

CEO's Presentation

David Salisbury
2010 Annual Meeting

27 October 2010



2010 Results



Positives:

- Kupe production commences, good ongoing operational performance
- Kupe reserves upgraded, by 1 mmboe net to NZOG
- Tui production target achieved
- \$120m invested in Kupe, Pike River and exploration
- Maintained strong cash balance - \$142m at year end
- Exploration portfolio grown and 4 wells drilled
- 5 cent per share dividend paid

Negatives:

- No commercial success from the 4 wells
- Work-over of Pateke well required
- Pike River development behind schedule
- Headline financial loss of \$3.3m

FY2010 Results



		FY 2010
Production	<i>mmboe</i>	1.03
Ave Sales Price (oil & light oil)	<i>NZ\$/bbl</i>	104
<i>In NZ\$m</i>		
Revenue (and other income)		100.1
EBITDAX*		64.5
Net Profit After Tax		(3.3)
Normalised Profit After Tax		13.8
Net Operating Cash Flow		47.4

* Earnings Before Interest, Tax, Depreciation, Amortisation, Exploration

Corporate Responsibility

NZOG has a role to play as a significant New Zealand corporate

- One of principal sponsors of NZ Petroleum Conference
- Submissions on Government reviews of petroleum sector
- Supporting community projects in Taranaki
- Community partnership with Search and Rescue Institute NZ



Our Strategy



Two-pronged business strategy:

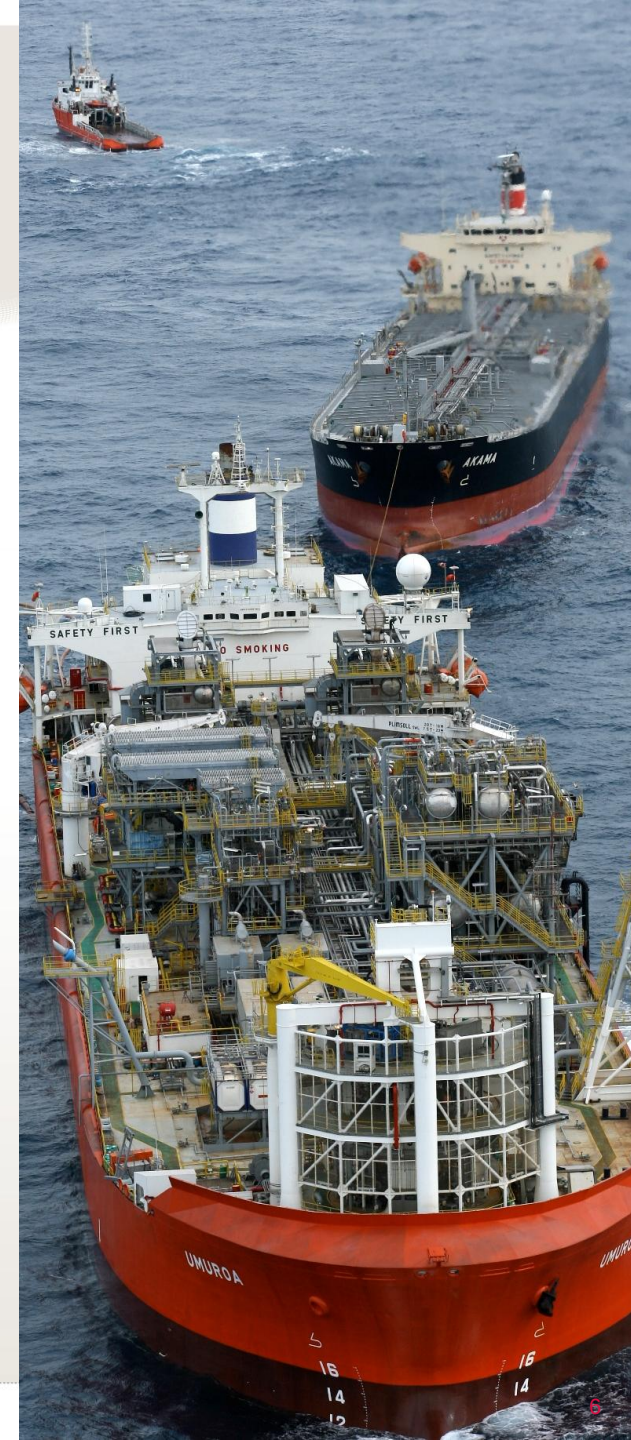
- Maximising value extraction from our existing asset portfolio
- Securing new value-adding business opportunities

