THE EXPLORERS
NEW ZEALAND OIL & GAS

news release

27 August 2015

New Zealand Oil & Gas full year results

- **Revenue up 12% to $116.2m; Ebitdax up $1.5m to $77.1m; Net loss $6.2m**
- **Increased sales volumes offset lower oil prices**
- **Successful acquisition of Cue adds to performance**
- **Exploration spending reduced from $75m to $32m.**

New Zealand Oil & Gas financial results for the year to 30 June 2015 show increased sales volumes have offset lower oil prices.

Revenue for the 2014-15 year was up by $12.6 million, from $103.6 million last year, to $116.2 million. Consolidation of Cue Energy contributed $11.1 million. Revenue excluding Cue remained steady. (All figures NZD)

Ebitdax (Earnings before interest, tax, depreciation, amortisation and exploration) was $77.1 million, up from $75.4 million the previous year. Gross profit was $39.7 million.

A net loss after tax of $6.2 million for the year was recorded, compared to a net profit after tax of $10.1 million in the previous year. The loss includes a write-down of $36.3 million for the full year in the value of the company's interest in the Tui oil fields. The carrying value was impaired because lower oil prices have brought forward the date when production from Tui is expected to become uneconomic.

The company is actively seeking M&A opportunities, more value from its Kupe asset, tighter control of costs and reduced spending on exploration.

Revenue from Kupe was steady, with increased sales volumes and favourable currency movement offset by price impacts.

Revenue from oil sales at Tui was up by 54 per cent on a sales volume increase of 124 per cent, mainly because the new Pateke-4H well began production in April. The well is performing better than expected, which contributed to an increase in shipments. Pateke-4H lowered the average production cost per unit sold, and increased amortisation costs in line with production.

Cashflow from operations was strong, at $59.3 million. The company had $83.7 million of cash at the end of the year and no debt. In February $63.2 million of capital was returned to shareholders, which resulted in one in five shares being cancelled in return for paying shareholders 75 cents per share cancelled.

Overall for the year, the company's operating costs and amortisation were up by $28.8 million to $76.5 million. The main factors in the operating cost increase were higher amortisation costs in line with Pateke production, a foreign exchange impact, and the company's increased interest in Tui which is reflected in the full year compared to three quarters in the previous year.

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

While the industry is working through the impact of declining oil prices, valuations and production levels are dependent on future oil prices and asset valuations could be further impaired in the future if lower oil prices are sustained.

The company expensed $15.6 million after surrendering three exploration permits off Taranaki during the year.

Cue's ebitdax for the three months since effective control was gained was $5.0 million, after significant one-off expenses incurred on its takeover defence.

Chief executive Andrew Knight says higher volumes of oil and gas during the year have offset lower oil prices, and revenue rose in the year with the acquisition of Cue Energy contributing to the increased revenue.

“Cashflow into the business remains strong. Volume increases have offset lower prices.

“Our cash flows and balance sheet provide the opportunity to acquire under-valued assets. Our screening has identified opportunities where significant value is available. While there are further opportunities in the market we are prepared to be patient to ensure shareholder value is enhanced.

"We are looking to optimise existing assets. We have identified opportunities in the Kupe asset. The well intervention programme early in 2015 has shown early positive signs of well performance improvement, and the joint venture is continuing to review resources and a field development plan. We are assessing whether opportunities in the permit have the potential to be developed and the most efficient means to further optimise recovery from existing wells.

“Exposure to exploration is being carefully managed to match the reduced risk tolerance in this part of the pricing cycle. Some legacy commitments exist in our portfolio to be worked through and I expect Cue Energy to undertake a strategic and portfolio review shortly.

“New Zealand Oil & Gas is weathering the global downturn in prices with good cash flows and increased production. I expect to see more value from our producing assets in the coming year. We will continue to keep tight control of costs in the current conditions and position to capture value for shareholders.”

EBITDAX

		FY15 NZ$ millions		***FY14 NZ$ millions***
Net (loss)/profit after tax	*(6.2)*		*10.1*	
Add back:				
Income tax credit / (expense)	*(5.8)*		*7.3*	
Net Finance income / (costs)	*(2.9)*		*2.4*	
Exploration and evaluation costs expensed	*15.6*		*29.5*	
Asset Impairment	*36.3*		*-*	
Amortisation & Depreciation	*40.1*		*26.4*	
EBITDAX		***77.1***		***75.4***
Less:				
Gain on purchase of subsidiary	*(15.4)*		*-*	
Normalised EBITDAX		***61.7***		***75.4***

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