



▶▶ ANNUAL REPORT 2006/07 ▶▶



▶▶▶ We manage the Government's oil, gas, minerals and coal resources, known as the Crown Minerals estate. It's our role to advise on policy and operational regulation, and promote investment in the minerals estate.



CONTENTS

- 2 GROUP MANAGER'S REPORT
- 4 KEY EVENTS
- 6 CASE STUDIES
- 12 NOTABLE STATISTICS
- 22 STATEMENT OF FINANCIAL PERFORMANCE
- 24 THE YEAR AHEAD
- 26 BUSINESS UNITS
- 28 KEY CONTACTS AND USEFUL LINKS



➤➤➤ GROUP MANAGER'S REPORT

Crown Minerals provides services relating to the development and management of the Crown's petroleum and mineral resources. These comprise all in-ground petroleum, gold and silver, and approximately half of the coal and other minerals in New Zealand.



The three principal services provided are:

1. Allocating interests in the Crown Mineral estate and ensuring regulatory compliance
2. Promoting international investment in exploration and production
3. Providing policy advice on matters affecting the Crown's interests in petroleum and minerals.

Key highlights of the 2006/07 year included:

- Launch of the new Crown Minerals website including the technical data repository
- Completion of development and Phase 1 implementation of the online permitting system
- Announcement and closing of the Great South Basin Petroleum Blocks Offer
- New Crown Minerals (Minerals Fees) and Crown Minerals (Petroleum Fees) Regulations 2006 became operative

- A revised programme for minerals (excluding petroleum) was prepared
- Draft replacement application and reporting regulations for petroleum and minerals were prepared
- Crown Minerals submissions were implemented in the decisions version of the proposed Waikato District Plan
- Annual mining, exploration and prospecting figures for the 2005-2006 year were released; highlights included a 129% increase in exploration expenditure and the value of coal, gold and industrial minerals exceeding NZ\$1.3 billion
- Programmes of data acquisition (petroleum) were progressed
- Co-funded Northland resource assessment and economic impact assessment reports were completed and released.

Recruiting and maintaining sufficient capability within the Crown Minerals group remains a challenge. The group currently enjoys a good mix of industry, regulatory and technical skills in undertaking its responsibilities. Retaining these skills continues to be a focus.

Looking ahead, Crown Minerals will ensure that management of the mineral estate continues to be comparable to international best practice, and that explorers and mining companies are encouraged to undertake responsible development. The Crown, as owner of the asset, will be well informed regarding the current and future position of the mineral estate. Disciplined and transparent management will optimise use of the resource and facilitate business development and sustainable growth opportunities.

Chris Kilby
Group Manager

JULY 06	AUGUST 06	AUGUST 06	SEPTEMBER 06	NOVEMBER 06	NOVEMBER 06	DECEMBER 06	DECEMBER 06
Investment Promotion	Industry Support and Advocacy	Exploration	Investment Promotion	Industry Support and Advocacy	Exploration	Exploration	Mining
Three offshore exploration permits awarded as a result of the Taranaki/Wanganui bidding round	Total prospecting and exploration expenditure rose to NZ\$38.5 million in the year ended 31 March 2006, an increase of 88% over the same period in 2005	Blocks offer for Great South Basin opened with 40 divisions offered, closing in April 2007	First gas and condensate flows from three onshore wells through Motunui production station	Crown Minerals a major sponsor of 2006 New Zealand Minerals Conference in Waihi	Origin Energy awarded large offshore Canterbury Petroleum exploration permit	Origin Energy awarded large offshore petroleum exploration permit	Ocean Gold's Globe Progress mine in Reefton, New Zealand's third largest gold mine, commissioned

KEY EVENTS: 2006/07

AUGUST 06	AUGUST 06	AUGUST 06	OCTOBER 06	NOVEMBER 06	NOVEMBER 06	DECEMBER 06	FEBRUARY 07
Investment Promotion	Policy and Regulation	Exploration	Exploration	Exploration	Industry Support and Advocacy	Exploration	Industry Support and Advocacy
Austral Pacific and joint venture partners granted a 30.3 km ² mining permit for development of the Cheal oil and Cardiff gas/condensate accumulations	Crown Minerals (Minerals Fees) Regulations 2006 and Crown Minerals (Petroleum Fees) Regulations 2006 issued	New Zealand's largest petroleum permit awarded to Global Resources Holdings LLP, over 55,800 km ² offshore deep water in Taranaki	Appraisal extension permit awarded to Solid Energy for Huntly North coal blocks	Regional scale prospecting permit awarded to Glass Earth (New Zealand) Limited in Otago	Crown Minerals submission on proposed Regional Policy Statement for Taranaki and Hawke's Bay Regional Coastal Environment Plan	Austral Pacific Energy discovers oil in two pay zones at Cheal B	Crown Minerals delegates attend APEC Ministers for Mines forum in Perth, Western Australia

FEBRUARY 07	FEBRUARY 07	MARCH 07	MARCH 07	APRIL 07	MAY 07	MAY 07	JUNE 07
Exploration	Exploration	Investment Promotion	Industry Support and Advocacy	Investment Promotion	Exploration	Policy and Regulation	Exploration
Glass Earth, with support from Otago Regional Council, starts the largest airborne geophysical campaign ever undertaken in New Zealand over the Otago mesothermal gold region	Rio Tinto Exploration takes major interest in offshore ironsands project	Scientific testing by Crown Minerals on oil seeps near Stewart Island identifies oil in the Great South Basin	Crown Minerals becomes an interested party in appeals on the proposed Waikato District Plan	Government announces funding of a further NZ\$6 million to support seismic data acquisition	Newmont Waihi Gold undertakes nearly 2,000 km ² of magnetic and electromagnetic aerial surveys in southern Coromandel	Crown Minerals (Petroleum) Regulations 2007 enacted on 28 May	Five exploration permits granted for initial term of 5 years in the Great South Basin Blocks Offer – companies are expected to invest up to NZ\$1.22 billion exploring the area

