

FY 2010 Annual Results

Briefing Presentation

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FY 2010 Summary



- Kupe field
 - Development completed
 - Six months contribution to earnings
 - Reserves upgrade
- Tui field
 - Performing to expectations
- Pike River Coal
 - Investment supported
- Exploration
 - Portfolio expanded
 - 4 non-commercial wells
- Strong cashflow and balance sheet position
- Dividend 5 cps fully imputed

Financial Highlights



FY 2010 Financial Results



		FY 2010	FY 2009	Change
Production	<i>mmboe</i>	1.03	1.14	-10%
Ave Sales Price (oil & light oil)	<i>NZ\$/bbl</i>	104	122	-15%
<i>In NZ\$m</i>				
Revenue		99.4	138.7	-28%
EBITDAX*		64.5	83.0	-22%
Exploration Expenditure		(30.7)	(4.2)	
EBITDA		33.8	78.8	-57%
EBIT		18.1	65.0	-72%
Net Profit After Tax		(3.3)	53.2	-106%
Normalised Profit After Tax**		13.8	54.5	-75%
Net Operating Cash Flow		47.4	93.0	-49%

* Earnings Before Interest, Tax, Depreciation, Amortisation, Exploration

** Adjusting for forex losses of \$8.0m (less 30% tax) and share of associate losses (Pike) of \$11.5m

FY 2010 Investment, Cash and Debt



- Cash Investment during the year (NZ\$)
 - Approx \$120 million (FY 2009: \$120 million)
 - Kupe development \$35 million
 - Pike River Coal
 - Capital raising \$14 million and convertible bond \$42 million
 - Exploration \$29 million
- Cash Position (NZ\$)
 - \$142 million cash balance at 30 June 2010
 - 55% held in US dollars, balance in NZ dollars
 - Debt Facility \$75 million in place, drawn to \$63 million
 - \$80 million net cash at 30 June 2010, plus \$2m tax receivable

Pike Convertible Bond & Coal Option – Accounting Treatment



- Face value of bond is US\$28.9m (NZ\$41.7m)
 - Recorded at fair value at 30 June 2010
 - Fixed Interest component \$36.0m accretes to face value
 - Equity Option component \$ 3.9m revalue semi-annually
 - Coal Option \$ 0.7m revalue as required
- \$40.6m
- Reported interest will be 10% pa + accretion of ~10% pa
 - P&L impact from bond accretion and option revaluations
 - Bond matures in March 2012
 - Economic to convert bond at PRC share price >\$1.12 at maturity (at 0.700 NZD/USD)

FY 2010 Dividend



- Annual Dividend of 5 cps fully imputed announced
- Record Date 17 September
- Payment Date 1 October
- Dividend Reinvestment Plan offered
 - 2.5% discount and no brokerage fees
- Dividend policy is to distribute a reasonable proportion of profit, subject to the need to retain sufficient capital to meet investment requirements

