This figure underlines the geological wealth of New Zealand and amounts to a larger contribution to GDP than in any other previous year. Moreover, the workforce needed to explore, evaluate and produce our natural resources is one of the most highly trained and highly paid of any sector of the economy.

» MOVING FORWARD

Notable production achievements in 2005 were record levels of coal production, building aggregate production and a 21-year high in the production of roading aggregate. In addition, the petroleum industry's exploration and development expenditure increased by 60% to reach \$738.4 million, with expenditure set to rise further in the coming years.

MINERALS AND COAL PRODUCTION

The value of national coal, metals and industrial minerals production reached \$1.347 billion, a \$204.3 million (17.9%) increase on 2004 output values. The strong growth in production has been buoyed by increases in commodity prices and corresponding increases in investment expenditure.

COAL

National production of 5.267 million tonnes, 111,000 tonnes up on the previous year.

Large production increases in numerous mines, including Solid Energy's Stockton and Rotowaro opencast operations.

The value of coal mined surged 23.2% to a record \$507.9 million, up from last year's figure of \$412.2 million.

GOLD

Production increased 4.3% to 10,583 kg (340,256 ounces).

Martha Hill operation (up 1,137 kg – 36,567 ounces – on 2004 production) was largely responsible for this increase in national production.

The Macraes mine remained the largest in the country (5,198 kg – 167,138 ounces).

Total value of gold mined was \$237.8 million (17.5% increase on last year).

3120KM² OF 3D SEISMIC
DATA ACQUIRED IN 2005,
**THE MOST
EVER ACQUIRED
IN ONE YEAR.**

88% INCREASE
IN TOTAL MINERALS AND
COAL EXPENDITURE.

INDUSTRIAL MINERALS

Ironsands production was 2,207,244 tonnes (5.2% decrease).

Total value of all industrial minerals was \$545.7 million, a \$68.3 million (14.3%) increase.

Total output increased 10.4%, to over 49 million tonnes.

Key increases were made in the production of:

- » limestone for agriculture (up 35.6% to 2.59 million tonnes);
- » rock, sand and gravel for roading (up 13.7% to 24.7 million tonnes);
- » rock, sand and gravel for fill (up 24.3% to 4.99 million tonnes); and
- » decorative pebbles including scoria (production more than trebling to 365,540 tonnes).

MINERALS AND COAL EXPLORATION EXPENDITURE

Total expenditure rose to \$38.5 million (an increase of 88%).

PETROLEUM ACTIVITY AND EXPENDITURE

Expenditure was \$738.4 million (a \$276.7 million increase).

Key indicators of increased activity were:

- » 34 onshore wells drilled to total depth of 87,500 m;
- » 3,120 km² of data, the most ever acquired in one year;
- » 3,014 km of 2D seismic;
- » 14,707 km of 2D data and 247 km² of 3D data was reprocessed.

The medium-term outlook for oil and condensate production is also the best since the Maui B development:

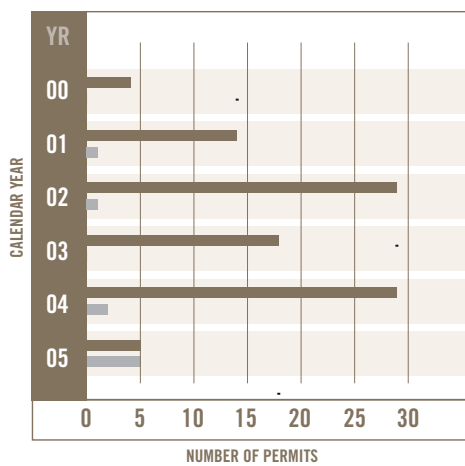
- » Anticipated Pohokura production: 8,200 bbls/d of condensate and 130 mmscf/d of gas;
- » Anticipated Kupe production: 4,650 bbls/d of oil/condensate, 2,700 bbls/d LPG and 55 mmscf/d of gas;
- » Anticipated Tui production 27,500 bbls/d;
- » Anticipated Maari production: 35,000 bbls/d.

