

news release

4 November 2014

Chairman's Address, New Zealand Oil & Gas Annual Meeting 2014

InterContinental Hotel, 2 Grey St, Wellington

9.30AM Tuesday, 4 November 2014.

Ladies and gentlemen,

A quorum is present and so I now call the meeting to order.

In addition to the shareholders in the room I am advised we have received proxies and postal votes for more than 179,000,000 shares representing some 42% of the company's capital.

My name is Peter Griffiths. I have the honor of being the chairman of the board. I would like to welcome you to the 2014 New Zealand Oil & Gas annual meeting, and introduce your board of directors.

Shortly I will ask Mr Andrew Knight to give his presentation.

This will be followed by shareholders' questions and then we will deal with the resolutions foreshadowed in the notice of meeting.

We will hear from both of the new director nominees, 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 the management and directors.

Andrew will provide you with detail of the company's activities during year in review and something about what lies ahead. I will confine my remarks to three areas: the board, our strategy, and capital management.

Board

As part of our on going process of board renewal Mr David Scoffham and Mr Paul Foley are stepping down as directors at the end of this meeting. Both have given dedicated and committed support to New Zealand Oil & Gas through the ups and downs of the enterprise over many years. On behalf of the board I wish to record our sincere appreciation and thanks for their service. Thank you David and thank you Paul.

As I just mentioned, later in the meeting you will have the opportunity to elect two new directors: Dr Rosalind Archer and Mr Duncan Saville. Their election will bring the number of new directors appointed to the board since our 2012 annual meeting to five. Looking to the future I am confident that this refreshed board continues to encompass the range of skills and corporate experience essential for the successful and safe governance of your company.

For further information please contact:

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Andrew Knight, CEO, PH: +64 4 495 2424, TOLL FREE: 0800 000 594 (NZ)

NZOG stock symbols:

NZX shares – NZO
ASX shares – NZO

Strategy

The board has recently conducted a review of the company's strategic direction and has confirmed we will continue seeking to create sustained shareholder value from a portfolio of oil and gas production and exploration assets.

However what will change during the next period is the focus, of our efforts, the balance in our portfolio and our style. We will concentrate on two paths for growth.

Firstly: ACQUISITION.

We consider the current market dislocation provides significant opportunity to acquire production and reserves at attractive prices and we will seek transactions that create compelling value.

Broadly we will consider the quality of assets, the value created and the do-ability of the transaction. Currently we are actively reviewing a number of possibilities and we will continue to seek further opportunities as we consider the current market in our sector both locally and internationally provides us a favourable environment.

Secondly: EXPLORATION.

We will also continue to grow value around our portfolio of exploration acreage by increasing the focus on its optionality but we will set a higher hurdle for investing cash in exploration into the future.

The New Zealand exploration opportunity remains attractive to us. It has vast, under-explored basins, an acceptable financial regime, a regular process for bidding for acreage and it is attracting credible large explorers including Woodside, Shell, Anadarko, and Statoil.

But New Zealand also has significant challenges for us. It is inevitably high cost due to its remoteness from major centres of oil activity.

Its geology is challenging, with a limited data set for such a vast area.

As community interest in our activities increases, their expectations are heightened.

We have a new regulator, the EPA. They are bedding in their new legislation and regulatory framework. This is welcomed by the industry, however new relationships do take time to develop and become effective.

New Zealand Oil & Gas is well-placed to take advantage of the opportunities that New Zealand provides. We believe we have established ourselves as the New Zealand partner of choice and our efforts to work with local communities have borne fruit.

We are now an active explorer, regularly taking up and releasing acreage, maintaining a diverse portfolio of inshore and deepwater opportunities in the traditional basin of Taranaki and further afield in the Canterbury and Great South basins.

Outside New Zealand we are very pleased with the progress our Indonesian interests.

Development and production can be expected within the next calendar year and the results of seismic work recently carried out are likely lead to further drilling opportunities

Finally, we will enhance the focus on our costs. While we consider we currently benchmark well against competitors we will ensure we have set our overheads to a level commensurate with the operations of a safe and cost-effective company

Capital management

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The company has a robust balance sheet with no debt, and in the near term we expect increasing cash flows from increased levels of production at Tui.

Consequently, our cash on hand will grow well beyond what the business requires for its planned activities.

Accordingly, with a view to improving the balance sheet performance of the company the board has resolved to make a capital reduction equal to 15 cents per share, which equates to approximately \$60 million. The details of this will require approval from shareholders and an extraordinary meeting will be held promptly – hopefully before Christmas.

Dividends

While our cash flows will be strong, the company is not in a tax-paying position. This is largely a consequence of New Zealand exploration expenses being immediately tax deductible. We are not generating imputation credits. Consequently the board does not expect to declare dividends for the near term.

So in summary, we have a refreshed board, we have refreshed strategic perspective and we will re-sharpen our focus on costs and creating an efficient balance sheet.

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

As you will shortly hear from Andrew they have been busy and have an exciting work program for the future.

Thanks very much, and I would now like to invite Andrew Knight to speak to you.

Ends

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