THE EXPLORERS
NEW ZEALAND OIL & GAS

news release

19 February 2014

Half-Year result

- Gross profit steady
- EBITDAX up 13%
- Growth through increased Tui stake and Woodside partnership

New Zealand Oil & Gas will pay shareholders an unimputed interim dividend of 3 cents per share on 4 April 2014.

The company today announced an operating performance in line with expectations for the six months to 31 December 2013.

Gross profit for the half year was $26.713 million compared to $26.616 million in the first half of the 2012-13 financial year.

EBITDAX (earnings before interest, tax, depreciation, amortisation and exploration expenses) increased 13 per cent to $31.414 million for the half-year, up from $27.868 million in the comparable previous period.

Revenue increased by 7 per cent to $51.419 million from $47.869 million in the same period mainly as a result of a full period of production and sales after the maintenance shutdown at Kupe last year. Total production increased 20 per cent to 0.6 million barrels of oil equivalent, (MMBOE) up from 0.5 MMBOE. Net operating cash-flow of $52.274 million rose from $25.233 million in the comparable previous half-year mainly due to timing of receipts for oil shipments in June, lower taxes and royalties, and insurance proceeds related to the Kupe asset.

The purchase of an increased share of production from the Tui oil fields in Taranaki, at a cost of cost $7.733 million, led to slightly higher sales revenue.

Operating costs were $24.706 million compared to $21.253 million in the comparable previous half-year. Operating costs excluding amortisation were up 8 per cent to $11.334 million from $10.454 million, while amortisation grew to $13.372 million from $10.799 million in the same period last year due mainly to last year's maintenance shutdown at Kupe.

The company had no debt and $164.211 million of cash at 31 December 2013, compared to $170.997 in cash 12 months previously. Net profit after tax was $4.003 million, including an unrealised foreign exchange loss of $2.4 million pre-tax.

EXPLORATION

Spending on exploration and evaluation was up significantly, to $23.747 million from $10.526 million, as New Zealand Oil & Gas expanded its portfolio and was involved in more exploration activity compared to the previous period.

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GROWTH

The company has a very strong balance sheet and is able to use it to pursue three avenues to grow returns for shareholders.

1. Building out the portfolio.

    Three new offshore permits were awarded in the 2013 New Zealand Block Offer. In the Vulcan permit off Taranaki, and Toroa in the Canterbury-Great South Basin, New Zealand Oil & Gas partnered with Woodside, a significant step in the company's strategy of being the partner of choice for exploration in New Zealand.

    Also in the Canterbury-Great South Basin the company was awarded the Galleon permit, adjacent to its existing Clipper interest.

    Two permits, Kakapo and Kanuka in offshore Taranaki, were surrendered.

    In late December a consortium in which the company has an interest was awarded a new production sharing contract, Palmerah Baru in Indonesia.

2. Ensuring we maximize value within existing exploration assets by developing new prospects within existing acreage.

    During the period New Zealand Oil & Gas took over as operator in the Clipper permit in the Canterbury-Great South Basin and conducted a successful 650 square kilometre seismic survey in December.

    The company participated in drilling the Matuku well.

    Meanwhile analysis has begun on the results of two wells in Indonesia, which produced oil and gas shows during drilling in the Kisaran production sharing contract.

3. Adding value to existing producing assets by ensuring they are fully developed and all opportunities are explored.

    New Zealand Oil & Gas more than doubled its share of the producing Tui oil fields, from 12.5 per cent to 27.5 per cent, by acquiring a 15 per cent share from Mitsui E&P Australia Pty Limited. Cash returns are expected to repay this investment within a short period.

    The company is currently participating in drilling in the Pateke-4H well in the Tui fields, which will be immediately followed by the Oi well (at a reduced equity level of 18.75 per cent with the option to restore full equity in any development subject to reimbursement of pro-rata costs and payment of a buy back premium.)

    The company has begun to assess opportunities for further development of resources within the producing Kupe asset. Prospects for further recovery in Kupe are still at a conceptual stage, and we expect they will be developed further over the next 12 months as resource size and commercial potential are analysed and tested.