NOTABLE STATISTICS //

PETROLEUM

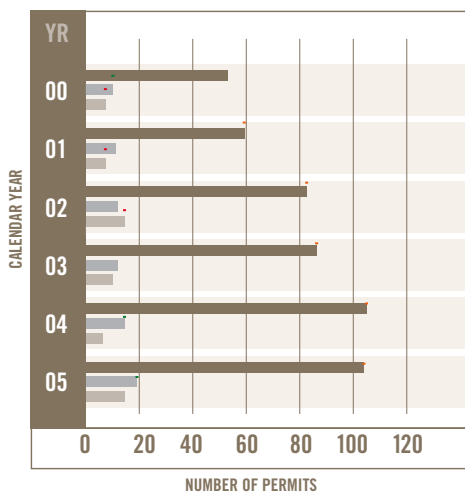
PERMIT ACTIVITIES

PETROLEUM PERMITS GRANTED



- PETROLEUM PROSPECTING/EXPLORATION PERMITS GRANTED
- PETROLEUM MINING PERMITS GRANTED

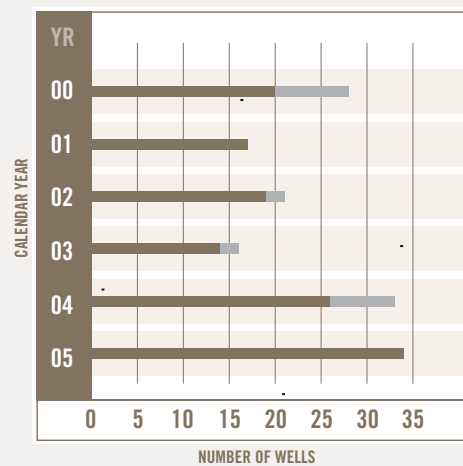
ACTIVE PETROLEUM PERMITS



- PROSPECTING/EXPLORATION ACTIVE PERMITS
- MINING ACTIVE PERMITS AND LICENCES
- PROSPECTING/EXPLORATION PERMITS SURRENDERED/REVOKED/EXPIRED

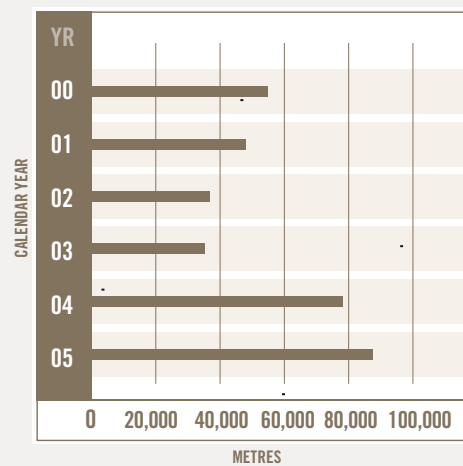
STATE OF THE INDUSTRY

PETROLEUM WELLS DRILLED (INCLUDING SIDETRACKS)