1. Getting the most out of what we've got

2. Looking for ways to grow

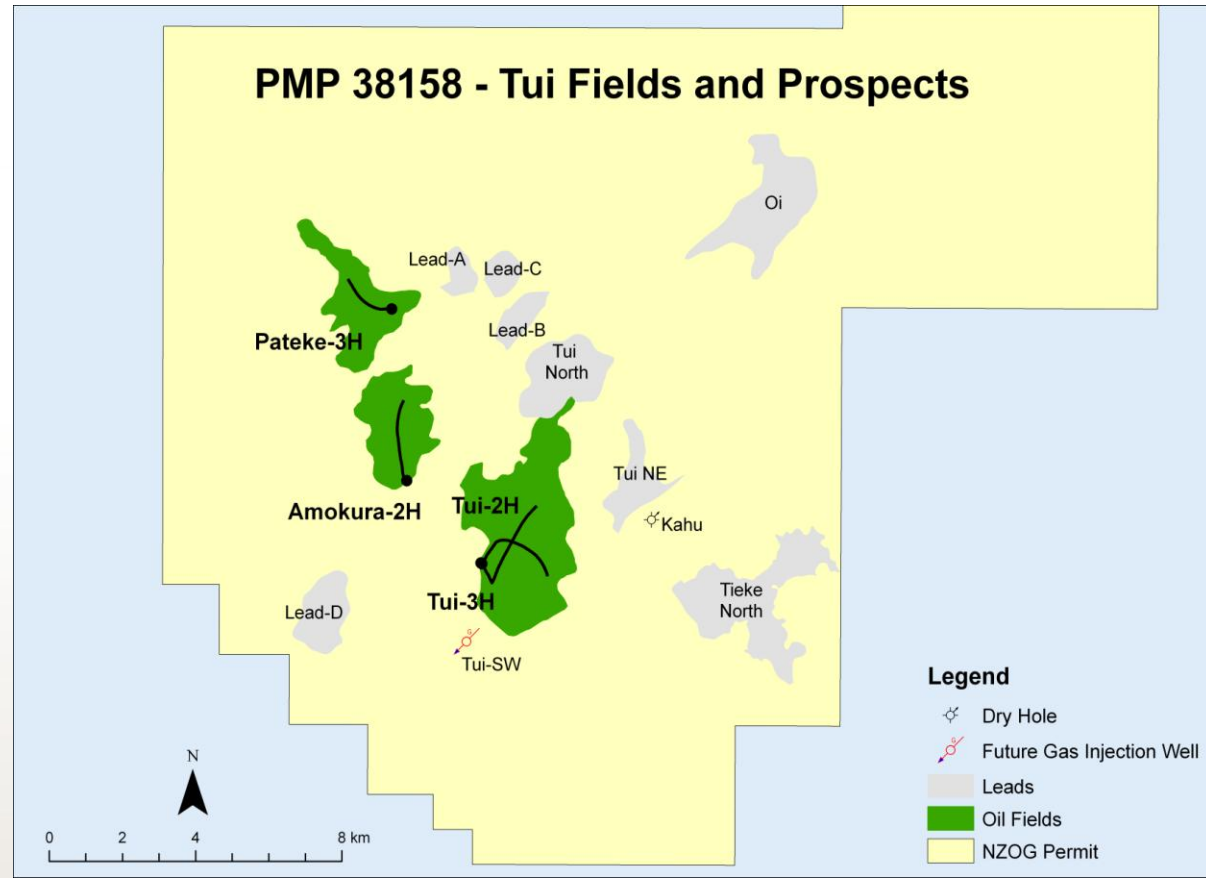
Tui

- Total production has reached 29 million barrels of oil (mmbbbls)
- Estimated 21.5 mmbbbls of 2P recoverable reserves remain
- Work-over of Pateke well
- Production forecast for FY11:
 - 2.8 mmbbbls
 - NZOG's share 350,000 barrels



