



26 August 2009

Pursuing Growth from a Solid Base

New Zealand Oil & Gas Ltd (NZOG) has today released its annual financial results, which reflect a solid performance in a year of unprecedented international turmoil.

For the 12 months ended 30 June 2009, NZOG recorded a net profit after tax of \$53.2 million from total operating revenue of \$138.7 million.

As expected revenue was lower than in the previous year, which had included the initial very high production from the Tui area oil fields. The profit result is the second best in the company's history.

In addition to the Tui revenue, NZOG received a \$3.3m dividend from its investment in Pan Pacific Petroleum and recognised a \$3.7 million foreign exchange gain for the year.

There were two principal areas of focus for the company in the past year – securing new investments and optimising the value of the existing business.

During the year NZOG invested around \$120 million in total in its existing asset portfolio and in new investment opportunities. NZOG had a cash balance at 30 June of \$174.8 million and no debt.

Dividend

The NZOG Board has resolved to pay a fully imputed dividend of 5 cents per ordinary share.

The determination of entitlements for the dividend will be taken from the close of the share register on Friday 18 September 2009. The dividend will be paid on Friday 2 October 2009. A Dividend Reinvestment Plan is available to shareholders who want to take all or part of their dividend in additional shares.

Tui

The pleasing financial result is attributable to the ongoing success of the Tui area oil fields. In the financial year to the end of June 2009, Tui produced 9.12 million barrels of oil (mmbbls), against a forecast of 9 mmbbls. NZOG's share of this annual production was 1.14 mmbbls.

Following an annual reserves assessment by the operator, the initial proven and probable (2P) reserves have been upgraded slightly, from 50.1 to 50.5 mmbbls. This is the fifth reserves upgrade since the field began producing in July 2007. The pre-production 2P reserves estimate had been 27.9 mmbbls.

At 30 June 2009, 23.3 mmbbls had been produced in total from Tui, with an estimated 27.2 mmbbls remaining to be recovered.

Significantly, the potential for additional reserves and sustained levels of production from the Tui project is about to be addressed, with the drilling of at least two more wells nearby the Tui field this summer. The joint venture will drill the Tui North East prospect, followed by either the Tui South West prospect or the Tui South East prospect, depending upon the results of the first well.

Kupe

While it has yet to be reflected in the company's trading results, the major Kupe development was progressed very substantially during the year. First gas is expected to be brought ashore for commissioning of the processing station near Hawera in the final quarter of 2009. Kupe will provide NZOG with solid long-term income from the production of gas, light oil and LPG. During the year, NZOG's share of the LPG was contracted to Vector for a minimum of 10 years. NZOG's share of the sales gas is contracted to Genesis in a take or pay arrangement. The light oil/condensate will be exported from Port Taranaki.

Pike River Coal

Oil and gas exploration and production is the primary focus of NZOG. Notwithstanding that, NZOG has continued to support its investment stake in Pike River Coal (PRC), retaining a shareholding of just under 30%. The announcement from PRC this week that the first shipment has been further delayed is disappointing.

New Investments

NZOG has been active in expanding its exploration portfolio. New exploration opportunities secured in the past year include:

- 40% stake in the Albacore permit (Taranaki Basin)
- 40% stake in the Barque permit (Canterbury Basin)
- 18.9% stake in the Kahurangi permit (Taranaki Basin)
- 10% stake in the Hoki permit (Taranaki Basin)
- 100% of the new Gamma permit (Taranaki Basin)

This summer in the Taranaki Basin, in addition to the Tui drilling mentioned above, the Hoki-1 well will be drilled by the semi-submersible rig Kan Tan IV, and the Albacore-1 well will be drilled by the jack-up rig ENSCO-107.

During the financial year, a number of producing and development assets were rigorously evaluated as potential additions to the company's asset base. None of the assets screened to date has been sufficiently attractive, as to pricing and/or technical risk, for the company to proceed with an acquisition of this type.

In December 2008, NZOG re-established itself as a key shareholder in Tui project partner Pan Pacific Petroleum, by purchasing a 14.9% shareholding on market. NZOG identified a value creating opportunity to acquire a cornerstone stake in a successful business, whose main asset is well understood by NZOG. Since it was acquired the market value of the stake has increased substantially and in addition, in June 2009 NZOG received a dividend payment of NZ\$3.3 million.

A Platform for Growth

NZOG Chief Executive David Salisbury said that in the past year the company has successfully continued on a growth path, building on the solid base provided by the existing asset portfolio.

"While many other companies were buffeted by the global financial crisis, our strong balance sheet has allowed NZOG management to actively pursue a growth strategy.

"We are targeting opportunities that are robust and comfortably fit within our financial capability. The announcement today of our participation in the drilling of the Albacore well is the most recent outcome. We continue to identify a range of potential investments and we are working hard to secure the best of them.

"In our existing portfolio, we will soon have three new revenue streams from Kupe – gas, LPG and light oil - to supplement the oil revenue from Tui. It is from this solid base that we are able to pursue growth opportunities to enhance shareholder value."

Financial Highlights	NZ\$ millions		
Year ended 30 June	2009	2008	2007
Operating Revenue	138.7	222.8	4.2
EBITDAR (Earnings before interest, tax, depreciation, amortisation and royalties)	112.7	187.7	1.6
EBITDA (Earnings before interest, tax, depreciation and amortisation)	88.9	161.3	1.6
NPAT (Net Profit After Tax)	53.2	97.2	6.8
Cash Balance at year end	174.8	256.5	35.4
	NZ cents		
Net Tangible Assets per Share	128	112	73
Diluted Earnings per Share	13.7	24.1	1.9

ENDS.

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