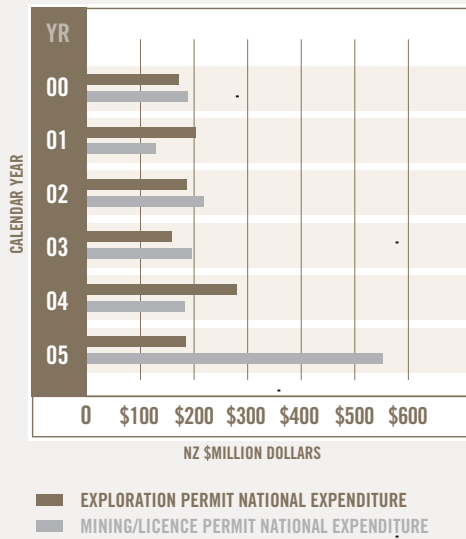


- WELLS DRILLED ONSHORE
- WELLS DRILLED OFFSHORE

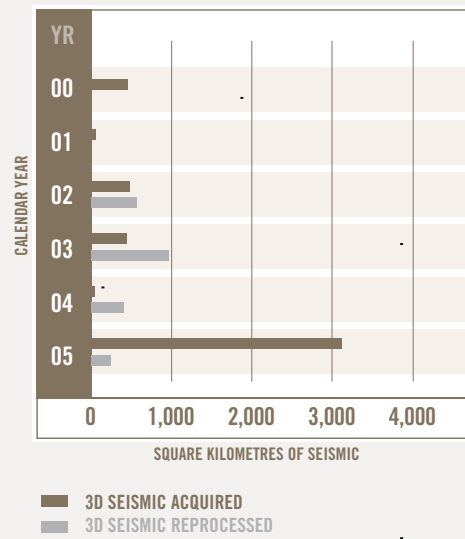
PETROLEUM DRILLED METRES



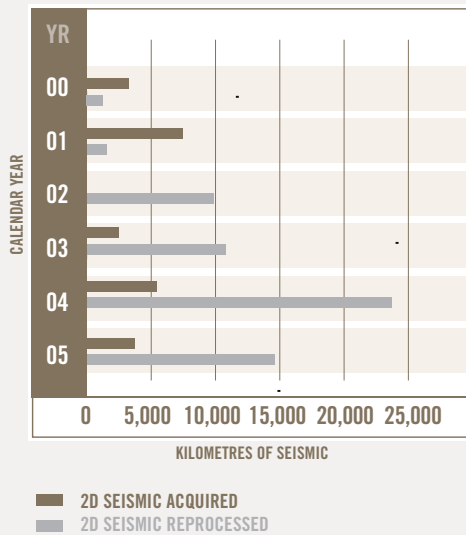
PETROLEUM PERMIT NATIONAL EXPENDITURE



3D SEISMIC ACQUIRED AND REPROCESSED



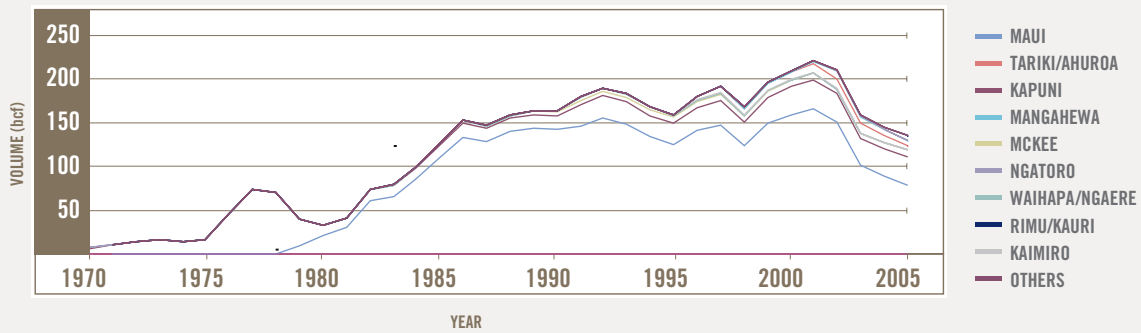
2D SEISMIC ACQUIRED AND REPROCESSED



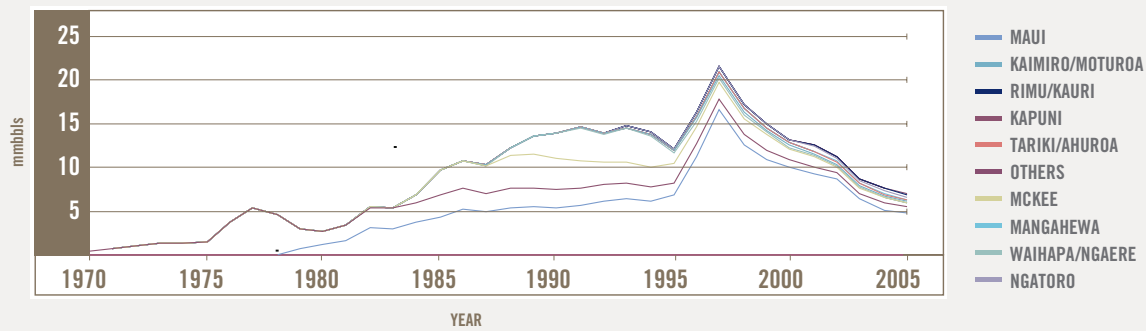