Tui

- Two non-commercial wells drilled
- Other prospects within permit area
- Site surveys completed over three possible drilling targets



Kupe

- Production began Dec 2009
- Now NZOG's main revenue source
- Significant upgrade to 2P Reserves
- Production to date (NZOG's share):
 - Sales Gas 2.5 PJ
 - LPG 9,600 tonnes
 - Light oil 270,000 barrels
- Promising additional prospects within the Kupe permit area
 - Target to drill in 2012



Pike River Coal

- NZOG has contributed a total of \$85m in equity to Pike River
 - Current market value of 29.4% shareholding stake $\approx$ \$120m
 - NZOG also has 17.3m 2011 options
- US\$29m convertible bond
 - 10% interest rate, repayable by March 2012
 - Associated coal contract option
- Short-term \$25m funding facility
 - 13% interest rate, repayable by Dec 2010
- NZOG remains confident in mine's future



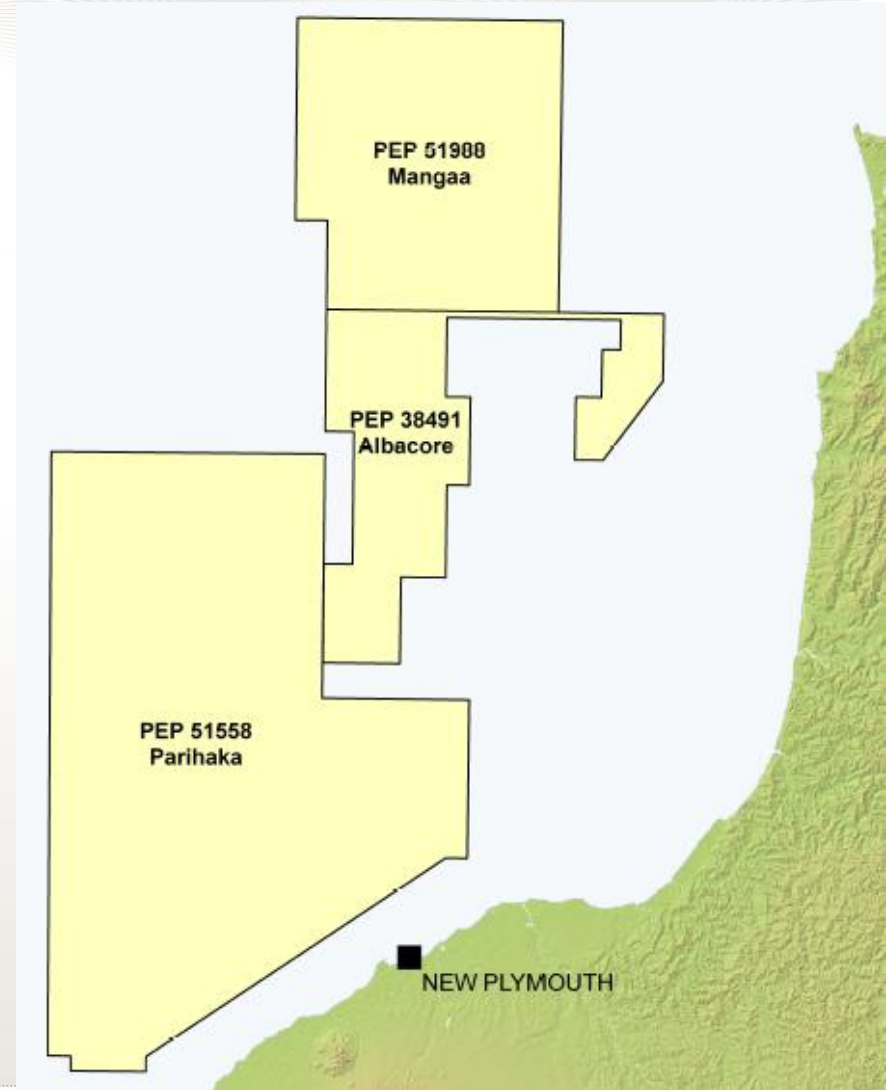
Pursuing Growth



- Built a team with strong technical and commercial capabilities
 - Wellington head office
 - Two very experienced ‘scouts’ in UK and Canada
- Assessing opportunities across the spectrum
 - exploration
 - development assets
 - producing fields
 - corporate acquisitions