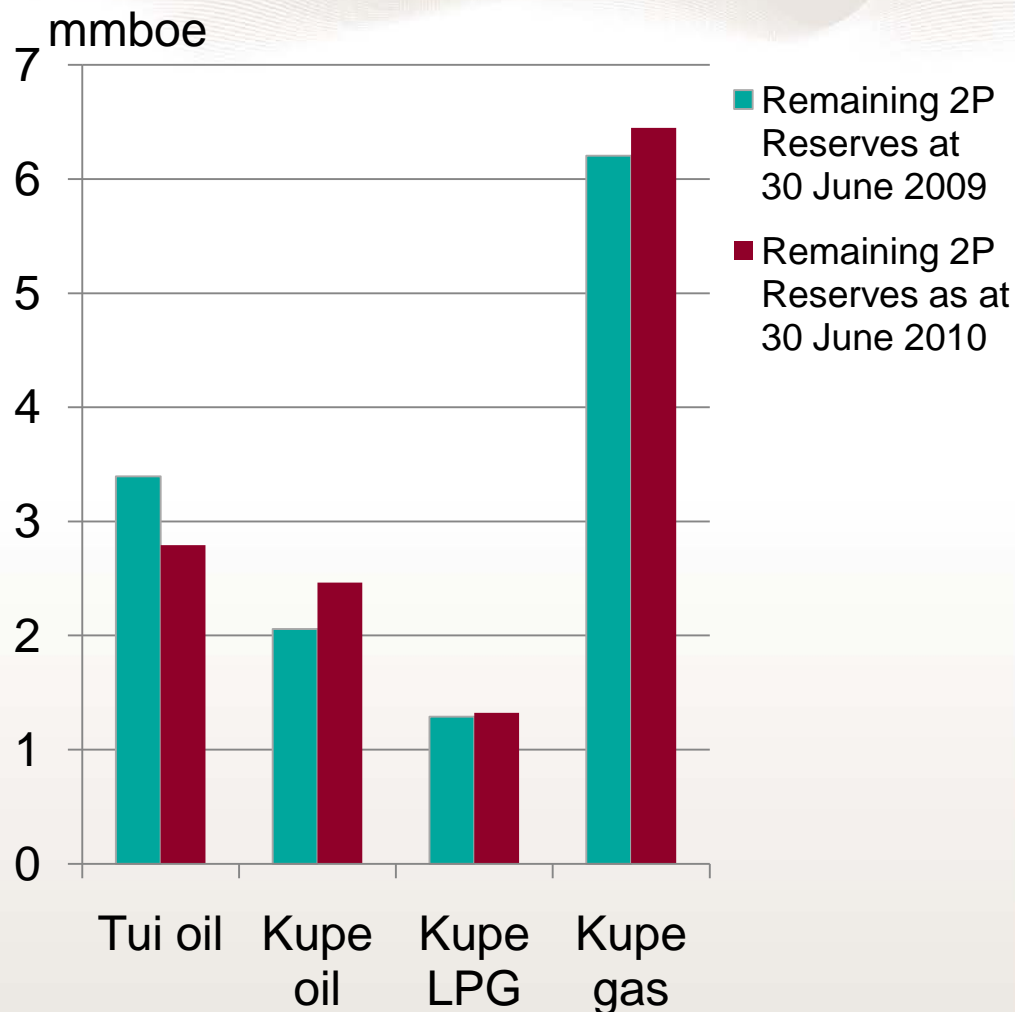
Operational Highlights



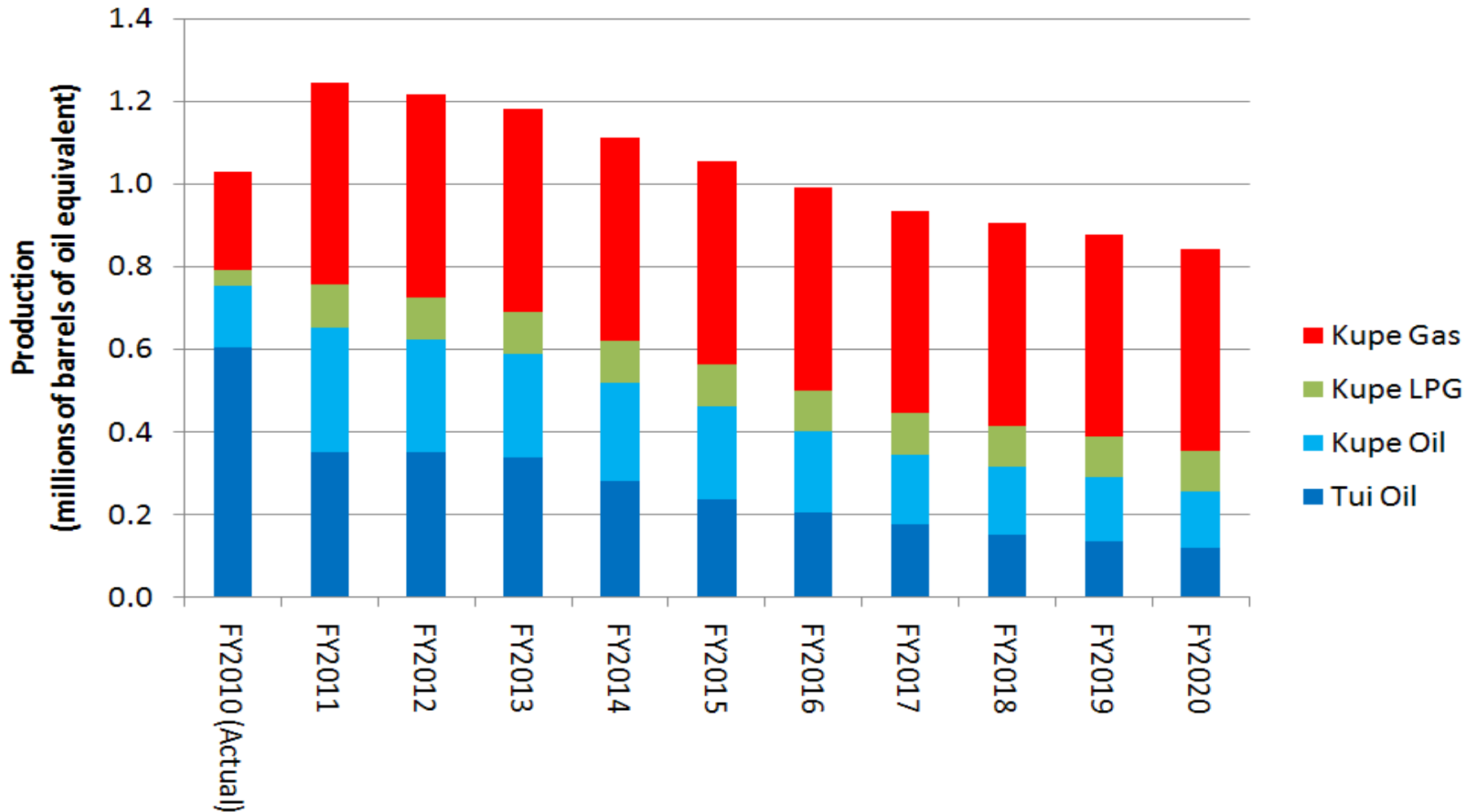
Reserves: increase in remaining Proved and Probable (2P) Reserves



- NZOG production in FY10 slightly over 1 mmboe
- Kupe Reserves upgraded
 - NZOG share of increase more than 1 mmboe
- Remaining reserves higher at year end:
 - 30/6/09: 12.95 mmboe
 - 30/6/10: 13.03 mmboe



Production: forecast to be higher in current and coming years



Kupe Gas and Oil Field

- NZOG has 15% stake
- Production began December 2009
- Permanent production March 2010
- By 30 June 2010 Kupe had produced :
 - 10 PJ of sales gas (NZOG's share 1.5 PJ)
 - 1 million barrels light oil (NZOG 150,000 barrels)
 - 32,000 tonnes of LPG (NZOG 4,800 tonnes)
- Kupe provided NZOG with \$31.4m in revenue in 2nd half of financial year
- Significant income for 15-20 years
- Kupe reserves upgraded:
 - Gas reserves increased by 8%,
 - LPG reserves increased by 5%
 - Light oil reserves increased by 27%



Tui Area Oil Fields

- NZOG has 12.5% stake
- Production has already exceeded original 2P initial reserves estimate of 27 mmbbls
 - Over 28 mmbbls produced
 - Around 22 mmbbls remaining
- NZOG's FY10 revenue from Tui: \$67.9m
- Production rates declining as expected
 - FY10: 4.83 mmbbls
 - FY11 estimate: 2.8 mmbbls
- Workover of Pateke 3-H well currently underway



Exploration and Investment



- NZOG has been actively pursuing exploration opportunities
 - 4 wells drilled without commercial success
 - Exploration portfolio expanded
- NZOG remains committed to exploration as a key means of growth
- NZ remains attractive but overseas opportunities also being assessed – corporate deals, asset purchases and exploration acreage

Pike River Coal

- NZOG has taken steps to protect and enhance its investment stake in Pike River Coal Ltd
- Mine now moving towards full production, which should see its full value realised
- When it is judged to be in the best interests of NZOG shareholders, NZOG will look to divest itself of its holding in PRC
- At this point no decision to sell has been made

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