NOTABLE STATISTICS //

PETROLEUM

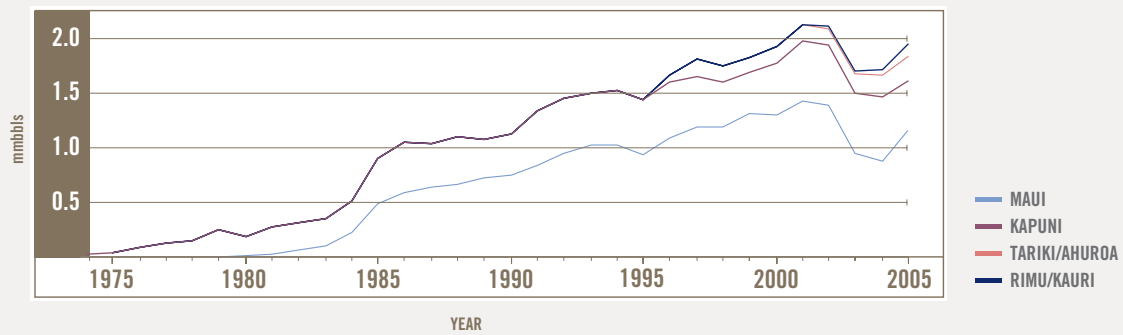
NATIONAL NET GAS PRODUCTION 1970 – 2005



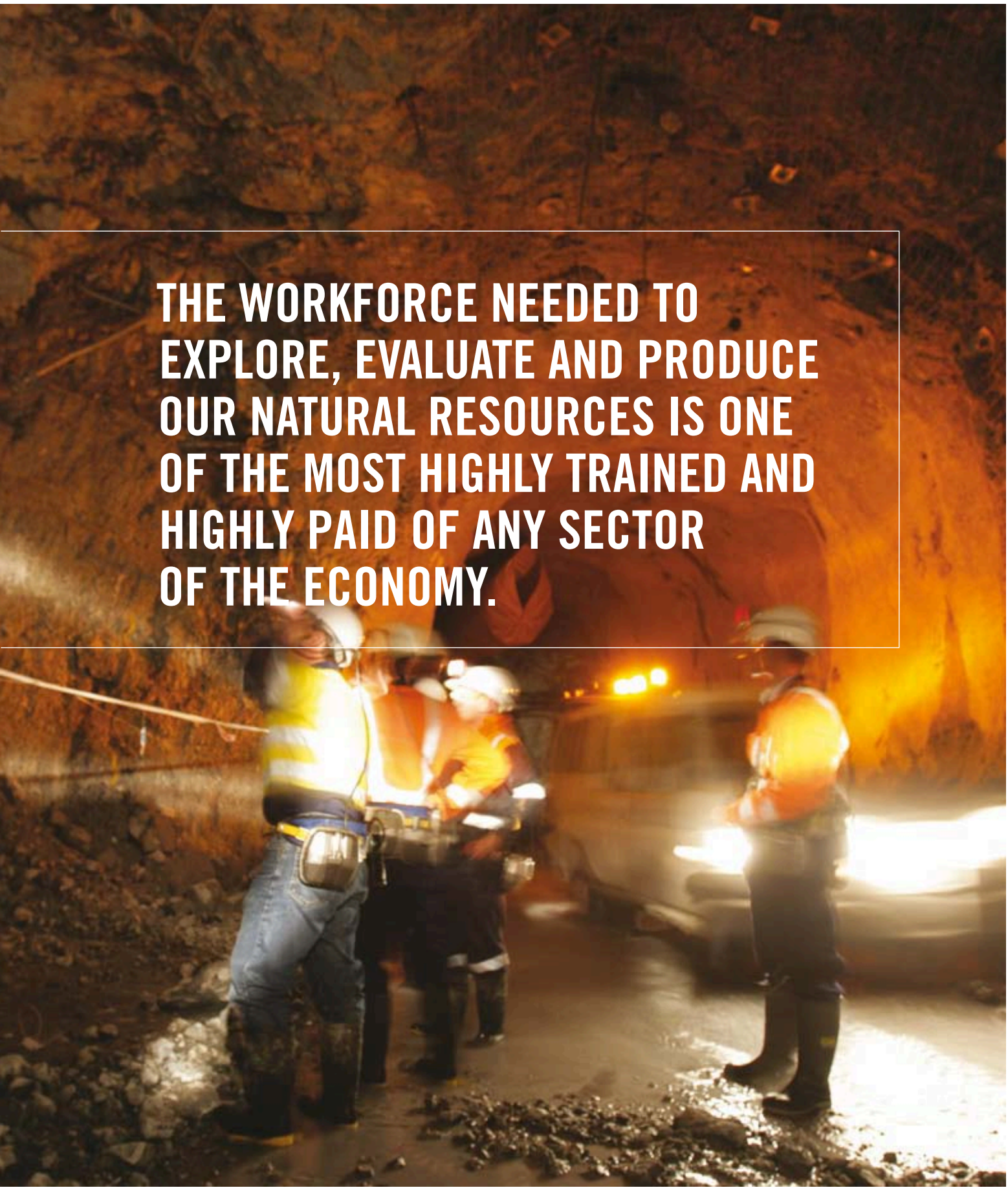
NATIONAL OIL, CONDENSATE AND NAPHTHA PRODUCTION 1970 – 2005



NATIONAL LPG PRODUCTION 1974 – 2005



**THE WORKFORCE NEEDED TO
EXPLORE, EVALUATE AND PRODUCE
OUR NATURAL RESOURCES IS ONE
OF THE MOST HIGHLY TRAINED AND
HIGHLY PAID OF ANY SECTOR
OF THE ECONOMY.**