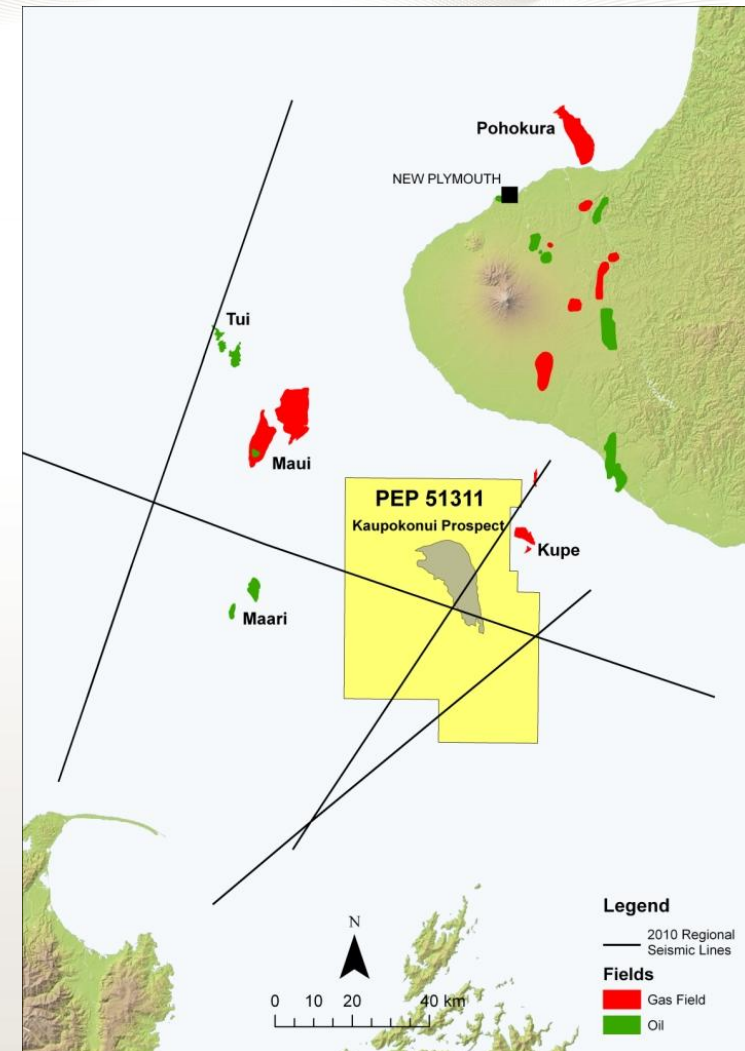
Northern Taranaki Basin

- Albacore (44%)
 - Acquired August 2009
 - Albacore-1 drilled Dec 09
- Mangaa (100%)
 - Acquired January 2010
- Parihaka (20%)
 - Acquired June 2010