FEBRUARY 07	MARCH 07	MARCH 07	APRIL 07	MAY 07	MAY 07	MAY 07
Exploration	Exploration	Investment Promotion	Technical	Policy and Regulation	Exploration	Industry Support and Advocacy
Seismic vessels <i>Pacific Titan</i> and <i>Duke</i> start large offshore seismic survey programme for several companies	Swift Energy Company, Houston, USA, budgets US\$35-40 million on capital expenditure in New Zealand in 2007	Crown Minerals promotes New Zealand as a mineral exploration destination at PDAC in Canada, the world's largest mining forum	Development and implementation of online technical database completed	Crown Minerals (Minerals Fees) Amendment Regulations 2007 and Crown Minerals (Petroleum Fees) Amendment Regulations 2007 issued	Crown Minerals begins a third seismic data survey – 2,200 km of 2D seismic data acquired north of Raukumara Peninsula (east coast, North Island) and 300 km off southern Wairarapa coast	Northland Mineral Resource assessment and economic impact reports released – co-funded by Crown Minerals, Foundation for Research Science & Technology and local authorities



CASE STUDY

▶▶▶ GREAT SOUTH BASIN



The permits were awarded for an initial term of five years and the companies are expected to invest up to NZ\$1.22 billion exploring the basin.

The Great South Basin blocks offer opened in July 2006 with bids closing in April 2007.

Before the close of the offer, Crown Minerals acquired 3,200 kilometres of new 2D seismic data that added to the knowledge of petroleum systems in the basin for interested parties.

There was considerable international interest in the blocks offer, with many major exploration companies reviewing the data and discussing New Zealand's regime with Crown Minerals.

In July 2007, the Associate Minister of Energy awarded five petroleum exploration permits to a mix of local and international companies. Permits were awarded to Greymouth Gas Taranaki, a joint venture between ExxonMobil New Zealand and Todd Exploration, and a consortium of OMV New Zealand, PTTEP Offshore Investment Company (Thailand), Mitsui Exploration and Production Australia Pty (Japan).

The permits were awarded for an initial term of five years and the companies are expected to invest up to NZ\$1.22 billion exploring the basin, with extensive seismic programmes being carried out in the first two years followed by several exploration wells. This will almost double the level of exploration in New Zealand over the next few years.

Assuming exploration success, the award of the Great South Basin permits will contribute to the long-term stability and security of New Zealand's energy supply, and to the New Zealand and lower South Island economies.





CASE STUDY



NORTHLAND ECONOMIC STUDY

Two new studies on Northland's mineral potential and its value were released in May 2007. The reports were the result of collaboration between industry and central and local government.

The mineral potential across a wide range of commodities has been investigated by GNS Science in its Foundation for Research Science and Technology (FRST) funded minerals research programme.

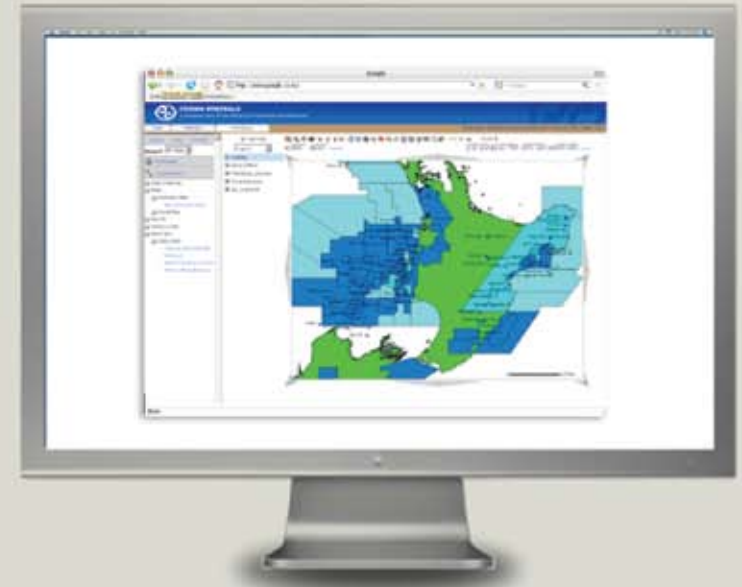
The potential economic benefits of discovering and developing Northland's mineral resources were quantified in a study by the New Zealand Institute of Economic Research (NZIER). This study was funded by Crown Minerals and the Far North and Whangarei district councils.

The mineral resource and economic studies demonstrate the potential to expand the minerals industry in Northland and its contribution to the region's economy.



CASE STUDY

▶▶▶ INFORMATION
TECHNOLOGY
SYSTEMS



Over the past three years, two key information technology initiatives have underpinned a work programme aimed at improving online access to information.

Both systems became operative this year and deliver world-class, free access to a wealth of maps, technical and permit information and data.

The first of these, an integrated permit-management system, went live in June 2007 and replaced existing legacy technology developed around a paper-based system. This initial release delivered a comprehensive back-office permit-management system, as well as the first stage of a phased rollout of online permit services for clients. Future phased releases will deliver additional functionality to enable online permit services including permit portfolio management, permit applications, and payment of fees and royalties.

The online technical database provides free public access to exploration data and maps. This was launched in April 2007 and complements the permit-management system. Permit holders and the public can easily discover, preview and access information by browsing catalogues and maps online. Data can be directly downloaded or ordered for delivery. Supported by world-class technology, this solution delivers a platform on which future growth in data volumes can be readily accommodated and preservation of digital data is assured.

Coupled with a refresh of the Crown Minerals website, both systems provide unprecedented access to the Crown's exploration and permitting data holdings, ensuring high-quality and timely delivery of information to clients.

2006/07

NOTABLE STATISTICS

In the 2006 calendar year, a total of NZ\$2.109 billion of petroleum, gas, coal, industrial minerals and metals were extracted in New Zealand.