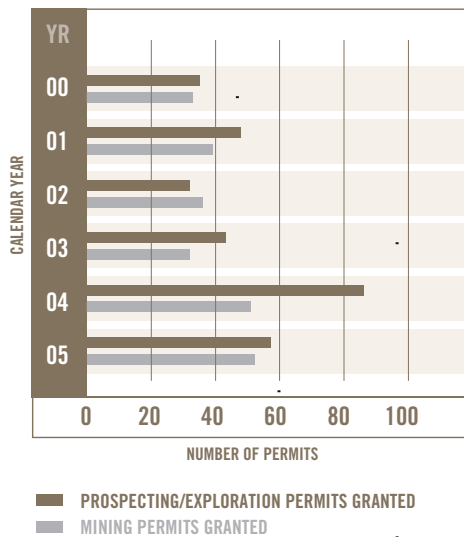


NOTABLE STATISTICS //

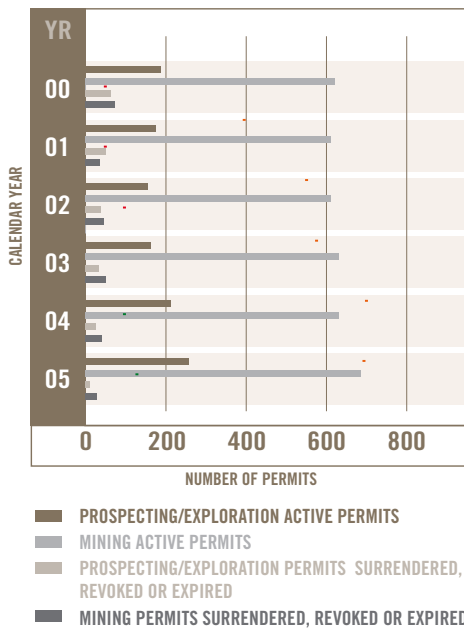
MINERALS

PERMIT ACTIVITIES

MINERALS PERMITS GRANTED IN CALENDAR YEAR

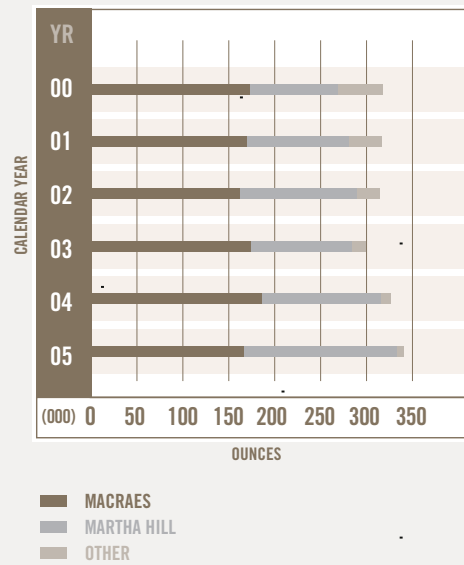


ACTIVE MINERALS PERMITS IN CALENDAR YEAR

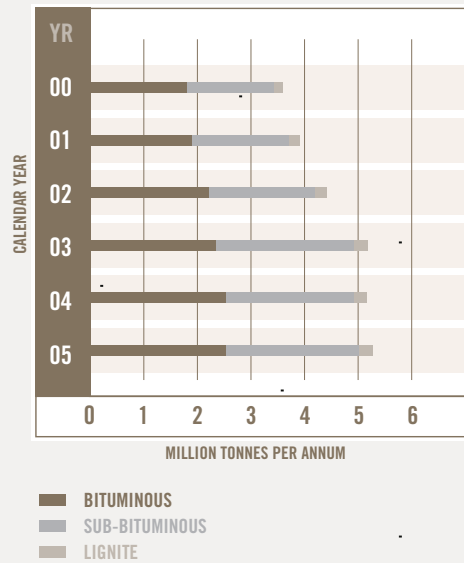


STATE OF THE INDUSTRY

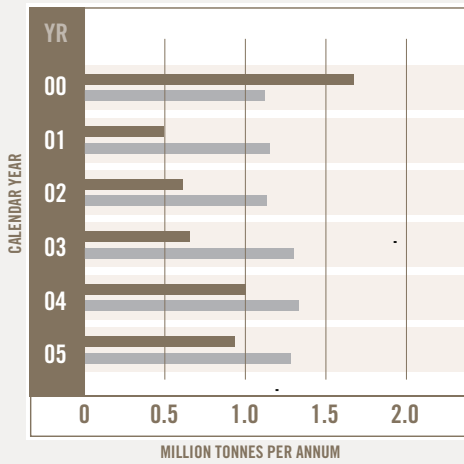
GOLD PRODUCTION



COAL PRODUCTION BY RANK

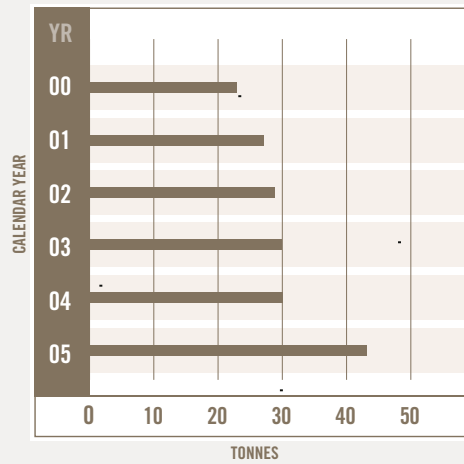


IRONSANDS PRODUCTION

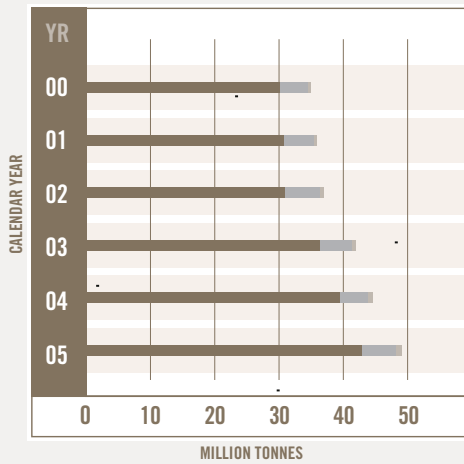


■ IRONSANDS FOR EXPORT (TAHAROA)
