

2 November 2018

## Annual Meeting – CEO Presentation

**New Zealand Oil & Gas Annual Meeting 2018**

**Te Wharewaka Function Centre,  
Odlins Square, 109 Jervois Quay,  
Wellington**

**10.00am on Friday, 2 November 2018.**

Tena kotou katoa

Good morning and welcome.

I am going to take you through what has been accomplished over the past year, our strategy for our existing assets, and then we will look to where we see growth.

A year ago, I came to this meeting with NZOG at a crossroads: One path cashing out and dramatically shrinking. The other: Growth with a willing, supportive, strong and globally-connected major shareholder.

Last year you chose growth. And that choice has been guiding our vision – To establish a strong stream of revenues, diversified across products; markets; and jurisdictions.

That will underpin developments and fund some exploration – boosting returns for all.

We will remain lean and nimble, but our ambition is not small.

While we have cash on our balance sheet today, we don't want it to sit idle.

Indeed, we want to deploy that, and more, providing you with opportunities in a dynamic industry that continues to provide our energy-hungry world with the means to develop.

In the meantime, healthy revenues of some \$4 million a quarter from Kupe means we are not burning cash on overheads.

Those overheads equip us with a quality team, and the team has three work streams:

First, we remain explorers, looking to enter near term drilling opportunities.

Second, we are screening production assets at a rapid rate – 62 year to date.

And third, we are tidying up the legacy assets we inherited, and either moving them forward or exiting low priority positions.

Taking the last first...

With the purchase of Lattice by our friends at Beach Energy, Kupe has an energetic new operator prepared to take a fresh look at development.

The joint venture has approved a study aimed at a compression project. By sucking harder on the wells, we can boost production to a gas-hungry NZ market [a market where Genesis has been importing coal to run Huntly].

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Kupe has a big block with a long-dated license. It is under-explored, and it has discoveries that could be appraised.

Over the past year we have brought new mathematical tools to bear on the existing seismic and we look forward to using this to guide future plans.

Cue Energy, our ASX-listed subsidiary, has trimmed its sails and is more than covering its costs.

Cue continues to cycle its Indonesia portfolio, with exploration drilling in the producing Sampang field.

The revenue it is generating will allow Cue to participate at a meaningful level in the Ironbark prospect. I will talk more about this prospect when I come to exploration, but it is a giant in a great address.

I am less enthusiastic about our remaining Indonesia interests.

This legacy portfolio doesn't contain prospects of sufficient scale to align with our vision.

While we will seek to extract value where we can from our positions in Indonesia, we have been working there for the past decade with not a lot to show for it.

Which brings me to the issue of where we do see better investment alternatives.

There isn't a lot of quality production available in New Zealand, so we are looking internationally.

We continue to look for opportunities:

where we believe we can add value;

that have good markets, so we can sell what we produce;

with a decent financial and legal system, so we can make and keep a profit;

and that have geological potential with development upside, so we can find, develop and produce oil and gas.

The scale of the assets that we are looking at has changed this year. Our credibility when we interact with counter-parties has changed.

Potential partners see that we have our major shareholder's support. They see us as able to participate meaningfully in larger deals.

I expect at some point we will have to come to you, and to the market, and ask for more investment to conclude large asset purchases.

We believe there are quality assets coming to market, but we won't over-pay for them.

I repeat from last year, "It is the salmon that John West rejects that makes John West the best."

As for assets, so for exploration, where we are focusing on top quality opportunities.

A year ago, I disclosed that we had agreed non-binding terms on an onshore exploration asset that was ready to drill in a market where we see gas supply constrained.

That asset was Kohatukai, and we finished drilling there this week.

As Samuel Kellner said, we have had encouraging news from there.

As we announced to the market, indications of gas were observed as the drill passed through both the secondary and primary target intervals.

Currently, wireline logging is being conducted in the well.

Without going into the technical details, what this means is that the operator lowers an electric logging tool into the well.

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We will also samples from different levels of interest so that the composition of the hydrocarbons observed during drilling can be analysed more closely.

Data is collected about the amount of pressure in the well and the quality of the reservoir.

The logging programme will take a few more days, and then some decisions will be taken about what to do next.

We will keep you informed. The geology in that area is complex and takes a while to understand.

It's good to have been part of a genuine exploration well for the first time since we drilled the Oi well in 2014.

I'm also pleased that last week we were able to announce another new exploration investment: New Zealand Oil & Gas farmed into Cue's Ironbark prospect.

Ironbark is a genuinely world-scale prospect, in the Carnarvon basin off West Australia. It ranks in the world top 10 undrilled prospects. We estimate it to be 5 times the size of Maui.

Ironbark is a deeper extension of a prolific play in the Mungaroo. The Mungaroo hosts numerous giant fields and Ironbark is on trend with them.

Ironbark's is simple to commercialize. It is an easy 60-kilometre tie-back to the North Rankin Complex, which alone has a daily production capacity five time New Zealand's total. It feeds five existing onshore LNG plants that are flat out meeting rising Asian demand – replacing coal with gas – and those LNG plants are running short of feed in the next few years.

We have independently performed our own assessment of Ironbark and we will participate in it on the same pro rata terms as Beach Energy. This is fair to shareholders of both New Zealand Oil & Gas and Cue.

We will take 15 per cent of the Ironbark well. We also participate through our 50% interest in Cue, so you will own a quarter of it.

The well has an experienced operator in BP – their decision to take 42.5% is a strong indication of confidence.

The economics are excellent, the potential joint venture is a strong one and, if it comes in, it will create enormous value for both Cue and New Zealand Oil & Gas shareholders.

Back here in New Zealand, we continue to seek farm in partners for our frontier Canterbury and Great South basin acreage, Clipper and Toroa.

We want to see the Barque prospect in the Clipper permit drilled. We want to find that "New North Sea in the South.

The government's announcement this year made our job that much harder. The head winds became a gale. I believe that we would have signed a farm in agreement by now if the government had not made that announcement,

However, we are grateful that the government has given us a written assurance that our existing rights will be preserved. I am hopeful that they will continue to support our efforts to get it drilled.

The Canterbury and Great South basins are highly likely to contain some big deposits of clean burning natural gas that could be used to displace coal and bitumen in the global energy system.

These prospects should be unlocked. They should be drilled. If we don't use our resources, the world will simply use other countries' resources – and we will pay them for it. New Zealand will be poorer, and global emissions will be higher.

So, we will continue to work our acreage in New Zealand, but we cannot tie our future here.

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We will seek to participate in opportunities we see internationally.

New Zealand Oil & Gas represents a unique opportunity on the NZX for New Zealanders to invest easily in the world's largest and most critical industry.

With the under-investment in oil and gas over the last few years, we think prices will rise.

I want you to be able to invest more and to achieve far more with those investments than any other NZX company or investment fund can offer; and I want my team to be able to exercise their fantastic capabilities on assets that are exciting and world-scale.

You all stuck by New Zealand Oil & Gas at the cross roads and I want you to enjoy rich rewards for that decision.

Thank you for your attention for so long, thanks also for your continuing support.

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