ANOTHER RECORD YEAR

Notable production achievements in 2006 were record:

- Coal production of 5.77 million tonnes; and
- Value of all industrial minerals mined.

In addition, the petroleum industry acquired a large amount of seismic data; this is set to increase due to the award of several permits from blocks offer bidding rounds.

MINERALS AND COAL PRODUCTION

The value of national coal, metals and industrial minerals production reached NZ\$1.502 billion; a NZ\$196.8 million (15.1%) increase on 2005 output values. The strong growth in production has been buoyed by increases in commodity prices.

COAL

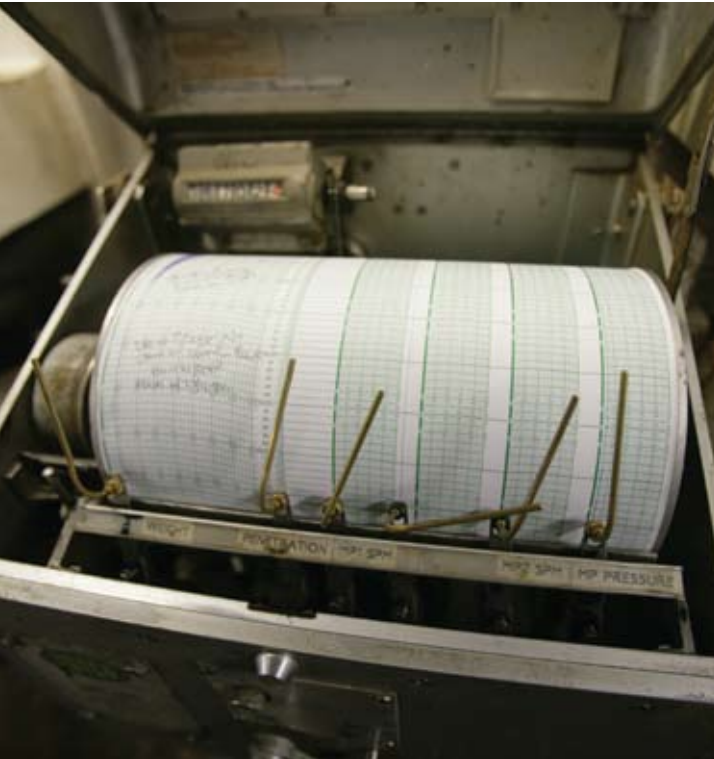
- National production of 5.77 million tonnes, 500,000 tonnes up on the previous year
- The value of coal mined surged 33.5% to a record NZ\$678 million, well up on last year's NZ\$507.9 million.

GOLD

- Production increased to 10,618 kilograms (374,538 ounces)
- Martha Hill production (4,838.39 kg – 170,669.04 oz) was down slightly on 2005
- Macraes mine remained New Zealand's largest (5,287.38 kg – 186,506.81 oz)
- The Westland placer gold production increase (up nearly 170% at 454.13 kg – 16,018.99 oz) was largely responsible for the national gold production increase in 2006
- The total value of gold mined was NZ\$250.4 million, a 5.3% increase on last year.

INDUSTRIAL MINERALS

- Ironsands production was 2,146,496 tonnes
- The total value of all industrial minerals was NZ\$558 million, a NZ\$12.3 million increase
- Total output decreased slightly (6%), to just over 46 million tonnes
- Key increases were made in production of:
 - Amorphous silica – up 660% to 4,588 tonnes
 - Dolomite – 16,022 tonnes (no production was listed for 2005 and 12,400 tonnes in 2004)
 - Pumice – up 23.9% to 303,659 tonnes
 - Sand for industry – up 54.6% to 2,433,165 tonnes.



MINERALS AND COAL EXPLORATION EXPENDITURE

- ▶ Total expenditure on prospectivity and exploration (outside mining permits) was NZ\$25.05 million.

PETROLEUM ACTIVITY AND EXPENDITURE

- ▶ Expenditure was NZ\$707.2 million.

Key indicators of increased activity were:

- ▶ 30 wells were drilled (23 onshore and 7 offshore) for a total of 112,369 metres made
- ▶ 13,240 km of 2D and 2360 km² of 3D seismic was shot, the most acquired in recent times
- ▶ 30,627 km of 2D data and 2,147 km² of 3D data was reprocessed, more than double the amount of seismic reprocessed in 2005.

The medium-term outlook for oil and condensate production is also the best since the Maui B development (reserves are estimated as "proven and probable" or P50 by field operators):

- ▶ Pohokura remaining reserves: 43.1 mmbbls of oil/condensate and 779.2 Bcf of gas
- ▶ Estimated Kupe reserves: 19.2 mmbbls of oil/condensate and 203 Bcf of gas
- ▶ Estimated Tui reserves: 27.9 mmbbls of oil/condensate
- ▶ Estimated Maari reserves: 49 mmbbls of oil/condensate.

Expected production from the four offshore fields, presently at varying stages of development, should substantially improve New Zealand's self-sufficiency. The combined output of these four offshore fields, as well as various onshore developments, should increase domestic liquids production to well above the present level.