■ IRONSANDS FOR DOMESTIC USE (GLENBROOK)

SILVER PRODUCTION

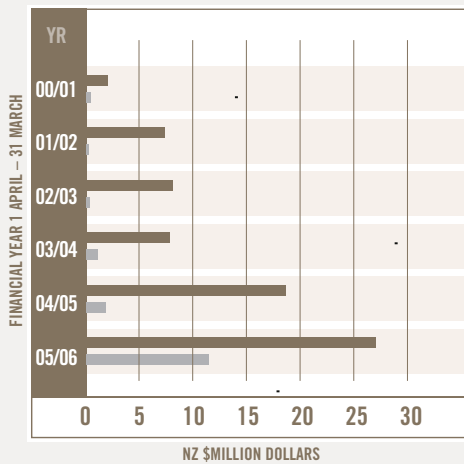


INDUSTRIAL MINERALS PRODUCTION



■ AGGREGATES (INCLUDING SAND FOR INDUSTRY)
■ CARBONATES
■ OTHER QUARRIED COMMODITIES

MINERALS AND COAL PROSPECTING AND EXPLORATION PERMIT EXPENDITURE



■ EXPLORATION EXPENDITURE
■ PROSPECTING EXPENDITURE

THE YEAR AHEAD 2006 // 2007



» MOVING FORWARD

2006/07 will be an important year for moving Crown Minerals forward to new priorities – particularly in relation to its contribution to the development of a New Zealand energy strategy.

