

NZOG (New Zealand Oil & Gas Ltd)

2009 Annual Results Announcement

26 August 2009



FY09 Financial Results

Operating Revenue:

- \$NZ138.7m
 - Production from Tui area oil fields
 - Average sales price of NZ\$122 per barrel
 - Fluctuating returns: NZ\$65 to \$190 per barrel

Net Profit After Tax:

- \$NZ53.2m – 2nd best result in NZOG's history
 - NZ\$31.1m in corporate tax
 - NZ\$23.8m in royalties



FY09 Financial Results

	June 09	June 08	Change
Production (mmbbls)	1.14	1.78	-36%
<i>Av Sales Price NZ\$/bbl</i>	<i>122</i>	<i>125</i>	
Revenue (NZ\$000)	138.7	222.8	-38%
EBITDAR	112.7	187.7	-40%
Net finance income (loss)	23.3	(9.4)	
Profit before Tax/Royalties	108.1	164.5	-34%
Net Profit After Tax	53.2	97.2	-45%
Net Cash from Operations	93.0	153.9	-40%

FY09 Financial Results

Investment:

- Approx NZ\$120m
 - Kupe project (development)
 - Pike River Coal (participation in rights issue)
 - Pan Pacific Petroleum (acquired 15% interest)
 - Exploration

Debt:

- No debt at 30 June 2009
 - Amended NZ\$75m debt facility being finalised

Cash Position:

- Cash balance at 30 June 2009: NZ\$175m
 - Majority held in US-denomination accounts with NZ based banks
 - Income in US dollars, most expenses also in US dollars



FY09 Financial Results

Dividend

- Annual Dividend of 5 cps announced for 2009
- Record Date 18 September
- Payment Date 2 October
- Dividend Reinvestment Plan offered
 - 2.5% discount and no brokerage fees
- The Board has determined that a reasonable portion of profit will be paid out as an annual dividend, with an announcement made with the release of annual results



Existing Assets – a Solid Base

Tui area oil fields:

- NZOG's share of FY09 production 1.14 mmbbls
- Initial Reserves upgraded again, from 50.1 to 50.5 mmbbls
- 23.3 mmbbls produced by 30 June 09, estimated 27.2 mmbbls remaining
- Production forecast for FY10: 5.1 mmbbls
- Near-field drilling this summer
 - Tui NE, and then either Tui SW or Tui SE



Existing Assets – a Solid Base

- **Kupe project**

- Major progress during the year
- First gas ashore expected last quarter of 2009
- Key legal and commercial arrangements put in place
- Will provide three revenue streams for 10-15 years

- **Pike River Coal**

- NZOG supported Rights Issue and retains 30% stake
- Delay to first shipment disappointing



New Investments - Exploration

- 40% stake in PEP 38491 announced today
- PEP 38491 contains half a dozen interesting prospects and three separate play fairways - a Pliocene Fan and two Mangaa sands
- The first prospect to be targeted is Albacore
- Drilling around October/November using Ensco-107 jack-up



New Investments - Exploration

- Significantly expanded exploration portfolio
 - 40% stake in Albacore permit (Taranaki Basin)
 - 10% stake in Hoki permit (Taranaki Basin)
 - Drilling around December using Kan Tan 1V semi-submersible
 - 40% stake in Barque permit (Canterbury Basin)
 - 18.9% stake in Kahurangi permit (Taranaki Basin)
 - 100% of new Gamma permit (Taranaki Basin)
- At least 4 wells to be drilled this summer:
 - Albacore, Hoki, Tui NE, Tui SE/Tui SW
 - NZOG's financial commitment approx NZ\$30m



New Investments - PPP

- 14.9% shareholding in Pan Pacific Petroleum acquired in December 2008
- NZOG identified a value creating opportunity to acquire a cornerstone stake
- Market value has increased substantially
- June 2009 NZOG received a dividend payment of NZ\$3.3m

New Investments

- During FY09 a number of producing and development assets rigorously evaluated
- None of the assets screened to date has been sufficiently attractive, as to pricing and/or technical risk, for NZOG to proceed with an acquisition

Growth Strategy

- **Our criteria for investment**
 - Proven hydrocarbon systems
 - Quality partners
 - Suitably attractive fiscal regime
 - Access to markets and infrastructure
 - Manageable regulatory and political risk
 - Manageable financial exposure
 - Near term payback as opposed to long term horizons
 - Establishing one or two new core areas (in addition to offshore Taranaki)



Summary

- Strong operating position and balance sheet has allowed NZOG to successfully implement its growth strategy
- Targeting opportunities that are robust and comfortably fit within our financial capability
- NZ\$120 million invested in last 12 months and portfolio significantly expanded
- Continuing to identify a range of potential investments
- At least four wells to be drilled this summer
- Soon have three new revenue streams from Kupe – gas, LPG and light oil - to supplement oil revenue from Tui
- From this solid base able to pursue growth opportunities to enhance shareholder value



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