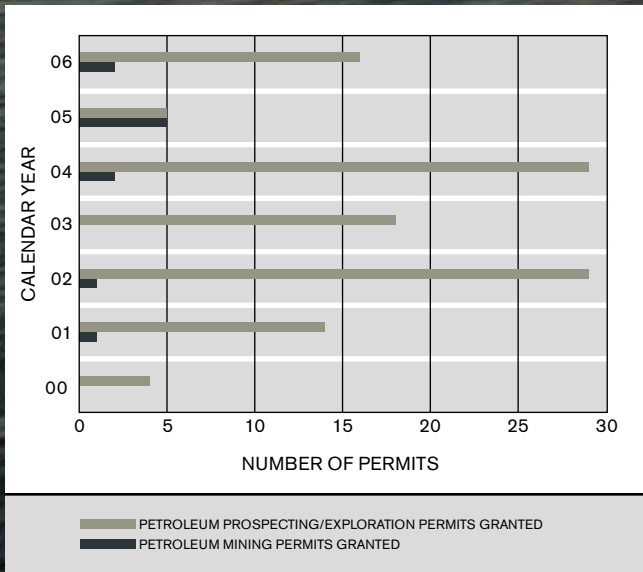
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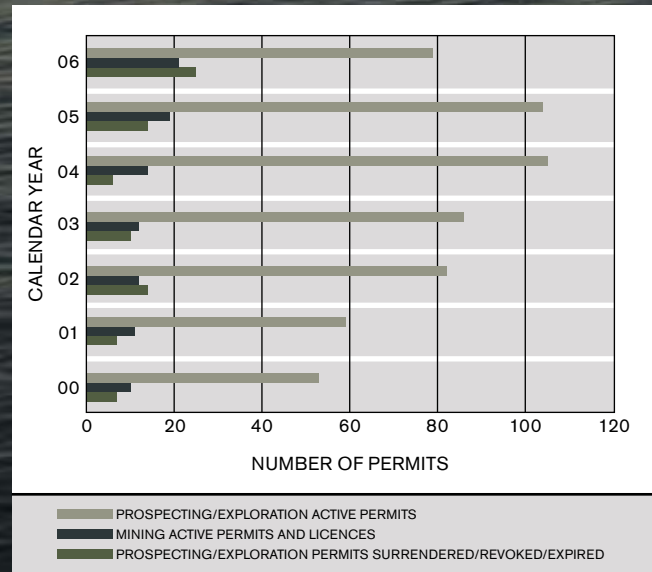
PETROLEUM

PERMIT ACTIVITIES

Petroleum Permits Granted

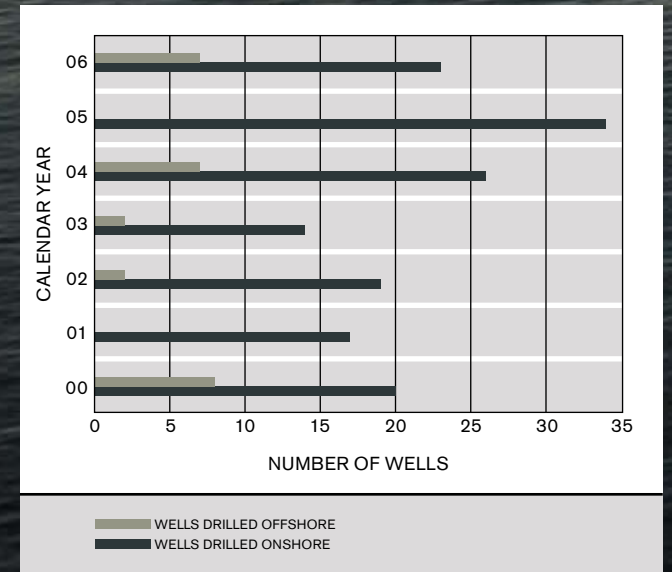


Active Petroleum Permits

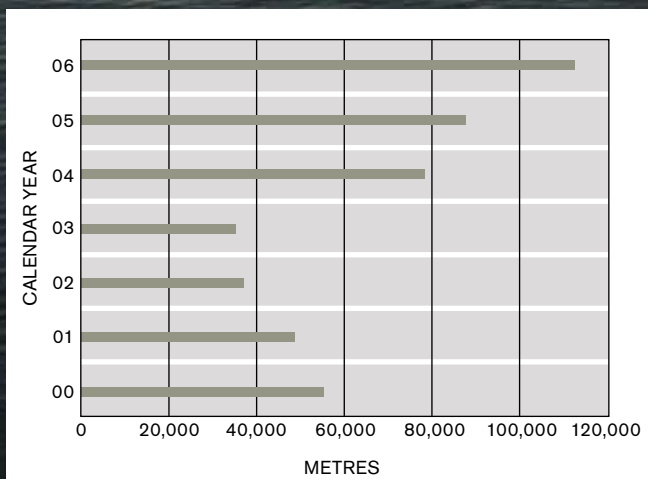


STATE OF THE INDUSTRY

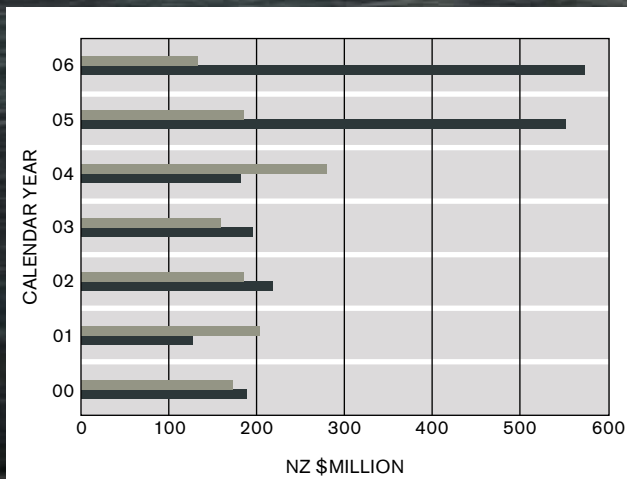
Petroleum Wells Drilled (including sidetracks)



