

news release

29 October 2013

Chairman's Address, New Zealand Oil & Gas Annual Meeting 2013

Ladies and gentlemen,

In my first report as Chairman, I am pleased to advise you that the company is in good heart, with a solid financial position, some recent drilling success and a busy exploration programme underway.

Our industry is important to the country. We are a major foreign exchange earner. We create high value jobs and drive the regional economies where we operate.

The current Government is very supportive of our sector and is opening a greater area for exploration. This of course comes with increased regulatory requirements and a public focus that is naturally becoming more demanding.

Exploration companies, like us, must satisfy regulators across a formidable set of criteria. We welcome the high standards and the calls for transparency in order to increase community confidence in our activities.

The success of this company is not only good for shareholders, it is good for New Zealand as a whole.

Our industry is presently upbeat as the growing recognition of New Zealand's untapped potential, a positive political climate, and a sensible financial regime have ensured the coming months will be some of the most active and exciting the industry has ever experienced.

New Zealand Oil & Gas is very well placed to benefit from this favorable environment.

Over the past 12 months management have focused on speeding up our activity rate, growing our portfolio and deepening our relationships with our JV partners and communities.

Our set of opportunities is now larger. We have taken on six new New Zealand permits.

Simply put, a broader portfolio increases our potential to participate in discoveries and ultimately to share in higher commercial returns as drilling successes are developed and brought into production.

As one example of increased pace, our new permit, Matuku, which we acquired since the Annual Meeting just one year ago, is now only a matter of days away from spudding.

This well will kick off an extended campaign for us in the Taranaki Basin with Pateke, Oi and ultimately Kaheru all being drilled in the near future.

A broader portfolio also means that as opportunities mature they are either retained and developed further or are assessed as no longer meeting the return versus risk profile of the company and are therefore removed.

During the year we withdrew from two such opportunities. In Tunisia the financial returns from the potential development of the Cosmos discovery were not sufficient to balance off the commercial and political risk and consequently we withdrew from the joint venture.

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NZOG stock symbols:

NZX shares – NZO
ASX shares – NZO

Similarly at home we made a decision to relinquish the Kakapo permit, rather than drill it at 100 per cent of the prospect, as it was deemed to be outside of our risk criteria. We will continue to churn our holdings as we seek to match our precious resources of people, time and money to the best opportunities.

Turning to our other international interests. We have made encouraging progress in Indonesia, where we participated in drilling two wells this year and notably achieved our first overseas discovery.

Both the wells in Sumatra have produced hydrocarbons. The commercial potential of these finds is currently being assessed, our next steps will be announced once we have completed that work and have concluded discussions with the Indonesian authorities. In the meantime we plan to continue exploring in our current permit areas, growing in confidence and capability as we do so.

In New Zealand our two mature production assets, Tui and Kupe, have performed well.

Notably, since balance date, at Tui we have been able to significantly increase our remaining reserves by acquiring additional barrels on very attractive terms. This will noticeably improve our income in future periods.

For future success, we must have access to the best opportunities.

To do this we must have a strong technical capability, high quality relationships with partners and communities, we must balance our exposure to risk and we, absolutely, have to be cost effective. I think we are getting there. I am confident that our management team, most of whom have only relatively recently joined the firm, are totally focused on growing our capability to operate safely and efficiently across a revitalised exploration portfolio.

I believe the results as outlined in the Annual Report should give you, our shareholders, confidence that we are getting about more business safely but with an increased sense of urgency.

As already announced the company has paid a dividend of six cents per share for the last financial period. Looking forward to the coming year we expect to be able to maintain dividend levels while at the same time increasing the upside opportunities for investors that come from exploration success.

The company expects to have sufficient cash reserves to fund its committed and contingent activities, to take advantage of opportunities and ensure it is resilient in adverse times.

It only remains for me to thank the management and staff for their contribution this past year.

And also thank you, our shareholders, for your attention this morning and for supporting stock during the year.

Now I would like to hand over to our chief executive Andrew Knight.

Thank you very much.

Ends