29 August 2008

STRONG RESULT FOR NZOG AND EXTRA DIVIDEND DECLARED

New Zealand Oil & Gas Ltd (NZOG) has today released its annual financial results, which reflect a transformational year for the company, and announced an additional dividend.

For the 12 months ended 30 June 2008, NZOG recorded a net profit of $97.2 million from total revenue of $234.1 million.

This compares to a net profit of $6.8 million* and revenue of $4.2 million* in the corresponding 12 month period a year earlier.

NZOG has previously reported a cash balance at 30 June of $256 million. This has since risen to $285 million and the company is well positioned to pursue new investment opportunities.

Extra Dividend

In April 2008, a fully imputed dividend of 5c per share was paid to shareholders. Given the outstanding full year result, the Board has resolved to pay a further fully imputed dividend of 5 cents per ordinary share.

The determination of entitlements for the extra 5 cents dividend will be taken from the close of the share register on Friday 19 September 2008. The dividend will be paid on Wednesday 1 October 2008.

Going forward, the Board's policy is to distribute a reasonable proportion of profit by way of an annual dividend. Future dividends are expected to be announced to coincide with release of the annual results.

Tui Oil Fields

A standout achievement during the year was the performance of the Tui Area Oil Fields, situated off the Taranaki coast, which began production on 30 July 2007. 11 months later, at the end of the financial year, reserves had been upgraded by 80%, production was 42% ahead of forecast and returns had been boosted by record international oil prices.

Total oil production from Tui for the financial year was 14.2 million barrels. NZOG's share was 1.8 million barrels and the average net sales price was just under US$100 a barrel.

NZOG achieved project 'payback' - recovery of all exploration and development costs for the Tui Area Oil Project – by December 2007 – just four and a half months from production start-up.

During the year the initial proven and probable (2P) reserves were upgraded to 50.1 million barrels. In addition, the lease term for the floating production storage and offtake vessel (FPSO) Umuroa was extended to the end of 2015 with rights to extend to 2022. NZOG's current expectation is that Tui will continue commercial production to around 2020.

* Restated for New Zealand International Financial Reporting Standards (NZ IFRS).

Plans are being developed to increase the fluid (water and oil) handling capacity of the Umuroa to 180,000 barrels per day. This will allow more oil to be recovered at a faster rate from the current reservoirs and provides the flexibility to tie-in any future nearby discoveries.

Kupe

Also very important to NZOG's near and medium-term future is the significant progress made on the Kupe Project, which at year end was over 80% complete.

The three development wells off the south Taranaki coast were successfully completed in early June 2008 and subsequently suspended, awaiting start-up. Preliminary analysis of the well results confirms that the wells and the reservoir have met expectations. With all of the offshore facilities now in place the focus is on the onshore production station near Hawera and the oil storage facilities in New Plymouth.

In July 2007, it was announced that the expected completion cost of the Kupe Project had increased by around 10%. Following completion of the offshore drilling and construction programme the Operator has now advised that the expected completion cost has risen by around a further 10%.

About 40% of the cost increases since project sanction are the result of enhancements to the original project scope. Other factors include weather downtime and increases in equipment, material and labour costs. Over the same period, liquids prices (oil and LPG) have risen strongly. Kupe will produce a mix of gas, LPG and light oil/condensate. Given current prices, over three-quarters of the value of this field lies in the liquids and the expected return on our investment in Kupe has increased significantly since the project was sanctioned.

The Kupe project is due to commence commercial production in mid 2009.

Pike River Coal

In July 2007, NZOG sponsored the successful public float of Pike River Coal Ltd, as a separate company listed on the NZX and ASX. NZOG retains a stake of just over 30% in Pike, through 82m shares, 11m options and 3.5m convertible notes, and has two directors on the seven member Pike board.

In NZOG's accounts, the stake in Pike is recognised at its carry value of $66.4 million. The market value of the stake as at 30 June 2008 was $200.2 million.

Financial Performance

For the 2008 financial year, NZOG had total revenue from ordinary activities of $234.1 million. Earnings before interest, tax, depreciation, amortisation and royalties were $187.7 million. NZOG made a net profit after tax of $97.2 million.

This outstanding result was built on a combination of high oil prices and higher than expected production from Tui.

NZOG's total revenue from Tui was $222.8 million. There was also a gain of $10.8 million recognised from the successful float of Pike River Coal Ltd and some other revenue of a minor nature.

NZOG received a major boost to cash reserves through the exercise of options which had been issued to shareholders in December 2005. These options were convertible to ordinary shares for $1.50 each by 30 June 2008. 92% of the share options on issue were exercised, raising $190.8 million. This was the largest capital raising on the NZX this year.

Positioned for Growth
NZOG Chairman Tony Radford said the company is well positioned to build on the successes of the past year.

"The expansion of Tui reserves and higher rates of production, together with Kupe coming on stream in mid-2009, provide a very sound outlook for continued profitability for the medium term. The company has a strong cash and asset position, which the Board and executive are determined to utilise by adding new exploration and production projects.

"We have been systematically screening opportunities, both in New Zealand and overseas, and we look forward to bringing the best of these into our portfolio, commencing in the current 2008/09 financial year."

Financial Highlights		
Year ended 30 June	2008	2007
Revenue (NZ$m)	234.1	4.2
EBITDAR (NZ$m) (Earnings before interest, tax, depreciation amortisation and royalties)	187.7	1.6
EBITDA (NZ$m) (Earnings before interest, tax, depreciation and amortisation)	161.3	1.6
Net Profit (NZ$m)	97.2	6.8
Cash Balance at year end (NZ$m)	256.5	35.4
Diluted Earnings Per Share (c)	24.1	1.9

ENDS.

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NZOG stock symbols: NZX shares - NZO
ASX shares - NZO