

news release

18 February 2015

Half-year result

Sales of gas are continuing to sustain strong, positive cashflows which New Zealand Oil & Gas is using to focus on acquisitions against a background of lower oil prices affecting valuations.

Revenue for the six months to 31 December 2014 was up 5.2 per cent to \$54.1 million from \$51.4 million a year ago.

Revenue figures were primarily driven by additional volumes from the company's larger share of the Tui asset for the duration of the current six month period and the timing of shipments, but significantly lower oil prices largely offset any volume gains.

Revenue from the Kupe asset in the six months was \$31.4 million from production of around 450,000 barrels of oil equivalent¹, compared to \$38.0 million a year ago from 472,000 barrels in 2014 and \$31.2 million from 368,000 2013.

Revenue from Tui was \$22.7 million in the half year from around 227,000 barrels of oil sold, compared to \$13.4 million a year ago from 97,000 barrels sold, when the larger share was only included in three months' production, and \$16.6 million in 2013 from 82,750 barrels sold. Revenue is affected by the timing of shipments.

Gross profit for the six months was \$20.9 million compared with \$26.7 million in same period last year. The increase in operating costs was the result of the greater stake in Tui and the lower New Zealand dollar.

For the six months to 31 December, EBITDAX² (earnings before interest, tax, depreciation, amortisation and exploration expenses) was \$28.3 million, compared to \$31.4 million in the first half of the previous year.

A net loss of \$10.5 million was recorded for the six months after the Tui asset was written down by \$13 million because of lower oil prices. In the same period last year the company announced a net profit after tax of \$4.0 million.

Despite lower oil prices, the company expects gas sales volumes and prices to provide continued positive cashflows, while revenue will be further supported by additional production from the Pateke-4H well. The Pateke operator expects work to begin in March to connect Pateke-4H to the Tui floating production vessel, with first oil now anticipated as early as April.

CEO Andrew Knight says despite the effects of lower oil prices the underlying business is sound with positive cash flows.

"Oil prices affect revenue and the Tui valuation but our revenue from gas sales has not been affected in the same way. I expect the business's performance to continue to be fundamentally sound with our mix of assets and the business overall remaining cashflow positive.

For further information please contact:

John Pagani, External Relations Manager, DDI: +64 4 471 8333, MOB: +64 21 570 872
Andrew Knight, CEO, PH: +64 4 495 2424, TOLL FREE: 0800 000 594 (NZ)

NZOG stock symbols:

NZX shares – NZO
ASX shares – NZO

"The lower oil price has resulted in a number of assets coming to market. This represents an opportunity to use our positive cashflows for acquisitions where opportunities present value for shareholders."

The company intends to pull back on future exploration and expensed \$13.5 million after returning two permits off Taranaki, New Zealand to the Crown. The exploration spend for the half-year compares to \$12.5 million in the comparable previous period.

The company had no debt and \$115.2 million of cash at 31 December 2014. On 20 February the company will return around \$63.2 million of capital to shareholders. It also used \$14.7 million of cash to purchase a 19.99 per cent interest in ASX-listed Cue Energy, and last week made a takeover offer of A10 cents a share.

FIGURES ARE NZD, except where stated.

¹ Barrels of oil equivalent have been calculated as the total oil equivalent of the oil, condensate/light oil, natural gas and LPG figures, using conversion factors consistent with Society of Petroleum Engineers (SPE) guidelines, as provided below. Conversion factors used were: 163.40 barrels of oil equivalent per terajoule of natural gas, 8.15 barrels of oil equivalent per tonne of LPG.

² EBITDAX is a non-IFRS measure that is presented to provide an understanding of the underlying operating performance of New Zealand Oil & Gas Limited. The measure represents earnings before interest, tax, depreciation, amortisation and exploration costs (including impairment write downs and abandonment) and reconciles with 'Net loss after tax' as follows:

	H1FY15 NZ\$ millions	H1FY14 NZ\$ millions	FY14 NZ\$ millions
Net (loss)/profit after tax	(10.5)	4.0	10.1
Add back:			
Income tax credit / (expense)	(1.0)	1.2	7.3
Net Finance income / (costs)	(2.8)	0.2	2.4
Exploration and evaluation costs expensed	13.5	12.6	29.5
Pre-permit expenditure (in Other Expenses)	0.1		
Asset Impairment	13.1	-	-
Amortisation & Depreciation	14.7	13.5	28.3
Amortisation within movement in inventory	1.2	(0.3)	(2.2)
EBITDAX	28.3	31.2	75.4

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