

22 February 2012

## NZOG half year results

NZOG (New Zealand Oil & Gas Ltd) has delivered another strong result with the Tui and Kupe fields contributing to a net operating cash flow of \$26.5 million in the first half of the financial year.

For the 6 months ended 31 December 2011, NZOG recorded total operating revenue of \$54.6 million, compared to operating revenue of \$40.5 million in the corresponding six month period a year earlier.

NZOG has reported a net profit after tax of \$2.3 million, compared to a loss of \$99.0 million for the corresponding period a year earlier.

The profit was achieved despite taking a further \$22.2 million impairment against remaining Pike River Coal Ltd (PRCL) debt.

NZOG had a total cash balance at 31 December 2011 of \$191.5 million and a net cash position of \$136.7 million.

### Operating Performance

NZOG's operating revenue comes from two producing fields in the offshore Taranaki Basin.

The Kupe gas and oil field is NZOG's primary revenue source, contributing \$37.1 million in revenue in the six month period.

With a 15% stake, NZOG's share of Kupe production for the period was 1.45 PJ of sales gas; 6,300 tonnes of LPG; and 139,000 barrels of light oil.

The Tui area oil fields, while now in the decline phase, continue to make a valuable contribution, earning NZOG \$17.5 million in the six month period.

With a 12.5% stake, NZOG's share of Tui production for the period was just under 148,000 barrels of oil.

The contribution to earnings from each field was as follows:

| NZD millions | Kupe | Tui  | Total |
|--------------|------|------|-------|
| Revenue      | 37.1 | 17.5 | 54.6  |
| EBITDAX*     | 24.7 | 12.2 | 36.9  |
| EBIT**       | 14.4 | 9.4  | 23.8  |

\* Earnings before interest, tax, depreciation, amortisation and exploration.

\*\* Earnings before interest and tax.

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NZOG stock  
symbols:

NZX shares – NZO  
ASX shares – NZO

During the period, NZOG received a total of \$41.0 million from the Receivers for Pike River Coal Limited (PRCL) following a settlement with PRCL insurers. NZOG advanced \$4.6 million to the Receivers to fund ongoing mine stabilisation efforts and the mine sales process.

### **Abnormal Items**

As announced on 26 January 2012, NZOG has taken an impairment provision for all remaining secured PRCL debt. This impairment provision of \$22.2 million (which includes related currency movements) was made after an assessment of the expected future cash recoveries from PRCL. The provision reflects the ongoing cost of the receivership, the highly conditional nature of further receipts and uncertainty regarding timing.

The other abnormal item during the period was a foreign currency gain of \$4.8 million on the company's US dollar cash holdings.

### **Portfolio Development**

During the six month period NZOG took further steps to establish new core areas of business with investments in Tunisia and Indonesia, while continuing to focus on its long standing presence in New Zealand.

In the southern offshore Taranaki basin, NZOG is looking to secure an additional joint venture partner ahead of drilling the Kakapo prospect, which subject to rig availability could take place next summer. NZOG is also working on behalf of the Barque joint venture to secure an additional partner for this prospect in the offshore Canterbury Basin. Both permits have 'drill or drop' commitment deadlines later this year.

In Tunisia, a 470km 2D seismic survey was conducted earlier this month over the Diodore permit. The data will be processed and then analysed to firm up already identified drilling prospects. NZOG and its partners in the Cosmos concession, which NZOG joined in December, are undertaking the detailed work required ahead of a final investment decision later this year on whether to proceed with a development of the oil discovery.

In Indonesia, as well as several study agreements, NZOG has a stake in an exploration permit in central Sumatra where a well is to be drilled in the coming months.

NZOG Chief Executive Andrew Knight says further opportunities need to be identified and secured.

"In the year ahead there is the prospect of exploration drilling in Taranaki and Indonesia and a potential commitment to develop an oil field in Tunisia. Further out, there are other drilling prospects. However, NZOG has the resources and capability to do significantly more.

"We are very actively pursuing further opportunities in all three of our core areas – New Zealand, South-East Asia and North Africa – ranging from study and permit applications through to drilling, asset deals and corporate acquisitions.

"Kupe and Tui are expected to provide ongoing cash flows and we intend to invest a sensible portion of those cash flows in new investments in order to grow the business and provide long-term value for our shareholders."

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| <b>Financial Summary</b>            | NZ\$Millions                                            |                                               |                                         |
|-------------------------------------|---------------------------------------------------------|-----------------------------------------------|-----------------------------------------|
|                                     | <b>Unaudited<br/>Half Year<br/>31 December<br/>2011</b> | Unaudited<br>Half Year<br>31 December<br>2010 | Audited<br>Full Year<br>30 June<br>2011 |
| Revenue                             | <b>54.6</b>                                             | 40.5                                          | 106.5                                   |
| EBITDAX*                            | <b>33.1</b>                                             | 15.7                                          | 58.5                                    |
| Exploration write-offs              | <b>(0.6)</b>                                            | (2.6)                                         | (3.4)                                   |
| Depreciation and Amortisation       | <b>(13.3)</b>                                           | (11.9)                                        | (22.4)                                  |
| EBIT**                              | <b>19.2</b>                                             | 1.2                                           | 32.6                                    |
| Net Profit/(Loss) After Tax         | <b>2.3</b>                                              | (99.0)                                        | (75.9)                                  |
| Add back Abnormal Items (note 1)    | <b>17.4</b>                                             | 103.8                                         | 106.5                                   |
| Normalised Profit After Tax ***     | <b>19.7</b>                                             | 4.8                                           | 30.6                                    |
| Net Operating Cash Flow             | <b>26.5</b>                                             | 23.1                                          | 68.6                                    |
| Total Cash Balance at end of period | <b>191.5</b>                                            | 111.8                                         | 149.4                                   |
| Net Cash Balance at end of period   | <b>136.7</b>                                            | 48.8                                          | 86.1                                    |

\* Earnings before interest, tax, depreciation, amortisation and exploration.

\*\* Earnings before interest and tax.

\*\*\* Adjusting for forex losses or gains and PRCL impairments.

| <b>Abnormal Items (note 1)</b>  | NZ\$Millions                                            |                                               |                                         |
|---------------------------------|---------------------------------------------------------|-----------------------------------------------|-----------------------------------------|
|                                 | <b>Unaudited<br/>Half Year<br/>31 December<br/>2011</b> | Unaudited<br>Half Year<br>31 December<br>2010 | Audited<br>Full Year<br>30 June<br>2011 |
| Foreign Exchange Gains (losses) | <b>4.8</b>                                              | (5.2)                                         | (7.7)                                   |
| Pike River Coal Ltd related:    |                                                         |                                               |                                         |
| Impairment of Equity investment | -                                                       | 77.1                                          | 77.1                                    |
| Net Fair Value loss on Bonds    | <b>(4.1)</b>                                            | (7.5)                                         | (6.4)                                   |
| Impaired debt and interest      | <b>(18.1)</b>                                           | (13.3)                                        | (14.6)                                  |
| Coal Option                     | -                                                       | (0.7)                                         | (0.7)                                   |
|                                 | <b>(22.2)</b>                                           | (98.6)                                        | (98.8)                                  |
| Total Abnormal Items            | <b>(17.4)</b>                                           | (103.8)                                       | (106.5)                                 |

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