29 August 2017

ANNUAL RESULT

- NPAT $52.6 million
- NPAT attributable to shareholders: $62.7 million.
- Dividend of 4cps, fully imputed.

New Zealand Oil & Gas has recorded a net profit after tax of $52.6 million.

Net profit after tax attributable to shareholders of the group was $62.7 million.

Last year the company recorded a loss of $51.8 million.

A fully imputed dividend of 4 cents per share has been declared, to be paid on 3 November to shareholders on record at 24 October 2017.

Chairman Rodger Finlay said the company has sufficient operating earnings and imputation credits to sustain normal returns to shareholders.

Payment of the dividend requires a waiver from Zeta Energy because Zeta has issued a takeover notice. Zeta has given this waiver.

The main contributor to the net profit after tax was a gain on the sale of the company's 15 per cent interest in the Kupe gas and light oil field. Together with the disposal of the mature Tui interest, the company has successfully minimised its exposure to abandonment liabilities.

Chief executive Andrew Jefferies says New Zealand Oil & Gas has had a good year in an adverse environment for oil and gas companies.

"The company's net tangible assets have a book value of 84 cents per share, substantially above the current share price. During the year, the share price increased from 46 cents on 1 July 2016 to 62 cents on 30 June 2017. Shareholders received a 4 cents per share dividend and half the capital of the company was returned in May."

New Zealand Oil & Gas group had a cash balance of $125.1 million at 30 June 2017, up from $96.8 million a year ago. The cash balance includes $35.0 million being held for the settlement of Mitsui E&P's 4 per cent interest in Kupe.

The $52.5 million NPAT does not include any contribution from the Kupe acquisition as it has not yet completed, although it has an effective economic date of 1 January 2017.

Corporate overheads were down from $16.8 million last year to $14.6 million, including one-off expenses related to the capital return, due diligence on transactions, and employee final payments. $5.4 million of those overhead costs were recorded by Cue. The New Zealand Oil & Gas corporate head office has been moved to lower cost accommodation and its corporate staff numbers reduced to 16. Ongoing vigilance of corporate costs will be a feature of the coming year at both New Zealand Oil & Gas and Cue.

Exploration and evaluation costs were down from $21.9 million to $12.3 million and include US$2.2 million relating to the settlement of Cue Energy's Medco dispute.

Chairman Rodger Finlay noted that while Zeta Energy has notified its intention to make a partial takeover offer, the actual offer has not been sent yet.

"The company has formed an independent response committee and a response document, called a 'target company statement', will be sent to shareholders following receipt of the Zeta offer. The Board continues to emphasise to shareholders that they should take no action on Zeta's offer until they receive the target company statement," Mr Finlay said.

"New Zealand Oil & Gas has gone through a major strategic realignment after selling our major assets.

"With strong cash reserves we are focused on acquiring assets at value in markets we understand at a scale and risk profile suitable for our size.

"Transactions in the past year have realised substantial value and we now have a better balance of investment risk, providing us with ongoing returns from an asset we know well, cash to enter new opportunities, and transformational deep water prospects.

"We continue to seek cash from our Indonesia portfolio and limit our commitments there. Following a review, lower priority assets in Sumatra are being shed, while we are looking to recover cash from our best assets there.

"We are also looking to achieve more value from our investment in Cue Energy. Cue recorded a net loss of AUD$19 million. 50.04% of the Cue loss is attributable to the shareholders of New Zealand Oil & Gas, after New Zealand Oil & Gas increased its interest in Cue from 48.11% during the year. With accumulated losses of AUD$104.8 million in the past two years the Board is determined to integrate Cue into the New Zealand Oil & Gas group, and avoid unnecessary and wasteful duplication of services."

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