

news release

29 October 2015

Chairman's Address, New Zealand Oil & Gas Annual Meeting 2015

**Te Wharewaka Function Centre, Odlins Square, Jervois Quay, Wellington,
10:00am Thursday, 29 October 2015**

Ladies and gentlemen

Welcome to the 2015 New Zealand Oil & Gas annual meeting.

In addition to the shareholders in the room, we have received proxies and postal votes for more than 122 million shares representing 36% of the company's capital.

A quorum is present and so I would like to call the meeting to order, and introduce your board of directors.

My name is Peter Griffiths. I am the chairman of the board.

Shortly I will ask Mr Andrew Knight to speak to you and review the company's performance in the year past.

This will be followed by shareholders' questions. We have received some questions in advance of the meeting. After those we will take discussion from the floor.

We have three resolutions to vote on, including two directors who are making themselves available for re-election - Mr Finlay and Mr Tume. We will hear from both of them and you will have the opportunity to put questions to them.

After the meeting we ask you to join us for a cup of tea, and there will be an opportunity to meet management and directors.

One topic I know you will want to raise is the effect of the oil price on the business, and how we are responding.

Oil prices seem to have settled at around US\$50. The World Energy Council recently surveyed more than a thousand energy leaders around the world, and they said the number one issue keeping them awake at night is price volatility.

Despite this, global demand for energy is continuing to rise by around 2 per cent a year and expert commentators generally predict a rising price in the future. When prices will begin to rise again is uncertain, and therefore we are planning on prices being lower for longer.

That is the same broad scenario expected when we met last year. I set out the board's strategy to respond, and it remains the same.

First, we are looking to improve the performance of our existing producing assets. It was pleasing to be able to announce yesterday that our reserves in the Kupe field have been upgraded by around 35 per cent, which is a demonstration of the success of our focus on optimising our production assets.

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NZOG stock symbols:

NZX shares – NZO
ASX shares – NZO

Second, we expect to maintain our exploration spend at very modest levels for the present time.

The exploration activity we do conduct is prudently re-focused on prospects that have robust economics at lower price levels. This drives attention in two directions: Seeking larger opportunities; and also seeking opportunities where costs of exploration are lower or where prices are better.

Consequently you have seen our emphasis on the Canterbury basin where we have large opportunities, such as the Barque prospect where we announced world-scale volumes of prospective resource; And at the same time we are continuing our work in onshore Indonesia where costs are lower and demand for energy and gas prices remain strong.

The third leg to our strategy is to seek to buy undervalued assets where we can add value.

The fall in oil prices has stressed many of our competitors. As they redraw their balance sheets to cope with changing circumstances, we expect to see a flow of asset sales. So far this has taken longer to occur than we thought it would but more opportunities are emerging. We are prepared to be patient to ensure we can obtain value and we will continue to look for assets that fit with our current portfolio and offer potential for growth in reserves and production.

Our on market purchase of 48% of Cue Energy is a good example.

Cue brings us additional production in New Zealand through its interest in the Maari oil field. It also has production in Indonesia. Our interest in Cue also allows us to share costs across a wider portfolio.

So in summary, we are preparing for the present oil price environment to continue, and responding by optimising our efforts, prudently focusing our exploration efforts and keeping spending on exploration at very modest levels while we look to buy more assets where we can achieve value.

We are confident that this strategy will serve us well in the future.

In closing I would like to thank you for your support of the company during the past year.

I will now ask Andrew Knight to speak to the year's results in some detail and then we will take questions.

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