Petroleum Drilled Metres

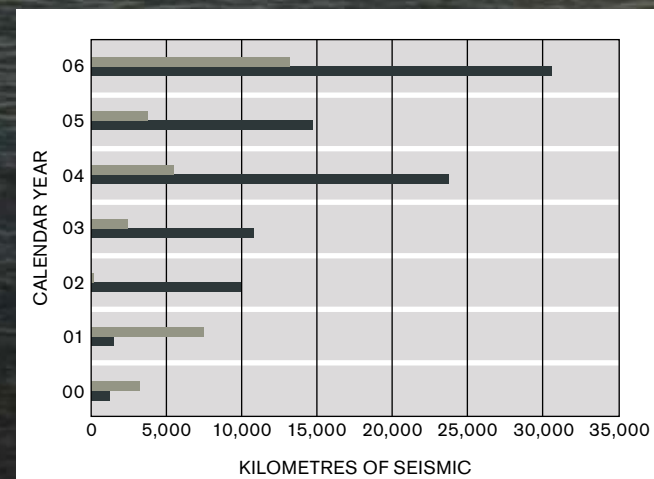


Petroleum Permit National Expenditure



EXPLORATION PERMIT NATIONAL EXPENDITURE
MINING/LICENCE PERMIT NATIONAL EXPENDITURE

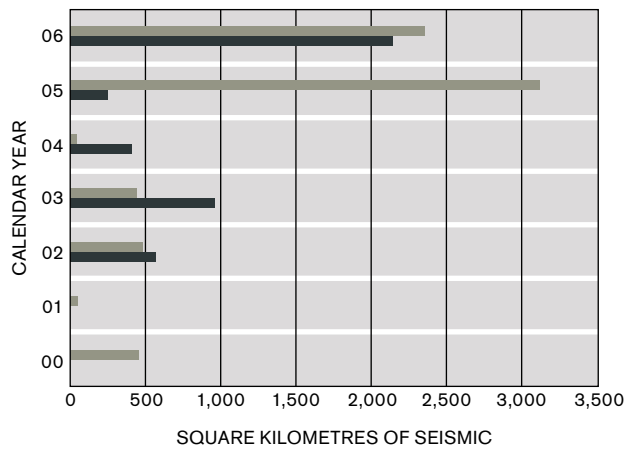
2D Seismic Acquired and Reprocessed



2D SEISMIC ACQUIRED
2D SEISMIC REPROCESSED

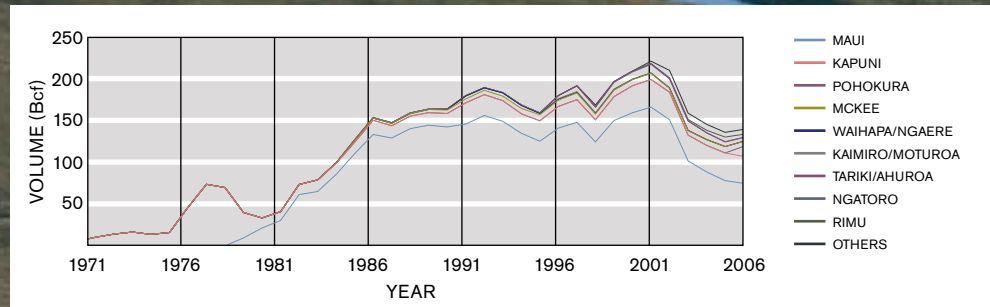
PETROLEUM

3D Seismic Acquired and Reprocessed

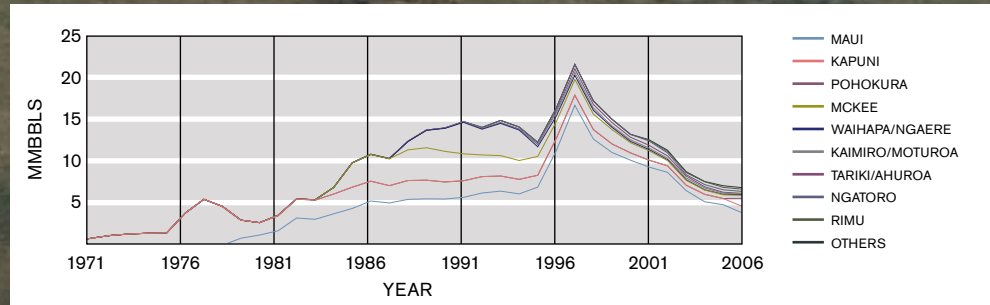


■ 3D SEISMIC ACQUIRED
■ 3D SEISMIC REPROCESSED

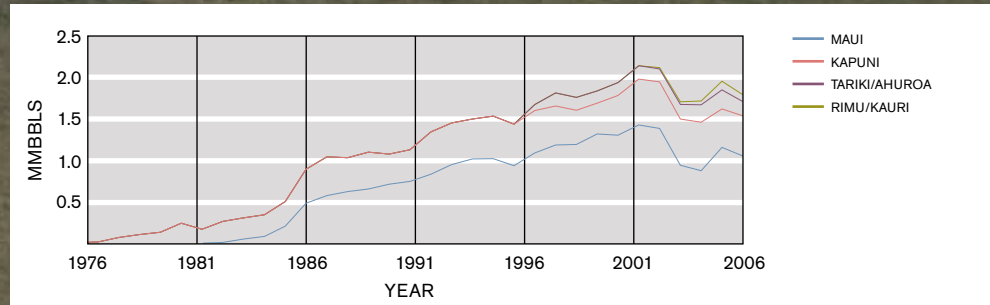
National Net Gas Production 1971-2006



National Oil, Condensate + Naphtha Production 1971-2006



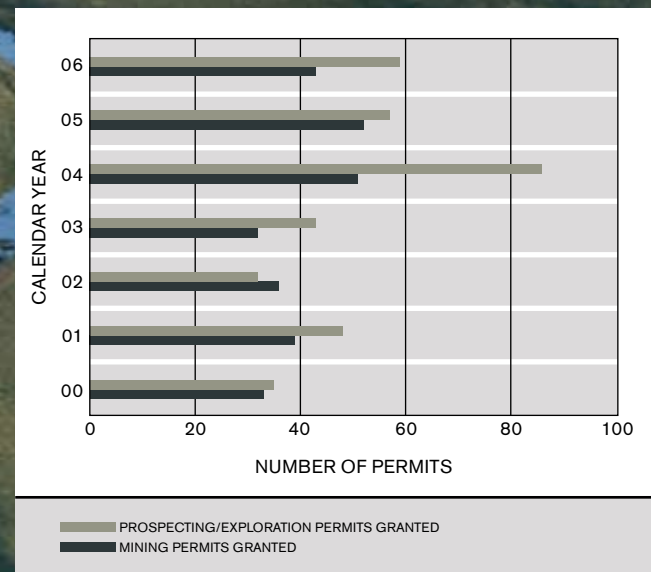
NZ LPG Production by Field 1976-2006



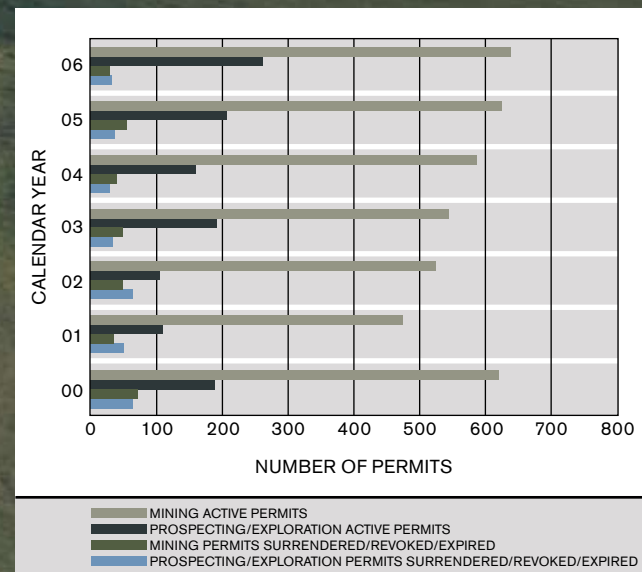
MINERALS

PERMIT ACTIVITY

Mineral Permits Granted in Calendar Year

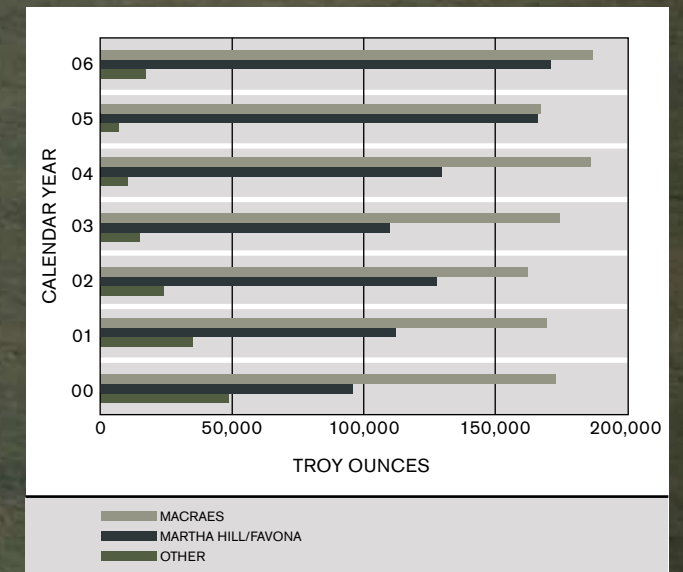


Active Minerals Permits in Calendar Year



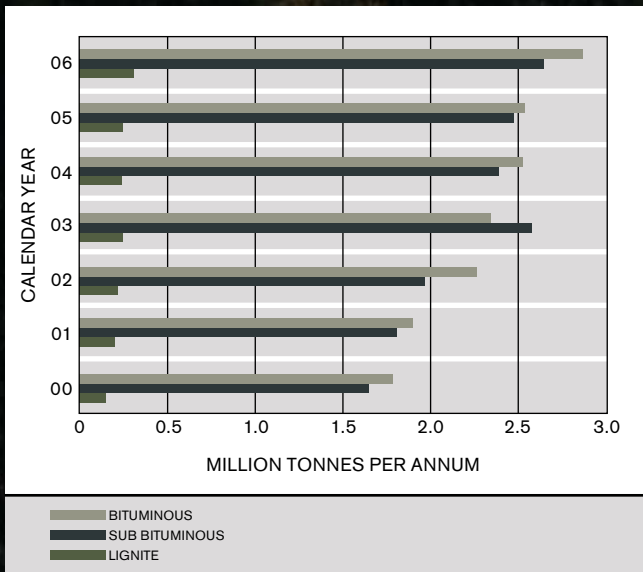
STATE OF THE INDUSTRY

Gold Production