The year will first require, however, completion of major projects including the conclusion of the Great South Basin blocks offer and promotional work in support of it; implementing new IT systems; enactment of new regulations; new Minerals and Coal Programme 2006; and new fees.

Energy security continues to be a critical factor in New Zealand's economic transformation. While the seismic data acquisition programme and associated blocks offer promotional work will be a component of this, the Group will also expand its work in better understanding the energy options from the Crown Mineral estate.

We will work with industry on improving our knowledge of existing reserves from producing fields. At the same time, we will seek to gain a better understanding from explorers of play concepts in emerging basins. This will enable New Zealand's inventory of prospects to be more scientifically based and provide a better forecast as to the possible scale of future oil and gas discoveries.

The South Island lignite deposits are an immense resource which could be better understood. While their role, if any, in energy security is undetermined, there is considerable technical work which Crown Minerals can undertake to improve our knowledge of possible uses for lignite. In particular, we will seek to better quantify the recoverability and value of the Crown's share of this resource, as well as working with GNS Science, the Foundation for Research, Science and Technology, and permit holders to understand how existing reservoirs might be managed to capture carbon dioxide from hydrocarbons.

We will progressively increase our promotion work for minerals exploration, with key international events such as the Prospectors and Developers Association of Canada ("PDAC") Convention providing the opportunity to meet with potential new entrants and investors to New Zealand.

While the Great South Basin will be an important feature of the year for petroleum exploration, we will also prepare other basins for further blocks offers. Moreover, while competitive blocks offers will continue to be the primary means of allocation, additional areas will be opened up for allocation as priority in time applications.

Recognising the increasingly competitive market for skills and services worldwide, we will review aspects of the regulatory environment to see whether changes to the legislative and fiscal regime might stimulate greater exploration activity that is not otherwise occurring. We will also look to see whether there are ways other than seismic data acquisition where government and industry can work together to improve the understanding of petroleum basins. This will further mitigate the risks that exist in exploring New Zealand's frontier basins.

The work programme will ensure a busy and ambitious year. However, the challenges facing both government and the petroleum and minerals industries in New Zealand are such that, without some ambitious goals being set, the full economic and energy potential of the Crown mineral estate will not be realised.



STATEMENT OF FINANCIAL PERFORMANCE 2005 // 2006

(GST Exclusive)	Note	2006 Actual \$000	2006 Budget \$000	2006 Variance \$000	2005 Actual \$000
REVENUE					
Crown Funded		3,425	3,454	29	3,178
Other	1	3,909	4,121	212	3,225
TOTAL REVENUE		7,334	7,575	241	6,403
EXPENSES					
Personnel		2,380	2,293	(87)	2,154
Operating		3,092	3,044	(48)	2,175
Depreciation		23	236	213	81
Support and Other					
IT Costs		653	506	(147)	–
Occupancy		660	599	(61)	–
Capital Charge		82	143	61	23
Other					
Support Costs		584	660	76	1,919
TOTAL EXPENSES		7,474	7,481	7	6,352
NET SURPLUS/(DEFICIT)	2	(140)	94		51

Notes to the Statement of Financial Performance

1 Revenue Other

Sources of Revenue Other:	\$000	\$000	\$000	\$000
Petroleum	1,701	1,502	(199)	1,534
Minerals	1,200	1,310	110	1,066
Coal	537	433	(104)	378
Conferences	353	590	237	34
Other fees	118	286	168	213
	3,909	4,121	212	3,225

2 Audited financial statements are incorporated into the Ministry of Economic Development's Annual Report 2005 – 2006.

NB: Budget figures reported are supplementary estimates which are as a result of additional funding sought and approved during the year, and have increased the original (main estimates) budget by \$0.711 million due to demand-driven permit activity and an increase in litigation costs.



DIRECTORY



We value our relationships with industry, permit holders, other government agencies, and the public, and we encourage feedback and contact by any of the following means.

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