24 August 2016

ANNUAL RESULT

- Loss for the year is $51.8m, including $41.8m from Cue Energy Resources
- Net cash from operating and investing activities of $21.1 million (up from $6.7 million)
- Dividend of 4 cents per share, fully imputed.

New Zealand Oil & Gas will reinstate distributions to shareholders with a fully imputed dividend of 4 cents per share to be paid in October.

The company today announced a loss for the year of $51.8 million, compared to a loss of $15.5 million last year, which was foreshadowed in asset value write downs in the interim result. The loss attributable to the company's shareholders was $29.8 million, reflecting the significant loss for the year in Cue Energy Resources.

A buy back of up to 64 million of its shares continues as the company believes its share price is currently substantially below a fair value.

The group had a cash balance at 30 June of $96.8 million, up from $83.7 million a year ago.

Chief Executive Andrew Knight says the group continues to generate strong free cashflows from its producing assets, after reducing corporate costs and exploration. Net cash generated from operations and investment was up from $6.7 million last year to $21.1 million this year.

"The company is able to reinstate dividends because we have tightly controlled costs in a period when lower oil prices drove asset valuations lower," Mr Knight said.

"The highlight of the year has been a substantial increase in total Kupe 2P reserves as a result of significant work undertaken across the joint venture. The reserves upgrade, which was previously announced, has added significant value to Kupe by increasing potential volumes recoverable from Kupe and reducing the cost of recovering those volumes."

Group revenue from gas sales was down $1.3 million as a result of marginally lower prices.

Volumes of oil sold from Tui and Kupe were down by 27 per cent and the average oil price was down 43 per cent from US$68.41 to US$39.32 per barrel in the previous financial year, resulting in a reduction in revenue from Tui and Kupe oil of $31.7 million.

However total group sales revenue was up by $2.8 million (2.4 per cent) to $119.0 million. A full year of Cue earnings is included in the result, contributing $49.5 million of sales, against last year when only one quarter of Cue's earnings were included ($11.1 million).

Operating costs increased by $11.4 million in the year, as a full year of Cue's costs were included. Despite unfavourable exchange rates, Tui costs were reduced by $4.2 million, demonstrating the effectiveness of management's cost saving initiatives.

The focus on costs successfully executed at New Zealand Oil & Gas has now been taken up by Cue who announced in June a shift in focus of activities and a commitment to reduce costs.

Meanwhile New Zealand Oil & Gas has begun to manage its exposure to oil price, and to carbon emissions costs under the Government's emissions trading scheme, through modest hedging.

"Oil trading markets and demand for carbon emissions credits provide opportunities to leverage the business's understanding of those markets and provide small opportunities to further improve revenues."

"Although exploration spending is considerably reduced, the company continues to engage with the government about a change of conditions in the Clipper permit east of New Zealand's South Island, where its Barque prospect is the largest announced hydrocarbon prospect in New Zealand. The company has received new geological data relevant to the region, and Barque in particular. This information is being analysed against our previous understanding of the region's properties, and we remain engaged with potential partners who have the scale and expertise to develop the prospect."

In Indonesia, New Zealand Oil & Gas has minimised its ongoing spending and is advancing plans to realise returns from its investment there.

The dividend of 4 cents per share will be paid on 25 October to holders on record at 11 October 2016.

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