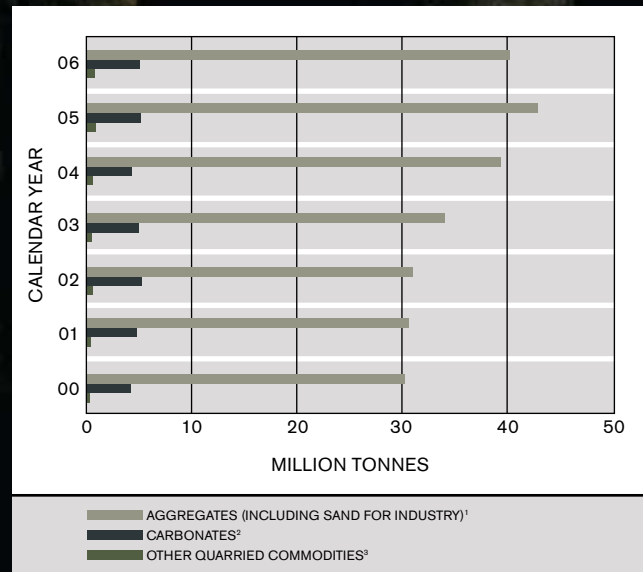


MINERALS

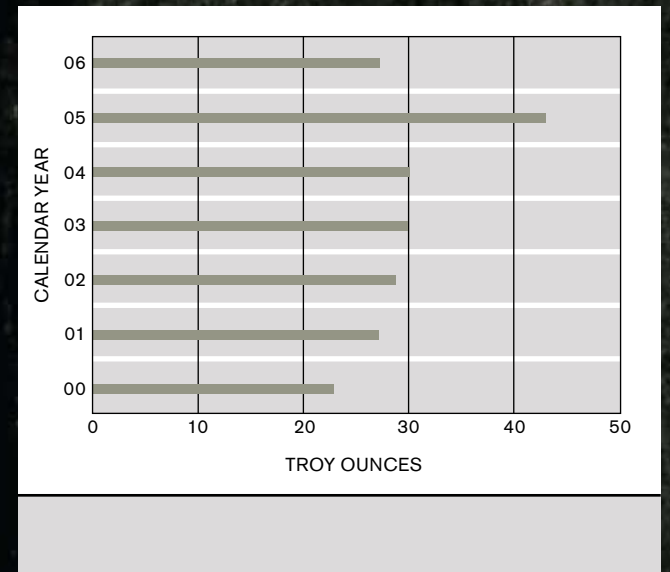
Coal Production by Rank



Industrial Minerals Production



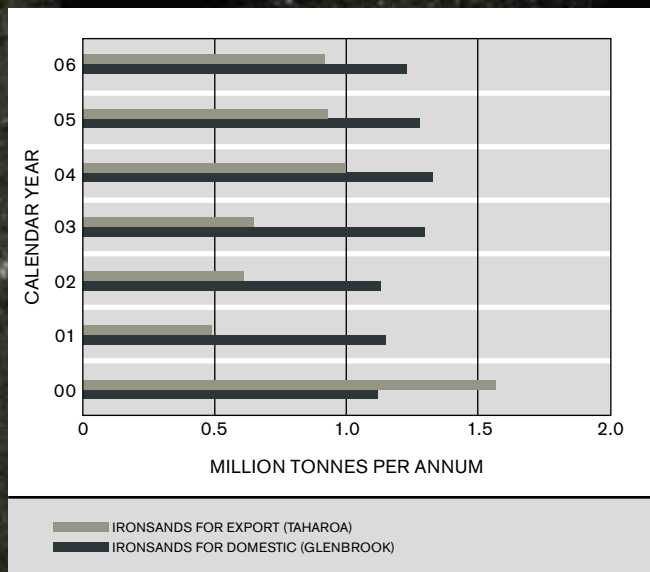
Silver Production



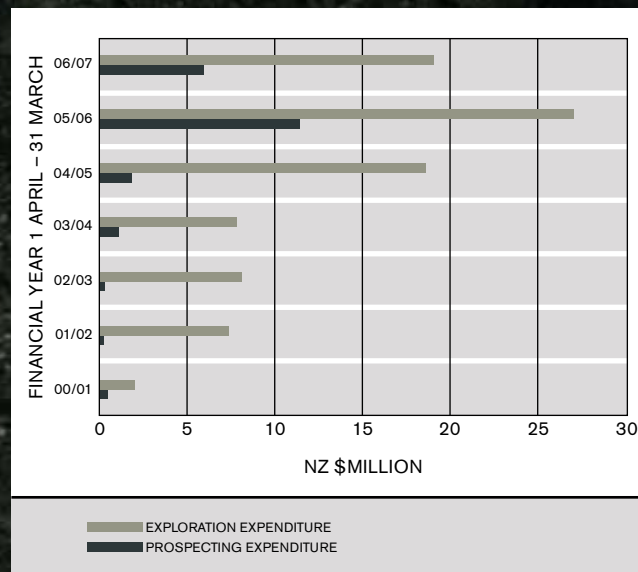
1. Total includes production of Rock for reclamation and protection, Rock, sand and gravel for roading, Rock, sand and gravel for building, Rock, sand and gravel for fill, Sand for industry.
2. Total includes production of Dolomite for agriculture, Dolomite for industry, Limestone for agriculture, Limestone for industry and roading, Limestone and marl for cement.
3. See www.crownminerals.govt.nz/minerals/facts/index.html for a list of the 14 other quarried commodities with reported production.

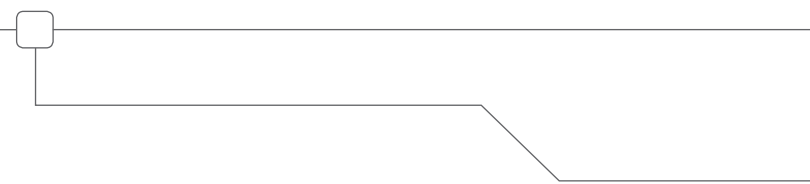


Ironsands Production



Minerals and Coal Prospecting and Exploration Permit Expenditure





▶▶▶ STATEMENT OF FINANCIAL PERFORMANCE
TO 30 JUNE 2007

(GST Exclusive)	Note	2007 Actual \$000	2007 Budget \$000	2007 Variance \$000	2006 Actual \$000
REVENUE					
Crown funded		2,934	3,003	69	3,425
Other	1	5,488	6,328	840	3,909
TOTAL REVENUE		8,422	9,331	908	7,334
EXPENSES					
Personnel		2,271	2,472	201	2,380
Operating		3,008	2,722	-286	3,092
Depreciation		-28	153	181	23
Support and Other					
IT costs		1,165	1,066	-99	653
Occupancy		510	498	-12	660
Capital charge		274	242	-32	82
Other		1,007	1,051	44	584
TOTAL EXPENSES		8,207	8,204	-3	7,474
NET SURPLUS		216	1,127	911	140

Notes to the Statement of Financial Performance

1 Revenue Other

Sources of Revenue Other	2007 Actual \$000	2006 Actual \$000
Petroleum	2,658	1,701
Minerals	2,014	1,200
Coal	678	537
Conferences	0	353
Other fees	80	118
	5,430	3,909

2 Audited financial statements are incorporated into the Ministry of Economic Development's Annual Report 2006-2007.



▶▶▶ THE YEAR AHEAD



Energy security, and access to and development of New Zealand's mineral estate, continue to be important to New Zealand's economic transformation.