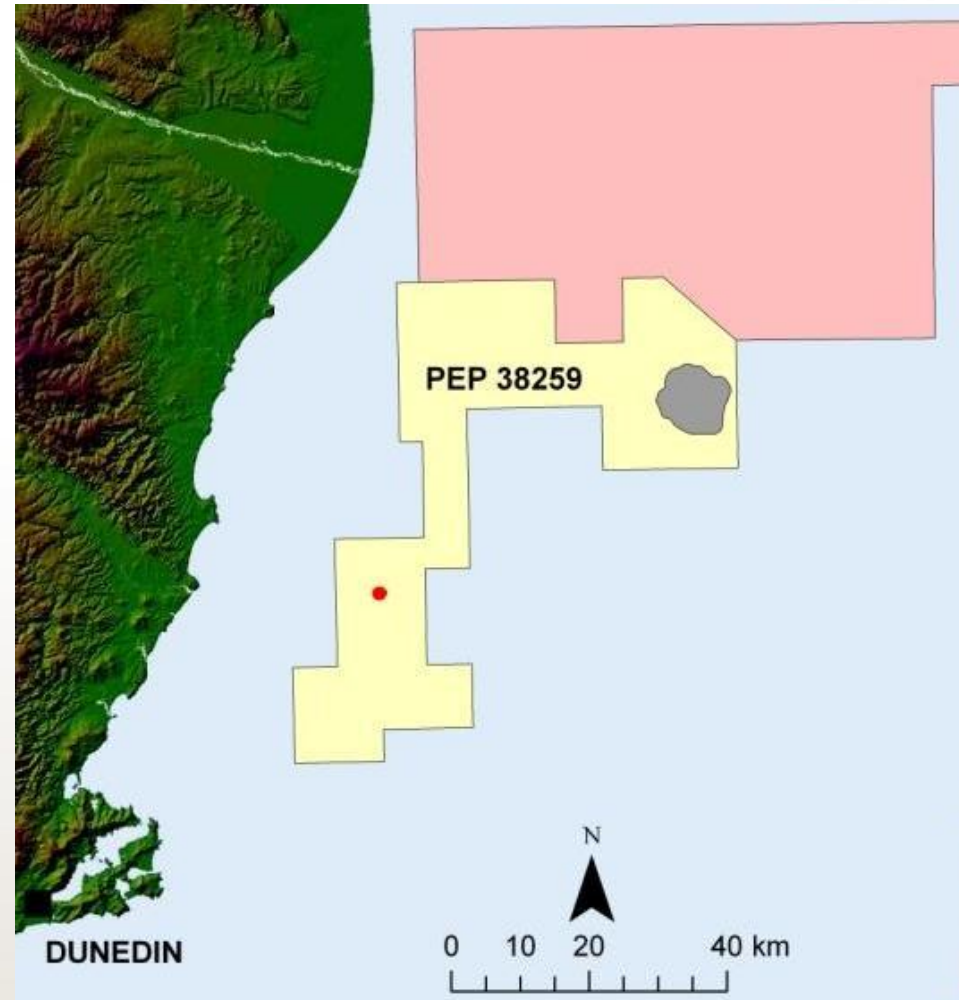
Southern Taranaki Basin

- 600km of regional seismic lines, tied into previous wells
- Kaupokonui prospect
 - Over 200 mmbbls oil in mean case (unrisked)
- Peak Oil & Gas Ltd farmed-in
 - 10% stake for 20% of first well costs (capped at US\$15m)
- Seeking further partners ahead of drilling decision



Canterbury Basin

- Barque (40%)
 - Drill or drop decision expected Feb 2011
- PIT Application (40%)
 - Expect to be awarded
 - NZOG operator



Exploration Portfolio

Significantly expanded – 9 permits plus 1 under application

Permit	NZOG Stake
Taranaki Basin	
PMP 38158 Tui	12.5%
PML 38146 Kupe	15%
PEP 51311 Kaupokonui	90%
PEP 51988 Mangaa	100%
PEP 38491 Albacore	44%
PEP 51558 Parihaka	20%
PEP 38483 Bahamas	18.9%
PEP 51321 Kahurangi	18.9%
Canterbury Basin	
PEP 38259 Barque	40%
PEP 52717 Permit Application	40%
Relinquished	
PEP 38401 Hoki	10%

Overseas Opportunities

- Available opportunities in NZ not sufficient
- Strategic goal of establishing one or two new core areas
- Continue to assess a range of overseas opportunities
 - Most rejected because prize too small or risk too great
 - Several promising investments under active consideration

Sticking to the strategy

- Ongoing revenue from Kupe and Tui underpins business strategy
 - Pursuing growth from a solid base
- Exploration efforts this year did not yield commercial success
 - Decisions to drill were still correct

Investment Criteria

- Proven hydrocarbon systems
- Quality business partners
- Suitably attractive fiscal regime
- Access to markets and infrastructure
- Manageable regulatory and political risk
- Manageable financial exposure
- Near term payback as opposed to long term horizons

Conclusion

- Underlying value of company remains strong
 - Kupe and Tui revenue producing assets
 - Pike River and Pan Pacific Petroleum investments
 - healthy cash balance
 - potential upside from our exploration portfolio
- Continuing to identify potential investments and working hard to secure the best of them
- Striving to create value and to have that value recognised

Discovering Our Energy Future

