

30 October 2017

Chair's Address, Annual Meeting

REMARKS OF THE CHAIRMAN OF NEW ZEALAND OIL & GAS. MR RODGER FINLAY, AT THE 2017 ANNUAL MEETING

Te Wharewaka Function Centre,
109 Jervois Quay, Wellington
10am on Monday, 30 October 2017.

Ladies and gentlemen,

[Board introductions]

It is my pleasure to report on a healthy year.

We recorded a net profit after tax attributable to shareholders of more than \$62 million.

This result was achieved by trimming the ship for the prevailing weather conditions, and by making some tough decisions to realise the fruits of our investment.

We sold our most significant asset, Kupe for a sum that considerably exceeded the market's valuation at the time. That decision captured value achieved through our excellent subsurface expertise.

And, since, we have been able to apply that expertise to finding new assets where we believe similar opportunities are available.

We exited our late life asset and also lower-priority parts of our exploration portfolio.

We are looking to manage our cash to get the best results for shareholders from the assets that remain.

Our share price was up solidly before the takeover offers landed, and it is up even further as a result of the company value reflected in those offers.

You received half of your investment back in cash.

The board has not needlessly hung onto cash, yet we also have positioned the company to acquire new assets.

One example is the acquisition of Mitsui's smaller share of Kupe.

The election delayed regulatory approvals for that transaction, but now that we have a new government I hope to see the sale finalised.

Even though the books won't recognise the 4% interest in Kupe before the transaction formally completes, we will eventually book the cash flows from 1 January this year, and those can sustain a dividend.

That's why I am glad that on Friday this week you will receive your dividend of 4 cents per share.

If we can add new production assets suitable for our size and capability, then we can see the potential for your returns to grow.

We will take into account several factors:

The outcome of the takeover activity and the strategy that shareholders choose to extract the most efficiency from capital invested in the business;

The mix of assets and investments that we choose across risk exposures, onshore or offshore, jurisdictions, scale, and oil- or gas-focused production; and

The changing political environment in New Zealand and internationally, changing international markets and demand for oil and gas, and the decisions we make about management of our investment risk.

We have a new government, and a new minister, and they bring new perspectives about the economy and our industry.

I look forward to a constructive working relationship with the new government.

Changing governments are part of democracy, and democracies are more stable and transparent places to do business. It's the job of business to adapt to changing regulatory environments, express our perspective and listen carefully to the viewpoints of others.

I welcome the new government's emphasis on science, regional development, climate change, export growth and higher wages. We can help with the solutions to all of these issues.

We will point out to the new government that the oil and gas industry in New Zealand is the most productive industry - it returns the highest wages per dollar of capital invested.

The productivity gains are enjoyed not only by people directly employed in the industry but also by others in the regions where we are active.

Shortly Andrew Jefferies is going to present a study of the impact that a discovery in the Great South or Canterbury basin would have on the Canterbury, Southland and Otago economies. Those are regions I am personally passionate about - it's where I grew up and where my wife and I are raising our family today.

If we find oil and gas there, we will transform those regions for the better.

The incoming government is establishing a climate commission to look at the transition to a low carbon economy. We can help by using gas as a transition fuel.

For further information please contact:

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Gas is abundant, clean, it can replace coal for many industrial heating uses while emitting much less carbon, and it sells at competitive commercial prices.

No other energy source presents that mix of advantages.

That is why our strategy is to invest with a preference for gas. We see demand for gas being sustained over the decades-long transition.

Ultimately the decision about strategy will be determined by the outcome of the Ofer Global takeover offer.

Independent directors had the responsibility of analysing competing strategies.

Ofer Global bring transformational scale to New Zealand Oil & Gas. With their capability behind the company, we can maximise the opportunities available for investment, and benefit from the investment skill that Ofer Global's conservative reach and experience can bring.

I appreciate the warm expressions of confidence that Alastair McGregor and Ofer Global made about New Zealand being the right place to do business and their kind words about our company.

One of the most striking comments Ofer Global has made has been that they see a values alignment with our company.

We express our values in our community and stakeholder relations. This work was commenced by our former CEO, Andrew Knight, to whom we are extremely indebted.

I am proud of the work we are doing to build relationships, which we have sustained even as our asset mix and investment focus has been changing.

You can see our work reflected in our sustainability reports - we are transparent about going to our community and asking how they think we have been performing through the year. Then we publish those comments for the world to see.

I commend those comments to you, and I would like to quote from this year's report card, which is published un-amended on our community panel website:

"We found New Zealand Oil & Gas continued to build trust with the panel and to have open engagement. They have collaborated on funding decisions after a robust process."

"Engagement has been genuine and of a high quality."

I'll give you one example of how that makes a difference in practice:

The question local communities ask us about the most is, "How do we benefit from your activity?"

You will see the answer to that when Andrew Jefferies outlines the regional impact study we did in Canterbury.

We took the question to heart this year and adopted a local economic content policy as a direct result of community input.

It commits to making a difference in a commercial, but helpful way.

For example, if we have a discovery we would expect to establish a local purchasing function, showing local business how they could take advantage of the contracting opportunities a development would bring.

We can help local suppliers meet the quality, safety and social responsibility standards we require. Then, those benefits will extend to every part of the economy that interacts with those suppliers.

If we lift the health and safety capability of someone who supplies us with transport, or scaffolding, or other services, then their business is improved for the long-term as well as ours.

So I am delighted that Ofer Global has recognised the value that our community relationships and social responsibility bring to our business.

I want to warmly endorse the comments that Alastair has made in interviews about our world-class portfolio, and about our chief executive and the team he has assembled.

Ofer Global has proposed ongoing investment in exploration, development and production.

They believe this is the right time in the cycle to make investments, and they have committed to maintaining a New Zealand listing for the company so that shareholders can continue to participate.

For their strategy to succeed, they need their offer to succeed. Independent directors unanimously recommend acceptance. I have personally accepted for the shares I own, because I believe that is in the best interests of the company.

We will hear from Alastair shortly.

I should also announce to you that, as of the Substantial Product Holder notice that OG Oil & Gas notified this morning, their offer has already been accepted by 19.492% of shareholders.

Before I leave you, I would like to acknowledge Mark Tume, who is retiring from the board by rotation as of this meeting. We held our final board meeting with Mark this morning.

Mark came onto the New Zealand Oil & Gas board with me six years ago, and I warmly thank him for his service - and I would ask you now to join me in acknowledging his contribution.

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It remains for me to thank you as shareholders for your continued support of the company. We will shortly take questions from the floor, but before we do, I will now ask our CEO, Mr Andrew Jefferies, to report to you.