As in 2006-2007, Crown Minerals will continue to expand its work to learn more about New Zealand's mineral and petroleum resources and to ensure that their contribution to the economy is maximised in line with the Government's objectives for energy and economic growth.

In the year ahead, this will include:

- ▶ Working with industry to improve our knowledge of existing reserves from producing fields
- ▶ Encouraging explorers to test new concepts in places where oil and gas have been discovered
- ▶ Working with mineral explorers to maximise opportunities for exploring and developing the mineral estate
- ▶ Continue working with industry and government agencies to better understand the technical policy considerations for storing carbon dioxide
- ▶ Hosting the New Zealand Petroleum Conference in March 2008.

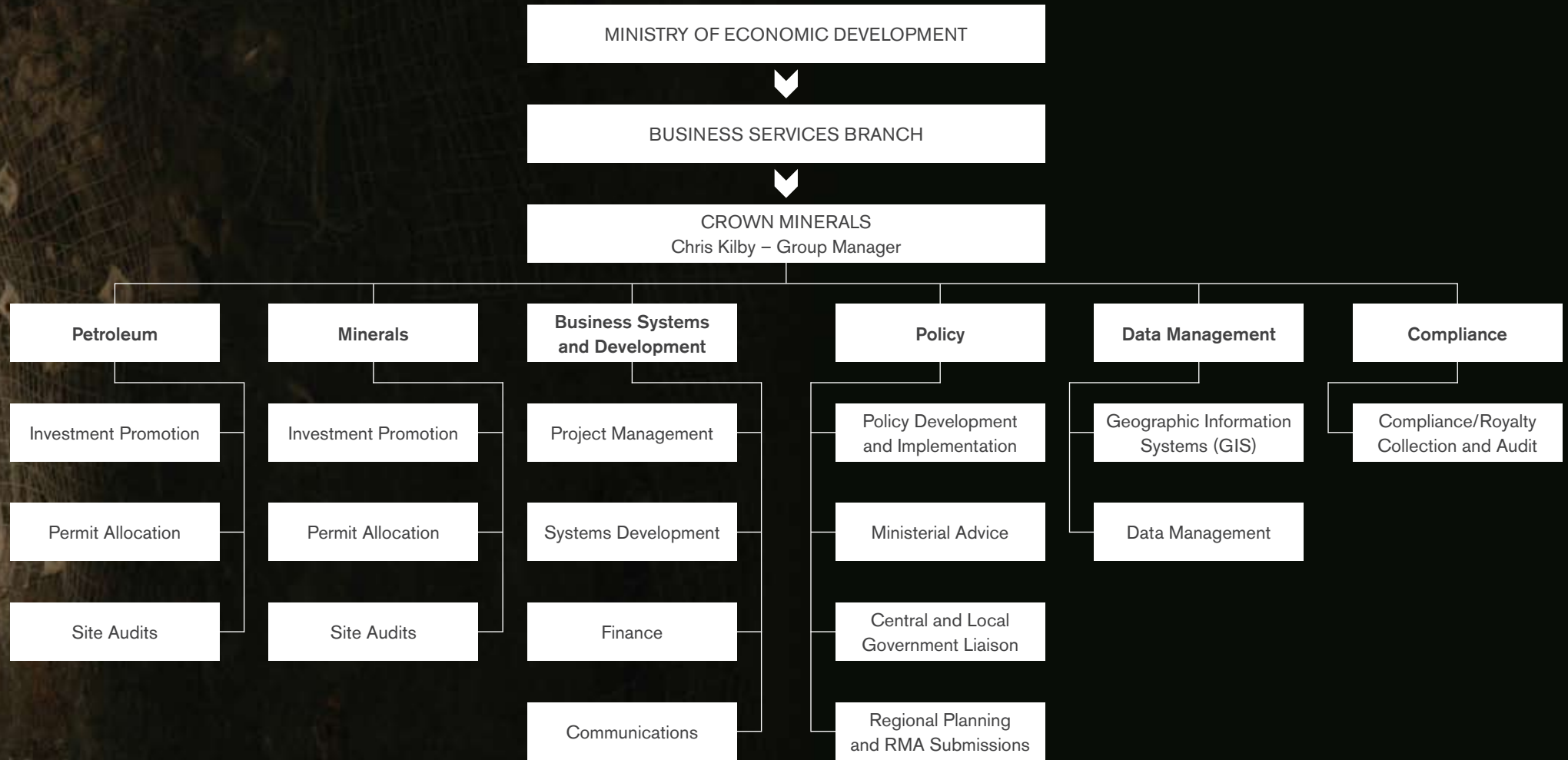
The Group will also continue to focus on:

- ▶ Attracting investment to develop the Crown's mineral and petroleum estate, particularly by identifying petroleum and gas resources through blocks offers and by attending international conventions and face-to-face meetings with prospective clients
- ▶ Continuing improvements in access to high-quality digital, technical and permitting data by launching further online services
- ▶ Reviewing the Crown Minerals Act and the Petroleum Minerals programme to ensure they are meeting the needs of industry and the Government.

Investment in staff training, industry secondments and technical support systems will continue to be key priorities.

▶▶▶ BUSINESS UNITS







KEY CONTACTS AND USEFUL LINKS

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.

PHONE: 0508 CMESTATE (0508 263 782)
EMAIL: crown.minerals@med.govt.nz
FAX: +64 4 471 0187
WEBSITE: www.crownminerals.govt.nz
ADDRESSES: PO Box 1473, Wellington, New Zealand
Level 5, 33 Bowen St, Wellington, New Zealand

GROUP MANAGER, CROWN MINERALS

PHONE: +64 4 470 2524
EMAIL: chris.kilby@med.govt.nz



